



Date: November 15, 2017

To: High Performance Transportation Enterprise Board

From: David Spector, Director, HPTE
Jeff Sudmeier, Chief Financial Officer, CDOT

Subject: Debt and Credit Review and Analysis

Purpose

At the request of the Chief Financial Officer ('CFO') of the Colorado Department of Transportation ('CDOT') and the Director of the Colorado High Performance Transportation Enterprise ('HPTE'), Stifel (Financial Advisor for CDOT and HPTE) was tasked with reviewing all outstanding debt obligations for the entire Department (including HPTE and CBE) and reviewing potential future credit implications based on existing debt structures (both financial and legal).

Action

No action needed, informational only

Background

After the expiration of the prior TRANs authorization and without any subsequent bonding authorization (prior to SB17-267 this past legislative session), CDOT has used alternative means to finance the transportation infrastructure needs of Colorado. Over the past seven years CDOT has utilized the 2009 FASTER Legislation¹ to pursue financings through the Colorado Bridge Enterprise ('CBE') and HPTE, supporting reconstruction of bridges and funding various tolling facilities throughout the State. CDOT has also issued Certificates of Participation ('COPs')² to fund the renovation and construction of numerous regional headquarters around the State.

Colorado Bridge Enterprise - In 2010, CBE issued \$300MM of Revenue Bonds to fund the initial reconstruction of structurally deficient or functionally obsolete bridges, utilizing Bridge Safety Surcharge fee revenue as the source of repayment. These bonds were issued as Taxable Build America Bonds ('BABs'), taking advantage of the stimulus program known as the American Recovery and Reinvestment Act of 2009³, with the bonds issued on a taxable basis and CBE receiving an original 35% Federal Subsidy for the interest cost. Due to the taxable nature of these bonds, the majority of the bonds carry a 'make whole'⁴ call, effectively making these bonds non-callable. However, there are approximately \$43MM of bonds maturing 2026-2028 that carry a traditional 10-year par call and the potential for debt service savings or restructuring in 2020.

Colorado Department of Transportation - CDOT has issued various COPs since 2012 to renovate and construct new regional headquarters (HQ), totaling approximately \$150MM. In 2012, the existing Series 2004 COPs (issued to renovate the current headquarters at 4201 Arkansas) were refinanced for debt service savings, this loan is non-callable and matures in 2022. In 2016, CDOT issued \$70MM of COPs for the construction of the new Region 1/HQ building at 14th and Decatur. After moving into the new facility, these COPs include a short call provision in June of 2019, to repay approximately \$20MM of the COPs utilizing funds from the ultimate sale of 4201 Arkansas and the

¹ [http://www.leg.state.co.us/clics/clics2009a/csl.nsf/billcontainers/636E40D6A83E4DE987257537001F8AD6/\\$FILE/108_enr.pdf](http://www.leg.state.co.us/clics/clics2009a/csl.nsf/billcontainers/636E40D6A83E4DE987257537001F8AD6/$FILE/108_enr.pdf)

² http://www.msrb.org/glossary/definition/certificate-of-participation-_cop_.aspx

³ <https://www.treasury.gov/initiatives/recovery/Pages/recovery-act.aspx>

⁴ <http://www.msrb.org/Glossary/Definition/MAKE-WHOLE-CALL.aspx>

current Region 1 headquarters at South Holly. In 2017, CDOT issued \$58MM of COPs for the construction of a Region 4 HQ in Greeley, Region 2 HQs in Pueblo and the KOA facility in Aurora. The Series 2016 and Series 2017 COPs are both subject to optional redemption in whole in June 2026.

Colorado High Performance Transportation Enterprise - In 2014, HPTE executed a bank loan in the amount of \$25MM for funding associated with the construction of the I-70 Mountain Express Lane ('MEXL'). This loan carries an initial fixed rate for 7 years of 2.79%, stepping up to 7.00% thereafter. In 2016, HPTE executed a similar bank loan in the amount of \$23.63MM for the construction of the I-25N Express Lanes (Segment 3). This loan carries an initial fixed rate for 7 years of 1.99%, also stepping up to 7.00% thereafter. It is anticipated both of these loans will be refinanced (or paid off) prior to the expiration of the initial fixed rate term. In 2017, HPTE issued \$162MM of Toll Revenue Bonds, in conjunction with a \$107MM TIFIA Loan, for the construction of the C-470 Express Lanes.

Inter-Agency Agreements - In order to facilitate and provide credit support for the issuance of the HPTE obligations described above, CDOT and HPTE have entered into various Inter-Agency Agreements ('IAA'). These IAA's describe the obligations of the Transportation Commission (subject to annual allocation), to make debt service payments (in the event of insufficient toll revenues) and describe the agreements between the two regarding operations and maintenance (O&M) payments on Express Lane corridors. In the event of insufficient revenues for either debt service or O&M obligations, HPTE would need to request the funds from the Transportation Commission. At which time, the funds would be subject to annual allocation and approval from the Transportation Commission.

Plan of Action

A full summary of all outstanding debt obligations have been included as an attachment to this memorandum. Additionally, CDOT and HPTE have begun to evaluate the potential impacts to the Transportation Commission under various revenue/expense projections for each of the tolling facilities included in the IAA's. As each of these tolling facilities come on line and provide hardened revenue and expense projections, these cashflow analysis will be updated to reflect updated estimates on the aggregate impact for the Transportation Commission.

Key Benefits

In the interest of transparency for investors, rating agencies, the public and managing internal budget projections; CDOT and HPTE believe this proactive approach to monitoring the outstanding debt obligations and the related implications for the Transportation Commission and CDOT's budget, will provide comfort to all relevant parties and demonstrate effective management of these unique debt obligations.

Recommendation and Options

No recommendations or options necessary

Next Steps

Continue to implement this ongoing review of outstanding debt and report back to the Transportation Commission and HPTE Board on a regular basis or when otherwise warranted.

Attachments

- 1) Stifel Summary of Outstanding Debt and Cash Flow Analysis

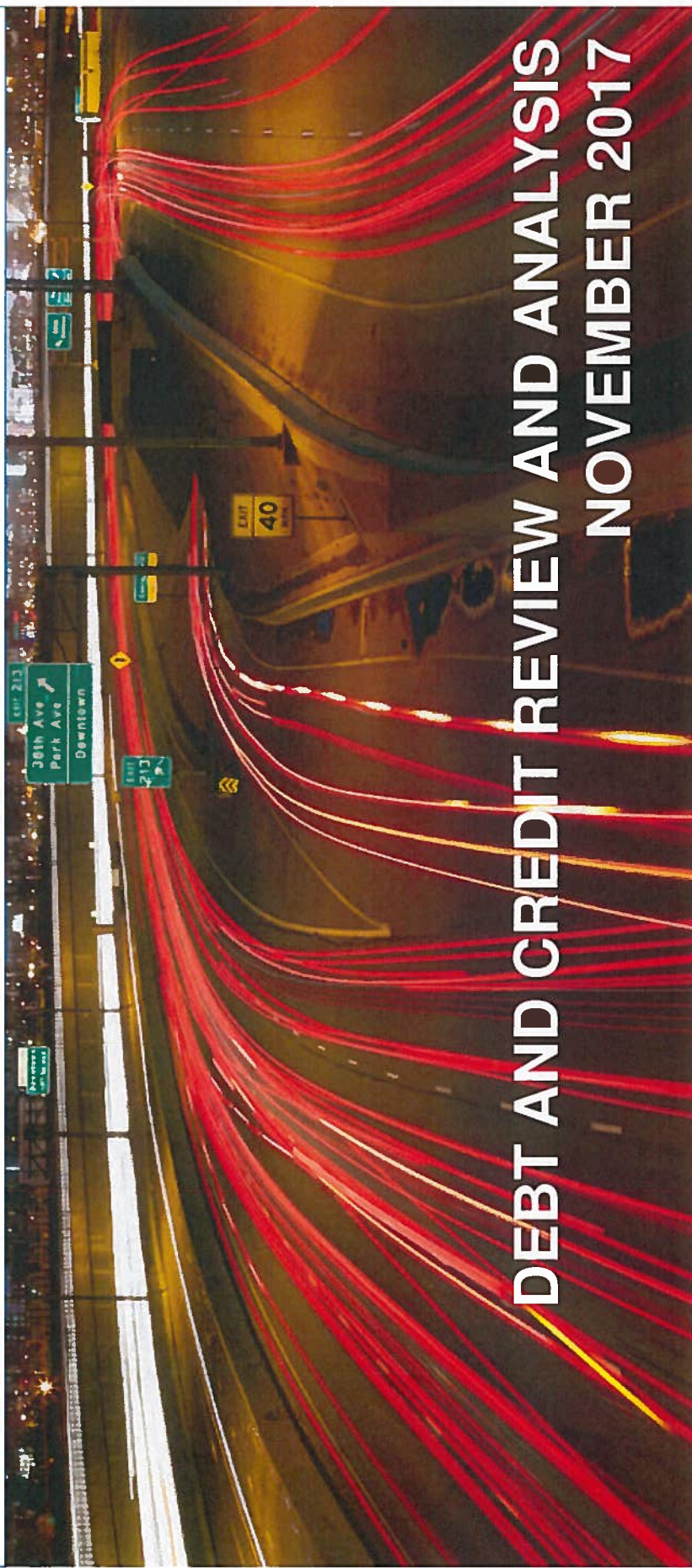


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DEBT AND CREDIT REVIEW AND ANALYSIS
NOVEMBER 2017



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Review of Existing Financing Approach

- After the expiration of the prior TRANS authorization and without any subsequent bonding authorization (prior to SB17-267 this past legislative session), CDOT has used alternative needs to finance the transportation infrastructure needs of Colorado.
- Over the past seven years CDOT has utilized the 2009 FASTER Legislation to pursue financings through the Colorado Bridge Enterprise ('CBE') and HPTE, supporting reconstruction of bridges and funding various tolling facilities throughout the State.
- CDOT has also issued Certificates of Participation ('COPs') to fund the renovation and construction of numerous region headquarters around the State.



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Summary of High Performance Transportation Enterprise Debt

- Series 2014 Toll Revenue Note (I-70 MEXL)
 - \$25,000,000
 - Executed as a private placement with Bank of America Merrill Lynch
 - Secured by toll revenues generated from the express lane
 - Additional credit support provided by Inter-Agency Agreement with CDOT
 - Funded a portion of the construction of the I-70 Mountain Express Lane
 - Capitalized Interest through December 2017
 - Initial fixed rate of 2.79% for 7 years
 - Without refinancing prior to expiration of initial fixed rate, interest rate steps up to 7.00% and principal amortization is accelerated over years 8-10



Summary of High Performance Transportation Enterprise Debt

- Series 2016 Toll Revenue Note (I-25N Express Lanes – Segment 3)
 - \$23,630,000
 - Executed as a private placement with Bank of America Merrill Lynch
 - Secured by toll revenues generated from the express lane
 - Additional credit support provided by Inter-Agency Agreement with CDOT
 - Funded a portion of the construction of the I-25 North Express Lanes (Segment 3)
 - Capitalized Interest through December 2019
 - Initial fixed rate of 1.99% for 7 years
 - Without refinancing prior to expiration of initial fixed rate, interest rate steps up to 7.00% and principal amortization is accelerated over years 8-10



Summary of High Performance Transportation Enterprise Debt

- Series 2017 C-470 Express Lanes Senior Revenue Bonds
 - \$161,795,000 (Publicly Offered Bonds)
 - \$106,950,231 (TIFIA Loan)
 - “BBB” Ratings from Fitch and DBRS
 - Secured by toll revenues generated from the express lane
 - Funded a portion of the construction of the C-470 Express Lanes
 - Inter-Agency Agreement with CDOT for O&M
 - Capitalized Interest through June 2020
 - Subject to optional redemption on December 31, 2024



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Summary of Colorado Department of Trans. Debt

- Series 2017 Certificates of Participation
 - \$58,665,000
 - Aa2/AA- Ratings from Moody's and S&P respectively (identical to State's COP Ratings)
 - Secured by lease payments, subject to annual allocation from the Transportation Commission
 - Funded the construction of various new facilities around the State
 - Region 4 Headquarters in Greeley (completed in 2016)
 - Region 2 Headquarters in Pueblo (estimated April 2018 completion)
 - KOA Maintenance Facility in Aurora
 - Capitalized Interest through June 15, 2018
 - Subject to optional redemption on June 15, 2026



Summary of Colorado Department of Trans. Debt

- Series 2016 Certificates of Participation
 - \$70,000,000
 - Aa2/AA- Ratings from Moody's and S&P respectively (identical to State's COP Ratings)
 - Secured by lease payments, subject to annual allocation from the Transportation Commission
 - Funded the construction of the new Region 1 and Headquarters building
 - Capitalized Interest through June 15, 2018
 - Subject to optional redemption on June 15, 2026
 - 2041 Term Bond (\$22,290,000) subject to optional redemption on June 15, 2019
 - Anticipated to be redeemed utilizing funds from the disposition of 4201 Arkansas and South Holly



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Summary of Colorado Department of Trans. Debt

- Series 2012 Certificates of Participation
 - \$21,075,000
 - Executed as a private placement with Banc of America Capital Funding
 - Secured by lease payments, subject to annual allocation from the Transportation Commission
 - Refinanced the existing Series 2004 COPs for debt service savings
 - Originally issued to make certain renovations to 4201 Arkansas
 - Loan is not subject to optional redemption



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Summary of Colorado Bridge Enterprise Debt

- Series 2010 Build America Revenue Bonds
 - \$300,000,000
 - Secured by FASTER vehicle registration fees
 - Funded renovation and reconstruction of structurally deficient and obsolete bridges throughout the State
 - ‘Make-Whole’ Call for majority of the bonds
 - \$43MM of bonds maturing from 2026-2028 are callable in 2020



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Summary of Inter-Agency Agreements between HPTE/CDOT

- In order to facilitate and provide credit support for the issuance of the HPTE obligations described above, CDOT and HPTE have entered into various Inter-Agency Agreements ('IAA').
- These IAA's describe the obligations of the Transportation Commission (subject to annual allocation), to make debt service payments (in the event of insufficient toll revenues) and describe the agreements between the two regarding O&M payments.
- In the event of insufficient revenues for either debt service or O&M, HPTE would need to request the funds from the Transportation Commission.
- At which time, the funds would be subject to annual allocation and approval from the Transportation Commission.



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Potential Future Credit Considerations

- CDOT and HPTE have begun to evaluate the potential impacts to the Transportation Commission under various revenue/expenditure projections for each of the tolling facilities included in the IAA's.
- As each of these tolling facilities come on line and provide hardened revenue and expenditure projections, these cash flow analyses will be updated to reflect updated estimates on the aggregate impact for the Transportation Commission.
- In the interest of transparency for investors, rating agencies, the public and managing internal budget projections; CDOT and HPTE believe this proactive approach to monitoring the outstanding debt obligations and the related implications for the Transportation Commission and CDOT's budget, will provide comfort to all relevant parties and demonstrate effective management of these unique debt obligations.

