



NORTH CAROLINA

Department of Transportation



GARVEE Bonds, TIFIA and State Infrastructure Bank

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Transportation Traditional Financing Techniques

1. Cash to Capital or “Pay-as-you-go”
2. General Obligation Debt
 - Backed by full faith and credit of State
3. Transportation Revenue Backed Borrowing
 - Backed by some portion of State Transportation Revenues

Transportation Innovative Financing Techniques

Project Revenue Backed Borrowing

- Backed by revenues of specific project – TriEx and Monroe Bypass
- Borrowing from the US Department of Transportation

Transportation Infrastructure Finance and Innovation Act (TIFIA)

- Backed by revenues of specific project – TriEx and Monroe Bypass
- Borrowing from the US Department of Transportation

Private Investment

- Privately owned roads
- Public Private Partnerships (P3)

Grant Anticipation Revenue Vehicle (GARVEE)

State Infrastructure Bank (SIB)

- Capitalized with Federal Revenue

State Transportation Infrastructure Bank (STIB)

- Capitalized with State Revenue

North Carolina GARVEE Legislation

GARVEE (Grant Anticipation Revenue Vehicle) Bonds

- Revenue bond where debt service is paid *solely from future federal revenues*
- Provides up front funding for major highway projects

GARVEE Act

- North Carolina General Statute § 136-18 (12b) as codified by Session Law 2005-403
- Authorized the issuance of bonds to accelerate federally-funded projects
- Finances improvements to the Federal Highway System
- Allows for Recurring Bond Issuance

Debt Limits (Either/Or Test)

- Outstanding Principal may not exceed total Federal Transportation Funds authorized in the prior Federal Fiscal Year or
- Total Debt Service may not exceed 15% of the expected Annual Federal Transportation Revenue

“Evergreen” Program

- Flexibility in project selection and substitution

GARVEE Program

- Bonds were issued in multiple series:
 - Issued:

• 10/17/2007	\$287.6 million	
• 08/05/2009	\$242.5 million	
• 12/28/2011	\$145.5 million	Ratings: A2/AA/A+
• 01/26/2012	\$179.5 million	Average Interest Cost: 2.993%
• 05/28/2015	\$264.9 million	
- Bonds structured with overall level debt service to achieve maximum coverage levels
 - 2007, 2009 and 2011 - 12 year planned amortization
 - 2012 - 7 year planned amortization
 - 2015 - 15 year planned amortization
- Total Outstanding Debt as of October 31, 2016 - \$675.3 million

Summary of GARVEE Project Funding

<u>Description</u>	<u>STIP #</u>	<u>Prior Years Bonds Including Premium</u>	<u>Future Years GARVEE Bonds</u>	<u>Total Project Costs</u>	<u>Percentage of Cost</u>
I-40/NC 801 Interchange	B-3637	10,094,181		11,697,265	86%
Oregon Inlet Repair	B-5014A	11,745,207		16,877,774	70%
I-85 in Rowan County	I-2304AC	122,175,372		151,420,687	81%
Asheville New Route North of SR3548	I-2513B & RW, I-2513C & RW		369,250,000	492,400,000	75%
I-40 in Wake County	I-4744	40,418,572		51,455,250	79%
US 70 Havelock Bypass	R-1015		120,000,000	160,000,000	75%
Winston-Salem Northern Interchange	R-2247EB		75,000,000	113,000,000	66%
New Bern By-pass	R-2301A	31,118,939		41,210,934	76%
US-17 in Beaufort	R-2510C	3,201,121		8,019,425	40%
Goldsboro By-pass	R-2554BA	68,152,567		68,808,739	99%
Mid-Currituck Bridge	R-2576		129,000,000	411,303,000	31%
US-311/Future I-74	R-2606B	89,360,000		104,734,142	85%
Wilmington By-pass	R-2633AA	31,050,000		70,353,545	44%
Wilmington By-pass	R-2633BA/BB	150,000,000		214,253,971	70%
US 74 Shelby Bypass	R-2707D & RW, R-2707E & RW		68,550,000	91,402,000	75%
Southern Wake Freeway	R-2721		75,000,000	300,102,000	25%
Rolesville By-pass	R-2814B	28,067,500		52,311,443	54%
Rocky Mount Connector	R-2823	31,317,889		33,489,750	94%
Southern Wake Freeway	R-2828		168,000,000	465,302,000	36%
Monroe By-pass	R-3329 & RW	158,716,033		581,687,303	27%
Independence Blvd	U-209B	38,542,170		155,252,748	25%
Fayetteville Outer Loop	U-2519AA/AB		120,000,000	160,200,000	75%
Greensboro Western Loop	U-2524C	102,375,000		141,225,047	72%
Winston-Salem Northern	U-2579AA/AB		120,000,000	212,700,000	56%
Winston Salem Loop	U-2579B	47,625,000		161,699,947	29%
Winston-Salem Northern Beltway	U-2579C & RW		42,513,750	68,785,000	62%
Winston Salem Northern Beltway	U-2579D/E/F		125,600,000	167,475,000	75%
NC 119 in Alamance County	U-3109A		30,000,000	49,100,000	61%
New Route in Alamance	U-3110B	10,543,946		12,747,586	83%
30 projects prior years bonds	Various	254,066,030		351,802,052	72%
Totals		1,228,569,527	1,442,913,750	4,920,816,608	

Transportation State Infrastructure Bank

The State Infrastructure Bank (SIB) is an investment fund that offers loans and other types of financial assistance to transportation facilities and projects that will contribute to meeting the State's transportation goals.

- Established by Session Law 1997-428
- G.S. 136-18 allowed for NCDOT to establish, administer and receive federal funds for the SIB
 - Federal funds in the amount of \$1,020,000 along with state match of \$255,000 were used to capitalize the SIB in March 1998
- March 2014 - OSBM gave approval for NCDOT to transfer \$240,000 from airport development appropriations to create an aviation SIB for airport related projects.
- Session Law 2004-124 included language to create a State SIB by appropriating \$750,000 to be used by municipalities and local governments for transportation facilities and projects.

Transportation SIB - Eligible Uses

- Federal SIB projects must be Title 23 or Title 49 eligible.
- Projects can include local transit and highway capital programs for new construction, improvement, renovation and rehabilitation, etc.
 - ❖ Local agencies that provide transportation services, such as cities, counties and not-for-profit transportation authorities can apply. Funds can be used for local match for these entities as well.
- Applicants complete an application form, a loan agreement and must provide a business plan and collateral.
- Interest rate has typically been 4%, but is set at the time of the loan based on the Treasurer's interest rate in effect at the time of the loan

Transportation SIB - Loan Terms

- Loans of less than \$2M may not have terms in excess of **3 years** beyond the completion of the project.
- Loans of \$2-\$5M may not have terms in excess of **5 years** beyond completion of the project.
- Loans of \$5-\$10M may not have terms in excess of **10 years** beyond completion of the project.
- Loans in excess of \$10M may not have terms in excess of **30 years** beyond completion of the project.

State Transportation Infrastructure Bank (STIB) Opportunities

Considerations –

- How to capitalize STIB
- Eligible transportation projects
- Eligible borrowers
- Guidelines governing loans
- Available revenues to repay borrowings
- Role of Treasurer and Local Governments Commission (LGC)
- Role of NCDOT

State Transportation Infrastructure Bank (STIB) Opportunities

Direct Loan Programs

- Revolving loan program is repaid to make additional loans
 - STIB assumes substantial risk
 - Money “recycles” very slowly
- Enhance viability for projects by financing a portion of a project on a long term super-subordinate debt basis
 - Behind senior and subordinate debt
- Provide low cost pre-construction financing on a short-term basis
 - Repaid from the proceeds of the permanent construction financing and then loaned again
 - STIB assumes risk during feasibility study phase
- Pay interest on other debt during construction and early years of operations
 - STIB assumes risk during construction and initial operating years
 - Behind senior and subordinate debt

State Transportation Infrastructure Bank (STIB) Opportunities

Leveraged Loan Programs – Option 1: STIB Bonds

- Diversified loan portfolio
- Large number of borrowers
- State pledges annual loan repayment revenue to repay STIB bonds
 - Credit rating depends on the loan portfolio
 - State backstop could enhance STIB debt
- Money “recycles” faster than an unleveraged direct loan program

Leveraged Loan Programs – Option 2: Credit Enhancement

- Make no loans
- STIB capitalization put into a stand-by reserve in case project revenues fall short
- Project sponsors borrow money for their projects
 - STIB stand-by reserve stands behind project sponsor debt
 - Works like credit insurance
 - Set up as lines-of-credit for projects to fund shortfalls
 - Cannot double commit reserve

Transportation Infrastructure Finance and Innovation Act (TIFIA)

Triangle Expressway (TriEx)

- Outstanding Balance \$430.4 M
- Interest rate 4.25%
- First payment January 1, 2016
- Anticipated Final Maturity January 1, 2041
- Investment grade rated – Fitch

Monroe Expressway

- \$166.5 M loan
- 3.08% interest rate
- First payment January 1, 2021
- Final maturity July 1, 2053
- Investment grade rated – Moody's and S&P

Questions?