

# North Carolina Turnpike Authority

Special Board of Directors Meeting

December 20, 2022



# Opening Comments

**J.J. Eden**  
Executive Director

# BANs Defeasance Opportunity

**David Roy**  
Chief Financial Officer

**Jacob Vlanich**  
Financial Analyst

# Overview of Opportunity

## Triangle Expressway System

- In October 2020, NCTA issued the Senior Lien Revenue Bond Anticipation Notes, Series 2020 (“2020 BANs”) with the intent of drawing upon the TIFIA Loan at their maturity in February 2024
  - At that time, short-term interest rates were below the TIFIA Loan rate of 1.83% (i.e., the 1-year treasury rate was 0.12%\*)
- Due to significant shifts in the interest rate environment (i.e., the 1-year treasury rate is currently 4.64%\*\*), NCTA would benefit from accelerating the TIFIA Loan draw to defease the 2020 BANs in advance of their maturity
  - Furthermore, TIFIA funds are not subject to yield restriction and therefore can be invested in allowable investment vehicles at current market rates without restriction
  - Due to investment earnings on escrowed funds, the amount of TIFIA funds required to pay the principal of the 2020 BANs is reduced
  - Excess funds could be deposited into the general reserve
- The investment earnings outweigh the increased debt service on the TIFIA Loan (resulting from an accelerated draw schedule) creating a net benefit to NCTA

\*Slides from PFM Financial Advisors LLC

\*Rate as of October 29, 2020.

\*\*Rate as of December 14, 2022



# Transaction Overview

## Triangle Expressway System

- **Execution date: January 17, 2023**
- **Irrevocable Escrow Investment**
  - Investments currently held in Capitalized Interest Fund will be transferred into the escrow and continue to pay all interest due on the 2020 BANs until their maturity
  - NCTA will deposit TIFIA Loan proceeds required to purchase government securities to fully defease the 2020 BANs principal
- **TIFIA Loan**
  - NCTA will draw the full amount of the TIFIA Loan at closing. Only a portion will be required to fully defease the 2020 BANs and the remainder will be deposited into the general reserve.
    - The general reserve deposit is estimated to be \$23 million
  - Interest will begin to accrue on the full TIFIA Loan amount when the TIFIA Loan is drawn resulting in increased debt service.
    - The NPV cost of the accelerated draw is estimated to be \$9 million

# Net Benefit of Transaction to NCTA

## Triangle Expressway System

- Based on current rates, the plan results in approximately \$13.8 million net present value benefit to the Triangle Expressway System after considering increased TIFIA debt service and transaction costs

<b>Net Benefit to NCTA*</b>	
Excess TIFIA Funds	\$23,010,000
<i>Less:</i> NPV of Increased TIFIA Loan Debt Service	(9,011,000)
<i>Less:</i> CAPI Fund Yield Restriction Liability**	(70,000)
<i>Less:</i> Transaction Fees	(100,000)
<b><i>NPV Net Benefit</i></b>	<b><i>\$13,828,000</i></b>

- The Net Benefit amount will fluctuate with investment rates until securities are purchased

\*Slides from PFM Financial Advisors LLC

# Financing Schedule

## Triangle Expressway System

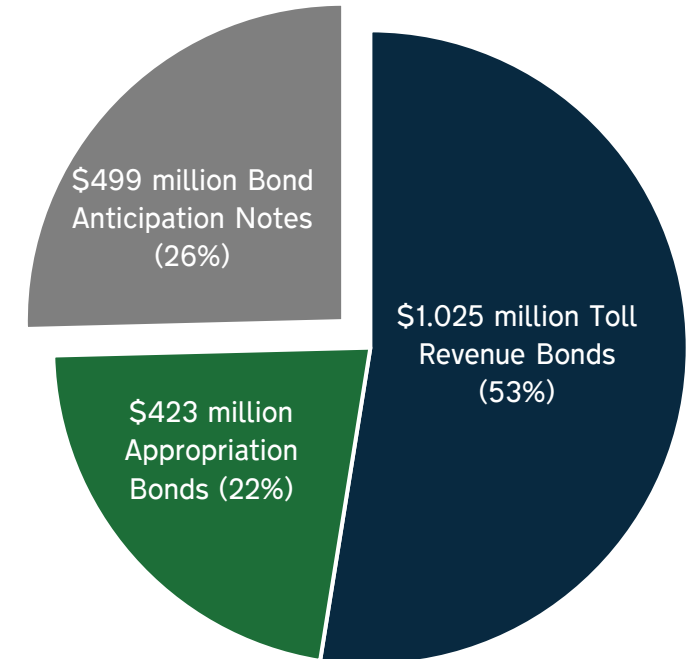
Target Date (Deadline)	Task
Dec 20	NCTA Finance Committee and Board Approval
Dec 21 (Dec 31)	Submit Requisition of full TIFIA Loan
Jan 5 (Jan 10)	SLGS Subscription / Open Market Security Bidding Verification of Escrow Sufficiency
Jan 17	Closing: <ul style="list-style-type: none"><li>• TIFIA Loan Drawn</li><li>• Settlement of Escrow</li><li>• Defeasance Notice Posted</li></ul>

# Draft Documents and Board Resolution

## Triangle Expressway System

- Escrow Agreement
  - Agreement defines terms of Escrow Fund with Trustee
  - Full Defeasance of BANs
    - Requires Verification Report, ensuring deposits along with interest are sufficient
- Resolution
  - Approves the early TIFIA Loan draw for defeasing the Series 2020 BANs
  - Earnings on proceeds in excess needed to defease the Series 2020 BANs are to be used for costs related to the Triangle Expressway System
  - Board reaffirms and ratifies all prior resolutions and actions taken in connection to the defeasance of the Series 2020 Notes.

Triangle Expressway  
Debt by Security Type\*



\*Totals may not add due to rounding



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**Thank you!**