

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms Baa2 on North Carolina Turnpike Authority (Triangle Expressway); outlook is stable**

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23 Dec 2024

#### **Approximately \$99 million of debt affected**

New York, December 23, 2024 -- Moody's Ratings (Moody's) has affirmed North Carolina Turnpike Authority (Triangle Expressway)'s revenue bond rating at Baa2. The outlook is stable. The authority has \$1.86 billion of debt outstanding of which \$99 million is rated by us.

#### RATINGS RATIONALE

Triangle Expressway's (senior revenue bonds, Baa2 stable) credit profile reflects the continued favorable performance of both traffic and revenue since the start of operations twelve years ago, supported by the road's growth position. Triangle Expressway is an important congestion reliever in an area with strong population and economic growth. The credit profile considers the significant additional leverage incurred for the Complete 540 Phase 1 and Phase 2 projects, although financing needs are well defined and supported by completion guarantees from the North Carolina Department of Transportation (NCDOT).

Credit metrics on our calculated basis are expected to remain narrow going forward, with high debt ratios and low debt service coverage ratios (on a our net revenue basis). To meet its escalating debt service profile, the road will require sustained mid-to high single-digit revenue growth post completion of both Phases 1 (opened to traffic on September 25th, 2024) and phase 2 (set to be completed in 2028), of the Complete 540 projects, and ramp-up for several years before steady state operations in 2033.

#### RATING OUTLOOK

The stable outlook reflects the expectation that traffic and revenue will continue to increase in line with our forecast and will be sufficient to meet the system's escalating

debt service.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Traffic and revenue growth continues to significantly exceed projections on a sustained basis
- Scheduled rate increases that allow for the maintenance of 2.0x senior debt service coverage ratios (DSCRs) on a net revenue basis
- Complete 540 southeast extension leads to higher level of traffic and revenues on the corridor relative to the additional debt

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Lower than projected revenues due to either lower transaction volumes or lower toll rates
- Liquidity levels not commensurate with its rating level
- Any reduction in the financial or policy support provided by the state
- Expansion project does not lead to forecasted level of revenues and transactions

#### LEGAL SECURITY

The lien on pledged revenues of the Triangle Expressway system securing the revenue bonds makes them senior to all other indebtedness at the facility. The receipts flow first to pay debt service on the bonds, then to the senior lien reserve fund.

There is a 1.30x senior lien rate covenant and a 1.10x covenant on total debt service requirements calculated on a gross revenue pledge basis. Additional senior lien bonds may be issued once NCTA has met the rate covenant for at least 12 of the past 18 months and revenues are forecasted to remain above 1.40x of senior lien debt service and 1.30x of debt service for all outstanding debt.

#### PROFILE

The Triangle Expressway is a single asset 36.8 mile All-Electronic Toll (AET) road with three lanes in each direction, located in Wake and Durham counties in North Carolina. The expressway extends from the interchange of Interstate 40 (I-40) and NC Highway 147 in the north to the NC Highway 55 Bypass near Holly Springs, NC, in the south. The road serves as a major alternative to the heavily used NC 55, and also improves access to the Research Triangle Park and other area employment centers. The project was the first constructed by the NCTA, which was created by the North Carolina legislature to employ alternative funding for key transportation projects

statewide.

The Triangle Expressway opened in phases between 2011 and 2013, with the final phase opening to toll traffic on January 2, 2013. Construction of the Complete 540 Expansion Phase 1 began in 2020 and, opened to traffic on September 25th, 2024, Phase 1 added another 17.8 miles southeast of the current expressway and further complete the 540 ring around Raleigh. The authority has also reached financial closing of Complete 540 Phase 2, the final phase of the Triangle Expressway system, which will consist of the remaining 10.2 miles from I-40 to I-87/YS 64/US 264.

## METHODOLOGY

The principal methodology used in this rating was Publicly Managed Toll Roads and Parking Facilities published in May 2023 and available at <https://ratings.moodys.com/rmc-documents/403120>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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