

RATING ACTION COMMENTARY

Fitch Affirms NC Turnpike Auth's Sr Rev Bonds and TIFIA Loan at 'BBB+'; Outlook Stable

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Fitch Ratings - Chicago - 25 Aug 2025: Fitch Ratings has affirmed the 'BBB+' rating on the North Carolina Turnpike Authority's (NCTA) outstanding senior lien turnpike revenue bonds and subordinated Transportation Infrastructure Finance and Innovation Act loan. The Rating Outlook for all debt is Stable.

RATING RATIONALE

The rating reflects the Triangle Expressway's history of robust traffic and revenue growth and the Complete 540 expansion project's commuter-based traffic profile, supported by an expanding service area with strong population and economic growth. The rating is further supported by a commitment from the North Carolina Department of Transportation (NCDOT) to fund operating, maintenance and rehabilitation costs if toll revenues are insufficient, strengthening the bonds' gross pledge. Complete 540 is also supported by a construction completion guarantee from NCDOT during the construction phase.

Coverage metrics are pressured in the near term with mandatory debt service coverage ratios (DSCRs) averaging 1.5x through 2027 under the rating case, but are expected to improve with the ramp-up of Phase 1 and completion of Phase 2. The metrics associated with the Complete 540 project when including Phase 2 are strong under the rating case, with scheduled DSCR averaging 2.1x from 2025 through 2063.

KEY RATING DRIVERS

Revenue Risk - Volume - Midrange

Strong Market, Continued Growth: Triangle Expressway and the planned Complete 540 extensions will serve as major alternatives to congested toll-free roadways and a key route to the main employment center in the region, Research Triangle Park. Economic activity in

the service area is expected to contribute to future traffic growth. However, with the limited number of toll roads in the area, sensitivity to annual toll rate increases remains possible due to uncertainty in overall demand and perceived value of time savings.

Revenue Risk - Price - Stronger

Rate-Making Flexibility Available: NCTA has flexibility to increase toll rates without additional legal or regulatory approvals. The expressway has a set annual rate increase schedule through 2035, with rates increasing somewhat above future projected inflation. NCTA can increase rates above the schedule. However, the expressway's short operational history creates uncertainty about support for additional rate increases beyond the expressway's pre-determined rate schedule, if necessary.

Infrastructure Dev. & Renewal - Midrange

Gross Pledge Supports Asset: The existing expressway is in new condition with limited maintenance needs expected over the intermediate term. The planned Complete 540 extensions are expected to have minimal initial capital needs as brand-new facilities when completed. Capex will be required over time to keep the road viable, but NCDOT pledges to cover the expressway's operating, maintenance and rehabilitation expenses if toll revenues are insufficient. An independent engineer is required to perform annual inspections, supporting asset preservation. The assessment is currently constrained to 'midrange' while Phase 2 is in construction.

Debt Structure - 1 - Midrange

Senior and Subordinate Debt

Back-loaded, Fixed-Rate Debt: NCTA's overall capital structure consists of fixed-rate amortizing debt with no refinance risk, though annual debt obligations escalate to maximum annual debt service in 2058 when including Complete 540 Phase 2 debt, pressuring NCTA's financial flexibility. Rate covenants are adequate, requiring toll increases to meet forward-looking minimum DSCRs of 1.3x and 1.1x on senior and total debt, respectively.

Structural reserves are sufficient with a reserve fund surety on the existing senior lien bonds. The TIFIA loan can spring to senior parity debt upon occurrence of a bankruptcy-related event, supporting a lack of differentiation in attribute scoring between liens. TIFIA benefits from a deferability provision that provides additional payment flexibility.

Financial Profile

DSCR historically increased through ramp-up and remains strong at approximately 1.6x in fiscal 2024. Fitch's rating case, including the debt for Complete 540 Phase 1 and 2, produces a scheduled DSCR averaging 2.1x from 2025 through 2063. Fitch believes that although dependent on growth, there is sufficient coverage cushion and liquidity support from the NCDOT-backed O&M and R&R guarantees to offset slower-than-expected growth.

PEER GROUP

Once stabilized, the expressway's most comparable peers would include similar stand-alone projects like Colorado's E-470 Public Highway Authority (A+/Stable) and San Joaquin Hills Transportation Corridor Agency (A-/BBB+/Positive). Triangle Expressway and its peers are all congestion reliever roadways in strong corridors that face competition from non-tolled alternate routes. The existing expressway's tolls, at a moderate \$0.20/mile for passenger cars, are lower than those of its peers, ranging from \$0.30-\$0.45/mile. However, the peers have greater franchise strength as they have substantially longer operating history.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A prolonged negative shift in operating performance resulting in Fitch's rating case mandatory DSCR sustained below 1.5x (Fitch's current rating case mandatory DSCR through 2062 is 2.1x);

--Reluctance by the authority to increase toll rates above the approved rate schedule if needed;

--Reduced support for the expressway by the state of North Carolina.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- Maintenance of solid financial metrics with Fitch's rating case mandatory DSCR of at least 1.6x for a sustained period after completion of Phase 2. This compares to current rating case mandatory DSCR of 2.1x (through 2062).

SECURITY

The senior bonds are secured by a gross lien on revenue of the expressway. The TIFIA loan is secured by a lien on revenues after the payment of the senior lien bonds. TIFIA can spring to senior parity debt upon occurrence of a bankruptcy related event. Significant support is provided to both the debt and the overall system by North Carolina Department of Transportation's covenant to fund operating, maintenance and capital costs in the event expressway revenues are insufficient.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡		PRIOR ⚡
North Carolina Turnpike Authority (NC)			
North Carolina Turnpike Authority (NC) /Toll Revenues - First Lien/1 LT	LT	BBB+ Rating Outlook Stable	BBB+ Rating Outlook Stable
	Affirmed		
North Carolina Turnpike Authority (NC) /Toll Revenues - Second Lien/2 LT	LT	BBB+ Rating Outlook Stable	BBB+ Rating Outlook Stable
	Affirmed		

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APPLICABLE CRITERIA

[Transportation Infrastructure Rating Criteria \(pub. 07 Jan 2025\) \(including rating assumption sensitivity\)](#)

[Infrastructure & Project Finance Rating Criteria \(pub. 08 Jan 2025\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Third-party Model ([1](#))

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North Carolina Turnpike Authority (NC)

EU Endorsed, UK Endorsed

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