

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
ACTIVITIES THAT BENEFIT THE COLORADO DEPARTMENT OF TRANSPORTATION**

ESTIMATE OF VALUE

CATEGORY	ESTIMATED ANNUAL VALUE	COMPARABLE ENTITY			EXPENSE FACTOR CALCULATION		
		ENTITY	AMOUNT	YEAR	HPTE ANNUAL EXPENSE	COMPARABLE EXPENSE	FACTOR
Overall Program ⁽¹⁾	835,500	CTRMA	835,500	2012/2014	N/A	N/A	N/A
Program Planning ⁽²⁾	425,201	Foothills/Eastern	41,800,000	2015	2,000,000	196,612,751	0.0102x
Project Development ⁽³⁾	285,000	NTTA	285,051	2013	N/A	N/A	N/A
Project Procurement/Operations ⁽⁴⁾	609,975	E-470	32,858,448	2013	2,000,000	107,737,048	0.0186x
Construction ⁽⁵⁾	567,695	OTA	341,044,134	2014-2018	2,000,000	240,301,000	0.0083x
TOTAL	2,723,371						

Assumptions/Explanation of Estimate:

- 1) Central Texas Regional Mobility Authority - Tasks 1-3 from Project VPPP: 183A Downstream Impacts; no adjustment, one-for-one assumption (<http://www.mobilityauthority.com/about/VPPP%20AFA%20CSJ%200914-00-348.pdf>)
- 2) Foothill/Eastern Transportation Corridor Agency - Total Proposed Expenditures for FY 2015; adjusted by expense factor for size of Agency (https://www.thetollroads.com/assets/objects/49/fy15_FE_budget_presentation.pdf)
- 3) North Texas Tollway Authority - Total Project Delivery Operational Services FY 2013 from Operation and Maintenance Fund - (1001); no adjustment, one-for-one assumption (https://www.ntta.org/whatwedo/fin_invest_info/financial_info/Documents/2013_FINAL_BUDGET_BOOK_11262012_v10.pdf)
- 4) E-470 Public Highway Authority - Operating Expenses Before Depreciation for FY 2013; adjusted by expense factor for size of Authority (<https://www.expresstoll.com/AboutUs/Documents/2013%20E-470%20Audit%20Report%20FINAL.pdf>)
- 5) Oklahoma Turnpike Authority - Total funding for the Capital Plan for the years 2014-2018; adjusted annually and by expense factor (<https://www.pikepass.com/pdf/2014%20ADOPTED%20BUDGET.pdf>)

ATTACHMENT B SCOPE OF WORK

The Local Government shall implement a pilot to study the feasibility and merits of converting the existing flat toll price on the 183A Toll Road to a variable (or time-of-day) pricing strategy to improve downstream congestion while remaining revenue-neutral. The Local Government has identified several "Go / No-Go" decision points within the project to assess the likelihood of success of the project to achieve its goals. If for any reason, the Local Government decides to No-Go, (stop the pilot project), all project costs up to the time of the No-Go decision, will be reimbursed at 80% of the expended costs. Any No-Go decision will not be arbitrary, rather based on professional opinion of the data available at the time of the decision point.

A written Notice to Proceed (NTP) will be required before any services can be performed. The Notice to Proceed may only be authorized by TxDOT's Project Manager or higher level of authority. The Notice to Proceed will include a work plan for the tasks requested, maximum amount payable, and will specify an initiation and completion date.

Task 1: Stated Preference Survey

The Local Government shall perform a detailed customer survey that will seek to identify how many current and potential users have flexible schedules and could possibly adjust their travel times. The study will determine the differential in toll prices required to influence driver behavior. The study will continue if the survey determines that a sufficient number of current or potential customers that have the ability to change their travel times to affect a measureable change in peak period traffic and that a reasonable differential in the toll price can achieve the change. However, a No-Go decision may be made that will stop the project if the survey clearly determines that insufficient current and potential customers have flexible travel times to affect a measureable change in the peak period traffic or the required differential in toll prices necessary to create change in driver behavior is unachievable.

- **Estimated Cost:** \$376,500
- **Deliverables:** Within six (6) months from NTP, the Local Government shall deliver the results of the Stated Preference Survey and the accompanying Go/No-Go evaluation. Throughout the duration of the project, the Local Government shall provide monthly work progress reports on the progress of work that corresponds to project charges being billed the same month.

Task 2: Origin & Destination Study (O&D)

The Local Government shall perform a study to determine if a sufficient number of 183A customers also travel on US-183 and MoPac/Loop 1 to measurably impact downstream congestion. The study will continue if the O&D study produces positive results and there is a positive outcome of the Stated Preference Survey as indicated above. However, a No-Go decision may be made that will stop the project if the O&D study clearly indicates that an insufficient number of 183A drivers travel on US-183 and MoPac/Loop 1 to measurably impact downstream congestion.

- **Estimated Cost:** \$210,000
- **Deliverables:** Within nine (9) months from NTP, the Local Government shall deliver the results of the Origin and Destination Study and the accompanying Go/No-Go evaluation, part of which will be completed current with Task 1 above. Throughout the duration of the project, the Local Government shall provide monthly work progress reports on the progress of work that corresponds to project charges being billed the same month.

Task 3: Network Modeling

The Local Government shall perform Network Modeling to examine the potential outcomes of variable toll pricing on the 183A Toll Road. Results will be used to derive the toll levels to test and to determine the most effective stakeholder communication/public education strategies to promote acceptance of a pilot implementation of the new pricing scheme. The toll pricing structure must be revenue neutral at a price that is acceptable to the Local Government and its traffic and revenue consultant for meeting financial obligations. The Local Government will conduct an evaluation of the toll pricing structure versus the ability to meet financial obligations. If the result is positive then the project will continue. If the result is negative then a No-Go decision may be made that will stop the project.

- **Estimated Cost:** \$249,000
- **Deliverables:** Within thirteen (13) months from NTP, the Local Government shall deliver the results of the Network Modeling / Pricing Study and the accompanying Go/No-Go evaluation. Throughout the duration of the project, the Local Government shall provide monthly work progress reports on the progress of work that corresponds to project charges being billed the same month.

Task 4: Field Trial

The Local Government will implement a six-month minimum Field Trial of the new variable pricing structure (peak/off-peak) with ongoing monitoring of travel behavior and traffic volumes. Monitoring of traffic and revenue will occur on the 183A Toll Road and traffic will be monitored on US-183 and MoPac/Loop 1. During the trial, the revenue generated must be revenue neutral or slightly positive compared to pre-trial figures, or a decision may be made to adjust the tolls or discontinue the six-month field trial. When sufficient data is collected, the Local Government will perform an evaluative analysis to determine: how motivated existing and proposed users of the 183A Toll Road are in taking advantage of price incentives; change in traffic on US-183 and MoPac/Loop1 as a result of the change in toll pricing on upstream 183A; potential mitigating strategies to improve results if the project appears feasible.

- **Estimated Cost:** \$548,015
- **Deliverables:** Within twenty-five (25) months from NTP, the Local Government shall deliver the results of the Value Pricing Field Trial and the accompanying Go/No-Go evaluation. Throughout the duration of the project, the Local Government shall provide monthly work progress reports on the progress of work that corresponds to project charges being billed the same month.

Task 5: Recommendation

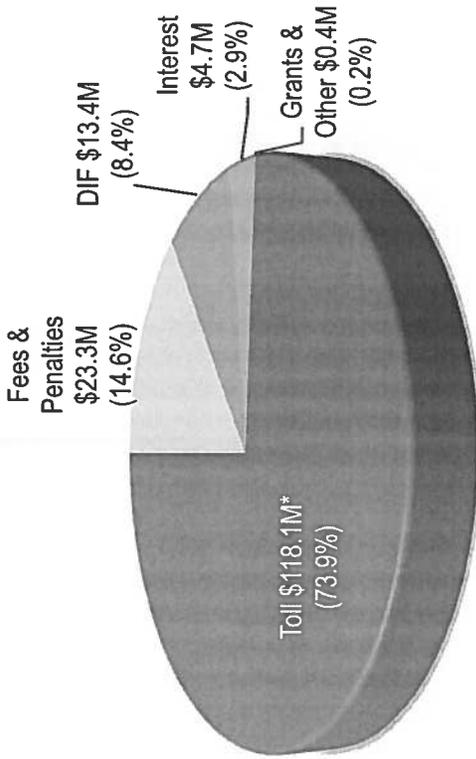
Upon conclusion of the field trial, a recommendation shall be presented to the CTRMA Board of Directors as to whether the pilot variable pricing structure for 183A will be made permanent. The insights derived from the pilot project will not only provide the necessary evaluation for possible implementation of a new variable pricing structure on the 183A Toll Road, but will also provide information that may warrant investigation of this approach on other tolled facilities in Austin and other metropolitan areas.

- **Estimated Cost:** \$142,015
- **Deliverables:** Within twenty-nine (29) months from NTP, the Local Government shall complete the evaluation process; provide documentation of the evaluation and present a recommendation to the CTRMA Board of Directors regarding the continuation of variable priced tolling for 183A. Throughout the duration of the project, the Local Government shall provide monthly work progress reports on the progress of work that corresponds to project charges being billed the same month.



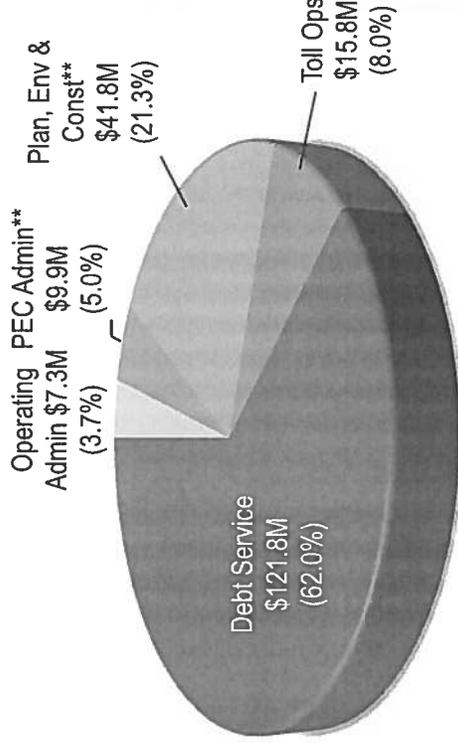
FY15 Proposed Revenues & Expenditures

- Operating expenses are funded with operating revenues (tolls, fees & penalties)
- Planning, environmental & construction (PEC) and related administrative expenses must be paid from unrestricted cash (Development Impact Fees, surplus revenue)
- \$23.8M of debt service funded with capitalized interest
- Toll revenue calculation assumes Alternative 1B



Total Proposed Revenues \$159.9M

* Transactional toll revenue of \$123.1M reduced by violations and non revenue transactions of \$5.0M



Total Proposed Expenditures \$196.6M

** Funded with unrestricted cash

North Texas Tollway Authority
 Summary of Funds
 FY 2013

Department	Operation and Maintenance Fund - (1001)	NTTA System Construction Fund - (3700)
Administrative Services:		
Administration	\$922,225	\$0
Board	235,003	0
Finance	4,246,847	3,911,320
Human Resources	1,470,626	0
Internal Audit	875,746	67,966
Legal Services	2,504,759	500,000
Public Affairs	2,773,697	0
Shared Services	8,474,022	0
Strategic & Innovative Solutions	1,267,881	0
Total Administrative Services	\$22,770,806	\$4,479,286
Operational Services:		
Customer & Support Services	\$44,387,815	\$0
Information Technology	12,949,116	0
Maintenance	26,046,348	0
Operations	356,845	0
Project Delivery	285,051	24,760,839
System & Incident Mgmt.	9,472,926	0
Total Operational Services	\$93,498,102	\$24,760,839
2013 Grand Totals	\$116,268,908	\$29,240,125
2013 Compared to 2012		
2012 Grand Totals	\$117,389,388	\$47,570,683
Increase / (Decrease)	(1,120,480)	(18,330,558)

E-470 PUBLIC HIGHWAY AUTHORITY

Management's Discussion and Analysis

December 31, 2013 and 2012

(Unaudited)

Summary of Revenue, Expenses, and Changes in Net Position

	2013	2012	2011
Operating revenues	\$ 133,739,697	120,064,437	111,362,630
Operating expenses before depreciation	(32,858,448)	(30,368,397)	(29,256,538)
Depreciation	(33,683,646)	(33,576,370)	(33,868,940)
Operating income	67,197,603	56,119,670	48,237,152
Nonoperating revenues (expenses):			
Vehicle registration fees	9,367,238	9,058,839	8,767,892
Interest expenses	(100,078,345)	(98,669,295)	(97,742,214)
Investment revenues (expenses)	18,815,030	14,049,640	(18,685,266)
Other income (loss)	2,209,400	(40,495)	1,936,036
Total nonoperating expenses	(69,686,677)	(75,601,311)	(105,723,552)
Loss before intergovernmental expense	(2,489,074)	(19,481,641)	(57,486,400)
Intergovernmental expense	(3,207,700)	—	—
Change in net position	(5,696,774)	(19,481,641)	(57,486,400)
Net position, beginning of year	(536,043,268)	(516,561,627)	(459,075,227)
Net position, end of year	\$ (541,740,042)	(536,043,268)	(516,561,627)

Operating revenues (which include tolls and other toll-related fees revenues) in 2013 and 2012 were \$133.7 million and \$120.1 million, respectively, for an increase of 11% over 2012. Operating expenses before depreciation increased by \$2.5 million to \$32.9 million in 2013. Depreciation expense remained consistent with prior year. Overall, operating income increased by \$11.1 million from 2012 to \$67.2 million. Total net nonoperating expenses decreased by \$5.9 million to \$69.7 million in 2013, which was attributed to the net decrease in the change in the fair value of derivative instruments and investments of \$4.7 million. This net decrease is due to lower interest rate spreads on the Authority's interest rate swaps during the period and lower rates of return on investments held. The overall decrease in net position was \$5.7 million in 2013, which is \$13.8 million less than the decrease in net position of \$19.5 million in 2012.

Operating revenues (which include tolls and other toll-related fees revenues) in 2012 and 2011 were \$120.1 million and \$111.4 million, respectively, for an increase of 8% over 2011. Operating expenses before depreciation increased slightly by \$1.1 million to \$30.4 million in 2012. Depreciation expense remained consistent with prior year. Overall, operating income increased by \$7.9 million from 2011 to \$56.1 million. Total net nonoperating expenses decreased by \$30.1 million to \$75.6 million in 2012, which was attributed to the net decrease in the change of the fair value of derivative instruments of \$35.9 million. This large decrease is due to lower interest rate spreads on the Authority's interest rate swaps during the period. The overall decrease in net position was \$19.5 million in 2012, which is \$38.0 million less than the decrease in net position of \$57.5 million in 2011.

OKLAHOMA TURNPIKE AUTHORITY

3500 Martin Luther King Avenue - P.O. Box 11357 - Oklahoma City, Oklahoma 73136-0357 - 405-427-8331

MEMORANDUM

Date: December 3, 2013
From: Wendy Smith
Subject: 2014 Annual Budget
To: Authority Members

Attached is the 2014 Annual Budget.

Toll Revenues together with Concession Revenues and Violation Processing Center Revenues are projected to be \$240,301,000.

Contained in this document is a breakdown of operating and maintenance expenses, along with a budget for Construction Fund Expenses, and projected expenditures for the 5-year Capital Improvement Program. The Capital Plan adopted by the Authority in 1994 identified expenditures over the next five years for system maintenance, rehabilitation and improvement. The plan is updated every year and the new plan is presented as a part of this Budget. This plan identifies specific projects and the funding sources which will be utilized to complete the project. The Capital Plan projects are funded from the Reserve Maintenance and General Funds.

This Capital program includes the use of funds from the Reserve Maintenance and General Funds. These projects are funded by the scheduled Reserve Maintenance Deposits required by the Trust Agreement. The required deposit to the Reserve Maintenance Fund for 2014 is \$47,075,000. This fund is primarily used to rehabilitate the existing Oklahoma Turnpike system. The balance of the Capital Plan will be paid from the General Fund Budget which is also used to fund the Capital Improvement Program for major rehabilitative improvements such as paving rehabilitation, bridge rehabilitation, and interchanges as well as any other major projects of the Authority.

In developing this Capital plan, the Authority continuously identifies the maintenance, rehabilitation and improvement needs of its existing system for the next 20 to 30 years and institutes a five-year maintenance and rehabilitation program designed to keep existing turnpikes in good condition thereby maintaining traffic flows and extending the useful life of the turnpikes. This five-year maintenance program is reviewed and updated on an annual basis. The Capital Plan for 2014 utilizes General Fund monies, in addition to Trust required Reserve Maintenance deposits, as well as Bond Proceeds through the year 2017. Total funding for the Capital Plan for the years 2014-2018 amounts to \$341,044,134.

This Capital Plan for the years 2014-2018 includes \$160.2 million for Paving Rehabilitation, \$37.8 million for Bridge Rehabilitation, \$6.6 million in Concession Area redevelopment, \$10.9

HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
 HPTC OPERATING FUND (COST CENTER 78700-537)
 PROFORMA CASHFLOW PROJECTION

	FY 15 Est											
	Budget	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Revenue												
Interest Earnings	8,800	8,949	12,000	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	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	2,163,200
Funding for Services Rendered	-	-	2,092,000	2,175,200	2,175,200	2,175,200	2,175,200	2,175,200	2,175,200	2,175,200	2,192,065	2,229,552
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	2,175,200	2,192,065	2,229,552

	FY 15 Est											
	Budget	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Expenses												
HPTC Staff Costs	400,000	404,000	408,040	412,120	416,242	420,404	424,608	428,854	433,143	437,474	441,849	446,274
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	156,192
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	42,397
Consulting Services	200,000	202,000	204,020	206,060	208,121	210,202	212,304	214,427	216,571	218,737	220,924	223,134
Annual Audit	5,100	5,151	5,203	5,255	5,307	5,360	5,414	5,468	5,523	5,578	5,634	5,691
Accounting Services	50,000	50,500	51,005	51,515	52,030	52,551	53,076	53,607	54,143	54,684	55,231	55,783
Board Expenses	5,000	5,050	5,101	5,152	5,203	5,255	5,308	5,361	5,414	5,468	5,523	5,578
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	27,334
Operating Expenses	10,500	10,605	10,711	10,818	10,926	11,036	11,146	11,257	11,370	11,484	11,599	11,715
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	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	1,254,997	1,264,446	1,274,900

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
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	1,558,799	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 SR Loan Rate 2.50%

1) Estimated rate based on F15 Approved HPTC Fund 537 Budget 4,28.14