

MEMORANDUM

TO: CTIO¹ BOARD OF DIRECTORS
FROM: PIPER DARLINGTON, BUDGET AND SPECIAL PROJECTS MANAGER, CTIO
SUBJECT: I-25 NORTH SEGMENT 3 LOAN WITH BANK OF AMERICA
DATE: OCTOBER 19, 2022

Purpose:

To update the CTIO Board of Directors (Board) on the terms of the I-25 North 120th to E-470/Northwest Parkway Express Lanes (Segment 3) loan with Bank of America (Lender).

Action:

No formal action is being requested. CTIO staff is seeking Board feedback on the recommendation presented.

Background

In February 2016, CTIO entered into a Loan Agreement with Bank of America, N.A. for \$23,630,000, of which the proceeds were used to fund a portion of the capital construction cost for the I-25 North Segment 3 Express Lanes project, fund three years of capitalized interest and pay the cost of issuance expenses. The Loan Agreement was amended twice for routine administrative items in January 2021 and April 2021. The Segment 3 Express Lanes have been operational since June 2020, and CTIO continues to meet its obligations for reporting and debt service payments under the existing Loan Agreement.

The initial interest rate is fixed at 1.99 percent through December 15, 2022. Under the current debt service schedule, principal payments start on December 15, 2023, and a variable interest rate not to exceed seven percent is applied for the last three years of the loan, with the final principal payment due on December 15, 2025. On December 15, 2022, the commencement of the term-out provisions of the loan is triggered (it would not look favorably on CTIO for future borrowings if the term-out provision is triggered).

The 2016 loan was always intended to be an interim financing tool, with a refinancing to be completed between 2020 and 2021 well in advance of the term-out provision. In September 2020, CTIO began the refinancing process for the I-25 Segment 3 loan and the I-70 Mountain Express Lane Eastbound (MEXL) loan. CTIO selected Wells Fargo as the preferred lender in November 2020 and completed a refinancing of the I-70 MEXL Loan in January 2021.

CTIO determined that it would be advantageous to defer the refinancing of Segment 3 with Wells Fargo in 2020 in favor of completing the process as part of the larger I-25 North corridor-wide financing being pursued through the Build America Bureau (BAB) Transportation Infrastructure Finance and Innovation Act (TIFIA) program. The TIFIA loan will address current and future needs for the entire I-25 North corridor encompassing I-25 North Segment 2 (US36 to 120th) to Segment 8 (SH 392 to SH 14).

¹ The High-Performance Transportation Enterprise (HPTE) is now doing business as the Colorado Transportation Investment Office (CTIO). CTIO is how the enterprise refers to itself now and in the future. However, the HPTE name is retained for legislative and legal documents.

Current Details:

CTIO initially planned to reach financial close on the TIFIA loan in the fall of 2022, which would have allowed sufficient time to complete the refinancing prior to December 15, 2022. Based on recent updated traffic and revenue studies produced on the corridor, it was decided that CTIO would secure additional TIFIA financing capacity for the I-25 North CO 66 to CO 56 Express Lanes Project (Segment 5). The I-25 North Segment 5 Express Lanes are projected to generate enough revenue, without leveraging revenue from other segments, to pay debt service on the financing for the project and support all ongoing operational costs. This loan upsizing will likely push out the financial close on the TIFIA loan until the spring of 2023.

To address the timing issue and avoid the commencement of the term-out provision, two primary options were considered and are outlined below.

1. Convert to a floating rate note and amend the Loan Documents.

2. **Pay off the Loan with Toll Revenue (Staff Recommendation)**. Under this option, CTIO would use its existing toll revenue to pay off the loan in full and then seek reimbursement from TIFIA when the loan closes in spring 2023. CTIO has generated over \$31 million in net toll revenue through the end of Fiscal Year (FY) 2021-22 (6/30/22) on the I-25 North Segment 2 and Segment 3 Express Lanes. This net toll revenue is more than sufficient to pay off the loan in full and still cover its ongoing operating costs.

CTIO has worked with its Lender, financial advisors, external legal counsel, TIFIA, and the Attorney General's office to review the options and determine the best course of action. Given the availability of existing toll revenue, all parties recommend moving forward with Option 2. TIFIA has confirmed that CTIO will still be able to seek reimbursement for all eligible construction costs that were paid for with the loan proceeds.

Next Steps

If the Board agrees with the recommendation to move forward with Option 2, CTIO will return in November with an FY 2022-23 Budget Amendment to authorize the use of excess tolls to pay off the loan.