



MEMORANDUM

TO: COLORADO TRANSPORTATION COMMISSION

FROM: COLORADO STATE INFRASTRUCTURE BANK (COSIB) COMMITTEE

DATE: JANUARY 21, 2016

**SUBJECT: COLORADO STATE INFRASTRUCTURE BANK LOAN APPLICATION FOR GREELEY-WELD COUNTY
AIRPORT**

Purpose

To provide background information related to the Greeley-Weld County Airport COSIB loan application and to review the COSIB Committee's recommendation for approval.

Action

The Transportation Commission (TC) is being asked to review and approve the Greeley-Weld County Airport \$1.0 million loan request.

Background

The Greeley-Weld County Airport Authority wants to upgrade their airport taxiways in the west area of the airport. The taxiways lead to hangars that generate approximately 85% of the airport's revenues through private lease contracts. The COSIB loan will be used to improve the taxiway storm water drainage system and replace asphalt that is over 30 years old. The damage caused by poor drainage of storm water has impacted the subgrade and caused the asphalt to unravel at the joints, creating a serious safety issue. Due to the nature and extent of the damage, crackfilling or fog sealing the surface is no longer an option to salvage the asphalt. The storm water drainage issue will be fixed before the subgrade and paving is complete. These repairs will allow aircraft to enter and exit the taxiways with ease while reducing damage caused by asphalt debris. If approved, the project is expected to begin during the 2016 construction season.

Details

Revenue from oil and gas operations is identified as the primary source used to repay the COSIB loan. This option for revenue generation has become popular, with both the Front Range Airport and Denver International Airport generating significant revenues from oil and gas leases. While oil and gas revenues are not typically used to secure aviation COSIB loans, there are no COSIB rules or guidelines that disallow pledging revenues of oil and gas leases. Given that these revenues are a relatively new source of income for other area airports, the COSIB Committee's concern is that these are not long-term stable revenue streams since the production levels of wells fluctuate over time.



In order to address this issue of volatility, the COSIB Committee tentatively agreed to approve the Greeley-Weld County COSIB loan application only if additional language is added to the application requiring the airport to maintain cash reserves equal to or in excess of the outstanding principal. The additional language would guarantee repayment of the COSIB loan. Department staff will develop a process to analyze the cash balance versus the outstanding loan principal balance on a quarterly basis.

The airport currently has \$2.0 million in a capital reserve fund. While this could be used to build the taxiway project, the airport authority board is seeking the COSIB loan in order to take a more conservative approach and keep the reserve fund intact. Department staff views capital reserve funds as more than adequate coverage and consider the risk level no different from other airport loans that are subject to air carrier traffic fluctuation, fuel prices and changing economic conditions.

Key Benefits

Funding the taxiway improvements in the west complex area of the Greeley-Weld County Airport will address an increasingly serious safety issue. By repairing the drainage system and replacing damaged asphalt, aircrafts will be able to enter and exit the taxiways with ease while reducing damage to the aircrafts that is caused by asphalt debris. In the long term, repairing this section of the taxiway will ensure that the hangars in the west complex area continue to be a primary source of revenue for the airport.

Options and Recommendation

1. Approve the \$1.0 million loan to Greeley-Weld County Airport contingent upon a written agreement that requires the airport to maintain cash reserves always equal to or in excess of the outstanding principal. **COSIB Committee recommendation.**
2. Request additional information and delay for a future month.
3. Deny COSIB loan request.

Next Steps

If the loan is approved, the application will be updated to include a written agreement that requires the airport to maintain cash reserves always equal to or in excess of the outstanding principal. Once the application has been updated, The Division of Administration and Finance (DAF) will complete the loan process. The Department will work closely with the Greeley-Weld County Airport to develop a process to periodically review the cash balance versus the outstanding loan principal on a quarterly basis.

Attachments

Attachment A: Greeley -Weld County Airport Loan Analysis



Colorado State Infrastructure Bank of Loan Request

General Information About the Sponsor:

Sponsor's Name.....	Greely Weld County Airport Authority
Application date.....	September 30, 2015
CO SIB Priority.....	Single
Transportation Region.....	Region 4

Financial Information Concerning the Sponsor:



Statement of Net Assets		Statement of Revenues, Expenses and Change in Net Assets	
Cash, Investments and Receivables	\$ 2,054,846.00	Total Revenue	\$ 1,477,561.00
Other Current Assets	-	Operating Expenses	\$ 2,294,732.00
Total Current Assets	<u>\$ 2,054,846.00</u>	EBI	<u>\$ (817,171.00)</u>
Fixed and Other Assets	<u>18,455,845.00</u>	Interest Expenses	
Total Assets	<u><u>\$ 20,510,691.00</u></u>	Net Income	<u><u>\$ (817,171.00)</u></u>
Current Liabilities	191,358.00	Source: Greely-Weld County Airport Authority, 2014 Financial Statements, December 31, 2014	
Long-term Liabilities	137,532.00		
Total Liabilities	<u>\$ 328,890.00</u>		
Net Assets	<u><u>\$ 20,181,801.00</u></u>		

Financial Totals:

Total Assets.....	\$ 20,510,691.00
Total Liabilities.....	\$ 328,890.00
Total Revenue.....	\$ 1,477,561.00
Total Expense.....	\$ 2,294,732.00

Loan Provisions:

Requested Loan Amount.....	\$ 1,000,000.00	\$ 50,625.00
Rate of Interest on the Loan.....	2.50%	
Period.....	5 years	5
Loan Repayment Basis.....	Annual	
Beginning Payment Date.....	1-Jan-2017	
Repayment Source(s).....	Revenue from the capital projects fund, generated from Oil and Gas royalties.	
Previous CO SIB Loan Balance.....	No previous loans from the CO SIB.	

Amortization Schedule:

	Payment Due Dates	Annual Payment Amounts	Interest	Principal	Outstanding Balance
1	January-17	226,143.73	26,265.63	199,878.11	850,746.89
2	January-18	226,143.73	21,268.67	204,875.06	645,871.83
3	January-19	226,143.73	16,146.80	209,996.94	435,874.89
4	January-20	226,143.73	10,896.87	215,246.86	220,628.03
5	January-21	226,143.73	5,515.70	220,628.03	(0.00)
6					
7					
8					
9					
10					

Project Information:

Project Description.....	Reconstruct taxi lanes in various parts of the airport.	
Type of Project.....	Aviation	
Total Project Cost.....	\$ 1,219,177.00	
Leverage Ratio.....	0.820	
% Funded by Other Sources.....	18.0%	
Benefit.....	Safety	
Plan.....	Yes	
Technical Approval.....	Yes, approved by the Colorado Aeronautical Board	

Financial Analysis:

The companies long term debt to its assets are favorable. Liquidity ratio is also favorable.

Debt-Equity Ratios:

Long-term Debt Ratio.....	0.007 =	Long-term Liabilities divided by Long-term Liabilities plus Net Assets
Debt-Equity Ratio.....	0.007 =	Long-term Liabilities divided by Net Assets
Total Debt Ratio.....	0.0160 =	Total Assets divided by Total Liabilities

Liquidity Ratios:

Net Working Capital to Total Assets Ratio....	0.091 =	Current Assets minus Current Liabilities divided by Total Assets
Current Ratio.....	10.738 =	Current Assets divided by Current Liabilities
Quick Ratio.....	10.738 =	Cash, Investments and Receivables divided by Current Liabilities
Interval Measure (in days).....	327 =	Cash, Investments and Receivables divided by Operating Expenses divided by 365

**Transportation Commission of Colorado
January 21, 2016**

Resolution Number TC-

WHEREAS, the Colorado State Infrastructure Bank (bank) is a transportation investment bank 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 passed Legislation (43-1-113.5 CRS) 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, a loan application has been submitted by the Greeley-Weld County Airport (borrower), to borrow \$1,000,000 from the aviation account to correct drainage issues and resurface the taxiways; and

WHEREAS, the Transportation Commission has adopted rules, pursuant to 43-1-113.5 CRS, in 2 CCR 605-1 regarding the eligibility requirements, disbursement of funds, interest rates, and repayments of loans from the bank; and

WHEREAS, pursuant to 2 CCR 605-1, Rule VI, Section 4 the Review Committee has reviewed and is in support of the application; and

WHEREAS, 2 CCR 605-1, Rule VI, Section 6 (2) provides “loan agreements for construction will specify that funds will be disbursed in their entirety to a third party fiduciary or escrow agent” unless the Transportation Commission provides a specific exemption; and

WHEREAS, the borrower has expressed its intent to attain Wells Fargo Bank (the agent) as the third party fiduciary, escrow, or administrative agent to confirm proper documentation from the borrower for loan draws, with the Department’s Division of Aeronautics, directly disbursing funds to the borrower upon receipt of the agent’s confirmation; and

WHEREAS, the Division of Aeronautics and the Colorado Aeronautic Board has technically approved this aviation project; and

WHEREAS, a sufficient amount is available to loan in the aviation account; and

WHEREAS, the term of the loan is five (5) years with a 2.50% interest rate, set by the Transportation Commission semi-annually; and

NOW THEREFORE BE IT RESOLVED, the Transportation Commission authorizes the Department, under the guidance and direction of the Chief Financial Officer, to execute a loan agreement with the borrower in an amount of \$1,000,000.00 under the terms and provisions set forth in the adopted rules.

**Herman Stockinger, Secretary
Transportation Commission of Colorado**