



**MISSOURI HIGHWAYS AND TRANSPORTATION
COMMISSION**

Official Minutes

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**MINUTES OF THE SPECIAL HIGHWAYS AND TRANSPORTATION
COMMISSION MEETING HELD IN EMINENCE, MISSOURI,
TUESDAY, OCTOBER 1, 2019**

A special meeting of the Missouri Highways and Transportation Commission was held on Tuesday, October 1, 2019, at Echo Bluff State Park, 34489 Echo Bluff Drive, Eminence, Missouri. Michael B. Pace, Chair, called the meeting to order at 9:30 a.m. The following Commissioners were present: Gregg C. Smith, Michael T. Waters, Jr., John W. Briscoe, and Terry L. Ecker. Robert G. Brinkmann participated via teleconference.

The meeting was called pursuant to Section 226.120 of the Revised Statutes of Missouri, as amended. The Secretary verified that notice of the meeting was posted in keeping with Section 610.020 of the Revised Statutes of Missouri, as amended.

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Patrick McKenna, Director of the Missouri Department of Transportation; Rich Tiemeyer, Chief Counsel for the Commission; and Pamela J. Harlan, Secretary to the Commission, were present on Tuesday, October 1, 2019.

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*“Department” or “MoDOT” herein refers to Missouri Department of Transportation.
“Commission” or “MHTC” herein refers to Missouri Highways and Transportation Commission.*

-- OPEN MEETING --

COMMISSION/DIRECTOR ITEMS

COMMISSION WORKSHOP: DEBT AND BONDING PROGRAM

The Commission held a special meeting to discuss the Commission’s outstanding debt and proposed bond issuance for the Governor’s Focus on Bridges program. A series of events have occurred recently where the department has received additional funding for transportation and authority to issue bonds to fund transportation projects. This workshop reviewed the department’s debt management history, the current events that provided additional funding, and what steps will need to be taken to issue bonds for transportation projects.

Bond financing allowed the department to provide much needed infrastructure improvements to the traveling public sooner than pay-as-you-go funding allowed. Building projects sooner results in cost savings by reducing project inflation costs, while at the same time advancing economic development, improving safety and easing congestion. The Commission has three bonding programs: Senior Lien bonds, Amendment 3 bonds (First Lien, Second Lien, and Third Lien) and Federal Reimbursement bonds {Grant Anticipation Revenue Vehicle (GARVEE) Bonds}.

The Commission currently has \$1.614 billion in outstanding bonds. Between December 2000 and May 2019, the Commission borrowed \$3.812 billion through new money bonds and \$1.529 billion through refunding bonds. The Commission has not issued new bonds since 2010. The current outstanding bonds are projected to be paid in full on May 1, 2033.

History

The following is a summary of the recent history of Commission bond issuances. During the 2000 legislative session, the Missouri General Assembly passed legislation authorizing the MHTC to

borrow up to \$2.25 billion of bonds. The intent was to jumpstart road and bridge construction prior to passing a statewide tax increase for transportation. From December 2000 through November 2003, the Commission borrowed a total of \$907 million for statewide construction projects through four bond series. The Commission did not utilize the entire bonding authority after Proposition B, a proposal to increase the state motor fuel tax by four cents per gallon and the general sales tax by one-half percent, was defeated by voters by a 3-to-1 margin in 2002. The funds borrowed under this authority are referred to as Senior Lien Bonds. A portion of these bonds were refunded in December 2006 and November 2010, resulting in savings of \$27 million and \$13 million, respectively. On two occasions the Commission authorized the calling of Senior Lien Bonds; first in December 2010 and again in December 2016. These bonds were called in February 2011, February 2017, and May 2017, resulting in savings of \$0.6 million, \$12.8 million, and \$9.8 million, respectively. This lien is closed except for refunding and the final payment date for the Senior Lien Bonds is February 1, 2023.

In November 2004, Amendment 3 was voter-approved as a constitutional amendment and redirected a portion of the statewide sales tax on motor vehicle purchases from the state's General Revenue Fund to a newly created State Road Bond Fund. The law mandated the redirected revenue be used to repay bonds until January 1, 2009. After January 1, 2009, the amount not needed for debt service or to maintain a reserve would require a General Assembly appropriation of the unused funds from the State Road Bond Fund to the State Road Fund, which would then be used on pay-as-you-go projects. Using the new revenue for bond repayment allowed the Commission to deliver projects faster. The Commission borrowed a total of \$1.98 billion through six series of Amendment 3 Bonds. A significant decrease in the annual debt service payment occurs in fiscal year 2027 as a result of the First Lien Bonds being paid in full. The final payment date for the Amendment 3 Bonds is May 1, 2029. A portion of these bonds were refunded in June 2014 resulting in savings of \$123 million.

From 2008 to 2010, three major projects utilized debt financing: the New I-64 in St. Louis, the Safe and Sound Bridge Improvement Program, and the Stan Musial Veterans Memorial Bridge in St. Louis. The Commission used GARVEE Bonds, which is debt used to finance federal transportation improvements, to pay for all or a portion of the projects. The Commission borrowed a total of \$928 million through five GARVEE Bond series. The final payment date for the GARVEE Bonds is May 1, 2033. A portion of these bonds were refunded in May 2019 resulting in savings of \$9.5 million.

The Commission borrowed funds using various types of bonds. The largest percentage was tax exempt fixed rate debt (\$913 million outstanding). In 2009 and 2010, the MHTC utilized Build America Bonds (BABs), which are sold as fixed rate taxable bonds that receive an interest subsidy payment from the U.S. Treasury. The BABs utilized by the Commission resulted in lower net interest rates when compared to the traditional tax-exempt bonds. The Commission currently has \$701 million of BABs outstanding.

Events

The following is a review of recent events that have led to additional funding and bonding authority. Governor Mike Parson recognized the need for additional funding for infrastructure projects in Missouri and in January 2019 put forth a proposal to repair or replace hundreds of the state's worst bridges. As passed by the 2019 General Assembly and signed by the Governor, \$50 million was appropriated from State General Revenue to replace or repair forty-five bridges in Fiscal Year 2020. In July, MoDOT received an \$81.2 million INFRA Grant from the U.S. Department of Transportation that will facilitate the construction of a new I-70 Missouri River Bridge at Rocheport and I-70 climbing lanes at Mineola Hill in Montgomery County – two significant improvements to the I-70 freight corridor. The INFRA grant will also trigger a \$301 million bonding program, authorized by the legislature in the 2019 session and to be repaid from State General Revenue, which will repair or replace an additional 215 bridges across the state – freeing up \$301 million from the current Statewide Transportation

Improvement Program for new transportation improvement projects. The Focus on Bridges program will result in the repair or replacement of 250 bridges and is funded with \$50 million in general revenue and \$301 million from bonds of which \$201 million will be issued later this year.

Not only will this program enable MoDOT to fix hundreds of poor bridges throughout the state, it will also enable the department to deliver additional high-priority transportation projects statewide using the funding already dedicated to these bridges in the current construction program and for which the department's nationally recognized local planning process will be used. Director McKenna noted the department will be working with planning partners to prioritize projects using the \$301 million in reallocated funds in the next STIP. The funds will be distributed to the districts based on the flexible funding formula that includes percentage of population, percentage of employment, and percentage of vehicle miles traveled on the National Highway System and remaining arterial routes.

A full financial plan for the I-70 Rocheport Bridge and I-70 climbing lanes at Mineola Hill in Montgomery County has come together to fund the \$255.8 million project. The following is the blend of funds that are committed to this project:

- \$81.2 million in INFRA Grant;
- \$4.2 million from the City of Columbia, the City of Boonville, Boone County, and Cooper County;
- \$23.2 million previously committed in the STIP for the bridge rehabilitation project;
- \$7.2 million previously committed in the STIP for the I-70 Loutre River bridge replacement at Mineola Hill;
- \$38.9 million in Central District reallocated funds from the \$301 million freed up by the new bonding revenue;
- \$62.5 million from the State Infrastructure Bank; and
- \$38.6 million in cost-share funds.

In September, the department was awarded the Competitive Highway Bridge Program grant to replace an additional forty rural bridges in northern Missouri. This grant is for \$20.7 million to replace the bridges that are in poor condition, weight-restricted, supported by timber pile, and only one-lane wide but carry two-way traffic.

Policy

The issuance of new debt by the Commission will be in accordance with the Commission's Debt Management Policy. The Commission first approved its Debt Management Policy in May 2000, with the latest revision approved by the Commission in February 2019. The Commission adopted a Debt Management Policy to ensure that each debt financing is completed in the most efficient and effective manner and in accordance with the best practices of the industry to achieve the Commission's fiscal management goals and objectives. The Debt Management Policy limits the amount of debt the Commission can borrow by capping annual debt service to no more than five percent of the annual Total Road and Bridge Revenue, not including Amendment 3 revenues. New or additional funding sources, such as Amendment 3, may be designated for the exclusive purpose of covering debt service to advance construction projects and these may be considered beyond and apart from the five percent limit. Debt obligations include debt service on bonds; lease payments on vehicles, equipment and office buildings; and repayment to local entities for accelerated program payments. The accelerated program is MoDOT's reimbursement to other entities, usually local governments, for proceeds they provided to accelerate construction projects. When comparing the Commission's estimated debt obligations compared to the estimated debt limitations, the Commission is in compliance with the Debt Management Policy. The Commission's policy is conservative and allows the department to focus on preserving the existing system through asset management and continue to be able to operate and maintain the system.

Proposed Bond Issuance

New debt will be issued with the authority granted by Senate Substitute #2 for Senate Concurrent Resolution 14 (SCR 14) passed during the 2019 legislative session. SCR 14 authorizes the Office of Administration and the Commission to execute a financing agreement to pledge sufficient state General Revenue Fund moneys to be the first recourse for payment of the debt service on Commission bonds

issued to finance the planning, designing, construction, reconstruction, rehabilitation, and significant repair of 215 state bridges. The total estimated project costs are not to exceed \$301 million, the bonds will be payable over a term not to exceed seven years, and the debt service will be paid from future appropriations made by the General Assembly from the state General Revenues to the State Road Fund. This resolution takes effect upon the department's acceptance of the federal INFRA grant. SCR14 lays the foundation for this bond issuance and is unique because the Commission is using its constitutional authority to borrow, but the legislature has authorized the payment of debt service through general revenue.

The department is planning to proceed with a competitive sale for the Third Lien State Road Bonds, Series B 2019. This issuance is projected to be in compliance with the Debt Management Policy and below the debt limitations. The proposed bond sale schedule will begin with a presentation to the rating agencies on October 17. On October 30, the Series B 2019 ratings will be released. On November 6, the department will seek Commission approval of the resolution authorizing the sale of the bonds. At the December 4 Commission meeting, the department will report the final sale results, with anticipated delivery of the funds on December 11. The Commission's current credit rating remains high with each credit rating agency. These good ratings are anticipated to continue with this new debt issuance. Ms. Morris reported while the Commission has authority to issue \$301 million in bonds, an estimate of only \$265.3 million in total will be issued because market conditions are so favorable the difference will be received from the proceeds of the sale. After the sale, the department will file the necessary Continuing Disclosure/Post-Issuance Compliance reports. The department will also continue to produce its annual debt management report for the July Commission meeting and summarize any debt activity for the year.

Following discussion, the Commission commended the department and its leadership for its excellent stewardship of transportation revenues over the years. The Commission also commended the

department for their educational presentation of the Commission's debt management. No action was taken at this meeting as recommendations for action will be made by the department at a later date.

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By unanimous consensus of all members present, the meeting of the Commission adjourned.

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The Mission of the Missouri Highways and Transportation Commission is to:

- Represent the citizens of Missouri pursuant to the Constitution by providing independent and nonpartisan governance of the Missouri Department of Transportation; and
- Establish policies, exercise oversight, and ensure accountability in developing and maintaining a world class transportation system in Missouri which fosters safety and economic development.

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