



Special Board of Directors – Meeting Minutes

Meeting Details

Date: Tuesday, December 20, 2022

Location: Teleconference

Time: 10:00 AM – 10:30 AM

Attendance

Members Present

Teleconference Only.

Members Present via Webinar

Secretary Boyette, John Adcock, Sam Hunt, Montell Irvin, Dr. Pamela Senegal, Robert Teer & Vice Chair James (Jim) Walker

Members Absent

Charles (Chuck) Travis

Call to Order, Declaration of Quorum, Ethics Statement Review

Secretary Boyette, Chair

Discussion Summary

Chairman Secretary Boyette called the meeting of the Turnpike Authority Board of Directors to order at 10:00 a.m. on Tuesday, December 20, 2022, and Secretary Boyette conducted a roll call.

Members Present: Teleconference Call.

Members present Via Webinar/Teleconference: Secretary Boyette, John Adcock, Mary Clayton, Sam Hunt, Montell Irvin, Dr. Pamela Senegal, Robert Teer, & Vice Chair James (Jim) Walker

Members Absent: Chuck Travis

Secretary Boyette declared a quorum with members present.

Ms. Tiffanie Lee, Administrative Assistant, read the Ethics Statement advising all members of the Board that may have any conflict of interest, or appearance of conflict, to refrain from participation in that particular item and to file the proper paperwork with Logann Perry, Secretary to the Board.

Ms. Lee shared "In accordance with the State Government Ethics Act, Executive Order No. 2 issued on January 12, 2009, and N. C. G. S. §143B-350, it is the duty of every Board member to avoid both conflicts of interest and appearances of conflict. "To comply with this statement and the State Ethics Law, I ask whether any Board member has a known conflict of interest or appearance of conflict with respect to any matters coming before the Board today."

"If so, please identify the conflict or appearance of conflict when the item appears on the agenda for consideration, refrain from any undue participation in the particular matter involved and sign before our notary the Declaration that has been provided to you for such purpose."

Secretary Boyette invited Mr. J.J. Eden to make opening comments.

Actions Taken

Information only, no action required.

Executive Director Comments

J.J. Eden, Executive Director

Discussion Summary

Mr. J.J. Eden started his opening comments by welcoming everyone to the meeting. He thanked Mr. David Roy and his finance team for their work in keeping the finances of the Turnpike in front of mind. He spoke about the idea that the next year will be a great time to be part of the Turnpike, with so many potential projects and opportunities. Mr. Eden said that he has a great team, maybe the best he has ever worked with. He thanked everyone for working as a team and for making such great contributions.

Mr. Eden shared that he appreciated the good turnout and dedication to the Turnpike Board Members considering the short notice of this meeting's announcement and the fact that the holidays are a busy time of year.

Actions Taken

Information only, no action required.

Finance Committee Report

Robert Teer, Finance Committee Chair

Discussion Summary

Mr. Robert Teer experienced technical difficulties, so Mr. David Roy read his opening comments to the Board Members.

Since the Board meeting in November, the Finance Committee has met once, December 20, 2022. This morning.

At this meeting the Finance Committee received a presentation on the BANs Defeasance Opportunity. The Finance Committee unanimously voted to recommend CONSIDERATION OF RESOLUTION WITH RESPECT TO THE DEFEASANCE OF THE SENIOR LIEN TURNPIKE REVENUE BOND ANTICIPATION NOTES, SERIES 2020 for consideration and approval to the North Carolina Turnpike Authority Board of Directors.

Actions Taken

Information only, no action required.

BANs Defeasance Opportunity

David Roy, Chief Financial Officer

Jacob Vlanich, Financial Analyst

Discussion Summary

Mr. David Roy thanked the member of the board for their willingness to meet on such short notice. Although the department had been working on this matter for a number of months, it was important that a decision be made quickly in order to take advantage of the opportunity the BANs Defeasance Opportunity presents for NCTA. He introduced Mr. Jacob Vlanich to present the information to the Board.

Mr. Vlanich shared information regarding the transaction of Defeasance, the documents that had been shared with the Board Members, and the proposed resolution. Mr. Vlanich also discussed the following subjects: delivery of information including an overview of the opportunity to defease the TIFIA loan for the Triangle Expressway early, a transaction overview with an execution date of January 17, 2023, the net benefit of the transaction to NCTA, the financing schedule, and details about the draft documents and Board Resolution.

Secretary Boyette asked if anyone had questions about the resolution or the presentation. Mr. Jim Walker asked Mr. Vlanich for some examples of what costs these funds might be used to pay for. He wanted to know what would be the typical kind of cost that the money would be spent on. Mr. Roy answered that these funds would be deposited into the General Reserve Fund and would be available for any legally available purpose on the Triangle Expressway System. Likely costs would be to support operations and maintenance. He continued by saying that Legislation dictates that the funds only be used for the benefit of the Triangle Expressway System and not to be used for other purposes outside of the system.

Actions Taken

Information only, no action required.

Action Item:

CONSIDERATION OF RESOLUTION WITH RESPECT TO THE DEFEASANCE OF THE SENIOR LIEN TURNPIKE REVENUE BOND ANTICIPATION NOTES, SERIES 2020

Secretary Boyette, Chair

Discussion Summary

Secretary Eric Boyette announced that he would make a motion that the NC Turnpike Authority Board of Directors accept the RESOLUTION WITH RESPECT TO THE DEFEASANCE OF THE SENIOR LIEN TURNPIKE REVENUE BOND ANTICIPATION NOTES, SERIES 2020 to the North Carolina Turnpike Authority Board of Directors for consideration and approval. He asked for a second. Mr. John Adcock so moved.

Secretary Boyette then took a roll call vote. All present Committee Members voted aye. The motion passed. The Resolution was approved by the Board.

Actions Taken

Resolution Approved.

Closing Comments & Adjournment

Secretary Boyette, Chair

Discussion Summary

Secretary Boyette thanked the Board Members for their work throughout the year and wished all a safe and happy holiday.

Actions Taken

Secretary Boyette entertained a motion to adjourn the meeting. Mr. Robert Teer so moved. Mr. Montell Irvin made a second to the motion. A roll call vote was taken by Secretary Boyette. All voted aye and the December 20, 2022, NC Turnpike Special Board of Directors meeting adjourned at 10:24 a.m.

Actions Taken

Information only, no action required.

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

Net Benefit to NCTA*	
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)
<i>NPV Net Benefit</i>	<i>\$13,828,000</i>

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

*Slides from PFM Financial Advisors LLC

Financing Schedule

Triangle Expressway System

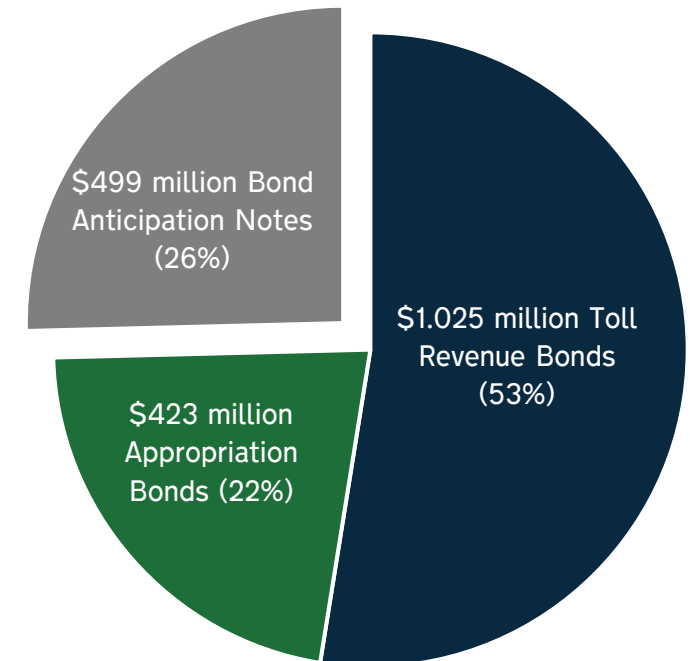
Target Date (Deadline)	Task
Dec 20	NCTA Finance Committee and Board Approval
Dec 21 (Dec 31)	Submit Requisition of full TIFIA Loan
Jan 5 (Jan 10)	SLGS Subscription / Open Market Security Bidding Verification of Escrow Sufficiency
Jan 17	Closing: <ul style="list-style-type: none">• TIFIA Loan Drawn• Settlement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

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!