

Accountability Report Transmittal Form

Agency Name South Carolina Transportation Infrastructure Bank

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**South Carolina Transportation Infrastructure Bank
Annual Accountability Report
Fiscal Year 2011-2012**

Section I- Executive Summary

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.

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 SCTIB.

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

Major Achievements from the Past Year

The SCTIB has been recognized nationwide for its effectiveness in providing funding solutions for over \$5 billion in projects and for its expediency in approving the funding which results in accelerated project construction. Since approval of the first project in 1998, the SCTIB has expended over \$3 billion for major transportation projects. Preliminary work and construction on major projects is ongoing including projects in Berkeley County, Florence County, Horry County, Charleston County, and the Town of Mount Pleasant.

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 and review existing debt for refunding opportunities.
- Consider additional qualified projects for financial assistance utilizing available capacity.

Key Strategic Challenges

The SCTIB Act provided mechanisms, such as the issuance of revenue and general obligation bonds, for the SCTIB to provide financing for major transportation projects. The Act also provided sources of revenues to support revenue bonds. Since its inception in 1997, the SCTIB has taken maximum advantage of the funding mechanisms and has provided financial assistance for major transportation projects throughout the state of South Carolina (including 20 counties, 4 municipalities, and two statewide projects) through the issuance of over \$2.5 billion in revenue and general obligation bonds and the use of other revenues of the SCTIB.

How the Accountability Report is Used to Improve Organizational Performance

The SCTIB Board and contract staff members are cognizant of performance measures and their usefulness. As the SCTIB's mission is a single purpose, the measures of performance are limited. The Board and staff are constantly seeking to maximize funding for major transportation projects. The accountability report serves as a checkpoint to ensure the agency is achieving its goals each year.

Section II – Organizational Profile

Main Products and Services

The main products and services provided by the SCTIB are major transportation projects funded by the SCTIB which would not be possible without its existence. Examples are visible from the \$650 million Cooper River Bridge construction to the cable median barriers installed throughout the state with \$30 million contributed by the SCTIB.

Key Customers

Like the South Carolina Department of Transportation (SCDOT), the key customers of the SCTIB are the motoring public of South Carolina. The SCTIB coordinates with the SCDOT to evaluate projects which have been submitted, principally by local governments, for financial assistance and enters into agreements whereby the SCTIB provides and is reimbursed for project management services. The motoring public is the beneficiary of safety improvements and reduction in congestion on the state's highways.

Key Stakeholders

Key stakeholders of the SCTIB include the local governments which participate with the SCTIB as applicants and major beneficiaries of the major transportation improvements funded by the SCTIB. These transportation improvements enhance mobility and safety and promote economic development in the local areas and throughout the state.

Key Suppliers and Partners

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.

Operation Locations

The SCTIB office is located in the SCDOT Headquarters Building in Columbia. The SCTIB also has contracted with outside entities to provide financial management and advice and legal services.

Employees

The SCTIB has no employees. The day-to-day administration, including preparation of and accounting for all financial transactions, is managed by SCDOT Employees with reimbursement from the SCTIB to SCDOT for costs related to the administration.

Regulatory Environment

The regulatory agency the SCTIB has the most dealings with is the Federal Highway Administration. This agency has a local office in Columbia with employees available to give guidance on a number of issues relating to transportation. The SCTIB also has dealings with the South Carolina State Treasurer's Office with regards to the various funding issues.

Performance Improvement System

With advice from the financial management firm the SCTIB contracts with, the SCTIB Board reviews the SCTIB's effective use of the funds available to the SCTIB.

Organizational Structure

The SCTIB is governed by a seven-member board which makes policy decisions, approves projects for financing, and approves debt. The operations of the SCTIB are carried out by a working group which provides financial, accounting, administrative, and legal services.

Board of Directors

The SCTIB's board of directors consists 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, 2012 are:

| | |
|--|---|
| Donald D. Leonard Chairman | Appointed by the Governor of South Carolina |
| Maxson "Max" K. Metcalf Vice Chairman | Appointed by the Speaker of the South Carolina House of Representatives |
| Richard L. Tapp Secretary | Appointed by the President Pro Tempore of the South Carolina Senate |
| Hugh K. Leatherman, Jr. | Member of the South Carolina Senate, appointed by the President Pro Tempore of the South Carolina Senate, ex officio |
| Representative H. B. Limehouse, III | Member of the South Carolina House of Representatives, appointed by the Speaker of the South Carolina House of Representatives, ex officio |
| Ernest L. Duncan | Appointed by the Governor of South Carolina |
| R. Eddie Adams | Chairman, South Carolina Department of Transportation Commission, ex officio |

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Accountability Report Appropriations/Expenditures Chart

Base Budget Expenditures and Appropriations

| Major Budget Categories | FY 10-11 Actual Expenditures | | FY 11-12 Actual Expenditures | | FY 12-13 Appropriations Act | |
|-------------------------------|------------------------------|---------------|------------------------------|---------------|-----------------------------|---------------|
| | Total Funds | General Funds | Total Funds | General Funds | Total Funds | General Funds |
| Personal Service | | | | | \$ 100,000 | |
| Other Operating | \$ 291,539 | | \$ 259,719 | | \$ 172,780 | |
| Debt Service | \$ 40,000 | | \$ - | | \$ 50,000 | |
| Permanent Improvements | \$ 27,732,216 | | \$ 15,460,266 | | \$ 50,000,000 | |
| Case Services | | | | | | |
| Distributions to Subdivisions | | | | | | |
| Fringe Benefits | | | | | \$ 34,620 | |
| Non-recurring | | | | | | |
| Total | \$ 28,063,755 | \$ - | \$ 15,719,986 | \$ - | \$ 50,357,400 | \$ - |

Other Expenditures

| Sources of Funds | FY 10-11 Actual Expenditures | FY 11-12 Actual Expenditures |
|-----------------------|------------------------------|------------------------------|
| Supplemental Bills | | |
| Capital Reserve Funds | | |
| Bonds | \$ 5,848,378 | \$ 22,767,522 |

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Major Program Areas

| Program Number and Title | Major Program Area Purpose (Brief) | FY 10-11 Budget Expenditures | FY 11-12 Budget Expenditures | Key Cross References for Financial Results* |
|--|--|--|--|---|
| 0105000 Transportation Infrastructure | Provide funding for major transportation projects. | State: Federal: Other: 27,732,215.56 Total: 27,732,215.56 % of Total Budget: 99% | State: Federal: Other: 15,460,266.33 Total: 15,460,266.33 % of Total Budget: 98% | |
| | | State: Federal: Other: Total: % of Total Budget: | State: Federal: Other: Total: % of Total Budget: | |
| | | State: Federal: Other: Total: % of Total Budget: | State: Federal: Other: Total: % of Total Budget: | |
| | | State: Federal: Other: Total: % of Total Budget: | State: Federal: Other: Total: % of Total Budget: | |
| | | State: Federal: Other: Total: % of Total Budget: | State: Federal: Other: Total: % of Total Budget: | |

Below: List any programs not included above and show the remainder of expenditures by source of funds.

01010000 Administration

| | | | | |
|-----------------------------------|--------------------|------------|--------------------|------------|
| Remainder of Expenditures: | State: | | State: | |
| | Federal: | | Federal: | |
| | Other: | 331,538.59 | Other: | 259,719.40 |
| | Total: | 331,538.59 | Total: | 259,719.40 |
| | % of Total Budget: | 1% | % of Total Budget: | 2% |

* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.

The chart above reflects expenditures from budgeted funds. In addition, the SCTIB expended \$22,767,522 from bond proceeds during FY11-12, bringing the total major program expenditure to \$38,507,508.

Section III – Elements of Malcolm Baldrige Award Criteria

Category 1: Senior Leadership, Governance, and Social Responsibility

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. In addition, the SCTIB constantly reviews outstanding debt for refinancing opportunities at lower interest rates. An additional related objective is the allocation of available funding capacity to applicants requesting financial assistance for major transportation projects. The SCTIB issued \$265,965,000 in revenue refunding bonds during fiscal year 2012 resulting in a net present value savings of \$30 million. To date, the SCTIB has realized over \$110 million net present value savings from refunding bonds at opportune times. These savings result in additional investment in the transportation system in the state.

Strategic Planning

| Program Number and Title | Supported Agency Strategic Planning Goal/Objective | <u>Related FY 10-11 and beyond</u> Key Agency Action Plan/Initiative(s) and Timeline for Accomplishing the Plan(s) | Key Cross References for Performance Measures* |
|---|--|---|--|
| 01050000 Transportation Infrastructure | Provide sufficient annual funding in order to complete projects on time and on budget. | Review of all debt to determine if refinancing would achieve savings. Issue new revenue bonds as needed to fund projects. | |

* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.

Category 3: Customer and Market 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 include 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. These criteria are 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: Measurement, Analysis, and Knowledge Management

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 and maximizing amount of funding provided for major transportation projects.

Category 5: Workforce 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 SCTIB Operations. 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 fifteen years since the creation of the SCTIB, with approximately \$130 million in annually recurring state revenues as provided in the Act, the SCTIB has provided financing to over \$5 billion in major transportation projects in South Carolina. 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, and annual revenues from various sources including: truck registration fees in the amount of \$62 million in FY2012, an annual contribution from SCDOT in the amount of \$26 million in FY2012, motor vehicle license fees in the amount of \$38 million in FY2012 and a portion of electric power tax in the amount of \$3.6 million in FY2012. 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 played a significant role in the successful financing of the \$5 billion in major transportation projects.

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, financial assistance for transportation investment in the following areas of the state:

Aiken County
Anderson County
Beaufort County
Berkeley County
Charleston County
Cherokee County
Colleton County
Dorchester County
Florence County
Greenville County
Georgetown County
Horry County
Jasper County
Lexington County
Spartanburg County
York County

City of Aiken
City of Charleston
Town of Hardeeville (in conjunction with Jasper Co)
Town of Mount Pleasant

Statewide Median Cable Barriers
Statewide Bridge Replacement

As established by the contents of this report, the SCTIB has been extremely successful in the fifteen years of its existence in accelerating the construction of the state's largest highway projects and improving the safety of the motoring public. This success is due in large part to the foresight of the General Assembly in providing the SCTIB with flexibility in financing options, appropriating significant initial recurring revenues for its use, providing additional revenue sources, and requiring that preference be given by it to projects with local financial support. These factors, together with the innovative financing options implemented by the SCTIB Board, have allowed the SCTIB to maximize the use of its revenues. However, other major highway project needs exist or are quickly developing due to our state's growing population and increasing traffic.