



Jefferson Parkway Public Highway Authority
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October 8, 2012

Board of Directors
Jefferson Parkway Public Highway Authority

2013 Budget Message

Chairman Williams and Members of the Board:

Enclosed please find the draft 2013 budget for the Jefferson Parkway Public Authority (the "Authority"). Let me take this opportunity to review our progress in 2012, provide you with an estimate of revenues and expenditures for the current year, and our financial plan for 2013.

Review of 2012 Budget

As you are aware, much of this year has been spent developing and implementing our legal strategy in support of the Department of Interior's decision to move forward with the expansion of the Rocky Flats Wildlife Refuge through the exchange and purchase agreement of Section 16 now owned by the State Land Board. An integral component of that agreement is transferring the 300 transportation corridor along the eastern edge of the Refuge to the Authority in accordance with the terms of the Rocky Flats National Wildlife Refuge Act as authorized by Congress.

The Authority budgeted \$2.8 million in 2012 to place in the Section 16 escrow in anticipation of the exchange and purchase agreement proceeding to closing in January 2012. Due to legal challenges of Golden, Superior, the Wildlife Guardians and Rocky Mountain Wild, that closing is now deferred until the end of 2012, pending resolution of the consolidated lawsuits. As of the date of this letter, it is still uncertain when the merits of the case will be heard in Federal District Court.

The other significant action that has occurred this year is in the arena of other property acquisitions needed for the Parkway. As one example, there were technical, engineering and legal costs associated with the Right of Way through the Leyden Rock development. While the right of way itself was acquired as part of the annexation of Leyden Rock to the City of Arvada, there were a number of issues incident to that transfer that required resources above and beyond that anticipated at the time the 2012 budget was adopted. Similarly, those same issues will have to be addressed as the Right of Way through the Candelas development is transferred to the City of Arvada and be held in trust for the Authority. Those costs will be partially reflected in both the revised 2012 budget and the proposed 2013 budget.

At this point, it is anticipated that the 2012 budget will have a cash balance of \$36,765 in the positive. However, one additional or unexpected legal bill may change this positive balance to a negative one in 2012. We are not permitted to "hold" 2012 expenditures and pay them in 2013. All 2012 expenditures must be assessed against the 2012 Budget. We will, of course, closely monitor the budget. If we are concerned about

any additional expenses that will require a supplemental budget appropriation in 2012, we will immediately inform you. We have finished a few scenarios, and the worst case would be an additional \$30,000 would be required in total – or \$10,000 for each jurisdiction.

Proposed 2013 Budget

The 2013 budget is proposed to be **\$454,780**. The cost share to the member jurisdictions is still estimated to be \$200,000 each, leaving the authority with an estimated positive \$182,485, dependent upon the legal cost assumptions. There are four significant features to this proposal, two of which are shown in the budget being presented and two that are not.

You will note a proposed expenditure of \$40,000 for marketing services. The Board in its strategic retreat earlier this year identified the need for the Authority to be telling its story in a consistent and positive fashion. Staff had been moving forward with the intention of retaining marketing expertise this year, but given the costs associated with the Section 16 lawsuit thought it was prudent to defer this initiative to 2013.

You will also note that legal costs are being budgeted at **\$250,000**. This number reflects both the uncertainties of any legal actions that may be required subsequent to the Section 16 ruling, as well as other legal involvement required for the acquisition of additional property required by the Authority.

One number not being included in 2013 budget is the cost for a Financial Advisor. You will recall that our Isolux partners have previously encouraged us to look at bringing an FA on board to assist the Authority in our future pre-concession discussions. At this time, the 2013 Budget does not provide any financial support for this role. As all participants understand there are two ways to meet the financial commitments of such advice: hourly basis or payment at the completion of the project. Staff is currently evaluating the best choices for this service. Once that analysis is complete, staff will be presenting that for the Board's consideration and ultimately for the additional financial support that will be necessary for the member jurisdictions.

The other number not being presented in the proposed 2013 budget is the cost of additional land required for the Parkway. As the Board is aware, we are in various stages of negotiation with a number of property owners at the time of this writing. Pending the conclusion of those negotiations, it simply is not possible to provide the Board with a realistic number for budgeting purposes. Instead, I am recommending that each member jurisdiction be prepared to consider supplemental appropriations throughout the 2013 budget year as each of those negotiations do conclude.

Other proposed expenditures in the budget are routine and are associated with the costs of running the organization.

As the Authority prepares to enter its fifth year of operation, it is appropriate to recall that there has been much progress made over that time. We have made significant progress in establishing a positive dialogue with Isolux. We are making substantial progress in assembling the right of way. While the Section 16 lawsuit is an expensive distraction, we remain confident that the Federal Court will affirm the will of Congress in setting aside the transportation corridor for use in regional transportation infrastructure.

While the "known unknowns" of the next steps are difficult, we can identify them. This process of completing the Jefferson Parkway, as well as other connections, is a process that includes many interested parties. Over the past 18 months there has been an ever increasing acknowledgement by many local, regional and state agencies about the necessity for the Parkway as well as for other regional transportation needs. The Authority's members have been incredibly active in this regional discussion. While the 2013 Budget is, at this point, a general outline of necessary accomplishments for the Authority, it will change if other actions are indicated.

It has been a privilege to work with the Authority Board and the staff of the member jurisdictions in continuing to move the Jefferson Parkway forward as the right solution to meeting the needs of western metro jurisdictions, and ultimately to the benefit of the entire Denver area.

Respectfully,

William A. Ray, Jr.
Policy Advisor