



Finance Committee – Minutes

Meeting Details

Date: January 25, 2023

Location: Webinar & EIC Conference Rm 114
1 S. Wilmington St.
Raleigh, NC 27601

Time: 9:30 AM

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 January 25, 2023, 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 October 19, 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 October 19, 2022, meeting minutes as written.

Actions Taken

The October 19, 2022, Finance Committee meeting minutes were unanimously approved upon a motion by Mr. John Adcock and seconded by Mr. Jim Walker.

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

Actions Taken

The December 20, 2022, 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, NCTA Executive Director

Discussion Summary

Mr. J.J. Eden started his opening comments by welcoming everyone to the meeting. Mr. Eden and Mr. Teer discussed the success of the NCDOT Transportation Summit Conference which had been held in downtown Raleigh January 18-19, 2023. They invited everyone to put it on the calendar for 2024, because it had been a valuable experience for both of them.

Mr. Eden told the Committee Members that Ms. Kathryn Lorbacher had left the Turnpike team to take advantage of another opportunity. She had done so much to help NCTA. Mr. Eden said that he was proud and happy to see her develop her career.

Mr. Eden also shared that Mr. Manish Chourey has posted a job for a Technical Resource. Mr. Eden asked the Committee Members to refer qualified applicants within their professional networks. A position in Charlotte to help in highway management I-77 was being added to the Department. In general, he stated that there was progress being made to 'staff up' including on the consultant-side of the department.

Also discussed by Mr. Eden were facilities used by NCTA staff. Several of the offices are undergoing renovations. In the downtown office the elevators are inoperable at this time and soon the ceilings and restroom renovations will necessitate staff being relocated to alternative offices. In addition, the Morrisville Customer Service Center will have the restrooms replaced this Spring.

In Rocky Mount, Mr. Eden stated, things are going well. There have been staff additions at the Morrisville and Rocky Mount Call Service Centers. The new Back Office System (BOS2) is on track to roll out soon, and more information is forthcoming from Mr. Chourey and from the Communications Department.

Mr. Eden summarized the progress for 540 Phases 1 and 2. The supply chain and staffing problems are still causing scheduling problems. Mr. Eden has been receiving calls regarding the Mid-Currituck Bridge Project. The department is currently waiting on a decision regarding the first lawsuit. The estimate is that it could be six months before a decision is rendered by the Court.

The Communications Department has been ramping up Social Media outreach, per Mr. Eden. Also, for the Finance Department, Mr. David Roy will speak about items of importance for 540 Phase 2. Mr. Roy has also been focusing on the financial aspects of Mid-Currituck and all budgets.

Mr. Eden shared the historical moment by speaking about the 10-year anniversary – on January 10th - marking the point when NC Quick Pass and E-ZPass become interoperable.

Another subject he discussed was the February 16, 2023, Board Meeting for Mobility Partners. The new CEO will be introduced at that time, as will upcoming changes that are planned.

Mr. Eden told the Committee Members that the May 18th Board meeting would be rescheduled to May 24th to accommodate a change in Secretary Boyette's schedule.

Actions Taken

Information only/no action required.

BANs Defeasance Update

David Roy, Chief Financial Officer

Jacob Vlanich, Financial Analyst

Discussion Summary

Mr. David Roy and Mr. Jacob Vlanich presented information to the Committee Members regarding the Overview of BANs Defeasance and Sources & Uses of Funds for the Triangle Expressway System. Also reviewed were the Refunding and Defeasance Transactions for the Triangle Expressway System and Monroe Expressway.

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 and finished this section by speaking about the recent Community Outreach for Complete 540.

During the discussion regarding the Turbine Interchange Mr. Jernigan was asked by Mr. J. J. Eden what the size of the interchange was. Mr. Jernigan said that it covers 481 acres and once Phase 2 expansion was in place, it would be 630 acres total. Mr. Robert Teer commented on the tremendous progress being made since the tour taken in 2022. Mr. Eden mentioned that he would like to schedule another tour in August so that the Committee Members could see the progress being made on the roadway.

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, Fuel (Diesel) Trends, and the Fuel Cost/Hedge status. Mr. Feltes presented graphs showing Asphalt (AC) Trends and Asphalt Cost Adjustment data.

Mr. Feltes then finished his presentation and Mr. Jim Walker asked how the fuel issue would be dealt with going forward. He asked: would defeasance revenue be utilized to fill-in going forward? Mr. Feltes answered that there were reserves totaling approximately \$4 million. Those funds would be applied to the contractor for both fuel and asphalt costs - until exhausted. Mr. David Roy added that there were a number of unknown factors which the department was considering (particularly related to MAP Act costs). Although the decisions had not yet been made, certainly the general reserves would be applied, if needed. Mr. Walker then asked if the defeasance revenue was something that *could* be used, for such a purpose, if needed. Mr. Roy clarified that the funds received from the defeasance (Approximately \$25 million) were deposited into the unrestricted general reserve. He continued to say that those funds would be available for any use on the Triangle Expressway System.

Mr. Teer made the point that the utilization of the fuel hedge has come to an end in regard to the Triangle Expressway. Mr. Roy agreed and added that when the hedge was put together, it was based on the anticipated schedule and fuel costs at that time and that it probably does not make sense to take advance of the fuel hedge approach at this time.

Dr. Pamela Senegal asked a question regarding the previous issues involving shortages in work force positions and idle equipment. She asked if this problem was continuing. If so, was this impacting the underling costs and schedules. Mr. Jernigan said that the contractor for the eastern project (R-2828) in particular was most vocal about labor resources and continued to struggle with the issue. The contractors working on the A and B jobs were having the same issues. All contractors were having to modify their work, according to Mr. Jernigan. For instance, he said, in the past the girders were supplied throughout the day, but currently, each site was allotted only three girders a day, slowing the pace and adding to staffing costs. Mr. Eden also mentioned that trucking had been an issue. Mr. Jernigan added that some trucking firms either refused to work or charged more because of staff shortages and fuel costs.

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. Mr. Jernigan also gave the Committee Members information regarding the relocation of the FAA Communications tower and the SBA Cell Tower for R-2829B as well as the information that NCTA would be responsible for approval of all Contract Adjustments. He added that Consultant (CEI) Resident Engineering Team(s) would be utilized.

Mr. John Adcock asked Mr. Jernigan about the cell tower relocation details. Mr. Jernigan said that the department, the property owner, and the cell tower company were all working together to place the new tower on the property owner's adjacent land. It all hinged, according to Mr. Jernigan, on the acquisition possibilities of a Special Use Permit. The size of the tower had been reduced, to fit within guidelines for the City of Knightdale. The new location would be within 200 feet of a residential area, however, so if the permit were not issued, the tower would have to be removed altogether. Mr. Adcock asked if the damage caused by the lease between the property owner and the cell tower owner would have to be considered by Turnpike. There were some compensation considerations, according to Mr. Jernigan, although not for the full amount of the lease.

Actions Taken

Information only/no action required.

Backoffice System Update

Manish Chourey, Chief Technology Officer
Angela Queenland, Manager of Customer Service
Suzie Wiley, Quality & Training Manger
Logen Hodges, Marketing & Communications Director

Discussion Summary

Mr. Manish Chourey presented details for the upcoming Backoffice System Transition. Included were details about why a new back-office system was needed, the past and future schedule segments, a day-by-day Transition Steps Timeline, and a list of the benefits Technology Upgrades would bring to Turnpike.

Dr. Pamela Senegal asked Mr. Chourey when he anticipated NC Quick Pass moving away from in-car hardware, such as transponders, to cellular-bypass applications for tolling data collection - thereby reducing costs. She asked if that would be possible within the next six to eighteen months. Mr. J.J. Eden answered the question by sharing that the Toll Industry was conservative regarding new technologies. He stressed that North Carolina and Pennsylvania were key participants in a group of 19 total states working within the industry to pursue the current technology available in 100 million connected vehicles.

Mr. Eden discussed pilot projects that are ongoing around the country which would include tolling, parking, and fast-food drive through. He stressed that this was important moving forward and could allow NCTA to put more money into road construction and less into operating expenses. He mentioned that at the NCDOT Summit earlier in the month, MasterCard, Google and Slack Technologies had given presentations on this topic.

Historically, according to Mr. Eden, toll related system conversions had not gone smoothly. Complexity, multiple interfaces, and the way the systems were originally built complicated future adjustments. Each system had been developed separately, with proprietary technology. NCTA has been working toward the goal of fully utilizing in-car technologies, along with other agencies, but the industry has been quite competitive and there are many potential difficulties. These are among the reasons NCTA is working to utilize cloud and APIs (Application Programming Interface) technology. Mr. Eden said that the RFI (Request for Information) went out and 34 companies responded regarding the pilot. In addition to the commercial interest, there is a not-for-profit group (ATI – Alliance for Toll Innovation) that focuses on incorporating technology changes. Past bank projections have shown that tolling and other in-vehicle charges involve \$5 billion in revenue in the first year and \$50 billion within 5 years (not including most Western States).

Mr. Eden shared that North Carolina has been at the forefront of moving toward using new technologies for tolling purposes. Ms. Beth McKay, Special Deputy Attorney General for NCDOT, has been integral in bringing NCTA and national technology standards to where they are at this time. Multi-protocol readers and transponders were accepted by the industry because of her insistence that they were necessary and possible. Mr. Eden could not affirm a timeline of 18 months but stated that NCTA was pushing these goals forward by talking to all auto manufacturers about focusing on the data collection abilities. The usable technology already exists, so doing pilots with a variety of retail companies would help to make for a shorter time frame. He mentioned that the hard part was not the technology but the business rule implementations. Thirty to forty different states were involved because of their tolling programs, so it was complicated. Mr. Eden said he liked to get on the soap box regarding this issue, as he values the use of in-car technologies for the industry. He shared that Europe is ahead of the U.S. in this matter. Mr. Eden said he has been known as the industry troublemaker and has been threatened continually but thinks this is the correct direction to take for the tolling industry. Dr. Senegal thanked Mr. Eden for the broad context of his answer and said that she wouldn't expect these updates in 18 months, but that she would be looking for them.

Mr. Eden welcomed Ms. Angela Queenland to speak. He asked her to share data regarding the customer contacts NC Quick Pass received. Ms. Queenland stated that including the multiple channels available

(Call Center, Walk-In Center and mail-in inquiries), on a weekly basis there are somewhere between 15,000 and 20,000 contacts. Half of the NC Quick Pass Customers handle their toll payments automatically, without communicating with agents.

Angela Queenland displayed and discussed graphs detailing the Call Center Statistics, Walk-In Center Statistics, the Average Speed to Answer Calls, and the Average Call Handle Time.

Ms. Angela Queenland introduced Ms. Suzie Wiley. They presented information regarding CSC (Customer Service Center) Operational Readiness in regard to the upcoming Backoffice System Transition. Topics discussed included Operational Preparation elements such as Staffing, Projections, and SOP (Standard Operating Procedure) Development. Agent Training would focus on Employee Wellness, Training Materials, Measurement of progress and the planned schedule.

Mr. Logen Hodges outlined the Communications Schedule to be used during the Backoffice Systems Transition (Summary of Campaign Goals, Anticipated Dates, Platforms, and the topics covered by Messaging). Mr. Hodges detailed each of the planned System and Website Campaign Rollout steps.

Mr. J.J. Eden added that the upcoming transition would be one of the most risky and difficult projects yet. It was also, he continued, one of the most important things the department could do to develop necessary applications and technologies going forward. This new system would interface with E-ZPass and other programs to enable the technology changes and alliances that would be coming soon. This project has been in the works since 2019, and is proprietary, cloud based, and key to future system improvements.

Actions Taken

Information only/no action required.

Adjourn

Robert Teer, Chair

Discussion Summary

Mr. Robert Teer opened the floor for questions or comments. Mr. Jim Walker concurred with previous statements that the Transportation Summit (NCDOT) had been excellent and that all Board Members should plan to attend in the future. Mr. John Adcock asked Mr. Eden if it was possible to receive updates about how the transition was progressing. Mr. Eden stated that he would keep the Board Members aware of the transition status. Key points of assessment, he stated, would come when the new system went 'live,' and invoices were mailed out. He added that multiple tests had already occurred.

Mr. Teer called for a motion to adjourn the January 25, 2023, North Carolina Turnpike Authority Finance Committee meeting.

Actions Taken

A motion to adjourn the January 25, 2023, Finance Committee meeting was approved upon a call for motion from Mr. Jim Walker and Mr. John Adcock seconded the motion.