Roads to the Future

North Carolina Turnpike Authority

Annual Presentation to

Joint Legislative Transportation Oversight Committee

January 23, 2008

Today's Presentation

- NCTA's Approach to Tolling
- Review of 2007
- Legislative Priorities
- Project Update

NC Turnpike Authority

Finding alternative ways to finance and accelerate delivery of new roads.

Our Approach

We *Truly Are* A Business

- We measure our market
- We estimate our revenue
- We refine our product
- We borrow our capital
- We market our service
- We repay our debt from earnings

Our Approach

And we Operate like a business:

- **Prioritize project schedules**
- **Forecast project cost**
- **Search for market-source financing**
- **Leverage/maximize state-provided funds**
- **Emphasize efficient operations**
- **Communicate with our customers**

Our Approach

We are also a State Agency…

- **Follow strict environmental rules, engineering guidelines and standards**
- **Adhere to stringent state & federal procurement procedures**
- **Remain accountable to our Board, the General Assembly and Governor**

Our Philosophy

Our customers are key

- **Motorists are our customers -- and they have a choice:**
  - **Toll facility**
  - **Free alternate route**
- **We will provide a quality service**
  - **Time savings**
  - **Ease and reliability of travel**

What Did We Accomplish in 2007?

Engineering

Accelerated NEPA and Pre-construction Process:

- Each project is unique
- Existing projects came to us at different NEPA stages
- <u>Our Objective</u>: Deliver ROD on new projects in 4 years

Engineering

Adopted "Concept-to-Completion" process to identify & mitigate risks

- **Incorporates Engineering, Operations and Finance**
- **Includes comprehensive "cost-loaded" critical path scheduling process**
- **Continuously updated**

Engineering

Practical Design Approach

- Design to meet the needs of the project
- Measure cost vs. revenue –
  guard against over-engineering
- Creates a dedicated revenue stream for project expansion as traffic and revenue increase

Finance

Consider new financing approaches

- Issued RFEI for sub-debt providers
- New approach in the US
- Excellent response … Macquarie, Goldman, Morgan Stanley, JP Morgan, Carlyle & others
- Evaluating with new cost estimates

Finance

Credit-Enhancing Opportunities

- Requesting DOT to guarantee O&M costs
  - Payment by NCTA
  - Changing payment order reduces gap by $1.5 million per year
- Requesting loan from DOT to advance utility relocation
- Securitizing part of gap funds to accelerate ROW acquisition

Finance

Initiating Pre-Development Process for Mid-Currituck

- Expected result
  - Provide schedule certainty
  - Improve economics
- Pre-Development partner works along side NCTA during NEPA, design and financing

Operations

Conducted "Cash vs. Cashless" analysis

- Led to TriEx becoming first ORT startup in U.S.:
  - All electronic – no stopping to pay tolls
  - Saves capital and cash handling costs
- Offers customer a choice:
  - Purchase transponder
  - Register license plate
  - Report plate number after using the facility

Legislative Needs for 2008

Gap Funding

Support for first two projects:

• Triangle Expressway	$20M/yr
• Monroe Connector / Bypass	$15M/yr
Total	$35M/yr

Return on TriEx Investment

The state's investment	***$ Millions***
NPV of $20 Million per year (at 5%)	*$ 351*
The state's return	
Project capital	*$ 968*
Ops, Maintenance & Repairs paid by tolls (NPV at 5%)	*345*
Total	*$ 1,313*
Return Multiple	***3.74x***

Without Gap Support…

Project delay means substantial increase in project cost

TriEx
Impact of One Year Delay

- **Inflation impact**
  - **10%/yr. = $100M**
  - **$1M / week**
- **Gap increases**
  - **From $20M to $30M / year**

Monroe
Impact of One Year Delay

- **Inflation impact**
  - **10%/yr. = $50M/yr**
  - **$1M/week**
- **Gap increases**
  - **From $15M/yr to $20M/yr**

Legislation For 2008, cont.

Toll Enforcement

- Rating agencies demand strict toll enforcement
- Agencies especially cautious of startups
- Customers demand all users pay
- Toll violators can destroy project financing

Future Needs…2009

Gap funds for remaining projects

- We are not requesting funds until needed
- Refining needs for Cape Fear, Gaston and Mid-Currituck projects
- Will make request for 2009 session

Our Projects

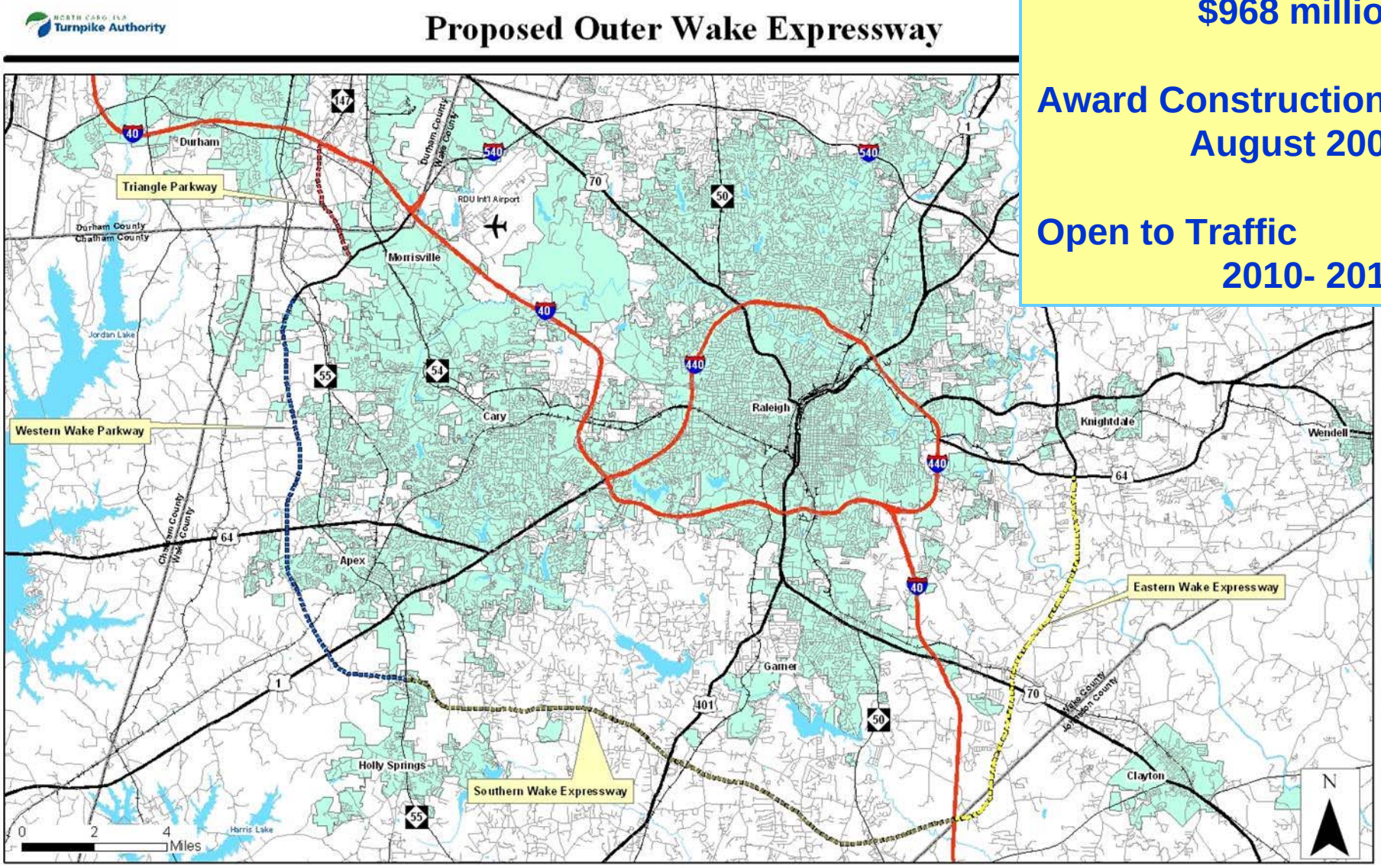
Triangle Expressway

Length
18.8 miles

Cost
$968 million

Award Construction
August 2008

Open to Traffic
2010- 2011

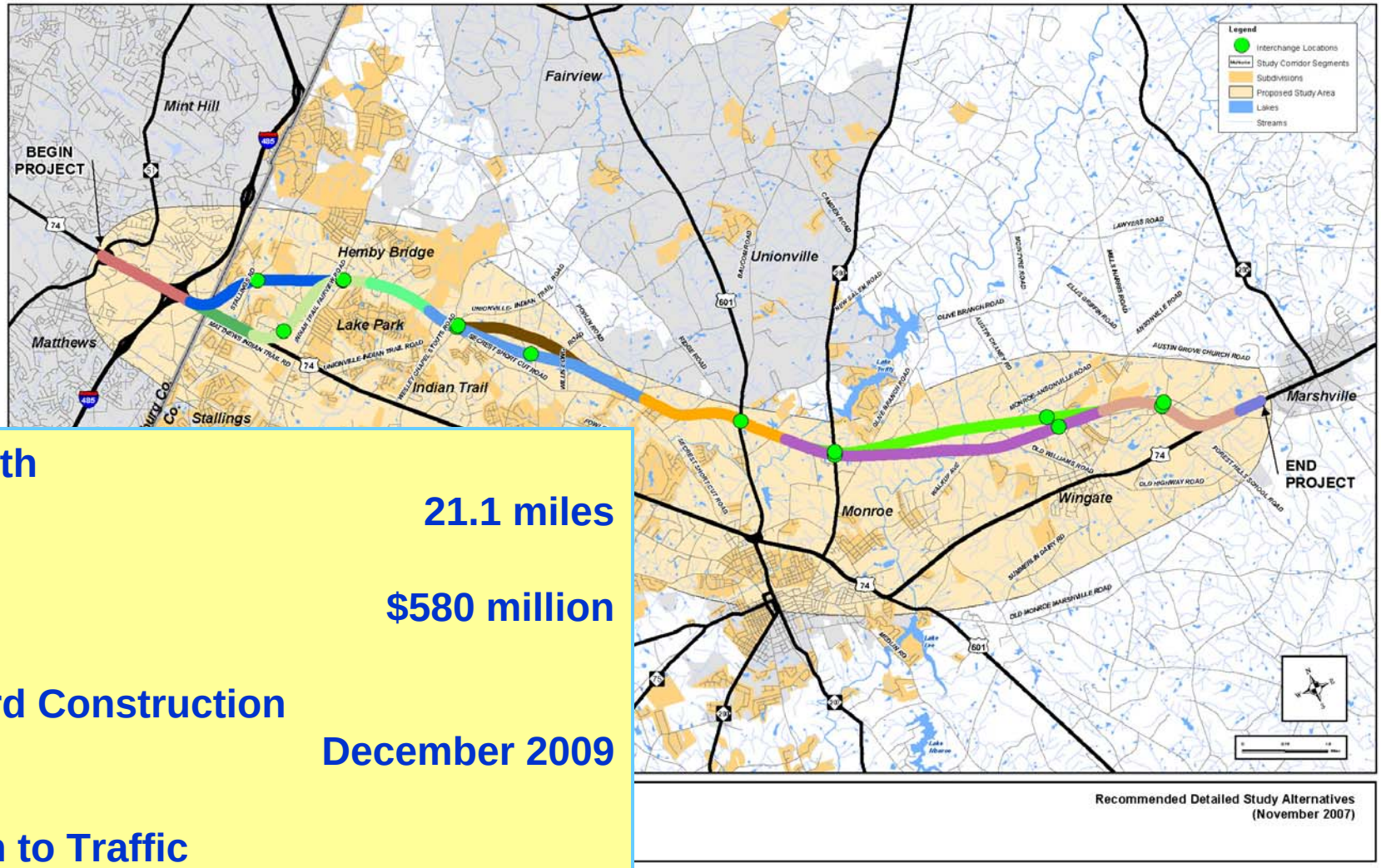


Triangle Expressway

Project Status:

- Issuing RFP for Design-Build teams February 1, 2008
- Opening bids in June 2008
- Preparing for financial close and contract award in August 2008

Monroe Connector/Bypass



Length

21.1 miles

Cost

$580 million

Award Construction

December 2009

Open to Traffic

2013

Monroe Connector/Bypass

Project Status:

- Utilizing 6002 environmental process
- July 2008 -- Begin financing
- November 2008 -- Begin purchase of ROW
- July 2009 -- Issue ROD
- December 2009 -- Begin construction

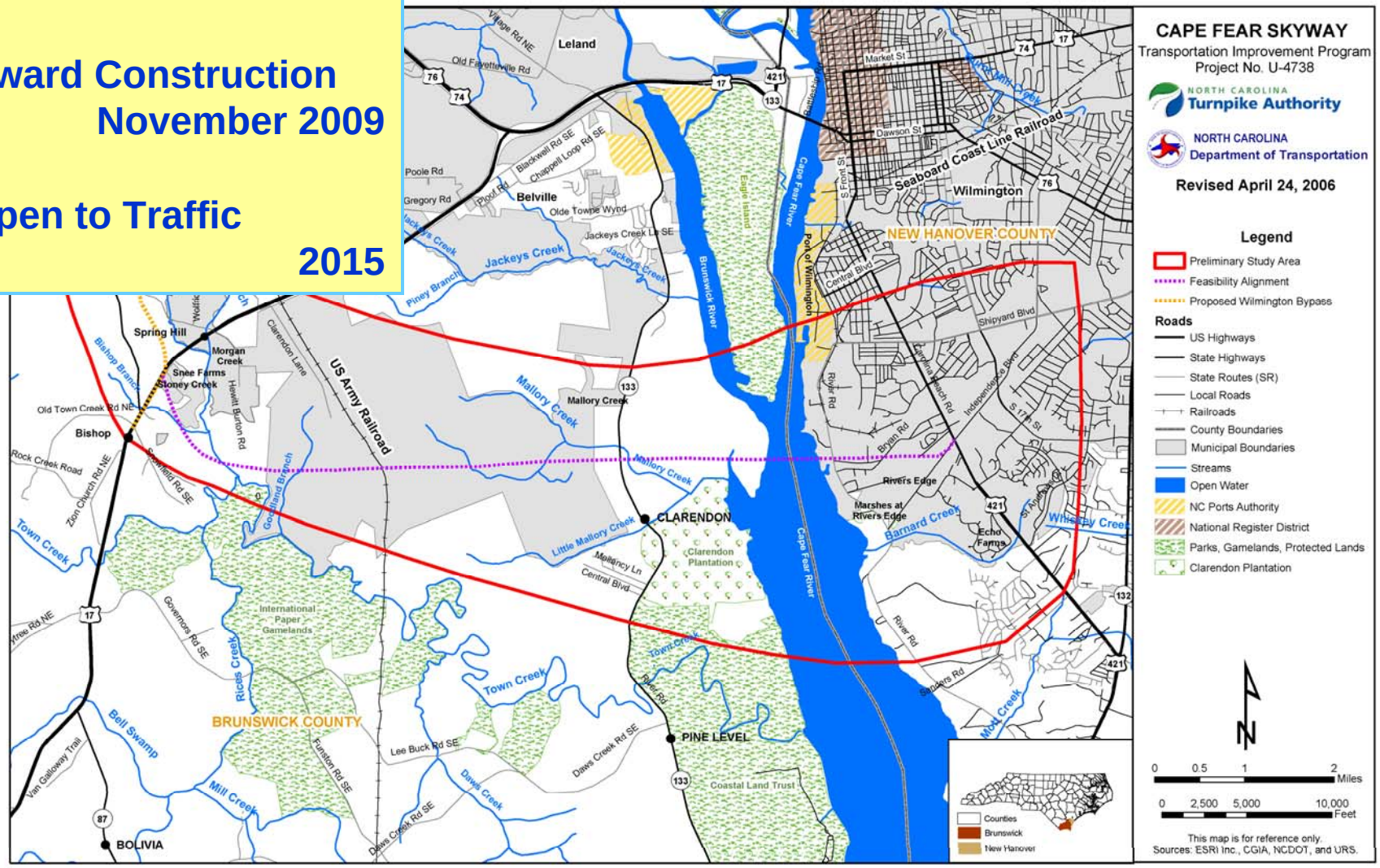
Cape Fear Skyway

Length
9.5 miles

Cost
$972 million

Award Construction
November 2009

Open to Traffic
2015

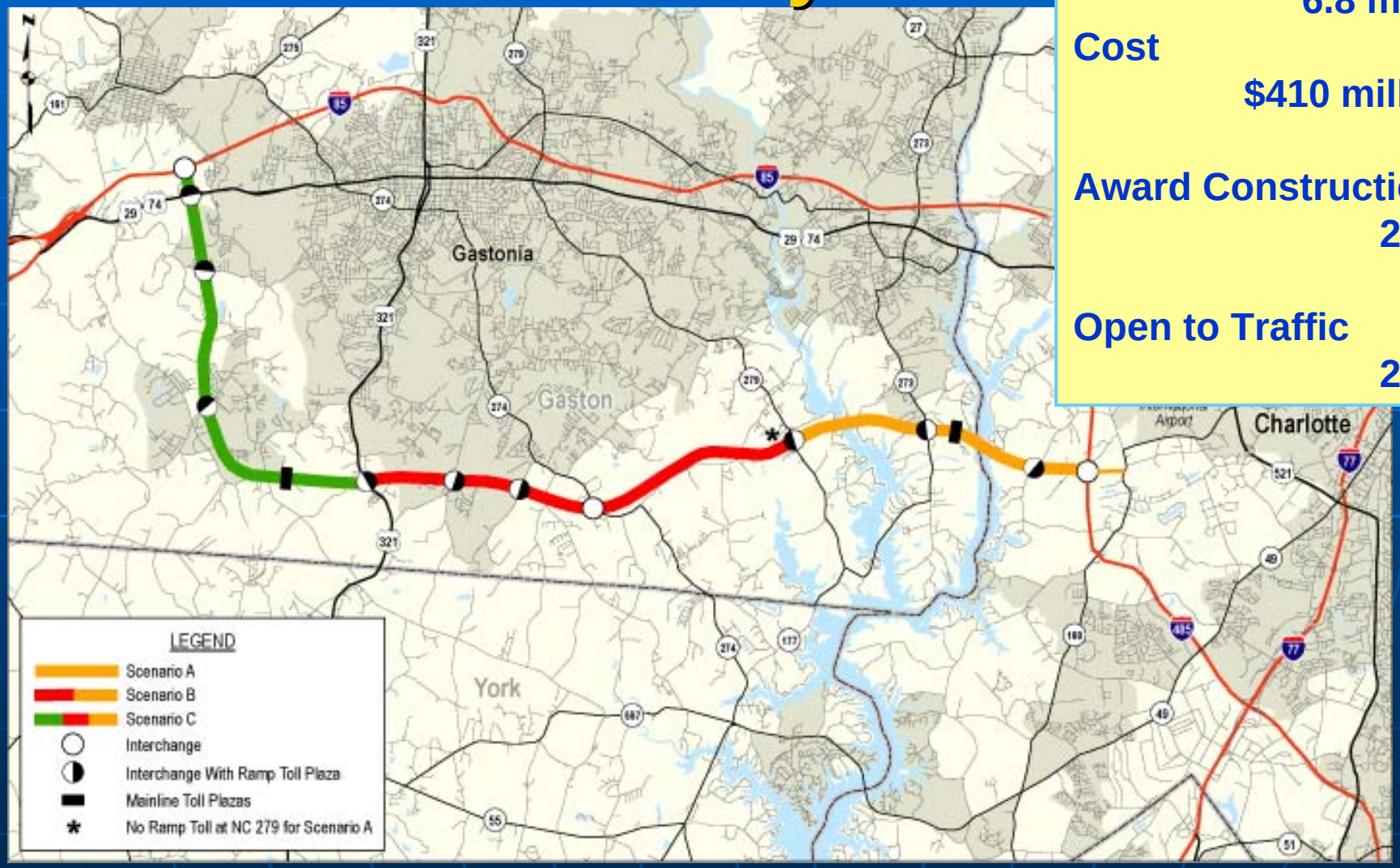


Cape Fear Skyway

Project Status:

- Utilizing Section 6002 environmental process
- Sept. 2009 -- Issue ROD
  Nov. 2009 -- Award construction
- Gap funding need of $39 million per year

Garden Parkway



Scenario A

Length 6.8 miles

Cost $410 million

Award Construction 2010

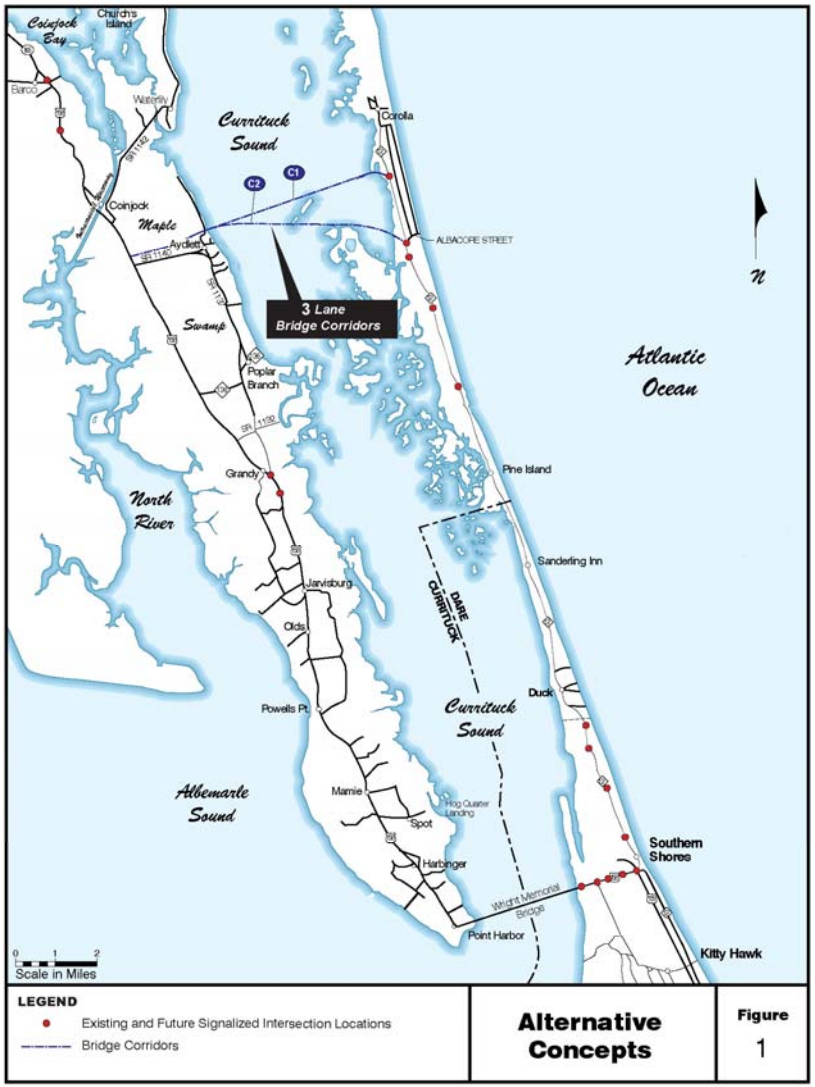
Open to Traffic 2015

Garden Parkway

Project Status:

- Oct. 2010 -- Issue ROD
- Dec. 2010 – Award construction
- Gap funding need depends on sections undertaken

Mid-Currituck Bridge



Length
7 miles

Cost
$460 million

Award Construction
2009

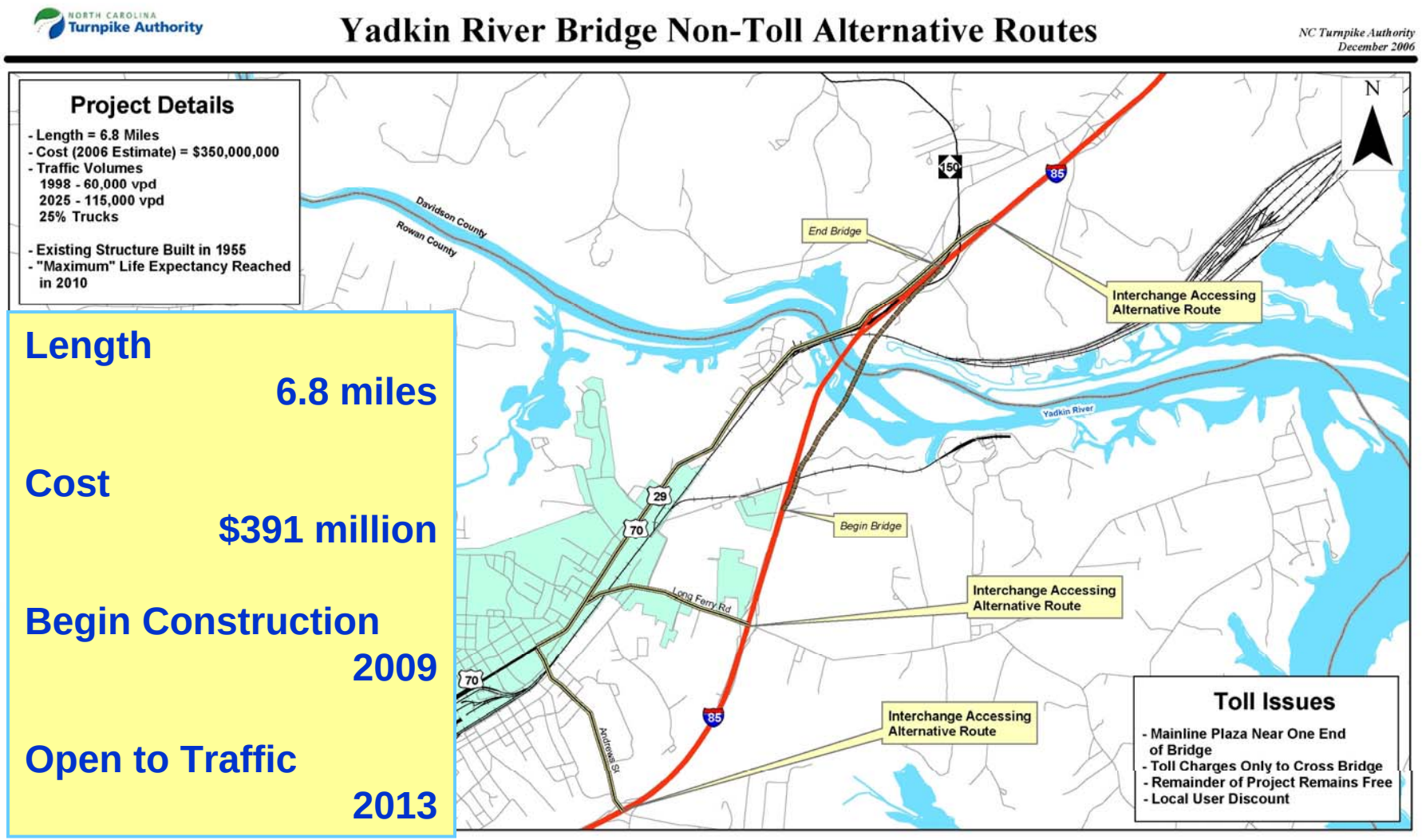
Open to Traffic
2013

Mid-Currituck Bridge

Project Status:

- Utilizing Section 6002 environmental process
- Aug. 2009 -- Issue ROD
  Oct. 2009 -- Award construction as PPP
- Evaluating Pre-Development Agreement as a way to accelerate PPP delivery
- Gap funding need unclear at this time

Yadkin River Bridge



Length
6.8 miles

Cost
$391 million

Begin Construction
2009

Open to Traffic
2013

Yadkin River Bridge

Project Status

- Project financial feasibility excellent – project potentially self-supporting
- Construction could begin in 16 months, completion in 2013
- Must have legislative approval to toll an existing road

Yadkin River Bridge

Significant Issues Remain

- Many users are occasional – less likely to register for account
- No time savings over existing bridge
- Potential for significant heavy truck traffic diversion through Spencer, NC
- Violation enforcement will be costly and difficult

Conclusions

NCTA is Positioning North Carolina to:

- **Take advantage of direct user-based financing**
- **Potentially saves decades on the delivery of key mega projects**
- **Leverage scarce transportation funds to meet strategic needs in congested areas**
- **Accelerate study, design and construction through the use of new and innovative engineering techniques**

Questions