

High Performance Transportation Enterprise

I-70 East PRE-RFQ Town Hall Events

Questions & Answers

Introduction

In July 2014, The Colorado Transportation Commission asked the High Performance Transportation Enterprise (HPTE) to explore a possible public-private partnership (P3) for the proposed I-70 East project. HPTE is committed to transparency and conducted town halls to solicit public input, as well as to provide financial and procurement process information. HPTE hosted a telephone town hall Oct. 16 and a town hall event, Nov. 5, to discuss the priorities and process for finding a partner for the improvements on I-70 East Denver.

Speakers from CDOT, HPTE and the I-70 East EIS project team were at the town hall events to discuss how the HPTE is exploring private investment to finance and accelerate improvements to I-70 East; the process of finding the right private partner for I-70 East; and to highlight elements of a possible Request for Qualifications.

Below are the questions and answers received during the two HPTE town hall events. Additional project information is also available at www.i-70east.com and HPTE information can be found at www.coloradohpte.com.

HPTE PRE-RFQ Telephone Town Hall

Questions & Answers

Thursday, Oct. 16, 2014

Q: Is there any guaranteed participation by communities in which the project runs through or is it just at the state level--for instance, in hiring? Will there be a requirement that some of the people that are being hired are in the community they are working in? Any input when they have questions, where should they go? What's better for the community? Will they come to us, or is that handled at a state level?

A: CDOT is prohibited by Federal law from requiring contractors to hire from a particular location or neighborhood. However, CDOT can facilitate opportunities to promote local hiring, including hosting local job fairs. In general, community outreach will continue to be a very important part of the I-70 East project, particularly as we move closer to construction. CDOT will look to a variety of tools to ensure that local residents and businesses are well informed of the construction phasing and approach.

Q: I have questions about financing, and what additional financing is now required.

A: The total cost of improvements for the full I-70 East project from I-25 to Tower Road is \$1.8 billion. CDOT is not able to fund this entire amount. Instead, several project phases have been identified, including a first phase estimated at about \$1.2 billion. As a significant portion of this project includes the I-70 East viaduct, the project is eligible to receive funding from the Colorado Bridge Enterprise. The Denver Regional Council of Governments also has made of commitment of funds. However, additional funding will be needed to complete the first phase project, and CDOT is currently investigating options, including the possibility of private investment.

Q: If CDOT does one of these public-private partnerships to build I-70, will it be like the public-private partnership on US 36 or is it going to be something different?

A: Each project is unique, and the US 36 Project is a very different proposition than what we are considering for I-70 East. One primary difference between US 36 and the public-private partnership being evaluated for I-70 East is that revenues generated from the new Express Toll lanes would not be included as a part of any partnership with the private sector.

Q: In a public-private partnership between CDOT and a private company on a highway project, what happens at the end of the contract? Does the State take over all the maintenance and management, or is the contract extended? I'm not sure what exactly happens at the end of the contract.

A: CDOT will take over responsibility for operating and maintaining at the end of the contract.

Q: I've heard that there is some alternative plan of moving the highway north to 76th and 270 and then rebuilding I-70 in the city to be a boulevard. I don't know much about it. Could you talk about that?

A: The concept of moving or relocating the interstate has been studied multiple times over the 11-year history of the I-70 East study effort. Through this work, CDOT and FHWA have determined that rerouting the interstate is not a viable option for multiple reasons, including local traffic impacts associated with converting 46th avenue to a six-lane boulevard (similar to Colorado Boulevard). The Supplemental Draft Environmental Statement (available at www.i-70east.com) includes additional information on CDOT's evaluation of the reroute concept.

Q: Since highways like I-70 are Federal Highways, is there any way we can get a portion of it paid for by the Federal Government?

A: There is no dedicated federal funding pool for projects on interstates. Instead, CDOT receives an annual apportionment of the Federal gas tax, which is distributed to projects around the state. While some federal funding is anticipated for the I-70 East project, including a possible loan, the majority of the project will be funded through state-only funds.

Q: If I-70 becomes a toll road, many drivers who use the current I-70 will not use the new toll road. What is being done about the secondary roads we will have to use to move across this town?

A: CDOT has not proposed converting I-70 into a toll road. The same general purpose lanes available today for free will remain at the project's completion. What has been proposed is constructing new capacity as Express Toll lanes in order to manage congestion and provide travelers with a reliable trip over the long term, even as Colorado's economy and population continue to grow.

Q: I was interested in knowing who would be handling the finance. Would it be CDOT, or will you have a separate group of persons appointed to be over the finance, and who is responsible for keeping check on the balances and so forth of the finance? Because I understand what you said we'll be having several funds from different places, so who will be handling that?

A: CDOT will be 100 percent in control of the finances. We will make sure the work done by the contractors meets our standards before we pay them on any aspect of things. It's up to CDOT to make sure that we're doing the quality control, the quality oversight that's necessary for us to feel comfortable to pay them for the services that they are charging us for. Once that's done, then we go into potentially an operational phase where we again make sure that they are doing everything we ask of them, and if they don't, we have the ability to withhold funds from them, so it is a very positive arrangement for Coloradans.

Q: How much of the work is actually done with CDOT employees when it comes to paving and bridge repair, and how much is done with outside vendors?

A: CDOT maintains a large and dedicated maintenance staff that is responsible for much of the day-to-day maintenance of our highways, including snow plowing. However, CDOT is required

by state law to contract with the private sector for all work over \$100,000. This means that private companies do the majority of construction work on state highways.

Q: The second part of the question was why were revenues declining from the past 25 years that you mentioned earlier?

A: Transportation is funded primarily by state and federal gas tax. Colorado's gas tax has been 22 cents for over 20 years – since January 1991. Gas tax revenue depends on the number of gallons sold, not the price. When the gas prices increase, the tax paid per gallon stays the same. Even if it costs more to pay at the pump, that does not translate into more money for roads and bridges. Further, with the increase in fuel-efficient, hybrid, alternate fuel and electric vehicles has led to a decline in gallons of gas purchased and in expected transportation funding. However, these vehicles still cause wear and tear on our highways.

Q: How will the toll rates will be set? And if there is a private partner, will the private partner get to set them all by themselves, will CDOT or the PUC get involved, or have a say in what the toll increases are going to be?

*A: Express Toll Lanes are being proposed for I-70 East strictly as a traffic management strategy, not to generate revenues or to use as part of a public-private partnership. Toll rates will be established by the High Performance Transportation Enterprise Board of Directors and will be set at a level necessary to maintain free-flow traffic conditions in these lanes. As noted earlier, existing general purpose lanes will **not be tolled**.*

Q: It seems to me it's undeniable that a rise in gas tax, let's say, a penny per month, would have a lot of benefits including encouraging energy efficient technology, providing money to fund infrastructure projects, and benefits to global warming, and I wonder why it's so difficult to get instituted.

A: Congress could raise the federal gas tax and in Colorado and it would take a state-wide vote of the people to raise the gas tax.

Q: I read all the time about large construction projects getting hit by schedule overruns and running over budget. How do you deal with this in a public-private partnership? Does the private partner have to pay or do the State and taxpayers? Who is responsible for those costs?

A: One of the strongest benefits of a public-private partnership is that CDOT and the State transfers the risk of those challenges over to the concessionaire or the private partner, and they

bear the responsibility of dealing with those cost overruns and the unforeseen things that we may encounter as we do construction. Providing a guaranteed price for a certain amount is a key advantage of a public-private partnership. .

Q: Who makes the final decision in the process that looks at a public-private partnership? The decision, is it through CDOT, do they make the final decision? Does HPTE make the final decision?

A: CDOT, in partnership with the HPTE, makes the final decision.

Q: There's been a story about P-3 projects and toll roads that turn into big financial problems. For example, I read that the private partner operating a highway in Illinois and Indiana simply went bankrupt. What happens if these P-3 projects, what the State's going into, and they're looking at they don't meet their financial projections, and the private partner goes bankrupt, something like that?

A: The contract with the private partner has provisions should the private partner go bankrupt or not meet its standards and criteria. A private partner would lose their equity put into the project and the state would resume ownership. In regards to the

Q: With the mention of financial decline, is there a consideration of green materials being used to help in the durability of the project?

A: One advantage of partnership with the private sector is that we allow the contractors to bring the innovation and the best practices from around the world to these projects. If there are any green products, or other things out in the industry that will meet our specifications and give us longer durability, we welcome that innovation on this project.

Q: As far as the money that will be generated from the tolls, where does that money go?

A: Tolling decisions and revenues of the toll lanes will be in the hands of CDOT and the HPTE. We are required by state and federal law to use these revenues in the same corridor and for transportation purposes (I-70 East toll revenues can't, for example, be used to fund projects along I-70 West in the mountains). In the past, we have sought input from local governments on the use of excess toll revenue, beyond what is needed to operate and maintain the highway.

Q: I recently read from the Denver Auditor that the concessionaire would be guaranteed a minimum amount of income from the tolls, and if there was insufficient use of the tolls,

CDOT would have to come up with money in some other way to meet that obligation. Is that true? What happens if the toll lanes aren't used as much as planned?

A: As noted above, CDOT is not anticipating utilizing toll revenues as part of a public-private partnership. This means that toll revenues will not be pledged or committed to a private partner. It is true that CDOT is evaluating a public-private partnership model based on annual "availability payments" to a private partner. This requires a long-term funding commitment on the part of CDOT. Toll revenues could (or could not) be one source of those payments.

**HPTE PRE-RFQ Town Hall
Questions & Answers
Wednesday, Nov. 5, 2014**

Q: What if your bids far exceed your cost estimates for the project?

A: In the procurement process, CDOT and HPTE communicate to potential partners how much money is available and what is considered the base project the Department would like to see constructed with these funds. If the bids we receive back exceed available funds for some reason we will reevaluate the request. However, it is more often the case that private companies propose doing more elements of the project.

Q: What happens if the contractor defaults?

A: The contract with the private partner has contingencies, including insurance bonds to ensure the project is finished and returned to the State.

Q: We are going to be borrowing money to build this project and yet TABOR is set up so that if we have any kind of a surplus currently, that money goes back to the citizens of CO. Why is this contracting situation being used, as opposed to a longer-term project that figures out how the state can afford it itself?

A: TABOR is an issue for any kind of public borrowing in this state. CDOT has identified three potential sources of funding for this project:

- 1. Money collected from the Bridge Enterprise Fund – which is exempted from TABOR*
- 2. Senate Bill 228 money – which comes from the state general fund, and connects with legislation enacted to direct money to CDOT over a five-year period when a state revenue trigger 'A' is pulled. However, if revenues are higher it pulls trigger 'B', then that money is sent back to the tax payers. CDOT can't borrow on these funds.*
- 3. We have funds from DRCOG and federal loans.*

Q: Is there anywhere else in the country that has a P3 on a section of I-70?

A: Not that we are aware of.

Q: For the private partners, what is the financial upside?

A: Design build contractors can make about 10% or so on projects such as this. The lending institutions will make money on those loans at about 3.5%. With a bond, the return is 5%. In a design build, those parties will benefit. On a project like I-70, if there's a P3, the long-term operator of the road will receive a fixed fee or annual payment.

Q: What would the toll be if we took the toll lane?

A: The purpose of the toll is to manage congestion and provide a constant option for travelers to choose a faster way through the corridor. We are using a toll to make sure the congestion in the lane is low enough so that there isn't any back up, so people have a thru-pass through the traffic. The price of the toll will depend on time of day – a higher toll for higher congestion times of day.

Q: Will drivers be expected to have the transponders? You have to have signage to make sure people know what is going on.

A: No, but we will work hard to encourage people to use the transponders. Signage, and a public information campaign, will be very important, as it is on all toll corridors.

Q: What percentage of the jobs that are from this project are local jobs, small business?

A: CDOT is prohibited by Federal law from requiring contractors to hire from a particular location or neighborhood. However, CDOT will establish goals for the utilization of small and disadvantaged businesses.

Q: Is CDOT aware of the fact that people do not want 8 lanes and where are the toll lanes going to be, will they be long enough?

A: We are aware of the different points of view on the scope of the project. Extending toll lanes along the length of the corridor allows us to manage congestion most effectively.

Q: If we build a bigger road, won't we be bringing more cars to the road? Build it and they will come? Where did you get this growth figure from?

A: There is a transportation model to project growth, so we can plan how big of a road we will need in the next 50 years. The numbers we use come straight from the DRCOG model. CDOT does not do these models. We rely on the municipalities and the Colorado state demographer—they provide us with the data, based on their projected growth and land use.

Q: There are going to be a lot of people that a \$1-\$2 additional toll fee will be a problem and if they are in a traffic period that causes a lot of problems with them getting to their

destination. Are there any thoughts about giving low-income people a discount on these toll fees, so they can get to their jobs?

A: We are looking for ways to make the Express Toll lanes easy to use and accessible for all people. As noted above, today's free (general purpose) lanes will remain free. Travelers will have a choice which lanes they want to drive.

Q: Can you talk a little bit about the HPTE team itself. Does the Governor appoint people to the team and what is the background of those people?

A: The HPTE is a division of CDOT created by legislation in 2009. The HPTE director reports to a board of directors appointed by the Governor, and members of that board include members of the state Transportation Commission. They are selected for their familiarity and knowledge of finance and transportation. The HPTE has a staff of four.

Q: Could you talk about the financing questions around the drainage system at I-70 East, and the maintenance costs?

A: We have a variety of different components to the proposed drainage solution, which is a significant consideration for this project. We estimate at this time that that cost is \$25-35 million; this is included as part of base project costs.

Q: You talk about economic benefit to the community. You have an 8-year building project, what happens after the 8 years?

A: We estimate a construction cycle of four to five years. We want to minimize the disruption to the area, and an important part of the RFQ process is having interested teams show us how they will communicate with the community and the stakeholders during and after construction.

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