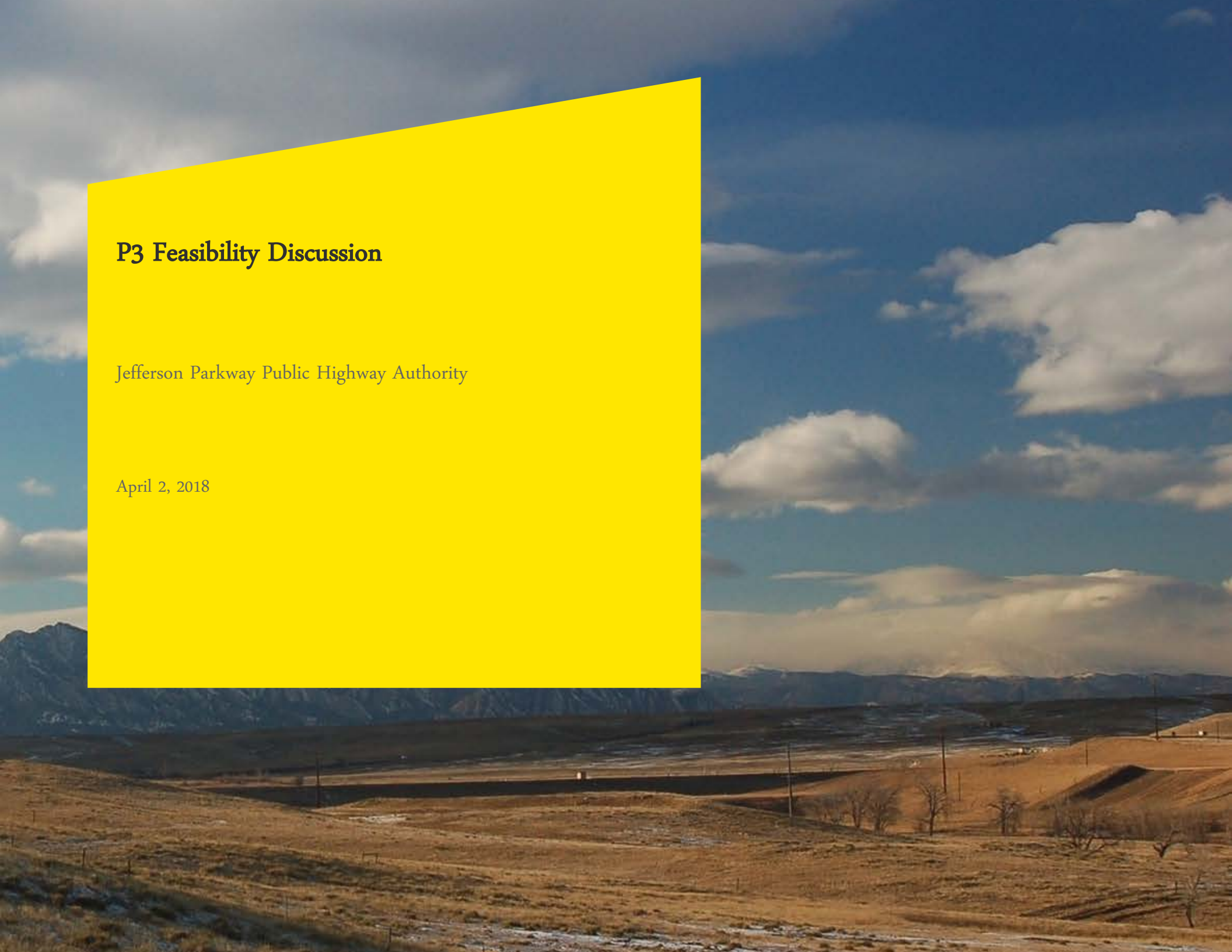


P3 Feasibility Discussion

Jefferson Parkway Public Highway Authority

April 2, 2018



Feasibility Analysis Objectives

A feasibility assessment for the Jefferson Parkway project (the “Project”) is being undertaken with several goals in mind to provide the Board with sufficient information to make a determination about whether or not to advance the Project through a public-private partnership (“P3”) structure.

A

Provide financial analysis to demonstrate feasibility of a P3 procurement

Is the Project affordable under a P3 delivery method? What is the potential required public financial contribution, if any? What are key variables driving affordability considerations?

B

Identify the key opportunities and challenges to advancing the Project

What risks are bidders focused on? How can the Authority help minimize risks to a potential developer through advance diligence and other work?

C

Identify a process to efficiently transfer risk through a P3

What would a procurement process look like? What will bidders want to see from the Authority in order to make a large financial investment to compete and develop a proposal for the Project?

D

Provide specific strategies for advancing the Project through a P3

What are next steps to undertake a P3 procurement? How should the Authority construct a team to procure and ultimately administer a P3 contract?

Feasibility Analysis Methodology

The feasibility analysis approach embodied four major steps undertaken over the past several months, which expanded upon prior efforts to assess the development and feasibility of the Project. These steps incorporated a combination of quantitative and qualitative measures in determining the overall feasibility of the Project.

1

Survey Precedent Projects

Survey key transaction precedents and evaluate approaches to project risk allocation, financing and procurement which may be relevant to the Project.

Examples of precedents include P3 and non-P3 toll revenue transactions.

2

Solicit Industry Feedback

Solicit feedback from active P3 market participants, including construction and equity investment partners to gauge market appetite for a P3 delivery option.

Examples of feedback topics include risk allocation and potential interest in bidding.

3






Prepare Feasibility Scenarios

Analyze potential scenarios using key inputs provided by consultants and market participants and various sensitivity cases to provide a range of outcomes.

Examples of key sensitivities include construction costs, revenues and financial assumptions.

Project Delivery Alternatives

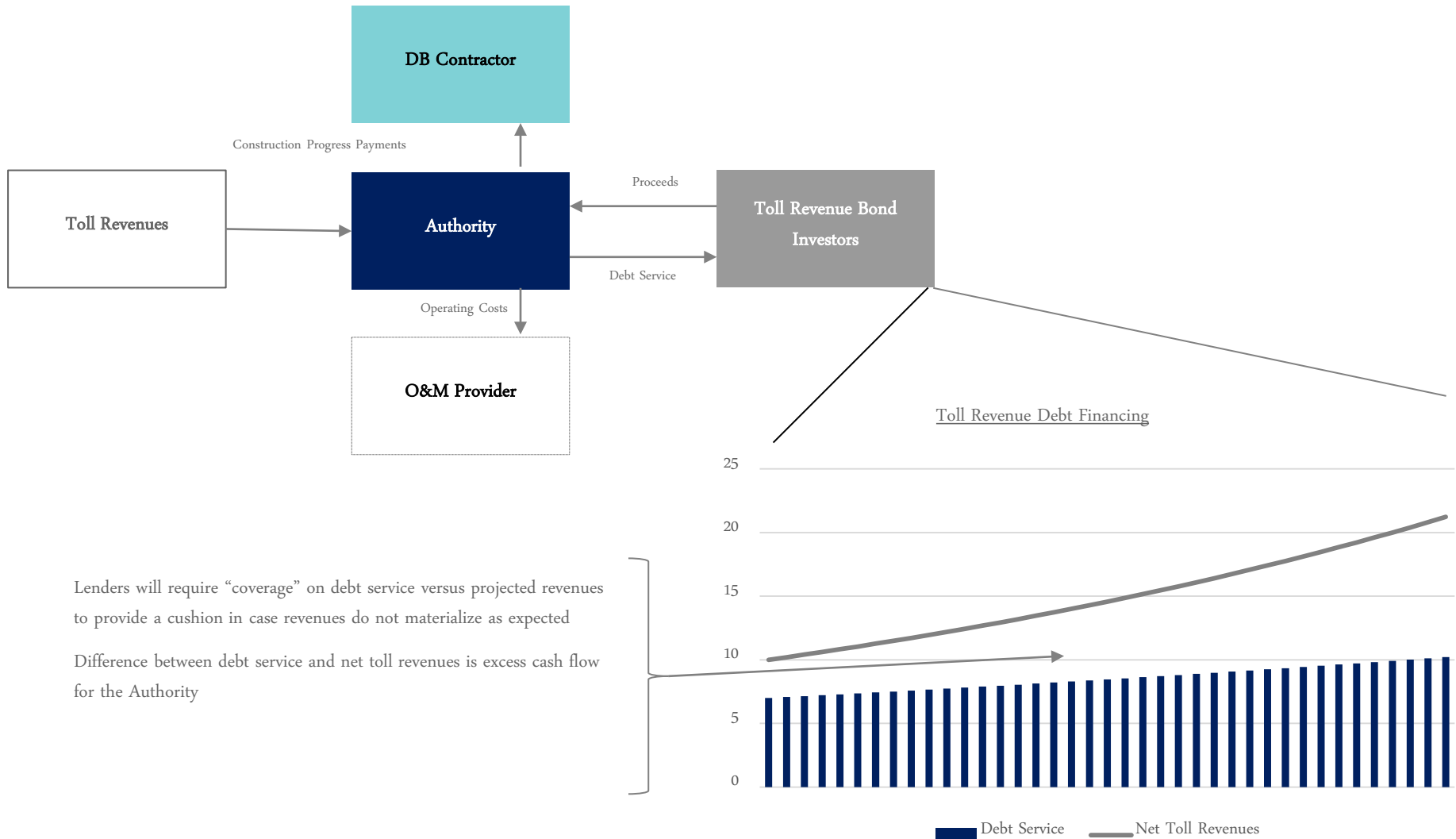
A P3 strategy is used to deliver an infrastructure project with the intention of transferring risk and responsibility for key project scope items to a private partner. Multiple P3 delivery options exist, but their suitability depends on the objectives of the Project and the public authority's desire to transfer risk and responsibility. Examples of Colorado projects are listed for each approach below.

	Public – Design-Bid-Build	Public – Design-Build	P3 – Design-Build-Finance-Operate-Maintain
Design & Construction 	Public	Private	Private
Roadway O&M 	Public	Public	Private
Tolling 	Public	Public	Private
Financing 	Public	Public	Private
Colorado Example 	Numerous Smaller Projects	T-REX, C-470, I-25N	US 36, Central 70

Note: Private contractors may perform all or a portion of design, construction and/or operations on behalf of public sponsors through individual contracts in the public delivery options. Tolling back office services may be provided by E-470 on behalf of public or P3 partners. A revenue risk P3 would assume control of toll rates resides with the Developer (contingent upon agreed upon future increase limits, which may impact value/feasibility).

Design Build (DB) + Public Financing

A DB approach would have the Authority entering into a design-build contract with a construction firm and separately executing on a public, tax-exempt toll revenue debt financing to pay for project costs. The Authority could also choose to contract out long-term O&M or perform O&M directly.



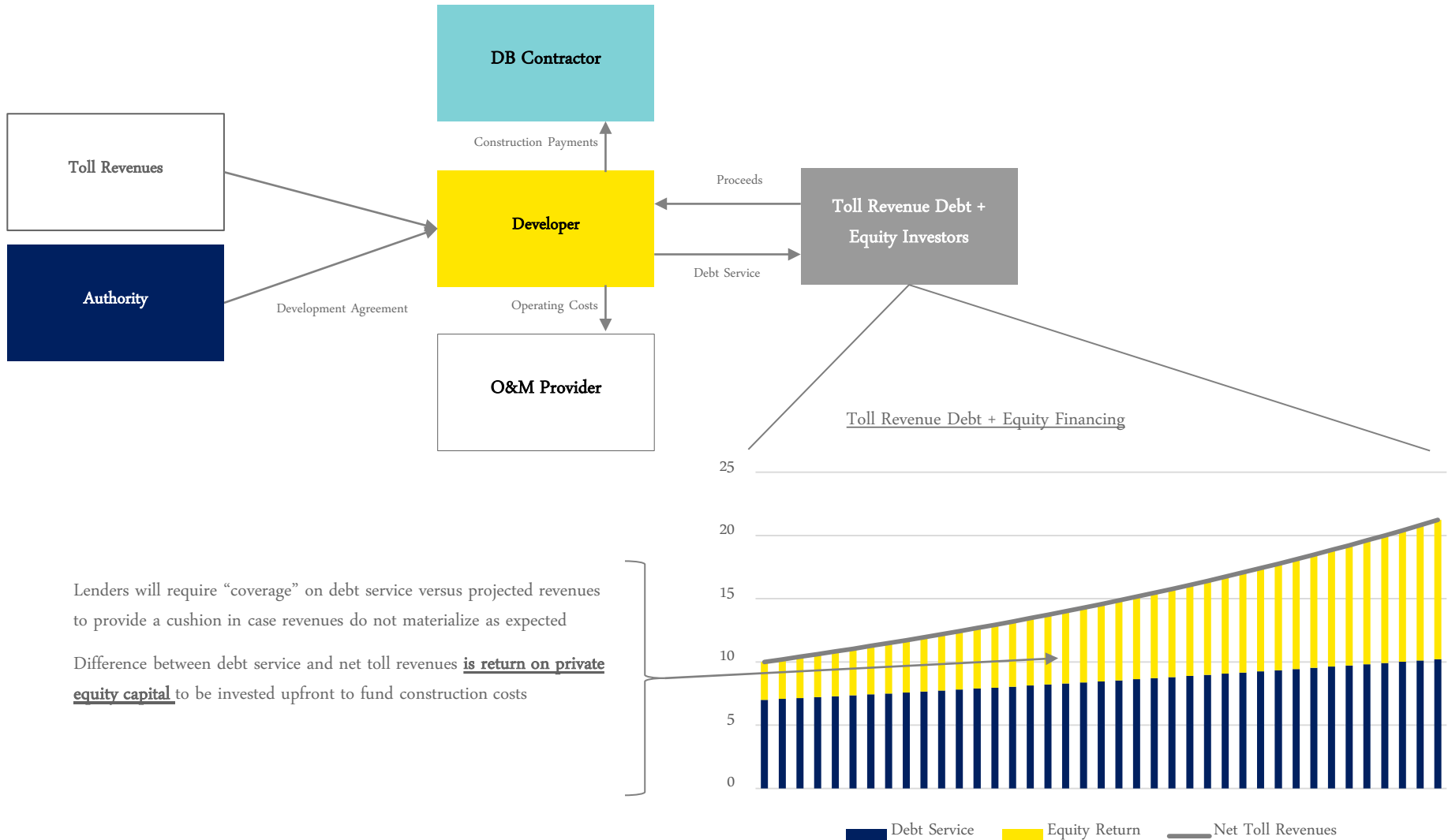
Lenders will require "coverage" on debt service versus projected revenues to provide a cushion in case revenues do not materialize as expected

Difference between debt service and net toll revenues is excess cash flow for the Authority

Note: Toll Revenue Bond Financing cash flows are illustrative for discussion and do not represent project-specific details or structuring considerations.

Design Build Finance Operate Maintain (DBFOM)

Under a DBFOM, the Authority would enter into a single contract with a Developer. The Developer would then partner with construction, operating and financial partners to deliver the Project and assume toll revenue risk. This approach allows for private equity capital to be invested upfront to cover an additional portion of construction costs.



Note: Toll Revenue Debt and Equity cash flows are illustrative for discussion and do not represent project-specific details or structuring considerations.

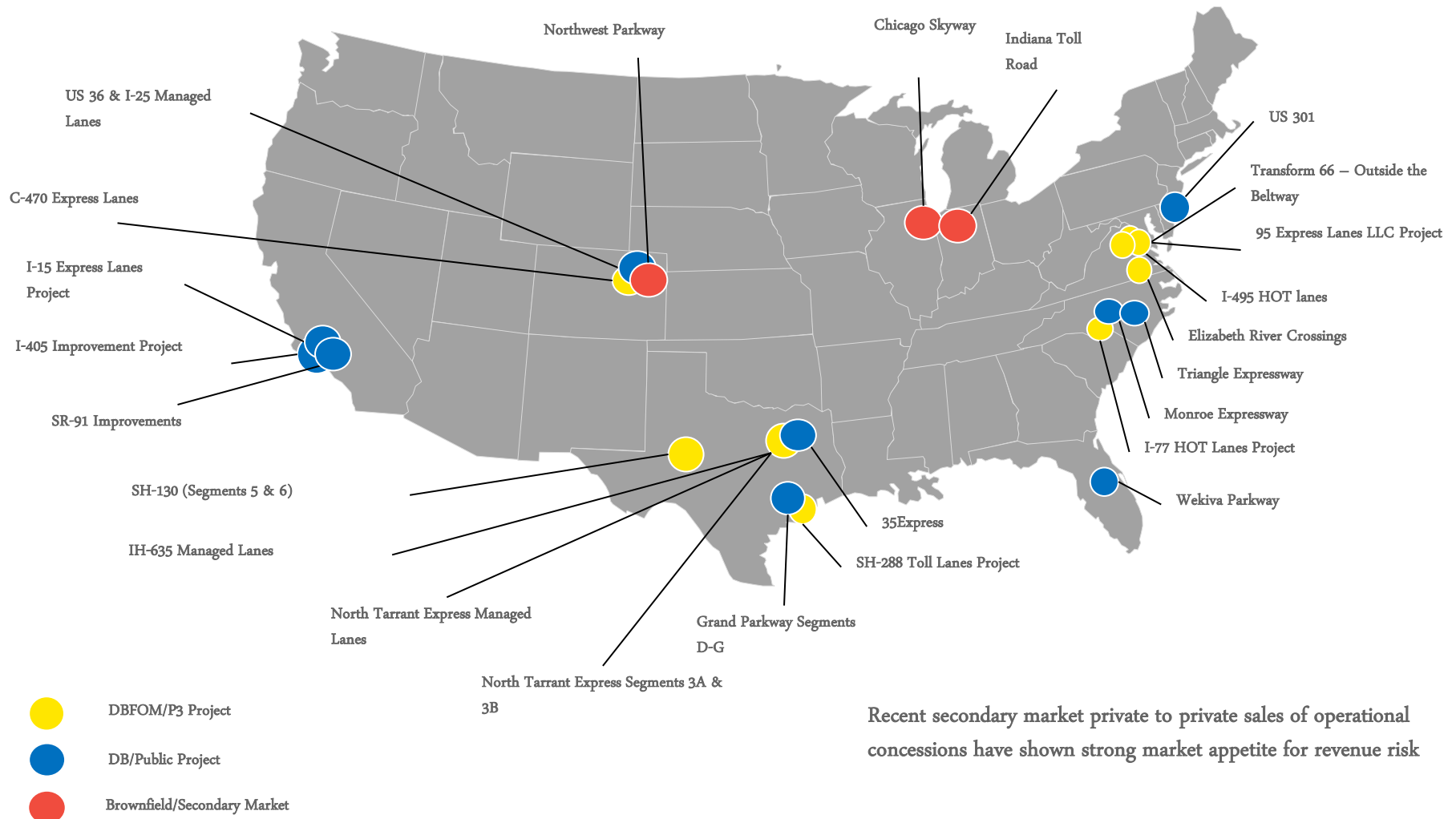
Public vs. P3 Financing

A P3 delivery introduces private equity as a source of financing for construction. This private equity can offset the required upfront public contribution which may be required if the project is delivered via a design-build or other publicly-financed delivery method.



Select Precedent Toll Revenue Projects

Many new greenfield, single-facility toll revenue projects have been developed over the past several years. The majority of these have been “managed lanes” or “express lanes” projects as opposed to fully tolled facilities like the Project. These precedents have been delivered through both P3 and non-P3 delivery methods depending on project scope, public sponsor risk tolerance and overall financial feasibility.



Recent secondary market private to private sales of operational concessions have shown strong market appetite for revenue risk

P3 Considerations

The project team has engaged with experienced P3 developers, contractors and investors to receive feedback on key project considerations; responses suggest that a P3 delivery for Jefferson Parkway would be of interest to the market and attract several proposer teams.

Project Size & Complexity

- ▶ Is the Project sufficiently sized to justify a P3? Can the P3 solution deliver efficiency and/or innovation?
- ▶ What size P3 contract is needed to attract potential bidders? Are the program components a suitable size for a P3 (large enough to justify bid costs, manageable enough to be integrated/mobilized)?

Market Preference: Medium to Large Project (> \$200 million)

Project Risks

- ▶ What key risks does the Authority want to transfer to a P3 partner? What are the potential cost and schedule impacts to a developer assuming certain risks?
- ▶ What baseline diligence information is available to share with developers on key risk items?

Market Preference: Strong Technical Diligence Baseline; Major Approvals and Permits Received

Schedule

- ▶ Can a P3 solution be delivered within the required schedule?
- ▶ Could a P3 solution deliver an expedited construction solution? Could the Authority procure a P3 partner to meet its anticipated Project timeline? Are there permitting risks that could delay the Project?

Market Preference: Procurement ~18 months; Construction Period Commensurate with Scope

Market Appetite

- ▶ Is there sufficient market appetite for private sector participation? Would the private sector be willing to accept project risks?
- ▶ Who are the equity investors with an appetite for greenfield toll risk?
- ▶ Who are the contractors with the strength and experience in the Denver area?

Market Preference: Toll Revenue Risk is Of Interest; Market Mostly Availability Payment Structures

Public Control

- ▶ Is the Authority willing to turn tolling and/or operational control of the Project over to a private partner?
- ▶ How much latitude would the Authority give a third party to set and collect tolls? What controls does the Authority want to have over long-term facility performance and condition?

Market Preference: Developer Requires Control Over Rates; Prefers no Restrictions on Toll Level

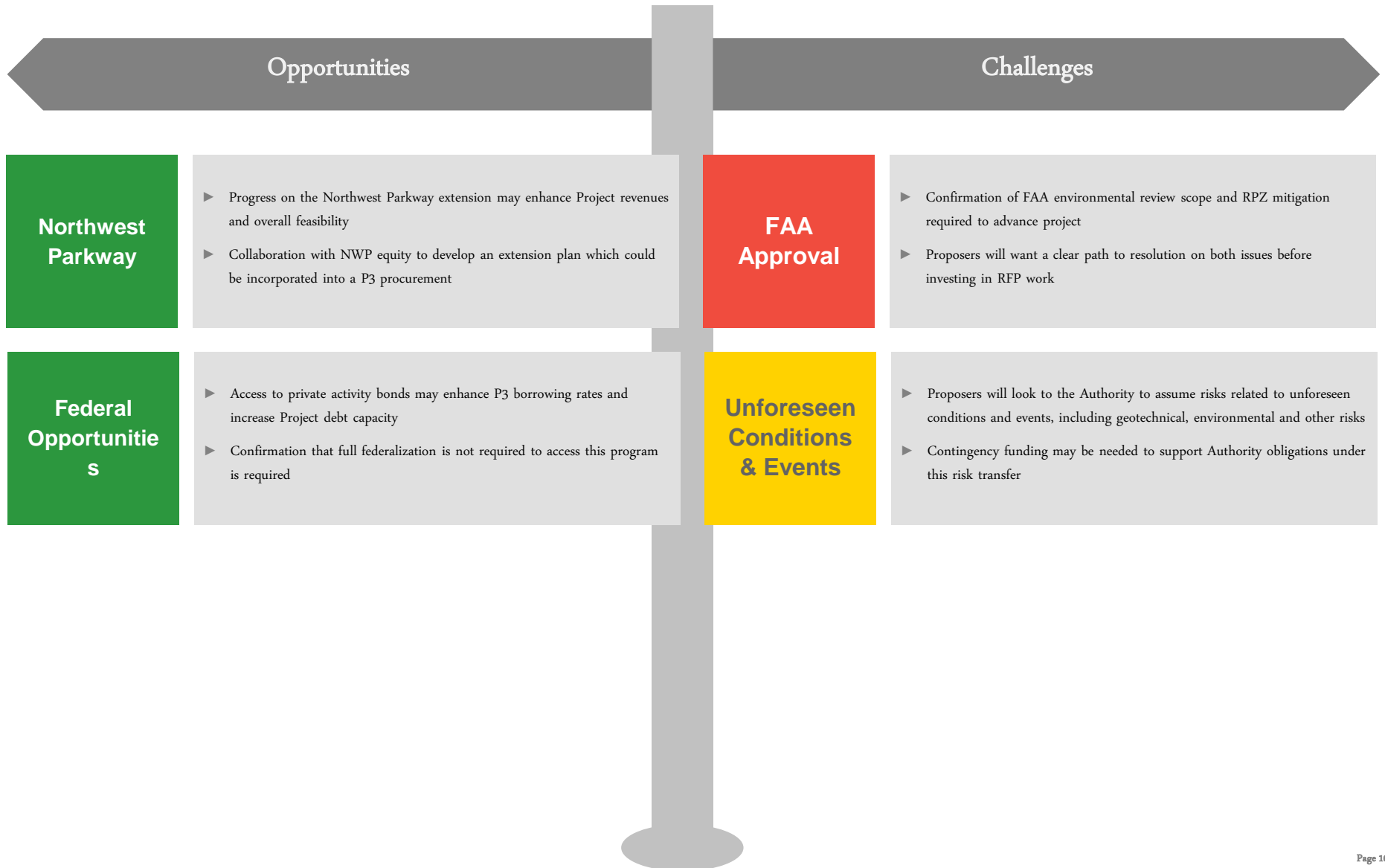
Financial Feasibility

- ▶ How does the total capital budget compare to long-term toll projections?
- ▶ Would there be public funds available to close a potential gap?
- ▶ What levers can be used to close a potential funding gap? How do market conditions impact feasibility?

Market Preference: Dedicated Project Funding Source(s); Clear Public Commitment

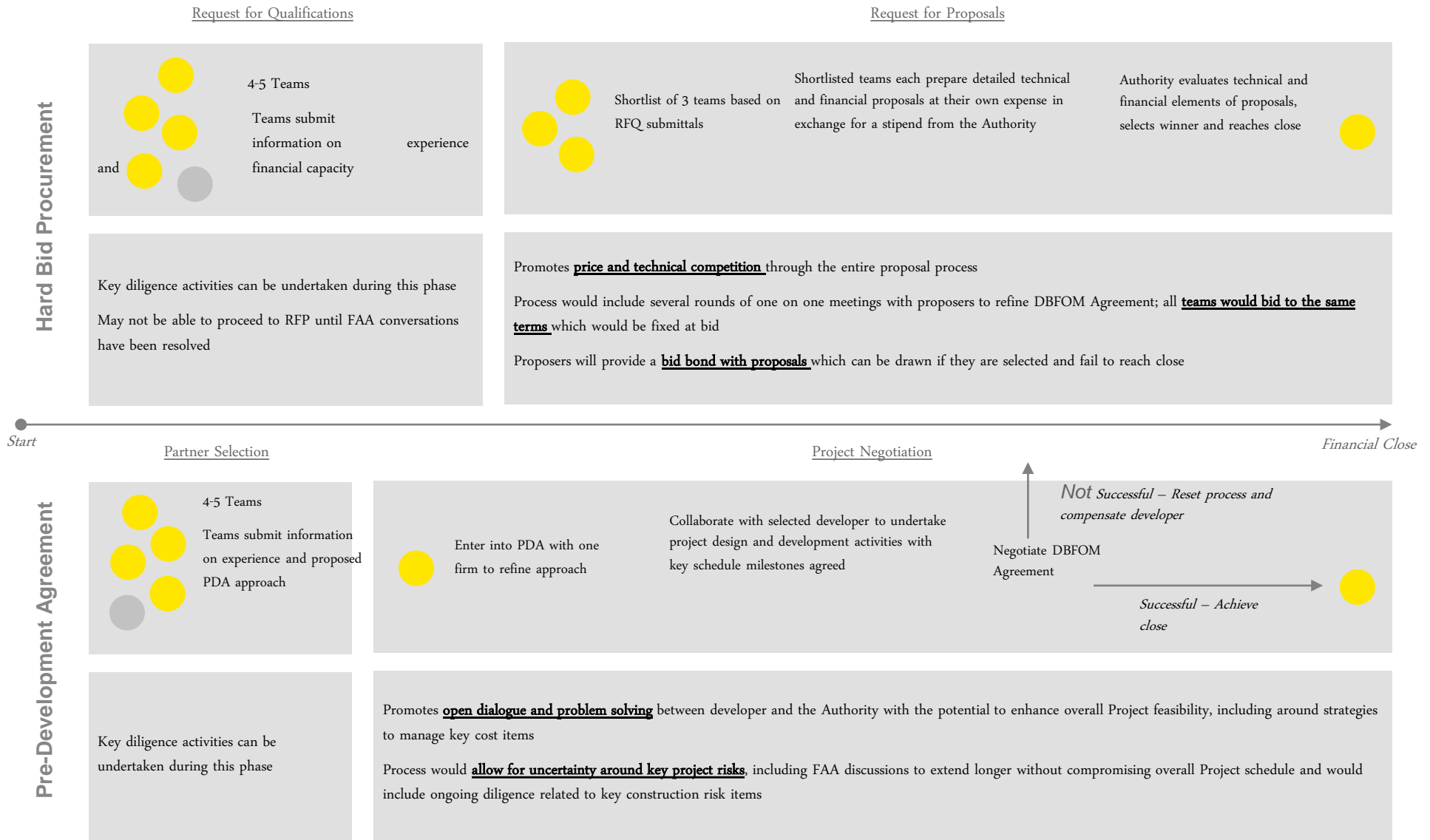
Key Opportunities & Challenges

A decision on whether and how to proceed with a P3 for the Project should also take into account certain key opportunities and challenges that may have a substantial impact on P3 feasibility for the Project. Strategies to address these items will be important to any P3 pursuit.



P3 Partner Selection Process

There are two general approaches to selecting a P3 partner – a hard bid procurement and a pre-development agreement. Key features of each approach are described below. Both approaches were suggested by market participants during industry outreach.



P3 Partner Screening Criteria

The success of a P3 approach to project delivery is closely tied to the experience and expertise of the selected private partner. The evaluation of potential partners and ultimate selection should be based on a combination of qualitative and quantitative criteria which can be provided by interested firms.

	<u>Key Factors</u>	<u>Indicative Submittals</u>
Experience & Expertise	<ul style="list-style-type: none"> ▶ Experience with projects of similar facility type and size ▶ Experience with P3s ▶ Experience working locally 	<ul style="list-style-type: none"> ▶ Contractor, operator and equity investor qualifications, including information on relevant projects, including highways, P3s and Colorado experience ▶ Resumes of key personnel assigned to the Project
Technical Approach	<ul style="list-style-type: none"> ▶ Anticipated construction means and methods and overall technical feasibility ▶ Unique design features which may benefit facility users ▶ Construction schedule 	<ul style="list-style-type: none"> ▶ Detailed design submittals, including alternative technical proposals ▶ Detailed construction schedule and critical path overview ▶ Quality management plan
Financial Capacity	<ul style="list-style-type: none"> ▶ Ability to raise debt and equity capital ▶ Overall financial health and ability to meet long-term contractual obligations ▶ Evidence of ability to secure performance bond and parent company support for construction work 	<ul style="list-style-type: none"> ▶ Letters of financial support for debt and equity ▶ Recent financial statements ▶ Letter of support from performance bond provider
Financial Proposal	<ul style="list-style-type: none"> ▶ Requested public contribution/upfront payment ▶ Construction price and revenue projections ▶ Committed plan of finance 	<ul style="list-style-type: none"> ▶ Price forms ▶ Executed debt commitment letters with detailed term sheets ▶ Executed equity commitment letters ▶ Rating agency letters

Disclaimer

EYIA carried out its analyses for the benefit of the Jefferson County Public Highway Authority (JPPHA). We believe the work is substantially responsive to requests from JPPHA, but we are not in a position to assess its sufficiency for any other purposes. In particular, we did not undertake the services on behalf of, or to serve the needs of any other party. As such, any third parties should be aware that this work is subject to limitations in scope and assumptions provided by JPPHA and / or other consultants engaged by JPPHA, and the scope was not designed for the purposes or reliance of such third parties.