

TO:

HPTE BOARD OF DIRECTORS

FROM:

DAVID SPECTOR, DIRECTOR

DATE:

DECEMBER 14, 2016

SUBJECT:

HPTE REVENUE USE GUIDELINES

Purpose and Action

Discuss establishing guidelines for use and allocation of HPTE revenues. The purpose of this memo is informational only and no action is requested.

Background

HPTE currently earns revenues in one of three main ways: 1) toll revenues; 2) revenues earned for services performed for CDOT; and 3) conduit issuer fees earned on debt transactions. Although a vast majority of these revenues are used to pay direct and indirect expenses (operations and maintenance costs, private loan repayment, HPTE operating costs), a small amount of 'excess' revenue is generated each year. Staff is proposing establishing Board guidelines on how to spend excess revenue in any given year.

Details

Currently, there are three potential sources of 'excess' revenues each year:

1) Toll Revenues Earned on I-25 North Segment 2 (US 36 - 120th)

Unlike HPTE's other corridors, there is no private debt repayment associated with this project. Following the payment of operations and maintenance costs each year on this corridor, any additional revenues earned can be allocated per the Board's direction.

2) Conduit Issuer Fees

When HPTE is the issuer of debt that benefits a CDOT project, HPTE earns a small fee. Those fees are unencumbered and can be allocated per the Board's direction.

3) Roll Forward

At the end of each fiscal year there may be residual budget or roll forward balances in HPTE's Operating Fund 537 as a result of HPTE coming in under budget on anticipated expenditures, or proactively liquidated expired purchase orders throughout the year. Any roll forward balances remaining in HPTE's operating Fund 537 can be allocated per the Board's direction.

Options and Recommendations

Generally, staff is recommending that a majority of excess revenues be allocated and used to: 1) repay outstanding TC debt; 2) establish reserves for certain purposes. Attachment A suggests how each source of potential excess revenue could be allocated.

Next Steps

Discuss the staff recommendation. Following discussion, staff will return in January or February with formal guidelines for adoption.

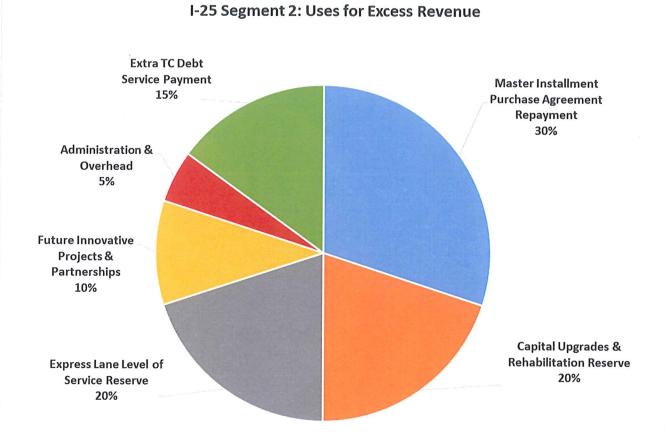
Attachments

Attachment A: HPTE REVENUE USE GUIDELINES

HPTE REVENUE USE GUIDELINES

I-25 North Segment 2: Revenue Use Guidelines

- Excess revenue could include toll revenue or any other misc. funds.
- For the purposes of this exercise, these suggestions assume that all current obligations and expenses on the corridor have been meet. These would include all E470 toll processing costs and operations and maintenance (O&M) payments to CDOT.
- All current and future segments are part of one I-25 corridor therefore some toll revenues generated on this segment could be used across the entire corridor.
- I-25 Segment 2 does not have any debt service obligations, making a higher percentage of excess revenue available for paying down CDOT sources of debt such as the Master Installment Purchase Agreement and TC loans.
- These ideas for uses for excess revenue have been discussed with the Attorney General and are feasible under the FASTER legislation.



If in a given year, it is decided not to split up excess toll revenue, but instead to dedicate all excess to one activity, the following is a suggested prioritization of activities:

Master Installment Purchase Agreement Repayment

- The more outstanding CDOT sources of debt we pay off quickly, the better.
- These items are tracked internally. Especially as we bring on more corridors with financing, it will help streamline all of the sources of debt we are tracking

• Express Lane Level of Service Reserve

- Could be used to hire a private maintenance provider for unforeseen weather events or to provide extra snow and ice removal support on an as needed basis.
- Recognizes that maintaining adequate service in the Express Lanes could become an issue in the future with declining CDOT revenues.
- HPTE may want to increase the level of service in the Express Lane to promote use or provide added value

Capital Upgrades & Rehabilitation Reserve

- Recognizes that HPTE may want to make capital improvements in the Express Lanes that CDOT is unable to pay for
- Could go towards upgrades or improvements such as lighting, signage, stripping, paving etc.
- Future Innovative Projects & Partnerships
- Source of mid and long range program development funds
- Could be used to partner with RoadX, DTD, Regions or other private partners to deliver innovative projects along Segment 2

Administration & Overhead

• Recognizes that a portion of toll revenue should be used to support general program operations and administration

Extra TC Debt Service Payment

- Apply any excess remaining to make an additional TC service payment to proactively pay down CDOT sources of debt
- These items are tracked internally. Especially as we bring on more corridors with financing. It will help streamline all
 of the sources of debt we are tracking

2

1

4

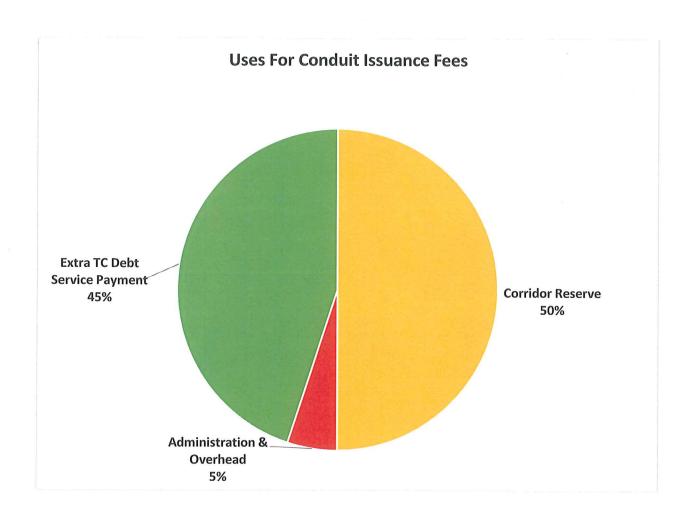
3

5

6

Conduit Issuer Fees

- For any transaction where HPTE issues debt for the benefit of a CDOT project, HPTE earns a fee for serving as the conduit issuer. These fees vary depending on the size of the issuance, but in no event can the fees exceed a threshold amount established by federal tax law.
- These fees can be used to fund any HPTE obligations, including project issuance costs, operating
 expenses for that project's corridor, or other, non-project related costs as determined by HPTE.
- Because conduit fees are earned for enabling a project that would not have otherwise been feasible, a large percentage of those earned fees should be dedicated to that corridor.
- A large percentage of HPTE's earned conduit issuer fees should also be applied to making a loan payment against the current TC debt service balance.
- These ideas for uses for excess revenue have been discussed with the Attorney General and are feasible under the FASTER legislation.



Fund 537: Operations Revenues Use Guidelines

- Assumes that the primary revenue stream in Fund 537 to cover all administrative and operating cost are fee for service funds paid to HPTE by CDOT.
- In the future, a percentage unencumbered of toll revenue could be used to support these activities.
- On an annual basis, any balances remaining in 537 should be seen as flexible for use. Residual budget or roll forward balances are a result of HPTE coming in under budget on anticipated expenditures, proactively liquidated expired purchase orders throughout the year.
- Now that HPTE is receiving a fair market value for services and the process of us making a realistic and representative request to CDOT has been established, HPTE does not need to reserve this budget for contingencies or shortfall.
- HPTE should be actively using the majority of its roll forward balance every year, however keeping a small reserve allowing HPTE to move quickly on future projects and requests from CDOT.
- HPTE's current TC debt obligation from prior year operating loans (approximately \$6M) is currently against Fund 537.
- It is recommended that the majority of HPTE's annual roll forward amount be applied to making a loan payment against the current TC debt service balance.

