

Resolution – HPTE #199

Authorizing the HPTE Director to Evaluate Financing Alternatives for the I-25 North Express Lanes Segments 7 and 8 Project

WHEREAS, pursuant to Section 43-4-806, *et seq.*, C.R.S., the General Assembly of the State of Colorado (“State”) created the Colorado High Performance Transportation Enterprise (“HPTE”) as a government-owned business within the Colorado Department of Transportation (“CDOT”) to pursue innovative means of more efficiently financing important surface transportation projects that will improve the safety, capacity, and accessibility of the surface transportation system; and

WHEREAS, CDOT, in partnership with HPTE, is investigating alternatives to fund the proposed I-25 North Express Lanes Segments 7 and 8 Project, which includes the construction of one new tolled express lane in each direction on I-25, from approximately State Highway 14 near Fort Collins, to State Highway 402 in the vicinity of Loveland (the “Project”); and

WHEREAS, the Transportation Commission has instructed CDOT staff to submit an application to the U.S. Department of Transportation, no later than April 29, 2016, requesting funding support for the Project through the USDOT Transportation Investment Generating Economic Recovery (TIGER VIII) Discretionary Grant Program, and committing up to \$80 million in state matching funds to the overall funding plan for the Project; and

WHEREAS, CDOT has also requested that HPTE investigate the potential for obtaining up to \$50 million in additional financing for the Project, to be supported by a pledge of future user fee revenues imposed by HPTE and collected on the Project; and

WHEREAS, pursuant to Sections 43-4-806(2)(c)(I) and (II), C.R.S., HPTE is authorized to impose user fees on the travelling public for the privilege of using surface transportation infrastructure, and to issue revenue bonds, including any bond, note, interim certificate, commercial paper, contract, or other evidence of indebtedness, for the purpose of completing surface transportation infrastructure projects; and

WHEREAS, the Board of Directors of the HPTE (the “Board”) supports the Project and CDOT’s TIGER VIII application, and recognizes the benefits the Project would provide to the State, which include, but are not limited to, improving travel times, managing congestion, and providing travelers with a choice of a new travel lane.

NOW THEREFORE BE IT RESOLVED, the Board hereby authorizes and directs the HPTE Director to study the financial viability of the Project; to explore and evaluate alternatives for financing up to \$50 million backed by a pledge of future Project user fee revenues; to conduct any additional studies necessary in support of such investigations, including, but not limited to, a Level 3 investment grade traffic and revenue study or other appropriate study, subject to the availability of funds; to pursue negotiations with potential

lenders and/or underwriters of the proposed financing; to present such financing alternatives to the Board for its further consideration and approval; and to take any other actions approved by the HPTE Director and not inconsistent with this Resolution to support CDOT's application for discretionary grant funding through the USDOT TIGER VIII program and other efforts to fully fund the Project.

Signed as of April 20, 2016

Kari V. Grant
Secretary, HPTE Board



Date: April 20, 2016
To: High Performance Transportation Enterprise Board
From: David Spector, HPTE Director
Subject: Evaluation of Financing Alternatives for the I-25 North Express Lanes Segments 7 and 8 Project

Requested Action

Approval of Resolution #199 authorizing the HPTE Director to investigate financing alternatives for up to \$50 million, to be backed by future project user fee revenues, for the I-25 North Express Lanes Segments 7 and 8 Project.

Policy Implications

Approval of Resolution #199 does not commit HPTE to approving a financing. An additional policy implication includes the question of whether HPTE should continue to pursue short-term construction loan financing (as with the I-70 MEXL and I-25 North Segment 3), with a backstop provided by the Transportation Commission in the event toll revenues are insufficient to support HPTE's obligations, or whether HPTE should instead pursue longer term bond financing that generates less revenue up front, but locks in interest rates for a longer term.

Background and Details

The Transportation Commission is separately considering a resolution instructing CDOT to submit an application for discretionary grant funding through the USDOT TIGER VIII program for the I-25 North Express Lanes Segments 7 and 8 Project. The Transportation Commission cover memorandum, attached to this memorandum, describes the complete funding package contemplated for the Project, including potentially up to \$50 million in toll-revenue backed financing from HPTE.

Next Steps

If approved, HPTE staff will begin coordination with OMPD to explore whether a Level 3 investment-grade Traffic and Revenue Study, or other similar study, is desirable for pricing various financing scenarios, after which staff will begin evaluating request for proposal alternatives for financing delivery options.

Recommendation

Authorization for the HPTE Director to investigate financing alternatives for up to \$50 million for the I-25 North Express Lanes Segments 7 and 8 Project.

Attachments

- April 26, 2016 Transportation Commission Memorandum re USDOT's TIGER VIII and FASTLANE Discretionary Grant Program
- Resolution #199



DATE: April 21, 2016
TO: Transportation Commission
FROM: Herman Stockinger, Office of Policy & Government Relations
SUBJECT: USDOT's TIGER VIII and FASTLANE Discretionary Grant Programs

Purpose

To provide an update on the TIGER VIII application for the North I-25 Express Lanes- Phase 1 improvements to Segments 7 and 8 project (North I-25), as well as inform the Commission on decisions regarding the FASTLANE projects considered by Commission last month.

Action Requested

1. Approve \$5 million of SB 228 Transit funds for transit elements of the TIGER VIII project via resolution.
2. Continue to support exploring a construction loan for the North I-25 project, but also commit to "making up the difference" if the grant application is successful and the construction loan is approved by the HPTE for less than \$50 million.

TIGER VIII Background and Status Report

The project is expected to cost approximately \$235 million (though cost estimates are ongoing), with project funding as follows:

- \$25 million: TIGER VIII request
- \$25 million: Local and Developer funds- much progress has been made on this goal, as follows:
 - \$10 million- Larimer County
 - \$6 million- developer funds
 - \$2 million- Fort Collins
 - \$2 million- Loveland
 - \$2 million- Weld County
 - \$1 million- Windsor
 - \$1 million- Johnstown (this equates to \$100 for every person living in Johnstown- you can't get much more "all in" than that!)
 - \$500k- Timnath
 - Targeting additional funds during the month of April from other communities
- \$80 million: CDOT state funding- confirmed by the Transportation Commission via resolution in March.
 - The legislature recently committed to FY '17 (year 2) SB 228 funds in the amount of \$159 million, with funds transferred on June 30, 2017 with no economic trigger. However, the state funds can be any state funding source and not specifically identified unless the grant is awarded.
- \$5 million: CDOT SB 228 funding for transit (between FY '16 and FY '17 the transit portions of SB 228 should amount to approximately \$35 million).
 - This is a new request, and the transit element greatly enhances the application and corridor mobility. The total transit costs are expected to be close to \$10 million, with the other costs supported within the existing project costs.
- "Up to \$50 million": Short term construction loan from HPTE.
 - CDOT received preliminary Traffic & Revenue Study (T&R Study) numbers on April 8, and continue to analyze them. However, initial indications are that \$50

million may be high end of a potential loan amount that is supported by Project revenues. This necessitates the Transportation Commission to consider whether the expected gap may be filled with state funds- see below for additional details.

Construction Loan Details

While banks are prepared to offer a short term construction loan to HPTE, based on CDOT's credit, of \$100 million or more, for TABOR purposes, the amount of the loan must correspond more directly to the expected toll revenue that would be generated for HPTE, and used to finance the debt. Preliminary analysis of the recent T&R Study indicate the revenue that could be used to pay off construction debt is closer to \$50 million, and is not expected to allow repayment of a \$100 million loan in even a high revenue scenario.

Any TIGER application must articulate the project cost, and identify revenue to pay for those costs. For that reason, staff would like to identify consideration of a construction loan of likely no more than \$50 million, with the gap being backed by other funds.

With that in mind, the Transportation Commission has several options.

1. Commit to state funds (i.e. SB 228 or other state funds) of an additional \$50 million.
2. Commit \$30 million (or about two years) of federal funds (i.e. the new federal formula freight funds or other federal funds) and an additional \$20 million of state funds. This may be more palatable for the Commission, but would likely make the application slightly less competitive due to the lower overall state and local match. (Staff Recommendation)
3. Do not pursue the TIGER Grant for North I-25 because the department is unable to commit an additional \$50 million for the project.

FASTLANE Update

Staff presented four potential FASTLANE projects to the Commission in March. Because the department is limited to only three applications, and applications were due April 14, the Commission gave staff the discretion to submit three of the four and report back in April on which projects were chosen.

As of the writing of this memo, we are pleased to report that all four projects are expected to be submitted thanks to La Plata County agreeing to be the primary sponsor for the US 550/160 Connection. CDOT will submit (and likely did on April 14) the US 287 Lamar Reliever Route, and the US 85 Highway/Rail Corridor. The "Multi-State" Truck Parking Information & Management System is no longer a multi-state application, as other states were unable to respond to the grant opportunity in the time allowed. Grant awards are expected to be announced this fall.