



COLORADO
HPTE

PARTNER. INNOVATE. ACCELERATE.

Annual Report : FY 2012
JANUARY 15TH, 2013



COLORADO HIGH PERFORMANCE
TRANSPORTATION ENTERPRISE

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COLORADO HIGH PERFORMANCE TRANSPORTATION ENTERPRISE

Seeking out opportunities for innovative finance and delivery
of surface transportation infrastructure projects in Colorado.

OVERVIEW

The Funding Enhancement for Surface Transportation and Economic Recovery Act (S. B. 90-108), otherwise known as **FASTER**, created the High Performance Transportation Enterprise (HPTE) as a government-owned business within the Colorado Department of Transportation (CDOT).

The HPTE has the responsibility to seek out, in partnership with local agencies, communities, and private industry, opportunities for innovative and efficient means of financing and delivering important surface transportation infrastructure projects in the State. It has the power, among others, to impose tolls and other user fees, to issue revenue bonds secured by those fees and to enter into contracts with public and private entities to facilitate public-private partnerships (P3's). The law also introduced a new governance structure, creating an HPTE Board of Directors which includes a mix of State Transportation Commissioners and external stakeholders appointed by the Governor to make it better able to pursue P3's and other creative financing mechanisms. The HPTE is an "enterprise" for purposes of section 20 of Article X of the State Constitution so long as it retains the authority to issue revenue bonds and receives less than 10 percent of its total revenues in grants from the State and local governments.

FASTER requires that the HPTE issue a report of its activities for the previous year to the Legislature by February 15, 2013—with the report posted to the HPTE website no later than January 15, 2013. This report fulfills that requirement and can be found at www.coloradohpte.com.

ORGANIZATION AND SUMMARY OF ACTIVITIES

HPTE BOARD

The HPTE Board consists of three members of the Transportation Commission and four external members who are appointed by the Governor from each of the following geographic areas:

- The Denver Metropolitan area
- The North Front Range Metropolitan Planning Organization (MPO) area
- The Pikes Peak Council of Governments MPO area
- The I-70 Mountain Corridor area

In September, three of the four Board of Directors members who are appointed by the Governor were reappointed by Executive Order with fixed terms of service, and the Board amended the Bylaws to reflect this. In December, the fourth appointment was made to fill a vacant seat.

HPTE BOARD MEMBERS

Name	Area Representing	Term Expires
Trey Rogers, Chair	Transportation Commissioner District 1	At pleasure of the TC
Kathy Gilliland	Transportation Commissioner District 4	At pleasure of the TC
Doug Aden	Transportation Commissioner District 7	At pleasure of the TC
Charlotte Robinson	Denver Metropolitan Area	10-01-13
Don Marostica	North Front Range MPO Area	10-01-15
Dan Cleveland	Pikes Peak MPO Area	10-01-13
Tim Gagen, Vice-Chair	I-70 Mountain Corridor Area	10-01-15

STAFF

Michael L. Cheroutes was selected as Director of the HPTE in August 2010. HPTE has three other full-time staff members: Executive Assistant Jane Hickey, who also serves as Secretary to the Board of Directors, and HPTE Specialists Kari Grant and Nicholas Farber, who are responsible for project management, internal and external stakeholder development, and communications, among other functions. Part-time CDOT staff to the HPTE are accountant Kay Hruska and budget analyst Julie Becker. Additional support is provided by other CDOT employees, with time billed to the HPTE cost center, and by outside consultants as necessary to the HPTE mission. All expenditures are tracked independently from CDOT expenses to maintain a clear separation of the two organizations.

ORGANIZATION AND SUMMARY OF ACTIVITIES

MEETINGS AND SPECIAL EVENTS

In 2012, the HPTE Board of Directors met 12 times in regular session, and once in special session.

Meeting Dates	Type
January 18, 2012	Regular
February 15, 2012.....	Regular
March 21, 2012.....	Regular
April 18, 2012	Regular
May 16, 2012.....	Regular
May 30, 2012.....	Special
June 20, 2012	Regular
July 18, 2012	Regular
August 15, 2012	Regular
September 19, 2012.....	Regular
October 17, 2012	Regular
November 14, 2012	Regular
December 19, 2012	Regular

KEY ACTIVITIES

The key activities of the HPTE in 2012 include the following:

Program Development: Throughout the year, HPTE and CDOT worked together to clarify their respective roles and responsibilities in the delivery of surface transportation projects. HPTE and CDOT have identified the need to develop an operational agreement, in the form of a Memorandum of Understanding (MOU), to coordinate the planning, delivery and oversight of major projects. HPTE has contracted with HNTB (who helped develop the HPTE Strategic Plan in 2010) to assist with this endeavor. It is anticipated that the Operations MOU will be finalized at the end of June, 2013.

In September, key staff from HPTE and CDOT travelled to the Commonwealth of Virginia to meet with the Office of Transportation Public Private Partnerships in a peer-to-peer exchange. The day-long discussion covered DOT and P3 organizational issues, maintenance, operations and construction issues, and other lessons learned. Some of these findings are being incorporated into the Operations MOU.

SUMMARY OF KEY ACTIVITIES

US 36 Public Private Partnership (P3) Procurement: HPTE continues its efforts to procure a P3 toll concession project for Phase 2 of the US 36 Bus Rapid Transit/ Managed Lanes project. In February, 2012, the HPTE Board of Directors authorized the P3 Concession model and the release of a Request for Qualifications (RFQ) to the industry. A shortlist of three proposing teams was selected in May, 2012. HPTE, with the assistance of its advisors and consultants, developed a draft Request for Proposals (RFP) and initiated three rounds of one-on-one meetings with the proposing teams in order to advance to a Final RFP. The Final RFP was released on December 14, 2012, and proposals are due on March 1, 2013. A preferred proposer will be selected on April 5, 2013, with financial close in the fall of 2013. The chosen Concessionaire will design, build and finance and operate and maintain the US 36 facility (including the I-25 Express Lanes) in a 50-year operating agreement.

In December, HPTE was granted a \$100 million allocation of private activity bonds (PABs). This allocation is a capital source for construction of the Phase 2 project. HPTE will issue the bonds, which will be paid for by the Concessionaire with toll revenues.

TIFIA Loans: HPTE and CDOT continue to monitor the use and reporting of the \$54 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan awarded by the US DOT in 2011 for Phase 1 of the US 36 project. In May, the TIFIA lender invited HPTE to apply for another loan for Phase 2, which loan application will be undertaken by the Concessionaire. Relating to this lending activity, in August Fitch Ratings released its Annual Surveillance Review of Private Rating of the Phase 1 TIFIA loan, affirming the favorable BBB- rating and stable outlook.



SUMMARY OF KEY ACTIVITIES

HPTE Rule Making: HPTE has embarked on a formal rule making process, whereby adopted toll enforcement and adjudication policies take the effect of law. In August, the Board approved updated policies that conform to the policies of E-470, which provides toll enforcement and adjudication services for HPTE. In September, CDOT's Rule Administrator provided public notice that HPTE is engaging in the rule making process, with the opening of rules in December. A public rule making hearing will be conducted by the Board in February.

HOV Policy Change: In May, the Board began discussing the eventuality of shifting to an HOV 3+ policy on tolled managed lanes. Feedback from FHWA, credit rating agencies and the industry indicates that an HOV 3+ policy will have a positive impact on the viability of the US 36 project, and future tolled managed lanes such as the I-25 North interim project. Preliminary analysis indicated an HOV 3+ policy will have minimal impact on congestion in the general purpose lanes, and significantly reduce the subsidy needed to initially finance tolled managed lanes projects and support the long term financial sustainability of these projects. In September, HPTE submitted a Long Range Plan amendment to the Denver Regional Council of Governments (DRCOG) to support the policy change for US 36.

The HOV 3+ policy will be triggered by a "change event" relating to defined transit delays, degradation of average vehicle speed in the managed lanes, or HOV 2+ vehicle volumes exceeding a defined number of "passenger car equivalents" in peak periods. This triggering of HOV 3+ on any tolled managed lanes facility will then also become policy on all other such facilities.



SUMMARY OF KEY ACTIVITIES

HPTE Budget Development: The US 36 P3 procurement is heavily front-end weighted with consulting costs to determine a financing delivery method and provide procurement templates for future transactions. In response to this, budget modifications have been implemented and HPTE is invoicing the regional business offices for fees for HPTE services related to developing P3 projects. The proposed FY 2013 Operating Fund and Special Revenue Fund budgets are based closely on prior fiscal year expenditures.

Marketing, Outreach and Communications: An element of the HPTE's business plan is to market Colorado transportation projects to the P3 industry. The HPTE Director and others on staff made a number of presentations about the HPTE and potential projects in the state, including the Annual Transportation Research Board meeting in Washington DC, and the 4th North American Strategic Infra Leadership Forum in Denver.

Communication and marketing of the HPTE have also been accomplished through peer-to-peer interactions with other departments of transportation, and through the P3 procurement process. This year, HPTE staff attended the Annual IBTTA Meeting and Conference in Orlando, resulting in many new contacts within the industry.

Tolling Administration and Supervision: HPTE continues to work with Region 6 staff to manage operations of the I-25 Express Lanes. The quarterly performance reports, an outstanding safety record, reliable trip times and stable revenues are the primary deliverables from this collaboration. In June, Region 6 and HPTE jointly produced "I-25 HOV/Tolled Express Trends, 2006 to Present," a presentation and special report to the Board of Directors. This analysis looked at the historic performance of the Express Lanes, clarifying how the system will likely perform in the future.

In an effort to provide better customer service and improve business as a whole, last spring E-470 decided to change its license plate toll (LPT) billing process. Because E-470 provides toll collection services to HPTE, the HPTE was closely involved in the redesign of this process. The new billing system is easier to understand, and substantially reduces fees and fines for drivers who attempt to evade their tolls. The new process rolled out in September, and appears to be accomplishing its goals.

FINANCIAL STATUS

REVENUES AND EXPENDITURES

The principal revenues of the HPTE are currently derived from the I-25 Express Lanes. Administrative and operating costs are paid using a combination of federal grants, fees for services, loans from the Transportation Commission and other miscellaneous sources. Revenues and expenditures relating to the I-25 Express Lanes are accounted for separately under an intergovernmental agreement with the Regional Transportation District (RTD), the transit sponsor of those lanes. Revenues and expenses of the HPTE are accounted for on a fiscal year basis and are presented below.

For FY 2012, total unaudited HPTE revenues were \$3.76 million, up from \$3.45 million in FY 2011. In addition, HPTE carried over approximately \$4.80 million from the I-25 special fund and \$905,552 from the operating fund from the previous year.

Total unaudited HPTE expenditures in FY 2012 were \$8.55 million, up from \$3.79 million in FY 2011. This increase in expenditures is due to increased activity on the US 36 Corridor including fees for the ratings agency, and use of outside financial, legal and engineering advisors. The expenditures are broken down as follows:

FY 2012 I-25 Express Lanes Expenses	Expenditures
Operation Support—Back Office, Maintenance Tech (provided by E-470 Public Highway Authority pursuant to agreement with HPTE)	\$ 353,955
Colorado State Patrol—Enforcement	\$ 68,334
Contracted Maintenance	\$ 334,482
IBTTA Dues (25% of total)	\$ 908
CDOT/HPTE Staff Costs	\$ 10,053
TC Loan Repayment	\$ 0
CDOT Region 6 Maintenance Costs	\$ 80,892
Total Expenditures	\$ 848,624

FY 2012 Administrative HPTE Expenses	Expenditures
Consultants	\$ 1,697,148
Rating Expenses	\$ 75,000
IBTTA Dues (75% of total), Meetings, Travel and Misc.	\$ 2,724
CDOT/HPTE Staff Costs	\$ 412,335
Total Expenditures	\$ 2,187,207

STATUS OF TRANSPORTATION INFRASTRUCTURE PROJECTS

COMPLETED PROJECTS

I-25: The tolled Express Lanes in the I-25 HOV lanes opened in June of 2006, marking the first time solo drivers could legally access existing HOV lanes by paying a toll. The I-25 Express Lanes, also known as high occupancy toll (HOT) lanes, extend along a seven-mile section of I-25 between downtown Denver and US 36. Carpools, buses, hybrid vehicles with permits and motorcycles continue to use the lanes toll-free. In March 2012, HPTE implemented a 25% surcharge on license plate tolls to encourage the use of EXpressToll accounts.

ACTIVE PROJECTS

US 36 Phase 1: The first phase of the US 36 Bus Rapid Transit/Managed Lanes Project broke ground in July, 2012. Managed by CDOT under a Design-Build (DB) delivery, the \$312 million project will reconstruct and widen 10 miles of US 36 between Federal Boulevard and 88th Street in Louisville. The expansion will accommodate one High Occupancy Vehicle/tolled Express Lane in each direction. The project leveraged federal, state and RTD funds, including a \$54 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and a \$10 million Transportation Investment Generating Economic Recovery (TIGER) grant. Design will be completed the first quarter of 2013, and the facility will open for revenue in December, 2014.

I-25 North: Design is under way for the extension of managed lanes on I-25 from US 36 to 120th Avenue. This six mile segment will maximize the use of the existing highway infrastructure to expand the capacity of I-25 by utilizing the inside shoulder of the road, creating one managed lane in each direction. In addition, the project will resurface the existing general purpose lanes. The managed lanes will accommodate HOV's and RTD Express buses for free, and SOV's who will pay a toll. The award of a \$15 million TIGER grant accelerated the delivery of this \$44 million project. The project is managed by CDOT as a traditional DB delivery. Construction will begin in the summer of 2013 and the facility will open mid-2015.

US 36 Phase 2: The second phase of the US 36 project is currently in a procurement for a public-private partnership under a Concession Agreement delivery. This segment is 8 miles, from 88th Street in Louisville to Table Mesa/Foothills in Boulder, and will extend the features of Phase 1. Proposals from the proposing teams are due on March 1, 2013 and a preferred proposer will be selected on April 5, 2013. The Concessionaire will finance, design and construct Phase 2, and then operate and maintain Phase 1, Phase 2 and the existing I-25 Express Lanes in central Denver under a 50-year agreement. Funding sources include state, local and RTD dollars. The amount of Concessionaire equity and debt and the application of a TIFIA loan are still to be determined at this time. It is expected that the Phase 2 facility will be open in late 2015.

STATUS OF TRANSPORTATION INFRASTRUCTURE PROJECTS

POTENTIAL PROJECTS

Among other projects, HPTE is actively involved in the development of the following:

C-470: The C-470 Coalition, consisting of elected and appointed officials in the affected area of the roadway, supported by a staff technical working group, has identified a technical interim solution for the segment of road from I-25 to Kipling. The interim solution features an additional lane in each direction and auxiliary lanes to accommodate safe merging and exiting. The estimated cost for these improvements is \$230 million. The Coalition is set to consider three potential funding scenarios in the first quarter of 2013. Option A features one express lane in each direction that would be tolled. Option B is to toll all three lanes in each direction on C-470, and Option C would be three general purpose lanes in each direction to be funded through local taxes or fees. Funding could also come from multiple sources in the form of a hybrid solution. An extensive public outreach campaign was conducted from August to December in 2012. Depending on the funding solution identified by the Coalition, roadway improvements could come as soon as 2017, or as late as 2020.

I-70 East: HPTE is working closely with CDOT on the I-70 East Project, and is procuring capital finance planning and financial advisory services in support of the reconstruction 12.5 miles of the I-70 corridor from I-25 to Tower Road. The selected contractor will assist in the development and implementation of a capital finance plan to fund the Project. The overall Project is expected to cost \$1.5 billion or higher. The environmental process is currently expected to produce a Supplemental Environmental Impact Statement during the late summer or early fall of 2013.

North I-25 Corridor: HPTE is working closely with CDOT as it develops plans for Phase 1 projects in the Corridor from Broomfield to Fort Collins. The Record of Decision for the project specifies continuous managed lanes throughout the Corridor. During Phase 1 planning, the project team is discussing future phases and potential funding opportunities, and various possible phasing scenarios so improvements are implemented in a way that is consistent with the long range vision for the Corridor.

Division of Transit and Rail Projects: HPTE is providing staff support to the Advanced Guideway System (AGS) Feasibility Study and the Interregional Connectivity Study (ICS). The AGS will evaluate technology, alignment and funding/financing options to determine the feasibility of a high-speed transit system for the 120 mile segment of the I-70 Mountain Corridor from C-470 in Jefferson County to Eagle County Regional Airport. The ICS is examining high-speed rail connectivity from Fort Collins to Pueblo. Under examination are high speed technologies, alignments, financial/funding options and travel demand and ridership. Both studies are expected to be concluded in October, 2013.

RECOMMENDED STATUTORY CHANGES

The HPTE coordinates its legislative activity through CDOT, and is not pursuing any significant statutory changes this Legislative session.

