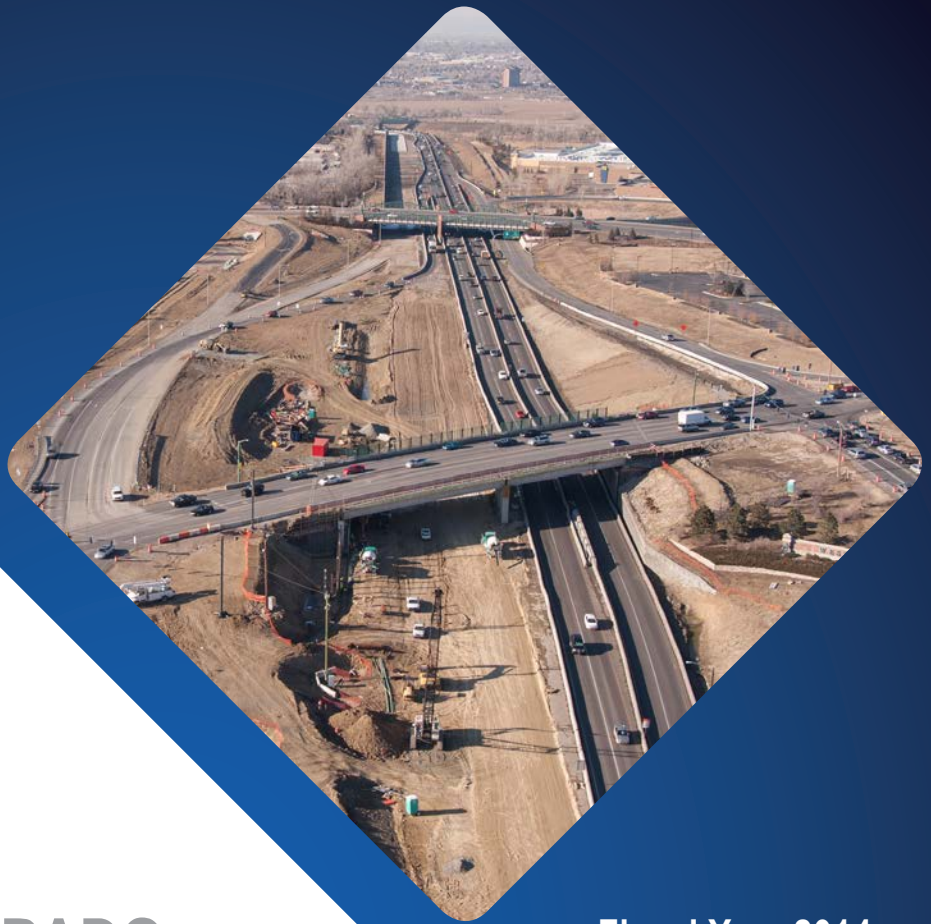


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COLORADO
HPTE
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Fiscal Year 2014
Annual Report
January 15, 2015



COLORADO
Department of
Transportation

Colorado General Assembly
Colorado State Capitol
200 East Colfax
Denver CO 80203

January 15, 2015

Dear Members of Colorado's General Assembly and all Coloradans:

Colorado's aging transportation system is under pressure. Increasing population growth, pushing against budget realities, seriously impacts our ability to maintain and expand this vital state asset. The High Performance Transportation Enterprise exists to bring creative solutions to the challenge, providing financial alternatives for the mobility and other transportation needs of Colorado in the 21st century.

The pages of this Annual Report provide a thorough overview of the HPTE's work—our activities and programs; our finances; and the status of our current projects.

The US 36 BRT/Express Lanes project is well underway, Phase I being on track to open by July 1, 2015, and Phase II by year end. HPTE's public-private partnership with Plenary Roads, our first, makes it possible to deliver this unique multi-model state asset years earlier than otherwise possible, bringing with it almost 600 new jobs in the process. A project wrap-up is included in this report.

The Colorado Department of Transportation is now asking HPTE to look at the C-470, I-70 East, I-70 West and I-25 North corridors—each of them severely congested in spots. We are actively exploring the potential for alternative delivery approaches in these corridors, with an eye to the possibility of accelerating the improvements, saving on up-front costs, maximizing the value of taxpayer resources, and increasing mobility and choice for travelers. This report discusses the status of these projects.

A guiding principle of our work continues to be a commitment to public participation and transparency. Our success depends on an open dialogue with the General Assembly, local governments and agencies, the business sector and employers, and transportation consumers. In this Annual Report, you will find detailed information about HPTE's new transparency policy, and how we have implemented this policy to increase opportunities for the public to participate in setting direction for transportation solutions.

We encourage your participation in this ongoing process, and we invite you to contact us with your comments, questions and ideas by emailing us at dot_hpte@state.co.us, or calling directly to 303-757-9249.

Sincerely,



Michael Cheroutes
Director

High Performance Transportation Enterprise



Tim Gagen
Chairman of the Board

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1.0 OVERVIEW

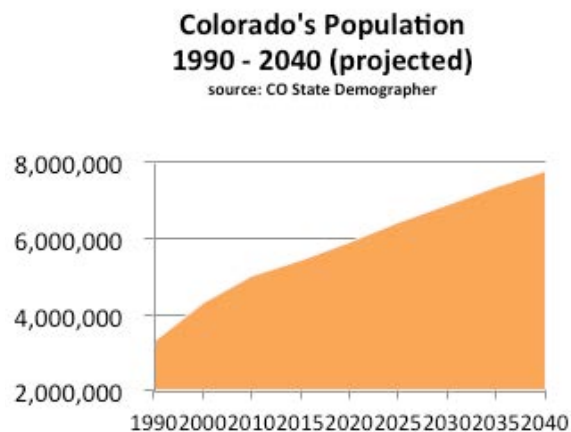
The Funding Advancement for Surface Transportation and Economic Recovery Act (Part 8 of Article 4, Title 43, Colorado Revised Statutes), otherwise known as FASTER, created the High Performance Transportation Enterprise (HPTE) in 2009 as a government-owned business within the Colorado Department of Transportation (CDOT).

The HPTE has the responsibility to seek out opportunities for innovative and efficient means of financing and delivering important surface transportation infrastructure projects in the State. It has the statutory power, among others, to impose tolls and other user fees, to issue revenue bonds secured by those fees, and to enter into contracts with public and private entities to facilitate public-private partnerships (PPP). The law also introduced a new governance structure, creating an HPTE Board of Directors which includes a mix of State Transportation Commissioners and external stakeholders appointed by the Governor to provide expertise and guidance in analyzing PPP and other creative financing mechanisms. The HPTE is an “enterprise” for purposes of section 20 of Article X of the State Constitution, so long as it retains the authority to issue revenue bonds and receives less than 10 percent of its total revenues in grants from the State and local governments.

FASTER requires that the HPTE issue a report of its activities for the previous year to the Legislature by February 15, 2015, with the report posted to the HPTE website no later than January 15, 2015. This report fulfills that requirement and can be found at www.coloradohpte.com.

HPTE: Exploring Options to Meet Colorado’s 21st Century Mobility Needs

Colorado’s transportation system is challenged in large part by two forces: 1) rapid population growth that puts pressure on our aging system; and 2) budget realities, which significantly impact our ability to maintain and expand it. Finding solutions to these challenges is critical—our interstate and other highway infrastructure are severely congested in many areas, more than 50 years old and in need of repairs and maintenance, and the rapid growth of our state’s population points to even greater congestion in the decades ahead unless we find ways to accelerate key projects.



HPTE's Value to CDOT and Taxpayers

After CDOT identifies major project needs and available funding resources, HPTE explores creative financing and delivery alternatives, always on a case-by-case basis. With the approval of its Board of Directors, and in consultation with CDOT's Executive Director and Transportation Commission, HPTE then implements the preferred alternative. HPTE's analysis of delivery alternatives includes a comparison of the costs, risks and availability of traditional public financing against the potential value of private investment. Important considerations in deciding whether to seek private investment are:

- ◆ **Accelerated Timing:** Will it allow the project to start earlier, get built faster and completed sooner?
- ◆ **Reduced Upfront Costs:** Will it significantly reduce the upfront capital required from the state?
- ◆ **Expanded Scope:** Will it deliver more of the project's planned improvements and maximize value to Colorado taxpayers?
- ◆ **Innovation:** Will the project provide unique opportunities for design, construction and operational innovation?
- ◆ **Risk Transfer:** Will it permit us to shift significant project risks, such as cost overruns and revenue shortfall, to the private partner?
- ◆ **Reliability:** Will the state benefit from guaranteed performance on long-term operations and maintenance?

2.0 ORGANIZATION AND SUMMARY OF KEY ACTIVITIES

2.1 HPTE Board

The HPTE Board consists of three members of the Transportation Commission and four external members who are appointed by the Governor from each of the following geographic areas:

- The Denver Metropolitan area
- The North Front Range Metropolitan Planning Organization (MPO) area
- The Pikes Peak Council of Governments MPO area
- The I-70 Mountain Corridor area

HPTE BOARD Members		
Name	Area Representing	Term Expires
Gary Reiff	Transportation Commissioner District 1	At pleasure of the TC
Kathy Gilliland, Vice Chair	Transportation Commissioner District 4	At pleasure of the TC
Doug Aden	Transportation Commissioner District 7	At pleasure of the TC
Trey Rogers	Denver Metropolitan Area	10-01-17
Don Marostica	North Front Range MPO Area	10-01-15
Brenda Smith	Pikes Peak MPO Area	10-01-17
Tim Gagen, Chair	I-70 Mountain Corridor Area	10-01-15

2.2 Staff

Michael L. Cheroutes was selected as Director of HPTE by the Board in August 2010, after a competitive process and with the consent of the CDOT Executive Director. HPTE has three full-time staff members: an Executive Assistant, who also serves as Secretary to the Board; and two HPTE Specialists, who provide contract and project management, manage and supervise performance reporting, tolling and public-private partnership relationships and HPTE's external procurements.

CDOT staff assigned part-time to the HPTE include: an accountant, a budget analyst and a communications manager. Additional support is provided by other CDOT employees, with time billed to the HPTE cost center, and by outside consultants as necessary. All operating expenditures are tracked independently of CDOT to maintain a clear separation of the two organizations.

2.0 ORGANIZATION [CONT.]

2.3 Office of Major Project Development

In 2012, both HPTE and CDOT identified a need to better integrate the new approaches HPTE was charged by statute to pursue. HPTE engaged an outside consultant to review “best practices” from around the country and, working with CDOT and staff, recommended procedural and structural steps to be taken.

In September 2013, the HPTE Board and Transportation Commission adopted resolutions approving a Memorandum of Understanding (MOU) that defines the operating relationship between HPTE and CDOT and introduces a newly created Office of Major Project Development (OMPD) within CDOT. The creation of OMPD is based on models in other states and is viewed as the “best practice” response to the need for better coordination between CDOT and HPTE. The supporting role of the OMPD is a central feature of the MOU.

Currently, the OMPD is staffed by a director, a tolling and contracts coordinator, a program development engineer, a budget and policy analyst, and an environmental manager.

The OMPD’s mission is to:

- Support policy formulation and coordination of duties relative to major projects;
- Develop best management practices for department-wide consistency in the development and management of major projects;
- Assess the feasibility and development of financial plans for major projects in conjunction with HPTE;
- Manage the project development process for identified potential major projects;
- Provide technical assistance to other CDOT and HPTE staff.



2.0 ORGANIZATION [CONT.]

2.4 Meetings and Special Events

The HPTE Board of Directors meets at noon on the third Wednesday of every month at the CDOT Headquarters located at 4201 E. Arkansas Ave., Denver. These meetings are open to the public. In 2014, the HPTE Board of Directors met 11 times in regular session, and one time in special session.

Meeting Dates	Meeting Type
January 15, 2014	Regular Meeting
February 19, 2014	Regular Meeting
March 19, 2014.....	Regular Meeting
April 16, 2014.....	Special Meeting
May 14, 2014.....	Regular Meeting
June 18, 2014.....	Regular Meeting
July 16, 2014	Regular Meeting
August 20, 2014	Regular Meeting
September 17, 2014.....	Regular Meeting
October 15, 2014	Regular Meeting
November 19, 2014	Regular Meeting
December 17, 2014.....	Regular Meeting

HPTE Board Meeting agendas, minutes and documents are accessible on the HPTE website at: www.coloradoHPTE.com.

2.0 ORGANIZATION [CONT.]

2.5 Summary of Key Activities

The key non-project specific activities of the HPTE in 2014 include the following:

Executive Order and Transparency Policy:

A guiding principle of the HPTE's work is a commitment to public participation and transparency. Our success depends on an open dialogue with the General Assembly, local governments and agencies, the business sector and employers, and transportation consumers.

Gov. John Hickenlooper signed Executive Order D 2014-010 on June 4, 2014, instructing the HPTE to implement public notification provisions outlined in SB14-197 which he had vetoed. In compliance with the Executive Order, the HPTE Board adopted the "Colorado High Performance Transportation Enterprise Transparency Policy Relating to Public-Private Partnerships" in July 2014. The policy incorporates the disclosure, oversight and public input provisions of SB14-197, and significantly increases the opportunities for public comment during a public-private partnership (PPP) procurement process.

The HPTE is committed to public participation and transparency, and the policy requires multiple town hall meetings for any PPP transaction. The HPTE responded to its experience with the US 36 project by increasing the amount of public outreach and engagement steps held during a PPP process. A copy of the Executive Order and Transparency Policy is attached to this report as Appendix 1.

Outreach and Public Participation:

Since the adoption of the HPTE Transparency Policy, the HPTE has held a number of outreach events as it explores private investment options for projects in two corridors: C-470 and I-70 East:

- C-470 Outreach: The HPTE held a "Vision Stage" Town Hall event to present information, answer questions and receive input from the public. The HPTE participated at three additional telephone town halls and four town hall meetings hosted by the project.
- I-70 East Outreach: HPTE conducted multiple public participation events at both the Vision Stage and Pre-RFQ stage for I-70 East project, including telephone town halls, town hall meetings, online surveys and meetings with community groups. Additionally, project financing and private investment options were included as part of the public communications and presentations during the I-70 East Supplementary Environmental Impact Study (SDEIS) process, including at the SDEIS public hearings in September 2014. Public input continues to inform the decisions around delivery of the project.

"A guiding principle of the HPTE's work is a commitment to public participation, collaboration and transparency."

2.0 ORGANIZATION [CONT.]

Additional information on HPTE's transparency outreach events for these and other projects can be found in Appendices 2 and 3.

Legislative Audit Committee Review:

The Legislative Audit Committee and the Office of the State Auditor (OSA) are conducting a performance audit of HPTE and the US 36 project. The OSA report is expected in March.

Pending Litigation:

On March 22, 2014, the Drive Sunshine Institute (DSI) (a trade name for The Renewable Energy Initiative, a Colorado nonprofit corporation) and a named individual filed a complaint in the U.S District Court of Colorado against more than 25 defendants, including HPTE, the HPTE Board members and staff, the Colorado Transportation Commission, a national rating agency and investment bank, and multiple private and public lawyers/law firms. The Attorney General's office believes the suit is not likely to be successful. This opinion is based in part on the fact that Plaintiffs filed a voluminous preliminary injunction motion that was denied. In denying the motion the Court found that Plaintiffs did not demonstrate a likelihood of success on the merits of their case. At the date of this report, motions to dismiss from all the defendants are pending.

Communications:

To meet HPTE's commitment to greater openness, we have increased our communications resources both internally and externally. Working with CDOT's Office of Communications, HPTE now has a dedicated communications manager and has also engaged a strategic communications consultant. As a result, the HPTE is building greater capacity to provide timely information and to gather input from, and respond to issues raised by the public, media, elected officials and stakeholders.

www.coloradoHPTE.com

3.0 FINANCIAL STATUS

3.1 Revenues and Expenditures

Revenues and expenses of the HPTE are accounted for on a fiscal year basis. For FY 2014 (which ended on June 30, 2014) total unaudited HPTE revenues were \$39.5 million. In addition, HPTE carried over approximately \$709,753 in the transportation special fund and \$589,729 in the transportation enterprise operating fund from the previous fiscal year.

Total unaudited HPTE expenditures in FY 2014 were \$20.2 million, up from \$16.35 million in FY 2013, reflecting the increased project activity of HPTE. A current budget-to-actual through November 30, 2014 is attached as Appendix 4 to this report, and provides a snapshot of HPTE's budget.

3.2 Audited Financials

The HPTE's finances are audited each year as part of the State audit. The audited financial report will be posted when released by the Legislative Audit Committee to HPTE's website, www.coloradoHPTE.com.

3.3 Sustainable Business Planning

At an April 16, 2014, special planning meeting, the HPTE Board asked HPTE staff and the Office of Major Project Development to project the revenues and expenditures of HPTE over a ten-year period, with an eye to examining the enterprise's sustainability. An outside financial consultant was engaged to assist with the effort.

The results of this analysis, based in part on the budgets of comparable toll-supported entities in the U.S., includes a ten-year pro forma business plan which has been accepted by CDOT and other relevant parties and which supports HPTE's ability (1) to carry out its statutory duties without grants, and (2) to re-pay all CDOT operating loans extended under the statute.



4.0 STATUS OF TRANSPORTATION INFRASTRUCTURE PROJECTS

4.1 Projects Completed or Under Construction

I-25 Downtown Express Lanes:

Tolled Express Lanes in the barrier-separated I-25 HOV/bus reversible corridor opened in June 2006, marking the first time solo drivers could legally access existing HOV lanes by paying a toll. The I-25 Express Lanes, also known as high occupancy toll (HOT) lanes, extend along a roughly seven mile section of I-25 between downtown Denver and US 36. Carpools, express and regional buses, hybrid vehicles with permits and motorcycles continue to use the lanes toll-free. On March 7, 2014, Plenary Roads Denver (PRD) took over operation and maintenance responsibilities on these lanes under the Concession Agreement described below.

US 36 BRT/Express Lanes Concession Agreement:

The US 36 Concession Agreement with PRD requires it to finish construction of the US 36 toll lanes and the reconstruction of the general purpose lanes, to finance almost one-third of the total project cost (over \$500 million), and to operate and maintain the entire corridor (I-25 Express Lanes and US36) over a 50-year period. The contract requires PRD to return the project to CDOT in reconstructed condition at the end of the concession term. PRD has the right, subject to certain contractual limitations, to collect tolls from the Express Lanes until its investment is paid off. Thereafter HPTE and the corridor stakeholders will share in those revenues throughout the contract term.

PRD was selected in a competitive process that started in 2012. The Concession Agreement was signed in February 2013, and became effective for all purposes at the end of February 2014, after open and coordinated effort by HPTE, CDOT, and PRD, working together and with local, county, state governments and stakeholders.

The Concession Agreement continues to be posted at www.coloradoHPTE.com.



4.0 STATUS OF PROJECTS [CONT.]

Phase 1 and Phase 2 US 36 BRT/Express Lanes:

US 36 is the existing four-lane State highway that connects the Denver and Boulder metropolitan areas. It is a severely congested, rapidly growing and economically vital corridor carrying between 80,000 and 100,000 vehicle trips per day. With the corridor operating at nearly 90 percent capacity, US 36 currently experiences three to four hours of severe bi-directional congestion daily. The approximately 18-mile corridor begins at I-25 in Adams County and ends near Foothills Parkway/Table Mesa Drive in Boulder, with four major arterial roadways intersecting the highway. Current and projected travel patterns, the level of roadway congestion, and growth in population and employment made new capacity on the corridor a high CDOT priority.

The first phase of the project broke ground in July 2012, and includes the construction of one Express Lane in each direction along 10.1 miles of the US 36 median between Pecos Street and 88th St. in Louisville; Bus Rapid Transit (BRT) service connecting to Denver Union Station and Boulder; enhancements to BRT stations; widening of the general purpose lanes and pavement replacement; bridge replacements, sound and retaining walls in selected areas; construction of a bikeway; and Intelligent Transportation Systems (ITS). Managed by CDOT, the \$317.9 million project Phase 1 is being constructed using a Design-Build (DB) delivery model. The new Express Lanes will connect to the northern terminus of the existing reversible I-25 Express Lanes. The BRT component of the project will become part of Regional Transportation District's (RTD) FasTracks system. Construction of Phase 1 is expected to be completed by July 2015, when PRD will commence operations and maintenance services.

Phase 1 of the project is being financed by federal, state and RTD funds, including a \$54 million toll-supported TIFIA loan (the repayment of which will become PRD's responsibility) and a \$10 million Transportation Investment Generating Economic Recovery (TIGER) grant. RTD contributed about \$124 million to the project cost; CDOT, HPTE and the Colorado Bridge Enterprise about \$77.7 million; DRCOG about \$46.6 million; and the cities of Broomfield and Westminster about \$5.6 million.

*“ Current and projected travel patterns,
the level of roadway congestion,
and growth in population and employment
have made new capacity on the US 36 corridor
a high CDOT priority.”*

4.0 STATUS OF PROJECTS [CONT.]

The second phase of the US 36 project is being constructed by PRD under the Concession Agreement described above. PRD's Canadian parent is a major participant in large North American infrastructure projects, and the construction itself is being done by the same contractors which are working on Phase 1. Phase 2 will extend approximately five miles, from 88th Street in Louisville to Table Mesa/Foothills in Boulder, and will continue the features of Phase 1. BRT will have priority in the Express Lanes and HOV free travel (starting with HOV 2+ and changing to HOV 3+ in the future) is permitted.

Plenary is contributing more than \$120 million in equity and debt (including a new \$60 million loan from TIFIA) to the Phase 2 project cost, which is estimated to total about \$190 million. Plenary will be solely liable for the project's debt. In addition, CDOT/HPTE, RTD, DRCOG, and several local governments will contribute to the estimated Phase 2 cost, as follows: CDOT, about \$15 million; RTD, up to \$18.5 million; DRCOG, up to \$15 million; and Boulder County, Superior and Louisville a total of about \$11 million. Thus Plenary will be financing almost two-thirds of the Phase 2 cost. Phase 2 is expected to open in early 2016.

I-25 North Metro Express Lanes:

In October 2013, construction began on the extension of Express Lanes on I-25 north from US 36 to 120th Avenue. This six-mile segment will maximize the use of the existing highway infrastructure to expand the capacity of I-25 by utilizing the inside shoulder of the road, creating one new Express Lane in each direction. The project will reconstruct the connection with the existing I-25 Downtown Express Lanes. In addition, the project will resurface the existing general purpose lanes, add/improve sound barriers, and install an Active Traffic Management (ATM) System that alerts drivers of downstream backups or incidents. RTD buses, permitted hybrids and motorcycles may use the Express Lanes for free, HOV users (HOV 2+ or 3+ depending on then-current CDOT policy) will travel free, and other drivers can opt to pay a toll for a trip in the Express Lanes. The cost of the project is \$71 million which includes a \$15 million TIGER grant. The balance will be funded with state and local government dollars.

The project team has provided monthly updates to the North Area Transportation Alliance (NATA) and other stakeholders throughout the course of planning and construction.

The I-25 North Express Lanes are projected to open in October 2015, and will be operated and maintained by HPTE and CDOT. Tolls on the Express Lanes will be priced to provide a reliable travel time, which means toll prices will decrease when HPTE acts to encourage drivers to use the lane, and increase as the lane reaches capacity.

4.0 STATUS OF PROJECTS [CONT.]

I-25 North to Wyoming:

I-25 plays a significant role in the economic vitality of northern Colorado. According to the State Demography Office, the population of Larimer County (316,000) is expected to increase by 52% by 2040. Similarly, Weld County (268,639) is expected to increase by 111% by 2040. In order to provide a better quality of life and economic vitality for the future, improvements are being made on the Metro Denver portions of North I-25. CDOT has concluded that additional improvements on North I-25 are necessary to provide modern and effective multi-modal transportation solutions for residents, employees and visitors traveling between Denver and Wyoming.

In December 2013, HPTE and the Office of Major Project Development invited key public-private partnership industry representatives to suggest ways to advance the North I-25 project. After reviewing the projected toll and other revenues available for the project, HPTE determined that the project is not, at this time, a likely fit for private investment.

The North I-25 reconstruction (Denver to Wyoming) is currently divided into smaller design projects. These projects include the design of I-25 according to Phase I of the I-25 Environmental Impact Statement (EIS) Record of Decision (ROD) which was signed December 2011. Construction projects along this corridor include a RAMP project to add new tolled Express Lanes in each direction from 120th to E-470 or possibly to SH 7, an interchange reconstruction at the Crossroads interchange, highway widening, and capacity improvements that will accommodate multi-modal transportation improvements into the future.

HPTE and OMPD will continue to evaluate ways of financing transportation improvements along the North I-25 corridor between Denver and Fort Collins (approximately 60 miles). An updated Level 2 traffic and revenue analysis (which assumes an HOV 3+ policy) has been completed and is being used to determine how much toll revenue could be generated by the I-25 North Metro Express Lanes to support the additional capacity improvements in the corridor. Public outreach and communications will remain a high priority for HPTE and CDOT as the evaluation of options continues.

4.0 STATUS OF PROJECTS [CONT.]

I-70 West Mountain Corridor Eastbound Peak Period Shoulder Lane (PPSL):

The HPTE is working with CDOT to help finance the Eastbound Peak Period Shoulder Express Lane project, which is estimated to cost \$70 million and is now under construction. The project is being funded in part with a \$25 million bank loan (2.79% interest only during the initial seven-year term) procured by HPTE and secured by projected toll revenues. HPTE will issue bonds to refinance the loan if it is not repaid by toll revenue during its initial term.

The project, part of CDOT's comprehensive plan to improve travel in the I-70 Mountain Corridor, will upgrade 13-miles of Eastbound I-70 within CDOT's existing right-of-way. The upgrades will create a wide shoulder that will operate as a third travel lane only during peak travel periods. Tolls on the Express Lanes will be priced to keep traffic moving, which means toll prices will decrease when HPTE acts to encourage drivers to use the lanes, and increase as the lanes reaches capacity. Given the high-occupancy nature of the traffic, there will not be an HOV-free option. The eastbound I-70 West Express Lanes will open in the fall of 2015 and will be operated and maintained by CDOT and HPTE.

Benefits of the I-70 West PPSL Express Lanes include:

- Reduce travel time by nearly half from the Eisenhower/Johnson Memorial Tunnels to the top of Floyd Hill, resulting in an average 30-minute time savings
- Provide drivers with the choice of a new more reliable travel lane
- Enhance recent improvements to Twin Tunnels (Veterans Memorial Tunnels)

The I-70 West PPSL Express Lanes project adheres to the I-70 Mountain Corridor Context Sensitive Solutions (CSS) process, which includes a Project Leadership Team and a Technical Team. These groups develop guiding core values that are vital in creating alternate viable solutions for the congested corridor, ultimately resulting in the PPSL project among others. Both groups continue to be regularly consulted on the status of the project.

In October 2014, CDOT conducted a telephone town hall to share project information and hear residents' questions and comments. The town hall panel included a Clear Creek County Commissioner and the CDOT Region 1 Transportation Director. The autodial calls were made within an area from Golden to Frisco.

4.0 STATUS OF PROJECTS [CONT.]

4.2 2014 Focus Projects

I-70 East/Viaduct:

Fifty years ago, when Colorado's population was only one-third of today's 5.2 million, I-70 through north Denver (from I-25 to Tower Road) opened and over the decades, grew into the state's most important central east-west transportation corridor. Today, it ties together Denver International Airport, the city's central business district, communities throughout the Denver metro region, mountain resorts, and communities in the Eastern Plains and Western Slope. The deteriorating viaduct that carries approximately 140,000 vehicles a day through Elyria and Swansea is reaching the end of its useful life.

The I-70 Environmental Impact Statement (EIS) process, which began in 2003, addresses highway improvements on I-70 between I-25 and Tower Road (12.5 miles) to improve safety and access and to reduce congestion. CDOT has recommended a Partial Cover Lowered (PCL) option as the preferred alternative. This alternative will remove the existing viaduct between Brighton Boulevard and Colorado Boulevard, rebuild I-70 below grade on the existing alignment, and place a cover over the highway between Columbine Street and Clayton Street next to Swansea Elementary School. The plan also contemplates adding two tolled Express Lanes in each direction to improve mobility and provide traveler choice in the corridor. The cost of the project is estimated at \$1.8 Billion. The full Supplemental Environmental Impact Statement (SDEIS) was released for public comment on August 29 and a Record of Decision is expected by the spring 2016.

Over the last year, at the direction of CDOT and the Transportation Commission, HPTE has been analyzing the benefits, risks and value of various delivery options for the project. Among others, HPTE is looking at traditional, public-financed models and at several private investment and/or other partnering models. Again, the considerations are whether private participation might reduce public sector risk, add innovation to the design, help shorten the construction timeline, and/or add to the project scope. A preliminary Value for Money Analysis (VFM) was completed in December 2013, and recommended a full design, build, finance, operate and maintain approach, structured as a performance payment concession of not exceeding 35 years and without the transfer of toll revenues to the private party. A summary of that analysis is available at www.coloradohpte.com, and an update of that analysis is being prepared and is expected to be posted before any formal procurement begins.

Based on the December 2013, study, other analysis undertaken by staff and consultants, and public input, the HPTE recommended in August of this year that, subject to ongoing review, a PPP delivery model be pursued for the project option which includes the PCL segment and one tolled Express Lane in each direction to I-225. The Transportation Commission asked the HPTE to begin the process in order to meet the project schedule but requested periodic updates as to the details.

4.0 STATUS OF PROJECTS [CONT.]

The HPTE Staff continues to study alternative delivery models, and expects to revisit the topic again in January and February 2015, with the Transportation Commission and HPTE Board. The issuance of the I-70 East RFQ, and the associated Industry Forum are now expected in early 2015 which will better align the financing and delivery exploration schedule with the concurrent environmental process and will permit CDOT time to explore funding options. The Request for Qualifications and draft Request for Proposal documents will be posted and made accessible to both industry and the public.

In the meantime, HPTE has been and continues to pursue an aggressive transparency and public participation program for the project. See Appendix 2 and 3 for full details.

- “Visioning” meetings and town halls were conducted throughout June and July of last year, all of which provided input being considered by CDOT and HPTE.

HPTE held a town hall, telephone town hall and online survey. The town hall had approximately 100 attendees. The telephone town hall had 5,196 participants. The online survey had 1,148 completed responses.

- In October and November of last year, the HPTE conducted a second round of public meetings and town halls, focusing more on providing the public with an overview of the possible procurement process and seeking input on what type of partner, if any, CDOT should seek for the project.

The October and November outreach efforts included a telephone town hall, online survey, neighborhood stakeholder meetings and a public town hall meeting. Approximately 3,300 people participated in the telephone town hall, and a panel of CDOT and HPTE staff and board members responded to questions submitted by callers. Attendance at the town hall meeting in November of last year was disappointing, only around 40 people despite significant media and public announcements. Still, meeting participants asked thoughtful questions on items such as tolling rates, contract length, and small business participation, as well as how the private partner realizes financial returns in a long-term public-private partnership arrangement. (Future town hall meetings will take place throughout the process.)

Finally, in October, CDOT and HPTE hosted 400 attendees at a forum to introduce the project to the business community and to connect prime contractor teams to small and disadvantaged businesses in Colorado.

4.0 STATUS OF PROJECTS [CONT.]

C-470 Express Lanes:

C-470 is the southwestern portion of the Denver Metro's beltway. It runs along the densely populated Highlands Ranch and connects travelers from I-70 West to I-25 South. This critical economic metro corridor carries upwards of 100,000 vehicles every day in its busiest sections, and by 2025 it is expected that the population in the corridor will grow by nearly 35 percent.

The C-470 Coalition, consisting of elected and appointed officials along the corridor, has identified a technical interim solution for congestion on the segment of C-470 from I-25 to Wadsworth. The solution features additional tolled Express Lanes and auxiliary lanes to accommodate safe merging and exiting. The proposed solution also includes reconstruction and rehabilitation of the existing general purpose lanes. The estimated project cost is about \$230 million. CDOT has identified \$112 million in state and federal funding. The remaining gap will likely be covered by toll revenue bonds, a TIFIA loan, or both. The HPTE would help secure the financing of the toll revenue bonds. The scope and cost estimating for the project are on-going.

HPTE and CDOT evaluated various private delivery models for the project, including a revenue-transfer PPP structure. Based on the Preliminary Value for Money Analysis, attached as Appendix 5 to this report, other relevant information, including the project scope and available public funding, and extensive public input, the HPTE staff concluded the state does not appear to receive any additional value in delivering the C-470 project using a PPP model.

On November 19, 2014, the HPTE Board adopted a resolution recommending a traditionally financed design-build project delivery to the Transportation Commission. An investment-grade (Level 3) Traffic and Revenue Analysis is currently under way, preliminary to the HPTE financing that is expected to occur during the next fiscal year.

As part of the C-470 analysis and in keeping with the HPTE transparency policy, CDOT and HPTE conducted multiple telephone town halls and town hall meetings in various communities in the C-470 corridor in August and September of last year.

Construction of the project is expected to start in 2016 with a completion date scheduled for early 2018. The C-470 Express Lanes will be operated and maintained by HPTE and CDOT.

5.0 RECOMMENDED STATUTORY CHANGES

5.0 Recommended Statutory Changes

The HPTE coordinates its legislative activity through CDOT. Potential legislation for the 2015 session may include a bill addressing the standardization and regulation of temporary license plates for newly purchased vehicles, and an accounting adjustment suggested by the State Controller that will facilitate fund transfers from the Special Revenue Fund 536 to the Enterprise Operating Fund 537.

STATE OF COLORADO

OFFICE OF THE GOVERNOR

136 State Capitol
 Denver, Colorado 80203
 Phone (303) 866-2471
 Fax (303) 866-2003



John W. Hickenlooper
 Governor

June 4, 2014

The Honorable Colorado Senate
 Sixty-ninth General Assembly
 State Capitol Building
 Denver, Colorado 80203

Dear Colleagues:

This is to inform you that today at 2:27 p.m., I vetoed Senate Bill 14-197, "Transportation Enterprise Transparency Act." At the same time, I am issuing an executive order that will improve transparency, accountability, and openness relating to the Colorado Department of Transportation (CDOT) High-performance Transportation Enterprise (HPTE). This letter sets forth my reasons for vetoing the legislation and issuing the executive order. The bill and this letter are being filed today with the Secretary of State in accordance with Article IV, Section 11 of the Colorado Constitution.

We firmly believe that government should always strive to be transparent and accountable. We support SB 14-197's provisions that improve transparency, accountability, and openness in public-private partnerships (P3s), including hosting multiple town-hall meetings for P3 corridors; announcing online any changes in high-occupancy vehicle lane thresholds; considering transit alternatives, and providing more robust legislative reporting obligations. We appreciate the hard work and dedication of SB 14-197's sponsors and House and Senate leadership, who are tenacious advocates for promoting transparency and openness in our state government. In particular, Senate Majority Leader Heath worked tirelessly to move the bill from its original proposal to a much better final product.

Unfortunately, SB 14-197 is not just a transparency bill—it also inappropriately constrains the business terms of future P3 agreements. In response to Colorado's "quiet crisis in transportation" identified over five years ago, in 2009 the General Assembly directed the executive branch to aggressively pursue P3s for transportation infrastructure to address the state's ongoing inability to adequately fund transportation needs. While CDOT and HPTE have made great strides recently in this area, continued success depends on being able to access all of the tools in our transportation financing toolbox.

Senate Bill 14-197 departs from the state's policy of enabling P3s as a financing alternative. In so doing, it restricts future P3 opportunities by discouraging investment in Colorado, eliminating cost-saving alternatives for delivering core infrastructure, and curbing

economic development opportunities. The bill requires any future P3 with certain features (contract terms over 35 years, procurement disruptions, inappropriate linkage to municipal debt terms, abstract non-compete provisions, and compensation events) be pre-approved by the General Assembly. Yet, these material constraints on business terms (that are traditionally negotiated at arm's-length) would create a chilling component on future transactions, making investors unlikely or unwilling to bid on Colorado projects due to the increased risks this process would generate. These risks will translate into more expensive transportation infrastructure for Colorado and its residents.

We are also concerned that private sector and local government stakeholders were not adequately involved in SB 14-197's development. Legislation this complex – especially when introduced in the final weeks of session – deserves thorough scrutiny and input from all impacted parties. In committee, private sector representatives warned that the bill's rushed process and lack of business community input could result in unintended consequences. Those worries were shared by city and county officials concerned about limiting future P3s. We share those concerns. With legislation of this complexity, it is critical that all stakeholders and partners be actively engaged in a robust and thorough process to ensure good outcomes and good law; we fear that was not the case with SB 14-197.

Despite SB 14-197's unworkable provisions, we believe in its efforts to improve transparency and accountability. For this reason, today I am issuing Executive Order D 2014-010, which instructs HPTE, for all future P3 agreements, to implement SB 14-197's provisions that are focused on injecting transparency and openness into the HPTE process.

Colorado's transportation needs remain underfunded, and we must do more with less. P3s are a necessary tool the state can leverage to deliver important transportation projects. The ability to negotiate the best P3s for our state is critical for this method of project delivery, and should be preserved. Given the General Assembly's shared interest in successful and accountable P3 projects, we would like to work with members of the legislature to discuss concepts for creating a "Center of Excellence," which would establish P3 best practices, including programs for ensuring transparency and openness. This will help all of us be more deliberate about P3s moving forward, without sacrificing opportunities for economic development and investment. We stand ready to work with you toward the goal of finding a solution that will maximize the potential usefulness of P3s, while ensuring transparency and openness.

Sincerely,



Governor John Hickenlooper

STATE OF COLORADO

OFFICE OF THE GOVERNOR

136 State Capitol
Denver, Colorado 80203
Phone (303) 866-2471
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John W. Hickenlooper
Governor

D 2014-010

EXECUTIVE ORDER

Directing the High-performance Transportation Enterprise to Adopt Additional Transparency Measures in Transportation Infrastructure Public-Private Agreements

Pursuant to the authority vested in the Office of the Governor of the State of Colorado, and, in particular, pursuant to Article IV, Section 2, of the Colorado Constitution, I, John W. Hickenlooper, Governor of the State of Colorado, hereby issue this Executive Order directing the High-performance Transportation Enterprise to utilize additional transparency measures and public meetings in the development of future public-private partnerships for surface transportation infrastructure.

I. Background and Purpose

In 2009, to address Colorado's "quiet crisis in transportation" the General Assembly declared that it was in the best interests of the state to aggressively pursue innovative means to finance and deliver surface transportation infrastructure projects, and that such means specifically included the use of public-private partnerships (P3s). COLO. REV. STAT. § 43-4-806(1). To accomplish this goal, the General Assembly enacted Senate Bill 09-108, thereby creating the High-performance Transportation Enterprise (HPTE). COLO. REV. STAT. § 43-4-806(2)(a)(I).

In 2013 and 2014, HPTE selected a concessionaire and entered into an agreement with Plenary Roads Denver for the purpose of improving U.S. 36 within the Denver metropolitan area. The P3 agreement and financing package supports critical upgrades to U.S. 36 and provides for a new managed lane providing dedicated bus-rapid-transit, high-occupancy vehicle, and user fee travel. The project marks the first P3 entered into by the state.

During the 2014 legislative session, the General Assembly passed Senate Bill 14-197. The legislation was crafted in reaction to public concerns that the U.S. 36 P3 development and negotiation process could have benefited from additional transparency and public involvement. Unfortunately, the legislation also imposed unworkable substantive limitations on future P3 transactions that would have undermined Colorado's goal of maintaining the flexibility to pursue innovative means to finance surface transportation infrastructure projects; Senate Bill 14-197 was therefore vetoed. Nevertheless, Senate Bill 14-197 contained several provisions valuable with merit for increasing involvement by the public in future P3 agreements.

In order to address the public concerns voiced about HPTE’s process, HPTE must, following a robust public process, utilize additional transparency measures in connection with any future P3 transactions.

II. Directive and Scope

For all future P3 agreements with private parties to deliver surface transportation projects, HPTE is hereby directed to consider, adopt and implement appropriate procedures to:

- A. Following full and timely notice, and in coordination with interested local governments, hold a minimum of three public town-hall meetings for affected corridor communities prior to issuing a request for proposal;
- B. In coordination with the State Transportation Commission, consider transit alternatives when analyzing any proposed surface transportation infrastructure project that includes high-occupancy vehicle lanes, high-occupancy toll lanes or managed lanes;
- C. Provide on the HPTE website a summary of the essential terms of the P3 agreement, which are easily understandable by the public, after entering into a P3 agreement;
- D. Provide public notice of any change in the status of a high-occupancy vehicle lane or the qualifications required to access such a lane for free as they relate to a P3 agreement; and
- E. Upon request, and with reasonable safeguards protecting proprietary information and the negotiating process, provide additional reports and presentations to the General Assembly, in addition to existing requirements stated in the Colorado Revised Statutes.

III. Staffing and Resources

HPTE shall use existing funding, if at all, in implementing and adopting the transparency measures described in this Executive Order.

IV. Duration

This Executive Order shall remain in full force and effect until modified or rescinded by future Executive Order of the Governor.



GIVEN under my hand and the
Executive Seal of the State of
Colorado this fourth day of
June, 2014.

A handwritten signature in blue ink, which appears to read "John W. Hickenlooper". The signature is fluid and cursive, written over a light background.

John W. Hickenlooper
Governor

**COLORADO HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
TRANSPARENCY POLICY RELATING TO PUBLIC-PRIVATE
PARTNERSHIPS**

This policy (“Policy”) is adopted by the Board of Directors of the Colorado High Performance Enterprise, a division of the Department of Transportation of the State of Colorado.

SECTION I. PURPOSE

The purpose of this Policy is to provide additional transparency and accountability for, and public participation in, any Public-Private Partnership entered into by the High Performance Transportation Enterprise.

SECTION II. AUTHORITY

High Performance Transportation Enterprise, § 43-4-806(6), C.R.S.

SECTION III. APPLICABILITY

This Policy applies in the case of any Surface Transportation Infrastructure Project that involves or is reasonably expected to involve a Public-Private Partnership.

SECTION IV. DEFINITIONS

“General Assembly” means the body created by art. V, § 1 of the Colorado Constitution.

“High Performance Transportation Enterprise” and “HPTE” mean the High Performance Transportation Enterprise created pursuant to § 43-4-806(2)(a)(I), C.R.S.

“HOV Lane” means a high-occupancy vehicle lane requiring a designated number of persons in a vehicle to receive free access and which is part of a Surface Transportation Infrastructure Project subject to a Public-Private Partnership.

“HPTE Board” means the High Performance Transportation Enterprise Board created pursuant to § 43-4-806(2)(a)(I), C.R.S.

“Public-Private Partnership” means an agreement between the HPTE and one or more private entities by which the HPTE transfers responsibility to a private entity to design, build, finance, operate and maintain a Surface Transportation Infrastructure Project or by which the HPTE transfers responsibility to a private entity to design, build and finance a Surface Transportation Infrastructure Project, in return (in either case) for the right to receive all or a portion of the User Fees generated by the Surface Transportation Infrastructure Project and/or other public monies.

“Surface Transportation Infrastructure Project” has the meaning set forth in § 43-4-803(23), C.R.S.

“Transportation Commission” means the Transportation Commission created pursuant to § 43-1-106, C.R.S.

“User Fee” has the meaning set forth at § 43-4-803(27), C.R.S.

SECTION V. POLICY

As a general statement of policy, the HPTE will continue to prioritize transparency and accountability in the development and implementation of Public-Private Partnerships for Surface Transportation Projects. To that end:

1. Town Hall Meetings. With the objective of providing a meaningful opportunity to the public to have input on a proposed Public-Private Partnership:
 - A. The HPTE, in coordination with interested local governments, shall hold a minimum of three (3) public town hall meetings on any Public-Private Partnership being considered by it. The meetings shall:
 - (i) be held at the following times:
 - (a) during the visioning stage of a Public-Private Partnership;
 - (b) before the HPTE issues a draft request for proposal for a Public-Private Partnership; and
 - (c) after preparation of, but prior to issuance of, a final request for proposal for a Public-Private Partnership.
 - (ii) be held either at a physical location in proximity to the primary communities expected to be affected by the Public-Private Partnership and such other forum as the HPTE Board may deem appropriate to provide access to the public.
 - (iii) allow for comment, input, and questions from the public and responses from HPTE Board members and/or HPTE staff; and
 - (iv) at the meeting required by Section 1(A)(i)(a) and at the subsequent meetings when necessary to update the public on additional developments, provide information regarding the transportation needs the Transportation Commission seeks to address by the proposed Public-Private Partnership, the perceived advantages and disadvantages of the proposed Public-Private Partnership, potential alternative funding options (including options that rely exclusively on public funding), and the essential terms being considered.

- B. The HPTE shall consider the suggestions and ideas expressed by the public at the town hall meetings required by Section 1(A).
 - C. Any town hall meetings pursuant to Section 1(A) shall be preceded by full and timely notice, including:
 - (i) providing notice to each member of the General Assembly whose district includes any geographical area located within the expected boundaries of the proposed Surface Transportation Infrastructure Project;
 - (ii) providing notice to the governing body of each county and municipality whose geographical limits are located within the expected boundaries of the proposed Surface Transportation Infrastructure Project;
 - (iii) posting on the HPTE website, at least one (1) week in advance, the location, date, and time of any town hall meeting as well as other relevant information relating to the meeting that will assist the public in making meaningful public comment regarding the proposed Public-Private Partnership, including in the case of the meeting required by Section 1(A)(i)(c), posting on its website a copy of, or an internet link to, the final request for proposal for a Public-Private Partnership; and
 - (iv) providing informational releases to appropriate media sources.
 - D. If at any point prior to the final town hall meeting the HPTE determines that the proposed Surface Transportation Infrastructure Project will not require a Public-Private Partnership, the HPTE is not required to hold any additional meetings pursuant to Section 1(A).
 - E. Once the HPTE enters into a Public-Private Partnership, the HPTE shall post on its website, or provide on its website an internet link to, a summary of the essential terms of the agreement and when any such agreement becomes fully effective, the HPTE shall post on its website, or provide on its website an internet link to, the full agreement, subject to reasonable safeguards to protect information which would not be subject to compulsory disclosure under the Colorado Open Records Act.
2. Status of High-Occupancy Vehicle Lanes. If a Surface Transportation Infrastructure Project subject to a Public-Private Partnership contains one or more HOV Lanes and the status of the HOV Lanes may be impacted by the terms of the Public-Private Partnership, the HPTE shall provide by posting on the HPTE website and written notice to adjacent local governments, at least thirty (30) days in advance, notice to the public of any change

in the status of the HOV Lane as an HOV Lane or the qualifications required to access such a lane for free use as an HOV Lane.

3. General Assembly. In addition to the requirements set forth at § 4-4-806(10), C.R.S., upon request by any member of the General Assembly, the HPTE shall provide additional reports and/or presentations to the General Assembly regarding any Surface Transportation Infrastructure Project that involves or is reasonably expected to involve a Public-Private Partnership. Any such reports or presentations shall be in accordance with the Colorado Open Records Act and shall be prepared with reasonable safeguards in place protecting proprietary information and the negotiating process.

4. Multi-Modal Consideration.

A. In coordination with the Transportation Commission, the HPTE shall consider opportunities, and to the extent reasonable under the circumstances, include multi-modal alternatives (including transit) when analyzing any proposed Surface Transportation Infrastructure Project that is expected to include any HOV Lanes, high-occupancy toll lanes or managed lanes. As part of this evaluation, the HPTE shall evaluate the suitability of managed lanes for express bus service or bus rapid transit service, and shall consider whether it is appropriate to use User Fee revenues to support the capital and operating costs of such service.

B. If any excess User Fee revenues are shared with the HPTE pursuant to the terms of any Public-Private Partnership, the HPTE shall consider whether it is appropriate under the circumstances to recommend to the Transportation Commission to apply a portion of such shared revenues to support multi-modal transportation (including transit) in the corridor that contains the Surface Transportation Infrastructure Project subject to the Public-Private Partnership. In exercising this consideration, the HPTE shall consult with the officials of the local communities located in any such corridor.

SECTION VI. EFFECTIVE DATE

This Policy shall be effective upon signature.

Approved by



HPTE Board Chairperson

7/16/14

Date of Approval

“Vision Phase”

June 25: Telephone Town Hall in the I-70 East Corridor

- Regional conference call town hall with residents of Denver, Commerce City, unincorporated Adams County and Aurora in I-70 East study area
- A pre-notification recorded message was sent to approximately 23,000 phone numbers in the target area the day before
- Telephone town hall reached total of 25,612 people
- 5,196 individuals participated
- The panel took 23 questions live
- Questions and answers have been transcribed and posted on www.coloradoHPTE.com.

July 8: Town Hall meeting in Swansea Rec Center

- Event promoted by: press releases prior to the event and day-of event; news articles; social media; distributing flyers in the Elyria and Swansea neighborhoods; notifications to Denver City Council offices.
- Approximately 100 people attended.
 - Questions and answers have been transcribed and posted on www.coloradoHPTE.com.

June/July On-Line survey

- On-line survey inquiring about awareness and perceptions of public-private partnerships, tolled Express Lanes (at www.cdotexpresslanes.info)
- 1,148 surveys completed
- 45 comments submitted

“Pre-RFQ Phase”

October 16: Telephone Town Hall in the I-70 East corridor

- Reached residents of Denver, Commerce City, unincorporated Adams County and Aurora in study area
- Day prior, a pre-notification recorded message was sent to approximately 23,000 phone numbers in the target area
- Telephone town hall reached total of 22,234 people
- 3,366 individuals participated
- The panel took 15 questions live
- Questions and answers have been transcribed and posted on www.coloradoHPTE.com.

November 5: Town Hall meeting in the Swansea Recreation Center

- Approximately 40 people attended.
- Event promoted by: press releases 10 days prior and day-of event; news articles; social media; distributing flyers in the Elyria and Swansea neighborhoods;

East meetings conducted by CDOT and Denver elected officials.

- Questions and answers have been transcribed and posted on www.coloradoHPTE.com.

I-70 East Community Outreach

- HPTE staff (often in conjunction with I-70 East EIS team) continues to meet with local neighborhood groups, elected officials, leaders of community groups, including meetings and presentations with:
 - Globeville Elyria Swansea Business Association
 - Globeville-Elyria-Swansea Community Coordinators
 - Adams County Economic Development Corporation
 - North Denver Cornerstone Collaborative Finance Committee
 - Individual briefings for Denver City Council members
 - Denver City Council Neighborhood Planning Committee
 - North Area Transportation Alliance - Adams County
 - Unite North Metro Denver
 - City of Aurora Public Works Department
 - Visit Denver
- HPTE and CDOT briefings with *Denver Post*, *Denver Business Journal*, *Aurora Sentinel*
- HPTE and financing information provided at I-70 East SDEIS monthly community leader meetings (July, August)
- HPTE information provided at I-70 East SDEIS public hearings (September 23-25)
- HPTE presentation at General Assembly's Transportation Legislative Review Committee (July 23, 2014)

II. C-470 Corridor Engagement and Outreach

"Vision Phase"

August 19 Town Hall Meeting, Highlands Ranch Metro District

- Approximately 60 attendees
- Event promoted by: press releases 10 days prior and day-of event; news articles in several local newspapers; social media; communications through members, stakeholders and local governments of the C-470 Corridor Coalition
- Questions and answers have been transcribed and posted on www.coloradoHPTE.com.

Telephone Town Halls in C-470 Corridor September 9, 10, 11

- Reached residents in Jefferson, Arapahoe, and Douglas Counties.
- Discussion by the C-470 Corridor Coalition regarding proposed improvements of the freeway and adding tolled Express Lanes.
- Panelists included: Arapahoe County Commissioner Nancy Sharpe, CDOT Commissioner Ed Peterson, Centennial Mayor Cathy Noon, Littleton Mayor Pro Tem Bruce Beckman, CDOT Project Director Jerome Estes, and CDOT's Office of Major Project and Development Program Engineer Peter Kozinski, HPTE Communications Manager Megan Castle and HPTE Director Michael Cheroutes.

Open Houses in C-470 Corridor September 15, 16, 17, 18

- Reached residents in Littleton, Highlands Ranch, Lone Tree and Centennial.
- Hosted by the C-470 Corridor Coalition to discuss proposed improvements of the freeway and new tolled Express Lanes.
- Meeting included informational boards for people to review and the chance to ask questions of CDOT and coalition representatives.

APPENDIX 3



OUTREACH EVENTS AND EDUCATION

In June 2015, the HPTE Board of Directors approved a new policy directing a series of outreach and education steps that are required as part of any procurement process that looks at potential for a public-private partnership. Those milestones include the following:

Project milestone	I-70 East	C-470
“Vision” phase	Telephone town hall, town hall meeting, on-line survey	Telephone town hall, town hall meeting, on-line survey
Pre-Request for Qualifications	Telephone town hall, town hall meeting, I-70 SDEIS public hearings, on-line survey	N/A*
Pre-Request for Proposals		N/A*
Pre-Close		N/A*

*In November 2014, the HPTE board announced that a design-build approach is suitable to accomplish the needed improvements in the C-470 corridor.

A CLOSER LOOK - I-70 EAST PRE-RFQ MILESTONE

In the Pre-RFQ phase of the I-70 East procurement, HPTE conducted the following outreach and public education activities:

Telephone Town Hall: On October 16, HPTE conducted a telephone town hall in the I-70 East corridor, including Denver, Commerce City, unincorporated Adams County and Aurora. The day before, a pre-notification recorded message was sent to approximately 23,000 phone numbers in the target area, informing people of the telephone town hall the following evening. On Thursday, October 16, we reached out to a total of 22,234 people for the live telephone town hall, and connected with 3,366 individuals. The panel took 15 questions live, and those questions and answers have been transcribed and posted on www.coloradoHPTE.com.

Town Hall Meeting: On November 6, HPTE conducted a town hall meeting in the Swansea Recreation Center. Approximately 40 people attended. The event was promoted by: press releases (resulting in a Denver Post article in advance of the meeting on November 4); flyers distributed in the Elyria and Swansea neighborhoods; notifications to Denver City Council offices; and emails to attendees of prior I-70 East meetings conducted by CDOT and Denver elected officials. Questions and answers have been transcribed and posted on www.coloradoHPTE.com.

In both outreach events, issues raised by participants have included the following topics:

- toll price setting and procedures;
- the RFQ process and criteria for evaluation of teams;
- communications with neighborhoods and stakeholders;
- small business participation and hiring programs during the I-70 reconstruction project;

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APPENDIX 3 [CONTINUED]

- potential for HOV access in procurement process; and
- scope of the project and how mitigations will be financed.

WHAT WE'VE DONE DIFFERENTLY

On the I-70 East process, HPTE has taken a couple different steps as a result of questions and input from the public:

- **Simplified summary of the Request-for-Qualifications:** The RFQ is a lengthy, complicated document written in legal language. To simplify the document and make its purpose accessible to the public, we produced a brief, four-page summary of the RFQ and its components, and made that available to the public more than one month ahead of the RFQ itself.
- **Public posting of the RFQ:** HPTE will post the RFQ document itself on-line so the public can be informed of what we are asking of potential teams and their qualifications.
- **Initiated early event for potential local subcontractors:** Much of the public input we received in the “vision” and “pre-RFQ” phases has been related to potential for jobs, contracting and business opportunities (for both I-70 East and C-470). To meet that interest, CDOT and HPTE teamed up on October 22 with an informational and networking event for highway transportation contractors, local, small and disadvantaged businesses, and industry stakeholders. More than 400 people attended the event at the Colorado Convention Center.

I-70 EAST PLANNING AND THE HPTE'S P3 ANALYSIS: WHY DO THEM AT THE SAME TIME?

A frequently-asked-question at our outreach events has been the overlap between the I-70 East Supplemental Draft Environmental Impact Statement (SDEIS) and the HPTE's analysis to find the best option to build, finance and deliver the project. Here's the answer:

The purpose of conducting these processes in parallel is to shorten the timeline - to potentially start the project sooner, build it faster and get it done quicker, without sacrificing quality. This approach also has the potential to save costs for taxpayers. Waiting another 18 months for the completion of the I-70 East EIS to initiate the HPTE analysis also lengthens the timeline for the residents and businesses who face the decay of the viaduct as it enters into its 50th year. It bears repeating: *no final decisions have been made about the financing and delivery of the I-70 East project.*

APPENDIX 4

HPTE Budget To Actual
As of November 30, 2014
Preliminary

Statewide Transportation Enterprise Special Revenue Fund (C.R.S. 43-4-806(3)(a)) 536						
ITEM	Estimated Revenues	Estimated Expenditures	Current Month Actual Rev/Exp	Year-To-Date Rev/Exp	Year-To-Date % of Budgeted Rev/Exp	Remaining
Carry Forward Balance from Prior Years (Restricted)	\$ 12,221,077					
Carry Forward Balance from Prior Years (Unrestricted)	\$ 125,000					
Funds Received						
Interest earnings	\$ 200,000		\$ 66,712	\$ 66,712	33%	\$ 133,288
Region 1 and 4 consulting fees	\$ -		\$ 37,510	\$ 56,928	N/A	\$ (56,928)
Annual concessionaire management fee	\$ 375,000		\$ -	\$ 297,116	0%	\$ 77,884
Total funds received	\$ 575,000		\$ 104,222	\$ 420,756	73%	\$ 154,244
Total Available Funds	\$ 12,796,077					
Operating Expenditures						
Bus travel time reporting		\$ 13,000	\$ -	\$ -	0%	\$ 13,000
HPTE staff		\$ 20,000		\$ -	0%	\$ 20,000
CDOT staff		\$ 12,000	\$ 1,301	\$ 5,457	45%	\$ 6,543
Annual audit		\$ 5,100	\$ -	\$ -	0%	\$ 5,100
Attorney General fees		\$ 115,000	\$ -	\$ -	0%	\$ 115,000
Legal fees		\$ 41,000	\$ 3,741	\$ (498)	-1%	\$ 41,498
TIFIA debt service transfer to concessionaire		\$ 1,595,000	\$ -	\$ -	0%	\$ 1,595,000
Program management contract		\$ 1,500,000	\$ -	\$ 79,065	5%	\$ 1,420,935
Traffic congestion mitigation/traffic demand mangement		\$ -	\$ 41,073	\$ 141,456	N/A	\$ (141,456)
I-70 West T&R study		\$ -	\$ -	\$ 57,245	N/A	\$ (57,245)
US36 O&M		\$ 1,045,500	\$ (18,750)	\$ (199,421)	-19%	\$ 1,244,921
Total Operating Expenditures		\$ 4,346,600	\$ 27,365	\$ 83,305	2%	\$ 4,263,295
Excess Revenue over Operating Expenditures		\$ (3,771,600)				
Project Expenses						
US36 Phase I		\$ 18,000,000	\$ 1,163,836	\$ 17,549,334	97%	\$ 450,666
US36 Phase II		\$ 1,916,000	\$ 117,064	\$ 508,156	27%	\$ 1,407,844
Actual Cash On Hand						
I 25 Express Lanes		\$ 66,284,508				
US 36 O&M Reserve		\$ 2,220,055				

APPENDIX 4 [CONTINUED]

HPTE Budget To Actual
As of November 30, 2014
Preliminary

Statewide Transportation Enterprise Operating Fund (C.R.S. 43-4-806(4)) 537						
ITEM	Estimated Revenues	Estimated Expenditures	Current Month Actual Rev/Exp	Year-To-Date Rev/Exp	Year-To-Date % of Budgeted Rev/Exp	Remaining
HPTE Budget						
Carry Forward Balance from Prior Years	\$ 201,234					
<u>HPTE Administration</u>						
Funds Received						
Interest Earnings	\$ 8,800		\$ 3,072	\$ 3,072	35%	\$ 5,728
TC Loan	\$ 1,000,000		\$ -	\$ 1,000,000	100%	\$ -
Total Funds Received	\$ 1,008,800		\$ 3,072	\$ 1,003,072	99%	\$ 5,728
Total Available Funds	\$ 1,210,034					
Operating Expenditures						
HPTE staff		\$ 400,000	\$ 34,865	\$ 149,425	9%	\$ 250,575
CDOT staff		\$ 140,000	\$ 7,127	\$ 42,298	30%	\$ 132,873
Attorney General services		\$ 38,000	\$ 3,064	\$ 28,001	74%	\$ 34,936
Public relations		\$ 200,000	\$ 10,013	\$ 87,359	44%	\$ 189,987
Annual audit		\$ 5,100	\$ -	\$ -	0%	\$ 5,100
Accounting services		\$ 50,000	\$ -	\$ 10,768	22%	\$ 50,000
Board expenses		\$ 5,000	\$ -	\$ 420	8%	\$ 5,000
Travel, conferences, and dues		\$ 24,500	\$ 1,557	\$ 4,891	20%	\$ 22,943
Operating expenses		\$ 10,500	\$ 296	\$ 3,786	36%	\$ 10,204
Interest on Transportation Commission loan		\$ 13,200	\$ -	\$ -	0%	\$ 13,200
Ten year performance plan		\$ 50,000	\$ -	\$ -	0%	\$ 50,000
Back office study		\$ -	\$ -	\$ 28,905	100%	\$ (28,905)
Miscellaneous		\$ 75,000	\$ -	\$ (20,000)	-27%	\$ 75,000
Total Operating Expenditures		\$ 1,011,300	\$ 56,922	\$ 335,854	33%	\$ 675,446
Total All Funds Available	\$ 1,210,034					
Total All Budgeted Expenditures		\$ 1,747,859				
Total Unbudgeted Funds		\$ (537,825)				
Actual Cash On Hand		\$ 1,712,382				
Transportation Commission Transfer Balance		\$ 5,060,892				



COLORADO
Department of
Transportation

Preliminary Value for Money Analysis

Comparison of Project Delivery Methods and Financing Options

C-470 ExpressLanes

November 2014

Outline

- ▶ **Executive Summary**
- ▶ **Comparison of Delivery Options**
- ▶ **Base Case Plan of Finance**

Executive Summary

- ▶ A preliminary value for money analysis has been completed to compare two delivery methods for the C-470 ExpressLanes (the “Project”).
 - ▶ Design-Build (DB) with toll revenue-backed public financing (tax-exempt bonds)
 - ▶ Design-Build-Finance-Operate-Maintain (DBFOM) concession backed by toll revenues

- ▶ In support of this analysis, an initial financial model has been developed to:
 - ▶ Define the base case plan of finance for each delivery method
 - ▶ Calculate the long-term CDOT/HPTE cash flow profile under each scenario
 - ▶ Perform sensitivity analysis related to revenues, costs, interest rates, etc.

- ▶ In addition to the quantitative analysis, qualitative factors were also considered:
 - ▶ Implications for the build out of the ultimate C-470 corridor configuration
 - ▶ Ability to attract robust competition based on project and investment size
 - ▶ Value of potential excess toll revenues to the corridor

- ▶ The quantitative and qualitative results were combined into the preliminary value for money results with the DB method preferred to the DBFOM method:
 - ▶ Estimated additional public funds of up to \$40 million would be required under the DBFOM method, compared with \$0-29 million under the DB method, where potential excess toll revenues are retained in the corridor to support future expansion.
 - ▶ Project characteristics, such as revenue projections and size of equity investment, likely make the Project less attractive to DBFOM bidders, thereby limiting potential competition.

Baseline Delivery Options Summary

	DBFOM Toll Concession	DB with Public Finance Net Pledge*	DB with Public Finance Gross Pledge*
Project Scope	One westbound managed lane from I-25 (with direct connect) to Wadsworth Additional westbound managed lane from I-25 (with direct connect) to University One eastbound managed lane from Wadsworth to Yosemite		
Development Schedule	Development, design and construction over 2 years		
Contract Term	2 + 40 years	2 years	2 years
Design & Construction	Concessionaire	Design-Builder	Design-Builder
O&M / Lifecycle	Concessionaire	Project (Cost) CDOT (Performance)	Project (Cost) CDOT (Performance) CDOT (Contingent Cost Support)
Financing	Concessionaire	HPTE (Net Pledge)	HPTE (Gross Pledge)
Long-Term Excess Cash Flows	Concessionaire	HPTE	HPTE

*Under the net pledge approach, revenues are pledged to bondholders after the payment of O&M. Under the gross pledge approach, debt service would be paid before O&M with a contingent loan made available by CDOT in the event toll revenues after debt service are insufficient to cover O&M. The latter approach allows for more debt to be raised, but would require contingent O&M support .

Financial Model Assumptions

Project Item	Value (DBFOM/DB)	Financing Item	Value (DBFOM/DB)
Schedule		Senior Debt	
Financial Close	2016	Rating	BBB-
Revenue Operations	2018	Term	35 years
Term/Analysis Period	Construction + 40 years	Interest Rate	5.68% / 5.93%
Construction		CAB Margin	1.00%
Construction Cost	\$230 million	DSCR	1.40x vs. IG Curve
Base Year Costs	FY 2014	DSRF	Next 12 months
Spend Curve	50%, 50%	TIFIA	
Construction Period	2 years	Rating	BBB-
Development Costs	\$20 million / \$3 million	Term	35 years
Cost Inflation	3.0%	Interest Rate	3.56%
Operations		DSCR	1.40x vs. IG Curve
T&R Scenario	Fixed III (Cambridge Systematics)	DSRF	Next 6 months
Leakage	10 % of Gross Revenues	Equity	
Ramp-Up (Yrs 1-4)	50%, 50%, 75%, 75%	Min IRR (Pre-Tax)	18%
Inflation	2.0-3.0%	Minimum Equity (% of total fin.)	25%
Other		Reserves	
Road O&M Costs	\$1.5 million / year	O&M	Next 6 months
Toll Processing	\$0.18/Transponder, \$0.60/LPT	Lifecycle	100% / 66% / 33%
Lifecycle Costs	\$10 million (10-yr cycle)	Ramp-Up	\$1.5 million

Note: Preliminary engineering and monitoring costs are excluded from this analysis and assumed to be paid by HPTE/CDOT. The \$230 million cost is quoted in \$2014, and includes \$5 million for procurement and traffic and revenue advisory costs. Financing assumptions take into account greenfield nature of the revenue projections and project size.

Estimated Sources & Uses of Funds During Construction

SOURCES OF FUNDS (\$000s)	DB	DBFOM	DB w/TIFIA	DBFOM w/TIFIA
Tax-Exempt CIBs	74,000	71,000	38,000	--
Tax-Exempt CABs ¹	25,000	--	--	--
TIFIA Loan	--	--	88,000	91,000
Private Equity	--	25,000	--	33,000
FASTER + Local Funding	12,000	12,000	12,000	12,000
RAMP Funding	100,000	100,000	100,000	100,000
Additional Public Funding	61,000	79,000	29,000	40,000
Total Sources	\$272,000	\$287,000	\$267,000	\$276,000

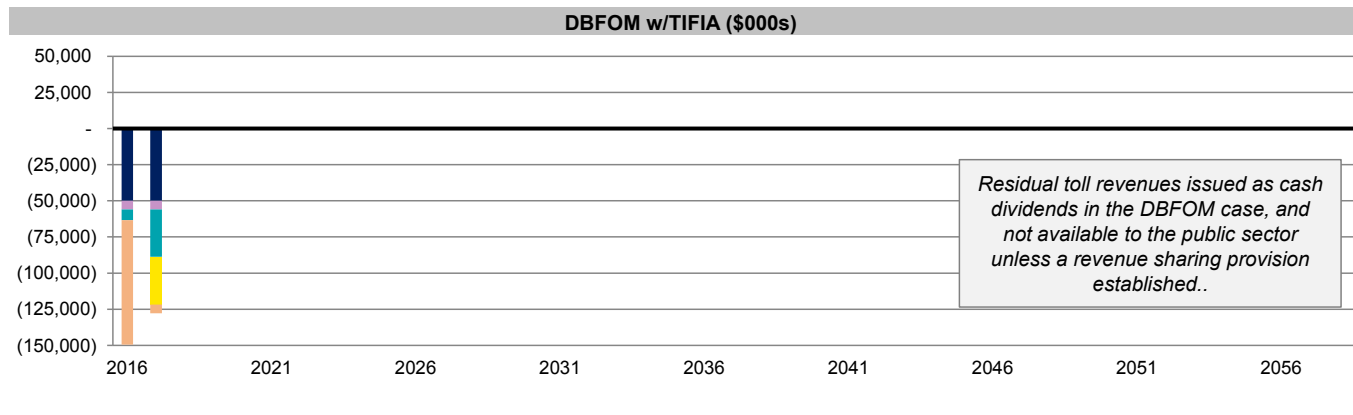
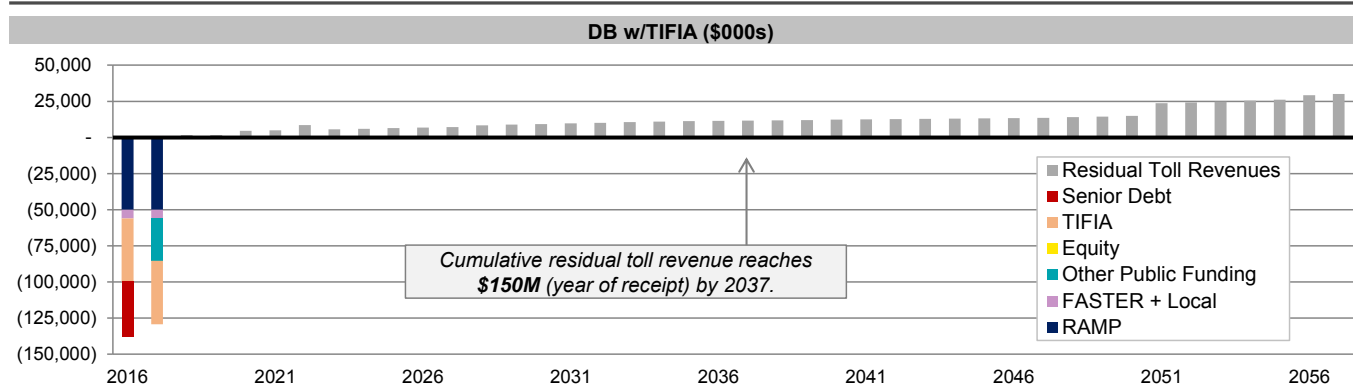
USES OF FUNDS (\$000s)	DB	DBFOM	DB w/TIFIA	DBFOM w/TIFIA
Design & Construction	249,000	249,000	249,000	249,000
Financing Fees ²	3,000	20,000	3,000	20,000
Interest During Construction	8,000	8,000	4,000	--
Debt Service Reserve(s)	8,000	6,000	7,000	3,000
Operating Reserves ³	4,000	4,000	4,000	4,000
Total Uses	\$272,000	\$287,000	\$267,000	\$276,000

¹ Capital appreciation bonds (CABs) issuance limited to 25% of total debt.

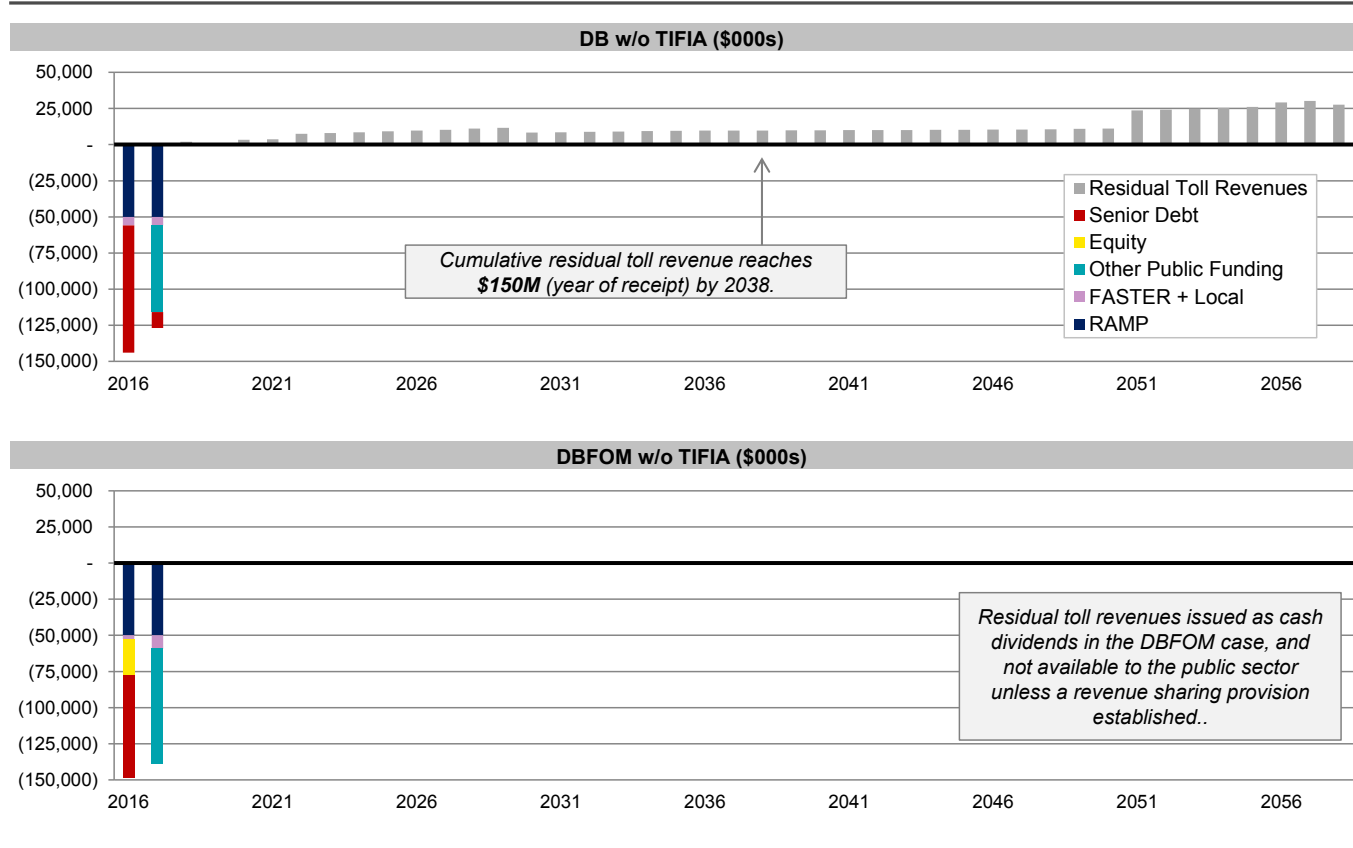
² Includes legal and other advisory fees, debt issuance costs, and equity letter of credit fees, if applicable.

³ Reflects amounts for initial O&M, lifecycle, and ramp-up reserve account deposits.

Projected Public Sector Cash Flows (w/ TIFIA)



Projected Public Sector Cash Flows (w/o TIFIA)



Other Considerations

The quantitative comparison of the delivery approaches should be supplemented with a comparison of qualitative issues related to the Project.

	DB	DBFOM
Future Project Phases	<ul style="list-style-type: none"> - Provides more flexibility with respect to development of future Project phases, allowing for DB or DBFOM delivery at a later stage 	<ul style="list-style-type: none"> - Concession agreement would need to include provisions for future corridor expansion - Could be difficult to develop any extension separately from original concession agreement
Project Revenues	<ul style="list-style-type: none"> - Excess project revenues would accrue in full to HPTE for future phases - If revenue is lower than expected, HPTE will receive less excess cash flow, and may need to fund O&M 	<ul style="list-style-type: none"> - Excess project revenues would accrue to concessionaire, but revenue sharing can allow for cash flow to HPTE if project performs well - Downside revenue risks transferred to concessionaire
Procurement	<ul style="list-style-type: none"> - Procurement may be shorter than DBFOM - Number of bidders and competition may be greater than DBFOM - Limits selection to construction price 	<ul style="list-style-type: none"> - Procurement may be longer than DB - Number of bidders and competition may be limited due to limited revenue potential and greenfield nature of project
Other Items	<ul style="list-style-type: none"> - HPTE will be responsible for setting tolls - Preservation of options to derive synergies with other regional projects - Provides flexibility for DB+OM delivery 	<ul style="list-style-type: none"> - Concessionaire tolling setting ability governed by concession agreement - Limited ability to drive costs down relative to DB - Provisions for unforeseen competing facilities - Project would be on smaller side for a DBFOM

Base Case Plan of Finance (DB – Net Pledge w/TIFIA)

This base case plan of finance assumes design-build construction with a net pledge financing and a TIFIA loan of approximately \$90 million. Design and construction costs have been escalated to YOE dollars.

Sources & Uses

Values in \$000

Sources	
Tax-Exempt CIBs	38,000
Tax-Exempt CABs	--
TIFIA	88,000
CDOT - RAMP	100,000
FASTER + Local	12,000
Other Public Funding	29,000
TOTAL	\$267,000

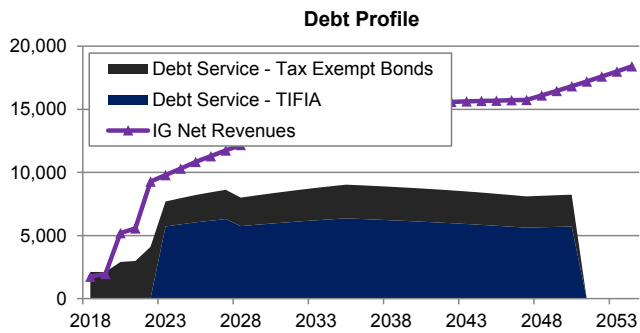
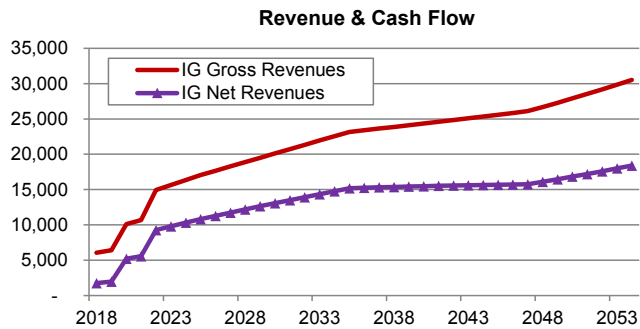
Uses	
Design & Construction	249,000
Financing Fees ¹	3,000
Interest During Construction	4,000
Debt Service Reserves	7,000
Operating Reserves ²	4,000
TOTAL	\$267,000

¹ Includes debt issuance and related costs.

² Includes O&M, lifecycle, and ramp-up reserves.

Financial Summary

Values in \$000



Base Case Plan of Finance (DB – Net Pledge w/TIFIA)

This base case plan of finance assumes design-build construction with a net pledge financing and a TIFIA loan of approximately \$90 million. Design and construction costs have been escalated to YOE dollars.

Sources & Uses

Values in \$000

Sources	
Tax-Exempt CIBs	38,000
Tax-Exempt CABs	--
TIFIA	88,000
CDOT - RAMP	100,000
FASTER + Local	12,000
Other Public Funding	29,000
TOTAL	\$267,000

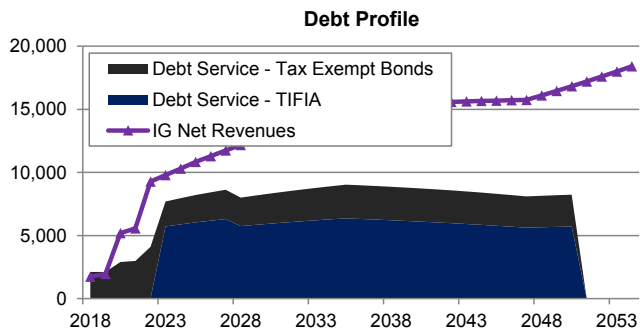
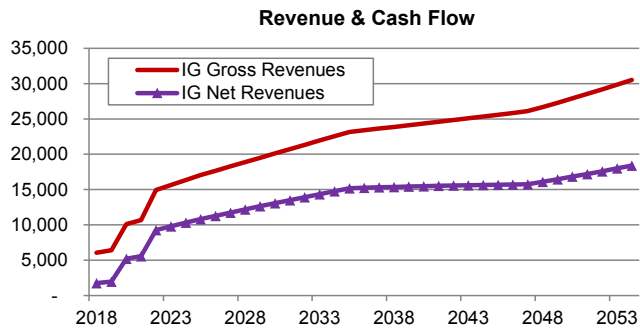
Uses	
Design & Construction	249,000
Financing Fees ¹	3,000
Interest During Construction	4,000
Debt Service Reserves	7,000
Operating Reserves ²	4,000
TOTAL	\$267,000

¹ Includes debt issuance and related costs.

² Includes O&M, lifecycle, and ramp-up reserves.

Financial Summary

Values in \$000



Plan of Finance Variation (DB – Gross Pledge w/TIFIA)

A gross revenue pledge could be used to eliminate the additional upfront funding requirement (support would be provided in the form of a CDOT contingent O&M loan).

Sources & Uses

Values in \$000

Sources	
Tax-Exempt CIBs	81,000
TIFIA	88,000
CDOT - RAMP	100,000
FASTER + Local	12,000
Other Public Funding	--
TOTAL	\$281,000

Uses	
Design & Construction	249,000
Financing Fees ¹	3,000
Interest During Construction	8,000
Debt Service Reserves	9,000
Operating Reserves ²	11,000
TOTAL	\$281,000

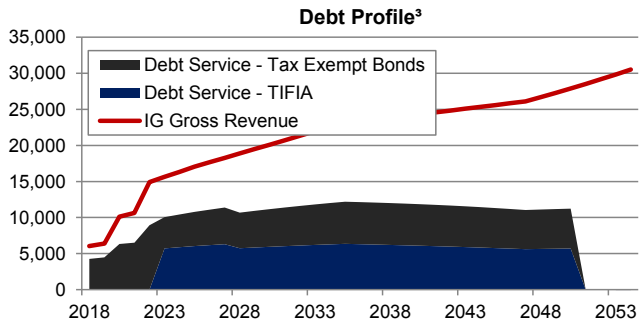
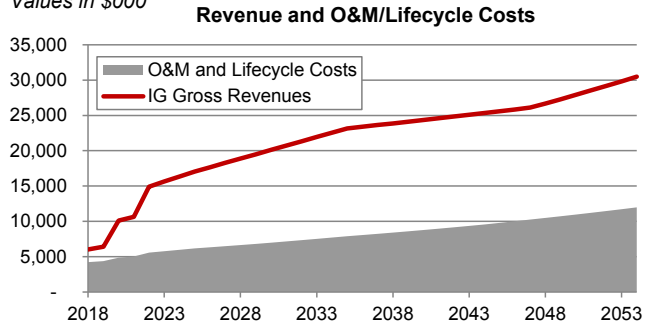
¹ Includes debt issuance and related costs.

² Includes O&M, lifecycle, and ramp-up reserves.

³ Min DSCR of 1.91x relative to gross revenue forecast.

Financial Summary

Values in \$000



Gap Closure Strategies

The net and gross pledge design-build financing cases will be change as final costs, interest rates and revenue forecasts are refined over time. The Project may be able to utilize one or more of the below tools to help close any funding gaps.

▶ **Amend Project scope**

- ▶ Remove discrete sections that may be able to be completed as part of a future phase or sections that contribute minimal revenue and/or operate at a loss
- ▶ Extension of the express lanes to Kipling has been discussed as a potential gap closure measure; however, preliminary indications suggest that an extension beyond the current scope would not net additional project funding for the Project
- ▶ Additional analysis of project scope changes should be evaluated as part of the in process Level III traffic and revenue study

▶ **Alter timing of public contributions**

- ▶ CDOT and HPTE could consider frontloading RAMP and any other upfront contributions
- ▶ Depending on the final Project structure, the above may allow HPTE to defer any private financing until year two of construction, reducing total construction period interest costs

▶ **Utilize additional CABs and/or longer maturity debt**

- ▶ The Project may be able to utilize a higher amount of CABs and/or sell longer maturity bonds to increase the amount of debt that can be raised for construction
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