

North Carolina Turnpike Authority

Triangle Parkway/Western Wake Financial Analysis

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Typical Start-up Toll Facility Debt Structure

- Financing is costly and inefficient for start-up toll facilities with project toll revenues as the only leverage for bonds and loans.
- The most difficult period for toll facilities are the beginning “ramp-up” stages.

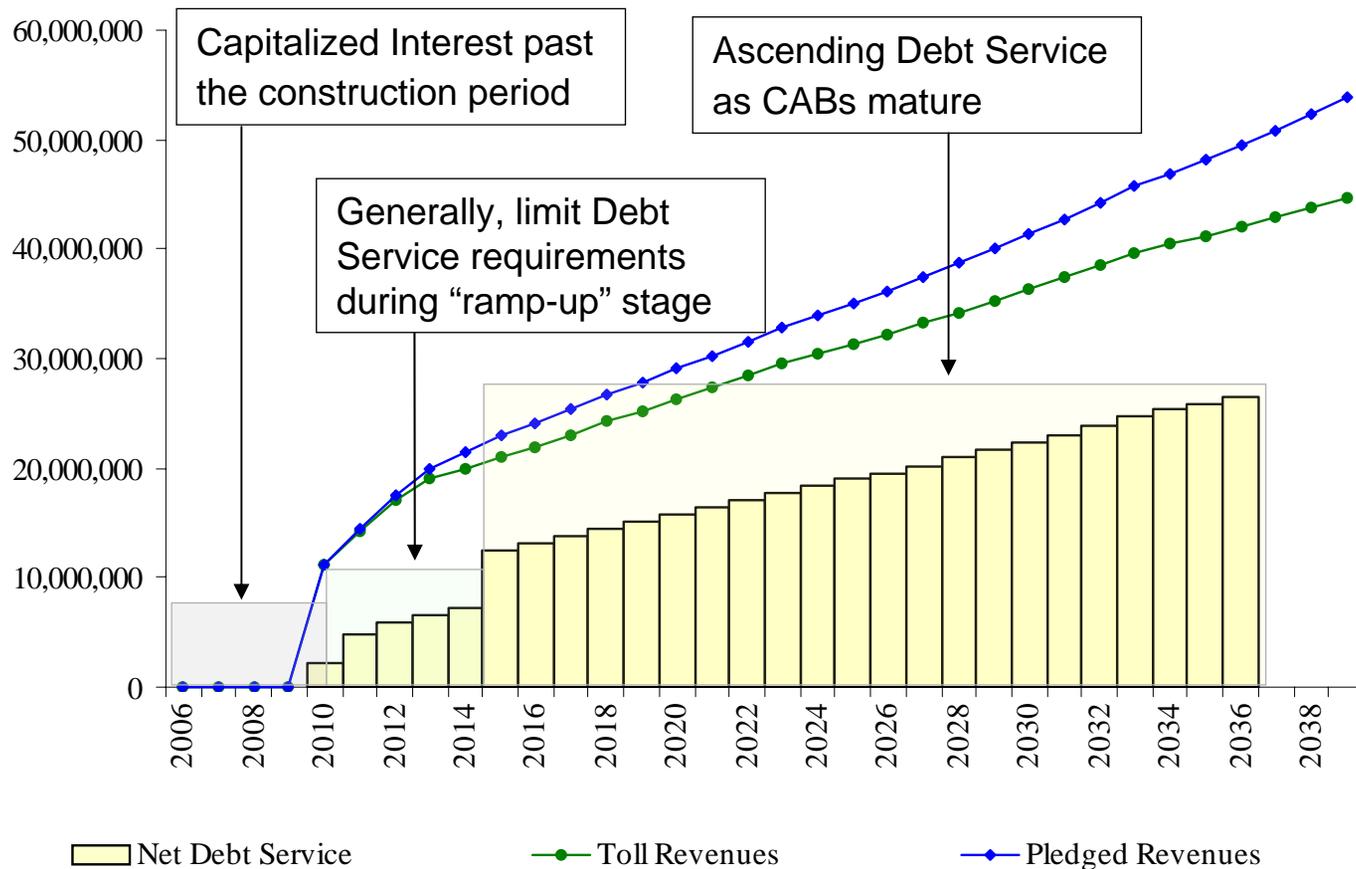
Debt Structure Often Incorporates:

- Capitalized Interest
- Capital Appreciation Bonds
- Senior and Subordinate Lien Debt Structure
- Ascending Debt Service
- Debt Service Reserve Fund
- Net Revenue Pledge
- R&R and O&M Reserve Funding After Debt Service
- Weak Credit Ratings
- High Cost of Capital



Aspects of Start-up Toll Facility Debt Structure

Typical Financing Structure *Pledged Revenues vs. Net Debt Service*



Results of Financial Analysis

Combined Parkway Project:

- Includes Triangle, Western Wake, and 540P
- Base Case Traffic & Revenue Estimates from WSA
- Capital Cost Financed: \$810 million
- Financing Plan Components:
 - NCTA Revenue Bonds \$309 M
 - TIFIA Subordinate Loan \$286 M
 - Gap \$215 M

Project is 75% Self-Supporting



Results of Financial Analysis

Combined Project Funding Plan

- Capital Cost Financed: \$820 million
 - \$797 ROW and Construction Costs
 - Plus debt reserve fund and capitalized interest on bonds
 - Less interest earned during construction
- Financing Plan Components:
 - NCTA Revenue Bonds \$532
 - TIFIA Subordinate Loan \$288

\$12.0 Million Annually Needed to Finance the Gap



Benefit of Tolling 540P

Impact on Gap Funding

Decrease Annual Payments...

- From \$18.5 million per year
- To \$12 million per year



Supplementing Toll Revenues

Annual Revenue from Government Source Can

- Increase bonding and loan capacity
- Improves credit-worthiness of revenue bonds
- Reduce debt service coverage requirements
- Reduces overall interest rate and cost of borrowing



Turnpike Financing Examples

Almost All New Toll Facilities Need Financial Help

- Projects that are 70% self-supporting are good toll projects
- Contributions from state DOTs are common
- Subordinate loans at federal and state levels are common
- Start-up toll roads with no significant assistance have financial distress



Conclusion

- Combined Triangle, 540P and Western Wake Parkway appear to be financially feasible
- TIFIA is a reasonable financing enhancement to consider
- Supplemental revenue of \$12 million per year is a small amount in proportion to an \$800 million toll project
- This finance plan is typical for start up toll projects

