

# City and County of Denver for and on behalf of its Department of Aviation

August 29, 2012



## DIA Plan of Financing 2012



# Agenda

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DIA's Approved Capital Improvement Plan for 2012-2018

Summary of the Plan of Finance

The Effect on Key Metrics

Time Table and Key Decision Points

# 6-Year Capital Improvement Plan Overview



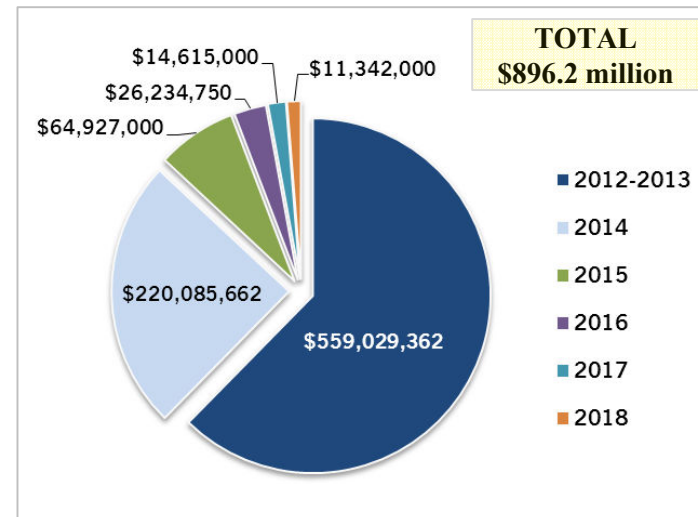
## Summary (Unescalated 2012 \$ in millions)

FMT	Budget	Funded <sup>1</sup>	Balance
Airfield <sup>2</sup>	\$216.2	\$66.6	\$149.6
Terminal Complex	81.3	-	81.3
Other CIP	75.1	19.8	55.3
Baggage/AGTS	37.7	-	37.7
Roads	42.4	-	42.4
Technologies	46.7	-	46.7
Commercial	45.7	-	45.7
Cargo	-	-	-
Environment/Utilities	17.5	-	17.5
<b>Total FMTs</b>	<b>\$562.7</b>	<b>\$86.4</b>	<b>\$476.2</b>
STRP <sup>3</sup>	499.6	79.6	420.0
<b>Total</b>	<b>\$1,062.3</b>	<b>\$166.1</b>	<b>\$896.2</b>

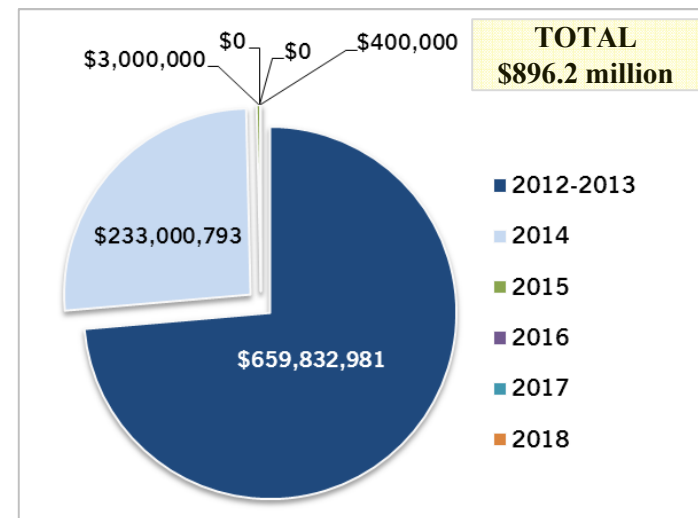
<sup>2</sup>Assumes FAA grants fund approximately \$66.6 mm of the budgeted needs

<sup>3</sup>Assumes \$66.6 mm funded with prior bond funds and \$4.9 mm funded with CP

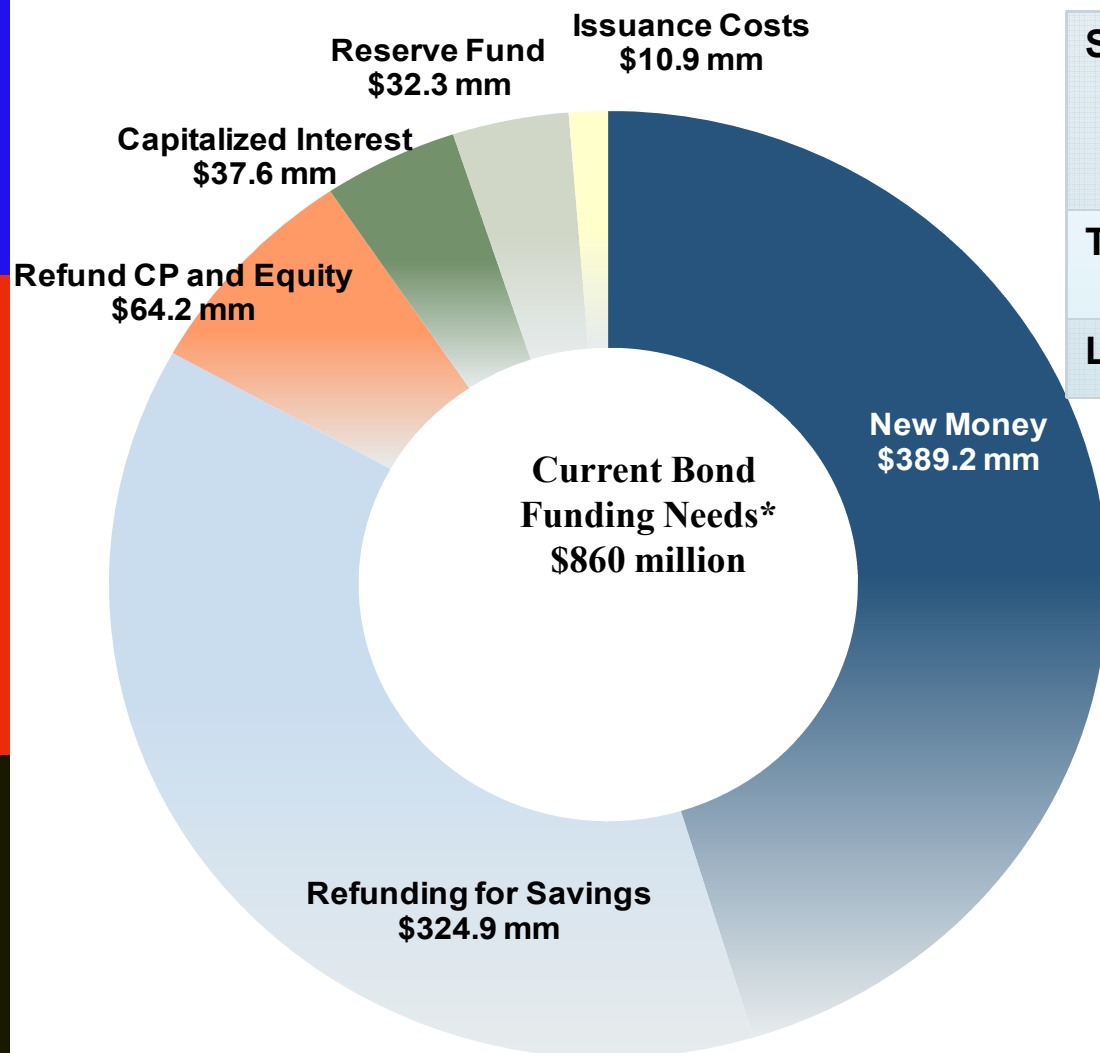
## FMT / STRP by Cashflow Date



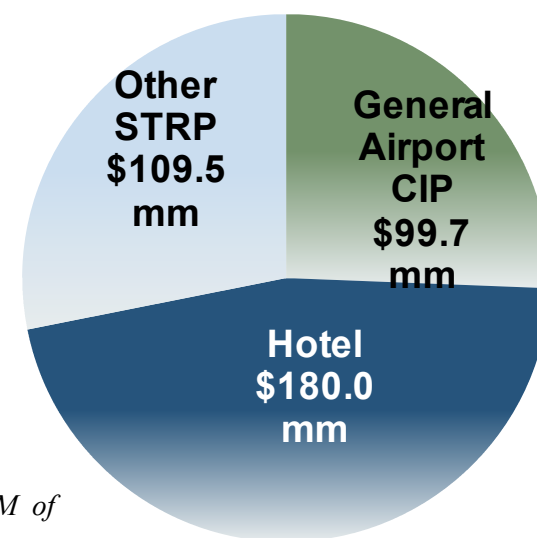
## FMT / STRP by Encumbrance Date



# Proposed DIA Senior General Airport Revenue Bonds

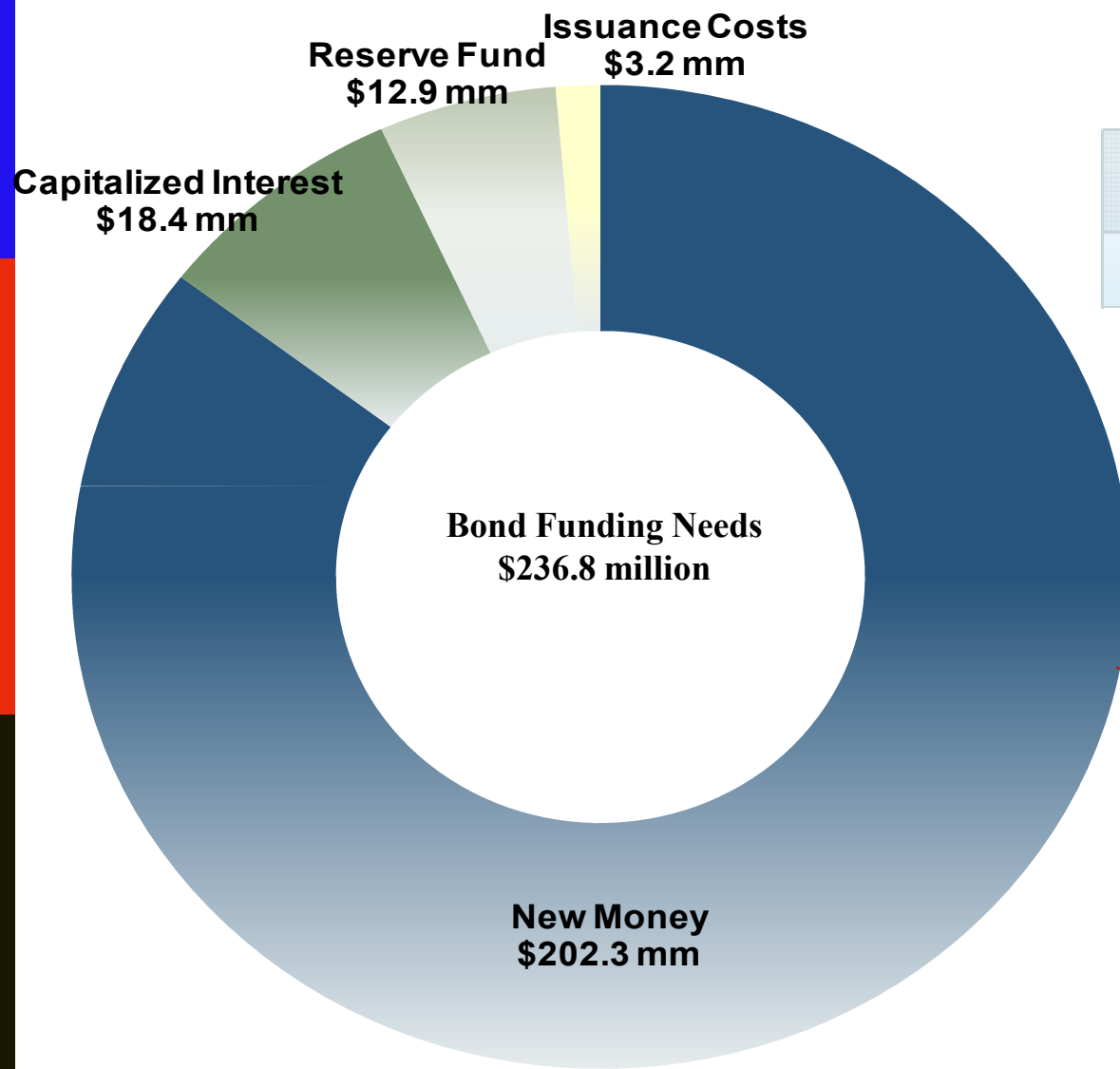


Series	2012A (AMT)	\$382mm
	2012B (Non-AMT)	\$478mm
	2012C (Taxable)	<u>\$0mm</u>
	Total	\$860mm
Target Timing	October 2012	
Lien	Senior	

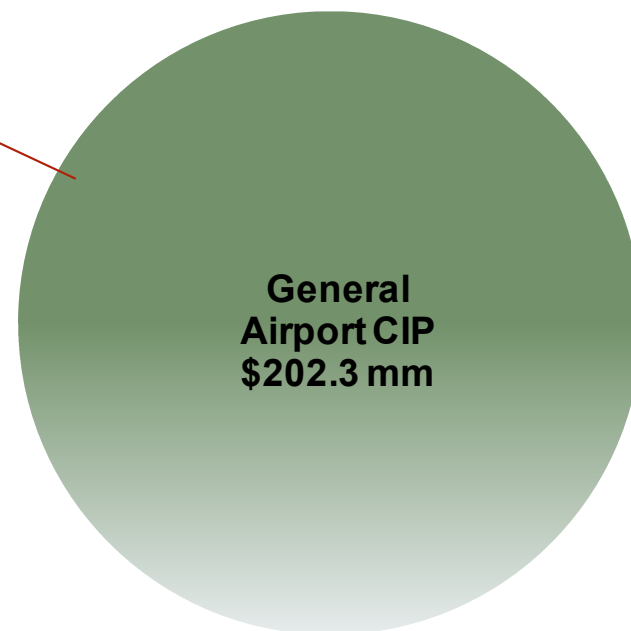


\* Legal authorization of approximately \$1.3B is being sought to allow for the ability to capture up to \$340M of additional refunding candidates and \$100M for AMT status

# Proposed DIA Subordinate General Airport Revenue Bonds



Target timing	November 2012 – February 2013
Lien	Subordinate



# Key statistics related to the proposed Bonds



	<b>Senior Bonds</b> <b>Series 2012A (AMT)</b> <b>Series 2012B (Non-AMT)</b> <b>Series 2012C (Taxable)</b>	<b>Subordinate Bonds</b> <b>Series A-C of 2012</b>
<b>Modeled Bond proceeds</b>	AMT - \$382mm Non AMT- <u>\$478mm</u> \$ 860 mm	\$ 240 mm
<b>Modeled refunding needs<sup>(1)</sup></b>	\$ 390 mm	\$ --
<b>Refunding Savings</b>	\$31mm	
<b>Modeled new money needs<sup>(2)</sup></b>	\$ 427 mm	\$ 240 mm
<b>All-in true interest cost</b>	4.03%	4.50%
<b>Final bond maturity</b>	November 15, 2043	November 15, 2043
<b>Average life</b>	16.3 years	19.9 years
<b>Interest due over life of Bonds (modeled proceeds)<sup>(3)</sup></b>	\$ 598 mm	\$ 222 mm

Based on bond interest rate market conditions as of August 16, 2012

<sup>(1)</sup> Includes \$64 mm to refund commercial paper and DIA equity used to fund capital improvements, excludes debt reserve and costs of issuance

<sup>(2)</sup> Includes capitalized interest, but excludes debt service reserves and costs of issuance

<sup>(3)</sup> Assumes \$727 mm of par amount of Senior Bonds and \$216 mm of par amount of Subordinate Bonds

# Base case results for key DIA financial metrics -- low and high range for 2013 through 2020



- CIP level: \$1.1b before application of prior bond proceeds, AIP grants, DIA Capital Fund and Commercial Paper
- Bond financing assumptions
  - All senior lien bonds
  - Debt service amortization based on useful life and purpose of project
  - Interest rates: 100 basis points over current market

Metric	Pre-UAL Amendment	Post-UAL Amendment
Debt service coverage (all bonds)	1.65x to 1.77x	1.53x to 1.69x
Average cost per enplaned passenger	\$12.23 to \$14.04	\$11.12 to \$13.67
Days cash on hand	577 to 772 days	585 to 655 days

# Sensitivity analysis -- major airline “de-hubbing” event and hotel decline



## ■ Key elements:

- Major airline “de-hubbing” event similar to the sensitivity analysis developed as part of 2010 affordability analysis
- Hotel decline based on Phoenix 2008 rating agency stress test

## ■ Sensitivity assumptions:

- Major airline de-hubbing event effective 2013
- Loss of all connecting traffic
- 50% reduction in originating passengers
- Corresponding reduction in leased gates and space
- All other assumptions remain the same (i.e., level of CIP, O&M Expenses, growth in traffic, etc.)

Metric	Post-UAL Amendment		
	Current	De-Hubbing Event & Reduced Hotel Performance Scenario	De-Hubbing Event
Debt service coverage (all bonds)	1.53x to 1.69x	1.39x to 1.53x	1.41x to 1.53x
Average cost per enplaned passenger	\$11.12 to \$13.67	\$13.09 to \$15.55	\$13.09 to \$15.53
Days cash on hand	585 to 655 days	372 to 540 days	469 to 540 days



# Key decisions and timing



<b>DIA senior management approval of capital improvement plan</b>	<b>Week of August 6</b>
<b>Review of capital improvement plan, plan of finance and key metrics with City CFO</b>	<b>Week of August 13</b>
<b>Review of capital improvement plan with Mayor</b>	<b>Week of August 20</b>
<b>Review of financing with Business, Workforce and Sustainability Committee</b>	<b>August 29</b>
<b>Mayor Council</b>	<b>September 11</b>
<b>First Council Reading</b>	<b>September 17</b>
<b>Second Council Reading</b>	<b>September 24</b>
<b>Pricing</b>	<b>Week of October 1</b>
<b>Implement financing program</b>	<b>Target closing by October 15</b>