

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

June 5, 2013

## Series 2013A-B Subordinate Revenue Bonds



# Agenda

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DIA's Capital Improvement Plan (CIP) for 2013-2018

Summary of the Series 2013A-B Subordinate Bond transaction

The Effect on Key Metrics

Time Table and Key Decision Points

# DIA 2013-2018 Capital Improvement Plan



*Amounts reflect 2013 dollars expressed in thousands*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
<b>Airfield</b>	<b>\$118,310</b>	<b>\$30,886</b>	<b>\$28,929</b>	<b>\$27,539</b>	<b>\$12,116</b>	<b>\$11,850</b>	<b>\$229,630</b>
<b>Baggage/AGTS</b>	<b>64,822</b>	<b>39,273</b>	<b>37,727</b>		-	-	<b>141,822</b>
<b>Commercial</b>	<b>17,121</b>	<b>14,550</b>	<b>14,000</b>	-	-	-	<b>45,671</b>
<b>Environment/Utilities</b>	<b>15,560</b>	-	-	-	-	-	<b>15,560</b>
<b>Other CIP</b>	<b>105,567</b>	<b>32,641</b>	-	-	-	-	<b>138,208</b>
<b>Roads</b>	<b>26,182</b>	<b>13,250</b>	<b>5,100</b>	<b>8,000</b>	<b>2,100</b>	<b>1,000</b>	<b>55,632</b>
<b>Technologies</b>	<b>34,735</b>	<b>6,809</b>	<b>3,578</b>	<b>1,265</b>	<b>1,208</b>	-	<b>47,594</b>
<b>Terminal Complex</b>	<b>97,361</b>	<b>47,575</b>	<b>12,657</b>	<b>3,774</b>	<b>1,774</b>	-	<b>163,142</b>
<b>South Terminal Redevelopment Program</b>	<b>356,825</b>	<b>162,443</b>	<b>25,000</b>	-	-	-	<b>544,268</b>
<b>Total</b>	<b>\$836,481</b>	<b>\$347,427</b>	<b>\$126,991</b>	<b>\$40,578</b>	<b>\$17,198</b>	<b>\$12,850</b>	<b>\$1,381,526</b>

# 2013-2018 CIP- General CIP Highlights

Facilities Maintenance Team	CIP Funding	Major Projects	Costs	Purpose
Airfield	\$ 229.6 mm	<ul style="list-style-type: none"> <li>•Runway 17R-35L Complex Pavement Rehab</li> <li>•Runway 16L-34R Complex Rehab</li> </ul>	<ul style="list-style-type: none"> <li>\$42.1 mm</li> <li>\$37.2 mm</li> </ul>	<ul style="list-style-type: none"> <li>• Runway rehabilitations enables DIA to maintain safe and efficient operations in the airfield by replacing concrete panels, repairing and replacing non-functional lighting/electrical, and upgrading the safety areas to current FAA standards.</li> </ul>
Baggage / AGTS	\$ 141.8 mm	<ul style="list-style-type: none"> <li>•AGTS Central Control Replacement</li> <li>•Checked Baggage Resolution Area</li> <li>•BHS System Optimization</li> </ul>	<ul style="list-style-type: none"> <li>\$37.2 mm</li> <li>\$30.0 mm</li> <li>\$65.0 mm</li> </ul>	<ul style="list-style-type: none"> <li>• Enables DIA to continue operating train from terminal to concourses by replacing obsolete and aging software and control mechanisms.</li> <li>• TSA requested improvements to checked baggage resolution and baggage handling system dependant upon substantial funding by TSA .</li> </ul>
Commercial	\$ 45.7 mm	<ul style="list-style-type: none"> <li>•New Parking Garage (Mod 4 East)</li> </ul>	\$42.0 mm	<ul style="list-style-type: none"> <li>• Accommodates current parking demand, improves customer experience, and generates additional revenue for DIA.</li> </ul>
Environment / Utilities	\$ 15.6 mm	<ul style="list-style-type: none"> <li>•40th &amp; Pena Underpass</li> <li>•Metro Waste Water</li> </ul>	<ul style="list-style-type: none"> <li>\$1.9 mm</li> <li>\$12.4 mm</li> </ul>	<ul style="list-style-type: none"> <li>•Provides access to property associated with Airport Cities.</li> <li>• Acquires permanent additional capacity from Metro Waste Water to treat waste water inclusive of residual de-icing fluid and prevent discharge into the environment.</li> </ul>
Other CIP	\$ 138.2 mm	<ul style="list-style-type: none"> <li>•Glycol Facility Drainage</li> <li>•North of the "X" Construction</li> <li>•Level 4 &amp; 6 Bridges</li> <li>•Excavation to Runways/Taxiways</li> </ul>	<ul style="list-style-type: none"> <li>\$3.0 mm</li> <li>\$52.6 mm</li> <li>\$25.2 mm</li> <li>\$12.0 mm</li> </ul>	<ul style="list-style-type: none"> <li>• Prevents spillage of deicing chemicals into environment.</li> <li>• Construction of a portion of RTD line into DIA station.</li> <li>• Taking advantage of STRP construction mobilization to reduce costs of replacing road bridges adjacent to terminal.</li> <li>• Move fill to replace erosion near runways and taxiways.</li> <li>• Allows for additional train cars to AGTS to increase passenger capacity to the concourses.</li> </ul>
Roads	\$ 55.6 mm	<ul style="list-style-type: none"> <li>•AGTS South Switch</li> <li>•Terminal Roadway Repairs</li> <li>•Rehab/Reconstruct Pena (2nd creek to E470)</li> </ul>	<ul style="list-style-type: none"> <li>\$10.2 mm</li> <li>\$13.5 mm</li> <li>\$12.0 mm</li> </ul>	<ul style="list-style-type: none"> <li>• Provides for annual, necessary safety repairs to terminal roadways.</li> <li>• Addresses necessary capital repairs to Pena Boulevard pavement due to reactive silicate soil deterioration.</li> </ul>
Technologies	\$ 47.6 mm	<ul style="list-style-type: none"> <li>•New Primary Data Center</li> <li>•Application Portfolio Refresh</li> </ul>	<ul style="list-style-type: none"> <li>\$15.1 mm</li> <li>\$5.3 mm</li> </ul>	<ul style="list-style-type: none"> <li>• Provides additional data storage to DIA needed to maintain operations.</li> <li>• Upgrade of applications software used by DIA to maintain operations.</li> </ul>
Terminal Complex	\$ 163.1 mm	<ul style="list-style-type: none"> <li>•Concourse C Gate Expansion</li> <li>•Fire Alarm System Replacement</li> <li>•Concourse B HVAC Controls Upgrade</li> <li>•Central Plant Controls Upgrades and Chiller addition</li> </ul>	<ul style="list-style-type: none"> <li>\$46.7 mm</li> <li>\$25.6 mm</li> <li>\$12.0 mm</li> <li>\$10.4 mm</li> </ul>	<ul style="list-style-type: none"> <li>• Add temporary gates to Concourse C to facilitate growth in service by Southwest.</li> <li>• Necessary safety improvements to bring structures in compliance with DFD codes.</li> <li>• Upgrade HVAC controls to meet current standards of efficiency.</li> <li>• Replace a failed air-conditioning chiller unit and the controls for that unit in the central plant to maintain current cooling capacity.</li> </ul>
<b>Total</b>	<b>\$ 837.3 mm</b>	<b>Total Major Projects</b>	<b>\$ 511.3 mm</b>	
		<b>Percent of total</b>	<b>61%</b>	

# 2013-2018 CIP- STRP Highlights

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<b>Project</b>	<b>Cost</b>	<b>Description</b>
Public Transit Center	\$ 365.2 mm	<ul style="list-style-type: none"><li>• Key components include: terminal interface "connecting" STRP to existing Jeppesen terminal, plaza with retail space and multi-faceted events venue, and RTD Airport Terminal Station.</li></ul>
Westin Hotel	\$ 179.1 mm	<ul style="list-style-type: none"><li>• Over 500 rooms.</li><li>• Contains conference center and restaurant.</li></ul>
<b>Total</b>	<b>\$ 544.3 mm</b>	

# Highlights of key changes to the CIP

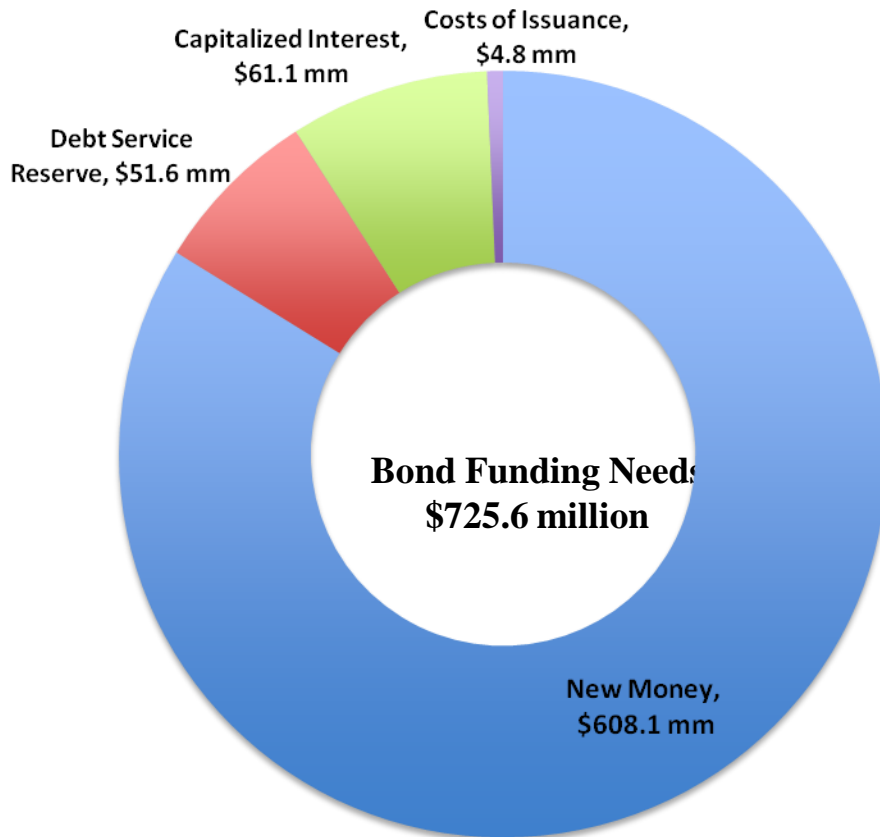
FMT	Budget Change	Description
Airfield	-\$ 1.5 mm	•Cost reductions with value engineering.
Baggage / AGTS	\$ 104.1 mm	•Addition of TSA related costs expected to be covered by Federal funds. (Grants expected to cover majority of funding needs). Projects contingent upon receipt of Federal funding commitment.
Commercial	\$ 0.0 mm	•No major changes.
Environment / Utilities	-\$ 2.0 mm	•Cost reductions with value engineering (especially Metro Waste).
Other CIP (aka "Related CIP Work" from March 27, 2013 BWS presentation)	\$ 60.8 mm	•Addition of North of the "X" costs and increase in STRP related project costs due to poor soil conditions and competition for construction labor.
Roads	\$ 0.0 mm	•No major changes.
Technologies	\$ 0.0 mm	•No major changes.
Terminal Complex	\$ 52.7 mm	•Concourse C gate expansion and carpet replacement in Concourse A and C projects added.
STRP	\$ 44 mm	•Cost increases for PTC due to poor soil conditions, additional MEP costs and local competition for construction labor. (Covered in March 27, 2013 BWS presentation).
<b>Total</b>	<b>\$ 258.2 mm</b>	

# Proposed Subordinate Airport Revenue Bonds



The Airport has identified \$385 million in 2013 capital needs.

The City is considering financing up to \$223 million of subsequent years' CIP projects to lock in historically low interest rates



<b>Series</b> <b>2013 A</b> <b>2013 B</b>	AMT	\$347mm
	Non-AMT	\$396mm
	<b>*Max Auth.</b>	<b>\$743mm</b>
<b>Target timing</b>	July 2013	
<b>Lien</b>	Subordinate	

\*\*Include \$17 mm of contingency if interest rates rise



# Pro forma key statistics related to the proposed Bonds



<b>Series</b>	A- AMT B- Non-AMT
<b>Modeled new money needs</b>	\$ 608.1 mm
<b>All-in true interest cost</b>	3.848%
<b>Final Bond maturity</b>	November 15, 2043
<b>Average life of Bonds</b>	18.85 years
<b>Weighted useful life of projects</b>	25.98 years
<b>Interest due over life of the Bonds</b>	\$ 607.8 mm

Pro Forma estimates based on bond interest rate markets on May 22, 2013



# 2013-2018 CIP Funding Status

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<b>Total CIP Costs</b>	<b>1,381,525,902</b>
<b>Funded by prior bonds</b>	<b>(475,663,607)</b>
<b>Funded by grants and other(1)</b>	<b>(202,301,514)</b>
<b>Series 2013A-B</b>	<b><u>(608,157,695)</u></b>
<b>Unfunded balance</b>	<b>95,403,086</b>

<sup>1</sup>Funded includes expected Federal grants, [\$3 MM], and key money from Hotel Operator.

# Key Features and Use of Subordinate lien

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The primary rationale for using the Subordinate lien for CIP funding is to protect financial metrics, primarily debt service coverage, for the Senior Lien

- Target coverage of 1.60x for Senior Lien Bonds

## Key Features of Subordinate lien

- Reduced debt service coverage ratio
- 110% of all debt service versus 125% on Senior Bond debt service
- Flexibility on debt service reserve requirement

## Spread between senior and subordinate debt

- Use subordinate lien when the spreads between Senior and Subordinate are relatively tight

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



- CIP level: \$1.4b before application of prior bond proceeds AIP grants and other funding sources
- Bond financing assumptions
  - Debt service amortization based on useful life and purpose of project
  - Interest rates: 50 basis points over current market

Metric	Current Forecast
Debt service coverage (Senior Bonds)	1.76x – 1.93x
Debt service coverage (All Bonds)	1.59x – 1.69x
Average costs per enplaned passengers	\$12.17 - \$14.05
Days cash on hand	598 - 725

# Sensitivity analysis -- major airline “de-hubbing” event



- Sensitivity assumptions:
  - Major airline de-hubbing event effective 2014
  - Loss of all connecting traffic
  - 40% 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	Current Forecast	Dehubbing Event
Debt service coverage (Senior Bonds)	1.76x – 1.93x	1.65x – 1.78x
Debt service coverage (Subordinate Bonds)	1.59x – 1.69x	1.47x – 1.56x
Average costs per enplaned passengers	\$12.17 - \$14.05	\$12.17 - \$16.00
Days cash on hand	598 - 725	557 - 620

# Key decisions and timing

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Approval is being sought on the following matters:

1. Approval of Series 2013A-B Bonds in the aggregate amount not to exceed \$743 million
2. Approval of Amendments to 1997 Subordinate Bond Ordinance

<b>Review of financing with Business, Workforce and Sustainability Committee</b>	<b>June 5</b>
<b>Mayor Council</b>	<b>June 11</b>
<b>First Council Reading</b>	<b>June 17</b>
<b>Second Council Reading</b>	<b>June 24</b>
<b>Pricing</b>	<b>Week of July 1</b>
<b>Closing</b>	<b>Week of July 15</b>