

# North Carolina Turnpike Authority

Special Finance Committee Meeting

March 26, 2024



# Finance Committee



**Robert D. Teer Jr.**  
Finance Committee  
Chairman



**John Adcock**  
Finance Committee  
Member



**Julie Eiselt**  
Finance Committee Member



**James 'Jim'  
Walker**  
Finance Committee  
Member

## Other Board Members



**Joey Hopkins**  
Board Member



**Dr. Pamela Gibson  
Senegal**  
Board Member



**Sam Hunt IV**  
Board Member



**Montell W. Irvin**  
Board Member



**Charles 'Chuck'  
Travis III**  
Board Member

# NCTA Refunding Opportunity Overview

**David Roy**  
Chief Financial Officer

**Jacob Vlanich**  
Financial Analyst

# Monroe Expressway State Appropriation Revenue Bonds, Series 2010A

## Monroe Expressway

- The security for the State Appropriation Bonds, including the Series 2010A Bonds, primarily consists of an annual appropriation of \$24 million to the Authority by the State of North Carolina from the North Carolina Highway Trust Fund, with such appropriation subject to the discretion of the North Carolina General Assembly.
- The Series 2010A Bonds were issued as federally taxable, Subsidy Build America Bonds
  - The Authority was to receive a subsidy of 35% of the interest due on the bonds semi-annually
  - Staff must file a form with the IRS each interest payment date in order to receive the subsidy payment
  - Due to sequestration, NCTA has not received the full subsidy since FY 2013
  - Sequestration rates have ranged from 5.7% to 8.7% and is currently 5.7%
- In April 2024, NCTA plans to issue the Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2024 and to use the proceeds to redeem the Series 2010A Bonds pursuant to the extraordinary redemption provisions of the Trust Agreement. The preliminary bond sizing estimates a ~\$180 million par amount to refund \$208,060,000 of Series 2010A Bonds outstanding, resulting in annual debt service savings of approximately ~225k each year through 2041

# Build America Bonds

## Extraordinary Optional Redemption Provisions

- Like most Build America Bonds, the Series 2010A Bonds may be optionally redeemed by the Authority in the event that an “extraordinary event” occurs at a redemption price that includes a “make whole” redemption price.
- The extraordinary optional redemption price is less than the “make-whole” redemption provisions that would apply if the Authority were to simply exercise its right of optional redemption.
- The Authority’s Trust Agreement states that an extraordinary event has occurred if a material adverse change has occurred to Section 54AA or 6431 of the Internal Revenue Code pursuant to which the Authority’s 35% Interest Subsidy Payment from the US Treasury is reduced or eliminated
- While sequestration began in 2013, a recent 2023 court case has provided the issuers of Build America Bonds with case law that supports the position that the continued reduction in the interest subsidy payment as a result of sequestration means that a “material adverse change” has occurred to Section 54AA or 6431 of the Internal Revenue Code

# Build America Bonds (Continued)

## Extraordinary Optional Redemption Provisions

- The court in *Indiana Municipal Power Agency v. US* held that as a result of the Budget Act of 2011, the U.S. government was statutorily required to reduce its payments obligations and that the Taxpayer Relief Act expressly modifies the government's existing payment obligations, and it does so in a way that directly conflicts with the earlier payment program created by section 1531 of the ARRA.
- While many extraordinary optional redemption provisions are similar, each issuer must review their particular language to determine if whether an extraordinary event has occurred.
- In order to exercise the extraordinary optional redemption provisions, the Authority would need to make the determination that an extraordinary event has occurred

# Make Whole Call Redemption

## Monroe Expressway

- The extraordinary optional redemption call provision calculates the redemption price of the Series 2010A Bonds using comparable U.S. Treasuries
  - The yield spread between municipal bonds and U.S. Treasuries are at an unusual high, allowing for this transaction to be economical and elimination of sequestration risk.
  - The comparable U.S. Treasuries are selected by Reference Treasury Dealers selected by the Authority



\* Source: Bloomberg & treasury.gov; as of March 21, 2024

# Refunding Benefits

## Monroe Expressway

- The proposed refunding provides estimated cash flow savings of ~\$228k/year or \$3.88M in total.\*
- The refunding provides additional ancillary benefits to the Authority that are not captured in the cash flow savings
  - The transaction removes sequestration risk on the associated bonds, at the current rate of 5.7% sequestration, the authority is receiving less dollars each year than originally expected.
  - The Series 2024 Bonds will have an optional redemption with a call date of January 1, 2034. The Series 2010A Bonds did not have a ten-year par call as such provisions are not generally applicable to taxable financings. The inclusion of this redemption provides flexibility for a potential future refunding.
  - Lastly, the removal of federal subsidies eliminates accounting labor required to file and submit for the subsidies.

\*Subject to change due to market conditions



# Debt Structure and Savings

## Monroe Expressway

North Carolina Turnpike Authority Tax-Exempt Current Refunding of Series 2010A BABs Monroe Connector System, State Appropriation Revenue Bonds Cash Flow*						
Date	Prior Debt Service	Federal Subsidy	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 4.8.24
06/30/2025	17,290,462	-3,679,953	13,610,510	13,383,668	226,842	201,730
06/30/2026	20,165,295	-3,536,583	16,628,712	16,400,500	228,212	204,871
06/30/2027	19,992,744	-3,370,716	16,622,028	16,394,000	228,028	199,009
06/30/2028	19,817,643	-3,199,057	16,618,586	16,389,000	229,586	194,921
06/30/2029	19,634,196	-3,021,342	16,612,853	16,384,500	228,353	188,521
06/30/2030	19,446,869	-2,837,397	16,609,473	16,379,500	229,973	184,786
06/30/2031	19,254,866	-2,646,957	16,607,910	16,378,000	229,910	179,780
06/30/2032	19,052,389	-2,449,760	16,602,630	16,373,750	228,880	174,193
06/30/2033	18,842,276	-2,241,791	16,600,485	16,370,750	229,735	170,247
06/30/2034	18,619,407	-2,026,311	16,593,096	16,367,750	225,346	162,503
06/30/2035	18,393,240	-1,803,142	16,590,098	16,363,500	226,598	159,232
06/30/2036	18,152,693	-1,571,927	16,580,766	16,351,750	229,016	156,897
06/30/2037	17,907,223	-1,332,485	16,574,737	16,346,500	228,237	152,428
06/30/2038	17,655,746	-1,084,461	16,571,286	16,341,000	230,286	150,035
06/30/2039	17,392,180	-827,495	16,564,685	16,338,750	225,935	143,576
06/30/2040	17,120,710	-561,319	16,559,391	16,333,000	226,391	140,455
06/30/2041	16,835,255	-285,577	16,549,677	16,322,250	227,427	137,820
	315,573,193	-36,476,272	279,096,921	275,218,168	3,878,753	2,901,002

\*Present value savings assumes a discount rate of 2.98%. NPV Savings calculations include a deduction for the contributed Debt Service Reserve Fund Monies of \$3.9 million.

\*Subject to change due to market conditions

# Estimated Sources & Uses

## Monroe Expressway

<b>Sources</b>	
Par Amount	\$180,140,000
Premium	25,099,199
Debt Service Fund	3,004,220
Debt Service Reserve Fund – Series 2010	3,938,835
	\$212,182,254

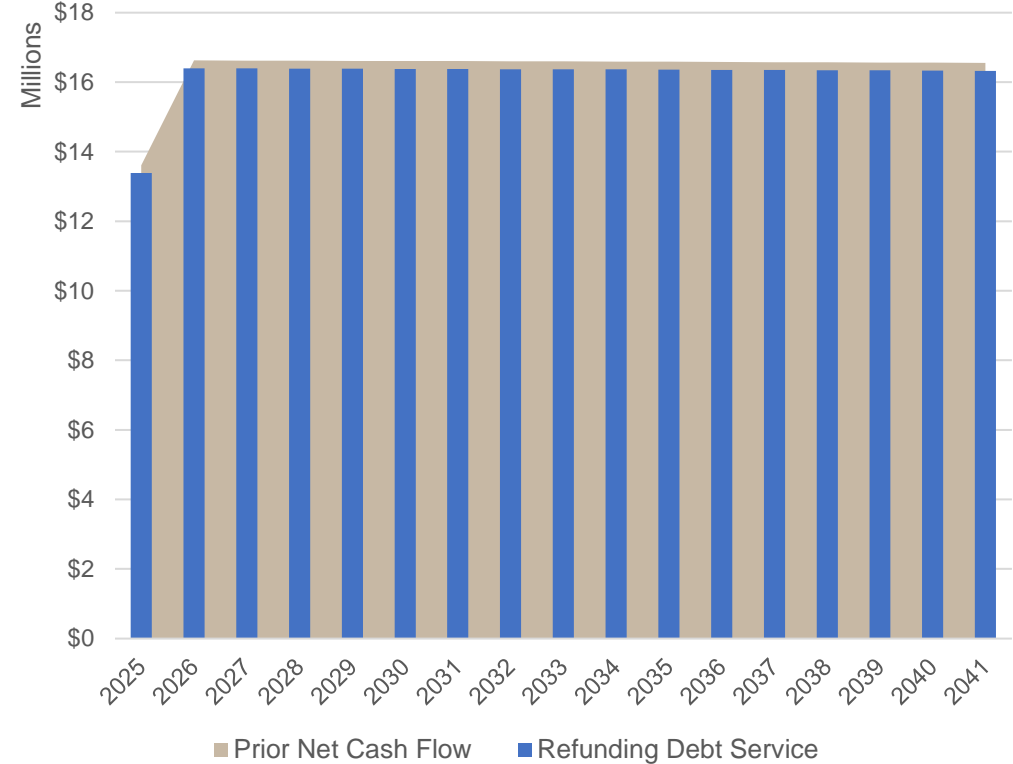
<b>Uses</b>	
Refunding Escrow Deposits	\$211,163,911
Cost of Issuance / Underwriter's Discount	1,018,343
	\$212,182,254

\*Subject to change due to market conditions

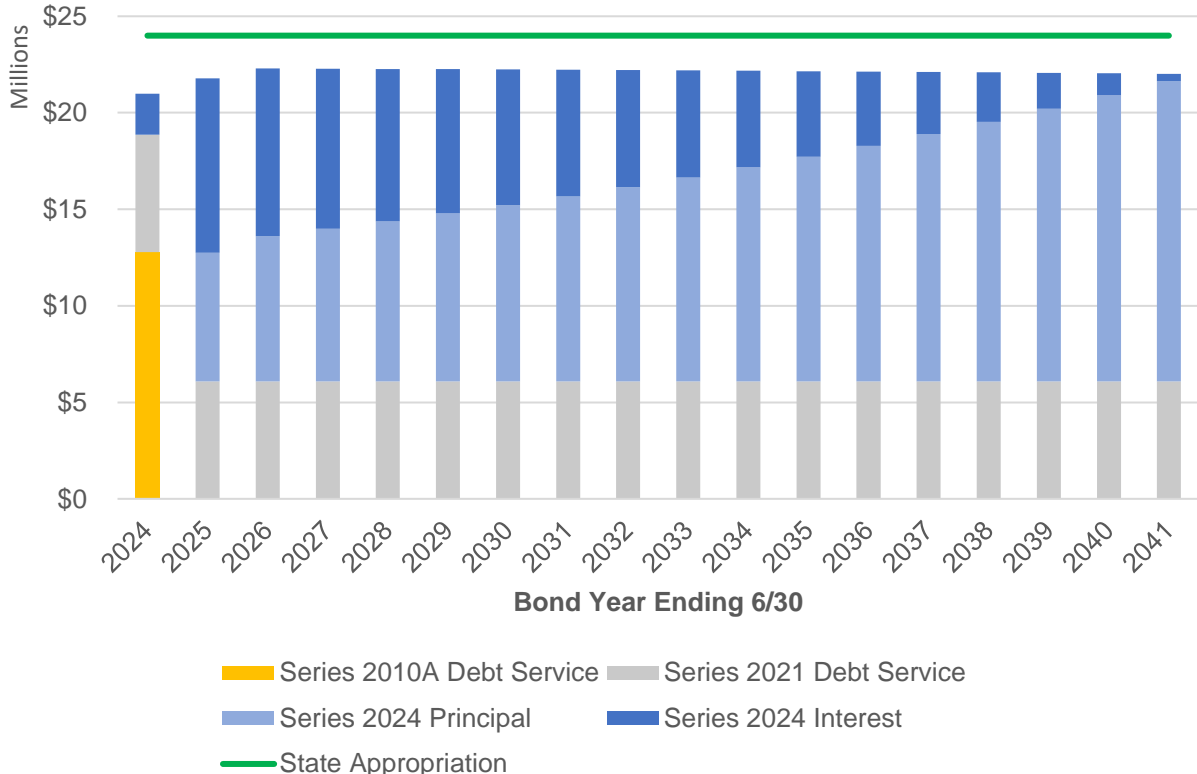
# Debt Structure and Savings

## Monroe Expressway

Debt Service Comparison of 2024 Refunding of Series 2010A



Aggregate Debt Service



Note: Series 2024 debt service is lower in FY 2024 due to planned \$3,004,220 debt service fund contribution at closing.

# Debt Service Coverage

## Monroe Expressway

Fiscal Year Ending 6/30	State Appropriation	Series 2024 Bonds Debt Service	Series 2021 Bonds Debt Service	Series 2010A Bonds Debt Service	Aggregate Net Debt Service	Debt Service Coverage
2024	24,000,000	2,121,918	6,081,500	12,775,208	20,978,626	1.14x
2025	24,000,000	15,697,000	6,085,250		21,782,250	1.10x
2026	24,000,000	16,212,250	6,082,500		22,294,750	1.08x
2027	24,000,000	16,196,500	6,088,250		22,284,750	1.08x
2028	24,000,000	16,181,750	6,086,750		22,268,500	1.08x
2029	24,000,000	16,167,000	6,088,000		22,255,000	1.08x
2030	24,000,000	16,151,250	6,086,500		22,237,750	1.08x
2031	24,000,000	16,138,375	6,082,000		22,220,375	1.08x
2032	24,000,000	16,122,250	6,089,250		22,211,500	1.08x
2033	24,000,000	16,106,750	6,082,250		22,189,000	1.08x
2034	24,000,000	16,090,625	6,086,250		22,176,875	1.08x
2035	24,000,000	16,072,625	6,080,250		22,152,875	1.08x
2036	24,000,000	16,046,625	6,084,250		22,130,875	1.08x
2037	24,000,000	16,026,250	6,087,250		22,113,500	1.09x
2038	24,000,000	16,004,875	6,083,750		22,088,625	1.09x
2039	24,000,000	15,985,875	6,083,500		22,069,375	1.09x
2040	24,000,000	15,962,625	6,085,750		22,048,375	1.09x
2041	24,000,000	15,933,625	6,084,750		22,018,375	1.09x

# Call Optionality

## Monroe Expressway

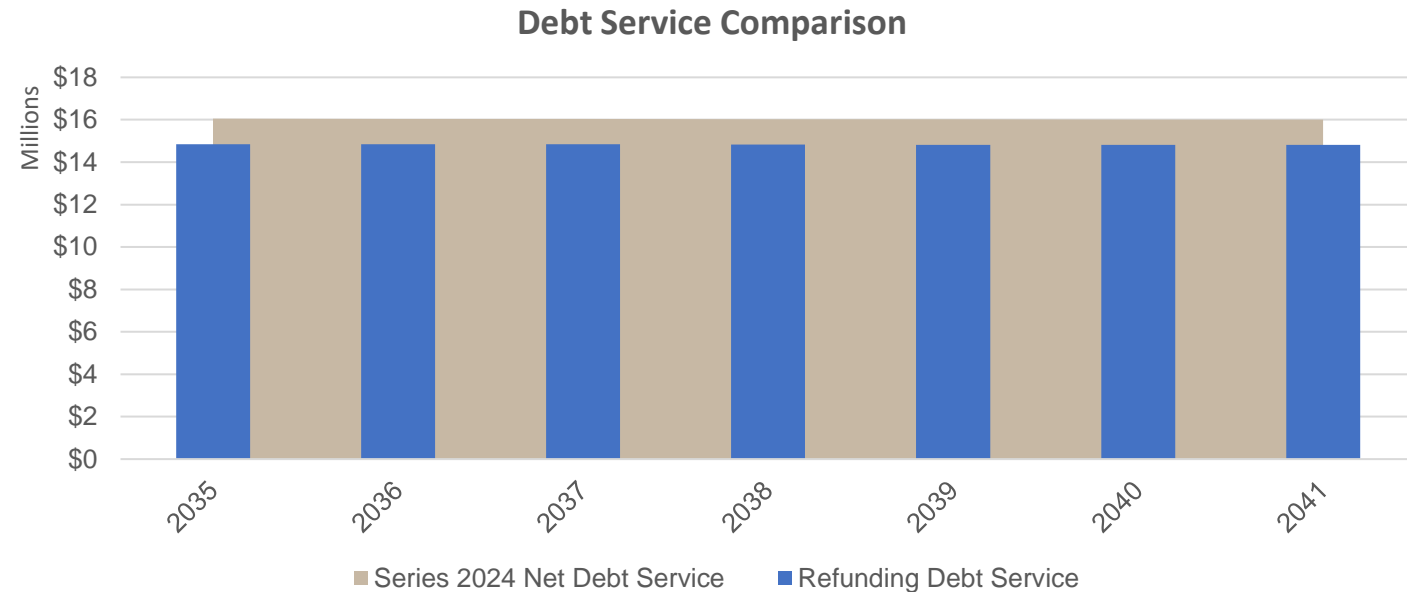
- Refunding bonds issued today would be tax-exempt and issued with a 10-year par call
- This adds potential for future savings if the 2024 bonds are refunded
- Hypothetical Future Refunding
  - Assuming current interest rates prevail in 2034 (when a 2024 issuance would be callable), NCTA would be able to achieve an additional \$4.80M of debt service savings (NPV to 2024)

	2024 Refunding	2034 Refunding of 2024
Call Option	10-Year Par Call	10-Year Par Call
Dated/Delivery	4/8/2024	1/1/2034
Par Amount	184,070,000	85,820,000
Proceeds	209,316,619	93,607,747
Refunded Par	208,060,000	92,745,000
All-in TIC	3.37%	2.91%
Arbitrage Yield	2.98%	2.67%
<b>NPV Savings - Discounted to 4/1/2024</b>		
NPV Savings \$	-1,036,641	5,832,421
NPV Savings %	-0.50%	6.29%
<b>Projected Future Savings</b>		
NPV Savings \$		4,795,780

# Illustrative 2034 Refunding of Series 2024 Bonds

## Monroe Expressway

2034 Refunding of Series 2024 Bonds	
Dated Date	1/1/2034
Par Amount	85,820,000
Par Amount of Refunded Bonds	92,745,000
All-In TIC	2.91%
Arbitrage Yield	2.67%
Net PV Savings	5,832,421
% Savings of Refunded Bonds	6.29%



Period Ending	Series 2024 Net Debt Service	Refunding Debt Service	Cash Flow Savings	PV of Savings to 4/1/2024
1/1/2035	16,047,250	14,851,000	1,196,250	901,215
1/1/2036	16,036,750	14,838,000	1,198,750	879,248
1/1/2037	16,033,250	14,839,250	1,194,000	852,634
1/1/2038	16,030,000	14,832,750	1,197,250	832,356
1/1/2039	16,020,500	14,822,500	1,198,000	810,854
1/1/2040	16,013,500	14,817,250	1,196,250	788,249
1/1/2041	16,007,250	14,810,250	1,197,000	767,865
<b>Total</b>	<b>112,188,500</b>	<b>103,811,000</b>	<b>8,377,500</b>	<b>5,832,421</b>

# Financing Schedule

## Monroe Expressway

Target Date (Deadline)	Task
March 26	<ul style="list-style-type: none"><li>• NCTA Finance Committee and Board Meetings</li><li>• Receive Credit Ratings</li><li>• Due Diligence Call</li></ul>
March 27	Preliminary Official Statement Released and Posted to EMMA
April 2	LGC Meeting – Approval of Refunding
April 4	Negotiated Bond Sale
April 8	Closing

# Underwriting Syndicate Recommendation

## Monroe Expressway

- Lead Senior Manager
  - BofA Securities, Inc.
- Co-Managers
  - J.P. Morgan Securities LLC
  - TD Securities, Inc.
  - Wells Fargo Bank, N.A.



# Draft Documents and Board Resolution

## Monroe Expressway

- Preliminary Official Statement
  - Primary document used to describe and market bonds
- Third Supplemental to Trust Agreement
  - Supplemental to Appropriation Bond Trust Agreement
- Bond Purchase Agreement
  - Agreement with underwriter (BofA Securities) to purchase and sell bonds
- Resolutions
  - Approves issuance of Series 2024 Bonds;
  - Finds an extraordinary event has occurred and approves redemption of Series 2010A Bonds through the extraordinary optional redemption provisions;
  - Requests LGC to approve the issuance and related actions

# Prior Refunding and Defeasance Transactions

## Triangle Expressway System and Monroe Expressway

Refunding	Closing	Refunded Series (Maturities)	NPV Savings (\$)	NPV Savings (%)*
\$200,515,000 Triangle Expressway System Turnpike Revenue Refunding Bonds, Series 2017	March 30, 2017	Series 2009A (2020-2039)	\$32,153,069	13.72%
\$150,125,000 Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A	May 10, 2018	Series 2009B (2033-2039)	\$10,933,562	7.25%
\$161,759,000 Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018B	December 31, 2018	Series 2009B (2022-2032)	\$18,854,944	11.67%
\$401,155,000 Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds, Series 2018	December 12, 2018	2009 TIFIA Loan	\$10,245,388	2.38%
\$499,460,000 Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes, Series 2020**	October 29, 2020	Interim Funding to allow for TIFIA Restructure	\$4,745,518	0.95%
\$73,985,000 Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2021 (Forward Delivery)	Preliminary Closing: December 8, 2020	Series 2011 (2022-2041)	\$29,273,595	30.81%
\$499,461,980 Triangle Expressway System TIFIA Loan, 2021	August 5, 2021	2019 TIFIA Loan (Interest Rate Reset)	\$40,729,259	8.15%

Defeasance	Closing	Series	NPV Benefit (\$)
North Carolina Turnpike Authority Defeasance of Series 2020 BANs	January 17, 2023	Series 2020 BANs	\$15,500,500
<b>Total</b>			<b>\$162,435,835</b>

\*NPV Savings (%) is calculated based on the refunded par amount

\*\*Savings were originally estimated to be \$12.5 million (2.5%) and have been updated to reflect the impact of the reduced TIFIA Loan (and therefore, not double count savings). The TIFIA Loan would not have been eligible for the Rate Reset had the Series 2020 BANs not been issued as the TIFIA Loan would have been drawn upon.

# Contact Us



[ncdot.gov/turnpike](https://ncdot.gov/turnpike)

---



[@NCTurnpike](https://twitter.com/NCTurnpike)



[@NorthCarolinaTurnpikeAuthority](https://www.youtube.com/@NorthCarolinaTurnpikeAuthority)



[ncquickpass.com](https://ncquickpass.com)



**Thank you!**