



4201 East Arkansas Avenue, Room 262  
Denver, CO 80222

## MEMORANDUM

TO: TRANSPORTATION COMMISSION

FROM: PETER KOZINSKI, ACTING OMPD DIRECTOR & MICHAEL CHEROUTES, HPTE DIRECTOR

DATE: DECEMBER 10, 2014

SUBJECT: C-470 EXPRESS LANES PROJECT FINANCING UPDATE

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### Purpose

To provide the Transportation Commission (TC) an update on the recent HPTE Board recommendation to utilize Design Build with public financing (secured through HPTE) as the preferred project delivery method for C-470 Express Lane project.

### Action

N/A Informational Only

### Background

This project received \$100 million in RAMP funds and the project status is considered "red" while the Region, OMPD and HPTE work toward assembling a financing package for the project. Part of that financing/project delivery discussion included Public Private Partnership (P3) consideration.

Current Project Estimate: \$230M with the following funding sources:

- \$100M RAMP
- \$2M FASTER
- \$10M from Douglas County
- \$118M Funding Gap
  - Sources being looked at to assist in filling gap:
    - \$4 million to \$6 million of Highway Safety Improvement Program
    - Projected ~\$100 million in TIFIA/PABs supported by toll revenue
    - HPTE Development Fund if needed

A Level 3 Traffic and Revenue Analysis is underway with preliminary results expected in January 2015. A revised Environmental Assessment is also underway for the project, with a decision document expected June 2015. Additionally, the project is undergoing an Independent Cost Estimate (ICE) via specialized consultant.



### Details

HPTE and CDOT (OMPD) reviewed the C-470 Express Lanes project for its potential as a P3 (concessionaire) project. Ernst & Young conducted a preliminary value for money analysis comparing two delivery methods for the C-470 Express Lanes project: Design Build (DB) with toll revenue backed financing (tax-exempt bonds) and Design Build Finance Operate Maintain (DBFOM) concession backed by toll revenues. In support of this analysis, an initial financial model was developed to: define the base case plan of finance for each delivery method, calculate the long-term CDOT/HPTE cash flow profile under each scenario and perform sensitivity analysis related to revenues, costs, interest rates, etc. In addition to this quantitative analysis, qualitative factors (see table below) were also considered and compared and included: implications for the build out of the ultimate C-470 corridor configuration, ability to attract robust competition based on project and investment size, and value of potential excess toll revenues to the corridor.

	Design Build	Design Build Finance Operate Maintain
Future Project Phases	<ul style="list-style-type: none"> <li>- Provides more flexibility with respect to development of future Project phases, allowing for DB or DBFOM delivery at a later stage</li> </ul>	<ul style="list-style-type: none"> <li>- Concession agreement would need to include provisions for future corridor expansion</li> <li>- Could be difficult to develop any extension separately from original concession agreement</li> </ul>
Project Revenues	<ul style="list-style-type: none"> <li>- Excess project revenues would accrue in full to HPTE for future phases</li> <li>- If revenue is lower than expected, HPTE will receive less excess cash flow, and may need to fund O&amp;M</li> </ul>	<ul style="list-style-type: none"> <li>- Excess project revenues would accrue to concessionaire, but revenue sharing can allow for cash flow to HPTE if project performs well</li> <li>- Downside revenue risks transferred to concessionaire</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>- Procurement shorter than DBFOM</li> <li>- Number of bidders and competition may be greater than DBFOM</li> <li>- Limits selection to construction price</li> </ul>	<ul style="list-style-type: none"> <li>- Procurement longer than DB</li> <li>- Number of bidders and competition may be limited due to limited revenue potential and greenfield nature of project</li> </ul>
Other Items	<ul style="list-style-type: none"> <li>- HPTE will be responsible for setting tolls</li> <li>- Preservation of options to derive synergies with other regional projects</li> <li>- Provides flexibility for DB+OM delivery</li> </ul>	<ul style="list-style-type: none"> <li>- Concessionaire tolling setting ability governed by concession agreement</li> <li>- Limited ability to drive costs down relative to DB</li> <li>- Provisions for unforeseen competing facilities</li> <li>- Project would be on smaller side for a DBFOM</li> </ul>



This analysis concluded DB with traditional public financing is preferred over the DBFOM method for the following reasons:

- A higher amount of public funds would be required under the DBFOM method, compared to the DB method, where potential excess toll revenues are retained in the corridor to support future expansion.
- Project characteristics, such as revenue projections and size of equity investment, likely make C-470 less attractive to DBFOM bidders, thereby limiting potential competition.
- Greater competition is expected from a DB procurement and has a better chance of eliminating the funding gap through public financing.

#### Next Steps

- January 2015- Submit TIFIA Letter of Interest
- January 26, 2015- Present refined budget and scope to RAMP Sponsor Coalition
- February 2015 Transportation Commission Meeting: Present to TC refined budget and scope and status of moving C-470 from "red" to "green"

#### Attachments

Attachment A: HPTE Resolution #147

Attachment B: Project Schedule



**Resolution – HPTE # 147**

**Approving a recommendation to the Transportation Commission regarding delivery method of the C-470 Express Lanes Project**

**WHEREAS** the General Assembly created the Colorado High Performance Transportation Enterprise (“HPTE”), pursuant to Section 43-4-806, C.R.S., as a government-owned business within the Colorado Department of Transportation (“CDOT”) to pursue innovative means of more efficiently financing important surface transportation projects that will improve the safety, capacity, and accessibility of the surface transportation system; and

**WHEREAS** such innovative means of financing projects include, but are not limited to, public-private partnerships, operating concession agreements, user fee-based project financing, and availability payment and design-build contracting; and

**WHEREAS** HPTE, in conjunction with CDOT, has investigated various project delivery methods that can be utilized in delivering an important surface-transportation project which includes adding tolled express lanes on C-470 in each direction from I-25 to approximately Kipling Boulevard, and constructing direct-connection ramps to the westbound tolled express lanes from I-25 and E-470 (“C-470 Project”); and

**WHEREAS** the project delivery methods reviewed for the C-470 Project have included a design/build/operate/maintain/finance model (“Public-Private Partnership”) and a design/build public funding model (“D/B Public-Funding Delivery Method”); and

**WHEREAS** the HPTE Board of Directors has reviewed and considered public input on the project delivery method and financing alternatives for the C-470 Project; and

**WHEREAS** based on a “Preliminary Value for Money Analysis, Comparison of Project Delivery Methods and Financing Options” report considered by the HPTE Board of Directors, other financial information available to the public, and public input received to date, the State of Colorado does not appear to receive any additional value in delivering the C-470 Project as a Public-Private Partnership and the D/B Public-Funding Delivery Method appears to give the most value to the State of Colorado.

**NOW THEREFORE BE IT RESOLVED:** the HPTE Board of Directors hereby recommends to the Transportation Commission that the D/B Public-Funding Delivery Method be used in procuring the C-470 Project; and

**BE IT FURTHER RESOLVED:** this recommendation is subject to the HPTE Board of Directors' continued review and consideration of financial and other relevant analysis and on the continued review and consideration of public input throughout the process.

Signed as of November 19, 2014

A handwritten signature in black ink, appearing to be 'Sharon Williams', written over a horizontal line.

Sharon Williams  
Secretary, HPTE Board of Directors



# Project Schedule Overview

