

**COLORADO DEPARTMENT OF TRANSPORTATION (CDOT)
HIGH PERFORMANCE TRANSPORTATION ENTERPRISE (HPTE)
REQUEST FOR INDICATIONS OF INTEREST - DIRECT LOAN/LINE-OF-CREDIT PROVIDER
SEPTEMBER 5, 2014**

Proposal Questions and Answers

Submitted Questions/Requests	Answers
Toll Revenues/Funding	
<ul style="list-style-type: none"> • Please confirm that the project is only for Eastbound I-70. 	Confirmed.
<ul style="list-style-type: none"> • Can you provide toll revenue projection and any applicable studies supporting these? • Please elaborate on the timing and status of the traffic revenue study and its availability for further bank negotiations. For instance, would the T&R be available prior to financial close? • When does HPTE expect Project toll revenues to be sufficient to pay principal and interest on the related loan and/or line-of-credit? • How will the tolls be collected – ie cash, toll tags or license plate reading? • Given the importance of the project, why will the Feasibility Study not be available at the time of the proposal submission, and when will it be completed? • Louis Berger is preparing an Exploratory Level 1 study. Could you please explain the scope of this study (i.e. what information will be provided?) • Why will the Level 3 Investment Grade study not be performed? 	<p>The Level 1 study is complete, and will be provided during Phase 2 of this procurement. The Level 1 study discusses alternative Projects, supporting demographic data, a toll forecast, and estimated capture data, as well as a discussion of their Traffic Model.</p> <p>Given the credit support of the IDA, as well as the timing and cost associated with a Level 3 study, HPTE did not feel the Level 3 study to be warranted at this time.</p>
<ul style="list-style-type: none"> • Please explain the process for setting toll rates for the related Project. 	HPTE has sole control over the toll setting process.
<ul style="list-style-type: none"> • Who made the initial determination viability and is the project expected to be self-supporting including sufficiency of Available Toll Revenues? 	Ernst and Young is currently finalizing a report, which will be made available during Phase 2 of this procurement.
<ul style="list-style-type: none"> • Provide a clear and concise definition for toll processing costs and estimates thereof in order to calculate Available Toll Revenues. 	Subject to negotiation during Phase 2 of this procurement, HPTE intends to only pay actual hard costs associated with operating this Project on a senior basis to the Facility.
<ul style="list-style-type: none"> • Is it expected that interest on the Facility during construction will be capitalized? If so, through what period? • Please provide an estimate of how much this will add onto the \$35MM facility 	The Project is expected to be open and producing revenue by Fall 2015. The maximum possible borrowing amount can be estimated by calculating the gross interest on the loan over the initial 5-year period.

amount so that we may properly size the request amount.	
<ul style="list-style-type: none"> Will the capitalized interest amount to be added be secured on parity with the initial \$35MM request? 	Yes, unless the Lender would prefer otherwise.
<ul style="list-style-type: none"> Can pledged revenues expand to include other sources, i.e. direct moral obligation of the State, sales tax, motor vehicle tax, registration fees and other transportation-related revenues? Which revenue fund will the revenues collected for the 1-70 PPSL project flow into once they start being collected? IE, a special revenue fund, operating fund or will a new fund be created? 	<p>No.</p> <p>Details on the flow of funds will be negotiated during Phase 2 of this procurement.</p>
<ul style="list-style-type: none"> The RFP states that “In those years where Available Toll Revenues are insufficient, HTPE intends to capitalize those unpaid amounts into the Facility principal balance? Why would the shortfall amounts not paid from loans made by CDOT to HTPE pursuant to the IDA? 	HTPE intends to capitalize interest during the Project’s ramp-up period. The IDA is intended to be a source of security, not as the ultimate source of payment for the loan.
<ul style="list-style-type: none"> What rights will lenders to the Facility have if PPSL toll revenue is consistently insufficient to pay debt service, the principal balance keeps growing and the Transportation Commission elects not to allocate any funds under the IDA? Do lenders have any rights regarding a replacement of the contractor if the current contractor defaults? Will lenders have access to monitoring reports? 	Lenders’ rights will be negotiated during Phase 2 of this procurement process. Please see commentary regarding the IDA for the limitations on the Allocation.
<ul style="list-style-type: none"> What are the legal covenants, i.e. rate covenant and/or ABT for the HOT lane project? 	The rate covenant and ABT will be negotiated during Phase 2 of this procurement process.
<ul style="list-style-type: none"> Are there any other HOT lane projects in Colorado financed in a similar manner to this project? 	The only other HOT project in Colorado currently is the US36 Project, which was financed via a Concession with additional security provided by an agreement between HPTE and CDOT, similar to the IDA.
<ul style="list-style-type: none"> How could a funding gap in the federal Highway Trust Fund (HTF) impact the related project? 	A loss of funding to the Transportation Commission could impact its ability to make an Allocation to this Project.
HPTE and The Project	
<ul style="list-style-type: none"> Who is the contractor on the I-70 PPSL? 	Mountain Corridor Constructors, a partnership led by URS Corp. supported by Lawrence Construction Co., has been selected to lead the construction.

<ul style="list-style-type: none"> • What are the terms of the contract for the construction project? • Is the construction contract a fixed price, lump sum turnkey contract? If it is not fixed price, fixed time, who bears the risk of cost overruns and delays? • What is the construction contract arrangement and structure? <ul style="list-style-type: none"> • How will change orders be managed? • How will cost overruns be funded? • Please provide a capital spending plan in relation to the Project that illustrates (i) a schedule / project time line, (ii) funds spent so date, (iii) funding sources, and (iv) any future funding needs. • Can you provide an expected draw schedule/construction budget? • Is the project currently on time and on budget? • If the total estimated cost of the project is \$72MM and you are seeking a facility of \$35MM, how and who will fund the remaining cost? 	<p>Some information from public board meetings has been published to the Transportation Commission’s website, but full details will be made available during Phase 2 of this procurement.</p> <p>The Project is already under construction with CDOT incurring all costs to date.</p>
<ul style="list-style-type: none"> • Page 4 of the RFI states “Proposers are disallowed from contacting the State, CDOT, HPTE, Ernst & Young, Louis Berger and/or Kutak Rock during this evaluation period.” Can you confirm contact with the aforementioned entities not in relation to this project is permitted? 	<p>Yes.</p>
<ul style="list-style-type: none"> • Can we get the results of the voter referendum for this specific project and any subsequent/recent voter referendums? 	<p>There is no voter referendum associated with this Project.</p>
<ul style="list-style-type: none"> • Who is responsible for paying the maintenance of the HOT lane? 	<p>HPTE</p>
<ul style="list-style-type: none"> • What are CDOT’s and HPTE’s debt issuance plans over the next 5-7 years? • Are GAAP financials interim or FYE; separate from the State of Colorado, available for CDOT and HPTE? If applicable, please also include the latest Report on Internal Controls over Financial Reporting for each entity. 	<p>All publicly available information about HPTE can be found at http://www.coloradodot.info/programs/high-performance-transportation-enterprise-hpte</p>
<p>The IDA</p>	
<ul style="list-style-type: none"> • The Summary of the proposed I-70 project mentions that the enhancement from CDOT would be subject to annual allocation; please expound on this. How strong is CDOT’s commitment to this project? • Please describe the process of the 	<p>The Transportation Commission has discretion in each Fiscal Year whether or not to allocate Annually Allocated Funds.</p> <p>The Allocation process by the Transportation Commission is analogous to the appropriation process by the</p>

<p>Transportation Commission to allocate moneys to make a loan to HPTE?</p> <ul style="list-style-type: none"> • What is the timing of the receipt of funds from CDOT under the IDA if toll revenues are insufficient? • Explain notification process of toll revenue insufficiency and request for payment from CDOT. • Can you provide a short description of the IDA allocation/appropriation process? How often can CDOT make a loan to HPTE pursuant to the IDA for purposes of funding any shortfalls on the Facility (i.e. once per year at the time CDOT adopts its budget, or as needed)? • If the amount potentially allocated under the IDA is less than the full amount scheduled to be paid under the Facility, what assumptions will HPTE use for PPSL toll revenue in determining any potential shortfall amount? • The RFP indicates that pursuant to the IDA, CDOT will, subject to annual allocation, make a loan to HPTE to replenish shortfalls in a debt service account or a DSRF for the Facility: (a) if the former (debt service account), how will interest be paid on the Facility if a shortfall occurs after the Capitalized Interest period (based on answer above) and no, or insufficient, PPSL toll revenue is collected (on the assumption that the Facility will have been fully drawn by the end of the Capitalized Interest period and no funds are available to capitalize unpaid amounts? Is it expected that when seeking an “allocated amount”, HPTE will ask for the full amount due each year on the Facility (i.e. assume zero PPSL toll revenue); (b) if the latter (DSRF), will the DSRF be fully funded on the closing date and if so in what amount? • What are allocation payments? Where else has Colorado used “allocation” payments? Is this the same as annual appropriation? • Is this process similar to the “Annually Allocated Funds” in the Series 2013 CDOT RANs Official Statement? • Describe the sources and amount of funds for the most recent fiscal year that would be available by the Transportation Commission to allocate to HPTE through 	<p>Legislature.</p> <p>Please review the Series 2013 TRANS OS for a more complete discussion of the Allocation process.</p> <p>Note that Allocations of the Commission are not cross-collateralized, and there are separate Allocations for all projects/obligations.</p> <p>http://emma.msrb.org/FileHandler.ashx?issueId=ER353961</p> <p>The mechanics and timing of payments under the IDA will be negotiated during Phase 2 of this procurement process.</p>
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<p>the IDA?</p> <ul style="list-style-type: none"> • Explain how the annual allocation process for the “IDA” would work, the timing of the allocation and how does it fit into the Legislative process? • General Fund transfers under SB228: Is CDOT relying on this General Fund transfer to fund certain projects? Would this funding be available for HPTE debt service? • How does the IDA rank relative to other debt of CDOT (pari passu, subordinated, etc?) and what other outstanding debt does CDOT have that is subject to, and on parity with, the IDA or similar appropriation debt? • Is there current capacity in the budget for the full repayment of the loan? 	
<ul style="list-style-type: none"> • Confirm that there will be no recourse to CDOT if toll revenues are insufficient and CDOT allocation is not made or such amount is insufficient. 	<p>If the Transportation Commission declines to advance funds to HPTE under the terms of the IDA, there will be no recourse to the Transportation Commission or CDOT.</p>
<ul style="list-style-type: none"> • Is it expected that the refinancing of the Facility would not have the benefit of the IDA or similar credit enhancement from CDOT? 	<p>Yes, subject to market conditions and refinancing options at the time of that future sale.</p>
<ul style="list-style-type: none"> • Please provide a copy of the IDA and any legal documents associated with this project. • Where is the CDOT appropriation backstop in the approval process? <ul style="list-style-type: none"> • Has it been formally approved and will it be noticed in the annual budget or other public documents? 	<p>The IDA will be documented and finalized prior to financial close of this Facility.</p>
<ul style="list-style-type: none"> • Has the Transportation Commission ever failed to allocate money(s) related to a project; if so, please explain the circumstances? • Through the monthly Commission meetings, how frequently have budget amendments been made for amounts over \$10 million? Has one ever needed to be made for liquidity purposes? 	<p>The Transportation Commission has never failed to make an Allocation on a financial obligation.</p>
<ul style="list-style-type: none"> • Under the “TABOR Consideration” Section on page 2 can you clarify. It appears that in order incur the Facility the toll revenue projections must be sufficient to support the proposed facility and if a loan is needed it would be subordinate to the proposed facility. • Please confirm that if there is a loan repayment due to CDOT that TABOR 	<p>Over the full life of the loan, revenue projections must be sufficient to retire all related obligations to the Bank providing the Facility and to CDOT to repay with interest any loan incurred advancements under the IDA.</p> <p>The priority of payment between the Facility and reimbursements due to the Transportation Commission from HPTE will be negotiated during Phase 2.</p>

<p>requires HOT lane revenue projections to provide coverage of both senior and subordinate debt service.</p>	
<ul style="list-style-type: none"> • What would HPTE do if the long term financing expected to redeem the bonds in 5-7 years did not materialize? 	<p>The Facility would likely trigger a term-out provision, which would still need to be repaid within the actualized revenue for the Project.</p>