



MEMORANDUM

TO: TRANSPORTATION COMMISSION
FROM: PETER KOZINSKI, OFFICE OF MAJOR PROJECT DEVELOPMENT AND MIKE CHEROUTES, HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
DATE: FEBRUARY 18, 2015
SUBJECT: C-470: SCOPE, SCHEDULE & BUDGET UPDATE

Purpose

Staff wanted to update the Transportation Commission on the continued development of the C-470 RAMP or Tolloed Express Lanes Project, and ascertain if additional information or clarity is needed before asking the Transportation Commission in March 2015 to:

- Endorse the Scope, Schedule & Budget,
- Support the commitment of either a Net or Gross Toll Pledge toward debt service, and
- Concur with moving the Project from “red” to “green” on the RAMP list.

Action

No Action Required

Background

In August 2014 Region 1 Director DeVito provided the Transportation Commission a memo detailing how the Project was structured after receiving \$100 million in RAMP funds vs. the \$137 million originally requested. Please reference the attached *Interim Schematic* for a pictorial representation of the Project Scope, that corresponds with the outlined below:

- Westbound - two tolled express lanes from I-25 to Colorado; one tolled express lane from Colorado to Wadsworth
- Eastbound - one tolled express lane from Platte River to I-25
- Auxiliary lanes where warranted
- Direct connection ramps from I-25 to the westbound express lanes
- Reconstruction between I-25 and Broadway in both directions and needed widening /rehabilitation from Broadway to western termini



It should be noted that the Project reduced its scope when it received the commitment of \$100 million in RAMP funds vs. the \$137 million.

At the time of the memo, the C-470 Project Design and Construction estimate was \$230 million. The following tables outlines the sources and uses in August of 2014.

Table 1: C-470 – Original Sources of Funds (in \$000)

Sources	
Tax-Exempt CIBs	38,000
Tax-Exempt CABs	--
TIFIA	88,000
CDOT - RAMP	100,000
FASTER + Local	12,000
Other Public Funding	29,000
TOTAL	\$267,000

Table 2: C-470 – Original Uses of Funds (in \$000)

Uses	
Design & Construction	249,000
Financing Fees ¹	3,000
Interest During Construction	4,000
Debt Service Reserves	7,000
Operating Reserves ²	4,000
TOTAL	\$267,000

The disparity between the Project estimate of \$230 million and the \$249 million shown in the uses table is a result of Project costs being escalated to year of expenditure dollars by the financial advisor.

Over the last six months, the project team has continued to refine the Project and has updated the cost estimate in light of market trends.

The most current Project estimate is \$269 million. The following Uses table outlines how this updated cost estimate carries into a total project (in year of expenditure dollars) cost. While a \$20 million increase in the Project estimate is substantial - there is also good news that comes with the continued refinement of the Project.

Table 3: C-470 - Update Uses of Funds (in \$000)

Uses	
Design & Construction	269,000
Transaction Costs ¹	4,000
Interest During Construction	10,000
Project Reserves ²	25,000
TOTAL	\$308,000

The preliminary Level 3 Traffic & Revenue (investment grade) study has affirmed the Level 2 Traffic & Revenue predictions and is suggesting that the Corridor has more borrowing capacity than originally anticipated.

Additional borrowing capacity helps close the gap between the original project cost and the updated project cost, but does introduce another decision point for the Project.

Net vs. Gross Pledge Consideration

Should the C-470 Project and CDOT incur debt service under a Net Pledge of Toll Proceeds or a Gross Pledge of Toll Proceeds?

Under the Net Pledge approach;

- Debt service would be paid after O&M, and



- Additional public sources of funding would be needed to close the estimated funding gap of approximately \$35 million.

Under the Gross Pledge approach;

- Debt service would be paid before O&M, and
- A contingency loan, of approximately \$2 million, would be made available by CDOT in the event toll revenues after debt service are insufficient to cover O&M costs. *(if base case assumptions are met the contingency loan would only be needed in year one and repaid within the first five years)*
- No additional public sources of funding would be needed to deliver the Project.

Table 4: C-470 - Update Sources of Funds (in \$000)

Sources	
Tax-Exempt CIBs	86,000
TIFIA	108,000
CDOT - RAMP	100,000
FASTER + Local	12,000
O&M Loan Proceeds	2,000
TOTAL	\$308,000

The Sources table to the right shows how the Uses table could be achieved under a Gross Pledge approach.

Next Steps

In March, Staff desires to ask the Transportation Commission to act on the following three items:

- Endorse the Scope, Schedule & Budget,
- Support the commitment of either a Net or Gross Toll Pledge toward debt service, and
- Concur with moving the Project from “red” to “green” on the RAMP list.

Direction in these items is needed for not only the ongoing NEPA process and the development of the procurement documents, but also for the TIFIA Letter of Interest, that HPTE desires to submit in March.

The following section outlines the schedule for future steps.

Schedule

The following key milestone schedule expands upon the next steps discussion.

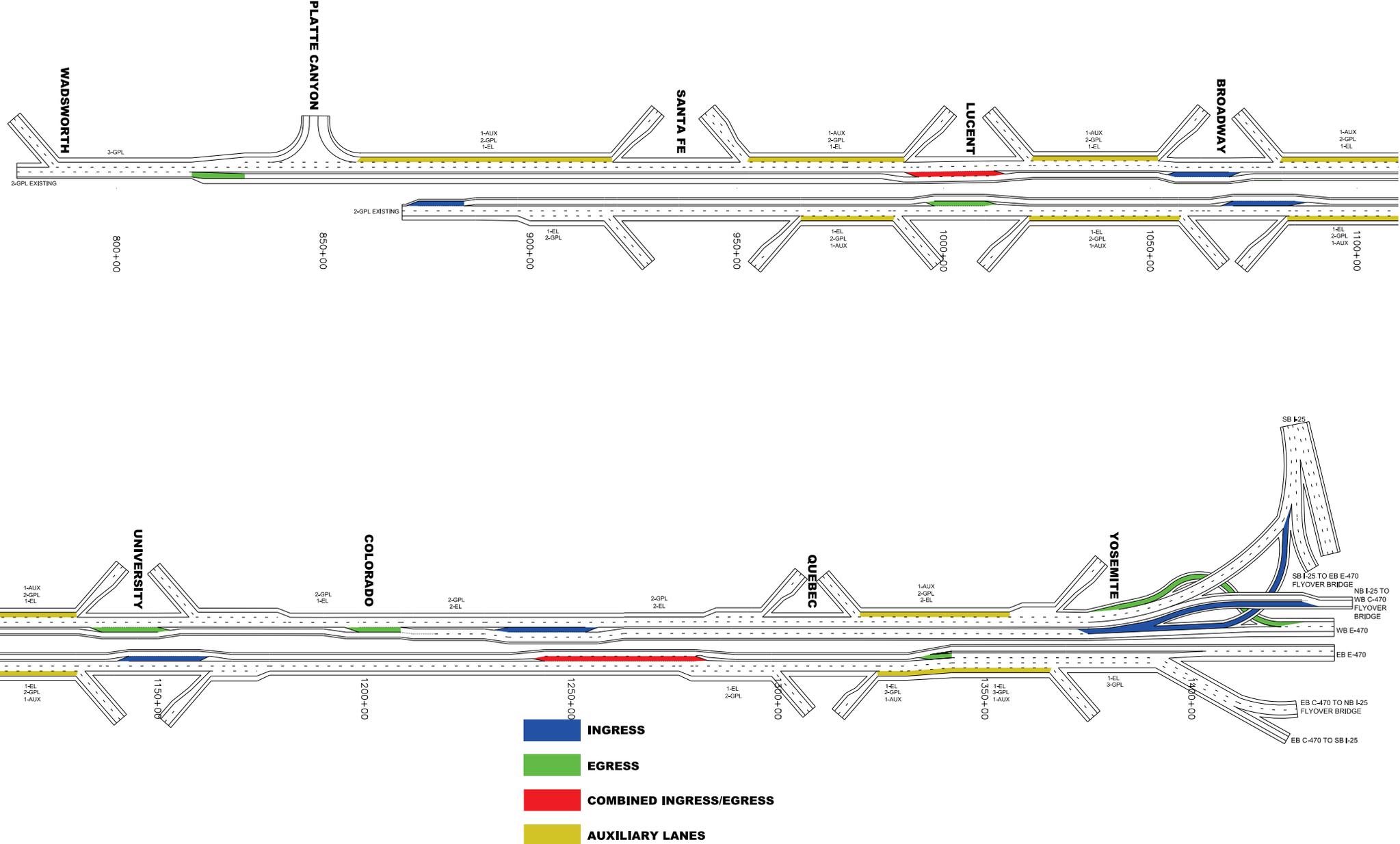
- Issue Request for Qualifications - February, 2015
- Submit TIFIA Letter of Interest - March, 2015
- Issue Draft Request for Proposals - June, 2015
- EA Decision Document - September, 2015
- Issue Final Request for Proposals - September, 2015
- Select Design-Build Team - February, 2016
- Start Construction - Summer 2016

Attachments

Interim Schematic Lane Diagram & Presentation



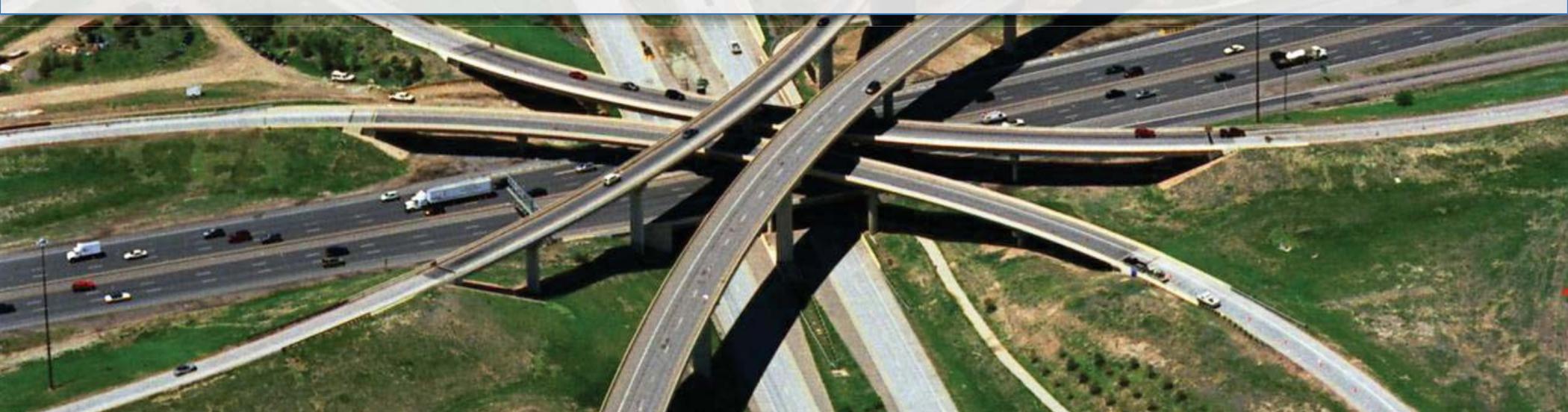
INTERIM SCHEMATIC





COLORADO

Department of
Transportation



Transportation Commission Update

February 18, 2015





Agenda

- Project Location and Overview
- Stakeholder Collaboration and Ongoing Support
- Proposed Scope
- Delivery Method
- Schedule
- Funding / Budget – Sources & Uses
- Future Actions:
 - Confirmation of Scope, Schedule & Budget
 - Net vs. Gross Pledge of Toll Proceeds for Debt Service
 - Move Project from Red to Green on RAMP Governance List

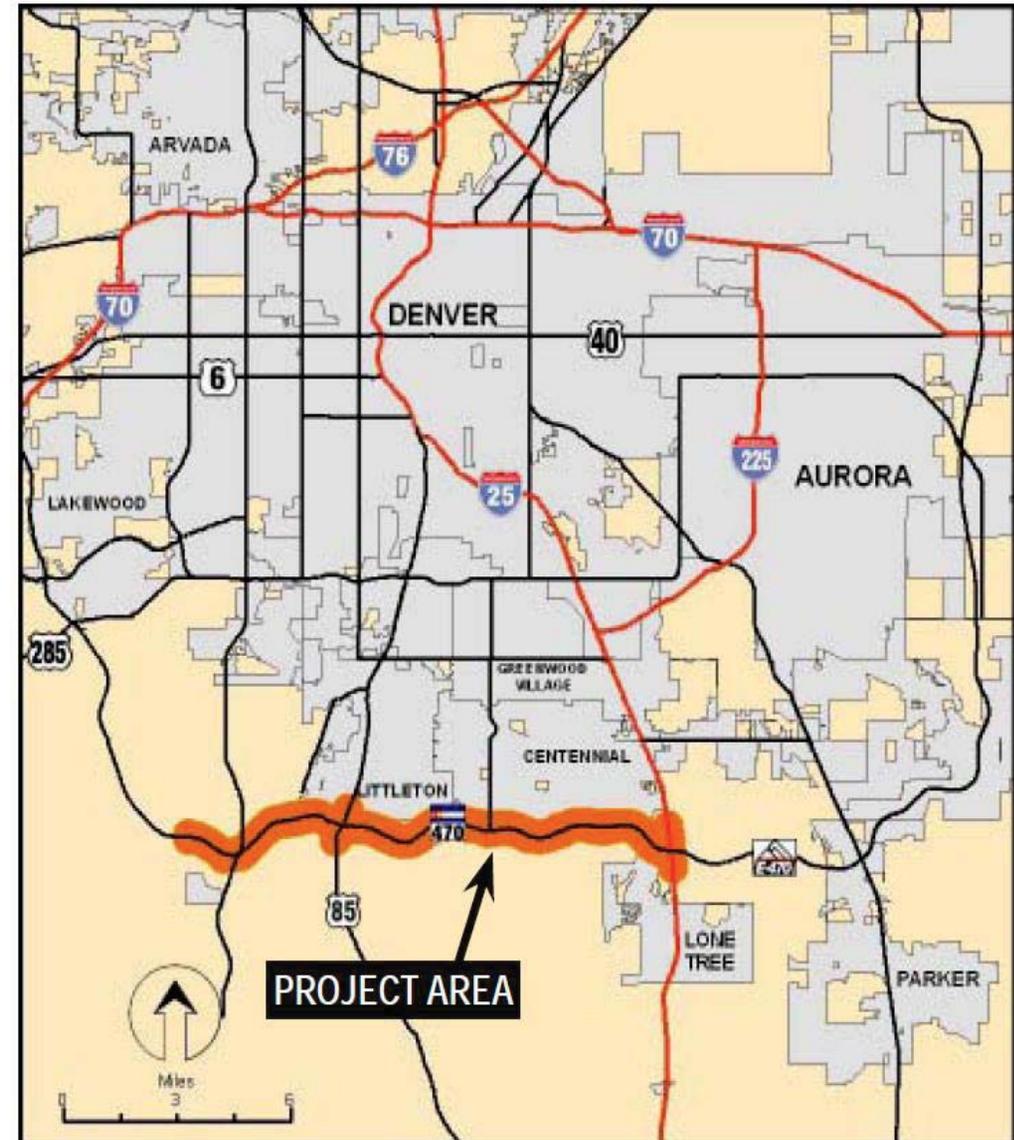




Project Location

Revenue Reliability

- Congested Commuter Corridor
 - Over 100,000 vehicles per day
 - Projected to increase 40% by 2035
- Majority of Project within Douglas County
 - Median Income- 6th Highest county in the Nation (*CNN Money, 2014*)
 - Professionals with higher Value of Time (VOT)
- E-470 and I-25 Connectivity





Project Overview



Proposed C-470 Interim - 1 Tolled Express Lane in each direction plus 2 General Purpose Lanes in each direction with Auxiliary Lanes (select locations)

- Westbound – two tolled express lanes from I-25 to Colorado; one tolled express lane from Colorado to Wadsworth
- Eastbound – one tolled express lane from Platte River to I-25
- Auxiliary lanes where warranted
- Direct connection ramps from I-25 to the westbound express lanes
- Reconstruction between I-25 and Broadway in both directions and needed widening /rehabilitation from Broadway to western termini





Stakeholder Collaboration and Ongoing Support

C-470 Coalition

Members:

- Counties of Douglas, Arapahoe, and Jefferson
- Cities of Lone Tree, Centennial, Littleton, Greenwood Village, the Highlands Ranch Metropolitan District, Castle Rock, and Parker
- Multiple Community Partnerships & Organizations

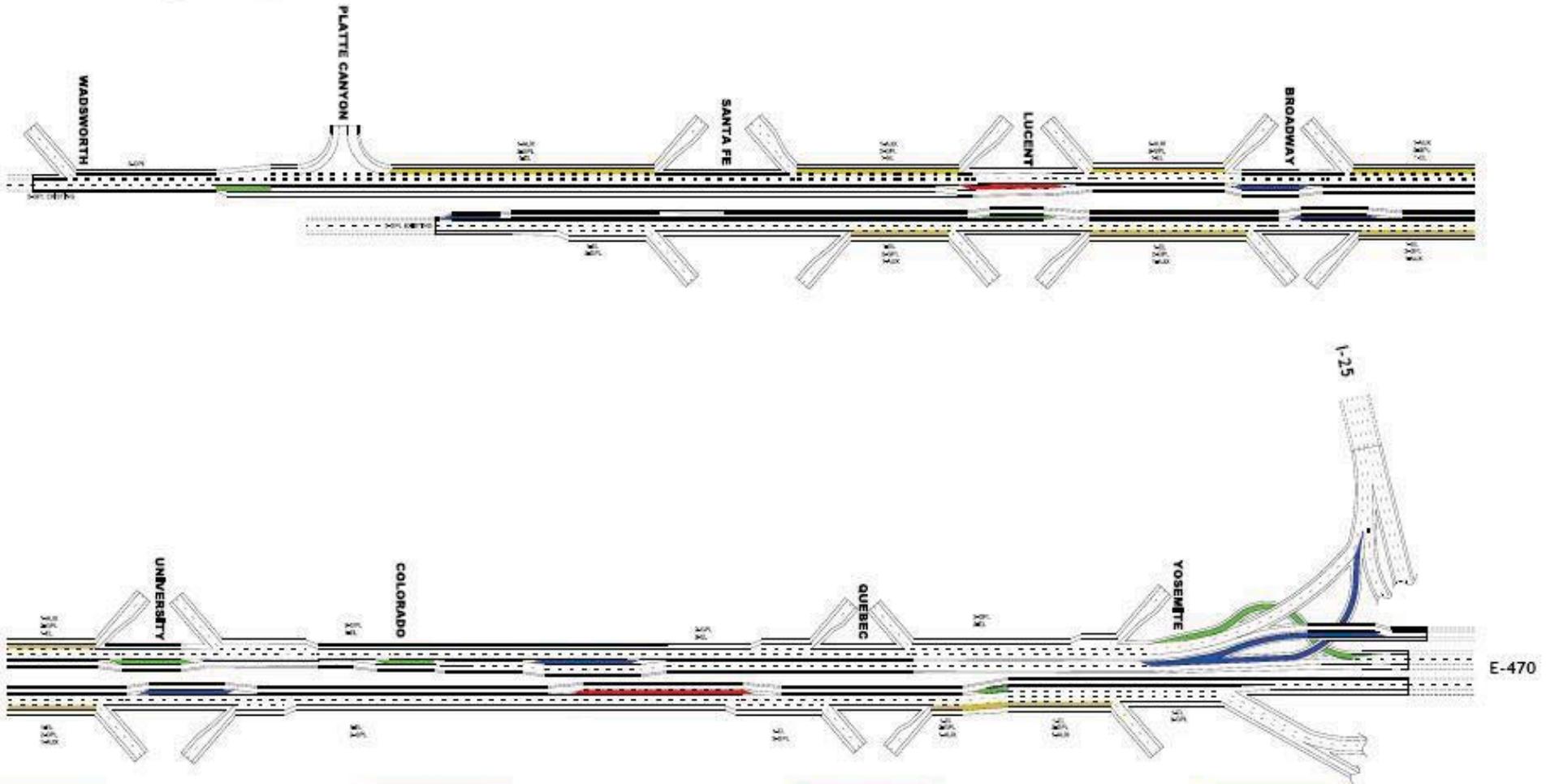
C-470 Corridor Coalition

- Formed in 2011
- Developed consensus for Preferred Alternative in February 2013
- Significant local investment:
 - \$5M spent on planning and public outreach
 - \$10M contributed for construction





Proposed Scope



Ingress

From these locations vehicles may enter the tolled express lanes from the general purpose lanes

Egress

From these locations vehicles may exit the tolled express lanes to the general purpose lanes

Combined Ingress / Egress

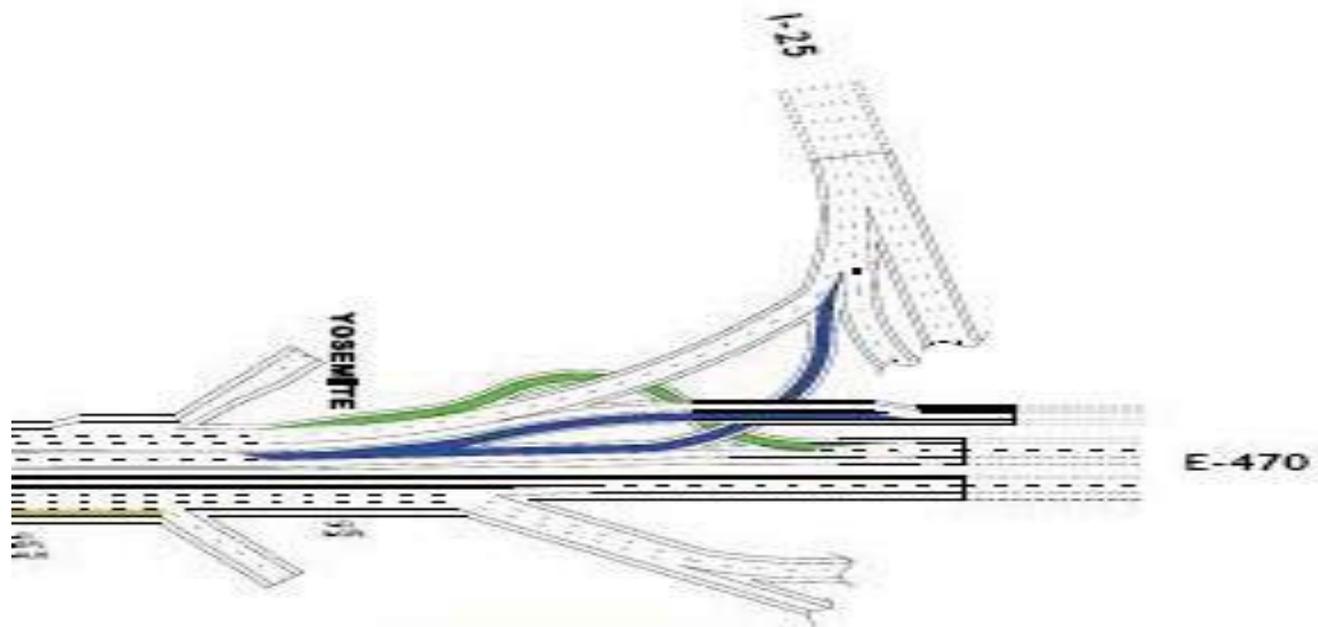
From these locations vehicles may enter or exit the tolled express lanes to/from the general purpose

Auxiliary Lanes

Additional lanes that are continuous from one interchange on-ramp to the next interchange off-ramp



Proposed Scope



Directly Connects I-25 and E-470 into Westbound express toll lanes

- Improves Safety
- Increases Trip Reliability





Delivery Method

- February 2014 - CDOT Investigated Delivery Method (DB Recommended)
- Spring 2014 - Preliminary Value for Money (VfM) Analysis Started
- August 2014
 - Memo from RTD DeVito to TC Recommends DB
 - HPTE Open House to Discuss P3 vs. Public Finance
- November 2014 - Preliminary VfM Analysis Recommends DB with Public Finance (No P3)
- December 2014 - HPTE Board Concurred with VfM Recommendation





2014 RAMP Funding / Budget

- Original RAMP Project Budget \$200M
- \$230M Project Estimate (as of August 2014) ¹
- Proposed Funding Sources
 - \$117M – Federal and State
 - \$103M – Projected via toll revenues
 - \$10M – Douglas County

¹ Given Project status (remaining time between VfM and construction), E&Y applied an escalation factor taking the design and construction cost estimate from \$230M to \$249M in the VfM





Sources & Uses

Original Finance Plan

Values in \$000

Sources	
Tax-Exempt CIBs	38,000
Tax-Exempt CABs	--
TIFIA	88,000
CDOT - RAMP	100,000
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Uses	
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Debt Service Reserves	7,000
Operating Reserves ²	4,000
TOTAL	\$267,000

Current Finance Plan

Values in \$000

Sources	
Tax-Exempt CIBs	86,000
TIFIA	108,000
CDOT - RAMP	100,000
FASTER + Local	12,000
O&M Loan Proceeds	2,000
TOTAL	\$308,000

Uses	
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Interest During Construction	10,000
Project Reserves ²	25,000
TOTAL	\$308,000

¹ Includes debt issuance and related costs.

² Includes debt service, O&M, lifecycle, and ramp-up reserves, plus a pre-funded account for O&M expenditures.

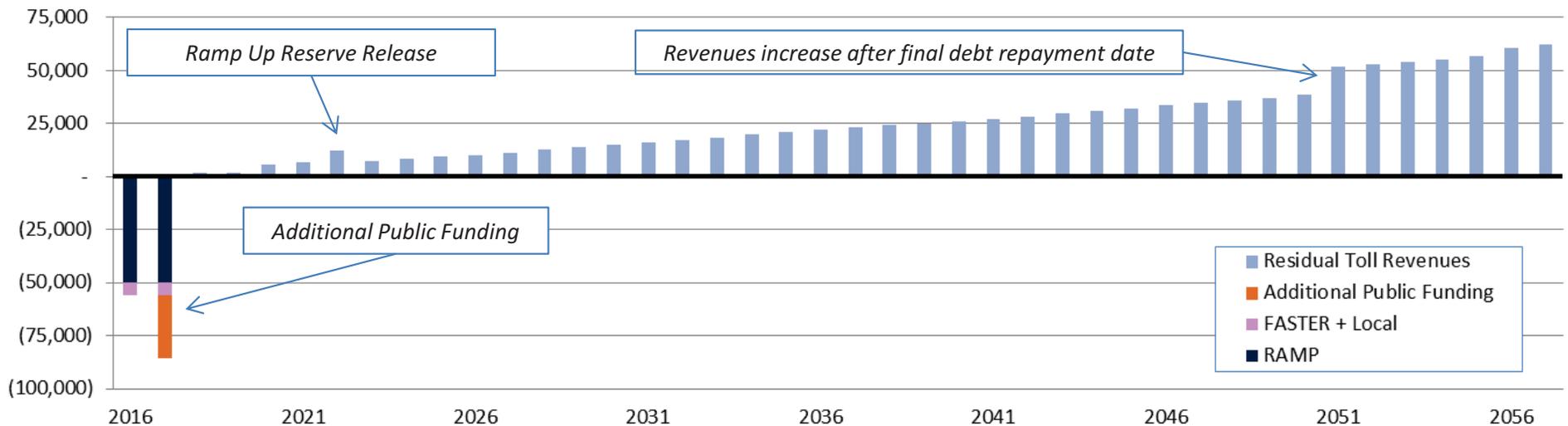




Net vs. Gross Pledge

Under the Net Pledge approach, debt service would be paid after O&M with the need for additional public sources to cover estimated funding gap.

- ▶ The Net Pledge approach results in a lower amount of toll-backed debt and requires approximately \$35 million of additional upfront public funding
- ▶ No contingent O&M loan would be provided
- ▶ Investors have claim to “net” toll revenue after O&M expenditures are paid
- ▶ Excess revenues after debt service are slightly higher in the new pledge case because of the lower amount of toll-backed debt (and related debt service)

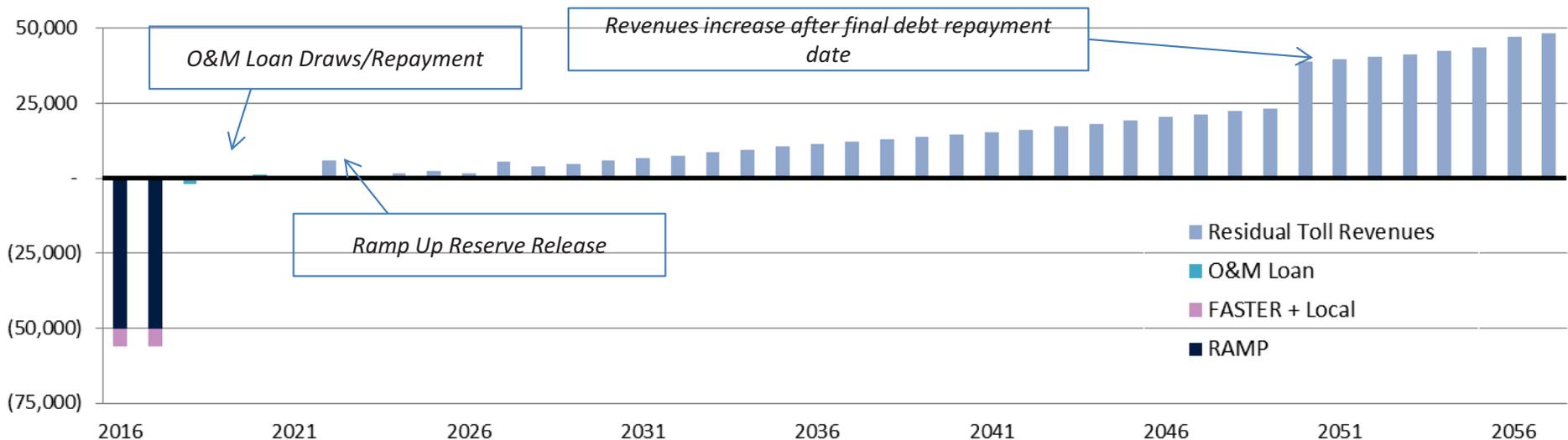




Net vs. Gross Pledge

Under the Gross Pledge approach, debt service would be paid before O&M with a contingent loan made available by CDOT in the event toll revenues after debt service are insufficient to cover O&M.

- ▶ The gross pledge allows for more toll-backed debt, eliminating the need for additional upfront public funds
- ▶ The key feature of this approach is a contingent O&M loan provided by CDOT
- ▶ The O&M loan is a credit enhancement tool for investment-grade debt structuring
- ▶ Loan draws made as needed during first 5-10 years of operation (only used in year one if base case revenues are achieved) in the event toll revenues are insufficient to cover both debt service and O&M
- ▶ Repayment of the loan would occur during periods of where toll revenues exceed debt service and O&M





Net vs. Gross Pledge

If the Transportation Commission agrees with the Project Scope as discussed, the determination of how the Toll Proceeds are pledged have the following impact on the Projects' affordability:

- Net Pledge:
 - Approximately \$35M in upfront capital is need to fund the Scope
 - Toll revenues above P&I Payments are anticipated in Year 3
- Gross Pledge:
 - Approximately \$2M would be drawn from a loan at substantial completion
 - That \$2M loan would be repaid within the first 5 years of operations





Schedule

Key Milestones	Date
Solicitation of Letters of Interests for DB Services	January 8, 2015
Issue Request for Qualifications	February 26, 2015
Submit TIFIA Letter of Interest	March, 2015
Issue Draft Request for Proposals	June 2015
EA Decision Document	September 2015
Issue Final Request for Proposals	September 2015
Select Design-Build Team	February 2016
Start Construction	Summer 2016





Future Action

- In the March 2015 Transportation Commission meeting, the Staff will seek confirmation and/or direction on three key items:
 - Confirmation of Scope, Schedule & Budget
 - Should the C-470 Project use a Net or Gross Pledge, of Toll Proceeds, for Debt Service
 - Does the Transportation Commission support Moving Project from Red to Green on the RAMP Governance List





Questions?



Financial Model Assumptions

PROJECT ITEM	VALUE (DB)
SCHEDULE	
Financial Close	2016
Revenue Operations	2018
Term/Analysis Period	Construction + 40 years
CONSTRUCTION	
Construction Cost	\$269 million
Base Year Costs (\$)	Year-of-Expenditure (YOE)
Spend Curve	50%, 50%
Construction Period	2 years
Transaction Costs	\$3 million
Cost Inflation	N/A
OPERATIONS	
T&R Scenario	Fixed III (Cambridge Systematics)
Leakage	10 % of Gross Revenues
Ramp-Up (Yrs 1-4)	50%, 50%, 75%, 75%
Inflation	2.0-3.0%
OTHER	
Road O&M Costs	\$1.5 million / year
Toll Processing	\$0.18/Transponder, \$0.60/LPT
Toll Lifecycle Costs	\$10 million (10-yr cycle)

FINANCING ITEM	VALUE (DB)
SENIOR DEBT	
Rating	BBB-
Term	35 years
Interest Rate	5.68%
Min DSCR (Pre / Post Ramp-Up)	1.40x / 2.35x
DSRF	Next 12 months
TIFIA	
Rating	BBB-
Term	35 years
Interest Rate	3.29%
Min DSCR (Pre / Post Ramp-Up)	1.40x / 1.65x
DSRF	Next 12 months
EQUITY	
Min IRR (Pre-Tax)	N/A
Minimum Equity (% of total fin.)	N/A
OPERATING RESERVES	
O&M	Next 6 months
Lifecycle	100% / 66% / 33%
Ramp-Up	\$3.0 million
Pre-Funded O&M	\$3.0 million