Long Term Airport Growth

- Passenger traffic at DRO has doubled over the last two decades, and is now 120% higher than 1988 when the existing terminal facility was constructed.
Managing Airport Growth

• Since 1988, the only substantial changes to the terminal facility have been the additional of a ~4,500 square foot temporary tensile fabric structure in 2013 to add airline boarding gates and the renovation/expansion of airline office and baggage screening operations in 2019.

• Approximately 50% of usable square footage post-TSA is comprised of the temporary tensile fabric structure. At minimum, the airport must enable permanent infrastructure to backfill the square footage that will be lost when the temporary structure must be decommissioned.

• Evolutions in the airline industry are leading to upgauging – the utilization of larger sized aircraft to more efficiently carry passenger traffic. Modern regional airports must be sized to accommodate a larger airline fleet.

• Existing facilities have other key deficiencies
  • Improperly sized and non-linear TSA screening checkpoint
  • Limited post-TSA food/beverage concessions
  • Undersized airline boarding gates
  • Undersized post-TSA public restrooms
Terminal – Existing Conditions

AERIAL TICKET HALL - CIRCULATION AND QUEUING SHARE A RELATIVELY CONFINED AREA IN FRONT OF TICKET COUNTERS.

SPRUING STRUCTURE - TEMPORARY BUILDING. DEPARTURE LOUNGE FOR TWO GATES. OUTDOOR BEER GARDEN.

GATE SEATING - OVER CAPACITY. CONGESTION AT SHARED GATES.

BAG CLAIM AND RENTAL CAR - SECOND DEVICE IS NEEDED FOR SIMULTANEOUS ARRIVALS.

OTHER EXISTING AIRPORT TERMINAL NEEDS:
- ENLARGED ARRIVAL HALL
- ENLARGED TERMINAL HALL
- IMPROVED PRE-SECURE RESTROOMS AND CUSTOMER SPACE
- ENLARGED TWO SCREENING ROOM
- MORE ADMINISTRATIVE SPACE FOR AIRPORT QUALITY

GENERAL UNMET NEEDS:
- LACK OF SKYLIGHTS
- LACK OF NATURAL LIGHT
- OUTDATED FINISHES

SECURITY SCREENING CHECKPOINT - GATEWAYS AND SCREENING AREAS ARE UNDERGIZED. SCREENING IS IMPACTING DEPARTURE LOUNGE SEATING.
Terminal Development – Long Term Vision
Terminal Development – Phase 1A

Phase 1A Overview
- Develop an added airline boarding gate and seating area
  - Meet growing demand and changing airline fleet
- Add new and expanded public restrooms
  - Meet full ADA requirements and improve service levels
- Add family restroom and mother’s nursing room
- Add food/beverage concessions at new Gate 1
- Relocate electrical utilities
- Enable solar PV installation on expanded rooflines
Terminal Development – Phase 1B

**Phase 1B Overview**
- Relocate TSA screening checkpoint
  - Eliminate non-linear passenger flow
  - Size appropriately for ADA
- Reclaim boarding gate 3 gate seating area
  - Meet growing demand and changing airline fleet
- Develop new airline boarding gate N1 and seating area
  - Meet growing demand and changing airline fleet
- Relocate and expand baggage claim
- Expand post-TSA concessions and dining
- Heavy remodel of existing pre-TSA spaces to include new and expanded public restrooms, concessions, and security queueing.
- Enable solar PV installation on expanded rooflines
Terminal Development Renderings
Terminal Development Renderings
Project Timeline

- Phase 1A Design
  - 2021-2022
- Phase 1A Construction
  - April 2023 – Q1 2024
- Phase 1B Design
  - Q1 2023 – Q1 2024
- Phase 1B Construction
  - Q2 2024 - 2026
Project Funding

• DRO operates as an enterprise fund of the City of Durango – no local taxpayer dollars are utilized for airport operations or capital projects

• Terminal development program is following an incremental development strategy that can be funded through airport revenue streams.
  • Airport retained earnings
  • Airport financing
    • Debt to be serviced by PFC’s/airport operating revenues
  • FAA AIP grant funds
  • FAA BIL grant funds
  • CDOT matching grant funds

<table>
<thead>
<tr>
<th>Phase</th>
<th>Cost Estimate</th>
<th>FAA AIP</th>
<th>FAA BIL AIG</th>
<th>FAA BIL ATP</th>
<th>CDOT AIP Match</th>
<th>CDOT AIG Match</th>
<th>DRO Cash Funding</th>
<th>DRO Financing</th>
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<tbody>
<tr>
<td>Phase 1A - Design (2021-2022)</td>
<td>$1,150,000</td>
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<td>Phase 1A - Construction (2023-2024)</td>
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<td>Phase 1B - Design (2023-2024)</td>
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<td>Phase 1B - Construction (2024-2026)</td>
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<td>Totals</td>
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<td>$283,590</td>
<td>$339,668</td>
<td>$3,974,987</td>
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Phase 1B Financing Considerations

- Financing mechanism
  - Cost of issuance vs. amount borrowed (efficiency)
  - Legal analysis of debt issuance process for the airport enterprise fund

- Airline rates & charges competitive positioning

- Risk assessment
  - Interest rate environment
  - Construction cost environment

- Involved parties
  - Legal/Bond Counsel
  - Financial advisor
  - Airport staff
  - FAA
  - CDOT
  - City
  - County
## Phase 1B Financing Options

<table>
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<tr>
<th>Borrowing Source</th>
<th>Pros</th>
<th>Cons</th>
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<tbody>
<tr>
<td>General Airport Revenue Bond (GARB)</td>
<td>• Market acceptance • Varying terms available</td>
<td>• Origination fees • Reserve/coverage requirements</td>
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<tr>
<td>State Infrastructure Bank (SIB) Loan</td>
<td>• Lowest fees • Competitive rates • Can be combined with other sources</td>
<td>• 10-year term limitation • Shorter term = higher annual payment • Capitalization question</td>
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<tr>
<td>Lease-Purchase</td>
<td>• Lower upfront costs • Competitive rates</td>
<td>• Limited term • Shorter term = higher annual payment • Question of pledged asset</td>
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<tr>
<td>Bank Loan</td>
<td>• Lower fees • Potential to draw as needed</td>
<td>• Uncertain availability • Shorter term = higher annual payment</td>
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## Phase 1B Financing – Debt Service Modeling

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<tr>
<th>Scenario</th>
<th>SIB</th>
<th>GARB</th>
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<tr>
<td>Issuance Type</td>
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<tr>
<td>CapEx</td>
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<td>Bond Proceeds used for CapEx</td>
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<tr>
<td>Interest Rate</td>
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<td>Borrowing Term (Years)</td>
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<td>20</td>
<td>10</td>
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<td>Issuance Amount</td>
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<td>Total Borrowing Cost</td>
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<td>Total Project Cost (incl. financing)</td>
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<td>Debt Service</td>
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<td>Paid by PFC</td>
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<td>Paid by Rates</td>
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<td>(144,493)</td>
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<td>EPAX</td>
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<tr>
<td>CPE used for Debt Service</td>
<td>2.01</td>
<td>1.23</td>
<td>(0.78)</td>
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Phase 1B Financing – Airline Rates & Charges
Phase 1B Financing – Airline Rates & Charges

Mountain West and West CPE - 2021
Phase 1B Financing – Financial Modeling
Phase 1B Financing Timeline

- **Q3/Q4 2022**: Information gathering
  - City/County
  - Legal
  - Banks
  - SIB

- **Q1/Q2 2023**: Legal analysis
  - Establish project budget
  - Update financial analysis

- **Q3/Q4 2023**: RFP for financing
  - GMP for construction

- **Q1/Q2 2024**: Finalize FAA grants
  - Airline agreement
  - Financial Close

- **2024-2026**: Construction

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Phase 1A contracting & construction

Phase 1B Design & Preparation

Financial Close and Construction
Phase 1B Financing Next Steps

- Finalize project budget
- Legal analysis of debt issuance process for the airport enterprise fund
- Confirm SIB loan availability and develop application
- Develop PFC application
- Initiate Phase 1B design – cost estimates at key milestones
- FY24 Airline rates & charges development
Questions?

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