



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

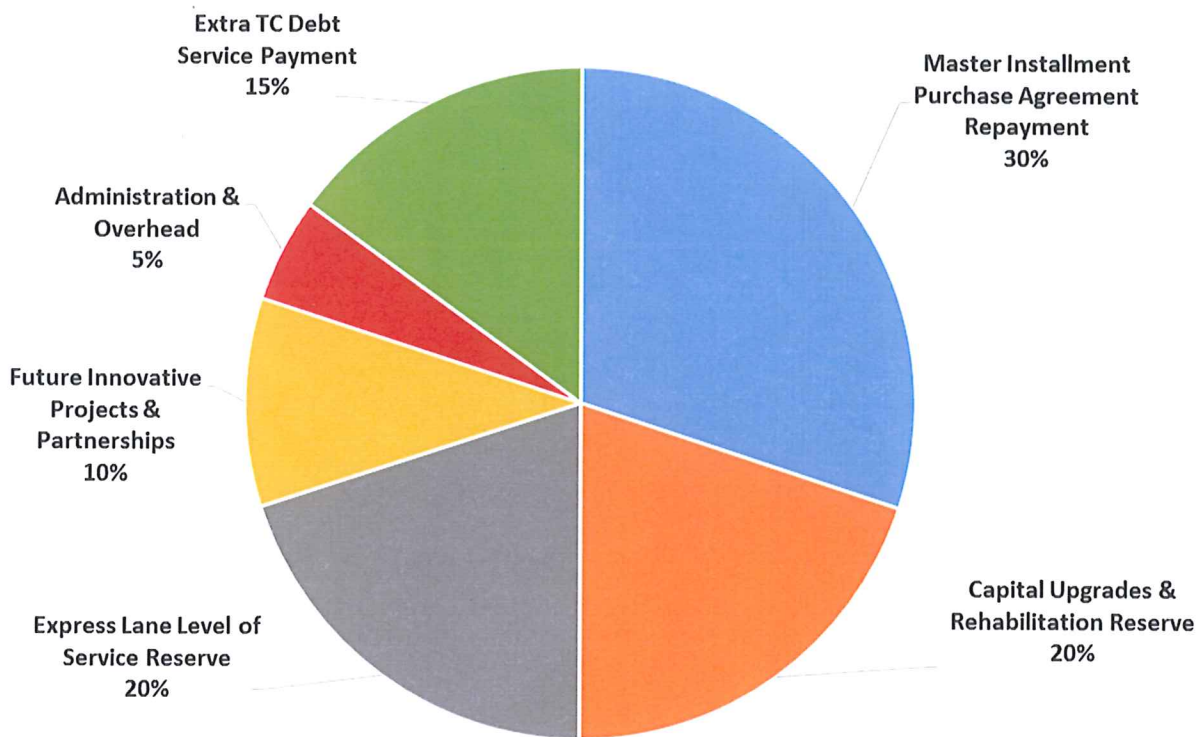
Attachment A: HPTE REVENUE USE GUIDELINES

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 met. 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.

I-25 Segment 2: Uses for Excess Revenue

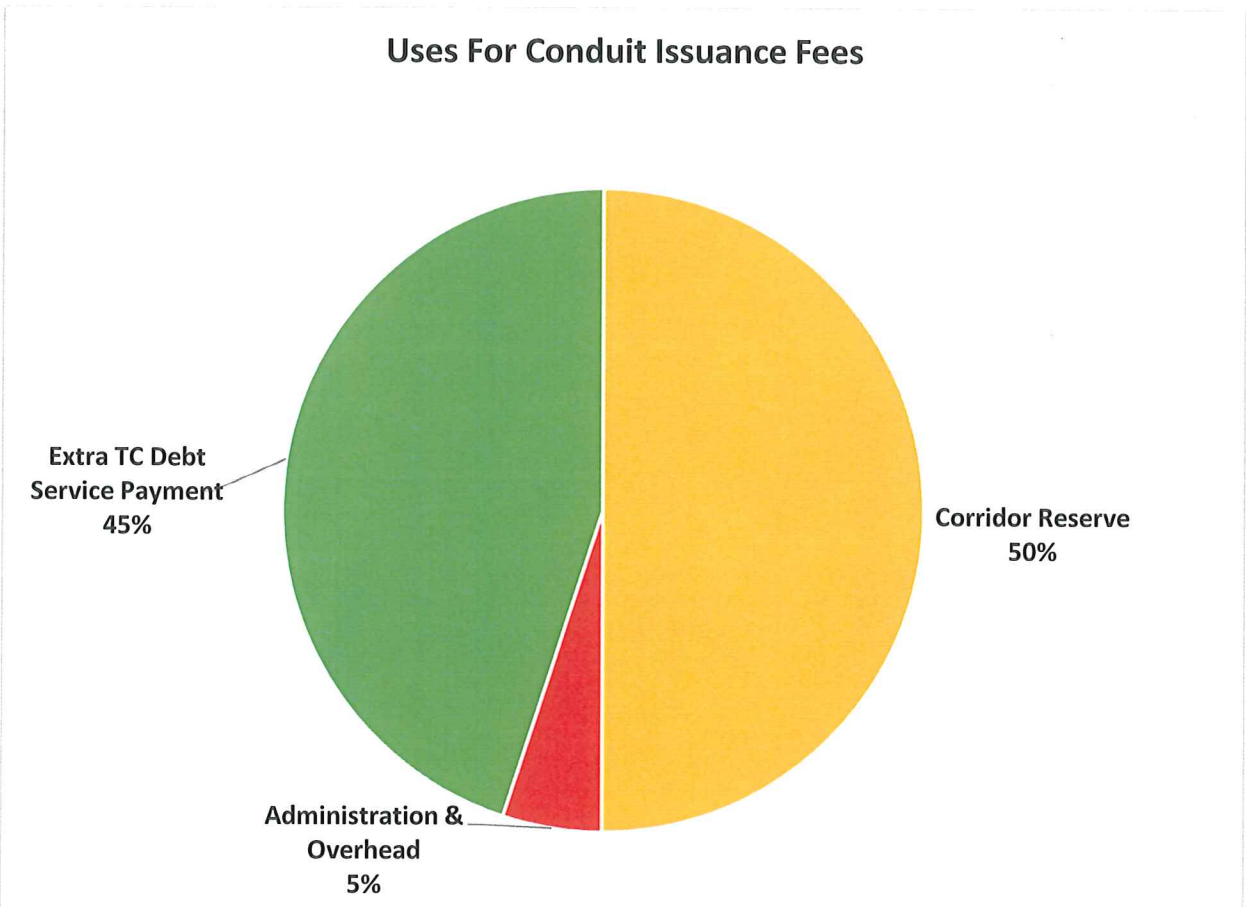


If in a given year, it is decided not to split up excess toll revenue, but instead to dedicate all excess to one activity, the following is a suggested prioritization of activities:



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.

Fund 537: Uses for HPTE Roll Forward

