

Monroe Expressway Financing Discussion February 2016

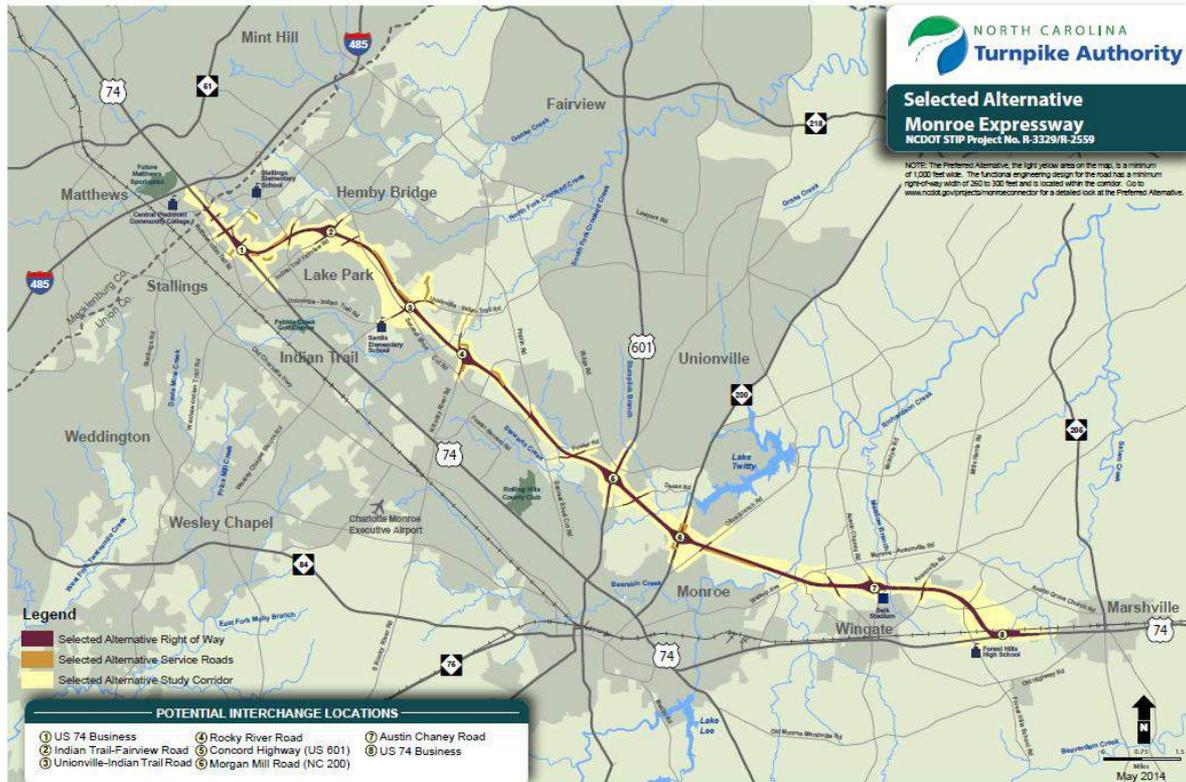


The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Monroe Expressway

- The Monroe Expressway will be a controlled-access toll road extending from US 74 near Interstate 485 in eastern Mecklenburg County to US 74 between the towns of Wingate and Marshville in Union County
 - The Project begins and ends on existing US 74 in order to provide continuity for the US 74 corridor
 - The roadway will be an alternative and time-saving route for persons now taking US 74



Project Update & Financing Update

- The project cost estimate is \$771M
 - An updated traffic and revenue study is currently underway
- For the purposes of the updated financing plan, the 2010 projected toll revenues were reduced by 10% as a conservative measure
- NCTA intends to issue long-term toll revenue bonds in October 2016
- \$165 million TIFIA direct loan will complete the funding package for the Project
 - A TIFIA debt service reserve fund will be established

Financing Schedule

- The following chart depicts the financing activities to be conducted by NCTA & NCDOT.
 - Funds raised in 2010 and 2011 will remain intact and available for the Project, including the Series 2010 and Series 2011 Appropriation Bonds, Series 2011 Toll Revenue Bonds, and \$77M State Highway Trust Fund contribution.
 - NCTA will issue toll revenue bonds in 2016 and enter into a TIFIA direct loan to complete Project funding.

Activities	Debt					
2015 <ul style="list-style-type: none"> • Apply for a TIFIA Loan 	Series 2010 Approp Bonds	Series 2011 Approp Bonds	Series 2011 Toll Rev. Bonds	Series 2016 Toll Rev. Bonds	TIFIA Loan	State Highway Trust Fund
2016 <ul style="list-style-type: none"> • TIFIA commercial close • Issue Series 2016 Toll. Rev. Bonds • Retire Series 2011 Toll. Rev. Bonds* • Move interim funds to other Federal-aid eligible projects • Funding completed 						

Note:

* Taken out by Series 2016 Toll Revenue Bonds

Preliminary Financing Sources and Uses

Sources							
	Series 2010 Approp Bonds	Series 2011 Approp Bonds	Series 2011 Toll Rev. Bonds	Series 2016 Toll Rev. Bonds	TIFIA Loan	State Highway Trust Fund	Total
Par Amounts							
CIB	233,920,000	214,505,000	10,000,000	115,290,000	165,154,640		738,869,640
CCAB				14,617,354			14,617,354
+Premium/-Discount		18,693,018		6,543,100			25,236,118
Total Bond Proceeds	233,920,000	233,198,018	10,000,000	136,450,453	165,154,640		778,723,111
State Highway Trust Fund ¹						77,000,000	77,000,000
Total Sources	233,920,000	233,198,018	10,000,000	136,450,453	165,154,640	77,000,000	855,723,111

Uses							
	Series 2010 Approp Bonds	Series 2011 Approp Bonds	Series 2011 Toll Rev. Bonds	Series 2016 Toll Rev. Bonds	TIFIA Loan	State Highway Trust Fund	Total
Construction Cost							
Construction Fund Deposit	198,843,386	231,735,079	9,819,500	97,618,202	165,154,640	68,000,000	771,170,807
Series 2011 TR Bonds Take Out				6,290,000			6,290,000
Capitalized Interest Fund - Series 2010 Approp Bonds	29,081,083						29,081,083
DSRF - Series 2010 Approp Bonds	4,303,953						4,303,953
Capitalized Interest Fund - Series 2016 TR Bonds				19,973,993			19,973,993
DSRF - Series 2016 TR Bonds				11,529,000			11,529,000
DSRF - TIFIA Loan						9,000,000	9,000,000
Underwriter's Discount				714,490			714,490
Cost of Issuance	1,691,579	1,462,939	180,500	324,768			3,659,787
Additional Proceeds/(Funding Gap)							
Total Uses	233,920,000	233,198,018	10,000,000	136,450,453	165,154,640	77,000,000	855,723,111

Annual Costs and Funding

in \$ thousands

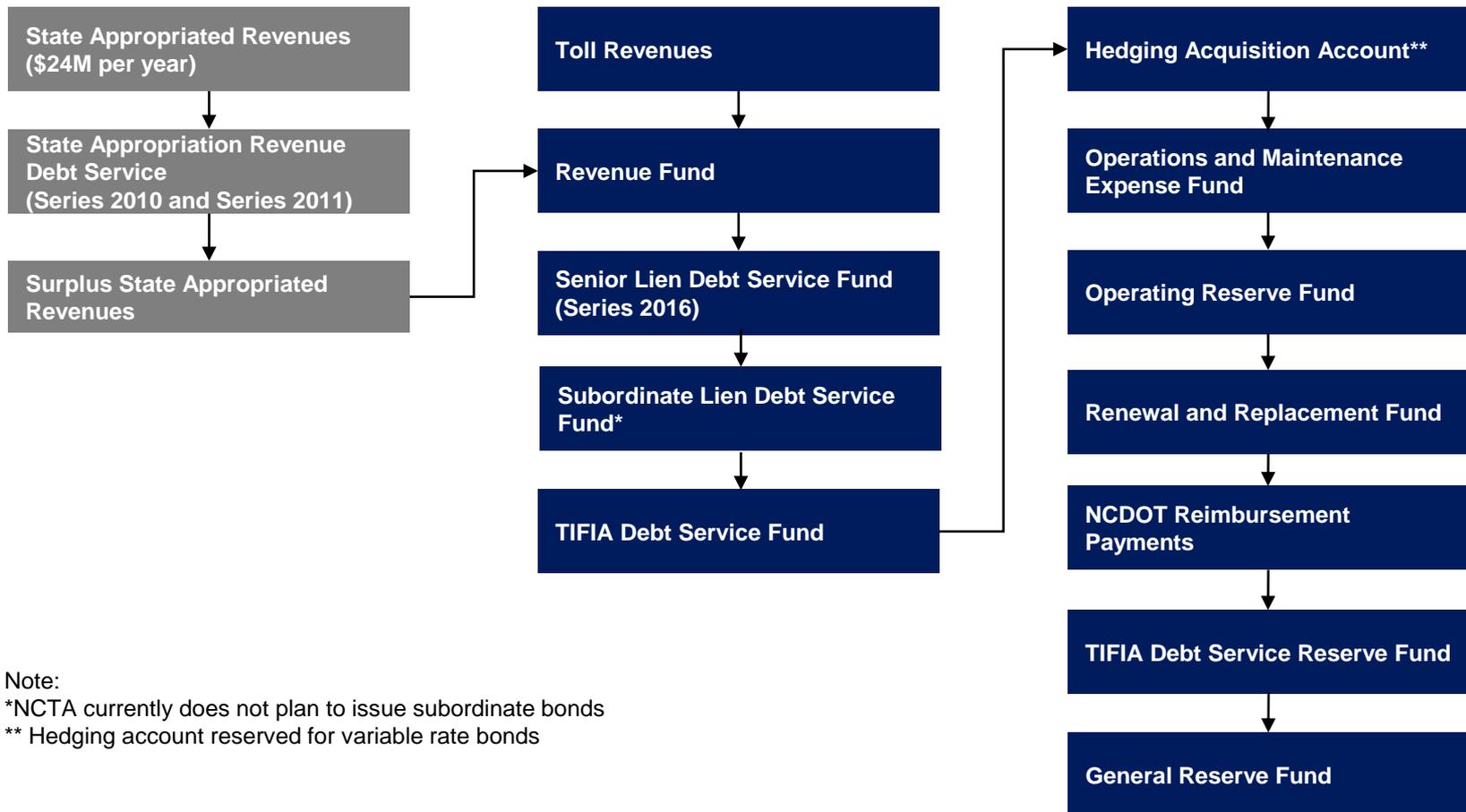
Sources:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Appropriation Debt											
Series 2010 Appropriation Bonds	35,077	35,913	14,788	11,027	43,281	93,834					233,920
Series 2011 Toll Revenue Bonds		181				9,820					10,000
Series 2011 Appropriation Bonds		1,463				123,762	107,973				233,198
Toll Revenue Debt											
Series 2016 Toll Revenue Bonds							80,302	56,149			136,450
TIFIA Loan								89,104	71,460	4,591	165,155
State Highway Trust Fund						9,000	68,000				77,000
Total	35,077	37,557	14,788	11,027	43,281	236,416	256,275	145,252	71,460	4,591	855,723

Uses:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Funded Construction Costs											
Series 2010 Appropriation Bonds		35,913	14,788	11,027	43,281	93,834					198,843
Series 2011 Toll Revenue Bonds						9,820					9,820
Series 2011 Appropriation Bonds						123,762	107,973				231,735
Series 2016 Toll Revenue Bonds							41,470	56,149			97,618
TIFIA Loan								89,104	71,460	4,591	165,155
State Highway Trust Fund							68,000				68,000
Sub-total		35,913	14,788	11,027	43,281	227,416	217,443	145,252	71,460	4,591	771,171
Financing Costs	35,077	1,643				9,000	38,832				84,552
Total	35,077	37,557	14,788	11,027	43,281	236,416	256,275	145,252	71,460	4,591	855,723

Monroe Construction Costs		35,913	14,788	11,027	43,281	227,416	217,443	145,252	71,460	4,591	771,171
----------------------------------	--	---------------	---------------	---------------	---------------	----------------	----------------	----------------	---------------	--------------	----------------

Flow of Funds

- NCTA will have a bifurcated flow of funds consisting of state appropriation revenue bonds and toll revenue bonds with TIFIA secured under the toll revenue bond lien

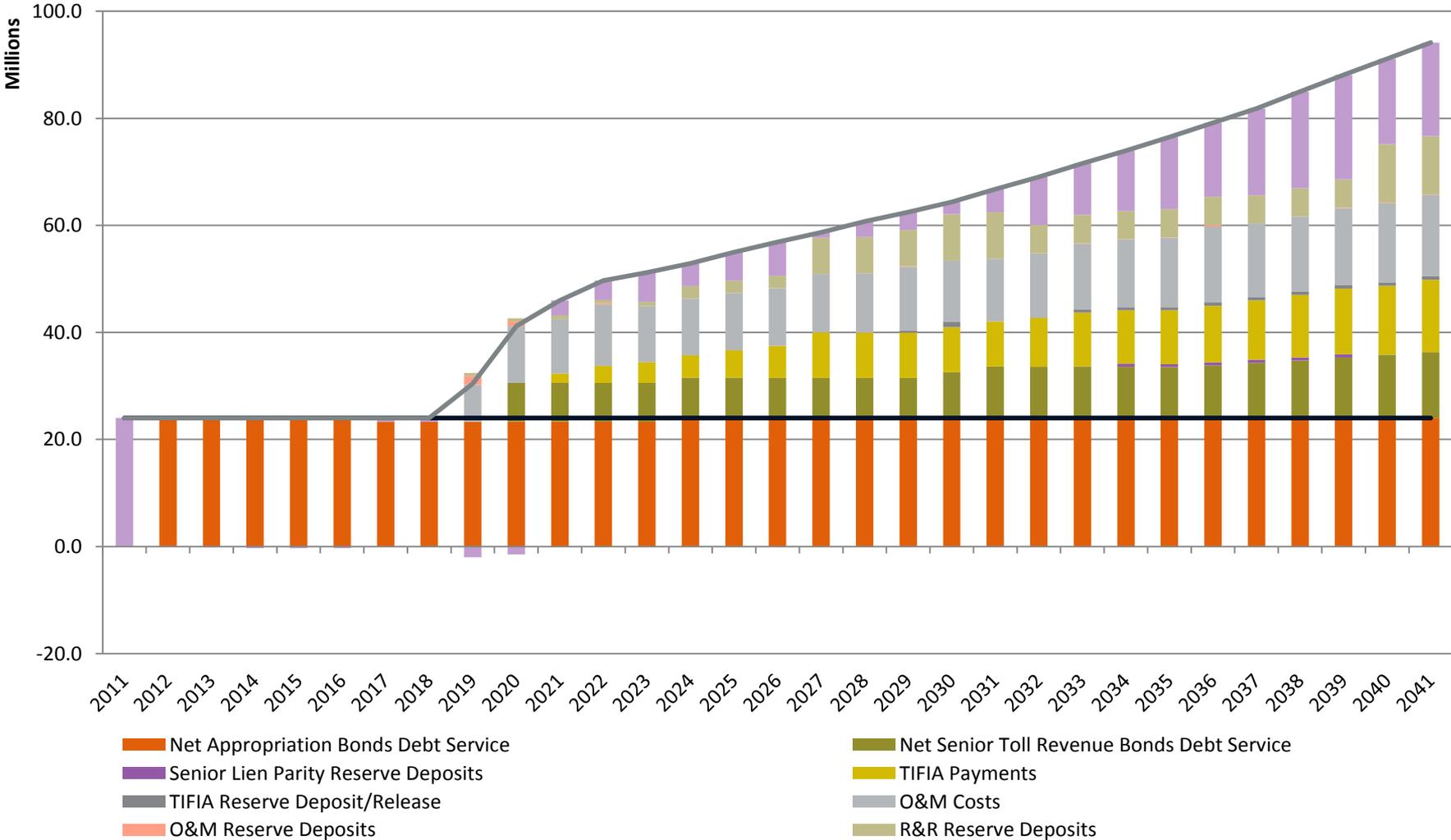


Note:

*NCTA currently does not plan to issue subordinate bonds

** Hedging account reserved for variable rate bonds

Cash Flow



Interest Rate Hedge Strategy

- Strategy to protect the integrity of the financial plan in the event interest rates increase.
- Rate Protection Level
 - The plan of finance could withstand 100 bps of interest rate increase and still maintain debt service coverage ratios reflective of a credit profile required for investment grade ratings
 - Recommend purchasing 1.00% above current interest levels (as of 1/6/2016)
 - Not recommend purchasing addition protection, i.e. strike price below current market plus 1% – more expensive and not necessary given conservative financing assumptions
- Notional Amount
 - Toll Revenue Bonds - Recommend a notional amount equal to the planned par amount in the current plan of finance or \$130 million
- Premium cost estimates \$1.2 million as of mid-January
 - If interest rates rose 200 basis points by the time of the bond sale, NCTA would receive an estimated \$29.4 million payout to offset the higher cost of borrowing.

Fuel Price Hedge Strategy

- Under the design-build construction contract, NCTA/NCDOT is at risk of increasing fuel prices and has budgeted a \$5.8 million reserve.
- A fuel price cap minimizes the risk of increasing fuel prices and will allow a substantial portion of the reserve contingency to be applied elsewhere.
 - The reserve release is more than enough to cover the cost of both the interest rate hedge and the fuel price cap
- Assumptions:
 - Total hedge size of 4.8MM gallons
- Preliminary Pricing Indications*:
 - Cost to hedge 145.8K gals/month through 12/1/2018
 - \$233,700 for a strike of \$2.25/gal
 - \$203,200 for a strike of \$2.50/gal
- Reserve Account Requirements based on Preliminary Pricing:
 - Release of \$5.6 million for a strike of \$2.25/gal
 - Release of \$4.3 million for a strike of \$2.50/gal

*Indication only as of January 19, 2016