



Board of Directors – Finance Committee Meeting Minutes

Date: January 26, 2022
Time: 9:30 AM

Location: Via teleconference/webinar & In Person
NCTA Main Conference Room - 608
1 S. Wilmington St. Raleigh NC 27601

Attendance

Members Present

Jim Walker

Members Present Via Phone

Robert Teer; Chair, Scott Aman, Pamela Senegal,
John Adcock

Members Absent

Welcome, Introductions, Call to Order & Declaration of Quorum – Robert Teer, Chair

Discussion Summary

Chairman Robert Teer called the January 26, 2022, North Carolina Turnpike Authority Finance Committee meeting to order and welcomed those in attendance. Mr. Teer called roll and declared a quorum present.

Actions Taken

Information only, no action required

Approval of December 14, 2021 Meeting Minutes – Robert Teer, Chair

Discussion Summary

Mr. Robert Teer noted everyone received a copy of the meeting minutes prior to the meeting and announced he would accept a motion to approve the December 14, 2021, meeting minutes as written.

Actions Taken

The December 14, 2021, Finance Committee meeting minutes were unanimously approved upon a motion by Mr. Jim Walker and seconded by Mr. John Adcock.

Opening Comments – J. J. Eden, Executive Director

Discussion Summary

Mr. J.J. Eden started his opening comments by welcoming everyone to the meeting and by making several introductions.

Mr. Eden introduced and welcomed the two new members of the NCTA Board. Dr. Pamela Senegal, of Roxboro, is the President of Piedmont Community College. Mr. Eden shared that she is also a member of the Roxboro Savings Bank Board, the Caswell Economic Development Board, and the Person Memorial Hospital Board.

Mr. John Adcock, of Holly Springs, is an attorney with experience in municipal and government work. He has served as a member of various boards, including the Triangle Community Coalition and Capital Area Preservation.

Mr. Eden explained that Dr. Senegal and Mr. Adcock will be sworn in on February 9, 2022. Mr. Eden also welcomed three new Turnpike team members: Garrett Lee, Transportation Engineer Associate joined us for the month of October, and you met him at the October Meetings. As part of the DOT Program, Mr. Lee is now working with us on

special projects for a few months. We are glad to have him back with Turnpike. Jacob Vlanich, Financial Analyst I, is joining David Roy's team. Born and raised in Raleigh, he is a graduate of NC State. He has experience in hospital finance and recently returned from a deployment with AmeriCorps NCCC through FEMA Corps where he spent time helping New Orleans recover from Hurricane Ida.

L.J. McCarthy, Technical Writer, is joining Manish Chourey's group supporting the Customer Service and Toll Technology team. She has over 30 years of experience in the construction/engineering industry, with over 20 focused on the toll industry. Her professional focus has included business development, marketing, contract administration and proposal coordination. She is moving to North Carolina from Florida.

Mr. Eden talked about the positive things happening at the Turnpike and mentioned how excited he is with all of the new team members.

Mr. Eden summarized the November 2021, Statistics. He stated that Triangle Expressway transactions totaled 5.11 million with \$4.64 million in revenue. Monroe Expressway transactions were at 3.46 million bringing the revenue for that period to \$2.35 million. Nearly 15,000 transponders were distributed. Turnpike has distributed nearly 1,107,700 transponders to date.

Actions Taken

Information only, no action required

Complete 540 Construction Update – Dennis Jernigan, PE, Interim Chief Engineer

Discussion Summary

Mr. Dennis Jernigan provided the committee with an update on Complete 540 construction and public outreach.

This update included information on the Settlement & Release Agreement for R-2721A & R-2721B. Among several points, the substantial completion date has been changed to March 31, 2024. Mr. Jim Walker wanted to know the original completion date. Mr. Jernigan said that he was not sure, but that he it was during 2023 and that he would check on that and report back to the committee. Mr. John Adcock asked for the definition of an escalation claim and Mr. Jernigan described a material escalation claim as a “guardrail” that outlines and allows for financial and time adjustments according to unforeseen events. Mr. Adcock also asked if there was a provision that the debt holders approve such settlements? Mr. David Roy answered that there were no such provisions.

Mr. Robert Teer asked Mr. Jernigan to explain the qualities and issues concerning asphalt versus concrete paving for the benefit of the new board members. Mr. Jernigan discussed both types of roads and their usage in Complete 540 construction. Further, Mr. Jernigan discussed the use of

cement and lime stabilization in addition to using asphalt as a prime coat for road construction.

Actions Taken

Information only, no action required

Complete 540 Spend Update – Travis Feltes, PE, Project Engineer

Discussion Summary

Mr. Travis Feltes gave an update on the Complete 540 project phase one. He included Plan of Finance Cost Tracking, Right of Way, and Contingencies information.

At the request of Mr. Robert Teer, Mr. Dennis Jernigan explained the history of this issue to the new board members.

Mr. Walker asked Mr. Feltes a question regarding the plan of access cost tracking amount. Once 100% is reached, where does the money come from for this Right of Way expense? Mr. Feltes answered that of the Right of Way (ROW) budget (approx. 620 parcels and based on the value of those parcels) was established before the MAP Act portion added some significant financial burdens to the ROW takings. To date those have been covered by Plan of Finance costs. Turnpike has been tracking those amounts and on average settles a MAP Act Parcel at about 1.5 to 2 times its appraisal value. Mr. David Roy further explained that the Transportation Department had always planned to cover the MAP Act Costs. At this point, they will begin doing such. He discussed the structure of the planning of the project and the impact the MAP Act has had on it. Mr. Roy said that Turnpike is working with the Department to discuss this impact and how to proceed going forward. Mr. Teer asked Mr. Roy to explain to the Committee that there is a contingency to cover such unexpected costs for each of these jobs. Mr. Roy said that significant contingencies have always been part of the plan and that they are part of the discussion with all financing frameworks going forward as well.

Mr. John Adcock asked if the 8% mentioned by Mr. Jernigan was the MAP Act component? Mr. Roy said that it was the approximate amount of simple interest amount (over appraised values) usually offered to landowners for condemnation property values. Mr. Jernigan gave more specific information to clarify that this was a different calculation. He discussed the history of this process and calculation processes.

Mr. Walker then asked if Turnpike is okay with the contingency fund. Mr. Feltes continued by discussing the Contingencies Slide. Mr. Walker asked if as Turnpike starts getting reimbursed by NCDOT, will the numbers shown begin to shift? Mr. Roy stated that this budget is tight. Mr. Teer pointed out that the Contingency funds originate from the financing package, and Mr. Roy continued that most of the supplemental agreements develop early on in the project, so the majority of these costs have already been considered at this time. This knowing that there is also potential for additional disruption with two years of construction pending. Turnpike is confident that the Current Plan of Finance plus the reimbursement from the Department, will be sufficient to cover the costs of the project. That being said, there is a Construction Guarantee on all of our projects that if our Plan of Finance is not sufficient at the end of the day, the Department will step

in to cover any remaining costs (to be reimbursed at a later date). This has not been utilized in the past, and it is hoped that it will not be needed in the future, but it is in place if needed.

Mr. Teer then asked if there were any fuel or asphalt hedge contracts in place and Mr. Feltes discussed the fuel hedge that is currently in place on all three contracts. Mr. Feltes tracks these costs and payments. He offered to share the information in the future with the Committee. Mr. Roy said although it is referred to as a hedge, it actually acts as an insurance policy to make sure that the risk for fuel price fluctuations is decreased.

Actions Taken

Information only, no action required.

Monroe Expressway TIFIA Refunding Approval – David Roy, Chief Financial Officer, Kate Trimble, Financial Analyst

Discussion Summary

Mr. David Roy discussed the potential refunding of the Monroe Expressway TIFIA Loan. Mr. Jim Walker asked Mr. Roy to explain what he meant when he used the phrase “leveraged TIFIA.” Mr. Roy elaborated on the purpose and structure of TIFIA financing as a program that utilizes toll revenues as pledged repayment. He continued to share that TIFIA increases borrowing capacity and allows for an interest rate reset on some past Complete 540 loans. Mr. Roy also discussed that TIFIA funding provisions must be closely examined in order to analyze the benefits of such options. Mr. Robert Teer asked Mr. Roy to share historical information and funding structures with the new NCTA Board Members. Mr. John Adcock asked for confirmation from Mr. Roy that the debt policy is established by the Turnpike Authority Board. Mr. Roy added that such policy was adopted by Turnpike in 2008. Dr. Pamela Senegal added that it may be time to review the minimum threshold savings benefits and Mr. Roy agreed and noted that the Committee usually reviews this policy on a bi-annual basis. Mr. Adcock asked about the minimum level of savings realized by refunding. Mr. Roy said that the debt policy states 3%.

After Mr. Roy summarized the transaction Overview of the Series 2022A Bonds, Mr. Adcock asked questions regarding Maturity Date and Repayment. Mr. Roy stated that the Final Maturity Date is 2053. Also discussed was the fact that repayment schedules can be extended, depending on the parameters of the original debt structure or bond type. Mr. Adcock and Mr. Roy discussed that the flexibility of repayment terms that come with a TIFIA Loan would be lost with this restructuring. Mr. Adcock inquired about the reserve fund. He noted that there is a general reserve fund and a specific reserve fund (TIFIA). Mr. Roy discussed how these issues affect this restructuring, and

how market conditions might affect the 3% mark in March. Mr. David Miller was called on by Mr. Roy for his comments regarding this subject. Mr. Miller is with PFM Finance Advisors. He stated that there were some assumptions made for the benefit of the Refunding Sensitivity in regard to the Debt Service Savings and the Cash Flow savings in the previous slide. He mentioned that the timing of the availability of funds was a key issue in deciding about the benefits of the refinancing. Mr. Walker asked if the available, unpledged funds would be used for Monroe road-related issues and not available, for example, for use on 540? Mr. Roy said yes, there was no ability for such a transfer, as is usually the case. There was discussion about non-economic factors to be considered in addition to the economic issues when deciding how to proceed with the TIFIA Refinancing package. Mr. Adcock asked if there would be a net reduction in reserves as a result of this transaction, and Mr. Roy stated that there would actually be an increase in liquid reserves. Mr. Miller stated that the increase in the general reserves would be about \$6,000,000. The increase in the debt reserves would make necessary the buying down of reserves in order to refund TIFIA and those reserve requirements would be filled by a debt service reserve surety policy. This type of transaction has taken place on The Triangle Expressway and is common in this type of situation. The increase in reserves is in addition to the flexibility of fund usage benefits.

Mr. Roy clarified for Mr. Walker that these are all considerations to be taken by the Board in the event that there would be benefits below 3%. Mr. Adcock asked what the total amount that would potentially be borrowed. Mr. Roy stated that the accrued amount and the proceeds would total \$179,000,000. Mr. Adcock asked if it would be a net increase of debt due to this refinancing, and Mr. Roy stated no. He explained that the outstanding par amount would be reduced with this transaction, referencing the Estimated Sources and Uses slide # 28. Mr. Adcock asked for confirmation that in the Uses section the Cash Deposit amount would be used to pay off the TIFIA loan. Mr. Adcock summarized that there would be no increase in debt, a little uncertainty at this point about what the debt savings would be, the elimination of some TIFIA provisions, and an increase in reserves with this proposal. Mr. Roy agreed and noted that as pricing is about six weeks away, a lot can happen to change the financial details during that time.

Actions Taken

Information only, no action required.

Draft Bond Documents & Resolutions Review – Mary Nash Rusher & Lisa Medina Williams, McGuireWoods

Discussion Summary

Ms. Lisa Medina Williams presented a summarization of the Documents & Resolutions for Proposed Issuance of Monroe Expressway Bond Toll Revenue Refunding Bonds Series 2022A.

Actions Taken

Information only, no action required.

Approval of Resolutions Brought before Finance Committee – Robert Teer, Chair

Discussion Summary

Mr. Robert Teer stated that he would entertain a motion for the approval of the Finance Committee Resolution with Respect to Issuance of Monroe Expressway Toll Revenue Refunding Bonds, Series 2022A, for full discussion and action at the Board of Directors Meeting February 10, 2022.

Mr. David Roy asked if there was a desire by the members of the Committee to think about making an adjustment to the present value savings threshold, or was everyone comfortable with the 3% where it was? Mr. Teer, Mr. Walker, Mr. Adcock, and Dr. Senegal all agreed that it was acceptable.

Actions Taken

A motion to recommend that the North Carolina Turnpike Authority go forward with the Certificate to Refinance at the February 10, 2022, Turnpike Authority Board Meeting was approved unanimously upon a motion by Mr. Jim Walker, seconded by Dr. Pamela Senegal.

Underwriting Recommendation & Preliminary Schedule – David Roy, Chief Financial Officer, Kate Trimble, Financial Analyst

Discussion Summary

Mr. David Roy presented the Underwriting Recommendation and Preliminary Schedule for the Monroe Expressway Toll Revenue Refunding Bonds Series 2022A.

Mr. Jim Walker requested that if there were surprise updates from the Federal Reserve before the February Board of Directors meeting, that the Finance Committee be able to convene an emergency meeting. Mr. Roy said that if economics changed considerably, such a meeting would be scheduled. Mr. Teer noted that if changes caused a decrease in NPV savings that would warrant revisiting. The bond would not be issued below 3% NPV savings.

Actions Taken

Information only/no action required.

Closing Comments, Adjournment – Robert Teer, Chair

Discussion Summary

Mr. Robert Teer opened the floor for questions or comments. Mr. Teer called for a motion to adjourn the January 26, 2022, North Carolina Turnpike Authority Finance Committee meeting.

Actions Taken

A motion to adjourn the January 26, 2022, Operations Committee meeting was approved upon a call for motion from Mr. John Adcock and seconded by Mr. Jim Walker.

Closing Comments, Adjournment – Robert Teer, Chair

Discussion Summary

Mr. Robert Teer opened the floor for questions or comments. Mr. Teer called for a motion to adjourn the October 20, 2021, North Carolina Turnpike Authority Finance Committee meeting.

Actions Taken

A motion to adjourn the October 20, 2021, Finance Committee meeting was approved upon a call for motion from Mr. Jim Walker and seconded by Mr. Scott Aman.