

Senate Transportation Committee

September 8, 2011

Purpose

To brief the SC Senate Transportation Committee on the SCDOT cash flow situation including:

- Background
 - Causes
 - Actions taken to date
 - Future actions
 - Current situation and prognosis
- To present other information requested
 - To answer questions

SCDOT's Mission and Goal

Mission (Section 57-1-30, SC Code of Laws)

The department shall have as its functions and purposes the systematic planning, construction, maintenance and operation of the state highway system and the development of a statewide intermodal and freight system that is consistent with the needs and desires of the public.

SCDOT's core service is to provide a safe, properly-maintained road and bridge network supporting citizens, tourists, and commerce.

SCDOT Responsibilities

5th Largest State-Maintained System in U.S.

41,429 highway miles

8,360 state-owned bridges

Over 550,000 traffic signs

9 Welcome Centers

19 Rest Areas

115,000 miles of ditches

128,000 roadside acres mowed

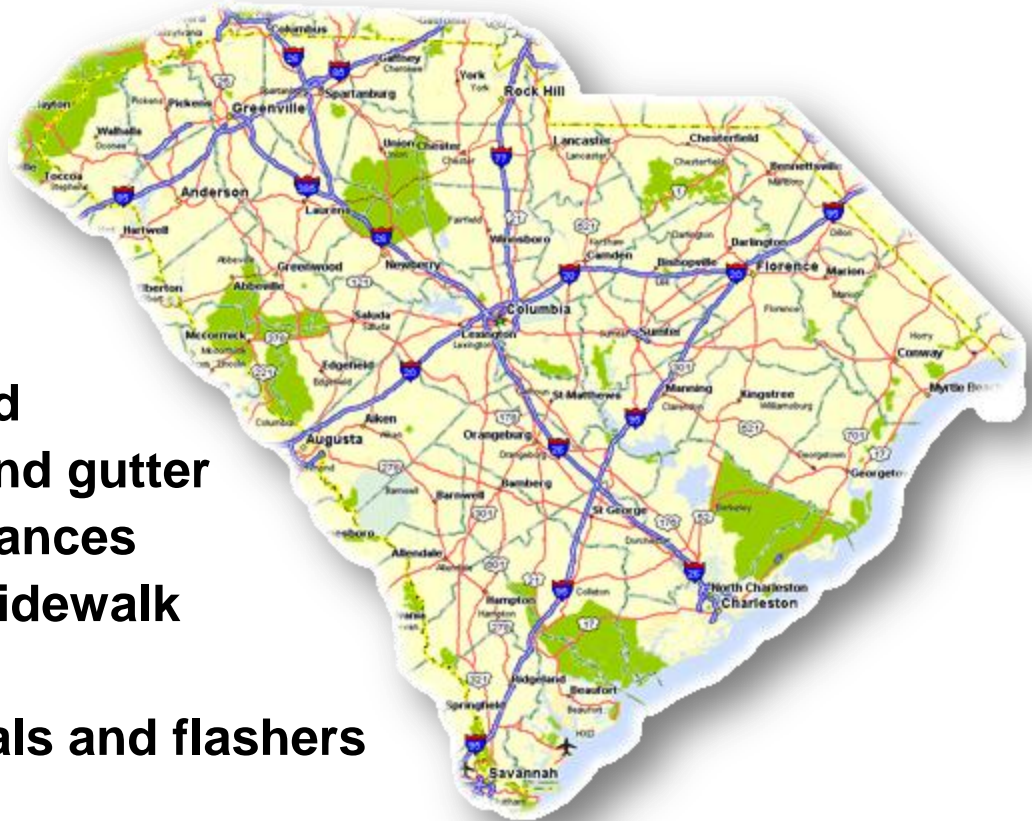
23 million linear feet of curb and gutter

Over 1.2 million driveway entrances

Over 20 million linear feet of sidewalk

Over 1,700 miles of guardrail

5,639 state owned traffic signals and flashers



Comparison with Neighboring State Highway Systems

<i>State</i>	<i>Miles DOT Maintained</i>	<i>Total Public Miles</i>	<i>% State Owned</i>	<i># of Employees</i>
NC	79,466	105,103	75%	12,354
SC	41,429	66,254	62%	*4,916
GA	17,997	121,875	14%	4,955
TN	13,881	92,173	15%	4,068
FL	12,084	121,386	9%	6,971

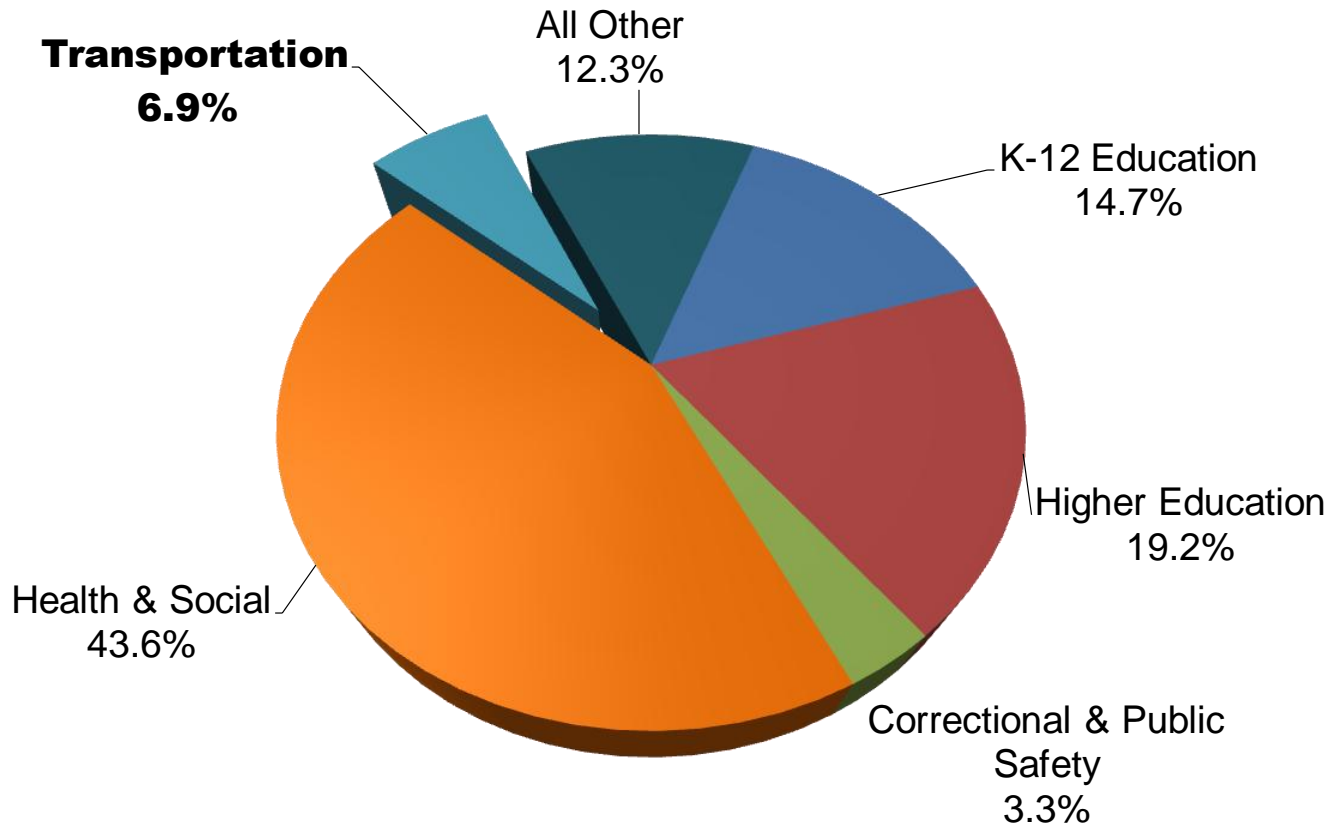
*Current number of FTEs filled is 4,519, with 892 vacancies (as of 9/2/11)

Source:
 FHWA Highway Statistics 2008
 Public Road Mileage 2008 Miles by Ownership
 Generated October 2009
 Table HM-10

SCDOT Revenues/Resources

State Budget FY 2010-2011

21.1 Billion Total (General, Other & Federal Funding Sources)



Transportation category includes State Ports Authority and Public Service Authority

Department of Transportation's Estimated Revenue Projections, FY 2011 -12

REVENUES

(in millions)

\$ 445.0 - Motor Fuel User Fee (state gas tax)

7.0 - Interest

8.0 - Toll Revenues

50.6 - Maintenance Trust Fund

50.7 - Misc. (Permits, Sale of Property & other)

2.8 - Interagency Transfers

(12.3) - CTC Donor County Transfer/SCTIB Transfer

(63.9) - Current Debt Service

\$ 487.9 State Revenues

\$ 655.5 Federal Reimbursement Revenues (federal gas tax)

\$1143.4 Total Estimated Revenues

SCDOT's Current Debt Service

Description	Remaining Balance	Payoff Year
MPO/COG Accelerated Bonds (27 & 7)	17,848,600.00	2012
CTC Bond - Richland County	1,595,806.00	2019
Cross Island Bond Refunding	42,085,481.00	2022
1995 Bridge Bond Refunding	6,065,335.00	2023
MPO/COG Accelerated Bonds (27 & 7)	130,738,505.00	2023
1999A/2001A/2001B MPO/COG Refunding & CTC Bond Refunding (Dorchester & Williamsburg \$2.9M)	<u>362,062,137.00</u>	2021
Total Debt Service Outstanding	\$560,395,864.00	

State Infrastructure Bank Debt Service

Description	Remaining Balance	Payoff Year
Conway Bypass Phase II	60,800,000.00	2019
Charleston Ravenel Bridge	128,000,000.00	2027
Multi- Project Loan	110,000,000.00	2022
US 17 Loan	129,500,000.00	2037
Total Debt Service Outstanding	\$428,300,000.00	

Future Bonding

- When asked by the Commission to determine SCDOT's bonding capacity in April, our coordination with the Treasurer's office revealed:
 - Estimated bonding capacity: \$500M
 - Conservative bonding target: \$344M
 - Estimate for Commission-
Approved Package \$293M

Interstate Bonding Package

At its April 2011 meeting, the SCDOT Commission passed a resolution requesting the issuance of up to \$344M in State Highway Bonds to fund the following significant projects:

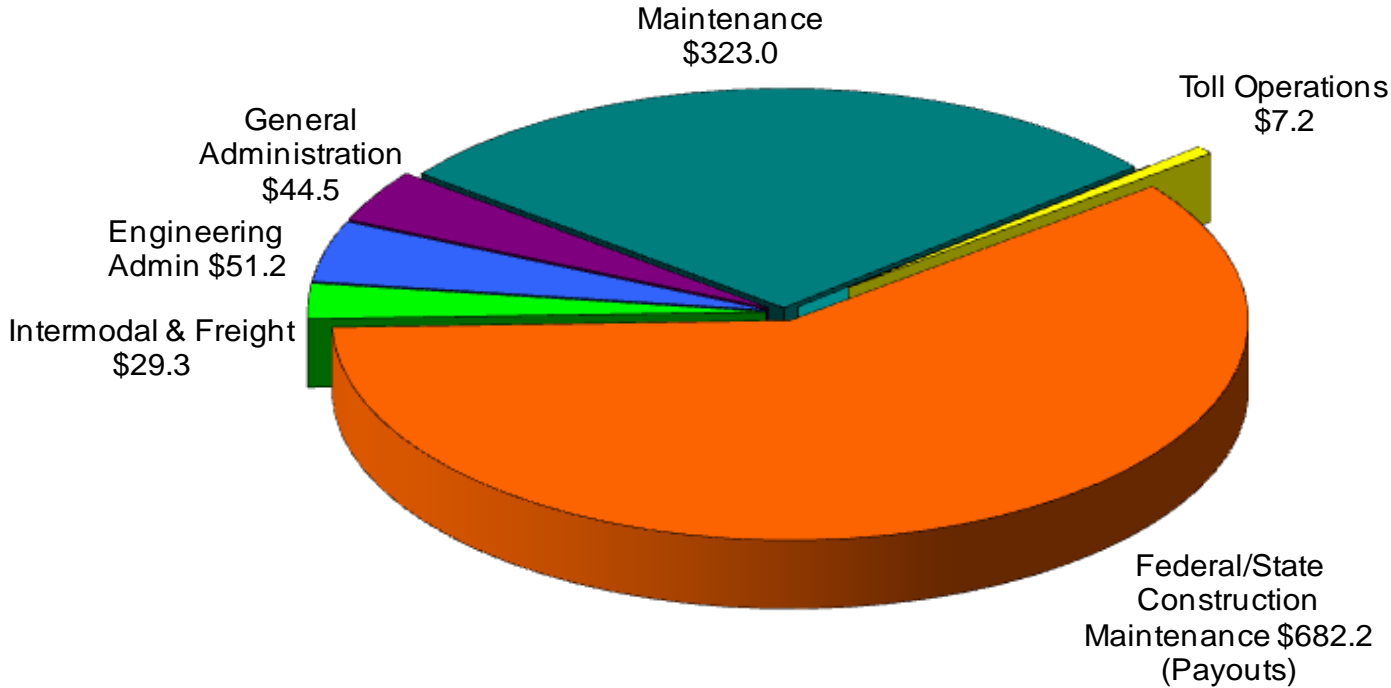
- I-85 at US 276 (Laurens Road) Interchange in Greenville County (*reconstruct interchange*)
- I-73 from I-95 to US 501 in Dillon County (*new construction*)
- Columbia Airport Expressway/I-26 in Lexington County (*new construction/project completion*)
- I-26 from Montague Avenue to Exit 218 in Charleston County (*widening*)
- I-26 from US 17 Alt. to Jedburg Road in Berkeley County (*widening*)

Bonding for each of these projects must be approved by the Joint Bond Review Committee and the Budget and Control Board.

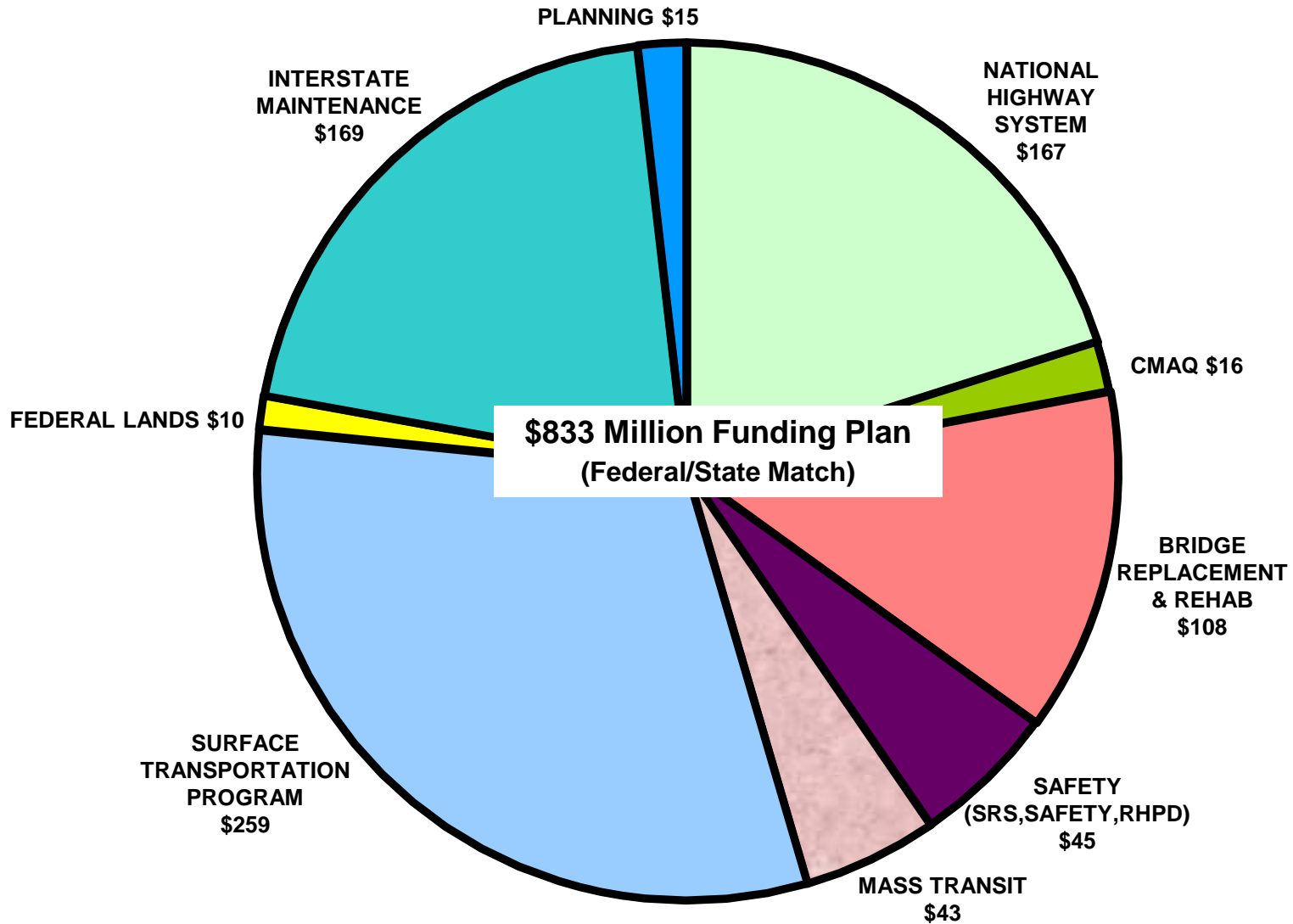
“These projects will serve to enable and enhance commerce and create jobs and provide long term economic competitiveness of the State of South Carolina.”

Breakdown of FY11-12 Budget

Total \$1,137.4 M



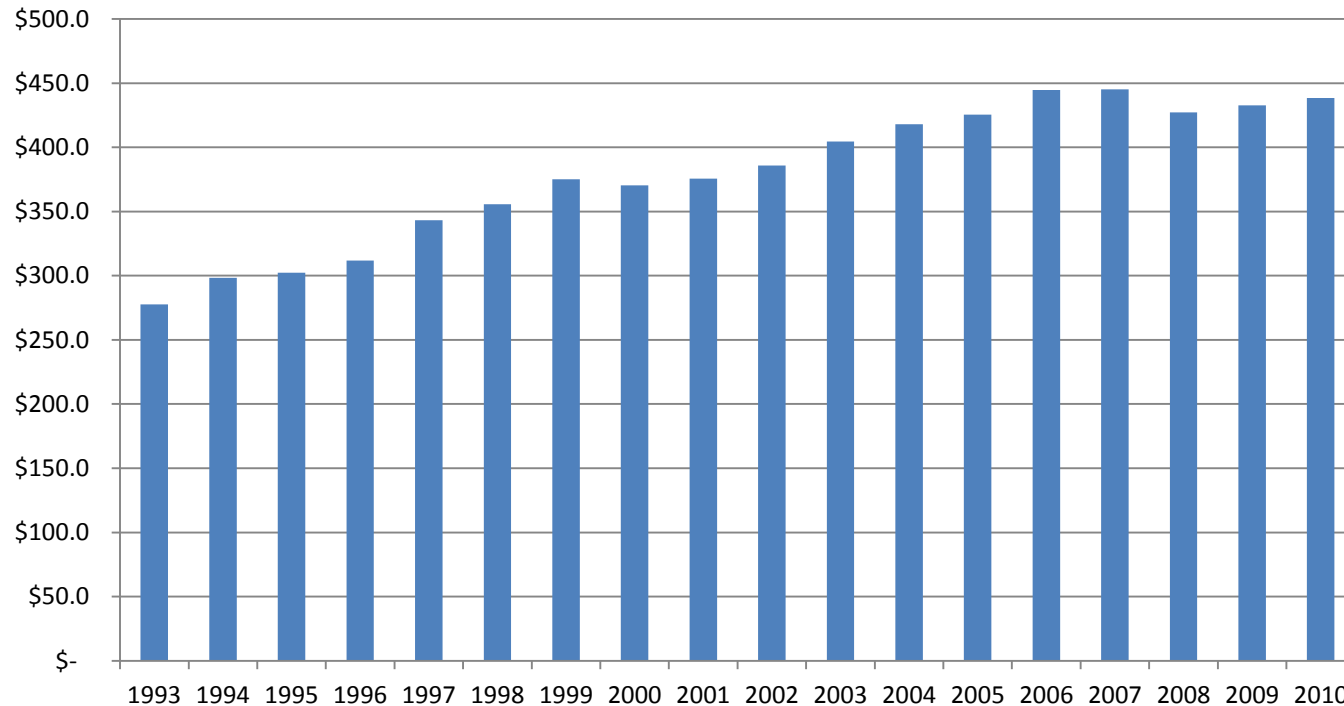
Current Federal Funding 2011 – 2012 (Obligations)



Additional Resources through Local Sales Tax Programs

- Local sales tax programs have combined to generate almost \$2 billion in local tax revenues in Beaufort, Berkeley, Charleston, Florence, York, Dorchester, and Horry County.
- Some of these local funds were used as match money to allow the State Infrastructure Bank to approve an additional \$2 billion in funding toward additional transportation projects in those counties.

Motor Fuel Revenue Trends 1993-2011



25% increase in SC population; gas tax revenue flat!

Financial Management Issues

- What happened?
- Why did it happen?
- What have we done about it?
- What is the prognosis?
- What about debt payments?

Most Serious Issue First - Debt!

- A portion of our SCTIB debt payment (\$2.0M) and an infusion of the equivalence of 1 cent gas tax revenues are paid to the SCTIB monthly
- Our June payment was seven weeks late and our July payment was three weeks late
- June, July, and August payments were made in mid-August
- All other General Obligation debt payments were made on time

Why and What is SCDOT Doing About it?

- Late payments to SCTIB were not caused by our cash posture concerns!
- Actions Taken:
 - Immediate dialogue with Don Leonard
 - Issued clear guidance that timely debt service is top priority
 - Increased on-site time for SCTIB part time employee
 - SCTIB will initiate invoicing for payments
 - Attempt to automate notification into SCEIS

Cash Flow--What Happened?

- Entered into the high season for highway construction and repairs without adequate cash flow to pay contractors, vendors, and consultants in the timeframes to which they had been accustomed
- With little other construction taking place in the private sectors many of our partners were highly dependent on SCDOT

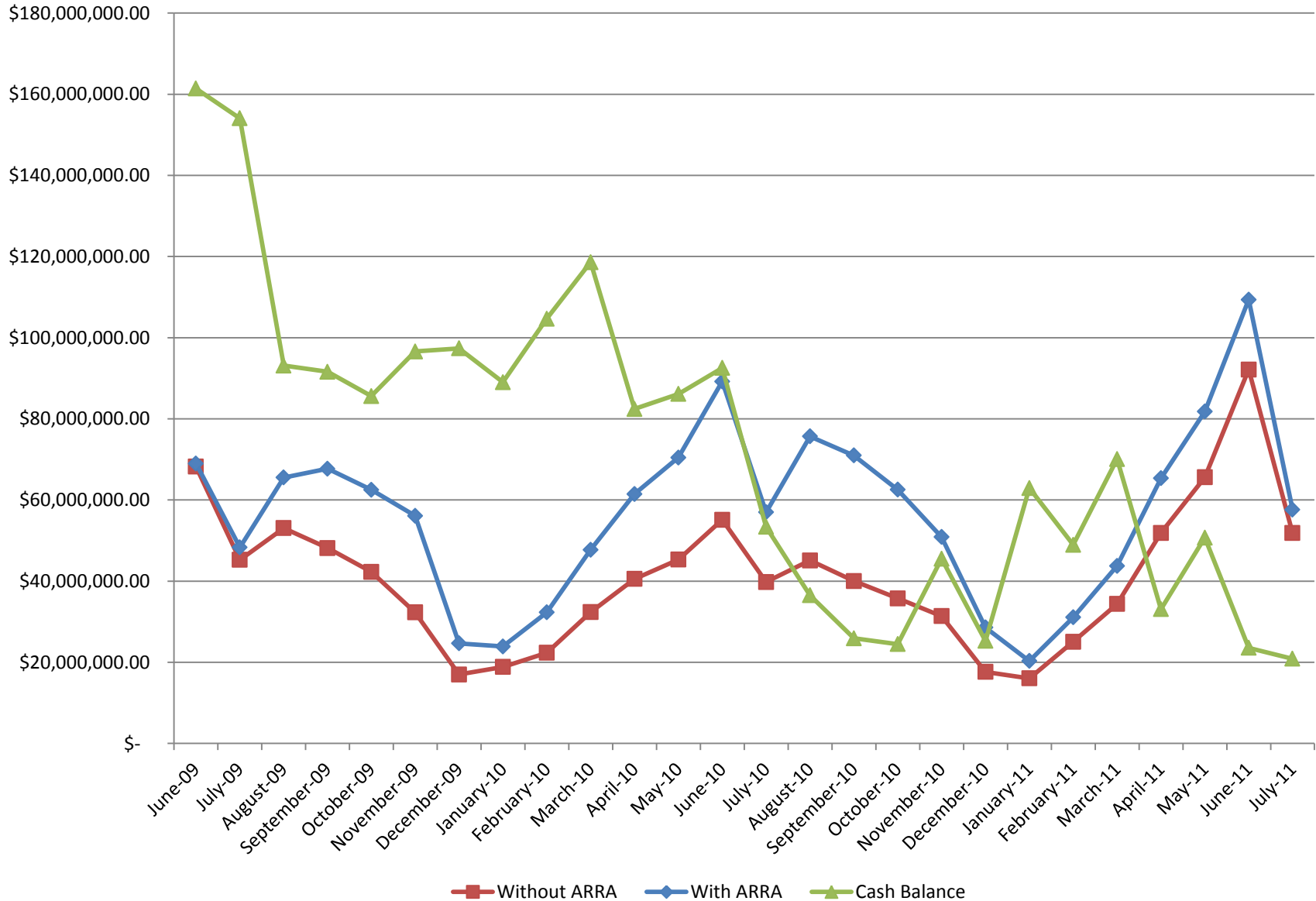
Why Did It Happen?

- Numerous long and short term situations contributed to the current cash flow issue
- Complexity of our business, the transportation business model and its widely varying processes and funding mechanisms
- Reimbursement of federal dollars occurs on a revolving basis
- SCDOT recognized a slow and steady deterioration in our cash posture over the past two years
- We did not adequately anticipate the deluge of invoices that arrived in this summer

Long Term Contributors

- The unique demands of the ARRA program, including state match, quick timelines and Maintenance of Effort requirements
- Current management systems facilitate achieving precision at the contract level but not the macro level
- The broad latitude SCDOT afforded the contracting community for start/end dates and billing schedules

Value of Work Complete - ARRA Analysis (Construction Only)



Short Term Contributors

- Very favorable spring and summer weather season made the normal prime season for construction/repair even more productive, putting higher demand on cash balance

What Have We Done?

- Cost savings measures put in place helped but could not prevent cash balances becoming a risk
- Early, open, and frequent communication with our industry partners (in person, on-line)
- Weekly news releases to inform the public
- Early reimbursement by FHWA of \$52M
- Ongoing revision of internal management procedures
- Deferred some lettings for August and September, and will continue enhanced management of future lettings and contracts
- Agency capital improvements and purchases deferred

Cost Savings Measures

- Closure of selected Rest Areas
- Reduced maintenance of commercial truck parking areas
- Reduced equipment purchases
- Reduced contracted facilities maintenance
- Suspended capital improvement program
- Reduced highway maintenance contracts
- Partial hiring freeze that has created 892 vacancies since 2008, with selective hiring for critical positions only
- Reduced outside legal counsel and consultants

Current Status

- SCDOT has maintained a positive cash balance; as of today's date, it is \$47M
- We have had no unpaid, validated invoices over 30 working days old
- We are processing \$19M in invoices for payment
- All debt payments are current
- Federal FY close out last week of September
- SCDOT implements SCEIS during the last two weeks of September

What Will We Do?

- Implement SCEIS
- Review our organizational structure and make changes
- Revise management processes and document them
- Work with FHWA and others to explore ways to stretch the impact of our limited resources
- Maintain an open dialogue with government and industry partners to understand the effects of the changes SCDOT anticipates

What is the Prognosis?

- SCDOT anticipates a general increase in our cash posture over the next 6 months with continued management of all expenditures
- The next potential period of concern is the high season in spring-summer of 2012
- Re-authorization of the federal transportation bill on time is crucial

Conclusion

Good news!

- Current cash concerns are being actively managed
- Management inputs/processes are being more formally automated and integrated
- Management systems are being put in place to minimize the chance of this happening again
- Major work on our roads and bridges has been accomplished, industry has been busy and citizens have been employed

Supplemental Information

Size of State Systems

<i>Rank</i>	<i>State</i>	<i>Total DOT Miles</i>	<i>Population</i>	<i>Land Area (sq. mi.)</i>
1	TX	80,067	25.1 M	261.8 K
2	NC	79,466	9.5 M	48.7 K
3	VA	57,918	8.0 M	39.6 K
4	PA	43,612	12.7 M	44.8 K
5	SC	41,429	4.6 M	30.1 K

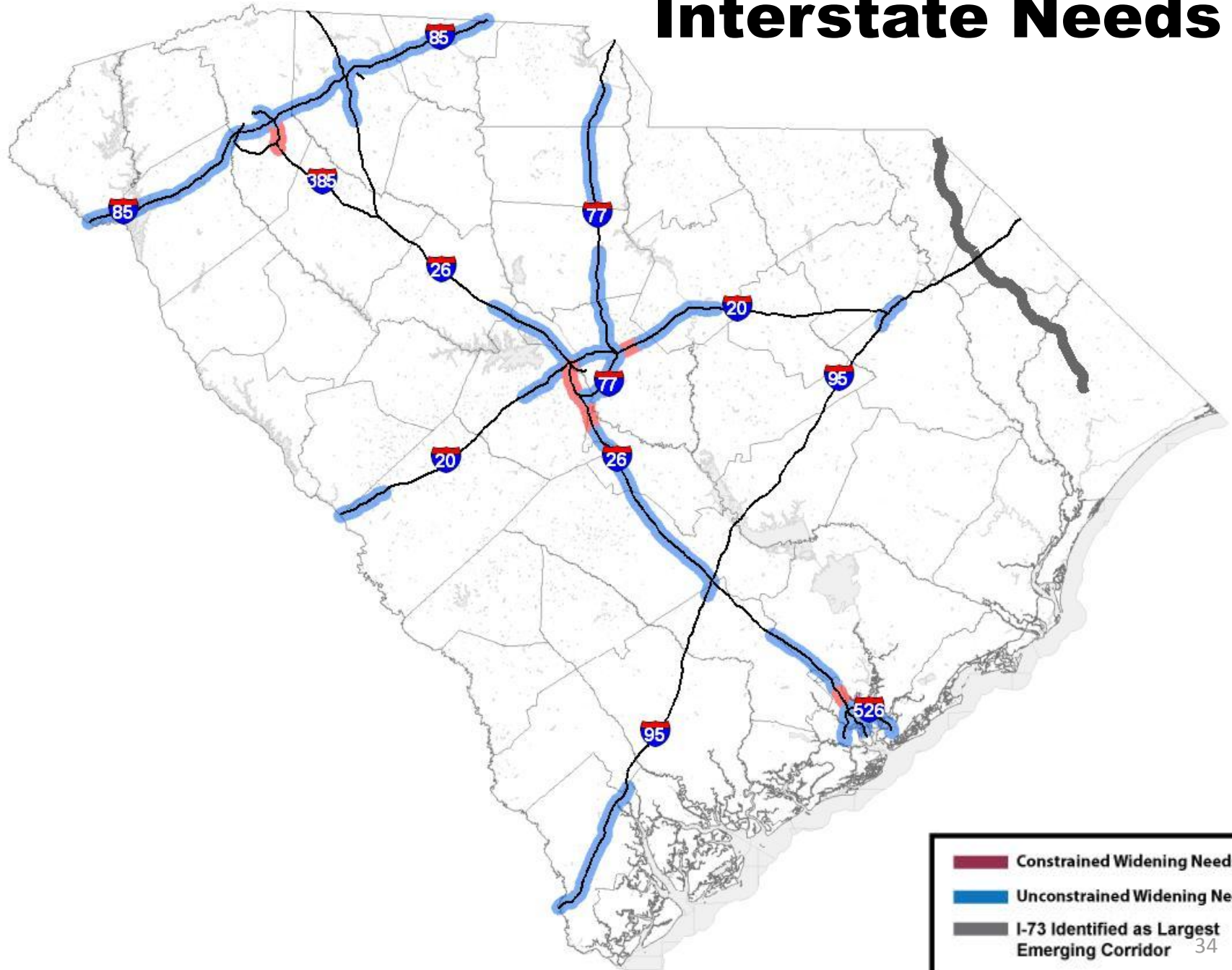
Source:
 FHWA Highway Statistics 2008 Table HM-10
 Public Road Mileage 2008 Miles by Ownership
 Generated October 2009
 Population data: US Census.gov 2010

System Mileage in S.C.

<i>Type of System</i>	<i>Mileage</i>	<i>Lane Miles</i>
Interstate	851	3,793
Primary	9,471	23,726
Federal Aid Secondary	10,279	21,089
Non Federal Aid Secondary	20,828	41,853
Total	41,429	90,461

Mileage, also referred to as “center line miles” is quantified by length of roadway and most statistics use center line miles. Lane miles are quantified by area.

Interstate Needs



Interstate System Challenges

- Of the 851 total miles, over 113 miles of interstate are high usage, carrying over 70,000 vehicles a day.
- Nearly 30% of all roadway travel in SC occurs on the interstates.
- System is in need of widening and resurfacing for today's level of use.
- System needs to grow by 400 lane miles to handle anticipated requirements out to 2030.
- Today's average cost to add an additional lane in each direction for an interstate is \$20 million per mile.
- Approximately 50 interchanges out of 271 require reconstruction over the next 20 years.
- Today's average interstate interchange costs \$45 million, a rural interchange costs \$35 million.
- Currently, 120 bridges on the interstate are classified as functionally obsolete and 23 are structurally deficient.

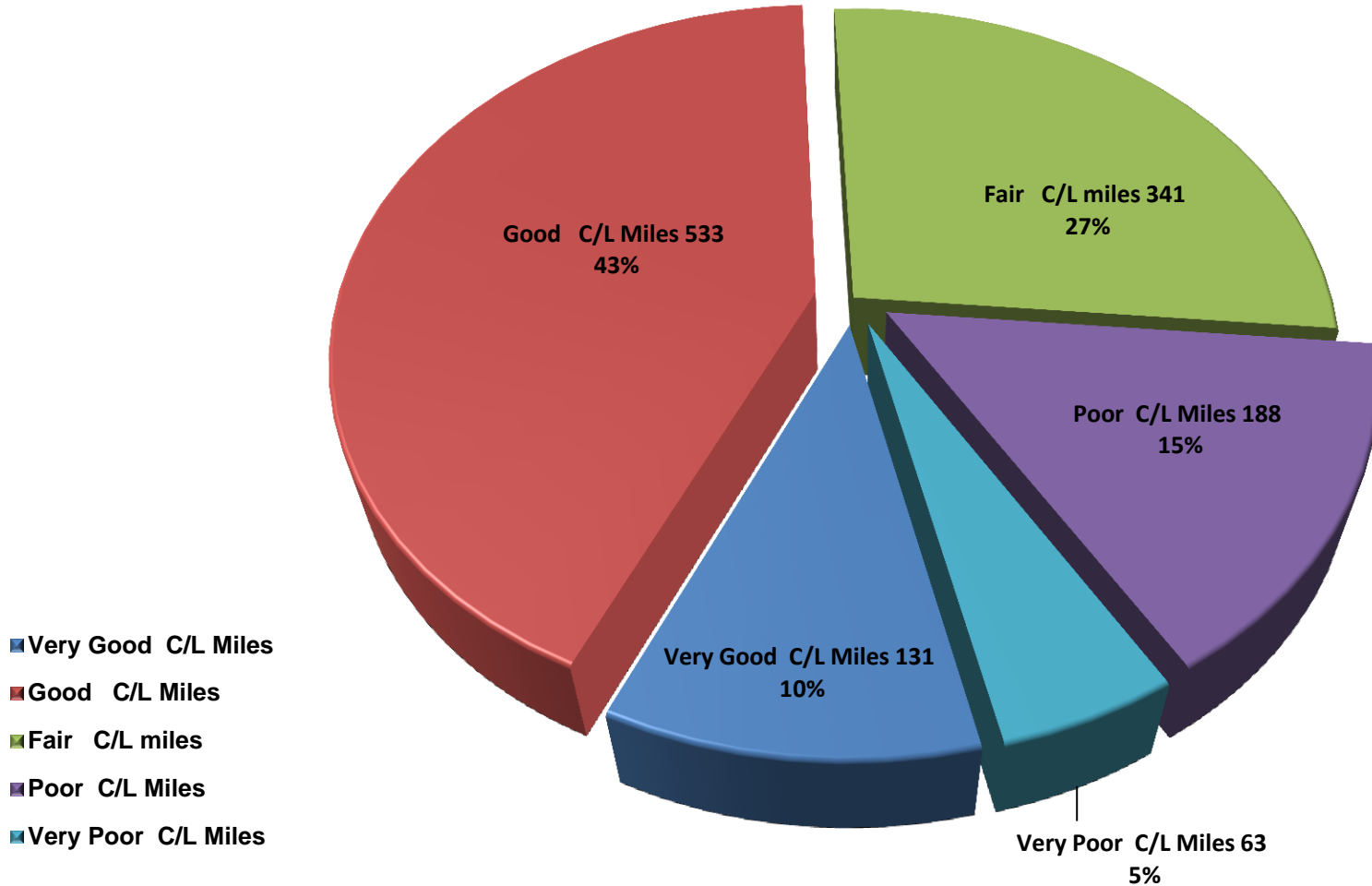
Interstate Needs

	<i>I-20</i>	<i>I-26</i>	<i>I-77</i>	<i>I-85</i>	<i>I-95</i>	<i>Total</i>
Miles of Fiscally Constrained Widening	6	15	0	0	0	21
Miles of Unconstrained Widening Needs	52	106	70	105	43	376
# of Constrained Interchanges	0	3	0	1	1	5
# of Unconstrained Interchange Needs	5	18	4	10	2	39
Miles of Resurfacing in STIP (Directional)	68	113	25	36	33	275
# of Structurally Deficient Bridges	8	21	7	16	12	64
# of Structurally Deficient Overpasses	4	11	3	7	3	28

Interstate Needs

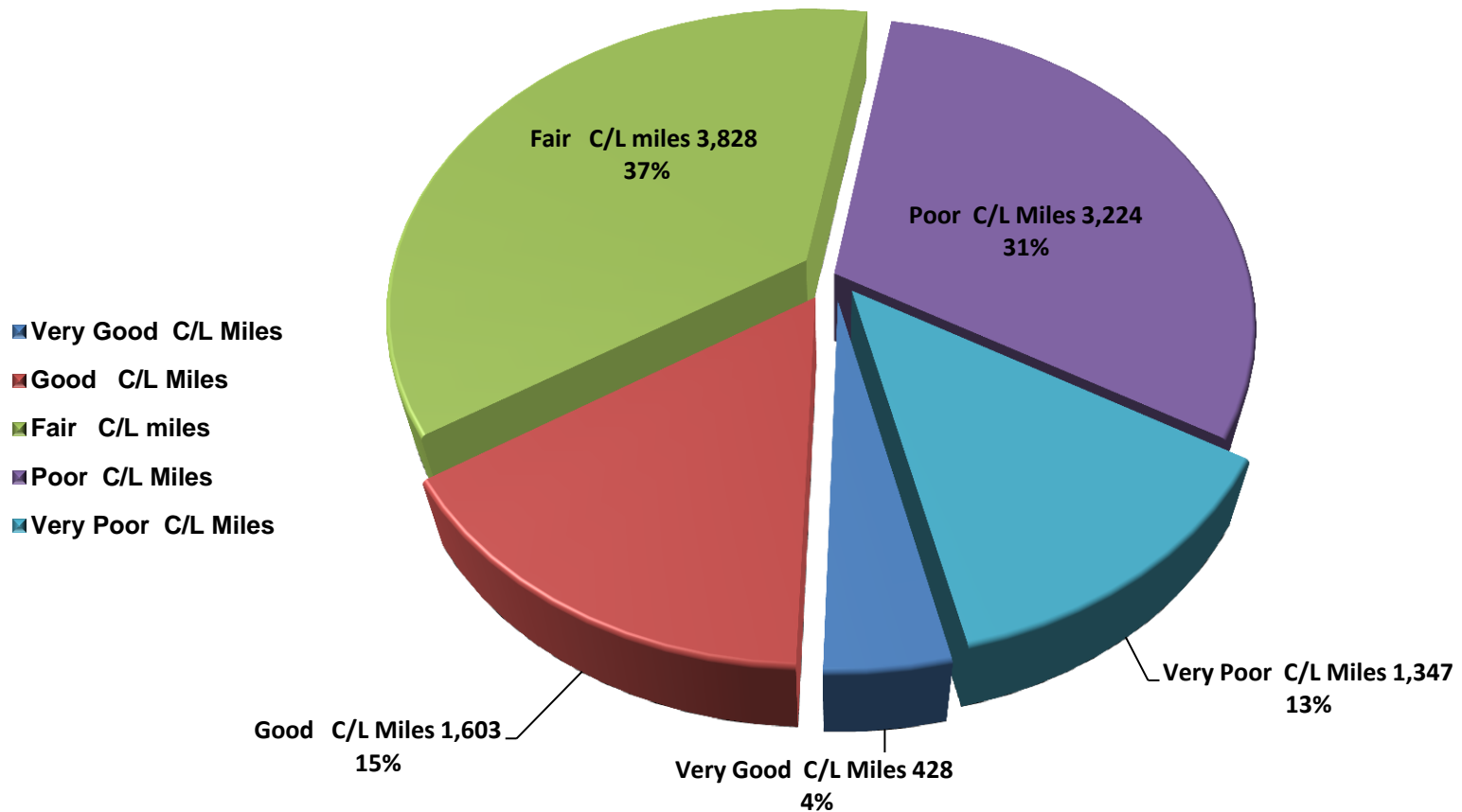
	<i>I-126</i>	<i>I-185</i>	<i>I-385</i>	<i>I-520</i>	<i>I-526</i>	<i>I-585</i>	<i>Total</i>
Miles of Fiscally Constrained Widening	0	0	7	0	0	0	7
Miles of Unconstrained Widening Needs	0	0	4	0	19	0	23
# of Constrained Interchanges	0	0	1	0	0	0	1
# of Unconstrained Interchange Needs	1	0	5	0	5	0	11
Miles of Resurfacing in STIP (Directional)	0	3	19	0	3	3	28
# of Structurally Deficient Bridges	0	1	4	1	0	0	6
# of Structurally Deficient Overpasses	0	0	0	0	0	1	1

Interstate System Pavement Conditions - 2011



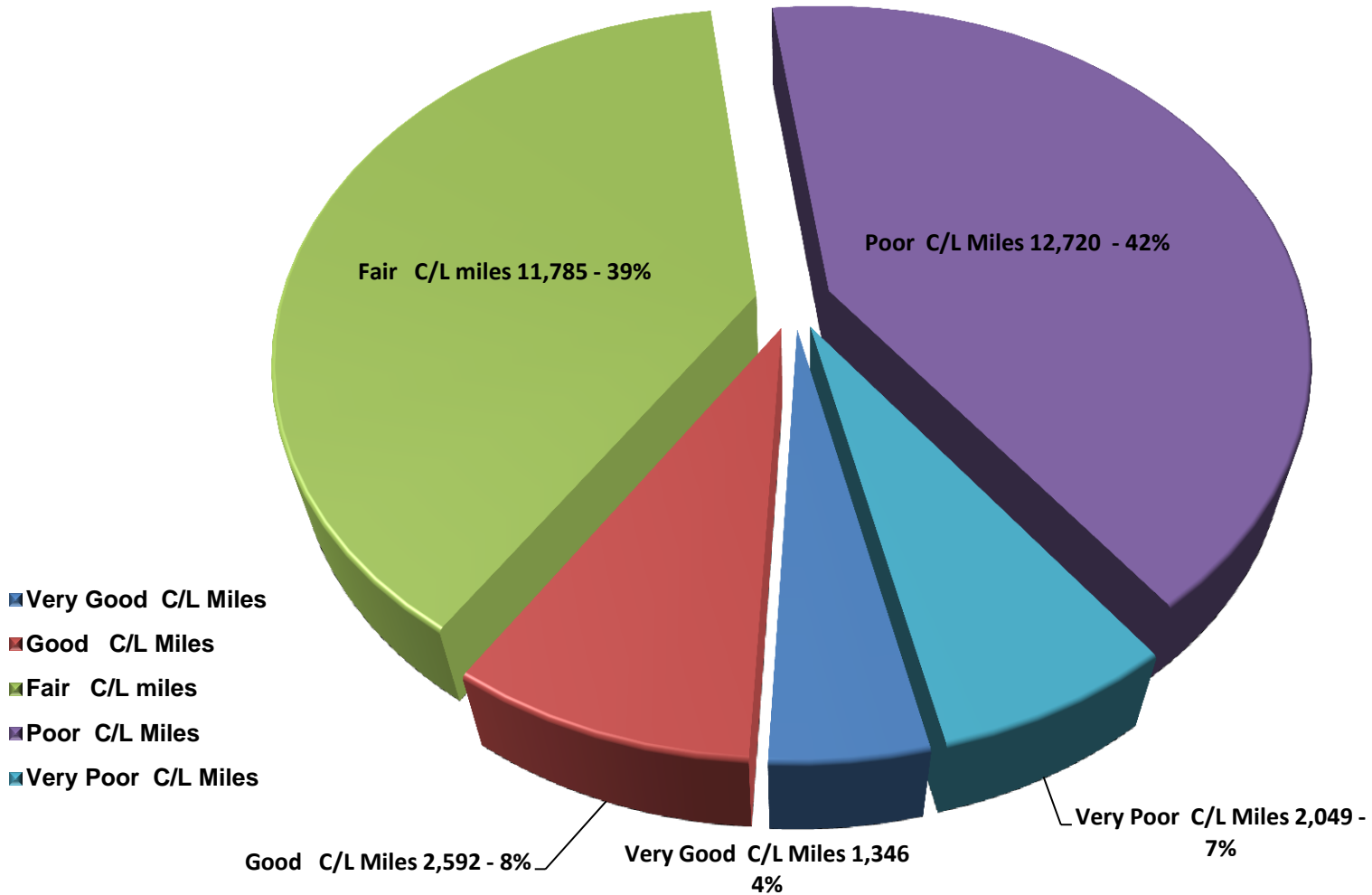
C/L Miles = Center Lane Miles

State Primary System Pavement Condition - 2011



C/L Miles = Center Lane Miles

State Secondary System Pavement Condition - 2011



C/L Miles = Center Lane Miles

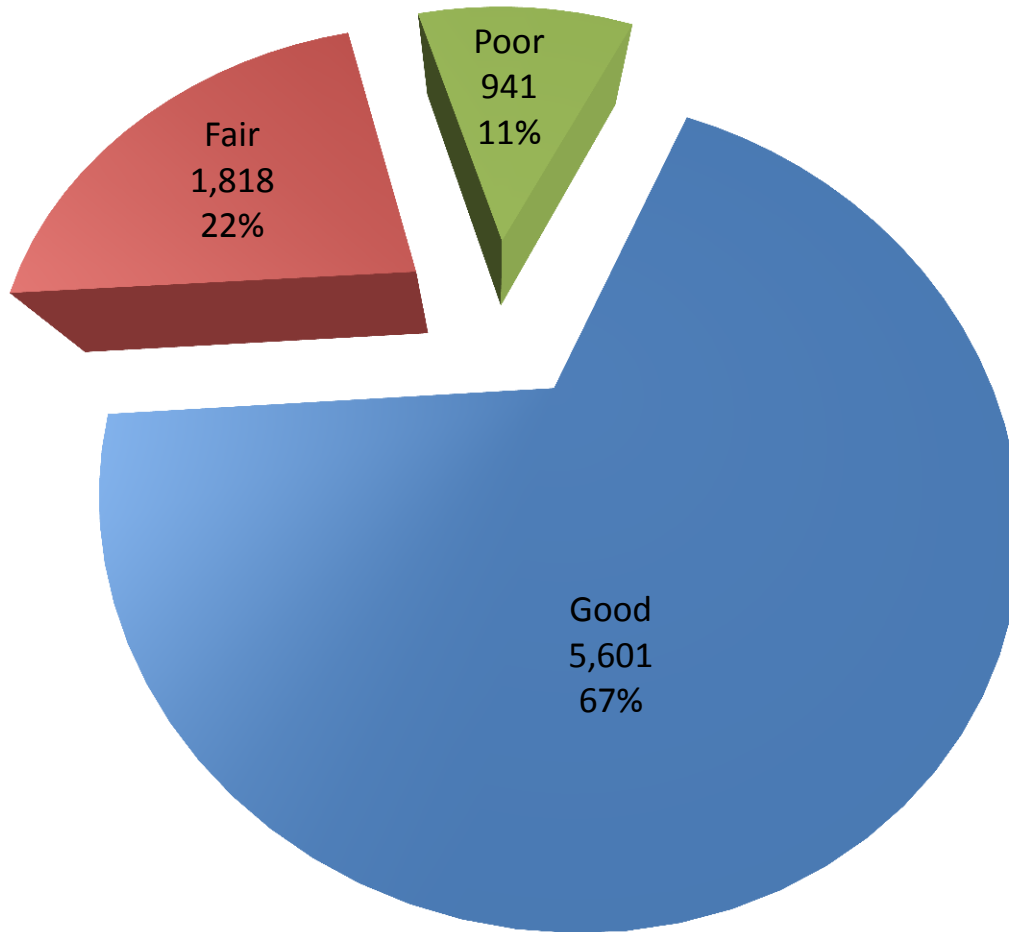
Present Bridge Replacement Needs

(Total Bridges in South Carolina - 8,360)

<u>Replacement Category</u>	<u>Number of Bridges</u>
Structurally Deficient	937
Closed for Safety Reasons	12
Weight Restricted	419
Functionally Obsolete	765
Total	2,133

Source: SCDOT Maintenance Office

Present Bridge Replacement Needs Summary as of July 1, 2011



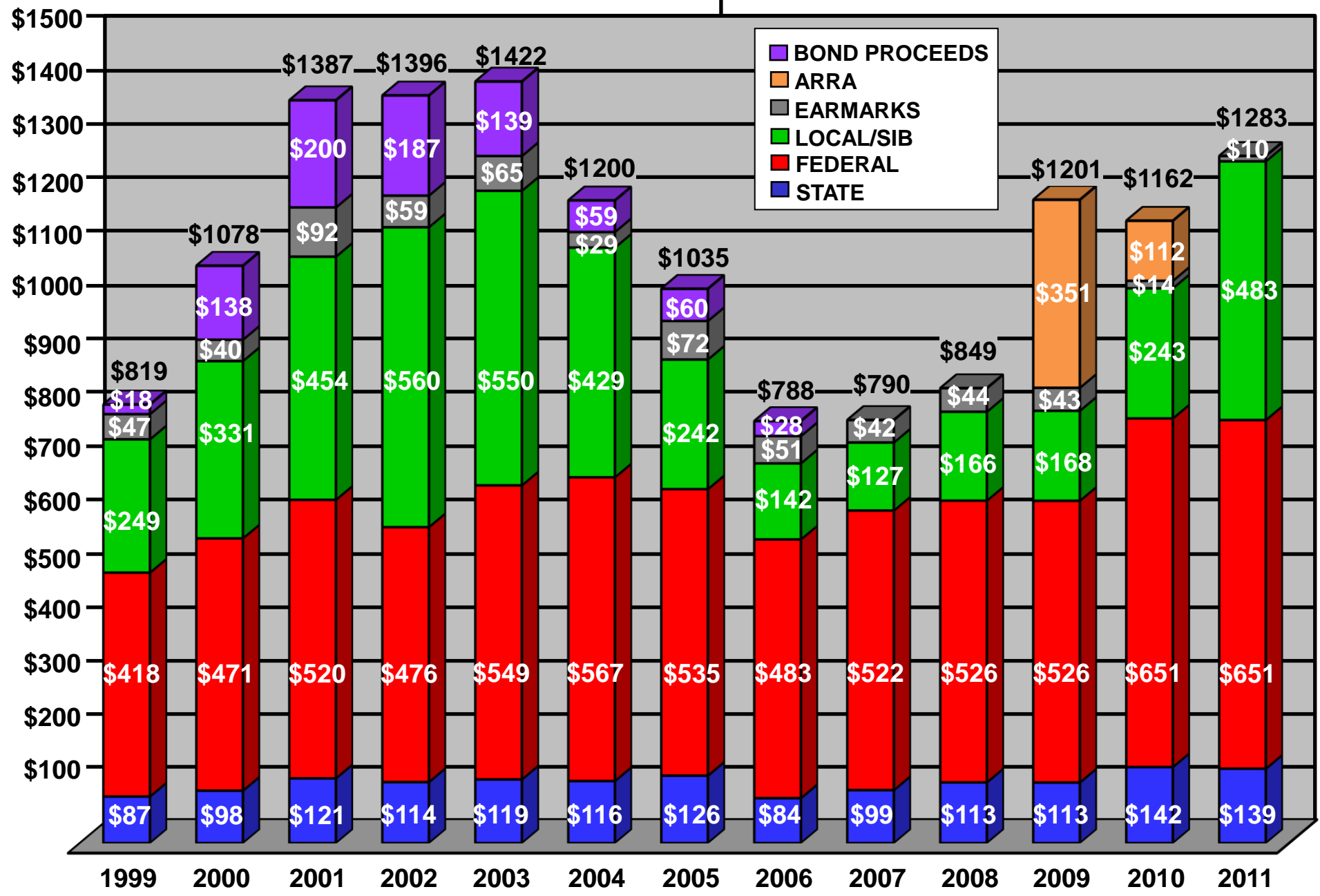
State Owned Bridge Condition

- Good
- Fair
- Deficient

Obligation History – Federal Funding Program

← TEA-21

SAFETEA-LU →



Federal Reauthorization Prognosis

- Two reauthorization bills being considered:
 - *Senate* – Boxer (D-CA)/Inhofe (R-OK) – 2 year continuation of SAFETEA-LU (found needed \$12B for full funding)
 - *House* – Mica (R-FL) – six year plan; 35% less than current; lessening of restrictions
 - Senator Boxer will work for a 4-month extension
- Compared to the funding level for FY10-11, House bill would reduce the federal program by over \$200M annually for South Carolina
- Unless a new law or extension is passed by 30 Sep 11, the federal government will not be able to collect the 18.4 cents gas tax that feeds the Federal Highway Trust Fund