



# MEETING MINUTES

NORTH CAROLINA TURNPIKE AUTHORITY  
BOARD OF DIRECTORS – FINANCE COMMITTEE

**DATE:** March 21, 2018

**LOCATION:** NCTA Main Conference Room,

**TIME:** 9:30AM

1 S. Wilmington Street, Raleigh, NC

## ATTENDANCE

### MEMBERS PRESENT

Perry Safran

### MEMBERS PRESENT VIA PHONE

Robert Teer, 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*

Information only/No action required.

### 2. APPROVAL OF FEBRUARY 13, 2018 MEETING MINUTES – ROBERT TEER, CHAIR

#### *DISCUSSION SUMMARY*

Chairman Teer announced he would accept a motion to approve the February 13, 2018 meeting minutes as written.

#### *ACTIONS TAKEN*

A motion to approve the February 13, 2018 meeting minutes as written was approved unanimously upon a motion by Mr. Jim Walker, seconded by Mr. Scott Aman.

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

#### ***DISCUSSION SUMMARY***

Mr. Beau Memory began his opening comments by stating it has been a very busy start to the year and introduced the new CFO of the North Carolina Department of Transportation, Evan Rodewald. Mr. Memory gave an update on the Triangle Expressway, stating that revenue for the month of January was almost \$3.8 million, which is about a 6% year over year increase and a 24% over projections from the 2009 traffic and revenue study. Transactions for February totaled around 3.9 million, which is an 8% increase from February 2017. Mr. Memory also stated that 61% of the February transactions came through the Turnpike Authority's transponder program. The Turnpike Authority more than doubled the average number of transponders sold with over 7,700 transponders sold in February.

Mr. Memory shared that Fitch improved the outlook from stable to positive on the Toll Revenue and TIFIA debt on the Triangle Expressway, which shows the strength of the project.

Mr. Memory reminded the group that the Turnpike Authority would be hosting the IBTTA Managed Lanes All-Electronic Tolling and Technology Summit in Charlotte from April 22-24, 2018. He also stated that the financial advisor selection would be going to the next full board meeting for approval and that the Turnpike Authority currently has a procurement out for bond counsel.

Mr. Perry Safran inquired if the Authority had adopted a policy to rotate bond counsel.

Mr. Memory confirmed Mr. Safran's question and stated that the Authority has not done a procurement in a while and that it is believed to be of more cost effective and better policy to procure again.

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

Information only/No action required.

### **4. PROPOSED MONROE EXPRESSWAY TOLL RATE SCHEDULE – DAVID ROY, NCTA DIRECTOR OF FINANCE**

#### ***DISCUSSION SUMMARY***

Mr. David Roy began his presentation by stating the Monroe Expressway is scheduled to open fall 2018, and in order to be prepared for the road opening, the Turnpike Authority needs a formal toll rate schedule adopted. Mr. Roy explained the toll rate schedule brought to the Finance Committee today is the same toll rate schedule that was presented in the 2016 traffic and revenue study on the Monroe Expressway prepared by CDM Smith.

Mr. Perry Safran asked what the opening toll rate for the Triangle Expressway was.

Mr. Roy stated the opening year toll rate for the Triangle Expressway was around \$0.15 per mile and that the toll rate for Monroe is a little less on a per mile basis

Mr. Roy also stated that for reference, the current toll rate on the Triangle Expressway is around \$0.19 per mile

Mr. Safran stated his belief that approving the recommended toll rate schedule is an outstanding position to be in by adopting the traffic and revenue study proposal.

## **ACTIONS TAKEN**

A motion to recommend adoption of the Proposed Monroe Expressway Toll Rate Schedule to the full Turnpike Authority Board was unanimously approved upon a motion moved by Mr. Perry Safran, seconded by Mr. Jim Walker.

## **5. 2018 ADVANCE REFUNDING OF REMAINING 2009B TRIANGLE EXPRESSWAY SYSTEM BABs APPROPRIATION REVENUE BONDS – DAVID ROY, NCTA DIRECTOR OF FINANCE**

### **DISCUSSION SUMMARY**

Mr. David Roy introduced Mr. David Miller and Mr. Wally McBride to give an overview on the refunding, as well as an overview on the refunding documents.

Mr. David Miller gave an overview on the advance refunding of the 2009B Triangle Expressway Appropriation Revenue Bonds. Mr. Miller presented the committee with a few different scenarios with potential closing dates, the difference net present value savings and interest rate risk each scenario offers. Mr. Miller explained the Turnpike Authority's strategy to advertise the notice of sale with a four percent coupon in order to have positive savings in all years of the debt service schedule. Mr. Miller also stated the Turnpike Authority's plan to receive approval of the refunding from the Local Government Commission at their meeting on April 10, 2018.

Mr. Jim Walker inquired if any board members would attend the LGC meeting. Mr. Robert Teer and Mr. Perry Safran stated their intent to attend the LGC meeting.

Mr. Roy stated the Turnpike Authority's belief that the LGC would prefer the four percent coupon structure based on there being savings in every year of the debt service schedule and that there are greater overall net present value savings.

Mr. Walker inquired if there needs to be a formal vote to recommend the refunding to the full Turnpike Authority board.

Mr. Wally McBride stated that yes, the Finance Committee needs to approve a resolution that was provided to the committee, but asked to explain a couple points in the resolution before the committee voted.

Mr. McBride stated that the resolution has a specific recommendation to the full Turnpike Authority board with a three percent net present value savings as a minimum savings target and that it won't happen if rates blow up. The second part of the resolution is that if the Finance Committee approves the resolution, there will be a notice of the proposed refunding on EMMA and the sale will be public this afternoon.

Mr. Roy asked if there were any further questions on the analysis provided by Mr. Miller.

Mr. Safran stated his concern for the uncertainty of the market.

Mr. Miller stated that this deal is a great credit and the four percent coupon should not cause a lack in demand. Mr. Miller added that because the basis of the award is based on the TIC and the TIC is lower with lower coupon, bidders will game the bond math and come in with lower coupon regardless if the Turnpike Authority states a four percent coupon.

Mr. Safran inquired if the minimum of a three percent net present value savings is too low of a threshold. Mr. Miller stated that PFM has plenty of clients with thresholds as low as three percent and the three percent threshold came from a discussion with the LGC. Mr. Safran stated his belief that three percent is too low.

Mr. McBride stated that it is not a traditional advance refunding and that the Turnpike Authority is in a use it or lose it situation. He also stated that the LGC insisted on the three percent minimum.

Mr. Safran stated his belief the Turnpike Authority should go in at three and a half percent.

Mr. Roy clarified that the three or three and a half percent threshold is there so that if the projected net present value savings drops below the minimum, the Turnpike Authority would not move forward with the refunding, but if the net present value savings is above the threshold, the Authority can move forward with the refunding without further approval from the board.

Mr. Safran stated he will not move for a three and a half percent threshold but explained the importance of the record reflecting the discussion occurred. Mr. Safran also stated to other committee members his support to move forward with a three percent minimum.

Mr. McBride gave an overview of the various draft bond documents provided to the Finance Committee for the advance refunding.

Mr. Walker inquired why Wells Fargo is asking for indemnification. Mr. McBride stated that all escrow agents ask for indemnification because those federal securities become the total security package for the old bond holders. This is highly standard for an escrow agreement. Mr. Walker asked if the North Carolina Department of Transportation or North Carolina Turnpike Authority is given the indemnification. Mr. McBride stated that indemnification is given to NCTA. Mr. Walker asked where the money comes from to indemnify. Mr. Miller stated the escrow is invested in direct Treasury non-callable obligations and the risk is, something he is not aware has never happened, that there is a non-payment on a direct US treasury obligation. Mr. Walker asked if the risk is a negligible one for the indemnification and Mr. Miller affirmed Mr. Walker's inquiry. Mr. Teer asked if there is any cost to the indemnification or if it is just written. Mr. McBride stated the indemnification is just written in the document.

#### **ACTIONS TAKEN**

A motion to approve the proposed Finance Committee resolution and recommend approval of the advance refunding with a three percent minimum and four percent coupon to the full Turnpike Authority Board was unanimously approved upon a motion from Mr. Perry Safran, seconded by Mr. Jim Walker.

## **6. COMPLETE 540 PLAN OF FINANCE— DAVID MILLER, PFM**

#### **DISCUSSION SUMMARY**

Mr. David Roy introduced the presentation by stating Mr. Rodger Rochelle and his team are moving the Complete 540 project along and that the Turnpike Authority is hoping to have a document this summer and a potential first let by the end of the calendar year. Mr. Roy expressed the importance of bringing the plan of finance for Complete 540 to the Finance Committee and the full Turnpike Authority board with the two proposed resolutions. The first resolution is a support guarantee resolution that is substantially similar to the support guarantees on both the Triangle Expressway and the Monroe Expressway.

The second resolution is a new resolution based on a lesson learned from the Monroe Expressway that would allow the Department of Transportation to begin spending money on Complete 540 for utilities and right of way to be reimbursed by the Turnpike Authority once toll revenue bonds are sold in the early part of calendar year 2019.

Mr. David Miller gave a presentation on the plan of finance for phase one of the Complete 540 project.

Mr. Perry Safran asked if Mr. Miller could speak to the General Reserve. Mr. Miller stated the general reserve for the Triangle Expressway is currently around \$90 million and that it is expected to build by the time of Complete 540 opening. Mr. Miller also stated that 'transfer' is probably not the best word to describe the situation, it just means the reserve is available for entire system once operations begin on Complete 540. Mr. Safran asked that the word 'transfer' not be used in future reference to the general reserve.

Mr. Miller continued his presentation on the plan of finance.

Mr. Roy added that a key point to the plan of finance is that the tolls on the existing Triangle Expressway would cease after 2049 and tolls would not extend past the initial 40-year term. The Complete 540 tolls would extend for several years until the debt is paid off in full. There would be a period from 2049 through the mid-2050's where there would not be tolling on existing Triangle Expressway but there would still be tolls on the newer Complete 540 sections. The Turnpike Authority wanted to show the Authority's commitment that once debt was paid off, tolls would be removed from the facility.

Mr. Scott Aman wanted to confirm that combing projects as a system would not extend tolls on existing the Triangle Expressway. Mr. Safran stated that the Turnpike Authority had made a promise to remove the tolls after 40 years.

Mr. Roy gave a brief overview on the proposed schedule for the Complete 540 plan of finance.

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

Information only/No action required.

## **7. INDUCEMENT RESOLUTION FOR COMPLETE 540 FINANCING– DAVID ROY, NCTA DIRECTOR OF FINANCE**

#### ***DISCUSSION SUMMARY***

Mr. David Roy gave an overview on the Inducement Resolution for Complete 540 financing stating this type of resolution has not previously been done and was creating as a lesson learned from the Monroe Expressway.

Mr. Roy explained this resolution allows the Turnpike Authority to get through the litigation period and reduce the risk that the Authority would sell debt that would sit if the project was stopped for a period of time.

Mr. Teer added that this was the situation the Turnpike Authority found themselves in with the Monroe Expressway.

Mr. Roy explained there are two resolutions, one being for the Turnpike Authority board and the other for the Department of Transportation board.

Mr. McBride added that the first resolution for the NCTA board is required by the IRS. The second resolution is for the Department of Transportation board and it states they will make the advance and be re-paid once bonds are issued.

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

A motion to recommend approval of the Inducement Resolution for Complete 540 Financing to the full Turnpike Authority Board was unanimously approved upon a motion from Mr. Perry Safran, seconded by Mr. Scott Aman.

## **ACTIONS TAKEN**

A motion to recommend the full Turnpike Authority Board request the North Carolina Board of Transportation to adopt the resolution for Advance of Funds to the North Carolina Turnpike Authority for initial or early costs of Complete 540 was unanimously approved upon a motion from Mr. Perry Safran, seconded by Mr. Jim Walker.

## **8. RESOLUTION REQUESTING AN NCDOT SUPPORT GUARANTEE FOR CERTAIN STIP PROJECTS– DAVID ROY, NCTA DIRECTOR OF FINANCE**

### **DISCUSSION SUMMARY**

Mr. David Roy explained there are two more resolutions that are similar to the resolutions adopted for the existing Triangle Expressway and the Monroe Expressway. The first resolution is for the Turnpike Authority board and the second resolution is for the Department of Transportation board. The resolutions state that NCDOT would cover any unforeseen construction costs on Complete 540, as well as a support guarantee to cover operations and maintenance, as well as renewal and replacement should revenues not be sufficient to cover all of those costs. The plan of finance does not project ever needing to use the support guarantee and the Triangle Expressway has not had to utilize the support guarantees. Mr. Roy stated his belief that Mr. Miller and Mr. McBride would agree that the support guarantees are an extremely attractive feature on the credit for the Triangle Expressway and the Monroe Expressway and would also be for Complete 540.

### **ACTIONS TAKEN**

A motion to recommend approval of the Resolution Requesting an NCDOT Support Guarantee for Certain STIP projects to the full Turnpike Authority Board was unanimously approved upon a motion from Mr. Perry Safran, seconded by Mr. Jim Walker.

## **9. I-485 & US 74 EXPRESS LANES PROJECT UPDATE – DAVID ROY, NCTA DIRECTOR OF FINANCE**

### **DISCUSSION SUMMARY**

Mr. Beau Memory began this presentation by wanting to draw the Finance Committee's attention to these upcoming projects.

Mr. Perry Safran requested the committee take a five-minute break from the meeting and Mr. Robert Teer approved the request.

Mr. David Roy resumed the meeting by giving a presentation on project and finance updates on the I-485 and US 74 Express Lane projects.

Mr. Memory described the operating scenarios shown in the presentation were discussed with the MPO. The MPO had envisioned the projects having an HOV component to them in their fast lane study. Starting in October of last year, the Turnpike Authority began discussions with the Highway Division 10 of the DOT, the chair of the TCC and other Charlotte DOT staff letting them know the Authority had concerns with the projects and that they may face some financial difficulty. The MPO was asked to modify the air conformity and long-range planning, so the Turnpike Authority could study the roads reflecting transit and first responders ride free. The Turnpike Authority offered to outfit and equip the lanes to support HOV lanes to provide for future HOV support should it become financially feasible. In January, the MPO released their long-range plan and air conformity with HOV, the Turnpike Authority raised concern again and the MPO stood by their plan. As a

result, the Turnpike Authority has looked to the industry for a solution that may speak to the HOV component, but bring down the risk of HOV and the enforcement costs. What the Turnpike Authority found is a registered carpool program in South Florida further described in the presentation.

Mr. Roy continued the financial update on the I-485 and US 74 Express Lane projects. He also stated that the Turnpike Authority's proposed approach is to move forward with a registered carpool program. This program would not necessarily need to be administered by the Turnpike Authority. The Turnpike Authority would commit to the installation of equipment that would allow for switchable transponders and an expansion of the HOT 3 program in future years should the project open when revenues prove sufficient to cover all costs.

Mr. Roy stated the Authority is meeting with the MPO this afternoon to further discuss these projects and the current schedule of the projects will most likely be pushed back.

Mr. Memory stated that even if the MPO is on board with this rideshare scenario, the Turnpike Authority would most likely have to push back the schedule of the design-build contracts. There is likely not enough time to take action to the Turnpike Authority board and the Department of Transportation board. Mr. Memory stated the Turnpike Authority will not go to contract on any of these projects until the Turnpike Authority board is comfortable and the Authority has received whatever backstops are necessary.

Mr. Jim Walker inquired if Mr. Memory and the staff are comfortable with a proposed solution that includes potentially paying funds back to NCDOT when there is no revenue source other than tolls.

Mr. Memory stated that one of the reasons this has been brought to the finance committee now is because the MPO has moved forward with their long-range plan and is moving forward with the air conformity. This evening the MPO is approving the model. It was noted there are no reserves and no appropriation for these projects. Mr. Memory added that the conservative stances the Turnpike Authority have taken in the past have worked well. He also stated he is not comfortable moving forward with the projects until there is a solution.

Mr. Walker asked if a revenue max model would solve the shortfall issue.

Mr. Memory stated the Authority has not run that model. Mr. Memory would suggest the board giving that question to the MPO and letting them handle that option.

Mr. Perry Safran expressed his belief the revenue max scenario should at least be considered. He also suggested the committee will look to Mr. Walker on what community discussions should be had.

Mr. Roy added the Turnpike Authority could look to Stantec to provide a max revenue scenario on the projects.

Mr. Memory added that the traffic and revenue studies provided for this analysis are low level studies and there is still more analysis to be done on these projects. Mr. Memory stated the intent of bringing this presentation to the Turnpike Authority board is to make sure the board is comfortable with the conservative approach the Turnpike Authority is taking on this project. Due to the nature of the projects, Mr. Memory stated his belief that the NCTA staff and board will need to work closely together moving forward.

Mr. Walker stated the CRTPO's appreciation towards Mr. Memory speaking to the group and listening to concerns on the congestion in the Charlotte area.

Mr. Memory stated he would not want to come to the Turnpike Authority board and report the roads have been shut down due to insufficient funds.

Mr. Robert Teer added he is not comfortable with and does not support moving forward on these projects with a deficit. Mr. Walker and Mr. Aman expressed they both agree with Mr. Teer.

Mr. Safran stated the Turnpike Authority has been successful due to their conservative approach and advice from many consultants. Mr. Safran also stated his agreement with Mr. Teer and expressed concern about ever having to shut a project down due to insufficient funds.

**ACTIONS TAKEN**

Information only/No action required.

**10. ADJOURN**

**DISCUSSION SUMMARY**

Mr. Robert Teer called for a motion to adjourn the March 21, 2018 Finance Committee meeting.

**ACTIONS TAKEN**

A motion to adjourn the March 21, 2018 Finance Committee meeting was approved unanimously upon a motion from Mr. Scott Aman, seconded by Mr. Jim Walker.

The March 21, 2018 Finance Committee meeting adjourned at 11:34am.

DRAFT