



# North Carolina Turnpike Authority

Board of Directors Meeting

October 31, 2019

# Complete 540 Plan of Finance



David Roy

Director of Finance & Budget

# Complete 540 Funding Sources\*

## **\$503\*\* million TIFIA Loan (NR/BBB/BBB Expected)\*\*\***

- Gross toll revenue pledge subordinate to the senior lien TriEx system toll revenue bonds
- DSRF funded to 100% of the lesser of three test, provided the 125% of average annual debt service is calculated on a forward basis resulting in on-going deposits

## **\$395\*\* million Senior Lien Toll Revenue Bonds (NR/BBB/BBB Expected)\*\*\***

- Gross toll revenue pledge on parity with Series 2009, Series 2017 and Series 2018 Toll Revenue Bonds
- Common DSRF funded to 50% of the standard lesser of three test

## **\$106\*\* million Senior Lien State Appropriation Revenue Bonds (Aa1/AA+/AA Expected)\*\*\***

- Gross appropriation revenue pledge on parity with Series 2009B, Series 2018A and Series 2018B State Appropriation Bonds

## **\$243 million NCDOT GARVEE Bonds & \$81 million State Match**

*\*\$81 million of NCDOT National Highway Performance Program Funds are currently available per the STIP, but not anticipated to be needed.*

*\*\*Estimates based on a plan of finance including interest rates as of October 29, 2019 plus applicable credit spreads and 50 bps of cushion.*

*\*\*\* (Moody's/S&P/Fitch)*

# Sources and Uses

## Sources

TIFIA Loan*	503,154,401
Toll Revenue Bonds (incl. premium**)	446,569,196
State Appropriation CABs	106,209,750
General Reserve Contribution	32,501,787
NCDOT GARVEE / State Match	324,000,000
<b>Total Sources</b>	<b>1,412,435,135</b>

## Uses

Project Cost	1,295,436,829
Debt Service Reserve Funds	33,419,769
Costs of Issuance / UW Discount	5,376,397
Capitalized Interest Cost	78,202,140
<b>Total Uses</b>	<b>1,412,435,135</b>

# Projected Coverage Ratios

## Senior Lien Toll Revenue Bonds

- 1.67x Minimum
- 3.91x Average (through 2055)

## TIFIA Loan

- 1.87x Minimum
- 2.49x Average (through 2055)

## All-In

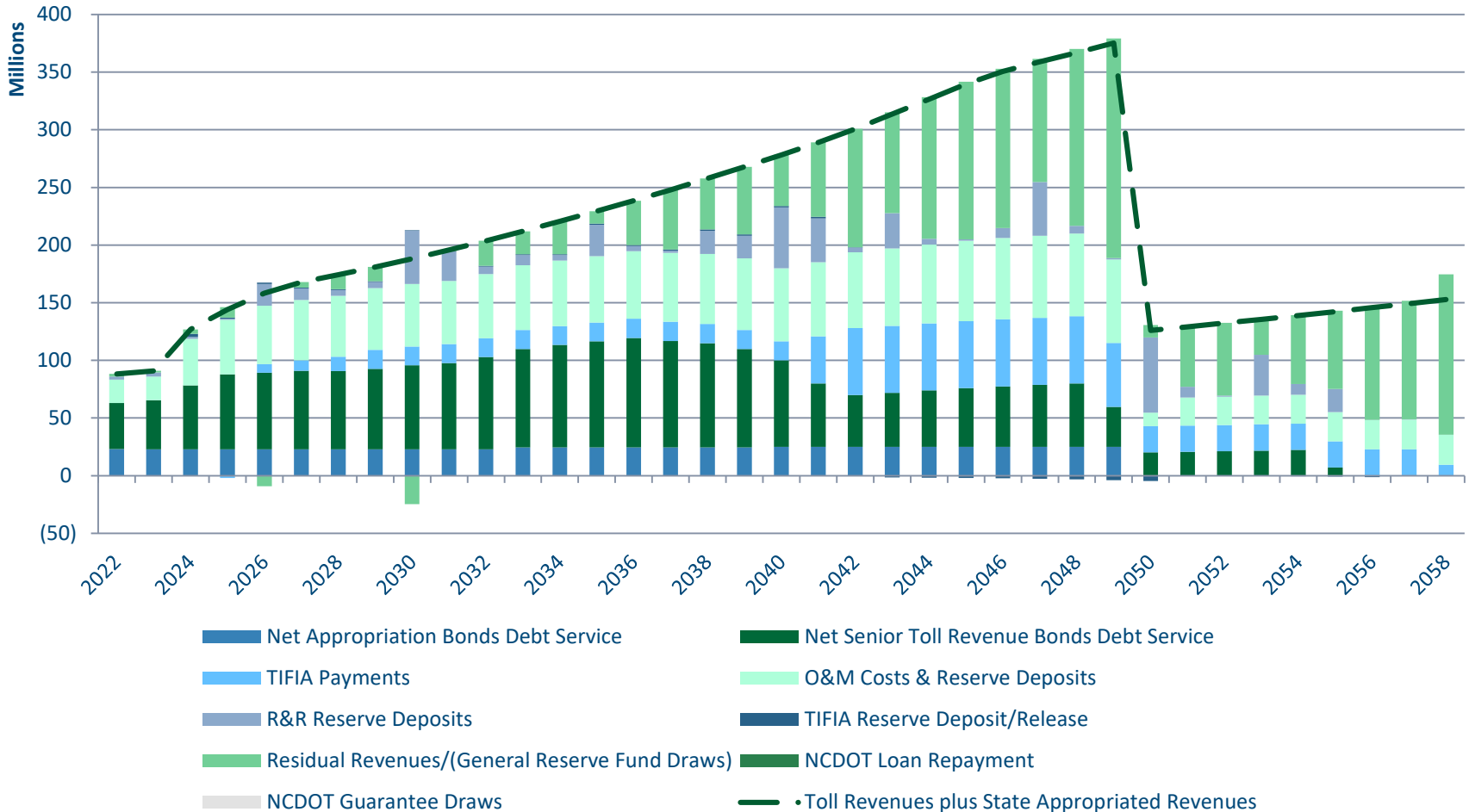
- 0.77x Minimum (shortfalls paid from General Reserve or NCDOT guarantee)
- 1.30x Average (through 2055)
- Minimum Projected General Reserve Balance: \$25,912,031

\*TIFIA Loan is sized to 33% of eligible costs which includes Project Costs, Prior Costs, Costs of Issuance and certain other costs not shown above. Total eligible costs are projected to be \$1.52 billion.

\*\*Estimated par amount of \$395 million and original issuance premium of \$52 million.

# Projected Cash Flows

Flow of Funds Graphic

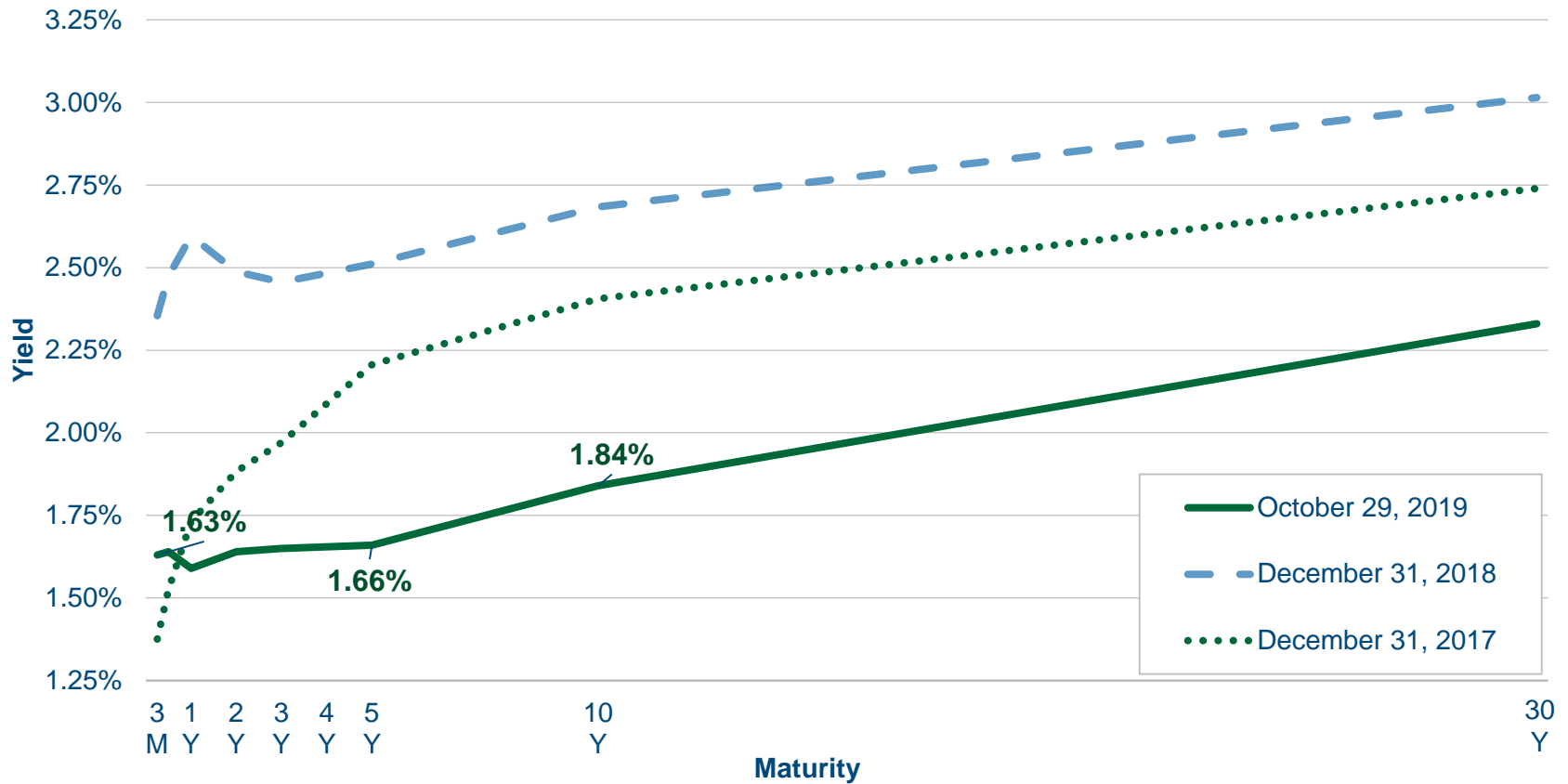


# Tentative Schedule

November 2019	
11/4/2019	Receive Final Public Credit Rating
11/5/2019	LGC Meeting – Approval Financing and Documents
TBD	Post / Release POS and Investor Presentation
TBD	Bond Pricing
TBD	USDOT Secretary Approval
TBD	TIFIA Loan Closing / Bond Closing

# Yield Curve Remains Inverted as Yields Fall

U.S. Treasury Yield Curve



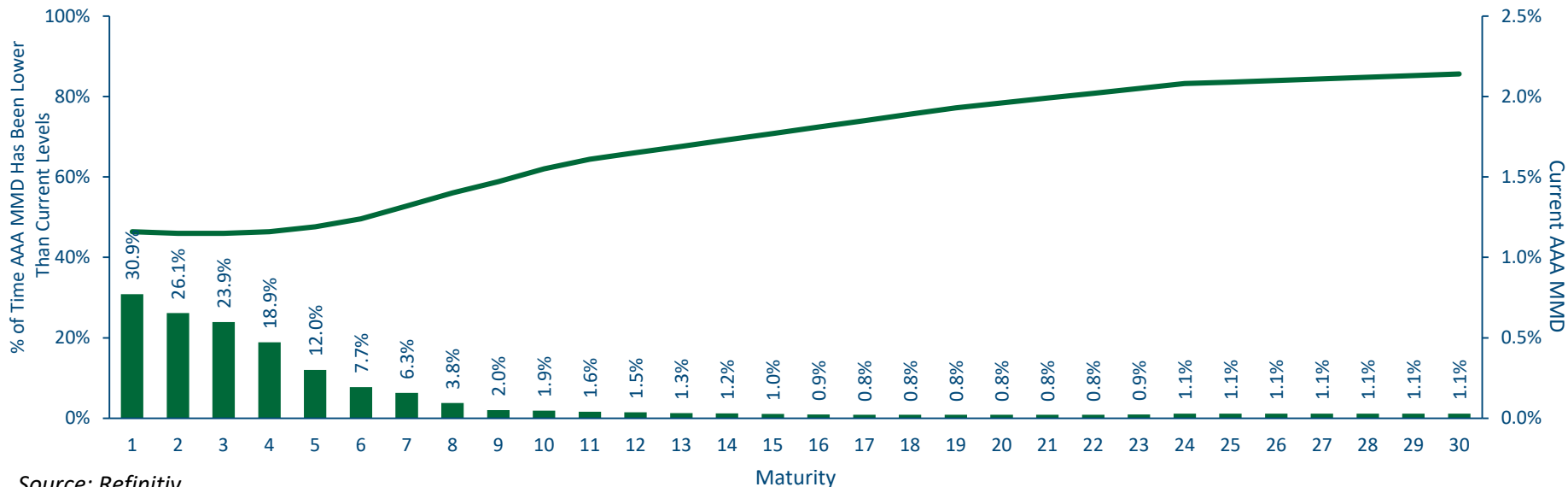
Source: Bloomberg, as of 10/30/2019.

# Market Interest Rate Movements

The graph below compares current AAA MMD rates to rates since 1986. Interest rates have been lower approximately 1% of the time on the long end of the curve.

## % Of Time AAA MMD Has Been Lower Since 1986

10/29/2019 AAA MMD Curve (Right Axis)



Source: Refinitiv



# Complete 540 Draft Financing & Bond Documents

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# Proposed Bond Issues

- Triangle Expressway System Senior Lien Turnpike Revenue Bonds, Series 2019
- Triangle Expressway System Revenue Bond, TIFIA Series 2019
- State Appropriation Revenue Bonds, Series 2019

# Series 2019 Revenue Bonds

## Amended and Restated & Fourth Supplemental Trust Agreement

- Continuation of lien on toll and other revenues from 2009 as security for various debt
- Sets forth the terms for the 2019 Revenue Bonds and TIFIA Bond

## Preliminary Official Statement

- Primary marketing document for the 2019 Revenue Bonds
- Describes the Complete 540 – Phase 1 project and key terms and includes the Plan of Finance detailing sources and uses
- Describes operating history of the Triangle Expressway

## Bond Purchase Agreement

- Executed after the 2019 Revenue Bonds are priced
- Commits the Underwriters to purchasing the 2019 Revenue Bonds
- Sets forth final terms of the 2019 Revenue Bonds

# Series 2019 TIFIA Bond

## TIFIA Loan Agreement

- Sets forth the terms for the TIFIA Loan, including covenants and conditions
- Allows a broader use of loan proceeds than permitted by the tax rules for 2019 Revenue Bonds, such as for older expenditures
- Tighter coverage ratios for issuance of additional senior and subordinated revenue bonds

# Series 2019 Appropriation Revenue Bonds

## Third Supplemental Trust Agreement

- Continuation of lien on appropriation revenues from 2009 as security for various debt
- Sets forth the terms for the 2019 Appropriation Bonds (issued as capital appreciation bonds)
- Debt service on 2019 Appropriation Bonds does not begin until after debt service on all current appropriation bonds has been paid

## Preliminary Official Statement

- Primary marketing document for the 2019 Appropriation Bonds
- Describes the project and key terms and includes the Plan of Finance detailing sources and uses

## Bond Purchase Agreement

- Executed after the 2019 Appropriation Bonds are priced
- Commits the Underwriters to purchasing the 2019 Appropriation Bonds
- Sets forth final terms of the 2019 Appropriation Bonds

# Resolution and Bond Order

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Director of Finance & Budget

# Triangle Expressway Board Resolution

- Adopts Bond Orders – Subject to Local Government Commission (LGC) approval for Series 2019 Revenue Bonds, TIFIA Series 2019 Bond and Series 2019 Appropriation Bonds
- Approves issuance of the Series 2019 Revenue Bonds, TIFIA Series 2019 Bond and Series 2019 Appropriation Bonds, subject to LGC approval
- Approves issuance of trust agreements and other documents related to the Series 2019 Revenue Bonds, TIFIA Series 2019 Bond and Series 2019 Appropriation Bonds
- Approves the sale of the Series 2019 Revenue and the Series 2019 Appropriation Bonds to Underwriters
- Approves use of the Preliminary Official Statements and Final Official Statements by the Underwriters for the marketing of the Series 2019 Revenue Bonds and the Series 2019 Appropriation Bonds
- Approves transfer from the General Reserve fund to accounts under the trust agreements
- Approves execution of the TIFIA Loan Agreement and issuance of TIFIA Series 2019 Bond
- Covenants that the “Bond Documents” shall be substantially in the forms presented hereto which are hereby approved

# Triangle Expressway Board Resolution

Imposes limits as follows:

- Final maturity dates:
  - Series 2019 Revenue Bonds: 1/1/2055
  - TIFIA Series 2019 Bond: 7/1/2058
  - Series 2019 Appropriation Bonds: 1/1/2049
- Maximum aggregate principal amount of:
  - Series 2019 Revenue Bonds: \$600,000,000
  - TIFIA Series 2019 Bond: \$550,000,000
  - Series 2019 Appropriation Bonds: \$175,000,000
- Maximum interest rate for:
  - Series 2019 Revenue Bonds: 5.50%
  - TIFIA Series 2019 Bond: 3.50%
  - Series 2019 Appropriation Bonds: 5.50%
- Maximum percentage of aggregate discount to Underwriters:
  - Series 2019 Revenue Bonds: 0.275%
  - Series 2019 Appropriation Bonds: 0.275%



# Triangle Expressway Board Resolution

- Additional contingency – absent LGC consent, the Series 2019 Revenue Bonds and the Series 2019 Appropriation Bonds will not be issued unless the TIFIA Series 2019 Bond will be issued not later than the same day.
- Authorizes and directs the Chairman and other officers and employees of the Authority to take such actions deemed necessary and appropriate to accomplish the issuance of the Series 2019 Revenue Bonds, the TIFIA Series 2019 Bond and the Series 2019 Appropriation Bonds.
- Reaffirms and ratifies all prior resolutions and actions taken in connection with the issuance of the Series 2019 Revenue Bonds, the TIFIA Series 2019 Bond and the Series 2019 Appropriation Bonds and the financing of Complete 540 – Phase 1 as a part of the Triangle Expressway System.
- Reaffirms the Authority's Toll Rate Policy adopted on September 17, 2008, will apply to Complete 540 – Phase 1.
- Requests the LGC to approve the issuance of the Series 2019 Revenue Bonds, the TIFIA Series 2019 Bond and the Series 2019 Appropriation Bonds and any other action requiring its approval in connection therewith.

# Thank You!

