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\$91 million bond headed to market for road projects

by Jake Jarvis Staff Writer Jul 17, 2018



State Department of Transportation Secretary Tom Smith

Staff photo by Jonathan Weaver

CHARLESTON — State Transportation Secretary Tom Smith said West Virginia received a favorable interest rate — 3.03 percent — on a new bond to improve and repair the state's infrastructure.

The nearly \$91 million GARVEE bond is a part of Gov. Jim Justice's "Roads to Prosperity" program that voters approved last fall in a special election.

"We have not invested in infrastructure as much as we should have," Smith said in a telephone

interview. "This really lets us put a good dent into things, but it doesn't take care of everything. It's a thing where we're bound and determined to make the money go as far as we can and do plenty of good with it, but we'll have plenty of roads to work on after it's over. "



The last time the state sold a GARVEE bond, in October 2017, it received a more favorable interest rate of 2.15 percent.

But Smith said the market has ticked up since then, so he expected the state to have to pay a higher rate.

"The market was with us today at the point that we ended up closing out on this," Smith said, adding that he felt the rate was good. "This is what the governor had in mind when he asked us to wisely look at infrastructure," Smith said.

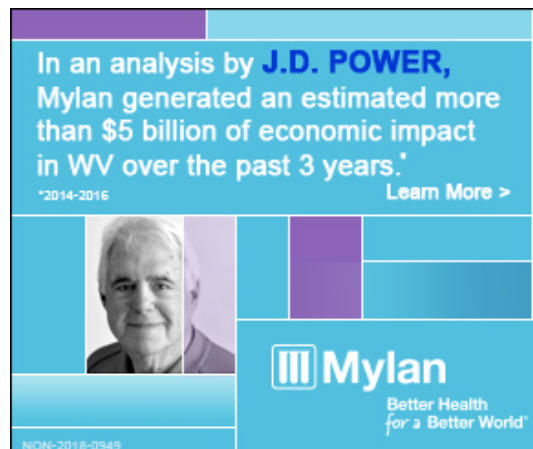
In comparison, for general obligation bonds put out earlier this year, the state secured a 3.58 percent interest rate.

This year's GARVEE bond received an A2 rating from Moody's and an AA rating from Standard and Poor's, identical to the ratings for the GARVEE bond last fall.

As Smith explained, GARVEE bonds are paid for by committing to take part of the money the state receives from the Federal Highways Administration and devote it toward paying off the debt. Smith said the state would pay back the debt over the course of 15 years.

"Thanks to the conservative nature that Gov. Jim Justice has brought to this, ... it makes it so these bonds are attractive to investors, and, in a sense, they give you more back. The premium

amount is recognizing the credit worthiness of these bonds.



The nearly \$91 million GARVEE bond is made up of a \$78.8 million par value (the base value of the bonds), plus a \$12 million premium. The money will become available for the state to spend on Aug. 1, Smith said.

"GARVEE is different from some other types of bonds because the Federal Highways asks us to already have contracts in hand so we know what the project prices is," Smith said. "We have 100 percent of these projects under contract right now — they're actually going on today."

In total, the money will go toward funding 36 projects across the state. Slightly more than half of the projects will be bridge replacements and rehabilitations, according to Brent Walker, a spokesman for the state Department of Transportation. Other projects include fixing a particularly windy stretch of Route 10.

So when the money becomes available next month, Smith said it would be put toward paying down those bills.

"These are really good, solid projects that we need to get to. We've been needing to get to them for a while, and the GARVEE bonds let us get to them," he said.

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