

## MEMORANDUM

**TO:** CTIO<sup>1</sup> BOARD OF DIRECTORS  
**FROM:** PIPER DARLINGTON, DIRECTOR, CTIO  
**SUBJECT:** SPREAD LOCK AGREEMENT - I-70 MOUNTAIN EXPRESS LANE REFINANCING  
**DATE:** DECEMBER 20, 2023

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### Purpose:

To update the CTIO Board of Directors (Board) on the terms of the I-70 Mountain Express Lane (MEXL) loan and proposed refinancing.

### Action:

Staff is seeking Board approval of Resolution #433 to authorize the execution and delivery of a Spread Lock Agreement (Agreement) with Wells Fargo Municipal Capital Strategies, LLC (Lender) in connection with the Series 2024 MEXL Note.

### Background

At the November Board meeting, the Board gave direction to staff to proceed with the Lender to refinance the existing Series 2021 MEXL Note before the initial fixed-rate expires on January 29, 2024. The Lender approached CTIO with the opportunity to enter into the Agreement to mitigate any market disruption associated with the implementation of new bank capital requirements anticipated to commence on January 1, 2024. CTIO is pursuing a variable rate obligation with the Lender at an interest rate calculated at 80% of Daily Simple SOFR<sup>2</sup> plus a credit spread of 59 basis points (0.59%)<sup>3</sup> and a term of 36 months.

### Current Details<sup>4</sup>:

Basel III is a set of measures developed by the Basel Committee in the years following the global financial crisis of 2007-09. The measures, rolled out over several years, aim to strengthen banks' regulation, supervision, and risk management. The final set of rules has been dubbed the "Basel III Endgame." These rules focus on the amount of capital banks must have against their business's credit, operational, and market riskiness. In July 2023, the Fed, OCC, and FDIC published for comment proposed changes to bank capital rules in the U.S. that are intended to be aligned with the Basel III standards.

It is anticipated these new rules will become effective prior to the closing of the Series 2024 MEXL Note and would increase the Lender's cost of capital and thus negatively impact the spread charged to CTIO. While the final rules are unknown at this point, indications point to an increase of at least 10 basis points or 0.10%, which would increase CTIO's annual interest cost on the Series 2024 Note by approximately \$25,000.

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<sup>1</sup> 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.

<sup>2</sup> [Secured Overnight Financing Rate Data - FEDERAL RESERVE BANK of NEW YORK \(newyorkfed.org\)](https://www.newyorkfed.org/outreach/overnight-financing-rate-data)

<sup>3</sup> Represents the Lender's proposed spread during the RFP process, the final spread for the Series 2024 Note is subject to final negotiations with the Lender prior to closing

<sup>4</sup> [What is bank capital? What is the Basel III Endgame? | Brookings](https://www.brookings.edu/research/what-is-bank-capital-what-is-the-basel-iii-endgame/)

The Agreement will lock in the proposed spread of 59 basis points and will only be subject to further negotiation with the Lender based on other market changes. CTIO and its Municipal Advisor will monitor market conditions and verify the basis for any requested changes to the spread by the lender prior to closing. CTIO does not assume any obligation by entering into the Agreement, and there are no termination fees or penalties for terminating the Agreement.

### Next Steps

If the Board approves Resolution #433, CTIO staff will continue to work towards a prepayment of the Series 2021 MEXL Note through the closing of the new Series 2024 MEXL Note on or before January 29, 2024:

- CTIO will return in January for Board approval of the Loan Agreement and other relevant financing documents.
- CTIO will also seek TC approval of any proposed changes to the current I-70 MEXL Intra-Agency Agreement for the project related to the new Loan Agreement.

**Attachment A:** Resolution #433

**Attachment B:** Spread Lock Agreement