

North Carolina Turnpike Authority

Special Finance Committee Meeting

December 20, 2022



Providing drivers more choices for their commute

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

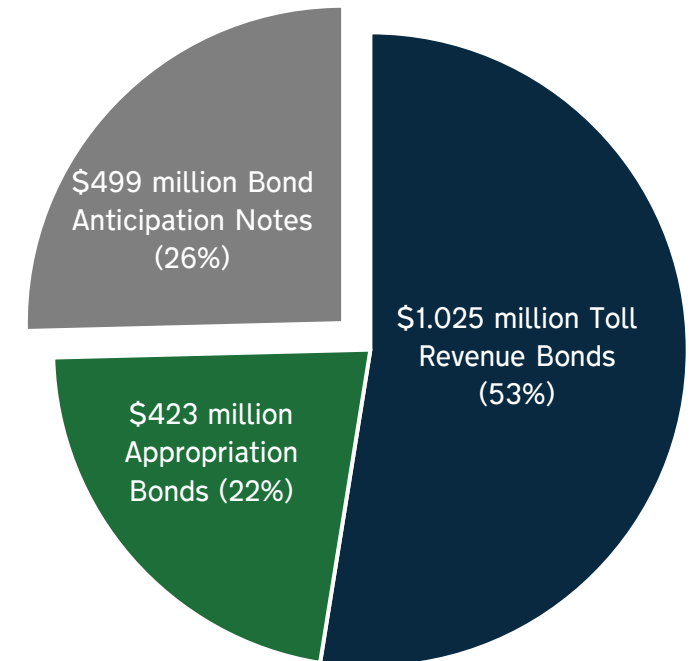
Target Date (Deadline)	Task
Dec 20	NCTA Finance Committee and Board Approval
Dec 21 (Dec 31)	Submit Requisition of full TIFIA Loan
Jan 5 (Jan 10)	SLGS Subscription / Open Market Security Bidding Verification of Escrow Sufficiency
Jan 17	Closing: <ul style="list-style-type: none">• TIFIA Loan Drawn• Settlement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