Central Virginia Transportation Authority

PFM Presentation

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Background

- CVTA has committed $104.5 million for the Fall Line Trail projects and $5.4 million for projects in Goochland, New Kent, Powhatan and Charles City Counties, totaling $109.9 million, fully programming its FY 2021 & FY 2022 regional revenues
- On April 29, 2022, CVTA approved and programmed $276.39 million regional revenues to fund 30 projects in FY 2023 – FY 2026
- Subsequently, on June 17, 2022, CVTA committed to contributing $100 million towards the I-64 Project

CVTA's Actual & Projected Revenues

- The Authority's actual revenues in FY 2021 & FY 2022 and projected revenues for FY 2023 – 2026 is shown below:

$ in millions	FY21 Actual	FY22 Actual	FY23 Forecast*	FY24 Forecast*	FY25 Forecast*	FY26 Forecast*	TOTAL FY21 – FY26
Sales Tax Revenues	$94.8	$156.2	$131.8	$135.6	$139.0	$139.8	$797.2
Fuels Tax Revenues	$42.5	$49.4	$61.1	$61.9	$62.4	$63.0	$340.3
Total Revenues	$137.3	$205.6	$192.9	$197.5	$201.4	$202.8	$1,137.5
Regional Uses (35%)	**$48.1**	**$72.0**	**$67.5**	**$69.1**	**$70.5**	**$71.0**	**$398.2**
Local Uses (50%)	$68.7	$102.8	$96.5	$98.8	$100.7	$101.4	$568.9
GRTC (15%)	$20.6	$30.8	$28.9	$29.6	$30.2	$30.4	$170.5

**Source: Forecasted revenues from VDOT dated December 2021.*

Sources & Uses of Funds

- If the funding for I-64 Project is needed on or before FY 2026, CVTA may need to issue debt to fund all approved projects

Sources & Uses of Funds	
Sources:	
FY 2021 – FY 2022 CVTA Regional Revenues (actual)	$120.1 million
FY 2023 – FY 2026 CVTA Regional Revenues (projected)	$278.1 million
Total Sources	**$398.2 million**
Uses:	
FY 2021 – FY 2022 Approved Projects	$109.9 million
FY 2023 – FY 2026 Approved Projects	$276.4 million
Addition of I-64 Project	$100.0 million
Total Uses	**$486.3 million**
Shortfall	**$88.1 million**

What to Consider in Determining Debt vs. Pay-As-You-Go

- Currently, to accommodate PAYGO funding of I-64 to occur within the next four-year horizon, CVTA is extending the timeline of the funding for other previously approved projects to FY 2027 & FY 2028, allocating additional out year revenues
- After fully funding CVTA's regional reserve targets and all the approved projects, approximately $20 million of PAYGO capacity will remain to fund new projects in FY 2027 & FY 2028
- On the other hand, if CVTA were to issue debt to fund I-64, the Authority will have approximately $120 million to program and allocate to new projects in FY 2027 & FY 2028
- When CVTA formally updates its six-year plan in FY 2024 to prioritize and approve FY 2025 – FY 2030 projects, the Authority should consider a myriad of factors, including :
  - Previously approved projects that may no longer require funding
  - Previously approved projects that may require additional funding
  - New projects
  - Programming additional out year regional revenues
  - Cash flow
- After evaluating these variables, CVTA may elect to issue debt to fund certain projects

How to Evaluate CVTA's Debt Affordability

- Most of CVTA's member localities use a debt service as % of Budget (expenditures or revenues) and a debt to assessed value ratio to measure its General Obligation Bonds debt capacity
- The industry standard ratio used to evaluate dedicated tax backed bonds and revenue bonds is known as a debt service coverage (DSC) ratio
- The DSC is a ratio of net revenue available for debt service in a given year divided by annual debt service
  - 35% of CVTA Revenues for regional purposes (or a portion of the regional revenues that is pledged) would be in numerator
  - Often times evaluated with maximum annual debt service ("MADS") in the denominator

$$\textbf{Debt Service Coverage} = \frac{\text{35\% of CVTA Revenues}}{\text{Annual Debt Service (or Maximum Annual Debt Service)}} = \frac{\$70\text{M}}{\$35\text{M}} = 2.0 \text{ times (x)}$$

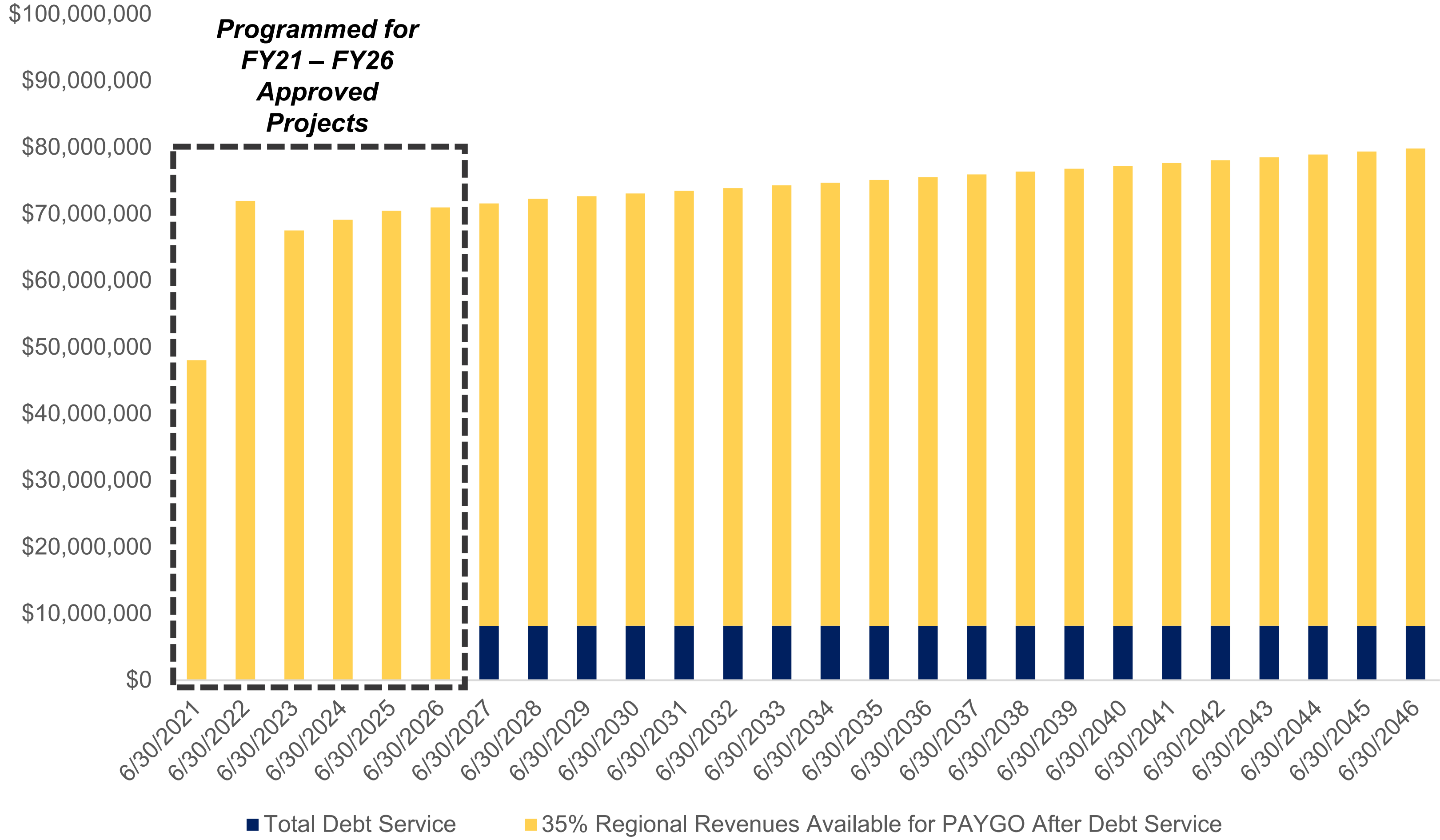
- High ratings typically follow higher coverage, all other factors held equal

Potential Initial Debt Issuance

- As an example, assume CVTA funds $100 million of project costs via debt on June 1, 2026
- Of CVTA's regional revenues, **only pledge the sales tax revenues** for conservatism with fuels tax revenues available for PAYGO projects and funding of any operating or working capital reserves
- 20-year principal amortization with a level debt service structure
- Fully bond-funded Debt Service Reserve Fund assumed a Maximum Annual Debt Service
- 20-year historical average of rates plus 50 bps of planning spread, resulting in a borrowing rate of approximately 4.25%
- Results in Annual Debt Service of approximately **$8.2 million, beginning in FY 2027 and ending FY 2046**

Potential Initial Issuance – Annual Net Cash Flows

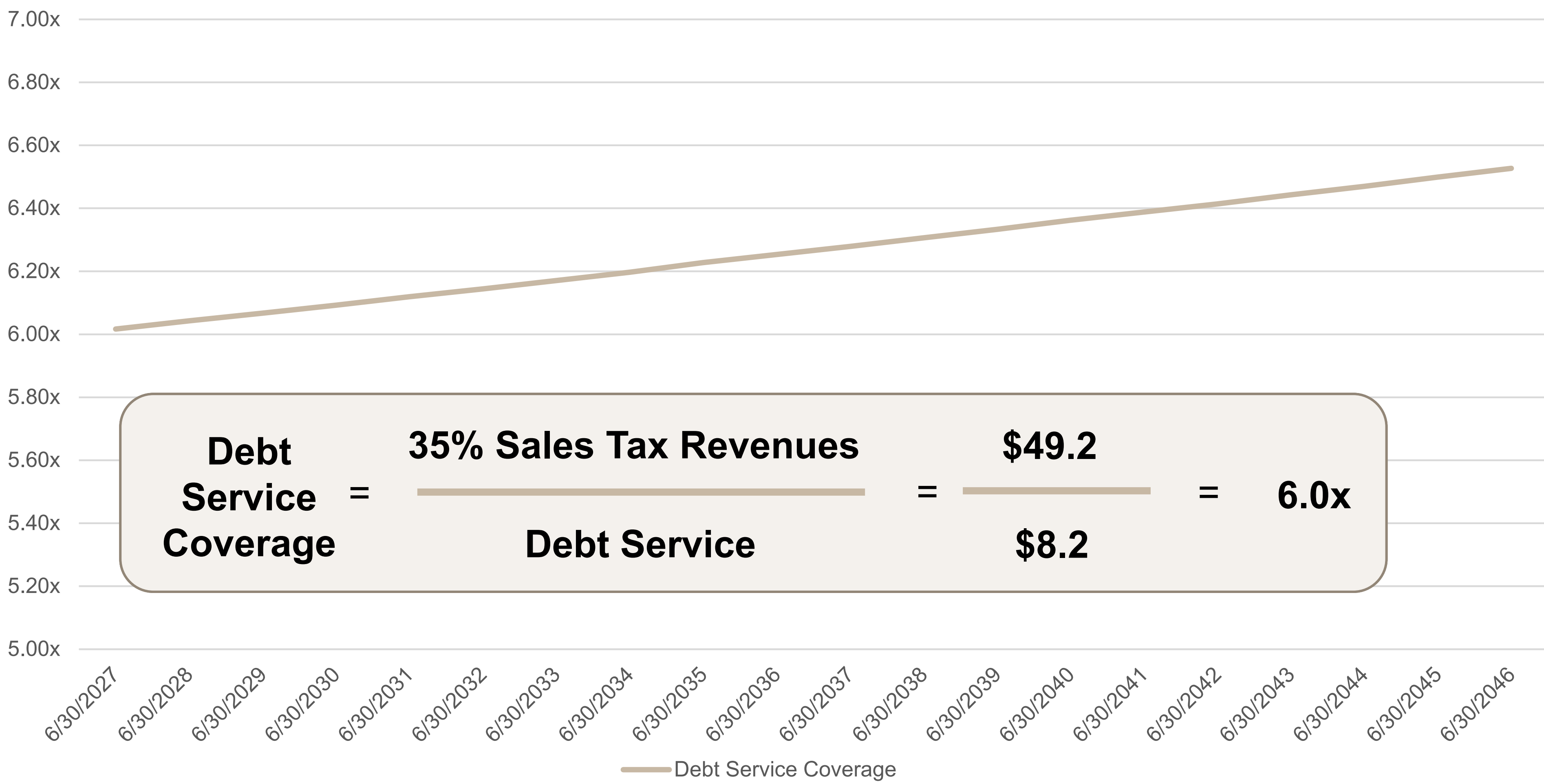
Assuming a $100 million debt issuance, approximately $63 to 72 million each year will be remaining for PAYGO projects or funding reserves from FY 2027 to FY 2046.



**Note: sales tax revenues assume 0.4% annual growth from FY28 & beyond, fuels tax revenues assume 0.8% annual growth from FY29 & beyond.*

Potential Initial Issuance – Debt Service Coverage

Assuming a $100 million debt issuance, coverage will be exceptionally strong, ranging from 6x to 6.5x using sales tax revenues.



$$\text{Debt Service Coverage} = \frac{\text{35\% Sales Tax Revenues}}{\text{Debt Service}} = \frac{\$49.2}{\$8.2} = 6.0\text{x}$$

**Note: Coverage calculated using sales tax revenues only. Sales tax revenues assume 0.4% annual growth from FY28 & beyond.*

Comparable Structures

If CVTA's targets a minimum debt coverage of 2.0x, the Authority will likely be rated in the AA-category. At 2.0x coverage ratio, CVTA can issue approximately $300 million in debt.

	NVTA Senior Lien	HRTAC Senior Lien	I-81 Senior Lien
Pledged Revenues	Sales ($270m)	Sales ($146m) & fuels ($55m)	Fuels ($71m)
Moody's/S&P/Fitch	Aa1/AA+/AA+	Aa2/AA/AA+ (long term bonds)	Aa1/AA-/NR
As of Date	*June 2020*	*August 2021*	*July 2021*
Select Features			
Additional Bonds Test (Historical Rev./Max. Annual Debt Service)	2.0x	2.0x	2.0x

Considerations

- CVTA's bond structure will essentially be a sales tax-backed revenue bond
- Debt service Coverage is the key measure of debt affordability in revenue bonds
- Rating agencies will put a strong focus on coverage when evaluating CVTA's debt
- Based on rating agency criteria and other regional transportation credits in Virginia, 2.0x debt service coverage is a reasonable threshold for CVTA
- The timing and amount of debt issuances will vary based on the nature of project needs, cash flow needs and as CVTA consider its future six-year plans

Q & A