

**Accountability Report Transmittal Form**

Agency Name	<u>South Carolina Transportation Infrastructure Bank</u>
Date of Submission	<u>September 11, 2002</u>
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**South Carolina Transportation Infrastructure Bank  
Annual Accountability Report  
Fiscal Year 2001-2002**

**Section I- EXECUTIVE SUMMARY**

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**Description of the Transportation Infrastructure Bank:**

The General Assembly of the State during its 1997 session enacted Act No. 148 which created the South Carolina Transportation Infrastructure Bank (SCTIB) to select and assist in financing major qualified projects by providing loans and other financial assistance to government units and private entities for constructing and improving highway and transportation facilities necessary for public purposes including economic development.

**Mission and Values**

The mission of the SCTIB is to utilize available funding sources to effectively provide financial assistance through authorized means to major qualified transportation projects while ensuring the financial integrity of the Bank.

Values – Ensure projects selected for financial assistance provide public benefit in one or more of the following areas:

Enhancement of mobility and safety  
Promotion of economic development  
Increase in the quality of life and general welfare of the public

**Key Strategic Goals For Present And Future Years**

- Develop and maintain long-term business and financial plan.
- Issue bonds as necessary to ensure cash availability to meet project payouts.
- Consider additional qualified projects for financial assistance utilizing available capacity, if any.

**Opportunities and Barriers**

Since its inception in 1997, the Bank has provided financial assistance to nine major transportation projects. There is a need to fund additional major transportation projects as evidenced by applications submitted and interest expressed by local communities. Additional recurring non-tax funding sources are essential for the Bank to provide financial assistance to other projects.

### **Major Achievements From the Past Year**

The SCTIB has been recognized nationwide for its effectiveness in providing funding solutions for over \$3 billion in projects and for its expediency in approving the funding which results in accelerated project construction. In June 2001, the first project funded by the SCTIB, the Conway Bypass, was opened to traffic. This is a 28.5 mile long design-build project for which the contract was awarded in the spring of 1998 with funding solutions provided by the SCTIB, SCDOT and Horry County. The project was completed ahead of schedule and below budget. This is a prime example of the successes of the SCTIB and the cooperative efforts of the SCDOT and local communities.

In July 2001, the funding package for the replacement of the Cooper River Bridges in Charleston County was complete and the Department of Transportation signed a design/build contract in the amount of \$532 million for the project. During fiscal year 2001-2002, the Bank expended over \$118 million towards this project. The project is currently projected to be complete ahead of the original schedule. This is a tremendous accomplishment resulting from cooperation between the SCTIB, SCDOT, Federal Highway Administration, Charleston County and the State Ports Authority, all who contributed to the funding package for the project.

In addition, the Bank, in awareness of the number of fatalities caused by cross-over accidents on the interstate highways, joined with the Department of Transportation in a major safety initiative. As a statewide safety project, the Bank is providing \$30 million towards the installation of median barriers on the interstate highways. This funding allowed the DOT to begin installation of the barriers immediately and to date over 230 miles of median barriers have been installed. Cars have hit the installed barriers over 1000 times. Of these, approximately 500 would have likely been cross-over accidents potentially resulting in major injuries or fatalities. Even though the dollar amount of this project was small in comparison to other projects funded through the Bank, the benefit gained by the reduction of injuries and fatalities is immeasurable. Interstate traffic fatalities in South Carolina have decreased 15% over the past year, primarily due to the installation of the median barriers.

In November 2001, the Bank issued \$249,140,000 of senior lien revenue bonds at an interest rate of 5.23% and \$121,880,000 in junior lien revenue bonds at an interest rate of 5.07% bringing the total revenue bonds outstanding to over \$1.2 billion. Due to lower than projected interest rates on all bond issues and other factors, the Bank was able to provide additional funding to projects during the year. The Bank approved funding in the amount of \$198 million to the Horry County RIDE II project with \$135 million of that amount available immediately and the additional \$63 million to be provided from the next available funds of the Bank. In addition, Aiken County received a commitment of \$165 million with \$65 million currently available and the additional \$100 million to be provided from the next available funds after fully funding the Horry RIDE II project.

## Section II - Business Overview

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### Board of Directors

The SCTIB is governed by a board of directors consisting of seven voting members, including the chairman of the SCDOT Commission, ex officio; two directors appointed by the Governor, one of whom shall be chairman; one director appointed by the Speaker of the House of Representatives; one director who shall be a member of the House of Representatives appointed by the Speaker of the House of Representatives, ex officio; one director appointed by the President Pro Tempore of the Senate; and one director who shall be a member of the Senate appointed by the President Pro Tempore of the Senate, ex officio.

The members of the SCTIB Board of Directors as of June 30, 2002 are:

Howard W. "Champ" Covington, Jr., Chairman	Appointed by the Governor of South Carolina
S. Lyman Whitehead Vice Chairman	Appointed by the Governor of South Carolina
Richard L. Tapp Secretary	Appointed by the President Pro Tempore of the South Carolina Senate
L. Morgan Martin	Chairman, South Carolina Department of Transportation Commission, ex officio
Maxson "Max" K. Metcalf	Appointed by the Speaker of the South Carolina House of Representatives
W. Greg Ryberg	Member of the South Carolina Senate, appointed by the President Pro Tempore of the South Carolina Senate, ex officio
Ronald P. Townsend	Member of the South Carolina House of Representatives, appointed by the Speaker of the South Carolina House of Representatives, ex officio

The SCTIB has no employees. The day-to-day administration including preparation of and accounting for all financial transactions is managed by a SCDOT employee designated as the director of the SCTIB Office within the SCDOT. This office is located in the SCDOT Headquarters Building in Columbia. The SCTIB also has contracted with outside entities to provide financial management and legal services.

**Expenditures/Appropriations Chart**

Major Budget Categories	FY 00-01 Actual Expenditures		FY 01-02 Actual Expenditures		FY 02-03 Appropriation	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	1,505		1,610		2,000	
Other Operating	191,940		387,070		301,200	
Permanent Improvements	59,850,327		101,784,075		179,950,000	
Permanent Improvements – Bond Expenditures	227,231,670		289,814,836		254,350,000	
<b>Total</b>	<b>287,275,442</b>		<b>391,987,591</b>		<b>434,603,200</b>	

**Key Customers**

Like the South Carolina Department of Transportation (SCDOT), the key customers of SCTIB are the motoring public of South Carolina. The SCTIB coordinates with the SCDOT to evaluate projects which have been submitted for financial assistance and enters into agreements whereby SCDOT provides and is reimbursed for project management services.

**Key Suppliers**

The SCTIB has few suppliers. The primary expenditure of funds is to highway project contractors which are under contract with the SCDOT for design, construction, and other activities related to selected projects.

## **Section III – Elements of Malcolm Baldrige Award Criteria**

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### **Category 1: Leadership**

The Board of the SCTIB provides leadership direction both short term and long term. Because the sole mission of the SCTIB is to provide financial assistance to major transportation projects, the principal direction of the Board is to maximize funding for qualified projects. The Board has developed an application evaluation process which provides guidance in selecting projects for funding. The SCTIB has a contract with a financial management firm for the purpose of developing and refining the short and long-term business and financial plans of the SCTIB.

### **Category 2: Strategic Planning**

Strategic Planning and implementation is a continual process. Since its inception, the strategic objective of the SCTIB Board has been to maximize funding availability for major transportation projects. This is accomplished by using innovative financing methods, requiring match funding from local communities and others, encouraging recurring, non-tax repayment sources, ensuring payments due to the SCTIB are made in a timely manner and are meeting projections, and other initiatives and efforts to ensure an excellent credit rating for bond financing. These are constantly reviewed and monitored and the short-term and long-term financial plans of the SCTIB are reviewed frequently to determine funding availability for additional projects.

### **Category 3: Customer Focus**

The key customers of SCTIB are the motoring public, both citizens of South Carolina and those who visit our state for business or pleasure. In addition, key customers would include local governments and businesses in the state which benefit from a well developed transportation system. To ensure the needs of the key customers are met, the criteria used to evaluate potential projects submitted for SCTIB funding assistance includes promoting public benefits in one or more of the following areas: enhancement of mobility and safety; promotion of economic development; or, increase in the quality of life and general welfare of the public. This criterion is substantiated in the applications by inclusion of such information as traffic studies; resolutions from local governing bodies that the project is essential to economic development in their area; certificate that the project is essential to economic development in the state from the Advisory Coordinating Council for Economic Development of the Department of Commerce; local support of the project from residents through petitions or comments at public hearings; and resolutions from municipalities, county councils, advisory groups, Metropolitan Planning Organizations or Councils of Government.

### **Category 4: Information and Analysis**

The performance measures which will be evaluated to determine whether the SCTIB is meeting expectations and short and long term goals include maintaining an “A” credit rating, amount of funding provided for major transportation projects, and number of approved projects completed on time and within budget.

### **Category 5: Human Resource Focus**

Because the SCTIB does not have any employees, this section does not apply.

### **Category 6: Process Management**

The processes related to the delivery of the services provided by the SCTIB are developed, managed and implemented by a group of key individuals who perform these functions on a day-to-day or as needed basis. This working group is comprised of the contract financial manager, a representative from the Office of State Treasurer, legal counsel, bond counsel, and the Director of the SIB Office within SCDOT. These persons, individually or collectively, review and update the business and financial plans of the SCTIB, develop funding mechanisms which create the most benefit to the SCTIB, determine timing of bond issues, prepare all documents related to the issuance of bonds, and manage the expenditure of all funds of the SCTIB. All actions of the working group are at the direction of the Board of the SCTIB and the Board takes action based on recommendations of the working group. The formal business plan of the SCTIB is updated periodically as needed based on input from the working group and is presented to the SCTIB Board for review when updated. The business plan sets forth expected capital outlays for all approved projects, estimates future revenue receipts, and provides a recommended plan for bond issuance, cash and other financing for all approved projects. The SCTIB Board annually adopts a budget based upon the recommendations set forth in the business plan.

### **Category 7: Results**

In the five years since the creation of the SCTIB, with approximately \$74 million in annually recurring state revenues as provided in the act, the SCTIB has provided financing to over \$3 billion in major transportation projects in South Carolina. This is a greater amount than all other state transportation infrastructure banks combined. In the US Department of Transportation, Federal Highway Administration's publication State Infrastructure Bank Review dated February 2002, SCTIB was listed under "Best Practices" as the best example of a large, leveraged State Infrastructure Bank.

The sources of funding which have contributed to the tremendous success of the SCTIB include a one-time contribution from the state General Fund surplus in FY1997 in the amount of \$66 million, truck registration fees in the average annual amount of \$52 million, and an annual contribution from SCDOT in the approximate amount of \$22 million. In addition, state agencies, local governments, and private entities have made substantial contributions towards the financing of the SCTIB projects. The flexibility provided in the SCTIB Act which allows the SCTIB to issue revenue bonds has had a significant role in the successful financing of the \$3 billion in major transportation projects. Financing of these projects through the SCTIB is a major component of SCDOT's "27 in 7" program in which 27 years of road and bridge projects are compressed into a seven year acceleration program.

Prior to providing a loan or other financial assistance to a qualified borrower, the SCTIB must obtain the review and approval of the South Carolina Joint Bond Review Committee (JBRC). JBRC must also approve bonding anticipated for funding the projects whether revenue or general obligation bonds, and the state Budget and Control Board must approve all general obligation bonds to be issued. At the present time, no general obligation bonds have been issued, but an issue is anticipated within the next 12-18 months.

To date, the SCTIB has issued over \$1.2 billion in revenue bonds with interest rates ranging from 4.34% to 5.44%. These are excellent rates on revenue bonds given that the SCTIB has only been in existence

since 1997. These rates reflect the strength of the SCTIB and the revenues which support the bond repayments. The low interest rates on the bonds are a result of the strong credit ratings of the SCTIB since it's first request for credit ratings in 1998. In November 2001, FITCH reaffirmed its "A" rating of the SCTIB stating the rating "recognizes the state's commitment to the bank and the needed large transportation projects it is financing, as well as the flexibility to tailor construction spending and bond issuance to available revenues". Moody's Investor Service has assigned an A1 rating noting "In Moody's opinion, the multiple revenue streams pledged to the repayment of the bonds are a key element of the ratings".

In addition, the SCTIB applied for and was awarded a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Cooper River Bridge Replacement Project. TIFIA is a Federal Highway credit program which provides loans and other financial assistance to major transportation projects. The TIFIA loan is in the amount of one-third of the project costs or approximately \$215 million. The loan will be repaid from revenues available to the SCTIB which have been pledged for this purpose.

### **Projects Approved by the SCTIB and the JBRC**

The SCTIB is a funding entity that only provides loans and other financial assistance to approved projects pursuant to the Act. The SCTIB does not own, construct, manage the construction of, or maintain any of the projects it has approved for funding. The SCTIB has no financial obligation to fund any portion of any project other than that which is selected by action of the SCTIB Board, approved by the JBRC, and subject to a valid and enforceable intergovernmental agreement or loan agreement.

The SCTIB has approved and, as required by the Act, the JBRC has reviewed and approved, the following applications for loans and other financial assistance:

*Horry County RIDE I Project* - Total Horry County RIDE I Project costs are estimated to be \$888,000,000. Funding for the Horry County RIDE I Project consists of a \$131 million contribution by the SCTIB (excluding financing costs), a \$114 million contribution by the SCDOT to the SCTIB for the project, a \$95 million interest bearing loan to the project by the SCTIB to be repaid by the SCDOT for the Conway Bypass, a \$300 million interest free loan to be repaid by Horry County, and a \$248 million interest bearing loan to be repaid by Horry County. The Conway Bypass has been completed and is in operation and other projects are under construction;

*Horry County RIDE II Project* - Total approved Horry County RIDE II project costs are \$198 million with an approximate \$2 million contribution by Horry County from Admissions Tax District revenues. Currently, \$135 million has been authorized by the SCTIB with the additional \$63 million to be authorized as funding becomes available;

*Beaufort County Project* - Total Beaufort County Project costs are estimated to be approximately \$104.7 million. Funding for the Beaufort County Project consists of a \$64.7 million contribution by the SCTIB, a \$29.9 million contribution by Beaufort County, and a \$10.1 million contribution by the SCDOT. Construction of the project is underway;

*Cooper River Bridge Replacement Project* - The total estimated Cooper River Bridge Replacement Project costs are \$650 million. Funding for the project consists of a \$325 million contribution by the SCTIB, a \$96.6 million contribution by the SCDOT from federal funds, approximately \$13 million from other sources, and a loan from the Federal Highway Administration ("FHWA") to the SCTIB in the amount of 33% of the project costs, not to exceed \$215 million, which will be repaid by the SCTIB from sources

available to it. The SCTIB will receive reimbursements on its repayment of the loan from the SCDOT in the amount of \$200 million and from Charleston County in the amount of \$75 million. In addition, the State Ports Authority will contribute \$45 million to the project. Construction on the project is underway;

*Lexington County Project* - Total Lexington County Project costs are estimated to be \$115 million. Funding for the Lexington County Project consists of a \$48 million contribution by the SCTIB, a \$6 million contribution by the SCDOT a \$2 million in-kind contribution by Lexington County and a \$59 million contribution by SCE&G. The SCTIB, the SCDOT and Lexington County have executed an Intergovernmental Agreement. The SCTIB has also executed an agreement with SCE&G. Construction is scheduled to begin in the fall of 2002;

*Upstate GRID Project (Anderson, Greenville and Spartanburg Counties)* - The Upstate GRID Project consists of thirteen component projects which have a total estimated cost of \$580 million. Funding for the Upstate GRID Project consists of a \$369 million contribution by the SCTIB and a \$211 million contribution by Anderson, Greenville and Spartanburg Counties. Anderson, Greenville and Spartanburg Counties, the SCDOT and the SCTIB have executed an Intergovernmental Agreement and construction is underway;

*York County Project* - The York County Project consists of four component projects which have a total estimated cost of \$257 million. Funding for the York County Project consists of a \$158 million contribution by the SCTIB and a \$99 million contribution by York County. The SCTIB and York County have executed an Intergovernmental Agreement and construction is underway;

*Aiken County Project* - The Aiken County Project consists of construction of a new bridge over the Savannah River and a new route as an extension into South Carolina of I-520. Total project costs are estimated at \$198 million. Funding consists of a contribution from the State of Georgia for one-half of the cost of the new bridge, approximately \$16 million, a contribution from Aiken County in the amount of \$15 million, a \$2 million contribution by SCDOT and \$165 million from the SCTIB. Currently, the SCTIB has only authorized \$65 million for the project with the balance to be authorized as funding becomes available; and

*Median Barrier Project* - The Median Barrier Project is a statewide project with a total estimated cost of \$34 million. Funding for the Barrier Project consists of a \$30 million contribution by the SCTIB and a \$4 million contribution by the SCDOT. The SCTIB and the SCDOT have executed an Intergovernmental Agreement and installation of the barriers is underway.

As evidenced by the information contained in this report, the SCTIB has been extremely successful in the five years of its existence due to the foresight of the General Assembly in providing flexibility for financing options and requiring preference be given to projects which have local financial support. The Board of the SCTIB has utilized various funding options to maximize the availability of funding to approved projects. Throughout the state, additional transportation project needs exist with no current funding. In order to finance additional projects and also maintain the excellent credit ratings, additional non-tax sources of revenue are critical.