

North Carolina Turnpike Authority

NCTA Finance Committee Meeting

December 14, 2021



Opening Comments

David Roy
Chief Financial Officer

Monroe Expressway TIFIA Refunding

Kate Trimble
Financial Analyst

Monitored Refunding Opportunity – Monroe TIFIA Loan

- Similar to the prior refunding of the Triangle Expressway TIFIA Loan, the Monroe TIFIA Loan is being monitored for refunding opportunities
- The Monroe TIFIA Loan is callable at any time and therefore, may be refunded with tax-exempt bonds
- In addition to debt service savings, refunding benefits may include:
 - Release of the Senior Lien Toll Revenue Bonds Debt Service Reserve Fund via a surety policy, which could then be used to further reduce debt service and/or pay capital costs
 - Elimination of onerous covenants, including TIFIA reporting requirements
 - Elimination of TIFIA revenue sharing provisions
 - Opportunity to prepare for future system expansion

Monitored Refunding Opportunity – Monroe TIFIA Loan

- In order to release the current TIFIA reserve fund, bond insurance and surety policy are being considered and are reflected in the savings analysis
- To avoid increased debt service in the early years when TIFIA was still accruing interest, a small portion of any released debt service reserve fund is assumed to fund a capitalized interest account
- NPV Savings Estimate*: \$10.9 million or 6.17% of refunded par
- Market movement may change the economics quickly

| Refunding Sensitivity Analysis | | | | |
|--------------------------------|----------------|------------|------------|------------|
| Description | Current Market | + 50 bps | + 100 bps | -50 bps |
| All-in TIC | 2.81% | 3.07% | 3.44% | 2.56% |
| Total Debt Service | \$272.5 MM | \$283.2 MM | \$298.8 MM | \$262.2 MM |
| NPV Savings (%) | 6.17% | 2.16% | -3.12% | 10.63% |
| NPV Savings (\$) | \$10.9 MM | \$3.8 MM | -\$5.5 MM | \$18.9 MM |

*Assumptions; analysis as of 12/6/2021

• Dated/Delivery: 3/24/2022

• Lower Coupon Scale of 3-5% coupons, yields based on market conditions as of 12/6/2021

• Savings is calculated based on prior debt service adjusted for DSRF earnings at 2.0% and the release at final maturity.

Monitored Refunding Opportunity – Monroe Series 2016

- \$137 million Tax-Exempt Toll Revenue Bonds, Series 2016 were issued January 2017
 - Series 2016A - \$118.3 million remains outstanding
 - Series 2016C (CABs) - \$17.6 million remains outstanding
- In the current market, refundings are not economical but we will continue to monitor

Next Steps

- In order to be prepared to take advantage of market conditions in advance:
 - Provide notice of potential transaction to approving bodies
 - Engage working group members
 - Begin drafting offering document and resolutions, leave flexibility to include refundings of 2016 Bonds

Draft Bond Documents & Resolutions

Mary Nash Rusher
McGuireWoods LLP

Lisa Medina Williams
McGuireWoods LLP

Proposed Issuance of Toll Revenue Refunding Bonds

- Monroe Expressway Toll Revenue Refunding Bonds, Series 2022A, will be issued as tax-exempt refunding bonds
- Issued under and secured by the Authority's Trust Agreement dated as of December 1, 2016, as supplemented and amended, which provides a "gross revenue" pledge of the Revenues of the Monroe Expressway System for bonds issued pursuant to the Trust Agreement
- Toll Revenue Bonds currently secured by the Trust Agreement: Series 2016A Bonds, Series 2016C Bonds and the TIFIA Series 2016 Bond
- Series 2022A Bonds will refund all of the TIFIA Series 2016 Bond

Toll Revenue Refunding Bonds, Series 2022A

First Supplemental Trust Agreement

- First Supplemental Trust Agreement will extend the lien on the Revenues of the Monroe Expressway System to the Series 2022A Bonds
- Sets forth the terms for the Series 2022A Bonds
 - Maturity schedule
 - Redemption provisions
 - Defeasance provisions
- Includes continuing disclosure obligations to provide investors with ongoing financial and operational information in compliance the Securities and Exchange Commission's Rule 15c2-12
- Includes miscellaneous provisions for supplementing the First Supplemental Trust Agreement, updated notices, etc.
- Certain amendments to make the current TIFIA provisions inoperative once the TIFIA Series 2016 Bond is redeemed, but nevertheless to provide the potential for future TIFIA debt

Toll Revenue Refunding Bonds, Series 2022A

Preliminary Official Statement

- Describes key terms of Series 2022A Bonds
- Describes the Plan of Refunding – refunding of the outstanding TIFIA Series 2016 Bond and describes the original purpose of the TIFIA Series 2016 Bond
- Describes Monroe Expressway System financials and operations
- Describes the pledge of Revenues of the Monroe Expressway System
- Includes risk factors associated with the purchase of the Series 2022A Bonds
- Describes Authority's continuing disclosure undertaking
- Will include the updated Traffic and Revenue Report by CDM Smith, Inc. as an Appendix
- Provides for the possibility of bond insurance

Toll Revenue Refunding Bonds, Series 2022A

Bond Purchase Agreement

- Executed after the Series 2022A Bonds are priced
- Commits the Underwriters to purchase the Series 2022A Bonds
- Sets forth final terms of the Series 2022A Bonds, including maturities, interest rates, yields and prices
- Sets forth the conditions to closing, including
 - Receipt of ratings
 - Closing certifications
 - Opinions of bond counsel, attorney general for NCDOT, and underwriters' counsel

Monroe Expressway

Board Resolution

- Adopts Bond Order – Subject to Local Government Commission (LGC) approval
- Approves issuance of the Series 2022A Bonds, subject to LGC approval
- Approves execution and delivery of First Supplemental Trust Agreement, Preliminary Official Statement, the Bond Purchase Agreement and other documents related to the Series 2022A Bonds
- Approves the sale of the Series 2022A Bonds to Underwriters
- Approves use of the Preliminary Official Statement and Final Official Statement by the Underwriters for the marketing of the Series 2022A Bonds
- Covenants that the “Bond Documents” shall be in the forms presented, which are hereby approved

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Board Resolution Parameters

- Authorizes the Series 2022A Bonds to be issued as tax-exempt refunding bonds
- Imposes limits as follows:
 - Final maturity date: No later than July 1, 20__
 - Maximum aggregate principal amount of: \$____,000,000
 - Minimum Net Debt Service Savings: []
 - Maximum percentage of aggregate discount to Underwriters: []

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Board Resolution

- Authorizes officers and employees of the Authority to coordinate with DOT to update the disclosures in the Preliminary Official Statement
- Authorizes and directs the Chairman and other officers and employees of the Authority to take such actions deemed necessary and appropriate to accomplish the issuance of the Series 2022A Bonds
- Designates the Director of Finance and Budget as the officer charged with compliance with the Authority's continuing disclosure obligations with respect to the Series 2022A Bonds
- Requests the LGC to approve the issuance of the Series 2022A Bonds and any other action requiring its approval in connection therewith

Underwriting Recommendation & Preliminary Schedule

Kate Trimble
Financial Analyst

Underwriting Recommendation

- Senior Manager
 - Citigroup
- Co-Managers
 - TBD

Preliminary Schedule

| Date | Action |
|------|---|
| 1/19 | Finance Committee Recommendation |
| 2/10 | NCTA Board Approval |
| 3/1 | LGC Approval |
| 3/2 | Posting of Preliminary Official Statement |
| 3/10 | Negotiated Bond Sale |
| 3/24 | Bond Closing |

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Thank you!