

MINUTES

South Carolina Transportation Infrastructure Bank Board Evaluation Committee Meeting

University of S.C. Alumni Center
900 Senate Street
Columbia, S.C. 29201

March 24, 2021
9:00 a.m.

NOTE: Notification of the time, date, place and agenda of this meeting has been posted and sent, in accordance with the provisions of the South Carolina Freedom of Information Act, to all persons or organizations, local news media, and other news media what requested notification of the time, date, place and agenda of this meeting. Efforts to notify the requesting person or entity include, but are not limited to, the transmissions of notice by U. S. Mail or facsimile.

Present: John B. White, Chairman Presiding
Ernest L. Duncan, Vice Chairman
J. Barnwell Fishburne
H. B. "Chip" Limehouse
David B. Shehan

Via WebEx: Ernest L. Duncan, Vice Chairman and Ron Patton, Pinnacle Engineering Consultants, LLC

Others present: Tami Reed, Chief Financial Officer of Bank Operations; Rob Tyson, Board Secretary and Bank Counsel; Jim Holly, Bank Counsel; Rion Foley, Bank Bond Counsel; Bill Youngblood, Bank Bond Counsel; Ron Patton, Pinnacle Engineering Consultants, LLC; David Miller, Financial Advisor; Secretary Christy Hall and other representatives of SCDOT and Creel Court Reporting.

The meeting was called to order by Chairman White at 9:02 a.m.

Chairman White welcomed Secretary Hall and Mr. Powell and introduced the new SCDOT Commission Chairman, Mr. Fishburne, of SCDOT.

Motion to Approve July 6, 2020 Minutes:

Chairman White asked for a motion to approve the minutes for July 6, 2020. Mr. Limehouse made the motion and Mr. Shehan seconded. The motion carried unanimously.

Chairman White introduced bond counsel, and stated David Miller, Financial Advisor, would be making the presentation on the Bank's capacity.

Business Plan Discussion – Capacity Analysis:

Mr. Miller stated he would give an overview of the financial functioning of the Bank, as well as capacity analysis. Mr. Miller stated the slide was a quick snapshot of projects that have been approved for grant and loan funding by the Bank. He pointed out the left-hand side is completed projects and on the right-hand side are projects that are underway – approved by this Board. The total Bank contributions are approximately \$3.5 billion, and the amount approved and remaining to be spent is almost one billion. Those costs are going to be expanded over the next eight or nine years.

Chairman White asked if there were any questions. Chairman White listed the projects approved in the 2020 round of funding: City of Charleston, Septima Clark - Phase 5; Beaufort County, Highway 278; Charleston County, Main Road and Bohicket Road; Greenville County, Woodruff Road; Jasper County/Hardeeville, Exit 3; and York County, Exit 82 and Exit 85.

Mr. Miller further described the Bank's revenues are pledged to the Bank's outstanding revenue bonds and available to help fund projects. He described the series payments and system payments made to the Bank. He explained that revenues from the system payments are the state revenues that come to the Bank that are pledged to the revenue bonds. System payments include truck registration fees, motor vehicle registration fees, the electrical wholesale power funds, and an amount equal to one cent of gas tax.

Mr. Miller described the Bank's revenues from a historical perspective. Essentially, 2019 and 2020 were flat, principally due to the COVID-19 pandemic. Looking at past data from the Great Recession of the 2000's and using monthly data projections for 2021, Mr. Miller predicted that revenues for FY 2021 might be slightly better than FY 2020.

Mr. Miller further detailed the obligations under the Bank's Master Revenue Bond Resolution. The Resolution covers the attributes by which the Bank issues and repays revenue bond indebtedness.

Mr. Miller discussed the savings the Bank had seen from prior refundings of revenue bonds. He also mentioned the refunding for discussion by the Board later that day and the potential net present value savings to be generated by a bond refunding.

Mr. Miller lastly described the Bank's fund balance at the end of FY 2020. He detailed how the Bank's various restricted and unrestricted accounts played into the Bank's financial situation.

Taking Mr. Limehouse's question, Mr. Miller described the Bank's funding capacity for additional projects. He essentially conducted a stress test revenue forecast, which approximated \$1.14 billion. Then he deducted the cost estimates of the projects already approved, which resulted in \$127 million of capacity for additional projects. That does not include swap collateral, which is currently unavailable, but could become available if the Bank terminated the swaps and refunded the 2003B Bonds. If the Bank decides to terminate the swaps, it will free up \$60 million in collateral which could be added to the \$127 million of capacity. Chairman White then provided background on how the terminating of swaps' idea came to fruition.

Mr. Miller also stated that if the actual revenues come in above what was estimated, that could increase the Bank's capacity. Conversely, project costs could go up or actual revenues could be less, and the Bank's capacity would be less than the estimated \$127 million. Mr. Miller noted that the analysis he had gone through does not have anything to do with Act 275 or Act 40.

Mr., Miller explained the various factors the Bank reviews if it provides a loan. Primarily, the Bank requires a creditworthy source to repay the loan, which allows the loan to be pledged to revenue bonds.

Chairman White stated the Bank's bonds are not project specific. They are part of the Bank's book of business. Mr. Miller stated that's right. All the revenues and series payments and system payments both, are all pledged to all the Bank's bonds. Chairman White added if we have a savings that's not cash that would create an increase in capacity, then we use that money to go out and do other projects. Mr. Miller replied right.

Chairman White stated the Bank has large opportunities in the future to foster its relationship with the SCDOT. He continued that with the help, guidance and direction of the SCDOT, the Bank came up with a prioritization plan for funding projects.

Chairman White continued that the Bank's mission had changed, going from sponsors of \$100 million projects to \$25 million projects. Mr. Limehouse stated when the General assembly created the Bank, it was not to fund small projects. It was created to get the big projects that the SCDOT were having trouble making work on the old pay-as-you-go method. It was to help with major projects in the state of South Carolina moving forward.

Mr. Limehouse asked about whether projects can be bundled. Chairman White stated he thinks the question of bundling projects is not necessarily clear. Projects may not be consistent, adjacent or connected, which is problematic.

Mr. Holly stated the \$100 million policy requirement for the total project cost was a Bank policy in the beginning, not a matter of law. Next the General Assembly reduced the threshold for a project to \$25 million, singular. He continued secondly, as bundling goes, the law says a project, not projects. Mr. Holly described the process the Bank went through for years with the House Oversight Committee to develop sound policies,

including that projects should not be bundled. Mr. Holly stated that the Bank was taking another look at bundling with respect to the rural projects, because they typically qualified under the \$25 million. Staff, other members, and interested parties have been looking at bundling, with some restrictions on it for small rural projects. Mr. Holly stated our policies must be consistent with state law. Mr. Holly reminded Mr. Limehouse that the Bank has to be respectful of the House Oversight Committee and the Joint Bond Review Committee (JBRC) as it potentially develops new policies and operating guidelines.

Chairman White stated the Bank will continue its conversations with the JBRC for further clarification how the Bank should handle rural projects and the bundling of projects.

Motion to Enter Executive Session:

Mr. Limehouse made the motion to go into executive session for the discussion of negotiations to a proposed contractual agreement and the receipt of legal advice on matters covered. Mr. Shehan seconded. The motion was passed unanimously with the members went into executive session at 9:44 a.m.

Motion to Come out of Executive Session

Chairman White called for a motion to come out of executive session. Mr. Limehouse made the motion and Mr. Shehan seconded the motion. The motion passed unanimously. Executive session lasted from 9:44 a.m. to 11:47 a.m.

Chairman White stated no votes were taken, nor was any action taken in executive session.

Discussion of New Application Criteria for Rural Applicants and Related Revisions to Operating Guidelines:

Chairman White stated the next item up for discussion is the new Application Criteria for Rural Applicants and related Operating Guidelines and other attachments. Mr. Tyson provided some background. After the Evaluation Committee and the Bank approved projects last year, the Board asked staff to analyze whether rural counties are getting a fair review and assessment as the Bank was providing financial assistance to various applicants. Staff met several times to look at ways to improve or increase the ability of rural applicants to receive financial assistance. Shortly thereafter, the JBRC appointed a subcommittee to look at a similar type issue. Staff had spent the last several months talking with the JBRC subcommittee looking for ways to improve the process. As a result, the staff proposed the Draft Rural Project Program application with proposed changes to the Operating Guidelines. This proposal identifies a rural project as a county with a population of 115,000 or less. Also, the proposal suggests the Bank set either a specific dollar amount of financial capacity or a certain percentage of total capacity, determined at the time of application for the rural projects. The proposal limits the rural projects application to approximately 15 pages. Mr. Tyson stated the proposal goes a long way toward meeting the Bank's stated objective of wanting to provide greater attention to rural counties and rural application process.

Chairman White asked if there were any questions. Chairman White then stated this is a proposed addition to the Operating Guidelines to implement a new program for rural projects. Chairman White stated the proposal contained a draft Rural Project Program Application, a geographic list of counties with population less than 115,000 and as an exhibit, and the Department of Revenue's South Carolina Information Letter.

Chairman White asked for further questions. After no more questions, Mr. Duncan and Mr. Limehouse moved to approve the program and related matters, and with the understanding the appropriate documents would be inserted to complete the record. Mr. Shehan seconded. Chairman White asked if there are any questions or discussion. None were heard. Chairman White asked for individual voting. The motion passed unanimously.

Discussion of Possible Second Phase of Prior Application

Chairman White stated for information purposes only, last year was a historic year for the Bank given the number of quality applications. The Board acted on seven applications. However, there were a number of applications that the Bank did not award financial assistance. For these applications, phase 2 applications, Bank staff will send a letter to all the phase 2 applicants to give them an opportunity to update their applications. Subsequently, the Evaluation Committee and Board will meet to develop a resolution on the remaining phase 2 applications.

Chairman White asked if there was any old or new business. Hearing no additional business, Chairman White asked if there was a motion to adjourn.

Adjourn

Mr. Fishburne made the motion and Mr. Limehouse seconded. All members voted to adjourn. The meeting adjourned at 12:01 p.m.


Board Secretary