



MEMORANDUM

TO: THE TRANSPORTATION COMMISSION
FROM: JEFF SUDMEIER, CHIEF FINANCIAL OFFICER, CDOT
PIPER DARLINGTON, BUDGET AND SPECIAL PROJECTS MANAGER, HPTE
DATE: JULY 16, 2020
SUBJECT: CDOT-HPTE TOLLING EQUIPMENT FINANCING REQUEST

Purpose

This memorandum provides additional background information regarding a \$950,000 HPTE loan request for tolling systems and software development (Tolling Equipment) that is included in the July CDOT fiscal year (FY) 2020-21 budget amendment. The request is being made under the Tolling Equipment Financing Agreement (Agreement) between the High Performance Enterprise (HPTE) and the Colorado Department of Transportation (CDOT) which was executed in May 2019.

Requested Action

HPTE staff is requesting Transportation Commission (TC) review and approval of a \$950,000 HPTE loan request included as part of the July CDOT FY 2020-21 budget amendment. Funds will be used for the development of a new cloud-based tolling system including design, software development and testing.

Background

In order to maintain its enterprise status, HPTE must own the Tolling Equipment on all Express Lanes projects. There are currently two options that HPTE uses to fund the capital costs related to installing, testing and integrating Tolling Equipment on the Express Lanes:

1. On Express Lanes projects where HPTE is contributing financing for the construction of the lanes, loan proceeds can be used to directly pay for the capital cost of Tolling Equipment. Once the lane is open and operational, HPTE then repays the lenders using toll revenue generated on the corridor.
2. On Express Lanes projects where HPTE is not contributing financing, HPTE borrows money from CDOT to pay for the capital cost of the Tolling Equipment. This is the financing mechanism that HPTE and CDOT used most recently in May 2020 for the I-70 MEXL Westbound project. Once the lane is open and operational, HPTE then repays CDOT with toll revenue generated on the corridor.

For Express Lanes projects that fall into the second category, HPTE and CDOT entered into a Tolling Equipment Finance Agreement to document the terms of the financial arrangement and to address upcoming project needs. The Agreement provides flexibility to allow CDOT and HPTE to order the Tolling Equipment for each Express Lane project when needed and to document the specific financial terms applicable to each system of Tolling Equipment at different times. These specific terms will be documented in exhibits to the Agreement, which will include (a) a description of the Tolling Equipment; (b) an applicable repayment schedule; and (c) an indexed invoice of Tolling Equipment. While the agreement does provide this needed flexibility, each exhibit to the Agreement will require the approval of CDOT's Chief Financial Officer and the HPTE Director.

In addition, the following financial parameters have been identified in the Agreement: (i) CDOT will charge the current State Infrastructure Bank (SIB) interest rate at the time funds are requested which will accrue upon HPTE's acceptance of the funds; (ii) HPTE may repay any amounts accrued with no prepayment penalty; (iii) the cost of the equipment and accrued interest must be paid in full no later than ten (10) years from the date HPTE accepts the funds; (but will generally be repaid immediately following ramp-up of the specific Express Lane facility) and (iv) HPTE will stagger its request for funds between Fiscal Year 2019 through Fiscal Year 2022.

Current Details

HPTE is nearing the end of a nearly two-year procurement process to select a new tolling services vendor. Electronic Transaction Consultants Corporation (ETCC) was selected through a competitive process and HPTE is nearing the end of contract negotiations. Upon execution of the contract, ETCC will start work on designing, testing and implementing a new cloud-based tolling system. This work will need to start immediately following contract execution so that new tolling equipment installed by ETCC on upcoming projects such as I-25 South GAP, Central 70 and I-25 North Johnstown to Fort Collins as well as the life-cycle replacement of existing tolling equipment on I-25 North Segment 2 and I-70 Mountain Express Lane (MEXL) will communicate with our current back-office tolling services provider E470.

This software development work will benefit all current and future Express Lane corridors. HPTE will be using toll revenue from existing corridors to fund **half the cost** of this work and funds being requested from the TC will be used as a match to fund the remaining balance. It was originally intended that HPTE would not need to request funds for this work until the fall of 2020, however the need for the funding has been accelerated based on the progress of the contract negotiations with ETCC.

Based on current construction and tolling installation timelines, HPTE does not anticipate coming to the TC with any additional requests under the TEFA during the 2020-21 fiscal year. HPTE will work on providing an estimate of needs under the TEFA to Office of Financial Management and Budget (OFMB) and the CDOT CFO for the 2021-22 fiscal year.

Options and Recommendations

1. Review and approve the \$950,000 request included in the CDOT July FY 2020-21 Budget Amendment-
STAFF RECOMMENDATION
2. Review and request additional information from HPTE staff.
3. Deny the request for approval and direct HPTE and CDOT to find other ways to finance Tolling Equipment for upcoming Express Lanes projects.

Next Steps:

- HPTE staff will coordinate with the OFMB to ensure that the approved funding is distributed and available for use in order to meet project deadlines.
- HPTE staff will communicate and coordinate on all future request for project funding under the Agreement to the CDOT CFO and OFMB staff.