



MEETING MINUTES

NORTH CAROLINA TURNPIKE AUTHORITY
BOARD OF DIRECTORS – FINANCE COMMITTEE

DATE: July 18, 2018

LOCATION: NC Quick Pass Customer Service Center

TIME: 9:30AM

200 Sorrell Grove Church Road

Morrisville, NC 27560

ATTENDANCE

MEMBERS PRESENT

Robert Teer, Scott Aman

MEMBERS PRESENT VIA PHONE

Jim Walker

MEMBERS ABSENT

Perry Safran

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 three members.

ACTIONS TAKEN

Information only/no action required.

2. APPROVAL OF JUNE 20, 2018 MEETING MINUTES – ROBERT TEER, CHAIR

DISCUSSION SUMMARY

Chairman Teer noted everyone received a copy of the meeting minutes prior to the meeting and announced he would accept a motion to approve the June 20, 2018 meeting minutes as written.

Mr. Wally McBride requested a small correction to the June 20, 2018 meeting minutes.

ACTIONS TAKEN

The June 20, 2018 meeting minutes, as amended, were approved unanimously upon a motion by Mr. Jim Walker, seconded by Mr. Scott Aman.

3. OPENING COMMENTS – DAVID ROY, NCTA DIRECTOR OF FINANCE

DISCUSSION SUMMARY

Mr. David Roy provided an update on the recent performance of the Triangle Expressway. Mr. Roy stated that there were over 4.6 million transactions in the month of June, which is a 6.5% year-over-year increase, and the AVI penetration rate for the month of June was 58.9%. Mr. Roy stated NCTA sold just below 10,000 transponders in the month of June, which brings the total number of transponders sold to date just over 397,000. For the month of May, NCTA brought in around \$4.5 million, which is a 12.5% year-over-year increase and around 37% over initial projections.

In response to Chairman Teer's inquiry during the anti-money laundering policy presentation at the June 20, 2018 finance committee meeting, Mr. Roy reported that there are 53 NC Quick Pass fleet accounts with over 300 vehicles.

ACTIONS TAKEN

Information only/no action required.

4. COMPLETE 540 SENIOR UNDERWRITER SELECTION – DAVID ROY, NCTA DIRECTOR OF FINANCE

DISCUSSION SUMMARY

Mr. David Roy gave an overview on the Senior Underwriter procurement currently underway.

Chairman Teer asked if phase I of the Complete 540 project was an extension of the current Triangle Expressway to I-40. Mr. Roy stated that was correct.

Mr. McBride explained that he removed himself from the selection committee as he has family working at a few of the different banks that had submitted statements of qualification to the request for proposals. Mr. Roy stated NCTA had spoken with counsel in regard to the situation and they decided it was best Mr. McBride remove himself from the selection committee.

Mr. Roy continued his presentation on the Senior Underwriter selection by stating that the selection committee was recommending J.P. Morgan to serve in the role of Senior Underwriter on the financing of the Complete 540 project.

Mr. Jim Walker inquired which firm NCTA worked with last time. Mr. Roy stated that NCTA had worked with Bank of America for financing the Monroe Expressway.

ACTIONS TAKEN

A motion to move the selection of J.P. Morgan to serve as Senior Underwriter on the Complete 540 project financing to the full NCTA board was approved unanimously upon a motion by Chairman Teer, seconded by Mr. Scott Aman.

CONTINUED DISCUSSION SUMMARY

Mr. Roy stated that in discussions with underwriting firms, an idea was presented around the existing TIFIA loan on the Triangle Expressway. The current plan of finance contemplates a restructuring of the existing TIFIA loan on the Triangle Expressway, as well as a new TIFIA loan. One of the underwriting teams put forward a refunding of the existing TIFIA loan, as well as a new TIFIA loan for Complete 540.

The potential reasons for this refunding include risk aversion and would present the opportunity for present value savings. Mr. Roy stated that NCTA wanted to at least bring this idea to the Finance Committee and that it is believed to be worth further analysis.

Mr. Scott Aman inquired on the expected costs for running this analysis further. Mr. Roy explained that PFM is on a monthly retainer and there would be no further costs to NCTA. Mr. David Miller explained that the refunding would include typical financing costs and that the team would look into pursuing the refunding this fall.

Mr. Teer requested NCTA not make this analysis too complicated to potentially take away from other work. Mr. Roy stated PFM would be running any further analyses. Mr. Teer asked if Mr. Walker was okay with a further analysis on this TIFIA refunding. Mr. Walker inquired what the range of potential savings could be. Mr. Miller stated there is currently an estimated \$60 million in present value savings given the current interest rate. Mr. Walker inquired if the range for savings was nominal or a large number. Mr. Roy described it could range, from \$10-12 million to \$60 million and there are many variables and unknowns based on what NCTA will be able to negotiate with the TIFIA office.

Mr. Walker stated that to Mr. Teer's point, this is not a current priority but could be later on. Mr. Roy stated if NCTA were to pursue a refunding, it could be done in a more traditional sense, similar to other refundings done in the past and that NCTA would not anticipate closing any deal with TIFIA until the first quarter of 2019.

5. I-485 & U.S. 74 PROJECT UPDATE – RODGER ROCHELLE, P.E., NCTA CHIEF ENGINEER

DISCUSSION SUMMARY

Mr. Rodger Rochelle provided an update on the I-485 and U.S. 74 express lanes projects and the upcoming public open houses.

Mr. Jim Walker asked if the scope of the project was adding one express lane to what is already there or if that is inclusive of what is there. Mr. Rochelle asked if Mr. Walker was referring to the extra shoulder width that was constructed, Mr. Walker agreed, and Mr. Rochelle stated the express lane would take advantage of that pavement.

Mr. Walker asked if there would be two lanes or one, once completed. Mr. Rochelle stated that one lane would be added and continued his presentation. Mr. Walker inquired if the concrete barrier would be coming down or staying. Mr. Rochelle stated that in the current scenario, the concrete barrier would stay where it is in the Phase I project. In the Phase III project, the barrier would come down to allow for one express lane in each direction in that area.

Mr. Rochelle continued his presentation on the U.S. 74 express lanes project.

Chairman Teer inquired how shortfalls would be covered on the project. Mr. David Roy added that is important to note that this graph is inclusive of a projected downside and without transaction or revenue haircuts added to the analysis, the I-485 and U.S. 74 projects combined, do cover all operational expenses. Mr. Roy also stated this is a static model that smooths capital costs over the life of the projects, when in reality, there would be less of those capital costs in the early years. Mr. Roy stated there is opportunity to optimize savings for major rehab and refurbishment by adding annual contributions to a reserve fund for R&R that ramps up in later

years as revenues are available. The other opportunity is similar to what NCTA has in place for the Triangle Expressway and Monroe Expressway as well as what was recently put into place for the Complete 540 project. NCTA would likely request a support guarantee from NCDOT should operational costs exceed revenues that are available. To date, NCTA has not had to use the support guarantee for the Triangle Expressway but given the Authority does not have any further funding on these projects, this support guarantee would help mitigate any risk.

Mr. Walker asked what kind of a support guarantee NCTA could get. Mr. Roy stated the support guarantee would be similar to what is in place for the Triangle Expressway, the Monroe Expressway and Complete 540. It would state that NCDOT would guarantee to pay any operating costs should revenues not be sufficient, to be reimbursed at a later date once those revenues are sufficient to cover costs and there are excess revenues to pay DOT. Mr. Walker inquired if there would be any way to shift any funds that would normally go to CRTPO directly to NCTA to cover the shortfall on this project. Mr. Roy stated that the support guarantee on the Monroe Expressway, is set up so that the first dollars would come off the top of the division maintenance fund.

Mr. Rochelle continued his presentation discussing the different methods being used for public outreach on the I-485 and U.S. 74 express lane projects.

Mr. Teer asked if the justification for these projects was included in the traffic and revenue studies and if people would be able to find this information on the website. Mr. Rochelle stated that yes, that information is in the studies, but the genesis for these projects is the fast lanes study that the MPO in Charlotte commissioned that began back in 2007. That study was the genesis for managed lanes in the area.

Mr. Rochelle presented a video that was created for the I-485 express lanes project and discussed next steps for the project.

ACTIONS TAKEN

Information only/no action required.

6. COMPLETE 540 PROCUREMENT UPDATE – RODGER ROCHELLE, P.E., NCTA CHIEF ENGINEER

DISCUSSION SUMMARY

Mr. Rodger Rochelle gave a brief update on the Complete 540 Design-Build procurements currently underway.

ACTIONS TAKEN

Information only/no action required.

9. ADJOURN

DISCUSSION SUMMARY

Mr. Robert Teer called for a motion to adjourn the July 18, 2018 Finance Committee meeting.

ACTIONS TAKEN

The motion to adjourn the July 18, 2018 Finance Committee meeting was approved unanimously upon a motion made by Mr. Scott Aman, seconded by Mr. Jim Walker.