

This document is provided only as a sample to assist in the understanding of the possibilities of this project. This is just one idea that was presented in the past, and no action was taken. Any references to costs are outdated, but you may find them useful in understanding the potential magnitude of the project. – December 6, 2011

Civil Air Terminal Expansion Project Description

The Civil Air Terminal (CAT) Expansion project is proposed to accommodate parking for civil air cargo carriers' aircraft that serve Dover Air Force Base. All other job-producing activities not discussed here (NASCAR, Allegiant Air service, International Park of the Americas, etc.) would benefit from this development as well. The project is divided into two phases, with Phase 1 providing strengthened parking places for four Boeing 747 aircraft. Phase 2 would add two more parking spaces and a maintenance hangar for these aircraft. Much of the development would extend onto Kent County Aeropark property. Figure 1 presents a graphic illustration of Phase 1, while Figure 2 shows Phase 2 additional expansion. Facilities included in each phase are described as follows:

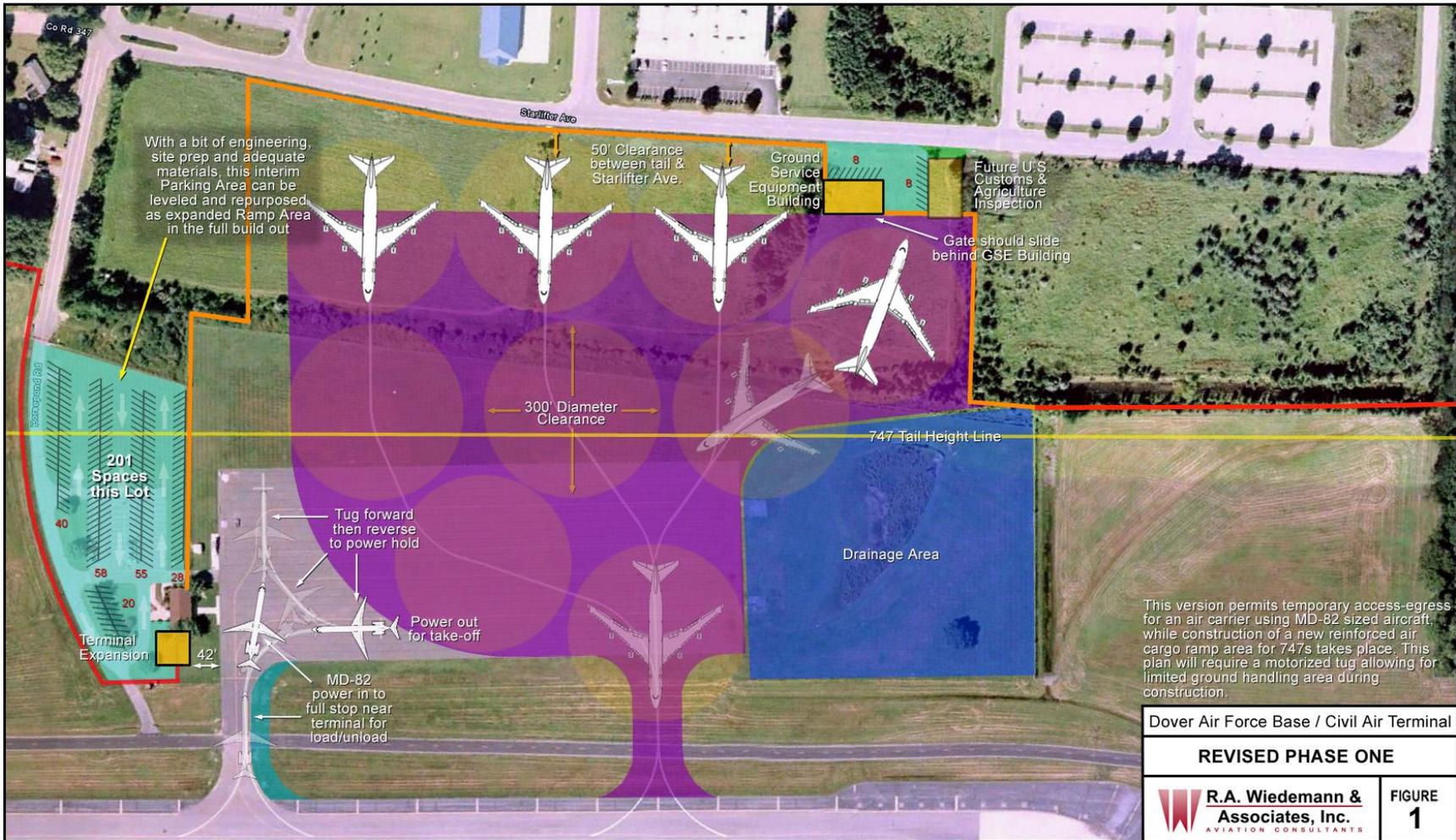
Phase 1 Development:

- **New Taxiway:** A new, larger taxiway will be developed on the northeast side of the ramp, providing access to the Dover AFB taxiway system for aircraft as large as a Boeing 747. A total of 2,850 square yards of taxiway will be required.
- **Apron:** A total of 75,400 square yards of strengthened apron would be developed to accommodate up to four B-747 aircraft. Areas designated for the aircraft parking would be capable of accommodating up to 1 million pound loads for dual tandem wheels. Cost of Apron and Taxiway = \$16,728,000
- **Ground Service Equipment and Building:** A minimal structure, capable of housing an aircraft tug, towbars, crew stairs, ground power unit, lavatory cart, and deicing equipment should be developed. This building will likely require up to 5,000 square feet of space. Cost of GSE Equipment and Building = \$450,000
- **Total Cost – Phase 1:** \$17,178,000.

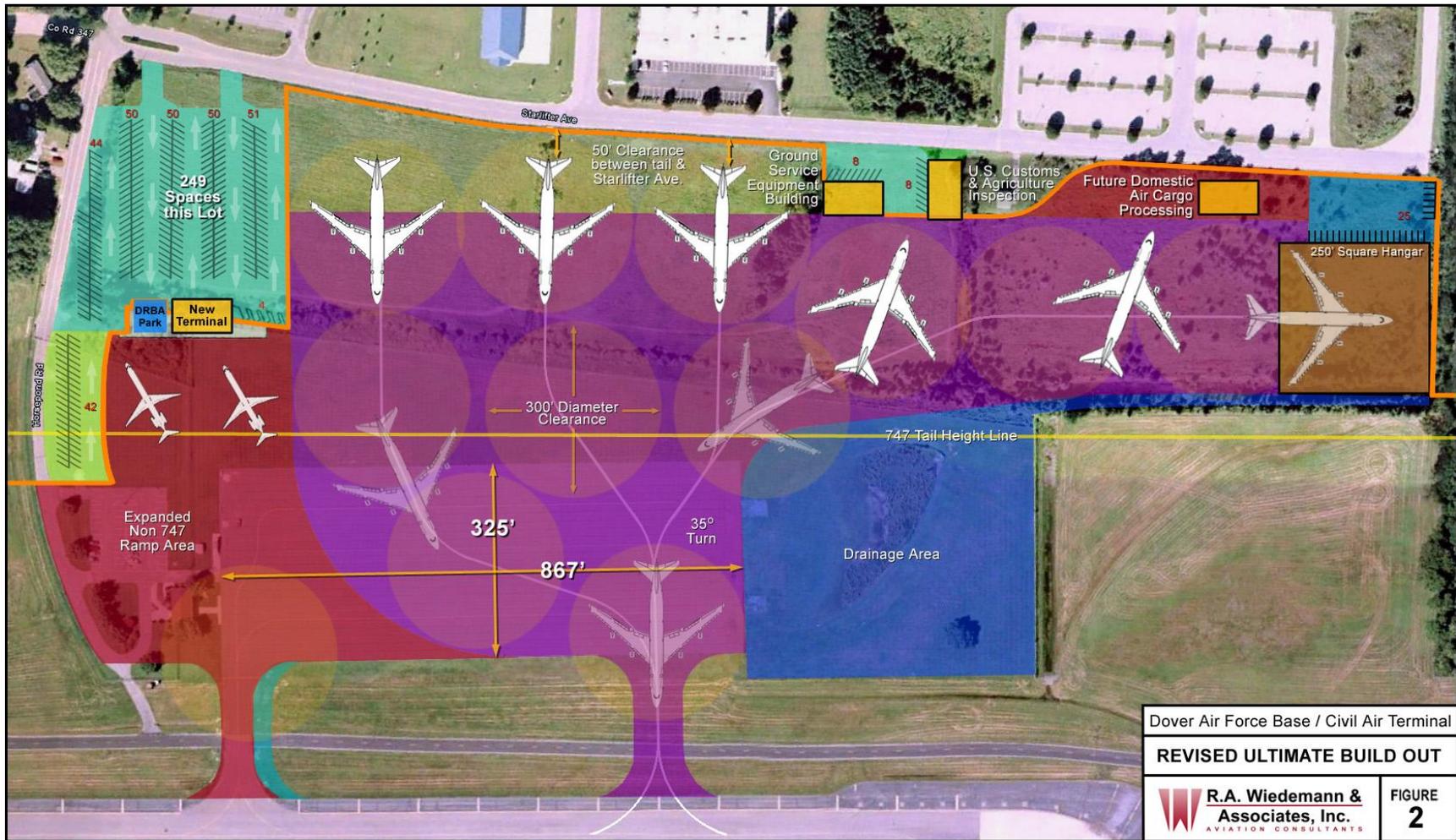
Phase 2 Development

- **Apron:** A total of 24,600 square yards of strengthened apron would be developed to accommodate an additional two B-747 aircraft. One parking space would be located on ramp area, while the other would be located within a large hangar. This apron and hangar area is located on the far northern side of the Kent County Aeropark.
- **Large Hangar:** A large hangar with a minimum of 62,500 square feet would be developed in order to accommodate B-747 maintenance activities.
- **U.S. Customs Facilities (optional):** Depending upon demand, a U.S. Customs inspection facility would be developed that would be capable of clearing international air cargo, including agricultural inspections of cut flowers and other perishable products. This facility would likely be a 100-foot by 50-foot building (5,000 square feet).
- **Relocated Terminal Building:** Depending upon future demand, a relocated terminal building can be developed that would accommodate potential airline service, NASCAR race pilots and passengers, and corporate users of the CAT. The facility would be approximately 5,000 square feet.
- **Auto Parking:** More than 300 parking spaces would be developed to accommodate potential airline passengers, workers, and NASCAR activities.

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Financial Pro Forma

1. Phase 1 Capital Cost and Debt Service

Capital costs associated with the CAT expansion project were estimated at \$17,178,000 for Phase 1 development. Annual debt service on 20-year bonds requiring 3 percent interest totals \$1,143,300.

2. Phase 1 Operational Costs

Operational costs for DRBA or the Delaware Transportation Authority (DTA) were developed as a base cost for full-time operation of the CAT. This would include the following:

- **Personnel:** Total personnel needs would include one full time and three part time workers to cover the scheduled and on-call hours of operation. It was assumed that all salary and benefits associated with personnel would total \$180,000 per year, inflated by 4 percent per year.
- **Maintenance:** Maintenance costs would involve routine maintenance and repair of the existing terminal and ramp facilities (not capital maintenance). A total of \$25,000 was allocated toward this expense item for the first full year.
- **Utilities:** The cost of utilities includes water, electric, telephones, etc. A total of \$50,000 was allocated toward this expense item for the first full year (with 4 percent inflation factor for remaining years).
- **Cost of Phase 1 Operations:** It was estimated that the cost to operate the CAT for the first year would total \$255,000, growing to \$349,000 by the tenth year. This is for air cargo operations only.

The total annual cost of air cargo parking operations and debt service was estimated at \$1,398,300 for the first year, growing to \$1,492,300 by the tenth year.

3. Phase 1 Revenues

Revenues associated with Phase 1 air cargo activity include the following:

Evergreen International

- Monthly Parking Fees: = \$75,000
- Ground Handling Fees (assuming 20 turns/month): \$16,000

Atlas Air and All Others

- Monthly Parking Fees: = \$75,000
- Ground Handling Fees (assuming 20 turns/month): \$16,000

Total Annual Revenues

- Annual Parking & Ground Handling Fees = \$2,184,000

As shown, there is a net revenue surplus of \$785,700 for the first year, decreasing to \$691,700 by the tenth year if no price increases are included planned.

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Project Financing

To finance the conceptual Civil Air Terminal development, it is proposed that an agreement on a structure to borrow money be established between Kent County and DeIDOT. The purpose of the agreement would be to use County's Recovery Zone Bond Allocation as the source of the lending and a DeIDOT lease agreement with the County as the source of revenues to repay the bonds.

1. Bond Type

The County has an allocation for \$22.4 million in Recovery Zone Bond Allocation for a publicly owned project. Of the two types of bonds - Economic Development bonds for government projects and Facility Development bond which can be used for private projects - Economic Development bonds would be used for this project. They are tax exempt for investors and feature a 45 percent tax credit subsidy of the coupon or interest payment. Thus, for a 5.5 percent bond, the borrower or issuer will need to pay an effective rate of interest of roughly 3 percent. The bonds would have a 20 year maturity date, unless all parties agreed to reduce the term and therefore increase the level of debt service. For this project, \$17,178,000 would be borrowed.

2. Structure

The proposed structure for financing would include the following:

- Kent County would serve as the bond issuer using Economic Development bonds.
- Kent County would permit construction of a portion of the proposed facilities on Kent County Aeropark property.
- DeIDOT would enter into a lease agreement with the County to pay an equivalent of the debt service in order to borrow the construction money.
 - DeIDOT would either operate the facility under a revitalized Delaware Transit Authority (DTA) structure or through their designated Agent, DRBA
- No General Obligation is created if the term of the lease coincides with the term of the bonds.
- The structure of the agreement after the retirement of the debt needs to be described in a letter of intent or memorandum of understanding between the County and DeIDOT, bearing in mind that the Joint-Use Agreement with the Air Force is held by DeIDOT.

3. Bonding Process

The bonding process would include the following steps:

- Bond Counsel would be retained, and underwriters would be sought to issue the bonds.
- Because the bonds will be paid by lease revenues rather than the earnings from the resulting business at the Civil Air Terminal, there is less stringent due diligence needed in understanding and verifying the business model.

- It is likely that a regional financial institution rather than a national institution may be used for this project because it is relatively small.
- The working group (Kent County, DeIDOT, bond counsel, and bond underwriter) would enter into agreement to implement the structure described above.
- The Underwriter will need to develop the indenture using information provided by DeIDOT and the County regarding the project, lease agreement, future revenues, etc.
- Because there is a penalty for early retirement of these types of bonds, over-borrowing is not recommended. Thus, good information about the project cost will be needed in the near term.
- It will be beneficial to the schedule if a Reimbursement Resolution is included at closing. This resolution would cover soft costs related to the Project that are incurred prior to the bond issuance.

4. Schedule

In beginning this process, it will take at least one month to get Kent County Levy Court Approval. Because there is little or no controversy associated with this project, the primary effort will be to explain the project and its benefits to the County Levy Court members. After approval of the action, a working group will be established that involves Kent County, DeIDOT, the bond counsel, and the bond underwriter.

Once the working group is established, it will likely take 12 weeks (three months) to prepare the bond issue. Assuming that approvals are granted by the County by June, the bond issue could be ready by September. A sale date would be established and closing date would be set, possibly 2 weeks after the sale date. Thus, it would not be unreasonable to see the sale date and closing date in October, 2010.

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