North Carolina Turnpike Authority

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This report does not constitute a rating action.

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Credit Highlights

- S&P Global Ratings' long-term rating and underlying rating (SPUR) on the **North Carolina Turnpike Authority**'s (NCTA) Monroe Expressway's senior toll revenue bonds outstanding and the authority's subordinate Transportation Infrastructure Finance and Innovation Act (TIFIA) loan is 'A-'.
- The outlook is stable.

Rationale

Security

The expressway's receipts secure the bonds. The authority's TIFIA loan provisions allow the loan to spring to parity with senior obligations on a bankruptcy-related event. Based on these considerations, we view the long-term ratings on the senior- and subordinate-lien obligations as equal.

Credit overview

The SPUR reflects our opinion of Monroe Expressway's role as the fastest route connecting the City of Charlotte with suburbs to the city's southeast, although we note that the expressway faces competition from free signalized route alternatives. Somewhat offsetting this strength, in our view, is the expressway's single-asset nature, with moderate pricing power benefiting from a growing service area economy but limited by nontolled alternative routes. We expect the authority will maintain debt service coverage (DSC) above 1.25x as debt service slightly escalates, but we believe projected revenue growth will continue to outpace these debt service increases. The expressway has no additional debt needs and, in our view, lower capital expenses relative to other toll facilities, given that it opened to traffic in November 2018. Therefore, we believe the expressway's debt and liabilities capacity will remain at 10x to 15x, which we view as manageable, over the outlook period. Transaction growth on the Monroe Expressway has been strong in recent years, with transaction volumes increasing 48% from 2021 through 2025. Revenue has met or exceeded independent traffic and revenue consultant projections in each of the past three audited fiscal years. Toll revenue increased approximately 7% in fiscal 2025, and recent trends continue to surpass budgeted expectations generally. The rating also reflects our view of a

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comparative analysis, as the expressway has a smaller revenue and transaction base and is a more limited system compared with peers.

The ' A-' rating further reflects our view of Monroe Expressway's:

- Completed ramp-up with healthy traffic growth, supported by a robust, expanding service area with favorable demographics and economic conditions;
- Healthy DSC that we expect annual Consumer Price Index-linked toll rate increases of 2% to 3% to continue supporting;
- Capable management team with conservative financial practices, willingness and ability to increase toll rates as needed, and expertise that we believe will continue to support the maturing system; and
- Debt service obligations that while modest, could pressure coverage if traffic volumes fall short of expectations, though overall debt and liability burdens are moderating somewhat given a lack of additional debt plans.

Environmental, social, and governance

We assessed environmental, social, and governance factors relative to the expressway's market position, management and governance, and financial performance, and determined that all are neutral in our credit rating analysis. We note the Charlotte metropolitan statistical area's (MSA) broader population growth positions the expressway to benefit from strong demand to the extent that it translates into higher transactions and revenue.

Outlook

The stable outlook reflects our view that Monroe Expressway's activity and revenue will continue to meet or exceed forecasts such that the authority maintains financial metrics that we consider healthy.

Downside scenario

We could lower the rating in the unlikely event that traffic volumes fall materially short of forecast, significantly weakening financial health.

Upside scenario

We could raise the rating during the two-year outlook period if we come to view the debt burden capacity as improving to levels comparable to those of higher-rated peers.

Credit Opinion

Enterprise Profile: Strong

Growing MSA with resilient travel demand

Monroe Expressway's market position reflects actual transaction and revenue trends tracking to independent consultant forecasts with sufficient demand supporting the system. Pledged revenue in fiscal 2025 was approximately 112% of the forecast level, reflecting robust toll revenue

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performance. Continued growth is expected in 2026 and beyond, supported by regional development and sustained demand for the expressway. Benefiting the credit rating is the NCTA toll rate policy with annual toll rate adjustments, including a January 2026 increase to $2.96 from $2.92 per full-length trip for NC Quick Pass users, demonstrate the authority's pricing power in a growing and economically robust service area.

Monroe Expressway is 19.8 miles long, of which approximately 18 miles are tolled extending from U.S. Highway 74 (US 74) at Interstate 485 in eastern Mecklenburg County, North Carolina, to US 74 near Marshville. It provides a limited-access, four-lane road and an alternative and timesaving route for travelers who would otherwise take U.S. 74 through the Town of Monroe and several other communities. The expressway commenced toll collection operations in November 2018.

Financial Profile: Strong

Sufficient traffic and annual toll rate increases continue to support financial metrics

We expect the authority will sustain DSC above 1.25x (S&P Global Ratings-calculated) even under modestly weaker pledged revenue sensitivities. Furthermore, our view of the authority's financial risk profile considers the expressway's historical performance and reasonable projections. Our financial risk profile assessment also reflects the North Carolina Department of Transportation's guarantee to replenish operations, maintenance, and renewal and replacement funds if pledged revenue is insufficient. In addition, we expect that the authority’s debt burden will continue to moderate, with current refunding opportunities being considered and with no plans to issue additional new money debt, and that the authority continues to grow robust unrestricted cash reserves.

We view the authority's updated toll revenue and financial forecast assumptions as reasonable, given that the Charlotte-Concord-Gastonia MSA, which the expressway serves, is a hub for the financial services, communications, logistics, technology, manufacturing, and energy sectors. Charlotte's broad and diverse economy continues to attract investment and a growing population, which we expect will serve Monroe Expressway well from a traffic and revenue standpoint. The most recent traffic and revenue consultant's update report in conjunction with the proposed transaction assumes a compounded annual toll revenue growth rate of 2.6% from 2026 to 2035, 3.0% from 2035 to 2045, and 2.7% from 2045 to 2060. The compounded annual growth rate in transactions is 1.2% from 2026 to 2035, 1.1% from 2035 to 2045, and 0.9% from 2045 to 2060. The forecast incorporates the toll rate schedule recently approved, benchmarked to recent traffic and revenue, and other socioeconomic updates, and we view this as reasonable.

Bond provisions

The expressway's receipts secure the toll revenue bonds and TIFIA loan. The NCTA's trust agreement rate covenant requires pledged revenue equal to at least 130% for senior-lien debt service and 110% for parity debt service. The TIFIA rate covenant requires pledged revenue equal to at least 135% for senior-lien debt service and 125% for total debt service. To issue additional bonds, the NCTA must show that forecast revenue in each fiscal year is at least 140% of the debt service requirement for senior-lien debt and the proposed issuance, and that forecast revenue equals at least 130% of the debt service requirement for parity and the proposed debt through the subordinated level. Although the TIFIA loan is subordinate to the toll revenue bonds, our Transportation Infrastructure Enterprise criteria considers all-in coverage of the senior and subordinate liens. In addition, the authority's TIFIA loan provisions allow the loan to spring to

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parity with senior obligations on a bankruptcy-related event. Because of these considerations, we equalize the senior- and subordinate-lien ratings.

North Carolina Turnpike Authority, Monroe Expressway--ratings score snapshot

Enterprise risk profile	3
Economic fundamentals	1
Industry risk	2
Market position	4
Management and governance	2
Financial risk profile	3
Financial performance	3
Debt and liabilities	3
Liquidity and financial flexibility	2

Ratings List	
Current Ratings	
Transportation	
North Carolina Turnpike Authority, NC Monroe Expressway Toll Facility Revenues	A-/Stable
North Carolina Turnpike Authority, NC Monroe Expressway Toll Facility Revenues TIFIA Loan 2nd Lien	A-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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