

MINUTES
South Carolina Transportation Infrastructure
Bank Board Special Meeting

Blatt Bldg - Room 110
Columbia, SC 29201
August 20, 2019
10:00 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 that 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 the U.S. Mail, electronic mail, or facsimile.

Present: John B. White, Jr., Chairman, Presiding
Ernest L. Duncan, Vice Chairman
Senator Hugh K. Leatherman, Sr.
H.B. "Chip" Limehouse, III
Representative J. Gary Simrill
David B. Shehan

By Phone: Robert "Robbie" Robbins

Others present: Tami Reed, for the Bank; Rob Tyson, Board Secretary and Bank Counsel; Jim Holly, Bank Counsel; David Miller, Financial Advisor; Bill Youngblood and Rion Foley, Bank Bond Counsel; representatives of SCDOT.

The meeting was called to order by Chairman White at 10:04 a.m.

Opening Remarks:

Chairman White welcomed everyone to the meeting. He asked if there was a quorum; Mr. Tyson responded yes.

Consideration of Minutes:

The first item for consideration is the minutes for March 25, 2019. Chairman White asked for a motion to approve; Senator Leatherman made the motion and Mr. Shehan seconded the motion. The motion passed unanimously.

The second item of business were minutes for the August 7, 2019 meeting. Chairman White asked for a motion to approve. Representative Simrill made the motion and Senator Leatherman seconded the motion. The motion passed unanimously.

Financial Items:

Chairman White asked Mr. Miller, the Bank's Financial Advisor, to make a presentation on recent bond transactions.

Mr. Miller started with the 2003B Bonds. He explained the process that occurred earlier this summer when the 2003B Bonds were reoffered.

He next reported on the 2019A Bonds. He stated the Tax Reform Act prompted the Bank to review how best to price interest rates on certain bonds. The Bank and its advisors decided to do a public sale instead of placing notes with the banks. The Tax Reform Act no longer allows to refund taxes at municipal bonds in advance of the call date; thus, a two-step process was utilized. On July 8th, the Bank cash defeased to \$205 million of high coupon 2012 bonds including the interest to the call date. On August 7th, the Bank sold bonds to produce net proceeds to build projects. The cash position ended up exactly the same; however, the Bank sold down or paid back some high coupon debt and sold some lower coupon debt.

Eight bids were received by competitive sale. The lowest interest rate was 1.85 percent. Due to the lower interest rate, less cash was needed to defease the bonds and offset the cash used. The net result of the transaction, including cost of issuance and the reduction and interest cost was a net present value savings of \$35.4 million.

Chairman White asked Mr. Miller about the savings on the first series. Mr. Miller stated he didn't have the exact amount, but his recollection was the savings totaled approximately \$63 million for the state of South Carolina. Life to date savings through refunding is \$288 million. Chairman White complimented Mr. Miller and Ms. Reed, the Bank's CFO, for their sound advice and leadership. Chairman White also thanked Rick Harmon and the Joint Bond Review Board for their help and insight.

Fiscal Year 2020-2021 Appropriation Budget:

Chairman White called upon Ms. Tami Reed to present the proposed budget. Ms. Reed stated the budget had not changed much in the past few years; however, for this year, the budget was revised for the Act 98 projects.

The 2020-2021 budget includes \$100 million dollars in expenditures for projects. Sixty million dollars was forecasted for projected expenditures on the current projects. Flexibility and leeway have been added in case any new projects have expenditures in the fiscal year.

Attorney fees were increased because the Bank has had several complex legal issues recently and forecasts more of the same for the future.

Ms. Reed stated that the Conway Bypass has been paid off, so \$7.6 million dollars have been taken out of the budget.

Chairman White asked Ms. Reed if the bank was sufficiently staffed and whether the budget provides for any additional staff. Ms. Reed stated the Bank has six FTE's on the books with three of those positions currently filled. Ms. Reed introduced the Bank's newest employee Jerri Butler. Ms. Reed stated the Bank would like to hire another accountant, an administrative assistant, and a software person. When the positions are filled, the Bank will be fully staffed.

Chairman White asked for a motion to approve the budget. Mr. Limehouse made the motion and Senator Leatherman seconded the motion. The motion passed unanimously.

SCTIB Business Plan Update:

Chairman White called on Mr. Miller to make a presentation on the Bank's business plan. Chairman White asked that Mr. Miller speak on where the Bank is, where the Bank has been, what opportunities the Bank has and bonding capacity. Chairman White stated the Bank has a new project prioritization process that has been approved by the Bank's board and comes with advice and consent of the SCDOT. The Bank will be accepting applications starting September 1, 2019. Chairman White stated that as part of the process, the Bank's choices will be graded twice after approval; first, by the SCDOT, who must give consent or advice, and then the Joint Bond Review Committee.

Prior to Mr. Miller's presentation, Senator Leatherman asked if applications for interstates would be covered by the Bank or would legislation be required. Senator Leatherman stated the interstate system in South Carolina is woefully inadequate; thus, financial capacity needs to be added to our interstates. Senator Leatherman sought whether an application had ever been made covering interstates. Chairman White stated if there was an application made covering interstates, he assumed it would come from the SCDOT. Mr. Holly, Bank counsel, stated that applications had been made by local governments to cover portions of interstates, but he did not recall an application solely for interstates.

Senator Leatherman stated he would be asking his legislative staff to review whether the Bank could fund interstates. Chairman White stated that conversation between the governor, the legislature, and the SCDOT would be necessary regarding moving forward on such proposals.

Mr. Miller made his presentation which Chairman White stated a hard copy of the presentation would be marked Exhibit One for the record.

Mr. Miller stated the presentation was on the sources of funding and the capacity for programs that the Bank has had for several years. Mr. Miller's presentation does not address Act 275 or Act 40 because they are separate revenues for separate programs and uses.

Mr. Miller stated given the Bank's primary sources of revenue, the Bank has approximately \$650 million of funding capacity between cash and additional bonding to fund projects. The \$650

million is broken down as approximately \$380 million of revenue bonds and \$270 million of cash. Mr. Miller stated when he uses the term funding capacity, he is excluding loans.

Chairman White called for questions. Senator Leatherman requested Mr. Miller meet with Rick Harmon of the Joint Bond Review Committee to discuss future bond series. Senator Leatherman also stated his primary legislative thrust for the coming year would be funding interstates; thus, it is imperative to understand what the General assembly can or cannot do to fund interstates.

City of Aiken Project Extension Request:

Chairman White called on the City Manager to speak. Stuart Bedenbaugh, the Aiken City Manager, stated the City is requesting a revised schedule and a scope revision for the University Parkway Project. The reduction in scope would utilize the local funds, \$3 million dollars from the City and \$3 million dollars from the County, and \$4.6 million from the Bank. Mr. Bedenbaugh stated the project's scope reduction would reduce the project by approximately one-fourth of a mile.

Senator Leatherman asked questions concerning the City's initial request and the reasons for now reducing this request. After some discussion, the contractor hired by the City answered some questions. Mr. Toole stated the preliminary plan had been submitted in accordance with SCDOT requirements for the second half of the project. Chairman White asked for further questions. Senator Leatherman stated he had a motion and some legal questions. Chairman White asked if Senator Leatherman would like to discuss the legal issues in Executive Session. Senator Leatherman replied yes.

The second project request from the City of Aiken concerned Dougherty/Whiskey Road. Chairman White stated on October 2, 2018 the Bank had approved amending the Intergovernmental Agreement to extend the deadline for commencement of the construction of the project and the construction completion date. However, the IGA was not fully executed and the City of Aiken now requests a further extension to commence construction by September 2019 and complete construction by July 2020. Chairman White asked if the City was requesting Bank action for this extension on the Dougherty/Whiskey Road Project. The City responded affirmatively. Senator Leatherman made a motion to grant the extension request and Mr. Limehouse seconded the motion. The motion passed unanimously.

Executive Session:

Chairman White asked for a motion to go into Executive Session to discuss legal and contractual matters. Mr. Robbins made the motion and Mr. Limehouse seconded the motion which passed unanimously. The Board went into Executive Session at 11:41 a.m.

Motion to come out of Executive Session:

At 12:13 p.m. Chairman White for a motion to come out of Executive Session with the understanding that no action had been taken by the Board while in Executive Session. Senator Leatherman so moved, and Mr. Shehan seconded the motion. The motion passed unanimously.

Actions on Items from Executive Session:

Financial Advisor RFP

Chairman White stated that Public Financial Management (PFM) represented by Mr. Miller has been the Bank's financial advisors for several years. At the suggestion of board members, Chairman White thought it would be prudent if the Bank Board did its due diligence and analyze the process for selecting a financial advisor. After conducting this review, Chairman White recommended the Bank Board ask for an RFP regarding choosing a financial advisor.

Chairman White called upon Rob Tyson, the Bank's Secretary, to describe the process and inform the Board of the results.

Mr. Tyson stated the contract with PFM ends in September 2019. The State Treasurer's office handled the RFP on behalf of the Bank. Responses were due by July 8, 2019. Five firms responded to the RFP. Complying with state law and procurement policy, the State Treasurer's office helped develop criteria as to how to score the proposals. There were two categories; 1) Pricing and 2) Knowledge of the services and requirements of the Bank, including experience with similar type entities, and experience and qualifications of personnel.

The State Treasurer's Office had additional questions concerning pricing; thus, the State Treasurer's Office requested supplemental information. All respondents provided the information as requested. The State Treasurer made the requisite certification that it had not rejected or waived any proposal. The State Treasurer's office indicated this RFP was a "clean process." The RFP also provided the possibility of interviews and presentations, but neither was considered necessary given the information provided by the respondents. After the scores were tallied in the categories, Mr. Tyson stated PFM had the highest point score of the five companies that bid.

Chairman White called for a motion to enter into a contract to allow PFM, as represented by Mr. Miller, to be the Bank's Financial Advisor. Senator Leatherman made the motion to approve the selection of PFM. Mr. Shehan seconded the motion. The motion passed unanimously.

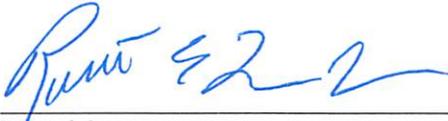
University Parkway in the City of Aiken Chairman White asked for a motion to move forward with City of Aiken's request for an extension and a reduction in the scope. Mr. Duncan made the following motion: "Mr. Chairman; I move that the staff work with the City of Aiken to obtain additional information concerning the change in the scope of the project for the University Parkway Project and take that information and request back through the Evaluation Committee." Mr. Robbins seconded the motion. Senator Leatherman stated he would like to amend the motion to state that the project if approved by the Bank Board, go back through the Joint Bond Review Committee review process for approval. Mr. Duncan agreed to the amendment. After further discussion, Chairman White called for the question. Voting affirmatively were: Mr. Shehan, Mr. Duncan, Mr. Simrill, Senator Leatherman and Chairman White. Mr. Robbins voted no. Mr. Limehouse was not present to vote. Thus, the motion carried by a vote of 5 to 1.

Old Business:

Chairman White stated that the president of the Greater Charleston Chamber of Commerce invited the board to an event in appreciation of the supporters of Mark Clark on Tuesday September 24, 2019.

Motion to Adjourn:

Chairman White called for a motion to adjourn. Mr. Duncan made the motion and Senator Leatherman seconded. The motion carried unanimously. The meeting adjourned at 12:28 p.m.

A handwritten signature in blue ink, appearing to read "Runt 422", is written above a horizontal line.

Board Secretary