



4201 East Arkansas Avenue, Room 235  
 Denver, CO 80222

MEMORANDUM

TO: TRANSPORTATION COMMISSION

FROM: MARIA SOBOTA, CHIEF FINANCIAL OFFICER

DATE: NOVEMBER 19, 2015

SUBJECT: STATE INFRASTRUCTURE BANK INTEREST RATE RECOMMENDATION FOR THE SECOND HALF OF FY2016

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Purpose

This memo summarizes information related to the State Infrastructure Bank interest rate which will support a decision to set the interest rate for loans originating in the second half of the State fiscal year 2016.

Action

The Office of Financial Management and Budget (OFMB) recommends that the Transportation Commission maintain the current interest rate at 2.50% for loans originating in the second half of the State fiscal year 2016.

Background

The State Infrastructure Bank was created in 43-1-113.5(3) CRS. Rule V, article 2 of 2 CCR 605-1 require that the Transportation Commission set bi-annual interest rates for SIB loans. Established rates over the past 18 months have been:

FY2015 3Q1/Q2: 2.75%	FY2015 Q3/Q4: 2.50%	FY2016 Q1/Q2: 2.50%
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Rate Recommendation/Interest Rate Outlook for US Treasury Market

The Market Consensus and Department’s financial adviser’s Projections for the US Treasury Market are used in conjunction to determine the SIB interest rate. Based on the 10-year US Treasury Market rate, the Department’s recommendation is that the interest rate remain at 2.50%. This is based off of the following:

- CDOT’s financial adviser, Stifel Nicolaus & Company, projects that treasury yields will most likely decrease from current levels before increasing in late 2016.
- The Market Consensus is that the yields will continue to rise in 2015.



- The Federal Funds policy rate target is not expected to increase until the fourth quarter of 2015. They are supportive of short term rates remaining relatively low until late 2015.
- The informational data used to determine the SIB interest rate is provided in Table 1.

Table 1:

<b>Stifel U.S. Treasury Yield Curve Projections</b>					
	<b>Current</b>	<b>4Q15</b>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>
<b>Fed Funds</b>	<b>0.25%</b>	0.25%	0.25%	0.50%	0.50%
<b>2-year</b>	<b>0.75%</b>	0.70%	0.90%	1.25%	1.35%
<b>5-year</b>	<b>1.53%</b>	1.50%	1.70%	1.85%	1.95%
<b>10-year</b>	<b>2.19%</b>	2.10%	2.15%	2.20%	2.25%
<b>30-year</b>	<b>2.96%</b>	2.90%	2.85%	2.90%	3.00%

<b>Market Consensus Projections for US Treasury Market</b>					
	<b>Current</b>	<b>4Q15</b>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>
<b>Fed Funds</b>	<b>0.25%</b>	0.40%	0.60%	0.80%	1.05%
<b>2-year</b>	<b>0.75%</b>	0.89%	1.11%	1.33%	1.54%
<b>5-year</b>	<b>N/A</b>	N/A	N/A	N/A	N/A
<b>10-year</b>	<b>2.19%</b>	2.33%	2.49%	2.65%	2.80%
<b>30-year</b>	<b>2.96%</b>	3.09%	3.24%	3.35%	3.46%

<b>"Simplified" AAA Municipal Index Projections<sup>1</sup></b>					
	<b>Current</b>	<b>4Q15</b>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>
<b>1-year</b>	<b>0.23%</b>	0.23%	0.23%	0.46%	0.46%
<b>2-year</b>	<b>0.54%</b>	0.50%	0.65%	0.90%	0.97%
<b>5-year</b>	<b>1.17%</b>	1.15%	1.30%	1.41%	1.49%
<b>10-year</b>	<b>2.04%</b>	1.96%	2.00%	2.05%	2.10%
<b>30-year</b>	<b>3.07%</b>	3.01%	2.96%	3.01%	3.11%

Note: Current rates, Stifel and "Simplified" projections as of 10/29/15. Market Consensus Projections as of 10/8/15.

<sup>1</sup>Simplified projections use Stifel's Treasury forecasts and assumes that the current ratio between Municipal rates and US Treasury rates remains constant.



Options and Recommendation

1. Maintain the current interest rate of 2.50% for all SIB loans originating in the second half of State fiscal year 2016. **Staff Recommendation**
2. Adopt a new interest rate, different from staff recommendation.
3. Deny the recommended SIB loan interest rate, and/or request additional staff analysis and delay for a future month.

Next Steps

Apply the approved interest rate to all SIB loans originating in the second half of State fiscal year 2016.



**Transportation Commission of Colorado  
November 19, 2015**

**Resolution Number TC-?**

**WHEREAS, the Colorado State Infrastructure Bank (bank) is a transportation investment bank with the ability to make loans to public and private entities for the formation of public transportation projects within the state; and**

**WHEREAS, the General Assembly has passed Legislation (43-1-113.5 CRS) that made certain provisions for the bank and established within the bank, a highway account, a transit account, an aviation account and a rail account; and**

**WHEREAS, the Transportation Commission has adopted rules, pursuant to 43-1-113.5 CRS, regarding the eligibility requirements, disbursement of funds, interest rates, and repayments of loans from the bank; and**

**WHEREAS, pursuant to 2CCR 605-1 (rule 5) the Transportation Commission is required to set the bank's interest rate and the origination fee on loans no later than June 30, of each year for loans originating during the ensuing months of July; August; September; October; November; December of the next fiscal year; and**

**WHEREAS, based on current market conditions, the Office of Financial Management and Budget (OFMB) has recommended an interest rate of two and one half percent (2.50%) on all loans originating in the second half of the State fiscal year 2016.**

**NOW THEREFORE BE IT RESOLVED, the Transportation Commission authorizes the Chief Financial Officer (CFO), under the terms and provisions set forth in the adopted rules, to assess an interest rate of two and one half percent (2.50%) on all bank loans for the second half of the State fiscal year 2016.**

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Herman Stockinger, Secretary

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Date

Transportation Commission of Colorado



**MEMORANDUM**

**TO:** TRANSPORTATION COMMISSION  
**FROM:** MARIA SOBOTA, CHIEF FINANCIAL OFFICER  
**DATE:** NOVEMBER 19, 2015  
**SUBJECT:** STATE INFRASTRUCTURE BANK ACTIVITY REPORT FOR FISCAL YEAR 2016

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**Purpose**

This memo summarizes information related to State Infrastructure Bank (SIB) activity in the State fiscal year 2016.

**Action Requested**

This is for information purposes only. No action is requested or required by the Transportation Commission regarding this item.

**Background**

The State Infrastructure Bank was created in 43-1-113.5(3) CRS, and in accordance with Procedural Directive (PD) 0720-1 (21):

The Office of Financial Management and Budget (OFMB) shall prepare a financial summary and review of the Transportation Infrastructure Revolving Fund (Fund 715) on a periodic basis. OFMB shall present the report to the Colorado Transportation Commission (TC) at their monthly meeting in August for the period ending June 30th of the previous State fiscal year, and as a mid-year review, in February for the period ending December 31th of the current State fiscal year.

**Summary Narrative**

As of November 1, 2015, the Colorado SIB had \$26.4 million in total assets. Of the total assets, 78.2 percent was attributed to the Aeronautics account and 21.8 percent was attributed to the Highway account. The Transit and Rail accounts of the Colorado SIB have never been capitalized.

As of November 1, 2015, there was a total of \$18.6 million available to loan, of which \$14.4 million was in the Aeronautics account and \$4.2 million was in the Highway account.

To date the Colorado SIB has six outstanding loans totaling \$17.2 million. Five loans are from the Aeronautics account and one loan is from the Highway account.



During this year, the fund's assets increased by 0.6%. The primary reason for the increase is due to the interest earned in the first half of the fiscal year. The SIB fund earned a total of \$233,859 from interest on loans and on accounts in fiscal year 2016. The first half interest rate on all Colorado SIB loans was two and one half percent (2.50%). The second half interest rate on all Colorado SIB loans is proposed to remain at two and one half percent (2.50%).

During fiscal year 2016, no loans were re-paid in full. As of November 1, 2015, all Colorado SIB loans were current.

The Transportation Commission has not approved any loans in State fiscal year 2016. In State fiscal year 2015, the Transportation Commission did approve a loan of \$566,500 to Park County. The loan agreement will soon be executed and the funds are expected to be disbursed in November of State fiscal year 2016.

### Overview of Colorado SIB Assets

As of November 1, 2015

<u>Assets</u>	<u>Aeronautics</u>	<u>Highways</u>	<u>Total</u>
<b>Cash:</b>			
Fund 715 Cash	14,375,605	4,253,421	18,629,026
Authorized Federal Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Amount Available to Loan</b>	<b>14,375,605</b>	<b>4,253,421</b>	<b>18,629,026</b>
<b>Accounts Receivable:</b>			
Outstanding Loan Balances	6,289,145	1,521,693	7,810,838
Accrued Interest	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Accounts Receivable</b>	<b>6,289,145</b>	<b>1,521,693</b>	<b>7,810,838</b>
<b>Total Assets</b>	<b>20,664,750</b>	<b>5,775,114</b>	<b>26,439,894</b>
<i>Percent of account/fund Loaned</i>	<i>30.4%</i>	<i>26.3%</i>	<i>29.5%</i>



## Colorado SIB Loans Summary

As of November 1, 2015

	Original Loan Date	Loan Amount	Balance Due	Interest Rate	Debt Service	Next Payment Due Date
<b>Aeronautics Account:</b>						
Arapahoe Co. Public Airport	Oct 2, 2007	5,400,000	1,790,637	3.00%	633,045	Oct 5, 2016
Colorado Springs Airport	Dec 1, 2014	2,336,000	2,336,000	2.50%	266,908	Dec 1, 2015
Front Range Airport Authority	Aug 1, 2007	1,800,000	596,879	3.00%	211,015	Aug 1, 2016
Grand Junction Regional Airport	Jun 1, 2009	4,000,000	1,744,632	3.00%	116,122	Dec 1, 2015
Rocky Mountain Metropolitan Airport	Mar 1, 2008	2,100,000	696,359	3.00%	246,184	Mar 12, 2016

### Highway Account:

City of Central Transportation Enterprise	July 17, 2015	1,521,693	1,521,693	2.50%	173,867	July 17, 2016
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### Transportation Commission Decision Request

This report is for informational purposes only. The Transportation Commission is not being asked to consider anything pertaining to this matter.

### Next Steps

In accordance with Procedural Directive (PD) 0720-1 (21), Staff will provide the Commission a review of year-to-date fiscal year 2016 SIB activities in February 2016. In the interim, please feel free to contact me by phone at (303) 757-9171 or email at maria.sobota@state.co.us, if you have any questions.

