



House Select Committee
*GARVEE Bonds and
State Infrastructure Bank
November 14, 2016*

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Transportation Traditional Financing Techniques

Cash to Capital or Pay-as-you-go

General Obligation Debt

- Backed by full faith and credit of State

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
- Borrowing from the US Department of Transportation

Transportation Infrastructure Finance and Innovation Act (TIFIA)

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

Private Investment

- Privately owned roads
- Public Private Partnerships

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
• 01/26/2012	\$179.5 million
• 05/28/2015	\$264.9 million

Ratings: A2/AA/A+

Average Interest Cost: 2.993%

- 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.



Transportation SIB Loan History

Applicant	Purpose	Term/Interest Rate	Amount	Outstanding Balance	SIB
City of Greensboro	Rehabilitation of Greensboro Southern Railway Passenger Depot	3 years/4%	\$1,575,000	-\$0-	Federal SIB-Funds returned to capitalization account due to Greensboro not using funds.
City of Rocky Mount	Bus Purchase	3 years/4%	\$137,354	-\$0-	Federal SIB
City of Rocky Mount	Bus Purchase	3 years/4%	\$60,000	-\$0-	Federal SIB
City of Gastonia	Bus Purchase	3 years/4%	\$180,242	-\$0-	Federal SIB
Halifax-Northampton Regional Airport Authority	Runway	3 years/4%	\$240,000	\$193,569.59 Date of last payment – 8/28/2013	Aviation SIB
Halifax-Northampton Regional Airport Authority	Runway	3 years/4%	\$350,000	\$282,288.96 Date of last payment – 8/28/2013	State SIB
Halifax-Northampton Regional Airport Authority	Runway	3 years/4%	\$311,111	\$250,923.45 Date of last payment – 8/28/2013	State SIB
Princeville Visitor Center and Transportation Museum	Fiscal closeout of expenditures of center and museum	6 months/4%	\$11,000.23	-\$0-	Federal SIB



State Transportation Infrastructure Bank (STIB)

Issues to Consider—

- 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 NC DOT



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





Questions ?

