

North Carolina Turnpike Authority

NCTA Finance Committee Meeting

July 15, 2020



Opening Comments

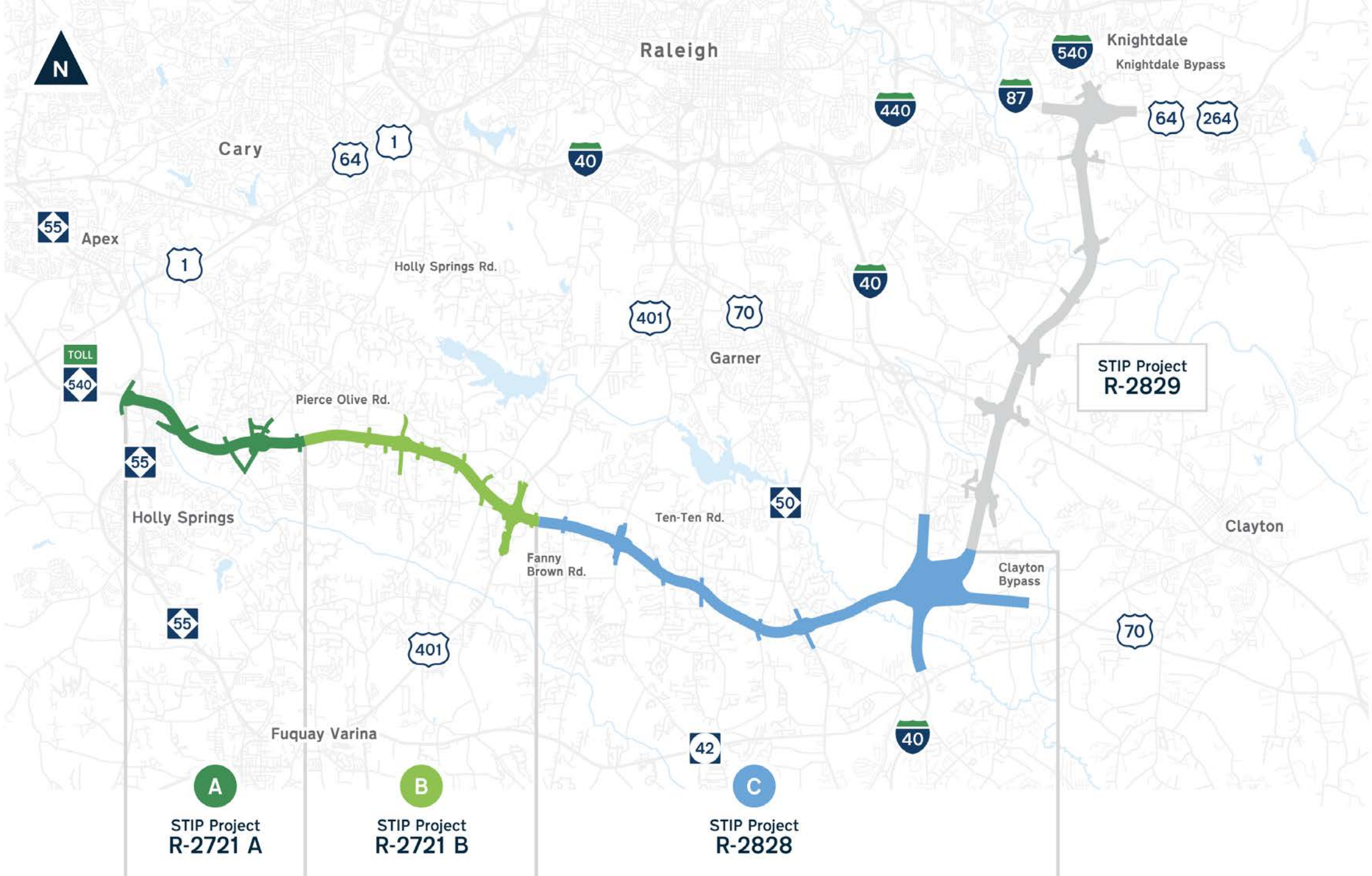
JJ Eden
Executive Director

May Statistics

- Triangle Expressway
 - Transactions – 2.4 million
 - Revenue - \$3.0 million
- Monroe Expressway
 - Transactions – 2.5 million
 - Revenue - \$1.4 million
- Transponders
 - Nearly 10,900 distributed
 - Nearly 843,000 distributed program-to-date as of May 31, 2020

Complete 540 Construction Update

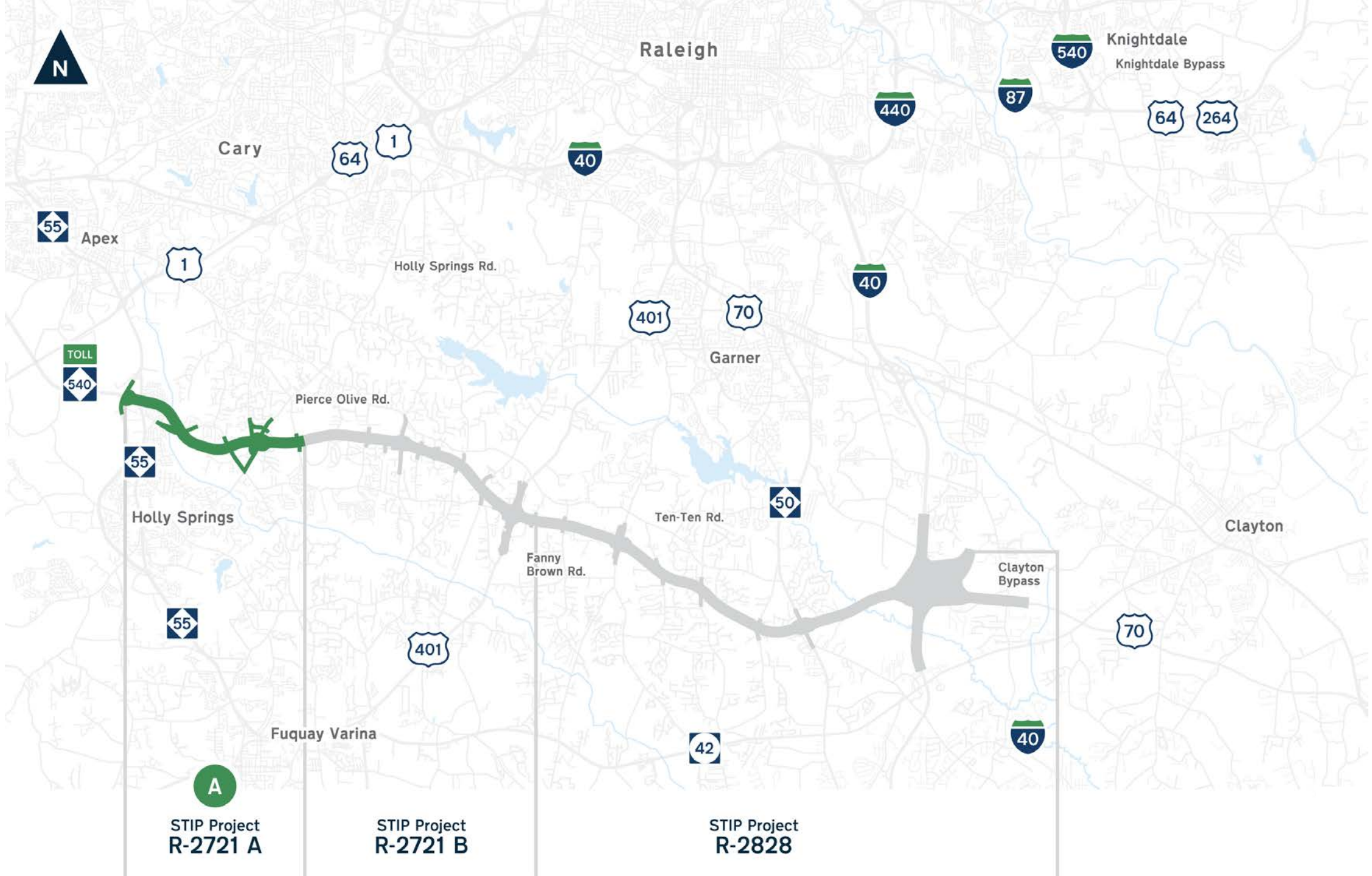
Dennis Jernigan P.E.
Director of Highway Operations



A
STIP Project
R-2721 A

B
STIP Project
R-2721 B

C
STIP Project
R-2828



A
STIP Project
R-2721 A

STIP Project
R-2721 B

STIP Project
R-2828

R-2721A

A

77%

Plans for
Construction

4.3 miles

Length of Project

\$183.5M

Cost of Contract

196

Design Submittals

98%

Parcels Settled



STIP Project
R-2721 A

STIP Project
R-2721 B

STIP Project
R-2828

R-2721B

B

83%

Plans for
Construction

4.9 miles

Length of Project

\$160.0M

Cost of Contract

170

Design Submittals

96%

Parcels Settled



STIP Project
R-2721 A

STIP Project
R-2721 B

STIP Project
R-2828

R-2828



93%

Plans for
Construction

8.6 miles

Length of Project

\$403.2M

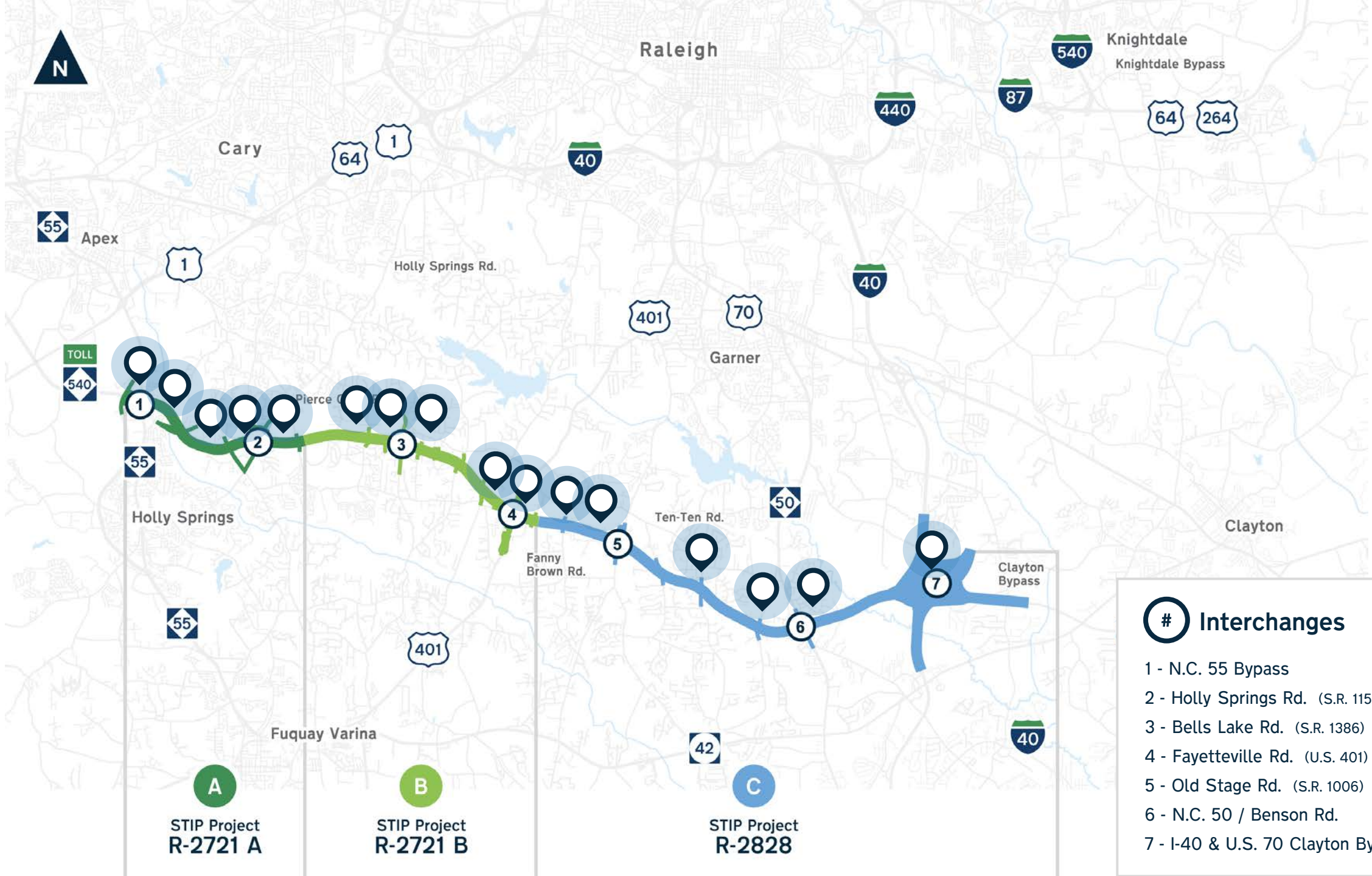
Cost of Contract

390

Design Submittals

89%

Parcels Settled













Complete 540 Outreach



Virtual Neighborhood Meetings

CAMPO Presentation

Resident Communications

Complete 540 BANs Update

David Roy

Director of Finance & Budget

David Miller

PFM Financial Advisors



BAN Financing Analysis: 10/1/2020

- Based on assumptions as of June 26, 2020, the estimated net present value benefit of a BAN Dated 10/1/2020 is \$5.4 million
 - Markets have been volatile and are subject to change on a daily basis
- The TIFIA BANs will be limited by the par amount of the TIFA Loan - \$499.4 million – which results in a construction funding shortfall of \$25.8 million, the present value of which is net from savings.
 - NCTA is considering various sources to fill the shortfall

	Assumptions
BAN Dated Date	10/1/2020
BAN Maturity Date	1/1/2024
TIFIA Draw Date	1/1/2024
Coupon	2.75%
BAN Rate	1.650%
Fund Earnings Rate	1.00%
Capitalize Interest Through	1/1/2024
Final Project Draw Date	1/15/2022
Substantial Completion	7/1/2023

	10/1/2020			No BAN		
FY	TIFIA DS	TIFIA DSRF	PV	TIFIA DS	TIFIA DSRF	PV
2021						
2022						
2023					27,576,008	25,926,490
2024		28,229,175	26,241,963		2,363,658	2,172,811
2025		830,270	746,291		880,578	791,511
2026	5,880,432	880,589	5,971,360	6,251,649	933,947	6,346,356
2027	6,933,469	705,923	6,594,010	7,370,952	748,113	7,008,054
2028	9,093,505	709,006	8,274,687	9,667,348	751,246	8,794,756
2029	12,536,775	666,272	10,905,961	13,296,814	705,645	11,566,296
2030	12,525,425	563,805	10,572,402	13,285,464	597,868	11,213,813
2031	12,514,075	604,584	10,360,802	13,274,114	641,080	10,989,888
2032	12,502,717	649,893	10,156,395	13,262,756	689,093	10,773,565
2033	12,491,375	700,431	9,960,196	13,251,414	742,646	10,565,923
2034	12,480,025	757,033	9,772,302	13,240,064	802,625	10,367,064
2035	12,468,675	820,710	9,592,922	13,228,714	870,101	10,177,210
2036	12,954,495	892,693	9,773,108	13,714,534	946,379	10,347,416
2037	12,931,811	946,243	9,577,133	13,691,850	1,004,810	10,142,036
2038	12,909,111	1,037,712	9,410,632	13,669,150	1,101,856	9,966,740
2039	12,886,411	1,142,902	9,255,810	13,646,450	1,213,461	9,803,785
2040	12,863,695	1,264,701	9,113,454	13,623,734	1,342,687	9,654,007
2041	30,975,020	1,406,801	20,364,883	33,535,019	1,493,452	22,028,333
2042	49,006,031	240,589	30,384,375	53,359,743	205,087	33,048,835
2043	49,006,031	(1,138,013)	28,882,869	53,359,743	(1,318,084)	31,401,455
2044	49,006,031	(1,289,748)	28,151,931	53,359,743	(1,493,828)	30,600,458
2045	49,006,031	(1,473,998)	27,420,512	53,359,743	(1,707,232)	29,797,891
2046	49,006,031	(1,700,767)	26,684,700	53,359,743	(1,969,883)	28,989,186
2047	49,006,031	(1,984,228)	25,936,953	53,359,743	(2,298,197)	28,165,692
2048	49,006,031	(2,344,996)	25,167,070	53,359,743	(2,716,051)	27,315,669
2049	49,006,031	(2,813,996)	24,361,768	53,359,743	(3,259,262)	26,423,697
2050	22,755,607	(3,439,328)	9,967,812	22,755,607	(3,983,542)	9,688,820
2051	22,755,607	(197,531)	11,371,590	22,755,607	(197,531)	11,371,590
2052	22,755,607	(253,969)	11,091,186	22,755,607	(253,969)	11,091,186
2053	22,755,607	(338,625)	10,804,095	22,755,607	(338,625)	10,804,095
2054	22,755,607	(474,075)	10,500,814	22,755,607	(474,075)	10,500,814
2055	22,755,607	(711,113)	10,159,126	22,755,607	(711,113)	10,159,126
2056	22,755,607	(1,185,188)	9,720,952	22,755,607	(1,185,188)	9,720,952
2057	22,755,607	(2,370,376)	8,985,694	22,755,607	(2,370,376)	8,985,694
2058	11,377,804	(21,333,382)	(4,312,048)	11,377,804	(21,333,382)	(4,312,048)
Total	790,417,931		481,923,711	838,310,632		512,389,167

PV of DS Payments Only 790,417,931 838,310,632

PV Change of Cash Flows	30,465,456
GARVEE & State Match Funding for Const. Shortfall	(25,046,979)
Benefit/(Cost) of BANs:	5,418,477



BAN Financing Benefits

- ◆ The maximum balance on the TIFIA Loan is reduced to \$530 million - a reduction of \$34 million from the projected maximum balance of \$564 million on the current loan.
- ◆ Reduction in TIFIA debt service results in long-term benefits for the General Reserve Balance. While BANs shortfalls reduce the minimum balance by \$7.0 million, by FY 2050 the balance increases by \$40.2 million with the issuance of BANs.
- ◆ Results are relatively marginal but positive, and given uncertain COVID impacts to toll revenues, the reduced TIFIA debt service and improved General Reserve balances could be important.



Costs of Issuance

- Below is a table of anticipated costs of issuance for the BANs transaction

Cost of Issuance	Amount (\$)
Bond Counsel	125,000
Disclosure Counsel	65,000
Financial Advisor Fee	153,750
Fitch Rating	130,000
S&P Rating	132,050
Trustee/Paying Agent/Registrar	10,000
Trustee Counsel	7,500
Printing/Mailing/Shipping	5,000
LGC Fee	12,500
Miscellaneous	5,000
Total	645,800

Underwriter's Discount	Amount (\$)
Takedown (\$2.00/bond)	998,930
Expenses*	85,000
Total	1,083,930

*Includes Underwriter's Counsel

Bond Documents and Resolutions

Wally McBride
Hunton Andrews Kurth

Mary Nash Rusher
McGuireWoods

Proposed Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes, Series 2020 (the “BANs”)

- Intent is to save interest costs by interim financing of Complete 540 Phase 1 costs at a rate less than interest rate on TIFIA 2019 Loan (2.27%)
- To be issued as Senior Lien on parity with outstanding revenue bonds but expected to have principal paid from draw on TIFIA 2019 Loan at project completion. Interest will be paid from proceeds of BANs

BANs Documents

Fifth Supplemental Trust Agreement

- Sets forth the terms for the BANs – maturity, rate, redemption provisions, etc.
- Includes a “best efforts” pledge to timely receive TIFIA 2019 Loan draws for BANs payment and, if not possible, find alternative financing for payment of BANs
- Includes one amendment to Trust Agreement to allow for payment of BANs from expected sources without disturbing usual flow of toll revenues
- Includes continuing disclosure obligations to provide investors with ongoing financial and operational information pursuant to SEC Rule 15c2-12

BANs Documents

Preliminary Official Statement

- Describes key terms of BANs including expected sources of payment
- Describes Triangle Expressway System and Complete 540 – Phase 1 briefly
- Describes Authority's continuing disclosure undertaking
- To be revised for Final Official Statement upon sale of BANs

BANs Documents

Note Purchase Agreement

- Executed after the BANs are priced
- Commits the Underwriters to purchase the BANs
- Sets forth final terms of BANs and conditions to closing, including
 - Receipt of ratings
 - Closing certifications
 - Attorney opinions

BANs Resolutions

- Finance Committee Resolution
 - Makes recommendation to the Board
- Board Resolution
 - Adopts Bond Order and approves issuance of the BANs, subject to LGC approval
 - Approves execution and delivery of Fifth Supplemental Trust Agreement, Preliminary Official Statement, Note Purchase Agreement and other documents related to the BANs
 - Approves use of the Preliminary Official Statement and Final Official Statement by the Underwriters
 - Limits terms for BANs
 - Final maturity date: No later than []
 - Maximum aggregate principal amount of \$499,461,980
 - Maximum interest rate of []%
 - Maximum percentage of aggregate discount to Underwriters of []%
 - Requests LGC approval

Monroe Expressway Refunding Update

David Roy

Director of Finance & Budget

David Miller

PFM Financial Advisors



Monroe Connector System State Appropriation Revenue Bonds, Series 2011

- ◆ \$95,005,000 of the Monroe Connector System State Appropriation Revenue Bonds, Series 2011 (the “Series 2011 Bonds”) are callable on 7/1/2021.
- ◆ When H.R.1 (the “Tax Cuts and Jobs Act”) was signed on December 22, 2017, tax-exempt advance refundings were eliminated as of December 31, 2017.
 - *Restoration of tax-exempt advance refundings is currently included in proposed legislation though the timing and likelihood of reinstatement is unknown at this time.*
- ◆ Although traditional tax-exempt advance refunding bonds are no longer allowed, alternative* options remain:
 - **Tax-Exempt Current Refunding:** Wait out the call protection period and, if market conditions permit, execute a current refunding not more than 90 days before the bonds become subject to optional redemption. This alternative has interest rate risk.
 - **Taxable Advance Refunding:** If market conditions permit, execute an advance refunding using taxable bonds. Taxable interest rates are higher than tax-exempt, but spreads have narrowed.
 - **Forward Current Refunding:** Price the bonds before the call period, but wait until the call period to deliver the bonds. A forward settlement premium would be added to the tax-exempt interest rates, although forward premiums have been reduced by the flat yield curve.

**Additional alternatives not discussed include Forward-Starting Swaps, Hybrid Conversion Bonds, and Cash Optimization. These alternatives introduce additional risk and/or are not applicable to NCTA's 2011 Bonds at this time.*



Refunding Analysis of Series 2011 Bonds

- The results of the refunding scenarios are summarized in the table below.
- Relative results between a Taxable Advance Refunding and a Forward Current Refunding have been changing with market volatility. We recommend keeping both alternatives open as long as possible.

	Taxable Advance Refunding	Forward Tax-Exempt Current Refunding	Future Tax-Exempt Current Refunding
Rates Locked as of	8/12/2020	8/12/2020	3/18/2021
Delivery Date	9/1/2020	4/2/2021	4/2/2021
Refunding Par Amount	\$99,525,000	\$75,805,000	\$74,230,000
Escrow Yield ¹	0.14%	0.11%	0.11%
Negative Escrow Arbitrage	\$1,659,557	\$359,620	\$293,234
Forward Premium	0 bps	28 bps	0 bps
All-In TIC ²	2.27%	2.45%	2.24%
Arbitrage yield	2.20%	1.61%	1.33%
Gross Savings (\$)	\$30,750,678	\$30,528,413	\$33,075,382
NPV Savings (\$) ³	\$24,592,551	\$24,111,537	\$26,122,412
NPV Savings (%)	25.89%	25.38%	27.50%
Breakeven to Future Current Refunding	22 bps	28 bps	-

1. Escrow security yields based on SLGS as of 7/10/2020.

2. Taxable rates based on credit spreads provided by Citi (35-150 bps) applied to US Treasury Rates as of 7/9/2020. Tax-exempt rates based on credit spreads provided by Citi (15-30 bps) applied to AAA MMD GO rates as of 7/9/2020. Forward premium estimated as 4 bps per month.

3. Net Present Value Calculated as of September 1, 2020 at 2.20%



Estimated Cost of Issuance and Underwriters' Discount

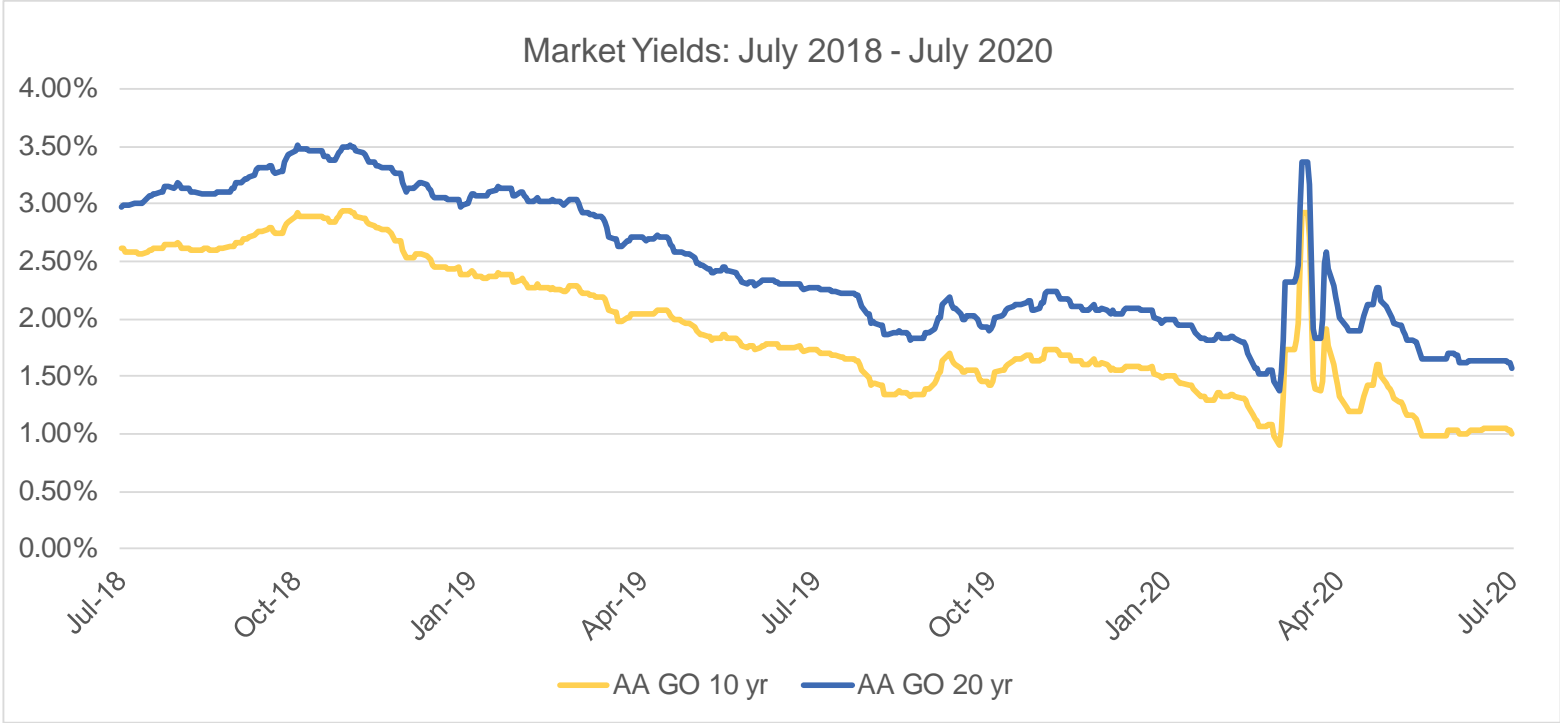
- Estimated transaction fees are accounted for in all savings numbers presented
- Estimates are provided below but will vary depending upon final transaction structure and terms

Cost of Issuance		Underwriters' Discount	
Bond Counsel Fee	100,000	Average Takedown	275,000
Underwriters' Counsel Fee	75,000	Expenses	25,000
Financial Advisor Fee	65,625	Total	300,000
Financial Advisor Expenses	5,000		
Ratings/S&P	50,000		
Ratings/Fitch	50,000		
Ratings/Moody's	50,000		
Trustee/Registrar/Paying Agent	7,500		
Trustee Counsel	5,500		
Escrow Agent	2,000		
Escrow Structuring Fee	2,500		
Printing/Mailing/Shipping	3,500		
Investor Roadshow	3,750		
LGC Fee	12,500		
Miscellaneous	5,000		
Total	437,875		



Refunding Analysis of Series 2011 Bonds

■ The graphic below shows the volatility in 10-year and 20-year tax-exempt interest rates over the past two years.

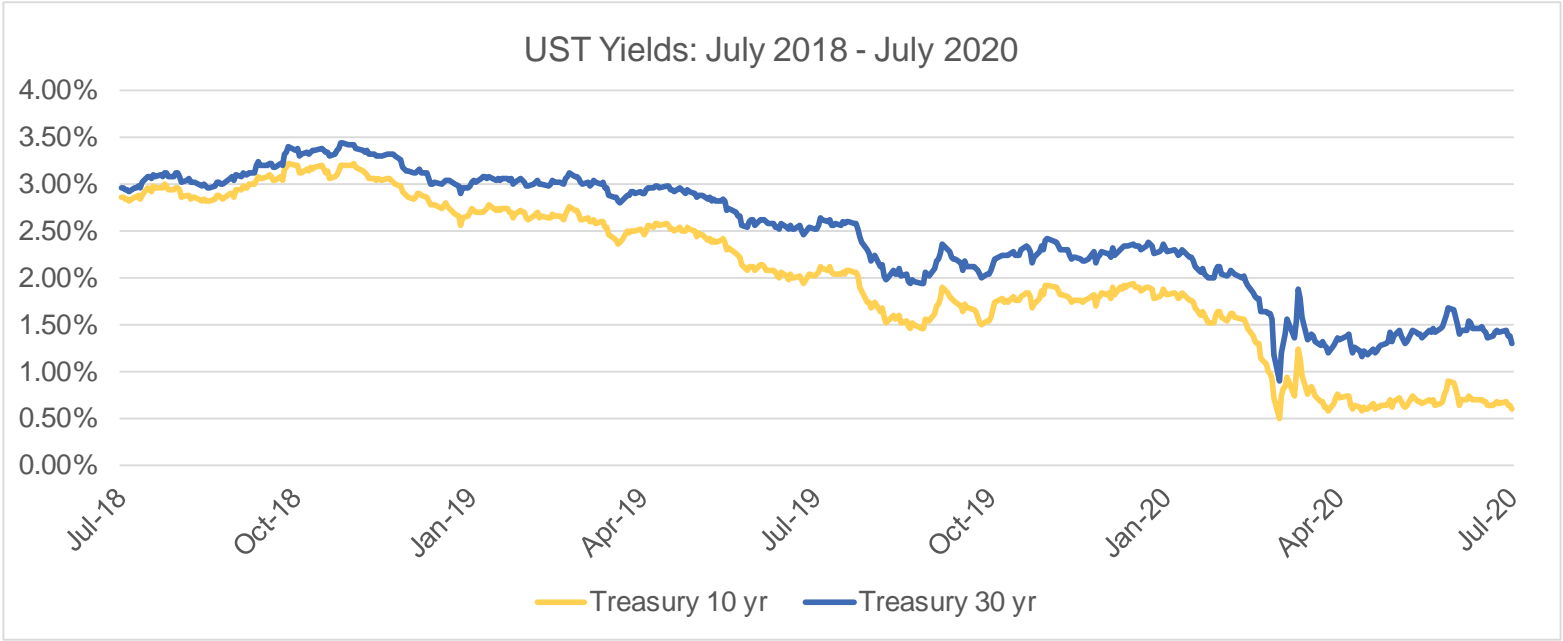


	10 Year AA GO	20 Year AA GO
Average (7/9/2018 - Current)	1.90%	2.47%
Current (7/9/2020)	1.00%	1.58%
Difference	90 bps	89 bps



Refunding Analysis of Series 2011 Bonds

■ The graphic below shows the volatility in 10-year and 30-year US Treasury rates over the past two years.



	Treasury 10 Year	Treasury 30 Year
Average (7/9/2018 - Current)	2.04%	2.47%
Current (7/9/2020)	0.61%	1.31%
Difference	143 bps	116 bps



Tentative Financing Schedule

Date	Action	Complete
4/15	Finance Committee Approval	✓
5/7	NCTA Board Approval	✓
Late July	Receive Credit Ratings	
8/4	LGC Approval	
8/5	Posting of Preliminary Official Statement / Pre-marketing begins	
8/12	Negotiated Bond Sale	
9/1	Bond Closing	

Debt Management Policy

David Roy

Director of Finance & Budget

Debt Management Policy

- The purpose of this Debt Policy is to establish guidelines and a framework for the issuance and management of NCTA's debt
- NCTA is committed to consistent best practices financial management, including maintaining financial strength and flexibility of NCTA
- The policy will be reviewed by NCTA no less than once every two years
- The policy will be presented to and approved by the NCTA Board of Directors

Debt Management Policy

- The policy establishes guidelines and a framework for the following topics:
 - Financial Planning and Debt Issuance
 - New Policy guideline for Variable Rate Debt* limitations established per System:
 - Unhedged: 10%
 - Total Hedged and Unhedged: 25%
 - Debt Service Coverage Targets and Limits
 - Method of Sale Evaluation
 - Debt Structure
 - Call Provisions
 - Debt Refunding
 - Credit Enhancement and Liquidity
 - Continuing Disclosure
 - Credit Objectives

* Currently NCTA does not have any variable rate debt and does not have any plans to issue variable rate debt

On-Going Reporting Requirements

- Once a year, the Finance Committee and NCTA Board of Directors will receive a report on the status of NCTA's debt including the following information
 - Amount and percentage of total debt by security type broken down by NCTA System
 - Any changes in ratings, including ratings of credit enhancers and swap counterparties
 - Current mark-to-marketed value of all interest rate exchange agreements, if applicable*
 - Historical rate performance for all variable rate bonds, if applicable*

*Currently not applicable as NCTA does not have any variable rate debt

Contact Us



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Thank you!