



Board of Directors Finance Committee Meeting North Carolina Turnpike Authority September 14, 2017

Policy for Adopting Express Lane Tolling Methodologies

David Roy

Director of Finance and Budget

Overview of Draft Policy

- Policy for adopting Express Lane tolling methodologies and making adjustments to Express Lane tolling methodologies
- The North Carolina Turnpike Authority is authorized to fix, revise, charge and collect tolls and fees for the use of Express Lane projects pursuant to G.S. § 136-89.183(5)
- Prior to, the date an Express Lane Project opens for service, the Authority will adopt the Tolling Methodology for use on the Express Lane Project. Such Tolling Methodology may provide for toll rates based upon the factors the Authority determines appropriate.

Overview of Draft Policy

- Such Final Traffic and Revenue Study shall propose a Tolling Methodology that addresses, among other things, the following:
 - The **financial components** of the Express Lane Project including forecasted revenue, forecasted operational costs, statement of financial impacts to any other existing or proposed toll projects, including other Express Lane Projects and the project flow of funds;
 - The **operational components** of the Express Lane Project including tolling locations, toll system operational concept, minimum toll rates and escalation schedule, vehicle eligibility assumptions, and toll system viability assessment; and
 - The **customer-related components** of the Express Lane Project including project benefit, toll cost expectations and variability, and communication approach.

Overview of Draft Policy

- If toll-backed financing is being used on the Express Lane Project, the Authority shall file with the Trustee a report stating that the forecasted revenues of such Express Lane Project are maintained at the same levels as those set forth in the Final Traffic and Revenue Study.
- If toll-backed financing is being used on the Express Lane Project, the Authority shall not make a change or adjustment in the Tolling Methodology unless the Authority delivers to the Trustee:
 - A resolution of the Authority;
 - An official Certificate certifying that the Authority is in compliance with all applicable rate covenants; and
 - A report of a Traffic Consultant showing that the Authority in compliance with the requirements of the additional debt limitations.

Request For Qualifications – Financial Advisor

David Roy

Director of Finance and Budget

Overview

- Current contract expires December 2017
- The advice and counsel of the Financial Advisor will be used in strategic planning, sensitive negotiations, business alternatives, TIFIA financing, and other activities of the Authority Board and senior management.
- The Request for Qualifications (RFQ) will procure:
 - A single full-service Financial Advisor
 - Registered Municipal Advisor with the Securities Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB).
 - Registered Investment Advisor with SEC for bond proceeds, escrows, and other funds investment.
 - Registered Commodity Trading Advisor with the United States Commodity Futures Trading Commission (CFTC).

Evaluation Criteria

- 40%** Experience of the firm and identified staff in public finance, especially (1) transportation and toll applications; (2) complex modeling and forecasting tools; (3) revenue bond and TIFIA financed projects; (4) investment management; (5) refunding escrows; and (6) swap advisory.

- 30%** Demonstrated success in advising governmental issuers on the issuance of tax-exempt revenue bonds and applying innovative techniques to enhance the success of such issuances.

- 20%** Action plan and procedures for managing bond sales, feasibility analyses, and credit issues.

- 10%** Demonstrated knowledge of NCTA and projects and organizational needs as well as proposed compensation structure.

RFQ Schedule

9/08/2017	RFQ Posted and Distributed
9/15/2017	Deadline for Questions
9/22/2017	Issue Final Addendum
10/03/2017	Deadline for Statement of Qualifications Submission
10/06/2017	Notify Shortlist Firms
10/13/2017	Interviews, if applicable

Toll Rate Schedule

David Roy

Director of Finance and Budget

Toll Rate Schedule

- § 136-89.183 (Powers of the Authority)
- Toll Rate Policy adopted September 17, 2008
- Scheduled average toll rate increases:

2017 – 2021	3.5%
2022 – 2036	3.0%
After 2036	2.0% or less

- 3.5% increase scheduled to take effect: January 1, 2018

2018 Toll Matrix

NORTH CAROLINA
Turnpike Authority



TRIANGLE EXPRESSWAY TOLL SCHEDULE

Effective January 1, 2018



TOLLS SHOWN* REPRESENT A TRIP FROM ENTRY POINT TO EXIT POINT

		TO														
		TOLL 147		TOLL 540												
		Begin Toll 147 - TOLL NC-147 at I-40	Exit 3/2 - Hopson Road / Davis Dr	Begin Toll 540 - TOLL NC-540 at NC-54	Exit 69 - Chapel Hill Rd/NC-54	Exit 66 - NC-55	Exit 62 - Green Level West Rd	Exit 59 - US-64	Exit 57 - Old US Hwy 1/S. Salem St	Exit 56 - US-1	Exit 55 - Veridea Parkway	Exit 54 - NC-55				
FROM																
	Begin Toll 147 - TOLL NC-147 at I-40															
	Exit 3/2 - Hopson Road / Davis Dr	\$0.37		\$0.81	\$0.81	\$1.01	\$1.82	\$2.27	\$2.83	\$2.83	\$3.11	\$3.25				
	Begin Toll 540 - TOLL NC-540 at NC-54	\$0.81	\$0.81			\$0.65	\$1.46	\$1.91	\$2.47	\$2.47	\$2.75	\$2.89				
	Exit 69 - Chapel Hill Rd/NC-54	\$0.81	\$0.81			\$0.65	\$1.46	\$1.91	\$2.47	\$2.47	\$2.75	\$2.89				
	Exit 66 - NC-55	\$1.01	\$1.01	\$0.65	\$0.65		\$0.81	\$1.26	\$1.82	\$1.82	\$2.10	\$2.24				
	Exit 62 - Green Level West Rd	\$1.82	\$1.82	\$1.46	\$1.46	\$0.81		\$0.45	\$1.01	\$1.01	\$1.29	\$1.43				
	Exit 59 - US-64	\$2.27	\$2.27	\$1.91	\$1.91	\$1.26	\$0.45		\$1.01	\$1.01	\$1.29	\$1.43				
	Exit 57 - Old US Hwy 1 / S. Salem St	\$2.83	\$2.83	\$2.47	\$2.47	\$1.82	\$1.01	\$1.01		\$0.26	\$0.54	\$0.68				
	Exit 56 - US-1	\$2.83	\$2.83	\$2.47	\$2.47	\$1.82	\$1.01	\$1.01	\$0.26		\$0.28	\$0.42				
	Exit 55 - Veridea Parkway	\$3.11	\$3.11	\$2.75	\$2.75	\$2.10	\$1.29	\$1.29	\$0.54	\$0.28		\$0.42				
	Exit 54 - NC-55	\$3.25	\$3.25	\$2.89	\$2.89	\$2.24	\$1.43	\$1.43	\$0.68	\$0.42	\$0.42					

*Tolls shown for 2-AXLE vehicles with a transponder



TOLLS ARE 35% LESS THAN



TOLLS

NC QUICK PASS® CUSTOMER SERVICE CENTER
877-7MY-PASS | ncquickpass.com
200 Sorrell Grove Church Road, Suite A
Morrisville, NC 27560
Hours: 9 am - 5 pm (Monday - Friday)
9 am - 2 pm (Saturday)

Note:

Tolls for vehicles with 3 AXLES are two times (2x) the 2-AXLE vehicle toll

Tolls for vehicles with 4 or more AXLES are four times (4x) the 2-AXLE vehicle toll

Monroe Expressway – Cost to Complete Update

Donna Keener

HNTB

Design-Build Construction Status

(as of July 31, 2017)

> 75% complete	> 50% complete	< 50% complete
Mobilization (100%)	Concrete Barrier (68%)	Pavement Marking (27%)
Engineering / Design (98%)	Guardrail / Fencing (68%)	
Project Management (97%)	Abutment Walls / Noise Walls (72%)	
Clearing & Grubbing (100%)	Seeding (70%)	
Earthwork (98%)		
Drainage (99%)		
Water & Sewer (100%)		
Culverts (96%)		
Erosion Control (82%)		
Bridges (92%)		
ITS, Toll, Signing (82%)		
Paving (77%)		

Project Budget Update

(as of July 31, 2017)

ITEM	Current Budget	Exp. Thru 07/31/17	% Complete
DESIGN-BUILD CONTRACT	\$ 459,561,637	\$ 406,452,633	88%
LANDSCAPING	\$ 5,909,217	\$ 28,213	0.5%
CEI BY SUMMIT	\$ 18,182,982	\$ 10,251,065	56%
UTILITIES	\$ 4,834,612	\$ 4,834,612	100%
DIESEL FUEL AND AC RESERVES	\$ 13,505,447	\$ (2,342,957)	-17%
RIGHT OF WAY	\$ 147,269,475	\$ 128,492,532	87%
TOLL INTEGRATION	\$ 19,605,695	\$ 1,651,940	8.4%
ADMINISTRATION & RESERVES	\$ 62,001,437	\$ 6,368,225	10%
TOTALS	\$ 730,870,501	\$ 555,736,261	76%

Right of Way Budget Update

(as of July 31, 2017)

Project Element		Est. Cost (\$M)
Settlements to Date	394 parcels	\$ 92.11
Outstanding Parcels (estimate)	0 parcels	\$ 0.00
Condemnation Deposits	79 parcels	\$ 19.19
Condemnation Risk (1x deposit)		\$ 19.19
Agency Costs to Date		\$ 18.86
Additional Agency Costs (est.)		\$ 0.79
Total ROW Cost Estimate		\$ 150.14
Total ROW Budget		\$ 147.27
Potential Overrun (\$M)		\$ 2.87

Contingency and Reserve Funds

(as of July 31, 2017)

ITEM	Budget	Exp. Thru 07/31/17	Remaining
STIPENDS AND INCENTIVES	\$ 5,000,000	\$ 500,000	\$ 4,500,000
CONSTRUCTION CHANGE ORDER CONTINGENCY	\$ 22,091,736	\$ 7,847,338	\$ 14,244,398
TOLL INTEGRATION CHANGE ORDER CONTINGENCY	\$ 4,544,355	\$ -	\$ 4,544,355
MISCELLANEOUS RESERVE FUNDS	\$ 15,131,503	\$ 409,191	\$ 14,722,312
TOTALS	\$ 46,767,594	\$ 8,756,529	\$ 38,011,065

Review of the Comprehensive Agreement between
the North Carolina Department of Transportation
and I-77 Mobility Partners LLC

Draft Report for Public Comment

August 2017

Overview

NCDOT has initiated a review of the Comprehensive Agreement with I-77 Mobility Partners LLC. The objective is to identify and evaluate potential policy options that might address concerns expressed by members of the public regarding the implementation of the managed toll lanes concept and various provisions in the agreement.

This presentation highlights findings from the draft report and describes the policy options recommended for consideration.

Presentation Outline

- Contents of the Draft Report
- Key Findings and Observations
- Recommended Policy Options for Consideration
- Public Input

Contents of the Draft Report

1. Purpose and Scope of the Review
2. I-77 Express Lanes Project
3. Express Lanes Project Development and Status
4. Risk Allocation Assessment
5. Public and Stakeholder Input
6. Key Findings and Observations
7. Policy Options Recommended for Consideration

Contents of the Draft Report, *continued*

Appendix A – Illustrative Example of Termination for Convenience Calculation

Appendix B – 2017 Public Comments submitted to NCDOT website

Appendix C – 2016 Input from Local Jurisdictions

Appendix D – Committed Highway and Bonus Allocation Projects

The information presented in the Draft Report is not legal advice and the report is not a market valuation or an appraisal review.

The views and opinions provided in the Draft Report are strictly those of the authors. The report does not represent the opinions or policies of NCDOT, its agents, officers, or employees.

Key Findings and Observations

- The Comprehensive Agreement is reasonable, but inconsistent public engagement has undermined confidence in the public-private partnership (P3) project delivery approach.
 - Limited public engagement before P3 procurement was initiated
 - P3 presented as only financially viable alternative
 - Insufficient response to public concerns and questions
- The planning process did not provide sufficient opportunities for the public to evaluate the relative merits of express lanes and alternatives without tolls.
 - Focus on “immediate travel time reliability along I-77 from Uptown Charlotte to the Lake Norman area” precluded the examination of additional general purposes lanes in the environmental assessment.
- Public opinion reflects uncertainty about the express lanes concept.

Policy Options

Mercator has identified a range of options potential policy options that might address questions and concerns expressed by members of the public.

Additional time and resources would be required to generate reliable cost estimates, to prepare traffic and revenue analyses and to conduct the necessary legal and other due diligence that would be required to implement any option. In addition, some options may trigger additional environmental review.

The policy options recommended for consideration are not listed in order of preference and they may not be mutually exclusive.

Policy Options, *continued*

- Terminate the Comprehensive Agreement and complete the Express Lanes Project using public funding or financing as it becomes available.

Key Challenges

- Securing the public funds required to pay the termination compensation and to complete construction of the Express Lanes Project.
- Potential impact on other transportation projects and programs.

Potential Costs

- The final termination payment would be determined by an independent appraiser plus the demobilization costs and other expenses incurred by the Private Partner and its subcontractors.
- Cost to stabilize the work zones along I-77 to ensure safe travel until construction is resumed
- Cost to complete construction of the Express Lanes Project

Policy Options, *continued*

- Terminate the Comprehensive Agreement and allow CRTPO to determine whether express lanes should remain in the transportation plan or be replaced or supplemented with other improvements based on available resources.

Key Challenges

- CRTPO would need time and resources to assess the impacts on regional transportation plans if the Express Lanes Project is not constructed.
- Potential impact on other transportation projects and transit programs.

Potential Costs

- Cost to NCDOT will be the termination compensation, the demobilization expenses incurred by the Private Partner and its subcontractors, and the cost to stabilize the work zone along I-77.
- At this conceptual stage of analysis, it is not possible to identify or quantify the potential impacts on local jurisdictions if the Express Lanes Project were cancelled.

Policy Options, *continued*

- Negotiate modifications to the project scope and/or the terms of the CA, such as:
 - Deferring or eliminating tolling of certain lanes,
 - Reducing the financial impact on frequent users,
 - Revising the truck restrictions to allow larger vehicles that can use the express lanes safely,
 - Encouraging greater use of the express lanes by allowing HOV-2 for some period of time, or
 - Modifying the compensation provisions for unplanned revenue impacting facilities.

Policy Options, *continued*

Key Challenges

- To reach agreement on changes to the project scope or the CA, NCDOT and the Private Partner would need to commit senior personnel and resources to the effort. In addition, some changes may require consent from the lenders.
- There is no assurance that the technical analysis will confirm the viability of any of the concepts or that the parties can reach agreement on the cost of any change.

Potential Costs

- The cost to evaluate and implement the concepts cannot be determined until the options are refined.

Policy Options, *continued*

- Work with CRTPO to identify and advance additional improvements to address mobility issues in the corridor.

Key Challenges

- NCDOT and CRTPO would need to commit resources to work with local jurisdictions to identify and advance options that could have a meaningful impact on long-term congestion in the corridor.

Potential Costs

- Cost will depend on the scope and location of the improvements.

Relevant examples include a \$11.6 million peak use shoulder lane added to a section of I-405 in Washington State that had two general purpose lanes and one express toll lane and the Georgia Direct Xpress Service Plan that includes development of new park-and-ride lots to enhance regional commuter bus service that uses tolled express lanes.

Policy Options, *continued*

- Develop preliminary plans to negotiate and finance the purchase of the Express Lanes Project after completion.

Key Challenges

- The feasibility of an acquisition after project completion would be driven by many variables beyond the control of NCDOT, such as the level of tax-exempt interest rates in the future.

Potential Costs

- Costs to NCDOT to evaluate this option would include the expenses associated with outside professional services, including a traffic and revenue consultant and legal and financial advisors.
- Cost to acquire the Express Lanes Project will depend in large part on the operating performance of the express lanes and projected toll revenue.

Public Review and Comment

Feedback, ideas and recommendations regarding the Draft Report can be emailed to i77feedback@ncdot.gov

Comments and suggestions can also be submitted on the I-77 Express Lanes project page on the NCDOT website:

<https://www.ncdot.gov/projects/I-77ExpressLanes/>

The public comments will be reviewed and incorporated in the final report, which is expected to be released in late summer.

To ensure comments are included in the final report, please submit them by Saturday, September 9, 2017.