

N.C. Capital Area Metropolitan Planning Organization

RESOLUTION APPROVING THE APPLICATION BY THE NORTH CAROLINA TURNPIKE AUTHORITY TO THE SECRETARY OF THE UNITED STATES DEPARTMENT OF TRANSPORTATION TO ENTER INTO AN AGREEMENT BETWEEN SAID AUTHORITY AND SECRETARY PERMITTING THE COLLECTION OF TOLLS ON A SEGMENT OF HIGHWAY FUNDED IN PART WITH FEDERAL FUNDS

WHEREAS, the North Carolina Turnpike Authority (the "Authority") is a public agency, created by the General Assembly of North Carolina to construct, operate, and maintain toll roads and bridges, vested with those powers granted to the Authority by the General Assembly;

WHEREAS, the Authority is generally prohibited from converting a segment of the nontolled State highway system to a toll facility, with the exception of the segment of Interstate 540 under construction as of July 1, 2006 located in Wake and Durham Counties, extending from I-40 to N.C. 55 (said segment herein called "I-540P"), provided that I-540P may not be so converted unless the conversion is first approved by the Metropolitan Planning Organization of the area in which the segment is located;

WHEREAS, N. C. Capital Area Metropolitan Planning Organization ("CAMPO") is the Metropolitan Planning Organization for the area in which I-540P is located;

WHEREAS, CAMPO has previously requested the Authority to study the feasibility of tolling I-540P to determine if tolling I-540P would significantly reduce the funding gap between the projected costs of the proposed toll roads known as Triangle Parkway and Western Wake Expressway being studied by the Authority and the portion of such costs that can be expected to be funded with toll road revenue bonds; and concurrently with the adoption of this resolution the Authority has delivered to CAMPO the report of Public Financial Management, Inc., an independent financial advisory firm, concluding that the conversion of I-540P to a toll road will result in a significant decrease in that funding gap;

WHEREAS, applicable federal law generally requires that all highways constructed in whole or in part with funds provided by the United States Department of Transportation ("USDOT") shall be free from tolls of all kinds, but 23 USC 129 permits federal participation in such highways (creating an exception to the general requirement) if the Secretary of USDOT enters into an agreement (a "Section 129 Agreement") with the public authority having jurisdiction over the highway containing certain provisions required by 23 USC 129;

WHEREAS, the Authority has advised the CAMPO that it wishes to make application to USDOT to enter into a Section 129 Agreement with the Secretary with respect to I-540P, and that it is necessary to proceed with the application at this time with the intent that a Section 129 Agreement be in place by the time of completion of construction and opening to traffic of I-540P, which may occur by the end of 2006;

WHEREAS, the Authority has advised CAMPO that any imposition of tolls by the Authority on I-540P would only occur in connection with the financing of Triangle Parkway and Western Wake Expressway with toll road revenue bonds, and that if such roads are not to be financed as toll roads, there would not be any tolls placed upon I-540P as a "stand-alone" toll road; and

WHEREAS, in order for the Authority to proceed with its application to USDOT, the Authority has requested CAMPO to approve the application to the USDOT and the conversion of I-540P to a toll road facility, and, after due consideration, CAMPO has determined to grant such approval;

NOW, THEREFORE, BE IT RESOLVED by the N. C. Capital Area Metropolitan Planning Organization that CAMPO hereby approves the filing by the Authority with USDOT of an application for the Authority and the Secretary to enter into a Section 129 Agreement with respect to I-540P and the conversion of I-540P to a toll facility in connection with the financing of Triangle Parkway and Western Wake Expressway as toll road facilities. This resolution shall take effect immediately upon its adoption.

Passed and Adopted this __ day of September, 2006.

Signed this ___ day of September, 2006.

Joe Bryan, Chair
Transportation Advisory Committee

Ed Johnson, Capital Area MPO Director
Transportation Advisory Committee

County of Wake
State of North Carolina

I, _____, a Notary Public for said County and State, do hereby certify that _____ personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the ____ day of _____, 20 ____.

(Official Seal)

Notary Public
My commission expires _____



The PFM Group

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September 12, 2006

Memorandum

To: Grady Rankin
From: David C. Miller and Kristin Kilker, The PFM Group
CC: David Joyner
Re: Western Wake Parkway Financial Analysis -
540P Impact on the Funding Gap

Public Financial Management, Inc. (“PFM”), as financial advisor to the NCTA, has previously prepared financial analyses for the combined Western Wake Parkway, Triangle Parkway and 540P projects (the “Western Wake Parkway”). PFM made assumptions based upon our expertise in the municipal credit markets and with toll project financing that we believed would make the project toll revenue bonds feasible and acceptable to credit market investors. Our preliminary analyses set forth financing plans which we believe to be financially feasible from a credit market perspective. It should be noted that, beyond the “numbers”, there are other issues of importance to credit rating analysts which will need to be covered as part of the credit process. These other issues include:

- A final Wilbur Smith “investment grade” traffic & revenue report,
- A HNTB’s consulting engineer’s report, including the attributes of construction and a detailed construction cost estimate,
- Various project agreements relating to funding and operations, in particular any agreement that sets forth loans and/or additional non-toll revenues to fill the project “gap”, and
- Development of a Toll Revenue Bonds Resolution and other financing documents.

Furthermore, we have assumed current market tax-exempt interest rates which are, of course, subject to economic conditions and will change in the future.

Our financial analyses are based upon WSA’s estimated Scenarios 1A and 1B toll revenues and toll collection expenses. Scenario 1A assumes that I-540P is tolled in addition to Western Wake and Triangle Parkway; Scenario 1B assumes that I-540P is toll-free. Our analyses incorporate the HNTB construction cost estimates of \$636.23 million for Western Wake and \$160.54 for Triangle Parkway. O&M and R&R expenses are also provided by HNTB.

The results of our analyses indicate that tolling the 540P segment decreased the estimated funding gap from approximately \$262 million to approximately \$215 million, or by \$47 million. In terms of the annual revenues required to finance this gap, including reserves and coverage requirements, the supplemental revenue required was reduced from \$18.5 million to \$12 million, or by \$6.5 million per year.