STATE OF NORTH CAROLINA
TURNPIKE AUTHORITY

BEVERLY E. PERDUE
GOVERNOR

1578 MAIL SERVICE CENTER, RALEIGH, N.C. 27699-1578

DAVID W. JOYNER
EXECUTIVE DIRECTOR

BOARD OF DIRECTORS MEETING MINUTES

Wednesday, February 18, 2009

Board Room, NCTA Offices

Members present:	Lanny Wilson, Acting Chairman
	Gene Conti
	Bill Lackey
	Perry Safran
	Bob Spencer
	Robb Teer
	Sang Hamilton
	Anthony Fox
Members present via phone:	David Redwine
Also present:	David Joyner, Executive Director

Acting Chairman Lanny Wilson called the meeting to order at 1:00 pm. He declared that a quorum was present and read the Ethics Act statement.

Approval of the minutes: Perry Safran moved approval of the January 2009 Board meeting minutes. The motion was seconded by Mr. Spencer, and the minutes were approved unanimously.

Triangle Expressway Financing: David Joyner presented an update on the Moral Obligation Pledge (MOP). Although the MOP is still a viable option, we are exploring other options available in order to move forward with TriEx. We are researching alternatives to improve our credit rating so that we can sell bonds. Mr. Joyner played a TV interview that highlighted the need for TriEx in terms of the thousands of jobs that it would create across the state. (See attached presentation.) Financing "Plan C" was presented as an option to reduce the credit spread and increase our credit rating. This plan would take advantage of market rates by essentially dividing the debt into two components. (See attached presentation.)

Mr. Safran asked whether the net coverage would increase for the entire project. David Miller responded that there was essentially no net change in coverage amounts. In order to proceed with "Plan C," we need to refresh the traffic and revenue estimates, obtain investment grade credit rating on bonds, obtain insurance on toll revenue bonds, receive TIFIA approval, and receive LGC approval.

Grady Rankin presented the financing schedule for TriEx. (See attached.) Based on the proposed schedule, we could close on project financing in May 2009. Critical milestones in the schedule are credit ratings, insurance terms and TIFIA approval. The LGC would only need to approve a modification of what they've already approved. Mr. Joyner recommended advising the Board of progress and possibly postponing the March Board meeting until April to allow the Board to consider required approvals prior to closing.

National Pricing System: Ed Regan presented information on the future of funding for transportation infrastructure. (See presentation attached.)

Committee Reports:
Executive Committee – Lanny Wilson reported that there were no action items from the Executive Committee. Mr. Wilson reported that the Executive Committee is next scheduled to meet on March 5, 2009, at NCDOT. Secretary Conti responded that the date may need to be changed due to the Secretary's availability.

Operations and Personnel – Sang Hamilton reported that the committee met and was briefed on the Toll Collection RFP schedule, as well as the Tag and Reader RFP and the Traffic Management RFP status and current activities. There were no action items.

Plans and Programs – Robb Teer reported that the committee met today and approved minutes from last month. There were no action items.

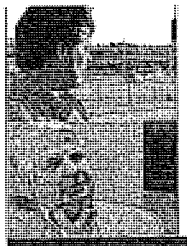
Finance – Bob Spencer reported that the Finance committee met and discussed preliminary finance plans for Monroe and Garden Parkway. Mr. Rankin and Mr. Weisenberger updated the committee on Trustee negotiations. He made a motion from the Finance Committee to approve the procurement policy which has been reviewed and amended based on Board feedback. The motion was seconded by Mr. Teer. Mr. Conti asked that he reserve the right to abstain after reviewing the content, but he was prepared to vote for it at this time. The motion was approved unanimously.

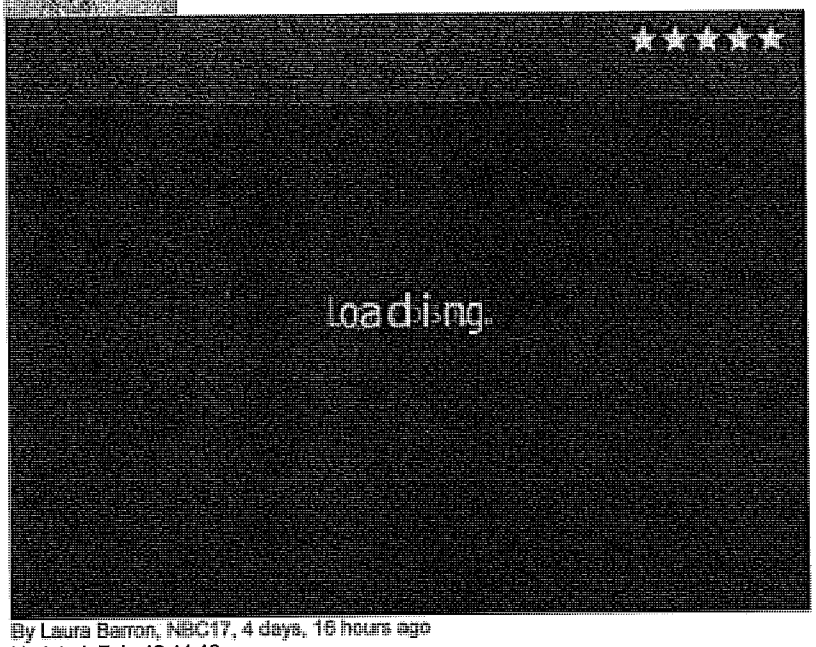
Election of Officers – Robb Teer moved that Gene Conti be elected chairman of the NCTA Board. The motion was seconded by all present and passed unanimously.

The meeting was adjourned at 2:12 pm.

Minutes prepared by Felicia Bridges

Contractors Waiting For Toll Road Jobs





By Laura Barron, NBC17, 4 days, 16 hours ago
Updated: Feb. 12 11:13 pm

RALEIGH, N.C. -

Some contractors are anxiously awaiting the funding for the NC 540 extension - and the jobs it will bring.

"It's been very difficult for a lot of people in our industry through this winter," said contractor Jonathan Bivens.

Bivens is the Vice President of the Engineering and Design Group at the S.T. Wooten Corporation, which has won the bid to build half of the project.

NC540, which will be a toll road, is not eligible for federal stimulus dollars, but it will create thousands of jobs once it gets the funding it needs to move forward.

A breakdown shows it already has secured $400 million in federal loans but it still needs to sell more than $630 million in bonds. That process has been delayed by a tough credit market.

The project would be ready to go within 60 days of getting the funding, which is why Bivens is waiting for word.

Executive Director of the Turnpike Authority, David Joyner, is also waiting. He said the project will create or preserve 35,000 jobs.

"You're talking about stimulus, this project really is," Joyner said.

The problem is that while the project was ready to go in November, the bond market was not.

Joyner said he's considering ways to raise the projects credit rating to get the money to build the anticipated toll road.

"We're hoping to know something in the next couple of months," Joyner said. "You're throwing a billion dollars into this project over the course of three years, it's desperately needed."

Bivens said his company will be ready to get to work within weeks of getting the official contract for the work on the toll road. While he and his colleagues will benefit from their $137 million chunk of the project, Bivens explained so will people from all over the state.

"We've got a lot of subcontractors and suppliers that will also have their people working on this project both on site but also in areas across the state fabricating materials and that kind of thing," Bivens said.

And that will build much more than a road.

"It'll mean a lot of people coming back to work getting off unemployment," Bivens said.

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Triangle Expressway

Plan of Finance

Plan C

February 18, 2009

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Problem:

- Credit spreads continue to work against us

Objective:

- Find credit enhancement (better ratings) to lower interest costs

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Plan B

- Moral Obligation Pledge
- Political solution

Plan C

- Continue search for path to high-rated structures (Bond Insurance)
- Private sector solution

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Situation:

- Credit spreads remain historically high
- Better credits continue to get better rates

Strategy:

- Turn financing around, i.e. take advantage of market conditions for high-rated debt

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Plan C

- Bifurcated Approach – Split Deal into Two Parts
  1. State appropriated gap fund bonds
  2. Toll revenue bonds

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Plan C

- **Benefits of this Approach**
  - State gap funds
    - $366 MM
    - High-rated AA bonds
    - Coverage ratios lower
    - Market is functioning for high-credits

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Triangle Expressway

Plan C

- Benefits of this approach
  - Toll revenue bonds
    - Smaller size – $ 316 MM
    - More easily insured
    - Insured credit spreads have come down
    - Toll Revenues still support $412 MM TIFIA

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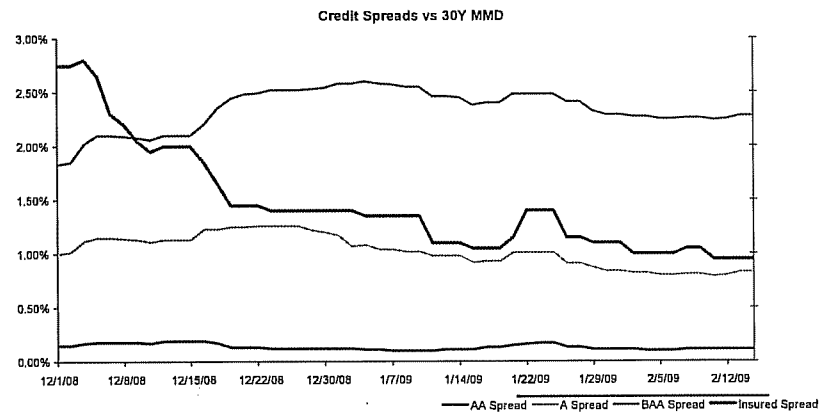
Triangle Expressway

Credit/Insured Spreads Since December, 2008



NORTH CAROLINA Turnpike Authority

Triangle Expressway

Plan C

- **Hurdles to cross**
  - Refresh Traffic & Revenue estimates
  - Obtain Investment-Grade credit rating on Toll Bonds
  - Obtain Insurance on Toll Revenue Bonds
  - Receive TIFIA approval
  - Receive LGC approval

New Directions in Transportation Finance

The move toward a "national pricing system"

Presented To

North Carolina Turnpike Authority

February 18, 2009

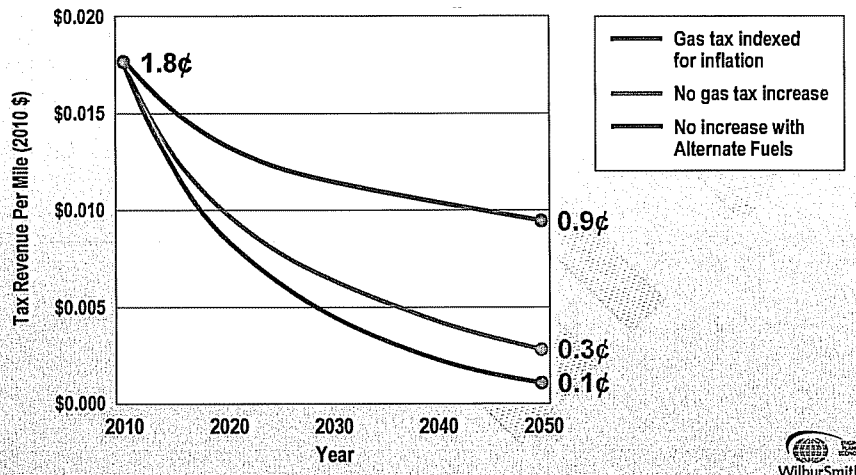
The Gas Tax: A System at Risk

- Without major changes, the motor fuel tax will not be able to generate the revenue needed to maintain and expand our nation's transportation infrastructure in the future
- An ominous trend
  - Political reluctance to raise tax rates
  - Increasing fuel efficiency
  - Search for alternative fuels
  - Urgent need to deal with global warming
- Major inconsistency in national policy
  - The backbone of all transportation finance is dependent on the taxation of a commodity we seek to discourage the use of !!

The Trend is Accelerating

- Rapid increases in gas prices
  - There down now, but probably not for long
  - Urgent search for alternative fuels
- Shift in consumer demand to fuel efficient vehicles
  - Still demand for hybrids
  - Low demand for trucks and SUV's
  - Auto Industry undergoing massive production shift
- Federal policy to increase fleet fuel efficiency to 35 MPG by 2020
- We're about to get very serious about Climate Change in the US

The Gas Tax: Unsustainable Revenue Source



Increasingly Clear National Policy Direction

- National Policy Commission suggests gas will only be sufficient until 2025
  - Suggests strong consideration of VMT fees
  - Calls for major planning effort in next reauthorization
  - "Minority Opinion" even stronger – the "gas tax is already broken
- National Transportation Infrastructure Finance Commission will recommend shift to Direct Road pricing by 2020
  - Report to be released in late February
  - Will stress urgent need to get off gas tax - quickly
  - Need to use direct road user charging to provide
    - Sustainable revenue source
    - Mechanism to manage demand
- It is increasingly clear: **US will likely transition off the gas tax between 2015 and 2025**

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Key Point

- The problem with the gas tax is <u>not</u> that it is inefficient
  - It *is* efficient
- The problem with the gas tax is that it is **<u>not sustainable</u>**
  --- in the face of:
  - Need to reduce congestion
  - Increasing fuel efficiency
  - New alternative fuels
  - Global warming
  - Need for energy independence
  - Political realities

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Multiple Uses of Pricing System

- Every vehicle in America equipped
  - Trucks and cars
- Replace fuel tax with VMT fee system
  - Replace not supplement the gas tax
- Tolling and other direct pricing applications
  - Tap into the national system
- VII and other ITS applications

Many Challenges

- Perceived overwhelming technical complexity
- Privacy Issues
- Enforcement and Security
- Perceived high cost of deployment and operations
  - As compared with gas tax
- Payment and collection issues
- Revenue distribution issues
- Equity issues

A Key Part of the Solution: National Travel Card

National Travel Card

Individual Smart Card

Travelers Choice

National Travel Account	Private Stored Balance
• Maximize convenience where privacy not a concern • Linked to credit card or bank account • Requires no action by user once opened	• Fully anonymous • No travel data stored; not linked to person or vehicle • Network of stored balance replenishment options

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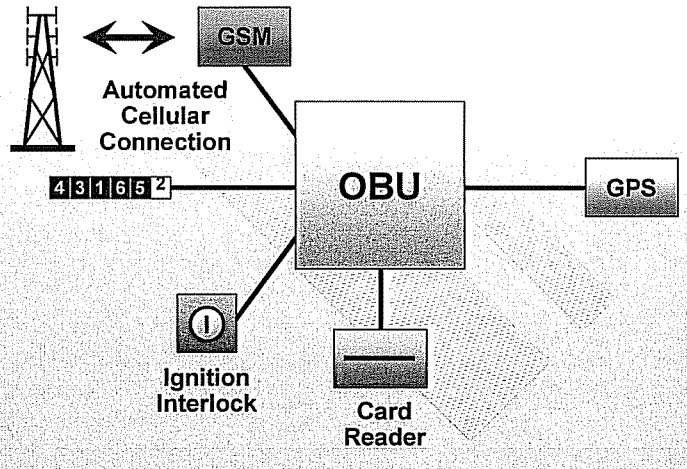
VMT Fee Functions

(Replacing the gas tax)



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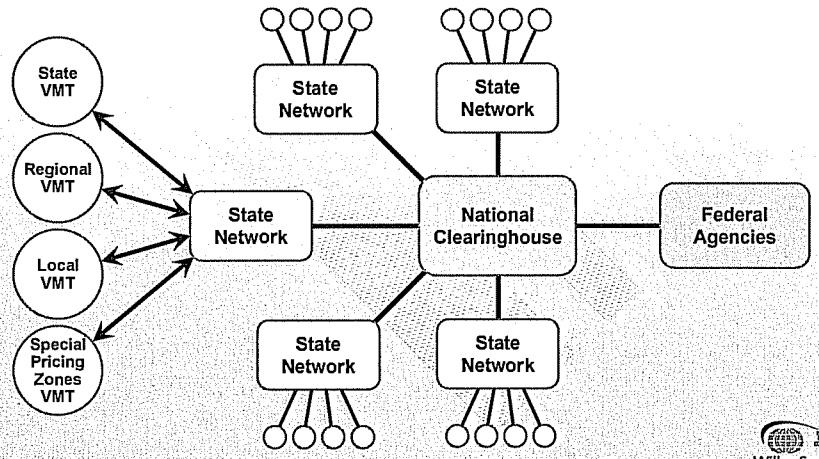
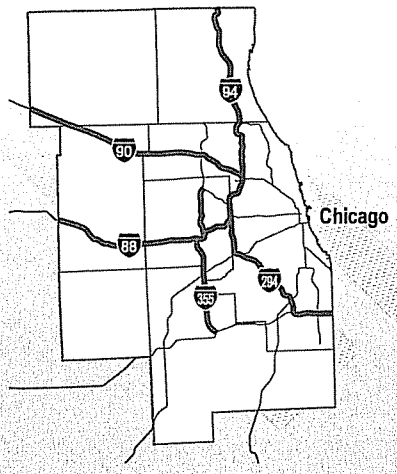
State-Level VMT Fee Distribution Networks



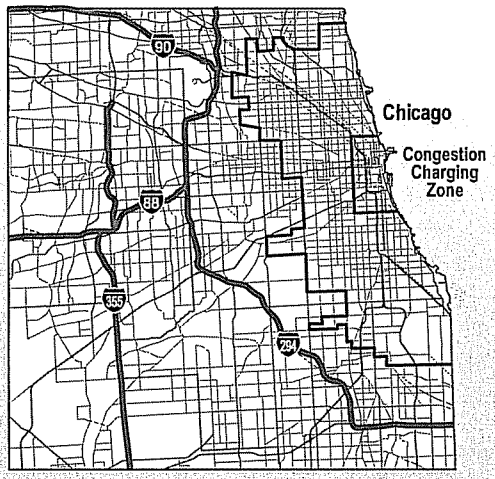
Typical Jurisdictional Pricing Levels - State

Chicago Regional Pricing Area

Typical Jurisdictional Pricing Levels - Regional



Typical Jurisdictional Pricing Levels - Municipal and Special Pricing Zones



Hypothetical Illustration, VMT Charging Levels

Charge Component	Cost/ Mile	Travel Area			
		Outside Northeast Region	Northeast Region	Within Chicago	Congestion Change Zone
Statewide Tax	$0.020	●	●	●	●
Northeast Region Tax	0.010		●	●	●
City of Chicago Tax	0.005			●	●
Congestion Fee	0.500				●
Total Per Mile Change/Mile		$0.020	$0.030	$0.035	$0.535

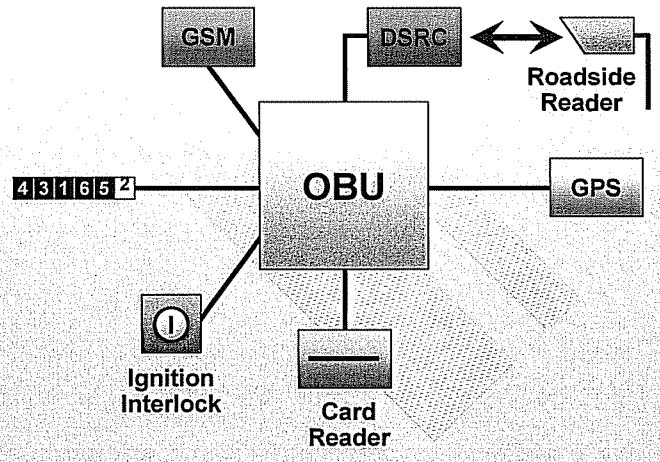
Illustrative Revenue and Distribution

- Hypothetical 50-mile trip (all Illinois)
  - 20 miles outside Northeast Region
  - 30 miles inside Northeast Region
  - 16 miles inside Chicago
  - 5 miles inside Congestion Zone
- Charges and Distribution
  - State (50 @ $0.020) = $1.00
  - Northeast Region (30 @ $0.010) = $0.75
  - Chicago (16 @ $0.005) = $0.08
  - Congestion Zone (5 @ $0.500) = $2.50
  - Total trip charge = $4.33

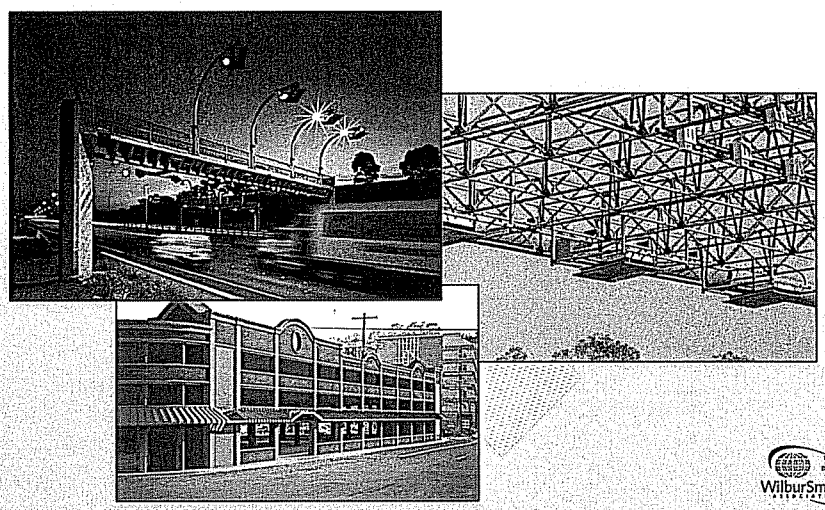
Other Direct Pricing Functions

- Toll Facilities
- HOT / Managed Lanes
- Cordon Pricing
- Parking Systems
- Transit Payments (Direct card)
- Taxis (Direct Card)
- Toll Operators and other 3rd party service providers simply "tap into" the national system
  - Greatly reduces the cost of collection
  - Greatly increases ease of pricing deployment

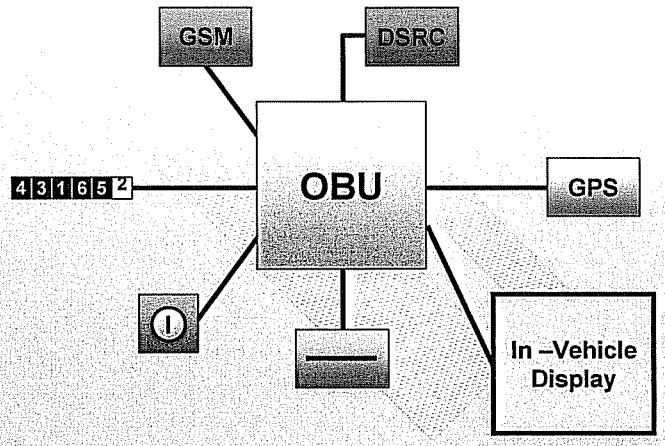
Adding a DSRC Link for Direct Data and Revenue Transfer



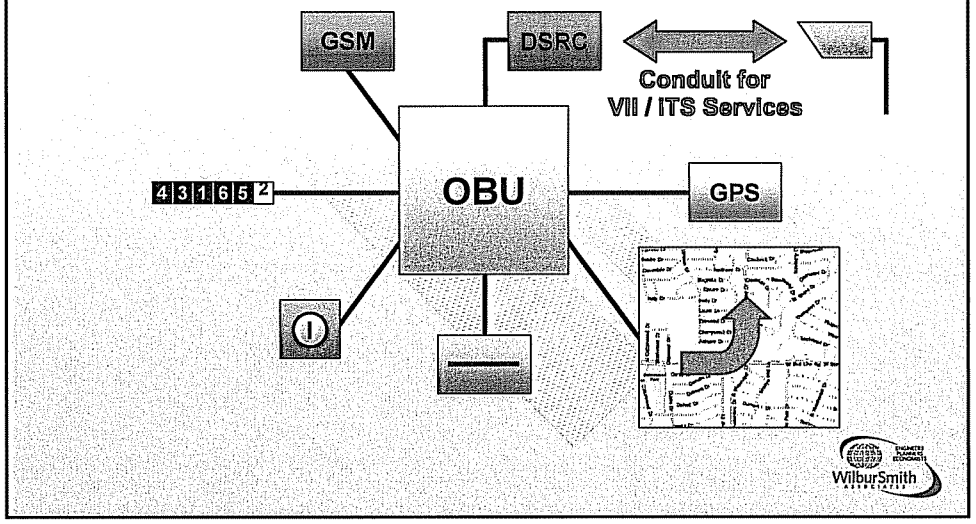
Roadside Infrastructure Provided by Toll Operations or Service Providers



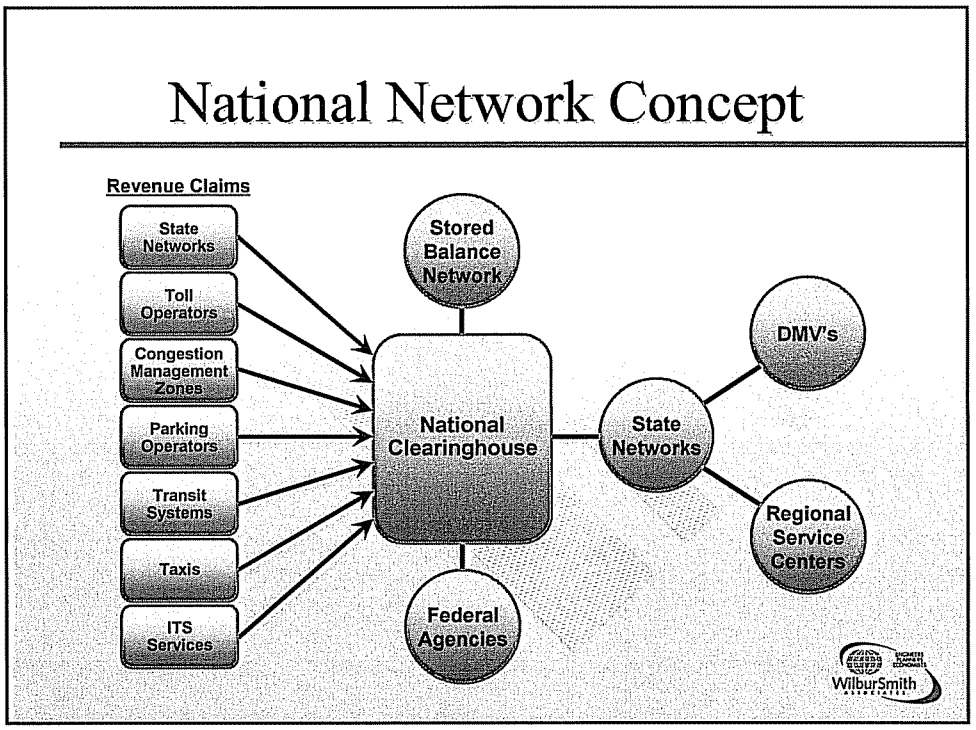
Account Information Feedback



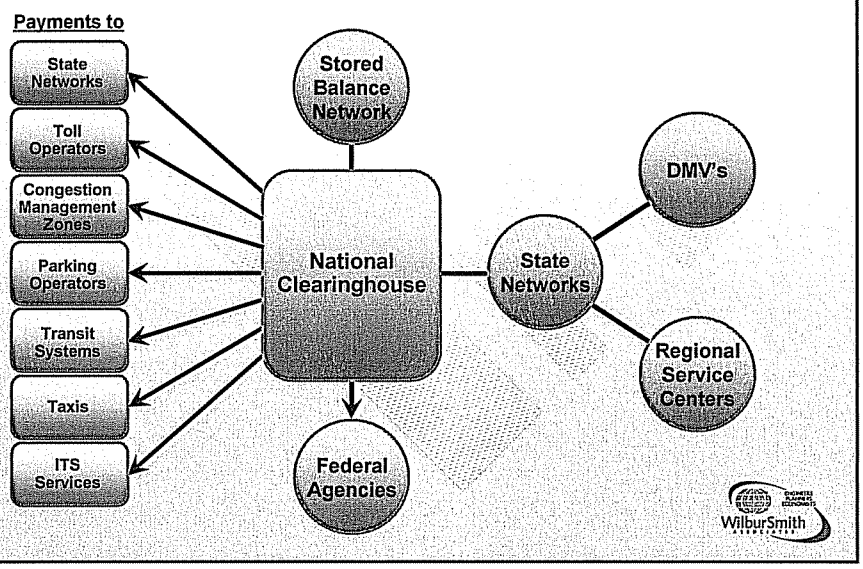
Potential VII and Other ITS Services



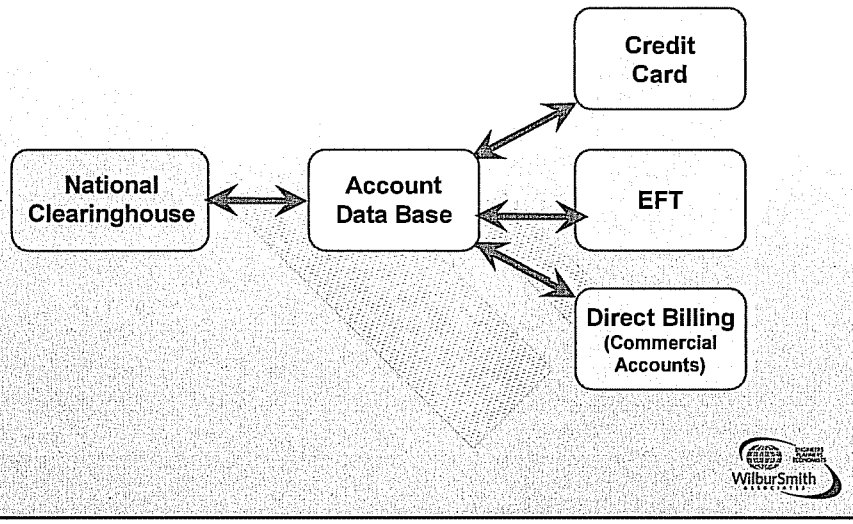
National Network Concept



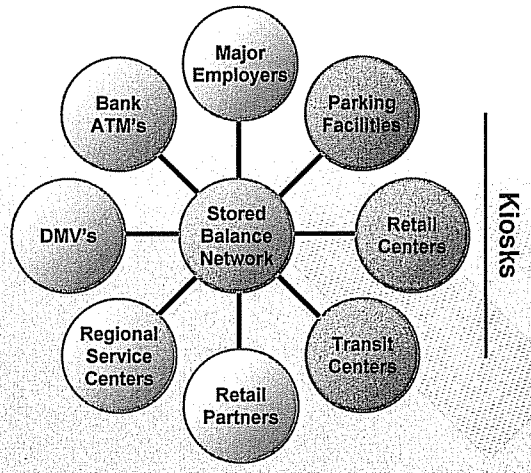
Revenue Transfer to Federal, States and Service Providers



National Travel Account Management



Stored Balance Replenishment Options



ACCEPT

- **Cash**
- **Credit Card**
- **Debit**

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Rough (very rough) Costs??

- **Probably $150 - $250 per vehicle**
  - About 1% of vehicle cost
  - About 2% of revenue collected over life of device
- **Initial Cost to equip national fleet**
  - About $50-$70 billion
  - Initial cost is only 20-25% of the $300 billion needed annually for transportation
  - System could replace virtually every form of transportation revenue now collected
- **Only OBU's and Clearinghouse Structure Financed through National System**
  - All roadside and other local system equipment cost paid by 3rd party users "tapping into" the national system
- **Future net annual costs about $15-$20 billion per year**
  - About 5% of annual revenue collected
  - Major part of operating cost offset by third party service providers "tapping into" system

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In Summary…

- A national pricing system is needed to provide a sustainable foundation for transportation finance in the future
  - A system based on user fees and charges per mile instead of per gallon
  - A system designed to provide a single device means of electronically paying all forms of transportation fees and charges
  - A system which will link road use with payment to enable better management of demand through variable pricing
  - A system that will be seamlessly intermodal
  - A system which will preserve privacy and allow for anonymous operations for those whose choose it

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In Summary…

- A pricing system framework designed to provide DSRC access to 3rd party service providers and facility operators
  - Toll and parking operators simply "tap into" the system
  - VII and other ITS services provided "on demand" – paid thru system
- A pricing system for which a large part of the operating cost can be paid by fees from 3rd party users who will find it very cost effective to tap into the system
  - Toll facilities
  - Parking facilities
  - Transit systems
  - ITS providers
  - Access control systems

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In Summary…

- It will be a big investment
  …and certainly more complex and costly than the gas tax
- But it will provide a sustainable future for transportation finance
- Technology is essentially here today
- All it will take is the political vision (and courage) to decide to do it
  …to start the long process of planning, design, consensus building, education and deployment
- The time to start is NOW!

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