



MEMORANDUM

DATE: JUNE 17, 2015
TO: TRANSPORTATION COMMISSION
FROM: DAVID A. ELLER, REGION 3 DIRECTOR
CC: MARIA SOBOTA, ACTING CHIEF FINANCIAL OFFICER
SUBJECT: US 6 DEVOLUTION GYPSUM TO EAGLE

Purpose

This memorandum is requesting action from the Transportation Commission (TC) to fund the devolution of US 6 between the Town of Gypsum (MM 142.00) and the Town of Eagle (MM 149.67), and transfer the facility, all roadway assets, and future operations and maintenance on these assets to the Towns of Eagle and Gypsum. The Towns of Eagle and Gypsum are requesting the devolution of the above facility in the amount of \$12,500,000.

Action

CDOT Region 3 requests that the TC evaluate, discuss, and determine if the devolution of US 6 between Gypsum and Eagle is in the best interest of CDOT. Region 3 Staff have identified the following items that may benefit CDOT by reducing:

- Future maintenance, engineering, and specialty unit staff commitments to the corridor
- CDOT's future financial responsibilities for projects not identified in our asset management programs (i.e. corridor capacity improvement projects in the Towns of Gypsum and Eagle)
- CDOT's assets by eliminating three bridges, three major drainage structures, three traffic signals, 7.67 miles of pavement, and an overhead railroad structure with vertical height restrictions.

Background & Details

Region 3 presented to the May 2015 TC Meeting a proposal of \$13.1 Million, and after further discussions with Region 3 Staff and the communities, the final request for consideration from the Towns of Eagle and Gypsum is \$12,500,000.

Highway 6 serves primarily as a local road for the communities of the Town of Eagle and Town of Gypsum. This particular section of Highway 6 begins at the Gypsum Creek Roundabout (I-70 Gypsum Interchange) and ends at the Eby Creek Roundabout (I-70 Eagle Interchange Spur), creating a logical termination for CDOT responsibilities.

Both the Towns of Eagle and Gypsum have an interest in seeing this highway maintained and improved. Both municipalities have developed Access Control Plans outlining how to improve the various accesses onto Highway 6. Over the last five years, Gypsum has been designing and financing increased capacity from two lanes to four lanes through Gypsum. The Town of Eagle has also been working to improve Highway 6 access by improving shoulders, bike paths, and controlled pedestrian crossings.

Through the devolution of Highway 6, both municipalities intend to continue working to improve this connection for their communities. Devolution is attractive to local communities and provides them economic development flexibility. Additionally, it reduces obligations to follow state and federal procedures (i.e. NEPA, Uniform Act, etc.) during corridor improvement projects.

Previous devolution proposals/requests were considered in 2009 and 2013. However, CDOT now has a \$5.57 million project programmed in FY2017. Staff believes these funds contribute significantly to the viability of the devolution proposal and requests TC consideration of the proposal. Without this funding, it is unlikely that CDOT could consider devolution in the next 20 years.

CDOT's Office of Financial Management and Budget (OFMB) has prepared an updated 2015 NPV worksheet, which includes: Yearly roadway maintenance costs (~\$222,000 per year in 2015 dollars); The programmed 2017



resurfacing project (\$5.5 million plus \$70,000 Bridge Preventative Maintenance (BPM)); and the Gypsum Creek bridge replacement (\$3.77 million in 2025), which is in the 10-year Bridge Plan. The worksheet indicates that under the traditional 3% present value rate used for devolution, the Net Present Value of devolving this section of road is approximately \$12.82 million.

OFMB has also run a 4% present value scenario, possibly more reflective of the current market climate, which identifies a Net Present Value of \$12,176,196. Based on current market conditions for a similar length financing in the fixed income markets at today's interest rates, CDOT's Financial Advisor believes a 4.00% discount rate represents a reasonable cost of capital for the proposed transaction, associated to the devolution of US Highway 6.

The financial value of this proposal appears reasonable, considering several projects within the corridor have not been included in current NPV worksheets. The devolution of the roadway segments would significantly reduce the amount of CDOT resources and financial participation in the following:

- Planning, NEPA & Design in Town of Gypsum - ~\$500,000 (\$200,000 identified in the IMTPR 10-year RPP plan)
 - Construction of the Town of Gypsum Corridor including the UPRR overhead railroad bridge - ~\$30.0 million per FHU 2006 Master Traffic Study
- Planning, NEPA, & Design US 6 in Town of Eagle - ~\$500,000
 - Construction of Town of Eagle Corridor - ~\$12.0-\$15.0 million
- Other Items:
 - Improvements to three major drainage structures (two built in 1933/34)
 - Eliminate three traffic signals from CDOT system
 - Elimination of 7.67 Miles (194,000 SF) of pavement

Options and Recommendations

- 1) TC Approval of the devolution based on current financial market and 4% NPV, for the amount of \$12,176,196 with \$6,606,196 funding from TC Contingency (Staff Recommendation), or
- 2) TC Approval of the devolution of US 6 between the Town of Gypsum (MM 142.00) and the Town of Eagle (MM 149.67) in the amount of \$12,500,000, with \$6,930,000 funding from TC Contingency, or
- 3) Stop discussions on this initiative and inform the Towns of Eagle and Gypsum that the TC does not support devolution at this time.

Next Steps

- Notify the Town of Eagle and the Town of Gypsum of TC decision.

Attachments

- Attachment A: Area Map
- Attachment B: Devolution Financial Analysis
- Attachment C: Letter of Interest from Town of Gypsum and Town of Eagle



Attachment A: Area Map



Attachment B: Devolution Financial

**COLORADO DEPARTMENT OF TRANSPORTATION
DEVOLUTION OF HIGHWAY 6
PRESENT VALUE OF CASHFLOWS**

YEAR	ANNUAL MAINTENANCE	SURFACE TREATMENT	BRIDGE REPAIR	TOTAL ANNUAL COSTS	ANNUAL PV CASH FLOW
12/1/2015	222,402	5,500,000	70,000	5,792,402	5,792,402
12/1/2016	229,074	-	-	229,074	222,384
12/1/2017	235,946	-	-	235,946	222,384
12/1/2018	243,025	-	-	243,025	222,384
12/1/2019	250,315	-	-	250,315	222,384
12/1/2020	257,825	-	-	257,825	222,366
12/1/2021	265,560	-	-	265,560	222,366
12/1/2022	273,526	-	-	273,526	222,366
12/1/2023	281,732	-	-	281,732	222,366
12/1/2024	290,184	-	-	290,184	222,348
12/1/2025	298,890	-	3,765,654	4,064,544	3,023,668
12/1/2026	307,856	-	-	307,856	222,348
12/1/2027	317,092	-	-	317,092	222,348
12/1/2028	326,605	-	-	326,605	222,330
12/1/2029	336,403	-	-	336,403	222,330
12/1/2030	346,495	-	-	346,495	222,330
12/1/2031	356,890	-	-	356,890	222,330
12/1/2032	367,597	-	-	367,597	222,312
12/1/2033	378,625	-	-	378,625	222,312
12/1/2034	389,983	-	-	389,983	222,312
TOTAL	4,800,000	5,500,000	3,835,654	15,311,679	12,818,369

ASSUMPTIONS:

PV Date	12/1/2015
PV Rate	3.00%



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YEAR	ANNUAL MAINTENANCE	SURFACE TREATMENT	BRIDGE REPAIR	TOTAL ANNUAL COSTS	ANNUAL PV CASH FLOW
12/1/2015	222,402	5,500,000	70,000	5,792,402	5,792,402
12/1/2016	229,074	-	-	229,074	220,240
12/1/2017	235,946	-	-	235,946	218,122
12/1/2018	243,025	-	-	243,025	216,025
12/1/2019	250,315	-	-	250,315	213,948
12/1/2020	257,825	-	-	257,825	211,868
12/1/2021	265,560	-	-	265,560	209,831
12/1/2022	273,526	-	-	273,526	207,813
12/1/2023	281,732	-	-	281,732	205,815
12/1/2024	290,184	-	-	290,184	203,814
12/1/2025	298,890	-	3,765,654	4,064,544	2,744,975
12/1/2026	307,856	-	-	307,856	199,913
12/1/2027	317,092	-	-	317,092	197,991
12/1/2028	326,605	-	-	326,605	196,066
12/1/2029	336,403	-	-	336,403	194,181
12/1/2030	346,495	-	-	346,495	192,314
12/1/2031	356,890	-	-	356,890	190,465
12/1/2032	367,597	-	-	367,597	188,613
12/1/2033	378,625	-	-	378,625	186,799
12/1/2034	389,983	-	-	389,983	185,003
TOTAL	4,800,000	5,500,000	3,835,654	15,311,679	12,176,196

ASSUMPTIONS:

PV Date 12/1/2015
PV Rate 4.00%



Attachment C: Letter of Interest from Town of Gypsum and Town of Eagle

June 8, 2015

Colorado Transportation Commission
4201 E. Arkansas Avenue
Denver, CO 80222

Re: Devolution of U.S. Highway 6 in Eagle and Gypsum

Dear Commissioners:

The Towns of Eagle and Gypsum have reviewed the devolution memorandum dated June 5, 2015 prepared by Region 3 Director David Eller, along with the net present value calculations (NPV) dated June 8th, 2015. Both communities are very interested in pursuing the devolution of U.S. Highway 6 and we appreciate the efforts made to present this proposal to the Commission by Mr. Eller and his staff.

Having reviewed the NPV calculations prepared by CDOT staff we conclude that a fair value for devolution of this roadway is \$12,500,000. This number lies between the 3% and 4% discount rate NPV calculations.

The devolution proposal has been calculated primarily upon consideration of the cost of twenty years of maintenance and upkeep on the roadway. Of course the road will continue to be in service to the public for many decades to come and as such the twenty year cost savings is only a fraction of the long term benefit to CDOT. Nevertheless, the Towns recognize the many benefits devolution would bring to the local communities and we are willing to agree to the permanent ownership of the roadway knowing fully that our long term costs will greatly exceed the twenty year cost number.

We hope that the Commission appreciates our continued interest in devolution and also appreciates the considerable long term cost savings this would bring to the State. We believe that devolution provides an excellent opportunity for our communities to partner with the State in a way that is advantageous to the interests of each agency.

Sincerely,



Jim Hancock, Gypsum Town Engineer
On behalf of
Steve Carver
Mayor, Town of Gypsum



Tom Gosiorowski, Eagle Town Engineer
On behalf of
Yuri Kostick
Mayor, Town of Eagle

