



MEMORANDUM

TO: TRANSPORTATION COMMISSION

**FROM: DON HUNT, EXECUTIVE DIRECTOR
MIKE CHEROUTES, DIRECTOR, HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
JOSH LAIPPLY, CHIEF ENGINEER
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BRETT JOHNSON, DIRECTOR, OFFICE OF MAJOR PROJECT DEVELOPMENT
ANTHONY DEVITO, DIRECTOR, REGION 1**

DATE: FEBRUARY 19, 2015

SUBJECT: STAFF RECOMMENDATION ON A DELIVERY METHOD FOR THE I-70 EAST CORRIDOR PROJECT

Purpose

The purpose of this memo is to outline the staff's recommendation to move forward with a Design Build Finance Operate Maintain, or DBFOM, method for the finance and delivery of the I-70 East Corridor Project.

Action

The Commission is asked to consider a resolution that supports the staff recommendation.

Background

CDOT has engaged the public and stakeholders throughout this process and has released a public summary of its Value for Money analysis which compares the risks and affordability of Design Build, Design Build Operate Maintain (DBOM) and DBFOM delivery models.

The main conclusions of the I-70 East Value for Money analysis is that the project is not affordable under a Design Build model but can be afforded under both DBOM and DBFOM models. With equivalent affordability, risk transfer becomes a key valuation point - and the choice between DBOM and DBFOM depends on the perceived importance and tolerance for these risks.

Options and Recommendations

The staff recommends the DBFOM method of delivery because of its ability to transfer more risk to the public sector. In particular, DBFOM provides more risk transfer and certainty in three key areas: Project Financing Schedule, Lifecycle Maintenance Cost, and Long-term Security Cost. The DBFOM model also offers a more predictable long term cost schedule through the structure of availability payments, minimizing future contingency and cost overrun exposure to CDOT.



Next Steps

A resolution supporting a delivery method for I-70 East Corridor Project will allow staff to begin engaging industry and progress toward developing a feasible financing plan for the first phase of the project as required to complete the Record of Decision. In addition, per the July 21, 2014 Resolution (#3179), staff will prepare quarterly reports to the Transportation Commission regarding the status of the I-70 East Corridor Project and the related procurement efforts, and will continue to seek public input through this process.



Resolution #TC-XXXX

I-70 East Corridor Project Scope, Delivery Method, and Financing Mechanism

WHEREAS, in 2003, the Colorado Department of Transportation (CDOT) began the I-70 East Corridor Environmental Impact Statement (I-70 East Corridor EIS) to study the future of I-70 East from I-25 to Tower Road and to meet the requirements of the National Environmental Policy Act (NEPA); and

WHEREAS, the purpose of the I-70 East Corridor EIS is to implement a transportation solution that improves safety, access, mobility and addresses congestion along this 12-mile segment of I-70 East which is one of Colorado's most heavily traveled, congested highway corridors and an essential component of the state's only east-west interstate; and

WHEREAS, during the lengthy I-70 East Corridor EIS process, both Federal Highway Administration (FHWA) and CDOT have studied and considered dozens of alternatives to solve the I-70 East Corridor problems including, but not limited to, a no-action alternative, a realignment alternative, and a revised viaduct alternative; and

WHEREAS, a Supplemental Draft I-70 East Corridor EIS was released on August 29, 2014 in which FHWA and CDOT preliminarily identified the Partial Cover Lowered Alternative with Managed Lanes Option as the Preferred Alternative for the I-70 East Corridor Project; and

WHEREAS, following the public release of a Final EIS, a Record of Decision (ROD) will be signed; and

WHEREAS, in order to complete the ROD, CDOT must have a feasible financing plan for a specific phase of the approved project and in order to develop this financing plan CDOT must engage the construction industry to assess project construction costs and consistency with available funding; and

WHEREAS, the passage of FASTER legislation in 2009 established the Colorado Bridge Enterprise (CBE) in order to accelerate the repair and reconstruction of deficient bridges further defined as structures that are "poor"; and

WHEREAS, using the criteria outlined in the FASTER legislation, 128 bridges were originally determined to be eligible for the CBE program and the elevated portion of I-70 East corridor on a bridge, known as the Viaduct, was included on that list; and

WHEREAS, the Transportation Commission is responsible, pursuant to C.R.S. 43-1-106(8), for formulating the general policy of the Colorado Department of Transportation (CDOT) and to promulgate and adopt CDOT budgets; and

WHEREAS, pursuant to Resolution #3179 approved on July 21, 2014, the Transportation Commission has directed the High Performance Transportation Enterprise (HTPE) to pursue Public-Private Partnership (P3) opportunities in the procurement of the I-70 East Corridor Project; and

WHEREAS, the Transportation Commission further directed staff to develop a comprehensive program addressing disadvantaged and small business utilization and workforce training in administering the procurement for the I-70 East Corridor Project; and

WHEREAS, CDOT, HPTE and CBE staff and consultants have identified a total cost to deliver the first phase of the preliminarily identified Preferred Alternative for the I-70 East Corridor Project to be \$1.17 billion. Of this amount, it is anticipated that CBE will be eligible to contribute up to \$850 million; and

WHEREAS, three delivery models for the I-70 East Corridor Project have been analyzed: Design Build (DB), Design Build Operate Maintain (DBOM) and Design Build Finance Operate Maintain (DBFOM); and

WHEREAS, CDOT Senior Management and Department staff have recommended and presented to the Transportation Commission a Project governance structure in which the CBE will be the Managing Partner for the I-70 East Corridor Project and will enter into contract with private partners under a concession agreement along with HPTE (see Figure 1: I-70 East Corridor Project Governance Structure); and

WHEREAS, CDOT has engaged with the public in an extensive outreach effort, including soliciting public input on financing and delivery options and the findings of the Value for Money analysis; and

WHEREAS, CDOT Senior Management have recommended the DBFOM method of delivery because of its ability to transfer more risk to the public sector and to offer a more predictable long term cost schedule through the structure of availability payments, minimizing future contingency and cost overrun exposure to CDOT; and

WHEREAS, CDOT Senior Management and Department staff have also recommended that because of its significant contribution to this Project, the CBE and the CBE Board of Directors should have the final approval of the Project's financing mechanism.

NOW, THEREFORE, BE IT RESOLVED, the Transportation Commission approves the staff-recommended governance structure (as illustrated below in Figure 1: I-70 East Corridor Project Governance Structure) between CDOT, CBE and HPTE that was presented to the Commission in January 2015 in which CBE will be the managing partner for the I-70 East Corridor Project and CBE and HPTE will enter into an anticipated concession agreement with a private partner.

BE IT FURTHER RESOLVED, as part of the governance structure and necessary for the I-70 East Project, CDOT, CBE and HPTE will develop an Intra-Agency Agreement between the three entities that will further define responsibilities and commitments for the Project;

BE IT FURTHER RESOLVED, the Transportation Commission instructs staff to pursue delivery of the first phase of the I-70 East Corridor Project as identified by the Record of Decision.

BE IT FURTHER RESOLVED, subject to the approval of the Board of the CBE, the Transportation Commission directs staff to move forward with a Request for Qualifications for the I-70 East Corridor Project utilizing the optimal financing structure available to the Department within a (Design Build Operate Maintain) / (Design Build Finance Operate Maintain) procurement and delivery process.

Herman Stockinger, Secretary
Transportation Commission of Colorado

Figure 1: I-70 East Corridor Project Governance Structure

