



Central Virginia Transportation Authority

PFM Presentation to the Finance Committee

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Background

- CVTA has committed \$104.5 million for the Fall Line Trail projects and \$9.4 million for projects in Goochland, New Kent, Powhatan and Charles City Counties, totaling \$113.9 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	\$113.9 million
FY 2023 – FY 2026 Approved Projects	\$276.4 million
Addition of I-64 Project	\$100.0 million
Total Uses	\$490.3 million
Shortfall	\$92.1 million



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

- ◆ CVTA is contemplating on formally updating its six-year plan every two years
- ◆ Under this approach, next update will take place in FY 2024 to prioritize and approve FY 2025 – FY 2030 projects
- ◆ At that point, CVTA will have to consider a myriad of factors:
 - 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

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

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



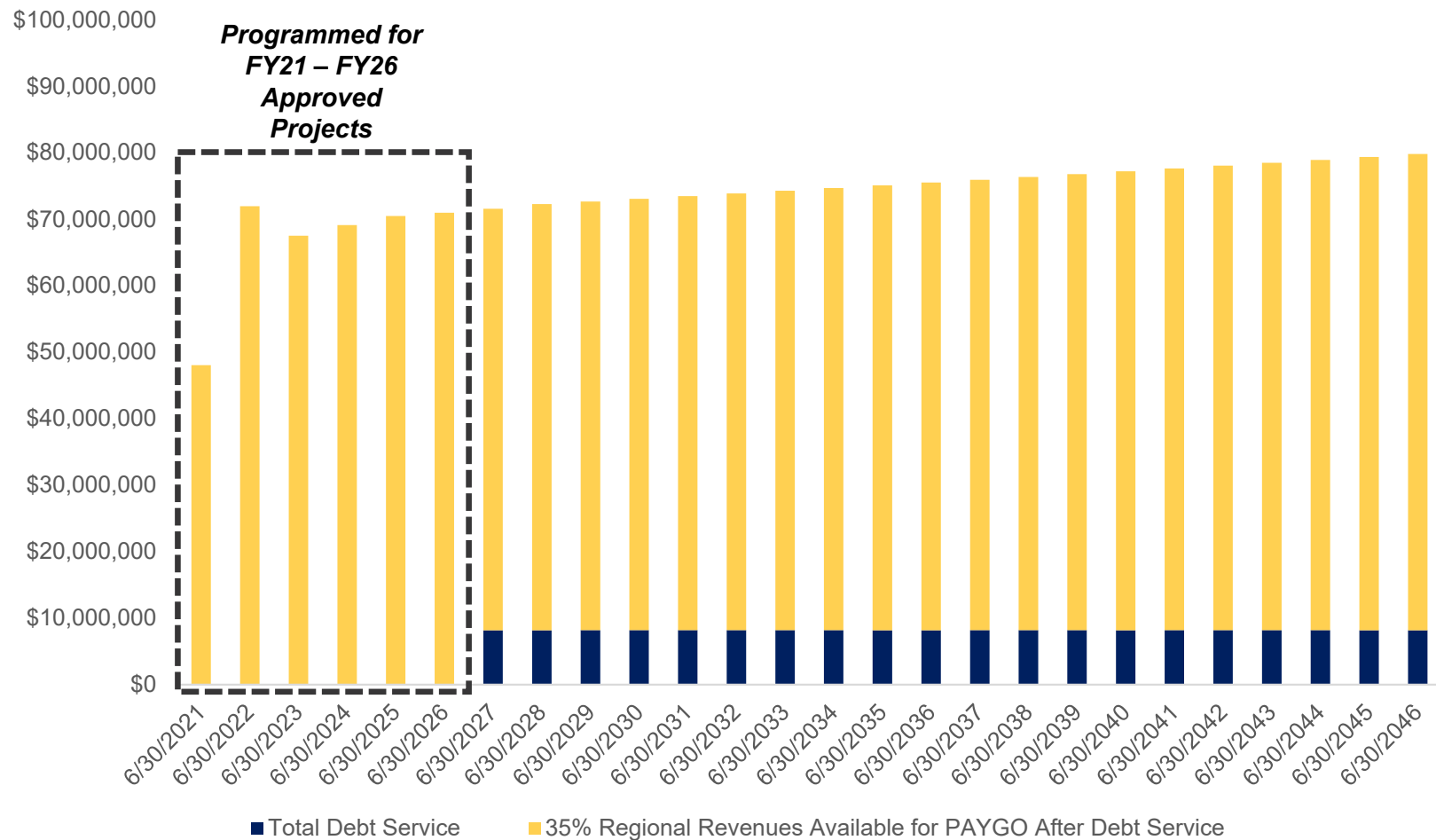
Potential Initial Debt Issuance

- 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.

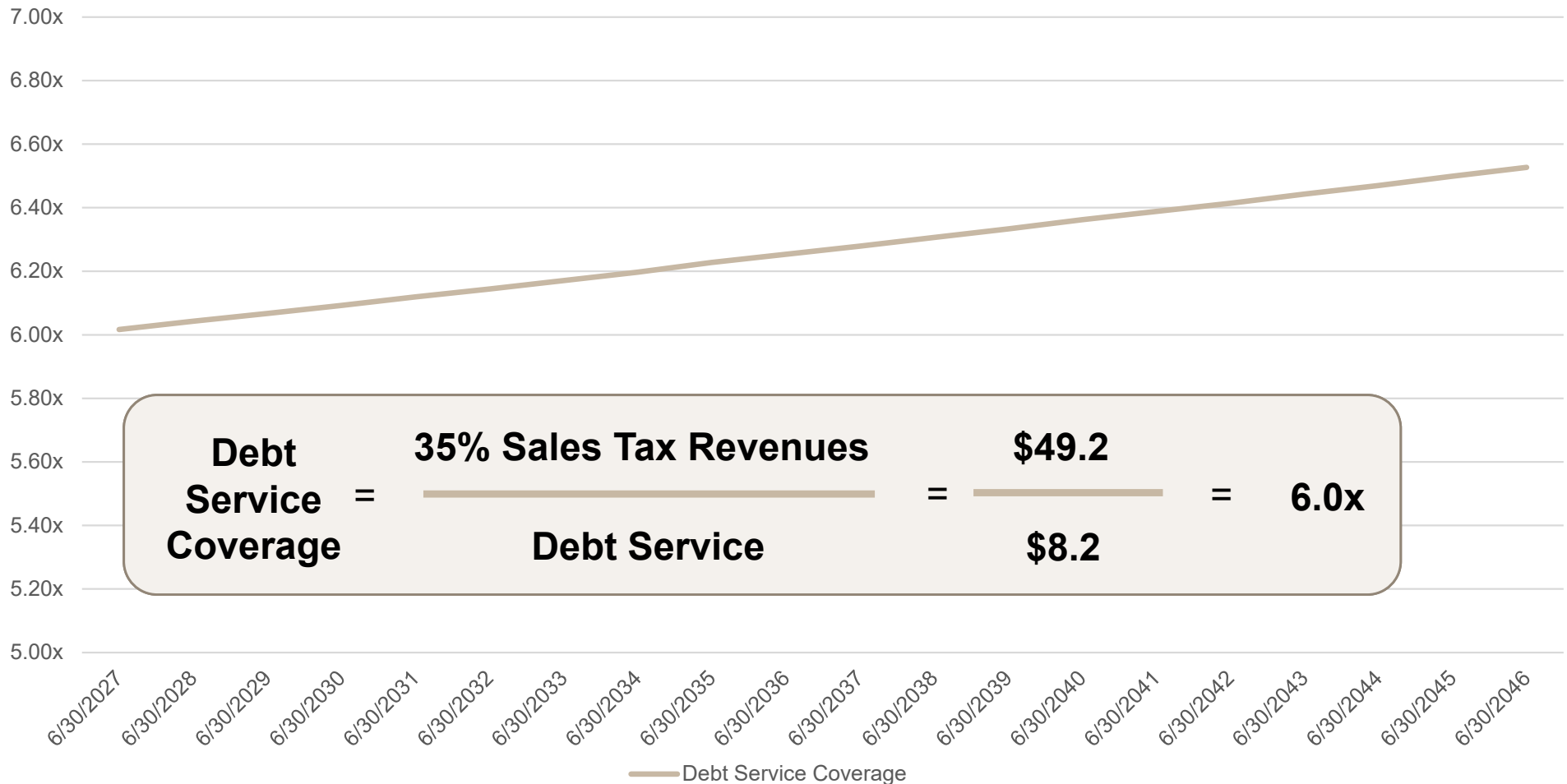


**Note: sales tax revenues assume 0.4% annual growth from FY28 & beyond, fuels tax revenues assume 0.8% annual growth from FY29 & beyond.*



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.





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
<i>As of Date</i>	<i>June 2020</i>	<i>August 2021</i>	<i>July 2021</i>
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