C-470 – Kipling Parkway to I-25
Tolled Express Lane Alternative Costs and Financing

COSTS:
Capital Cost of $325M (in 2005 dollars) for the tolled express lanes alternative includes:

- Design, right-of-way and construction to add 4 tolled express lanes to 4 existing general purpose lanes
- Modifications at I-25 interchange for operational improvements
- Modifications to several arterial intersections for operational improvements
- Access to the tolled express lanes at Colorado Boulevard
- Rehabilitation of existing general purpose lanes

Capital Cost of $60M for the Santa Fe interchange includes:

- Design, right-of-way, and reconstruction of Santa Fe Interchange

TOLL REVENUES AND FINANCING:
Analysis indicates that enough toll revenue can be collected to finance the capital construction of the project, project financing, operations and maintenance costs, and future major maintenance costs. The analysis also indicates that reserve funds will remain after these costs are paid.

Specifics of the analysis:

1. The capital construction cost (not including the Santa Fe interchange) will be financed from bond proceeds and loan proceeds. A 40-year bond term was used in the analysis. After a three year construction period, the next 37 years of toll revenues will be used to pay operations and maintenance costs, and to retire the finance costs *(debt service)* of the bonds and loans.

2. A preliminary traffic and revenue feasibility study determined how much toll revenue is estimated to be collected. The result is annual gross toll revenues
The 37-year cumulative gross toll revenues is estimated to be $2.02 billion.

3. Annual operations and maintenance costs were estimated based on C-470 historical costs.
The 37-year cumulative operations and maintenance costs is estimated to be $240 million.

4. Annual net revenues were determined by deducting the operations and maintenance costs from the gross toll revenues and adding an amount that can be earned by investing available capital.
The 37-year cumulative net revenues is estimated to be $1.85 billion.

5. Using the net toll revenues, a financial analyst examined several scenarios financing the project through bond proceeds and other loans (including TIFIA (Transportation Infrastructure Finance and Innovation Act)).
The 40-year cumulative finance costs (*debt service*) for the bonds is estimated to be $1.06 billion. The 30-year cumulative finance costs (*debt service*) for the TIFIA loan is estimated to be $300 million. The combined total is $1.36 billion

6. The analysis indicates that excess net revenues will be available after operations, maintenance, and project financing costs are deducted.
The 37-year cumulative excess toll revenues is estimated to be $500 million.
The excess net revenues could be used for several needs, including major maintenance, additional improvements to the facility and adjacent transportation facilities, or other transportation improvements in the Denver metro area.

WHAT'S NEXT?:

- An investment grade traffic and revenue study needs to be performed to achieve an investment grade rating for selling bonds
- Denver Regional Council of Governments (DRCOG) needs to amend the Regional Transportation Plan to include the C-470 improvements
- Full funding for the Santa Fe interchange improvements needs to be identified. (Currently, $5M is secured for these improvements)

OTHER KEY POINTS AND ASSUMPTIONS:

- The study assumed that the opening day toll rates will be $0.06 per mile in the off-peak periods ($0.75 for a 12.5 mile trip from end to end) and $0.20 per mile during the busiest peak periods ($2.50 for a 12.5 mile trip from end to end). The toll rates will increase in future years to account for additional traffic and inflation.

- Bond rating agencies require coverage ratios for toll facilities. The coverage ratio is a safeguard should toll revenues be lower than they were estimated. The C-470 financial analysis assumed coverage ratios of 1.75x net revenues for senior lien bonds, a minimum target of 1.30x net revenues for subordinate lien bonds, and minimum target of 1.10x net revenues for the TIFIA loan. Therefore, assuming that revenue projections are realized, the funds set aside in reserve would become available for other uses, and are known as "excess toll revenues."

- Neither the Colorado Tolling Enterprise (CTE), the Colorado Department of Transportation (CDOT), nor the State of Colorado have any liability to make debt service payments in the event that toll revenues are insufficient to make debt service or TIFIA loan payments. Each bondholder and TIFIA acknowledge in the loan documents that they have no recourse to any revenues except those generated by the project.

- The analysis did account for the possibility of rising interest rates. The rates on the bonds were inflated by 75 bps to account for market movements between current rates and rates that may be present when bonds are marketed in the future.

- The analysis does not assume non-compete clauses and but rather takes into account major improvements to the closest parallel facility (County Line Road).