



Finance Committee – Minutes

Meeting Details

Date: October 19, 2022

Time: 9:00 AM

Location: Webinar & NCTA 6th Floor
Conference Room
1 S. Wilmington St.
Raleigh, NC 27601

Attendance

Members Present In-Person & Virtually

John Adcock, Pamela Senegal, Robert Teer,
Jim Walker

Members Absent

Welcome/Introductions, Call to Order & Declaration of Quorum

Robert Teer, Chair

Discussion Summary

Chairman Robert Teer called the October 19, 2022, North Carolina Turnpike Authority Finance Committee meeting to order and welcomed those in attendance. Mr. Teer invited everyone attending the meeting in person and remotely to introduce themselves. Mr. Teer called roll and declared a quorum present.

Actions Taken

Information only/no action required.

Approval of July 20, 2022, 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 July 20, 2022, meeting minutes as written.

Actions Taken

The July 20, 2022, Finance Committee meeting minutes were unanimously approved upon a motion by Mr. Jim Walker and seconded by John Adcock.

Approval of September 30, 2022, Special Meeting Minutes

Robert Teer, Chair

Discussion Summary

Mr. Robert Teer noted everyone was sent a copy of the meeting minutes prior to the meeting and announced he would accept a motion to approve the September 30, 2022, meeting minutes as written.

Actions Taken

The September 30, 2022, Finance Committee meeting minutes were unanimously approved upon a motion by Mr. Jim Walker and seconded by Dr. Pamela Senegal.

Opening Comments

J.J. Eden, NCTA Executive Director

Discussion Summary

Mr. J.J. Eden started his opening comments by welcoming everyone to the meeting.

Mr. Eden then shared the news that Mr. Marvin Butler has retired after 37 years with the Department of Transportation. He said that the whole department would miss Marvin. He will be honored at a future Board Meeting.

Mr. Eden was happy to let everyone know that Logann Perry is back in the office. She is returning to the office after welcoming her daughter, Zora.

Mr. Eden introduced a new Turnpike Employee, Ron McCollum, Deputy Chief Design Build Engineer. Mr. McCollum comes to Turnpike from the NCDOT Office of Technical Services. As Turnpike takes on more of the engineering responsibilities for projects going forward, Mr. McCollum's help will be key to the success of Turnpike.

With multiple ongoing projects the current permanent staff level is at about 25 individuals supporting approximately \$6 billion in ongoing construction design. Mr. Eden expressed his thanks for the contributions consultants make to the efforts of the Turnpike, as well.

Mr. Eden also shared that three Turnpike employees have been promoted to new positions within the organization.

- Alan Shapiro, Director of Highway Operations. As NCTA Moves into a more state-wide approach Mr. Shapiro is key to the ability of the Turnpike to take on the challenges in regard to operations.
- Bradley Young, TriEx Roadway Manager, is replacing Mr. Alan Shapiro, and is experienced with Roadway operations, as he has been with TriEx since its inception.
- Karen Bowley, Asst Manager, Rocky Mount Customer Service Center, is spearheading the Turnpike presence at the new Service Center, and has created a positive, supportive culture.

Mr. Eden stressed that it was a "big deal" that the DOT Board approved C540 Phase 2 Financing. It was a positive development for NCTA, but mostly for the people of the state and region, not just Wake County.

A Mid-Currituck Hearing is scheduled for the second week in December. It is the appeal stage for this litigation and is happening a little earlier than expected, Mr. Eden said.

Mr. Eden stated that the Rocky Mount Customer Service Ribbon Cutting was held on October 10, 2022 and was above his expectations. He thanked the groups that worked on making it a success.

HBCU C540 Tour was held on October 13, 2022, by Mr. Dennis Jernigan and his team. Mr. Eden expressed that it was a really positive event, despite the rainy weather. Mr. Eden reminded the Committee Members that he enjoys helping young people to pick a career path.

Mr. Eden announced that the C540 tour with Secretary Boyette is scheduled for October 26, 2022. With all of the good progress that was being made, Mr. Eden was excited for the group to see the work in progress.

In addition, he told of an Industry Forum that is scheduled for November 14, 2022, in Raleigh. Turnout is expected to be robust, and the information shared, important, per Mr. Eden.

Mr. Eden informed the Committee Members that the Digital Payment Gateway Meeting is scheduled for December 2022. It will include 18 other tolling agencies from across the country. He stated that he believes that the cost of collections is way too high and that he is always looking for ways to cut expenses. He believes being a point-of-sale could be possible and hopes to explore such digital matters with this group. The goal would be digital payment and movements within the industry to make this a reality through RFIs. Mr. Robert Teer asked where the Industry Forum would be held. Mr. Jernigan stated that it would be at the McKimmon Center off of Western Blvd. on the NC State University campus. There are events scheduled throughout the day.

Actions Taken

Information only/no action required.

NCTA By-Laws Update

J.J. Eden, NCTA Executive Director

Discussion Summary

Mr. J.J. Eden stated that the department had been working on the By-Laws and a copy had been disbursed to the NCTA Board Members. He explained that in an effort to move the By-Laws forward they would be advanced to the NCTA Operations Committee for review and if recommended, the By-Laws would move forward to the Board of Directors for a vote. Mr. Eden was sharing this information so that everyone in the Finance Committee was aware of these steps. He was appreciative of the hard work shown by many individuals to make these changes for the benefit of the NCTA. Mr. Robert Teer expressed his appreciation for the work involved for creating new By-Laws. Mr. Jim Walker also expressed his approval of the new By-Laws and recommended that they be approved by the Board Members. Mr. Eden closed by thanking Mr. Walker for his hard work and contributions to the creation of the new By-Laws.

Actions Taken

Information only/no action required.

Complete 540 Construction Update

Dennis Jernigan, P.E., Interim Chief Engineer

Discussion Summary

Mr. Dennis Jernigan reported on information regarding the Complete 540 Construction Update. He showed photos and videos of key portions of the project work and gave the Committee Members detailed descriptions of the progress shown. He also presented details for 2022 Complete 540 Outreach.

Actions Taken

Information only/no action required.

Complete 540 Phase 2 Update

Dennis Jernigan, P.E., Interim Chief Engineer

Discussion Summary

Mr. Dennis Jernigan shared the current status of preliminary work on Phase 2 of the Complete 540 Project. Included in the presentation was a detailed map of the planned locations and interchanges for STIP

R-2829A and STIP R-2829B. Mr. Jernigan spoke about the recent Community Outreach activities of NCTA.

Mr. John Adcock asked how the weather in the colder months affected the bridge construction schedule. Mr. Jernigan explained to Mr. Adcock that as long as the temperature remained no lower than 35-40 ($^{\circ}$ F) degrees, concrete pours could be done. Mr. Jernigan added that as the cold weather was just beginning, the pours do not take very long, and the schedules have not been affected.

Mr. Jim Walker thanked Mr. Jernigan for the good work being done. Mr. Jernigan acknowledged the thank you and added that it does take a whole team.

Actions Taken

Information only/no action required.

Complete 540 Spend Update

Travis Feltes, P.E., Project Engineer

Discussion Summary

Mr. Travis Feltes gave an update on Complete 540 Phase 1. He included Plan of Finance Cost Tracking, Right of Way, Contingencies information, and the Fuel Hedge status. Today's update provided financial data through the end of October 12, 2022.

During the presentation, Mr. Jim Walker asked Mr. Feltes where the additional monies would come from for the additional Right of Way costs, as the costs currently totaled 100%. Mr. Feltes stated that current Right of Way costs are covered by the Plan of Finance. He continued to say that the MAP Act costs on the project (which are pushing the costs over the anticipated amount) would be covered under the completion guarantee with the department. He said that there were about 60 parcels left to finish from a finance perspective. Mr. David Roy reminded Mr. Walker that the MAP Act costs had always been considered for coverage by the department because of how long it takes the parcels to settle. He added that discussions are ongoing with the department as to how these MAP Act costs will be covered in the future, but as of this date all costs are being covered by the Plan of Finance. Mr. Roy said that as of this date the expectation is that the department will reimburse the Plan of Finance for all MAP Act costs in the future. Mr. Walker followed up to ask if all 60 parcels were in litigation. Mr. Jernigan said that they had all been condemned. And that some of the landowners allowed a temporary construction easement and settlement before the end of the set schedule (permissive counter claims). Mr. Jernigan added that 55 parcels are currently in the litigation phase. To follow-up on Mr. Walker's question, he added that that permissive counter claims allowed full access to address construction progress on Complete 540.

Mr. Feltes continued his presentation. Mr. Walker asked what the aggregate amount was of all MAP Act parcels at this point. Mr. Feltes stated that the 'ask' amounts were far different than the 4-x (four times the property value) amounts a planning committee had allocated. The requests are closer to a 10-x amount. Through negotiations the estimated amount has been reduced from the \$109 million range by about \$30 million. Therefore, it is about \$100 million as an expected amount. Mr. Dennis Jernigan added that there are demands on about 60-65% of the remaining parcels that have demands pending. There was a discussion by Mr. Feltes and Mr. Roy about the multiplier for settlements with past roadways. On the Monroe Expressway the settlement value was 1.5 times the property value, according to Mr. Roy. Mr. Feltes stated that for establishing a budget for Right of Way they typically used an average multiplier of 1.7 times property values which includes settled and condemned properties. He told Mr. Walker that the settlements finished the last are always the hardest – people who are asking the most. Mr. Walker asked if any of these parcels had gone to trial, and Mr. Feltes said not at this point.

Mr. John Adcock asked if Mr. Feltes had a feel for Phase 2 - 540, and how it would be affected by MAP Act issues. Mr. Jernigan answered that the only parcels affected by the MAP Act in Phase 2 are those between I-40 and White Oak Road – a short section. Mr. Jernigan summarized the ongoing process for assemblage and negotiations on Phase 2 – 540 parcels. He said that the demands of NCTA are very reasonable, and resolutions should be reached soon. Mr. Adcock asked for clarification of what was meant by 'standard parcels.' Mr. Feltes stated that such parcels were settled without a MAP Act Claim, and that those 397 parcels were negotiated at an average multiplier of just under 1.3 times property value.

Mr. Feltes then finished his presentation and there were no questions from the Committee Members.

Actions Taken

Information only/no action required.

NCTA Debt Policy Update

David Roy, Chief Financial Officer

Discussion Summary

Mr. David Roy gave a presentation to the Committee Members which included a Debt Management Policy Overview, On-Going Reporting Requirements, The Debt Status Reports for Triangle Expressway and for the Monroe Expressway.

Mr. Jim Walker observed that the general situation looks more positive now that the pandemic is mostly in the past. Mr. Roy said that the pandemic has had an impact on future revenue forecasts, particularly on the Triangle Expressway System. He continued that with the pandemic more in the rear-view mirror, it is clearer what the forecasts will be going forward. He added that from a financial stability and health of the project perspective, NCTA does not have any concerns at this point that the required cover ratios will be met.

Mr. Walker informed the Committee about the fact that a topic of conversation at the Denver IBTTA Meetings was regarding whether or not people would stay at home or use tolling projects going forward. He felt that Mr. Roy's report appeared to be positive in regard to this question. Mr. Roy added that with fall traffic analysis, he expected to see a trend of more people going back into the office as children went back to school. He said that lasting impacts exist in regard to future growth rates and are very similar to pre-pandemic levels. This is in light of a couple of years of lost growth due to the pandemic. Mr. John Adcock commented on the overall expansion of the highway system in relationship to the Triangle Expressway. Upon the completion of 540, one would expect more use of the whole tolling system by non-commuter traffic. Mr. Roy agreed that by linking I-40 and 540 it would change the traffic make up - perhaps more commercial vehicles, for example.

Actions Taken

Information only/no action required.

Toll Revenue Collection Update

David Roy, Chief Financial Officer

Discussion Summary

Mr. David Roy presented information about the Fiscal Year 2021 Toll Revenue Collection Statistics. The numbers shown included information pertaining to the Triangle Expressway and the Monroe Expressway systems.

Mr. Jim Walker asked what dollar figure was represented by the 3% of Tolls Outstanding. Mr. Roy said that he would follow-up with Mr. Walker at a later time with the dollar amount. Mr. John Adcock asked what steps took place for enforcement on the collection – what was the process being utilized? Mr. Roy detailed that once an invoice was delinquent, a \$6 processing fee was charged, and a subsequent invoice was mailed. The next step was that a \$25 civil penalty would be charged. If the invoice amount remained outstanding, eventually the vehicle would receive a DMV hold and collections activity. Mr. Roy clarified that that the DMV hold process only applied to North Carolina vehicles. Mr. Adcock remarked that this system was a significant enforcement vehicle. Mr. Roy stated that it was effective. Mr. J.J. Eden mentioned that NCTA is beginning to work with other States for enforcement. He mentioned that a few years ago there was legislation drafted to proceed with this, and that other States had, in fact, enacted such legislation. This would facilitate working together, across state lines, to collect past due invoices. It would be similar to interstate treatment of motor vehicle violations. Mr. Roy agreed that Enforcement Reciprocity was a big topic within the tolling industry. Mr. Eden added that in the future it was hoped that instead of transponders, vehicle information would be gathered and processed via in-vehicle technology. It would be part of a system for fast food payment, parking, and other vehicle centered purchases. The billing would be processed directly. For example, toll charges could be processed as a credit card or utility bill payments. Late payments would be handled differently in the future.

Actions Taken

Information only/no action required.

Note

At this point in the meeting Mr. Robert Teer had to leave the meeting for an appointment. Mr. John Adcock took his place as Acting Chair for the remainder of the meeting.

2023 Triangle Expressway Toll Rates

2023 Monroe Expressway Toll Rates

David Roy, Chief Financial Officer

Discussion Summary

Mr. David Roy presented the annual update for the schedule for toll rate changes for both facilities: the Triangle Expressway and the Monroe Expressway.

Mr. John Adcock asked, as this is his first year on the Board, what was the rationale for establishing the annual increases to the toll rates? Mr. Roy explained that there are inflationary pressures over time and that having a toll rate schedule that is based on the investment grade traffic and revenue study is a huge positive for credit purposes. This applies when NCTA is talking with investors and rating agencies. He recognized that voting for toll rate increases is not always easy, but it is often times viewed as a more favorable approach and has served the Turnpike well in the past. He said that the year over year increases have been in the 2, 3, and 4% range over the life of the projects.

Actions Taken

Information only/no action required.

Adjourn

John Adcock, Acting Chair

Discussion Summary

Mr. John Adcock opened the floor for questions or comments.

Mr. David Roy announced the answer to an earlier question raised by Mr. Walker during Section 10. The text answer to Mr. Roy, from Mr. Jacob Vlanich, informed the Committee Members that the Outstanding FY21 increase of 3% (toll rates) equated to \$2.5 million.

Mr. Adcock noted that there were two things pulling on the budget going forward. The cost of fuel, as well as materials. He said he got the sense from other sources that the materials costs were moderating somewhat. Mr. Dennis Jernigan shared that the General Assembly allocated a little over \$130 million statewide to address that issue. The Department's construction unit provided a deadline to the industry for contractors to submit claims by a certain date. Now the Department is processing those claims and making those payments accordingly. He continued that Turnpike is still experiencing material and labor shortages, but at least the added cost to contractors is being addressed.

Mr. John Adcock called for a motion to adjourn the October 19, 2022, North Carolina Turnpike Authority Finance Committee meeting.

Actions Taken

A motion to adjourn the October 19, 2022, Finance Committee meeting was approved upon a call for motion from Mr. Jim Walker and Dr. Pamela Senegal seconded the motion.