



Date: June 21, 2017
To: High Performance Transportation Enterprise Board
From: Nicholas Farber, HPTE Operations Manager; Brent Butzin, HPTE General Counsel
Subject: C470 Financing Overview

Purpose

The purpose of this memo is to summarize the successful financial close of the C470 TIFIA Loan and Senior Revenue Bonds.

Action

Informational only - no action requested.

Project Background

The C-470 Express Lanes Project (the Project) is located along 12.5 miles of C-470, between Interstate 25 (I-25) and Wadsworth Boulevard. The Project includes reconstructing existing pavement, adding auxiliary lanes, improving on and off ramps as well as the construction of new express lanes both westbound and eastbound. The total construction cost of the Project is \$275.6 million. HPTE has been working diligently with TIFIA and the Senior Revenue Bonds underwriters since we received word that our TIFIA loan application was approved in May. In mid-May HPTE attended investor road show meetings in Denver, New York City and in Boston. Both the TIFIA loan and the Senior Revenue Bonds were closed within the parameters set forth in the Board's February resolution.

Series 2017 Senior Revenue Bonds

On June 1, 2017, the Series 2017 Senior Revenue Bonds were sold to investors at extremely favorable rates and terms.

- Demand for our BBB-rated bonds far exceeded supply, with **over \$2.5 billion in orders** for the \$160 million in available bonds.
- Almost **fifty different investors** placed orders, including several local investors.
- The strong demand allowed HPTE's underwriters to lower yields 15 - 20 basis points, resulting in a True Interest Cost of 4.50 percent (The True Interest Cost was estimated to be approximately 4.85 percent when the Board passed the approval resolution in February)
- The strong demand also allowed the bonds to be sold with a 7-year call feature (vs. the traditional 10 year call), providing HPTE increased flexibility for future development in this corridor
- The strong demand allowed HPTE's underwriters to lower yields 15 to 20 basis points, translating to **over \$30 million in debt service cost savings** over the 40 year life of the bonds.

The Official Statement (OS) describing the details of the Project and bond offering is available for your review at <https://www.munios.com/munios-notice.aspx?e=XCJU0>. In summary, the three term bonds were each sold with a 5.0 percent coupon at a true interest cost of 4.50 percent, at yields of 3.440 (2047 maturity), 3.590 (2051 maturity)

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and 3.690 (2056 maturity) (with the yield in each case calculated to the first optional call date of December 31, 2024).

TIFIA Loan

The approximately \$107 million TIFIA loan, at an extremely low interest rate of 2.81 percent (for comparison, US 36 Phase 1 was 3.58 percent), provides extremely attractive interest rates and repayment terms:

- HPTE will have 35 years after the Project is open to traffic to repay the Loan.
- Interest payments do not begin until five years after the Project is open to traffic, and principal payments begin in 2024.
- The TIFIA loan is subordinate to the Bonds (unless, as required by the TIFIA authorizing legislation, a Bankruptcy Related Event occurs).
- HPTE has the right to prepay the Loan at any time without penalty.

Finally, thanks to a favorable municipal finance environment, the thoughtful structuring of this transaction, and our team's strong marketing efforts, all the key project elements identified for the current C-470 Express Lanes Project (for the segment between I-25 and Wadsworth) are being carried forward as originally planned. Additionally, we will be able to honor the CDOT Transportation Commission (TC) commitments to set aside \$19 million of the original RAMP funds to advance key pre-construction activities associated with the segment of C-470 from Wadsworth to I-70 (which the TC approved at the February 16, 2017 meeting).