



COLORADO

Department of
Transportation



HPTE Board Update

February 18, 2015





Agenda

- Project Location and Overview
- Stakeholder Collaboration and Ongoing Support
- Proposed Scope
- Delivery Method
- Schedule
- Funding / Budget – Sources & Uses
- Future Actions:
 - Confirmation of Scope, Schedule & Budget
 - Net vs. Gross Pledge of Toll Proceeds for Debt Service
 - Move Project from Red to Green on RAMP Governance List

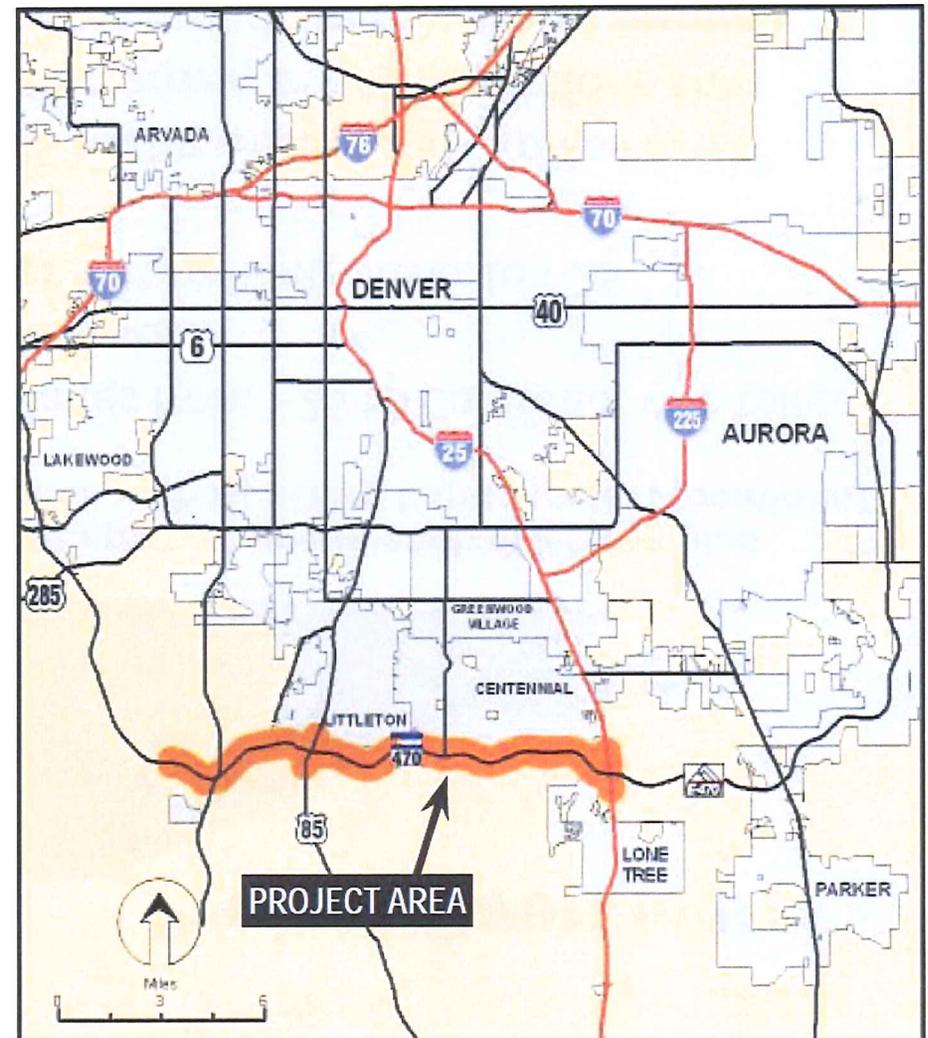




Project Location

Revenue Reliability

- Congested Commuter Corridor
 - Over 100,000 vehicles per day
 - Projected to increase 40% by 2035
- Majority of Project within Douglas County
 - Median Income- 6th Highest county in the Nation (*CNN Money, 2014*)
 - Professionals with higher Value of Time (VOT)
- E-470 and I-25 Connectivity





Project Overview



Proposed C-470 Interim - 1 Tolloed Express Lane in each direction plus 2 General Purpose Lanes in each direction with Auxiliary Lanes (select locations)

- Westbound – two tolloed express lanes from I-25 to Colorado; one tolloed express lane from Colorado to Wadsworth
- Eastbound – one tolloed express lane from Platte River to I-25
- Auxiliary lanes where warranted
- Direct connection ramps from I-25 to the westbound express lanes
- Reconstruction between I-25 and Broadway in both directions and needed widening /rehabilitation from Broadway to western termini

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Stakeholder Collaboration and Ongoing Support

C-470 Coalition

Members:

- Counties of Douglas, Arapahoe, and Jefferson
- Cities of Lone Tree, Centennial, Littleton, Greenwood Village, the Highlands Ranch Metropolitan District, Castle Rock, and Parker
- Multiple Community Partnerships & Organizations

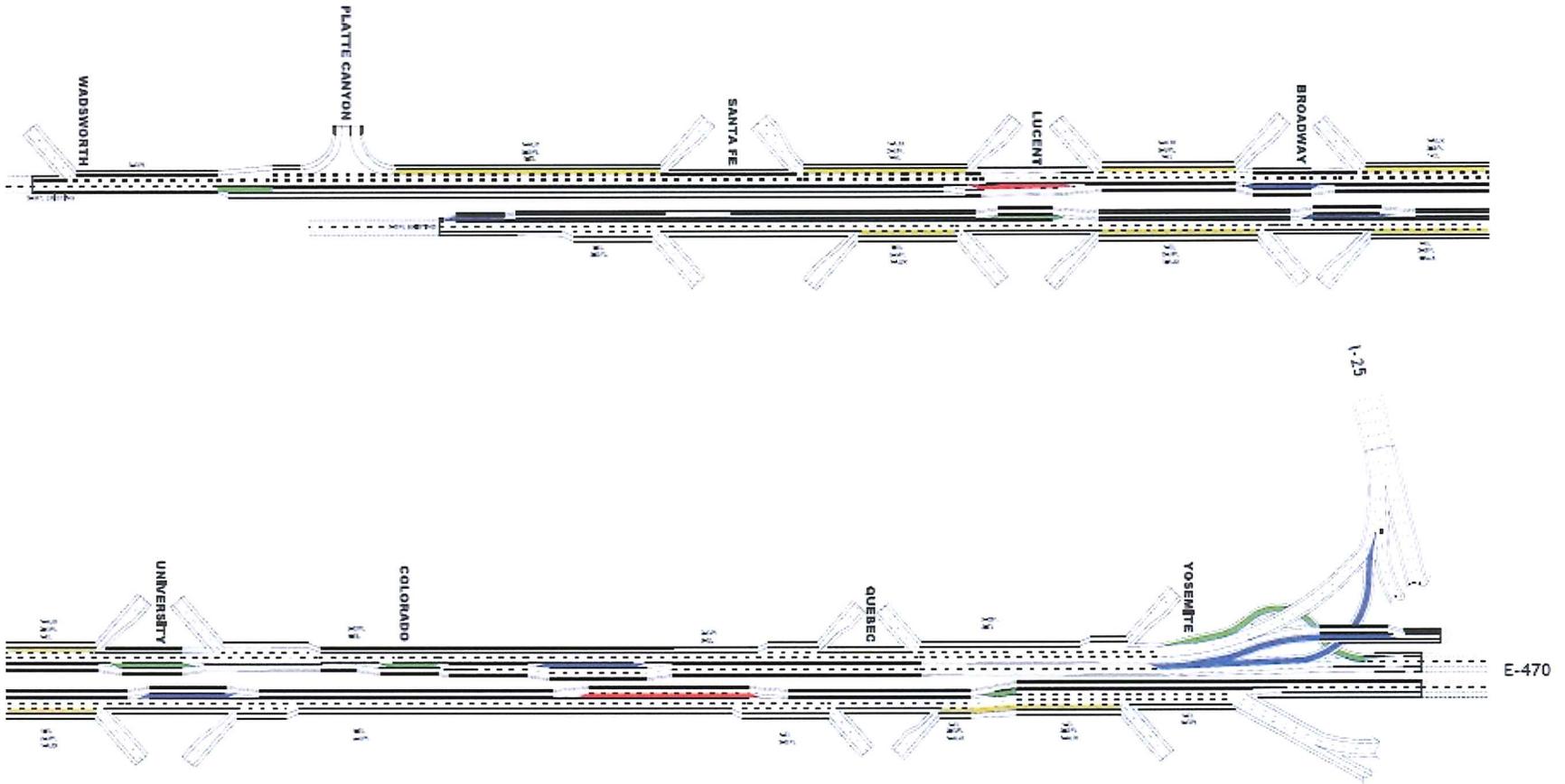
C-470 Corridor Coalition

- Formed in 2011
- Developed consensus for Preferred Alternative in February 2013
- Significant local investment:
 - \$5M spent on planning and public outreach
 - \$10M contributed for construction





Proposed Scope



Ingress From these locations vehicles may enter the tolled express lanes from the general purpose lanes

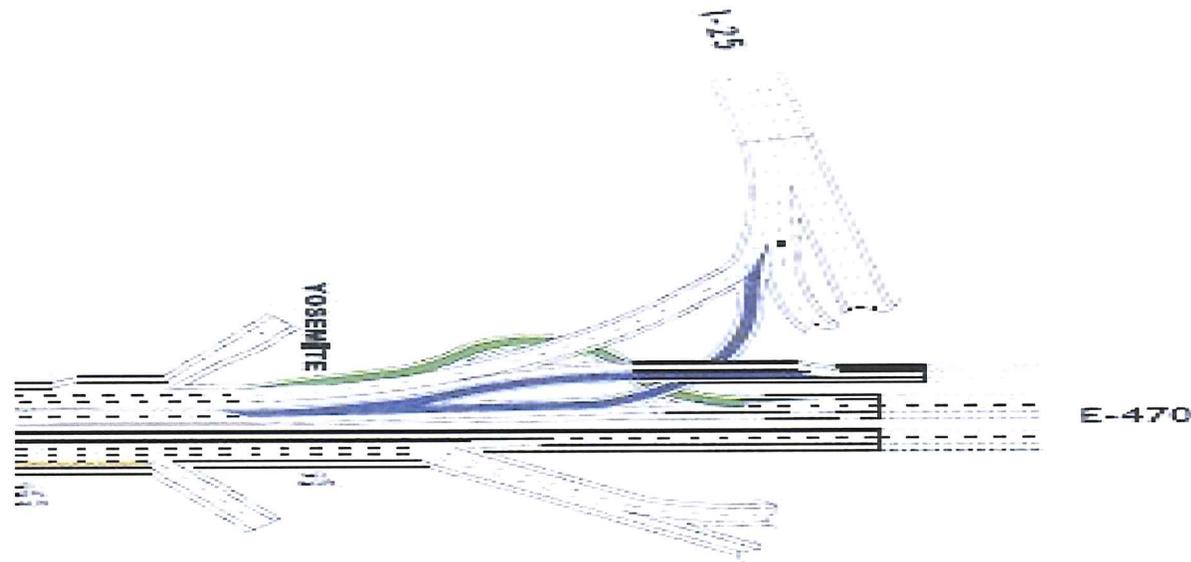
Egress From these locations vehicles may exit the tolled express lanes to the general purpose lanes

Combined Ingress / Egress From these locations vehicles may enter or exit the tolled express lanes to/from the general purpose

Auxiliary Lanes Additional lanes that are continuous from one interchange on-ramp to the next interchange off-ramp



Proposed Scope



Directly Connects I-25 and E-470 into Westbound express toll lanes

- Improves Safety
- Increases Trip Reliability



Delivery Method

- February 2014 - CDOT Investigated Delivery Method (DB Recommended)
- Spring 2014 - Preliminary Value for Money (VfM) Analysis Started
- August 2014
 - Memo from RTD DeVito to TC Recommends DB
 - HPTE Open House to Discuss P3 vs. Public Finance
- November 2014 - Preliminary VfM Analysis Recommends DB with Public Finance (No P3)
- December 2014 - HPTE Board Concurred with VfM Recommendation





2014 RAMP Funding / Budget

- Original RAMP Project Budget \$200M
- \$230M Project Estimate (as of August 2014) ¹
- Proposed Funding Sources
 - \$117M – Federal and State
 - \$103M – Projected via toll revenues
 - \$10M – Douglas County

¹ Given Project status (remaining time between VfM and construction), E&Y applied an escalation factor taking the design and construction cost estimate from \$230M to \$249M in the VfM





Sources & Uses

Original Finance Plan

Values in \$000

Sources	
Tax-Exempt CIBs	38,000
Tax-Exempt CABs	--
TIFIA	88,000
CDOT - RAMP	100,000
FASTER + Local	12,000
Other Public Funding	29,000
TOTAL	\$267,000
Uses	
Design & Construction	249,000
Financing Fees ¹	3,000
Interest During Construction	4,000
Debt Service Reserves	7,000
Operating Reserves ²	4,000
TOTAL	\$267,000

Current Finance Plan

Values in \$000

Sources	
Tax-Exempt CIBs	86,000
TIFIA	108,000
CDOT - RAMP	100,000
FASTER + Local	12,000
O&M Loan Proceeds	2,000
TOTAL	\$308,000
Uses	
Design & Construction	269,000
Transaction Costs ¹	4,000
Interest During Construction	10,000
Project Reserves ²	25,000
TOTAL	\$308,000

¹ Includes debt issuance and related costs.

² Includes debt service, O&M, lifecycle, and ramp-up reserves, plus a pre-funded account for O&M expenditures.

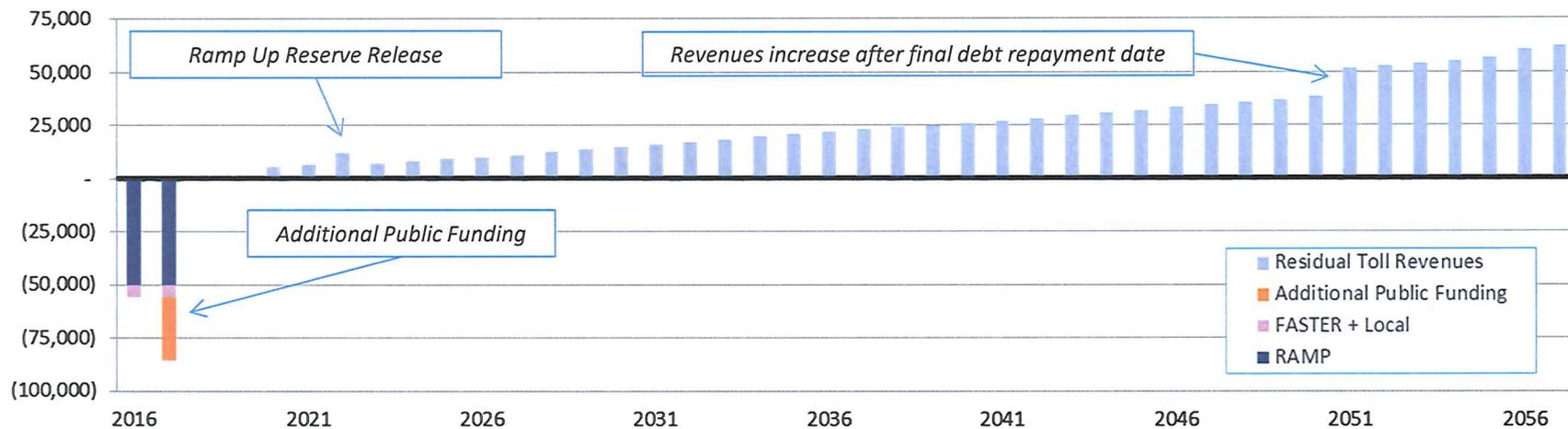




Net vs. Gross Pledge

Under the Net Pledge approach, debt service would be paid after O&M with the need for additional public sources to cover estimated funding gap.

- ▶ The Net Pledge approach results in a lower amount of toll-backed debt and requires approximately \$35 million of additional upfront public funding
- ▶ No contingent O&M loan would be provided
- ▶ Investors have claim to “net” toll revenue after O&M expenditures are paid
- ▶ Excess revenues after debt service are slightly higher in the new pledge case because of the lower amount of toll-backed debt (and related debt service)

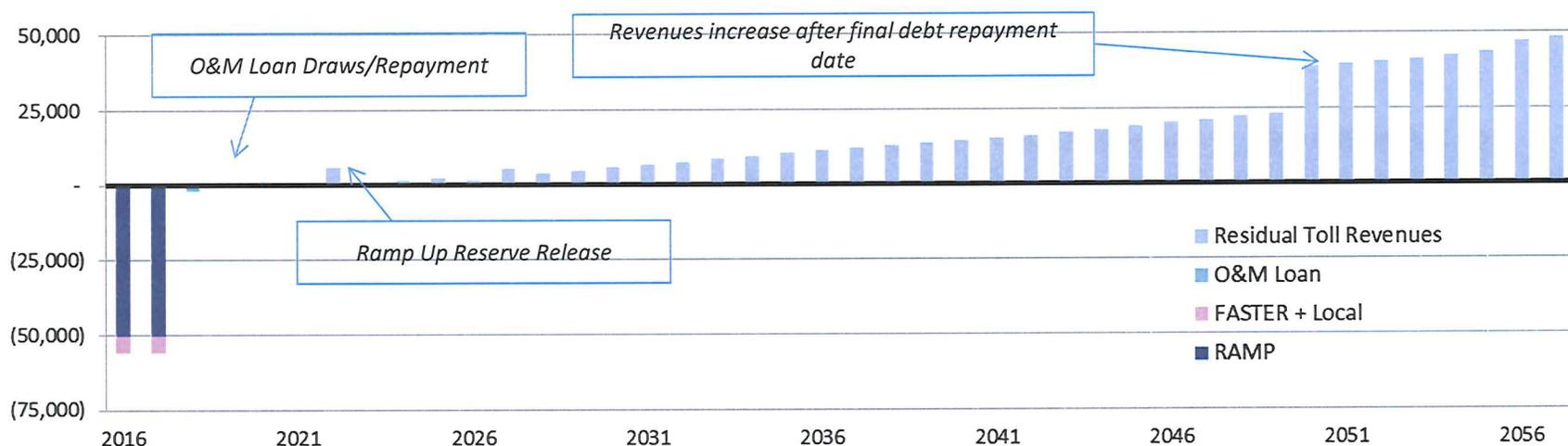




Net vs. Gross Pledge

Under the Gross Pledge approach, debt service would be paid before O&M with a contingent loan made available by CDOT in the event toll revenues after debt service are insufficient to cover O&M.

- ▶ The gross pledge allows for more toll-backed debt, eliminating the need for additional upfront public funds
- ▶ The key feature of this approach is a contingent O&M loan provided by CDOT
- ▶ The O&M loan is a credit enhancement tool for investment-grade debt structuring
- ▶ Loan draws made as needed during first 5-10 years of operation (only used in year one if base case revenues are achieved) in the event toll revenues are insufficient to cover both debt service and O&M
- ▶ Repayment of the loan would occur during periods of where toll revenues exceed debt service and O&M





Net vs. Gross Pledge

If the Transportation Commission agrees with the Project Scope as discussed, the determination of how the Toll Proceeds are pledged have the following impact on the Projects' affordability:

- Net Pledge:
 - Approximately \$35M in upfront capital is need to fund the Scope
 - Toll revenues above P&I Payments are anticipated in Year 3
- Gross Pledge:
 - Approximately \$2M would be drawn from a loan at substantial completion
 - That \$2M loan would be repaid within the first 5 years of operations





Schedule

Key Milestones	Date
Solicitation of Letters of Interests for DB Services	January 8, 2015
Issue Request for Qualifications	February 26, 2015
Submit TIFIA Letter of Interest	March, 2015
Issue Draft Request for Proposals	June 2015
EA Decision Document	September 2015
Issue Final Request for Proposals	September 2015
Select Design-Build Team	February 2016
Start Construction	Summer 2016





Future Action

- In the March 2015 Transportation Commission meeting, the Staff will seek confirmation and/or direction on three key items:
 - Confirmation of Scope, Schedule & Budget
 - Should the C-470 Project use a Net or Gross Pledge, of Toll Proceeds, for Debt Service
 - Does the Transportation Commission support Moving Project from Red to Green on the RAMP Governance List





Questions?



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Financial Model Assumptions

PROJECT ITEM	VALUE (DB)
SCHEDULE	
Financial Close	2016
Revenue Operations	2018
Term/Analysis Period	Construction + 40 years
CONSTRUCTION	
Construction Cost	\$269 million
Base Year Costs (\$)	Year-of-Expenditure (YOE)
Spend Curve	50%, 50%
Construction Period	2 years
Transaction Costs	\$3 million
Cost Inflation	N/A
OPERATIONS	
T&R Scenario	Fixed III (Cambridge Systematics)
Leakage	10 % of Gross Revenues
Ramp-Up (Yrs 1-4)	50%, 50%, 75%, 75%
Inflation	2.0-3.0%
OTHER	
Road O&M Costs	\$1.5 million / year
Toll Processing	\$0.18/Transponder, \$0.60/LPT
Toll Lifecycle Costs	\$10 million (10-yr cycle)

FINANCING ITEM	VALUE (DB)
SENIOR DEBT	
Rating	BBB-
Term	35 years
Interest Rate	5.68%
Min DSCR (Pre / Post Ramp-Up)	1.40x / 2.35x
DSRF	Next 12 months
TIFIA	
Rating	BBB-
Term	35 years
Interest Rate	3.29%
Min DSCR (Pre / Post Ramp-Up)	1.40x / 1.65x
DSRF	Next 12 months
EQUITY	
Min IRR (Pre-Tax)	N/A
Minimum Equity (% of total fin.)	N/A
OPERATING RESERVES	
O&M	Next 6 months
Lifecycle	100% / 66% / 33%
Ramp-Up	\$3.0 million
Pre-Funded O&M	\$3.0 million

