



Oregon Annual Transportation Infrastructure Bank

ANNUAL REPORT FOR FHWA

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

Submitted by:
Oregon Department of Transportation
December 31, 2018



Introduction

We are pleased to present the Oregon Transportation Infrastructure Bank (OTIB) 2018 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 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 a safe and reliable multimodal transportation system that connects people and helps Oregon's communities and economy thrive. 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 creates an incentive for applicants to identify new revenue streams that are linked to the benefits that the projects provide. Innovative financing may offer low interest rates and flexible terms.

Summary of OTIB Operations for Federal Fiscal Year 2017

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

Funds

The OTIB ended federal fiscal year (FFY) 2018 with a cash balance of \$19,353,030. The cash balance consists of funds contained in six accounts:

- 641-01 Administrative / State Highway Fund Account:
Balance: \$348,268
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: \$7,080,284
Description: The purpose of this account is to originate loans for U.S.C. Title 23 - Highways and U.S.C. Title 49 - Transportation 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: \$7
Description: The purpose of this account was 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. Those funds carried federalization requirements and have been fully expended. The account will be rebalanced to \$0 in 2019, as the remaining \$7 is attributed to marginal interest earnings.
- 645-03 SIB Transit Repayment Account:
Balance: \$2,315,548
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: \$4,733,548
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: \$4,875,374
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 2018 Loans

As of September 30, 2018, in its Active Portfolio, OTIB has 25 loans with an outstanding balance of \$19,300,275. An additional \$16,969,666 is obligated to borrowers, but has yet to be drawn upon.

From its inception to September 30, 2018, OTIB has originated an additional 25 loans totaling \$50,445,571 which have been fully repaid. The average loan size is \$2,017,823.

OTIB originated two loans in Federal Fiscal Year 2018:

#0065 – Mt. Hood Meadows LLC (\$2,154,000)

Project: Highway 35 Safety Improvements at Mt. Hood Meadows Ski Area

Terms: 3.48%, 10 year maturity

Projected Fund: 645-04 State Highway Fund Account

Notes: Mt. Hood Meadows LLC has received a grant through the Federal Lands Access Program (FLAP) to assist with the construction costs of replacing a culvert on Highway 35, and to complete various safety improvements including adding several turn lanes around Mt. Hood Meadows. The OTIB funding would be used by Mt. Hood Meadows LLC to match its FLAP grant to complete construction of the project.

#0066 – Jefferson County (\$807,000)

Project: Quail Road – Crooked River Ranch Alternative Exit

Terms: 2.49%, 15 year maturity

Projected Funds: 645-04 State Highway Fund Account

Notes: The community of Crooked River Ranch desired to build a second road into and out of the community to improve emergency access to the area. The Project also will provide improved access to hikers and recreational activity to the Steelhead Falls Recreation Site, Scout Camp Trailhead, Steamboat Rock Recreation area and the National Grasslands.

Approved FFY 2019 Loans

As of September 30, 2018, no loans are approved for FFY 2019:

Pending FFY 2019 Loans

As of September 30, 2018 OTIB staff have received no new applications to be processed in FFY 2019.

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

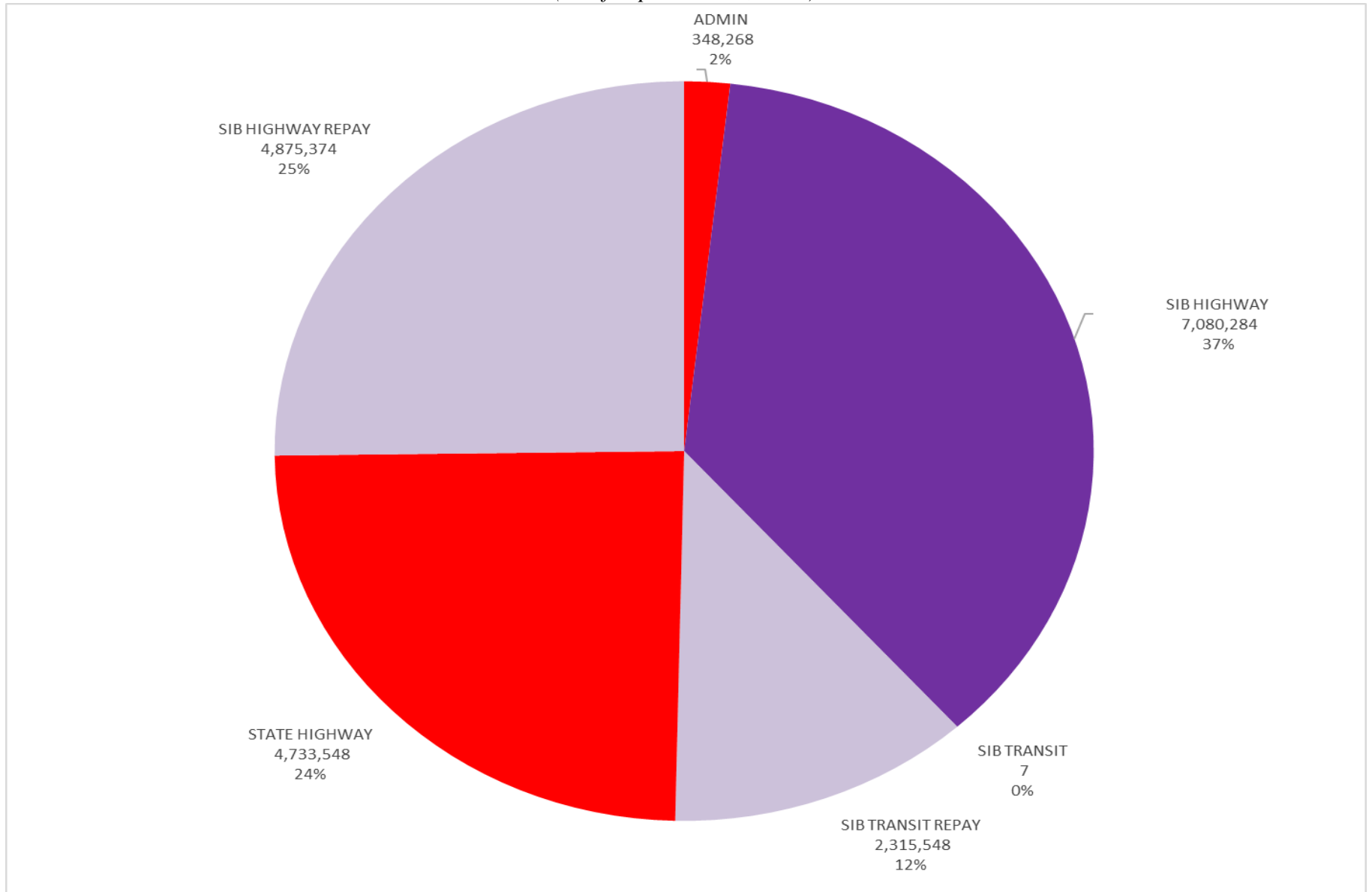
Fund: 645-01 SIB Highway Account

Notes: Cascade Sierra Solutions (CSS) 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.

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 anticipate that the Department will be able to recover any funds 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 and was informed by the court appointed Receivership on January 2, 2018 that no further funds were to be expected. This loan is now considered closed and will be removed from subsequent annual reports.

Fund Balances

(As of September 30, 2018)



Outstanding Loans

(As of September 30, 2018)

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	0025	City of Scappoose	Crown Z Road	08/28/03	625,000.00	4.00%	01/02/19	-	26,036.44	01/02/19	27,077.90	Annual	645-05	0.13%
2	0031	Multnomah County	223rd Sandy Blvd.	10/07/08	3,133,515.59	3.98%	09/01/25	-	1,752,884.37	09/01/19	413,151.00	Annual	645-05	9.08%
3	0041	Athey Creek CF	I-205 Stafford Rd, Ek Rd	08/24/09	950,000.00	5.00%	01/01/21	-	305,396.90	11/01/18	12,027.00	Monthly	645-04	1.58%
4	0043	City of Mitchell	US26 Bridge Creek	08/25/11	9,147.18	0.00%	09/20/22	-	3,658.86	09/20/19	914.72	Annual	645-04	0.02%
5	0045	City of Chiloquin	Line Replacement	06/01/12	197,584.28	1.00%	01/25/28	-	154,936.15	01/25/19	12,379.00	Annual	645-04	0.80%
6	0046	City of Dundee	New berg-Dundee Bypass Phase 1	07/01/13	315,200.00	2.58%	01/25/36	81,578.27	201,469.02	07/01/19	20,373.00	Annual	645-04	1.04%
7	0047	City of Dundee	Overlays & Street	07/01/13	284,000.00	2.58%	01/25/36	-	248,552.70	01/25/19	18,356.00	Annual	645-04	1.29%
8	0048	City of McMinnville	New berg-Dundee Bypass Phase 1	07/01/13	3,209,600.00	2.26%	01/25/36	830,690.40	2,072,512.74	01/25/19	201,248.00	Annual	645-04	10.74%
9	0049	Yamhill County	New berg-Dundee Bypass Phase 1	07/01/13	10,366,640.00	2.26%	01/25/36	2,758,083.63	7,039,273.27	07/01/19	655,259.79	Annual	645-05	36.47%
10	0050	City of New berg	New berg-Dundee Bypass Phase 1	07/01/13	2,211,200.00	2.58%	01/25/36	572,290.19	1,420,682.12	01/25/19	142,916.00	Annual	645-04	7.36%
11	0051	City of Rogue River	Overlays & Street	09/20/13	250,000.00	1.00%	06/01/36	-	242,380.38	01/15/19	10,737.93	Annual	645-04	1.26%
12	0052	City of Rogue River	Overlays & Street	09/20/13	1,350,000.00	3.09%	06/01/36	-	1,311,163.99	01/15/19	72,534.34	Annual	645-04	6.79%
13	0054	City of Medford	Foothill Road	06/01/15	10,000,000.00	1.61%	05/01/28	10,000,000.00	0.00	05/01/19	tbd	Semi-Annual	645-01	0.00%
14	0055	Union County	Palmer Junction Road	01/01/15	767,965.61	2.27%	01/01/33	-	742,111.23	01/01/19	30,491.00	Semi-Annual	645-04	3.85%
15	0056	Rogue Valley Transportation District	One Call One Click Center	01/31/15	247,000.00	1.43%	01/31/20	-	75,346.06	01/31/19	25,832.26	Semi-Annual	645-02	0.39%
16	0057	City of Brookings	Railroad Street	08/01/15	650,000.00	2.05%	10/01/28	650,000.00	0.00	10/01/18	tbd	Annual	645-04	0.00%
17	0058	Rogue Valley Transportation District	Purchase of Buses and Equipment	09/01/15	573,000.00	2.42%	10/01/25	-	413,682.77	04/01/19	32,600.00	Semi-Annual	645-03	2.14%
18	0059	City of Coos Bay	S. Empire Blvd. Water Line Replacement	03/31/16	404,000.00	1.34%	03/31/26	-	308,185.98	03/31/19	21,651.11	Semi-Annual	645-04	1.60%
19	0060	City of North Bend	S. Empire Blvd. Water Line Replacement	03/31/16	404,000.00	1.34%	03/31/26	-	308,185.98	03/31/19	21,651.11	Semi-Annual	645-04	1.60%
20	0061	Tillamook County Transportation District	Building & Facility Renovations	10/01/16	338,516.00	2.04%	03/31/26	-	338,516.00	10/01/18	13,155.22	Semi-Annual	645-03	1.75%
21	0062	City of Mosier	Mosier Creek Bridge Replacement	03/01/17	212,265.00	2.80%	21/2039	-	131,253.59	02/01/19	2,511.32	Semi-Annual	645-04	0.68%
22	0063	City of Dundee	Street & Sidewalk Improvements	05/01/17	815,070.00	1.99%	06/01/30	455,919.30	359,150.70	06/01/19	tbd	Semi-Annual	645-04	1.86%
23	0064	City of Sutherlin	Central Avenue Repair and Transformation	07/01/17	505,000.00	1.61%	07/01/30	505,000.00	0.00	07/01/19	27,438.42	Semi-Annual	645-04	0.00%
24	0065	Mt. Hood Meadows	Highway 35 Improvements	07/13/18	2,154,000.00	3.48%	12/01/30	309,104.32	1,844,895.68	12/01/18	tbd	Semi-Annual	645-04	9.56%
25	0066	Jefferson County	Quail Road Crooked River Rank Alt. Exit	08/01/18	807,000.00	2.49%	04/01/36	807,000.00	0.00	04/01/19	tbd	Semi-Annual	645-04	0.00%
Totals					40,779,703.66	2.61%		16,969,666.11	19,300,274.93					90.441%

Repaid Loans

(As of September 30, 2018)

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
20	0038	Clackamas County	5 Projects	08/05/08	10,000,000	3.650%	11/15/24	04/08/16
21	0023	Tillamook County Transportation	Transit Facility	02/04/03	750,000	4.000%	06/01/23	10/04/16
22	0029	Clackamas County	Sunnyside Rd Widening	05/25/05	12,250,000	3.750%	05/15/20	11/17/16
23	0053	Jackson County	West Jackson LID	04/15/14	770,537	2.300%	01/10/29	12/28/16
24	0018	Tillamook County	Sand Lake-Galloway	06/28/00	1,250,000	0.500%	07/01/20	05/15/17
25	0036	Cascade Sierra Solutions	SmartWay Upgrade	02/26/08	2,985,179	5.000%	12/01/13	12/01/13
Total					50,445,571			

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:

Lee Helgerson, Manager
355 Capitol St NE, MS 21
Salem, OR 97301
503-986-6634
Lee.A.Helgerson@odot.state.or.us

Matthew Harris, Senior Financial Analyst
355 Capitol St NE, MS 21
Salem, OR 97301
503-986-3393
Matthew.D.Harris@odot.state.or.us

