



**Board of Directors  
Finance Committee Meeting  
North Carolina Turnpike Authority  
April 30, 2018**

# 2018 Advance Refunding of Remaining 2009B Triangle Expressway System BABs Appropriation Revenue Bonds Update

David Roy

Director of Finance



# NCTA Refunding Results Overview

Triangle Expressway Appropriation Revenue Refunding Bonds, Series  
2018A

April 30, 2018

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## Triangle Expressway State Annual Appropriation Revenue Bonds, Series 2009B

- The Series 2009B Bonds 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
- \$180,375,000 Series 2009B Bonds remained outstanding with \$150,850,000 eligible for a refunding on January 1, 2019 at par



## Summary of the Series 2018A Bonds – Bid Results

- ◆ \$50,125,000 Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A were sold via competitive sale on April 26, 2018
- ◆ The Bank received seven (9) bids and awarded the 2018A Bonds to J.P. Morgan Securities LLC (“J.P. Morgan”) based on the lowest true interest cost bid of 3.651021%
  - Bids were verified by PFM before awarding J.P. Morgan the winning bidder

Bidder	Bid Amount	TIC	Present Value Difference
J.P. Morgan Securities LLC	\$156,893,325	3.651021%	-
Wells Fargo Bank, National Association	\$156,354,420	3.678006%	\$338,974
Morgan Stanley & Co, LLC	\$156,320,114	3.679728%	\$360,602
Bank of America Merrill Lynch	\$156,160,614	3.687739%	\$461,239
Mesirow Financial, Inc.	\$155,834,144	3.704169%	\$667,631
Jefferies LLC	\$155,642,384	3.713840%	\$789,115
Citigroup Global Markets Inc.	\$155,600,779	3.715941%	\$815,498
Goldman Sachs & Co. LLC	\$155,153,031	3.738588%	\$1,099,990
Barclays Capital Inc.	\$155,147,853	3.738851%	\$1,103,286

\* The present value of 1 basis point is valued at \$125,616.55.



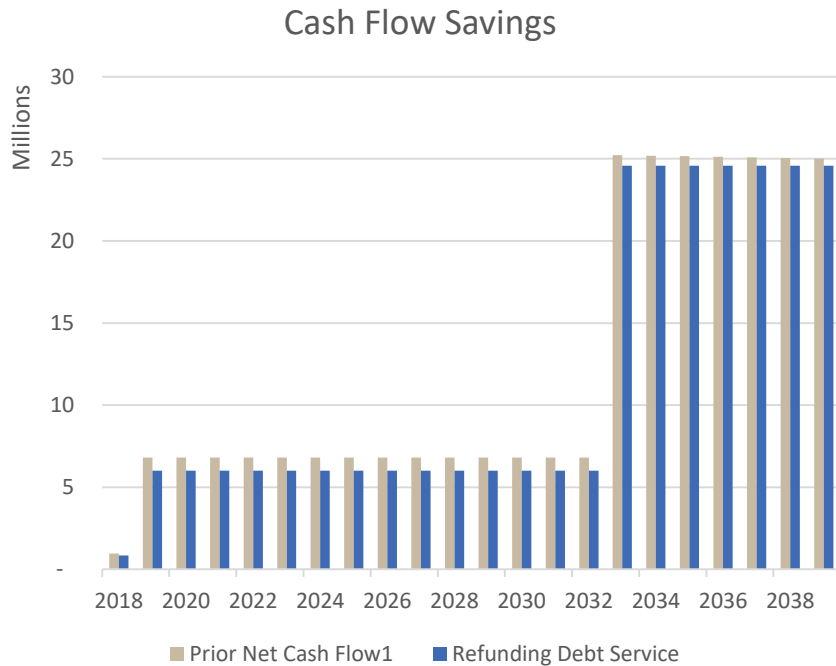
## Triangle Expressway Appropriation Revenue Refunding Bonds, Series 2018A

- ◆ Purpose of Issue - To advance refund a portion of the Series 2009B Bonds for debt service savings and pay costs of issuance for the Series 2018A transaction
- ◆ Ratings - Moody's assigned a rating of 'Aa1' and upgrading the outstanding parity bonds to 'Aa1' from 'Aa2'. Standard & Poor's Rating Services assigned a rating of 'AA+' and upgraded the outstanding parity bonds to 'AA+' from 'AA'.
- ◆ Payments - Principal paid annually on January 1, 2033 through January 1, 2039. Interest is paid semi-annually on January 1 and July 1, commencing July 1, 2018
- ◆ Optional Redemption – The Series 2018A Bonds may be called for redemption, in whole or in part on any date, on or after January 1, 2028



# Summary of Savings Results

- Issuance of the Series 2018A Bonds resulted in \$10.93 million of net present value debt service savings, or 7.25% of the refunded bonds par amount



Date	Prior Net Cash Flow <sup>1</sup>	Refunding Debt Service	Cash Flow Savings	Present Value Savings <sup>2</sup>
2018	963,757	850,708	113,048	100,784
2019	6,802,988	6,005,000	797,988	774,173
2020	6,802,988	6,005,000	797,988	748,279
2021	6,802,988	6,005,000	797,988	723,251
2022	6,802,988	6,005,000	797,988	699,060
2023	6,802,988	6,005,000	797,988	675,678
2024	6,802,988	6,005,000	797,988	653,078
2025	6,802,988	6,005,000	797,988	631,234
2026	6,802,988	6,005,000	797,988	610,121
2027	6,802,988	6,005,000	797,988	589,714
2028	6,802,988	6,005,000	797,988	569,989
2029	6,802,988	6,005,000	797,988	550,925
2030	6,802,988	6,005,000	797,988	532,498
2031	6,802,988	6,005,000	797,988	514,687
2032	6,802,988	6,005,000	797,988	497,472
2033	25,218,168	24,585,800	632,368	380,656
2034	25,184,699	24,586,900	597,799	348,105
2035	25,157,559	24,586,400	571,159	321,842
2036	25,124,943	24,583,100	541,843	295,515
2037	25,090,161	24,585,600	504,561	266,400
2038	25,051,409	24,587,400	464,009	237,263
2039	25,016,658	24,587,100	429,558	212,838
<b>Total</b>	<b>272,049,186</b>	<b>257,023,008</b>	<b>15,026,177</b>	<b>10,933,562</b>

1. Prior Net Debt Service assumes a 6.60% Sequestration rate (32.69% subsidy) on the refunded bonds.  
 2. Present value calculated for closing date of 5/10/2018 and uses the arbitrage yield of 3.43% as the discount rate



## NCTA Refunding Savings Summary

- ◆ NCTA has achieved over \$60 million of net present value savings through refunding transactions

Transaction	Refunded Series (Maturities)	NPV Savings (\$)	NPV Savings (%)
\$200,515,000 Triangle Expressway System Turnpike Revenue Refunding Bonds, Series 2017	Series 2009A (2020-2039)	\$32,153,069	13.72%
\$50,125,000 Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A	2009B (2033-2039)	\$10,933,562	7.25%
\$161,759,000 Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018B	2009B (2022-2032)	\$18,854,944	11.67%
<b>Total</b>		<b>\$61,941,575</b>	<b>11.33%</b>



# Bond Counsel Selection

David Roy

Director of Finance

# Request for Proposals Overview

- Advise NCTA on any legal matters related to the planning for future bond transactions, including the use of any state or local non-toll revenue sources.
- Prepare and/or review resolutions, orders, agreements, contracts and other documents in connection with the issuance of bonds
- Provide advice and counsel on continuing compliance with securities, tax and other applicable law
- Advise NCTA on any legal matters related to any proposed alternative financing mechanisms
- Provide on-going legal support and advice for existing bonds and TIFIA loans

# Selection Process



## Selection Committee:

- Evan Rodewald, NCDOT CFO
- David Roy, NCTA Director of Finance
- Rodger Rochelle, P.E., NCTA Chief Engineer
- Chuck Watts, NCDOT General Counsel

# Evaluation Criteria

## Technical Capability

- Qualifications of attorneys
- Experience with similar legal services
- Experience with State Statutes and the North Carolina Constitution
- Experience in other financing programs
- Dollar volume and number of successfully closed public financing programs
- Experience with federal tax and securities law

## Managerial Capability

- Past performance
- Efficiency
- Ability to meet schedules
- Project organization
- Ability to respond to the needs of the Authority

## Competitiveness and Reasonableness of Cost

- General quality and completeness of response
- Quality of work product
- Firm's commitment to diversity and inclusiveness
- Cost proposal

# Bond Counsel Selection Committee Recommendation

- Firms who submitted Proposals:
  - Hunton Andrews Kurth LLP
  - McGuireWoods LLP
  - Nixon Peabody LLP
  - Parker Poe Adams & Bernstein LLP
  - Robinson Bradshaw
  - Womble Bond Dickinson (US) LLP
  
- Shortlisted Firms
  - Hunton Andrews Kurth LLP
  - McGuireWoods LLP
  - Robinson Bradshaw
  - Womble Bond Dickinson (US) LLP

# Monroe Expressway Construction Financial Update

David Roy

Director of Finance

# Design Build Construction Status

(as of March 31, 2018)

> 95% Complete		
Clearing and Grubbing	Culvert Construction	Erosion Control
Utilities	Bridges	Flatwork and Barrier Walls
Drainage	Pavement and Base	Earthwork
Guardrail/Fence	ITS/Toll/Signing/Lighting	MSE Walls/Sound Walls
50% to 95% Complete		
Maintenance of Traffic		
< 50% Complete		
Pavement Markings	Punchlist	

# Project Budget Update

Item	Current Budget	Expenses (through March 31, 2018)	% Complete
Design-Build Contract	\$462,970,709	\$451,486,140	98%
Landscaping	\$5,909,217	\$34,699	0.6%
CEI by SUMMIT	\$18,182,982	\$14,628,669	80%
Utilities	\$5,184,612	\$5,112,039	99%
Diesel Fuel and AC Reserves	\$13,505,447	\$(3,632,871)	-27%
Right of Way	\$147,269,475	\$138,255,717	94%
Toll Integration	\$19,605,695	\$2,993,652	15.3%
Administration & Reserves	\$58,242,362	\$7,483,120	13%
<b>Totals</b>	<b>\$730,870,500</b>	<b>\$616,361,167</b>	<b>84%</b>



# Right of Way Budget Update

## (as of March 31, 2018)

Project Element		Estimated Cost
Settlements to Date	431 Parcels	\$111,360,000
Outstanding Parcels	0 Parcels	\$0
Condemnation Deposits	42 parcels	\$8,380,000
Condemnation Risk (1x Deposit)		\$8,380,000
Agency Costs to Date		\$19,960,000
Additional Agency Costs (estimated)		\$420,000
<b>Total ROW Cost Estimate</b>		<b>\$148,500,000</b>
Total ROW Budget		\$147,270,000
<b>Potential Overrun (\$M)</b>		<b>\$1,230,000</b>

# Contingency and Reserve Funds

## (as of March 31, 2018)

Item	Budget	Expenses (through March 21, 2018)	Remaining
Stipends and Incentives	\$5,000,000	\$500,000	\$4,500,000
Construction Change Order Contingency	\$22,091,736	\$11,401,441	\$10,690,295
Toll Integration Change Order Contingency	\$4,544,355	\$0	\$4,544,355
Miscellaneous Reserve Funds	\$13,487,114	\$448,675	\$13,038,439
<b>Total</b>	<b>\$45,123,205</b>	<b>\$12,350,116</b>	<b>\$32,773,089</b>

Potential Change Orders	
In Process	\$1,835,501
Submitted	\$861,971
Under Consideration	\$994,100
<b>Total</b>	<b>\$3,691,571</b>



Toll Zone 8  
Between Austin Chaney Road and US 74



Austin Chaney Road Interchange



Toll Zone 6  
Between US 601 and Morgan Mill Road



Unionville - Indian Trail Road Interchange