

## **Delaware Department of Transportation (DelDOT) - TIFIA Loan**

For many years, the US 301 project was a priority for Delaware DOT. The new US 301 roadway was much needed to remove the “neck in the bottle” of the regional highway network and increase safety in the region. The existing US 301 from the Maryland/Delaware state line to I-95 and its 2-lane sections (1 lane in each direction), 29 at-grade intersections (18 signalized) and numerous driveways with direct access to existing US 301.

DelDOT knew that the new US 301 would improve safety, manage truck traffic, and reduce congestion; support approved and proposed economic development in southern New Castle County (a key Delaware growth area); enhance the region’s ability to compete for economic development; create needed construction jobs; improve local access to the Northeast Corridor Rail (Amtrak), commuter rail (SEPTA) and bus (DART) services; improve livability in the region; and reduce fuel consumption and greenhouse gas emissions.

For almost forty years prior to authorizing and advancing the project, the department had been looking for a fiscally sound option to finance the US301 Project while still meeting the annual infrastructure needs of our State.

Over the years, all available financing options were looked at and a fiscally sound scenario could not be found with existing State and Federal allocations. The TIFIA loan program became the only financing option that ultimately allowed the project to move forward.

Delaware is one of the smallest states and receives a Federal Highway Allocation of approximately \$175M annually, the estimated total cost of the US 301 project was approximately \$635M. To attempt to construct this new alignment with allocated Federal Funding alone was not financially feasible.

In December 2015, DelDOT successful closed a TIFIA loan for \$211.35M and a Toll Revenue Bond for \$212.5M. These funds in conjunction with a previous GARVEE Loan, Federal Highway Administration Funds and State Funds, made the \$635M US301 project a reality.

Discussion of the TIFIA loan and process is broken down into four parts; Loan Process, Loan terms, reimbursements and post issuance compliance.

There were also political barriers to overcome with the complex financing proposal. Upon the understanding that the only option for moving this very important project forward was to utilize the newly available TIFIA funding mechanism the barriers were easily overcome.

### **Loan Process/Timeline**

The time from the submission of the Letter of Intent to apply to the loan closing was almost three years. The complete process was time consuming and substantial documentation had to be provided.

December 21, 2012 DelDOT submits LOI to USDOT

April 16, 2013 USDOT accepts DelDOT’s submission and approves moving to the next step

(During this period, DeIDOT meets with rating agencies to receive indicative rating, submits credit worthiness report and completes oral presentation to USDOT. DeIDOT responds to two lists of questions and provides additional information to USDOT)

April 27, 2015 USDOT approves creditworthiness and invites DeIDOT to apply

May 15, 2015 Application submitted

August 14, 2015 Loan Approved

December 3, 2015 TIFIA Loan Closed

Preparation of the application is considerably involved and time consuming.

Department staff spent many hours on conference calls with TIFIA personnel discussing the project, financial plan and proposed loan terms.

### **Loan Terms**

The final loan documents were negotiated by both parties, all agreed upon terms and conditions were accurately detailed in the loan documents.

The loan terms were positive for both DeIDOT and TIFIA, and as stated earlier, securing the TIFIA Loan was vital to the financial plan enabling the project to move ahead.

The TIFIA loan provided the following financing benefits;

- Below market interest rate (30 year US Treasury at closing) Our rate was 2.94% our Toll Revenue bond closed at the same time has an interest rate of 4.27%.
- Debt-service savings of over \$25M compared to borrowing all funds with a toll revenue bond.
- 35-year maturity from construction completion.
- Ability to pay loan of prior to maturity.
- Interest accrual only when funds are drawn. With normal bond financing the total loan amount starts accruing interest at closing.
- 10-year principal deferral.
- Establishment of a toll stabilization fund.
- Revenue sharing should the roadway outperform the financial plan. Deposits into toll stabilization fund up to the cap then 50:50 split between DeIDOT and TIFIA (Loan Pay-down).

DeIDOT has no concerns with the terms and finds all terms to be completely acceptable, and crucial to the viability of the financing plan.

### **Reimbursements/Drawing funds**

The required submission documentation is easy to compile and has not been burdensome for our agency. The reimbursement process has been positive; to date Delaware has submitted and received payment for 12 monthly draws. All reimbursement funds have been received promptly as scheduled with no problems.

The reimbursement process was fully disclosed and agreed upon when signing the loan agreement. One item of note, the time period between the initial expenditure and (reimbursement) receipt of funds has potential to be burdensome to our agency due to the length of time it takes for expenditures to be reimbursed.

Unlike FHWA grant funding, which is reimbursed weekly, the TIFIA funding is reimbursed monthly.

To summarize the process, a draft disbursement request is submitted on the 15th of each month, this covers reimbursable expenditures from the 16th of the prior month to the 15th of the current month. The pre-approved disbursement request is then sent to TIFIA on the first of the month for disbursement to the State on the 15th of that month.

As a result, reimbursement occurs for expenditures that are between 30 and 60 days old.

(EX. Draft request for Jan 16 to Feb 15 expenditures is sent for pre-approval on Feb 15. The official submission to TIFIA is on March 1<sup>st</sup>. Reimbursement occurs on March 15)

### **Oversight/Post Issuance Compliance**

Similar to a Bond Issuance, TIFIA requires periodic disclosures and updates during the loan period.

(Audits, Financial data, coverage analysis reports, rating changes) The information requested is reasonable and submission time-frames give the borrower ample time to comply.

### **Summary**

Several financing scenarios were explored over almost forty years as we attempted to find a fiscally sound financing plan for US301. The US301 project could not have moved forward without TIFIA financing.

The Delaware Department of Transportation is grateful for this valuable program and maintains a great working relationship with our TIFIA partners.

There may be opportunity to streamline the pre-closing phases of the program which could be beneficial to future borrowers of the TIFIA program. The loan process was at times cumbersome and loan term negotiations were time consuming. However, the benefits of the TIFIA Loan far outweighed the at times lengthy processes required with this program.

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