

April 16, 2014

To: Art Griffith, Douglas County
Jerome Estes, CDOT Region 1

From: Nick Amrhein, Parsons Brinckerhoff

Subject: Revised C-470 Financial Capacity Estimate

This memorandum sets out the impacts to the financial profile of the C-470 Managed Tolleed Express Lanes Project (the Project) based on preliminary gross revenues and transactions provided by Cambridge Systematics on April 15, 2014 that incorporated changes to the physical project and lane configuration. The analysis assumes the interim Project (referred to as Option 5) that includes two westbound lanes from I-25 to Colorado Blvd. and one westbound lane continuing to the Wadsworth exit ramp. There will be one eastbound lane from just before Platt Canyon to I-25. Direct-connect ramps from I-25 to the westbound portion of the Project have been assumed, along with a new connection layout between E-470 and the westbound portion of the Project, both of which significantly improve the traffic flow in the westbound direction. No additional capacity (ultimate configuration) has been modeled as was done in earlier iterations of the analysis.

Given these changes to the Project, assumptions / inputs that are part of the "gross-to-net" revenue calculation and bond capacity calculation have also been modified. These include:

- 1) Cumulative gross (2013\$ terms) revenues over the 30-year operating period increase from approximately \$290m to \$550m, or by 90%.
- 2) The number of total lane miles included in the project for O&M purposes increased from 26.4 to 32.5, or by 23%, due to the additional ramps and second lane westbound.
- 3) The assumption for annual revenue leakage rate has been increased from 8% to 10%. The 8% rate was based on E-470 experience with current toll road operations; however a more conservative, slightly higher assumption is being incorporated at this time. The C-470 managed lanes will be buffer-separated, providing a greater potential for users to evade toll payment than if on a completely controlled access facility like E-470.
- 4) The financing structure has been altered to be less aggressive than previous scenarios, including the following two measures:
 - a. The assumption that a TIFIA loan will be part of the financing structure has been removed. While TIFIA participation is certainly possible, it is not certain. Therefore the structure has been limited to municipal debt, assumed to be issued by the High Performance Transportation Enterprise.

- b. The debt structure consists of Current Interest Bonds (CIBs) and Capital Appreciation Bonds (CABs). The market for toll revenue CABs has diminished in the last decade due to the uncertainty that revenue projections will grow over time as predicted. A rule of thumb, and an assumption used in the previous modeling effort, is to limit the proportion of CABs in the total structure to no higher than 40%. In the current model structure, the CAB percentage cap has been reduced to 1/3 of the total, or 33% of the debt package.

Given these changes to the modeled assumptions, the gross bond proceeds from the toll revenue stream are expected to be approximately \$135m. After transaction costs and accounting for a debt service reserve account and capitalized interest during construction, net bond proceeds of \$105m will be available for deposit to the construction fund account. This is a 50% increase from the previous net bond capacity estimate of \$70m, which used revenue projections generated in November of 2013 and an earlier interim / ultimate project configuration without the 1-25 / E-470 connection improvements discussed above.

After combining the toll revenue bond proceeds with the other capital sources, a funding gap of approximately \$13m would be required to cover the entire \$230m cost of the project as currently planned. The following table illustrates the balanced sources and uses ledger, assuming a TIGER VI grant is available to fill the estimated capital funding gap.

Year of Expenditure (\$1000s)

Sources:

Toll Revenue Bonds	\$105,000
RAMP P3 Allocation	\$100,000
Local (Douglas County)	\$ 10,000
CDOT FASTER	\$ 2,000
TIGER VI Grant	\$ 13,000
Total Sources	\$230,000

Uses:

Design/Construction	\$178,300
CDOT Construction Engineering (CE)	\$ 39,400
Right-of-Way	\$ 6,000
Procurement / Level 3 T&R	\$ 6,300
Total Uses	\$230,000

Note: Figures rounded to \$100K