



# MEETING MINUTES

NORTH CAROLINA TURNPIKE AUTHORITY  
BOARD OF DIRECTORS – FINANCE COMMITTEE

**DATE:** February 13, 2018

**TIME:** 2:00PM

**LOCATION:** NCTA Main Conference Room,

1 S. Wilmington Street, Raleigh, NC

## ATTENDANCE

### MEMBERS PRESENT

Robert Teer, Perry Safran

### MEMBERS PRESENT VIA PHONE

Scott Aman, Jim Walker

### MEMBERS ABSENT

## AGENDA TOPICS

### 1. WELCOME, CALL TO ORDER, DECLARATION OF QUORUM, AND INTRODUCTIONS – ROBERT TEER, CHAIR

#### *DISCUSSION SUMMARY*

Chairman Teer called the meeting to order and welcomed those in attendance. Chairman Teer called roll and declared a quorum of four members.

#### *ACTIONS TAKEN*

Information only/No action required.

### 2. APPROVAL OF JANUARY 11, 2018 MEETING MINUTES – ROBERT TEER, CHAIR

#### *DISCUSSION SUMMARY*

Chairman Teer noted everyone had received a copy of the meeting minutes prior to the meeting and announced he would accept a motion to approve the January 11, 2018 meeting minutes as written.

#### *ACTIONS TAKEN*

A motion to approve the January 11, 2018 meeting minutes as written was approved unanimously upon a motion by Mr. Perry Safran, seconded by Chairman Robert Teer.

### **3. OPENING COMMENTS – BEAU MEMORY, NCTA EXECUTIVE DIRECTOR**

#### ***DISCUSSION SUMMARY***

Mr. Beau Memory gave an update on the Triangle Expressway's operations sharing that January transactions increased 5% year-over-year with over 60% of all transactions occurring with the use of a transponder. Transponder sales increased 8% in January with over 8,600 transponders sold which is a 14% year-over-year increase. December revenues were up 5% year-over-year with revenues exceeding projections by 43%.

Mr. Memory stated NCTA has continued to see strong growth on the Triangle Expressway and that the Authority is looking forward to an exciting 2018 with this project.

#### ***ACTIONS TAKEN***

Information only/No action required.

### **4. REFUNDING ANALYSIS – DAVID ROY, NCTA DIRECTOR OF FINANCE & DAVID MILLER, PFM**

#### ***DISCUSSION SUMMARY***

Mr. David Roy stated the Turnpike Authority is always looking for opportunities to achieve savings on outstanding issues and that this refunding opportunity was presented to the Authority by PFM. Mr. Roy reminded the committee of discussions before the February board meeting, that was postponed, regarding a letter ruling from the IRS because of a question of whether the tax reform act and the code allowed this type of transaction. Mr. Roy called to Mr. Wally McBride to speak to the matter in more detail as there has been some clarity with the tax code and it is believed that this type of transaction will be allowed.

Mr. McBride stated that the Turnpike Authority issues pure governmental bonds and that prior to the tax act in December, governmental bonds could be advance refunded one time and private activity bonds could not be advance refunded at all. Mr. McBride explained that an advance refunding is when the refunding is more than 90 days between the time bonds are issued and the old bonds are paid off. As a cost saving measure, termination of all advance refunding was put in into the tax bill. Mr. McBride continued by stating the language in the tax bill was not clear and it appeared to the bond counsel community that there was a question whether it prohibited only advance refunding of tax-exempt bonds or whether a tax-exempt refunding of a taxable bond was allowed. It is now believed you can do a tax-exempt refunding of a taxable bond if there are no other federal benefits accruing to the bond. There cannot be two different federal subsidies on a bond financing or refinancing working at the same time.

Mr. Perry Safran requested an example of this scenario.

Mr. McBride explained an example is the BABs the Turnpike Authority has issued that have a partial subsidy due to sequestration. The BABs have a subsidy and the Turnpike Authority can do the deal if the subsidy on those bonds ends on the date of the issuance of the new bonds which will be true under North Carolina law. This would mean that on the day the Turnpike Authority issued new bonds, the old bonds will cease to be outstanding and the subsidy will cease to be outstanding. This analysis has been accepted by the IRS and they are to announce that at a bond lawyer conference coming up next week. Assuming the announcement is made by the IRS, there is no need for a letter ruling and the Turnpike Authority can proceed with the advanced refunding so long as the board deems it advisable.

Mr. Roy asked the committee if there were any questions for Mr. McBride.

Mr. Walker inquired if the committee members could rely on the IRS making that statement and if that would cover their decision.

Mr. McBride stated that for what his advice is worth, he is not the only one that believes this scenario to be true and that most people in the bond counsel community he knows are prepared to do this after than announcement is made next week. Once the announcement is made next week, everyone will be willing to do this and if it is not true, Mr. McBride stated he will not issue the opinion and he will let the Turnpike Authority know.

Mr. David Roy introduced Mr. David Miller to present the advance refunding analysis and explained there is no action needed, just guidance if the committee sees this as something they want to pursue

Mr. David Miller described the potential savings and different alternatives for the advance refunding. Mr. Miller gave a brief history on the Triangle Expressway State Appropriation Revenue 2009B bonds and the Authority's upcoming options for refunding.

### ***ACTIONS TAKEN***

A motion to make a recommendation to the full board to initiate the advance refunding of the unrefunded 2009B Triangle Expressway bonds was approved unanimously upon a motion by Mr. Walker, seconded by Mr. Aman.

### ***DISCUSSION SUMMARY***

Mr. David Roy explained the April LGC meeting would be where the Turnpike Authority would receive final approval to move forward with the refunding. The NCTA board would need to take action before the LGC meeting.

Mr. Roy also explained that the Turnpike Authority hasn't previously done a competitive sale and that if the Turnpike Authority were to have a negotiated sale, the Authority would need to procure for an underwriter.

Mr. Roy then called to Mr. Miller to explain the differences between a competitive and negotiated sale.

Mr. Miller explained that with a negotiated sale the Turnpike Authority would need to issue an RFP and select the lead banker and banking team. Once documents are prepared and there is a preliminary official statement, there would be a marketing period and the coupons, yields and interest rates would be negotiated on the bonds with the lead underwriter. In a competitive bid, the financial advisor and bond counsel will prepare the documentation and the sale will be advertised through commonly used industry channels and there will be a certain date and time bids would be accepted. Bids would be awarded on the lowest true interest cost offer. Mr. Miller believes that with this refunding, it is expected the Authority would get a lot of interest and bids on a competitive basis.

Mr. Safran asked for recommendations from Mr. Miller, Mr. Roy and Mr. Tyeryar.

Mr. Miller explained that in this particular bond deal he is very comfortable with the competitive bid. Mr. Tyeryar stated he believes this is an institutional buy and the Authority would do just fine with a competitive bid.

### ***ACTIONS TAKEN***

A motion to have a competitive bid for the advance refunding of the remaining 2009B Triangle Expressway bonds was unanimously approved upon a motion from Mr. Teer, seconded by Mr. Aman.

## **5. 2018 PROPOSED FINANCE COMMITTEE MEETING DATES – DAVID ROY, NCTA DIRECTOR OF FINANCE**

### ***DISCUSSION SUMMARY***

Mr. Roy presented the proposed Finance Committee meeting dates for 2018 and requested that the members confirm if they are available for a majority of the dates.

### ***ACTIONS TAKEN***

Information only/No action required.

## **6. ADJOURN**

### ***DISCUSSION SUMMARY***

Mr. Teer asked if there was anything to come before the committee. Mr. McBride asked that the ethics statement would be mentioned by Chairman Teer.

Mr. Teer asked the record to reflect he recognizes the ethics statement as a part of this meeting.

### ***ACTIONS TAKEN***

A motion to adjourn the February 13, 2018 finance committee meeting was approved unanimously upon a motion called by Mr. Teer, moved by Mr. Safran and seconded by Mr. Aman.