



## MEETING MINUTES

### FINANCE COMMITTEE

DATE: 07/20/2017 TIME: 9:30 AM LOCATION: NCTA Main Conference Room

MEMBERS PRESENT	Robb Teer, Perry Safran
MEMBERS PRESENT VIA PHONE	Jim Walker
MEMBERS ABSENT	Scott Aman

#### AGENDA TOPICS

<b>1. WELCOME/INTRODUCTIONS – ROBB TEER, CHAIR</b>	
DISCUSSION SUMMARY	Chairman Teer thanked all for attending the meeting today and then called roll for all in attendance.
ACTIONS TAKEN	Information only/No action required.

<b>2. CALL TO ORDER AND APPROVAL OF JUNE 15, 2017 MEETING MINUTES - ROBB TEER, CHAIR</b>	
DISCUSSION SUMMARY	Chairman Teer called the meeting to order and stated the committee minutes for the June 15, 2017 meeting were distributed prior to the meeting.
ACTIONS TAKEN	Chairman Teer called for a motion to approve the minutes as written. Mr. Perry Safran seconded. The minutes were approved.

<b>3. OPENING COMMENTS – BEAU MEMORY, EXECUTIVE DIRECTOR</b>	
DISCUSSION SUMMARY	<p>For June, we had more than 4.3 million transactions. It was our second highest month. May had almost 4.4 million transactions which was our highest month. Revenue for May was up 21% YOY with almost \$4 million and 36% over projections.</p> <p>Mr. Memory also mentioned that we will be hosting the IBTTA All-Electronic Tolling Conference. It has been a few years since NCTA has hosted a conference for IBTTA. The conference will come to Charlotte in April and we will share those dates with the Board. We are excited to bring what has historically been their largest conference of the year back to North Carolina.</p>

	<p>Also Mr. Memory shared with the Committee that the contract for our Municipal Advisor and Investment Manager originally began in 2006. The most recent extension will end December 31, 2017. We feel it is appropriate to re-advertise for these services due to the age of the contract. Given the responsibility of the Board, we felt it was appropriate for the board to have a voice in this matter.</p> <p>In order to be prepared with a new contract in place for next year, we plan to have an RFP released in the next few months. It will be our goal to present the results to the Finance Committee no later than the October meeting with a recommendation for a final vote at the November Full Turnpike Authority Board meeting.</p> <p>This contract is quite a bit old, it is almost ten years old and we think it is just time to do that, it is not a reflection on the work we have received to date, it is just time after almost 11 years to re-advertise.</p> <p>Mr. Safran asked if this would just be an administrative process or if an action is needed from the Board? Mr. Memory asked Mr. Wally McBride if we needed action from the Board. Mr. McBride stated that no, he did not think action was needed as the contract is running out. Mr. Safran agreed and stated that he wanted to make the point that it is an administrative suggestion for which the Board has the opportunity to comment, but we do not have to make an action for you to act. Mr. Memory and Mr. McBride agreed. Mr. Memory stated that this is a direct relation to what the Board does in terms of approving these financial structures. Mr. Safran commented that he concurred, and for the reasons Mr. Memory stated, it has nothing to do with dissatisfaction or otherwise. It is policy. Mr. Teer agreed and asked if this would come through the Finance Committee and then be recommended to the full Board. Mr. Memory stated yes sir; the RFQ will come through the Finance Committee as an information item and then will be taken to the full Board. Mr. Teer asked if this information will be shown in a formal presentation. Mr. Memory confirmed that it would.</p>
<b>ACTIONS TAKEN</b>	Information only/No action required.

<b>4. TRIANGLE EXPRESSWAY APPROPRIATION REVENUE BONDS (BABs), SERIES 2009B REFUNDING ANALYSIS – HOPE DAVIDSON, PFM</b>	
<b>DISCUSSION SUMMARY</b>	<p>Ms. Davidson provided an overview of the structure of the transaction and the steps that have currently been taken to evaluate the proposed transaction. Out of the \$350 million currently outstanding, \$312 million is eligible for a refunding. Ms. Davidson discussed the federal subsidy the bonds receive since they were sold as Build America Bonds (BABs), the effect sequestration has, and the strategy this structure uses to avoid losing the federal subsidy. Ms. Davidson provided some structures that are not an option available to NCTA and further discussed the options that are available including the Forward Refunding Bank Loan.</p> <p>Ms. Davidson discussed how the Forward structure would work. The forward is a standard fixed rate loan. NCTA would pay a premium included in the interest rate to lock the rate today. The loan would be funded on the day the bonds are sold. There is no escrow fund. This option comes out to be about the same as using an escrow.</p>

In order to select a bank for the forward loan, NCTA released a competitive solicitation to select the best proposal. The Request for Proposals was on the street on June 20<sup>th</sup> and was also distributed to market participants that are active in the industry as well as posted to NCTA's website. NCTA received four responses, which is a good amount of responses for this type of structure. The respondents were: Bank of America Merrill Lynch, J.P. Morgan, Piper Jaffrey, and Wells Fargo. In the RFP, we left it very open for the options of the term and the redemption provisions of the loan. Ms. Davidson provided the analysis and rates received from the proposers and what savings each proposal would provide compared to the option of doing nothing until January 1, 2019. The option of doing nothing would leave NCTA open to interest rate risk. If rates were to move 35 basis points the savings would break even. In the past month, rates have moved 15 basis points and in the past year, they have moved 65 basis points higher. Over the next year, there would be only a 35 basis points cushion.

Based on the proposals received, the Selection Committee found that the most attractive options were the 15 year terms from Bank of America Merrill Lynch which offered a make whole and 10 year par call option. The Selection Committee found that the 15 year term 10 year par call option would be the best option to move forward with.

There is the breakage fee or prepayment fee if the loan was not closed on the date the bonds are sold, January 1, 2019. This fee is based on interest rates at the time. Mr. David Tyeryar asked if all proposals included the prepayment fee. Ms. Davidson replied that she assumes they all included some kind of language regarding a prepayment fee. Mr. Wally McBride stated that the real questions whether or not the prepayment fee applies if it's not your fault. For example if congress makes a change, NCTA should not be held responsible since it is out of their control, but also stated that the existence of a breakage fee is not at all unreasonable since they have invested their capital. Mr. Perry Safran agreed, but stated that he wants to know if they all have the same language and also that the Authority should negotiate with whoever is chosen that no government movement will be held against us if it's not our fault.

Mr. David Miller also mentioned that Bank of America said that any act of congress that prevented NCTA from closing, through no fault of their own, would be held against NCTA.

Mr. Safran stated he wants to be sure from a policy perspective. If the language is not the same across all proposals that makes a difference.

Ms. Davidson provided the projected savings that would be received from the proposed selection. The savings average about \$1.6 million a year with total cash flow savings being \$21 million. Ms. Davidson also discussed the option of a rate lock before closing. This discussion would be whether this option could be approved before all final approvals.

Ms. Davidson then provided an overview of the schedule to move forward. Mr. Jim Walker asked if the presence of any Board members would be helpful at the Local Government Commission meeting. Mr. Beau Memory responded that provided that point is reached, yes, support from the Board would be great. Mr. Tyeryar mentioned that on July 11<sup>th</sup> NCTA briefed the LGC, there were and still are many moving parts.

They gave no thumbs up or down, but had many questions to be answered.

Mr. Teer stated that as Mr. Tyeryar said there are a lot of moving parts and it's complicated. NCTA has been very successful in its recent transactions. His caution would be to not jump into something so complicated, we stumble over ourselves.

Mr. Safran asked what would be the cost to the Authority to undertake this transaction.

Ms. Davidson directed attention to the cost of issuance analysis located in the board books that showed a breakdown across all proposals.

Mr. Safran asked Mr. McBride how many times he's done this. Mr. McBride replied that he has done a forward like this several times and he stated that the cost of issuance can be assumed to be about the same as a current refunding. Mr. Safran asked Mr. McBride how many toll road authorities have done this in his experience. Mr. McBride stated he is sure Pennsylvania has done something like this and there should be some in Texas that have. It's becoming prominent with BABs to handle the legal problems associated with them. It's the same as a delayed delivery. Mr. Safran asked if Mr. McBride would take a chance waiting until 2019. Mr. McBride replied that 35 basis points are awfully small and if the rate goes up much more than that, you've lost the opportunity. He stated again what he stated at the last meeting, Mr. McBride has never seen an issuer turn down a chance of locking down a greater than 10% net present value savings with the assumption that it might be better in the future, and that is what you would be doing. Policy wise, issuers tend to say that's not our job to guess the financial markets, let's take what we can get. Mr. McBride also added that as previously discussed the two options with the 15 year term, the make whole call and the 10 year par call, cannot both be done. The 10 year par call, the option recommended by the Selection Committee is based on the fact that it will allow an advance refunding if rates are lower after 10 years and offer flexibility to NCTA.

Mr. Teer asked Mr. Tyeryar what he thinks. Mr. Tyeryar responded that 10% is a lot of money. Mr. Safran stated that he would like to see a comparison of the cost of issuance to the recent transactions done by the Authority.

Mr. Teer asked Mr. Safran what he thought. Mr. Safran responded that he thinks a policy decision has to have a discussion of doing nothing and we have had it. I am fine with it.

Mr. Teer asked that information regarding the rate lock should be presented at the Board meeting. Mr. Teer also stated that he is comfortable taking this to the Board to make a decision.

Mr. Teer and Mr. Walker asked at what point interest rates would reach that it would nullify the savings.

Mr. Tyeryar responded that rates would increase to 35 basis points to be the same as a current refunding in 2019.

Mr. McBride stated that you have a chance to lose money If interest rates were to go even lower.

Mr. Safran responded that is why they were discussing breakage fees.

Ms. Davidson stated that you are not worse off than you are today, you may wish

	<p>that you had waited to achieve even more savings.</p> <p>Mr. Safran replied that maybe we could pay to have breakage to achieve more savings if interest rates decreased.</p> <p>Mr. Memory summarized that at the next meeting the staff and the finance team would come back with a more in depth discussion of the breakage fee and any costs associated with that, costs of issuance compared to recent NCTA transactions, and then some discussion of what actions would be exempt from a breakage fee or penalty.</p>
<b>ACTIONS TAKEN</b>	<p>Mr. Safran made a motion to recommend to the full Board on July 24<sup>th</sup> that we adopt this plan. Mr. Jim Walker seconded the motion. Mr. Teer called for a vote. The vote was unanimous.</p> <p>Mr. Walker made a motion to adopt the <i>Finance Committee Resolution with Respect to Issuance of Triangle Expressway System Appropriation Revenue Refunding Bond</i> and to recommend referring this to the full Board on July 24<sup>th</sup>. Mr. Safran seconded the motion. Mr. Teer called for a vote. The vote was unanimous.</p>

<b>5. TRIANGLE EXPRESSWAY APPROPRIATION REVENUE BONDS (BABs), SERIES 2009B REFUNDING BOND DOCUMENTS – WALLY MCBRIDE – HUNTON &amp; WILLIAMS</b>	
<b>DISCUSSION SUMMARY</b>	<p>Mr. McBride gave an overview of all the documents. The Bond Purchase Agreement is really the only document to be signed in August. All other documents will be signed in December 2018, but the form will be made final now. There are fewer necessary documents which reduces the cost of issuance.</p> <p>Mr. Tyeryar asked if this is like a defeasance, the loan is the piece of outstanding debt. Will there be two debt instruments? Mr. McBride that that up until 2019 there will be one debt outstanding and one contingent debt subject to conditions subsequent. Once the loan is executed there will be one debt instrument outstanding.</p> <p>Mr. McBride brought up another policy question. The term sheet from the bank has requested that the issuer agree with respect to any dispute or controversy over the loan documents that you waive the right to jury trial.</p> <p>Mr. Safran appreciated that North Carolina will be the venue. Mr. Walker asked if the documents gave what the alternative would be. Mr. Safran stated it does not. Mr. Safran state he is opposed. Mr. McBride stated that none of the other documents were this detailed. Mr. Walker said he is opposed only because it does not give an alternative. Mr. Walker asked if this will be required. Mr. McBride stated he will see if the bank will waive or modify this requirement.</p>
<b>ACTIONS TAKEN</b>	Information only/No action required.

<b>6. ADJOURN</b>
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<b>DISCUSSION SUMMARY</b>	Mr. Teer asked if there were any additional items for the Committee to discuss and consider. Hearing none, Mr. Teer called for a motion to adjourn.
<b>ACTIONS TAKEN</b>	Mr. Safran made a motion. Mr. Walker seconded. Mr. Teer called for a vote. The vote passed unanimously and the Committee Meeting was adjourned.