Board of Directors
Finance Committee Meeting

North Carolina Turnpike Authority

October 18, 2017

Request for Qualifications: Financial Advisor

David Roy

Proposed RFQ Changes

- RFQ amended to allow for sub-consultants
  - Will allow firms to team (i.e. Financial Advisors and Investment Managers) creating a larger pool of potential proposers

Proposed Revised Schedule

| Deadline	Item
10/23/2017	RFQ Release
11/02/2017	Deadline for Questions
11/07/2017	Addendum Posted
11/17/2017	Responses Due
12/07/2017	Interviews

Complete 540 Update

Rodger Rochelle, P.E.

Complete 540

- Approximately 30 miles

- 70 mph, with interchange access

- All electronic toll collection

- Preferred Alternative
  - DSA 2
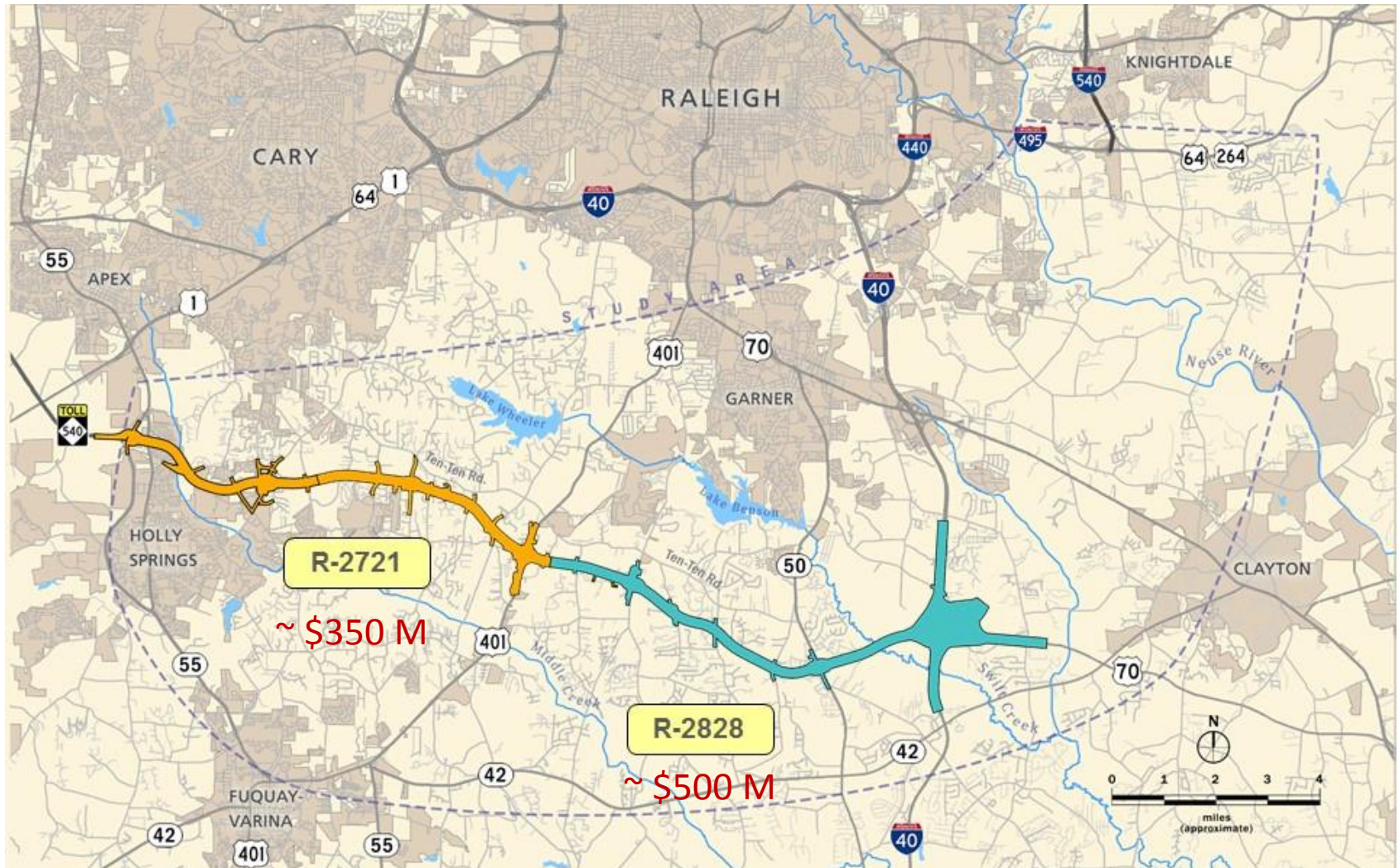 - **orange**-**green**-**mint**-**green**

- Three STIP projects
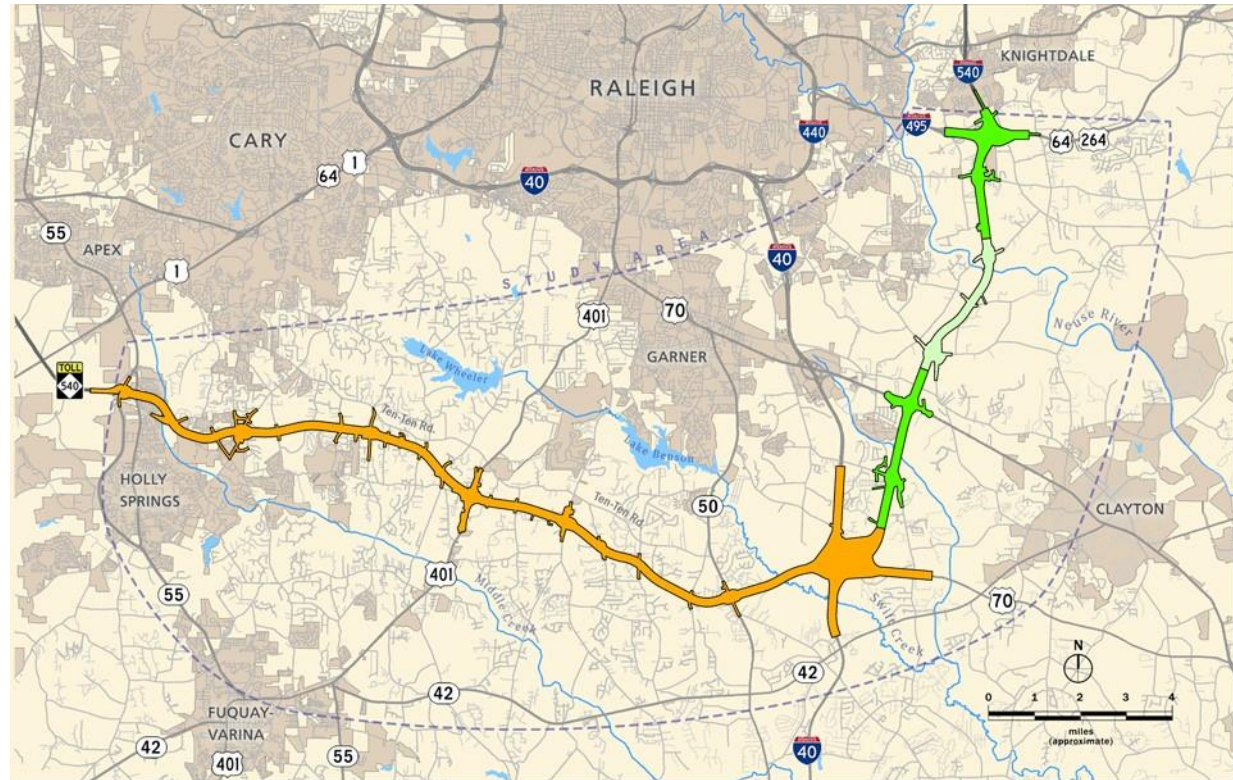
Preferred Alternative
(Final EIS)

Complete 540
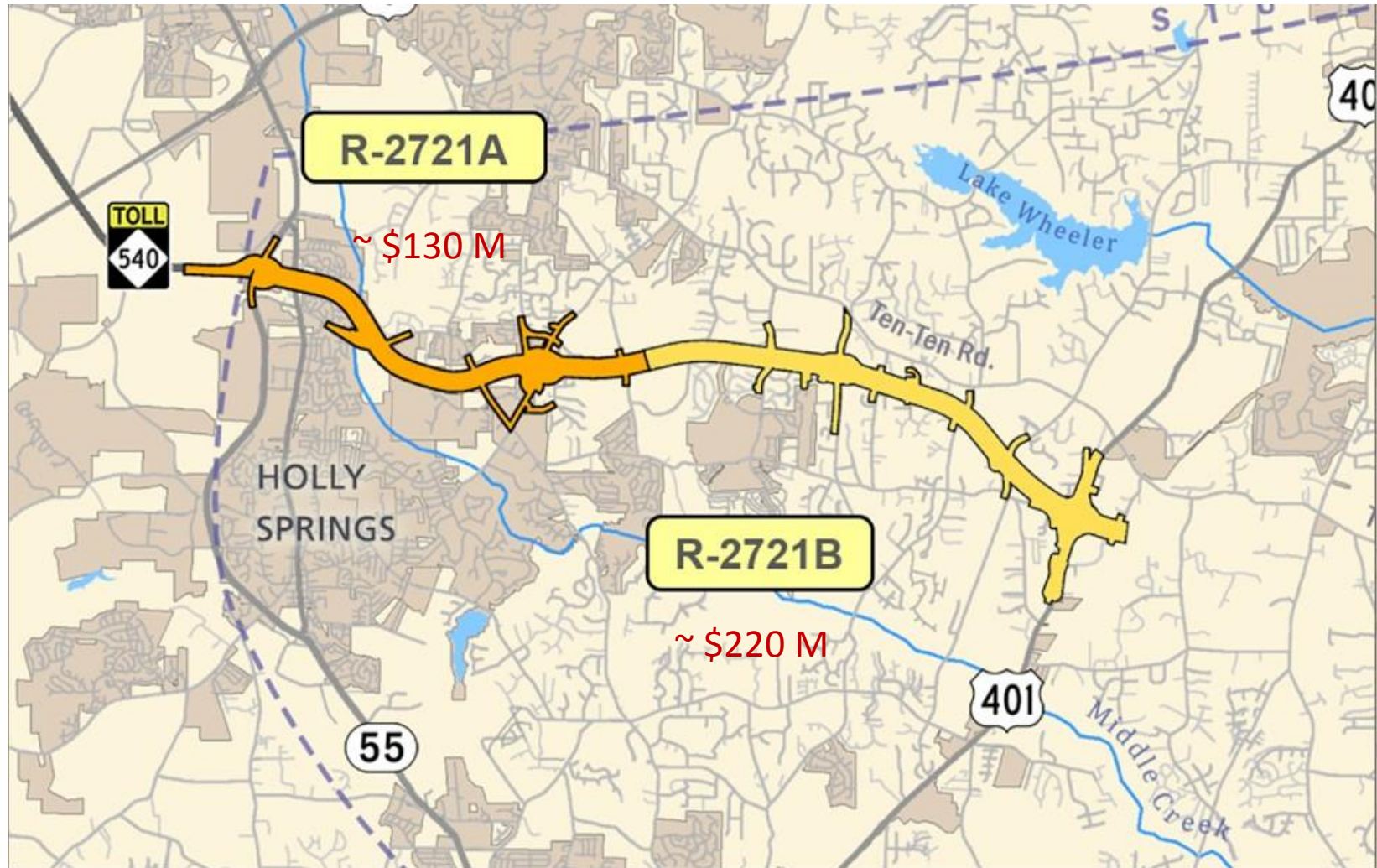
Complete 540

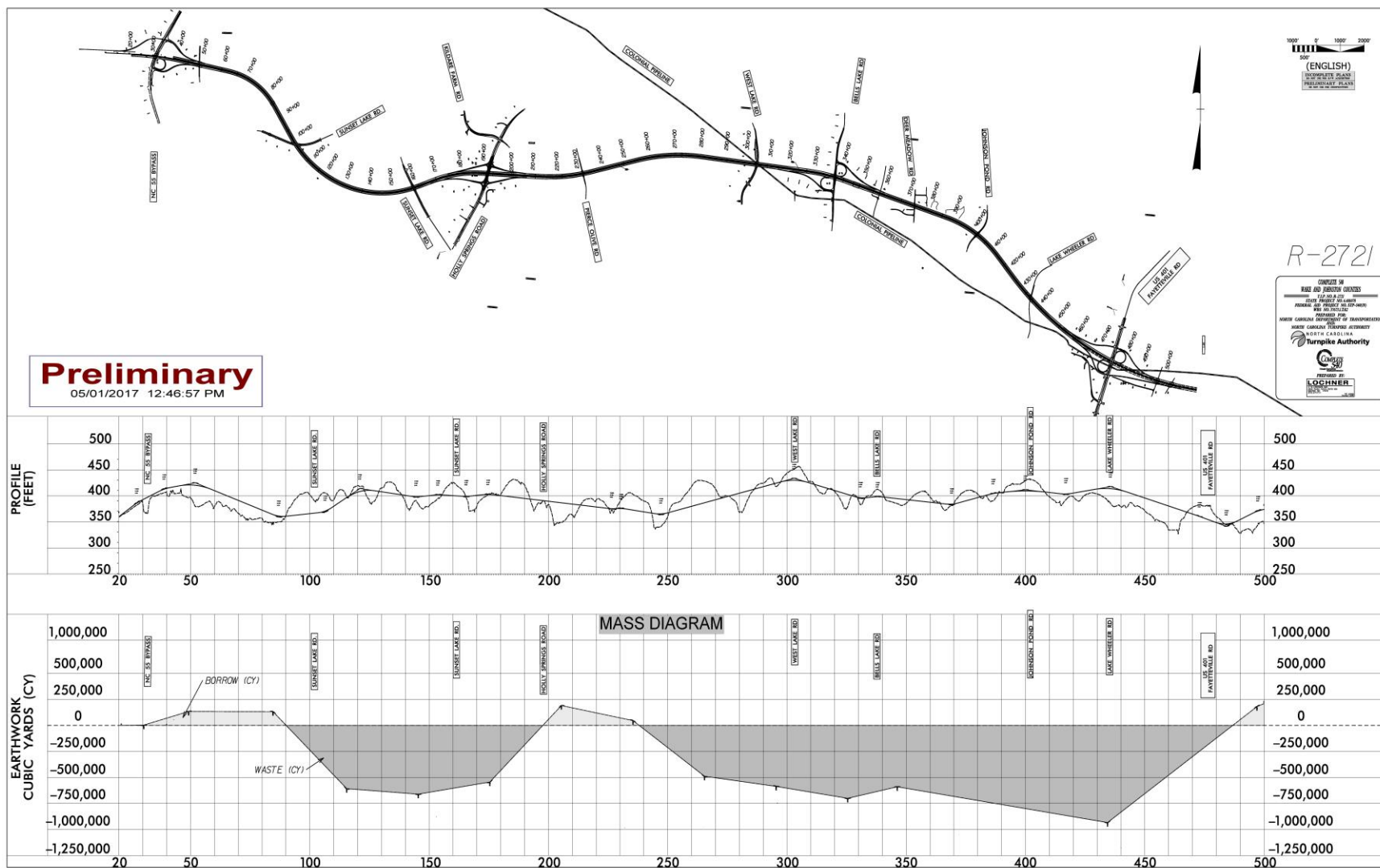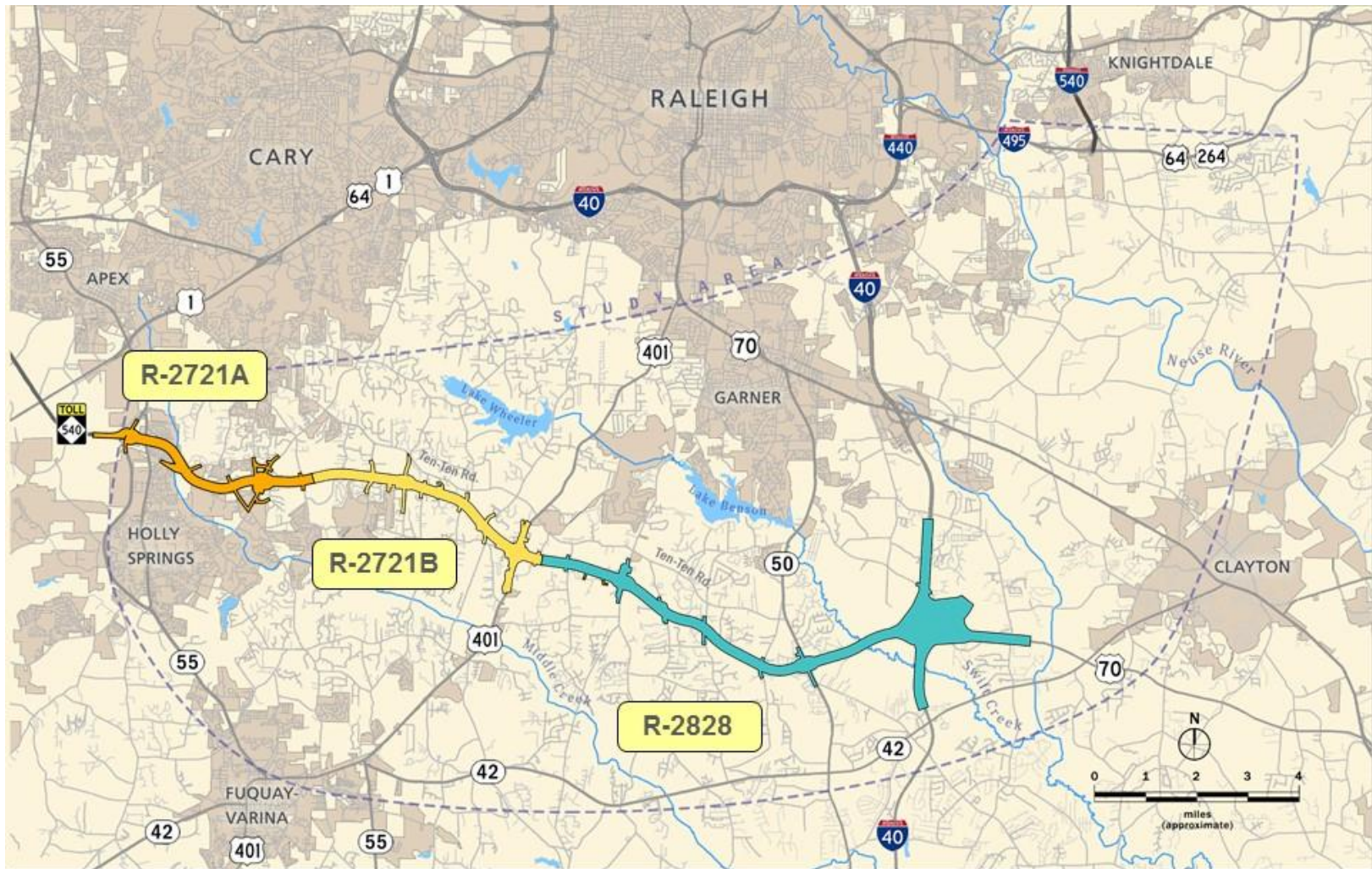R-2721

~ $350 M

R-2828

~ $500 M
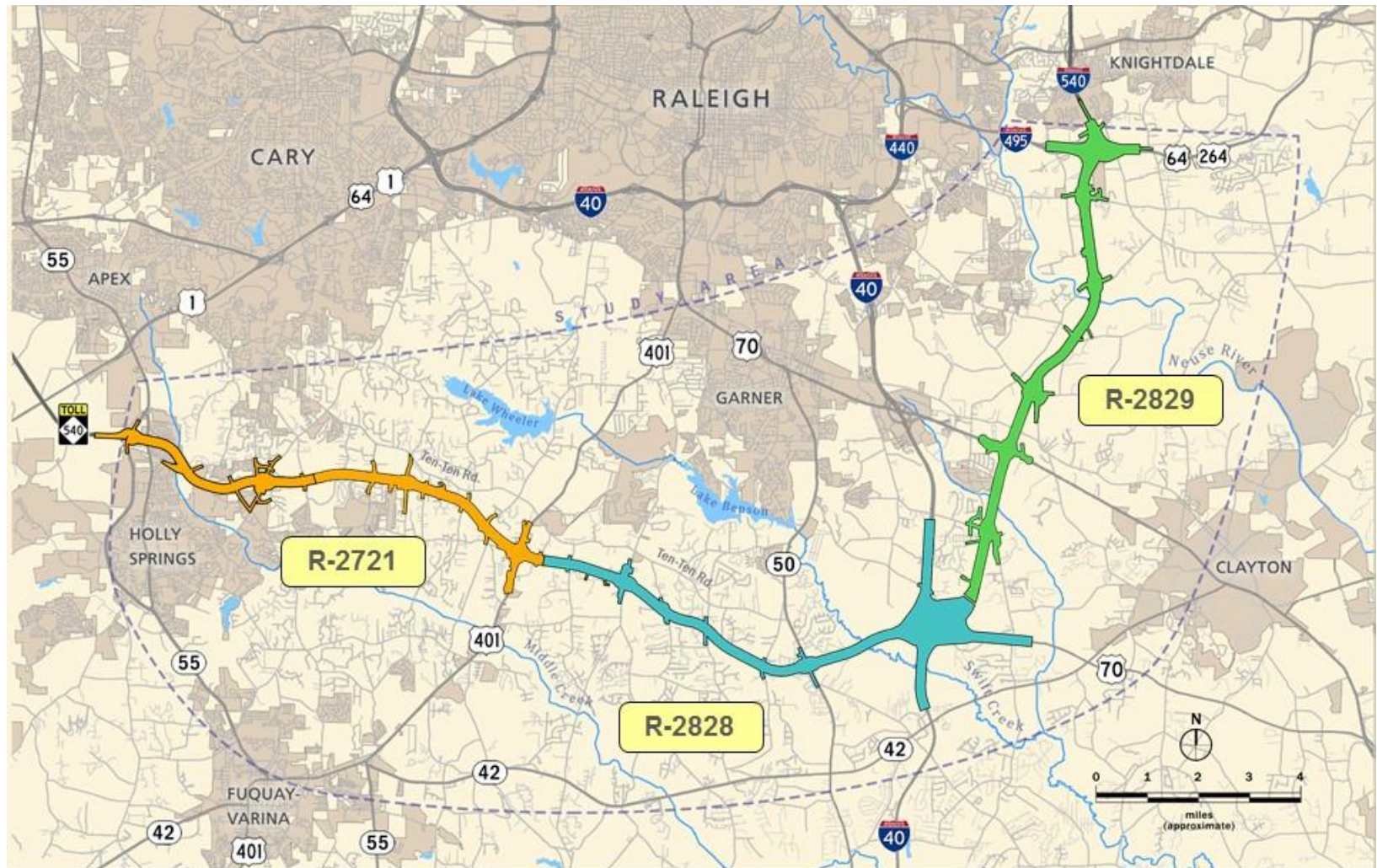
Complete 540

Complete 540

Complete 540

Looking Ahead: Study Process

- Address Public and Agency Comments on the Draft EIS

- Agency coordination for avoiding and minimizing environmental impacts

- Coordination with US Fish and Wildlife Service about protected species

- Updates to traffic noise analysis (determining where noise walls are proposed)

Looking Ahead: Project Financing

- Updating cost estimates

- Preparing traffic and revenue studies

- Developing detailed Plan of Finance
  - Initiating TIFIA loan pre-approval process

Looking Ahead: Contracting

- Continued AGC/ACEC Coordination

- Comprehensive advertisement and staggered lets

- Innovative Contracting

- Let East to West, open West to East

Current Schedule

- Final EIS
  - Submit mid-2018

- Record Of Decision
  - Submit mid-2019

- ROW & Contract Let
  - (R-2721A, R-2721B & R-2828) - FY 2020
  - (R-2829) - FY 2027

Accelerate 540

- Project ownership shifted to Turnpike Authority

- Experts brought in to review environmental study processes

- Finance, toll operations, contract procurement teams mobilized

- Proactively engaging federal agencies

Complete 540 Resources

Website

www.ncdot.gov/complete540

Email

complete540@ncdot.gov

Hotline

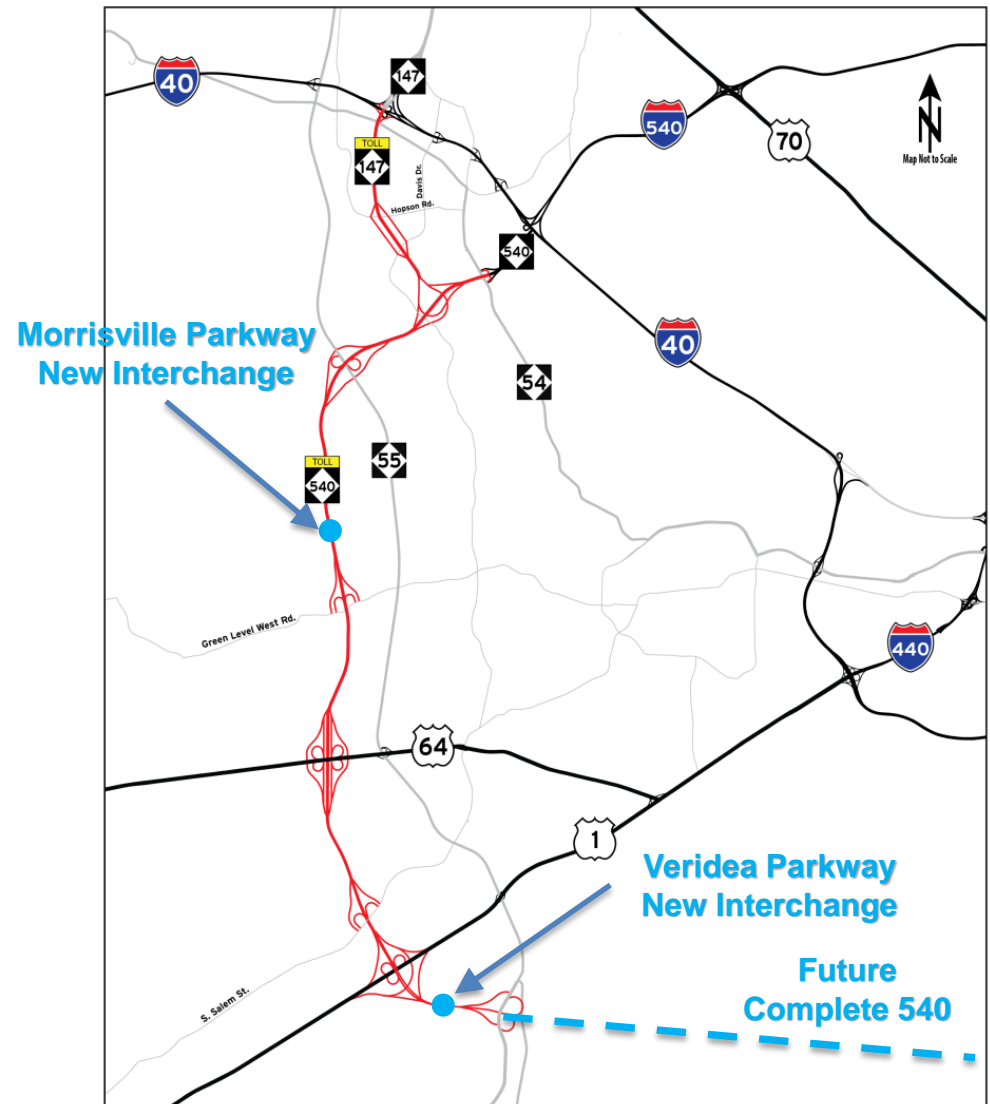## 1-800-554-7849

Morrisville Parkway Interchange Update

Dennis Jernigan, P.E.

Triangle Expressway

Veridea Parkway

Morrisville Parkway

Complete 540

Carpenter Fire Station Road

Green Hope School Road
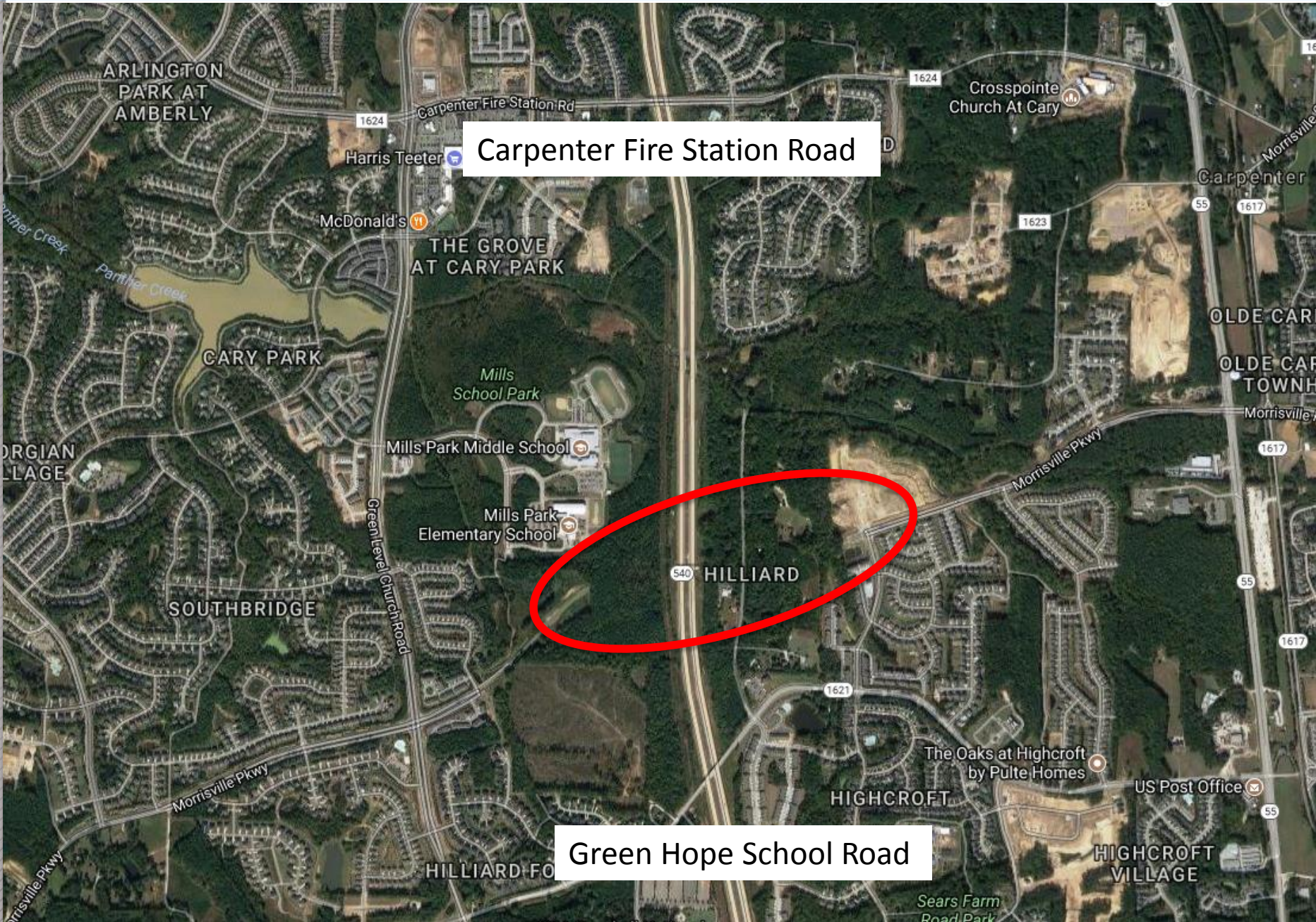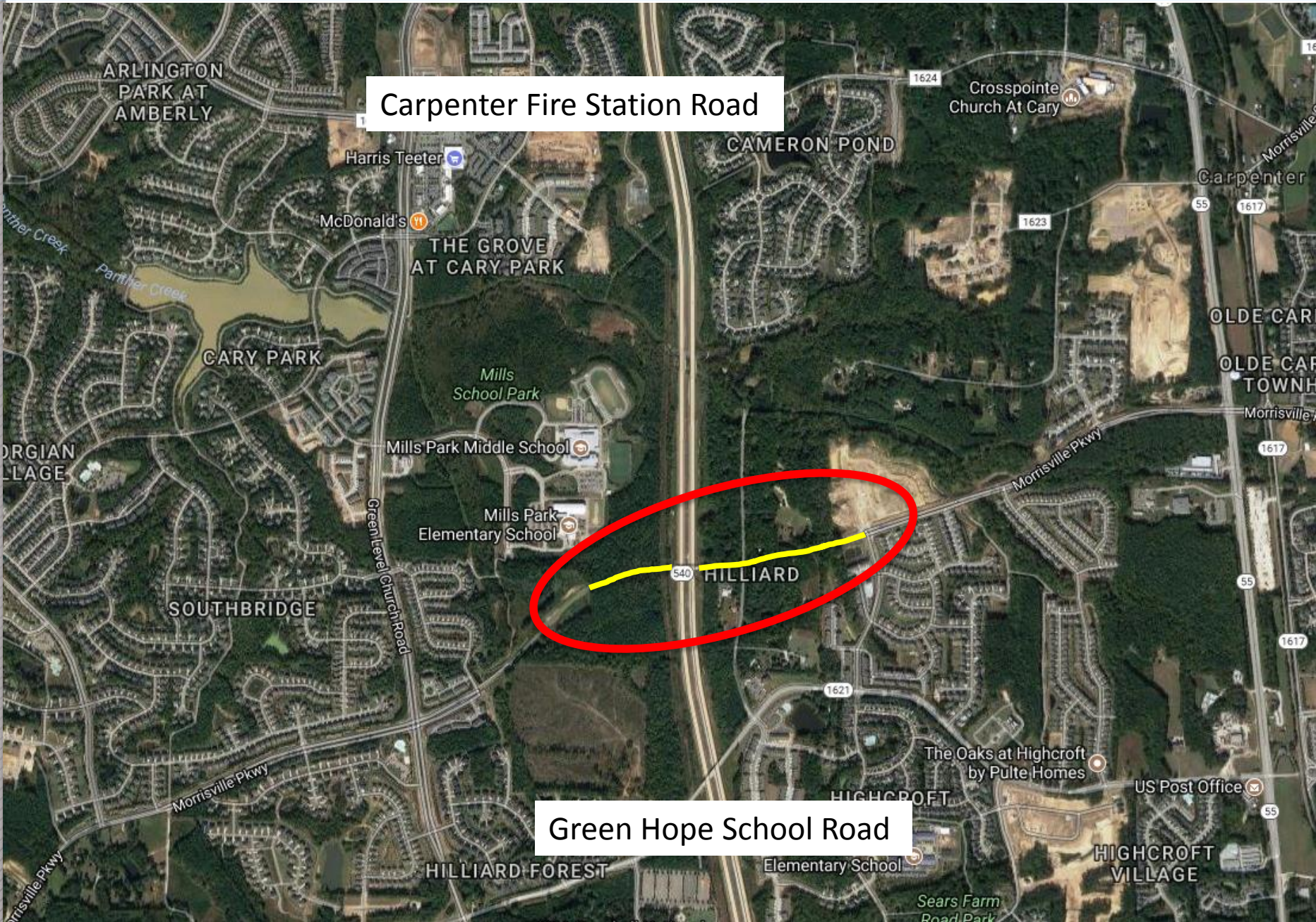
Carpenter Fire Station Road

Green Hope School Road

Morrisville Parkway Interchange

- Cooperative effort between NCTA, NCDOT, and Town of Cary

- Funding sources include contributions from the Town of Cary, and unexpended bond proceeds in the amount of $12.5M

- First NCTA bid-build project

- Maintaining three lanes of traffic on NC 540

- Northbound widening first, then Southbound (120-day ICTs)

- Project comprised of an A and B piece (interchange is A)

- Relocating weather station (RWIS)

Morrisville Parkway Interchange

- STIP cost estimate is $24.8M

- Estimated average annual increase in toll revenue of 4.0% as compared to the certified 2009 Traffic and Revenue Base Case

- Project timeline:

  - Right of Way Acquisition – Complete (Certification Pending)

  - Utility Relocation – Underway but impacted by Hurricane Irma

  - Construction Contract Letting – December 2017

  - Open to Traffic – Late Summer 2019

Toll Project Development Policy

Mark Boggs, P.E.

Briefing Purpose

To brief the Board of Transportation on findings and recommendations for a comprehensive policy, including selection and implementation of toll-financed highway improvement projects.

Briefing Topics

1. Study purpose and process
2. Toll Policy need
3. Lessons learned
4. Policy Framework proposal

29

Study Purpose

General Assembly Support

"Establishing policies and guidelines will allow for the Department to make informed decisions when selecting projects as toll candidates and is critical to moving the state forward. Understanding which project characteristics make a project viable for tolling, managed lanes, or a (P3) agreement is necessary in gaining public trust."

Senators Meredith, Davis, McInnis and Rabon
April 6, 2017

Secretary Trogdon committed to development of a comprehensive policy regarding use of tolling by the department.

Study Process

- NCTA, TPD, and Planning & Programming guided the study, with internal working group support

- Actively engaged external stakeholders

- Examined lessons learned from other states

- Considered policy implications and implementation strategies

- Will provide legislative briefing and seek Board of Transportation adoption

Toll Policy Need

NC is a rapidly growing state with an ever-changing transportation landscape.

To deliver its transportation program effectively and efficiently, NCDOT faces three converging and overlapping challenges:

- Increasing traffic and congestion
- Uncertainty over traditional state and federal funding
- A backlog of needed highway capacity and mobility management needs

Increasing congestion associated with NC's growth is reducing our mobility and adding to the cost of living and of doing business.

- Growing from 9th to 8th most populous by 2040, with a population of 12.5 million

- 90% of new residents forecast to move to five metro areas: Research Triangle, Charlotte, Piedmont Triad, Wilmington and Asheville

- Employment will increase to 5.7 million in 2040 from 4.1 million in 2007

- Truck traffic will increase 43 percent by 2045

These are challenges that need to be addressed to retain our attractiveness to companies considering locating here.

Expected Population Growth by 2040
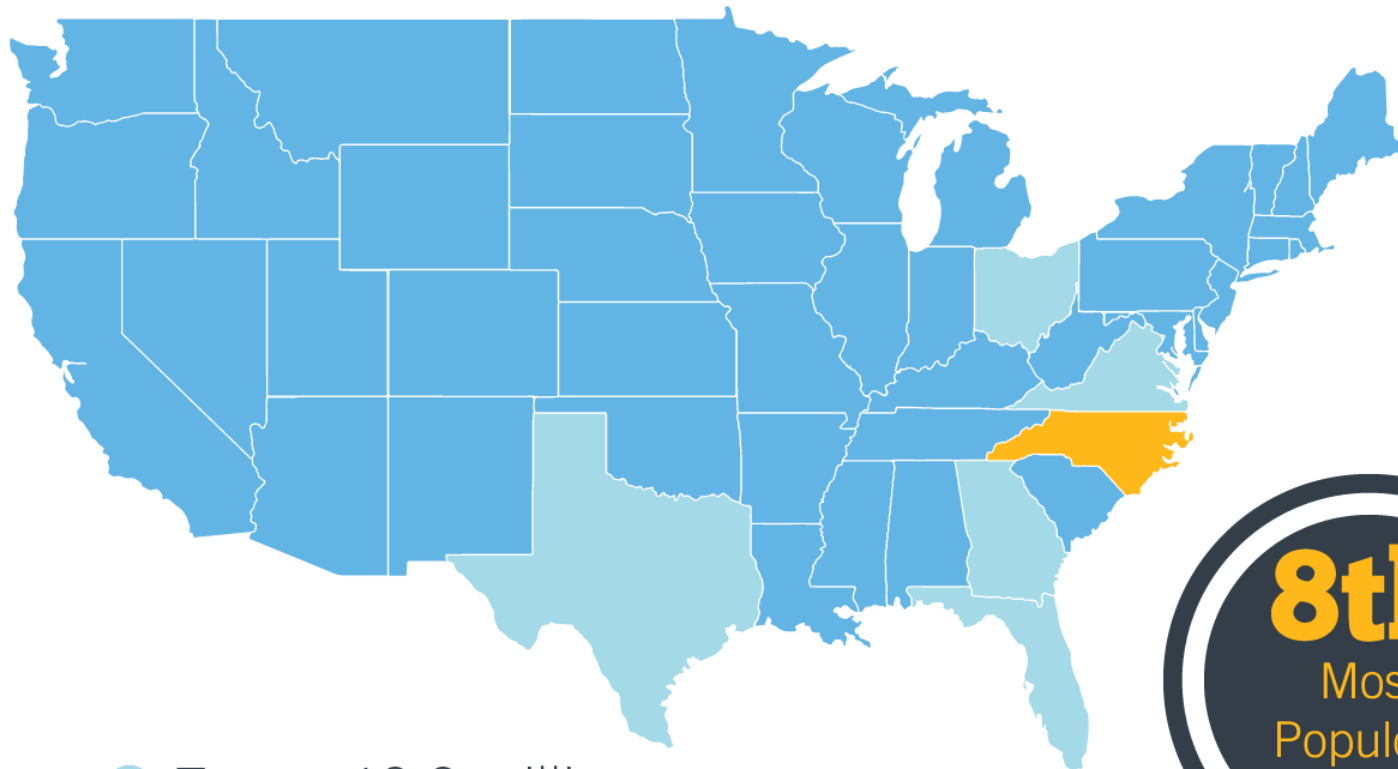
8th Most Populous State

2040 Population Ranking

- **2** Texas: 40.6 million
- **3** Florida: 28.2 million
- **6** Georgia: 12.8 million
- **8** **North Carolina: 12.5 million**
- **9** Ohio: 11.7 million
- **10** Virginia: 10.2 million

32% increase from NC's 2010 population

35

Costs to upgrade current & future Interstates may outnumber the available Capital Budget.

- Costs to add need capacity and rehab aging interstates over the next 25 years is **$28 billion**.

- Within that number, the cost to upgrade Interstate 95 is **$5.5 billion**.

- In addition, the cost to upgrade future interstates (I-87, I-587, I-42, and I-73-74) is **$3.4 billion**.

- Over the same 25 years the total Capital Budget is approximately **$32 billion**

Bottom Line:

You can't get There from Here

If funding is depleted by interstate upgrades, this leaves little to no funding for other projects statewide.

Growing demand for mobility and added capacity solutions combined with revenue uncertainty is creating an infrastructure needs gap.

Population to increase by over 30 percent

Problem

Infrastructure needs gap

Might one solution to the need to accelerate project delivery and manage congestion be increased but well-managed use of toll revenue?

Decreased mobility
Funding uncertainty
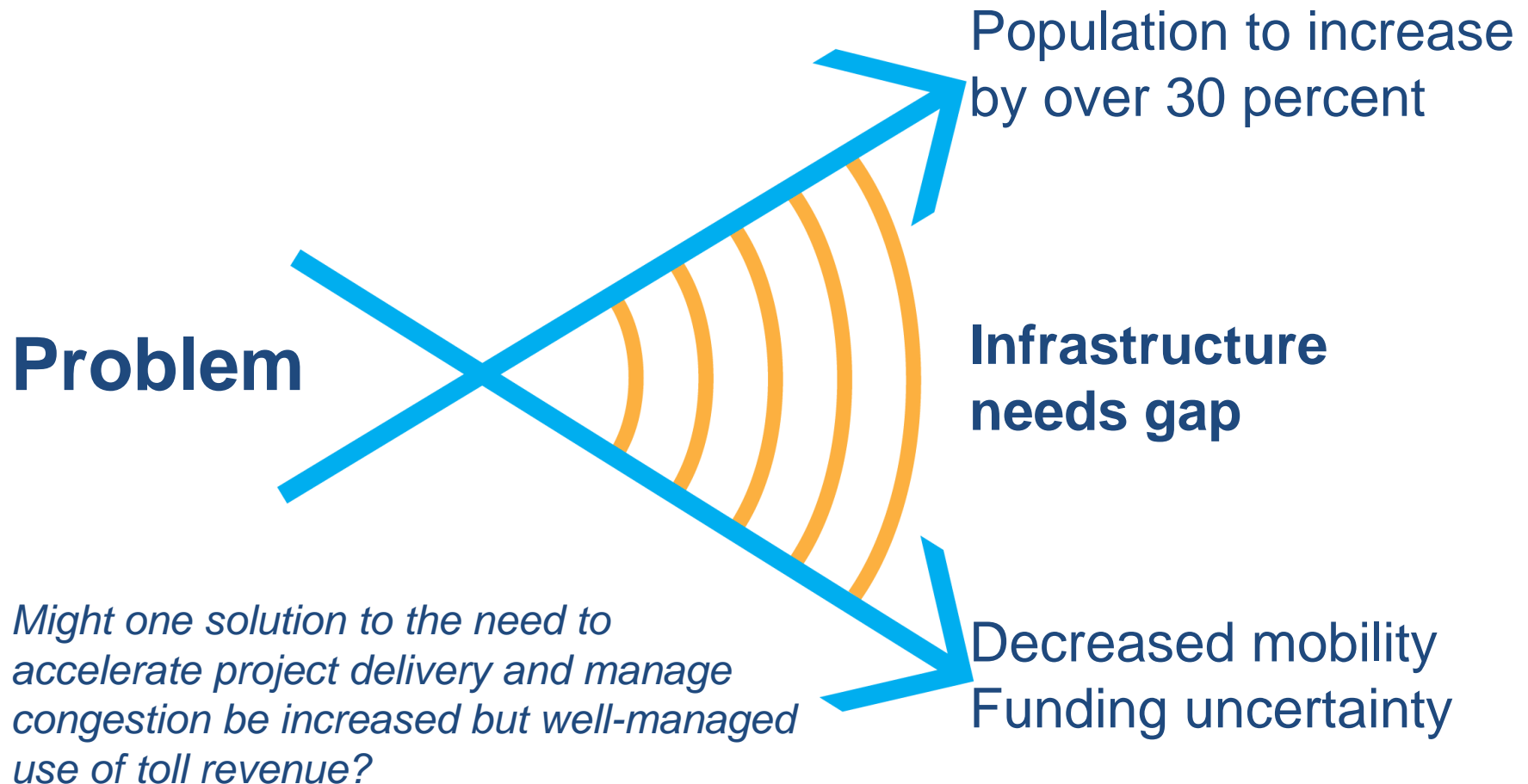
State and Regional Tolling Best Practices

Many states have concluded that tolling provides multiple benefits.

Georgia, Florida, Texas, and others recognize tolling as a useful tool to help manage congestion and generate needed revenues for transportation. Realized benefits include:
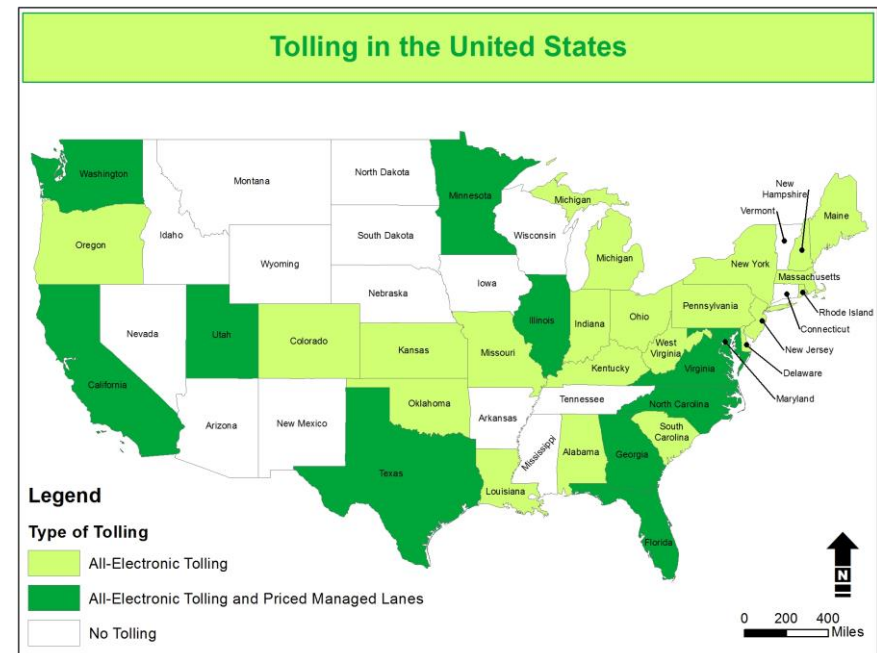
- Accelerated project delivery
- Congestion management and relief
- Financial feasibility
- Providing motorists a choice of travel
- Other considerations: safety, economic development

Today's modern toll roads offer flexibility in project types, objectives, and revenue potential.

Two primary types of toll roads are currently being developed in the U.S., with different objectives and revenue earning potential.

1. **Traditional, greenfield toll roads** –seeking to generate revenue to pay back project debt while providing a mobility option

2. **Priced managed lanes** – striving to improve and maximize person-throughput in congested corridors; also, to generate their own operating revenue

Tolling in the United States

Legend

Type of Tolling

- All-Electronic Tolling
- All-Electronic Tolling and Priced Managed Lanes
- No Tolling

0   200   400
Miles

40

Current toll road best practices offer NC a wealth of lessons learned to guide future project development.

Bottom-line take-aways:

- Numerous sound approaches are available for selecting and evaluating toll projects

- Successful states have **a programmatic vision** for why they want to use tolling/road pricing

- Goals for tolling managed lanes programs are clearly stated; specific feasibility tests are established

- Local planning agencies and MPOs are engaged

NC Toll Policy and Feasibility Process

Toll Policy Framework

In light of findings, staff has developed a draft toll project policy and implementation framework for Board of Transportation consideration.

- Provides policy to define intent and process to evaluate candidate eligible projects

- Proposes 4-step project identification process

- Proposes focused tolled-projects feasibility evaluation function within NCDOT

Toll Policy Framework

Administrative /Technical Support Function

Policy

Project Identification Process

Implementation
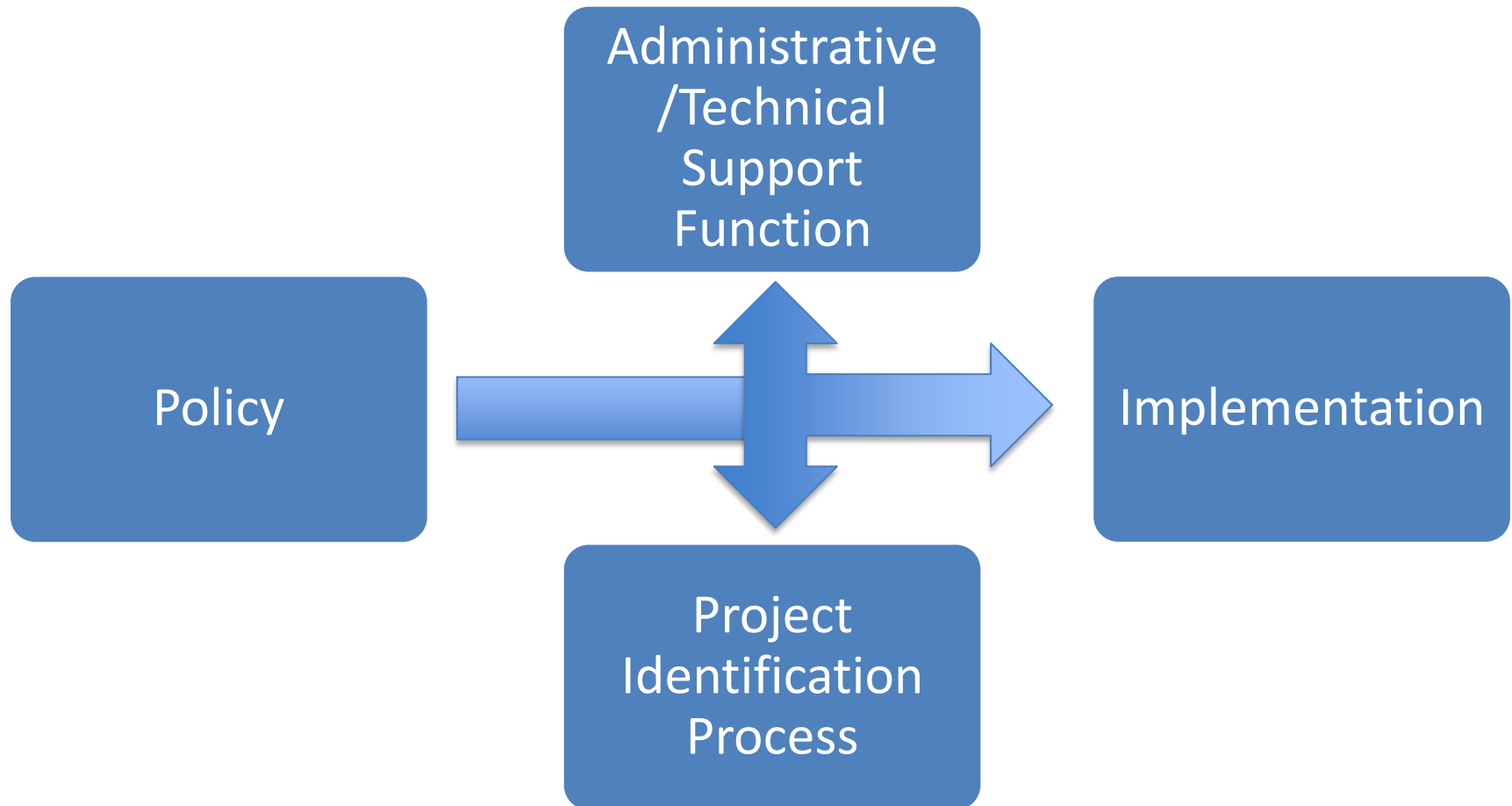
Toll Policy Statement

- Defines toll policy objective as increasing NCDOT ability to address congestion, leverage limited financial resources, and provide more funding and travel choice

- Provides description of project types eligible to be evaluated for tolling or managed-lanes feasibility with focus on freeway/expressway access control facilities

- Directs development of **Toll Project Feasibility Handbook** to define tolled and priced managed lanes feasibility in cooperation with MPOs and RPOs

Policy

45

Administrative/Technical Support Function

- Establishes a cross-functional process (involving NCDOT's NCTA, Transportation Planning Division, Strategic Prioritization Office, and Feasibility Studies Units) to develop and apply financial feasibility criteria and methods

- NCDOT would work closely with Project Sponsors to move viable projects through the screening process.

Administrative/Technical Support Function

Candidate toll or priced-managed lanes projects will graduate through a four-step screening process.

The process will be structured and methodical. Extensive public participation and engagement would be required.

- **Step 1: Initial Project Identification -** *MPO or RPO request for review*
- **Step 2: Initial NCDOT Toll Feasibility Testing -** *NCDOT vetting for operational and financial feasibility*
- **Step 3: MPO/RPO Screening -** *MPO/RPO evaluation against local standards and statewide factors*
- **Step 4: Prioritization and Programming -** *NCDOT scoring using established Prioritization criteria before STIP programming*

Screening process details would be defined in Policy-required **Toll Project Feasibility Handbook.**

Project Identification Process

The *Handbook* would evolve to sustain a responsive, modern implementation process.

The framework identifies other longer-term steps to strengthen the viability, adaptation and sustained implementation process described in the *Handbook*.

- **Financing and Delivery Methods** – Conduct continuing research to develop policy recommendations for effective financing mechanisms (public-private, private only, or other finance/operating arrangements)

- **Performance and ROI** – Develop a process to support performance reporting and return on investment accountability of agency resources

Implementation

Next Steps

1. Finalize Policy Framework
2. NCTA Committee briefings
3. Legislative briefings
4. Request Board policy adoption
5. Policy implementation/Handbook development

Thank You!