

SCDOT Commission Workshop Meeting  
April 20, 2011

Chairman Isaac called the meeting to order. Commissioner Adams made a motion to amend the agenda to include the discussion of bonding capacity. The motion was seconded by Commissioner Forrest. Discussion was held as follows:

**Commissioner Nuckles:**

Mr. Chairman, what is this bond capacity discussion? Is it to talk about projects to be used with bond capacity funds?

**Chairman Isaac:** I think that's what he's doing is amending it so that we'll know about it when we get there.

**Commissioner Nuckles:**

I have a concern. I understand ...I heard rumors that this might occur...and what bothers me is that, number one...would this be considered a significant discussion and action by the commission if it occurs?

**Chairman Isaac:** At this point in time we're simply trying to get a motion to discuss...not to discuss...but a motion to discuss.

**Commissioner Nuckles:**

I understand Sir. What I'm trying to say is that I believe since it was known probably two or three weeks ago that this discussion was going to occur today...that it should have been advertised so that the public could participate because it's public money not private money and you know, we're talking about public funds.

**Chairman Isaac:** This is a workshop

**Commissioner Nuckles:**

I understand Sir but I believe that it's a violation of FOIA. I just want to state that for the record.

**Chairman Isaac:** Any other discussion? All those in favor, signify by saying "aye".

**Commissioners:** "aye"

**Chairman Isaac:** Opposed?

**Commissioner Nuckles:** No

Chairman Isaac then called on Commissioner Rearden to give a report for the Invitations and Resolutions Committee. Commissioner Rearden presented three requests for approval. One for SCDOT building in Lancaster County....the Steve Clyburn Williams, Jr. Building. Two concurrent resolutions from the legislature. The P. H. Livingston Overpass in Charleston County and the Mary L. Shivers Intersection. Commissioner Rearden moved that the Commission approve all three requests. Commissioner Nuckles

seconded the motion. There was no discussion and the motion passed unanimously. Commissioner Rearden noted for information only that another request from the legislature was forthcoming naming the Robert Dennis Bridge and Interchange in Greenville County. Formal approval has not been received from the legislature.

Chairman Isaac moved on with the agenda and stated that the next order of business was the discussion of Recommendations. Commissioner Willingham questioned the recommendation regarding the amount of the rest area maintenance contract. Deputy Secretary Walsh answered that the Department is in the process of closing another rest area and that contract amount would be adjusted based on the actual number of rest areas served by the contract. The contract amount shown is a "up too" amount but would only be awarded based on the actual work required. General discussion was held on the number and locations of rest areas. Secretary St. Onge noted that the Department is evaluating and closing rest areas as determined. Commissioner Nuckles pointed out that the vending at the rest areas are generally run by the Commission for the Blind and that these closings have direct and unpleasant impact on people's lives.

Commissioner Willingham asked Mr. Bob Lee if there is a federal requirement for distance between rest areas for truckers to use. Mr. Lee stated that there was no federal rest area requirement. Commissioner Forrest also discussed the location and distance between rest areas and asked that the Department review.

Chairman Isaac called on Deputy Secretary Walsh to update the Commissioners on the bonding capacity.

**DS Walsh:**

Thank you Mr. Chairman. We were asked to provide information on a couple of projects and coordinate with the finance division on some matters that would be considering a "what if" scenario. What if the Commission decided do to some things related to financing some projects? The background that we did was work with finance and legal and talk about the steps that would need to be taken involving issuing of bonds to produce the projects. The steps that we did....based on what we did last time...was the resolution that would need to be adopted by the Commission, that included some information about the debt service management and the schedule, the projects, the required financing which the financing information has been provided. In addition, there's a need to include the projects considered in the Statewide Transportation Improvement Plan and to be put out for public comment for inclusion in the statewide plan and the STIP. That would need to be done by the Commission as well as a written justification to provide for the circumstances that warrant the inclusion of these projects based on their order on the priority list. So those things have been done....or have been outlined on the steps that would need to be taken. I guess there were some projects that we were asked to look at to try to get some estimated costs to finish them and what the schedule would be possible so that we could determine when the money would be needed to execute the projects. I don't know if you wanted me to go over the detail on those or if Mr. Secretary St. Onge has anything he may want to add, but I can do that as you see fit.

**Commissioner Nuckles:**

Excuse me, Mr. Walsh so you have a list of projects?

**DS Walsh:**

We have a request to provide information on a number of projects.

**Commissioner Nuckles:** Who made that request?

**DS Walsh:** Those came through the Chairman based on request of commissioners.

**Commissioner Nuckles:**

I see. As a commissioner, I received nothing in writing about either a bonding proposal or projects. I did receive a phone call from the Chairman. I replied Sir respectfully that I wished to have some details in writing but I have not and until this day at this very moment have no idea what the project are. I have some vague idea based on just rumor. And I have no idea what kind of bonding we're talking about. And again I'm going to go back and say that I don't think....I think all the business that we conduct at the DOT not only ought to be transparent amongst the commissioners, but it needs to be to the public as well. I lived in the state of Florida that has a thing called the "Sunshine Law" and I really like sunshine. I don't like shade and I think that we ought to be very open because if this...these projects are important to the state, then they're important to the people. They're important to the taxpayers and it's very important that they know about it and have an opportunity to be aware of it and to talk about it and that we have open discussion....preferably in Columbia...with advertised workshops. I am not opposed to discussing a bond sale and/or projects. Please understand....no matter my concerns about any project...I'm not opposed to that. What I'm so concerned about...I think we're going to be perceived as trying to do things kind of you know undercover here and I don't think that's good for us or for the state of South Carolina. And so you're gonna talk about this projects. I'm sorry that....I wish we had all gotten some of this information in writing.

**Chairman Isaac:**

I would like to say a request to Mr. Walsh if you would share with us as best you can how this stretches out. From what I understand, we just don't go get all this money at one time and because we make this decision today, all this is just the beginning of the process. For those in the audience or whoever in the public needs to know, wants to know, likes to know...these are projects that have already been approved. They're already down the line. We've just been looking for ways to fund them. They aren't new projects....how would we ever get them done. Some of them have already moved along as far as they could, we just didn't have the funding. This still has to go through the full public process but if you would next maybe kind of walk us through the timing and give us a little information on it.

**DS Walsh:**

Thank you Mr. Chairman. What I'm handing out to the commission members is a "what if" scenario based on the projects that we were asked to pull together and take a look at...what their costs would be, what the available funding may have already been, identify where the project was and kind of place it in a STIP format that identified existing funds and the funding that would be utilized from a sale of bonds....if it was approved by the commission and subsequently by the State Treasurer and the Joint Bond Review Committee. The projects are listed there. We've got I-85 at US 276, which is Laurens Road in Greenville; I-73; the I-26 connection to the Lexington County airport; and some work on I-26 from Exit 218 to the Mark Clark Expressway; as well as widening I-26 from US 17-A which is Exit 199 to Jedburg Road which is Exit 194.

At the end of the day, we had a bond proceed total upper limit that would be needed to execute these of about \$293 or approximately \$300 million and the timing of all these is set forth in this schedule which would be commensurate with what it would take to develop the projects. Each project

may be in a different stage. There are a couple of them that are, have had, significant work on them that we could develop and put to construction quicker than others. But in any one given year, the estimate for the first use of bonds would be approximately \$30 million dollars in 2012. In 2013, we estimate about \$80 million would be needed. 2014, \$96 million. 2015, almost \$50 million and 2016, 17 and 18, a combined total of about \$40 million to complete the work on those projects. The existing funding that available based on we know about I-73 and what's been utilized on the other projects was a remainder of about \$94 million...which is shown out here. So the complete package would be approximately \$400 million dollars worth. Approximately \$300 million of that secured through bonding.

**Commissioner Rearden:**

I have four questions. They're not analytical questions that will stretch us out on time. They're status questions Mr. Secretary...and if you'd like John to answer...that's fine. What is our present bond rating? Is it triple A, double A.

**Secretary St. Onge:**

I don't know. I did not ask that specific question when we approached Angela on what was our capacity.

**DS Walsh:**

I think ours would be the same that the State gets. I think these would be considered general obligation bonds from the State so whatever the State of South Carolina

**Commissioner Nuckles:**

I asked that question

**Commissioner Rearden:**

The other thing, if we go this route that you're proposing, what impact would it have on maintenance per se? Does that make sense?

**Secretary St. Onge:**

It does. It really relates to the debt service and the debt service is currently about \$116 million dollars a year. This would, and I don't know that I have a perfectly phased in schedule, a la John's chart...but roughly it would add about \$30 million dollars of additional debt service starting probably, based on Angela's estimation about 2015...maybe a little earlier based on this chart. That money's got to come from somewhere and so it's money that going to either potentially cause us to not attend to other things in the STIP...and it could affect at some point in time...and I haven't done all of the analysis on it.... our ability to match to get programs executed with the federal government. I think that the other issue that must be considered is that we've got some significant cash balance challenges and this is going to be twice a year sizable additional bang on top of the debt service that exists now that will cause cash flow to be a challenge also. And lastly, I think that it's a possibility that this will hamstring us to a certain extent in terms of our reserve capacity. If we take a bond issue or pursue a bond issue that absorbs our full capacity to bond then if we have a Hugo, if we have another major event, then...and I'm no expert on this but what I understand is our max limit in terms of current estimation on the bond capacity is about \$344 million. Current estimates for the projects on this wish list are somewhere

around \$300 or slightly short of \$300. So I think there may be some headroom there but again, the increase in debt service is going to be paying higher mortgage and you don't do other things when you're paying more of your disposable income to paying debt and paying mortgage.

**Commissioner Rearden:**

Final question. If we approve this proposal, this list....would it give you heartburn or could you sleep comfortable at night Mr. Secretary?

**Secretary St. Onge:**

I've never really had a sleeping problem. That doesn't really tie directly to my conscience I guess Mr. Rearden. I have stated publicly that I think system preservation ought to be very, very high, if not number one priority. But that is not exclusively at the our ability to pursue important projects that we would like to construct. At the end of the day, those become additional projects to be maintained so they add to our maintenance challenge. Not immediately but they do add to that maintenance challenge. My concern would be that if you're going to pursue this kind of a course of action and get some very worthy projects accomplished that would contribute to economic development, safety and assist us in several other ways, I would like to see an equal amount of energy from this commission that would pursue a new funding paradigm that would increase the funds available to SCDOT to get the things done that relate to system preservation and the other functions that we must pursue.

**Commissioner Forrest:**

Mr. Chairman, I don't think there's anyone or any people around this table as it relates to the Commission that don't have qualms and concerns and issues with this particular proposal. Certainly the Secretary has laid them out very, very well and believe me I don't think there's anyone here that's taking this lightly. I heard the Secretary say as it relates...you know, we've got to embrace the system preservation as our number one priority, there's no doubt about it. But I also heard the Secretary say that worthy projects from an economic development point of view can't take a back seat. And certainly these five projects, some of them have been around quite a long time and are interstate connectors tying into other modes of transportation, such as the airport, tourism and whatever. I think this commission has a chance to take a bold step, in what I think is the right direction. We're going to be judged probably somewhere down the line...maybe 10 or 15 years from now...about whether that bold step was correct. We're not going to be able to ascertain that very, very quickly. We keep talking about the issue of financing, the issue of doing additional things as it relates to the Department. I think we now have that chance to take that bold step and believe me, it sort of catches in your throat a little...are we doing the right thing? But we're not being asked that particular thing. What we're being asked to do is make a decision and make a decision based on what's good for the state of South Carolina. And when I look at these projects from an economic development point of view, from a systems point of view, from a modal connection point of view, I believe it's worth taking that particular bold step. And believe me I say that still with some concerns and we're going have concerns as this goes along. But I would like us to give this serious consideration and believe me, I think it's a step in the right direction.

**Commissioner Nuckles:**

I can appreciate the arguments for economic development. I think for the benefit of those who are here and do not know...there are five projects listed on this.. One of them is the I-73, which I assume might would be for the interchange Mr. Isaac is that...since that's in my district and I have to ask..I don't know.

**Chairman Isaac:** It would be to complete the interchange.

**Commissioner Nuckles:**

OK that's a hundred and eighty-six million, or fifty percent of this proposed bond action. That is just for an interchange that we have no idea whether or not we will ever get federal funds. We don't know. We can say "well if we build an interchange maybe the feds will be embarrassed". I've heard people say, "if we build it, they'll be embarrassed enough that they'll go ahead and give us a billion dollars so we can do more". I'm not so sure the feds can be arm twisted in that manner. They might even be affronted as a matter of fact. The other project is I-85 at US 276 in Greenville County is to reconstruct an interchange. I don't know what that's going to have a significant impact. That's \$55 million dollars. I don't know if that's going to have a lot of impact on economic development. The other is the John Hardee Expressway I-26. Seventy-six million five hundred thousand. That could have an impact. It comes out of the airport and you know I've said before the freight traffic and the Columbia airport is very important and may become increasingly important depending on what happens with our deep water port. The other one is widen I-26 to six lanes \$36 million dollars is a portion of that. Apparently a very small portion if it's only \$36 million

**DS Walsh:**

It's about a five mile segment where existing 26 terminates. The other...sorry to interrupt but just wanted to get a point of clarification. On I-73 the total project costs is \$185 There's \$80 million dollars available now so the upper limit of bonds

**Commissioner Nuckles:** Say that again

**DS Walsh:**

This is a combination of existing funding and bonds . I-73 would only be an upper limit of \$105 depending on if we advance it, what the costs actually are. So the \$80 million dollars for that right now through congressional earmarks funding so that would be a combination of the two. I just wanted to make sure

**Commissioner Nuckles:**

I appreciate that. The other two projects were I-26 widen to six lanes in two sections and that's a total of about \$70 million dollars. I like the kind of economic development where it's called sign on the dotted line. What do we do if we have a company that comes to South Carolina....a sizable company...another Boeing, another BMW or even a smaller one....what do we do? We have no bond capacity left if we do this. Pretty much we are wiping out our safety net. We are hanging the DOT out there in the storm without a life jacket. As much as I like, and I like economic development, I support economic development. I want to be able to help a business that wants to come to South Carolina and is ready to do something. We need to be able to them as well along with help from the legislature. So please don't misunderstand. I am not opposed to economic development. What I am opposed to as a business person, and many of us here have our own businesses. I don't believe in maxing out the DOT's bond credit card. It's public money. It's not private money and we can't take risks like the private sector takes risks you know. If you sell bonds and you're private, you take your chances and we've see that with the Southern Connector. But when it's public money we must be much more conservative. We must make certain that we are not hamstringing this agency. And we don't know that this year, next year, ten years, fifteen years from now that we get THE hurricane. I know Chairman Isaac has talked

many times that we need I-73 so we can have hurricane evacuation. Well we've also got to have funds that we can get to that will protect and get our infrastructure back up quickly in the event of a large disaster. You say "well the federal government puts disaster money in". The state of Louisiana had to sell hundreds of millions of dollars worth of bonds when Katrina hit because they had to do it right then. They had to have cash flow and they could not wait on all the government and the disaster relief and all that stuff. So gentlemen, I am very much a proponent of economic development but I'm also a business person, like many of us here and I just can't imagine putting the DOT in such a position. It seems easy sitting here today with all these beautiful blue skies but the skies aren't always blue. It rains. And furthermore, we just did a \$50 million dollar federal match program that came out of resurfacing and maintenance. We just did that. It's in this budget that we're voting on today. Plus, we're talking about potentially another \$30 million dollars in bond debt service that could come out of resurfacing and maintenance. So how far can we go and continue to strip this agency of its ability to maintain the system as it's required by law? Thank you so much.

**Commissioner Forrest:**

Mr. Chairman if I may, and again I think over the last year I've tried to be as quiet as possible but you know I'm sitting here listening to mantra that we hear from elected officials..."we're all for economic development, we're all for economic development"...there's a disconnect in that statement. We also hear occasionally that South Carolina is unfriendly to business. I don't think that that's true. I think we are friendly to business. I think that we do a great job in recruiting and being out there beating the bushes. What we are unfriendly to is getting the money to put the infrastructure together in order to accommodate that economic development and that's why I feel very, very strongly about this particular initiative. Here is a bold step that says "we are for economic development and here's what we're going to do about it". I think we need to move forward and I think that economic development should be a number one priority and certainly we have that chance now.....

**Commissioner Edwards:**

Mr. Chairman can I speak to the I-85/276 Laurens Road interchange? Sarah you probably know the new i-car center is a quarter of a mile off I-85 and Laurens Road which includes the new ??? bus plant that going to be there with probably 1300 jobs and widening the entrance from i-car to 385 so this exchange is the only cloverleaf that's left on 85 in Greenville County. It's just a bottleneck because you have to use the same off ramp/on ramp on the same side so you can imagine coming off of six lanes on 85 and trying to get down on Laurens Road, how bad that is. That's the reason that's in there. It's to service i-car and the new development out there

**Commissioner Nuckles:**

I certainly do agree with you Sir. My apologies if I appeared to minimize it. I will say this though to Commissioner Forrest. Our legislature just put six or seven hundred million dollars in various types of economic development funds when Boeing said they would come. So I don't believe South Carolina is not focusing on economic development.

**Commissioner Willingham:**

Yes Sir. I'll be brief. I-26 is the backbone of the economy in this state. I'm convinced of that. From Greenville/Spartanburg to Columbia all the way down to the port. We have the nearest deep water port available to all of that. Both of these improvements tie in with the port. I-26 and Jedburg Road is a warehouse. We can't do anything for Boeing. Boeing's going to have a mess but we can't use

any of these funds for that because it's not interstate. The Montague part could help facilitate some of that possibly. I-26 and Jedburg Road, the counties of Berkeley and Dorchester have contributed some optional sales tax

**DS Walsh:**

The I-26, as we all know, there's an existing road on there and also section on up from exit 199 to 194 is wrapped around a larger project that Dorchester and Berkeley counties are working on. They've actually imposed a tax increment finance and there's another \$178 million that they're already coordinated with the State Infrastructure Bank to support other roads on that corridor. What they need is the money to finish the widening of I-26 so that the interchange that they need can be placed in there. The part for that actually finishes almost a \$200 million dollar project

**Commissioner Willingham:**

All is economic development orientated and we're going to do something. I agree with Commissioner Nuckles. Our maintenance is bad. It's not even good. It's not even adequate. It's far from being adequate and if we cannot somehow or another find some funding or ask our politicians to give us some because we can't do it. It's us to them and we've got to ask them. I know that Commissioner Forrest is working on a subcommittee now to try to identify some ways to do that. Y'all I-26 ties into 95, 20, 77, 85. Any and all interstates in this state and distribution from the port is very, very important to the economic development of our state.

**Chairman Isaac:**

John we have some resolutions. Is it appropriate to do the resolutions here or do we move those into the commission meeting.

**DS Walsh:**

My understanding is that if there's a consensus in the workshop to move forward on the resolution, that the resolution itself still has to be read and adopted in the full commission meeting

**Chairman Isaac:**

Then that would be my recommendation that we just read them in the commission meeting and vote on them there.

**Commissioner Nuckles:**

Mr. Willingham, I appreciate your comment and I will say this, four of these five projects. The two I-26, the Hardee Expressway, the I-85/US 276 as we've discussed are to improve economic development on current roads that we have. And then one of them is I-73 which we have no idea when that could happen or when it could improve our economic outlook. It could be ten or twenty years from now but these other projects could start right away. This list is an arbitrary list. This commission has not been asked, would you like to vote on this one or this one, or this one. We are being told, or it's been suggested that it's one for all and all for one. That is you don't vote for this one, you don't get this one and I don't think that we need to be voting on projects in that fashion because I don't even know what the Act 114 ranking is on any of these.

**Chairman Isaac:**

We need to wrap this up so what's I'll just tell the general public is that we're not voting on project specific, there's room for flexibility. All of these projects are economic development projects. They're huge to our transportation. We've taken the position that it's not going to be either or, we're going to do the best we can with what we've got. We thank you.

Meeting adjourned