



COLORADO

Department of Transportation

Division of Accounting and Finance

4201 East Arkansas Ave., Room 262
Denver, CO 80222

ATTACHMENT B

DATE: DECEMBER 17, 2015
TO: TRANSPORTATION COMMISSION
FROM: DAVID SPECTOR, DIRECTOR, HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
BRETT JOHNSON, DIRECTOR, OFFICE OF MAJOR PROJECT DEVELOPMENT
MARIA SOBOTA, CHIEF FINANCIAL OFFICER
SUBJECT: APPROVAL OF POTENTIAL BACK UP LOAN RELATED TO NORTH I-25, SEGMENT 3,
EXPRESS LANES PROJECT

Purpose

To review and discuss key details with the Transportation Commission (TC) of the Department's intent to provide credit support for a potential commercial loan financing the I-25 North Segment 3 project.

Action:

Staff is seeking Transportation Commission (TC) approval of a resolution authorizing CDOT to, if necessary, assist the High Performance Transportation Enterprise (HPTE) in fulfilling its payment obligations under a future I-25 North Loan Agreement.

Background on Requested Action

At the November 2015 TC meeting, staff presented and sought feedback from the TC around the issue of filling the funding gap currently identified on North I-25 Segment 3 (Project). Staff recommended that private financing be considered as a primary option for funding on corridors that are able to generate adequate revenue through the collection of user-fees. Staff is proposing to fill the funding gap for I-25 North Segment 3 with a loan financing structure similar to the one approved by the TC for the I-70 Peak Period Shoulder Lane (Mountain Express Lane) in December 2014.

Based on the discussion with the TC last month, CDOT and HPTE staff have been researching a finance plan for North I-25 Segment 3 that includes the use of a possible loan. As we indicated last month, we are returning now with a request for TC approval, as the funding scenario has been identified.

Need for Requested Action

In order to meet the Project advertising date of January 7, 2015, Federal Highway Administration (FHWA) must provide written authorization. In order to provide that authorization, FHWA needs a Project budget from CDOT that shows that the entire Project will be funded. Because any Project loan will not close (and therefore will not be funded) until later in the Project timeline, staff is asking for a TC commitment now to provide credit support to HPTE under the future Project loan. This credit support on a future loan would be structured just like the PPSL loan: it would enable HPTE to request financial support from the TC to, if necessary, assist HPTE in fulfilling its payment obligations under a future North I-25 Segment 3 loan agreement (in a circumstance where user-fee revenues are insufficient or projected to be insufficient to satisfy such obligations). Prior to any loan closing, staff will come back to TC for review, discussion and approval of the loan documents and the required inter-agency agreement.

Loan Details

In order to provide the TC with guidance on any future loan for the Project, HPTE issued a request for proposal for a \$35 million direct bank loan on December 4, 2015. The responses included the following loan pricing terms:

- Indicative fixed rate pricing from 2.1% to 2.3% [Note: the PPSL loan is at a 2.79% rate]
- Index rates for setting the fixed rate would be the prevailing LIBOR swap rate, plus the applicable margin.



- Certain proposals would allow HPTE to select the index rate for determining the fixed rate on the bond options.

While all bidders are able to close by the January 7, 2015 advertisement date mentioned above, all proposals allow for a delayed closing if CDOT chooses to synchronize the design bid build procurement with a future closing date, which could provide interest savings. While interest rates could change in that period, it should be emphasized that even if rates went up 65 basis points this loan would still out-perform the PPSL loan.

Expected managed lane revenues available for repayment on this corridor (based on current I-25 express lane revenues and projected revenues from a 2013 Level 2 T&R study) are \$2.7M in 2017, \$8.7M in 2025, and \$18.6M in 2035. If actual revenues are in excess of scheduled fixed rate interest payments through the initial term, residual revenues can be used for pre-payment at the optional redemption date.

This revenue projection well exceeds the debt repayment projection, even presuming an extreme increase in interest rates. Consequently, it would not be likely for HPTE to need to call on the CDOT credit support.

Benefits of Requested Action

- The Project can only proceed to advertisement by January 7, 2015, if the requested action is approved at the December 17, 2015 TC meeting.
- The TC is not binding itself to any loan with this action. It will still have the ability to approve the terms of any loan prior to any loan closing; or it could choose not to close a loan if the terms are not favorable.

Project and Funding Background

Attached hereto is the November 19, 2015 memorandum to the TC regarding the Methodology for Pursuing Financing Related to North I-25, Segment 3, Express Lanes Project, which contains a description of the project and funding background.

Next Steps

- If the Transportation Commission approves the resolution, CDOT can send an assurance of sufficient Project budget to FHWA, which can then be approved so that the Project team can go to advertisement on January 7, 2015.
- HPTE and OMPD will work with the Project team to identify the ideal timing for the future loan. It could close as early as January 2015 (following TC approval), or as late as spring 2015.



Attachment C

Resolution #TC-

Approving Credit Support to HPTE for a Commercial Loan for the North I-25 Segment 3 Express Lanes Project

WHEREAS, pursuant to Section 43-1-106(8), C.R.S, the Transportation Commission is responsible for formulating the general policy with respect to the management, construction, and maintenance of public highways and other transportation systems in the state; and

WHEREAS, the Transportation Commission promulgates and adopts all budgets for the Colorado Department of Transportation (“CDOT”) and state transportation programs; and

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 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, HPTE is authorized, pursuant to Section 43-4-806(2)(c)(I), C.R.S., to impose user fees on the travelling public for the privilege of using surface transportation infrastructure; and

WHEREAS, CDOT, in partnership with HPTE, is undertaking the North I-25, Segment 3, Express Lanes Project (the “Segment 3 Project”) to complete, implement and operate one new tolled express lane in each direction between approximately 120th Avenue and State Highway 7; and

WHEREAS, to meet the proposed advertising date of January 7, 2016, for the Segment 3 Project, CDOT is required to first provide a fully-funded project financing plan to the Federal Highway Administration (“FHWA”) and receive its authorization; and

WHEREAS, in order to evaluate options for closing an identified funding gap in the financing plan for the Segment 3 Project, HPTE issued a request for proposals for financing terms from private lenders; and

WHEREAS, HPTE anticipates entering into a commercial bank loan agreement (the “Loan Agreement”) pursuant to which HPTE will borrow money to fund a share of the cost of designing and constructing the Segment 3 Project, to be repaid from user fee revenues collected by HPTE on the Segment 3 Project; and

WHEREAS, the Transportation Commission supports HPTE's pledge of user fee revenues to facilitate private financing for the Segment 3 Project, and desires to provide credit support to enable HPTE to secure such commercial loan financing; and

WHEREAS, pursuant to Section 43-4-806(4), C.R.S., the Transportation Commission may loan moneys from the state highway fund to HPTE for the purpose of defraying expenses incurred prior to the receipt of revenues by HPTE, and such loan shall not be considered a grant for purposes of Section 20(2)(d) of Article X of the Colorado constitution.

NOW THEREFORE BE IT RESOLVED, the Transportation Commission hereby approves and authorizes CDOT to pursue an Intra-Agency Agreement with HPTE, whereby HPTE can request, and the Transportation Commission will agree to make, one or more loans from the state highway fund to satisfy any of HPTE's payment obligations under the Loan Agreement, or to fund HPTE's operational and maintenance responsibilities with respect to the Segment 3 Project, in the event user fee revenues are insufficient, or projected to be insufficient, to satisfy HPTE's obligations, which loans will be subject to interest rate and repayment terms to be further defined in the Intra-Agency Agreement.

Herman Stockinger, Secretary
Transportation Commission of Colorado

Date