



Board of Directors
Finance Committee Meeting
North Carolina Turnpike Authority
February 13, 2018



NCTA Refunding Opportunity Overview

Triangle Expressway System State Annual Appropriation
Revenue Bonds (BABs), Series 2009B

February 13, 2018

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Triangle Expressway State Annual Appropriation Revenue Bonds, Series 2009B

- The Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B were issued as Federally Taxable, Issuer Subsidy Build America Bonds
 - NCTA was to receive a subsidy of 35% of the interest due on the bonds semi-annually
 - Due to sequestration, NCTA has not received the full subsidy since FY 2013
 - Sequestration rates have ranged from 6.6% to 8.7% and is currently 6.6%
- In August of 2017, NCTA entered into a Forward Delivery Bond Purchase Agreement for a refunding of \$161,515,000 Series 2009B Bonds (maturing 1/1/2022 through 1/1/2032)
 - A forward refunding eliminates concerns of the BABs subsidy being eliminated prior to the call date on the refunded bonds
 - The refunding achieved net present value savings of \$18.85 million or 11.67% of refunded par and annual cash flow savings average \$1.7 million
- Though the Tax Cuts and Jobs Act eliminated tax-exempt advance refundings in the traditional sense, there is a possibility that an advance refunding of taxable BABs is permissible as long as two federally subsidized issues aren't outstanding at the same time.



Refunding Overview

- The Series 2009B Bonds are currently outstanding in a par amount of \$180,375,000
 - \$150,850,000 is eligible for a refunding on January 1, 2019 at par
 - Refunding does not include the non-callable Serial Bond portion of debt
- Refunding Alternatives include:
 - Option 1: Advance Refunding – Closing 5/1/2018 (subject to Bond Counsel’s confirmation of eligibility)
 - The execution of an advance refunding would subject the Authority to negative arbitrage and potential loss of BAB subsidy payments between closing and the call date.
 - Option 2A/B: Current Refunding – Closing on 10/3/2018 or 1/1/2019
 - An advance refunding can be executed up to 90 days prior to the call date
 - Analysis assumed current market rates prevail at the time of closing though the transaction is subject to market movement



Refunding Alternatives

- Assumes market rates as of February 8, 2018 plus applicable credit spreads.

	Option 1 Advance Refunding	Option 2-A Current Refunding in October 2018	Option 2-B Current Refunding on the Call Date
Dated / Delivery Date	5/1/2018	10/3/2018	1/1/2019
Est. Pricing Date	4/11/2018	9/14/2018	12/14/2018
Par Amount	135,525,000	131,995,000	130,715,000
Par Amount of Refunded Bonds	150,850,000	150,850,000	150,850,000
All-In TIC	3.84%	3.76%	3.77%
Arbitrage Yield	3.11%	3.10%	3.10%
Net PV Savings ¹	8,082,977	12,893,706	15,389,623
% Savings of Refunded Bonds	5.36%	8.55%	10.20%
Negative Arbitrage	1,334,486	593,006	-

*Refunding analysis assumes a 6.60% Sequestration rate (32.69% subsidy) on the refunded bonds.

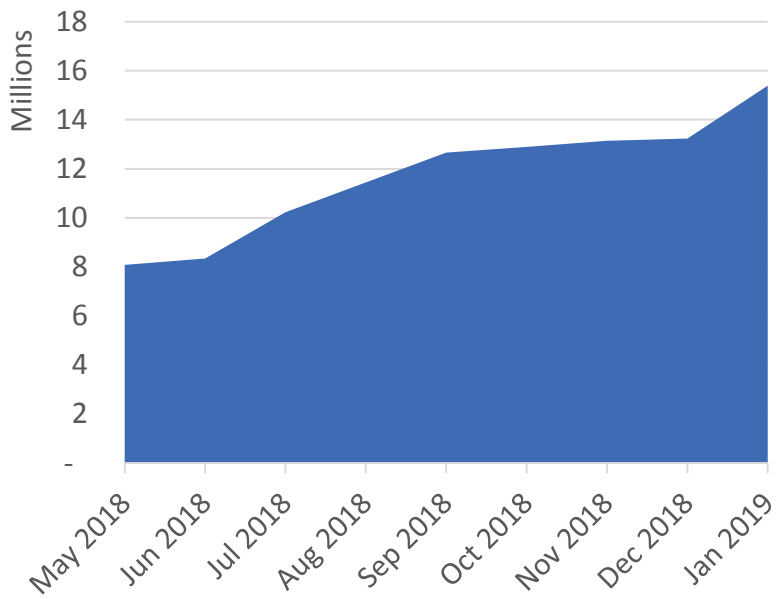


Refunding Timing Considerations

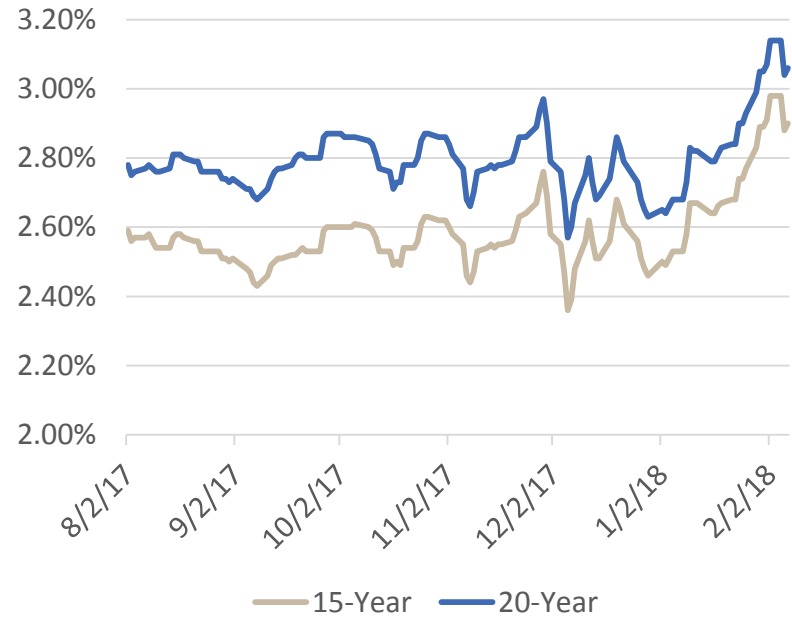
- Estimated Savings increase as the closing date approaches the call date if rates remain stable

- Though rates have seen some volatility over the prior months

Estimated NPV Savings based on Closing Date



AA rated Revenue Bond Rates





Breakeven Analysis – Interest Rate Sensitivity

- A Current Refunding on or near 1/1/2019 based on today's interest rates and the assumptions herein, is \$15.4 million or 10.2% of refunded par but ...
- NCTA would carry interest rate risk until the current refunding bonds could be priced.
- Advance Refunding Breakeven
 - Closing the transaction today would subject the Authority to negative arbitrage within the escrow and potential loss of BAB subsidy payments between closing and the call date.
 - PFM estimates rates could increase 50 bps and NCTA would achieve the same savings to execute a current refunding on the call date as it would to execute an advance today.

2018 Finance Committee Meeting Dates

David Roy

Proposed Meeting Dates

All meetings scheduled to begin at 9:30 AM

Wednesday, March 21st

Wednesday, April 18th

Wednesday, June 20th

Wednesday, July 18th

Wednesday, September 19th

Wednesday, October 17th

Wednesday, December 19th
