



MEMORANDUM

TO: TRANSPORTATION COMMISSION/HPTE BOARD OF DIRECTORS
FROM: DAVID SPECTOR, HIGH PERFORMANCE TRANSPORTATION ENTERPRISE DIRECTOR
JOSH LAIPPLY, CHIEF ENGINEER
HERMAN STOCKINGER, ACTING CHIEF FINANCIAL OFFICER
DATE: JULY 19 & 20, 2017
SUBJECT: MERGER OF OMPD INTO HPTE

Purpose

To discuss the currently proposed merger of the Office of Major Project Development (OMPD) with the the High Performance Transportation Enterprise (HPTE).

Action

No formal action is being requested this month. If the Transportation Commission (TC) and HPTE Board of Directors (HPTE Board) are in agreement, the merger would be accomplished through an amendment to the CDOT/HPTE Fee for Service Intra-Agency Agreement (IAA) and a TC and HPTE budget supplement requesting TC approval in August or September.

Background

HPTE was formed in 2009 with the passage of Senate Bill 09-108, known as FASTER (Funding Advancements for Surface Transportation and Economic Recovery Act). As outlined in the legislation, the mission of HPTE is to aggressively pursue innovative means of more efficiently financing important surface transportation infrastructure projects. HPTE has legal and operational flexibility that CDOT does not, including the ability to pursue public-private-partnerships (P3) and impose user-fees (i.e., tolling). When it was created, however, the law surrounding TABOR enterprises was not as fully developed as it is today, and there was uncertainty as to whether HPTE itself could implement the non-legal or financial elements of its program (i.e., the technical, engineering aspects, as well as the technical elements of the toll program).

OMPD was created as a division of CDOT for two main purposes: 1) to support HPTE in the implementation of its statutory duties that were not legal or financial in nature (e.g., technical program oversight, and toll program development, oversight and implementation); and 2) to facilitate a centralized major project delivery program at CDOT.

Recent changes in the law and the natural evolution of OMPD's program have eliminated the need for HPTE and OMPD to be separate entities. From the legal perspective, the 2015 Bridge Enterprise case and the 2016 Attorney General's opinion on the Hospital Provider Fee as an enterprise help confirm that enterprises are permitted to act broadly to accomplish their goals, so long as they maintain their legal enterprise status. For HPTE, these legal interpretations give the Attorney General's office comfort that HPTE has the authority to implement all of the parts of its program, including non-legal and financial elements.

HPTE has not to this point had the expertise to implement the more technical aspects of its program. We have heard consistently from CDOT project teams that HPTE does not have a sufficient understanding of the design, engineering, and technical aspects of the major projects being delivered, and this deficiency has led to mistakes and inefficiencies. Both CDOT project staff and HPTE have identified a need for an HPTE staff member, who not only understands the financial and legal aspects of P3 and other financing arrangements, but that has the technical, engineering and program management expertise to work with the CDOT project teams on P3 and other major projects during construction and operations.

At the same time, while OMPD's support role for HPTE has been very effective, the effort to create an HQ-centralized major project delivery program has struggled to gain traction. Rather, other efforts (like the growth of the Program Management Office) have proven to be effective in accomplishing CDOT's goals. Finally, while OMPD's staff size has shrunk from six to three, HPTE's Express Lane and P3 program have experienced extreme growth over the last two years.

Business Case for Merging OMPD into HPTE

In January 2016, HPTE presented to the Board and TC on HPTE's business model. We promised the Board and TC we would examine how HPTE could: continue to provide CDOT with exceptional service, provide more certain estimates of HPTE expenses, work towards repaying existing TC loans to HPTE, effectively perform its necessary functions, and improve organizational procedures. Merging OMPD into HPTE is a major step towards accomplishing these goals.

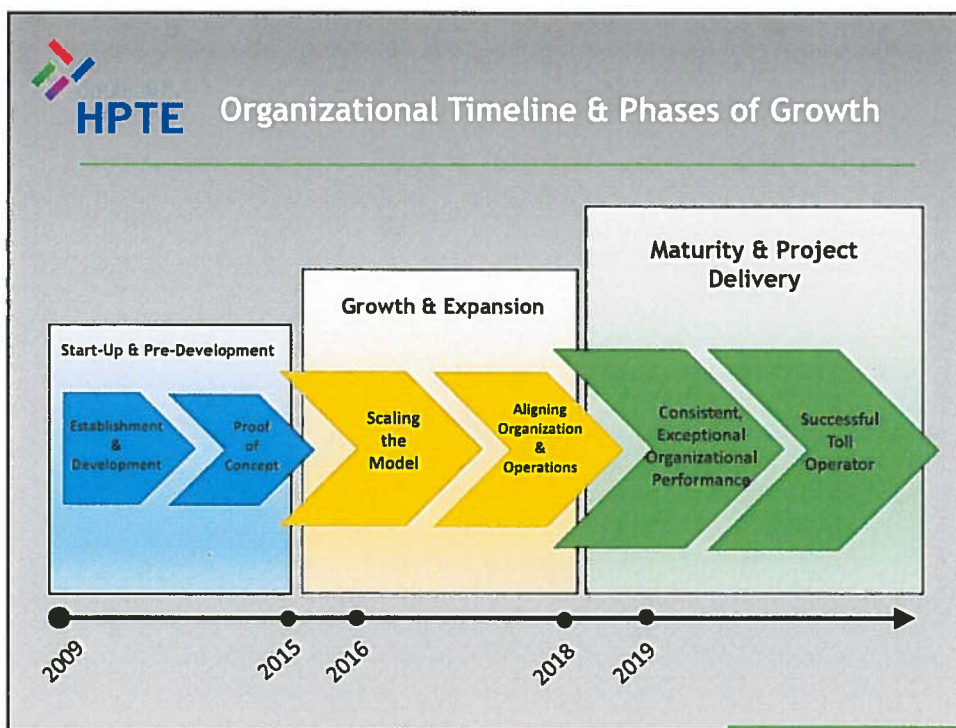
HPTE and OMPD should be merged together to create efficiencies between the two groups, eliminate duplication, and to create budget savings for CDOT. HPTE and OMPD already act in concert together, with OMPD supporting HPTE's functions. Merging the two groups would be more efficient, by creating a single organizational hierarchy, working towards a single vision, with unified direction and shared goals. The merger would also allow for a new technical/engineering/program management role to be created in HPTE, filling a need that CDOT project staff have been requesting for some time. OMPD's Director recently left CDOT, and this departure creates an opportunity to streamline CDOT's organizational structure. Finally, by merging the two entities, CDOT would realize approximately \$500,000 in annual budget savings.


New HPTE Structure

The merged HPTE-OMPД would be referred to as HPTE. HPTE would take on the three existing OMPD staff, and the existing OMPD vacancy. The OMPD staff would continue to perform the same valuable work for CDOT they have been performing, now under the HPTE umbrella. HPTE would reclassify the vacant OMPD position into a new "Major Projects Manager" role. Ideally, this role would be filled by a current CDOT employee from the Professional Engineer Series (a PE or PEII) or Project Management series (a PMII), and would be HPTE's technical, engineering and P3 expert during the construction and operations phases of P3s and other major projects. Please see the proposed organizational chart that is attached as Attachment A.

Next Steps

- HPTE will receive an informal legal opinion from the Attorney General's office, confirming the TABOR legality of the merger.
- HPTE will advertise for the Major Projects Manager position
- HPTE will return in August and/or September with the budget actions (amending the CDOT/HPTE Fee for Service IAA and budget supplements) for approval.
- The Colorado Attorney General's office will revise or re-draft the existing programmatic MOU between OMPD and HPTE






HPTE Start-Up & Pre-Development Phase:
2009-2015

Establishment & Development


- Created in 2009 to pursue P3s and other innovative and efficient means of financing surface transportation infrastructure projects
- Building a Team: Staff of 4 with Support from CDOT
- Operations funded by annual loans from TC, no other revenue streams



HPTE Start-Up & Pre-Development Phase:
2009-2015

**Proof of Concept:
US36**


- Successful P3 with Plenary Roads Denver
- Delivered project 20 years in advance
- US 36 Express Lanes began tolling in 2015
- Provided best value for taxpayers



Growth & Expansion Phase: 2016 - 2018

Scaling the Delivery Model

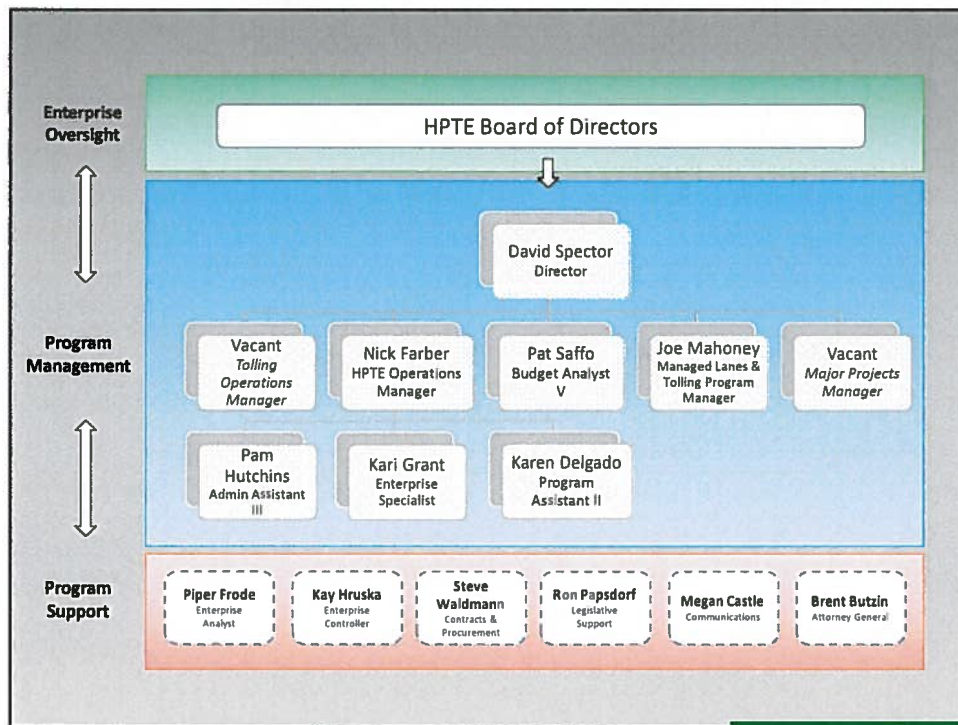
- US36 moves to operations phase
- Central 70 pre-development & procurement
- MEXL and I-25 North Segment 2 toll lane operator
- C-470 TIFIA loan and revenue bonds
- I-25 North Segment 3 direct loan financing
- Change to HOV2 to HOV3
- Express Lanes Master Plan study




Growth & Expansion Phase: 2016 - 2018

Align Operations & Organizational Performance:
OMPD Merger

- Creates business efficiencies
- Creates budget savings for CDOT
- Creates new HPTE technical expertise role
- Streamlines CDOT organizational chart
- Current OMPD staff roles & responsibilities unaffected





Maturity & Project Delivery: 2019 & Beyond

Consistent,
Exceptional
Organizational
Performance

- Institutionalize successful models & best practices
- Alternative P3 services (DTR, ROW development, etc.)
- Consistent application of policies and procedures (debt, revenue, etc.)
- Align resources based on needs, not history
- Business plan, alternative projects (Airports, etc.)



Maturity & Project Delivery: 2019 & Beyond

Successful Toll
Operator

- Execution of Express Lanes Master Plan
- Adjust revenue model
- Generate excess toll revenues to pay for operations
- Implementation of operations & project based fees
- CDOT's partner, toll operator, conduit borrower, project enabler