

Missouri Transportation Finance Corporation

Missouri's State Infrastructure Bank

History and Legal Framework

The National Highway System (NHS) Designation Act of 1995 created the State Infrastructure Bank (SIB) pilot program for up to ten states. MoDOT submitted an application and in July 1996 was among the first ten states selected to participate in the pilot program. The ten states included Arizona, California, Florida, Missouri, Ohio, Oklahoma, Oregon, South Carolina, Texas and Virginia.

The MTFC was approved by the Missouri Highways and Transportation Commission (Commission) on August 9, 1996 and the MTFC's first meeting was held on August 13, 1996. On August 23, 1996, the MTFC was incorporated under Missouri's Non Profit Corporation Act authorized by Chapter 355 RSMo (see Appendices for Articles of Incorporation). On September 13, 1996, the MTFC Board adopted bylaws (see Appendices for the Bylaws) and subsequently entered into a Cooperative Agreement with the Federal Highway Administration (FHWA) and/or the Federal Transit Administration (FTA), agencies of the United States Department of Transportation (USDOT) and the Commission (see Appendices for the Cooperative Agreement) on September 23, 1996. On May 24, 1999, the MTFC entered into the Transportation Equity Act for the 21st Century (TEA-21) Cooperative Agreement with the same parties as the first Cooperative Agreement and the Federal Railroad Association (FRA). The MTFC is empowered to make any change or addition to the adopted Bylaws or the Articles of Incorporation. On December 30, 1998, the MTFC obtained an Internal Revenue Service (IRS) letter ruling acknowledging MTFC as an organization exempt from taxes under Title 26, Section 115, Internal Revenue Code (IRC).

The United States Department of Transportation Appropriations Act of 1997 amended the NHS Designation Act to allow the USDOT to expand the SIB pilot program to include additional states and appropriated \$150 million in Federal General Fund Revenues (GFR) for SIB capitalization. The TEA-21 extended the pilot program for four states, California, Florida, Missouri and Rhode Island, by allowing them to enter into cooperative agreements with the USDOT to capitalize their banks with federal-aid funds provided in fiscal years 1998-2003 (see Appendices for TEA-21 Cooperative Agreement).

In federal fiscal year 1997, Missouri received \$7,410,000 of new federal money earmarked from the GFR for the program. This money was in addition to the Missouri Department of Transportation's federal funds. The Commission approved \$42,000,000 of Missouri's federal funds and \$10,250,000 of state funds (State Road Fund) to be transferred to the SIB program. The initial capitalization for the MTFC highway and transportation accounts is \$59.66 million. The Commission established federal-aid project grants between fiscal years 1996 and 1999 in the following amounts from the following sources to provide MTFC capital:

SIB Capitalization by Federal Fiscal Year

<u>Fund Category</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Totals</u>
Surface Transportation Program – Any Area	\$ 578,300	\$ 7,568,230	\$ 12,000,000	\$ 4,000,000	\$ 24,146,530
Interstate Maintenance	3,894,000	-	-	-	3,894,000
Bridge	6,027,700	6,931,770	-	-	12,959,470
FTA Grant	-	1,000,000	-	-	1,000,000
GFR	-	7,410,000	-	-	7,410,000
Total Federal Funds	\$ 10,500,000	\$ 22,910,000	\$ 12,000,000	\$ 4,000,000	\$ 49,410,000
Matching State Road Funds*	2,625,000	3,625,000	3,000,000	1,000,000	10,250,000
Totals	\$ 13,125,000	\$ 26,535,000	\$ 15,000,000	\$ 5,000,000	\$ 59,660,000

* Matching state funds were 25 percent of the federal funds except those funds coming from GRF and FTA Grant.

In 2005, Congress passed the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) that allowed all states, Puerto Rico, the District of Columbia, American Samoa, Guam, the Virgin Islands and the Commonwealth of the Northern Mariana Islands authorization to enter into cooperative agreements with the Secretary of Transportation for fiscal years 2005-2009. The cooperative agreement allowed all states to establish a SIB and the states that had already established a SIB to increase their capitalization amount and leverage more federal funds. Missouri chose not to enter into the SAFETEA-LU Cooperative Agreement and chose to continue participating with the TEA-21 Cooperative Agreement.

Purpose and Eligible Entities

The MTFC is a SIB, which is a revolving loan fund that can offer loans and non-grant forms of credit assistance to public and private entities. SIBs are established and administered by the states and are intended to complement traditional transportation grants. SIBs provide states with a mechanism to finance a wide variety of transportation projects through loans and credit enhancements. Money from a SIB is loaned out to entities for transportation projects, repaid and then loaned out again.

The MTFC provides direct loans for transportation projects within the state of Missouri. Loans may be funded from available MTFC resources. While SIBs have the authority to exercise multiple facets of finance options as detailed in 23 U.S.C. 610, the MTFC provides only direct loans. Per the MTFC loan policy, Financial Services staff must obtain pre-approval from the Board to provide other financing options outside a direct loan. Other financing options include (see Appendices for Loan Policy, Section 2):

- Primary or subordinated loans
- Credit enhancements
- Debt reserve financing
- Subsidized interest rates
- Purchase and lease agreements for transit projects
- Bond security

The direct loans can assist with project acceleration, economic development and stimulation of private investment. The direct loans made must help assist the Commission to achieve continued economic, social and commercial growth of Missouri, act in the public interest or promote the health, safety and general welfare of Missouri citizens.

Candidate projects for MTFC assistance include any highway project eligible for federal assistance under Title 23 of the U.S. Code and any transit capital project eligible for federal assistance as defined in Section 5302 of Title 49 of the U.S. Code. The MTFC can provide financial support to both public and private sponsors of eligible transportation projects, and can assist in financing any stage of the project's development. There are no federal share restrictions on the cost of the projects eligible to receive MTFC assistance. All loans are subject to federal requirements (see Appendices for the Loan Policy, Section 6).

All FHWA functionally classified highways are MTFC eligible except for local or rural minor collectors. All bridges within the state that are included within FHWA's bridge inventory are also eligible. All mass transportation capital projects that would otherwise be eligible to receive federal funding are MTFC eligible projects (see Appendices for Eligible Projects).

Some examples of approved projects include:

- Interchange/Overpass Projects
- Highway 63 and Highway 36 Widening
- Bi-State Buses
- St. Louis Gateway Center
- Acceleration of Cost Share Projects Between MoDOT and Local/Private Entities

Board Members

An eight member Board of Directors administers the MTFC (see Appendices for MTFC Organizational Chart). The Board consists of the following:

- Three members of the Commission
- Three MoDOT positions - Director, Chief Financial Officer and Multimodal Director
- Two non-MoDOT members with expertise in business and/or finance

The following are the officers of the MTFC:

- President – MoDOT Commissioner
- Vice President – MTFC Board Member
- Secretary – MoDOT Commission Secretary
- Treasurer – Financial Services Director
- Assistant Treasurer – Financial Services Staff
- Executive Director – Chief Financial Officer

The President and Vice President must be members of the Board of Directors.

Meeting Structure

The MTFC meets approximately four times a year and the meetings are scheduled approximately a year in advance. These meetings are usually scheduled in conjunction with the Commission meetings.

One of the four scheduled meetings, generally the meeting closest to the end of the state fiscal year, is considered the annual meeting. The Board of Directors' and Officers' terms are renewed at the annual meeting (see Appendices for the Bylaws, Article IV, Section 2). One of the two non-MoDOT Board of Directors' two-year term expires at every annual meeting and a replacement or term renewal is requested. The remaining Board members' terms are renewed for another year so long as they are employed at MoDOT. The election of officers for a one-year term is also conducted at the annual meeting (see Appendices for the Bylaws, Article III, Section 6).

The subsequent year's budget is also presented to the Board at the annual meeting. According to the bylaws, at least 45 days prior to the end of each fiscal year, the Executive Director shall prepare and submit the annual budget to the board for approval (see Appendices for the Bylaws, Article VI).

A MTFC meeting is held in October or November to allow for the results of the financial audit to be presented to the Board. According to the Cooperative Agreement, the Corporation agrees to conduct an annual independent financial and compliance audit of the SIB and the operations of the SIB (see Appendices for the Cooperative Agreement, Article IV, Section 4.3).

A MTFC meeting consists of approving the prior meeting minutes, considering loan requests and an Executive Director's report.

A majority of the Board of Directors is required to constitute a quorum for the transaction of business at all meetings. Each director present at any meeting shall be entitled to cast one vote on each matter presented for a decision (see Appendices for Bylaws, Article IV, Section 8 and 10).

Loan Approval Process

The Financial Services staff will negotiate and seek initial agreement from the borrower of the loan terms. The staff will draft the loan's terms and conditions and will determine from a credit and security point of view, if they are adequate or inadequate. Additionally, the staff will review the loan for overall policy compliance and make a recommendation to the Board to approve or deny the loan. Each of the eight Board members has one vote. See Appendices for Loan Policy, Section 12.

Appendices

- **MTFC Organizational Chart** – A diagram of the MTFC organizational structure.
- **Articles of Incorporation** – A legal document identifying the terms under which the Corporation was created.
- **Bylaws** – Rules adopted by the Corporation for internal administration and management.
- **Cooperative Agreement** – Written consent between a state and the federal government used to define the process of SIB implementation. The agreement outlines the basic structure and purpose of the SIB and roles of each party, and sets forth how the funds of the SIB will be administered.
- **TEA-21 Cooperative Agreement** – Authorization for only California, Florida, Missouri and Rhode Island to request a revision of their existing SIB agreements to incorporate the TEA-21 provisions.
- **Loan Policy** – Guidelines established for approving and disbursing loans.
- **Investment Policy** – Guidelines established for the investment of funds.
- **Eligible Projects** – Activities listed under Title 23 and Title 49, United States Code