

MEMORANDUM OF UNDERSTANDING (MOU) FOR DEBT-FINANCING COUNTY BRIDGE PROJECTS IN MISSISSIPPI

PARTIES TO THE MOU

- Office of State Aid Road Construction (State Aid)
- Mississippi Department of Transportation (MDOT)
- Federal Highway Administration Mississippi Division (FHWA)

BACKGROUND INFORMATION

State Aid, MDOT, and FHWA have drafted this MOU to document procedures/responsibilities for a GARVEE-type program of debt-financed county bridge projects: programming & authorization of projects; distribution, billing, and reimbursement of costs; recordkeeping/reporting requirements; and closure of projects. State Aid plans to initiate an estimated \$28,000,000 federally funded bridge program in the federal fiscal year 2003-2005 timeframe. The bridge program will be structured as follows:

- \$25,000,000 loan/line of credit obtained from the Mississippi Development Bank (MDB).
 - < This loan will be used to debt-finance and advance construct a backlog of county bridge projects in accordance with FHWA GARVEE guidelines. State Aid will ensure that loan proceeds are used only for eligible, federally-participating costs.
 - < Interest on loan from MDB is set at variable monthly rates, approximately 1% below the prevailing market fixed rates. Other terms of loan require that State Aid draw-down 5% of the loan amount in the first year. The entire loan must be drawn-down within 4 years of issuance. Loan repayment period may be up to 10 years, but loan may be prepaid early without penalty.
- Approximately \$3,000,000 in federal-aid bridge funds will be used to cover estimated debt service payments on the loan/line of credit from MDB. *
- Federal reimbursement rate for bridge projects may be as high as 100% by utilizing the offsystem bridge program credit, per 23 USC 144(n).

** Note: MDOT makes 30% of its total annual bridge program apportionment available to State Aid. In recent years this has amounted to approximately \$18 million per year in federal-aid bridge program funds for State Aid use.*

State Aid will be responsible for the equitable administration and distribution of the above program for the rehabilitation/replacement of deficient bridges within the counties of Mississippi.

PROGRAMMING OF PROJECTS

Bridge projects for the above program will be processed in accordance with existing federal-aid and State Aid and MDOT programming guidelines. Funds to cover the planned authorization of projects and the planned conversions of advance construction (AC) for debt service will be included in the annual STIP's.

PROJECT AGREEMENT & AUTHORIZATION

A list of bridges anticipated to be rehabilitated or replaced under the debt portion of the subject program will be developed. This list is subject to change based on an annual review and with the concurrence of both the State Aid Engineer and the Division Administrator for the FHWA Mississippi Division. As bridges are selected, AC construction projects will be authorized for onsystem and offsystem bridges. State Aid will elect to seek reimbursement for debt service and debt-related expenses in lieu of reimbursement for construction costs. As principal and interest become due, State Aid will request partial conversion of AC projects to finance debt service payments. Federal funds will be authorized and the AC projects will be converted in sufficient amounts to allow for federal reimbursement of the debt service and debt-related expenses associated with each debt-financed bridge project. Debt service and debt-related expenses will be charged directly to the AC projects with payments varying as State Aid draws-down its line of credit from

the MDB, and as the MDB then generates monthly invoices for the debt service associated with the State Aid draw-downs. A schedule of debt service payments will also be developed. State Aid will enter bridge project data to the FHWA FMIS system and will include pertinent comments regarding offsystem bridge credits, AC conversion, right-of-way/environmental clearances, etc., in the State Comment section of FMIS.

DISTRIBUTION OF COSTS

State Aid will accumulate actual project costs, debt service costs, and other required information on the individual county bridges in the State Aid financial management system in the normal manner. Normal expenditure edits will be in place to ensure that costs are eligible for federal-aid funding. The AC construction projects will accumulate debt service costs in the MDOT financial system (FMS) and the FHWA financial system (FMIS) in the normal manner. Debt service costs (principal) will be distributed to the AC projects based on actual project costs plus interest.

FHWA REIMBURSEMENT

The total amount of principal and interest and other eligible debt-related costs will be reimbursed per the debt service invoices generated by the MDB to State Aid. State Aid will reimburse the MDB. State Aid will then bill MDOT. MDOT will reimburse State Aid and bill the costs to FHWA via MDOT's current billing system. FHWA will reimburse MDOT.

RECORDKEEPING & REPORTING

State Aid will be responsible for establishing and maintaining financial, right-of-way/environmental, and statistical records and reports for the debt-financed bridge projects in accordance with State and federal regulations and guidelines.

CLOSURE OF PROJECTS

The debt-financed bridge projects will remain open until the debt associated with the bridges contained in the projects has been retired. A final cost report/final voucher will be submitted to FHWA by State Aid for each project. The report will summarize the final costs for each bridge by applicable phases of work, including the debt service expense, and will include a list of bridges replaced by inventory (BIN) number. State Aid and FHWA will monitor each debt-financed bridge project until the projects are completed or closed. FHWA has the authority to review and/or approve any of the costs incurred on these projects.

CONCURRENT SIGNATURES:

J. Brooks Miller, Sr.
State Aid Engineer
Office of State Aid
Road Construction

Larry L. Brown
Executive Director
Mississippi Department
of Transportation

A.H. Hughes
Division Administrator
Federal Highway
Administration

Date

Date

Date