



Oregon Transportation Infrastructure Bank Annual Report

Submitted to:
**Federal Highway Administration
and
Federal Transit Administration**

Submitted by:
Oregon Department of Transportation
December 31, 2015



Introduction

We are pleased to present the Oregon Transportation Infrastructure Bank (OTIB) 2015 Annual Report. This annual report encompasses all OTIB activity, including, but not limited to the State Infrastructure Bank (SIB). The Cooperative Agreement executed between the Oregon Department of Transportation (ODOT), The Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) requires ODOT to submit an annual report for the Infrastructure Bank.

The following subjects are covered in this Annual Report:

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History

In 1995, Congress passed the National Highway System Designation Act (NHS Act) which established the State Infrastructure Bank (SIB) pilot program. Designed to complement traditional transportation funding programs, SIBs give states significantly increased flexibility in project selection and financial management. Much like a private bank, a SIB uses seed capitalization funds to get started and offers customers a range of loans and credit enhancement products.

On April 4, 1996 the Secretary of the United States Department of Transportation designated Oregon as one of the ten states eligible to operate a SIB under Section 350 of the NHS Act. The ten states included: Arizona, California, Florida, Missouri, Ohio, Oklahoma, Oregon, South Carolina, Texas, and Virginia. The Oregon Transportation Commission established the Oregon Transportation Infrastructure Bank (OTIB) to manage the pilot SIB, and allocated \$10 million to the SIB highway account at its May 22, 1996 meeting. The \$10 million consisted of approximately \$9 million in federal funds matched with \$1 million in state highway funds. The Commission also approved the formation of a SIB transit account to be funded at a later date.

The Cooperative Agreement between the Federal Highway Administration (FHWA), Federal Transit Administration (FTA), of the United States Department of Transportation (US DOT) and the Oregon Department of Transportation (ODOT) was signed on August 20, 1996. In September 1996, Congress passed additional SIB legislation that enabled the US DOT to designate additional qualified states to participate in the SIB pilot program. Twenty-nine (including two multi-state applications) new states were selected to participate in the SIB pilot program on June 19, 1997.

In the FFY 1997 Appropriations Act, Congress approved the allocation of \$150 million in federal general revenue funds for SIB capitalization. The Secretary of Transportation awarded OTIB \$5.51 million of this amount using a formula that provided a minimum allocation. These funds increased the capital available in the SIB highway account and provided an initial capitalization for the SIB transit account.

The 69th Oregon Legislative Assembly (1997) passed House Bill 2097 (Chapter 679, Oregon Laws 1997). The bill established the Oregon Transportation Infrastructure Fund (to be managed by OTIB) and authorized issuance of up to \$200 million of revenue bonds. To date, no OTIB revenue bonds have been issued by the ODOT. The legislation further defined transportation projects to include projects for highway, transit, rail, and aeronautics capital infrastructure, bicycle and pedestrian paths, bridges and ways, and other facilities that facilitate the transportation of materials, animals, or people. On July 28, 1997 Governor Kitzhaber signed House Bill 2097 into law. The law took effect October 4, 1997.

Operational and management support for OTIB is provided by ODOT Financial Services Branch.

Positions directly involved in the day to day operation of the OTIB include: the Chief Financial Officer, the Debt and Quantitative Analysis Manager, and the Senior Financial Analyst assigned

to the bank. Other ODOT involvement in the lending process includes participation from ODOT Regional offices and the Oregon Transportation Commission. The Department retains Public Resource Advisory Group as financial advisor to OTIB, and the law firm Orrick, Herrington, & Sutcliff LLP as bond counsel. The Oregon Department of Justice provides general legal services to OTIB.

Goals and Objectives

ODOT's mission is to provide an efficient, safe transportation system that enhances Oregon's economic competitiveness and livability. The mission of OTIB is to provide loans and other financial assistance to improve transportation infrastructure in the state.

To accomplish these missions, ODOT operates OTIB as a self-sustaining, growth-oriented fund. OTIB ensures projects satisfy appropriate federal, state and local planning and programming requirements.

OTIB allows ODOT to:

- Leverage federal and non-federal transportation funds;
- Accelerate the development of planned projects;
- Improve communities' ability to meet their own transportation needs;
- Encourage development of revenue generating projects; and
- Facilitate non-traditional projects such as public-private partnerships (PPP).

Leverage Federal and Non-Federal Transportation Funds

Leveraging state and federal funds through OTIB is a component of ODOT's long-term investment strategy to meet the gap between needed and available funding. ODOT uses financial assistance provided by OTIB to encourage additional private and local investment to leverage federal and non-federal funds. This leveraging may involve:

- *Recycling Funds* - using loan repayments to provide financial assistance to future projects;
- *Attracting Non-Traditional Sources of Capital* - participation by private project sponsors through development impact fees, user fees, public-private partnerships, etc., in-kind donations such as infrastructure improvements associated with development activity, right-of-way (ROW) donations etc.;
- *Generating Investment Income* - interest earnings on funds held in OTIB further increases the available resources; and
- *Issuing Debt* - using OTIB's portfolio of loan repayments, and/or each borrower's apportionment of the State's Highway User Tax revenues as security for new debt.

Accelerate Projects

OTIB funding may accelerate projects in the planning process. For example, an OTIB loan may be used to accelerate a project currently programmed for a future year in the Statewide Transportation Improvement Plan.

Promote Partnership with Local Governments

OTIB may leverage local funds, providing a more stable, predictable source of funding, and enhance local government financing capacity. For example, a local city/county government may

form a local improvement district (LID) to develop roads and commercial, industrial and residential sites. Revenues generated through the taxing powers of the LID could be dedicated to transportation infrastructure investments and repayment of OTIB assistance.

Traditional vs. Innovative Financing

- *Traditional financing* - grant-based funding.
- *Innovative financing* - credit-based funding.

While grant-based funding will almost certainly remain the mainstay of the Federal-aid highway and transit programs, OTIB expands applicants' choices in how they are able to finance transportation projects, and create an incentive for applicants to identify new revenue streams that are linked to the benefits that the projects confer. Innovative financing may offer low interest rates and flexible terms.

Summary of OTIB Operations for Federal Fiscal Year 2015

The following provides a summary of the OTIB Active Loan portfolio and funds and accounts.

Funds

The OTIB ended federal fiscal year (FFY) 2015 with a cash balance of \$27,580,956. The cash balance consists of funds contained in six accounts:

- 641-01 Administrative / State Highway Fund Account:
Balance: \$4,282,070
Description: This account is capitalized from loan origination fees and other revenues such as late payment charges. The purpose of this account is to pay administrative expenses, such as Department of Justice fees. These funds carry Oregon constitutional and statutory restrictions.

- 645-01 SIB Highway Account:
Balance: \$6,821,763
Description: The purpose of this account is to originate loans for Title 23 and Title 49 purposes. It was capitalized by an original federal SIB appropriation and matched with State Highway Fund monies. These funds can be used for loans for Title 23 and Title 49 purposes and carry federalization requirements.

- 645-02 SIB Transit Account:
Balance: \$106,614
Description: The purpose of this account is to originate loans for public transportation projects that are federal aid eligible. It was primarily capitalized through monies received via the “Stripper Well” settlement, and matched with other federal disbursements. These funds carry federalization requirements.

- 645-03 SIB Transit Repayment Account:
Balance: \$2,345,563
Description: This account is capitalized from repayments for loans made from the 645-02 Transit Account, which are from non-federal sources. These funds can be used for loans for public transportation projects that are federal aid eligible. Because of the unique circumstances related to the status of the OTIB as a pilot SIB, repayments from the original recapitalization that are from non-federal sources are not subject to full federalization requirements when loaned back out.

- 645-04 State Highway Fund Account:
Balance: \$6,358,332
Description: The purpose of this account is to originate loans for road and highway projects. This account was capitalized primarily through a transfer of

State Highway Fund monies. These funds carry Oregon constitutional and statutory restrictions.

- 645-05 SIB Highway Repayment Account:
Balance: \$7,666,614
Description: This account is capitalized from non-federal sourced repayments for loans made from the 645-01 SIB account. The purpose of this account is to originate loans for Title 23 and Title 49 purposes. Because of the unique circumstances related to the status of the OTIB as a pilot SIB, repayments from the original recapitalization that are from non-federal sources are not subject to full federalization requirements when loaned back out.

FFY 2015 Loans

As of September 30, 2015, in its Active Portfolio, OTIB has 22 loans with an outstanding balance of \$16,288,748. An additional \$24,985,037 is obligated to borrowers, but has yet to be drawn upon.

From its inception to September 30, 2015, OTIB has originated an additional 19 loans totaling \$22,439,855 which have been fully repaid. The average loan size is \$2,073,474.

OTIB originated four loans in Federal Fiscal Year 2015:

#0054 – City of Medford (\$10,000,000)

Project: Foothill Road

Terms: 1.61%, 10 year maturity

Projected Funds: 645-01 SIB Highway Account, 645-05 SIB Highway Repayment Account

Notes: Foothill Road is a two-lane City road with little or no shoulders, no bicycle, or pedestrian facilities. The City intends to widen Foothill Road to a major arterial standard, and will include two lanes in each direction, along with bike lanes and sidewalks. The City is using OTIB funds to match a Federal Congestion Mitigation and Air Quality grant. The loan is ultimately secured by the City's share of the State Highway User Tax Apportionment.

#0055 – Union County (\$767,966)

Project: Palmer Junction Road

Terms: 2.27%, 15 year maturity

Projected Funds: 645-04 State Highway Fund Account

Notes: Palmer Junction Road provides a main portal to the Umatilla National Forest from the Elgin, Oregon vicinity. The County will complete a new asphalt overlay needed to maintain stability and provide a safe and efficient roadway for years to come. The Project also involves the replacement of three culverts. The loan is ultimately secured by the County's share of the State Highway User Tax Apportionment.

#0056 – Rogue Valley Transportation District (\$247,000)

Project: One Call One Click Center

Terms: 1.43%, 5 year maturity

Projected Funds: 645-02 SIB Transit Account

Notes: The District will preserve the area’s only “One Call One Click Center” by purchasing the existing building which currently houses the TransLink NEMT call center and the technology built to suit this purpose. The District acquired ownership of the building on June 26, 2014 using funds received in a grant from the Federal Transit Administration. SIB funds provided the District’s required matching contribution. The loan is ultimately secured by the District’s user fees and a Full Faith and Credit pledge of the District.

#0057 – City of Brookings (\$650,000)

Project: Railroad Street

Terms: 2.05%, 10 year maturity

Projected Funds: 645-04 State Highway Fund Account

Notes: This Project involves the complete reconstruction and widening of Railroad Street in the City of Brookings. The Project includes one travel lane in each direction, a center turn lane and median, curb, gutter and sidewalk on both sides of the street, storm drains, bicycle lanes on both sides of the street, and improvements to street lighting. The loan is ultimately secured by the City’s share of the State Highway User Tax Apportionment.

Approved FFY 2016 Loans

As of September 30, 2015, the Chief Financial Officer of the Department has approved one loan to the Rogue Valley Transportation District in the amount of \$573,000. This loan had not closed as of September 30, 2015. OTIB staff and District officials continue to work on finalizing a Loan Agreement between the Department and the District. The details of the loan are as follows:

#0058 – Rogue Valley Transportation District (\$573,000)

Project: Purchase of Buses and Equipment

Terms: 2.45%, 10 year maturity

Projected Funds: 645-02 SIB Transit Account, 645-03 SIB Transit Repayment Account

Notes: The project will replace five fixed-route transit buses with three new Certified Natural Gas (CNG) transit buses and two new clean burning diesel buses. The buses to be replaced include three 1980 General Motors Company buses and two Gillig Phantom buses, all of which are beyond the Federal Transit Administration’s recommended useful life of twelve years. The project also includes the purchase of an electronic fare system to transition from the District’s old fare system. The loan will ultimately be secured by the District’s user fees and a Full Faith and Credit pledge of the District.

Pending FFY 2016 Loans

As of September 30, 2015 OTIB staff had also received three Applications and Project Proposals for loans totaling \$5,370,500 that likely will be processed in FFY 2016. These potential projects include:

Coos Bay North Bend Water Board (\$836,600)

Project: S. Empire Boulevard Water Line Relocation

Terms: TBD

Projected Fund: 645-04 State Highway Fund Account

Notes: The City of Coos Bay, in conjunction with the Oregon Department of Transportation, is conducting a roadway improvement project on S. Empire Boulevard from Newmark Avenue to city limits (Wisconsin Avenue), which will provide bike lanes, parking, and sidewalks on both sides of the street. The roadway project conflicts with the water infrastructure currently located in the Empire Boulevard right-of-way. The Water Board must relocate water infrastructure to resolve these conflicts. But for the roadway project, the exiting water infrastructure would continue to be in service for another 20 to 30 years.

City of Ashland (\$3,960,900)

Project: E. Nevada St. Bridge Extension

Terms: TBD

Projected Fund: TBD

Notes: The E. Nevada St. extension includes the development of a new 665 foot road way and bridge that connect the existing terminus points of E. Nevada St. and W. Nevada St. The typical roadway cross section includes 6 foot sidewalks, 7-8 foot planting strips, 6 foot bicycle lanes and 10-10.5 foot travel lanes. The project will also include proper lighting and possibly utility relocations and or upgrades to existing utilities.

Delinquent Loans

Cascade Sierra Solutions (\$437,817)

Project: Expanding “Everybody Wins” to the I-5 Corridor

Original Loan Amount: \$2,985,179

Payments to Date (P&I): \$3,033,307

Terms: 5.00%, 5 years

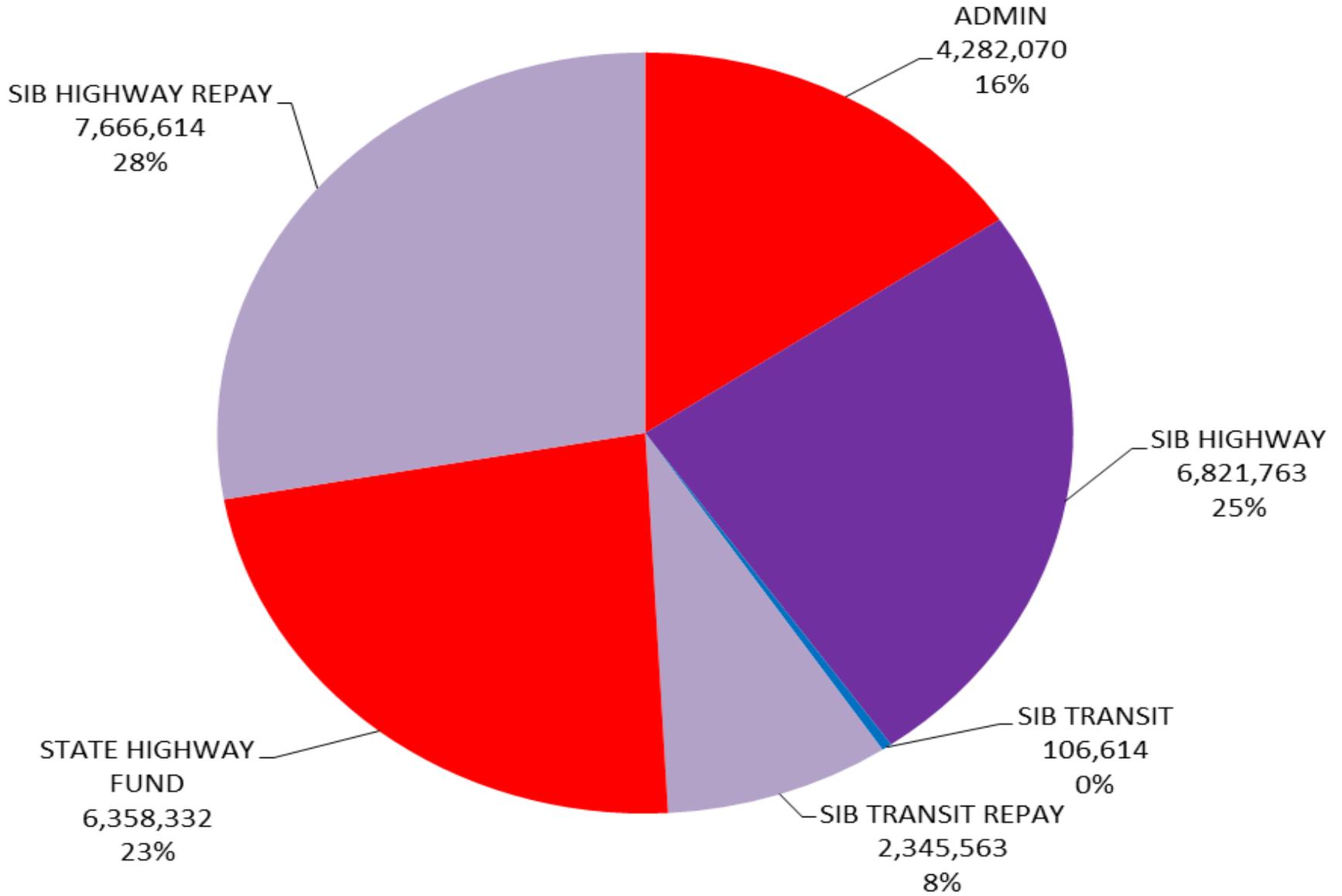
Fund: 645-01 SIB Highway Account

Notes: Cascade Sierra Solutions (CSS) has defaulted on its loan with the Oregon Transportation Infrastructure Bank (OTIB). CSS did not make its scheduled payments in December 2013 through March 2014 to cover its obligation to OTIB, and subsequently filed for Chapter 11 Bankruptcy on March 12, 2014.

OTIB staff continue efforts to recoup the uncollected balance owed to the OTIB. As an unsecured creditor in the bankruptcy filing, the Department’s claims to any CSS funds for monies owed falls below the claims of the various secured parties participating in the bankruptcy proceedings. At this time OTIB staff does not know what amounts, if any, the Department will be able recover after all of the secured creditors claims have been satisfied. The Department submitted a “Proof of Claim” to the court prior to September 30, 2014. This will allow the Department to be paid any remaining funds that will be allocated on a pro-rata basis to all unsecured creditors.

Fund Balances

(As of September 30, 2015)



Outstanding Loans

(As of September 30, 2015)

Loan Count	Loan No.	Borrower Name	Project Description	Loan Date	Loan Amount	Interest Rate	Maturity Date	Undisbursed Amount	Principal Balance OS	Next Scheduled Payment Date	Scheduled Amount	Frequency	Fund/ Fund Detail	Portfolio Percent
1	0018	Tillamook County	Sand Lake-Galloway Road Improvements	06/28/00	1,250,000.00	0.50%	07/01/20	-	76,495.57	07/01/16	38,600.00	Annual	645-05	0.47%
2	0023	Tillamook County Transportation District	Transit Facility	02/04/03	750,000.00	4.00%	06/01/23	-	357,854.96	11/01/15	4,545.00	Monthly	645-03	2.20%
3	0025	City of Scappoose	Crown Z Road	08/28/03	625,000.00	4.00%	01/02/19	-	179,142.49	01/02/16	56,213.00	Annual	645-05	1.10%
4	0029	Clackamas County	Sunnyside Rd Widening I-205 to 172nd Av	05/25/05	12,250,000.00	3.75%	11/15/20	-	5,109,031.60	11/15/15	995,145.00	Semi-Annual	645-04	31.37%
5	0031	Multnomah County	223rd Sandy Blvd. Bridge St Undercrossing	10/07/08	3,133,515.59	3.98%	09/01/25	-	2,519,856.02	09/01/16	413,151.00	Annual	645-05	15.47%
6	0036	Cascade Sierra Solutions	SmartWay Upgrade	02/26/08	2,985,179.00	5.00%	12/01/13	-	437,816.56	12/01/13	37,540.00	Monthly	645-05	2.69%
7	0038	Clackamas County	5 Projects	08/05/08	10,000,000.00	3.65%	11/15/24	-	3,121,103.98	11/15/15	395,600.00	Semi-Annual	645-04	19.16%
8	0041	Athey Creek CF	I-205 Stafford Rd, Ek Rd	08/24/09	950,000.00	5.00%	01/01/21	-	664,228.75	11/01/15	12,027.00	Monthly	645-04	4.08%
9	0043	City of Mitchell	US26 Bridge Creek	08/25/11	9,147.18	0.00%	09/20/22	-	6,403.02	09/20/16	914.72	Annual	645-04	0.04%
10	0045	City of Chiloquin	Line Replacement	06/01/12	197,584.28	1.00%	01/25/28	-	186,785.95	01/25/16	12,379.00	Annual	645-04	1.15%
11	0046	City of Dundee	Newberg-Dundee Bypass Phase 1	07/01/13	315,200.00	2.58%	01/25/36	239,126.53	45,634.92	01/25/16	20,373.00	Annual	645-04	0.28%
12	0047	City of Dundee	Overlays & Street	07/01/13	284,000.00	2.58%	01/25/36	76,160.00	207,840.00	01/25/16	18,356.00	Annual	645-04	1.28%
13	0048	City of McMinnville	Newberg-Dundee Bypass Phase 1	07/01/13	3,209,600.00	2.26%	01/25/36	2,434,963.46	464,688.60	01/25/16	201,248.00	Annual	645-04	2.85%
14	0049	Yamhill County	Newberg-Dundee Bypass Phase 1	07/01/13	10,366,640.00	2.26%	01/25/36	7,992,064.52	1,487,056.99	01/25/16	650,008.00	Annual	645-05	9.13%
15	0050	City of Newberg	Newberg-Dundee Bypass Phase 1	07/01/13	2,211,200.00	2.58%	01/25/36	1,677,527.18	320,139.40	01/25/16	142,916.00	Annual	645-04	1.97%
16	0051	City of Rogue River	Overlays & Street	09/20/13	250,000.00	1.00%	06/01/36	-	250,000.00	12/01/15	53,474.00	Semi-Annual	645-04	1.53%
17	0052	City of Rogue River	Overlays & Street	09/20/13	1,350,000.00	3.09%	06/01/36	1,147,230.03	202,769.97	12/01/15	-	Semi-Annual	645-04	1.24%
18	0053	Jackson County	West Jackson LID	04/15/14	770,537.00	2.30%	01/10/29	-	428,518.91	01/10/16	31,066.86	Semi-Annual	645-04	2.63%
19	0054	City of Medford	Foothill Road	06/01/15	10,000,000.00	1.61%	05/01/28	10,000,000.00	0.00	05/01/16	tbd	Semi-Annual	645-04	0.00%
20	0055	Union County	Palmer Junction Road	01/01/15	767,965.61	2.27%	01/01/33	767,965.61	0.00	01/01/16	-	Semi-Annual	645-04	0.00%
21	0056	Rogue Valley Transportation District	One Call One Click Center	01/31/15	247,000.00	1.43%	01/31/20	-	223,380.72	01/31/16	25,832.26	Semi-Annual	645-02	1.37%
22	0057	City of Brookings	Railroad Street	08/01/15	650,000.00	2.05%	10/01/28	650,000.00	0.00	10/01/16	tbd	Annual	645-04	0.00%
Totals					62,572,568.66	3.47%		24,335,037.33	16,288,748.41					100.000%

Repaid Loans

(As of September 30, 2015)

Loan Count	Loan No.	Borrower Name	Project Description	Loan Date	Loan Amount	Interest Rate	Scheduled Maturity Date	Paid Date
1	0003	Lane Transit District	Signal Priority Systems	05/15/98	781,000	4.180%	01/01/04	07/21/00
2	0009	City of Independence	Ash Creek Bridge Replacement	04/01/98	735,000	4.000%	07/01/00	01/31/99
3	0011	Sunset Empire Transportation	Intermodal Center Design	08/26/99	225,000	3.610%	12/31/03	06/04/04
4	0012	Washington County	Murray Blvd Bridge Widening	06/30/99	4,400,000	3.610%	06/30/03	06/18/03
5	0015B	Port of Hood River	Interstate Bridge Lift Controls	08/03/99	600,000	3.560%	09/03/03	04/23/03
6	0016B	City of Portland	Landslides Repair	02/29/00	690,000	4.180%	05/01/04	06/28/01
7	0017	City of Portland	Lovejoy Ramp Replacement	03/20/00	2,500,000	4.320%	06/30/04	06/04/04
8	0019	ODOT (Ontario)	SW 18th Avenue	04/17/01	5,500,000	3.500%	03/30/03	09/30/02
9	0021	ODOT (Harrisburg)	Highway 99E Signal	01/30/02	375,000	4.000%	10/15/06	09/30/02
10	0037	ODOT Rail	MMTF Study	04/14/08	400,000	0.000%	04/14/10	06/26/09
11	0033	City of Turner	3rd and Denver	03/08/07	222,334	4.110%	01/01/29	11/23/09
12	0028	Rogue Valley Transp.	Purchase Equipment	07/30/04	725,000	4.000%	12/01/14	03/05/10
13	0020	City of Rainier	West "B" Street	05/11/01	302,000	4.000%	05/11/11	05/11/11
14	0022	City of Rainier	West "B" Street	04/12/02	113,000	4.000%	05/11/11	05/11/11
15	0024	City of Phoenix	I-5: Fern Valley	05/29/03	1,000,000	4.000%	05/01/13	12/07/11
16	0027	City of Nyssa	Snake R. Bridge Water Relocation	04/26/04	125,500	0.000%	06/01/14	01/17/12
17	0040	City of Pendleton	Airport Connector Rd	04/22/09	1,411,613	4.800%	07/01/16	04/08/13
18	0044	Benton County	Reservoir Avenue Re-alignment	08/25/11	1,189,408	2.100%	01/20/22	01/26/15
19	0026	City of Jacksonville	Hwy 238 & Other Improvements	10/03/03	1,145,000	4.000%	08/01/15	07/21/15
Total					22,439,855			

Report Authors

The Debt and Quantitative Analysis Unit serves as staff to the Oregon Transportation Infrastructure Bank. For more information about the Bank, or the contents of this report, please contact:

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