



**MEMORANDUM**

**TO:** THE TRANSPORTATION COMMISSION  
**FROM:** JEFF SUDMEIER, CHIEF FINANCIAL OFFICER  
**DATE:** SEPTEMBER 19, 2019  
**SUBJECT:** SIB LOAN APPLICATION FOR COLORADO SPRINGS MUNICIPAL AIRPORT (COS)

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**Purpose**

The purpose of this memorandum is to provide background information on the Colorado State Infrastructure Bank (CO SIB) loan application for the Colorado Springs Municipal Airport (COS), and to review the CO SIB subcommittee recommendation for TC approval.

**Action**

The CDOT Office of Financial Management and Budget (OFMB) requests that the Transportation Commission review and approve COS's CO SIB loan request.

**Background**

The City of Colorado Springs, on behalf of the COS, approved by Resolution 58-19 on July 9, 2019 the submittal of a \$7,500,000 loan request. On June 28, 2019 Colorado Springs Municipal Airport submitted to CDOT a SIB loan application in the same amount for design and construction of a 10-acre deicing ramp and US Forest Service air tanker base at the airport. Attachment A includes a summary of application materials. The full application is available at the following web link [here](#). As outlined in the application, the airport intends to use the SIB loan proceeds to move deicing operations away from the terminal and closer to the east runway, in addition they would enter into a partnership with the US Forest Service to operate as a Regional Airtanker base where fire tankers could operate from. On August 28, 2019 the Colorado Aeronautical Board (CAB) validated the aviation purpose and approved the request of the loan by their Board Resolution 20-01, advancing the loan processing and request for approval to the Transportation Commission.

**Details**

Staff has processed the COS application according to the criteria established in CDOT's PD 720.1 (SIB Procedures). OFMB has also validated it is a complete application, it is an eligible loan type, and COS has the means to repay the proposed loan. Attachment B provides a summary financial analysis of the loan. Per PD 720.1, OFMB convened the CO SIB subcommittee of the Transportation Commission and reviewed the pertinent information with the Chair. It is the determination of this subcommittee that this is a valid request and should be presented for further consideration. The City of Colorado Springs/COS currently has 2 prior outstanding SIB loans (2014 and 2016) from CDOT, with a remaining balance of \$3.9 million. The financial information submitted incorporates this remaining balance in their application and financials.



Schedule: The current project schedule indicates the design and construction work will begin in January 2020, and complete in November of 2020.

Terms: The term of the proposed loan is a 10-year repayment period, at a fixed rate of 3.25%, with a request for the Transportation Commission to waive loan origination fees (3/4 of one percent of the loan amount, or \$56,250.00). Resulting annual debt service payments would be approximately \$890,483 paid from COS's Passenger Facility Charges. COS stated they would offer up other sources of revenue, if needed.

The debt coverage ratio as computed using their 12/31/18 annual financial report data is 2.24.

### **Options and Recommendation**

1. Approve the SIB loan to COS (10-year repayment, \$7,500,000 at 3.25%, no origination fee).
2. Approve the SIB loan to COS, including an origination fee per TC guidance (10-year repayment, \$7,556,250 at 3.25%, with a \$56,250.00 origination fee).
3. Request additional information from staff or COS.
4. Deny the SIB loan request.

### **Next Steps**

If the loan is approved, OFMB will complete the loan processing, which includes preparing the final Loan Agreement, seeking authorization from the City of Colorado Springs, and coordinating disbursement of funds to the escrow agent. Additionally, OFMB and the Aeronautics Division will coordinate to process valid disbursement requests from the escrow agent as the project progresses.

The new balance in the SIB Aeronautics revolving fund, if this loan is approved, would be \$1,229,479. If the five current Aero SIB loans were repaid and there were no loans outstanding in the fund, the balance would be \$14,682,328 + \$7,500,000 (if this loan was not approved) = \$22,182,328.

If this loan is approved, there are no remaining funds to provide loans unless the fund is recapitalized by the Transportation Commission.

### **Attachments**

Attachment A: COS Loan Application Summary

Attachment B: Loan Analysis

Attachment C: City of Colorado Springs Resolution

Attachment D: Colorado Aeronautical Board Resolution

Attachment E: TC COS Loan Resolution





## COLORADO SPRINGS AIRPORT

Administration Office  
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Mr. David Ulane, A.A.E.  
Aeronautics Director  
Colorado Department of Transportation Division of Aeronautics  
5126 Front Range Parkway  
Watkins, Colorado 80137

Dear David,

The Colorado Springs Airport (COS) would once again like to thank the Colorado Department of Transportation Division of Aeronautics first for its continued partnership. The SIB program continues to provide unique opportunities that greatly benefit all Colorado Airports. As an existing SIB partner, COS recognizes the value this program represents, and the opportunity to apply for a State Infrastructure Bank (SIB) Loan.

The City of Colorado Springs and the Airport continues to look for opportunities in order to build the best possible community. COS has been successful in recruiting a number of businesses to either expand or relocate through the creation of the Commercial Aeronautical Zone (CAZ) and the new makeup of Peak Innovation Park (Airport's Business Park). Significant job creation as well as increased revenues have been afforded not only to the airport but the surrounding community, due to new and/or expanded businesses.

COS is an economic driver in our community and a critical component of our regional economy. Having a fiscally sound and sustainable Airport is crucial to its continued success in retaining and attracting businesses to Southern Colorado. The project envisioned within this application is essential to not only to COS, but also to the City of Colorado Springs, the region and neighboring states. Building a dual purpose deice/ airtanker base ramp will provide COS safer inclement weather operating conditions, free up existing apron space for expanded airline or air cargo uses, and provide an immediate response to imminent wildland fires. We envision this can be made possible with existing partnerships, specifically the US Forrest Service, and the aid of a low-cost SIB loan. Through the use of the requested Passenger Facility Charge (PFC) backed SIB loan, COS will be in a much stronger position to contribute to these efforts.

As you are aware, there have been a number of positive changes at COS over the past five years. Attached is a brief overview of the additional expected community benefits in relation to this deice/ airtanker base ramp project. Please find Colorado Springs Airport's State Infrastructure Bank Loan Application following this cover letter. Thank you in advance for any consideration you may afford this application.

Enc.

## **COLORADO SPRINGS AIRPORT (COS) DEICE \ TANKER BASE PROGRAM SYNOPSIS**



### **INTRODUCTION**

In response to the industry challenges faced by small and medium hub airports, COS management implemented a new strategic business model called the Airport Recovery Program in the spring of 2013. The Airport Recovery Program's underlying goal is to optimize the use of the Airport's resources to serve as an economic driver. As such, COS has searched for and remained open to opportunities for new and diversified revenue streams. Over the past couple of years, COS has identified the need for a new deice ramp which would enhance safety operations, and free up existing ramp space for additional revenue streams. More recently, collaboration between the Airport and governmental agencies, has identified the need for and success of a Regional Airtanker base. The combined needs make for an ideal dual use ramp, enhancing safety issues and making a worthwhile contribution to the community.

### **DEICE RAMP**

As the following application will discuss, deicing operations currently take place on the terminal apron which can from time to time create capacity issues. With the aid of an SIB loan, COS intends to move deicing operations away from the terminal and closer to the east runway. The obvious benefits are the reduced amount of time for deicing operations, to the time the aircraft leaves the ground. The current operation makes a longer distance for aircraft to taxi, more expensive chemical being utilized and on occasion, deicing will have to occur multiple times which increase costs for the airlines. Additionally, moving the deicing operations away from the terminal will mitigate diversion congestion during increment whether and future congestion as the airport becomes busier. Lastly, freeing up the apron near the terminal will allow for additional business options in the future such as cargo operations.

### **TANKER BASE**

Because of location and existing runway loading and runway length at COS Airport, we were approached by the US Forest Service to see if we would be interested in a partnership whereby fire tankers could operate from COS as a Regional Airtanker base. In the summer of 2018 COS had the opportunity to demonstrate proof of concept, as 747's and DC-10's flew multiple slurry loads to fires throughout the region. Through a multi-agency collaboration, including the City of Colorado Springs, Ft. Carson, Peterson Air Force Base, the US Forest Service, the Office of the Governor and the FAA, the demonstration proved to be highly successful, leading to more serious conversations involving COS as a primary tanker base for the Rocky Mountain Region.

### **COMMUNITY ENGAGEMENT**

As mentioned previously, several agencies came together for a proof of concept exercise in the summer of 2018. These same agencies will remain integral players in forthcoming operations. However, the Forest Service and the Airport have stepped up their level of commitment in order to make this plan a reality in 2020. The US Forrest Service has committed \$2.5 million towards the addition \ upgrade of the Airports 10 acre ramp, and the Airport has committed \$1.0 million. Though highly committed, this project does rely on the additional commitment from the State of Colorado and the FAA. Without the

approval of CDOT to utilize an SIB loan, this project will not happen. Conjointly, without the approval of the FAA to utilize future PFC revenues funds to repay the SIB loan, this project will not be accomplished.

## **COMMUNITY BENEFIT AND ECONOMIC IMPACT**

Should funding or spending authority of the deice ramp be denied, the community stands to lose a tremendous asset. The community stands to lose state revenues, community growth and development, recognition, and in the worst case scenario, may even lose the ability to defend property and possibly even life in imminent fire situations.

The deice \ air tanker ramp is attractive to the airlines for safety reasons as well as monetary reasons. The ramp will allow COS to collect revenues based on tanker landed weight, which will ultimately reduce airline landing rates. Additionally, COS anticipates cost saving related to deicing chemicals. Lastly, charging for the tanker usage allows COS to further diversify its revenue streams, lending to greater vitality and sustained operational stability.

COS anticipates increased revenues not only to the Airport, but to the community and the state. Air tankers will pay landing fees to the airport. The same tankers will be purchasing fuel and paying sales tax. The operations will bring jobs and visitors. Employees and visitors will reside, shelter, eat and possibly vacation in nearby establishments and cities, bolstering the local economy. This asset will also likely provide future training opportunities, attract additional businesses and services, and will possibly bring about expanded infrastructure and operations.

Aside from revenues, an unanticipated benefit presented itself, Colorado Springs Utilities (CSU) tested the combined substances (deicing chemical and flame retardant) to make sure the organisms within their wastewater treatment plant would survive and not have any negative impacts to the local waterways. The findings of the test results came back favorable where the two substances combined do not pose a risk to CSU's wastewater treatment plant or the environment. Thus, allowing for one drainage pond and reducing the overall infrastructure cost to the project.

Also, the addition of a regional tanker base will gain the community recognition, as it will allow timely firefighting response to not only our community, but to surrounding communities within a 700 nautical mile radius. It will fulfill a much needed wildland firefighting response service to the Rocky Mountain Region, central and western United States.

## **SUMMARY**

In summary, the Colorado Springs Airport and the City of Colorado Springs are excited about the opportunity to design, construct and utilize this dual use ramp. We believe the benefits to the air carriers, the Airport, the community and the region are substantial. With continued collaboration from the aforementioned city, state and national agencies, along with CDOT's Division of Aeronautics, COS is looking forward to ongoing and future success, as well as the fruition of its economic and safety contributions to the community and region.

## Colorado State Infrastructure Bank of Loan Request

**General Information About the Sponsor:**

Sponsor's Name.....	Colorado Springs Airport
Application date.....	June 28, 2019
CO SIB Priority.....	Single
Transportation Region.....	Region 1

**Financial Information Concerning the Sponsor:**

**\*Includes PFC Revenue**

Statement of Net Assets	Statement of Revenues, Expenses and Change in Net Assets
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Cash, Investments and Receivables	\$	34,523,978.00	Operating Revenue	\$	19,164,519.00
Other Current Assets		-	Operating Expense	\$	15,696,907.00
Total Current Assets	\$	34,523,978.00	Total Operating Gain/Loss	\$	3,467,612.00
Fixed and Other Assets		244,983,664.00	Nonoperating Revenue	\$	13,147,168.00
Total Assets	\$	279,507,642.00	Nonoperating Expense	\$	960,779.00
Current Liabilities		6,244,419.00	Total Nonoperating Gain/Loss	\$	13,724,569.00
Long-term Liabilities		15,238,497.00	Grants and Capital Contributions	\$	7,560,975.00
Total Liabilities	\$	21,482,916.00	Net Income	\$	24,753,156.00
Net Assets	\$	258,024,726.00	Current Debt Service Payments	\$	658,951.00
			Future Debt Service Payments		\$1,549,434.00

**Financial Totals:**

Total Assets.....	\$	279,507,642.00	Interest Expense	\$	-
Total Liabilities.....	\$	21,482,916.00	Depreciation Expense	\$	16,173,249.00
Total Revenue.....	\$	32,311,687.00			
Total Expense.....	\$	16,657,686.00			

**Loan Provisions:**

Requested Loan Amount.....	\$	7,500,000.00
Rate of Interest on the Loan.....		3.25%
Period.....	10 Years	10
Loan Repayment Basis.....	Annual	
Beginning Payment Date.....	January 1, 2020	
Repayment Source(s).....	All Sources of Revenue (Airport Airfield)	
Payment amount	\$890,483.04	

**Amortization Schedule:**

	Payment Due Dates	Installment	Interest	Repayment	Remaining Balance
1	January-20	\$890,483.04	\$243,750.00	\$646,733.04	6,853,266.96
2	January-21	\$890,483.04	\$222,731.18	667,751.87	6,185,515.09
3	January-22	\$890,483.04	\$201,029.24	689,453.80	5,496,061.29
4	January-23	\$890,483.04	\$178,621.99	711,861.05	4,784,200.24
5	January-24	\$890,483.04	\$155,486.51	734,996.54	4,049,203.70
6	January-25	\$890,483.04	\$131,599.12	758,883.92	3,290,319.78
7	January-26	\$890,483.04	\$106,935.39	783,547.65	2,506,772.13
8	January-27	\$890,483.04	\$81,470.09	809,012.95	1,697,759.18
9	January-28	\$890,483.04	\$55,177.17	835,305.87	862,453.31
10	January-29	\$890,483.04	\$28,029.73	862,453.31	(0.00)

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**Project Information:**

Project Description.....	Deicing Pad – Design and Construction
Type of Project.....	Aviation
Total Project Cost.....	\$ 13,500,000.00
Leverage Ratio.....	0.556
% Funded by Other Sources.....	44.4%
Benefit.....	The objective of this project is to build a deicing pad at the departure end of the runway to increase operational efficiency and safety for all airlines operating out of COS.
Plan.....	Yes

Technical Approval..... Yes

**Financial Analysis:**

Currently, existing deicing operations take place on the terminal apron which creates safety and capacity issues on the terminal ramp. Depending on the type of deicing aircraft wingtip clearances become issues, and based on the time it takes to deice an aircraft, the terminal ramp may become congested. Relocating deicing operations to the departure end of the runway increases operational efficiencies and safety for all air carriers.

Additionally, the US Forest Service has agreed to contribute \$2,500,000 to the total construction of the deicing ramp with the approval of their discretionary funds. The US Forest Service intends to utilize a portion of the ramp as a regional firefighting tanker base during fire season.

**Debt-Equity Ratios:**

Long-term Debt Ratio.....	0.05452 =	Long-term Liabilities divided by Total Assets
Debt-Equity Ratio.....	0.0833 =	Total Liabilities divided by Total Equity
Total Debt Ratio.....	0.077 =	Total Debt divided by Total Assets
Debt Coverage Ratio-Before Loan.....	<b>5.26</b> =	Operating Revenue minus Operating Expense divided by Current Debt Service plus interest payments
Debt Coverage Ratio-After Loan.....	<b>2.24</b> =	Operating Revenue minus Operating Expense divided by Future Debt Service plus interest payments

**Liquidity Ratios:**

Net Working Capital to Total Assets Ratio....	10.118 =	Current Assets minus Current Liabilities divided by Total Assets
Current Ratio.....	5.53 =	Current Assets divided by Current Liabilities
Quick Ratio.....	5.53 =	Cash, Investments and Receivables divided by Current Liabilities
Interval Measure (in days).....	803 =	Cash, Investments and Receivables divided by Operating Expenses divided by 365

RESOLUTION NO. 58-19

A RESOLUTION TO AUTHORIZE THE COLORADO SPRINGS AIRPORT TO SUBMIT AN APPLICATION, AND TO ACCEPT AND EXECUTE A LOAN WITH THE COLORADO DEPARTMENT OF TRANSPORTATION STATE INFRASTRUCTURE BANK- AVIATION DIVISION IN AN AMOUNT NOT TO EXCEED \$7,500,000 TO FUND PASSENGER FACILITY CHARGE (PFC) PROJECTS AT THE COLORADO SPRINGS AIRPORT

WHEREAS, the City of Colorado Springs, Colorado ("City") is a home rule city and municipal corporation duly organized and existing under the laws of the State of Colorado and in particular under the provisions of Article XX of the Constitution of the State of Colorado and the Charter of the City; and

WHEREAS, the Colorado Springs Airport ("Airport") is an enterprise of the City within the meaning of Article X, § 20 of the Colorado Constitution; and

WHEREAS, the Airport desires to take advantage of historically low interest rates to fund PFC related projects; and

WHEREAS, in order to fund these projects while awaiting the collection of PFCs, it is necessary and desirable for the Airport to submit, accept and execute a loan application to the Colorado Department of Transportation State Infrastructure Bank Aviation Division; and

WHEREAS, the Airport intends to repay the loan through the collection of Passenger Facility Charges; and

WHEREAS, if PFC collections fall below projections, the Airport's annual share of state fuel and excise tax revenues will be used to make the principal and interest loan payments; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

Section 1. The Colorado Springs Airport is hereby authorized to submit an application for a Colorado Department of Transportation State Infrastructure Bank loan - Aviation Division for a loan in an amount not to exceed \$7,500,000 to fund Passenger Facility Charge (PFC) projects at the Colorado Springs Airport.

Section 2. The Director of Aviation is hereby authorized to accept and execute a loan from the Colorado Department of Transportation State Infrastructure Bank - Aviation Division in an amount not to exceed \$7,500,000 to fund Passenger Facility Charge (PFC) projects at the Colorado Springs Airport.

DATED at Colorado Springs, Colorado, this 9<sup>th</sup> day of July, 2019.

  
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Council President

ATTEST:

  
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Sarah B. Johnson, City Clerk





# COLORADO

## Aeronautical Board

### Resolution 20-01

#### RECOMMENDATION TO APPROVE THE AVIATION SIB APPLICATION DATED JULY 29, 2019 SUBMITTED BY THE CITY OF COLORADO SPRINGS ON BEHALF OF THE COLORADO SPRINGS MUNICIPAL AIRPORT

WHEREAS, The Colorado State Infrastructure Bank (hereinafter referred to as the “SIB”) is an investment bank at the state level with the ability to make loans to public and private entities, for the formation of public transportation projects within the state; and

WHEREAS, The General Assembly has passed legislation that made certain provisions for the Bank and established within the Bank a highway account, a transit account, an aviation account, and a rail account; and

WHEREAS, The Transportation Commission has adopted rules, pursuant to 43-1-113.5, CRS, regarding the SIB; and

WHEREAS, The City of Colorado Springs, on behalf of the Colorado Springs Municipal Airport has requested a loan from the SIB in the amount of \$7,500,000.00 for an eligible transportation project as described in Rule III, section 2, 2CCR 605-1, specifically the construction of a dual purpose deice ramp and Regional Air Tanker Base.

WHEREAS, The Colorado Department of Transportation has adopted the SIB Procedure through Procedural Directive (“PD”) 720.1 as revised February 10, 2015 (“PD 720.1”); and

WHEREAS, PD 720.1 Section V.1.O requires that the Colorado Aeronautical Board (“CAB”) evaluate the technical, non-financial aspects of an aviation SIB loan application and shall approve a resolution recommending or not recommending approval by the Transportation Commission; and

WHEREAS, CRS 43-10-105 describes the duties of the CAB which, among other things, includes the establishment of policies for the growth and development of aviation in the state; and CRS 43-10-103 created the Division and, among other things, tasked the Division with promoting aviation safety and education; and CRS 43-10-101 declares a need to promote the safe operation of aviation in the state and identifies that improvement of general aviation and aviation facilities in the state promotes diversified economic development across the state; and

WHEREAS, the CAB recognizes and acknowledges this particular project’s benefit to Colorado Springs Municipal Airport, but also to the statewide aviation system, by providing the airport with a dual purpose deice ramp and Regional Air Tanker Base that will help maintain a safe and efficient operating environment for one of Colorado’s key airports;

NOW, THEREFORE BE IT RESOLVED, The Colorado Aeronautical Board hereby formally recommends Transportation Commission approval of the aviation SIB loan application submitted by the City of Colorado Springs on behalf of the Colorado Springs Municipal Airport dated July 29, 2019 for the purposes generally described in the application.

Passed this 28<sup>th</sup> day of August 2019.



Robert Olislagers, Vice Chair  
Colorado Aeronautical Board



Attest  
David R. Ulane, Director  
Colorado Department of Transportation,  
Division of Aeronautics