

MEMORANDUM

TO: CTIO¹ BOARD OF DIRECTORS
FROM: PIPER DARLINGTON, DIRECTOR, CTIO
SUBJECT: I-70 MOUNTAIN EXPRESS LANE REFINANCING
DATE: NOVEMBER 15, 2023

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:

No formal action is being requested.

Background

In December 2014, CTIO borrowed \$25 million from Bank of America to help complete the I-70 Mountain Express Lane (MEXL) Eastbound Project. This original loan was always intended to be an interim financing tool, with a refinancing to be completed between 2020 and 2021. In September 2020, CTIO put out a Request for Proposals (RFP) to begin the refinancing process. CTIO received strong interest from the market and ultimately selected Wells Fargo as the preferred lender in November 2020 and a new loan agreement between CTIO and Wells Fargo was executed in January 2021.

Under the current loan, the initial interest rate is fixed at 0.76% through January 29, 2024. After the initial fixed rate period, the interest rate will step-up to 7.00% through January 29, 2027. Under the current loan agreement, principal payments would commence on June 15, 2024, with the final principal payment due on January 29, 2027. With the term-out provisions commencing on January 29, 2024 (through the step-up interest rate and principal amortization commencing in 2024), CTIO has solicited interest from lenders to refinance the existing loan. CTIO continues to meet its obligations for reporting and debt service payments under the existing Loan Agreement.

Current Details:

In advance of the term-out provision commencing in January, CTIO put out a Request for Proposals (RFP) in October 2023 to begin the refinancing process. CTIO received strong proposals from four commercial lenders and ultimately selected Wells Fargo to continue as the preferred lender. With the refinancing, CTIO's goal is to retain maximum flexibility as it works to close the TIFIA loan for the Floyd Hill project and save on interest costs where possible. With those goals in mind, CTIO is going to select a 36 month variable rate loan that is callable at any time. At the time of the proposal, the interest rate on a 36 month variable rate loan was 4.85%². The variable rate option provides the most flexibility in repayment of the loan from the TIFIA loan and the potential for reduced interest costs should short-term interest

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.

² Based on interest rates as of November 6, 2023. Calculated at 80% of Daily Simple SOFR + 59 basis points.

rates fall while the loan is outstanding. With the Fed increasing the Fed Funds rate over the past 12+ months, short-term interest rates have reached levels not seen since the Great Recession. The current market consensus anticipates the Fed will ease monetary policy in 2024 and potentially begin cutting the Fed Funds rate. Should this occur, the variable rate on the loan would fall accordingly, reducing the annual interest cost associated with this loan.

Over the course of the next two months, CTIO staff will work with the financing team to draft a new loan agreement and other relevant financing documents to close the new loan on or ahead of January 29, 2024. Toll revenues generated from both the Eastbound and Westbound I-70 MEXLs, as well as the new Floyd Hill express lanes when they come online will be pledged as part of a larger corridor financing strategy through TIFIA.

Next Steps

If the Board agrees with the staff recommendation to move forward with the proposed loan terms:

- CTIO will return in January for Board approval of the financing documents.
- CTIO will see TC approval of any proposed changes to the current I-70 MEXL Intra Agency Agreement for the project.