

REPORT HIGHLIGHTS

US-36 Public-Private Partnership (P3) Project
PERFORMANCE AUDIT, MARCH 2015

HIGH PERFORMANCE
TRANSPORTATION ENTERPRISE

AUDIT SUMMARY

The High Performance Transportation Enterprise (HPTE) executed a public-private partnership (P3) agreement for the US-36 P3 Project that met the goals outlined for the Project and provided the best value for taxpayers. HPTE could improve its planning, communications, monitoring, and project management practices for future P3 projects.

KEY FACTS AND FINDINGS

- A public-private partnership (P3) is a contractual agreement between a public sector agency and a private entity that allows for greater private sector participation in the delivery and financing of a government-owned project, such as the US-36 P3 Project.
- The US-36 P3 Project is the first P3 project implemented by HPTE.
- HPTE's practices for developing and procuring the US-36 P3 Project were generally consistent with industry standard practices, with some exceptions outlined below.
- HPTE's planning for the toll services, federal loan financing, and operations and maintenance elements of the US-36 P3 Project were not consistent with industry standard practices, and combined with external challenges, contributed to a 1-year delay in completing the procurement and a 6-month delay in reaching financial close.
- Delays in procuring the US-36 P3 Project increased HPTE's total payment for the Project from \$44 million to over \$49 million due to interest rate increases between the proposal due date and financial close.
- HPTE did not adequately inform, educate, and involve two stakeholder groups—legislators and the general public—in the project development and procurement stages of the US-36 P3 Project.
- HPTE does not have adequate records management processes for maintaining project-related documents or systematic processes for sharing public records and protecting confidential records under the Colorado Open Records Act.
- HPTE and the Colorado Department of Transportation have not developed systematic processes for monitoring operations and maintenance activities to ensure the concessionaire meets the performance standards outlined in the concession agreement once US-36 is open for operations.
- Systematic project management processes were not in place for managing all elements of complex P3 projects from beginning to end.

BACKGROUND

The High Performance Transportation Enterprise (HPTE):

- Was created in 2009 as a government-owned business and a division within the Colorado Department of Transportation.
- Is responsible for seeking out opportunities for public-private partnerships through any available means of financing that allows for efficient completion of road and bridge projects.

Under HPTE's US-36 P3 Project agreement, the private sector:

- Constructs highway improvements on US-36 from 88th Street in Louisville to Table Mesa Drive in Boulder.
- Finances, operates, and maintains the managed toll lanes on I-25 and US-36 from Downtown Denver to Boulder in exchange for toll revenues.

KEY RECOMMENDATIONS

The High Performance Transportation Enterprise should:

- Begin planning for key elements of P3 projects during project development and improve the information and details on these elements provided to prospective bidders during procurement phases.
- Build comprehensive and detailed schedules for P3 projects and include achievable due dates.
- Develop a comprehensive communications plan for informing and soliciting input from stakeholders and an open records and transparency plan for ensuring compliance with the Colorado Open Records Act.
- Develop a systematic project management framework and guidance for managing large P3 projects, and identify strategies for obtaining adequate resources and providing ongoing training.

HPTE agreed with all of the recommendations.