COLORADO BRIDGE ENTERPRISE
Memorandum

Colorado Bridge Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

DATE: July 3, 2013

TO: Bridge Enterprise Board of Directors

FROM: Ben Stein, CDOT/CBE Chief Financial Officer

SUBJECT: Bond Program Update

Background Information

A bond program update will be provided at a July workshop. This workshop shall address two topics: (1) forecasted bond program spending update for work complete through April 30, 2013, and (2) a comparison of the projected program financial liability as compared to available FASTER revenue. These items are discussed in further detail below.

Forecasted Bond Program Spending

The CBE Board of Directors was last provided a bond program update at the April 2013 Board meeting. The April update addressed work complete through Q2 FY2013 (October, November and December). Since that time, the Bond Program Allocation Plan has been updated twice; once for work complete through Q3 FY2013 (January, February and March), and again for work complete through April 30, 2013. This update reflects the most current financial information available.

Per the attached cash draw down table, the projected aggregate expenditures through Q4 CY2013 are projected to total $298.8M (April 2013 update) as compared to $307.3M (Q3 FY2013 update) and $323.7M (reported per the Q2 FY2013 update). The continued reduction in estimated outlays was expected as it reflects an ongoing trend. All the available bond proceeds ($298M) are fully encumbered.

Per the attached "Forecasted 85% Bond Spending with Adjustment Modifiers" document, the program is projecting expenditure of $229.9M of bond proceeds by calendar year-end (reference "As of April 30th" column); a forecasted $25.1M deficit relative to the target of $255 million. At the bottom half of this document (reference Actual Spending), there is a second projection using actual bond proceed spending as reported by the Trustee through the end of May. Based upon actual expenditures to date plus a realistic monthly spending rate, the program is forecasting expenditures of approximately $226.3M by year end; a predicted $28.7M deficit relative to the $255.0M target number.

Program Financial Liability vs. Available FASTER Revenue

Per the table below, the projected overall program financial liability increased by approximately $43.8M from Q2 FY2013 to April 30, 2013. The majority of this increase was due to the $39.5M associated with the future I-70 viaduct project approved in the May budget supplement.

	Q2 FY2013 ($M)	April 30, 2013 ($M)	Delta ($M)
Program	$716.9M	$760.7	$43.8

Reference the attached April 2013 Total Bond Program encumbrance table for the following Findings and Observations.

- The attached encumbrance table forecasts a non-cash $54.6M deficit (projected revenues as compared to forecasted financial commitments) in FY 2014.
- The $54.6M deficit is skewed as the financial commitments (or project encumbrances) include effects associated with over-budgeting and do not fully take into account when actual expenditures will occur.
- Over-budgeting at the program level is estimated at approximately 10%. Using the current $760.7M total financial liability suggests that about $76.1M (0.10 x $760.7M = $76.1M) of unused or available funding.
- To ensure the estimated liabilities are correctly stated, the net amount of over-budgeting is reduced to 75% of $76.1M or $57.1M.
- Off-setting the projected $54.6M deficit noted on the encumbrance table with the $57.1M surplus from over-budgeting creates the results in the table below.

	Encumbrance Table	Estimated Over-budgeting Surplus	Projected Funding Surplus
FY2014	-$54.6M	$57.1M	$2.5M

Program Policy Decision

- Because there are no immediate plans for a second bond issuance and the $300M bond proceeds are fully encumbered, the program will have to rely on the FASTER pay-go revenues to cover the unfunded projected program liability.
- These future revenues are projected at approximately $377.6M value (or FUTURE FUNDING) as determined by the April 30, 2013 bond allocation plan update.
- As encumbrances and expenditures lower available cash on hand, project estimates will have to be constantly refined and the timing of expenditures will become a key program function going forward.
- Careful decisions will have to be made as to which projects to advance or delay. Designed projects may have to be tabled or construction phases temporarily suspended as there may not be sufficient dollars to complete projects.
- A modest over-programming of work as compared to available revenues should remain an element of the program goal for two reasons:
  - It mitigates impacts associated with over-budgeting; and,
  - Ensures efficient and timely usage of available funding rather than waiting for projects.

I-70 Viaduct

Ensuring that the Bridge Enterprise does not over commit to projects is particularly important due to the implications associated with the I-70 viaduct replacement. Presuming the replacement of this structure will cost approximately $1 billion means that starting with FY2017 and continuing through FY2021, the four fiscal years for construction, essentially all bridge safety surcharges collected in those years (about $360 million) will be dedicated to this one project with the federal funds used to pay debt service on the existing $300 million of bonded debt. In addition, the BE will have to issue bonds for the balance of the project, another $650-$750 million. This will largely exhaust the BE's bonding capacity. So for the years FY2017-FY2021, there is essentially no funding available to cover cost overruns for currently planned BE projects or to commence new BE projects other than the viaduct. In addition, annual debt service will increase significantly to repay the bonds, leaving, post FY2021, a truncated bridge program as annual debt service will probably be in the $65-$75 million range through 2046.

The program should establish an upper financial limit (or cap) when comparing available funding to projected overall program liabilities.

- For example, the 10-year bridge plan set a minimal cash threshold limit of $25M; a contingency amount to address a bridge that becomes newly eligible (or poor) coupled with an urgency to address.
- Conversely, the net allowable dollar amount of encumbrances in excess of foreseeable revenues should be approximately $25M (which takes into consideration over-budgeting) as a program goal.
- Senior CDOT/CBE staff should establish this upper financial limit as it will drive decisions as to how much work and which bridges the CBE should program from this point forward.

Program Benefits

- As this develops it anticipates and is a current real-time example of portfolio project / program management, project selection and cash-flow financing - which is the future of CDOTs capital improvement program.
- The newly published Prioritization Plan will be used to help identify which projects represent the most deserving use of available funding. A sample scoring worksheet is attached to this memorandum including the current "top-5" list of un-programmed FASTER eligible bridges as ranked by their respective prioritization score.
- Ensuring that project funding is directed to the appropriate projects especially when one takes into consideration the amount of deck area projected to be rated poor.
- Sets a precedent that cost estimates and delivery timelines must be an accurate and realistic reflection of project delivery or projects may not fit within overall program goals.

$300M Bond Program Plan: April 2013 Update

Lag 90 days

Calendar Year	Quarter	Data w/out Inflationary Rates Applied		
		Cost	Cumulative Cost	Funds Remaining
2011	Q1	$ 436,939	$ 436,939	$ 297,563,061
	Q2	$ 3,173,903	$ 3,610,842	$ 294,389,158
	Q3	$ 3,036,370	$ 6,647,212	$ 291,352,788
	Q4	$ 15,727,273	$ 22,374,485	$ 275,625,515
2012	Q1	$ 11,556,164	$ 33,930,649	$ 264,069,351
	Q2	$ 27,593,064	$ 61,523,713	$ 236,476,287
	Q3	$ 18,452,249	$ 79,975,962	$ 218,024,038
	Q4	$ 29,754,807	$ 109,730,769	$ 188,269,231
2013	Q1	$ 25,854,395	$ 135,585,165	$ 162,414,835
	Q2	$ 49,530,405	$ 185,115,570	$ 112,884,430
	Q3	$ 58,264,392	$ 243,379,961	$ 54,620,039
	Q4	$ 55,440,670	$ 298,820,631	$ (820,631)
2014	Q1	$ 52,414,838	$ 351,235,468	
	Q2	$ 52,638,865	$ 403,874,333	
	Q3	$ 52,468,154	$ 456,342,487	
	Q4	$ 36,873,442	$ 493,215,929	
2015	Q1	$ 33,239,039	$ 526,454,968	
	Q2	$ 30,840,089	$ 557,295,057	
	Q3	$ 28,851,127	$ 586,146,184	
	Q4	$ 25,050,478	$ 611,196,662	
2016	Q1	$ 15,000,395	$ 626,197,057	
	Q2	$ 11,212,853	$ 637,409,911	
	Q3	$ 11,006,994	$ 648,416,905	
	Q4	$ 8,062,849	$ 656,479,754	
2017	Q1	$ 6,565,657	$ 663,045,410	
	Q2	$ 6,638,608	$ 669,684,019	
	Q3	$ 6,711,560	$ 676,395,579	
	Q4	$ 3,647,588	$ 680,043,167	
Grand Total		$ 680,043,167	$ 680,043,167	

Colorado Bridge Enterprise
Q1/Q2/Q3 FY2013 and April 30th Comparison
Forecasted 85% Bond Spending with Adjustment Modifiers

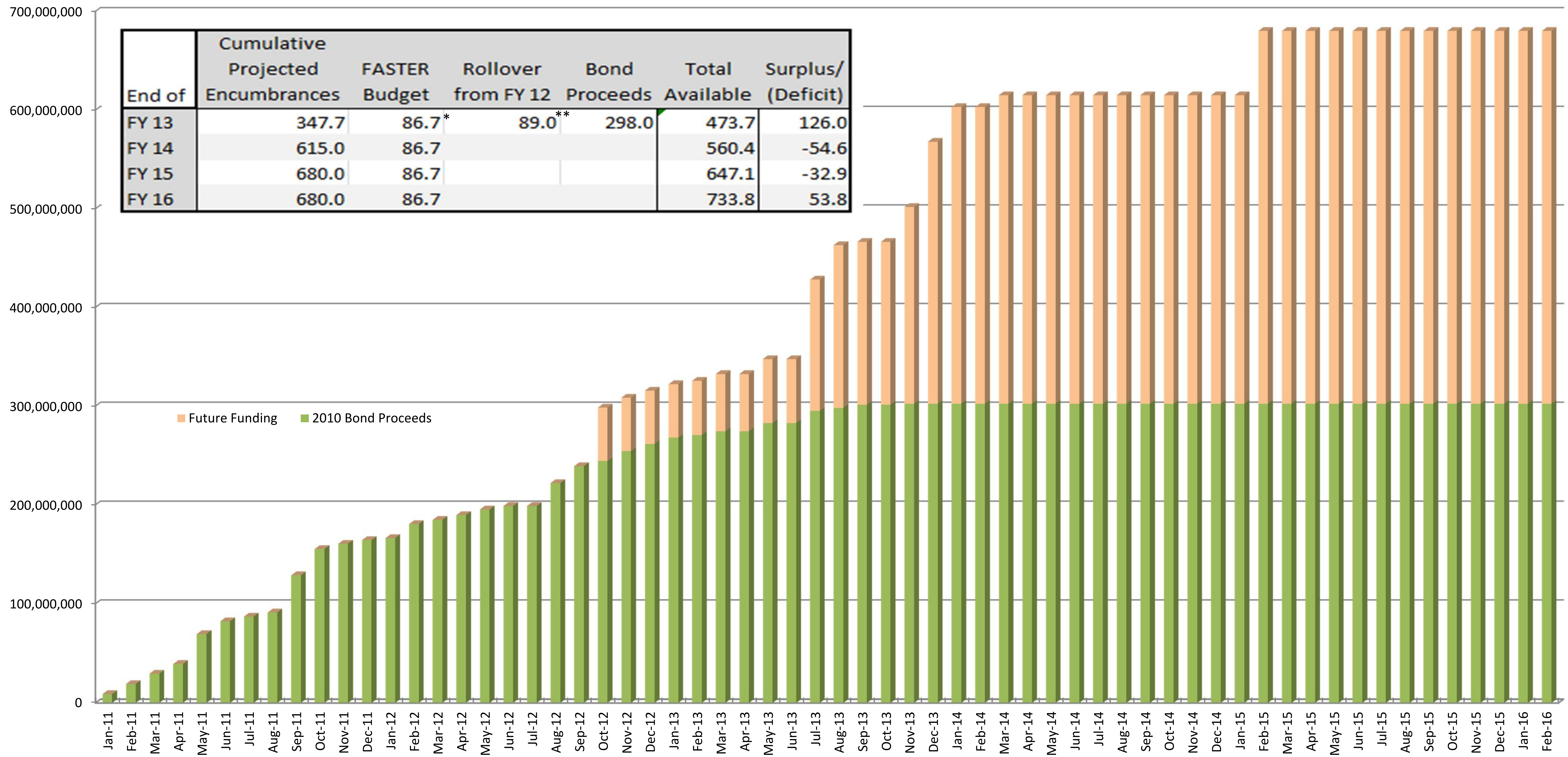
June 27, 2013

All Projects $300M Bond Program	Q1 FY2013	Q2 FY2013	Q3 FY2013	As of April 30th	
Q4 Calendar Year 2013	$ 332,416,509	$ 323,700,424	$ 307,269,589	$ 298,820,631	
Projects over-budgeted at 10%	$ 33,241,651	$ 32,370,042	$ 30,726,959	$ 29,882,063	
subtotal	$ 299,174,858	$ 291,330,382	$ 276,542,630	$ 268,938,568	
Program Delivery Efficiency at 10% (SPI = 0.90)	$ 29,917,486	$ 29,133,038	$ 27,654,263	$ 26,893,857	
subtotal	$ 269,257,372	$ 262,197,343	$ 248,888,367	$ 242,044,711	
Project Close-out at 5%	$ 13,462,869	$ 13,109,867	$ 12,444,418	$ 12,102,236	
Total	$ 255,794,504	$ 249,087,476	$ 236,443,949	$ 229,942,476	
		$ 5,912,524	$ 18,556,051	$ 25,057,524	Forecasted Deficit

Actual Spending					
Spending Goal	$ 255,000,000	$ 255,000,000	$ 255,000,000	$ 255,000,000	
Actual Expenditure (cut-off date varies)	$ 109,700,000	$ 125,700,000	$ 133,561,124	$ 156,267,934	through May 2013
Subtotal	$ 145,300,000	$ 129,300,000	$ 121,438,876	$ 98,732,066	
Required Monthly Bond Spending per Month	$ 12,108,333	$ 12,930,000	$ 13,493,208	$ 14,104,581	
	12 remaining months	10 remaining months	9 remaining months	7 remaining months	
			$ 90,000,000	$ 70,000,000	7 months at $10M/month
			$ 223,561,124	$ 226,267,934	Forecasted total spending

Total Bond Program Encumbrance

April 2013 Update: Bond Program Allocation Plan



End of	Cumulative Projected Encumbrances	FASTER Budget	Rollover from FY 12	Bond Proceeds	Total Available	Surplus/ (Deficit)
FY 13	347.7	86.7*	89.0**	298.0	473.7	126.0
FY 14	615.0	86.7			560.4	-54.6
FY 15	680.0	86.7			647.1	-32.9
FY 16	680.0	86.7			733.8	53.8

* FY 2013 FASTER Bridge Enterprise budget revenues less expenditures.

** Rollover FY2012 to FY2013.

Project:	E-17-FX (2010 SIA)		
By:	LEB	Checked:	Initials
Date:	4/26/2013		0/0/00
Sheet No.	1 of		2

Bridge Prioritization Plan

Scoring Worksheet

Major Criteria	Point totals	Sub-Criteria
Bridge Designation (pick one)	8	◉ Structurally Deficient ○ Functionally Obsolete
Sufficiency Rating (pick one)	3	○ < than 30.0 ○ 30.1 to 40.0 ◉ 40.1 to 49.9 Rating = 44
Bridge Condition or Structural Condition (select if relevant)	12.5	☐ Load Restricted ☐ Scour Critical rating ≤ 4 — Rating = N ☑ Sub-structure rating ≤ 4 — Rating = 4 ☑ Superstructure rating ≤ 4 — Rating = 4 ☑ Deck structure rating ≤ 4 — Rating = 4 ☐ Insufficient vertical clearance
Average Daily Traffic (pick one)	4.5	○ 0 - 400 ○ 401 - 5,000 ○ 5,001 - 15,000 ○ 15,001 - 25,000 ◉ 25,001 + — ADT = 137000
% of Truck Traffic (pick one)	4	○ Low (TT < 5%) ○ Medium (6% to 10%) ◉ High (TT > 10%) — %TT = 10%
Bridge Importance (select if relevant)	12.5	☑ Emergency/Evacuation Route ☑ Located along National Interstate Highway System ☑ Primary Access to Local Community — Detour = 5 mi ☑ Located along economic strategic corridor; freight, tourism, AG, oil/gas, etc. ☐ Historic Structure ☐ Significant pedestrian/bike crossing (CSS)
Economic Factors / Impacts (select if relevant)	8	☐ Rehabilitation ☑ Replacement ☑ Combine structure repair/replacement with companion bridge ☑ Combine structure with adjacent roadway improvement project ☑ Continued significant long-term maintenance and/or interim repair costs
Other Factors or Issues (select if relevant)		Identify other item(s) that necessitate rehabilitation or replacement of the structure not listed above. Collectively the maximum scoring value of all items cannot exceed 5

Structure Score **52.5**

Prioritization Plan Un-Programmed Bridges

5 Highest Ranked Structures

Prioritization Plan Score	Original Bridge Number	Region	County	Facility Carried over Featured Intersection	Estimated Replacement Cost
40.5	E-17-KR	1	DENVER	I 270ML EBND over I 70ML	$ 12,500,000
38	E-17-EW	1	DENVER	I 70 ML EBND over UPRR; W of QUEBEC ST.	$ 11,937,000
38	E-17-DF	1	DENVER	I 70 ML WBND over UPRR; W of QUEBEC ST.	$ 11,937,000
36.5	N-17-BN	2	HUERFANO	I25 ML SBND over CO RD 640, BUTTE CREEK	$ 6,598,000
33.5	G-03-Q	3	MESA	I 70 ML WBND over COLORADO RIVER OVERFLOW	$ 24,875,000

Notes
- There are currently 22 un-programmed structures; not including bridges designated as No Action Proposed.
- Per the Prioritization Plan, bridges scoring from 30 to 40 are considered "good candidates to program".
- Prioritization Plan score are estimates and may change as work / project knowledge is better defined.
- Estimated Replacement Cost Basis: 1.5 times existing deck area times $500/sq-ft per CDOT Staff Bridge formula.