



MEMORANDUM

TO: HPTE BOARD OF DIRECTORS
FROM: DAVID SPECTOR, HPTE DIRECTOR
DATE: JANUARY 18, 2017
SUBJECT: UPDATED HPTE REVENUE USE GUIDELINES

Purpose and Action

Present the Board with updated HTPE revenue use guidelines. The purpose of this memo is informational only and no action is requested.

Background

In December, staff presented the Board with a draft version of guidelines for the suggested use and prioritization of excess HTPE revenues. Generally, staff recommended that a majority of excess revenues be allocated and used to: 1) repay outstanding Transportation Commission (TC) debt; 2) establish reserves for certain purposes.

The Board provided valuable feedback regarding the proposed guidelines. Of the ideas presented and discussed, the two main areas of importance identified by the Board were as follows:

1. The repayment of CDOT sources of debt, such as the Master Installment Purchase Agreement (MIPA) and TC operating loans
2. The ability to maintain flexibility in order to direct excess funds to future innovative projects and partnerships

Current Details

In response to Board feedback in January, staff has updated the draft guidelines shown in Attachment A to reflect these priorities. One important change is that the original pie chart outlining usage for I-25 Segment 2 Excess Revenues has been broken out into two phases: uses for excess revenue during the time period 2017-2020 and uses for excess revenue starting in 2021 and beyond.

Currently under the MIPA, HPTE is slated to repay its obligation for I-25 North Segment 2 tolling equipment and software by 2020. Staff felt it was important to show that this use for excess revenue was only temporary and that in the long term those excess funds initially earmarked for the MIPA would be available for another use such as innovative projects and partnerships.

Next Steps

1. Staff will continue to monitor I-25 North Segment 2 toll revenues and update the Board at fiscal year-end on how much excess revenue was generated on the corridor once all obligations have been paid. At that time, staff will allocate revenue according to these Board reviewed guidelines unless otherwise directed and staff will update the Board on how the funds were used.
2. Staff will come back to the Board for formal approval regarding the use and allocation of conduit issuer fees as well as any year end roll forward balances.

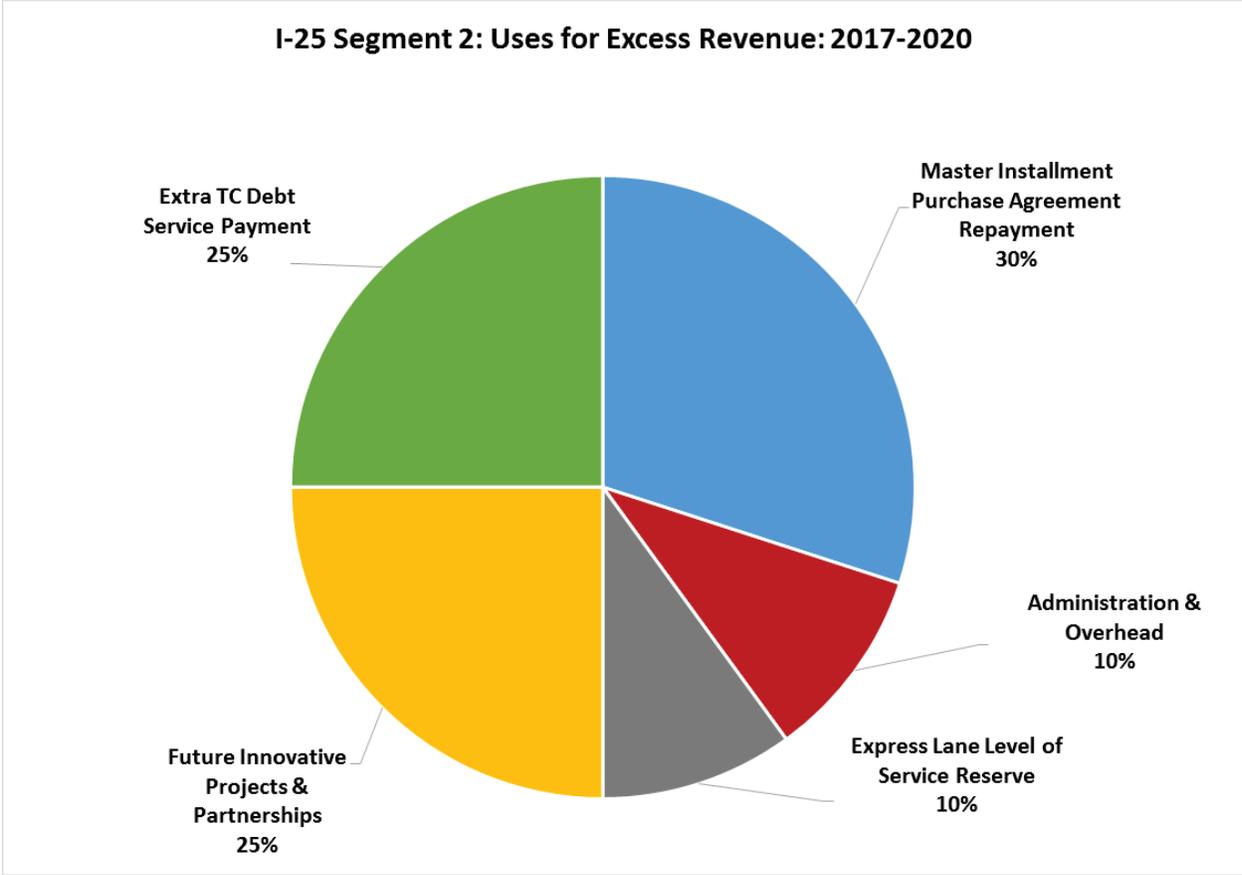
Attachments

Attachment A: Updated HPTE Revenue Use Guidelines

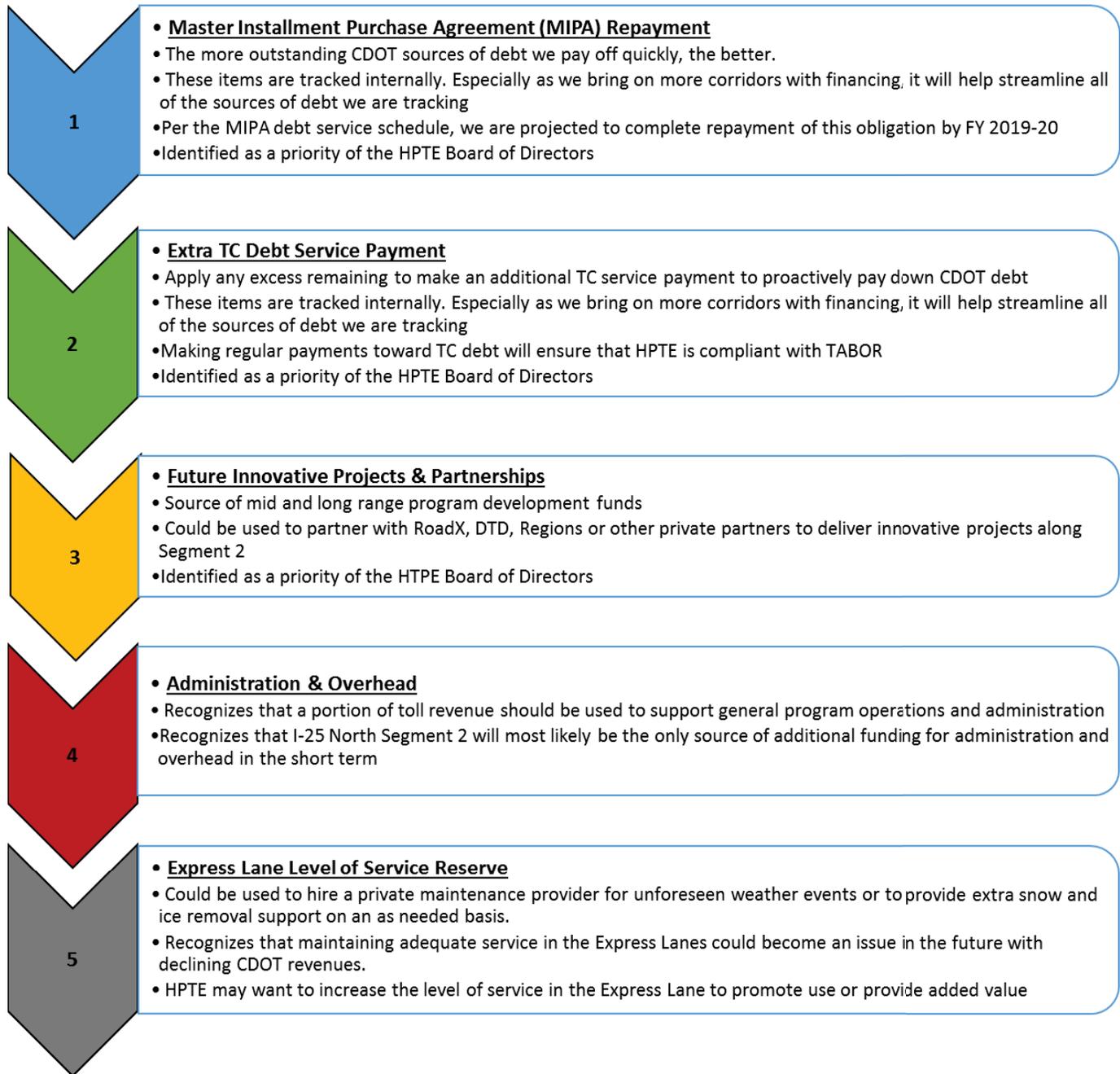
HPTe Revenue Use Guidelines

I-25 North Segment 2: Revenue Use Guidelines

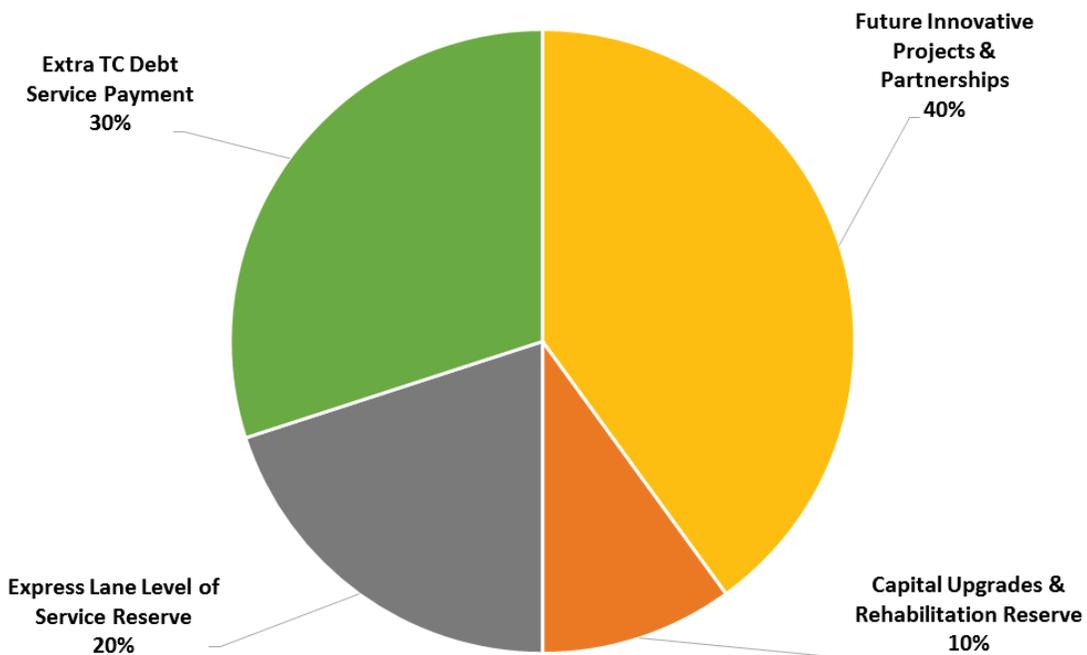
- Excess revenue could include toll revenue or any other misc. funds.
- For the purposes of this exercise, these suggestions assume that all current obligations and expenses on the corridor have been meet. These would include all E470 toll processing costs and operations and maintenance (O&M) payments to CDOT.
- All current and future segments are part of one I-25 corridor therefore some toll revenues generated on this segment can be used across the entire corridor.
- I-25 Segment 2 does not have any debt service obligations, making a higher percentage of excess revenue available for paying down CDOT sources of debt such as the MIPA and TC loans.
- Uses for I-25 North Segment 2 excess revenue will become more flexible once the tolling equipment and software purchased for the I-25 North Segment 2 Project under the Master Installment Purchase Agreement is paid in full.
- These ideas for uses for excess revenue have been discussed with the Attorney General and are feasible under the FASTER legislation.
- Staff will allocate revenues according to these guidelines unless otherwise directed by the Board.



If in a given year, it is decided not to split up excess toll revenue, but instead to dedicate all excess to one activity, the following is a suggested prioritization of activities:



I-25 Segment 2: Uses for Excess Revenue: 2021 and Beyond



1

•Extra TC Debt Service Payment

- Apply any excess remaining to make an additional TC service payment to proactively pay down CDOT debt
- These items are tracked internally. Especially as we bring on more corridors with financing, it will help streamline all of the sources of debt we are tracking
- Making regular payments toward TC debt will ensure that HPTE is compliant with TABOR
- Identified as a priority of the HPTE Board of Directors

2

•Future Innovative Projects & Partnerships

- Source of mid and long range program development funds
- Could be used to partner with RoadX, DTD, Regions or private partners to deliver innovative projects along Segment 2
- Identified as a priority of the HPTE Board of Directors

3

•Express Lane Level of Service Reserve

- Could be used to hire a private maintenance provider for unforeseen weather events or to provide extra snow and ice removal support on an as needed basis.
- Recognizes that maintaining adequate service in the Express Lanes could become an issue in the future with declining CDOT revenues.
- HPTE may want to increase the level of service in the Express Lane to promote use or provide added value

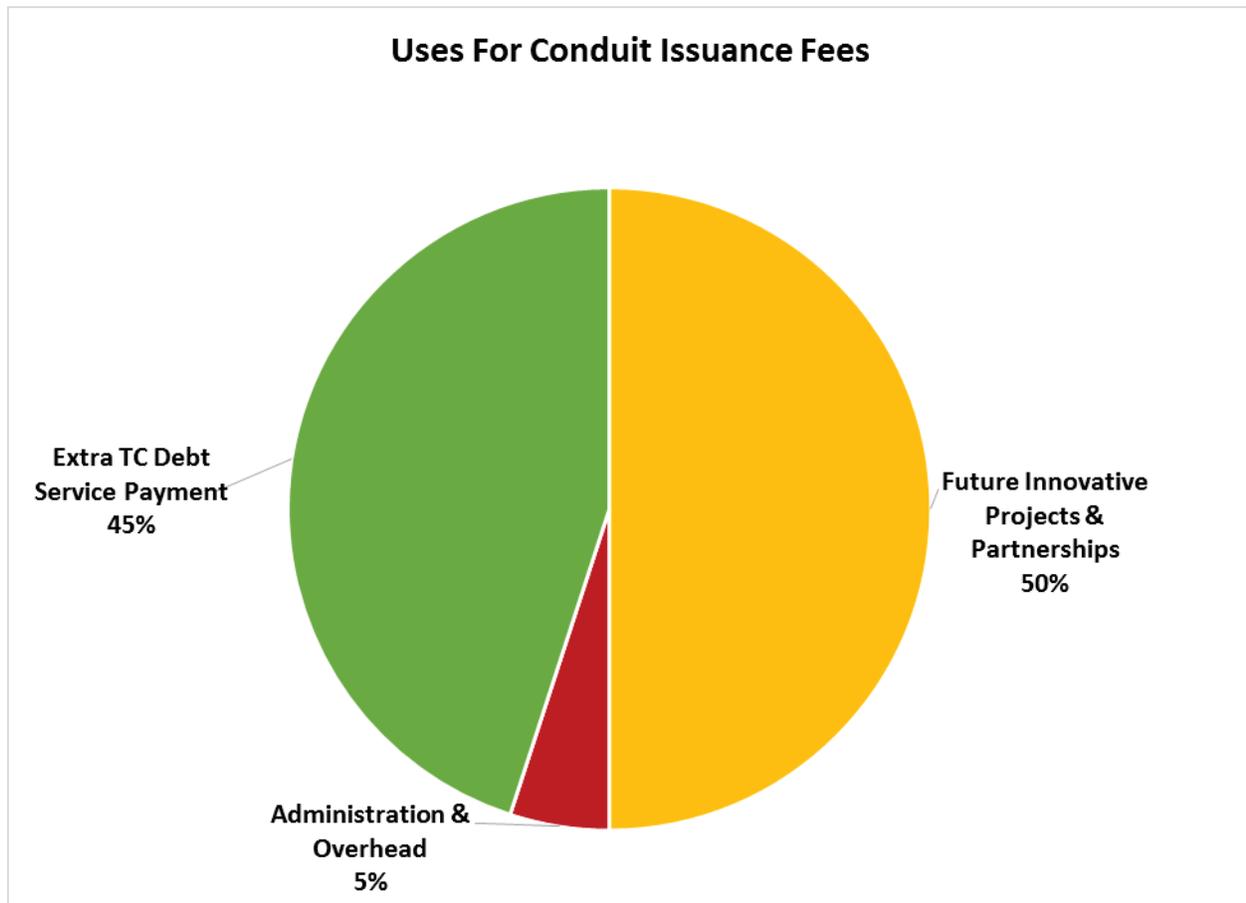
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•Capital Upgrades & Rehabilitation Reserve

- Recognizes that HPTE may want to make capital improvements in the Express Lanes that CDOT is unable to pay for
- Could go towards upgrades or improvements such as lighting, signage, stripping, paving etc.
- Recognizes that the lanes may not need capital improvements until several years into the operations of the Express Lanes

Conduit Issuance Fees

- For any transaction where HPTE issues debt for the benefit of a CDOT project, HPTE earns a fee for serving as the conduit issuer. These fees vary depending on the size of the issuance, but in no event can the fees exceed a threshold amount established by federal tax law.
- These fees can be used to fund any HPTE obligations, including project issuance costs, operating expenses for that project's corridor, or other, non-project related costs as determined by HPTE.
- Because conduit fees are earned for enabling a project that would not have otherwise been feasible, a large percentage of those earned fees should be dedicated to that corridor.
- A large percentage of HPTE's earned conduit issuer fees should also be applied to making a loan payment against the current TC debt service balance.
- These ideas for uses for excess revenue have been discussed with the Attorney General and are feasible under the FASTER legislation.
- Staff will seek formal Board approval regarding the specific allocation of such revenues.



Fund 537: Operations Revenue Use Guidelines

- Assumes that the primary revenue stream in Fund 537 to cover all administrative and operating cost are fee for service funds paid to HPTE by CDOT.
- In the future, a percentage unencumbered of toll revenue could be used to support these activities.
- On an annual basis, any balances remaining in 537 should be seen as flexible for use. Residual budget or roll forward balances are a result of HPTE coming in under budget on anticipated expenditures, proactively liquidated expired purchase orders throughout the year.
- Now that HPTE is receiving a fair market value for services and the process of us making a realistic and representative request to CDOT has been established, HPTE does not need to reserve this budget for contingencies or shortfall.
- HPTE should be actively using the majority of its roll forward balance every year, however keeping a small reserve allowing HPTE to move quickly on future projects and requests from CDOT.
- HPTE's current TC debt obligation from prior year operating loans (approximately \$6M) is currently against Fund 537.
- It is recommended that the majority of HPTE's annual roll forward amount be applied to making a loan payment against the current TC debt service balance.
- Staff will seek formal Board approval regarding the specific allocation of such revenues.

