



## MEETING MINUTES

NORTH CAROLINA TURNPIKE AUTHORITY  
BOARD OF DIRECTORS – FINANCE COMMITTEE

**DATE:** JANUARY 11, 2018    **TIME:** 9:30AM    **LOCATION:** NCTA Main Conference Room, 1 S. Wilmington Street, Raleigh, NC

### ATTENDANCE

#### MEMBERS PRESENT

Robert Teer, Perry Safran

#### MEMBERS PRESENT VIA PHONE

Scott Aman, Jim Walker

#### MEMBERS ABSENT

### AGENDA TOPICS

#### 1. WELCOME, CALL TO ORDER, DECLARATION OF QUORUM, AND INTRODUCTIONS – ROBERT TEER, CHAIR

##### *DISCUSSION SUMMARY*

Chairman Teer called the meeting to order and welcomed those in attendance. Chairman Teer called roll and declared a quorum of four members.

##### *ACTIONS TAKEN*

No action required.

#### 2. APPROVAL OF OCTOBER 18, 2017 MEETING MINUTES – ROBERT TEER, CHAIR

##### *DISCUSSION SUMMARY*

Chairman Teer noted everyone had received a copy of the meeting minutes prior to the meeting and announced he would accept a motion to approve the October 18, 2017 meeting minutes as written.

##### *ACTIONS TAKEN*

Mr. Perry Safran made a motion to approve the October 18, 2017 meeting minutes as written. Mr. Scott Aman seconded the motion. Motion was approved unanimously.

### 3. OPENING COMMENTS – BEAU MEMORY, NCTA EXECUTIVE DIRECTOR

#### *DISCUSSION SUMMARY*

Mr. Beau Memory thanked the Committee and provided a summary of the last couple month's activities. Mr. Memory announced that the Triangle Expressway Senior Lien Revenue Bonds received an upgrade by Moody's Investors Service to Baa2 with a stable outlook from Baa3.

Mr. Memory gave an update on the Triangle Expressway's operations sharing that December transactions were up almost 6% year-over-year at nearly four million transactions. The NCTA also sold almost eight thousand transponders, which is more than double the average prior to the reduction in price. Chairman Teer asked how many transponders have been sold to date and Mr. Memory replied he would provide that information. Receipts for November were almost four million dollars at 12% year-over-year and 50% over projections.

Mr. Memory stated that the NCTA submitted the Complete 540 TIFIA Letter of Interest to USDOT on November 17, 2017 and also received the signed Final Environmental Impact Statement for the same project which was received almost eight months early thanks to Rodger Rochelle and his team for their hard work.

Mr. Memory noted that NCTA lost two staff members, John Stansberry, our Roadside Toll Collection System Manager and Christina Poucher who was our Office Manager. NCTA is beginning to identify candidates for these positions and hoping to potentially bring in expertise outside our borders.

Mr. Memory provided an update on the INFRA grant application that was submitted to USDOT. Mr. Safran asked about the timeline for the INFRA Grant application for the Mid-Currituck Project. In speaking with FHWA, they noted hopefully this winter, but Mr. Memory and Mr. Roy said that they have not received any additional information from USDOT or from FHWA.

#### *ACTIONS TAKEN*

Information only/No action required.

### 4. REQUEST FOR QUALIFICATIONS – DAVID ROY, NCTA DIRECTOR OF FINANCE

#### *DISCUSSION SUMMARY*

Mr. David Roy gave a summary of the advertisement previously discussed.

Mr. Roy summarized the requirements of the Financial Advisor given in the RFQ, the schedule of the procurement, the members in the Selection Committee and the criteria contained in the RFQ and used in the scoring process.

Mr. Roy gave the names of the three firms who submitted Statements of Qualifications and stated that PFM and PRAG were shortlisted. Ultimately, the Selection Committee is recommending that the Turnpike stay with PFM. The Selection Committee was impressed by both PFM and PRAG, and are confident that either firm could do what NCTA is requesting of a financial advisor, but given PFM's knowledge of the Authority and the NCTA's history with PFM, we did not find a compelling reason to move away from them.

Chairman Teer stated that he attended the interviews and the Selection Committee meeting last week as an ex-officio member and he feels both firms are qualified, but given the institutional knowledge that PFM has, he does not see an overriding reason to change firms. Mr. Jim Walker stated that a presentation given by David Miller, with PFM, at the Local Government Commission meeting a few months back was one of the best he has ever heard. Mr. Aman stated that he has been of a mindset that if you can't beat them out then there's no reason to change.

Mr. Safran asked about the proposed compensation structure listed in the scoring criteria and how the firms differed. Mr. Roy explained that the procurement process does not allow NCTA to request specific pricing, instead pricing structures were requested and both firm's pricing structures were similar. Once a firm is selected, NCTA will begin negotiations. If negotiations cannot come to agreement, the Selection Committee will come back to the Finance Committee and move to the second selected firm. Mr. Safran said he wanted to confirm that we were just ranking the firms. Mr. Roy confirmed, this is why we re-procured to have a more competitive environment and also procured through the professional services management unit.

#### **ACTIONS TAKEN**

Chairman Teer requested a motion to move the recommendation of PFM to the full board. Mr. Walker made a motion to move the recommendation to the full board for approval. Mr. Aman seconded the motion. Motion was approved unanimously.

## **5. EXPRESS LANE TOLL PROJECT UPDATE – RODGER ROCHELLE, NCTA CHIEF ENGINEER**

#### **DISCUSSION SUMMARY**

Mr. Rodger Rochelle gave an update on the Express Lanes Toll Projects. He first discussed I-485 which is I-5507 in the State Transportation Improvement Program (STIP) extending from I-77 heading east to US 74. The Project is 17 miles in length and includes one new express lane or managed lane in each direction as well as improvements in the general-purpose lanes for two miles towards the western end of the project. There will be up to six access points from the general-purpose lanes. The current estimate is about \$240-280 million depending on the design of the project. Mr. Rochelle presented visuals of the proposed designs for the project and the location.

Mr. Safran asked if the lanes will extend beyond the existing shoulders and if that means right-of-way will need to be acquired. Mr. Rochelle stated that yes, in some places there may be minimal right-of-way acquisition necessary.

Mr. Rochelle then presented an update on the US-74 express lanes project which is the U-5526 project in the STIP. He stated that it is a design bid build project and the current estimate is about \$22 million. There will be wrong way driver detection and gate controlled access for the reversible lane and there will be one intermediate location through the three-mile section at the interchange with Albemarle Road. Mr. Rochelle showed visuals of the project location.

Mr. Rochelle discussed U-2509, the project further to the east that is still in early stages of planning and development. The planning for the project would not be complete until late next year. Currently, the starter project and the I-485 project planning studies are nearly complete, the final design is nearly complete for the US 74 starter project, and design build teams have been shortlisted for the I-485 project. When these projects were transferred to NCTA for management, completion, and project delivery Beau Memory asked us to do an independent assessment of the decisions and recommendations and what has gone into it thus far. Those assessments are well under way. NCTA has looked at the project benefits, the opportunities, the design decisions, the toll collection systems and toll schedule, the public involvement ingress and egress, and the toll policy as well. All this assessment is forming what the ultimate toll policy will be on those projects and those discussions are ongoing right now with local officials.

Mr. Memory stated that these projects have long been planned by the Metropolitan Planning Organization (MPO) and they want an HOV component. Early indications on the revenue side are that these projects will not generate enough revenue to cover the cost to collect the toll. I-485 is the stronger of the three, but there are certainly concerns. Adding HOV also adds additional costs on the enforcement side. Minneapolis for example has six full time officers who verify HOV users. In addition, HOV means there is a segment of drivers who ride free which decreases revenue on already revenue thin projects. We have been working with the city and the MPO since October and working to develop a strategy that provides benefits to all stakeholders. We hope to have public hearings late this winter or in early spring.

Mr. Safran asked for names of the companies who have been shortlisted for the I-485 design build procurement. Mr. Rochelle shared that the shortlisted design build teams are Blythe and Lane Construction and a joint venture of Flatiron and Blythe Development. Mr. Safran stated that it is important that the NCTA Board members do not have any conflicts. Mr. Rochelle reminded the Committee that while the NCTA is developing and delivering the projects these are technically NCDOT projects. Mr. Memory stated that most of the designs and decisions on the project were made prior to NCTA taking on the planning and delivery. Mr. Safran then asked if these projects are go or no-go projects. Mr. Memory stated that through the Strategic Prioritization Process these are some of the first projects that have made it fully through the process and we don't really have a say as to if we work on them, but the NCTA Board will have a say on the toll rate and the toll structure. As discussed earlier, the Express Lane Toll Policy going to the board will be used to develop and refine traffic and revenue studies. Mr. David Tyeryar added that these projects are revenue thin and if the projects resemble more of a HOT lane instead of an Express Lane NCDOT would not recommend that the NCTA take that risk. Mr. Safran thanked Mr. Tyeryar and Mr. Memory for the clarifications. Mr. Safran stated that if these projects are only able to be done with a subsidy due to being revenue thin, understanding that Triangle Expressway has an annual contribution, but unless that's on paper, I will be very suspicious. Mr. Memory responded that there is much caution on our side. They are different, as they are more of a congestion tool than they are to generate revenue to build the infrastructure. NCDOT is paying for all the capital costs associated with those projects and we have to be concerned about whether the revenue generated can support the toll collection costs.

Mr. Walker asked about the status of the public involvement activities for the projects in the Charlotte area. Mr. Memory stated that NCTA has begun meeting with local elected officials and local community leaders to discuss these projects. Part of the conversation to get to that point is that we have to be in agreement with the MPO. Until we get an all – go we will be reluctant to go to the public as we do not want to cause confusion. We don't build projects that people don't want, we will wait for consensus. Mr. Walker asked if CRTPO has given any indication when they will take these agenda items up.

Chairman Teer asked about the shortlist of the design build team and the communication about the project status. Mr. Rochelle responded that we have a quarterly meeting with the industry specific to design build. Recently, we reached out to all the teams to be sure they are fully intact.

Chairman Teer asked if there is any kind of fee that we receive for managing a toll development like these? Mr. Memory replied no, the costs spent on these projects are funded by the highway trust fund. Eventually we will be looking at the flow of funds. Because there is no bonding, the funds will first go to the NCTA and pay for costs and then the remaining revenue will stay local. Mr. Tyeryar asked about the traffic movements between I-485, Independence Boulevard and Monroe, and if that is still up in the air because we do not know if its HOV or all pay. Mr. Rochelle responded that yes that is correct, but there is still other work to be done there. The U-2509 project is where we will probably accommodate that change.

Mr. Walker asked if that connection, or if that design has been finalized, the interconnections.

Mr. Memory responded that the gantry was taken off the elevated section of US 74 that is part of the Monroe construction project, but is not part of what we will come to know as the Monroe Expressway. That section has gone un-tolled and if it opens un-tolled it cannot later be tolled by state law. So that means that there will be a gap between where the 485 Express Lanes and the US 74 Express Lanes come into Monroe Expressway. As far as how the design will eventually come together, this process is being examined with the U-2509 project. But there will likely be a gap between the Monroe expressway and the system of expressways. Mr. Safran stated that this has to be reexamined.

#### ***ACTIONS TAKEN***

Information only/No action required.

## 6. 2018 PROPOSED FINANCE COMMITTEE MEETING DATES – DAVID ROY, NCTA DIRECTOR OF FINANCE

### *DISCUSSION SUMMARY*

Mr. Roy presented the proposed Finance Committee meeting dates for 2018 and requested that the members confirm if they are available for a majority of the dates.

### *ACTIONS TAKEN*

Information only/No action required.

## 7. ADJOURN

### *DISCUSSION SUMMARY*

Mr. Safran asked if there are any impacts that we need to be aware from the congressional federal tax act. Mr. Roy stated that yes, there are some limitations that preclude some advance refunding of some of our debt. We are looking at some of the alternatives with PFM and with bond counsel Wally McBride. We are still evaluating the impacts and there are some who are of the opinion that the law does not preclude a tax-exempt refund of taxable debt, but we are still evaluating these options with PFM and Wally McBride. Mr. David Tyeryar stated that it doesn't preclude a wholesale refinancing that rolls in the refunding. The only thing it does right now is preclude advance refunding, which can be difficult, because the Local Government Commission does not allow extension of the length of the debt and requires demonstrated cash flow savings in every year, which means no hybrid structures can be done. With all the debt that the NCTA has outstanding there is probably only one that would be eligible for an advance refunding.

Chairman Teer asked if there were any other items to come before the Committee. Chairman Teer called for a motion to adjourn.

### *ACTIONS TAKEN*

Mr. Safran made a motion to adjourn. Mr. Aman seconded the motion. Motion was approved unanimously.