

Rebuilding Michigan

State Transportation Commission

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Rebuilding Michigan

- Objective:
 - Focused on rebuilding the state highways and bridges that are critical to the state's economy and carry the most traffic.
 - Aimed at fixes that result in longer useful lives and improves the condition of the state's infrastructure.
 - Addresses key corridors and rebuilds major segments of highly travelled interstate, as well as several other busy freeways and bridges
 - With a corridor approach, MDOT can coordinate bridge projects along with the road projects

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- Benefits of this strategy:
 - These are present day needs that will continue to go unaddressed in the near term absent this strategy
 - The public will receive the benefit of the long-term fixes sooner – like better condition, better ride, less wear and tear on their vehicles, and supporting the economy
 - The ability to advance more long-term fixes will reduce the frequency and intensity of maintenance required over the next decade
 - These fixes modernize our transportation system, rather than continuing to cover up old infrastructure with band-aids
 - Interest rates are at historic lows

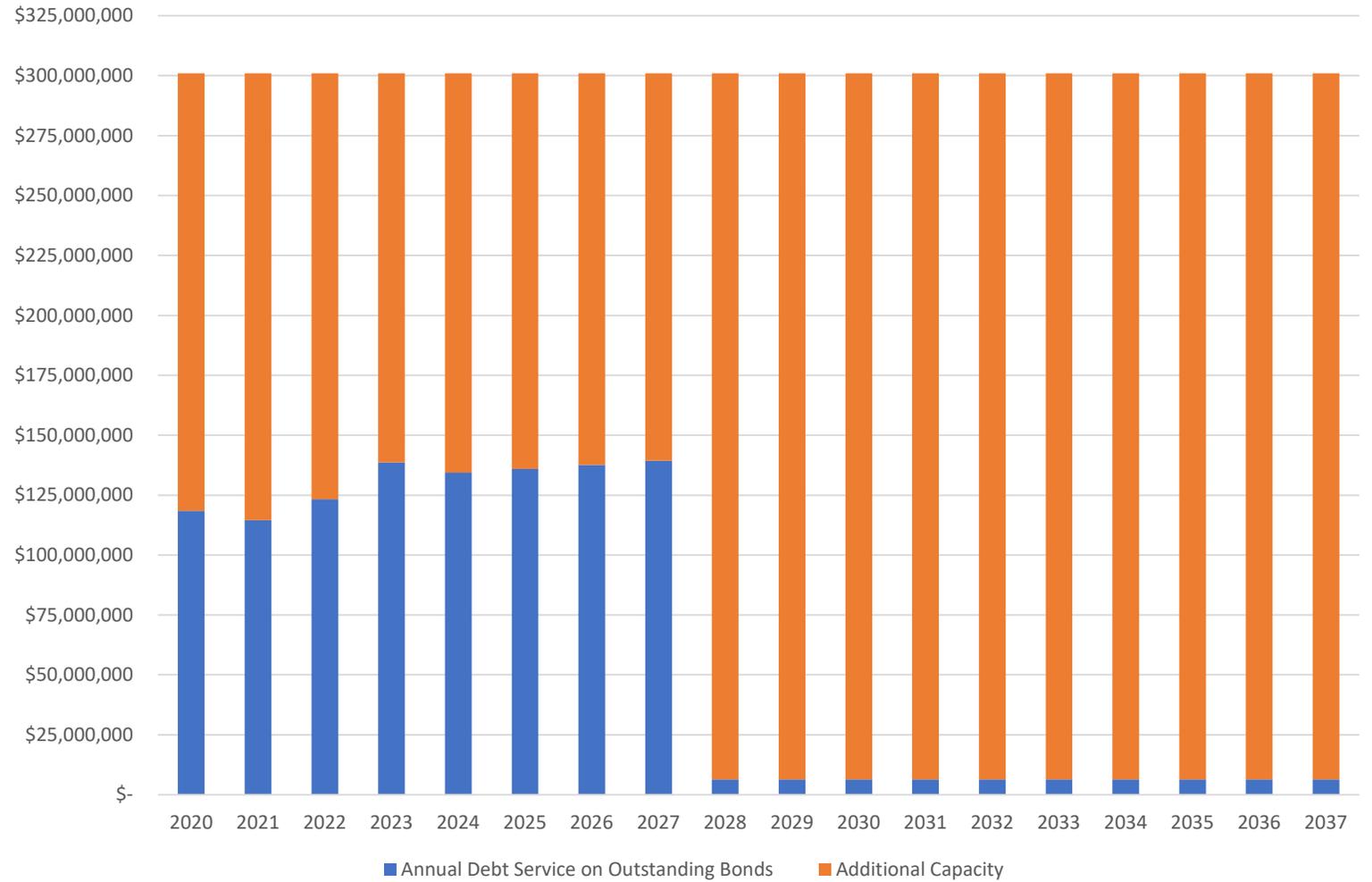
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FY 2020 Example

Debt service coverage and additional capacity calculation	2020
	Revenues Compared to Debt Service
	To Remain within 4x Coverage
Constitutionally Restricted Revenues Transferred by Formula	\$ 1,062,290,000
Additional Constitutionally Restricted Revenues	\$ 141,709,675
Total Constitutionally Restricted Revenues Available for Debt Service:	\$ 1,203,999,675
Annual Debt Service on Outstanding Bonds	\$ 118,410,519
Debt Service Coverage	10.17
Amount Available after Current Debt Service	\$ 1,085,589,156
Maximum Future Annual Debt Service on Future Bonds and the Outstanding Bonds	\$ 301,000,000
Debt Service Coverage	4.00
Additional Annual Maximum Debt Service Capacity for MDOT to remain at or above 4X coverage	\$ 182,589,481

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Debt Service on Bonds Outstanding and Additional Capacity by Fiscal Year



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Summary of Planned Road and Bridge Construction

- Current 5-Year Road and Bridge Construction - \$3.857 Billion
- Total New 5-Year Road and Bridge Construction - \$7.300 Billion
 - Revised Revenue plan - \$3.78 Billion
 - Bond Financed plan - \$3.52 Billion
- Dedicated transportation revenue funding
 - Replaces/finances \$1.026 Billion of projects in the current 5 Year plan
 - Some of these projects were converted from rehabilitation to reconstruction projects and financed with bond proceeds
 - Allows the addition of \$954 Million for new projects which extend the useful life of the statewide road and bridge system
 - Added 73 new projects
- Retains \$2.83 Billion of current planned projects

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- **Summary of Planned Road and Bridge Construction**
 - Bond Proceeds Funding
 - Shifted 23 projects from traditional revenue sources to the bond program
 - Revised 18 projects; changed the scope of work or fiscal year, resulting in a commitment of \$1.95 Billion
 - 5 projects had no changes; \$205 million of transferred projects were just fund shifts
 - Added 26 new projects to be financed - \$1.57 Billion
 - Average fix life is 27.17 for these 49 projects
 - The influx of bond funding positively impacts the future condition of road and bridge assets

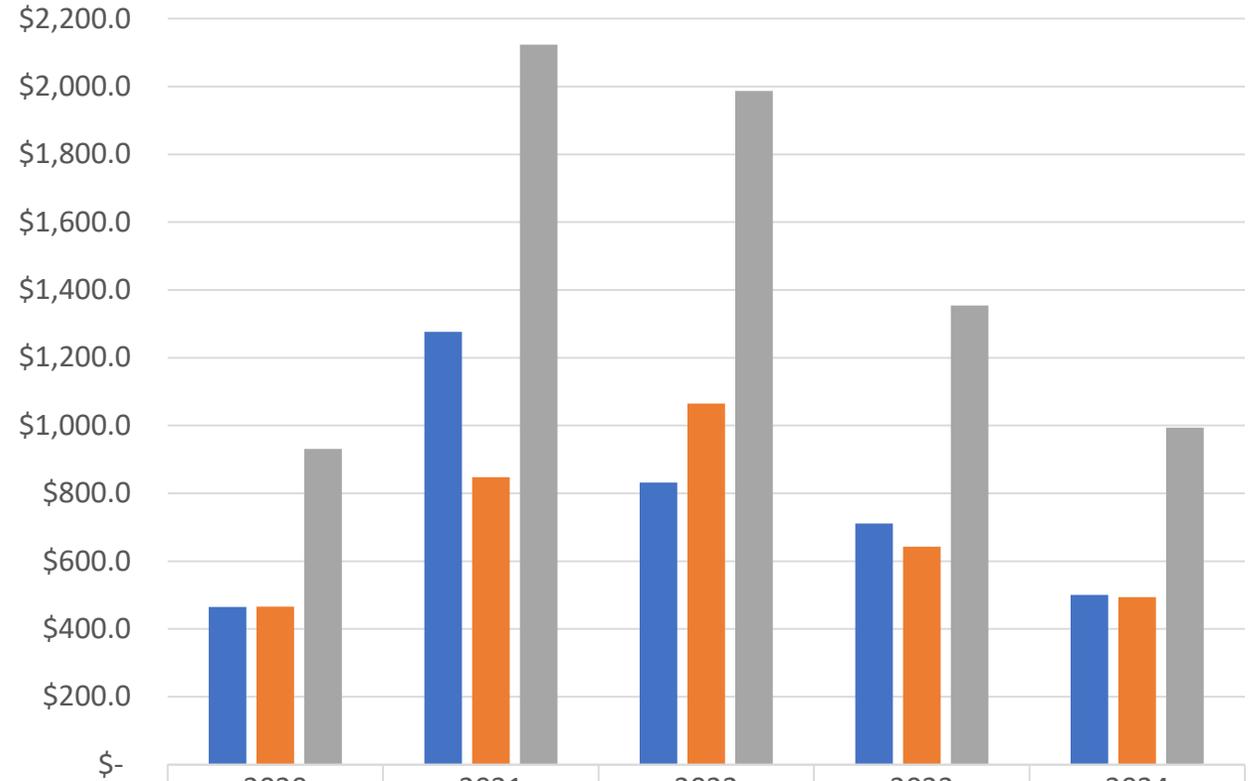
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By Fiscal Year



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By Fiscal Year



	2020	2021	2022	2023	2024
■ Dedicated transp. Revenue	\$464.7	\$1,276.3	\$832.4	\$711.0	\$500.2
■ Bond Financing	\$466.1	\$847.7	\$1,064.9	\$643.2	\$493.7
■ Revised 5 Year Plan	\$930.8	\$2,124.0	\$1,987.3	\$1,354.3	\$993.9

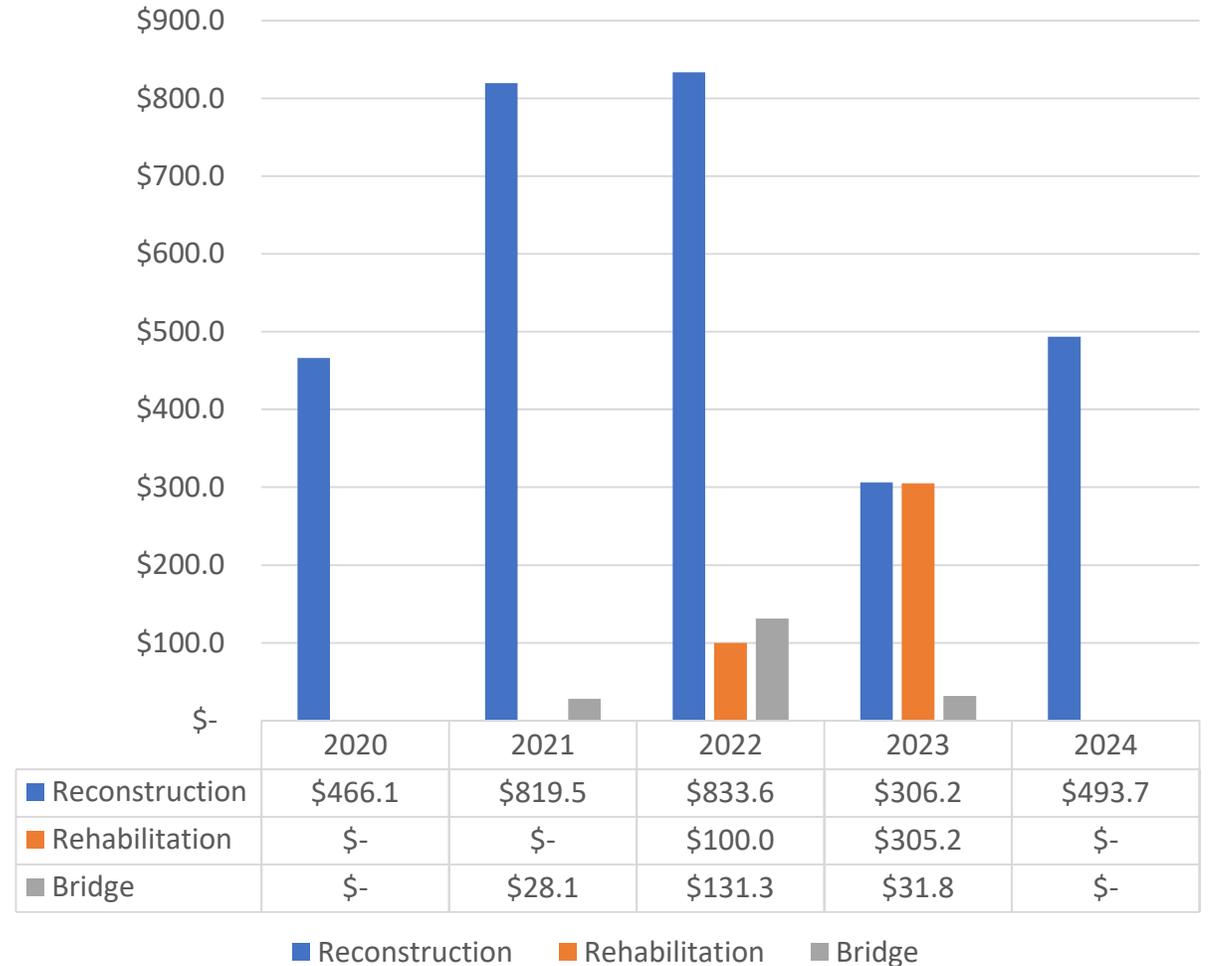
■ Dedicated transp. Revenue ■ Bond Financing ■ Revised 5 Year Plan



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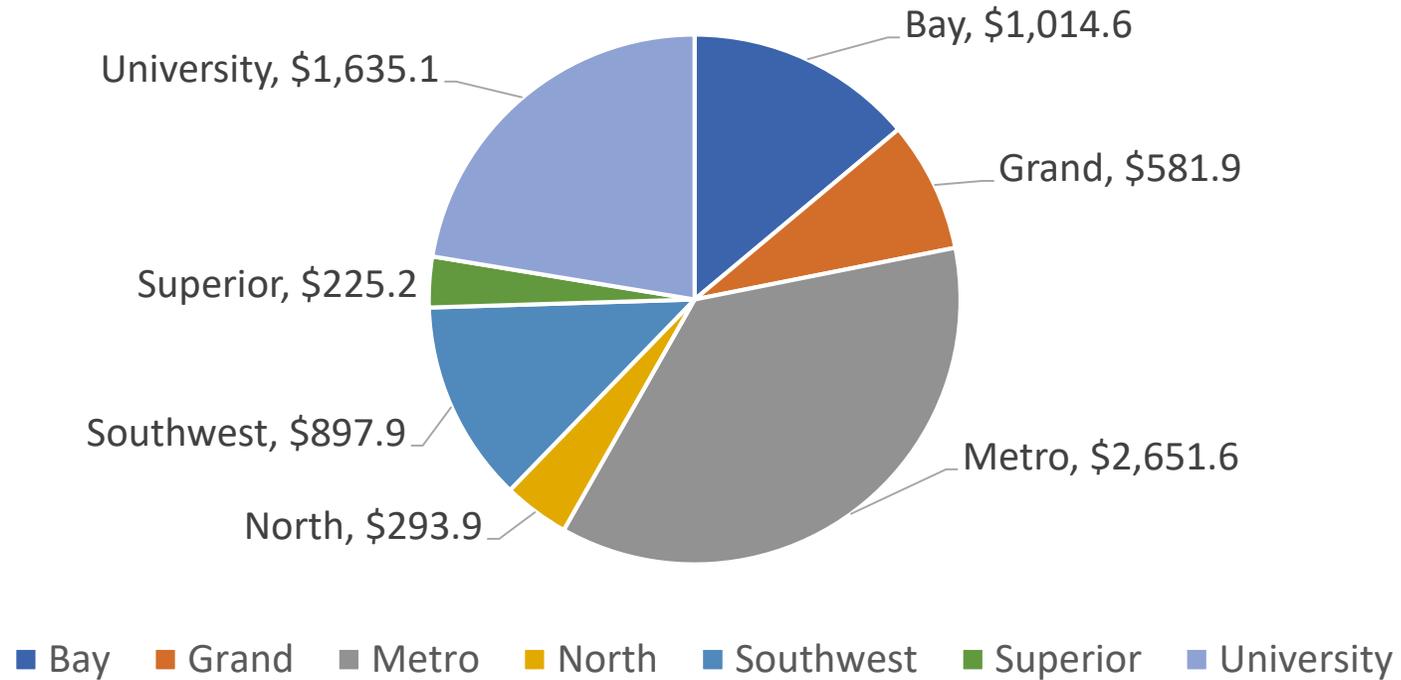
- **Construction Cost Savings**
 - Moving ahead with these projects by 4-6 years allows MDOT to save an estimated \$365.8 million in construction costs
 - Based on an assumption of 4% annual cost inflation in a delay
- Ability to advance more long-term fixes will reduce frequency and intensity of maintenance required over the next decade, leading to a more efficient use of maintenance funds
- Modernizes the transportation system, rather than continuing to perform short term fixes

Type of Fix Bonded



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Total Revised 5 Year Road and Bridge Construction Plan \$7.300 Billion



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- Preliminary Finance Plan
 - Bonds issued over 4 year period
 - Expected average term of approximately 25 years
 - Based on anticipated useful lives of the projects being financed
 - Current rates for 25 year bonds are 2.5% to 3.5%
- Bonding will match our cash flow needs and the project schedules

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Questions ?

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