CREDIT OPINION
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# North Carolina Turnpike Authority (Monroe Expressway)

## Update to credit analysis

## Summary

The Monroe Expressway's (Baa2, stable senior lien toll revenue bonds) credit profile reflects continuing strong traffic and revenue performance which have led to sound credit metrics that continue to outpace budget and our initial expectations. Toll revenue growth has been strong since the November 2018 opening of the road, as close to 90% of overall traffic activity coming from passenger vehicles that rapidly recovered to above pre-COVID levels. We view these data points as a positive sign that the road is able to capture traffic from the adjacent toll-free US 74. We expect the rate of revenue growth to moderate as the road transitions from ramp-up to stabilization. That said, the trajectory trends remain favorable and continue to be in line with expectations enabling the road to comfortably manage projected debt service and O&M expenses over the next several years.

The credit profile also acknowledges the substantial liquidity cushion given the project has retained more cash than initially anticipated. Monroe Expressway maintains a robust balance of the ramp-up reserve, which was at $30.6 million in fiscal year 2025 (June 30), representing more than 2x average annual debt service of about $14.3 million over the next five years. In addition, internal liquidity includes a 12-month debt service reserve, restricted O&M and R&R reserves, and a $49.4 million unrestricted general reserve.

The credit profile also reflects the benefit of strong support from the State of North Carolina (Aaa, stable) and its agency North Carolina Department of Transportation (NCDOT), which has funded a meaningful portion of capital spending and provided a contingent guarantee to cover shortfalls in operating and maintenance (O&M) and renewal and replacement (R&R) expense and reserve requirements. This support, combined with substantial project-level liquidity, favorable traffic performance and a consistent toll setting record to date, balances risks associated with high stand-alone leverage and the improving but still limited operating history.

## Credit strengths

- » Toll revenue exceeds initial expectations
- » Strong support from the State of North Carolina and NCDOT
- » Robust economic characteristics of the service area
- » Strong liquidity

## Credit challenges

- » Relatively limited operating track record and modest size of service area
- » Modest congestion on existing US 74 compared with other rated toll roads in large metropolitan areas
- » High leverage

## Rating outlook

The stable outlook reflects our expectation that total revenues will continue to increase in line with management and our expectations and will be sufficient to meet Monroe Expressway's escalating debt service.

## Factors that could lead to an upgrade

- » Traffic and revenue growth continues to significantly exceed our current projections, resulting in total net revenue debt service coverage ratio (DSCR) above 1.5x on a sustained basis;
- » Project significantly deleverages, with an adjusted debt ratio below 7.0x, while maintaining a strong liquidity position.

## Factors that could lead to a downgrade

- » Lower than projected revenue as a result of lower transaction volumes or lower toll rates;
- » Weaker financial or policy support by the state or the NCDOT;
- » Unexpected additional projects that will lead to higher leverage levels.

## Profile

The Monroe Expressway is a single asset, 19.8 mile controlled-access toll road located southeast of Charlotte. It extends from U.S. 74 near I-485 in eastern Mecklenburg County to U.S. 74 between the towns of Wingate and Marshville in Union County. The Monroe Expressway reached substantial completion and opened to toll traffic on November 27, 2018. The facility runs roughly parallel to US 74, creating a high-speed alternative to the non-tolled commercial corridor along US 74.

US 74 is the major east-west route connecting the Charlotte region to the North Carolina coast and the port at Wilmington. The road is also the primary connection between Union County and Mecklenburg County (the City of Charlotte). The Monroe Expressway's main purpose is to relieve congestion on US 74. The toll road includes four travel lanes, a depressed grass median and eight interchanges.

Exhibit 1
**Project map**


*Source: North Carolina Turnpike Authority*

## Detailed credit considerations

### Revenue Generating Base - Growing service area and annual automatic toll rate increases support continuing revenue growth

The Monroe Expressway is the primary connection between Union County and Mecklenburg County and the City of Charlotte. It provides travel time savings to fast growing portions of the greater Charlotte area, which has robust economic and demographic characteristics that has been supporting toll transaction and revenue growth over the years.

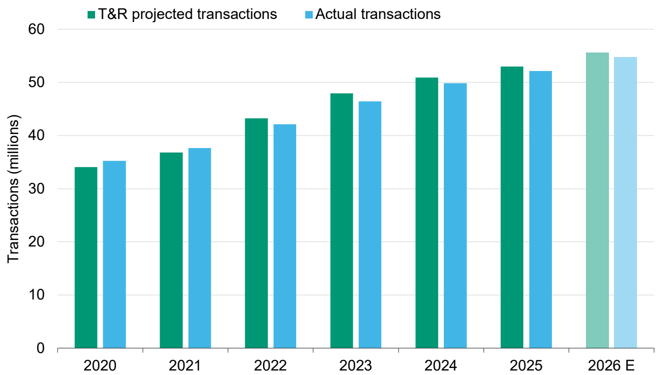
The underlying service area remains strong. We expect the Charlotte economy to remain well above the national average and the city will continue to benefit from its role as a regional economic and employment center, leading to healthy economic growth and tax base expansion. Longer term, we expect that strong demographics and low business costs will continue to attract high-quality investments, helping the metro area to maintain its status as a consistently strong performer.

The Monroe Expressway serves as a commuter facility in the Charlotte area. The areas surrounding the expressway are predominantly residential communities that provide a growing base of commuters with access to Charlotte and other commercial centers along the US 74 corridor. In fiscal year 2025, passenger vehicles represented 88% of traffic on the toll road, and 84% of total toll revenues.

**Toll rate increases over the past several years drove better than expected revenue, despite transaction levels that trailed forecast**
Transactions and toll revenues have been consistently growing every year in line or above the traffic and revenue (T&R) studies since it opened for traffic in November 2018. In fiscal year 2025, transactions increased by 4.7% to 52.1 million compared to the previous year, and were at 98% of the T&R expectations. Actual toll revenue increased by 4.8% to $36.1 million in the same period, and exceeded T&R projections by 12%. In fiscal 2026, management expects toll revenues at Monroe Expressway to increase by 9.7% as compared to fiscal 2025, exceeding the T&R forecast by 17%. We expect the rate of growth to moderate as the road transitions from ramp up to stabilization.

Exhibit 2

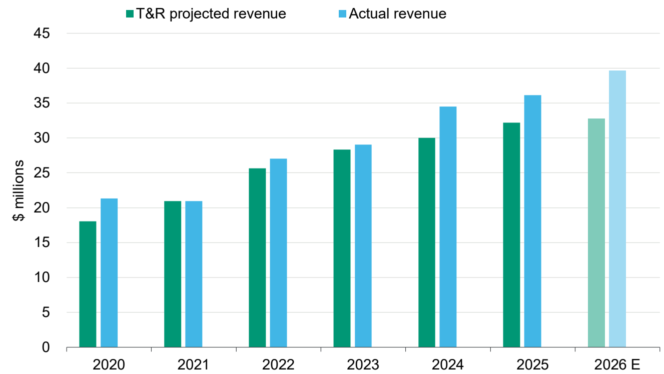
**Annual transactions continue to grow, though it has been slightly below the T&R forecast**




Note: T&R projected transactions represent CDM Smith study from April 2024
*Sources: North Carolina Turnpike Authority and CDM Smith*

Exhibit 3

**Annual toll revenues continues to grow and continue outperforming T&R studies**




Note: T&R projected revenue represent CDM Smith study from April 2024
*Sources: North Carolina Turnpike Authority and CDM Smith*

The most recent T&R study by CDM Smith from 2024 revised up the expectation for future revenue which we believe include reasonable assumptions. The report reflects revisions to the toll rate schedule for the Monroe Expressway that went into effect January 1, 2025, including a 30% increase to Bill by Mail (BBM) rates and no change to ETC rates. These revisions result in a 50% discount from BBM toll rates. In CDM Smith's analysis, these changes resulted in no negative impact to the toll revenue forecast compared to the 2022 T&R Update. In the updated study, toll revenues are forecast to increase by 3.3% annually, on average, during the next five years, while transactions are forecast to increase by 1.5% in the same period. Over the long term through 2058, transactions are forecast to increase annually by 1.1%. This modest long-term transaction growth coupled with annual toll rate adjustments drive forecast average annual revenue growth of 2.9% through 2058.

Compared to the previous T&R Update from 2022, NCTA Monroe annual toll revenue estimates in the 2024 T&R are 3.6% ($1.2m) higher in fiscal 2026 and the difference gradually decreases to 1.7% ($1.4m) towards 2058. Annual transaction estimates in the 2024 study range between 1.6% and 3.6% lower than those in the 2022 T&R Update. This decrease is due to toll diversion of BBM transactions ranging from 9.5% to 14.0% throughout the forecast period, resulting from the BBM toll rate increase.

NC Quick Pass transponder penetration represents an opportunity to further optimize the project's financial structure. Bill by mail remains roughly 48.5% of toll revenues, and continued shift to ETC would likely reduce revenue leakage, and streamline administrative efforts. Despite the relatively high share of bill by mail transactions, revenue collection tends to be fairly efficient as most of the passengers are in-state travelers. For customers, having an NC Quick Pass accounts saves drivers in North Carolina 50% on tolls. NC Quick Pass continues to expand its outreach efforts to make obtaining an NC Quick Pass transponder as easy as possible. In 2025, NCTA partnered with 7-Eleven, Speedway and Harris Teeter in 200 stores across North Carolina to meet customers' needs. Customers are now able to purchase an NC Quick Pass Sticker transponder, branded as Transponders on the Go, and create an account online. NCTA intends to expand the number of partnerships with License Plate Agency offices as well as develop new partnerships with businesses, hospitals and universities to make NC Quick Pass easily available to the public. In 2026, NCTA has a goal to increase NC Quick Pass tag penetration by 5% on its projects.

## Financial operations and position

Monroe's financial performance will remain sound over the next years, despite the expectation that coverage metrics will be more compressed given the gradual increase in debt service payments over the life of the debt, with net coverage around 1.4x. In fiscal year 2025, our total net revenues debt service coverage ratio (DSCR) slightly improved to 1.8x, compared to 1.7x in the previous fiscal year. Total debt service coverage ratio under the bond ordinance, which does not include O&M expenses and renewal and replacement expenses, was 3.37x in fiscal year 2025, compared with 3.22x in 2024.

**Strong support from the State of North Carolina and its agency, NCDOT**

Monroe benefits from the strong support by the state through legislative actions, $24 million in annual state appropriation revenue support and a contingent guarantee by NCDOT to pay for any shortfalls in the operations and maintenance and renewal and replacement reserves. NCDOT's responsibility allows for debt service on the senior lien and the TIFIA note payable to be paid ahead of operating and maintenance (O&M) expenses and reserve deposits as well as renewal and replacement (R&R) reserve deposits.

In the past, NCTA has received from NCDOT and the State Highway Trust Fund to fund part of the project's financing plan. To date, NCTA has not relied on the O&M, R&R or Project Completion guarantees. In addition, NCTA's strategy is closely aligned with that of NCDOT and of the state, evidenced by the fact that the North Carolina General Assembly and the governor selects the vast majority of NCTA's board members. NCTA has strong rate-setting powers.

**Liquidity**

Monroe's current liquidity remains strong. Monroe ended fiscal 2025 with approximately $131 million in unrestricted and discretionary reserves, or 2,910 DCOH. In addition, Monroe's general fund balance was nearly $80.0 million as of June 30, 2025, slightly higher than the same period in 2024. General fund balance includes the ramp-up reserve, as well as the pledged and unpledged reserve funds.

In addition to the standard 12-month debt service reserve fund, liquidity is supported by NCDOT's contingent guarantee to pay O&M expense shortfalls. The exhibit below shows NCTA's major liquidity sources for the Monroe Expressway as of June 30, 2025.

Exhibit 4

**Fund balances as of June 30, 2025**

| Fund Balances as of June 30, 2025 | |
|---|---|
| State Appropriation Revenue | 0 |
| State Appropriation Reserve | 1,091 |
| Revenue | 0 |
| Senior Lien Debt Service Reserve Fund | 12,774,342 |
| Operations & Maintenance Expense Fund | 2,827,955 |
| Operating Reserve Fund | 4,317,004 |
| Renewal & Replacement Fund | 44,132,556 |
| TIFIA Debt Service Reserve Fund | 13,418,678 |
| Ramp-up Reserve Fund | 30,603,941 |
| Unpledged Reserve | 49,350,737 |

*Source: North Carolina Turnpike Authority*

The ramp-up reserve was available to pay senior lien debt service during the first five years of the project. Thereafter, funds in the ramp-up reserve will be transferred to the general fund to be available to fund deficiencies in any of the reserve accounts, and can also be transferred to either the pledged account or the unpledged account of the general reserve fund if the restricted payment test is met. We understand that the remainder $30.6 million balance in the Ramp-up Reserve as of June 30, 2025 is currently being discussed with the Trustee for a release within the next months, and will be transferred to the Pledged Account after released.

## Debt and other liabilities

### Debt structure

As of June 30, 2025, the debt structure of the Monroe Expressway consisted of the following outstanding debt:

Exhibit 5

**Outstanding debt as of June 30, 2025**

| Outstanding debt as of June 30, 2025 | $ thousands | Final Maturity |
|---|---|---|
| Appropriation Revenue Refunding Bonds, Series 2021 (forward delivery) | 84,858 | Jul-41 |
| Appropriation Revenue Refunding Bonds, Series 2024 | 198,008 | Jan-41 |
| Senior Lien Revenue Bonds, Series 2016 A & C | 141,045 | Jul-54 |
| TIFIA Loan, 2017 | 165,573 | Jul-53 |
| **Total debt outstanding** | **589,484** | |

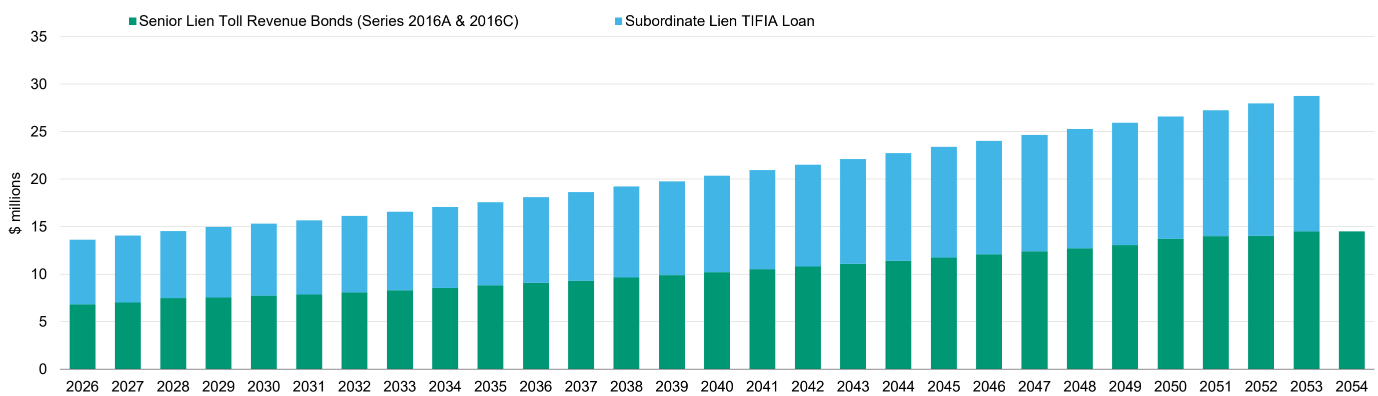
*Source: North Carolina Turnpike Authority*

The 2016 senior lien toll revenue bonds and the TIFIA loan have a backloaded amortization profile. This structure aligns with the revenue generating potential of the road as it ramps up in the initial years, but does rely on sustained long-term growth to meet higher debt service requirements in the outer years. We view this risk as partially balanced by the above-average population growth in the project area and strong economic prospects, which supports an expectation of strong revenue growth over time.

Monroe's debt per mile as of fiscal year 2025 was $7.2 million, a decrease from $7.6 million in fiscal 2024, and it is budgeted further to decrease in future years due to principal being paid on the outstanding debt.

Exhibit 6

**Annual debt service profile**




*Source: North Carolina Turnpike Authority*

### Legal security

The senior lien toll revenue bonds benefit effectively from a gross pledge as the NCDOT has provided a contingent guarantee to cover O&M and R&R reserve requirements. The O&M requirement represents one-fourth of the total budgeted operating expenses for the next fiscal year and the R&R reserve requirement is equal to approximately 100% of the total budgeted R&R expenses for the current fiscal year plus 10% of the budgeted R&R expenses for the next 9 fiscal years. The TIFIA loan has a subordinate lien on the same security pledge, except following a bankruptcy related event, in which case TIFIA lien springs to parity with that of the senior bonds. Importantly, the TIFIA loan on an ongoing basis also benefits from the NCDOT contingent guarantee.

If at any time the amounts in either the Operating Reserve Fund or the R&R Fund are not equal to the reserve requirement, then subject to the availability of funds, NCDOT will pay the amount necessary so that amounts in these reserve funds equal the requirement. The obligation to replenish Operating Reserve Fund is to be funded from amounts in the State Highway Fund and the obligations to replenish the Renewal and Replacement Fund or pay for unexpected construction costs are to be funded from the State

Highway Fund or the State Highway Trust Fund. Each such payment is subject to appropriation by the state and the availability of amounts in the respective funds.

The flow of funds is an open loop per the trustee documents, which allows receipts to flow out of the bottom bucket subject to meeting certain conditions such as all reserve funds need to be fully funded at their respective requirements as well as meeting a Senior Debt Service Coverage Ratio test of 140%, a Total Debt Service Coverage Ratio test of 130% and a TIFIA Loan Life Coverage Ratio Test of 130% amongst others. Importantly, if funds are released, an amount equal transferred to the unpledged account will be used to repay TIFIA debt.

The system has a cash funded debt service reserve requirement for both the senior revenue bonds and the TIFIA loan which are funded at the lesser of 10% of principal, maximum annual debt service or 125% of average annual debt service.

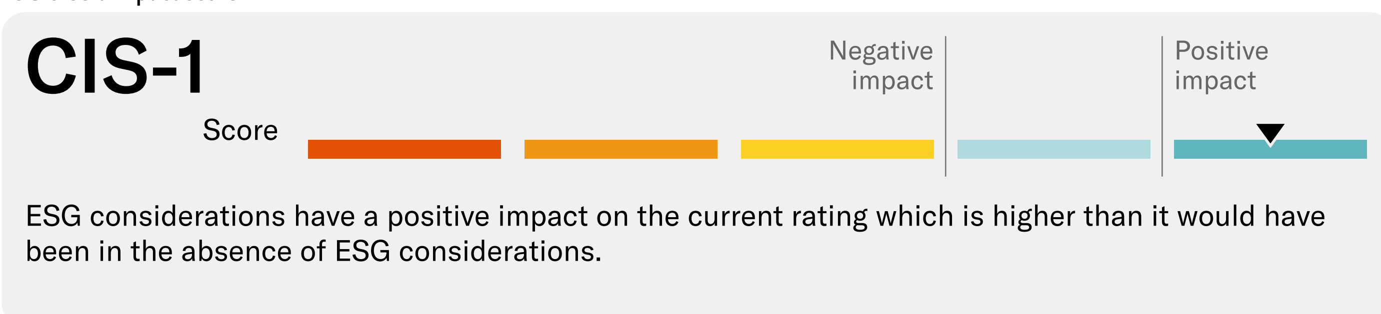
**Debt-related derivatives**
The Monroe Expressway does not have any debt-related derivatives.

**Pensions and OPEB**
Pension liabilities are low. Employees of the authority are participants in the state's Teachers' and State Employees' Retirement System. Based on a discount rate of 6.5%, NCTA reported a net pension liability of $1.9 million for fiscal year 2025. Moody's adjusted net pension liability was $4.0 million for fiscal year 2025 and is based on a lower discount rate.

## ESG considerations

### North Carolina Turnpike Authority (Monroe Expressway)'s ESG credit impact score is CIS-1

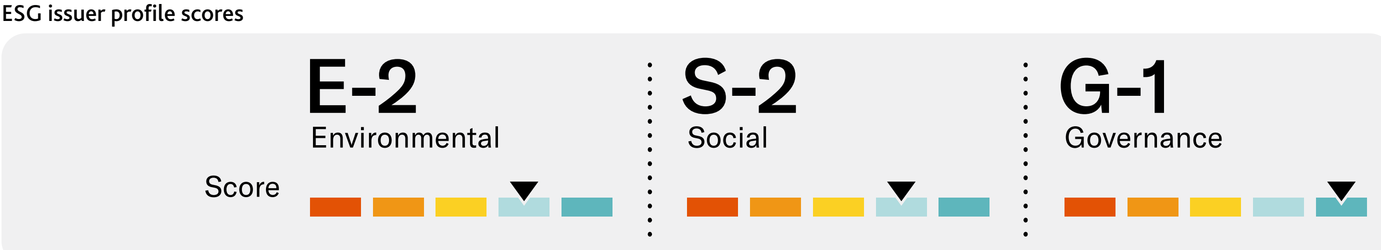
Exhibit 7
**ESG credit impact score**




*Source: Moody's Ratings*

**CIS-1**. North Carolina Turnpike Authority (NCTA) - Monroe Expressway's ESG credit impact score reflects the positive governance considerations and neutral-to-low exposure to environmental and social risks.

Exhibit 8
**ESG issuer profile scores**




*Source: Moody's Ratings*

### Environmental

**E-2**. Credit exposure to environmental risks is limited given water management, waste and pollution and natural capital risks are only heightened when larger greenfield construction projects are undertaken. While roadway materials are carbon intensive (i.e., concrete, and asphalt), wide use of sustainable alternatives have yet to become widely and affordably available and there has yet to be a rise in political or social pressure to decarbonize construction materials to date.

### Social

**S-2**. Exposure to social risks is limited because the long-term demographic and social trends in the broader region indicate sound long-term population and employment growth that should drive traffic growth over the long-term. In addition, forecasted annual toll rate increases are considered manageable.

### Governance

**G-1**. A history of sound financial strategy and strong risk management benefiting from multiple forms of strong fiscal support from the North Carolina Department of Transportation (NCDOT), an agency of the Aaa-rated State of North Carolina. This strong support from the state includes $24 million in annual state appropriation revenue support and a contingent guarantee by the NCDOT to pay for any shortfalls in the operations and maintenance and renewal and replacement reserves. NCTA has also received funds from the NCDOT and from the State Highway Trust Fund to fund part of its capital investment plan, yet NCTA has not relied on the NCDOT's contingent reserve support to date. There are board's structure risks due to the appointment of the majority of NCTA's board members by the Governor, though mostly credit supportive actions have been taken to date. The Monroe Expressway is managed by the NCTA. The Authority is governed by a nine-member board, consisting of four members appointed by the General Assembly of North Carolina, four members appointed by the Governor of the State. The Secretary of Transportation for the state is also a member. Compliance and reporting risks are moderate, reflecting the limited financial disclosure on each of NCTA's projects, including Monroe Expressway.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Methodology and scorecard

The principal methodology used in this rating was Publicly Managed Toll Roads and Parking Facilities. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The Baa2 rating assigned differs from the scorecard outcome of Baa3 as the rating recognizes the strength of the support provided by the state and the NCDOT through annual state appropriation revenue support, and a contingent guarantee by the NCDOT to pay for any shortfalls in the O&M and renewal and replacement reserves. This support allows the system to achieve ramp-up and stable growth, in the event of negative deviations from the traffic and revenue forecast.

Exhibit 9

**Rating factorsNorth Carolina Turnpike Authority (Monroe Expressway)**

| Factor | Subfactor | Score | Metric |
|---|---|---|---|
| 1. Market Position | a) Asset Type | Ba | |
| | b) Competitive Position and Environment | Ba | |
| | c) Economic Strength and Diversity of Service Area | Baa | |
| | | | |
| 2. Performance Trends | a) Annual Revenue | Ba | $36.0 |
| | b) Operating Track Record and Revenue Stability | Baa | |
| | c) Ability and Willingness to Increase Toll Rates | A | |
| | | | |
| 3. Financial Metrics | a) Debt Service Coverage Ratio | A | 1.8x |
| | b) (Debt + ANPL) to Operating Revenue | B | 8.6x |
| | | | |
| **Notching Considerations** | | **Notch** | |
| | 1 - Debt Service Reserve Fund level | 0.0 | |
| | 2 - Open/Closed Flow of Funds | -0.5 | |
| | 3 - Days Cash on Hand | 1.0 | |
| | 4 - Asset Ownership and Financing Structure | -0.5 | |
| | 5 - Leverage Outlook | 0.0 | |
| | | | |
| **Scorecard Indicated Outcome** | | Baa3 | |

[1] Moody's Debt Service Coverage Ratio is calculated on a Net Revenue basis (annual revenues minus operating expenses excluding depreciation and amortization).
[2] The notching for open/closed flow of funds reflects the possibility to use funds in the unpledged account of the general reserve fund for other purposes than the Monroe Expressway. The notching for Asset Ownership and Financing Structure reflects the backloaded debt amortization profile.
[3] Financial metrics are fiscal year 2025 metrics.
*Source: Moody's Ratings*

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