



HPTE Revenue

HPTE Board Meeting
January 21, 2015



Background

- HPTE Board requested 10-year pro forma
- Show HPTE's sustainability and maintain enterprise status
- Stifel selected to assist HPTE and OMPD

Revenue Stream

- Dedicated revenue stream needed to:
 - Show sustainability
 - Repay Transportation Commission (TC) Loans
- Per FASTER legislation, HPTE can invoice CDOT for services
- Stifel tasked to analyze HPTE benefits to CDOT

HPTE Benefits to CDOT Methodology



- Gathered data from other tolling entities around the country
- Chose entities reasonably comparable to HPTE
- Determined that \$2.7M is a reasonable amount for HPTE to invoice CDOT annually



Estimate of HPTE Value to CDOT

Category	Estimated Annual Value	Comparable Entity		
		Entity	Amount	Year
Overall Program ⁽¹⁾	\$ 835,500	CTRMA	\$ 835,500	2012/2014
Program Planning ⁽²⁾	\$ 425,201	Foothills/Eastern	\$ 41,800,000	2015
Project Development ⁽³⁾	\$ 285,000	NTTA	\$ 285,051	2013
Project Procurement/Operations ⁽⁴⁾	\$ 609,975	E-470	\$ 32,858,448	2013
Construction ⁽⁵⁾	\$ 567,695	OTA	\$ 341,044,134	2014-2018
Total	\$ 2,723,371			

- (1) Central Texas Regional Mobility Authority
- (2) Foothills/Eastern Transportation Corridor Agency
- (3) North Texas Tollway Authority
- (4) E-470 Public Highway Authority
- (5) Oklahoma Turnpike Authority



HPTE/CDOT Agreement

- Estimate of HPTE value to CDOT is auditable
- HPTE will bill CDOT \$2M for FY16
- Amount inflated by 4% annually for FY17 and FY18
- Amount will be reevaluated for FY19 and beyond
- Existing MOU (with revenue agreement) will be reconstructed and implemented into a new interagency agreement by April 1, 2015
- HPTE will bill CDOT at regular intervals (at least quarterly)
- CDOT's payment will be Federal funds whenever possible
- State funds paid to HPTE are not considered TABOR revenue
- The entire payment amount (\$2M in FY16) will be available to HPTE Fund 537 at the beginning of the fiscal year
- CDOT will submit appropriate activities to FHWA for reimbursement



Next Steps

- CDOT and HPTE will coordinate to determine the structure of the invoices
 - Format
 - Information Required
- CDOT and HPTE will coordinate to determine the best method to make total revenues available at the beginning each fiscal year

To: Scott Richrath, Chief Financial Officer Colorado Department of Transportation
Michael Cheroutes, Director of High Performance Transportation Enterprise

CC:

From: Stifel

Date: January 14, 2015

Subject: HPTE 10-Year Plan/Benefit to CDOT

At the request of the Chief Financial Officer of the Colorado Department of Transportation (“CDOT”); Stifel , Nicolaus & Company, Incorporated (“Stifel”) has prepared the following analysis for the benefit of CDOT and within the scope of work defined by CDOT. As such, any third parties should be aware of the limitations in scope and the assumptions detailed below were provided by CDOT and was not designed for the purpose of reliance by anyone other than CDOT.

Background

The adoption of the FASTER Legislation in 2009 (Senate Bill 09-108) created a dedicated and consistent revenue source for the Colorado Bridge Enterprise (“CBE”), while the High-Performance Transportation Enterprise (“HPTE” or the “Enterprise”) was formed to aggressively pursue innovative means of more efficiently financing important surface transportation infrastructure projects, however without a comparable dedicated revenue source.

Without the necessary annual revenue to support the operations in-line with the mission of HPTE, the Enterprise has borrowed \$1MM annually from the Transportation Commission to maintain operations. By the end of fiscal year 2015, the total outstanding loan balance (including interest) is estimated at \$6.95MM.

HPTE staff was tasked with creating a 10-year plan to demonstrate the Enterprise’s ability to operate autonomously, without continued loans from the Transportation Commission and simultaneously repaying all outstanding obligations. Subsequently, HPTE has exhibited an analogous benefit of HPTE to CDOT, utilizing publicly available documents from other tolling agencies throughout the country.

10-Year Plan Pro-Forma Cash Flow Model

The base of the 10-year plan originates with the annual expenses of HPTE from the Statewide Transportation Enterprise Special Revenue Fund (C.R.S. 43-4-806(3)(a)) 537 (“Fund 537”) for fiscal year 2015. A nominal growth rate is applied to the base line expenses, along with a conservative estimate for interest earnings on fund balances and interest applied to the outstanding Transportation Commission loans at the current State Infrastructure Bank (“SIB”) loan rate. Assumed funding for services rendered begin with \$2MM in FY 2016¹, with a 4.00% growth rate in FY 2017/2018 and flat revenues thereafter. Based on these assumptions, HPTE is able to continue operations while repaying the Enterprise’s obligations (principal and interest) back to the Transportation Commission within the 10-year period.²

Estimated HPTE Benefit to CDOT Methodology

In conjunction with the 10-year pro-forma cash flow described above, HPTE staff reviewed the operations and financial statements of several other tolling agencies around the country, with the objective of quantifying the benefit HPTE provides to CDOT. HPTE staff began with an indirect cost assessment and a description assigning the source of resources and responsibilities for the fulfillment of the basic functions for CDOT and HPTE (broken out

¹ Methodology and process for the calculation of the funding for services rendered described in more detail in the following paragraph

² Please see Attachment I for the complete 10-year pro-forma cash flow model

into five major categories³). Utilizing this assessment, five comparable tolling agencies were assigned to each of the five major categories, in which each agency best matched the description of each category. Finally, an expense factor calculation was used to adjust for the size of each agency relative to HPTE.⁴

Conclusion

Based on the summary detailed above, HPTE provides the necessary benefit to CDOT (based on comparable tolling agencies and their related publicly available documents) to continue providing these benefits to CDOT, while also repaying the Enterprise's obligations (principal and interest) back to the Transportation Commission within a 10-year period.

³ i) overall program, ii) program planning, iii) project development, iv) project procurement/operations, and v) construction

⁴ Please see Attachment II for the estimate of value summary and supporting documentation from the related tolling agencies

**HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
 HPTE OPERATING FUND (COST CENTER T8700-537)
 PROFORMA CASHFLOW PROJECTION**

	FY 15 Est Budget	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning Fund Balance	201,234	223,734	300,000	300,000	300,000	300,000	300,000	300,000	300,000	721,630	1,658,799
Revenue											
Interest Earnings	8,800	8,949	12,000	12,000	12,000	12,000	12,000	12,000	12,000	28,865	66,352
TC New Loan Amount	1,000,000	-	-	-	-	-	-	-	-	-	-
Funding for Services Rendered	-	2,000,000	2,080,000	2,163,200	2,163,200	2,163,200	2,163,200	2,163,200	2,163,200	2,163,200	2,163,200
Total Revenue	1,008,800	2,008,949	2,092,000	2,175,200	2,175,200	2,175,200	2,175,200	2,175,200	2,175,200	2,192,065	2,229,552
Expenses											
HPTE Staff Costs	400,000	404,000	408,040	412,120	416,242	420,404	424,608	428,854	433,143	437,474	441,849
CDOT Staff Costs	140,000	141,400	142,814	144,242	145,685	147,141	148,613	150,099	151,600	153,116	154,647
Attorney General Services	38,000	38,380	38,764	39,151	39,543	39,938	40,338	40,741	41,149	41,560	41,976
Consulting Services	200,000	202,000	204,020	206,060	208,121	210,202	212,304	214,427	216,571	218,737	220,924
Annual Audit	5,100	5,151	5,203	5,255	5,307	5,360	5,414	5,468	5,523	5,578	5,634
Accounting Services	50,000	50,500	51,005	51,515	52,030	52,551	53,076	53,607	54,143	54,684	55,231
Board Expenses	5,000	5,050	5,101	5,152	5,203	5,255	5,308	5,361	5,414	5,468	5,523
Travel, Conferences and Dues	24,500	24,745	24,992	25,242	25,495	25,750	26,007	26,267	26,530	26,795	27,063
Operating Expenses	10,500	10,605	10,711	10,818	10,926	11,036	11,146	11,257	11,370	11,484	11,599
Interest Expense of TC Loan	113,200	173,692	154,921	132,387	107,996	83,830	59,891	36,181	12,703	-	-
Miscellaneous	-	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Total Expense	986,300	1,355,523	1,345,570	1,331,943	1,316,547	1,301,467	1,286,704	1,272,263	1,258,145	1,254,897	1,264,446
Ending Fund Balance	223,734	877,160	1,046,430	1,143,257	1,158,653	1,173,733	1,188,496	1,202,937	1,217,055	1,658,799	2,623,905
Transportation Commission Funds											
TC Fund Beginning Balance	6,060,892	6,947,692	6,196,840	5,295,489	4,319,845	3,353,196	2,395,633	1,447,246	508,128	-	-
TC New Loan Amount	1,000,000	-	-	-	-	-	-	-	-	-	-
Interest Expense	113,200	173,692	154,921	132,387	107,996	83,830	59,891	36,181	12,703	-	-
Principal Repayment	-	577,160	746,430	843,257	858,653	873,733	888,496	902,937	495,424	-	-
TC Ending Fund Balance	6,947,692	6,196,840	5,295,489	4,319,845	3,353,196	2,395,633	1,447,246	508,128	-	-	-

Assumptions:

Expenses Annual Growth Rate	1.00%
Interest Earnings ⁽¹⁾	4.00%
CDOT SIB Loan Rate	2.50%

1) Estimated rate based on FY15 Approved HPTE Fund 537 Budget 4.28.14