

I-81 Corridor Finance Update

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Chief Financial Officer

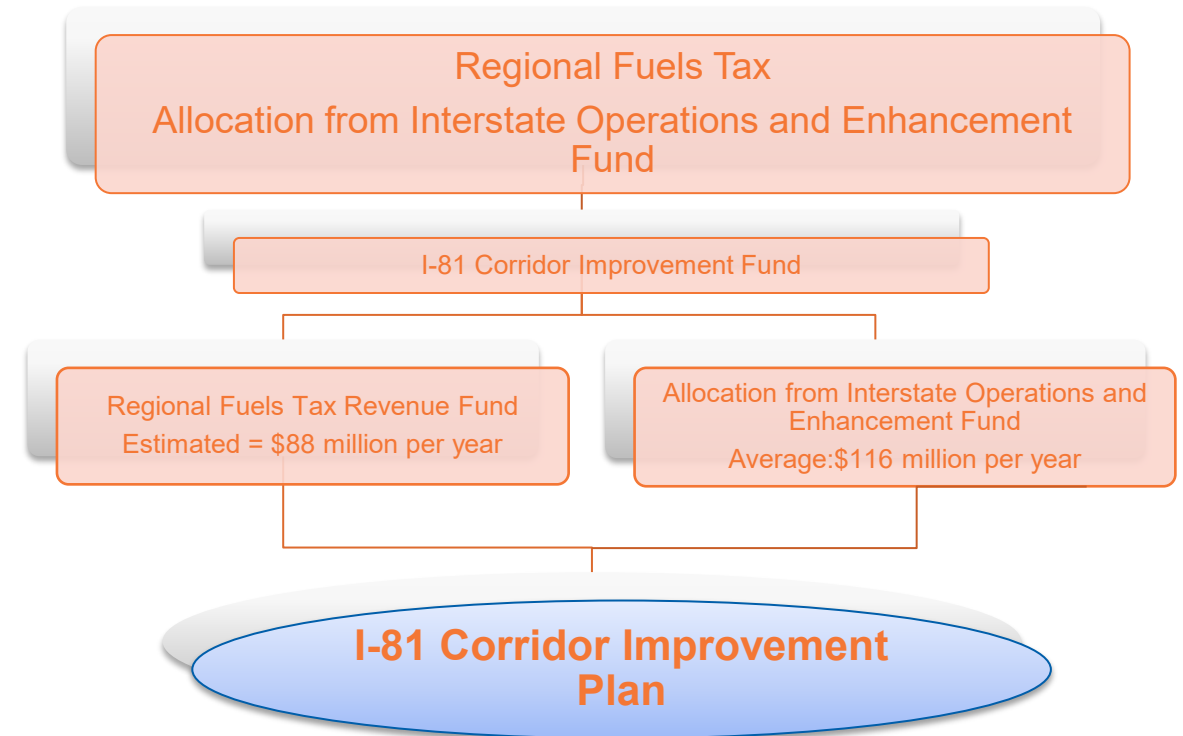
October 2, 2023

Legislative Background

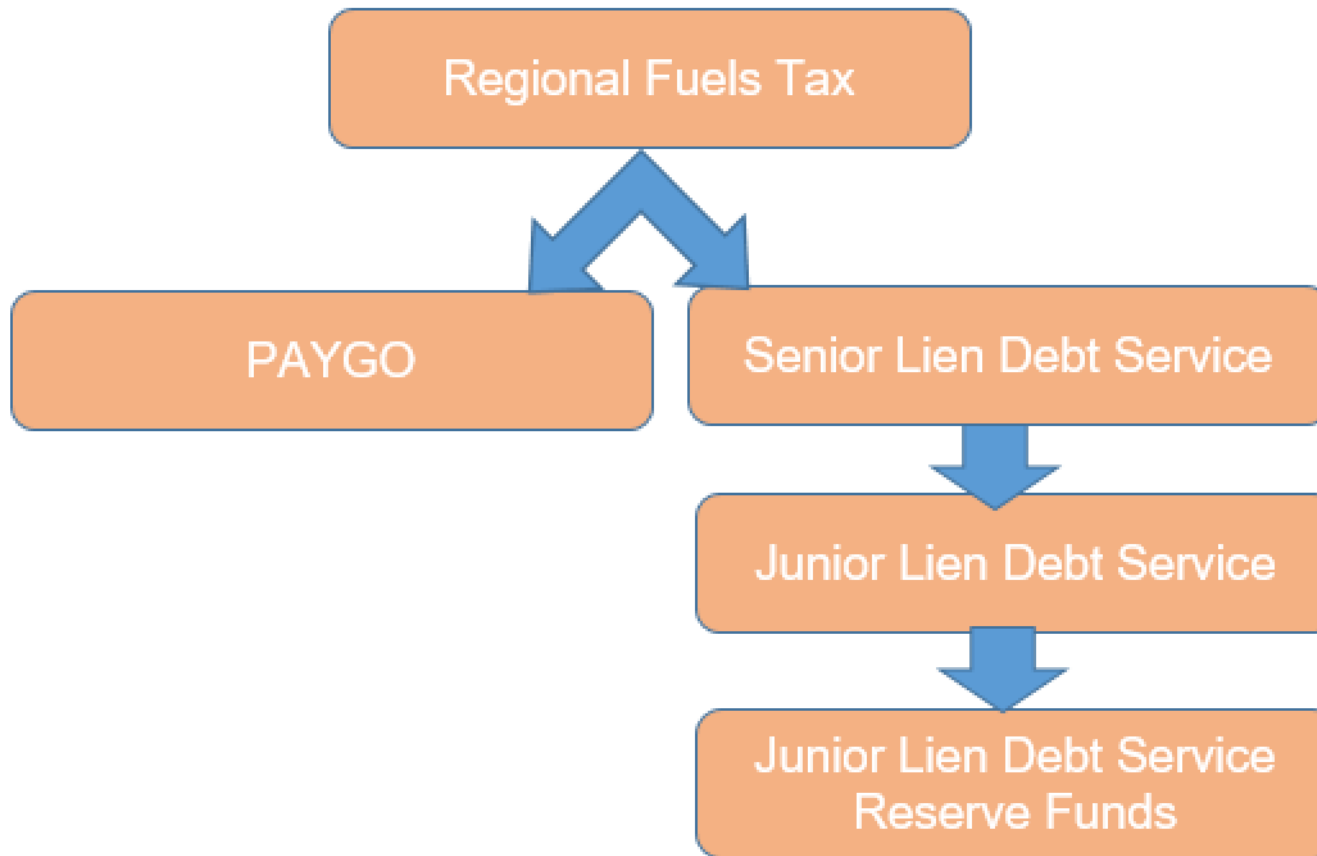
- **Chapters 837 and 846 (HB 2718 and SB 1716, 2019 Session)**
 - Created the Interstate 81 Corridor Improvement Program and Fund
 - Provided new transportation revenues to support the interstate highways and specifically I-81
- **Chapters 1230 and 1275 (HB 1414 and SB 890, 2020 Session)**
 - Authorized the sale and issuance of bonds with an aggregate principal amount not to exceed \$1 billion
 - Changed the localities contributing to fuel tax revenue for I-81 Fund to those through which I-81 passes or cities wholly encompassed by a county through which I-81 passes
 - Provided allocated funding through the Interstate Operations and Enhancement Program (IOEP)

Funding Sources and Structure

- **Dedicated funding for the I-81 Program is deposited in the I-81 Corridor Improvement Fund and includes:**
 - Regional Fuels Tax along the I-81 Corridor
 - Share of statewide revenues from allocation of the IOEP
- **Regional Fuels Tax**
 - July 1, 2019 through June 30, 2020, additional 2.1% tax on gasoline and diesel sold by a distributor to a retail dealer
 - Effective July 1, 2020, changed to a per gallon rate subject to annual CPI-U adjustment
 - Current tax rate as of 7/1/2023: 8.8 cents/gallon gasoline; 8.9 cents/gallon diesel
 - May be leveraged for debt service and paygo
- **Allocation from IOEP**
 - I-81 receives allocation equal to ratio of Vehicle Miles Traveled (VMT) on I-81 by vehicles Class 6 or higher to total VMT on all Interstate highways
 - May provide funding only for paygo



Planned Use of Regional Fuels Tax



Debt service for the program can only be supported by the regional fuels tax collections

Revenue and Expenditures to Date

Interstate 81 Improvement Fund (in millions) Activity to Date

Sources	Actuals Through FY 2023
Regional Fuels Tax	\$296.5
Interstate Operations and Enhancement Program Allocation (State and Federal)	266.0
Other Sources Prior to FY 2021/Other	24.6
Interest Income	8.6
Total	\$595.7
Bonds/TIFIA Loan	203.1
Total	\$798.8

Activity	Total
Expenditures	
Pay-Go Project Expenditures	\$139.7
Bond Fund Project Expenditures	61.1
Debt Service	7.6
Financing Costs	1.1
Total	\$209.5
Balance Remaining	
Fund Balance	\$443.2
Bond Balance	40.2
Federal IOEP Balance	4.1
TIFIA Balance	101.7
Total Available	\$589.3
Expenditures and Balance Remaining Total	\$798.8

Sources – Revenue Performance and Projections

Sources	Actuals Through FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
Regional Fuels Tax	\$296.5	\$88.1	\$91.5	\$94.4	\$96.5	\$98.7	\$100.9	\$866.6
Interstate Operations and Enhancement Program Allocation	266.0	85.8	112.5	120.0	122.4	125.6	134.0	966.3
Other Sources Prior to FY 2021/Other	24.6							24.6
Prior Year Revenue Adjustment		(1.3)						(1.3)
Interest Income	8.6							8.6
Total	\$591.6	\$172.6	\$204.0	\$214.4	\$218.9	\$224.3	\$234.9	\$1,864.8
Planned Debt for Construction	203.1	237.9		272.9	251.4			965.3
Total	\$798.8	\$410.4	\$204.0	\$487.3	\$470.3	\$224.3	\$234.9	\$2,830.1

Estimate Sources:

Regional Fuels Tax estimate provided by the Virginia Department of Taxation, December 2022

Interstate Operations and Enhancement Program, Commonwealth Transportation Fund Six-Year Financial Plan, June 2023

Uses - Support I-81 Corridor Improvement Program

Uses (in millions)	Through FY 2023*	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	TOTAL
Debt Service	\$7.6	\$5.2	\$5.3	\$14.0	\$9.7	\$33.9	\$23.6	\$99.3
Remaining Fuel Tax Revenue	288.9	80.3	85.7	79.9	85.4	64.8	77.3	762.3
Interstate / IOEP Allocation	297.4	85.8	112.5	120.0	122.4	125.6	134.0	997.7
Administration and Financing Costs	1.8	1.3	0.5	0.5	1.5	-	-	5.6
Total	\$595.7	\$172.6	\$204.0	\$214.4	\$218.9	\$224.3	\$234.9	\$1,864.9
Planned Debt to support Construction	203.1	237.9	-	272.9	251.4	-	-	965.3
Total with Planned Debt	\$798.8	\$410.4	\$204.0	\$487.3	\$470.3	\$224.3	\$234.9	\$2,830.1

I-81 Corridor Program – Project Costs

- **The estimated cost of all improvements totals \$3.1 billion, with projects implemented through 2033 (based on the current revenue assumptions and debt model)**
 - **Current Six-Year Improvement Program (SYIP) runs through FY 2029**
 - **§ 33.2-214 of the *Code of Virginia* requires projects funded by Construction Programs (including Interstate Operations and Enhancement Program) to be fully funded to the estimated cost within the SYIP period**
 - **Undistributed balances remain for projects to be fully funded by FY 2033**
- **The program remains:**
 - **Comprised of operational and capital improvements**
 - **No single project exceeds 15.5% of the Program**
 - **Projects are independent of each other**

Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan

- Remaining debt planned for the program is assumed to be additional TIFIA loans
- Proposed structure allows for maximized TIFIA program benefits
 - Rural loan – allows for financing of up to 49% of project costs at one-half 30-year U.S. Treasury rate (For projects less than \$100 million in total costs)
 - Regular/non-rural loan – allows for financing of up to 33% of project costs at 30-year U.S. Treasury rate (no project size limitation)
- Repayment term – 35 years after substantial completion
- Flexible payment structure and draw period of up to one-year after substantial completion

TIFIA Program allows VDOT to advance projects with the use of debt financing

Debt Issuance Plan

- **The I-81 Regional Fuels Tax revenues will support all debt issued**
- **Will not impact debt capacity of the Commonwealth**
- **Mixture of municipal bonds and Transportation Infrastructure Financing Innovation Act (TIFIA) loans over the life of the program**

	2021 Bonds	2022 TIFIA Loans	Future Financings	Total
Funded Costs (in millions)				
Senior Lien Bonds	\$101.9	\$ -	\$ -	\$101.9
Senior Lien Rural TIFIA Loan	-	14.9	133.6	148.6
Junior Lien Regular TIFIA Loan	-	82.6	629.4	712.0
Total	\$101.9	\$101.5	\$762.0	\$962.5

Preliminary, Subject to change, based on latest model

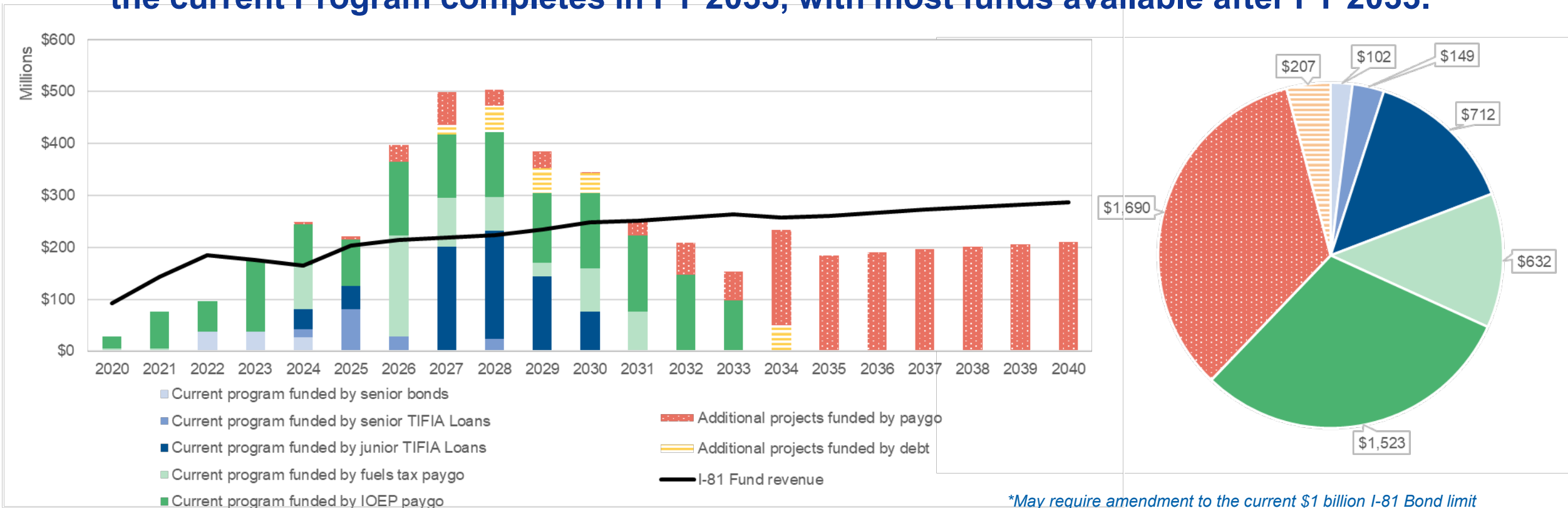
Project Status in SYIP – I-81 Corridor Plan

- **Two of the originally prioritized projects remain to be added to future SYIPs, pending sufficient allocations to fully fund them within the six-year window:**
 - **UPC 116196 Add northbound lane from MM 116 to MM 128 (2023 estimate: \$360 million)**
 - **UPC 116281 Widen to 3 lanes northbound and southbound from MM 313 to MM 317 (2023 estimate: \$333 million)**
- **Current revenue projections support completing the original I-81 program by 2033**

Extended Financial Outlook for I-81 Program

Preliminary Funding by Year and Source

- The current I-81 Program of \$3.1 billion is fully funded by a mix of IOEP and fuels tax pay-go as well as multi-lien fuels tax debt.
- Nearly \$1.9 billion* in additional project costs can be supported through FY 2040, after the current Program completes in FY 2033, with most funds available after FY 2033.



Potential for Additional Projects in the Plan

- **The Corridor Plan initially identified 106 projects for consideration and prioritized 64 projects for funding**
- **Additional projects from the original list could be amended to the Corridor Plan so that the Department is positioned to add projects to the SYIP as revenues support them**
- **Current revenue projections support the completion of additional projects estimated at \$1.9 billion by 2040 (preliminary, may require additional debt capacity)**
- **Five additional projects were identified beyond the original 64 capital projects**
- **These projects represent the most complex, highest risk segments of the remaining capital projects from the Corridor Plan**

Additional Projects

VDOT has continued concept refinement for the next five major capital improvement projects that were identified in the I-81 CIP, but not included in the funding program that address delay, crashes and accessibility to jobs

District	Location	VDOT Preliminary Cost Estimates	
		Low Range*	High Range*
Salem	Southbound widening between Exits 137 and 128	\$246	\$308
Staunton	Northbound widening MM 190 – Exit 195	111	141
Staunton	Southbound widening Exit 195 – MM 190	103	130
Staunton	Northbound widening between Exits 298 and 300	53	66
Salem	Northbound/southbound realignment of S-curves in Botetourt (MM 167- Exit 168)	159	243
Total Cost		\$672	\$888

**Estimates are in millions and are provided as uninflated in 2022 dollars.*

Preliminary analysis indicates these projects could be delivered by FY 2038 at an estimated inflated cost of \$1.5 billion (using the high range of the estimates provided).

Summary

- **Updates to project estimates (to reflect market conditions), refined project scoping, and debt assumptions extended delivery of the original program of projects by one year.**
- **Revenue and allocations that support Interstate 81 Improvements continue to remain strong to support project delivery.**
- **Capacity for additional projects will begin to be available from the program's current funding sources in the 2030s.**