

## PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2020

## NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: See “RATINGS” herein

*In the opinion of Bond Counsel to the City to be delivered upon the issuance of the Series 2020A-D Bonds (as defined herein), under existing law and assuming compliance by the City and County of Denver, Colorado (the “City”), with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be met subsequent to the issuance of the Series 2020A-D Bonds, with which the City has certified, represented and covenanted its compliance, (1) interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2020A Bonds are held by a person who is a “substantial user” of the Airport System or a “related person” as those terms are used in Section 147(a) of the Code, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, and estates, and (2) interest on the Series 2020B Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2020B Bonds are held by a person who is a “substantial user” of the Airport System or a “related person,” as those terms are used in Section 147(a) of the Code, but is an item of tax preference in calculating the federal alternative minimum tax liability of individuals, trusts and estates. Also, in the opinion of Bond Counsel to the City to be delivered upon the issuance of the Series 2020A-D Bonds, under existing law and to the extent interest on the Series 2020A Bonds and Series 2020B Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State of Colorado. Interest on the Series 2020C Bonds and Series 2020D Subordinate Bonds is included in gross income for federal and State of Colorado income tax purposes. See “TAX MATTERS” for a more detailed discussion.*

**CITY AND COUNTY OF DENVER, COLORADO  
FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**

**AIRPORT SYSTEM REVENUE BONDS**

\$[\_\_\_\_\_] \*  
**SERIES 2020A**  
(FIXED RATE – NON-AMT)

\$[\_\_\_\_\_] \*  
**SERIES 2020B**  
(TERM RATE – AMT)

\$[\_\_\_\_\_] \*  
**SERIES 2020C**  
(FIXED RATE – TAXABLE)

**AIRPORT SYSTEM SUBORDINATE  
REVENUE BONDS**

\$[\_\_\_\_\_] \*  
**SERIES 2020D**  
(FIXED RATE – TAXABLE)

Dated: Date of Delivery

Due: November 15, as shown on the inside cover page

The Series 2020A-D Bonds are being issued by authority of the City’s home rule charter and ordinances adopted pursuant thereto in order to, [together with other available Airport System moneys,] (1) refund and redeem certain outstanding Airport System revenue bonds, [(2) pay the costs of terminating swaps associated with certain outstanding Airport System revenue bonds to be refunded,] and (3) pay the costs of issuing the Series 2020A-D Bonds, all as further described herein. Capitalized terms used on this cover page are defined herein.

The Series 2020A-D Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will serve as securities depository for the Series 2020A-D Bonds. Beneficial Ownership Interests in the Series 2020A-D Bonds, in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 by or through participants in the DTC system. Beneficial Ownership Interests will be governed as to the receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2020A-D Bonds by the rules and operating procedures applicable to the DTC book-entry system as described herein. Investors may purchase Series 2020A-D Bonds in book-entry form only.

The Series 2020A Bonds, Series 2020C Bonds, and Series 2020D Subordinate Bonds will be issued as fixed rate bonds, will bear interest at the rates per annum set forth on the inside cover page hereof payable beginning on [May 15], 2021, and semiannually thereafter on each May 15 and November 15, and mature on the dates set forth on the inside cover page hereof, subject to redemption prior to maturity as described herein.

The Series 2020B Bonds will be issued as variable rate bonds that will bear interest initially at a Term Rate and for the Term Rate Period set forth on the inside cover page hereof, payable beginning on [May 15], 2021, and semiannually thereafter on each May 15 and November 15, and mature on the date set forth on the inside cover page hereof, subject to tender for purchase and redemption prior to maturity as described herein. **This Official Statement describes the Series 2020B Bonds only while they bear interest at a Term Rate in the initial Term Rate Period and are not secured by a Series 2020 Credit Facility. If a Series 2020 Credit Facility is provided as security for the Series 2020B Bonds while bearing interest at a Term Rate, the Term Rate Period is continued after the initial Term Rate Period, or the Series 2020B Bonds are converted to a different Interest Rate Mode, an offering document is expected to be prepared, if needed, for the remarketing of such Series 2020B Bonds.**

No letter of credit or other credit or liquidity facility will be in effect for the Series 2020B Bonds during the initial Term Rate Period. The City, for and on behalf of its Department of Aviation, expects funds from the remarketing of tendered Series 2020B Bonds to be applied to pay the purchase price of the Series 2020B Bonds upon any mandatory tender. The City is not obligated to provide any other funds for the purchase of the Series 2020B Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Series 2020B Bonds upon mandatory tender. If there are insufficient funds to purchase any Series 2020B Bonds on the Purchase Date following the end of the initial Term Rate Period, the Owners of such Series 2020B Bonds will retain such Series 2020B Bonds and such Series 2020B Bonds will bear interest at the Stepped Rate until maturity or earlier purchase or conversion of such Series 2020B Bonds. See “THE SERIES 2020A-C BONDS—The Series 2020B Bonds—*Insufficient Funds; Stepped Rate.*”

\* Preliminary, subject to change.

The Series 2020A-C Bonds are special obligations of the City, for and on behalf of its Department of Aviation, payable solely from and secured by a pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts as described herein, on parity with other Senior Bonds and Senior Obligations of the City. The Series 2020D Subordinate Bonds are special obligations of the City, for and on behalf of its Department of Aviation, payable solely from and secured by a pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts as described herein, on parity with other Subordinate Bonds and Subordinate Obligations of the City and subordinate to Senior Bonds and Senior Obligations. None of the real properties of the Airport System is subject to any mortgage or other lien for the benefit of the Owners or Beneficial Owners of the Series 2020A-D Bonds, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2020A-D Bonds. The Series 2020A-D Bonds do not constitute general obligations of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, home rule charter or statutory limitation of the City or the State.

The purchase and ownership of Beneficial Ownership Interests in the Series 2020A-D Bonds involve investment risks. Prospective purchasers should read this Official Statement in its entirety, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS." For a discussion on the impact of COVID-19 on the Airport and associated risks, see "IMPACT OF COVID-19 ON THE AIRPORT" and "CERTAIN INVESTMENT CONSIDERATIONS – COVID-19 Risks."

The Series 2020A-D Bonds are offered when, as and if issued, subject to the approval of their validity and enforceability by Hogan Lovells US LLP, Denver, Colorado, Bond Counsel to the City. Certain legal matters will be passed upon for the City by Kristin M. Bronson, Esq., City Attorney, and Ballard Spahr LLP, Denver, Colorado, Special Counsel to the City; and for the Underwriters by Sherman & Howard L.L.C., Denver, Colorado. It is expected that delivery of the Series 2020A-D Bonds will be made through the facilities of DTC on or about October [\_\_\_], 2020.

**BARCLAYS**

**DREXEL HAMILTON**

**ESTRADA HINOJOSA**

**J.P. MORGAN**

**MORGAN STANLEY**

**RAMIREZ & CO., INC.**

**STIFEL**

Dated: [\_\_\_\_], 2020

**MATURITY SCHEDULE\***  
**CITY AND COUNTY OF DENVER, COLORADO**  
**FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**

(CUSIP® six digit issuer No. 249182)

\$[\_\_\_\_\_] ]  
**AIRPORT SYSTEM REVENUE BONDS**  
**SERIES 2020A BONDS**  
**(NON-AMT)**

<u>Maturity</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP® No.</u>
20__	\$	%	%	
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				

\$[\_\_\_\_\_] ]  
**AIRPORT SYSTEM REVENUE BONDS**  
**SERIES 2020B BONDS**  
**(AMT)**

<u>Initial Term Rate Period</u>						
<u>Maturity</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Purchase Date</u> <u>Following End of</u> <u>Initial Term</u> <u>Rate Period</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Stepped Rate</u>	<u>CUSIP® No.</u>

\$[\_\_\_\_\_] ]  
**AIRPORT SYSTEM REVENUE BONDS**  
**SERIES 2020C BONDS**  
**(TAXABLE)**

<u>Maturity</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP® No.</u>
20__	\$	%	%	
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				

\* Preliminary, subject to change.

© CUSIP is a registered trademark of The American Bankers Association. CUSIP Global Services is managed on behalf The American Bankers Association by Standard & Poor Global Market Intelligence. None of the City, for and on behalf of its Department, or any of the Underwriters assumes any responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of the owners of the Series 2020A-D Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020A-D Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

**MATURITY SCHEDULE\***  
**CITY AND COUNTY OF DENVER, COLORADO**  
**FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**  
(CUSIP® six digit issuer No. 249182)  
\$[\_\_\_\_\_] ]  
**AIRPORT SYSTEM SUBORDINATE REVENUE BONDS**  
**SERIES 2020D BONDS**  
**(TAXABLE)**

<u>Maturity</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP® No.</u>
20__	\$	%	%	
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				
20__				

---

\* Preliminary, subject to change.

© CUSIP is a registered trademark of The American Bankers Association. CUSIP Global Services is managed on behalf The American Bankers Association by Standard & Poor Global Market Intelligence. None of the City, for and on behalf of its Department, or any of the Underwriters assumes any responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of the owners of the Series 2020A-D Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020A-D Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

## SELECTED CITY OFFICIALS AND CONSULTANTS

### Mayor

Michael B. Hancock

### City Council

Stacie Gilmore, President

Kendra Black	Paul Kashmann
Candi CdeBaca	Robin Kniech
Jolon Clark	Deborah Ortega
Kevin Flynn	Amanda Sandoval
Christopher Herndon	Amanda Sawyer
Chris Hinds	Jamie Torres

### Auditor

Timothy M. O'Brien

### Clerk and Recorder, *Ex-Officio* Clerk

Paul D. López

### Cabinet Officials

Donald J. Mares	Deputy Mayor, Executive Director of the Department of Human Services
Brendan J. Hanlon	Chief Financial Officer, as the Manager of Finance/ <i>ex officio</i> Treasurer
Kristin M. Bronson, Esq.	City Attorney
Laura Aldrete	Executive Director of the Department of Community Planning and Development
Eulois Cleckley	Executive Director of the Department of Transportation and Infrastructure
Kim Day	Executive Director of the Department of Aviation
Allegra "Happy" Haynes	Executive Director of the Department of Parks and Recreation
Robert M. McDonald	Executive Director of the Department of Public Health and Environment
Murphy Robinson	Executive Director of the Department of Safety
Brandon Gainey	Executive Director of the Department of General Services

### Department of Aviation

George Karayiannakis	Acting Deputy Chief Financial Officer
Cristal Torres DeHerrera	Executive Vice President/Chief of Staff
Chris McLaughlin	Executive Vice President/Chief Operating Officer
Darryl Jones	Executive Vice President/Chief Real Estate Officer
Penny May	Acting Chief Commercial Officer
Kristin Bronson, Esq.	Interim General Counsel

### Airport Consultant

WJ Advisors LLC  
Denver, Colorado

### Municipal Advisor

Frasca & Associates, LLC  
New York, New York

### Bond Counsel

Hogan Lovells US LLP  
Denver, Colorado

### Special Counsel

Ballard Spahr LLP  
Denver, Colorado

## PRELIMINARY NOTICES

This Official Statement does not constitute an offer to sell the Series 2020A-D Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or other person has been authorized by the City, the Municipal Advisor or the Underwriters to give any information or to make any representation other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the City or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof. The information contained in this Official Statement has been obtained from the City and other sources that are deemed reliable.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2020A-D Bonds is made only by means of this entire Official Statement.

This Official Statement is submitted in connection with the initial offering and sale of the Series 2020A-D Bonds and may not be reproduced or used, in whole or in part, for any other purpose. Neither the Securities and Exchange Commission nor any state securities regulatory authority has approved or disapproved of the Series 2020A-D Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM (“**ORIGINAL BOUND FORMAT**”) OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: [HTTP://WWW.MUNIOS.COM](http://www.munios.com). THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITY TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

In connection with the offering of the Series 2020A-D Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2020A-D Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2020A-D Bonds to dealers, institutional investors and others at prices lower or yields higher than the public offering prices or yields stated in the MATURITY SCHEDULE on the inside cover page and such public offering prices may be changed from time to time by the Underwriters.

## FORWARD-LOOKING STATEMENTS

This Official Statement, including Appendices thereto, contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “anticipate,” “intend,” “expect,” “plan,” “projected” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain such risks and possible variations in results, see “CERTAIN INVESTMENT CONSIDERATIONS.”

# TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
The Issuer .....	1
COVID-19 Impacts on the Airport .....	2
Denver International Airport .....	2
The Series 2020A-C Bonds .....	4
The Series 2020D Subordinate Bonds .....	6
Letter Report of the Airport Consultant .....	8
Tax Matters .....	9
Outstanding Senior Bonds, Senior Obligations, Subordinate Bonds, Subordinate Obligations, and Junior Lien Obligations .....	9
Additional Senior Bonds and Senior Obligations, Subordinate Bonds and Subordinate Obligations, and Junior Lien Bonds and Junior Lien Obligations .....	11
Continuing Disclosure .....	11
Additional Information .....	11
Investment Considerations .....	11
Forward-Looking Statements .....	12
Miscellaneous .....	12
PLAN OF FINANCING .....	12
Purpose of the Series 2020A-D Bonds .....	12
Estimated Sources and Uses of Funds .....	14
THE SERIES 2020A-C BONDS .....	14
Authorization .....	15
DTC Book-Entry System .....	15
THE SERIES 2020D SUBORDINATE BONDS .....	29
Authorization .....	30
DTC Book-Entry System .....	30
General Provisions .....	31
Redemption Prior to Maturity .....	31
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS .....	33
Pledge of Net Revenues .....	33
Flow of Funds; Revenue Fund .....	34
Flow of Funds Under the Bond Ordinances .....	35
Bond Reserve Fund .....	36
Capital Fund .....	36
Rate Maintenance Covenants .....	37
Additional Senior Bonds .....	39
Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements .....	40
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020D SUBORDINATE BONDS .....	42
Subordinate Pledge of Net Revenues .....	42
Flow of Funds; Revenue Fund .....	43
Series 2020D Subordinate Bond Reserve Subaccount .....	43
Capital Fund .....	44
Rate Maintenance Covenants .....	44
Additional Senior Bonds .....	44
Additional Subordinate Bonds and Subordinate Obligations .....	44
Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements .....	45
MANAGEMENT OF THE AIRPORT SYSTEM .....	45
DENVER INTERNATIONAL AIRPORT .....	47
Airfield .....	47
Terminal Complex .....	48
Great Hall Project Developments .....	48
Hotel and Transit Center .....	49
Other Facilities .....	50
CAPITAL PROGRAM .....	51
2018-2022 Capital Program .....	51
Major Projects in the 2018-2022 Capital Program .....	52
Funding for the 2018-2022 Capital Program .....	53
IMPACT OF COVID-19 ON THE AIRPORT .....	53
General Description .....	53
Summary of Department Actions Taken in Response to COVID-19 .....	54
CARES Act .....	55
Airport Operations and Revenues .....	55
Capital Program .....	60
Fiscal Year 2020 and Fiscal Year 2021 Budget [SUBJECT TO APPROVAL CHANGE] .....	62
Cash and Liquidity .....	63
Bankruptcy Filings .....	63
Forward-Looking Statements .....	64
AVIATION ACTIVITY AND AIRLINES .....	64
Denver Air Service Region .....	64
Airlines Serving the Airport .....	65
Airline Information .....	65
Aviation Activity .....	68
Originating and Connecting Passengers .....	72
AGREEMENTS FOR USE OF AIRPORT FACILITIES .....	72
Passenger Airlines Use and Lease Agreements .....	72
Cargo Operations Leases .....	77
Other Building and Ground Leases .....	77
Effect of Bankruptcy on Airline Agreements and Other Obligations .....	78
Systems Leases .....	78
Other Agreements .....	78
FINANCIAL INFORMATION .....	79
Historical Financial Operations .....	79
Management's Discussion and Analysis of Financial Performance .....	81
Pension Plan .....	84
Outstanding Senior Bonds .....	85
Outstanding Subordinate Bonds .....	86
Estimated Senior Bonds Debt Service Requirements and Subordinate Debt Service Requirements .....	87
Subordinate Obligations .....	89
Junior Lien Bonds and Junior Lien Obligations .....	91
Special Facilities Bonds .....	92
Installment Purchase Agreements .....	92
Rentals, Fees and Charges for the Airport .....	92
Passenger Facility Charges .....	93
Aviation Fuel Tax .....	95
Federal Grants and Other Funding; Financial and Performance Audits .....	96
Intergovernmental Agreement with Adams County .....	96
Investment Policy .....	98
Master Derivatives Policy .....	98
Insurance .....	99
Continued Qualification as an Enterprise .....	100
CERTAIN INVESTMENT CONSIDERATIONS .....	100
COVID-19 Risks .....	100
Dependence on Levels of Airline Traffic and Related Activity .....	102
Concentration of Airline Market Share .....	103
Current Economic Conditions .....	103
Financial Condition of the Airlines .....	104
Ability to Meet Rate Maintenance Covenants .....	105
Security and Natural Disasters Concerns .....	105
Cybersecurity Risks .....	106
Force Majeure Events .....	106
Regulations and Restrictions Affecting the Airport .....	106
Federal Funding; Impact of Federal Sequestration .....	107
Airport Use and Lease Agreements .....	108
Risk of Airline Bankruptcies .....	108
Enforcement of Remedies .....	110
Availability of PFCs .....	111
Access to Credit Markets; Availability of Funding for the 2018-2022 Capital Program .....	112
Construction Risks Related to Projects Within the 2018-2022 Capital Program .....	112
Airport Hotel Risks .....	114
Additional Rights of Certain Owners of Senior Bonds and Subordinate Bonds .....	114
LIBOR Risk Factors .....	115
Credit Risk of Swap Counterparties .....	116
Letter Report of the Airport Consultant; Actual Results May Differ from Projections and Assumptions .....	116
Forward-Looking Statements .....	117
Potential Tax Law Changes .....	117
LETTER REPORT OF THE AIRPORT CONSULTANT .....	117
LITIGATION .....	119
Current Litigation Relating to the Adams County IGA .....	119
RATINGS .....	120
VERIFICATION OF MATHEMATICAL COMPUTATIONS] .....	121
UNDERWRITING .....	121
RELATIONSHIP OF CERTAIN PARTIES .....	122
EXPERTS .....	122
CONTINUING DISCLOSURE .....	122
LEGAL MATTERS .....	122
TAX MATTERS .....	122
The Series 2020A Bonds and Series 2020B Bonds .....	122
The Series 2020C Bonds and Series 2020D Subordinate Bonds .....	124
CERTAIN ERISA CONSIDERATIONS .....	127
FINANCIAL STATEMENTS .....	129

## TABLE OF CONTENTS

(continued)

MISCELLANEOUS ..... 130

### APPENDICES

- A - LETTER REPORT OF THE AIRPORT CONSULTANT
- B-1 - AMENDED AND RESTATED AIRPORT SYSTEM  
GENERAL BOND ORDINANCE
- B-2 - THE SERIES 2020 SUPPLEMENTAL ORDINANCE
- C-1 - AMENDED AND RESTATED AIRPORT SYSTEM  
GENERAL SUBORDINATE BOND ORDINANCE
- C-2 THE SERIES 2020 SUPPLEMENTAL SUBORDINATE  
ORDINANCE
- D - DTC BOOK-ENTRY SYSTEM
- E - ANNUAL FINANCIAL REPORT OF THE AIRPORT  
SYSTEM FOR FISCAL YEARS 2019 AND 2018
- F - UNAUDITED FINANCIAL STATEMENTS OF THE  
AIRPORT SYSTEM FOR SIX MONTHS ENDED  
JUNE 30, 2019 AND JUNE 30, 2020
- G - FORM OF CONTINUING DISCLOSURE  
UNDERTAKING
- H - FORM OF OPINION OF BOND COUNSEL
- I - ECONOMIC AND DEMOGRAPHIC INFORMATION



**OFFICIAL STATEMENT**

**RELATING TO**

**CITY AND COUNTY OF DENVER, COLORADO  
FOR AND ON BEHALF OF ITS DEPARTMENT OF AVIATION**

**AIRPORT SYSTEM REVENUE BONDS**

**[\$\_\_\_\_\_]\*  
SERIES 2020A  
(FIXED RATE – NON-AMT)**

**[\$\_\_\_\_\_]\*  
SERIES 2020B  
(TERM RATE – AMT)**

**[\$\_\_\_\_\_]\*  
SERIES 2020C  
(FIXED RATE – TAXABLE)**

**AIRPORT SYSTEM SUBORDINATE REVENUE BONDS**

**[\$\_\_\_\_\_]\*  
SERIES 2020D  
(FIXED RATE – TAXABLE)**

**INTRODUCTION**

This Official Statement, which includes the cover page, prefatory information and the appendices, furnishes information in connection with the issuance and sale by the City and County of Denver, Colorado (the “**City**”), for and on behalf of its Department of Aviation (the “**Department**”) of its Airport System Revenue Bonds, Series 2020A (Non-AMT) in the principal amount of \$[\_\_\_\_\_]\* (the “**Series 2020A Bonds**”), Airport System Revenue Bonds, Series 2020B (AMT) in the principal amount of \$[\_\_\_\_\_]\* (the “**Series 2020B Bonds**”), Airport System Revenue Bonds, Series 2020C (Taxable) in the principal amount of \$[\_\_\_\_\_]\* (the “**Series 2020C Bonds**” and, together with the Series 2020A Bonds and the Series 2020B Bonds, the “**Series 2020A-C Bonds**”), and Airport System Subordinate Revenue Bonds, Series 2020D (Taxable) in the principal amount of \$[\_\_\_\_\_]\* (the “**Series 2020D Subordinate Bonds**” and together with the Series 2020A-C Bonds, the “**Series 2020A-D Bonds**”).

Unless otherwise defined herein, capitalized terms used herein are defined in “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE,” “APPENDIX B-2—THE SERIES 2020 SUPPLEMENTAL ORDINANCE,” “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE,” and “APPENDIX C-2—THE SERIES 2020 SUPPLEMENTAL SUBORDINATE ORDINANCE.”

**The Issuer**

The City is a political subdivision of the State of Colorado (the “**State**”). The Denver Municipal Airport System (the “**Airport System**”) is owned by the City and the power to operate, maintain and control the Airport System is vested in the Department. The City by ordinance has designated the Department as an “enterprise” within the meaning of the State constitution with the authority to issue its own revenue bonds or other financial obligations in the name of the City. Denver International Airport (the “**Airport**”) is the primary asset of the Airport System.

---

\* Preliminary, subject to change.

## **COVID-19 Impacts on the Airport**

The outbreak of COVID-19 (“**COVID-19**”), a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and is currently affecting many parts of the world, including the United States and Colorado. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. As a result, the U.S. government and governments of other countries issued travel restrictions and warnings for numerous countries. Various government agencies and others warned against travel and large group events, and numerous states issued stay-home orders and voluntary and involuntary self-quarantining measures curtailing non-essential travel.

COVID-19 has negatively affected travel and commerce globally, and is expected to continue to negatively affect economic growth worldwide. Airports in the United States have been severely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown resulting from the COVID-19 outbreak. COVID-19 is having a material impact on the Airport’s operations and revenues. In response, the Department has implemented temporary COVID-19 relief policies for revenue contracts providing payment deferrals and some fee waivers, has implemented measures to mitigate the operational and financial impacts of COVID-19 including a hiring freeze and furloughs for certain employees, and has accelerated and reprioritized certain capital projects at the Airport. Additionally, the Department has received \$129.8 million in CARES Act funding as of June 30, 2020 and is eligible for a total of \$269.1 million under the CARES Act, all of which has been irrevocably committed to pay debt service, as further described herein.

See “IMPACT OF COVID-19 ON THE AIRPORT,” “CAPITAL PROGRAM” and “INVESTMENT CONSIDERATIONS – COVID-19 Risks” herein.

## **Denver International Airport**

**General.** The Airport is the primary air carrier airport for the Denver air service region. According to statistics compiled by Airports Council International for 2019, the Airport was ranked as the 5<sup>th</sup> busiest airport in the nation and the 16<sup>th</sup> busiest airport in the world based on total passengers, servicing approximately 69.0 million passengers in 2019 compared to 64.5 million passengers in 2018. The Airport maintained its national ranking compared to 2018 and increased its global ranking compared to 2018. See “DENVER INTERNATIONAL AIRPORT” and “AVIATION ACTIVITY AND AIRLINES.”

**Passenger Traffic and Airport System Revenues.** In the first eight months ended August 31, 2020, 24 passenger airlines provided scheduled service at the Airport, including ten major/national passenger airlines, nine foreign flag passenger airlines, and five regional/commuter airlines. In addition, several passenger charter airlines and all-cargo airlines, including FedEx Corporation, United Parcel Service, and Atlas Air/Amazon Prime provide service at the Airport.

With a few exceptions (including during the current COVID-19 pandemic), the Airport has experienced continual growth in both passenger traffic and associated revenues since it opened in 1995. The Airport served approximately 34.5 million enplaned passengers (passengers embarking on airplanes) in 2019, constituting an approximate 7% increase compared to the approximately 32.3 million enplaned passengers served in 2018. In 2019, the Airport experienced the highest number of annual enplaned passengers since it opened in 1995. Approximately 64.4% of passengers originated or terminated their air travel at the Airport in 2019, compared to approximately 64.2% in 2018. Approximately 35.6% of passengers made connecting flights at the Airport in 2019, compared to approximately 35.8% in 2018.

For the first six months of 2020, the Airport served approximately 8.0 million enplaned passengers compared to 16.4 million enplaned passengers for the six months of 2019, constituting an approximate 51.4% decrease due to travel restrictions and impacts of COVID-19 on travel.

For the six-month period ended June 30, 2020, as compared to the six-month period ended June 30, 2019, operating revenues at the Airport were \$315.4 million, a decrease of \$111.4 million, or 26.1%. For the six-month period ended June 30, 2020, as compared to the six-month period ended June 30, 2019, operating expenses at the Airport, exclusive of depreciation and amortization, were \$223.6 million, a decrease of \$12.1 million, or 5.1%. For a discussion of operating revenues and expenses for 2019 compared to 2018 and additional information regarding the six-month period ended June 30, 2020 as compared to the six-month period ended June 30, 2019, see “FINANCIAL INFORMATION—Management’s Discussion and Analysis of Financial Performance.” See also “IMPACT OF COVID-19 ON THE AIRPORT.”

Future levels of aviation activity and enplaned passenger traffic at the Airport will depend on many local, regional, national and international factors. These factors include economic and political conditions, aviation security and public health concerns, in particular the impact of COVID-19 (defined herein) on health, safety and travel, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline mergers, alliances and consolidations, availability and price of aviation and other fuel, employee cost and availability and labor relations within the airline industry and capacity of the national air traffic control system and of the Airport. See “CERTAIN INVESTMENT CONSIDERATIONS” and “IMPACT OF COVID-19 ON THE AIRPORT.”

For further information regarding passenger traffic at the Airport and financial information concerning the Airport System, see generally “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements,” “AVIATION ACTIVITY AND AIRLINES,” “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements,” “FINANCIAL INFORMATION—Historical Financial Operations,—Management’s Discussion and Analysis of Financial Performance, and—Passenger Facility Charges” and “APPENDIX A —LETTER REPORT OF THE AIRPORT CONSULTANT.”

### *Major Air Carriers Operating at the Airport.*

The principal air carrier operating at the Airport is United Airlines, together with its United Express regional commuter affiliates (“**United**” or the “**United Group**”), accounting for 44.7% of passenger enplanements at the Airport in 2019, and 44.4% of passenger enplanements at the Airport for the first six months of 2020. The Airport is a primary connecting hub in United’s route system both in terms of passengers and flight operations. Under a Use and Lease Agreement with the City (the “**United Use and Lease Agreement**”), United currently leases 51 full-service contact gates and 15 ground loading positions.

Southwest Airlines (“**Southwest**”) had the second largest market share at the Airport in 2019. Since commencing its service at the Airport in 2006, Southwest has had strong and continued growth in airline service, accounting for 27.4% of passenger enplanements at the Airport in 2019 and 29.7% of passenger enplanements at the Airport for the first six months of 2020. Southwest currently leases 25 gates at the Airport under a Use and Lease Agreement with the City (the “**Southwest Use and Lease Agreement**”).

Frontier Airlines Inc. (“**Frontier**”) had the third largest market share at the Airport in 2019, accounting for 12.1% of passenger enplanements at the Airport in 2019 and 11.4% of passenger

enplanements at the Airport for the first six months of 2020. The Airport is presently Frontier’s only hub and in 2019 was the busiest airport in the Frontier system. Frontier currently leases nine gates at the Airport under a Use and Lease Agreement with the City. Since 2015, Frontier has been operating as an ultra-low-cost carrier.

Delta Airlines (“**Delta**”) and American Airlines Group (“**American**”) were, the Airport’s fourth and fifth largest passenger carriers in 2019, respectively. Delta and American have very little connecting enplaned passenger traffic at the Airport, and neither carrier uses the Airport as a hub. In 2019, Delta and American accounted for 5.3% and 4.7% of passenger enplanements, respectively. In the first six months of 2020, Delta and American each accounted for 4.9% of passenger enplanements at the Airport.

Except for the United Group, Southwest, Frontier, Delta, and American, no single airline accounted for more than 4.5% of passenger enplanements at the Airport in 2019 or more than 5% of any of the airline rentals, fees, and charges component of the Airport System’s operating revenues or the Airport System’s Gross Revenues in 2019.

For further information regarding the major air carriers operating at the Airport, see “AVIATION ACTIVITY AND AIRLINES,” “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements,” and “CERTAIN INVESTMENT CONSIDERATIONS.”

***The Airport Capital Program.*** The Department’s current capital program, for the years 2018 through 2022 (the “**2018-2022 Capital Program**”) includes approximately \$3.5 billion of major capital projects such as the expansion of Concourses A, B and C to add gates and airline and concessions space, the Great Hall Project (defined below), and the rehabilitation of certain runways, taxiways and apron areas and Peña Boulevard reconstruction. As a result of the COVID-19 pandemic, certain projects in the 2018-2022 Capital Program may or already have been accelerated or reprioritized. Projects currently included in the 2018-2022 Capital Program, the status of such projects, and the effects of COVID-19 on certain capital projects are described in “CAPITAL PROGRAM” and “IMPACT OF COVID-19 ON THE AIRPORT” below.

### **The Series 2020A-C Bonds**

***Authorization.*** The Series 2020A-C Bonds are being issued by authority of the City’s home rule charter (the “**City Charter**”), the State’s Supplemental Public Securities Act, the General Bond Ordinance effective November 29, 1984, as amended and restated in its entirety pursuant to the provisions of the 2018 Amended and Restated Airport System General Bond Ordinance, enacted as Ordinance No. 0777, Series of 2018 (the “**General Bond Ordinance**”) and a supplemental bond ordinance (the “**Series 2020 Supplemental Ordinance**”) enacted on [\_\_\_\_], 2020 by the Denver City Council (the “**City Council**”). The General Bond Ordinance, the Series 2020 Supplemental Ordinance and any ordinances supplementing the General Bond Ordinance adopted by the City Council after the adoption of the Series 2020 Supplemental Ordinance are referred to herein collectively as the “**Senior Bond Ordinance.**” The covenants and undertakings of the City with respect to the Bond Ordinance and the Series 2020A-C Bonds are covenants and undertakings of the City, for and on behalf of the Department. See “THE SERIES 2020A-C BONDS—Authorization,” and “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE.”

***Purpose.*** The proceeds of the Series 2020A Bonds[, together with other available Airport System moneys,] will be used to (i) refund and redeem [all/a portion of] the outstanding principal amount of the Airport System Revenue Bonds, Series [\_\_\_\_] (the “**Refunded [\_\_\_\_] Bonds**”), and (ii) pay the costs of issuing the Series 2020A Bonds.

The proceeds of the Series 2020B Bonds[, together with other available Airport System moneys,] will be used to (i) refund and redeem [all/a portion of] the outstanding principal amount of the Airport System Revenue Bonds, Series [\_\_\_\_] (the “**Refunded [\_\_\_\_] Bonds**”), and (ii) pay the costs of issuing the Series 2020B Bonds.

The proceeds of the Series 2020C Bonds[, together with other available Airport System moneys,] will be used to (i) refund and redeem [all/a portion of] the outstanding principal amount of the Airport System Revenue Bonds, Series [\_\_\_\_] (the “**Refunded [\_\_\_\_] Bonds**”), [(ii) pay the costs of terminating swaps associated with the Refunded [\_\_\_\_] Bonds,] and (iii) pay the costs of issuing the Series 2020C Bonds. See “PLAN OF FINANCING.”

***Maturities, Principal, and Interest.*** The Series 2020A-C Bonds will be issued in the aggregate principal amounts, bear interest at the rates per annum (computed on the basis of a 360-day year of twelve 30-day months), and mature on the dates and in the principal amounts set forth on the inside cover page hereof. Interest on the Series 2020A-C Bonds will accrue from the date of delivery thereof to the Underwriters and will be payable beginning on [May 15], 2021, and semiannually thereafter on each May 15 and November 15 and on the maturity date (each an “**Interest Payment Date**”). The Series 2020A-C Bonds are subject to redemption prior to maturity as described in “THE SERIES 2020A-C BONDS.”

***Book-Entry Only System.*** The Series 2020A-C Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), which will serve as securities depository for the Series 2020A-C Bonds. Ownership interests in the Series 2020A-C Bonds (“**Beneficial Ownership Interests**”), in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 by or through participants in the DTC system (“**DTC Participants**”). Such Beneficial Ownership Interests will be recorded in the name of the purchasers thereof (“**Beneficial Owners**”) on the books of the DTC Participants from whom they are acquired, and will be governed as to payment of principal and interest, the receipt of notices and other communications, transfers and various other matters with respect to the Series 2020A-C Bonds by the rules and operating procedures applicable to the DTC book-entry system as described in “THE SERIES 2020A-C BONDS—DTC Book-Entry System” and “APPENDIX D—DTC BOOK-ENTRY SYSTEM.”

***Special Obligations.*** The Series 2020A-C Bonds are special obligations of the City, for and on behalf of the Department, payable solely from and secured by a pledge of Net Revenues (as defined herein) of the Airport System and certain Airport System funds and accounts as described herein, on parity with other Senior Bonds and Senior Obligations (each as defined herein). None of the real properties of the Airport System are subject to any mortgage or other lien for the benefit of the registered owners (the “**Owners**”) or Beneficial Owners of the Series 2020A-C Bonds and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2020A-C Bonds. The Series 2020A-C Bonds do not constitute general obligations of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, home rule charter or statutory limitation of the City or the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Pledge of Net Revenues.”

***Pledge of Net Revenues.*** The Series 2020A-C Bonds are payable from Net Revenues on a parity with all bonds that have been issued or may be issued in the future and that are outstanding from time to time under the Senior Bond Ordinance (collectively, the “**Senior Bonds**”) and Hedge Facility Obligations and Credit Facility Obligations related to the Senior Bonds which have a lien on Net Revenues on a parity with the lien on the Senior Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Pledge of Net Revenues” and “FINANCIAL INFORMATION—Outstanding Senior Bonds.” See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT

SYSTEM GENERAL BOND ORDINANCE” for the definitions of Hedge Facility Obligations and Credit Facility Obligations.

The Senior Bond Ordinance creates four categories of obligations that are payable from Net Revenues on a parity with each other, such obligations being (i) Bonds, generally comprised of bonds, notes, certificates, and commercial paper referred to herein as Senior Bonds, (ii) Contract Obligations, generally comprised of capital leases, installment purchase agreements, guaranty agreements and other similar contracts, (iii) Hedge Facility Obligations, generally comprised of rate swap transactions, basis swap transactions, cap and floor transactions and collar transactions, and (iv) Credit Facility Obligations, generally comprised of obligations incurred pursuant to a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Credit Facility which is generally defined as a letter of credit, bond insurance policy, surety bond, guaranty and similar instrument issued by a financial, insurance, or other institution and which provide security or liquidity in respect of Bonds. Contract Obligations, Hedge Facility Obligations and Credit Facility Obligations are collectively referred to herein as “**Senior Obligations.**” See “FINANCIAL INFORMATION—Outstanding Senior Bonds.”

*Further Information.* For further information regarding the Series 2020A-C Bonds, see generally “THE SERIES 2020A-C BONDS,” “FINANCIAL INFORMATION,” “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE” and “APPENDIX B-2—THE SERIES 2020 SUPPLEMENTAL ORDINANCE.”

### **The Series 2020D Subordinate Bonds**

*Authorization.* The Series 2020D Subordinate Bonds are being issued by authority of the City Charter, the State’s Supplemental Public Securities Act, the Amended and Restated Airport System General Subordinate Bond Ordinance effective June 28, 2013, as amended and supplemented (the “**General Subordinate Bond Ordinance**”), and a supplemental subordinate bond ordinance (the “**Series 2020 Supplemental Subordinate Ordinance**”) enacted on [\_\_\_\_], 2020 by the City Council. The General Subordinate Bond Ordinance and the Series 2020 Supplemental Subordinate Ordinance and any Supplemental Subordinate Ordinances adopted by the City Council after the adoption of the Series 2020 Supplemental Subordinate Ordinance are referred to herein collectively as the “**Subordinate Bond Ordinance.**” The covenants and undertakings of the City with respect to the Subordinate Bond Ordinance and the Series 2020D Subordinate Bonds are covenants and undertakings of the City, for and on behalf of the Department. See “THE SERIES 2020D SUBORDINATE BONDS—Authorization,” “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM SUBORDINATE BOND ORDINANCE,” and “APPENDIX C-2—THE SERIES 2020 SUPPLEMENTAL SUBORDINATE ORDINANCE.”

*Purpose.* The proceeds of the Series 2020D Subordinate Bonds[, together with other available Airport System moneys,] will be used to (i) refund and redeem [all/a portion of] the outstanding principal amount of the Airport System Revenue Bonds, Series [\_\_\_\_] (the “**Refunded [\_\_\_\_] Bonds**”), and (ii) pay the costs of issuing the Series 2020D Subordinate Bonds. See “PLAN OF FINANCING.”

*Maturities, Principal, and Interest.* The Series 2020D Subordinate Bonds will be issued in the aggregate principal amounts, bear interest at the rates per annum (computed on the basis of a 360-day year of twelve 30-day months), and mature on the dates and in the principal amounts set forth on the inside cover page hereof. Interest on the Series 2020D Subordinate Bonds will accrue from the date of delivery thereof to the Underwriters and will be payable beginning on [May 15], 2021, and semiannually thereafter on each May 15 and November 15 and on the maturity date (each an “**Interest Payment Date**”). The Series 2020D Subordinate Bonds are subject to redemption prior to maturity as described in “THE SERIES 2020D SUBORDINATE BONDS—Redemption Prior to Maturity.”

***Book-Entry Only System.*** The Series 2020D Subordinate Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2020D Subordinate Bonds. Beneficial Ownership Interests in the Series 2020D Subordinate Bonds, in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 by or DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and will be governed as to payment of principal and interest, the receipt of notices and other communications, transfers and various other matters with respect to the Series 2020D Subordinate Bonds by the rules and operating procedures applicable to the DTC book-entry system as described in “THE SERIES 2020D SUBORDINATE BONDS—General Provisions” and “APPENDIX D—DTC BOOK-ENTRY SYSTEM.”

***Special Obligations.*** The Series 2020D Subordinate Bonds are special obligations of the City, for and on behalf of the Department, payable solely from and secured by a subordinate pledge of Net Revenues of the Airport System and certain Airport System funds and accounts as described herein, on parity with other Subordinate Bonds and Subordinate Obligations and subordinate to Senior Bonds and Senior Obligations. None of the real properties of the Airport System are subject to any mortgage or other lien for the benefit of the Owners or Beneficial Owners of the Series 2020D Subordinate Bonds and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2020D Subordinate Bonds. The Series 2020D Subordinate Bonds do not constitute general obligations of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, home rule charter or statutory limitation of the City or the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020D SUBORDINATE BONDS—Subordinate Pledge of Net Revenues.”

***Subordinate Pledge of Net Revenues.*** The Series 2020D Subordinate Bonds are payable from Net Revenues on a basis that is (i) subordinate to Senior Bonds (including the Series 2020A-C Bonds) under the General Bond Ordinance and Senior Obligations, and (ii) on a parity with all other bonds that have been issued or may be issued in the future and that are outstanding from time to time under the Subordinate Bond Ordinance (the “**Subordinate Bonds**”), and Subordinate Obligations that have been issued or may be issued in the future and that are outstanding from time to time under the Subordinate Bond Ordinance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020D SUBORDINATE BONDS—Subordinate Pledge of Net Revenues” and “FINANCIAL INFORMATION—Outstanding Subordinate Bonds, —Subordinate Obligations.” See “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE” for the definition of Subordinate Obligations.

The Subordinate Bond Ordinance creates four categories of obligations that are payable from Net Revenues on a basis that is subordinate to the Senior Bonds and the Senior Obligations and on a parity with each other, such obligations being (i) Subordinate Bonds, generally comprised of bonds, notes, certificates, and commercial paper, (ii) Subordinate Contract Obligations, generally comprised of capital leases, installment purchase agreements, guaranty agreements and other similar contracts, (iii) Subordinate Hedge Facility Obligations, generally comprised of rate swap transactions, basis swap transactions, cap and floor transactions and collar transactions, and (iv) Subordinate Credit Facility Obligations, generally comprised of letters of credit, bond insurance policies, surety bonds, guarantees and similar instruments issued by a financial, insurance, or other institution and which provide security or liquidity in respect of Subordinate Bonds. Subordinate Contract Obligations, Subordinate Hedge Facility Obligations and Subordinate Credit Facility Obligations are collectively referred to herein as “**Subordinate Obligations.**” See “FINANCIAL INFORMATION—Subordinate Obligations.”

**Further Information.** For further information regarding the Series 2020D Subordinate Bonds, see generally “THE SERIES 2020D SUBORDINATE BONDS,” “FINANCIAL INFORMATION,” “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE” and “APPENDIX C-2—THE SERIES 2020 SUPPLEMENTAL SUBORDINATE ORDINANCE.”

### **Letter Report of the Airport Consultant**

WJ Advisors LLC (the “Airport Consultant”) has been retained by the City as its Airport Consultant and in such capacity has prepared the Letter Report of the Airport Consultant dated [\_\_\_\_], 2020 in connection with the issuance of the Series 2020A-D Bonds (the “Letter Report of the Airport Consultant”), included herein as “APPENDIX A—LETTER REPORT OF THE AIRPORT CONSULTANT” and described in more detail under the caption “LETTER REPORT OF THE AIRPORT CONSULTANT” herein. **Given the unprecedented nature and continuing uncertainty surrounding the COVID-19 pandemic, the Letter Report of the Airport Consultant does not include any projections of the (a) economic activity in the region served by the Airport or (b) the number of enplaned passengers and other aviation activity (e.g. number of flights at the Airport).** Instead, the Letter Report of the Airport Consultant presents hypothetical ranges of passenger recovery periods for the return to 2019 pre-COVID passenger levels at the Airport for purposes of projecting debt service coverage and average airline cost per enplaned passenger from Fiscal Year 2020 through Fiscal Year 2025 (the “**Projection Period**”) and the assumptions upon which such projections are based. The Letter Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the financial projections contained therein.

**The Letter Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of the Airport Consultant. As noted in the Letter Report of the Airport Consultant, any projection is subject to uncertainties; therefore, there are likely to be differences between projections in the Letter Report of the Airport Consultant and actual results, and those differences may be material.**

**The projections in the Letter Report of the Airport Consultant are based upon certain information and assumptions that were provided or reviewed and agreed to by the Department and are set forth in the Letter Report of the Airport Consultant. Additionally, the debt service coverage projections in the Letter Report of the Airport Consultant (a) were not updated to reflect the sale, issuance or final terms of the Series 2020A-D Bonds, and (b) include the expected refunding savings from the Series 2020A-D Bonds, but do not include any adjustments for debt service savings which may occur with respect to any refunding of the other Senior Bonds or Subordinate Obligations (in addition to the Refunded Bonds during the Projection Period).**

**No assurances can be given that the hypothetical passenger recovery period and expectations discussed in the Letter Report of the Airport Consultant will be achieved or that the assumptions upon which the projections are based will be realized. The Letter Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an explanation of the assumptions and projections used therein. As of the date of this Official Statement, in the opinion of the Airport Consultant, the assumptions made in the Letter Report of the Airport Consultant provide a reasonable basis for the projections therein.**

See “—Forward-Looking Statements, “AVIATION ACTIVITY AND AIRLINES—Airline Information,” “IMPACT OF COVID-19 ON THE AIRPORT,” “CERTAIN INVESTMENT CONSIDERATIONS—Letter Report of the Airport Consultant; Actual Results May Differ from Projections and Assumptions,” and “APPENDIX A—LETTER REPORT OF THE AIRPORT



CONSULTANT” for a discussion of, among other things, the factors that may impact projections related to the Airport.

### **Tax Matters**

In the opinion of Bond Counsel to the City to be delivered upon the issuance of the Series 2020A Bonds and the Series 2020B Bonds (together, the “**Series 2020A-B Bonds**”), under existing law and assuming compliance by the City, with certain requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”) that must be met subsequent to the issuance of the Series 2020A-B Bonds, with which the City has certified, represented and covenanted its compliance, (1) interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2020A Bonds are held by a person who is a “substantial user” of the Airport System or a “related person” as those terms are used in Section 147(a) of the Code, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts and estates, and (2) interest on the Series 2020B Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2020B Bonds are held by a person who is a “substantial user” of the Airport System or a “related person,” as those terms are used in Section 147(a) of the Code, but is an item of tax preference in calculating the federal alternative minimum tax liability of individuals, trusts and estates. Also, in the opinion of Bond Counsel to the City to be delivered upon the issuance of the Series 2020A-B Bonds, under existing law and to the extent interest on the Series 2020A Bonds and interest on the Series 2020B Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State of Colorado. Interest on the Series 2020C Bonds and the Series 2020D Subordinate Bonds is included in gross income for federal and State of Colorado income tax purposes. See “TAX MATTERS” for a more detailed discussion.

### **Outstanding Senior Bonds, Senior Obligations, Subordinate Bonds, Subordinate Obligations, and Junior Lien Obligations**

Upon the issuance of the Series 2020A-C Bonds and the refunding of the Refunded Bonds, there will be approximately \$[\_\_\_\_\_] aggregate principal amount of Senior Bonds Outstanding. The City, for and on behalf of the Department, has entered into various Credit Facility Obligations in connection with the Credit Facilities that additionally secure certain of the outstanding Senior Bonds. See “FINANCIAL INFORMATION—Outstanding Senior Bonds” for a description of outstanding Credit Facility Obligations which constitute Senior Obligations.

Upon the issuance of the Series 2020D Subordinate Bonds, there will be approximately \$[\_\_\_\_\_] aggregate principal amount of Subordinate Bonds Outstanding. The City, for and on behalf of the Department, in the past also has incurred Subordinate Contract Obligations and has entered into various Subordinate Hedge Facility Obligations relating to Senior Bonds that are secured by a pledge of Net Revenues that is subordinate to that of the Senior Bonds and Senior Obligations and on a parity with the Subordinate Bonds. See “FINANCIAL INFORMATION—Outstanding Subordinate Bonds, — Subordinate Obligations, and—Master Derivatives Policy.”

The Senior Bond Ordinance and the Subordinate Bond Ordinance permit the City, on its own behalf or for and on behalf of the Department, to issue bonds, notes, certificates, commercial paper or other securities, contracts or obligations relating to the Airport System, payable from Net Revenues, and having a lien thereon subordinate and junior to the lien thereon of the Senior Bonds, Senior Obligations, Subordinate Bonds and Subordinate Obligations. Pursuant to the Senior Bond Ordinance and the Subordinate Bond Ordinance, the City adopted Ordinance No. 17-0972, Series of 2017, designated as the General Junior Lien Bond Ordinance (the “**Junior Lien Bond Ordinance**”). The City, for and on behalf of the Department, has previously incurred the Hotel Junior Lien Obligation (defined herein) which

constitutes a Junior Lien Obligation under the Junior Lien Bond Ordinance. In addition, the City, for and on behalf of the Department, has previously incurred the Great Hall Junior Lien Obligation (defined herein) evidencing the City's obligation to make certain payments under the Great Hall Agreement (defined herein), which obligation was terminated upon the termination of the Great Hall Agreement on November 12, 2019. No Junior Lien Bonds have been issued by the City or are currently outstanding. See "DENVER INTERNATIONAL AIRPORT—Hotel and Transit Center—*The Airport Hotel*," "DENVER INTERNATIONAL AIRPORT—Great Hall Project Developments," and "FINANCIAL INFORMATION—Junior Lien Bonds and Junior Lien Obligations."

For purposes of this Official Statement, the following definitions apply:

**"Junior Lien Bonds"** means bonds, notes, certificates, commercial paper, or other securities issued pursuant to the provisions of the Junior Lien Bond Ordinance, which are payable from the Net Revenues of the Airport System and secured by a pledge of and lien on such Net Revenues, subordinate only to the lien thereon of the Senior Bonds and the lien thereon of the Subordinate Bonds. The term does not include any Junior Lien Obligations (except as represented by any bonds registered in the name of any provider of any Junior Lien Credit Facility or its nominee as a result of the purchase thereof with proceeds of such Junior Lien Credit Facility).

**"Junior Lien Contract Obligations"** means capital leases, installment purchase agreements, guaranty agreements, loans or purchase agreements with banks or other financial institutions, development agreements, concession agreements, or other similar contracts (or any obligations incurred in connection therewith) incurred pursuant to the provisions of the Junior Lien Bond Ordinance, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and lien on such Net Revenues, subordinate only to the lien thereon of the Senior Bonds and any Senior Obligations and the lien thereon of the Subordinate Bonds and any Subordinate Obligations. The term does not include (i) Junior Lien Bonds, Junior Lien Credit Facility Obligations, or Junior Lien Hedge Facility Obligations; or (ii) obligations that may be treated as Operation and Maintenance Expenses under generally accepted accounting principles and obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be so treated as Operation and Maintenance Expenses).

**"Junior Lien Credit Facility"** means any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security or liquidity in respect of Junior Lien Bonds.

**"Junior Lien Credit Facility Obligations"** means repayment or other obligations incurred by the City pursuant to a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Junior Lien Credit Facility, and which obligations are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and lien on such Net Revenues subordinate only to the lien thereon of the Senior Bonds and any Senior Obligations and the lien thereon of the Subordinate Bonds and any Subordinate Obligations.

**"Junior Lien Hedge Facility"** means any rate swap transaction, basis swap transaction, cap transaction, floor transaction, collar transaction, or similar transaction, which is intended to convert or limit the interest rate on any Senior Bonds, any Subordinate Bonds or any Junior Lien Bonds.

**"Junior Lien Hedge Facility Obligations"** means payment obligations of the City in respect of any Junior Lien Hedge Facility, which are payable from all or any designated portion of the Net Revenues of the Airport System and secured by a pledge of and lien on such Net Revenues subordinate only to the

lien of the Senior Bonds and any Senior Obligations and the lien of the Subordinate Bonds and any Subordinate Obligations.

“**Junior Lien Obligations**” means Junior Lien Credit Facility Obligations, Junior Lien Contract Obligations, and Junior Lien Hedge Facility Obligations.

### **Additional Senior Bonds and Senior Obligations, Subordinate Bonds and Subordinate Obligations, and Junior Lien Bonds and Junior Lien Obligations**

The City, for and on behalf of the Department, may issue additional Senior Bonds and incur additional Senior Obligations upon the satisfaction of conditions set forth in the Senior Bond Ordinance, may issue additional Subordinate Bonds and incur additional Subordinate Obligations upon the satisfaction of certain conditions set forth in the Subordinate Bond Ordinance, and may issue Junior Lien Bonds and incur additional Junior Lien Obligations upon the satisfaction of certain conditions set forth in the Junior Lien Bond Ordinance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Additional Senior Bonds,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020D SUBORDINATE BONDS—Additional Subordinate Bonds and Subordinate Obligations,” “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE” and “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE.”

### **Continuing Disclosure**

Pursuant to Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time (“**Rule 15c2-12**”), the City will deliver a Continuing Disclosure Undertaking in respect to the Series 2020A-D Bonds in which it will agree to provide or cause to be provided annually via the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system certain additional financial information and operating data concerning the Airport System and to provide contemporaneous notice of certain specified events. See “CONTINUING DISCLOSURE” and “APPENDIX G—FORM OF CONTINUING DISCLOSURE UNDERTAKING” for a description of the annual information and the events for which notice is to be provided and other terms of the Continuing Disclosure Undertaking.

### **Additional Information**

Brief descriptions of the Series 2020A-D Bonds, the City, the Department, the Airport, the Airport System, the Senior Bond Ordinance, the Subordinate Bond Ordinance, and certain other documents are included in this Official Statement and the appendices hereto. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2020A-D Bonds, copies of the Subordinate Bond Ordinance and the Senior Bond Ordinance may be obtained from the City by contacting Guadalupe Gutierrez-Vasquez, Managing Director of Capital Funding, at (720) 913-9370 and from the Department by contacting the Department of Aviation—Finance at (303) 342-2000.

### **Investment Considerations**

The purchase and ownership of Beneficial Ownership Interests in the Series 2020A-D Bonds involve certain investment risks. Prospective purchasers should read this Official Statement in its entirety, giving particular attention to the matters discussed under “CERTAIN INVESTMENT CONSIDERATIONS.”

## **Forward-Looking Statements**

This Official Statement, including Appendices thereto, contains statements relating to future results that are “forward-looking statements” as defined in the Federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. See “CERTAIN INVESTMENT CONSIDERATIONS—Forward-Looking Statements.”

## **Miscellaneous**

The cover page, inside cover pages, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained in this Official Statement has been obtained from officers, employees and records of the City and the Department and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the City, the Department or the Airport System since the date hereof. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

This Official Statement is not to be construed as a contract or agreement between the City, for and on behalf of the Department, or the Underwriters and the purchasers, Owners or Beneficial Owners of any of the Series 2020A-D Bonds.

## **PLAN OF FINANCING**

### **Purpose of the Series 2020A-D Bonds**

The proceeds of the Series 2020A Bonds[, together with other available Airport System moneys,] will be used to (i) refund and redeem [all/a portion of] the Refunded [\_\_] Bonds, and (ii) pay the costs of issuing the Series 2020A Bonds. The proceeds of the Series 2020B Bonds, [together with other available Airport System moneys,] will be used to (i) refund and redeem [all/a portion of] the Refunded [\_\_] Bonds, and (ii) pay the costs of issuing the Series 2020B Bonds. The proceeds of the Series 2020C Bonds, [together with other available Airport System moneys,] will be used to (i) refund and redeem [all/a portion of] the Refunded [\_\_] Bonds, [(ii) pay the costs of terminating swaps associated with the Refunded [\_\_] Bonds,] and (iii) pay the costs of issuing the Series 2020C Bonds.

The proceeds of the Series 2020D Subordinate Bonds[, together with other available Airport System moneys,] will be used to (i) refund and redeem [all/a portion of] the Refunded [\_\_] Bonds, and (ii) pay the costs of issuing the Series 2020D Subordinate Bonds.

The Series 2020 Supplemental Ordinance and Series 2020 Supplemental Subordinate Ordinance authorize the Treasurer to designate for refunding other series of bonds with the proceeds of the Series 2020A-C Bonds and Series 2020D Subordinate Bonds, respectively.

[A portion] of the proceeds of the Series 2020A Bonds will deposited to an irrevocable escrow account to current refund, redeem and defease the Series [\_\_\_\_] Bonds (previously defined as the “**Refunded [\_\_\_\_] Bonds**”) at par in order to achieve debt service savings:

<u>Series</u>	<u>Maturity (November 15)</u>	<u>Principal Amount Refunded</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
---------------	-----------------------------------	--------------------------------------	----------------------	---------------

[A portion] of the proceeds of the Series 2020B Bonds will deposited to an irrevocable escrow account to current refund, redeem and defease the Series [\_\_\_\_] Bonds (previously defined as the “**Refunded [\_\_\_\_] Bonds**”) at par in order to achieve debt service savings:

<u>Series</u>	<u>Maturity (November 15)</u>	<u>Principal Amount Refunded</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
---------------	-----------------------------------	--------------------------------------	----------------------	---------------

[A portion] of the proceeds of the Series 2020C Bonds will deposited to an irrevocable escrow account to current refund, redeem and defease the Series [\_\_\_\_] Bonds (previously defined as the “**Refunded [\_\_\_\_] Bonds**”) at par in order to achieve debt service savings:

<u>Series</u>	<u>Maturity (November 15)</u>	<u>Principal Amount Refunded</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
---------------	-----------------------------------	--------------------------------------	----------------------	---------------

[A portion] of the proceeds of the Series 2020D Subordinate Bonds will deposited to an irrevocable escrow account to current refund, redeem and defease the Series [\_\_\_\_] Bonds (previously defined as the “**Refunded [\_\_\_\_] Bonds**”) at par in order to achieve debt service savings:

---

\* A registered trademark of The American Bankers Association. CUSIP numbers are provided by CUSIP Global Services managed by Standard & Poor’s Capital IQ on behalf of The American Bankers Association. CUSIP numbers are provided for convenience of reference only. None of the City, the Department or the Underwriters takes responsibility for the accuracy of such CUSIP numbers now or at any time in the future. The CUSIP number for any maturity of the Series 2020A-D Bonds may be changed after the issuance of the Series 2020A-D Bonds as the result of various subsequent actions, including, without limitation, a refunding of all or a portion of such maturity or the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020A-D Bonds.

<u>Series</u>	<u>Maturity (November 15)</u>	<u>Principal Amount Refunded</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
---------------	-----------------------------------	--------------------------------------	----------------------	---------------

The irrevocable escrow accounts (the “**Escrow Accounts**”) described above are to be established pursuant to one or more escrow agreements to be entered into by the City, for and on behalf of the Department, and Zions Bancorporation, National Association, as escrow agent, and utilized to redeem and pay all of the Refunded Bonds on [\_\_\_\_\_, 20\_\_\_\_].

**Estimated Sources and Uses of Funds**

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2020A-D Bonds.

<b>Sources:</b>	<b>Series 2020A Bonds</b>	<b>Series 2020B Bonds</b>	<b>Series 2020C Bonds</b>	<b>Series 2020D Subordinate Bonds</b>	<b>Total</b>
Principal Amount.....					
[Net Original Issue Premium/Discount <sup>1</sup> ] .....					
Other Available Airport Moneys .....					
<b>Total</b>					
<b>Uses:</b>					
[Deposit to the Escrow Accounts] <sup>2</sup> ....					
[Deposit to the Bond Reserve Fund]					
[Deposit to the Subordinate Bond Reserve Fund]					
[Hedge Facility Termination Payment] <sup>3</sup> .....					
Costs of Issuance <sup>4</sup> .....					
<b>Total</b>					

<sup>1</sup> See “UNDERWRITING” and “TAX MATTERS.”

<sup>2</sup> To be used to refund, redeem and defease the Refunded Bonds.

<sup>3</sup> [Consists of termination payments and costs associated with the termination of certain Subordinate Hedge Facility Obligations entered into in connection with the issuance of the Series [\_\_\_] Bonds. See Table 13 in “FINANCIAL INFORMATION—Subordinate Obligations” for a discussion of swap termination.]

<sup>4</sup> Includes Underwriters’ discount, rating agencies’ fees, legal fees and other costs of issuance for the Series 2020A-D Bonds. See also “UNDERWRITING.”

**THE SERIES 2020A-C BONDS**

The following is a summary of certain provisions of the Series 2020A-C Bonds during such time as the Series 2020A-C Bonds are subject to the DTC book-entry system. Reference is hereby made to the

Senior Bond Ordinance in its entirety for the detailed provisions pertaining to the Series 2020A-C Bonds, including provisions applicable upon discontinuance of participation in the DTC book-entry system. See also “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE” for the Senior Bond Ordinance, including, without limitation, covenants of the City, the rights and remedies of the Owners of the Series 2020A-C Bonds upon an Event of Default (as defined herein) under the Senior Bond Ordinance, provisions relating to amendments of the Senior Bond Ordinance, and procedures for redemption of the Series 2020A-C Bonds.

### **Authorization**

Pursuant to the home rule article of the State constitution, the State’s Supplemental Public Securities Act, and the City Charter and the Senior Bond Ordinance, the City, for and on behalf of the Department, may issue bonds payable solely from and secured by a senior pledge of Net Revenues to defray the cost of acquiring, improving and equipping municipal airport facilities. Such revenue bonds constitute special obligations, do not evidence a debt or indebtedness of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, charter or statutory provision or limitation and may be issued without prior voter approval.

Pursuant to the City Charter, the City by ordinance has designated the Department as an “enterprise” within the meaning of the State constitution. The Department is owned by the City, and the Chief Executive Officer of the Department of Aviation (the “**Manager**”) is the governing body of the Department. See “MANAGEMENT OF THE AIRPORT SYSTEM.” The Department has the authority to issue its own revenue bonds or other financial obligations in the name of the City payable solely from revenues of the Airport System, as authorized by ordinance after approval and authorization by the Manager. The assets of the Airport System are owned by the City and operated by the Department as a self-sustaining business activity. The Department is not authorized to levy any taxes in connection with the Airport System.

The Series 2020A-C Bonds will be issued pursuant to the Senior Bond Ordinance, including the Series 2020 Supplemental Ordinance to be approved by the City Council prior to the issuance of the Series 2020A-C Bonds and any amendments that may be adopted in accordance with the Series 2020 Supplemental Ordinance after issuance of the Series 2020A-C Bonds. See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE.”

The City has appointed Zions Bancorporation, National Association, Denver, Colorado, to serve as paying agent (the “**Paying Agent**”) and registrar (the “**Registrar**”) for the Series 2020A-C Bonds.

### **DTC Book-Entry System**

The Series 2020A-C Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2020A-C Bonds. Beneficial Ownership Interests in the Series 2020A-C Bonds, in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired. Transfers of Beneficial Ownership Interests will be effected by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Series 2020A-C Bonds mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners. For a more detailed description of the DTC book-entry system, see “APPENDIX D—DTC BOOK-ENTRY SYSTEM.”

Principal and interest payments with respect to the Series 2020A-C Bonds are to be made by the Paying Agent to Cede & Co., as the Owner of the Series 2020A-C Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX D—DTC BOOK-ENTRY SYSTEM.”

*None of the City, the Department, the Underwriters, the Paying Agent or the Registrar for the Series 2020A-C Bonds has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2020A-C Bonds under the Senior Bond Ordinance, (3) the payment by DTC or any DTC Participant of any amount received under the Senior Bond Ordinance with respect to the Series 2020A-C Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2020A-C Bonds or (5) any other related matter.*

### **The Series 2020A Bonds**

**General Provisions.** The Series 2020A Bonds will be issued in the aggregate principal amount, bear interest at fixed rates at the rates per annum (computed on the basis of a 360-day year of twelve 30-day months) and mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Series 2020A Bonds are subject to optional redemption prior to maturity as described below in “—*Optional Redemption Prior to Maturity.*” Interest on the Series 2020A Bonds accrues from the date of delivery thereof to the Underwriters and is payable beginning on [May 15], 2021, and semiannually on each Interest Payment Date thereafter, on any redemption date and on the maturity date. The Series 2020A Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Principal and interest payments with respect to the Series 2020A Bonds will be payable by check or wire transfer by the Paying Agent to Cede & Co., as the Owner of the Series 2020A Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX D—DTC BOOK-ENTRY SYSTEM.”

**[Optional Redemption Prior to Maturity.** The Series 2020A Bonds maturing on and after November 15, 20\_\_, are subject to redemption prior to maturity at the option of the City, on any date on and after November 15, 20\_\_, in whole or in part, in principal amounts equal to authorized denominations, at a price (the “**Redemption Price**”) equal to 100% of the principal amount of the Series 2020A Bonds to be redeemed plus accrued interest to the date of redemption (the “**Redemption Date**”).



***[Mandatory Sinking Fund Redemption.*** The Series 2020A Bonds maturing on November 15, 20[\_\_\_] (the “**Series 2020A Term Bonds**”) are subject to mandatory sinking fund redemption prior to their respective maturities at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest, if any, to the Redemption Date, on November 15 in each of the years and in the principal amounts set forth in the following table.

**Mandatory Sinking Fund Redemption Schedule**

<u>Year of Redemption</u>	<u>Principal Amount to be Redeemed<sup>1</sup></u>
-------------------------------	--

<sup>1</sup> Final maturity amounts and not mandatory sinking fund redemption payments.

The City has the option of reducing the principal amount of the Series 2020A Term Bonds to be redeemed on any mandatory sinking fund Redemption Date by any amount (equal to the smallest denomination then authorized pursuant to the Series 2020 Supplemental Ordinance or whole multiples of such smallest denomination) up to the principal amount of the Series 2020A Term Bonds, which have been redeemed prior to or will be redeemed on such Redemption Date under any other provision of the Series 2020 Supplemental Ordinance or which otherwise have been delivered to the Registrar for cancellation (and which have not previously been applied to reduce the principal amount of the Series 2020A Term Bonds). The City may exercise such option by delivering to the Paying Agent, on or before the 45th day preceding such redemption date, a written notice stating the amount of such reduction.

***Partial Redemption of the Series 2020A Bonds.*** If less than all of the Series 2020A Bonds bearing the same rate and maturing on any fixed maturity date are called for prior redemption at the City’s option, the Treasurer is required to select the Series 2020A Bonds, or the respective portions thereof to be redeemed by lot in any manner that it deems equitable (giving proportionate weight to Series 2020A Bonds in denominations larger than a single unit of authorized denomination).

If less than all of the Series 2020A Bonds maturing by their terms on any one date are to be redeemed at any one time with Sinking Fund Installments, the Series 2020 Paying Agent will select the Series 2020A Bonds of such maturity to be redeemed by lot in any manner that it deems appropriate. For purposes of such selection, the Series 2020A Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

The Series 2020 Supplemental Ordinance provides that notwithstanding the foregoing, so long as the Series 2020A Bonds are registered in the name of the Securities Depository, the provisions for selecting the Series 2020A Bonds for redemption may be adjusted in order to conform to the requirements of the Securities Depository. See “DTC Book-Entry System” above and “APPENDIX D—DTC BOOK-ENTRY SYSTEM.”

***Notice of Redemption.*** Notice of redemption is to be given not more than 60 nor less than 20 days prior to the Redemption Date by mailing a copy of such notice by certified or first-class postage prepaid mail to the Owners of the Series 2020A Bonds to be redeemed at their addresses as shown on the

registration records kept by the Series 2020A Bonds Registrar, or in the event that the Series 2020A Bonds to be redeemed are registered in the name of the Securities Depository (initially DTC), such notice may, in the alternative, be given by electronic means in accordance with the requirements of the Securities Depository. The actual receipt by DTC or its nominee of written notice of redemption of Series 2020A-C Bonds is not a condition precedent to such redemption if the notice has in fact been duly given, and failure of DTC or its nominee to receive such notice will not affect the validity of the proceedings for such redemption or the cessation of interest on the Redemption Date.

Each notice of redemption must specify the Series 2020A Bonds to be redeemed, the Redemption Price to be paid and the redemption date.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the redemption date sufficient to pay the principal of, interest on and any redemption premium due on the Series 2020A Bonds so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the Owners of the Series 2020A Bonds called for redemption.

***Redemption of Beneficial Ownership Interests.*** The Registrar will be required to send notice of redemption of the Series 2020A Bonds only to Cede & Co. (or subsequent nominee of DTC) as the registered owner thereof. Receipt of such notice initiates DTC's standard redemption procedures. In the event of a partial call, the Beneficial Ownership Interests to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as described in "APPENDIX D—DTC BOOK-ENTRY SYSTEM." DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests, and for remitting the Redemption Price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2020A Bonds properly called for redemption or any other action premised on that notice.

## **The Series 2020B Bonds**

The summary of certain provision of the Series 2020B Bonds set forth in this Official Statement is only applicable to the Series 2020B Bonds bearing interest at the Term Rate during the initial Term Rate Period or at a Stepped Rate, and only during such time as the Series 2020B Bonds are not secured by a Series 2020 Credit Facility.

Additionally, during such time as the Series 2020B Bonds bear interest at a Term Rate, such Series 2020B Bonds are not required to be secured by a Series 2020 Credit Facility to provide credit or liquidity support, and the Series 2020B Bonds as initially issued will **not** be secured by a Series 2020 Credit Facility.

**This Official Statement describes the Series 2020B Bonds only while they bear interest at a Term Rate during the initial Term Rate Period or at a Stepped Rate, and are not secured by a Series 2020 Credit Facility. If the Series 2020B Bonds are converted to a different Interest Rate Mode or a Series 2020 Credit Facility is provided as security for the Series 2020B Bonds while bearing interest at a Term Rate, an offering document is expected to be prepared if needed for the remarketing of such Series 2020B Bonds.**

***General Provisions.*** The Series 2020B Bonds will be issued in the aggregate principal amount and mature on the date and in the principal amount set forth on the inside cover page hereof. The Series 2020B Bonds are subject to tender for purchase, mandatory sinking fund redemption and optional redemption prior to maturity as described below in "*Tender Provisions*" and "*Redemption Prior to*

*Maturity.*” The Series 2020B Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

*Term Rate Periods.* The Series 2020B Bonds will bear interest initially at a Term Rate and for the Term Rate Period. The initial Term Rate Period for the Series 2020B Bonds will commence on the delivery date and end on the day preceding the Purchase Date set forth on the inside cover page hereof. Upon expiration of the initial Term Rate Period, unless the City has given notice of its election to convert the Series 2020B Bonds to a different permitted Interest Rate Mode or to continue in a subsequent Term Rate Mode, or if the conditions to the effectiveness of a new Term Rate Period or conversion to another Interest Rate Mode are not satisfied, then the Series 2020B Bonds will bear interest at the Stepped Rate until such Series 2020B Bonds are converted, redeemed, purchased, or mature, whichever is earlier. See “—*Tender Provisions*” and “—*Insufficient Funds; Stepped Rate*” below. All Series 2020B Bonds must bear interest for the same Term Rate Period.

*Interest Rate.* The Series 2020B Bonds will bear interest for the initial Term Rate Period at the rate per annum set forth on the inside cover page hereof. Interest on the Series 2020B Bonds is payable commencing [May 15], 2021, and semiannually on each May 15 and November 15 thereafter, and on any Conversion Date, on any redemption date and on the maturity date. Interest on the Series 2020B Bonds bearing interest at a Term Rate will be computed on the basis of a 360-day year of twelve 30-day months. In no event may the Term Rate exceed the Maximum Interest Rate of twelve percent (12%) per annum.

Upon satisfaction of conditions set forth in the Series 2020 Supplemental Ordinance, including mandatory tender and remarketing, all, but not less than all, of Series 2020B Bonds may be changed at the election of the City to bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, Index Rate or Fixed Rate). See “APPENDIX B-2—THE SERIES 2020 SUPPLEMENTAL ORDINANCE.” If the Interest Rate Determination Method is converted from a Term Rate Period to any other Interest Rate Determination Method, other than the Stepped Rate, or if a new Term Rate Period is established on or prior to the end of the initial Term Rate Period, such Series 2020B Bonds will be subject to mandatory tender for purchase.

**The Series 2020B Bonds will be subject to mandatory tender and remarketing on November 15, 20[\_\_\_], as set forth on the inside cover page hereof, which is the Purchase Date following the end of the initial Term Rate Period that begins on the delivery date for the Series 2020B Bonds. The City expects to apply funds from such remarketing to pay the Purchase Price of the Series 2020B Bonds. The City is not obligated to provide any other funds for the purchase of the Series 2020B Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Purchase Price of the Series 2020B Bonds upon such mandatory tender. If there are insufficient funds to purchase the Series 2020B Bonds at the end of any Term Rate Period, the Owners of such Series 2020B Bonds will retain such Series 2020B Bonds and such Series 2020B Bonds will bear interest at the Stepped Rate. See “—*Insufficient Funds; Stepped Rate*” below.**

The Series 2020B Bonds are also subject to mandatory tender and remarketing, at the option of the City, on any date on which the Series 2020B Bonds are subject to redemption at the option of the City. See “—*Tender Provisions*,” and “—*Mandatory Tender for City Purchase of Series 2020B Bonds at Direction of City*” below.

**During the initial Term Rate Period, the Series 2020B Bonds are not subject to optional tender by the Owners thereof.**

**This Official Statement is not intended to provide information about the Series 2020B Bonds after conversion to another Interest Rate Determination Method, other than the Stepped Rate, or upon establishment of a new Term Rate Period following the end of the initial Term Rate Period.**

*Term Rate Continuation.* On any date the Series 2020B Bonds in Term Rate Period are subject to optional redemption, or as of the day following the last day of a Term Rate Period for any Series 2020B Bonds in a Term Rate Period, unless the City has given a Conversion Notice with respect to the Conversion of the Series 2020B Bonds to another Interest Rate Determination Method, the City may establish a new Term Rate Period for such Series 2020B Bonds by delivery of a written notice (a “**Term Rate Continuation Notice**”) to the Paying Agent and the Remarketing Agent no less than 31 Business Days prior to the effective date of the new Term Rate Period. The City is required to deliver a Pricing Certificate to the Paying Agent no later than two Business Days prior to the effective date of the new Term Rate Period.

The first day of such new Term Rate Period must be a Business Day and either (1) a date on which the Series 2020B Bonds are subject to redemption at the option of the City or (2) a date on which such series 2020B Bonds are subject to mandatory tender pursuant to the applicable provisions of the Series 2020 Supplemental Ordinance. The Series 2020B Bonds will be subject to mandatory tender on the first day of such new Term Rate Period for purchase at its Purchase Price. No new Term Rate Period shall become effective unless an Opinion of Bond Counsel delivered on (and as of) the first day of the new Term Rate Period and unless all such Outstanding Series 2020B Bonds are successfully remarketed in the new Term Rate Period. **Unsuccessful attempts to remarket to a new Term Rate Period prior to the end of the initial Term Rate Period do not result in a change in the Term Rate or Term Rate Period and the Owners of the Series 2020B Bonds will continue to hold such Series 2020B Bonds at the existing Term Rate until the end of the existing Term Rate Period.**

*Notice to Owners.* Upon receipt of a Term Rate Continuation Notice from an Authorized Representative, as soon as possible, but in any event not less than 30 days prior to the first day of the proposed new Term Rate Period, the Paying Agent must give notice by first-class mail to the Owners of the affected Series 2020B Bonds, which notice will state in substance (1) that a new Term Rate Period and Term Rate is to be established for such Series 2020B Bonds on the applicable Term Rate Conversion Date if the conditions specified in the Series 2020 Supplemental Ordinance (and generally described in such notice) are satisfied on or before such date, (2) the first day of the new Term Rate Period, (3) that the City has delivered to the Paying Agent the form of an Opinion of Bond Counsel proposed to be delivered to the Paying Agent in connection with the continuation of the Series 2020B Bonds in the Term Rate, (4) that a new Term Rate Period and Term Rate for the Series 2020B Bonds shall not be established unless an Opinion of Bond Counsel is delivered to the Paying Agent on (and as of) the first day of the new Term Rate Period and all such Series 2020B Bonds are successfully remarketed in the new Term Rate Period and at the new Term Rate on the first day thereof, and (5) additional information required to be contained in the Conversion Notice.

*End of Term Rate.* In the event the City has not given Term Rate Continuation Notice or a Conversion Notice with respect to Series 2020B Bonds bearing interest at a Term Rate at the time required, or if the conditions to the effectiveness of a new Term Rate Period and new Term Rate or the conditions to Conversion to another Interest Rate Determination Method are not satisfied, including as a result of the Remarketing Agent failing to establish a Term Rate as provided in the Series 2020 Supplemental Ordinance, then on the day following the last day of the current Term Rate Period, such Series 2020B Bonds will bear interest at a rate of interest equal to the Stepped Rate until they are successfully remarketed or redeemed. Series 2020B Bonds bearing interest at the Stepped Rate will not be subject to optional tender by the Owners thereof.

**Any failure to remarket all such Series 2020B Bonds into a new Term Rate Period or to convert any such Series 2020B Bonds to another Interest Rate Determination Method does not constitute an Event of Default under the Series 2020 Supplemental Ordinance. See “—*Insufficient Funds; Stepped Rate*” below.**

***Insufficient Funds; Stepped Rate.*** If sufficient funds are not available for the purchase of all Series 2020B Bonds tendered or deemed tendered and required to be purchased on any Purchase Date following the end of the applicable Term Rate Period, all Series 2020B Bonds shall bear interest at a rate of interest equal to the Stepped Rate (defined below) from the date of such failed purchase (the “**Failed Tender Date**”) until all such Series 2020B Bonds are purchased (or mature or are earlier redeemed), such rate to be determined in accordance with the Series 2020 Supplemental Ordinance, and all tendered Series 2020B Bonds are required to be returned to their respective Owners. Such failed purchase and return do not constitute an Event of Default. In addition, the Remarketing Agent shall remain obligated to remarket the Series 2020B Bonds and such Series 2020B Bonds remain subject to optional redemption, mandatory tender for purchase, and Conversion as provided in the Series 2020 Supplemental Ordinance. **None of the Series 2020B Bonds will be supported by a Series 2020 Credit Facility during the initial Term Rate Period.**

From the Failed Tender Date until all of the Series 2020B Bonds are purchased (or mature or are earlier redeemed) as required by the Series 2020 Supplemental Ordinance, such Series 2020B Bonds will bear interest at the rate of [\_\_\_\_]% per annum (the “**Stepped Rate**”), payable on each May 15 and November 15 occurring during the period in which such Series 2020B Bonds bear interest at the Stepped Rate.

#### ***Conversion of Interest Rate Determination Method***

***Right of Conversion.*** The Series 2020B Bonds are subject to conversion from the Term Rate to another Interest Rate Determination Method from time to time at the option of the City, with such right to be exercised by delivery of a Conversion Notice to the Paying Agent and the Remarketing Agent for the Series 2020B Bonds to be converted. Upon receipt of a Conversion Notice from an Authorized Representative, as soon as possible, but in any event not less than 30 days prior to the proposed Conversion Date, the Paying Agent is to give notice by first-class mail to the Owners of the Series 2020B Bonds in accordance with the Series 2020 Supplemental Ordinance. See “APPENDIX B-2—THE SERIES 2020 SUPPLEMENTAL ORDINANCE.”

The Conversion Notice must contain: (1) the proposed Conversion Date; (2) the new Interest Rate Determination Method to take effect; (3) if applicable, the terms upon which the Owners of the Series 2020B Bonds shall have the option to tender the Series 2020B Bonds for purchase during the new Interest Rate Determination Method; (4) if a new Series 2020 Credit Facility will be in effect for the Series 2020B Bonds after the proposed Conversion Date, the form and terms of such new Series 2020 Credit Facility for the Series 2020B Bonds; (5) if the Conversion is to the Fixed Rate, the redemption dates and redemption prices applicable to such Fixed Rate Period; and (6) modifications to the Sinking Fund Installments, if any. The Conversion Notice must be accompanied by (i) the proposed form of an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Series 2020 Supplemental Ordinance and (unless the Series 2020B Bonds are to be remarketed after the proposed Conversion as obligations that are not Tax-Exempt) will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of the Series 2020B Bonds to be converted.

The Series 2020B Bonds bearing interest in a Term Rate Period are subject to Conversion at the option of the City on any date the Series 2020B Bonds are subject to optional redemption or any date on

which the Series 2020B Bonds are subject to mandatory tender pursuant to the Series 2020 Supplemental Ordinance.

The Series 2020 Supplemental Ordinance provides that the City may rescind a Conversion Notice by giving written notice thereof to the Paying Agent and the Remarketing Agent on or prior to such proposed Conversion Date. If the Paying Agent receives notice of such rescission prior to the time the Paying Agent has given notice to the Owners of the Series 2020B Bonds, then the Conversion Notice previously delivered by the City shall be of no force and effect. If the Paying Agent receives notice from the City of rescission of the Conversion Notice after the Paying Agent has given notice to the Owners of the Series 2020B Bonds, then there will be no purchase or Conversion. See “APPENDIX B-2 — THE SERIES 2020 SUPPLEMENTAL ORDINANCE.”

*Failure to Convert.* The Series 2020 Supplemental Ordinance includes provisions setting forth the procedures and conditions for the exercise by the City of its right of conversion of the Series 2020B Bonds from one Interest Rate Determination Method to another. Under certain circumstances, a planned conversion may not be completed.

The Series 2020 Supplemental Ordinance provides that with respect to any Conversion of the Series 2020B Bonds from a Term Rate Period, if the City fails to deliver the Opinion of Bond Counsel if required by the Series 2020 Supplemental Ordinance to the Remarketing Agent before the Conversion Date or if the Remarketing Agent has not successfully remarketed all Outstanding Series 2020B Bonds to be converted to the new Interest Rate Determination Method on the Conversion Date, the Interest Rate Determination Method shall not be converted and such Series 2020B Bonds shall not be deemed to have been tendered for purchase on the Conversion Date specified in the Conversion Notice and, except as otherwise provided in the Series 2020 Supplemental Ordinance with respect to failed Conversions on the day following the end of the Term Rate Period, such Series 2020B Bonds shall continue to bear interest at the Term Rate in effect prior to the proposed Conversion Date specified in the Conversion Notice. **Unsuccessful Conversions prior to the end of the initial Term Rate Period do not result in a change in the Term Rate or Term Rate Period and the Owners of the Series 2020B Bonds will continue to hold such Series 2020B Bonds at the existing Term Rate until the end of the existing Term Rate Period.** With respect to failed Conversions on the day following the end of a Term Rate Period, any Series 2020B Bonds not remarketed will bear interest at the Stepped Rate. See “—*Insufficient Funds; Stepped Rate*” above.

No Conversion is permitted to occur under the Series 2020 Supplemental Ordinance if at the time of such Conversion an Event of Default has occurred and is continuing.

### ***Tender Provisions***

*Optional Tender.* The Series 2020B Bonds are **not** subject to optional tender while bearing interest at the Term Rate during any Term Rate Period.

*Mandatory Tenders.* The Series 2020B Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price (i) on the Conversion Date for such Series 2020B Bonds to a new Interest Rate Determination Method specified in a Conversion Notice or to a new Term Rate Period as specified in a Term Rate Continuation Notice (whether or not the proposed Conversion becomes effective on such date, unless such Series 2020B Bonds are being converted from a Term Rate Period not supported by a Series 2020 Credit Facility and the proposed Conversion does not occur, in which case the Series 2020B Bonds subject to mandatory tender will not be purchased); and (ii) on the Interest Payment Date immediately following the Term Rate Period for the Series 2020B Bonds. The “**Purchase Price**” for

such Series 2020B Bonds is an amount equal to 100% of the principal amount thereof plus accrued interest thereon to the purchase date.

Upon the expiration of the initial Term Rate Period for the Series 2020B Bonds, the Paying Agent shall give notice by first-class mail, not later than the fifteenth (15<sup>th</sup>) day prior to the date on which such Series 2020B Bonds are subject to mandatory tender pursuant to the Series 2020 Supplemental Ordinance, which notice shall state that such Series 2020B Bonds are subject to mandatory tender for purchase on the specified Purchase Date at the applicable Purchase Price (which Purchase Price shall be specified in such notice).

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2020B Bonds will be governed by arrangements among them, and the City and the Paying Agent will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2020B Bonds.

*Funding Mandatory Tenders of Series 2020B Bonds.* The City expects funds to be made available to purchase Series 2020B Bonds tendered for purchase pursuant to the mandatory tender provisions described above by having the Remarketing Agent remarket the tendered Series 2020B Bonds and having the proceeds applied to purchase the tendered Series 2020B Bonds.

The City is not obligated to provide any other funds for the purchase of the Series 2020B Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Series 2020B Bonds upon mandatory tender. The Series 2020B Supplemental Ordinance provides that if sufficient funds are not available for the purchase of any Series 2020B Bonds tendered for purchase on the Purchase Date following the end of the initial Term Rate Period pursuant to the mandatory tender provisions described above, such Series 2020B Bonds shall bear interest at the Stepped Rate. See “—*Insufficient Funds; Stepped Rate*” above.

If such remarketing of the Series 2020B Bonds is not successful, the City may, in its sole discretion, apply other potential sources of payment to the payment of the Purchase Price of any Series 2020B Bonds. Principal of and accrued and unpaid interest on the Series 2020B Bonds are payable from Net Revenues on a parity with all other outstanding Senior Bonds (including Senior Obligations). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Pledge of Net Revenues.” See also, “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE—ARTICLE VII—Bond Liens, Additional Bonds and Obligations.”

*Mandatory Tender for City Purchase of Series 2020B Bonds at Direction of City.* The Series 2020B Bonds are subject to mandatory tender for purchase by the City, in whole or in part (such that the portion that is subject to mandatory tender for purchase pursuant to the Series 2020 Supplemental Ordinance and the portion not subject to such mandatory tender shall each be in Authorized Denominations), on any date such Series 2020B Bonds would be subject to optional redemption (each, an “**Optional Purchase Date**”) at a purchase price equal to the principal amount of such Series 2020B Bonds to be purchased on the Optional Purchase Date, plus accrued interest to the Optional Purchase Date (the “**Optional Purchase Price**”). See “—*Redemption Prior to Maturity*” below. In the event that the City determines to purchase any Series 2020B Bonds on any Optional Purchase Date, the City is required to provide the Paying Agent with written notice of such determination at least thirty-five (35) days prior to the Optional Purchase Date, which notice is required to specify the Series 2020B Bonds, the principal amount of such Series 2020B Bonds that are to be purchased, and the Optional Purchase Date on which such purchase is to occur.

When the Paying Agent receives notice from the City of its determination to purchase Series 2020B Bonds pursuant to the above paragraph, the Paying Agent is required to give notice, in the name of the City, of the mandatory tender for purchase of such Series 2020B Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the Optional Purchase Date to the owners of any Series 2020B Bonds or portions of Series 2020B Bonds to be purchased at their addresses appearing in the bond register, with a copy to the Remarketing Agent. Receipt of such notice of mandatory tender for purchase is not a condition precedent to the mandatory tender for purchase of the Series 2020B Bonds and failure of any owner of a Series 2020B Bond to receive any such notice or any defect in such notice will not affect the validity of the proceedings for the mandatory tender for purchase of the Series 2020B Bonds pursuant to the provisions of the Series 2020 Supplemental Ordinance described herein. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2020B Bonds will be governed by arrangements among them, and the City and the Paying Agent will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2020B Bonds.

If at the time the Paying Agent sends any notice of mandatory tender for purchase of the Series 2020B Bonds by the City as described above, the City has not deposited with the Paying Agent an amount sufficient to pay the full Optional Purchase Price of the Series 2020B Bonds, or the portions thereof, to be purchased, such notice shall state that such mandatory tender for purchase is conditional upon the receipt by the Paying Agent on or prior to the Optional Purchase Date fixed for such purchase of moneys sufficient to pay the Optional Purchase Price of such Series 2020B Bonds, or the portions thereof to be purchased, and that if such moneys shall not have been so received said notice shall be of no force and effect and the City shall not be required to purchase such Series 2020B Bonds. In the event that such notice of mandatory tender for purchase contains such a condition and such moneys are not so received, no purchase of the Series 2020B Bonds identified in the notice of mandatory tender for purchase shall be made and the Paying Agent shall, within a reasonable time thereafter, give notice to the Remarketing Agent and to the persons and in the manner in which the notice of tender was given, that such moneys were not so received and that there will be no purchase of Series 2020B Bonds pursuant to the notice of mandatory tender for purchase.

If less than all of the Outstanding Series 2020B Bonds are to be called for mandatory tender for purchase pursuant to the Series 2020B Ordinance, the principal amount and maturity of such Series 2020B Bonds to be purchased shall be selected by the City in its sole discretion. If less than all of the Series 2020B Bonds of like maturity shall be called for mandatory tender for purchase, the particular Series 2020B Bonds or portions of Series 2020B Bonds to be purchased shall be selected at random by the Paying Agent in such manner as the Paying Agent in its discretion may deem fair and appropriate; provided, however, that in selecting portions of Series 2020B Bonds for purchase, the Paying Agent shall treat each Series 2020B Bond as representing that number of Series 2020B Bonds of the minimum Authorized Denomination for the Series 2020B Bonds that is obtained by dividing the principal amount of such Series 2020B Bond by the minimum Authorized Denomination for the Series 2020B Bonds.

If all Outstanding Series 2020B Bonds bearing interest in a Term Rate Period are purchased by the City pursuant to the Series 2020 Supplemental Ordinance, then, notwithstanding anything to the contrary in the Series 2020 Supplemental Ordinance, (i) the date of such purchase by the City will be deemed to be the Purchase Date for such Series 2020B Bonds, and (ii) the Term Rate will be deemed to have expired on the day immediately preceding such Purchase Date.

*Mechanics and Timing of Mandatory Tenders.* The mechanics and timing of delivery and payment for Series 2020B Bonds tendered for purchase are addressed in the Series 2020 Supplemental Ordinance. See “APPENDIX B-2 — THE SERIES 2020 SUPPLEMENTAL ORDINANCE.”



***Failure to Deliver Series 2020B Bonds for Purchase.*** To the extent that there shall be on deposit with the Paying Agent on the first day of the new Term Rate Period or the applicable Conversion Date an amount of money sufficient to pay the Purchase Price thereof, all such Series 2020B Bonds not delivered to the Paying Agent on or prior to such date shall be deemed to have been properly tendered for purchase and shall cease to constitute or represent a right on behalf of the owner thereof to the payment of principal thereof or interest thereon and shall represent and constitute only the right to payment of the Purchase Price on deposit with the Paying Agent, without interest accruing thereon after such date.

***Redemption Prior to Maturity.***

***Optional Redemption.*** The Series 2020B Bonds are subject to redemption, at the option of the City, in whole or in part, in Authorized Denominations on the day immediately following the last day of the initial Term Rate Period at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest, if any, without premium.

***Mandatory Sinking Fund Redemption.*** The Series 2020B Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the Redemption Date, without premium, on November 15 in each of the years and in the principal amounts set forth in the following table.

<u>Year of Redemption</u>	<u>Principal Amount to be Redeemed</u>
-------------------------------	--

<sup>1</sup> Final maturity amount and not mandatory sinking fund redemption payment

***Purchase in Lieu of Redemption.*** In lieu of mandatory redemption, the City may surrender to the Paying Agent for cancellation any Series 2020B Bonds purchased on the open market, and such Series 2020B Bonds are required to be cancelled by the Paying Agent. If any Series 2020B Bonds are so cancelled, the City may designate the Sinking Fund Installments or portions thereof within such Series 2020B Bonds so purchased that are to be reduced as a result of such cancellation. In the Series 2020 Supplemental Ordinance, the City covenants and agrees that any Series 2020B Bonds so purchased on the open market in lieu of mandatory redemption will be surrendered promptly to the Paying Agent for cancellation.

***Partial Redemption of the Series 2020B Bonds.*** If less than all of the Series 2020B Bonds bearing the same rate and maturing on any fixed maturity date are called for prior redemption at the City's option, the Treasurer is required to select the Series 2020B Bonds or the respective portions thereof to be redeemed in any manner that it deems appropriate and fair. The Series 2020 Supplemental Ordinance provides that notwithstanding the foregoing, so long as the Series 2020B Bonds are registered in the name of the Securities Depository, the provisions for selecting the Series 2020B Bonds for redemption may be adjusted in order to conform to the requirements of the Securities Depository. See "DTC Book-Entry System" above and "APPENDIX D—DTC BOOK-ENTRY SYSTEM."

If less than all of the Series 2020B Bonds of any series or subseries maturing by their terms on any one date are to be redeemed at any one time with Sinking Fund Installments, the Paying Agent shall select the Series 2020B Bonds of such series or subseries and maturity to be redeemed by lot in any

manner that it deems appropriate; provided that, prior to the successful remarketing of any of the Series 2020B Bonds and division of such series into applicable subseries, any partial redemption of Series 2020B Bonds shall be applied to reduce scheduled Sinking Fund Installments of any applicable subseries of the Series 2020B Bonds for such date as designated by the City, subject to minimum Authorized Denominations. For purposes of such selection, the Series 2020B Bonds, or each subseries, as applicable, will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

***Notice of Redemption.*** Notice of redemption is to be given not more than 60 nor less than 20 days prior to the Redemption Date by mailing a copy of such notice by certified or first-class postage prepaid mail to the Owners of the Series 2020B Bonds to be redeemed at their addresses as shown on the registration records kept by the Series 2020B Bonds Registrar, or in the event that the Series 2020B Bonds to be redeemed are registered in the name of the Securities Depository (initially DTC), such notice may, in the alternative, be given by electronic means in accordance with the requirements of the Securities Depository. The actual receipt by DTC or its nominee of written notice of redemption of Series 2020B Bonds is not a condition precedent to such redemption if the notice has in fact been duly given, and failure of DTC or its nominee to receive such notice will not affect the validity of the proceedings for such redemption or the cessation of interest on the Redemption Date.

Each notice of redemption must specify the Series 2020B Bonds to be redeemed, the Redemption Price to be paid and the redemption date.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the redemption date sufficient to pay the principal of, interest on and any redemption premium due on the Series 2020B Bonds so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the Owners of the Series 2020B Bonds called for redemption.

***Redemption of Beneficial Ownership Interests.*** The Registrar will be required to send notice of redemption of the Series 2020B Bonds only to Cede & Co. (or subsequent nominee of DTC) as the registered owner thereof. Receipt of such notice initiates DTC's standard redemption procedures. In the event of a partial call, the Beneficial Ownership Interests to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as described in "APPENDIX D—DTC BOOK-ENTRY SYSTEM." DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests, and for remitting the Redemption Price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2020B Bonds properly called for redemption or any other action premised on that notice.

## **The Series 2020C Bonds**

***General Provisions.*** The Series 2020C Bonds will be issued in the aggregate principal amount, bear interest at fixed rates at the rates per annum (computed on the basis of a 360-day year of twelve 30-day months) and mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Series 2020C Bonds are subject to optional redemption prior to maturity as described below in "*Optional Make-Whole Redemption Prior to Maturity.*" Interest on the Series 2020C Bonds accrues from the date of delivery thereof to the Underwriters and is payable beginning on [May 15], 2021, and semiannually on each Interest Payment Date thereafter, on any redemption date and on the maturity date. The Series 2020C Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Principal and interest payments with respect to the Series 2020C Bonds will be payable by check or wire transfer by the Paying Agent to Cede & Co., as the Owner of the Series 2020C Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX D—DTC BOOK-ENTRY SYSTEM.” **[DISCUSS PAR CALL]**

**[Optional Make-Whole Redemption Prior to Maturity.** The Series 2020C Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time, in part, at the City’s option, on prior notice on the date to be fixed for redemption in such notice, at the “**Make-Whole Redemption Price.**” The “**Make-Whole Redemption Price**” shall be the greater of (1) the issue price as shown on the inside cover page of this Official Statement pertaining to the Series 2020C Bonds (but not less than 100% of the principal amount of the Series 2020C Bonds to be redeemed); or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2020C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020C Bonds are to be redeemed, discounted to the date on which the Series 2020C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus [ ] basis points, plus, in each case, accrued and unpaid interest on the Series 2020C Bonds to be redeemed on the Redemption Date. If the Series 2020C Bonds are to be called for redemption, the Series 2020C Bonds to be called shall be determined in accordance with the procedures set forth at “Mandatory Sinking Fund Redemption” below.

The following definitions shall apply for purposes of the computation of the “**Make-Whole Redemption Price**”:

“**Comparable Treasury Issue**” means, with respect to any Redemption Date for the Series 2020C Bonds, the United States Treasury security or securities selected by the Designated Investment Banker (as defined below) that has an actual or interpolated maturity comparable to the remaining average life of the Series 2020C Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2020C Bonds to be redeemed.

“**Comparable Treasury Price**” means, with respect to any redemption date for the Series 2020C Bonds, (1) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (as defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

“**Designated Investment Banker**” means one of the Reference Treasury Dealers (as defined below) appointed by the City.

“**Reference Treasury Dealer**” means each of the four firms, specified by the City from time to time, any or all of which may also be an Underwriter for the Series 2020C Bonds, that are primary United States government securities dealers in The City of New York (each a “**Primary Treasury Dealer**”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any redemption date for the Series 2020C Bonds, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Redemption Date.

“**Treasury Rate**” means, with respect to any Redemption Date for the Series 2020C Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (as defined above), assuming that the Comparable Treasury Issue is purchased on the Redemption Date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.]

*[Mandatory Sinking Fund Redemption.* The Series 2020C Bonds maturing on November 15, 20[\_\_\_] (the “**Series 2020C Term Bonds**”) are all subject to mandatory sinking fund redemption prior to their respective maturities at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest, if any, to the Redemption Date, on November 15 in each of the years and in the principal amounts set forth in the following table.

**Mandatory Sinking Fund Redemption Schedule**

<u>Year of Redemption</u>	<u>Principal Amount to be Redeemed<sup>1</sup></u>
-------------------------------	--

<sup>1</sup> Final maturity amounts and not mandatory sinking fund redemption payments.

The City has the option of reducing the principal amount of the Series 2020C Term Bonds to be redeemed on any mandatory sinking fund Redemption Date by any amount (equal to the smallest denomination then authorized pursuant to the Series 2020 Supplemental Ordinance or whole multiples of such smallest denomination) up to the principal amount of the Series 2020C Term Bonds, which have been redeemed prior to or will be redeemed on such Redemption Date under any other provision of the Series 2020 Supplemental Ordinance or which otherwise have been delivered to the Registrar for cancellation (and which have not previously been applied to reduce the principal amount of the Series 2020C Term Bonds). The City may exercise such option by delivering to the Paying Agent, on or before the 45th day preceding such redemption date, a written notice stating the amount of such reduction.]

*Partial Redemption of the Series 2020C Bonds.* If less than all of the Series 2020C Bonds bearing the same rate and maturing on any fixed maturity date are called for prior redemption at the City's option, the particular Series 2020C Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with Securities Depository procedures, provided that, so long as the Series 2020C Bonds are held in book-entry form, the selection for redemption of such Series 2020C Bonds shall be made in accordance with the operational arrangements of Securities Depository then in effect, and, if the Securities Depository operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2020C Bonds will be selected for redemption, in accordance with Securities Depository procedures, by lot.

If less than all of the Series 2020C Bonds maturing by their terms on any one date are to be redeemed at any one time with Sinking Fund Installments, the Paying Agent will select the Series 2020C Bonds of such maturity to be redeemed by lot in any manner that it deems appropriate. For purposes of such selection, the Series 2020C Bonds will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

The Series 2020 Supplemental Ordinance provides that notwithstanding the foregoing, so long as the Series 2020C Bonds are registered in the name of the Securities Depository, the provisions for selecting the Series 2020C Bonds for redemption may be adjusted in order to conform to the requirements of the Securities Depository. See “DTC Book-Entry System” above and “APPENDIX D—DTC BOOK-ENTRY SYSTEM.”

**Notice of Redemption.** Notice of redemption is to be given not more than 60 nor less than 20 days prior to the Redemption Date by mailing a copy of such notice by certified or first-class postage prepaid mail to the Owners of the Series 2020C Bonds to be redeemed at their addresses as shown on the registration records kept by the Series 2020C Bonds Registrar, or in the event that the Series 2020C Bonds to be redeemed are registered in the name of the Securities Depository (initially DTC), such notice may, in the alternative, be given by electronic means in accordance with the requirements of the Securities Depository. The actual receipt by DTC or its nominee of written notice of redemption of Series 2020C Bonds is not a condition precedent to such redemption if the notice has in fact been duly given, and failure of DTC or its nominee to receive such notice will not affect the validity of the proceedings for such redemption or the cessation of interest on the Redemption Date.

Each notice of redemption must specify the Series 2020C Bonds to be redeemed, the Redemption Price to be paid and the redemption date.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the redemption date sufficient to pay the principal of, interest on and any redemption premium due on the Series 2020C Bonds so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the Owners of the Series 2020C Bonds called for redemption.

**Redemption of Beneficial Ownership Interests.** The Registrar will be required to send notice of redemption of the Series 2020C Bonds only to Cede & Co. (or subsequent nominee of DTC) as the registered owner thereof. Receipt of such notice initiates DTC’s standard redemption procedures. In the event of a partial call, the Beneficial Ownership Interests to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as described in “APPENDIX D—DTC BOOK-ENTRY SYSTEM.” DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests, and for remitting the Redemption Price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2020C Bonds properly called for redemption or any other action premised on that notice.

## **THE SERIES 2020D SUBORDINATE BONDS**

The following is a summary of certain provisions of the Series 2020D Subordinate Bonds during such time as the Series 2020D Subordinate Bonds are subject to the DTC book-entry system. Reference is hereby made to the Subordinate Bond Ordinance in its entirety for the detailed provisions pertaining to the Series 2020D Subordinate Bonds, including provisions applicable upon discontinuance of participation in the DTC book-entry system. See also “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE” for the Subordinate Bond Ordinance, including, without limitation, covenants of the City, the rights and remedies of the Owners of the Series 2020D Subordinate Bonds upon an Event of Default (as defined herein) under the Subordinate Bond Ordinance, provisions relating to amendments of the Subordinate Bond Ordinance, and procedures for redemption of the Series 2020D Subordinate Bonds.

## **Authorization**

Pursuant to the home rule article of the State constitution, the State’s Supplemental Public Securities Act, and the City Charter and the Subordinate Bond Ordinance, the City, for and on behalf of the Department, may issue bonds payable solely from and secured by a subordinate pledge of Net Revenues to defray the cost of acquiring, improving and equipping municipal airport facilities. Such revenue bonds constitute special obligations, do not evidence a debt or indebtedness of the City, the State or any political subdivision or agency of the State within the meaning of any constitutional, charter or statutory provision or limitation and may be issued without prior voter approval.

Pursuant to the City Charter, the City by ordinance has designated the Department as an “enterprise” within the meaning of the State constitution. The Department is owned by the City, and the Manager is the governing body of the Department. See “MANAGEMENT OF THE AIRPORT SYSTEM.” The Department has the authority to issue its own revenue bonds or other financial obligations in the name of the City payable solely from revenues of the Airport System, as authorized by ordinance after approval and authorization by the Manager. The assets of the Airport System are owned by the City and operated by the Department as a self-sustaining business activity. The Department is not authorized to levy any taxes in connection with the Airport System.

The Series 2020D Subordinate Bonds will be issued pursuant to the Subordinate Bond Ordinance, including the Series 2020 Supplemental Subordinate Ordinance to be approved by the City Council prior to the issuance of the Series 2020D Subordinate Bonds and any amendments that may be adopted in accordance with the Series 2020 Supplemental Subordinate Ordinance after issuance of the Series 2020D Subordinate Bonds. See “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE.”

The City has appointed Zions Bancorporation, National Association, Denver, Colorado, to serve as paying agent (the “**Paying Agent**”) and registrar (the “**Registrar**”) for the Series 2020D Subordinate Bonds.

## **DTC Book-Entry System**

The Series 2020D Subordinate Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2020D Subordinate Bonds. Beneficial Ownership Interests in the Series 2020D Subordinate Bonds, in non-certificated book-entry only form, may be purchased in integral multiples of \$5,000 by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired. Transfers of Beneficial Ownership Interests will be effected by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Series 2020D Subordinate Bonds mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners. For a more detailed description of the DTC book-entry system, see “APPENDIX D—DTC BOOK-ENTRY SYSTEM.”

Principal and interest payments with respect to the Series 2020D Subordinate Bonds are to be made by the Paying Agent to Cede & Co., as the Owner of the Series 2020D Subordinate Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX D — DTC BOOK-ENTRY SYSTEM.”

*None of the City, the Department, the Underwriters, the Paying Agent or the Registrar for the Series 2020D Subordinate Bonds has any responsibility or obligation to any Beneficial Owner with*

respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2020D Subordinate Bonds under the Subordinate Bond Ordinance, (3) the payment by DTC or any DTC Participant of any amount received under the Subordinate Bond Ordinance with respect to the Series 2020D Subordinate Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2020D Subordinate Bonds or (5) any other related matter.

**General Provisions**

The Series 2020D Subordinate Bonds will be issued in the aggregate principal amount, bear interest at fixed rates at the rates per annum (computed on the basis of a 360-day year of twelve 30-day months) and mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Series 2020D Subordinate Bonds are subject to optional and mandatory redemption prior to maturity as described below in “—Redemption Prior to Maturity.” Interest on the Series 2020D Subordinate Bonds accrues from the date of delivery thereof to the Underwriters and is payable beginning on [May 15], 2021, and semiannually on each Interest Payment Date thereafter, on any redemption date and on the maturity date. The Series 2020A Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Principal and interest payments with respect to the Series 2020D Subordinate Bonds will be payable by check or wire transfer by the Paying Agent to Cede & Co., as the Owner of the Series 2020D Subordinate Bonds, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX D — DTC BOOK-ENTRY SYSTEM.”

**Redemption Prior to Maturity**

*Optional Redemption.* The Series 2020D Subordinate Bonds maturing on and after November 15, 20\_\_, are subject to redemption prior to maturity at the option of the City, on any date on and after November 15, 20\_\_, in whole or in part, in principal amounts equal to authorized denominations, a Redemption Price equal to 100% of the principal amount of the Series 2020D Subordinate Bonds to be redeemed plus accrued interest to the Redemption Date.

*[Mandatory Sinking Fund Redemption.* The Series 2020D Subordinate Bonds maturing on November 15, 20[\_\_\_] (the “**Series 2020D Subordinate Term Bonds**”) are all subject to mandatory sinking fund redemption prior to their respective maturities at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest, if any, to the Redemption Date, on November 15 in each of the years and in the principal amounts set forth in the following table.

**Mandatory Sinking Fund Redemption Schedule**

<u>Year of Redemption</u>	<u>Principal Amount to be Redeemed<sup>1</sup></u>
-------------------------------	--

<sup>1</sup> Final maturity amounts and not mandatory sinking fund redemption payments.

The City has the option of reducing the principal amount of the Series 2020D Subordinate Term Bonds to be redeemed on any mandatory sinking fund Redemption Date by any amount (equal to the smallest denomination then authorized pursuant to the Series 2020 Supplemental Subordinate Ordinance or whole multiples of such smallest denomination) up to the principal amount of the Series 2020D Subordinate Term Bonds, which have been redeemed prior to or will be redeemed on such Redemption Date under any other provision of the Series 2020 Supplemental Subordinate Ordinance or which otherwise have been delivered to the Registrar for cancellation (and which have not previously been applied to reduce the principal amount of the Series 2020D Subordinate Term Bonds). The City may exercise such option by delivering to the Paying Agent, on or before the 45th day preceding such redemption date, a written notice stating the amount of such reduction.]

***Partial Redemption of the Series 2020D Subordinate Bonds.*** If less than all of the Series 2020D Subordinate Bonds bearing the same rate and maturing on any fixed maturity date are called for prior redemption at the City's option, the particular Series 2020D Subordinate Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with Securities Depository procedures, provided that, so long as the Series 2020D Subordinate Bonds are held in book-entry form, the selection for redemption of such Series 2020D Subordinate Bonds shall be made in accordance with the operational arrangements of Securities Depository then in effect, and, if the Securities Depository operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2020C Bonds will be selected for redemption, in accordance with Securities Depository procedures, by lot.

The 2020 Supplemental Subordinate Ordinance provides that notwithstanding the foregoing, so long as the Series 2020D Subordinate Bonds are registered in the name of the Securities Depository, the provisions for selecting the Series 2020D Subordinate Bonds for redemption may be adjusted in order to conform to the requirements of the Securities Depository. See "DTC Book-Entry System" above and "APPENDIX D — DTC BOOK-ENTRY SYSTEM."

***Notice of Redemption.*** Notice of redemption is to be given not more than 60 nor less than 20 days prior to the Redemption Date by mailing a copy of such notice by certified or first-class postage prepaid mail to the Owners of the Series 2020D Subordinate Bonds to be redeemed at their addresses as shown on the registration records kept by the Series 2020D Subordinate Bonds Registrar, or in the event that the Series 2020D Subordinate Bonds to be redeemed are registered in the name of the Securities Depository (initially DTC), such notice may, in the alternative, be given by electronic means in accordance with the requirements of the Securities Depository. The actual receipt by DTC or its nominee of written notice of redemption of Series 2020D Subordinate Bonds is not a condition precedent to such redemption if the notice has in fact been duly given, and failure of DTC or its nominee to receive such notice will not affect the validity of the proceedings for such redemption or the cessation of interest on the Redemption Date.

Each notice of redemption must specify the Series 2020D Subordinate Bonds to be redeemed, the Redemption Price to be paid and the redemption date.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the redemption date sufficient to pay the principal of, interest on and any redemption premium due on the Series 2020D Subordinate Bonds so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the Owners of the Series 2020D Subordinate Bonds called for redemption.

***Redemption of Beneficial Ownership Interests.*** The Registrar will be required to send notice of redemption of the Series 2020D Subordinate Bonds only to Cede & Co. (or subsequent nominee of DTC)



as the registered owner thereof. Receipt of such notice initiates DTC’s standard redemption procedures. In the event of a partial call, the Beneficial Ownership Interests to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as described in “APPENDIX D— DTC BOOK-ENTRY SYSTEM.” DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests, and for remitting the Redemption Price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2020D Subordinate Bonds properly called for redemption or any other action premised on that notice.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS

### Pledge of Net Revenues

The Series 2020A-C Bonds are special obligations of the City, for and on behalf of the Department, payable solely from and secured by a senior pledge of Net Revenues on a parity with all other outstanding Senior Bonds and Senior Obligations. The Series 2020A-C Bonds are also payable under certain circumstances from the Bond Reserve Fund as discussed in “— Bond Reserve Fund” below. The City has irrevocably pledged the Net Revenues and funds on deposit in the Bond Fund and the Bond Reserve Fund to the payment of the Series 2020A-C Bonds and other Senior Bonds. The Series 2020A-C Bonds do not constitute general obligations of the City, the State or any other political subdivision or agency of the State, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2020A-C Bonds. None of the real properties of the Airport System has been pledged or mortgaged to secure payment of the Series 2020A-C Bonds.

Upon the issuance of the Series 2020A-C Bonds and the refunding and redemption of the Refunded Bonds the aggregate principal amount of all Senior Bonds and Subordinate Bonds Outstanding as of such date will be \$[\_\_\_\_\_] and \$[\_\_\_\_\_], respectively. The City, for and on behalf of the Department, has also incurred (1) Senior Obligations that have a lien on Net Revenues on parity with the lien of the Senior Bonds, (2) Subordinate Bonds and Subordinate Obligations that have a lien on Net Revenues subordinate to the lien of Senior Bonds and Senior Obligations and (3) Junior Lien Obligations that have a lien on Net Revenues subordinate to the lien of Senior Bonds, Senior Obligations, Subordinate Bonds and Subordinate Obligations. See “FINANCIAL INFORMATION—Outstanding Senior Bonds, —Outstanding Subordinate Bonds, —Subordinate Obligations, and —Junior Lien Bonds and Junior Lien Obligations.”

“**Net Revenues**” is defined in the Senior Bond Ordinance to mean Gross Revenues of the Airport System remaining after the deduction of Operation and Maintenance Expenses. “**Gross Revenues**” generally constitute any income and revenue lawfully derived directly or indirectly by the City from the operation and use of, or otherwise relating to, the Airport System, whether resulting from an Improvement Project or otherwise, and includes primarily the rentals, rates, fees, and other charges for the use of the Airport System, or for any service rendered by the City in the operation thereof. “**Operation and Maintenance Expenses**” means, generally, all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System.

Gross Revenues do not include, among other things, grants derived directly from the United States, including Stimulus Funds (defined below), or any passenger taxes or other passenger charges, including passenger facility charges (“**PFCs**”), imposed to finance certain eligible projects of the Airport System, except to the extent included as Gross Revenues by the terms of any Supplemental Ordinance. Pursuant to Ordinance No. 18-0776, Series of 2018 adopted by the City Council (the “**PFC Supplemental Ordinance**”), beginning on January 1, 2019, the City has been including all PFC revenues

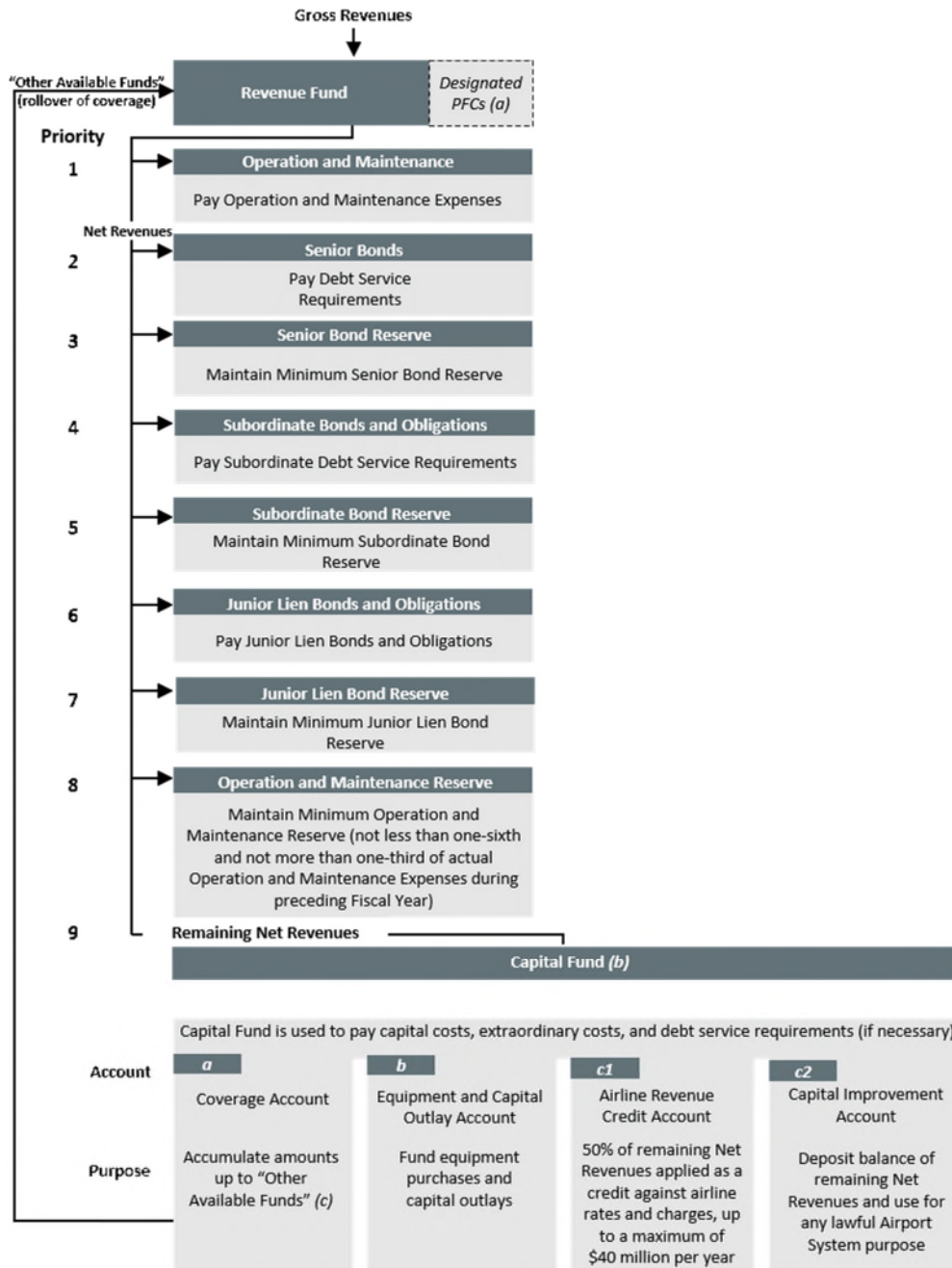
(net of collection fees) received by the City in Gross Revenues under each of the Senior Bond Ordinance, Subordinate Bond Ordinance and Junior Lien Bond Ordinance (collectively, the “**Bond Ordinances**”) until such time, if any, that the Manager determines, in his or her sole discretion, that all or a portion of such PFCs shall no longer be included in Gross Revenues for purposes of the Bond Ordinances, as further described under “FINANCIAL INFORMATION—Passenger Facility Charges.” PFC revenues that are included in Gross Revenues may be applied for any lawful purpose authorized by PFC applications approved by the Federal Aviation Administration (“**FAA**”), including paying debt service on debt issued to finance PFC-eligible projects. The City’s current authorization to impose PFCs permits it to use PFC revenues to pay Debt Service Requirements on certain outstanding Senior Bonds. The City may apply to the FAA for new authorizations and use PFCs to pay PFC-eligible debt service and/or project costs. The City has no obligation to continue including PFC revenues received by the City in Gross Revenues for purposes of the Bond Ordinances.

In addition, in any Fiscal Year, the City is permitted to transfer Other Available Funds from the Capital Fund to the Revenue Fund for purposes of meeting rate maintenance covenants for such Fiscal Year under the Senior Bond Ordinance. The Senior Bond Ordinance defines “**Other Available Funds**”, with respect to any Fiscal Year, as the amount determined appropriate by the Manager to be transferred from the Capital Fund to the Revenue Fund; but in no event shall such amount exceed 25% of the aggregate Debt Service Requirements for Senior Bonds for such Fiscal Year. See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE” and “—Rate Maintenance Covenants” below. For the complete definitions of Gross Revenues, Operation and Maintenance Expenses and Other Available Funds as it relates to Senior Bonds, see “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE.”

### **Flow of Funds; Revenue Fund**

The application of Gross Revenues is governed by the provisions of the Bond Ordinances. The Senior Bond Ordinance creates the “City and County of Denver, Airport System Fund” (the “**Airport System Fund**”), and within the Airport System Fund a special fund designated the “City and County of Denver, Airport System Gross Revenue Fund” (the “**Revenue Fund**”). See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE—ARTICLE V—Administration of and Accounting for Pledged Revenues.” The City is required to set aside in the Revenue Fund all Gross Revenues upon receipt. Moneys held in the Revenue Fund are then to be applied and deposited to various other funds and accounts established pursuant to the Senior Bond Ordinance, the Subordinate Bond Ordinance, and the Junior Lien Bond Ordinance. See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE—ARTICLE V—Administration of and Accounting for Pledged Revenues” for the application of Gross Revenues. The flow of funds under these ordinances is illustrated in the following diagram.

## Flow of Funds Under the Bond Ordinances



- (a) Beginning in Fiscal Year 2019 and thereafter, all PFC revenues received by the City (net of the PFC collection fees retained by airlines) are being included in Gross Revenues for purposes of the Bond Ordinances until such time as the Manager gives written notice to the Treasurer to stop including all or a portion of PFCs in Gross Revenues. See "FINANCIAL INFORMATION—Passenger Facility Charges."
- (b) The account structure for the Capital Fund may be established by the City as necessary for accounting purposes. The accounts are not required by the Senior Bond Ordinance, the Subordinate Bond Ordinance, or the Junior Lien Bond Ordinance.
- (c) Under the Senior Bond Ordinance, Other Available Funds determined by the Manager cannot exceed 25% of Debt Service Requirements. Under the Subordinate Bond Ordinance, Other Available Funds determined by the Manager cannot exceed 25% of Debt Service Requirements and Subordinate Debt Service Requirements.

## **Bond Reserve Fund**

The Senior Bond Ordinance creates the Bond Reserve Fund within the Airport System Fund. Amounts on deposit in the Bond Reserve Fund are available to pay debt service on all the Senior Bonds, including the Series 2020A-C Bonds. Pursuant to the Senior Bond Ordinance, the City is required, after making required monthly deposits to the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account of the Bond Fund, to credit Net Revenues to the Bond Reserve Fund in substantially equal monthly installments so as to accumulate the Minimum Bond Reserve, being the maximum annual Debt Service Requirements on outstanding Senior Bonds, within 60 months from the first day of the month next succeeding each date on which any series of Senior Bonds is issued or on which the amounts credited to the Bond Reserve Fund are less than the Minimum Bond Reserve. See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE.” Amounts on deposit in the Bond Reserve Fund are not available to pay debt service on any obligations other than Senior Bonds.

Upon the issuance of the Series 2020A-C Bonds, the amount on deposit in the Bond Reserve Fund will be \$[\_\_\_\_\_], which is at least equal to the Minimum Bond Reserve. The Minimum Bond Reserve with respect to any future series of Senior Bonds may, in the discretion of the City, be accumulated over a period of as long as 60 months. Subject to certain limitations set forth in the General Bond Ordinance, any Supplemental Ordinance may provide for the deposit of a Credit Facility in the Bond Reserve Fund in full or partial satisfaction of the Minimum Bond Reserve, provided that any such Credit Facility is required to be payable on any date on which moneys are required to be withdrawn from the Bond Reserve Fund. To date, the City has funded the Bond Reserve Fund solely with bond proceeds and available Airport System moneys.

## **Capital Fund**

The Senior Bond Ordinance also creates the “City and County of Denver, Airport System Capital Improvement and Replacement Fund” (the “**Capital Fund**”) within the Airport System Fund, which may be used to pay: the costs of acquiring, improving or equipping any Airport Facilities (as defined in “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE”), to the extent such costs are not Operation and Maintenance Expenses; the costs of extraordinary and major repairs, renewals, replacements or maintenance items relating to any Airport Facilities of a type not properly defrayed as Operation and Maintenance Expenses; and the Bond Requirements (as defined in “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE”) of any Senior Bonds, or payments due for Subordinate Bonds, if such payment is necessary to prevent any default in such payment. The Capital Fund is to be funded from Net Revenues and certain other amounts as provided in the Senior Bond Ordinance.

The account structure for the Capital Fund is not mandated by the Senior Bond Ordinance, the Subordinate Bond Ordinance, or the Junior Lien Bond Ordinance, but rather may be established by the City as necessary for accounting purposes. The City currently maintains the following accounts of the Capital Fund: the Coverage Account, the Equipment and Capital Outlay Account, the Airline Revenue Credit Account, and the Capital Improvement Account for the purposes described in the flow of funds diagram set forth above in the subsection entitled “Flow of Funds; Revenue Fund.”

The amount on deposit in the Capital Fund as of August 31, 2020 was approximately \$557.1 million. Such amount has been designated for use by the City as follows: (1) \$65.8 million for the Coverage Account (constituting Other Available Funds) and (2) \$491.4 million for any lawful Airport System purpose. The Capital Fund balance as of August 31, 2020 reflects the reduction of \$269.1 million (representing the full amount of Stimulus Funds (defined below)) used to fund the Irrevocable Escrow

and reimbursed with Stimulus Funds upon receipt. See “IMPACT OF COVID-19 ON THE AIRPORT—Cash and Liquidity.” See also “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE—ARTICLE V—Administration of and Accounting for Pledged Revenues, and “—ARTICLE X—Miscellaneous Protective Covenants,” “CAPITAL PROGRAM—Major Projects in the 2018-2022 Capital Program” and “—Funding for the 2018-2022 Capital Program.”

### **Rate Maintenance Covenants**

The City has covenanted in the Senior Bond Ordinance (the “**Senior Rate Maintenance Covenant**”) to fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System in order that in each calendar year (each, a “**Fiscal Year**”) Gross Revenues, together with Other Available Funds (consisting of transfers from the Capital Fund to the Revenue Fund), will be at least sufficient to provide for the payment of Operation and Maintenance Expenses and for the greater of either:

(1) the amounts needed for making the required cash deposits to the credit of several subaccounts of the Bond Fund (except the Redemption Account) and to the credit of the Bond Reserve Fund with respect to the Senior Bonds, and to the credit of several accounts and subaccounts of the Subordinate Bond Fund and the Operation and Maintenance Reserve Account, or

(2) an amount equal to not less than 125% of the aggregate Debt Service Requirements on the Senior Bonds for the Fiscal Year.

See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE—ARTICLE IX—Rentals, Rates, Fees, and Other Charges.” See also “—Capital Fund” and “—Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements.”

If Gross Revenues in any Fiscal Year, together with Other Available Funds, are less than the amounts described above, upon receipt of the audit report for the Fiscal Year, the Manager is to direct the Airport Consultant to make recommendations as to the revision of the schedule of rentals, rates, fees and charges. Upon receiving these recommendations or giving reasonable opportunity for them to be made, the Manager, on the basis of the recommendations and other available information, is to revise the schedule of rentals, rates, fees and charges for the use of the Airport as may be necessary to produce the required Gross Revenues. The Senior Bond Ordinance provides that if the Manager complies with this requirement, no Event of Default under the Senior Bond Ordinance will be deemed to have occurred even though Gross Revenues, together with Other Available Funds, are not actually sufficient to provide funds in the amount required for such Fiscal Year.

In addition, the City has covenanted in the Subordinate Bond Ordinance (the “**Subordinate Rate Maintenance Covenant**”) to fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System in order that in each Fiscal Year Gross Revenues, together with Other Available Funds (consisting of transfers from the Capital Fund to the Revenue Fund), will be at least sufficient to provide for the payment of Operation and Maintenance Expenses and for the greater of either:

(1) the amounts needed for making the required cash deposits to the credit of the several subaccounts of the Bond Fund (except the Redemption Account or any similar account) and to the credit of the Bond Reserve Fund with respect to the Senior Bonds, to the credit of the several accounts and subaccounts of the Subordinate Bond Fund, and the Operation and Maintenance Reserve Account, or

(2) an amount equal to not less than 110% of the aggregate Debt Service Requirements on the Senior Bonds and the aggregate debt service requirements with respect to Subordinate Obligations (as more fully described in the Subordinate Bond Ordinance, the “**Subordinate Debt Service Requirements**”) for such Fiscal Year.

If Gross Revenues in any Fiscal Year, together with Other Available Funds, are less than the amounts described above, upon receipt of the audit report for the Fiscal Year, the Manager is to direct the Airport Consultant to make recommendations as to the revision of the schedule of rentals, rates, fees and charges. Upon receiving these recommendations or giving reasonable opportunity for them to be made, the Manager, on the basis of the recommendations and other available information, is to revise the schedule of rentals, rates, fees and charges for the use of the Airport as may be necessary to produce the required Gross Revenues. The Subordinate Bond Ordinance provides that if the Manager complies with this requirement, no Event of Default under the Subordinate Bond Ordinance will be deemed to have occurred even though Gross Revenues, together with Other Available Funds, are not actually sufficient to provide funds in the amount required for such Fiscal Year.

In order to meet the Senior Rate Maintenance Covenant or the Subordinate Rate Maintenance Covenant, or both, in addition to or in lieu of the foregoing, the City may, among other things, increase rentals, rates, fees and charges for the use of the Airport, reduce the Operation and Maintenance Expenses, and as permitted by the Senior Bond Ordinance and the Subordinate Bond Ordinance, reduce the Debt Service Requirements on Senior Bonds or Subordinate Debt Service Requirements or both by irrevocably committing additional amounts to pay Debt Service Requirements or Subordinate Debt Service Requirements, respectively. See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE” for the definition of Debt Service Requirements and “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE.” See also “IMPACT OF COVID-19 ON THE AIRPORT—CARES Act—Stimulus Funds” relating to the irrevocable commitment of Stimulus Funds to Debt Service Requirements and Subordinate Debt Service Requirements.

Increasing rentals, rates, fees and charges for the use of the Airport or reducing Operation and Maintenance Expenses could be subject to contractual, statutory and regulatory restrictions as discussed in “CERTAIN INVESTMENT CONSIDERATIONS—Regulations and Restrictions Affecting the Airport,” and could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport less attractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport. However, pursuant to the Use and Lease Agreements that have been executed between the City and various airlines operating at the Airport (the “**Signatory Airlines**”), the Signatory Airlines have agreed that the rate base for rentals, fees and charges must generate Gross Revenues, which together with Other Available Funds, must be sufficient to satisfy the Senior Rate Maintenance Covenant, and the Signatory Airlines agree to pay such rentals, rates, fees and charges. See also “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements.”

For more information see “CERTAIN INVESTMENT CONSIDERATIONS—Ability to Meet Rate Maintenance Covenants,” “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE” and “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE.”

Further, the City has covenanted in the Junior Lien Bond Ordinance to fix, revise, charge and collect rentals, rates, fees and other charges for the use of the Airport System in order that in each Fiscal Year Gross Revenues, together with Other Available Funds (consisting of transfers from the Capital Fund to the Revenue Fund), will be at least sufficient to provide for the payment of Operation and Maintenance

Expenses and for the greater of either (1) the amounts needed for making the required cash deposits to the credit of the several subaccounts of the Bond Fund (except the Redemption Account) and to the credit of the Bond Reserve Fund with respect to the Senior Bonds, and to the credit of the several accounts and subaccounts of the Subordinate Bond Fund, the Junior Lien Obligations Fund, and the Operation and Maintenance Reserve Account, or (2) an amount equal to not less than 110% of the aggregate Debt Service Requirements on the Senior Bonds, the aggregate Subordinate Debt Service Requirements, and the aggregate debt service requirements for Junior Lien Bonds and Junior Lien Obligations for such Fiscal Year.

### **Additional Senior Bonds**

The City may issue additional Senior Bonds under the Senior Bond Ordinance on a parity with other Senior Bonds (“**Additional Senior Bonds**”) to pay the cost of acquiring, improving or equipping Airport Facilities and to refund, pay and discharge any Senior Bonds, Credit Facility Obligations (as defined herein), Subordinate Bonds, Subordinate Obligations or other securities or obligations. As described more fully in “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE—ARTICLE VII—Bond Liens, Additional Bonds and Obligations,” in order to issue Additional Senior Bonds, other than for any refunding of Senior Bonds, the City is required to satisfy certain requirements (the “**Additional Senior Bonds Test**”), including obtaining, among other things, a report of an Airport Consultant estimating the ability of the Airport System to meet the requirements of the Senior Rate Maintenance Covenant in each year of the forecast period, and a certificate of an Independent Accountant setting forth for the last audited Fiscal Year, or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of such series of Additional Senior Bonds, as determined by the Independent Accountant, (1) Net Revenues, together with any Other Available Funds, for such period and (2) the aggregate Debt Service Requirements for the Outstanding Senior Bonds, for such period; and demonstrating that for such period Net Revenues, together with any Other Available Funds, at least equaled the larger of either (A) the amount needed to make the required deposits to the credit of the several subaccounts in the Bond Fund for the Senior Bonds and to the credit of the Bond Reserve Fund for the Senior Bonds and the Operation and Maintenance Reserve Account or (B) an amount not less than 125% of the aggregate Debt Service Requirements for the Outstanding Senior Bonds for such period.

The Senior Bond Ordinance provides that Debt Service Requirements on Senior Bonds that are payable from irrevocably committed amounts are excluded from the calculation of Debt Service Requirements for determining compliance with the requirements for the issuance of Additional Senior Bonds. See “—Rate Maintenance Covenants” above, “—Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements” below and “FINANCIAL INFORMATION—Outstanding Senior Bonds.”

Under the Subordinate Bond Ordinance, the City has agreed for the benefit of the Owners of Subordinate Bonds that the City will not issue Additional Senior Bonds if, upon the issuance of such Additional Senior Bonds, the City would fail to comply with the Subordinate Rate Maintenance Covenant. See “—Rate Maintenance Covenants” above and “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE—ARTICLE VII—Bond Liens, Additional Bonds and Obligations.”

The Series 2020A-C Bonds are being issued to refund certain outstanding Senior Bonds, and therefore the Additional Bonds Test is not applicable to their issuance. See “PLAN OF FINANCING.”

## **Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements**

Set forth in the following table is a calculation of Net Revenues and debt service coverage of the outstanding Senior Bonds and Subordinate Debt Service Requirements from 2015 through 2019, including recalculated debt service coverage assuming all annual PFC revenues from 2015 through 2018 were Designated Passenger Facility Charges under the PFC Supplemental Ordinance. PFCs set forth in the following table reflect amounts actually received in the applicable Fiscal Year, plus investment earnings thereon, and will differ from the PFCs appearing in the financial statements of the Airport System and elsewhere in this Official Statement that are reported on an accrual basis. No representation, warranty or other assurance is made or given that historical debt service coverage levels will be experienced in the future.

[Remainder of Page Intentionally Left Blank]



**Table 1**  
**Historical Net Revenues and Debt Service Coverage**  
**of the Senior Bonds and Subordinate Debt Service Requirements**  
(Amounts in thousands, except coverage ratios, and rounded)

	<b>Fiscal Year Ended December 31</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Gross Revenues, not including Designated Passenger Facility Charges <sup>1</sup>	\$754,688 <sup>7</sup>	\$808,110 <sup>7</sup>	\$838,815 <sup>7</sup>	\$884,336 <sup>7</sup>	\$949,892 <sup>7</sup>
Designated Passenger Facility Charges <sup>2</sup>	<u>35,328</u>	<u>35,133</u>	<u>37,656</u>	<u>40,851</u>	<u>131,434</u>
Gross Revenues <sup>1</sup>	790,016 <sup>7</sup>	843,243 <sup>7</sup>	876,471 <sup>7</sup>	925,187 <sup>7</sup>	1,102,828 <sup>7</sup>
Operation and Maintenance Expenses <sup>1</sup>	<u>(377,199)</u>	<u>(417,140)</u>	<u>(425,005)</u>	<u>(445,801)</u>	<u>(478,305)</u>
Net Revenues	412,817	426,103	451,466	479,386	603,020
Other Available Funds <sup>3</sup>	<u>50,320</u>	<u>51,574</u>	<u>47,090</u>	<u>43,901</u>	<u>68,365</u>
Total Amount Available for Debt Service	\$463,137	\$477,677	\$498,556	\$523,287	\$671,385
Senior Bond Debt Service <sup>4</sup>	\$271,935	\$276,562	\$264,814	\$258,545	\$273,460
Committed Passenger Facility Charges <sup>5</sup>	<u>(70,656)</u>	<u>(70,267)</u>	<u>(76,454)</u>	<u>(82,940)</u>	<u>0</u>
Debt Service Requirements for the Senior Bonds	\$201,279	\$206,295	\$188,360	\$175,605	\$273,460
Debt Service Coverage for the Senior Bonds	230%	232%	265%	298%	246%
Subordinate Debt Service Requirements <sup>6</sup>	\$61,233	\$88,619	\$93,891	\$101,344	\$102,805
Debt Service Requirements for the Senior Bonds	<u>\$201,279</u>	<u>\$206,295</u>	<u>\$188,360</u>	<u>\$175,605</u>	<u>\$273,460</u>
Aggregate Debt Service Requirements for the Senior Bonds and Subordinate Debt Service Requirements	\$262,512	\$294,914	\$282,251	\$276,949	\$376,265
Aggregate Debt Service Coverage for the Senior Bonds and Subordinate Debt Service Requirements	176%	162%	177%	189%	178%
Recalculated Debt Service Coverage Assuming Senior Debt Service was not Reduced by Committed Passenger Facility Charges					
Recalculated Debt Service Coverage for the Senior Bonds <sup>8</sup>	196%	198%	217%	234%	N/A
Recalculated Aggregate Debt Service Coverage for the Senior Bonds and Subordinate Debt Service Requirements <sup>8</sup>	160%	150%	160%	168%	N/A

<sup>1</sup> Gross Revenues and Operation and Maintenance Expenses in this table are determined in accordance with the definitions of such terms in the Senior Bond Ordinance, and are not directly comparable to the information provided in “FINANCIAL INFORMATION—Historical Financial Operations.” See also “— Pledge of Net Revenues” above in this section and “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE.”

<sup>2</sup> Reflects that portion of PFC revenues included in the Airport System’s Gross Revenues for Fiscal Years 2015 through 2018. See “FINANCIAL INFORMATION—Passenger Facility Charges—Prior Treatment of PFCs under the Prior PFC Supplemental Ordinances.”

<sup>3</sup> For description and definition of Other Available Funds see “— Pledge of Net Revenues” above and “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE.”

<sup>4</sup> Senior Bond debt service is not reduced by the irrevocably Committed Passenger Facility Charges in such Fiscal Years but is reduced by capitalized interest and certain other available moneys irrevocably committed to the payment of Senior Bonds Debt Service Requirements, including the debt service on certain Senior Bonds that have been economically defeased. See “FINANCIAL INFORMATION—Outstanding Senior Bonds” and “— Passenger Facility Charges.” Senior Bond debt service is reduced by any estimated Build America Bond subsidy payments from the United States Treasury.

<sup>5</sup> Reflects that portion of PFC revenues which was irrevocably committed to the payment of Senior Bonds Debt Service Requirements in each of the Fiscal Years 2015 through 2018. See “FINANCIAL INFORMATION—Passenger Facility Charges.”

<sup>6</sup> Includes amounts required to pay any Subordinate Bonds and any Subordinate Obligations, including Subordinate Hedge Facility Obligations. See “FINANCIAL INFORMATION—Subordinate Obligations.”

<sup>7</sup> These amounts exclude \$18,597,856, \$19,883,456, \$19,491,735, \$20,019,006 and \$21,524,769 of rental car customer facility charges (“CFCs”) received in 2015, 2016, 2017, 2018 and 2019 respectively. Prior to 2014, CFCs were pledged to Special Facilities Bonds that financed certain rental car facilities. Such Special Facilities Bonds were repaid on January 1, 2014 and CFCs have not been pledged to other Special Facilities Bonds since that time. Accordingly, in 2015 through 2019 they were included as gross revenues in the Airport’s audited financial statements attached hereto as “APPENDIX E,” but for purposes of this table, they are excluded from calculations of Gross Revenues. In the future, CFCs may be pledged to Special Facilities Bonds and excluded from the definition of “Gross Revenues” (as defined in the Senior Bond Ordinance) by a Supplemental Ordinance.

<sup>8</sup> Reflects a re-computation of debt service coverage assuming all annual PFC revenues from 2015 through 2018 were Designated Passenger Facility Charges under the PFC Supplemental Ordinance. See “FINANCIAL INFORMATION—Passenger Facility Charges.”

Sources: Audited financial statements of the Airport System for Fiscal Years 2015-2019, and Department of Aviation management records.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020D SUBORDINATE BONDS

### Subordinate Pledge of Net Revenues

The Series 2020D Subordinate Bonds are special obligations of the City, for and on behalf of the Department, payable solely from and secured by a subordinate pledge of Net Revenues on a parity with all other outstanding Subordinate Bonds and Subordinate Obligations. The Series 2020D Subordinate Bonds are also payable under certain circumstances from the Series 2020D Subordinate Bond Reserve Subaccount as discussed in “— Series 2020D Subordinate Bond Reserve Subaccount” below. The City has irrevocably pledged the Net Revenues and funds on deposit in the Subordinate Bond Fund and the Series 2020D Subordinate Bond Reserve Subaccount to the payment of the Series 2020D Subordinate Bonds and other Subordinate Bonds. The Series 2020D Subordinate Bonds do not constitute general obligations of the City, the State or any other political subdivision or agency of the State, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2020D Subordinate Bonds. None of the real properties of the Airport System has been pledged or mortgaged to secure payment of the Series 2020D Subordinate Bonds.

**The pledge of Net Revenues and funds on deposit in the Subordinate Bond Fund to the payment of the Subordinate Bonds, including the Series 2020D Subordinate Bonds, is expressly subordinate to the pledge of Net Revenues for the payment of Senior Bonds and Senior Obligations which may be issued and outstanding from time to time.**

Upon the issuance of the Series 2020D Subordinate Bonds and the refunding and redemption of the Refunded Bonds, the aggregate principal amount of all Senior Bonds and Subordinate Bonds Outstanding as of such date will be \$[\_\_\_\_\_] and \$[\_\_\_\_\_], respectively. The City, for and on behalf of the Department, has also incurred (1) Senior Obligations that have a lien on Net Revenues on parity with the lien of the Senior Bonds, but senior to the lien of the Subordinate Bonds and Subordinate Obligations, (2) Subordinate Obligations that have a lien on Net Revenues on parity with the lien of Subordinate Bonds, but subordinate to the lien of Senior Bonds and Senior Obligations and (3) Junior Lien Obligations that have a lien on Net Revenues subordinate to the lien of Senior Bonds, Senior Obligations, Subordinate Bonds and Subordinate Obligations. See “FINANCIAL INFORMATION— Outstanding Senior Bonds, —Outstanding Subordinate Bonds, —Subordinate Obligations, and —Junior Lien Bonds and Junior Lien Obligations.”

For definitions of the terms “Net Revenues,” “Gross Revenues,” “Operation and Maintenance Expenses,” “PFCs,” “PFC Supplemental Ordinance,” “Bond Ordinances,” “FAA”, as well as a discussion of treatment of PFCs under certain supplemental ordinances and discussion on the treatment of Other Available Funds, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Pledge of Net Revenues.” See also “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE” and “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE.”

In addition, in any Fiscal Year, the City is permitted to transfer Other Available Funds from the Capital Fund to the Revenue Fund for purposes of meeting rate maintenance covenants for such Fiscal Year under the Senior Bond Ordinance and the Subordinate Bond Ordinance. The Subordinate Bond Ordinance defines “**Other Available Funds**”, with respect to any Fiscal Year, as the amount determined appropriate by the Manager to be transferred from the Capital Fund to the Revenue Fund; but in no event shall such amount exceed 25% of the aggregate Debt Service Requirements and Subordinate Debt Service Requirements for such Fiscal Year. See “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE” and “—Rate Maintenance Covenants” below. For the complete definitions of Gross Revenues, Operation and Maintenance Expenses and Other

Available Funds as it relates to Subordinate Bonds, see “APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE.”

### **Flow of Funds; Revenue Fund**

The application of Gross Revenues is governed by the provisions of the Bond Ordinances. For a description and diagram of the flow of funds under the Bond Ordinances applicable to the Senior Bonds and Subordinate Bonds, including the Series 2020D Subordinate Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Flow of Funds; Revenue Fund.”

### **Series 2020D Subordinate Bond Reserve Subaccount**

The Subordinate Bond Ordinance creates the Subordinate Bond Reserve Fund within the Subordinate Bond Fund and permits the City to establish separate subaccounts within the Subordinate Bond Reserve Fund for [one or more] series of Subordinate Bonds [at any time]. Each separate reserve subaccount would be subject to the lien of only those particular series of Subordinate Bonds for which such subaccount was created and pledged. The City established separate accounts within the Subordinate Bond Reserve Fund to secure each of the Series 2013 Subordinate Bonds and Series 2018 Subordinate Bonds.

[The Series 2020 Supplemental Subordinate Ordinance creates within the Subordinate Bond Reserve Account a debt service reserve subaccount for the Series 2020D Subordinate Bonds (the “**Series 2020D Subordinate Bond Reserve Subaccount**”). The Series 2020D Subordinate Bond Reserve Subaccount is to be funded with the proceeds of the Series 2020D Subordinate Bonds, together with other available Airport System moneys, in the amount which is the lesser of (i) the maximum amount of Subordinate Bond Requirements with respect to the Series 2020D Subordinate Bonds in any Fiscal Year, or (ii) 125% of the average annual Subordinate Bond Requirements with respect to the Series 2020D Subordinate Bonds, or (iii) 10% of the lesser of the proceeds or the stated aggregate principal amount of the Series 2020D Subordinate Bonds (the “**Series 2020D Minimum Subordinate Bond Reserve**”).

Amounts on deposit in the Series 2020D Subordinate Bond Reserve Subaccount are available to pay debt service on the Series 2020D Subordinate Bonds. The Series 2020 Supplemental Subordinate Ordinance also allows any additional Subordinate Bonds that may be issued in the future (but not Subordinate Bonds that are currently outstanding) to be secured by the Series 2020D Subordinate Bond Reserve Subaccount and, upon such issuance, the Series 2020D Minimum Subordinate Bond Reserve is to be recalculated as provided in the definition of Series 2020D Minimum Subordinate Bond Reserve as of the issue date of any such additional Subordinate Bonds but shall also take into account the additional Subordinate Bonds so secured. In such an event, the City may rename the Series 2020D Subordinate Bond Reserve Subaccount to properly reflect the Subordinate Bonds secured thereby and each such series of Subordinate Bonds so secured will be secured on a pro rata basis with respect to all bonds secured by the Series 2020D Subordinate Bond Reserve Subaccount.]

Accordingly, if the City decides to issue additional Subordinate Bonds in the future, the City may (a) establish a separate subaccount in the Subordinate Bond Reserve Fund, (b) secure such future Subordinate Bonds with an existing Series 2020D Subordinate Bond Reserve Subaccount (as described above), or (c) establish no reserve subaccount at all to secure such future Subordinate Bonds, all as provided in the supplemental subordinate bond ordinance authorizing such future Subordinate Bonds. See “APPENDIX C-1—AMENDED AND RESTATED GENERAL SUBORDINATE BOND ORDINANCE.”

Pursuant to the Subordinate Bond Ordinance, the City is required, after making required monthly deposits to the Interest Account, the Principal Account, the Sinking Fund Account, and the Redemption Account of the Subordinate Bond Fund, to credit Net Revenues to the Series 2020D Subordinate Bond Reserve Subaccount in substantially equal monthly installments so as to accumulate the Series 2020D Minimum Subordinate Bond Reserve within 60 months of the first day of the month next succeeding each date on which the Series 2020D Subordinate Bonds are issued or on which the amounts credited to the Series 2020D Subordinate Bond Reserve Subaccount are less than the Series 2020D Minimum Subordinate Bond Reserve. Because the Series 2020D Minimum Subordinate Bond Reserve will be funded with the proceeds of the Series 2020D Subordinate Bonds, together with other available Airport System moneys upon issuance of the Series 2020D Subordinate Bonds, the City will not be required to fund it within 60 months from the date of issuance. Subject to certain limitations, a Subordinate Credit Facility may be deposited in the Series 2020D Subordinate Bond Reserve Subaccount in full or partial satisfaction of the Series 2020D Minimum Subordinate Bond Reserve, provided that any such Subordinate Credit Facility is required to be payable on any date on which moneys are required to be withdrawn from the Series 2020D Subordinate Bond Reserve Subaccount. To date, the City has funded the Subordinate Bond Reserve Account solely with bond proceeds and available Airport System moneys.

### **Capital Fund**

For a description of the Capital Fund and amounts on deposit in the Capital Fund, refer to “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Capital Fund.”

### **Rate Maintenance Covenants**

For a description of the Rate Maintenance Covenants applicable to Senior Bonds and Subordinate Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Rate Maintenance Covenants.”

### **Additional Senior Bonds**

The City may issue additional Senior Bonds under the Senior Bond Ordinance as described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Additional Senior Bonds.”

Under the Subordinate Bond Ordinance, the City has agreed for the benefit of the Owners of Subordinate Bonds that the City will not issue Additional Senior Bonds if, upon the issuance of such Additional Senior Bonds, the City would fail to comply with the Subordinate Rate Maintenance Covenant. See “—Rate Maintenance Covenants” above and “APPENDIX C-1—AMENDED AND RESTATED GENERAL SUBORDINATE BOND ORDINANCE.”

### **Additional Subordinate Bonds and Subordinate Obligations**

The City may issue additional Subordinate Bonds and Subordinate Obligations under the Subordinate Bond Ordinance to pay the cost of acquiring, improving, or equipping Airport System facilities. As described more fully in “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE AND THE SUBORDINATE BOND ORDINANCE — Additional Subordinate Parity Bonds, and — Additional Senior Bonds and Obligations Permitted” before the City can issue additional Subordinate Bonds or any Subordinate Obligations, including the Series 2020D Subordinate Bonds, (1) the Manager must certify that the City is not in default in making any payments required under the Senior Bond Ordinance or the Subordinate Bond Ordinance, and (2) the City must file: (i) a certificate or opinion of an Independent Accountant setting forth, for the last audited Fiscal Year or

for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of such Subordinate Bonds or Subordinate Obligations, as determined by the Independent Accountant, certain information demonstrating that Net Revenues, together with Other Available Funds are at least equal to the larger of (A) the amounts needed to make the required deposits to several subaccounts of certain funds with respect to such Subordinate Bonds or Subordinate Obligations, or (B) the amount necessary in order to meet the requirements of the Subordinate Rate Maintenance Covenant for such period, and (ii) a report of the Airport Consultant demonstrating the ability of the Airport System to generate sufficient Net Revenues and Other Available Funds for each of the five Fiscal Years of the forecast period to meet the requirements of the Subordinate Rate Maintenance Covenant in each year of the forecast period.

See “APPENDIX A —REPORT OF THE AIRPORT CONSULTANT” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE AND THE SUBORDINATE BOND ORDINANCE — Additional Subordinate Parity Bonds, and — Additional Senior Bonds and Obligations Permitted” for a more detailed discussion of the requirements for the issuance of additional parity Subordinate Bonds and Subordinate Obligations. See also “— Rate Maintenance Covenants” above, “— Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements” and “FINANCIAL INFORMATION — Outstanding Subordinate Bonds, — Subordinate Obligations, and — Junior Lien Bonds and Junior Lien Obligations.”

### **Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements**

The calculation of Net Revenues and debt service coverage of the outstanding Senior Bonds and Subordinate Debt Service Requirements from 2015 through 2019, including recalculated debt service coverage assuming all annual PFC revenues from 2015 through 2018 were Designated Passenger Facility Charges under the PFC Ordinance is set forth in Table 1 above under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Historical Debt Service Coverage of Senior Bonds and Subordinate Debt Service Requirements.”

### **MANAGEMENT OF THE AIRPORT SYSTEM**

Under the City Charter, the management, operation and control of the Airport System are delegated to the Department of Aviation under the direction of the Manager appointed by and responsible directly to the Mayor. The Chief Financial Officer, as the Manager of Finance/*ex-officio* Treasurer of the City (the “**City’s Chief Financial Officer**”) is appointed by the Mayor and is responsible for the issuance of Airport System debt and for the investment of Airport System funds. The following section describes the senior management of the Airport.

**Kim Day** was appointed Chief Executive Officer of the Department of Aviation in March 2008 and was reappointed to this position by Michael B. Hancock, Mayor of the City, in July 2011. By Executive Order 140, Ms. Day’s title was changed to Chief Executive Officer in 2015. Ms. Day has more than 35 years of experience in the aviation industry and is a registered architect in California. She had previously served as the Executive Director of Los Angeles World Airports (“**LAWA**”), the agency that manages the airports owned and operated by the City of Los Angeles, California, including Los Angeles International Airport, after having served as Deputy Director of Project and Facilities Development for LAWA. Prior to joining LAWA, Ms. Day worked for over 20 years as an architect, specializing in the planning and design of aviation projects.

**Brendan Hanlon** is the Chief Financial Officer for the City. Mr. Hanlon served as the City’s Budget Director for five years before being appointed to Chief Financial Officer by Mayor Michael B. Hancock in February 2016. Mr. Hanlon has worked in the Mayor’s Office and the Budget Management

Office in a variety of roles since 2002. He served as a member of the Denver Sheriff Department's Reform Implementation Committee, acted as the Budget Analyst for Denver's bid to win the 2008 Democratic Convention, managed the Better Denver bond program, and has brought his budget expertise to issues facing the City from health insurance to affordable housing. Mr. Hanlon holds a Bachelor's degree in both history and political science and a Master's degree with a concentration in public budgeting from the University of Connecticut.

**Cristal Torres DeHerrera** has served as Chief of Staff and Executive Vice President of the Airport since April 2018. Ms. DeHerrera is responsible for managing the Airport's External Affairs business unit, which includes overseeing the Airport's Executive Office and Government and Community Affairs. Ms. DeHerrera leads development of the Airport's strategies, policies, and plans related to legislative and regulatory activities at the local, state, and federal levels. She also works with the Airport Executive Office on the Airport's priority initiatives, including the Great Hall Project. Ms. DeHerrera previously served as the Deputy City Attorney for the City and County of Denver for four years. Ms. DeHerrera obtained her law degree from the University of California, Berkeley.

**Penny May** is the Acting Chief Commercial Officer of the Department of Aviation. Ms. May leads Airport's commercial program which consists of the Airport's Concessions Program, Aviation Commercial Business Development, Business Operations/Procurement and Business Technologies. The Acting Deputy Chief Financial Officer is currently reporting to Ms. May. Ms. May previously served as the Airport's Deputy Chief of Staff and as Interim Chief of Staff to Mayor Michael B. Hancock and Deputy Chief of Staff and Executive Director of General Services for 18 months. She has also served as the Executive Director of Denver Human Services, the agency serving the City's most vulnerable population. In addition, Ms. May has worked for Denver's Excise and Licensing Department where she implemented the licensure program for Denver's first licensed medical marijuana facilities. Ms. May holds a Bachelor of Arts from the University of Colorado and a Master in Business Administration from the University of Denver.

**George Karayiannakis** is the Acting Deputy Chief Financial Officer of the Department of Aviation. Mr. Karayiannakis has nearly 20 years of experience in the aviation sector, and currently leads the Airport's Finance Team. In this capacity, he oversees Finance, Accounting, Air Service, Airline Affairs and Internal Audit. For the past three years, he has served as Senior Vice President, Airline and Commercial Affairs on the Airport's Leadership Team and previously held a number of management roles on the Finance Team. He joined the Airport in 2014 after more than twelve years at American Airlines, where he held positions of increasing responsibility in Revenue Management, Fleet Planning, Onboard Products, Corporate Development, and Network Planning. An engineer by training, he holds a Bachelor of Science from Princeton University and a Master in Business Administration from the Massachusetts Institute of Technology.

**Chris McLaughlin** became Chief Operating Officer in December 2018. Mr. McLaughlin is responsible for managing the Airport's largest business unit, including operations and security. He has more than 18 years of aviation and airport security experience. After working for airlines for nine years, he transitioned to airport security where he worked six years with the Transportation Security Administration ("TSA"). As an assistant administrator at TSA headquarters in Washington D.C., he was instrumental in the development of TSA's Pre✓® program. Mr. McLaughlin holds a Bachelor of Arts with high honors in Economics and Spanish from Connecticut College and has completed the Center for Homeland Defense and Security Executive Leadership Series through the Naval Post Graduate School. He also holds a certificate in International Studies with emphasis on Latin American Economic and Politics.

*Darryl Jones* was named Chief Real Estate Officer and Executive Vice President of the Airport in June 2016. Mr. Jones is responsible for the continued development and economic expansion of the Airport's real estate program on 17,000 developable acres. Prior to his service at the Airport, Mr. Jones was Vice President and Development Manager of Coventry Development Corporation, where he managed major land planning and development projects in Colorado, Florida, and Texas. Mr. Jones has also served as the Director of Planning and Government Affairs for Oakwood Homes and as Planning Manager for the Community Development Department of the City of Greenwood Village, Colorado. He holds a Master of City Planning from the Massachusetts Institute of Technology and a Bachelor of Arts in Landscape Architecture from the University of California, Berkeley. He currently serves as a member of the Greenwood Village City Council.

*Kristin Bronson, Esq.* was named Interim General Counsel for the Department September 2, 2020. Ms. Bronson serves as the City Attorney for the City, having been appointed by Mayor Michael B. Hancock in October 2016. In that capacity, Ms. Bronson provides policy and legal advice to the Mayor, City Council, City agencies and departments, all City boards and commissions, the City Auditor and the Clerk and Recorder. Prior to joining the City Attorney's office, Ms. Bronson was with the Denver office of Lewis Roca Rothgerber Christie LLP for twenty years. Ms. Bronson earned a degree in American Government from the University of Virginia and a JD from the University of Colorado in Boulder.

## **DENVER INTERNATIONAL AIRPORT**

The Airport serves as the primary air carrier airport for the Rocky Mountain region, and according to statistics compiled by Airports Council International for 2019, the Airport was ranked as the 5<sup>th</sup> busiest airport in the nation and the 16<sup>th</sup> busiest airport in the world based on total passengers, servicing 69.0 million passengers in 2019 compared to 64.5 million passengers in 2018. The Airport maintained its national ranking and increased its global ranking compared to 2018. See "AVIATION ACTIVITY AND AIRLINES." The Airport site encompasses approximately 53 square miles located about 24 miles northeast of Denver's central business district. The passenger terminal complex is reached via Peña Boulevard, a 12-mile dedicated access road that connects with Interstate 70 and intersects with the E-470 toll highway.

### **Airfield**

The Airport's airfield includes six runways and related aircraft parking ramps, taxiways and perimeter taxiways. Five of the Airport's runways are 12,000 feet long by 150 feet wide, and the sixth runway is 16,000 feet long by 200 feet wide, making it the longest commercial service precision-instrument runway in North America. The airfield can accommodate fully loaded jumbo jets and large airliners, including the Airbus A-380, and can provide unrestricted global access for any airline using the Airport. Four of the Airport's runways have north/south alignments and two have east/west alignments, and are able to accommodate simultaneous parallel arrivals during poor weather conditions when instrument flight rules are in effect. The runway/taxiway lighting system, with lights embedded in the concrete pavement to form centerlines and stop bars at intersections, also allows air traffic controllers to guide pilots and direct them through the airfield during periods of poor visibility. The airfield has substantial expansion capabilities, having been designed to accommodate up to 12 runways. See also "CAPITAL PROGRAM" for a discussion of the airfield maintenance and improvements planned for the Airport.

Airfield facilities also include a FAA air traffic control tower and base building structures, an airport maintenance complex, four "rapid response" aircraft rescue and firefighting stations, de-icing pads, glycol storage/distribution/collection/recycling facilities and a hydrant fueling system. See "AGREEMENTS FOR USE OF AIRPORT FACILITIES—Systems Leases."

## Terminal Complex

The passenger terminal complex consists of (1) a landside terminal, (2) three airside concourses currently having a total of 109 full-service contact gates and 24 ground loading positions, (3) the Airport Office Building, and (4) the Hotel and Transit Center (described below). The terminal and concourses are connected by an underground automated guideway transit system, or “AGTS,” and an elevated walkway connects the terminal with the Airport Office Building and Concourse A. A shuttle bus system also is available for the emergency transportation of passengers between the landside terminal and Concourses B and C. The landside terminal (referred to herein as “**Jeppesen Terminal**”) encompasses approximately 1.2 million square feet (exclusive of international customs facilities, terminal support area and mechanical/electrical space), and includes ticketing, baggage system facilities, including federal explosive detection systems installed “in-line” for the screening of checked baggage, passenger drop off/pick up, ground transportation, concessions and other general passenger support services. Renovations and reconfiguration of Jeppesen Terminal include improvements to the security screening area, curbside space, and commercial concessions. See “—Great Hall Project Developments” below and “CAPITAL PROGRAM—Major Projects in the 2018-2022 Capital Program—*Jeppesen Terminal*.”

Concourse A, nearest to the Jeppesen Terminal, encompasses approximately 1.36 million square feet and includes 29 full-service contact gates, of which eight gates are configured for international flights, as well as facilities dedicated to commuter airline operations. Concourse B encompasses approximately 2.1 million square feet and includes 53 full-service contact gates plus facilities dedicated for commuter airline operations. Concourse C encompasses approximately 902,500 square feet and currently includes 29 full-service contact gates. The Airport was designed to facilitate expansion to more than 250 full-service contact gates either through lengthening of the existing concourses or the construction of two additional concourses. On May 29, 2018, the Airport officially broke ground on constructing an additional 39 gates across all three concourses, which are currently anticipated to be completed by 2021 and are expected to be operational in 2022. See “CAPITAL PROGRAM—Major Projects in the 2018-2022 Capital Program—*Concourses A, B, and C*.” For a discussion of the airline leases for gates on the concourses and space in the terminal, see “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements” and “— Other Agreements.”

Two multi-level parking structures adjacent to Jeppesen Terminal provide in excess of 16,000 public parking spaces, as well as in excess of 10,000 surface parking spaces.

See “CAPITAL PROGRAM—2018-2022 Capital Program” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Other Agreements—*Public Parking*.”

## Great Hall Project Developments

The City, for and on behalf of the Department, is undertaking renovations to Jeppesen Terminal including the Great Hall (an open area of approximately 1 million square feet located on Levels 5 and 6 of Jeppesen Terminal) designed to, among other things, enhance security of the passengers and the Airport, improve passenger flow and increase and improve concessions areas. The City, for and on behalf of the Department, granted to Denver Great Hall LLC, a Delaware limited liability company (the “**Great Hall Developer**”) an exclusive right to design, construct, finance, operate and maintain certain specified areas within Jeppesen Terminal, including the renovation and reconfiguration of a portion of the Great Hall (the “**Great Hall Project**”), pursuant to the Development Agreement dated August 24, 2017 (the “**Great Hall Agreement**”) between the City, for and on behalf of the Department, and the Great Hall Developer. On August 12, 2019, the City, for and on behalf of the Department, exercised its right to terminate the Great Hall Agreement for convenience, which termination was effective November 12, 2019. The City, for and on behalf of the Department, entered into a Final Agreement Regarding Termination dated March 13,



2020 (the “**Termination Agreement**”) with the Great Hall Developer, Ferrovia Agroman West, LLC and Great Hall Buildings, LLC to settle all disputes among the parties to the Termination Agreement relating to the Great Hall Agreement, to resolve certain relief event claims filed by the Great Hall Developer on its own behalf and on behalf of Great Hall Builders, LLC under the Great Hall Agreement and to settle the final amount of the termination payment. As a result of such termination and pursuant to the Termination Agreement, the City, for and on behalf of the Department, paid a total termination payment to the Great Hall Developer in the amount of \$183,609,018.77 from a combination of proceeds of its Series 2018 Subordinate Bonds (as defined herein) and amounts on deposit in the Capital Improvement Account of the Capital Fund.

Since the termination of the Great Hall Agreement on November 12, 2019, the City, for and on behalf of the Department, recaptured control and operations of the Great Hall Project and contracted with a new project team in March 2020, including a program management consultant, Jacobs Engineering Group, LLC; a lead design firm, Stantec Consulting Services, Inc.; and a construction manager/general contractor, Hensel Phelps Construction Co. (collectively, the “**Great Hall Project Team**”). The Great Hall Project Team will complete construction of the initial phase of the Great Hall Project, consisting generally of renovations to the central Great Hall area for new airline ticketing operations, self-bag drop units, renovated restrooms and new commercial spaces, which is currently expected to be completed by December 31, 2021. As a result of the termination of the Great Hall Agreement, certain components of the original project contemplated under the Great Hall Agreement beyond the initial phase are being reviewed by the City, for and on behalf of the Department, and design work for any subsequent phases of the Great Hall Project remains ongoing in partnership with the Airport’s airline partners and stakeholders. The Great Hall Project Team also is expected to construct any subsequent phases of the Great Hall Project. The final completion date of the Great Hall Project (which is anticipated to be later than the original completion date of November 2021, but not later than December 31, 2024) is not expected to be determined until the design work for any subsequent phases of the Great Hall Project is completed.

The City, for and on behalf of the Department, projects that the design and construction costs of the Great Hall Project, as redesigned, will remain at the original budgeted amount of \$770 million. In order to meet such original construction budget, the City, for and on behalf of the Department, is working to reduce the scope of the Great Hall Project as described above, without compromising the original project goals to enhance security of passengers and the Airport, improve passenger flow and increase and improve concessions areas. The construction costs are anticipated to be funded with proceeds of the Series 2018 Subordinate Bonds, amounts on deposit in the Capital Fund, and future bond issuances. Upon completion of the Great Hall Project, the City, for and on behalf of the Department, expects to operate any commercial development in the Jeppesen Terminal and retain 100 percent of the revenues generated therefrom.

See “CERTAIN INVESTMENT CONSIDERATIONS—Construction Risks Related to Projects Within the 2018-2022 Capital Program” for a discussion of risks related to the Great Hall Project.

## **Hotel and Transit Center**

The Hotel and Transit Center includes the 519-room Westin Denver International Airport hotel (the “**Airport Hotel**”), a 37,500 square-foot conference center, an 82,000 square-foot open-air plaza, and a train station (the “**Airport Transit Center**”) to serve Regional Transportation District’s (“**RTD**”) commuter rail service to downtown Denver.

*The Airport Hotel.* The Airport Hotel is managed and operated by Westin DIA Hotel Operator, LLC, a Delaware limited liability company (“**Westin**”) pursuant to a Hotel Management Agreement (the “**HMA**”) between the City and Westin. Under the HMA, the City has engaged Westin to manage the

Airport Hotel as the exclusive operator until November 2030 unless the HMA is terminated earlier pursuant to the provisions thereof. Westin has the right and the duty under the HMA to operate the Airport Hotel as a “first class” hotel in accordance with certain standards, policies and programs and in a manner reasonably calculated to optimize the financial performance of the Airport Hotel. The City and Westin intend for the HMA to constitute a “Qualified Management Agreement” for purposes of the Tax Code.

The City has the right to terminate the HMA based on, among other things, failure of Westin (or any other permitted successor or assign under the HMA, the “**Hotel Manager**”) to pay amounts due or to timely deposit revenues, as well as actions of Westin (or any other Hotel Manager) causing any Bonds issued to finance the capital costs of the Airport Hotel to lose their tax-exempt status. In addition, the HMA separately sets forth performance termination rights for failure of Westin (or any other Hotel Manager) to achieve certain performance tests in any two consecutive years beginning with the fourth operating year. In the event of a termination, Westin (or any other Hotel Manager) is required to cooperate with the Airport to minimize expenses, provide a final accounting and deliver all non-proprietary books and records, licenses, permits and contracts, and to facilitate the orderly transfer of electronic records and data.

Consistent with the Senior Bond Ordinance, the HMA and the Cash Management Agreement (the “**CMA**”) entered into by the City, for and on behalf of its Department of Aviation, Westin and U.S. Bank National Association, as depository bank, the form of which is attached to the HMA, provide that all Gross Operating Revenues (generally defined in the HMA as all revenue and income derived from operations at the Hotel) of the Airport Hotel will initially be deposited to a separate account created within the Revenue Fund for such purpose (the “**Hotel Operating Account**”) and that such deposited amounts shall constitute Gross Revenues (as defined in the Senior Bond Ordinance).

Amounts remaining in the Hotel Operating Account after the payment of operations and maintenance expenses relating to the Airport Hotel as set forth in the HMA and CMA, are required to be transferred to the Revenue Fund by the Hotel Manager each month for application in accordance with the provisions of the Senior Bond Ordinance and the Hotel Ordinance (as defined herein).

The obligations of the City under the HMA are in all respects subject to, and subordinate to, the Senior Bond Ordinance and the Subordinate Bond Ordinance and to any other bond ordinances that amend, supplement, or replace such bond ordinances. In the event that the Senior Bond Ordinance is amended after the date of the HMA, and such amendment imposes a material adverse burden on the Hotel Manager not otherwise contemplated by the HMA, the Hotel Manager is required to amend the HMA with the City in order to comply with the amendments to the Senior Bond Ordinance. The City has agreed to compensate the Hotel Manager in order to maintain or restore to the Hotel Manager the benefits expected to be received pursuant to the original terms of the HMA.

See “IMPACT OF COVID-19 ON THE AIRPORT—Airport Operations and Revenues” for a discussion on the impacts of COVID-19 on the Airport Hotel revenues and operations.

***Airport Transit Center.*** The Airport Transit Center opened in April 2016 and serves as the terminus on RTD commuter rail service from downtown Denver to the Airport.

## **Other Facilities**

Various other facilities at the Airport include general aviation facilities, remote facilities for rental car companies (including customer service and vehicle maintenance operations), facilities constructed and used by cargo carriers, a U.S. Postal Service sorting and distribution facility and other Airport

warehousing, office and distribution facilities and related infrastructure. Also located at the Airport are support facilities for United, including aircraft and ground support equipment maintenance and air freight facilities, and a flight kitchen built by United and initially subleased to LSG Sky Chefs (the brand name of LSG Lufthansa Service Holding AG) and support facilities originally built for Continental Airlines (“**Continental**”), which has since merged with and is a subsidiary of United, including aircraft and ground support equipment maintenance, air freight and flight kitchen facilities, portions of which are currently being subleased to other users. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Other Building and Ground Leases” and “FINANCIAL INFORMATION—Outstanding Senior Bonds; and “—Special Facilities Bonds.”

## **CAPITAL PROGRAM**

It is Airport management’s practice to develop a capital program for the Airport System and reevaluate the capital needs of the Airport System on a regular basis to reflect changes in, among other things (i) the type of projects that it plans to undertake based on current and projected aviation demand and major maintenance needs of facilities and/or equipment, (ii) the scope and timing of individual projects, (iii) project costs, and (iv) the timing and amount of available funding sources. In November 2017, Airport management adopted a new capital program for the Airport for the years 2018 through 2022 (the “**2018-2022 Capital Program**”), which has subsequently been evaluated by the Department with respect to timing, costs, availability of funding and other factors as more particularly described below.

### **2018-2022 Capital Program**

The 2018-2022 Capital Program includes projects with a total cost of approximately \$3.5 billion (adjusted for inflation using the Consumer Price Index (“**CPI**”) through 2022) in the following areas of the Airport:

**Table 2**  
**Capital Program Total Cost**

	in billions
Concourses A, B, and C	\$2.3
Jeppesen Terminal	0.8
Airside	0.3
Landside	0.1
<b>TOTAL</b>	<b>\$3.5</b>

Source: Department of Aviation.

The 2018-2022 Capital Program is currently expected to be completed by the end of 2024. Approximately \$1.1 billion of the 2018-2022 Capital Program was completed through the end of 2019, and approximately \$2.4 billion is ongoing or is expected to be started and completed by the end of 2024.

The projects included in the 2018-2022 Capital Program and described herein are expected to be periodically evaluated by the Department with respect to their scope, timing, costs, availability of funding, Airport cash position, any environmental issues that may arise and other factors that might affect the implementation of the 2018-2022 Capital Program. Given the substantial reduction in passengers due to COVID-19, the Department has made certain changes to the 2018-2022 Capital Program described herein, and may delay the timing and/or reduce the scope and cost of individual projects currently

included in the 2018-2022 Capital Program as it continues to review the 2018-2022 Capital Program. Accordingly, timing and costs of projects included in the 2018-2022 Capital Program are subject to change. See “IMPACT OF COVID-19 ON THE AIRPORT” for a description of changes to the 2018-2022 Capital Program projects. See also, “APPENDIX A—LETTER REPORT OF THE AIRPORT CONSULTANT—Airport Capital Program and Funding Sources.”

### **Major Projects in the 2018-2022 Capital Program**

**Concourses A, B, and C.** Major projects include the concourse gate expansion, as well as signage and wayfinding upgrades, remodeling of the public restrooms and the conveyance replacement program.

**Gate Expansion Project.** In May, 2018, the City commenced the expansion of the Airport’s concourses as part of the 2018-2022 Capital Program. This project includes the design and construction of new gates and associated apron, airfield, and roadway improvements on Concourses A, B and C, as well as an increase in the amount of airline and concessions space, including outdoor space, on each concourse. Airport management expects that a majority of the additional gates and space will be revenue-producing in the near and longer term due to current and future airline demand.

On Concourse A, the project will add 12 new mainline gates on the west side of the concourse, with a portion of these gates configured to accommodate both domestic and international operations. The Concourse B expansion will add four new mainline gates on the west side of the concourse and a net of seven new narrow-body mainline gates on the east side of the concourse, as it will replace certain ground loading and regional jet facility operations to increase capacity. The Concourse C expansion will add 16 new mainline gates on the east side of the concourse. Construction on all 39 gates is anticipated to be completed by 2021 and the gates are expected to be operational in 2022, with all new gates already under agreements to be leased to United and Southwest once completed. As of August 31, 2020, approximately 45% of the overall Gate Expansion Project is complete.

**Jeppesen Terminal.** Major projects include the Great Hall Project, development of two new Checked Bag Resolution Areas (“**CBRAs**”) and other baggage system upgrades, additional AGTS train sets and the AGTS car replacement program.

**Great Hall Project.** As part of the 2018-2022 Capital Program, the City is undertaking the Great Hall Project more particularly described in “DENVER INTERNATIONAL AIRPORT—Great Hall Project Developments.”

**Baggage System Improvements.** Major projects in connection with the baggage handling system improvements consist of the development of two new CBRAs that will replace nine existing locations; installation of new conventional baggage conveyors and individual carrier system to move bags identified for additional screening between the screening areas to the new CBRAs; modifications to the run out belts and equipment in the airline use area of level 6 and associated rights of way to accommodate upgrades; and replacement and update of baggage handling system controls, automatic tag readers, and baggage handling reporting systems to meet the latest TSA requirements.

**Airside.** Major projects include rehabilitation of certain runways, taxiways, and apron areas as part of the Airport’s pavement management system; improvements to airfield drainage, safety areas, and airfield service roads; rehabilitation and installation of lighting; certain safety area upgrades and airfield planning studies.

**Landside.** Major projects include the East Bound Peña Boulevard reconstruction, realignment, and widening of various sections of Peña Boulevard and associated roadways as well as the replacement

of deteriorating concrete. In addition, this includes the replacement of the parking revenue control system and installation of the parking lot entrance and exit canopies, which are designed to improve parking services.

*DEN Real Estate.* Due to the impact of COVID-19, the Department has deferred the DEN Strategic Development Plan, which provides guidance on opportunities available for commercial development of about 16,000 acres of non-aviation land. The plan focuses on development districts and infrastructure based on “Smart City” and strategic sustainability concepts, and incorporates certain planned projects, including infrastructure for the initial 1,500 acres of commercial development along the Peña Boulevard corridor, pursuant to the IGA Amendment (as defined herein) with Adams County, to generate additional non-airline revenues to support passenger growth at the Airport. See “IMPACT OF COVID-19 ON THE AIRPORT—Capital Program.”

### **Funding for the 2018-2022 Capital Program**

A portion of the 2018-2022 Capital Program in the amount of approximately \$2.2 billion was funded with proceeds of the Airport System Subordinate Revenue Bonds, Series 2018A and Series 2018B issued in the aggregate principal amount of \$2,626,075,000 (the “**Series 2018 Subordinate Bonds**”). Airport management currently expects that the remaining funding of the 2018-2022 Capital Program will come from: (i) approximately \$1.1 billion of additional Airport system revenue bonds to fund approximately \$870.4 million in project costs, which additional Airport system revenue bonds are expected to consist of Senior Bonds, although all or a portion of such projects may be funded with Subordinate Bonds depending on certain factors existing at the time of issuance; (ii) amounts on deposit in the Capital Fund in the amount of approximately \$357 million; and (iii) grants-in-aid from the FAA and/or the Transportation Security Administration (as previously defined, “TSA”) in the amount of approximately \$116.4 million.

### **IMPACT OF COVID-19 ON THE AIRPORT**

**The information and data contained in this section are being provided solely for the purpose of describing the impacts of the COVID-19 pandemic on the Airport, its operations and its financial condition. The City is under no obligation to update the information and data contained herein and such information and data shall not be deemed to be “Annual Financial Information” under the Continuing Disclosure Undertaking.**

#### **General Description**

The outbreak of COVID-19 (“**COVID-19**”), a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and is currently affecting many parts of the world, including the United States. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. As a result, the U.S. government and governments of other countries issued travel restrictions and warnings for numerous countries. Various government agencies and others warned against travel and large group events, and numerous states issued stay-home orders curtailing non-essential travel.

Since March 25, 2020, the Governor of the State of Colorado has issued and subsequently amended and/or extended multiple executive orders regarding the movement of residents and the operation of businesses and, in accordance with such orders, the Colorado Department of Health and Environment (“**CDPHE**”) has issued and subsequently amended multiple public health orders (each, a

“PHO”). Among other matters, such executive orders and PHOs ordered Coloradans to stay at home whenever possible due to the presence of COVID-19 in the State, and also ordered the closure of in-person work at businesses, in particular places of large public gathering, such as restaurants, bars, health clubs, theaters, sports facilities and many retailers. Similarly, the Mayor of the City issued multiple orders restricting the movement of residents and the operation of businesses. During the period of time when all non-essential businesses were ordered to close, the Airport continued its operations as an essential service, which included all services (i.e. concessions, rental car, etc.).

### **Summary of Department Actions Taken in Response to COVID-19**

***COVID-19 Relief Policies for Airlines and Concessionaires.*** The Department implemented temporary relief policies (“**COVID-19 Relief Policy**”) for revenue contracts providing payment deferrals and some fee waivers. For the Signatory Airlines, the Department provided an option for abatement of fixed rent for the leased premises under each Signatory Airline’s Use and Lease Agreement for April, May and June 2020, with payments of fixed rent resuming July 1, 2020, and payment of abated fixed rent due in full by December 31, 2020. The Department also provided abatement of payments of variable rent (which includes rates and charges fees such as landings fees, gate use fees, and baggage fees) under each Signatory Airline’s Use and Lease Agreement for March, April and May 2020, with such payments resuming June 1, 2020, and payment of abated variable rent due in full by December 31, 2020. No additional COVID-19-related relief was provided to any airlines. The Department continues to work with the Signatory Airlines on the method of repayment (i.e. monthly repayments or lump-sum payments) for the COVID-19 abatements outlined above.

From March 1, 2020 through December 31, 2020 (the “**Concessionaire Relief Period**”), concessionaires other than rental car companies are not required to pay the monthly minimum amount based on the minimum annual guarantees under their concession agreements and are being charged only the contractual percentage of their gross monthly receipts. The joint marketing fees also are waived for the Concessionaire Relief Period.

From April 1, 2020 through December 31, 2020 (the “**Car Rental Relief Period**”), car rental companies are not required to pay the monthly minimum amount based on the minimum annual guarantees under their concession agreements and are being charged only the contractual percentage of their gross monthly receipts. Additionally, ground and facilities rent due under the car rental companies’ agreements has been deferred for the months of April, May and June 2020, but must be paid in full by the end of the Car Rental Relief Period. No additional COVID-19-related relief was provided to car rental companies, and ground and facilities rent payments resumed July 1, 2020 in accordance with the car rental agreements. As the impact of COVID-19 on future passenger traffic remains unknown, the Department will continue to evaluate the needs of the airlines, concessionaires, car rental companies and other tenants, and may, at the Department’s discretion, provide additional relief.

***Mitigation Measures at the Airport.*** The Department proactively implemented several measures intended to mitigate operational and financial impacts of COVID-19, including instituting a hiring freeze and furlough hours (60 hours) for all employees. The hiring freeze will continue as a cost saving measure while the 60 furlough hours must be utilized by December 31, 2020. The City proposed for the 2021 budget tiered furlough hours, where employees earning the highest wages take the greatest number of furlough days while those earning less take fewer days. The Department has reassigned available employees to other operating areas of the Airport, and limited the number of personnel physically present at the Airport based on essential operating needs. These essential needs directly relate to the safety and security of the Airport’s operations, which includes airside, facility, and landside activities, as well as construction and snow removal.

The Department also has proactively worked with its contractual service providers in order to implement cost saving measures. As a result of the decrease in passenger volume, the Department has reduced the hours and scope of operations of certain of its contracts, such as janitorial services, and maintenance of the AGTS and baggage systems. Additionally, services such as valet parking and remote baggage check-in have been discontinued to drive further savings.

## **CARES Act**

**Stimulus Funds.** On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (“**CARES**”) Act stimulus package was signed into law. Under the CARES Act, the Federal Aviation Administration (FAA) awarded funds to airports based on enplanements and other metrics related to cash reserves and debt service. Funding received through the CARES Act is intended to prevent, prepare for and respond to the impacts of COVID-19. On April 28, 2020, the City, for and on behalf of the Department, executed the CARES Act Grant with the FAA and is eligible to receive a total of \$269.1 million in CARES Act funding (the “**Stimulus Funds**”). As of June 30, 2020, the Airport received \$129.8 million of Stimulus Funds, with the remaining \$139.3 million expected to be received by November 30, 2020. The Stimulus Funds are required to be used within four years from the date on which the agreement between the Airport and the FAA was executed, and the Airport must comply with certain other obligations, including employing at least 90.0% of its staff as of March 27, 2020 through December 31, 2020.

On September 8, 2020, the City, for and on behalf of the Department, executed an Irrevocably Committed Escrow Agreement (the “**Irrevocable Escrow**”) to establish an irrevocable trust escrow account to restrict the full \$269.1 million in Stimulus Funds solely to apply such funds to Debt Service Requirements and/or Subordinate Debt Service Requirements. The City currently expects to use the irrevocably committed Stimulus Funds in 2020 through 2023 to pay Debt Service Requirements. The exact timing and amount of any irrevocable commitment of Stimulus Funds by the City may change based on, but not limited to, the period of time for passenger traffic to return to calendar year 2019 levels, and the timing and amount of savings from the issuance of the Series 2020A-D Bonds and the refunding of the Refunded Bonds. Stimulus Funds do not constitute Gross Revenues as defined in the Bond Ordinances. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Rate Maintenance Covenant” and “APPENDIX A—LETTER REPORT OF AIRPORT CONSULTANT—CARES Act Grants.”

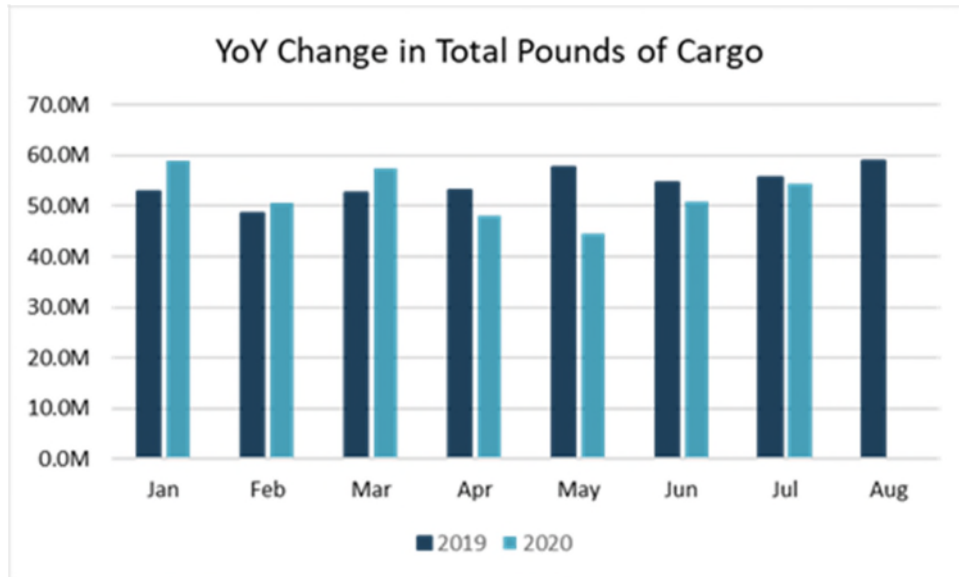
**Airport Improvement Program.** The CARES Act also provides funds to increase the federal share percentage for Airport Improvement Program (“**AIP**”) awards from eligible costs being 75% FAA funded and 25% Airport funded to eligible costs being 100% FAA funded. The City, for and on behalf of the Department, executed two AIP grant awards with the FAA under the CARES Act to fund two projects that were planned prior to COVID-19: (a) rehabilitation of Taxiways M and L and Taxiways M and L Lights (“**Taxiway M and L**”), and (b) rehabilitation of Taxiways AA, AS, and CS (“**Taxiways AA, AS, and CS**”). The AIP grant award amounts for Taxiway M and L and Taxiways AA, AS, and CS were \$24.6 million and \$3.2 million, respectively.

## **Airport Operations and Revenues**

**Impact on Passengers and Cargo Operations.** During the eight month period ending August 31, 2020, the Airport experienced reductions of [51.3]% and [30.8]% in total passengers and total operations, respectively, as a result of the impact of COVID-19 compared to the same period in 2019. Under Presidential proclamations, air service to the United States was prohibited from specific international locations. For the eight months ended August 31, 2020, domestic passengers declined [\_\_]% compared to the same period in 2019, amounting to [\_\_]% of total passengers (compared to [\_\_]% of total passengers

for the same period in 2019), and international passengers declined [58.1]% compared to the same period in 2019, amounting to [4.2]% of total passengers (compared to [4.9]% of total passengers for the same period in 2019).

Additionally, total cargo decreased [2.9]% through August 31, 2020, compared to the same period for 2019. The chart below shows the year-over-year change in total pounds of cargo for the eight months ended August 31, 2020 compared to the same period in 2019.

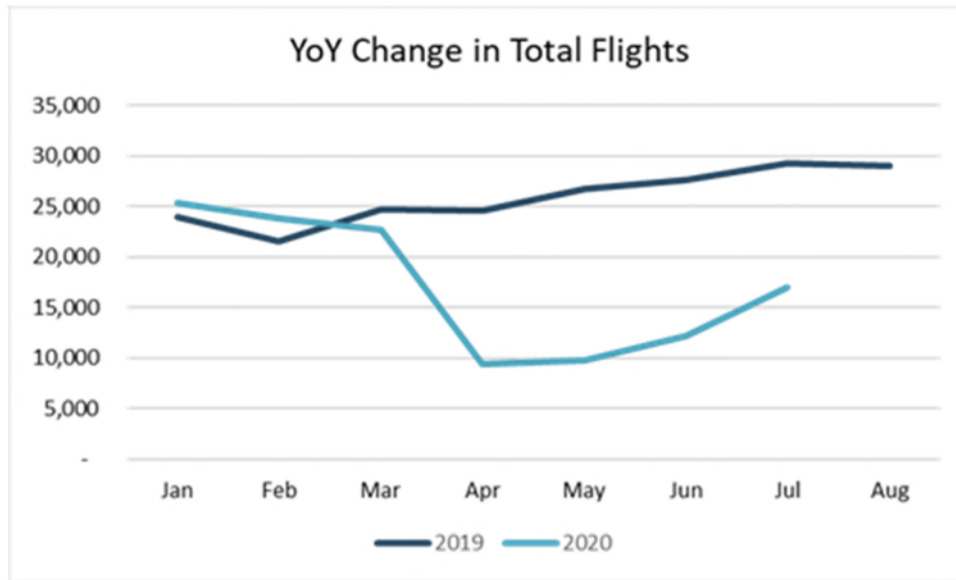


[Remainder of Page Intentionally Left Blank]



**Impact on Aircraft Operations and Departures and Destinations.** For the month of August, 2020, the Airport had [\_\_] scheduled departures and total aircraft operations at the Airport in August 2020 were approximately [\_\_]% compared to August 2019.

The chart below shows the year-over-year change in total flights (passenger and cargo) for the eight months ended August 31, 2020 compared to the same period in 2019.



**Impact on Concessionaires, Airport Hotel Revenue, Parking and Other Operations.** With the reduction in total passengers, the concessionaires’ operating hours at the Airport decreased with some temporary closures. As of August 31, 2020, the number of gates leased by Signatory Airlines (99 gates) and the number of gates available on a per-use basis (12 gates) has not changed due to COVID-19. As of June 30, 2020, 66 concessionaires remained open with 70 temporarily closed. As of August 31, 2020, the number of opened concessionaires rose to 93 with 43 temporarily closed. Total revenues from concessions for the six months ended June 30, 2020 were \$22.8 million compared to \$42.2 million for the same period in 2019.

The Airport Hotel experienced a reduction in rooms rented in March, April and May 2020 due to COVID-19 stay-at-home orders, travel restrictions, and the resulting reduction in passenger traffic through the Airport, but rooms rented and revenues per available room have steadily increased each month from June through August. For the eight months ended August 31, 2020, Airport Hotel occupancy rate was 46.6%, compared to 87.0% occupancy for the same period in 2019, and for the six months ended June 30, 2020, Airport Hotel revenues were \$15.1 million compared to \$30.1 million for the same period in 2019. In order to mitigate reduction in revenues, Westin has reduced expenses, furloughed hours for employees, reduced staff, segmented a portion of the Airport Hotel for occupancy use, and temporarily closed some of the dining locations. Westin continues to have contracts for Airport flight crews utilizing the rooms, and it is expected the Airport Hotel will continue to meet its operating and maintenance expense obligations.

Due to the reduction in originating and deplaning passengers, the Airport temporarily closed the remote parking lots and one of two economy lots, but has kept the garage and other economy lot at the Airport in operation. Total revenues from parking for the six months ended June 30, 2020 was \$48.0 million compared to \$96.2 million for the same period in 2019. Additionally, car rental revenues for the six months ended June 30, 2020 were \$22.9 million compared to \$38.8 for the same period in 2019.

**Financial Impacts.** The reduction in passenger traffic drove a decline in total operating revenues of \$111.4 million, or 26.1%, in the first six months of 2020 compared to the same period for 2019, with non-airline revenues making up the majority of the decline for the first six months of 2020. Total operating expenses before depreciation and amortization declined by 17.8% in the second quarter of 2020 and 5.1% for the first six months ended June 30, 2020 compared to the same the same period for 2019. See also “FINANCIAL INFORMATION.”

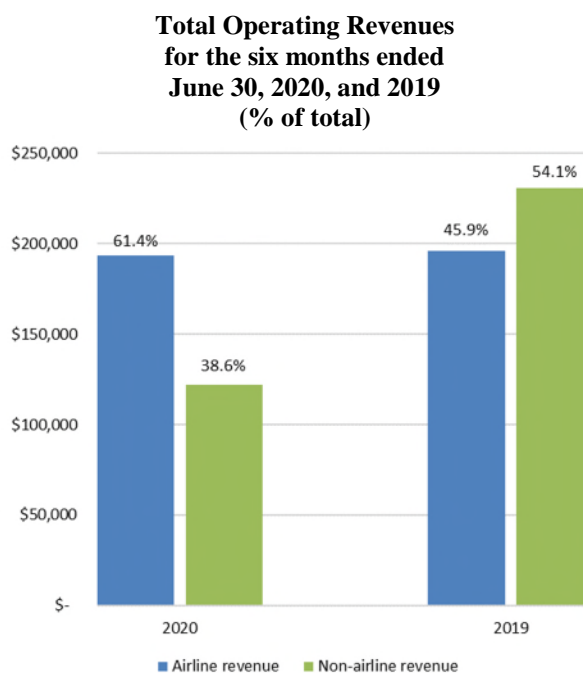
The following is a summary of operating revenues for the six months ended June 30, 2020, and 2019 (\$ in thousands):

	<b>Six Months Ending June 30, 2020</b>	<b>Six Months Ending June 30, 2019</b>	<b>2020 / 2019 \$ change</b>	<b>2020 / 2019 % change</b>
Operating revenue:				
Airline revenue				
Facility rentals	\$ 134,325*	\$ 109,975	\$ 24,350	22.1%
Landing fees	59,305	86,150	(26,845)	(31.2%)
Total airline revenue	<u>193,630</u>	<u>196,125</u>	<u>(2,495)</u>	<u>(1.3%)</u>
Non-airline revenue				
Parking	47,986	96,159	(48,173)	(50.1%)
Concession	22,797	42,197	(19,400)	(46.0%)
Car rental	22,874	38,816	(15,942)	(41.1%)
Hotel	15,116	30,054	(14,938)	(49.7%)
Aviation fuel tax	4,895	12,417	(7,522)	(60.6%)
Ground transportation	4,990	8,832	(3,842)	(43.5%)
Other sales and charges	3,093	2,223	870	39.1%
Total non-airline revenue	<u>121,751</u>	<u>230,698</u>	<u>(108,947)</u>	<u>(47.2%)</u>
Total operating revenue	<u>\$ 315,381</u>	<u>\$ 426,823</u>	<u>\$ (111,442)</u>	<u>(26.1%)</u>

\*Pursuant to the Use and Lease Agreements, for Fiscal Years 2006 and thereafter, 50% of Net Revenues remaining after payment of debt service and fund deposit requirements, with an annual maximum of \$40 million, is required to be credited to the Airline Revenue Credit Account of the Capital Fund to be applied as a credit against Signatory Airline rates and charges in the following Fiscal Year. The difference in facility rentals for the first six months of 2020 compared to the same period in 2019 is due to the Department not accruing such credit in 2020 because the Net Revenues are not expected to be sufficient to generate the credit under the Use and Lease Agreements. As of June 30, 2019, approximately \$20 million out of the maximum \$40 million of revenue credit was accrued and the facility rentals shown in the table are net of such amount.

[Remainder of Page Intentionally Left Blank]

The following shows a comparison of total operating revenues for the six months ended June 30, 2020 and 2019 for airline and non-airline revenue:



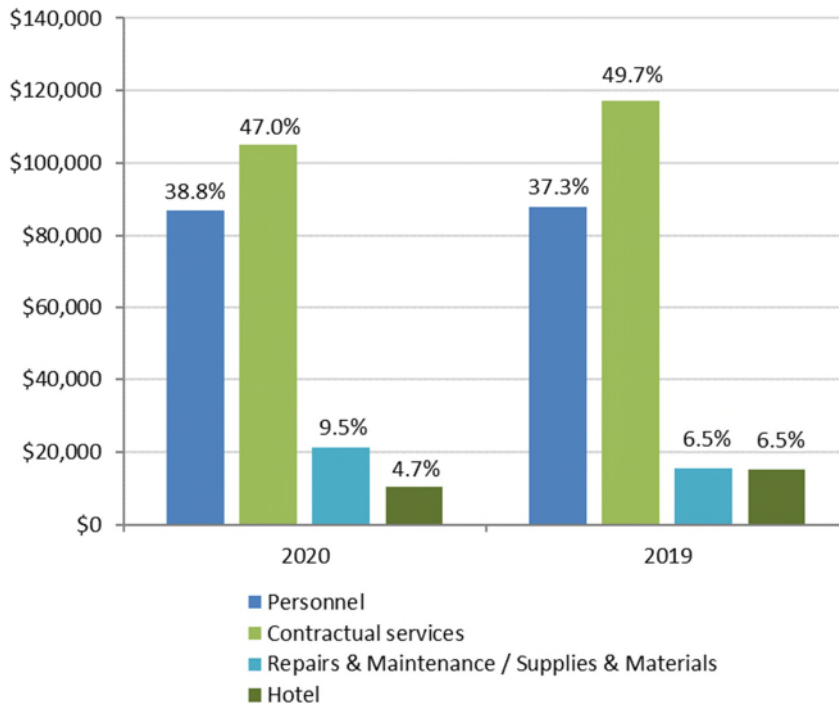
The following is a summary of operating expenses before depreciation and amortization for the six months ended June 30, 2020 and 2019 (\$ in thousands):

	<b>Six Months Ending June 30, 2020</b>	<b>Six Months Ending June 30, 2019</b>	<b>2020 / 2019 \$ change</b>	<b>2020 / 2019 % change</b>
Personnel	\$ 86,779	\$ 87,904	\$ (1,125)	(1.3%)
Contractual services	104,983	117,118	(12,135)	(10.4%)
Repair and maintenance projects	10,933	3,953	6,980	176.6%
Maintenance, supplies, and materials	10,410	11,458	(1,048)	(9.1%)
Hotel	10,475	15,225	(4,750)	(31.2%)
Total operating expenses	<u>\$ 223,580</u>	<u>\$ 235,658</u>	<u>\$ (12,078)</u>	<u>(5.1%)</u>

[Remainder of Page Intentionally Left Blank]

The following shows total operating expenses before depreciation and amortization for the six months ended June 30, 2020 and 2019:

**Total Operating Expenses  
Before Depreciation and Amortization  
for the six months ended  
June 30, 2020, and 2019  
(% of total)**



### Capital Program

The 2018-2022 Capital Program includes approximately \$3.5 billion of major capital projects such as the expansion of Concourses A, B and C to add gates and airline and concessions space, the Great Hall Project, and rehabilitation of certain runways, taxiways, and apron areas. While the Department has continued with the major capital projects described in “CAPITAL PROGRAM”, the Department continues to review and re-prioritize certain elements of the 2018-2022 Capital Program for the Airport. As a result of this review and re-prioritization, the Department is proceeding with the renewal and modernization of Concourses A, B and C, and placing on hold elements related to the further development of DEN Real Estate for further evaluation. The Department may continue to adjust the scope, timing and priority of projects in the 2018-2022 Capital Program depending on the extent and continued impact of COVID-19 on passenger travel at the Airport.

Certain projects within the 2018-2022 Capital Program, such as Gate and Apron Rehabilitation, and Utility Vault Transformer Relocation, have benefited from reductions in traffic due to COVID-19. The reduction in traffic allowed for scheduling alignment for the projects and reducing redundancy of the projects based on the original timelines. The Department expects to realize a \$5 million reduction in project cost from the Utility Vault Transformer Relocation due to the scheduling alignment. Additionally, it is anticipated that design and construction cost for the Utility Vault Transformer Relocation will have a

savings of approximately \$700,000, and project management costs are expected to be reduced by \$600,000.

The decrease in passenger traffic in the Jeppesen Terminal also has allowed the Department and the Great Hall Project Team to leverage certain operational efficiencies, including (i) moving the primary construction work shift from nights to days, which has increased the workforce pool, and (ii) extending the originally scheduled construction work shifts from eight hour shifts five days a week to 10 hour shifts six days a week, which has increased productivity. The Department continues to work closely with its airline partners and other key stakeholders to understand short- and/or long-term COVID-19 impacts that should be considered as the scope and design of the Great Hall Project is refined and any subsequent phases are developed.

The Department will continue to review and prioritize certain elements of the 2018-2022 Capital Program for the Airport, and may in the future adjust the timing and priority of individual projects depending on the extent and continued impact of COVID-19 on the Airport. See “CAPITAL PROGRAM” and “APPENDIX A—LETTER REPORT OF THE AIRPORT CONSULTANT—Assumptions Used to Project Key Financial Metrics—Airport Capital Program and Funding Sources.”

[Remainder of Page Intentionally Left Blank]

**Fiscal Year 2020 and Fiscal Year 2021 Budget [SUBJECT TO APPROVAL/CHANGE]**

The following table shows the Fiscal Year 2020 budget and the Fiscal Year 2021 proposed budget for the Airport. The Fiscal Year 2021 proposed budget is subject to change and there can be no assurances actual results will not differ and those differences would be material.

Revenues	2020 Budget	2021 Proposed Budget	\$ Change	% Change
<b>Operating Revenue</b>				
<b>Airline</b>				
Facility Rentals	\$ 250,281,709	\$ 254,013,396	\$ 3,731,687	1.5%
Landing Fees	187,475,342	203,300,000	15,824,658	8.4%
<b>Total Airline</b>	<b>\$ 437,757,051</b>	<b>\$ 457,313,396</b>	<b>\$ 19,556,345</b>	<b>4.5%</b>
<b>Non-Airline</b>				
Parking Revenues	204,107,226	116,765,000	(87,342,226)	(42.8%)
Car Rental Revenues	78,578,233	43,450,000	(35,128,233)	(44.7%)
Concessions Revenues	92,363,955	47,778,999	(44,584,956)	(48.3%)
Aviation Fuel Tax	26,564,026	11,495,000	(15,069,026)	(56.7%)
Hotel	63,223,878	35,841,758	(27,382,120)	(43.3%)
Ground Transportation	20,094,348	12,100,000	(7,994,348)	(39.8%)
Other Sales & Charges	10,078,550	5,200,000	(4,878,550)	(48.4%)
<b>Total Non-Airline</b>	<b>495,010,216</b>	<b>272,630,757</b>	<b>(222,379,459)</b>	<b>(44.9%)</b>
<b>Total Operating Revenue</b>	<b>\$ 932,767,267</b>	<b>\$ 729,944,153</b>	<b>\$ (202,823,114)</b>	<b>(21.7%)</b>
<b>Non-Operating Revenue</b>				
Passenger Facility				
Charges	139,662,569	79,986,439	(59,676,130)	(42.7%)
Customer Facility Fees	22,710,517	13,500,000	(9,210,517)	(40.6%)
Investment Income	42,000,000	27,300,000	(14,700,000)	(35.0%)
Other Non-Operating				
Revenues	10,000,000	84,000,000*	74,000,000	740.0%
<b>Total Non-Operating Revenue</b>	<b>\$ 214,373,086</b>	<b>\$ 204,786,439</b>	<b>\$ (9,586,647)</b>	<b>(4.5%)</b>
<b>Total Revenues</b>	<b>\$ 1,147,140,353</b>	<b>\$ 934,730,592</b>	<b>\$ (212,409,761)</b>	<b>(18.5%)</b>
<b>Expenditures</b>				
	2020 Appropriated	2021 Recommended	\$ Change	% Change
Personnel	\$ 146,579,146	\$ 145,582,407	\$ (996,739)	(0.7%)
Services and Supplies	258,995,106	240,444,861	(18,550,245)	(7.2%)
Internal Services and Misc.	68,334,646	70,384,685	2,050,039	3.0%
<b>Total Operating</b>	<b>\$ 473,908,898</b>	<b>\$ 456,411,953</b>	<b>\$ (17,496,945)</b>	<b>(3.7%)</b>
<b>By Division</b>				
Executive Office	\$ 22,694,937	\$ 18,838,690	\$ (3,856,247)	(17.0%)
External Affairs	9,267,321	6,192,226	(3,075,095)	(33.2%)
Commercial	6,295,786	3,319,069	(2,976,717)	(47.3%)
Finance	84,789,931	81,394,140	(3,395,791)	(4.0%)
Operations	342,959,394	341,114,789	(1,844,605)	(0.5%)
DEN Real Estate	7,901,529	5,553,039	(2,348,490)	(29.7%)
<b>Total</b>	<b>\$ 473,908,898</b>	<b>\$ 456,411,953</b>	<b>\$ (17,496,945)</b>	<b>(3.7%)</b>

\*Increase in Other Non-Operating Revenues due to receipt of Stimulus Funds.

## **Cash and Liquidity**

As of August 31, 2020, the Airport had approximately \$557.1 million on deposit in the Capital Fund – \$65.8 million for the Coverage Account and \$491.4 million that may be used for any lawful Airport System purpose. Funds on account in the Capital Fund were used to fund the Irrevocable Escrow, and the balance in the Capital Fund as of August 31, 2020 reflects amounts on deposit after the transfer of \$269.1 million (representing the full amount of Stimulus Funds) to the Irrevocable Escrow. The Capital Fund were reimbursed from Stimulus Funds in the amount of \$129.8 million in June 2020 and will be reimbursed the remaining \$139.3 million upon the City’s receipt of the remaining Stimulus Funds, which is expected by November 30, 2020. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Capital Fund. The passenger airline Use and Lease Agreements contain provisions allowing for the rate base for rentals, fees and charges to be adjusted in order to generate Gross Revenues that, together with Other Available Funds (consisting of transfers from the Capital Fund), are sufficient to satisfy the Rate Maintenance Covenants, and the airlines agree to pay such rentals, rates, fees and charges. As a result of the COVID-19 Relief Policies and mitigation measures described above, the receipt of Stimulus Funds, and the ability to make base rate adjustments pursuant to the Use and Lease Agreements, the City currently does not anticipate the need to draw upon any reserves in the Capital Fund to meet the Fiscal Year 2020 budget. Additionally, the City has not used, and does not currently expect to use, any of its restricted cash reserves (e.g., Operation and Maintenance Reserve Account) in response to COVID-19. The City will continue to prioritize and monitor its liquidity position, and ensure that the Rate Maintenance Covenants are maintained in accordance with its Bond Ordinances.

The actual impact of COVID-19 on passenger traffic through the Airport and the Department’s budget and finances will heavily depend on future events outside of the control of the Department. As a result of these uncertainties, the Department will continually monitor the operating budget and finances to mitigate any of these future uncertainties and expects to regularly review revenue projections and make adjustments throughout Fiscal Year 2021. There can be no assurances that actual passenger, operational, or financial results will be consistent with projections presented herein and in the Letter Report of the Airport Consultant attached hereto as APPENDIX A.

## **Bankruptcy Filings**

On May 22, 2020, The Hertz Corporation (which includes Hertz Car Rental, Dollar Car Rental and Thrifty Car Rental) filed a Voluntary Petition with the United States Bankruptcy Court under Chapter 11 of the Bankruptcy Code. The post-petition entity continues to pay ground rent under the existing concession agreement, along with a percentage of sales and Customer Facility Charges (“CFCs”).

On May 27, 2020, Advantage Holdco, Inc. (which includes Advantage Rent a Car and E-Z Rent-A-Car) filed a Voluntary Petition with the United States Bankruptcy Court under Chapter 11 of the Bankruptcy Code. In July 2020, the ground and facility and concession agreements between the City and Advantage Holdco, Inc. subsidiaries were acquired by Sixt Rent A Car, LLC, which is now paying ground and facility rent under the existing agreements, along with a percentage of sales and CFCs.

On June 30, 2020, Aerovias de Mexico, S.A. de C.V. filed a voluntary Petition with the United States Bankruptcy Court under Chapter 11 of the Bankruptcy Code. The post-petition entity has commenced flights back to the Airport and is paying rates and charges at its prepetition levels.

The Department cannot predict whether either of the rental car companies will assume or reject their concession agreements as part of the bankruptcy proceedings. While the extent of the impact of such bankruptcy filings on Airport revenues from these operations is not currently known, such

bankruptcy filings are not expected to have a material adverse impact on post-bankruptcy Gross Revenues compared to pre-bankruptcy Gross Revenues.

### **Forward-Looking Statements**

**This section contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used herein, the words “estimate,” “forecast,” “anticipate,” “intend,” “expect,” “plan,” “projected” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. The forecasts presented here incorporate certain assumptions more fully described above and in the Letter Report of the Airport Consultant. Any forward-looking statement and/or forecast should be read in connection with the related assumptions. It can be expected that there will be differences between forward-looking statements and projections or forecasts presented herein, and actual results, and those differences may be material. For a discussion of certain such risks and possible variations in results, see “CERTAIN INVESTMENT CONSIDERATIONS.”**

The City and the Department cannot predict (i) the duration or extent of the COVID-19 pandemic or another outbreak, pandemic, or force majeure event; (ii) the scope or duration of stay-at-home orders, social distancing guidelines, and other restrictions on travel, gatherings or any other activities, and the extent to which airlines will reduce services at the Airport or whether airlines will cease operations at the Airport or shut down in response to such restrictions or warnings; (iii) what effect any COVID-19 or other outbreak or pandemic-related restrictions or warning may have on air travel, including to and from the Airport, the retail, concessions and services provided by the Airport concessionaires, Airport costs or Airport revenues; (iv) whether and to what extent the COVID-19 or another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Department-related construction, the cost, source of funds, schedule or implementation of the 2018-2022 Capital Program, including the Great Hall Project, or other Department operations; (v) the extent to which the COVID-19 outbreak or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economies, may result in changes in demand for air travel, including long-term changes in consumer behavior and the operations of other businesses, or may have an impact on the airlines or concessionaires service the Airport or the airline and travel industry, generally; (vi) whether or to what extent the Department may provide additional deferrals, forbearances, adjustments, payment plans or other changes to the Department’s arrangements with airlines, tenants and concessionaires; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airport. Prospective purchasers should assume that the restrictions and limitations related to the COVID-19 pandemic, and the current upheaval to the air travel industry and the national and global economies, may increase at least over the near term, that recovery may be prolonged, and therefore, have an adverse impact on the ability to generate Gross Revenues. Future outbreaks, pandemics or events outside the Department’s control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Gross Revenues. See “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19 Risks.”

## **AVIATION ACTIVITY AND AIRLINES**

### **Denver Air Service Region**

The primary region served by the Airport is the Denver metropolitan area, encompassing the counties of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson. The secondary



region served by the Airport is defined by the location of (and the airline service provided from) other large-hub and medium-hub air carrier airports. The nearest such airports, by road miles, are in Albuquerque (440 miles to the south), Salt Lake City (530 miles to the west-northwest), Kansas City (590 miles to the east), Oklahoma City (620 miles to the southeast), Las Vegas (760 miles to the west-southwest), and Phoenix (810 miles to the southwest). For certain economic and demographic information with respect to the Denver metropolitan area, see “APPENDIX I—ECONOMIC AND DEMOGRAPHIC INFORMATION.”

### **Airlines Serving the Airport**

As of August 31, 2020, the following 24 airlines provide scheduled passenger service at the Airport:

<u><b>Major/National</b></u>	<u><b>Regional/Commuter</b></u>	<u><b>Foreign Flag</b></u>
Alaska Airlines	American Eagle	AeroMéxico
Allegiant Air	Boutique Air	Air Canada <sup>1</sup>
American	Delta Connection	British Airways
Delta	Denver Air Connection	Cayman Airways
Frontier	United Express	Copa Airlines
jetBlue Airways		Icelandair
Southwest		Lufthansa German Airlines
Spirit Airlines		Volaris
Sun Country Airlines		WestJet
United		

<sup>1</sup> Air Canada includes Sky Regional Airlines, Inc. and Jazz Aviation LP.  
Source: Department of Aviation management records.

In addition to the passenger airlines listed in the table above, as of August 31, 2020, several passenger charter airlines, and all-cargo airlines provide service at the Airport, including, among others, ABX Air Inc., Air Transport International, Alpine Air Express, Inc., Atlas Air/Amazon Prime, Bemidji Aviation Services, Inc., Cargolux Airlines International, DHL Express (USA), Inc., FedEx Corporation, Kalitta Air, LLC, Key Lime Air Corporation, Southern Air, and United Parcel Service. The regional/commuter airline brands listed in the table above include flights operated by Air Wisconsin Airlines, Compass Airlines, Envoy Air, ExpressJet, GoJet Airlines, Republic Airlines, SkyWest Airlines and Trans States Airlines. Air Canada includes Sky Regional Airlines, Inc. and Jazz Aviation LP.

### **Airline Information**

**The United Group.** United is the principal air carrier operating at the Airport. The Airport is a primary connecting hub in United’s route system both in terms of passengers (based on information provided by individual airports) and flight operations (according to data published by Official Airline Guides, Inc.). Under its Use and Lease Agreement, which expires in 2035, United currently leases 51 full-service contact gates and 15 ground loading positions. See “CAPITAL PROGRAM—Major Projects in the 2018-2022 Capital Program—*Concourses A, B, and C—Gate Expansion Project.*” In addition to the gate expansions, in October 2018 United expanded its Denver-based flight-training center and is now the largest single-site flight training center in the world.

The United Group (United and United Express) accounted for approximately 44.7% and 43.5% of passenger enplanements at the Airport in 2019 and in 2018, respectively. In addition, through the eight

months ended August 31, 2020, the Airport ranked as the 3<sup>rd</sup> busiest airport in the United route network based on scheduled flights.

The City makes no representations regarding the financial conditions of United Airlines Holdings or the United Group or their future plans generally or with regard to the Airport in particular. See also “— Aviation Activity, and “—Originating and Connecting Passengers” in this section, as well as “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements—*United Use and Lease Agreement*,” “FINANCIAL INFORMATION—Special Facilities Bonds” and “CERTAIN INVESTMENT CONSIDERATIONS—Financial Condition of the Airlines and —Risk of Airline Bankruptcies.”

**Southwest.** Southwest had the second largest market share at the Airport in 2019 and 2018 and accounted for approximately 27.4% and 29.1% of passenger enplanements at the Airport in 2019 and 2018, respectively. Southwest commenced service at the Airport in January 2006 and since that time has experienced strong and continued growth in airline service at the Airport. Southwest initially served ten cities from the Airport, compared to over 69 cities to which it provided nonstop service from the Airport through 2019. In addition, through the eight months ended August 31, 2020, the Airport ranked as the busiest airport in the Southwest system based on scheduled flights.

Southwest leases 25 gates at the Airport pursuant to a Use and Lease Agreement with the City dated March 20, 2020 (the “**Southwest Use and Lease Agreement**”). The Southwest Use and Lease Agreement expires on February 28, 2035, and contains a provision in which the City and Southwest agree to terminate the existing Southwest Use and Lease Agreement and enter into a new Southwest Use and Lease Agreement on the same business terms as any new Use and Lease Agreements for other passenger airlines (a “**New Use and Lease Agreement**”) when such New Use and Lease Agreements become effective, provided any new Southwest Use and Lease Agreement will have a term ending no earlier than February 28, 2035 and will continue to provide Southwest preferential rights to the Southwest gates (including the new Southwest preferential gates being constructed in the Concourse C gate expansion) and certain other Airport facilities. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements.” In addition to leasing gates at the Airport, in May 2019 Southwest announced plans to build a \$100 million new maintenance hangar at the Airport, with completion targeted for mid-2021. The hangar will be the seventh in Southwest’s network.

The City makes no representations regarding the financial conditions of Southwest or its future plans generally or with regard to the Airport in particular. See also “—Aviation Activity,” and “—Originating and Connecting Passengers” in this section, as well as “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements” and “CERTAIN INVESTMENT CONSIDERATIONS—Financial Condition of the Airlines” and “—Risk of Airline Bankruptcies.”

**Frontier.** Frontier had the third largest market share at the Airport in 2019 and 2018, and accounted for approximately 12.1% and 11.5% of passenger enplanements at the Airport in 2019 and 2018, respectively. The Airport is Frontier’s only hub and was the busiest airport in the Frontier system in 2019. As a result of the change of Frontier’s business model from a low-cost carrier to an ultra-low-cost carrier in 2015, the carrier has cut back its connecting traffic at the Airport, however, overall increases in passenger traffic have allowed Frontier to continue to grow.

Frontier leases nine gates at the Airport pursuant to a Use and Lease Agreement with the City, which expires December 31, 2020. The City expects a new Use and Lease Agreement with business provisions that would result in similar Airport financial performance as provided for under the current Use and Lease Agreement to be in place on January 1, 2021 and have a one-year term through

December 31, 2021, with two one-year extension options (available only to the City). See “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements.”

The City makes no representations regarding the financial conditions of Frontier or their future plans generally or with regard to the Airport in particular. See also “—Aviation Activity” and “—Originating and Connecting Passengers” in this section, “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements” and “CERTAIN INVESTMENT CONSIDERATIONS—Financial Condition of the Airlines” and “—Risk of Airline Bankruptcies.”

**Delta.** Delta had the fourth largest market share at the Airport in 2019. Delta does not use the Airport as a hub and accounted for 5.3% of passenger enplanements at the Airport in 2019.

**American.** American had the fifth largest market share at the Airport in 2019. With no connecting enplaned passenger traffic, American does not use the Airport as a major hub and accounted for 4.7% of passenger enplanements at the Airport in 2019.

**Other Airlines.** Other than the United Group, Southwest, Frontier, Delta, and American, no single airline accounted for more than 4.5% of passenger enplanements at the Airport in 2019. See “Aviation Activity—Passenger Traffic” in this section, as well as “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements.”

**Availability of Information Concerning Individual Airlines.** Certain of the airlines or their parent corporations, including United, Southwest, Delta and American, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and as such are required to file periodic reports, including financial and operational data, with the U.S. Securities and Exchange Commission (the “SEC”). All such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. Reports, proxy statements, and other information of registrants that file electronically with the SEC may be accessed and downloaded for free from the SEC’s EDGAR website at <https://www.sec.gov/edgar.shtml>. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation (the “DOT”). Information collected from these reports is available for inspection at the DOT’s Bureau of Transportation Statistics, 1200 New Jersey Avenue, SE, Washington, D.C. 20590, and copies of such reports can be obtained from its website at <https://www.bts.gov>.

*None of the City, the Department, the Municipal Advisor, or the Underwriters undertakes any responsibility for, and none of them makes any representations as to, the accuracy or completeness of the content of information available from the SEC or the DOT as discussed above, including, but not limited to, updates of such information or links to other Internet sites accessed through the SEC or the DOT websites. The contents of such websites are not incorporated into this Official Statement by this reference.*

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depositary Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

## Aviation Activity

**Passenger Traffic.** Denver’s central geographic location makes it a major destination point for communities throughout the Rocky Mountain region and a major transportation hub for airline flights connecting between the east and west coasts and other major metropolitan centers. According to statistics compiled by Airports Council International for 2019, the Airport was ranked as the 5<sup>th</sup> busiest airport in the nation and the 16<sup>th</sup> busiest airport in the world based on total passengers, servicing 69.0 million passengers in 2019 compared to 64.5 million passengers in 2018. The Airport maintained its national ranking and increased its global ranking compared to 2018.

With a few exceptions (including the current COVID-19 pandemic), the Airport has experienced continual growth in both passenger traffic and associated revenues. The Airport was negatively impacted by the global economic recession that began in late 2007 and the associated weakened demand for air travel and reduced airline passenger capacity. However, with the exception of a 1.2% decrease in 2013, the number of enplaned passengers has consistently increased since 2010. In 2019, the Airport served approximately 34.5 million enplaned passengers (a 7.0% increase over 2018), which is the highest number of enplaned passengers at the Airport since it opened in 1995. Approximately 64.4% of passengers originated or terminated their air travel at the Airport in 2019 and 35.6% of passengers made connecting flights at the Airport.

The following table sets forth the number of enplaned passengers at the Airport by passenger type for the past ten years and for the first eight months of 2019 and 2020.

**Table 3  
History of Enplaned Passengers at the Airport by Traffic Type**

<u>Year</u>	<u>Enplaned Passengers (millions)</u>	<u>Percent Change</u>	<u>Percent Domestic</u>	<u>Percent International</u>
2010	26.025	3.6 <sup>1</sup>	96.3	3.7
2011	26.456	1.7	96.8	3.2
2012	26.597	0.5	96.7	3.3
2013	26.285	(1.2)	96.3	3.7
2014	26.737	1.7	95.8	4.2
2015	27.019	1.1	95.9	4.1
2016	29.140	7.9	96.1	3.9
2017	30.714	5.4	95.8	4.2
2018	32.259	5.0	95.4	4.6
2019	34.513	7.0	95.4	4.6
2019 <sup>2</sup>	16.371	6.1 <sup>3</sup>	95.1	4.9
2020 <sup>2</sup>	7.960	(51.4)	96.0	4.0

<sup>1</sup> Compared to 25.128 million enplaned passengers in 2009.

<sup>2</sup> Enplaned passengers through August 31, 2019 and August 31, 2020, respectively.

<sup>3</sup> Percentage changes are from the same period in 2018.

Source: Department of Aviation management records.

Future levels of aviation activity and enplaned passenger traffic at the Airport will be dependent upon many local, regional, national and international factors including: national and international economic conditions, population and economy of the Airport service region, national and local

unemployment rate, political conditions including wars, other hostilities and acts of terrorism, aviation security and public health concerns, the financial health of the airline industry and of individual airlines, airline service and route networks, airline competition and airfares, airline mergers, the sale of airlines, alliances and consolidations, availability and price of aviation and other fuel, employee cost and availability and labor relations within the airline industry, capacity of the national air transportation system and of the Airport, accidents involving commercial passenger aircraft, visa requirements and other limitations on the ability of foreign citizens to enter the United States, currency exchange rates, and the extent and continuation of the COVID-19 pandemic and occurrence of other pandemics and natural and man-made disasters. See “IMPACT OF COVID-19 ON THE AIRPORT” and “CERTAIN INVESTMENT CONSIDERATIONS” below.

The following table sets forth the number of enplaned passengers at the Airport by type of airline for the past five years and the first eight months of 2019 and 2020.

**Table 4**  
**Enplaned Passengers by Airline Type**

<u>Year</u>	<u>Major/National</u>		<u>Foreign Flag</u>		<u>Regional/Commuter</u>		<u>Charter/ Miscellaneous</u>		<u>Total</u>	
	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>
2015 <sup>1</sup>	22,374,695	3.4%	338,813	6.6%	4,296,830	(9.9)%	8,591	38.4%	27,018,929	1.1%
2016	24,592,838	9.9	404,754	19.5	4,138,502	(3.7)	4,110	(52.2)	29,140,204	7.9
2017	26,288,610	6.9	502,685	24.2	3,921,476	(5.2)	1,240	(69.8)	30,714,011	5.4
2018	27,372,672	4.1	632,681	25.9	4,252,809	8.4	1,055	(14.9)	32,259,217	5.0
2019	29,288,442	7.0	675,558	6.8	4,547,258	6.9	1,696	60.8	34,512,954	7.0
<b>Jan- August</b>										
<b>2019<sup>2</sup></b>	<b>13,863,922</b>	<b>5.7</b>	<b>338,071</b>	<b>9.4</b>	<b>2,168,112</b>	<b>8.0</b>	<b>656</b>	<b>(6.7)</b>	<b>16,370,761</b>	<b>6.1</b>
<b>2020</b>	<b>6,725,700</b>	<b>(51.5)</b>	<b>111,092</b>	<b>(67.1)</b>	<b>1,123,317</b>	<b>(48.2)</b>	<b>219</b>	<b>(66.6)</b>	<b>7,960,328</b>	<b>(51.4)</b>

<sup>1</sup> Percentage changes are from 2014.

<sup>2</sup> Percentage changes are from the same period in 2018.

Source: Department of Aviation management records.

[Remainder of Page Intentionally Left Blank]

The following table sets forth the percentage of enplaned passengers at the Airport by airline for the past five years and for the first eight months of 2019 and 2020. Totals may not add due to rounding.

**Table 5**  
**Percentage of Enplaned Passengers by Airline**

<u>Airline</u>	<u>Calendar Year</u>					<u>January-August</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
United	27.7%	29.3%	30.7%	30.9%	32.1%	32.3%	30.6%
United Express	14.6	12.7	11.6	12.6	12.6	12.7	13.8
Total United Group	42.3	42.0	42.3	43.5	44.7	45.0	44.4
Southwest	29.3	29.4	29.7	29.1	27.4	27.7	29.7
Frontier	12.4	12.2	11.4	11.5	12.1	11.5	11.4
Delta	4.9	5.1	5.3	5.4	5.3	5.4	4.9
American	6.1	5.6	5.5	5.0	4.7	4.9	4.9
Other <sup>1</sup>	4.9	5.6	5.8	5.6	5.8	5.5	4.7
Total Non-United Group	57.7	58.0	57.7	56.5	55.3	55.0	55.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Columns may not add to totals shown because of rounding.

<sup>1</sup> Includes other airlines with scheduled flights at the Airport.

Source: Department of Aviation management records.

**Summary of Aviation Activity.** The following table sets forth a summary of selected aviation activity at the Airport for the past five years and for the first six months of 2019 and 2020. Totals may not add due to rounding.

[Remainder of Page Intentionally Left Blank]

**Table 6**  
**Summary of Selected Aviation Activity**

	Calendar Year					January-August	
	2015	2016	2017	2018	2019	2019	2020
<b>Enplaned Passengers (millions):</b>							
United	7.493	8.549	9.429	9.963	11.084	5.285	2.435
United Express	3.928	3.697	3.548	4.064	4.353	2.074	1.099
Total United Group	11.421	12.246	12.977	14.028	15.436	7.359	3.534
Southwest	7.929	8.565	9.137	9.386	9.467	4.527	2.360
Frontier	3.360	3.567	3.501	3.696	4.177	1.886	0.909
Delta	1.334	1.490	1.636	1.728	1.837	0.877	0.390
American	1.642	1.644	1.683	1.620	1.633	0.795	0.394
Other	1.333	1.627	1.780	1.801	1.963	0.927	0.373
Total	27.019	29.140	30.714	32.259	34.513	16.371	7.960
Percent Change from Prior Year	1.1%	7.9%	5.4%	5.0%	7.0%	6.1%	(51.4%)
<b>Originating Passengers (millions):</b>	17.353	18.527	19.656	20.746	22.259	10.591	5.000
Percent of Total Enplaned	64.2%	63.6%	64.0%	64.3%	64.5%	64.7%	62.8%
<b>Connecting Passengers (millions):</b>	9.666	10.613	11.058	11.513	12.254	5.780	2.960
Percent Connecting of Total Enplaned	35.8%	36.4%	36.0%	35.7%	35.5%	35.3%	37.2%
<b>United Group Passengers:</b>							
Percent Originating	40.4%	40.9%	43.2%	44.8%	45.1%	45.7%	43.6%
Percent Connecting	59.6%	59.1%	56.8%	55.2%	54.9%	54.3%	56.4%
<b>Southwest Passengers:</b>							
Percent Originating	75.6%	73.5%	72.2%	72.6%	72.5%	72.1%	71.8%
Percent Connecting	24.4%	26.5%	27.8%	27.4%	27.5%	27.9%	28.2%
<b>Frontier Passengers:</b>							
Percent Originating	78.9%	76.0%	74.7%	73.5%	77.5%	78.7%	71.7%
Percent Connecting	21.1%	24.0%	25.3%	26.5%	22.5%	21.3%	28.3%
<b>Delta Passengers:</b>							
Percent Originating	95.8%	95.8%	95.7%	95.3%	95.2%	95.3%	95.0%
Percent Connecting	4.2%	4.2%	4.3%	4.7%	4.8%	4.7%	5.0%
<b>American Passengers:</b>							
Percent Originating	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Connecting	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Average Daily Departures<sup>1</sup>:</b>							
Passenger Airlines:							
United Express	219	202	194	226	245	235	166
United	146	167	177	182	198	189	115
Southwest	168	181	190	191	194	184	146
Frontier	66	64	60	63	71	65	40
Delta	30	35	38	36	36	36	20
American	33	34	31	30	30	29	19
Other	47	59	65	53	54	51	31
Total Passenger Airlines	709	742	755	781	828	789	537
All-Cargo Airlines	26	26	27	29	31	29	32
Total	735	768	782	810	859	818	569
Percent Change from Prior Year	(4.3%)	4.5%	1.8%	3.6%	6.1%	4.5%	(30.6%)
<b>Landed Weight (billion pounds):</b>							
Passenger Airlines:							
United	8.214	9.452	10.225	10.642	11.902	5.617	3.370
United Express	4.427	4.148	4.064	4.571	4.885	2.351	1.688
Southwest	7.922	8.610	9.153	9.333	9.456	4.483	3.536
Frontier	3.339	3.306	3.208	3.413	3.866	1.740	1.070
Delta	1.390	1.590	1.728	1.809	1.651	0.896	0.535
American Airlines	1.678	1.742	1.759	1.672	1.865	0.800	0.485
Other	1.722	2.149	2.356	2.286	2.396	1.142	0.565
Total Passenger Airlines	28.692	30.996	32.492	33.725	36.021	17.029	11.249
All-Cargo Airlines	1.363	1.425	1.392	1.491	1.647	0.755	0.851
Total	30.055	32.421	33.884	35.216	37.668	17.784	12.100
Percent Change from Prior Year	(1.0%)	7.9%	4.5%	3.9%	7.0%	5.2%	(32.0%)

<b>Enplaned Cargo (million pounds)<sup>2</sup></b>	238,664	229,410	238,848	258,263	285,638	134,146	131,673
<i>Percent Change from Prior Year</i>	4.0%	(3.9%)	4.1%	8.1%	10.6%	11.7%	(1.8%)
<b>Total Aircraft Operations (Landings/Take-Offs):</b>							
Air Carriers	424,930	445,019	461,992	462,276	487,725	232,780	157,572
Commuter/Military/Taxi/General Aviation	122,718	127,501	120,494	141,127	152,373	71,036	52,657
<b>Total</b>	<b>547,648</b>	<b>572,520</b>	<b>582,486</b>	<b>603,403</b>	<b>640,098</b>	<b>303,816</b>	<b>210,229</b>
<i>Percent Change from Prior Year</i>	(4.8%)	4.5%	1.7%	3.6%	6.1%	4.3%	(30.8%)

<sup>1</sup> Year 2016 was a leap year and reflects daily usage based on 366 calendar days.

<sup>2</sup> The weight of enplaned cargo does not impact the Airport's Gross Revenues. Revenue is received from cargo carriers only from landing fees and space rentals, which historically have constituted less than 3% of Gross Revenues.

Source: Department of Aviation management records.

## Originating and Connecting Passengers

Originating passengers are those enplaned passengers whose flights originate at the Airport (residents and visitors) and who are not connecting from another flight. Originating passengers have accounted for over 60% of total enplaned passengers at the Airport since 2015. See "Aviation Activity—*Summary of Aviation Activity*" above.

In 2019, approximately 22.3 million passengers, or 64.5% of the approximately 34.5 million enplaned passengers at the Airport originated at the Airport. United (including its regional airline affiliates operating as United Express), Southwest, and Frontier accounted for approximately 31.3%, 30.8%, and 14.5% of originating enplaned passengers at the Airport in 2019, respectively. For the first six months of 2020, United (including its regional airline affiliates operating as United Express), Southwest, and Frontier accounted for approximately 30.8%, 33.9%, and 13.0% of originating enplaned passengers at the Airport, respectively.

Most major airlines have developed their current route systems around connecting passenger hubs at particular airports. The Airport serves as an important hub in the route system of United and Southwest. In addition, the Airport is presently Frontier's only hub. Approximately 12.3 million passengers (35.5% of total enplaned passengers) connected from one flight to another in 2019. Nearly all of the passengers using the Airport as a connecting hub connected between the flights of United (including its regional airline affiliates operating as United Express), Southwest, or Frontier, which accounted for approximately 69.1%, 21.3%, and 7.7% of the connecting passengers at the Airport in 2019, respectively. For the first six months of 2020, United (including its regional airline affiliates operating as United Express), Southwest, and Frontier accounted for approximately 67.3%, 22.5%, and 8.7% of connecting passengers at the Airport, respectively. See "Aviation Activity—*Summary of Aviation Activity*" above.

## AGREEMENTS FOR USE OF AIRPORT FACILITIES

The City has entered into numerous agreements in connection with the operation of the Airport. The Use and Lease Agreements with passenger airlines operating at the Airport and certain other such agreements are discussed below.

### Passenger Airlines Use and Lease Agreements

**Generally.** Certain of the airlines, inclusive of cargo and passenger airlines, have executed Use and Lease Agreements with the City (as previously defined, the "Signatory Airlines") that include preferential use of leased gates. As of August 31, 2020, the passenger Signatory Airlines with leased gates included Frontier, Delta, and American in Concourse A, United in Concourse B, and Southwest, Spirit Airlines, and Alaska Airlines in Concourse C. As of August 31, 2020, in addition to the 99 gates



leased by Signatory Airlines, 12 full contact gates are controlled by the Airport and used on a non-preferential use basis by various airlines.

The following Signatory Airlines do not lease gates under their respective Use and Lease Agreements but, rather, either operate from gates pursuant to their affiliation with other Signatory Airlines that lease gates at the Airport, use gates or parking positions managed by the City, use cargo facilities, or use common use international or commuter gates in Concourse A: AeroMéxico, Air Canada, Air Wisconsin Airlines, British Airways, Cayman Airways, Compass Airlines, Copa Airlines, Denver Air Connection, Edelweiss, Envoy Air, ExpressJet, GoJet Airlines, Icelandair, Jazz Aviation, JetBlue Airways Corporation, Lufthansa, Norwegian Air Shuttle ASA Limited, Norwegian Air UK LTD., Republic Airlines, Sky Regional Airlines, Inc., SkyWest Airlines, Sky Regional Airlines, Trans States Airlines, Volaris, and WestJet. See “AVIATION ACTIVITY AND AIRLINES—Airlines Serving the Airport.”

All Use and Lease Agreements with passenger Signatory Airlines expire on December 31, 2020 (with the exception of United and Southwest, each of which expires in 2035). For the Use and Lease Agreements expiring December 31, 2020, the City expects new Use and Lease Agreements with business provisions that would result in similar Airport financial performance as provided for under the current Use and Lease Agreements to be in place on January 1, 2021 and have a one-year term through December 31, 2021, with two one-year extension options (available only to the City).

In the passenger airline Use and Lease Agreements (1) each passenger Signatory Airline and the City agree to a compensatory methodology for establishing terminal rental rates and a cost center residual methodology for establishing landing fees, (2) each Signatory Airline acknowledges that the rate base for rentals, fees and charges must generate Gross Revenues that, together with Other Available Funds (consisting of transfers from the Capital Fund), are sufficient to satisfy the Senior Rate Maintenance Covenant, and agrees to pay such rentals, rates, fees and charges, (3) the City is permitted from time to time to amend the rate-making system with the written consent of a majority of the Signatory Airlines represented by (a) a numerical majority and (b) a majority in terms of rentals, rates, fees and charges paid in the preceding Fiscal Year, and (4) the City is also permitted to adjust rates and charges at the beginning of each Fiscal Year and during each Fiscal Year after mid-year review and consultation with the Signatory Airlines. In all passenger airline Use and Lease Agreements executed since 2005, the provisions thereof dealing with utilization of preferential gates have been modified in order to provide for a more efficient utilization of these gates.

As described above, the City is permitted to adjust rates and charges at the beginning of and during each Fiscal Year. For adjustments at the beginning of each Fiscal Year, not later than 45 days prior to the end of the prior Fiscal Year, the City is required to furnish the Signatory Airlines with projections of the rentals, rates, fees and charges for the ensuing Fiscal Year for each cost center of the Airport and of each Signatory Airline’s cost per enplaned passenger for the ensuing Fiscal Year. Not later than 30 days prior to the end of each Fiscal Year, the City and the Signatory Airlines are required to consult and review the projections of rentals, rates, fees and charges for the next ensuing Fiscal Year. For adjustments during a Fiscal Year, the City is required to furnish the Signatory Airlines in August (for United) or no later than September 1 of such Fiscal Year with a projection of rentals, rates, fees and charges (the “**Mid-Year Projection**”), which is required to reflect the most recently available information regarding current aircraft operations and enplaned passengers, as well as expenses actually incurred and revenues realized to date during such Fiscal Year. The City is also required to provide (i) a pro forma projection of revenues and expenses for the current Fiscal Year to each Signatory Airline and (ii) a projection of cost per enplaned revenue passenger to United. With respect to United, within 15 days of providing such projections, the City is required to convene a meeting with United to consult and review the Mid-Year Projection and any adjustments to the monthly rentals, rates, fees and charges for the Fiscal Year. With respect to the other Signatory Airlines, the City is required to convene a meeting with the

Signatory Airlines to consult and review the Mid-Year Projection and any adjustments to the monthly rentals, rates, fees and charges for the Fiscal Year.

The cost per enplaned passenger for all airlines at the Airport for each of the years 2015 through 2019 is set forth in the following table.

**Table 7**  
**Cost per Enplaned Passenger**

<u>Year</u>	<u>Cost Per Enplaned Passenger</u>	<u>Percent Change</u>
2015	11.82	(3.3) <sup>1</sup>
2016	10.92	(7.6)
2017	10.69	(2.1)
2018	10.56	(2.1)
2019	10.33	(2.2)

<sup>1</sup> Compared to the cost per enplaned passenger of \$12.22 in 2014.

Source: Department of Aviation management records.

Pursuant to the Use and Lease Agreements, for Fiscal Years 2006 and thereafter, 50% of Net Revenues remaining after payment of debt service and fund deposit requirements, with an annual maximum of \$40 million, is required to be credited to the Airline Revenue Credit Account of the Capital Fund to be applied as a credit against Signatory Airline rentals, fees and charges in the following Fiscal Year, with the balance to be credited to the Capital Improvement Account of the Capital Fund to be used for any lawful Airport purpose.

The City may terminate a Use and Lease Agreement after a 15-day (in the case of payment defaults) or 30-day notice and cure period, as applicable, in the event that the airline either (1) fails to pay the rentals, rates, fees, charges or other money payments that it has agreed to pay pursuant to the Use and Lease Agreement, (2) uses its leased property at the Airport for any purpose not authorized by the Use and Lease Agreement or permits the use thereof in violation of any law, rule, or regulation to which the Signatory Airline has agreed to conform, (3) sublets its leased property at the Airport other than as permitted by the Use and Lease Agreement, (4) becomes subject to certain insolvency events, or (5) fails to comply with certain federal regulations in connection with the use of its leased property at the Airport. In addition, for Signatory Airlines other than United, the City may terminate the Use and Lease Agreement if any of the Signatory Airline's directors or officers assigned to or responsible for operations at the Airport shall be or have been convicted of any crime which is a disqualifying offense under federal statutes governing issuance of airport security badges.

An airline may terminate the Use and Lease Agreement after a 30-day notice and cure period, whether or not Senior Bonds, Subordinate Bonds or other obligations of the City or the Department are outstanding, in the event that: (1) its governmental authorization to operate aircraft in or out of the Airport is withdrawn, so long as (a) it did not request such withdrawal, (b) the City has been given the opportunity to appear before the appropriate governmental entity prior to such withdrawal, or (c) the airline has given the City reasonable advance notice of the possible occurrence of such withdrawal; (2) a court of competent jurisdiction issues an injunction against the City preventing the operation of the Airport and such injunction remains in effect for 90 days or more and is not stayed; or (3) the operation of the Airport is substantially restricted by reason of governmental action or casualty (not caused by the

airline) and such restriction remains in effect for 90 days or more. Additionally, in the case of United, United may also terminate its Use and Lease Agreement if (1) the City fails to observe or perform any material covenant in the United Use and Lease Agreement or (2) United's cost per enplaned revenue passenger for any Fiscal Year exceeds an average of \$20 in 1990 dollars (which is approximately \$44.16 in 2019 dollars), which cost threshold has not been reached in the past and is not expected to be reached during the term of the United Use and Lease Agreement.

Upon the expiration or termination of a Use and Lease Agreement, an airline agrees to surrender the leased premises and the City has the right to possession of such premises with or without process of law. Holding over by an Airline following the expiration of the term of a Use and Lease Agreement or any extension thereof, without an express agreement as to such holding over, is deemed to be a periodic tenancy on a month-to-month basis. In such case, an Airline is subject to all the terms and conditions of the Use and Lease Agreement. Rent, fees, and charges for each month of such holding over is required to be paid by the airline to the City as provided in the Use and Lease Agreement and in a sum equal to the monthly rental required for the month prior to the end of the term of such agreement or as reestablished as provided for therein.

**United Use and Lease Agreement.** United leases gates under a Use and Lease Agreement originally entered into in January 1992 (as previously defined, the "**United Use and Lease Agreement**") with substantially the same terms as the other passenger airlines Use and Lease Agreements described in "*Generally*" above. Under the United Use and Lease Agreement, United agreed to lease, on a preferential use basis, Concourse B, and, on an exclusive use basis, certain ticket counters and other areas in the terminal complex of the Airport, all through February 2035. United currently leases 51 full-service contact gates and six ground loading positions on Concourse B, as well as nine ground loading positions on Concourse A. The United Use and Lease Agreement has been amended multiple times, with certain amendments further described below. See also "AVIATION ACTIVITY AND AIRLINES—Airline Information—*The United Group*."

United discontinued use of the automated baggage system at the Airport in September 2005 and reverted to the traditional tug and cart system. Consequently, the City has taken steps to mitigate automated baggage system costs over time. Pursuant to the 2005-2 Amendatory Lease Agreement dated January 11, 2006 (the "**2005-2 Amendment**"), the City agreed to a reduction in United's rates and charges associated with the automated baggage system of \$4.9 million in 2006, \$8.5 million in 2007 and \$11.0 million annually in 2008 through the end of the lease term. This reduction was subordinate to the City's agreement to reduce all airline rates and charges by \$4 million per year from 2004 through 2010. Such reductions may be decreased or cancelled pursuant to the terms of the 2005-2 Amendment.

Pursuant to the 2006 Amendatory Lease Agreement dated July 6, 2006 (the "**2006 Amendment**"), the City agreed to further mitigate United's baggage system charges by defeasing certain outstanding Airport System revenue bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed \$10 million per year, using available Capital Fund moneys and other legally available Airport funds. That bond defeasance has been completed, although the rates and charges cost reductions may cease or be reduced and subsequently reinstated under certain circumstances set forth in the United Use and Lease Agreement as so amended.

Pursuant to the 2012 Lease Amendment (the "**2012 Amendment**"), the City and United further amended the United Use and Lease Agreement to provide conditional rent relief related to the unused and nonoperational automated baggage system space. The 2012 Amendment became effective in July 2012 when the City completed certain conditions precedent, including (1) removing or reclassifying unused and nonoperational baggage system space from United's leasehold premises on Concourse B, (2) using Airport non-PFC discretionary funds to defease bonds associated with the released space, and (3) using

amounts equivalent to approximately 75% of the revenues generated from the \$1.50 portion of the PFCs to pay existing PFC-approved debt service in the Terminal Complex.

The 2014 Lease Amendment dated September 19, 2014 (the “**2014 Amendment**”) extended the term of the United Use and Lease Agreement to February 28, 2035. The 2014 Amendment also made changes to United’s right to reduce its demised premises under the United Use and Lease Agreement. In addition, United agreed to maintain a minimum level of 9.1% of global United Available Seat Miles (“**ASMs**”) subject to the calculations described in the 2014 Amendment. If United fails to meet those ASMs requirements, United is not in default of the United Use and Lease Agreement. However, in the event of such failure, United is required to make certain financial assurance payments to the City, subject to a cap of \$20 million per year in 2015-2018, \$15 million per year in 2019-2021, and \$12 million per year in 2022-2025. United has met the ASMs requirement every year since the 2014 Amendment.

Pursuant to the 2015 Lease Amendment effective as of January 1, 2016, the City and United amended the United Use and Lease Agreement to further modify United’s right to reduce its demised premises.

The 2020 Lease Amendment, dated February 14, 2020 (the “**2020 Amendment**”), adds the gates and support space currently under construction in the Concourse B West, Concourse B East and Concourse A West gate expansion projects. A total of 11 new gates on Concourse B (four of which are expected to be operational at the end of 2020 and seven of which are expected to be operational at the end of 2021) and 12 new gates on Concourse A (all of which are expected to be operational at the end of 2021) will be leased on a preferential use basis and support space will be leased on an exclusive use basis. Pursuant to the 2020 Amendment, United’s utilization of the Concourse A gates will be subject to the same utilization requirements as applicable to all other carriers operating on preferentially leased gates. United will also lease space in Concourse A to construct a United Club, expected to be operational by the fourth quarter of 2021, will lease 50,000 sq. ft. of support space on Concourse A by the fourth quarter of 2021, and will be responsible for the build-out of such support space.

***Southwest Use and Lease Agreement.*** Southwest leases gates under a new Use and Lease Agreement entered into on March 20, 2020 (as previously defined, the “**Southwest Use and Lease Agreement**”) with substantially the same terms as the other passenger airlines Use and Lease Agreements described in “*Generally*” above, but expanding the preferential gate capacity for Southwest in Concourse C. Under the Southwest Use and Lease Agreement, Southwest agreed to lease, on a preferential use basis, certain gates, holdrooms, and mezzanine, apron and other areas on Concourse C and areas in the terminal complex of the Airport, and, on an exclusive use basis, certain Southwest offices and other areas in the terminal complex of the Airport, all through February 2035. Southwest currently leases 25 full-service contact gates on Concourse C. The Southwest Use and Lease Agreement contains a provision in which the City and Southwest agree that the Southwest Use and Lease Agreement will terminate at such time as the City completes negotiations for a new Use and Lease Agreement to govern the use and leasing of facilities at the Airport by passenger air carriers (as previously defined, a “**New Use and Lease Agreement**”), and simultaneously with the termination of the Southwest Use and Lease Agreement, the City and Southwest will enter into a new Southwest Use and Lease Agreement on the same business terms as the New Use and Lease Agreements, provided the new Southwest Use and Lease Agreement will have a term ending no earlier than February 28, 2035 and will continue to provide Southwest preferential rights to the existing 25 Southwest gates, plus additional gates upon the completion of the Concourse C expansion project for a total of 40 gates, and certain other Airport facilities as provided in the current Southwest Use and Lease Agreement.

## **Cargo Operations Leases**

The City has executed Use and Lease Agreements with the following all-cargo airlines, which also constitute Signatory Airlines: Air Transport International, Inc., ABX Air Inc., Atlas Air/Amazon Prime, Bemidji Aviation Services, Inc., DHL Express (USA), Inc., FedEx Corporation, Key Lime Air Corporation, Southern Air and United Parcel Service. Alpine Air Express, Inc., Ameriflight and Kalitta Air, LLC also provide cargo airline services at the Airport, but are not Signatory Airlines. Air General and Swissport Cargo Services lease space in a cargo building and provide only cargo handling services. The City also has executed a ground lease with the U.S. Postal Service for its sorting and distribution facilities at the Airport. See also “AVIATION ACTIVITY AND AIRLINES—Airlines Serving the Airport” above.

There are currently at least two other airports in the Denver metropolitan area that are physically capable of handling the same types of aircraft utilized by carriers that conduct cargo operations at the Airport. To the extent that any such carriers elect to discontinue operations at the Airport in favor of an alternative local site, Net Revenues would not be materially adversely affected. The Airport receives revenue from cargo carriers only from landing fees and space rentals, which historically have constituted less than 3% of Gross Revenues.

## **Other Building and Ground Leases**

The City has entered into a Use and Lease Agreement with Continental (now a subsidiary of United) with respect to certain support facilities originally built for Continental’s then-planned hubbing operation at the Airport (portions of which are being subleased by Continental to other users) and special facilities leases and ground lease agreements with United and each of the rental car companies currently operating at the Airport with respect to their respective facilities at the Airport. In 2014, the City negotiated with United for an early termination of a Continental Special Facilities and Ground Lease to take possession of the former Continental hangar. This hangar and the 58.6 acre site were immediately leased to Frontier through May 2029.

In August 2020, the City, acting for and on behalf of the Department, and Southwest entered into a hangar lease agreement, pursuant to which the City leased an approximately 24.7-acre site to Southwest for purposes of constructing and operating an aircraft maintenance hangar and related buildings, improvements, fixtures, and equipment. In addition, Southwest agreed to construct, at their expense, a taxiway connections to the hangar on the leased site. The hangar lease agreement has a term of 32 years, subject to early termination upon occurrence of certain events or upon expiration of the Use and Lease Agreement with Southwest.

On March 1, 2015, after the expiration of the Special Facilities Lease with LSG Sky Chefs, the north campus flight kitchen was leased to Southwest through February 2023. On June 30, 2018, the leases with Continental for an additional flight kitchen, cargo building, as well as a ground support equipment maintenance building expired, and the facilities were leased to LSG Sky Chefs through May 31, 2021, Swissport through August 31, 2022, and United Airlines, Southwest Airlines, and SkyWest Airlines through August 31, 2024. In addition, in 1995, the City leased a 12.4-acre site for 30 years to Signature Flight Support (formerly AMR Combs), which has financed and constructed general aviation facilities on the site. See also “DENVER INTERNATIONAL AIRPORT—Other Facilities,” “FINANCIAL INFORMATION—Outstanding Senior Bonds; and—Special Facilities Bonds.”

## **Effect of Bankruptcy on Airline Agreements and Other Obligations**

For a discussion of the effect of airline bankruptcies on agreements with, and certain other financial obligations to, the City in connection with the Airport, see “CERTAIN INVESTMENT CONSIDERATIONS—Risk of Airline Bankruptcies.”

### **Systems Leases**

Certain systems at the Airport, including fueling, are being operated by the airlines. The City has leased the hydrant fueling system to certain of the airlines and cargo carriers, who have contracted with Aircraft Service International, Inc. to operate that system.

### **Other Agreements**

The City has also entered into various agreements in addition to those described above that generate a significant portion of Gross Revenues. The following is a brief description of some of these additional agreements. The revenues received from the following agreements constitute only a portion of the concession, parking, rental car, and hotel revenue set forth in “FINANCIAL INFORMATION—Historical Financial Operations.” See also “IMPACT OF COVID-19 ON THE AIRPORT -

***Concessions, Advertising, and Other Services.*** Concessions, advertising, and other services are provided in the terminal complex and areas adjacent to Pena Boulevard by concessionaires and nonairline tenants under agreements with the City that provide for the payment to the City of the greater of a minimum annual guarantee, that was set by the City to recover the cost of the space occupied by nonairline tenants, or a percentage of gross revenues. The concession agreements also contain a reestablishment clause allowing the City to adjust rents within certain parameters if necessary to satisfy any Rate Maintenance Covenant.

Revenues from concessions, advertising, and other services constituted approximately 10% of Airport operating revenues in 2018, approximately 10% of Airport operating revenues in 2019, approximately 9% of Gross Revenues in 2018 and approximately 8% of Gross Revenues in 2019. Additionally, in 2019, approximately 8% of total concession revenues of the Airport were generated from the food, beverage and retail concessions located in Jeppesen Terminal, which concession revenues will all go to the City since the termination of the Great Hall Agreement. See “DENVER INTERNATIONAL AIRPORT – Great Hall Project Developments” and “CAPITAL PROGRAM—Major Projects in the 2018-2022 Capital Program—*Jeppesen Terminal*.” The Airport does not have one or two “master concessionaires” under contract who, in turn, sublease the concessions to others. Since its opening in 1995, the Airport’s program has emphasized direct contracting with individual concessionaires, providing opportunities for small businesses, greater competition, more choices for consumers and more revenue to the Airport.

***Public Parking.*** Public automobile parking at the Airport is accommodated in parking structures, economy lots adjacent to the terminal, a remote shuttle parking lot and an overflow shuttle lot. The City has agreements with private contractors to manage these public parking facilities at the Airport, and also a concession agreement with a company operating a private parking lot on Airport property with approximately 1,500 spaces. Public parking revenues constituted approximately 21% of Airport operating revenues in 2018 and 23% in 2019 and approximately 20% of Gross Revenues in 2018 and 18% in 2019. The City periodically increases parking rates in an effort to optimize revenue from public parking facilities at the Airport, and most recently adjusted the parking rates in September 2019 to reflect an increase of \$3.00 per day in the garages and \$1.00 per day in the long-term surface lots.

**Rental Cars.** The City has concession agreements with [eleven] rental car companies, which collectively contain twelve brands, to provide service at the Airport. Under the concession agreements, which expire on December 31, 2020, each company pays to the City the greater of a minimum annual guarantee or a percentage of annual gross revenues. Rental car revenues constituted approximately 9% of Airport operating revenues in each of 2018 and 2019, and approximately 8% of Gross Revenues in 2018 and 7% in 2019. The rental car concession agreements will be on holdover after December 31, 2020, with month-to-month terms and with the City’s expectation that the agreements will be extended, rebid or renegotiated with terms and conditions that would produce similar or higher revenues for the City. There can be no assurances that revenues received pursuant to new rental car concession agreements will continue to be pledged as Net Revenues in the future.

**Ground Transportation Services.** The City charges operators of all commercial ground transportation vehicles operating at the Airport based on the frequency and duration of their use of the Jeppesen Terminal roadways and curbside. Commercial vehicle operators include buses, limousines, shuttles, hotel/motel courtesy vans, off-Airport rental car vans, off-Airport parking vans, taxicab operators, and transportation network companies (“TNCs”), such as Uber and Lyft. Prior to COVID-19, the number of trips of commercial vehicle operators at the Airport had grown, due in part to the addition of TNCs servicing the Airport beginning in 2014. Ground transportation services revenues constituted approximately 2% of Airport operating revenues and approximately 1-2% of Gross Revenues in each of 2018 and 2019.

**Airport Hotel.** The Airport Hotel is a full-service hotel consisting of 519 rooms. All of the annual revenues, operating expenses, and Debt Service Requirements associated with the Airport Hotel are the responsibility of the City. Under the HMA between the City and Westin, which expires in 2030, all Airport Hotel revenues remaining after payment of operations and maintenance expenses as set forth in the HMA and CMA, are required to be transferred to the Revenue Fund each month in accordance with provisions of the Senior Bond Ordinance and the Hotel Ordinance. Airport Hotel revenues represented approximately 7% of Airport operating revenues in 2018 and approximately 7% of Airport operating revenues in 2019. See “DENVER INTERNATIONAL AIRPORT—Hotel and Transit Center—*The Airport Hotel*”.

**Other.** Other nonairline revenues include employee parking fees and storage area and building and terminal space (such as customer service counters) rentals by nonairline tenants at the Airport.

## **FINANCIAL INFORMATION**

### **Historical Financial Operations**

The following table sets forth comparative operating results of the Airport System for Fiscal Years 2015 through 2019 and for the first six months of 2019 and 2020. See also “APPENDIX E—ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2019 AND 2018” and “— Management’s Discussion and Analysis of Financial Performance” below.

[Remainder of Page Intentionally Left Blank]

**Table 8**  
**City and County of Denver Airport System**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
(Amounts in thousands. Totals may not add due to rounding.)

	Fiscal Year Ended December 31 <sup>1</sup>					Six months Ended June 30 (unaudited)	
	2015 <sup>3</sup>	2016 <sup>3</sup>	2017 <sup>3</sup>	2018 <sup>3</sup>	2019 <sup>3</sup>	2019	2020
Operating Revenues:							
Facility Rentals	\$194,004	\$198,407	\$180,443	\$196,065	\$210,836	\$109,975	\$134,325
Concession income	59,677	67,408	68,269	83,297	85,703	42,197	22,797
Parking income	178,478	176,949	176,006	189,890	203,502	96,159	47,986
Car rentals	65,309	66,727	71,806	72,621	80,348	38,816	22,874
Landing fees	147,379	150,850	171,708	161,981	175,636	86,150	59,305
Aviation fuel tax	19,458	18,892	25,993	25,039	25,464	12,417	4,895
Hotel	3,205 <sup>4</sup>	43,262	47,412	53,304	62,088	30,054	15,116
Ground Transportation <sup>2</sup>	9,669	10,594	12,449	17,313	19,997	8,832	4,990
Other sales and charges	10,357	9,440	14,839	8,850	4,219	2,223	3,093
<b>Total operating revenues</b>	<b>687,536</b>	<b>742,529</b>	<b>768,925</b>	<b>808,360</b>	<b>867,793</b>	<b>426,823</b>	<b>315,381</b>
Operating Expenses:							
Personnel services	148,518	165,114	163,808	173,979	194,317	87,904	86,779
Contractual services	197,459	212,699	223,844	227,918	241,264	117,118	104,983
Repair and maintenance projects	55,358	37,514	14,071	19,423	32,296	3,953	10,933
Maintenance, supplies and materials	32,911	27,547	24,452	24,378	28,649	11,458	10,410
Hotel	2,557 <sup>4</sup>	26,936	27,357	28,616	31,446	15,225	10,475
Legal/Claim reserve expense	--	--	--	--	56,000	--	--
Total operating expenses before depreciation, amortization and asset impairment	436,803	469,810	453,532	474,314	584,472	235,658	223,580
Operating income before depreciation, amortization and asset impairment	250,733	272,719	315,393	334,046	283,321	191,165	91,801
Depreciation and amortization	163,714	179,692	183,351	193,009	203,321	97,604	102,548
Operating income	87,019	93,027	132,042	141,037	80,000	93,561	(10,747)
Nonoperating revenues (expenses)							
Passenger facility charges <sup>5</sup>	106,006	114,230	118,333	123,907	132,484	62,579	30,565
Customer Facility Fees	18,598	19,884	19,492	20,019	21,525	9,802	4,903
Investment income	40,648	39,274	46,779	73,802	171,096	50,211	38,510
Interest expense	(169,413)	(156,481)	(188,152)	(214,799)	(270,394)	(136,809)	(124,916)
Grants	622	686	873	--	--	--	--
Other revenue (expense) <sup>6</sup>	12,645	(5,485)	4,286	(6,716)	(1,539)	1,155	114
Net nonoperating revenues (expenses)	9,106	12,108	1,611	(3,787)	53,172	(13,062)	(50,824)
Change in net assets before capital contributions	96,125	105,135	133,653	137,250	133,172	80,499	(61,571)
Capital grants <sup>7</sup>	20,483	3,553	55,879	26,730	15,301	546	131,407
Special Item <sup>8</sup>	--	--	--	--	(65,793)	--	--
<b>Change in net assets</b>	<b>\$116,608</b>	<b>\$108,688</b>	<b>\$189,532</b>	<b>\$163,980</b>	<b>\$82,680</b>	<b>\$81,045</b>	<b>\$69,836</b>

[Footnotes on next page]



- <sup>1</sup> See “— Management’s Discussion and Analysis of Financial Performance” below.
- <sup>2</sup> Year to year revenue increases are driven primarily by increased use by travelers of TNCs. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Other Agreements—*Ground Transportation Services*.”
- <sup>3</sup> 2015, 2016, 2017, 2018 and 2019 include a change in accounting principle due to the adoption of GASB 68.
- <sup>4</sup> Reflects a partial year of Airport Hotel operation. The Airport Hotel opened in November 2015.
- <sup>5</sup> These amounts constitute revenues derived from the entire \$4.50 PFC net of the PFC collection fees retained by the airlines. During this period, all PFC revenues have been allocated to the payment of debt service related to the automated baggage system and the original cost of the Airport. See “— Passenger Facility Charges” below.
- <sup>6</sup> Includes expenses incurred since February 1995 to maintain and preserve the Stapleton airport site (“**Stapleton**”).
- <sup>7</sup> These amounts constitute amounts received from FAA grants, including \$128.9 million in Stimulus Funds received as of June 30, 2020.
- <sup>8</sup> GASB issued pronouncement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments (GASB 34). GASB 34 defines Special Item as transactions or other events within the control of management that are significant and either unusual in nature or infrequent in occurrence. On August 12, 2019, the City, for and on behalf of the Airport, exercised its right to terminate the Great Hall Agreement for convenience, with an effective termination date of November 12, 2019. A portion of the cost associated with the termination payments were determined not to be capitalizable costs.

Sources: Audited financial statements of the Airport System for Fiscal Years 2015-2019, Department of Aviation for unaudited figures for six months ended June 30, 2019 and June 30, 2020 and Department of Aviation management records.

## Management’s Discussion and Analysis of Financial Performance

The following is a discussion and analysis by Airport management of the financial performance of the Airport System for Fiscal Years 2015 through 2019 as well as six months ended on June 30, 2020 and June 30, 2019. All figures presented below are approximate unless otherwise stated.

***Six Months Ended June 30, 2020 vs. Six Months Ended June 30, 2019.*** Operating revenues at the Airport totaled \$315.4 million, a decrease of \$111.4 million, or 26.1%, for the six-month period ended June 30, 2020, as compared to the six-month period ended June 30, 2019. Airline revenue totaled \$193.6 million, a decrease of \$2.5 million, or 1.3%, that was driven by a decrease in landing fees as a result of reduced airline operations, which were directly impacted by COVID-19, partially offset by an increase in facility rentals attributable to increases in debt service and budgeted operating expenses. Non-airline revenue totaled \$121.8 million, a decrease of \$108.9 million, or 47.2%, due to a 51.3% decrease in overall passengers as a result of COVID-19. Non-airline revenue represented 38.6% of total operating revenue during the six month period ending June 30, 2020.

Operating expenses, exclusive of depreciation and amortization, totaled \$223.6 million for the six-month period ended June 30, 2020, a decrease of \$12.1 million, or 5.1%, as compared to the six-month period ended June 30, 2019. The decrease compared to the prior year was primarily driven by reductions in non-essential contractual services and reduced hotel expenses as a result of cost savings measures implemented due to reduced passenger traffic from COVID-19.

Total non-operating revenues decreased by \$49.3 million, or 39.7%, primarily due to a decrease in Passenger Facility Charges, Customer Facility Charges, and investment income.

Total non-operating expenses decreased \$11.6 million, or 8.4%, primarily due to a decrease in interest expense associated with the Airport’s overall debt portfolio.

In 2020 and 2019, capital grants totaled \$131.4 million and \$0.5 million, respectively. The 2020 capital grants included \$129.8 million in Stimulus Funds under the CARES Act.

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for the first six months of 2020 compared to the same period in 2019 is

included as part of the financial statements of the Airport System appearing as “APPENDIX F—UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM FOR SIX MONTHS ENDED JUNE 30, 2020 AND 2019.”

**2019 vs. 2018.** Operating revenue at the Airport totaled \$867.8 million, an increase of \$59.4 million, or 7.4%, for the year ended December 31, 2019, as compared to year ended December 31, 2018. Facility rentals increased by \$14.8 million in 2019 compared to 2018, and landing fees increased by \$13.7 million, or 8.4%. Additional drivers of incremental revenue increases included parking revenue due to a rate increase effective in September, 2019, as well as concession revenue, due to increases in passenger volumes and advertising revenues.

Operating expenses, exclusive of depreciation and amortization, totaled \$584.5 million for the year ended December 31, 2019, an increase of \$110.2 million, or 23.2%, as compared to the year ended December 31, 2018. The increase compared to the prior year was primarily driven by personnel increases and a legal/claim reserve expense due to the Adams County noise violation litigation. See “LITIGATION—Current Litigation Relating to the Adams County IGA.”

Total non-operating revenues, net of non-operating expenses, increased by \$57.0 million in 2019. The issuance of the Series 2018 Subordinate Bonds was the primary driver of an increase in investment income of \$97.3 million, as well as an offsetting interest expense of \$55.6 million.

In 2019 and 2018, capital grants totaled \$15.3 million and \$26.7 million, respectively. The 2018 capital grants included TSA grant funding for a capital project to improve the throughput of the checked baggage handling system. The 2019 capital grants included pavement rehabilitation on the airfield as well as infrastructure grants.

A more detailed discussion and analysis by Airport management of the financial performance and activity of the Airport System for 2019 compared to 2018 is included as part of the financial statements of the Airport System appearing as “APPENDIX E—ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2019 AND 2018.”

**2018 vs. 2017.** Operating revenue at the Airport totaled \$808.4 million, an increase of \$39.4 million, or 5.1%, for the year ended December 31, 2018, as compared to year ended December 31, 2017. Facility rentals increased by \$15.6 million in 2018 compared to 2017, but were partially offset by a reduction in landing fees of \$9.7 million. Additional drivers of incremental revenue increases included parking revenue due to a rate increase effective in February, 2018, as well as concession revenue, due to increases in passenger volumes and advertising revenues.

Operating expenses, exclusive of depreciation and amortization, totaled \$474.3 million for the year ended December 31, 2018, an increase of \$20.8 million, or 4.6%, as compared to the year ended December 31, 2017. The increase compared to the prior year was primarily driven by increases in contractual services and repair and maintenance projects.

Total non-operating revenues, net of non-operating expenses, decreased by \$5.4 million in 2018. The issuance of the Series 2018 Subordinate Bonds was the primary driver of an increase in investment income of \$27.0 million, as well as an offsetting interest expense of \$26.6 million. The decrease over the prior year was also driven by expenses related to the environmental remediation of Stapleton property, as well as the disposition of assets which have been replaced, or are no longer in service.

In 2018 and 2017, capital grants totaled \$26.7 million and \$55.9 million, respectively. The decrease in 2018 from 2017 was driven by TSA grant funding for a capital project to improve the

throughput of the checked baggage handling system. The majority of this capital contribution was based on costs incurred in 2017.

**2017 vs. 2016.** Operating revenues at the Airport were \$768.9 million, an increase of \$26.3 million, or 3.6%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase in revenue was driven by an increase in landing fee revenue, partially offset by a decline in facility rentals. In addition, incremental increases in operating revenues were primarily driven by an increase in passenger volume.

Operating expenses, exclusive of depreciation and amortization, were \$453.5 million for the year ended December 31, 2017, a decrease of \$16.3 million, or 3.5%, as compared to the year ended December 31, 2016. The decrease over the prior year was driven by a reduction in repair and maintenance projects as well as a decrease in personnel expenses due to increased vacancy rates and a reduction in snow personnel spend. The decrease was partially offset by an increase in contractual services.

Total non-operating revenues, net of non-operating expenses, decreased by \$13.2 million, or 109.0%, in 2017. This is primarily due to the reduction in capitalized interest in 2017, as well as losses in investment accounts.

In 2017 and 2016, capital grants totaled \$55.9 million and \$3.6 million, respectively. The increase in 2017 was driven by TSA grant funding for a capital project to improve the throughput of the checked baggage handling system, as well as FAA grant funding to maintain and rehabilitate runways and taxiways.

**2016 vs. 2015.** Operating revenues at the Airport were \$742.5 million for the year ended December 31, 2016, an increase of \$55.0 million (8.0%), as compared to the year ended December 31, 2015. The increase in revenue was primarily driven by Airport Hotel revenues due to the Airport Hotel being fully operational for two months in 2015 (compared to a full year in 2016), and increases in concessions revenues due to the opening of new locations and an increase in enplaned passengers. Airport Hotel revenue for the year ended December 31, 2016, the Airport Hotel's first full year of operation, was \$43.2 million.

Operating expenses, exclusive of depreciation and amortization, were \$469.8 million for the year ended December 31, 2016, an increase of \$33.0 million, or 7.6%, as compared to year ended December 31, 2015. Personnel services increased \$16.6 million, or 11.2%, in 2016, primarily due to a \$14.5 million pension expense as measured under GASB 68, as well as increases in annual salaries and benefits. Contractual services increased by \$15.2 million, or 7.7%, due to an increase in snow removal expenses during the first two quarters of 2016 compared to the first two quarters of 2015, as well as an increase in professional services throughout the year. Repair and maintenance decreased by (\$17.8) million, or (32.2%), primarily due to variances in project scope when compared to prior year. Maintenance, Supplies and Materials decreased by (\$5.4) million, or (16.3%), due to decreased spend on computer equipment and less snow-removal chemicals used during the 2016 fiscal year.

Hotel expenses between 2016 and 2015 increased \$24.4 million due to the hotel being fully operational for 2016. The 2016 hotel expenses were \$26.9 million.

Total non-operating revenues, net of non-operating expenses, increased by \$3.0 million, or 33.0%, in 2016. This is primarily due to the proceeds from the sale of Stapleton land, as well as changes in the fair value of swap derivatives.

In 2016 and 2015, capital grants totaled \$3.6 million and \$20.5 million, respectively.

## **Pension Plan**

The Airport provides its employees with pension benefits through the Denver Employees Retirement Plan (“**DERP**”). DERP administers a cost-sharing multiple-employer defined benefit plan to eligible members. DERP is administered through the DERP Retirement Board in accordance with the City’s Revised Municipal Code and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the Plan’s assets. The Airport’s share of the City’s total contributions to DERP was \$11,937,286 for Fiscal Year 2019 and \$10,872,722 for Fiscal Year 2018. As of December 31, 2019 and 2018, the Airport reported a liability of \$191,994,539 and \$140,679,374, respectively, for its proportionate share of the net pension liability related to DERP.

For additional information about DERP and the Airport’s pension liability, see Note 16 of the Airport’s audited financial statements in “APPENDIX E—ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2019 AND 2018.”

[Remainder of Page Intentionally Left Blank]

## Outstanding Senior Bonds

The following table sets forth principal amounts of the Senior Bonds that (i) are outstanding prior to the issuance of the Series 2020A-C Bonds; (ii) will be outstanding after the issuance of the Senior Bonds.

**Table 9**  
**Outstanding Senior Bonds**

	<u>Amount Prior to</u> <u>Series 2020A-C</u> <u>Bonds Issuance</u>	<u>Amount After</u> <u>Series 2020A-C</u> <u>Bonds Issuance</u>
Series 1992C Bonds <sup>1</sup>	\$ 40,080,000	
Series 1992F Bonds <sup>2,3,4</sup>	17,500,000	
Series 1992G Bonds <sup>2,3</sup>	14,500,000	
Series 2002C Bonds <sup>2,3,4</sup>	23,400,000	
Subseries 2007F1 Bonds <sup>2,4,5</sup>	35,300,000	
Subseries 2007F2 Bonds <sup>2,4,5</sup>	35,475,000	
Subseries 2007G1 Bonds <sup>2,3,4</sup>	54,500,000	
Subseries 2007G2 Bonds <sup>2,3,4</sup>	54,600,000	
Series 2008B Bonds <sup>2,3,4</sup>	45,600,000	
Subseries 2008C1 Bonds <sup>2,3,4</sup>	79,100,000	
Series 2009B Bonds	65,290,000	
Series 2009C Bonds <sup>2,3,4</sup>	87,355,000	
Series 2010A Bonds	134,005,000	
Series 2011A Bonds	137,990,000	
Series 2011B Bonds	9,010,000	
Series 2012A Bonds	260,620,000	
Series 2012B Bonds	487,360,000	
Series 2012C Bonds	30,285,000	
Series 2016A Bonds <sup>4</sup>	219,575,000	
Series 2017A Bonds	210,110,000	
Series 2017B Bonds	21,280,000	
Series 2019C Bonds	120,005,000	
Series 2019D Bonds	83,725,000	
Series 2020D Bonds <sup>6</sup>	--	
Total	\$ 2,266,665,000	

<sup>1</sup> In 1999, the City used the proceeds from certain federal grants to establish an escrow to economically defease \$40,080,000 of the Series 1992C Bonds. However, the defeasance did not satisfy all of the requirements of the Senior Bond Ordinance, and consequently such economically defeased Series 1992C Bonds are reflected as still being outstanding.

<sup>2</sup> These Senior Bonds bear interest at variable interest rates indexed to the SIFMA Index or one-month LIBOR.

<sup>3</sup> These Senior Bonds are owned by certain financial institutions as described in “—Credit Facility Obligations Related to Senior Bonds” below. The City’s repayment obligations to those financial institutions constitute Credit Facility Obligations under the Senior Bond Ordinance.

<sup>4</sup> [A portion of these Senior Bonds are associated with certain swap agreements discussed below and in Note 13 to the audited financial statements of the Airport System for Fiscal Year 2019 appended to this Official Statement as “Appendix D,” effectively converting the variable rate bonds to fixed rates and converting the fixed rate bonds to variable rates.]

<sup>5</sup> The Series 2007F1-F2 Bonds are currently in an auction rate mode.

<sup>6</sup> [[All/a portion] of the Series [\_\_\_\_] Bonds [in the principal amount of \$\_\_\_\_], [all/a portion] of the Series [\_\_\_\_] Bonds [in the principal amount of \$\_\_\_\_] and [all/a portion] of the Series [\_\_\_\_] Bonds in the principal amount of \$\_\_\_\_] are being refunded and redeemed in full with proceeds of the Series 2020D Subordinate Bonds. See “PLAN OF FINANCING—Purpose of the Series 2020A-D Bonds.”][**UPDATE**]

Sources: The Department of Aviation and the Municipal Advisor.

All or certain maturities of certain series of the Senior Bonds have been additionally secured by policies of municipal bond insurance. The related bond insurers have been granted certain rights under

the Senior Bond Ordinance with respect to the Senior Bonds so insured that are not granted to Owners of the Senior Bonds.

***Credit Facility Obligations Related to Senior Bonds.*** The following series of Senior Bonds were purchased by certain financial institutions pursuant to reimbursement agreements entered into with the City, for and on behalf of its Department of Aviation: Series 1992F, Series 1992G, Series 2002C, Series 2007G1-G2, Series 2008B, Series 2008C1, and Series 2009C. The reimbursement agreements constitute Credit Facilities as defined by the Senior Bond Ordinance and the City’s repayment obligation pursuant to such Credit Facilities constitute Credit Facility Obligations, as defined in the Senior Bond Ordinance, which have a lien on Net Revenues on a parity with the Senior Bonds and any other Senior Obligations issued under the Senior Bond Ordinance. Each of the reimbursement agreements include representations, covenants, and agreements in addition to those contained in the Senior Bond Ordinance. A breach of any of these covenants could result in a default under the related reimbursement agreement and the Senior Bond Ordinance. See “CERTAIN INVESTMENT CONSIDERATIONS —Additional Rights of Certain Owners of Senior Bonds and Subordinate Bonds.”

**Table 10**  
**Credit Facility Obligations Related to Senior Bonds**

<u>Senior Bonds</u>	<u>Outstanding Principal Amount</u>	<u>Current Interest Rate Mode</u>	<u>Final Maturity Date</u>	<u>Financial Institution</u>	<u>Last Day of the Initial Period<sup>1</sup></u>
Series 1992F	\$17,500,000	SIFMA Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	4/28/2023
Series 1992G	14,500,000	SIFMA Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	4/28/2023
Series 2002C	23,400,000	SIFMA Indexed Floating Rate	11/15/2031	Banc of America Preferred Funding Corporation	4/28/2023
Series 2007G1-G2	109,100,000	LIBOR Daily Floating Rate	11/15/2031	BMO Harris Investment Corp.	12/01/2023
Series 2008B	45,600,000	SIFMA Indexed Floating Rate	11/15/2031	Bank of America, N.A.	7/01/2023
Series 2008C1	79,100,000	LIBOR Daily Floating Rate	11/15/2031	Wells Fargo Bank, National Association	12/11/2020
Series 2009C	87,355,000	SIFMA Indexed Floating Rate	11/15/2031	Bank of America, N.A.	04/28/2023
Total	\$376,555,000				

<sup>1</sup>Indicates the end date of the initial period (or extension of initial period) during which the applicable financial institution has agreed to own the related Series of Senior Bonds at the index rate set forth in the related reimbursement agreement. Prior to the end of the initial period, the City may request the applicable financial institution to repurchase the related Series of Senior Bonds or provide liquidity or credit enhancement necessary to facilitate the conversion of such Series to a new interest rate mode. If the financial institution does not respond or rejects the City’s request in its sole discretion, the City will be required to repurchase or redeem such Series of Senior Bonds on the last day of the applicable initial period for a purchase price of 100% of the par amount plus accrued interest to such date.  
Source: The Department of Aviation and the Municipal Advisor.

### **Outstanding Subordinate Bonds**

The following table sets forth principal amounts of the Subordinate Bonds that (i) are currently outstanding and (ii) will be outstanding as of the date of issuance of the Series 2020D Subordinate Bonds.

**Table 11**  
**Outstanding Subordinate Bonds**

<u>Issue</u>	<u>Amount Prior to Series 2020D Subordinate Bonds Issuance</u>	<u>Amount After Series 2020D Subordinate Bonds Issuance</u>
Series 2013A Bonds	\$ 304,220,000	
Series 2013B Bonds	369,905,000	
Series 2015A Bonds <sup>1</sup>	131,855,000	
Series 2018A Bonds	2,338,220,000	
Series 2018B Bonds	184,130,000	
Series 2019A Bonds <sup>2</sup>	145,875,000	
Series 2019B Bonds <sup>2</sup>	16,550,000	
Total	\$ 3,490,755,000	

<sup>1</sup> The Series 2015A Bonds include a Credit Facility and Reimbursement Agreement with Bank of America, N.A.

<sup>2</sup> The Series 2019A-B Bonds include a Credit Facility and Reimbursement Agreement with State Street Public Lending Corporation.

As described below under “—Subordinate Obligations,” there are certain outstanding Subordinate Hedge Facility Obligations.

**Estimated Senior Bonds Debt Service Requirements and Subordinate Debt Service Requirements**

The following table sets forth the City’s current estimated Debt Service Requirements for the Senior Bonds (which were calculated taking into account the related outstanding Subordinate Hedge Facility Obligations) and the Subordinate Debt Service Requirements. For purposes of this table, Debt Service Requirements for series of Senior Bonds with respect to which there are related Subordinate Hedge Facility Obligations, were calculated using the related swap rates and assuming the swap cash flows occur on the same lien level with such Senior Bonds. As described in the footnotes to the table, certain assumptions were made by the City with respect to the interest rates on the Subordinate Hedge Facility Obligations. See “Subordinate Obligations—*Outstanding Subordinate Hedge Facility Obligations*” below.

[Remainder of Page Intentionally Left Blank]

**Table 12**  
**Estimated Senior Bonds Debt Service Requirements**  
**and Subordinate Debt Service Requirements**

<b>Fiscal Year Ending December 31</b>	<b>Outstanding Senior Bonds Debt Service Requirements *1, 2, 3, 4</b>	<b>Series 2020A-C Bonds Principal</b>	<b>Series 2020A-C Bonds Interest</b>	<b>Total Outstanding Senior Bond Debt Service Requirements</b>	<b>Outstanding Subordinate Bonds Debt Service Requirements *</b>	<b>Series 2020D Subordinate Bonds Principal</b>	<b>Series 2020D Subordinate Bonds Interest</b>	<b>Total Outstanding Subordinate Bonds Debt Service Requirements</b>	<b>Total Senior Bonds and Subordinate Bonds Debt Service Requirements 1, 2, 3, 4, 5</b>
2020									
2021									
2022									
2023									
2024									
2025									
2026									
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
2038									
2039									
2040									
2041									
2042									
2043									
2044									
2045									
2046									
2047									
2048									
<b>Total</b>	_____							_____	_____



\* Preliminary, subject to change.

<sup>1</sup> Excludes Debt Service Requirements for the economically defeased Senior Bonds which are Outstanding under the Senior Bond Ordinance [and economically defeased Subordinate Bonds which are Outstanding under the Subordinate Bond Ordinance] and includes related Subordinate Hedge Facility Obligations. See “— Outstanding Senior Bonds” above.

<sup>2</sup> Variable rate interest and interest rate swap payments are computed assuming one-month LIBOR equals 1.30%, three-month LIBOR equals 1.30%, and SIFMA equals 1.00%. Auction rate securities are assumed at 1.50%.

<sup>3</sup> Debt service excludes estimated Build America Bond subsidy payments from the United States Treasury.

<sup>4</sup> Includes debt service [all/a portion] on the Series [\_\_\_\_] Bonds, [all/a portion] on the Series [\_\_\_\_] Bonds and [all/a portion] on the Series [\_\_\_\_] Bonds, which are expected to be refunded by the Series 2020A-D Bonds.

<sup>5</sup> [Excludes interest payments funded with prior bond proceeds.]

Source: Municipal Advisor

## **Subordinate Obligations**

Subordinate Credit Facility Obligations, Subordinate Contract Obligations and Subordinate Hedge Facility Obligations have been and may also in the future be issued under the Subordinate Bond Ordinance. Such obligations are secured by a pledge of Net Revenues that is subordinate to the pledge of Net Revenues that secures the Senior Bonds and Senior Obligations.

Subordinate Contract Obligations and Subordinate Hedge Facility Obligations generally are comprised of contracts, agreements or obligations payable from all or a designated portion of Net Revenues on a basis subordinate to Senior Bonds and Senior Obligations and on a parity with Subordinate Bonds and other Subordinate Obligations, but do not include Subordinate Bonds, Subordinate Credit Facility Obligations, obligations that may be treated as Operation and Maintenance Expenses under U.S. generally accepted accounting principles, and obligations incurred and payable in full within a single Fiscal Year (whether or not such obligations may be treated as Operation and Maintenance Expenses). Subordinate Credit Facility Obligations generally comprise repayment or other obligations incurred by the City pursuant to a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Subordinate Credit Facility, and which obligations are payable from all or any designated portion of Net Revenues on a basis that is subordinate only to Senior Bonds and Senior Obligations and on a parity with Subordinate Bonds and other Subordinate Obligations.

[Remainder of Page Intentionally Left Blank]

**Outstanding Subordinate Hedge Facility Obligations.** Since 1998, the City has entered into various interest rate swap agreements constituting Subordinate Hedge Facility Obligations under the Senior Bond Ordinance and the Subordinate Bond Ordinance in respect of certain series of the outstanding Senior Bonds. Detailed information regarding the swap agreements is set forth in Note 12 (Swap Agreements) to the financial statements of the Airport System for Fiscal Year 2019 appended to this Official Statement. The following table is a summary of the interest rate swap agreements outstanding as of September 30, 2020 that are Subordinate Hedge Facility Obligations. See also “— Master Derivatives Policy” below and “APPENDIX E—ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2019 AND 2018.”

**Table 13  
Outstanding Subordinate Hedge Facility Obligations**

<u>Year of the Swap Agreement<sup>1</sup></u>	<u>Counterparty<sup>2</sup></u>	<u>Notional Amount (in million)</u>	<u>Termination Date</u>	<u>Payable Swap Rate</u>	<u>Receivable Swap Rate</u>	<u>Fair Value to the City as of 9/30/2020 (in millions)<sup>3</sup></u>
1999	Goldman Sachs Capital Markets, L.P.	68.61	11-01-2022	5.62%	SIFMA	\$
1999	Merrill Lynch Capital Services, Inc.	34.30	11-01-2022	5.55%	SIFMA	
2005	JP Morgan Chase Bank	39.64	11-15-2025	3.69%	70% 1M LIBOR	
2006A*	Societe Generale, New York Branch	33.17	11-15-2025	4.01%	70% 1M LIBOR	
2006B	JP Morgan Chase Bank	39.64	11-15-2025	SIFMA	4.09%	
2008A*	Royal Bank of Canada	66.33	11-15-2025	4.01%	70% 1M LIBOR	
2008B	Loop Financial Products	78.38	11-15-2025	4.76%	70% 3M LIBOR+0.1%	
2009A	Loop Financial Products	34.30	11-01-2022	5.62%	SIFMA	
		\$394.38				\$

\* Preliminary, subject to change. A portion of the [2008B] Swaps with [Loop Financial Products] may be terminated with proceeds of the Series 2020C Bonds.

<sup>1</sup> The year in which the swap agreement was entered does not relate to the associated series of Senior Bonds. See Note [12] (Swap Agreements) to the financial statements of the Airport System for Fiscal Year 2019 appended to this Official Statement for information relating to the associated series of Senior Bonds for each swap agreement.

<sup>2</sup> [Certain swaps may be terminated in connection with the refunding of the Refunded [2008C1] Bonds.]

<sup>3</sup> Reflects mid-market valuations, including accrued, but unpaid interest as provided to the City by BLX Group, the City’s swap monitoring service provider. Totals may not add due to rounding.

Source: The Department of Aviation and the Municipal Advisor.

**Subordinate Credit Facility Obligations.** Subordinate Credit Facility Obligations generally comprise repayment or other obligations incurred by the City pursuant to a credit agreement or similar instrument in respect of draws or other payments or disbursements made under a Subordinate Credit Facility, and which obligations are payable from all or any designated portion of the Net Revenues on a basis that is subordinate only to Senior Bonds and Senior Obligations and on a parity with Subordinate Bonds. In connection with a direct purchase of the 2015A Subordinate Bonds by Bank of America, N.A., the City, for and on behalf of the Department, has entered into a Subordinate Credit Facility with Bank of America, N.A. with respect to such bonds, and in connection with a direct purchase of the Series 2019A and Series 2019B Subordinate Bonds by State Street Public Lending Corporation, the City, for and on behalf of the Department, has entered into a Subordinate Credit Facility with State Street Public Lending Corporation with respect to such bonds. The City’s obligations to the financial institutions providing such Subordinate Credit Facilities constitute Subordinate Credit Facility Obligations under the Subordinate Bond Ordinance. Each of such Subordinate Credit Facilities include representations, covenants, and agreements in addition to those contained in the Subordinate Bond Ordinance. A breach of any of these representations, covenants and agreements could result in a default under the related Subordinate Bonds and the Subordinate Bond Ordinance. See “CERTAIN INVESTMENT CONSIDERATIONS —Additional Rights of Certain Owners of Senior Bonds and Subordinate Bonds.”

## **Junior Lien Bonds and Junior Lien Obligations**

The Subordinate Bond Ordinance permits the City, on its own behalf or for and on behalf of the Department, to issue bonds, notes, certificates, subordinate commercial paper or other securities, contracts or obligations relating to the Airport System, payable from Net Revenues, and having a lien thereon subordinate and junior to the lien thereon of the Subordinate Bonds and Subordinate Obligations.

As permitted under the Subordinate Bond Ordinance and in connection with the Airport Hotel, the City, for and on behalf of the Department, adopted Ordinance No. 15-0774, Series of 2015 (the “**Hotel Ordinance**”) to provide for the administration of the revenues of the Airport Hotel and the payment of costs and expenses related to the Airport Hotel. The Hotel Ordinance established a Hotel Operating Account (the “**Hotel Operating Account**”) within the Revenue Fund held under the Senior Bond Ordinance, which account is administered as provided in the CMA (as defined above under “DENVER INTERNATIONAL AIRPORT—Hotel and Transit Center—*The Airport Hotel*”). Pursuant to the Hotel Ordinance, the City created the “City and County of Denver, Colorado, Airport System Junior Lien Obligations Fund” (the “**Junior Lien Obligations Fund**”) and the “City and County of Denver, Airport Hotel Junior Lien Obligations Account” (the “**Airport Hotel Junior Lien Obligations Account**”) within the Junior Lien Obligations Fund. In order to facilitate the City’s payment obligations under the HMA and the CMA, the following subaccounts were created within the Airport Hotel Junior Lien Obligations Account: the Senior Hotel FF&E Reserve Fund, the Senior Hotel CapEx Reserve Fund, the Hotel Operating Reserve Fund, and the Subordinate Hotel CapEx Reserve Fund. The City’s obligations under the HMA to make payments, transfers, and deposits to the accounts described above constitute Junior Lien Obligations (the “**Hotel Junior Lien Obligation**”). Such Junior Lien Obligations have a lien on Net Revenues subordinate and junior to the lien thereon of the Senior Bonds, Senior Obligations, Subordinate Bonds, and Subordinate Obligations. The flow of funds described in the HMA and the CMA is used for internal Airport accounting purposes and does not modify in any manner the flow of funds required under the Senior Bond Ordinance. See “DENVER INTERNATIONAL AIRPORT—Hotel and Transit Center—*The Airport Hotel*.”

The City adopted the Junior Lien Bond Ordinance permitting the issuance of Junior Lien Bonds having a lien on Net Revenues subordinate only to the lien thereon of the Senior Bonds and Subordinate Bonds and incurrence of Junior Lien Obligations (consisting of Junior Lien Credit Facility Obligations, Junior Lien Contract Obligations, and Junior Lien Hedge Facility Obligations), having a lien on Net Revenues subordinate only to the lien thereon of the Senior Obligations and Subordinate Obligations. The Junior Lien Bond Ordinance affirms the Hotel Junior Lien Obligation and states that it shall constitute a Junior Lien Obligation for purposes of the Junior Lien Bond Ordinance.

Pursuant to the Junior Lien Bond Ordinance, the City also adopted the Supplemental General Junior Lien Bond Ordinance, Ordinance No. 17-0973, Series of 2017 (the “**Great Hall Ordinance**”), which declared an obligation of the City, for and on behalf of the Department, to make monthly Supplemental Payments under the Great Hall Agreement a Junior Lien Contract Obligation (the “**Great Hall Junior Lien Obligation**”). The City’s obligation to make monthly Supplemental Payments under the Great Hall Agreement terminated on November 12, 2019 upon the termination of the Great Hall Agreement. See “DENVER INTERNATIONAL AIRPORT—Great Hall Project Developments.”

While certain Junior Lien Obligations are outstanding, there are no Junior Lien Bonds currently outstanding.

## **Special Facilities Bonds**

The City has issued various series of Special Facilities Bonds to finance the acquisition and construction of certain facilities at the Airport. These bonds are payable solely from designated payments received under lease agreements and loan agreements for the related Airport special facilities and are not payable from Gross Revenues.

United financed and subsequently refinanced its support facilities at the Airport (aircraft and ground support equipment, maintenance and air freight facilities and a flight kitchen that is subleased to Dobbs International Services) largely through the issuance by the City, for and on behalf of the Department, of its Special Facilities Bonds. United currently leases all of the support facilities and certain tenant finishes and systems on Concourse B under a lease which terminates on October 1, 2023, unless extended as set forth in the lease or unless terminated earlier upon the occurrence of certain events as set forth in the lease. The lease payments under this lease constituted the sole source of payment for the Special Facilities Bonds originally issued in 1992 and refunded in 2007 and most recently refunded in September 2017 with proceeds of the City and County of Denver, Colorado Special Facilities Airport Revenue Refunding Bonds (United Air Lines Project) Series 2017.

See “DENVER INTERNATIONAL AIRPORT—Other Facilities” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Other Building and Ground Leases.”

## **Installment Purchase Agreements**

The City is currently a party to certain Installment Purchase Agreements with Sovereign Capital Leasing, Banc of America Public Capital Corp, and Santander Bank NA, which were entered into in order to provide for the financing of certain portions of the Airport’s capital program, including, among other things, the acquisition of technology equipment, the acquisition of various runway maintenance, snow removal and emergency vehicles and equipment, additional jetways and flight information display systems, ticket counter improvements in Jeppesen Terminal and the funding of the portion of the costs of modifications to the baggage system facilities at the Airport that enabled the TSA to install and operate its own explosives detection systems for the screening of checked baggage “in-line” with the existing baggage systems facilities. As of December 31, 2019, \$4.4 million of principal note payments were outstanding under these Installment Purchase Agreements, compared to \$7.6 million at December 31, 2018.

The obligation of the City under each Installment Purchase Agreement to make payments thereunder is a special obligation of the City payable solely from the Capital Fund and such other legally available funds as the City may apply, but the City has not pledged any moneys in the Capital Fund or any other revenues of the Airport System to the payment of these Installment Purchase Agreements.

## **Rentals, Fees and Charges for the Airport**

Using compensatory and residual rate-making methodologies in its existing Use and Lease Agreements, the City has established rentals, fees and charges for premises and operations at the Airport. These include landing fees, terminal complex rentals, baggage system fees, concourse ramp fees, AGTS charges, international facility fees, and fueling system charges, among others. The City also collects substantial revenues from other sources such as public parking, rental car operations and retail concession operations. For non-Signatory Airlines, the City assesses rentals, fees and charges following procedures consistent with those outlined in the Use and Lease Agreements, at a premium of 20% over Signatory Airline rates. In addition, non-Signatory Airlines do not share in the year-end airline revenue credit. See generally “AGREEMENTS FOR USE OF AIRPORT FACILITIES.”

The City believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable. However, no assurance can be given that challenges will not be made to the rates and charges established by the City or its method of allocating particular costs. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Rate Maintenance Covenants” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements.”

### **Passenger Facility Charges**

*General.* Public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) are permitted to charge each enplaning revenue passenger using the airport with a passenger facility charge (“**PFCs**”) for the purpose of developing additional capital funding resources for the expansion of the national airport system. The proceeds from PFCs must be used to finance eligible airport-related projects that serve or enhance the safety, capacity or security of the national airport transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers, including associated debt service. Public agencies desiring to impose and use PFCs are required to apply to the FAA for such authority and satisfy the requirements of 49 U.S.C. § 40117 (the “**PFC Enabling Act**”). Applications by certain public agencies, including the Department, after October 1, 2000, also require an acceptable airport competition plan.

The City first began imposing a PFC on enplaned revenue passengers on July 1, 1992, at the rate of \$3.00, which was increased to \$4.50 effective April 1, 2001. The PFC is collected by air carriers as part of the price of a ticket and then remitted to the City. The air carriers are permitted by the PFC Enabling Act to retain a portion of each PFC collected as compensation for collecting and handling PFCs. Currently, the collection fee equals \$0.11 of each PFC collected. PFC revenues received by the Airport are net of this collection fee. See also “CERTAIN INVESTMENT CONSIDERATIONS—Risk of Airline Bankruptcies” for a discussion of the impact upon PFC collections in the event of an airline bankruptcy.

The amount of PFC revenues received each Fiscal Year is determined by the PFC rate and the number of qualifying passenger enplanements and level of passengers at the Airport. PFC revenues for the years 2015 through 2019 and the first six months of 2019 and 2020 are set forth in the following table.

[Remainder of Page Intentionally Left Blank]

**Table 14**  
**PFC Revenues**

<u>Year</u>	<u>PFC Revenues (thousands)<sup>1</sup></u>	<u>Percent Change</u>
2015	\$106,006	2.0% <sup>2</sup>
2016	114,230	7.8
2017	118,333	3.6
2018	123,907	4.7
2019	132,484	6.9
2019 <sup>3</sup>	62,579	3.9
2020 <sup>3</sup>	30,565	(51.2)

<sup>1</sup> These amounts constitute the revenues derived from the entire \$4.50 PFC net of the collection fees retained by the airlines.

<sup>2</sup> Compared to PFC revenues of \$103,959,000 in 2014.

<sup>3</sup> PFC revenues collected through June 30, 2019 and June 30, 2020, respectively.

Sources: Audited financial statements of the Airport System for Fiscal Years 2015-2019 and Unaudited Financial Statements of the Airport System for six months ended June 30, 2020 and June 30, 2019 (attached hereto as Appendix E).

The City’s authorization to impose the PFC (obtained pursuant to the existing PFC applications approved by the FAA) expires upon the earlier of October 1, 2030, or the collection of approximately \$3.5 billion of PFC revenues, net of collection fees. Through December 31, 2019, the City collected approximately \$2.2 billion in PFC revenues, constituting approximately 64% of the total authorized amount. In addition, the City’s authority to impose the PFC may be terminated: (1) by the FAA, subject to certain procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA’s approval, the PFC Enabling Act or the related FAA regulations, or (b) the City otherwise violates the PFC Enabling Act or FAA regulations; or (2) if the City violates certain provisions of the Airport Noise and Capacity Act of 1990 and its related regulations, subject to certain procedural safeguards. The City has covenanted that as long as the imposition and use of the PFC is necessary to operate the Airport System in accordance with the requirements of the Bond Ordinances, the City will use its best efforts to continue to impose the PFC and to use PFC revenues at the Airport and to comply with all valid and applicable federal laws and regulations pertaining thereto necessary to maintain the PFC. However, no assurance can be given that the City’s authority to impose the PFC will not be terminated by Congress or the FAA or that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the City. In the event the FAA or Congress reduce or terminate the City’s ability to collect PFCs, the City would likely need to increase airline rates and charges to pay debt service on the Senior Bonds, the Subordinate Bonds and Junior Lien Bonds and to comply with the Senior Rate Maintenance Covenant, the Subordinate Rate Maintenance Covenant, and the similar covenant contained in the Junior Lien Bond Ordinance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Rate Maintenance Covenants,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020D SUBORDINATE BONDS—Rate Maintenance Covenants,” and “CERTAIN INVESTMENT CONSIDERATIONS—Availability of PFCs.”

***Prior Treatment of PFCs Under the Prior PFC Supplemental Ordinances.*** The definitions of Gross Revenues in each of the Bond Ordinances do not include PFC revenues unless, and then only to the extent, PFC revenues are included as Gross Revenues by the terms of a Supplemental Ordinance.

In 2009 and in 2012, the City Council adopted Supplemental Ordinances (the “**Prior PFC Supplemental Ordinances**”) that included the \$1.50 portion of the total \$4.50 PFC received by the City pursuant to the existing PFC applications (net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such PFC revenues) in Gross Revenues under the Senior Bond Ordinance in each Fiscal Year until the Manager gives written notice to the Treasurer that such PFCs shall no longer be included in Gross Revenues for purposes of the Senior Bond Ordinance.

The definition of Debt Service Requirements in the Senior Bond Ordinance provides that, in any computation required by the Senior Rate Maintenance Covenant and for the issuance of Additional Senior Bonds, there is to be excluded from Debt Service Requirements for the Senior Bonds amounts irrevocably committed to make such payments. Such irrevocable commitments may be provided from any available Airport System moneys, including PFC revenues.

The City irrevocably committed the remaining \$3.00 portion of the total \$4.50 PFC received by the City pursuant to the existing PFC applications (net of air carrier collection fees), up to certain maximum annual committed amounts, to the payment of Debt Service Requirements on Senior Bonds through Fiscal Year 2018 (the “**Committed Passenger Facility Charges**”). The City determined not to extend the irrevocable commitment of the Committed Passenger Facility Charges after Fiscal Year 2018, as discussed in more detail under “*Current Treatment of PFC Under PFC Supplemental Ordinance; Designated Passenger Facility Charges*” below.

***Current Treatment of PFC Under PFC Supplemental Ordinance; Designated Passenger Facility Charges.*** The PFC Supplemental Ordinance, Ordinance No. 18-0776, Series of 2018, adopted by the City Council in August of 2018 and effective January 1, 2019, (i) terminated the Committed Passenger Facility Charges and related irrevocable commitments to the payment of the Debt Service Requirements of Senior Bonds, and (ii) included all PFCs received by the City pursuant to all existing and future PFC applications, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such PFC revenues (the “**Designated Passenger Facility Charges**”), in Gross Revenues under the Bond Ordinances. The amounts resulting from the collection of the Designated Passenger Facility Charges are to continue to be included in Gross Revenues in each Fiscal Year until such time as the Manager gives written notice to the Treasurer that such Designated Passenger Facility Charges, or a portion thereof, are no longer to be included in Gross Revenues for purposes of the Bond Ordinances. PFC revenues that are included in Gross Revenues may be applied by the City to any lawful purpose authorized by PFC applications approved by the FAA, including paying debt service on debt issued to finance PFC eligible projects. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Pledge of Net Revenues; “—Flow of Funds; Revenue Fund;” and “—Table 1 Historical Net Revenues and Debt Service Coverage of the Senior Bonds and Subordinate Debt Service Requirements.” See also “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020D SUBORDINATE BONDS—Subordinate Pledge of Net Revenues.”

## **Aviation Fuel Tax**

An amount equal to 65% of any sales and use taxes imposed and collected by the State on aviation fuel sold for use at the Airport by turbo propeller or jet engine aircraft and credited to the State aviation fund is distributed to the City, for and on behalf of the Department, on a monthly basis and may be used by the City, for and on behalf of the Department, exclusively for “aviation purposes” as defined in the statute, excluding subsidization of airlines except for the promotion and marketing of air service at

airport facilities. Such receipts are treated by the City, for and on behalf of the Department, as Gross Revenues. State aviation fuel tax receipts remitted to the City, for and on behalf of the Department, were approximately \$15.2 million in 2018 and \$15.8 million in 2019, such increase resulting primarily from increases in jet fuel prices.

The City also imposes a separate aviation fuel tax, which is not subject to the State allocation requirements but which is subject to certain federal requirements on the use of such revenue for certain Airport related costs. A portion of such aviation fuel tax (\$0.02 for each gallon of fuel purchased) is remitted to the City, acting for and on behalf of the Department, and treated as Gross Revenues as defined in the Senior Bond Ordinance. Such tax receipts deposited into the Airport Revenue Fund were approximately \$9.9 million in 2018 and \$9.7 million in 2019.

### **Federal Grants and Other Funding; Financial and Performance Audits**

Proceeds from federal grants are not included in the definition of Gross Revenues under the Senior Bond Ordinance and therefore are not pledged to the payment of Senior Bonds or Subordinate Bonds.

***Airport Improvement Program.*** One source of federal grants benefiting the Airport is the Airport Improvement Program (the “**AIP**”) established pursuant to the Airport and Airway Improvement Act of 1982 (Public Law 97-248). The AIP is administered by the FAA and is funded from the Airport and Airway Trust Fund, which is supported by user fees, fuel taxes, and other similar revenue sources. The AIP provides funds to finance capital improvements to commercial, cargo and general aviation airports. AIP grant moneys include entitlement funds that are appropriated annually based on enplaned passengers as well as discretionary funds that are available at the discretion of the FAA.

The AIP has been amended several times, most recently with the passage of the FAA Reauthorization Act of 2018 (the “**2018 Reauthorization Act**”) enacted into law in October, 2018. The 2018 Reauthorization Act provides for general FAA funding authorization through September 30, 2023, and funds the AIP at \$3.35 billion during this authorization period.

***Financial and Performance Audits.*** Like all City departments, from time to time the Department is subject to performance and financial audits by federal and state agencies and local officials. When appropriate, the Department responds by adjusting or improving its relevant practices.

### **Intergovernmental Agreement with Adams County**

The City and the County of Adams, Colorado (“**Adams County**”), the county from which land for the Airport was annexed into the City, entered into an Intergovernmental Agreement on a New Airport, dated April 21, 1988 (the “**Adams County IGA**”), that, among other things, governs land use in and around the Airport and establishes maximum levels of noise (the “**Noise Standards**”) at 101 grid points in the vicinity of the Airport that may not be exceeded on an average annual basis. The Adams County IGA also establishes a noise contour for the Airport beyond which the City agrees to keep aircraft noise below certain levels. A noise contour is a line surrounding an airport that encloses a geographic region, which is exposed to a particular noise level. As further described below, the City and Adams County have entered into an Amendatory Intergovernmental Agreement with an effective date of January 1, 2016 (the “**IGA Amendment**”).

***Noise Mitigation.*** Calculated noise levels that exceed the Noise Standards by two decibels or less in a year and certain noise contour violations are potential “Class I violations” under the Adams County IGA and calculated noise levels that exceed the Noise Standards by more than two decibels in a year and



certain noise contour violations are potential “Class II violations” of the Adams County IGA. The Adams County IGA permits Adams County to send a notice of Class II violations to the City and provides that whenever a Class II violation has occurred, the City and Adams County will jointly petition the FAA to implement changes in flight procedures or Airport operations that are necessary to achieve compliance with the Noise Standards and noise contour requirements. In the event the FAA fails to act, the City is required to impose such rules and regulations as will achieve and maintain the Noise Standards and if the City does not impose such rules and regulations within a certain time frame, then Adams County, or any city within which a violation has occurred, may seek an order from a court compelling the City to impose such rules and regulations. The Adams County IGA provides that if the court, after hearing the matter, does not order the City to exercise its authority to impose such rules and regulations so as to achieve and maintain the Noise Standards and noise contour requirements, or determines that the City does not have such authority, then the City is required to pay a noise mitigation payment of \$500,000 for each Class II violation to Adams County or the city in which the property affected by the noise violation is located.

The City has prepared annual noise reports for the period commencing with the opening of the Airport in February 1995 through December 31, 2019 using a noise modeling system known as “ARTSMAP.” Prior to 2014, Class I and Class II violations were identified using ARTSMAP and the City made mitigation payments to Adams County and the cities in which the property affected by the noise violation was located. The Fiscal Year 2017 report identified one potential Class II noise violation, which was cured without payment coming due. The Fiscal Year 2018 report identified one potential Class II noise violation, which was not repeated. No potential Class II noise violations, including no noise contour violations, were reported in Fiscal Year 2019 nor in the first six months of 2020, and the City expects that noise levels, determined using ARTSMAP, will likely not exceed the Noise Standards during the rest of 2020. The City, however, has received Notices of Violation from Adams County (based on non-ARTSMAP system). On July 2, 2018 a lawsuit was filed by Adams County against the City in Jefferson County District Court of Colorado (the “**Court**”) alleging, among other things, breach by the City of the Adams County IGA based on the City’s continued use of ARTSMAP and on May 21, 2019 Adams County, the City of Thornton, the City of Aurora and the City of Brighton (the “**Plaintiffs**”) filed a Third Amended Complaint (the “**Amended Complaint**”) alleging, among other things, additional Class II violations in 2014 through 2016 that remained uncured in the succeeding calendar year and requesting the court order certain relief with respect to those violations. On August 27, 2020, the City received updated Notices of Violation alleging twelve Class I and twenty-two Class II violations in 2017 and one Class I and fourteen Class II violations in 2018, and a new Notice of Violations alleging one Class I and eight Class II violations in 2019, in each case using methods of calculation endorsed by the Court and in each case including potential additional, to be determined, Class II violations depending on noise value detection threshold levels. See “LITIGATION—Current Litigation Relating to the Adams County IGA” for information on the status of litigation and the Court decisions.

**Land Use; IGA Amendment.** The Adams County IGA contains provisions governing and restricting land use on and around the Airport. In response to the City’s plans for regional development and potential new land uses at the Airport, the City (acting as the City and County of Denver) and Adams County entered into the IGA Amendment. Pursuant to the IGA Amendment, the parties agreed to amend the land use regulations contained in the Adams County IGA in order to provide greater opportunities for businesses to locate on land surrounding the Airport. The City also paid \$10 million to Adams County as partial consideration for (i) the modification of land use regulations, (ii) the authority granted to the City to designate certain land parcels for development (each, a “**Development Parcel**”) under the provisions of the IGA Amendment, and (iii) increased opportunities for the City to lease, develop and use certain land surrounding the Airport. In addition, the City agreed to annually pay to Adams County an amount equal to 50% of the revenue derived from City taxes (with certain exceptions described in the IGA Amendment) imposed upon the development or use of any Development Parcel. Such revenues are required to be shared among Adams County and the cities of Aurora, Commerce City, Brighton, Thornton

and Federal Heights. The total amount of acreage the City may designate as Development Parcels may not exceed 1,500 acres in the aggregate. Adams County, with the consent of the applicable municipality, may agree to increase the number of acres available for designation as Development Parcels at any time by an amendment to the Adams County IGA as provided therein without voter approval.

### **Investment Policy**

The Senior Bond Ordinance permits the City to invest Airport System funds in “Investment Securities” as defined therein. See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE.”

In addition to the Senior Bond Ordinance, provisions of the City Charter regulate the investment of Airport System funds. In accordance with the City Charter, the City’s Chief Financial Officer is responsible for the management of the investment of City funds, including Airport System funds. The City’s Chief Financial Officer is authorized to invest in the following securities: obligations of the United States Government; obligations of United States Government agencies and United States Government sponsored corporations; prime bankers’ acceptances; prime commercial paper; insured certificates of deposit issued by banks and savings and loan institutions which are eligible public depositories as defined under Colorado Law. Uninsured certificates of deposit with Denver banks is required to be collateralized in accordance with the State’s Public Deposit Protection Act; repurchase agreements; security lending agreements; highly rated municipal securities; money market funds that purchase only the types of securities specified in this paragraph; any investment type in which the Colorado state treasurer is allowed to invest state moneys if otherwise compliant with the City’s investment policy, and other similar securities as may be authorized by ordinance. The City Municipal Code permits the City to invest in debt service reserve fund put agreements and forward purchase agreements.

Consistent with the City Charter, the City adopted a written investment policy on March 4, 2020 that implements the following strategies: (1) no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and enterprises, supranationals, local agency government investment pools, money market funds and repurchase agreements; (2) the City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the credit quality, liquidity or yield of the portfolio in response to market conditions or risk preferences; and (3) if securities owned by the City are downgraded by a nationally recognized rating agency to a level below the credit rating required by the City’s investment policy, it will be the policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. The decision will be based on current maturity for such securities, the economic outlook for the issuer, and other relevant factors, including certain restrictions related to the duration of such investments, maximum limits within asset portfolios, rating restrictions, and diversification requirements. The City’s Chief Financial Officer will be notified of any such downgrades and the decision made by the City’s investment team.

### **Master Derivatives Policy**

The City’s Master Derivatives Policy provides guidelines concerning the use by the City’s Department of Finance of swaps, caps, floors, collars, options on swaps (“**swaptions**”) and other derivative financial products, including Subordinate Hedge Facility Obligations. Such derivative financial products are collectively referred to herein as “**Swaps**.” See also “FINANCIAL INFORMATION—Outstanding Subordinate Bonds and —Subordinate Obligations.”

In accordance with the Master Derivatives Policy, the Manager of Finance is required to develop the terms and provisions of each Swap with the input and advice of the City’s financial advisors or swap

advisors. Proposed Swaps must be approved by the City Council through the adoption of a swap ordinance (a “**Swap Ordinance**”). The Swap Ordinance establishes the authorized parameters for notional amount, Swap maturity, source of payment and other requirements relating to a Swap.

The Master Derivatives Policy does not restrict the City in the use of Swaps but requires the City to consider certain strategies in applying Swaps, including: (i) managing the City’s exposure to floating and fixed interest rates through interest rate swaps, caps, floors, collars and other swaptions products; (ii) hedging floating rate risk with caps, collars, basis swaps and other instruments; (iii) locking in fixed rates in current markets for use at a later date through the use of forward swaps, swaptions, rate locks, options and forward delivery products; (iv) reducing the cost of fixed or floating rate debt through swaps and related products to create “synthetic” fixed or floating rate debt; (v) more rapidly accessing the capital markets than may be possible with conventional debt instruments; (vi) managing the City’s exposure to the risk of changes in the legal and regulatory treatment of tax-exempt debt; and (vii) other applications to enable the City to lower costs or strengthen the City’s balance sheet.

The Master Derivatives Policy requires the City to make its best efforts to work with qualified swap counterparties that (i) have a general credit rating of at least “Aa3” or “AA-” by two of the nationally recognized rating agencies, or (ii) are a triple-A rated derivative products subsidiary as rated by at least two nationally recognized credit rating agencies, but not a terminating structure (continuation structures may be approved). For lower rated counterparties, the City will require credit enhancement consistent with the Master Derivatives Policy. In cases where the counterparty’s obligations are rated based on a guarantee or specialized structure to achieve the required credit rating, the City is required to thoroughly investigate the nature and legal structure of the guarantee or structure in order to determine that it fully meets the City’s requirements.

## **Insurance**

The City maintains property insurance for most of the City’s real and personal property located at the Airport except for any real and personal property for which the City contracts with its lessees to provide such insurance. The Airport and the City share a property insurance policy with a total loss limit of \$2 billion, with an excess policy of \$500 million dedicated to the Airport, subject to a minimum \$250,000 per occurrence deductible. This is based on a reported value of approximately \$6.8 billion for the Airport. Valuation of Airport real and personal property is based upon replacement cost, subject to the total loss limit and various sublimits. Airport motor vehicles and mobile equipment assets are insured under the same property insurance policy at reported values of approximately \$663 million (which is included in the \$6.8 billion total). Certified and non-certified acts of terrorism are included under the Airport’s property insurance. As an additional cost savings initiative, Airport management has determined that it is not cost effective to maintain property insurance on the Airport’s runways and roadways, which are valued at approximately \$1.7 billion. An Airport Owners and Operators Liability policy is maintained with a \$500 million per occurrence liability limit. War risk is included in this coverage with a \$150 million sublimit and certified terrorism risk is included at full policy limits. The Airport also maintains business interruption insurance with a total loss limit of \$25 million in the event of a disaster-related closing or interruption in operation of the Airport, and maintains various other insurance policies including environmental pollution liability with a total loss limit of \$10 million in the aggregate, network security with a total loss limit of \$20 million in the aggregate, network security and cyber liability with a total loss limit of \$20 million in the aggregate, crime insurance with a total loss limit of \$2 million in the aggregate shared with the City, and fine arts coverage shared with the City with a total loss limit of \$450 million in the aggregate. The Airport retains \$2.5 million to self-insure for primary workers’ compensation liability and maintains a \$25 million policy for excess workers’ compensation liability.

## **Continued Qualification as an Enterprise**

Pursuant to the City Charter, the City by ordinance has designated the Department as an “enterprise” within the meaning of Article X, Section 20 of the State constitution, the effect of which is to exempt the Department from the restrictions and limitations otherwise applicable to the City under such constitutional provision. “Enterprises” are defined as government-owned businesses authorized to issue their own revenue bonds and receiving fewer than 10% of their annual revenues in grants from all State and local governments combined. The constitutional provision contemplates that qualification as an “enterprise” is to be determined on an annual basis, and while the City regards the possibility to be remote that the Department might be disqualified as an “enterprise,” such disqualification would have the effect, during such period of disqualification only, of requiring inclusion of the Airport System in the City’s overall spending and revenue base and limitations, and of requiring voter approval for various actions, including, with certain exceptions, the issuance of additional bonds payable from Net Revenues. One of such exceptions is the ability to refund bonds at a lower interest rate.

## **CERTAIN INVESTMENT CONSIDERATIONS**

The purchase and ownership of Beneficial Ownership Interests in the Series 2020A-D Bonds involve investment risks and considerations. Prospective investors should read this Official Statement, including appendices thereto, in its entirety. The factors set forth below, among others, may affect the security for the Series 2020A-D Bonds. The information below does not purport to be a comprehensive or exhaustive discussion of all risks or other considerations that may be relevant to an investment in the Series 2020A-D Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. Additional risk factors relating to the purchase and ownership of the Series 2020A-D Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. Furthermore, additional risk factors not presently known, or currently believed to be immaterial, may also materially and adversely affect, among other things, Net Revenues. There can be no assurance that other risks or considerations not discussed herein are or will not become material in the future.

### **COVID-19 Risks**

The COVID-19 pandemic has resulted in a widespread health crisis that has adversely affected businesses and economies worldwide. The full impact of COVID-19 is unknown and continues to be rapidly evolving. Stay-at-home orders, social distancing guidelines, and travel restrictions have adversely affected the economies and financial markets of many countries, resulting in an economic downturn that has negatively impacted, and may continue to negatively impact, the local economy, the airline industry and transportation in general. The City and Airport’s financial condition and results of operations, and the financial condition and results of operations of the airlines serving the Airport, have been, and will continue to be, adversely affected by the COVID-19 pandemic. The City and the Department cannot predict the outcome of many factors related to COVID-19 that could materially adversely affect the Airport’s financial condition or results of operations. Such factors include, but are not limited to:

- (1) the duration or extent of the COVID-19 pandemic or another outbreak, pandemic, or force majeure event;
- (2) the scope or duration of stay-at-home orders, social distancing guidelines, and other restrictions on travel, gatherings or any other activities, and the extent to which airlines will reduce services at the Airport or whether airlines will cease operations at the Airport or shut down in response to such restrictions or warnings;

(3) the extent of the adverse effects due to COVID-19 or whether other outbreak or pandemic-related restrictions or warnings may have an adverse effect on air travel, including to and from the Airport, the retail, concessions and services provided by the Airport concessionaires, Airport costs or Airport revenues;

(4) whether and to what extent COVID-19 or another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Department-related construction, the cost, source of funds, schedule or implementation of the 2018-2022 Capital Program, including the Great Hall Project, or other Department operations;

(5) the extent to which the COVID-19 outbreak or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economies, may result in changes in demand for air travel, including long-term changes in consumer behavior and the operations of other businesses, or may have an impact on the airlines or concessionaires service the Airport or the airline and travel industry, generally;

(6) whether or to what extent the Department may provide additional deferrals, forbearances, adjustments, payment plans or other changes to the Department's arrangements with airlines, tenants and concessionaires; or

(7) to what extent COVID-19 or any of the foregoing may continue to have material adverse effect on the finances and operations of the Airport.

The Department also has received \$129.8 million in federal CARES Act funding as of June 30, 2020 and is eligible for a total of \$269.1 million under the CARES Act. [As of the date of this Official Statement, Congress has not authorized any additional funds for airports under the existing CARES Act or any new stimulus package. There can be no assurances that federal funding or additional stimulus packages will be available in the future with respect to ongoing and continued adverse effects of the COVID-19 pandemic, which could have a material adverse effect on the Airport and the airline industry generally.] See "IMPACT OF COVID-19 ON THE AIRPORT—CARES Act—Stimulus Funds."

Under the COVID-19 Relief Policies, Signatory Airlines and car rental companies were permitted to defer certain payments under their Use and Lease Agreements and concession agreements, respectively. Airline fixed and variable rent payment deferrals and car rental payment deferrals are required to be paid in full by December 31, 2020. See "IMPACT OF COVID-19 ON THE AIRPORT—Summary of Department Actions Taken in Response to COVID-19—*COVID-19 Relief Policies for Airlines and Concessionaires*. The Letter Report of the Airport Consultant assumes the Department will not implement any further relief policies; however, there can be no assurances that additional relief policies will not be implemented or necessary, and there can be no assurances that any deferred payments under the current relief policies will be made on time or at all. Future relief policies or a failure to repay deferred payments may have an adverse effect on the operations or financial condition of the Airport or the airlines serving the Airport.

Prospective purchasers of the Series 2020A-D Bonds should assume that the restrictions and limitations related to the COVID-19 pandemic, and the current upheaval to the air travel industry and the national and global economies, may increase at least over the near term, that recovery to pre-COVID-19 levels may be prolonged, and therefore, have an adverse impact on the ability of the Airport to generate sufficient Gross Revenues to meet its Rate Maintenance Covenants. Future outbreaks, pandemics or events outside the Department's control may further reduce demand for travel, which in turn could cause

a decrease in passenger activity at the Airport and declines in Gross Revenues. See “IMPACT OF COVID-19 ON THE AIRPORT.”

### **Dependence on Levels of Airline Traffic and Related Activity**

The Series 2020A-C Bonds are payable solely from and secured by a senior pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts held under the General Bond Ordinance. The Series 2020D Subordinate Bonds are payable solely from and secured by a subordinate pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts held under the General Bond Ordinance. Gross Revenues are dependent primarily on the level of aviation activity and enplaned passenger traffic at the Airport. Future levels of aviation activity and enplaned passenger traffic at the Airport will be dependent upon many local, regional, national and international factors including: national and international economic conditions, population and economy of the Airport service region, national and local unemployment rate, political conditions including wars, other hostilities and acts of terrorism, aviation security and public health concerns, including the continuing impact of COVID-19, the financial health of the airline industry and of individual airlines, airline service and route networks, airline competition and airfares, airline mergers, the sale of airlines, alliances and consolidations, availability and price of aviation and other fuel, employee cost and availability and labor relations within the airline industry, capacity of the national air transportation system and of the Airport, business travel substitutes, including teleconferencing, videoconferencing and web-casting; accidents involving commercial passenger aircraft, visa requirements and other limitations on the ability of foreign citizens to enter the United States, currency exchange rates, and the occurrence of pandemics and other natural and man-made disasters, some of which are discussed in further detail hereafter in this section. See also “IMPACT OF COVID-19 ON THE AIRPORT” and “AVIATION ACTIVITY AND AIRLINES” above.

The airline industry is cyclical and subject to competition and variable demand. Traffic volumes are responsive to economic circumstances and seasonal patterns. Other factors, such as fuel and regulatory costs, can also have a significant impact on the industry. Additionally, the grounding of the Boeing 737 MAX airplanes in March, 2019 affected airline operations across the country, including Signatory Airlines and Southwest, in particular. However, Southwest took steps to prioritize the Airport over some of its other top airports by reducing capacity at other airports to preserve capacity at the Airport. There can be no assurance that Southwest will continue to prioritize the Airport over its other top airports for the duration of the Boeing 737 MAX airplanes grounding. As a result of such factors, airline operating and financial performance can fluctuate dramatically from one reporting period to the next.

In addition to revenues received from the airlines, the Airport derives a significant portion of its revenues from parking and from concessionaires including merchandisers, car rental companies, restaurants, and others. Severe financial difficulties affecting a concessionaire could lead to a reduction in, or failure to pay, rent due under its lease agreement with the Airport or could lead to the cessation of operations of such concessionaire. Parking revenues at the Airport increased in 2018 and 2019 due to increases in rates in the past two years (the most recent of which occurred in September 2019), but experienced significant declines (approximately [ ]% in the first six months of 2020 compared to the same period in 2019) due to a decrease in passenger traffic as a result of the COVID-19 pandemic. There can be no assurances when parking demand or revenue will rebound to 2019 levels or at all. See “FINANCIAL INFORMATION.” Declines in Airport passenger traffic in the past and also as a result of the COVID-19 pandemic have adversely affected, and future declines may adversely affect, parking revenues and the commercial operations of many of such concessionaires. See “IMPACT OF COVID-19 ON THE AIRPORT.”

The Airport has experienced growth in recent years in ground transportation revenue driven by fees paid by TNCs for use of Airport facilities, and continues to monitor and manage ground transportation and parking revenue opportunities. However, new technologies (such as autonomous vehicles) and new business strategies in established markets such as commercial ground transportation and car rentals may occur, which could have an impact on passengers' choice of ground transportation mode and revenues from parking and various ground transportation services. Additionally, an increase in, and potential sustained use of, videoconferencing and telecommuting initially arising as a result of the COVID-19 pandemic also may occur, which could have an adverse impact on passenger traffic generally.

### **Concentration of Airline Market Share**

The major air carriers operating at the Airport, by local market share, are United, Southwest, Frontier, Delta, and American. Except for these airlines, no single airline accounted for more than 4.5% of passenger enplanements at the Airport in 2019 or more than 5% of either the airline rentals, fees and charges component of the Airport System's operating revenues or the Airport System's Gross Revenues in 2019. Major domestic airlines have joined or may be forming alliances with other major domestic airlines. Depending on which airlines serving the Airport merge or join alliances, the result may be fewer flights by one or more airlines, which decreases could be significant. For example, United Group and Southwest were responsible for 44.7% and 27.4%, respectively, of the Airport's passenger enplanements in 2019. If either of these airlines were to reduce or cease connecting service at the Airport, such flights would not necessarily be replaced by other airlines. While historically when airlines have reduced or ceased operations at the Airport other airlines have absorbed the traffic with no significant adverse impact on Airport revenues, it is possible that were United or Southwest to cease or significantly cut back operations at the Airport, Gross Revenues, PFC collections and costs for other airlines serving the Airport could be adversely affected.

No assurances can be given with regard to the future level of activity of United, Southwest, Frontier, Delta or American at the Airport, or that, in the event that the operations of these airlines at the Airport are reduced or discontinued, for whatever reason, such operations would be replaced by other carriers. See “— Risk of Airline Bankruptcies” below, as well as “AVIATION ACTIVITY AND AIRLINES” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements.”

### **Current Economic Conditions**

Historically, airline passenger traffic nationwide has correlated closely with the condition of the U.S. economy and levels of real disposable income. Previous recessions and periods of stagnant economic conditions in the U.S., Colorado and Denver metropolitan area contributed to reduced passenger traffic at the Airport. For a discussion of economic and demographic information with respect to the Denver metropolitan area, see “APPENDIX I—ECONOMIC AND DEMOGRAPHIC INFORMATION.”

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economic conditions, trade balances, currency exchange rates, political relationships, and hostilities are important influences on passenger traffic at U.S. airports, including the Airport. Sustained future increases in passenger traffic at the Airport will depend in part on stable international conditions as well as national and global economic growth. See also “Dependence on Levels of Airline Traffic and Related Activity” above.

## **Financial Condition of the Airlines**

The ability of the Airport to derive revenues from its operations depends largely upon the financial health of the airlines serving the Airport and the airline industry as a whole. The financial results of the airline industry has historically been volatile and many carriers have had extended periods of unprofitability in the past. The airline industry is sensitive to a variety of factors, including the cost and availability of labor, fuel, aircraft, supplies and insurance; general economic conditions; international trade; currency values; competitive considerations, including effects of airline ticket pricing; governmental regulations, including security and climate change-related regulations; taxes imposed on airlines and passengers; maintenance and environmental requirements; passenger demand for air travel; strikes and other union activities; availability of financing; and disruptions caused by airline accidents, criminal accidents, public health concerns and acts of war or terrorism.

Various travel restrictions, stay-at-home orders, and social distancing guidelines due to COVID-19, and the resulting reduced demand for air travel, have had material adverse financial and operating impacts on the airlines serving the Airport. Heavy losses since March of 2020 as a result of the COVID-19 pandemic have led many airlines to subsequently reduce flights and routes, reduce passengers and flight loads per flight, and take steps to potentially furlough thousands of airline employees. While airlines serving the Airport have secured federal funding under the CARES Act, which has bolstered airline liquidity and financial status, there can be no assurances that similar federal funding will be available in the future. Additionally, employment protections under the CARES Act for the continuation of the payment of airline employee wages, salaries and benefits restricted airlines from making mass layoffs. These protections currently expire on September 30, 2020 and it is unclear what the effect the expiration of the employment protections on October 1, 2020 will have on airlines. Material adverse impacts to airlines servicing the Airport may materially adversely affect the Airport's ability to generate Gross Revenues.

Fuel is a significant cost component of airline operations and continues to be an important and uncertain determinant of an air carrier's operating economics. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability. Continued or new hostilities in the Middle East or other petroleum producing regions could dramatically impact the price and availability of aviation fuel. Economic expansion in emerging markets also contributes to higher aviation fuel prices. Fuel prices peaked between 2011 and 2014 before significantly decreasing in mid-2014. While fuel prices have declined in the past few years due to strong global supply, increased U.S. oil production and other factors, fuel prices have risen steadily since August 2017, though not to the levels of 2011 to 2014, and further increases in the cost of aviation fuel may occur in the future, including as a result of reduced air travel due to COVID-19. Significant and prolonged increases in the cost of aviation fuel have had and are likely in the future to have an adverse impact on the air transportation industry by increasing airline operating costs and reducing airline profitability.

In addition, the airline industry has undergone significant changes, including mergers, acquisitions and bankruptcies. Additional bankruptcy filings, mergers, consolidations and other major restructuring by airlines are possible. In recent years, airlines have taken a variety of measures to increase their profitability, including closures or reductions of unprofitable routes, reductions of work forces, implementation of pay cuts, streamlining of operations and introduction of new fees. The City is not able to predict whether any future airline mergers, consolidations, reorganizations or liquidations will occur or the impact that any such events may have on the airline traffic at the Airport or the operations of the Airport. The City makes no representation concerning the financial health of the airlines, and no assurance can be given regarding the impact, if any, that future unfavorable events affecting airline users or the airline industry more broadly might have upon the Net Revenue or the operations of the Airport.



See “— Dependence on Levels of Airline Traffic and Related Activity,” “—Current Economic Conditions,” and “—Risk of Airline Bankruptcies” in this section. “IMPACT OF COVID-19 ON THE AIRPORT” and “AVIATION ACTIVITY AND AIRLINES” above.

### **Ability to Meet Rate Maintenance Covenants**

As described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Rate Maintenance Covenants” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020D SUBORDINATE BONDS—Rate Maintenance Covenants,” each of the Senior Bond Ordinance and the Subordinate Bond Ordinance includes covenants with respect to the establishment of rentals, rates, fees, and charges for the use of the Airport System in order that in each Fiscal Year the Gross Revenues, together with other Available Funds, will be sufficient to meet the Senior Rate Maintenance Covenant and the Subordinate Rate Maintenance Covenant, as applicable. However, each of the Senior Bond Ordinance and Subordinate Bond Ordinance provides that so long as the Department is taking specified steps to meet the Senior Rate Maintenance Covenant or Subordinate Rate Maintenance Covenant, as applicable, an Event of Default under the Senior Bond Ordinance or the Subordinate Bond Ordinance, as applicable, will not be triggered. The ability of the Department to increase rates and charges and to reduce expenses is limited by, among other things, federal law and certain agreements with airlines and other users of the Airport facilities.

Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Airport could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines, concessionaires, and others, and/or by reducing the operating efficiency of the Airport. Notwithstanding this potential detrimental impact, the Use and Lease Agreements acknowledge the existence of the Senior Rate Maintenance Covenant and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

In connection with the receipt of Stimulus Funds, the City has irrevocably committed all of the Stimulus Funds to Debt Service Requirements and Subordinate Debt Service Requirements so that such committed amounts can be excluded therefrom for purposes of determining compliance with the Senior Rate Maintenance Covenant and the Subordinate Rate Maintenance Covenant. The City currently expects to apply Stimulus Funds to Debt Service Requirements and Subordinate Debt Service Requirements in 2020 and 2021. There can be no assurances that the City will receive any additional Stimulus Funds or other funds, or that such additional funds will be irrevocably committed as described above. See “IMPACT OF COVID-19 ON THE AIRPORT—CARES Act—*Stimulus Funds*.”

### **Security and Natural Disasters Concerns**

In addition to concerns around traveling during the COVID-19 pandemic, general concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities and terrorist attacks may influence passenger travel behavior and air travel demand. Travel behavior also may be affected by anxieties about the safety of flying, the inconveniences and delays associated with more stringent security screening procedures, the potential exposure to severe illnesses and natural disasters, all of which could lead to the avoidance of airline travel or the use of alternate modes of transportation. Any decrease in passenger activity at the Airport would cause a corresponding decline in Gross Revenues. The City is unable to predict how serious the impact of security, natural disasters, or other future pandemics may become, what effect they may have on air travel to and from the Airport, and whether any such effects will be material.

## **Cybersecurity Risks**

Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including airlines, the FAA, the TSA, the Airport, concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure of the Airport and any airlines serving the Airport may be vulnerable to attacks by networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Cybersecurity incidents could result from unintentional events, such as breaches caused by employee error, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Airport's computer networks for the purposes of misappropriating assets or information or causing operational disruption and damage. Additionally, cybersecurity breaches could cause material disruption to the Airport's operations and the safety and efficiency of the air travel industry generally.

Any such disruption, access, disclosure or other loss of information could expose the Airport to material litigation and other legal risks, which would cause the Airport to incur material costs related to such legal claims or proceedings, and could result in liability under laws that protect the privacy of personal information, regulatory penalties, disruption in the safety and/or efficiency of the operation of the airlines serving the Airport and the services provided by the Airport, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect Gross Revenues.

The Airport maintains a security posture designed to deter cybersecurity attacks and is committed to deterring attacks on its electronic systems and responding to such attacks to minimize their impact on operations, and the Airport's cybersecurity and operational safeguards are periodically tested. The Airport also maintains a cyber liability insurance policy that may offset any material costs associated with a cyber attack. However, no assurances can be given that the Airport's security measures will prevent cybersecurity attacks, and no assurances can be given that any cybersecurity attacks, if successful, will not have a material adverse effect on the operations or financial condition of the Airport or the airlines serving the Airport.

## **Force Majeure Events**

The Airport's ability to generate Gross Revenues also is at risk from other force majeure events, such as extreme weather events and other natural occurrences, fires, explosions, spills of hazardous substances, strikes and lockouts, sabotage, or wars, terrorist or other attacks, blockades or riots. No assurance can be given that such events will not occur while the Series 2020A-D Bonds are outstanding. Although the Airport has attempted to mitigate the risk of loss from many of these occurrences by purchasing commercial property and casualty insurance and business interruption insurance, no assurance can be given that such insurance will always be available in sufficient amounts, at a reasonable cost or available at all, or that insurers will pay claims in a timely manner or at all.

## **Regulations and Restrictions Affecting the Airport**

The Airport is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The Airport is highly regulated by federal agencies including the FAA, the TSA, Customs and Border Protection, and the U.S. Department of Health. The City is unable to predict the adoption or amendment of additional laws, rules or regulations, or their effect on the operations or financial condition of the Airport.

The operations of the Airport are also affected by a variety of contractual, statutory and regulatory restrictions and limitations, including, without limitation, the provisions of the Use and Lease Agreements, the federal acts authorizing the imposition, collection, and use of PFCs, and extensive federal legislation and regulations applicable to all domestic airports. It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the City or whether such restrictions or legislation or regulations would adversely affect Gross Revenues. See also “AGREEMENTS FOR USE OF AIRPORT FACILITIES” and “FINANCIAL INFORMATION—Passenger Facility Charges” and “FINANCIAL INFORMATION—Federal Grants and Other Funding; Financial and Performance Audits.”

Climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the Airport and on the airlines operating at the Airport. For example, regulations pertaining to greenhouse gas (“GHG”) emissions, including regulations which may be promulgated under provisions of the Clean Air Act, 42 U.S.C. Section 7491 et. seq., as amended (the “CAA”) may affect operations of airlines and the Airport.

### **Federal Funding; Impact of Federal Sequestration**

The Airport depends on federal funding not only in connection with grants and PFC authorizations but also because federal funding provides for TSA, air traffic control, and other FAA staffing and facilities. The FAA currently operates under the FAA Modernization and Reform Act of 2012 (the “**2012 Reauthorization Act**”), the FAA Extension, Safety, and Security Act of 2016 (the “**2016 Reauthorization Act**”), as such acts were extended under the Disaster Tax Relief and Airport and Airway Extension Act, the Consolidated Appropriations Act, 2018, and the 2018 Reauthorization Act. The 2018 Reauthorization Act retained the federal cap on PFCs at \$4.50 and does not provide any increase in such rate, and authorized \$3.35 billion per year for the AIP during the authorization period (which runs through September 30, 2023). The AIP provides funds to finance capital improvements to commercial, cargo and general aviation airports. AIP grant moneys include entitlement funds that are appropriated annually based on enplaned passengers as well as discretionary funds that are available at the discretion of the FAA. See “FINANCIAL INFORMATION—Federal Grants and Other Funding; Financial and Performance Audits.”

FAA AIP expenditures are subject to congressional appropriation and no assurance can be given that the FAA will receive spending authority. In addition, the AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described below. The City is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the City would need to fund from other sources, (ii) result in adjustments to the 2018-2022 Capital Program and future capital programs, and/or (iii) extend the timing for completion of certain projects.

Prior to the 2018 Reauthorization Act, Congress enacted over 20 continuing resolutions providing temporary funding for the FAA and its programs, and during this period, funding for non-essential operations of the FAA was terminated once. There can be no assurance that Congress will enact and the President will sign an FAA reauthorization act or additional extension before the FAA authority expires on September 30, 2023. Failure to adopt such legislation could have a material, adverse impact on the AIP grant program and the Airport.

Federal funding received by the Airport also could be adversely affected by implementation of certain provisions of sequestration, a budgetary feature first introduced in the Budget Control Act of 2011. Sequestration could adversely affect FAA operations, TSA budgets, and the availability of certain federal grant funds typically received annually by the Airport. These federal spending cuts would likely be spread over a number of years. In addition to adversely affecting the United States economy, commercial aviation operations throughout the United States could also be adversely affected due to layoffs or furloughs of federal employees responsible for certain critical federal airport functions. The full impact of such sequestration measures on the Airport is unknown at this time.

### **Airport Use and Lease Agreements**

A substantial portion of Gross Revenues available for payment of debt service is derived from rentals, fees and charges imposed upon the Signatory Airlines under the Use and Lease Agreements. Pursuant to the Use and Lease Agreements, each Signatory Airline has agreed to pay the rates and charges for its use of the Airport. Each of the United Use and Lease Agreement and Southwest Use and Lease Agreement expires in February 2035 and the other existing Use and Lease Agreements expire on December 31, 2020. For those Use and Lease Agreements that expire December 31, 2020, the City expects such Use and Lease Agreements with business provisions that would result in similar Airport financial performance as provided for under the current Use and Lease Agreements to be in place on January 1, 2021 and have a one-year term through December 31, 2021, with two one-year extension options (available only to the City). Any of such Use and Lease Agreements may be terminated by the City or by a Signatory Airline, including United, under certain circumstances. No representations are made herein regarding whether additional Use and Lease Agreements will be executed or with respect to extensions or terminations thereof or that challenges will not be made by airlines to the rates and charges established by the City or its method of allocating particular costs. See “—Risk of Airline Bankruptcies” below and “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements.”

Upon the expiration or termination of a Use and Lease Agreement, an airline is required to surrender the leased premises to the City. Holding over by a Signatory Airline following the expiration of the term of a Use and Lease Agreement or any extension thereof, without an express agreement as to such holding over, is deemed to be a periodic tenancy on a month-to-month basis. In such case, a Signatory Airline is subject to all the terms and conditions of the Use and Lease Agreement. Rent, fees, and charges for each month of such holding over are required to be paid by the airline to the City in an amount that is generally equal to the monthly rental, fees, and charges required for the month prior to the end of the term of such agreement. The City may encounter significant expenses, delays and potentially nonpayment of amounts owed by the airline following the expiration or termination of the related Use and Lease Agreement should the City be required to pursue legal action to enforce the Use and Lease Agreements.

### **Risk of Airline Bankruptcies**

Airlines operating at the Airport have filed for bankruptcy in the past and may do so in the future. The City cannot predict the extent to which any such events would impact the ability of the Airport to pay outstanding Senior Bonds and Subordinate Bonds, including the Series 2020A-D Bonds. See also “AVIATION ACTIVITY AND AIRLINES—Airline Information” and “AGREEMENTS FOR USE OF AIRPORT FACILITIES—Passenger Airlines Use and Lease Agreements.” The following is a discussion of various impacts to the Airport of an airline bankruptcy.

***Assumption or Rejection of Agreements.*** In the event an airline that has executed a Use and Lease Agreement or other executory contract with the City seeks protection under the Bankruptcy Code, such airline must determine whether to assume, reject, or assume and assign its agreements with the City

within certain timeframes provided in the Bankruptcy Code. In the event of assumption, the airline is required to cure any prior monetary defaults and provide adequate assurance of future performance under the applicable Use and Lease Agreement or other agreement.

With the authorization of the Bankruptcy Court, and without the consent and over the objection of the City, the airline may be able to reject its Use and Lease Agreement or other agreement and stop performing its obligations (including payment obligations) thereunder. In addition, the airline may be able to assign its rights and obligations under its Use and Lease Agreement or other agreement, despite any contractual provision prohibiting such an assignment.

Rejection of a Use and Lease Agreement or other agreement will give rise to an unsecured claim of the City for damages. The amount of such damages in the case of a Use and Lease Agreement or other agreement may be limited by the Bankruptcy Code to the extent any such agreement is determined to be a lease of real property. In the case of a rejection by the airline, the rights of the airline to continued possession of the facilities subject to its Use and Lease Agreement (including gates and boarding areas) would terminate. Such facilities could ultimately be leased by the Department to other airlines, but the ability to do so may depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the airline's bankruptcy, and on the need for such facilities by the other airlines. Certain amounts unpaid as a result of a rejection of a Use and Lease Agreement or other agreement in connection with an airline in bankruptcy, such as airfield costs and costs associated with the baggage claim area and the underground automated guideway transit system, would be passed on to the remaining airlines under their respective Use and Lease Agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs. In addition, adjustments could be made to the terminal and concourse rents of nonairline tenants, although there can be no assurance that such tenants would be financially able to absorb the increases.

With respect to any airline that may seek bankruptcy protection under the laws of a foreign country, the City is unable to predict what types of orders or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States. Typically, a foreign airline involved in foreign bankruptcy proceedings seek to obtain an order from a bankruptcy court in the United States to recognize the foreign proceedings, stay the actions of creditors in the United States, and have the relief ultimately granted by the foreign court apply to the airline's creditors in the United States.

***Prepetition Obligations.*** During the pendency of a bankruptcy proceeding, absent a court order, a debtor airline need not and may not make any payments to the City on account of goods and services provided prior to the bankruptcy. Thus, the City's stream of payments from a debtor airline would be interrupted as to prepetition goods and services, including accrued rent and landing fees. If the Use and Lease agreement of an airline in bankruptcy is rejected, the airline (or a successor trustee) under certain circumstances may also seek to avoid and recover as preferential transfers certain payments, including landing fees and terminal rentals, paid by such airline in the 90 days prior to the date of the bankruptcy filing.

***Post-petition Obligations.*** Payment of post-petition obligations may also be interrupted or delayed. However, to the extent that a Use and Lease Agreement or other agreement with a debtor airline is considered a lease of real property, unless and until such agreement is rejected, such interruption or delay in payment of post-petition obligations may be limited to 60 days after the commencement of the bankruptcy proceeding.

**PFCs.** Pursuant to 49 U.S.C. § 40117 (as previously defined, the “**PFC Enabling Act**”), the FAA has approved the City’s applications to require the airlines to collect and remit to the City a \$4.50 PFC on each enplaning revenue passenger at the Airport as discussed in “FINANCIAL INFORMATION—Passenger Facility Charges” above.

The PFC Enabling Act provides that PFCs collected by the airlines constitute a trust fund held for the benefit of the eligible agency (*i.e.*, the City) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. However, the airlines are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted. In the event of a bankruptcy, the PFC Enabling Act attempts to provide certain statutory protections for the City of PFC collections. However, it is unclear whether the City would be able to recover the full amount of PFC trust funds collected or accrued with respect to an airline in the event of a bankruptcy filing by an airline, particularly where the bankruptcy filing results in a liquidation or cessation of business. The City also cannot predict whether an airline operating at the Airport that files for bankruptcy would have properly accounted for PFCs owed to the City, whether the bankruptcy estate would have sufficient moneys to pay the City in full for PFCs owed by such airline, or whether the funds would be determined to constitute property of the airline’s bankruptcy estate, leaving the City with a general unsecured claim for PFCs collected but not remitted by the airline.

### **Enforcement of Remedies**

The Senior Bond Ordinance provides that upon the happening and the continuance of an event of default, the Owners of not less than 10% of the outstanding Senior Bonds may accelerate all of the outstanding Senior Bonds. The Subordinate Bond Ordinance provides that upon the happening and continuance of an event of default thereunder, the Owners of not less than 25% in principal amount of the outstanding Subordinate Bonds may accelerate all of the outstanding Subordinate Bonds. An event of default with respect of any Senior Bonds also is an event of default under the Subordinate Bond Ordinance and Junior Lien Bond Ordinance. However, an event of default under the Subordinate Bond Ordinance or the Junior Lien Bond Ordinance is not an event of default under the Senior Ordinance, and upon the occurrence of an acceleration event under the Subordinate Bond Ordinance or Junior Lien Bond Ordinance, the Senior Bonds Debt Service Requirements would continue to be paid in the same priority from Net Revenues as set forth in the Senior Bond Ordinance and as generally described above under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Flow of Funds; Revenue Fund.”

The rights and remedies available to the Owners of the Series 2020A-D Bonds may become subject to, among other things, the federal bankruptcy code; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally, now or hereinafter in effect; equity principles; limitations on the specific enforcement of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain circumstances, of the police powers inherent in the sovereignty of the State and its governmental bodies having an interest in serving a significant and legitimate public purpose; and regulatory and judicial actions that are subject to discretion and delay. Although the State of Colorado does not presently authorize the City or the Airport to commence a bankruptcy proceeding under Chapter 9 of the Bankruptcy Code, should such an authorization be provided in the future, the provisions of Chapter 9 of the Bankruptcy Code and court decisions thereunder may result in additional risks associated with bankruptcy proceedings. The foregoing could subject the Owners of the Series 2020A-D Bonds to, among other things, judicial discretion and interpretation of rights; the automatic stay provisions of the federal bankruptcy code; rejection of significant agreements; avoidance of certain

payments to the Owners of the Series 2020A-D Bonds as preferential payments; assignments of certain obligations, including those in favor of the Owners of the Series 2020A-D Bonds; significant delays, reductions in payments and other losses to the Owners of the Series 2020A-D Bonds; an adverse effect on the liquidity and values of the Series 2020A-D Bonds; additional borrowings, which borrowings may have a parity lien on Net Revenues; alterations to the interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants) and other terms or provisions of the General Subordinate Bond Ordinance or the Series 2020A-D Bonds.

Legal opinions to be delivered concurrently with the delivery of the Series 2020A-D Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2020A-D Bonds may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, as well as limitations on legal remedies against cities in the State. In the event the City fails to comply with its covenants under the Senior Bond Ordinance or the Subordinate Bond Ordinance, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Series 2020A-D Bonds.

### **Availability of PFCs**

As described herein, prior to January 1, 2019, two-thirds of the PFCs received by the City (the \$3.00 portion of the \$4.50 PFC) were irrevocably committed through 2018 to the payment of Debt Service Requirements on Senior Bonds. The City determined not to extend such irrevocable commitment after December 31, 2018. In addition, one-third of the PFCs received by the Airport pursuant to certain PFC applications (the \$1.50 portion of the \$4.50 PFC) were considered Gross Revenues under the General Bond Ordinance through 2018. Commencing on January 1, 2019, all PFC revenues received by the City are now included in Gross Revenues until such time as the Manager gives written notice to the Treasurer that such PFCs, or a portion thereof, shall no longer be included in Gross Revenues for purposes of the Bond Ordinances. See "FINANCIAL INFORMATION—Passenger Facility Charges." PFCs that are designated as Gross Revenues are taken into account in determining whether the Senior Rate Maintenance Covenant and the Subordinate Rate Maintenance Covenants have been met as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Rate Maintenance Covenants."

The Airport's receipt of PFC revenues is subject to several risks. First, the Airport's current PFC authorization expires on October 1, 2030. Second, the amount of PFCs received by the Airport in future years depends on the actual number of PFC-eligible passenger enplanements at the Airport. If enplanements decline so will the Airport's PFC revenues. Third, the Airport's authority to impose PFCs may be terminated (subject to procedural safeguards) for various reasons, including for a failure by the Airport to observe FAA requirements regarding use of these revenues. See "FINANCIAL INFORMATION—Passenger Facility Charges."

Legislation was introduced in the House of Representatives in the past and may be introduced in the future to amend the PFC Enabling Act, to, among other things, remove the \$4.50 PFC cap on each enplaning revenue passenger and authorize an eligible agency to impose a PFC of any amount on each enplaning revenue passenger at an airport the agency controls. No assurance can be given that any such legislation will be enacted; that in the event such legislation is enacted, the Airport will submit an application to increase the rate of PFCs collected at the Airport above \$4.50 or that any such application will be granted by the FAA; that the Airport's authority to impose a PFC will not be terminated by Congress or the FAA; that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Airport; or that the Airport will not seek to decrease the

amount of PFCs to be collected, provided that such decrease does not violate the City's covenants in the Bond Ordinances. A shortfall in PFC revenues may cause the Airport to increase rentals, fees and charges at the Airport to meet the Debt Service Requirements on the Senior Bonds and Subordinate Debt Service Requirements.

### **Access to Credit Markets; Availability of Funding for the 2018-2022 Capital Program**

The City plans to access the credit markets in future years in order to issue additional Airport System revenue bonds to finance portions of the 2018-2022 Capital Program or future capital programs, remarket existing Airport System revenue bonds, and extend the terms of reimbursement agreements related to certain variable rate Senior Bonds. In order to extend or replace such reimbursement agreements, the City may determine that it is necessary to remarket such series of Senior Bonds, potentially resulting in increased Debt Service Requirements of the Senior Bonds. In addition, disruptions in the credit markets, like those which occurred in 2008-2010, may cause the City to reduce or delay portions of the 2018-2022 Capital Program or future capital programs.

The estimated costs of and the projected schedule for the 2018-2022 Capital Program and certain other information regarding projects included in the 2018-2022 Capital Program are described in "CAPITAL PROGRAM" above. The proposed capital projects are subject to a number of uncertainties, and capital project budgets are updated from time to time. The funding plan for the 2018-2022 Capital Program, as described herein, assumes that a combination of the proceeds of Airport System revenue bonds, moneys on deposit in the Airport's Capital Fund, and various federal grants will be received in amounts and at times necessary to pay the costs of portions of the 2018-2022 Capital Program.

No assurance can be given that these sources of funding will actually be available in the amounts or on the schedule assumed, or that the existing or future capital projects will not cost more than the current budget or future budgets for such projects. Furthermore, the City is unable to estimate the costs associated with each of the risks identified above and the total impact of these risks if such events were to occur. The City may ultimately decide not to proceed with certain capital projects or may proceed with them on a different schedule, resulting in different results than those included herein or in the Letter Report of the Airport Consultant.

### **Construction Risks Related to Projects Within the 2018-2022 Capital Program**

The ability of the City to complete projects included in the 2018-2022 Capital Program may be adversely affected by various factors including: (i) estimating variations, (ii) design and engineering variations, (iii) changes to the scope, scheduling or phasing of the capital projects, (iv) delays in contract awards, obtaining permits, approvals or reviews, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, natural disasters or other casualty events, (viii) contractor defaults, (ix) labor disputes and work stoppages, (x) unanticipated levels of inflation, (xi) environmental issues, (xii) litigation, (xiii) tariffs or other taxes imposed by state or federal authorities, as well as trade disputes among U.S. trading partners, (xiv) delays due to airline operational needs, (xv) bidding conditions through the Department's procurement process and (xvi) COVID-19.

Such occurrences or similar occurrences may cause the completion of projects within the 2018-2022 Capital Program to be delayed or cost more than planned. If certain projects within the 2018-2022 Capital Program that will generate Gross Revenue, such as the concourse gate expansion project or the Great Hall Project, should be delayed for any reason for which monetary damages from a contractor, subcontractor, supplier or materialman would be insufficient to compensate it for the loss of Gross Revenues resulting from such delay, Gross Revenues may be adversely affected, and the payment of debt service on the Senior Bonds and the Subordinate Bonds, including the Series 2020A-D Bonds may



likewise be adversely affected. In addition, failure to complete projects in the 2018-2022 Capital Program could adversely affect the Gross Revenues.

On August 12, 2019, the City, for and on behalf of the Department, exercised its right to terminate the Great Hall Agreement for convenience, which termination was effective November 12, 2019. The City, for and on behalf of the Department, contracted with a new project team for the Great Hall Project in March 2020, which team will complete construction of the initial phase of the Great Hall Project and is expected to construct any subsequent phases of the Great Hall Project. The City, for and on behalf of the Department, currently projects that the design and construction costs of the Great Hall Project will be at the original budgeted amount of \$770 million. In order to meet such original construction budget, the City, for and on behalf of the Department, is working to reduce the scope of the Great Hall Project without compromising the original project goals to enhance security of the passengers and the Airport, improve passenger flow and increase and improve concessions areas. Additionally, the scope and design of the Great Hall Project remains subject to evaluation by the Department with respect to COVID-19 considerations, including use of space and social distancing requirements. The final completion date of the Great Hall Project (which is anticipated to be later than the original completion date of November 2021, but not later than December 31, 2024), is not expected to be set until the design work for subsequent phases of the Great Hall Project is finalized. See “DENVER INTERNATIONAL AIRPORT—Great Hall Project Developments.”

Delays to construction of the Great Hall Project due to any future procurement processes or general construction risks described above, or due to redesigned spaces as a result of COVID-19, may result in increased costs beyond the originally budgeted amount, delay of the completion date, potential loss of concessions revenue due to concessions opportunities not being available or being delayed, and prolonged inconvenience to travelers. Furthermore, there may be additional costs or payments required to be made to any new contractor selected to complete the construction of the Great Hall Project. See “DENVER INTERNATIONAL AIRPORT – Great Hall Project Developments.” There can be no assurances that the projected design and construction costs will fall within the original budgeted amount.

Failure to complete the Great Hall Project in a timely manner, due to construction delays or other events within and outside of the City’s control, together with certain other adverse events, including, but not limited to, an inability to complete the concessions areas on time and a later than anticipated commencement of concessions collections, may adversely affect the receipt of Gross Revenues, and thus, the payment of Debt Service on the Senior Bonds and Subordinate Bonds, including the Series 2020A-D Bonds.

The Department may continue to adjust the scope, timing and priority of projects in the 2018-2022 Capital Program depending on the extent and continued impact of COVID-19 on passenger travel at the Airport and other factors. There can be no assurance that the construction of any project within the 2018-2022 Capital Program, including, without limitation, the Great Hall Project or concourse gate expansion project, will be completed on time; that any or all of the required permits, approvals and reviews will be obtained at all or in a timely manner that will permit such projects to be constructed on schedule; that the Airport and/or airline operations will not be affected by any delay in completion or commencement of operation of the such projects; or that the remedies available to the City, for and on behalf of the Department, as a result of any failure to perform by any contractor, subcontractor or supplier and/or termination of agreements with such parties (including the termination of the Great Hall Agreement) would be sufficient to compensate it for the loss of Gross Revenues resulting from such delay or termination, or that any such events will not adversely affect the ability of the City to generate and realize Gross Revenues.

## **Airport Hotel Risks**

The principal sources of revenues from the Airport Hotel, which is owned by the Airport and managed by Westin, are room rentals, food sales to guests and other related charges and fees. See “DENVER INTERNATIONAL AIRPORT—Hotel and Transit Center—*The Airport Hotel*” for a description of the Airport Hotel. The primary risk associated with the receipt of room rentals and food sales is the occupancy level of the Airport Hotel. A number of factors that may impact the occupancy level and that are beyond the control of the Airport or Westin include the continuation or exacerbation of the COVID-19 pandemic and related travel restrictions, adverse changes in the national economy and levels of tourism, competition from other hotels, sales taxes, energy costs, governmental rules and policies, gasoline and other fuel prices, airline fares and the national economy. In addition, because hotel rooms are rented for a relatively short period of time compared to most commercial properties, hotels respond more quickly to adverse economic conditions and competition than do other commercial properties that are rented for longer periods of time, which could impact, among other things, the average daily room rate (“ADR”).

The occupancy rates and the ADR of the Airport Hotel are also dependent in part on the national brand name recognition of Westin. If Westin’s premium brand market power and position were to be reduced, or if Westin were to discontinue its services as the manager or fail to renew any of the management agreements in the future, these factors could adversely impact the occupancy rates and ADR of the Airport Hotel unless Westin were replaced by a comparable operator with national brand name recognition.

In the event gross operating revenues of the Airport Hotel are not sufficient in a particular month to pay Airport Hotel operating and maintenance expenses then due, amounts in the Revenue Fund not related to the Airport Hotel are to be applied to pay any such Airport Hotel expenses prior to the payment of debt service on any Senior Bonds and Subordinate Bonds. Airport Hotel revenues have been strong since its opening in 2015, other than recent reductions in revenues due to COVID-19, and have been sufficient to date to pay its operating and maintenance expenses; however, there is no assurance that operating revenues of the Airport Hotel will continue to be sufficient to pay its operating and maintenance expenses.

## **Additional Rights of Certain Owners of Senior Bonds and Subordinate Bonds**

In 2014, the City completed the restructuring of multiple series of Senior Bonds bearing interest at variable rates. The restructuring consisted of extending the maturities and changing or establishing mandatory sinking fund redemption dates for such Series of Senior Bonds, which were purchased by certain financial institutions pursuant to reimbursement agreements entered into with the City. See “FINANCIAL INFORMATION—Outstanding Senior Bonds—*Credit Facility Obligations Related to Senior Bonds*.” Such reimbursement agreements include representations, covenants and agreements of the City solely for the benefit of such financial institutions as owners of the restructured Senior Bonds in addition to those contained in the General Bond Ordinance. The covenants in a reimbursement agreement may be waived or modified with only the consent of the related financial institution as owner of the Senior Bonds and without consent of or notice to any owners of other Senior Bonds. The ability of the City to comply with such covenants can be affected by events beyond its control, and there can be no assurance that it will continue to meet such covenants.

Additionally, the City has entered into certain Subordinate Credit Facilities in connection with the issuance of certain Subordinate Bonds. Each of such Subordinate Credit Facilities include representations, covenants, and agreements in addition to those contained in the Subordinate Bond Ordinance. A breach of any of these representations, covenants and agreements could result in a default

under the related Subordinate Bonds and the Subordinate Bond Ordinance. See “FINANCIAL INFORMATION—Subordinate Obligations—*Subordinate Credit Facility Obligations*.”

An event of default under a reimbursement agreement could result in an event of default under the Senior Bond Ordinance, which is an event of default under the Subordinate Bond Ordinance. Under the Senior Bond Ordinance, the consent of the owners of not less than 10% in principal amount of the Senior Bonds Outstanding is required to accelerate payment of the Senior Bonds upon an event of default. Under the Subordinate Bond Ordinance, the consent of the owners of not less than 25% in principal amount of the Subordinate Bonds Outstanding is required to accelerate payment of the Subordinate Bonds upon an event of default. See “APPENDIX B-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE—ARTICLE XII—Defaults, Rights and Remedies of Bondowners” and APPENDIX C-1—AMENDED AND RESTATED AIRPORT SYSTEM GENERAL SUBORDINATE BOND ORDINANCE—ARTICLE XII—Defaults, Rights and Remedies of Bondowners.” See also “—Enforcement of Remedies” above See also “—Enforcement of Remedies” above.

### **LIBOR Risk Factors**

Some of the outstanding Senior Bonds as well as some of the outstanding Subordinate Hedge Facility Obligations have payments referenced off of the London interbank offered rate (“**LIBOR**”). Regulators and law enforcement agencies from a number of governments have been conducting investigations relating to the calculation of LIBOR across a range of maturities and currencies, and certain financial institutions that are member banks surveyed by the British Bankers’ Association in setting daily LIBOR have entered into agreements with the U.S. Department of Justice, the U.S. Commodity Futures Trading Commission and/or the Financial Services Authority in order to resolve the investigations.

LIBOR and other indices which are deemed “benchmarks” are the subject of recent national, international, and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. Any of the international, national or other proposals for reform or the general increased regulatory scrutiny of “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations and requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain “benchmarks,” trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks.” The disappearance of a “benchmark” or changes in the matter of administration of a “benchmark” could have materially adverse consequences in relation to securities linked to such “benchmark.”

Central banks around the world, including the U.S. Federal Reserve, have commissioned working groups that include market participants (the “**Alternative Rate Committees**”) with the goal of finding suitable replacements for their currency’s LIBOR that are based on observable market transactions. The search for replacements accelerated after the Financial Stability Board reported that uncertainty surrounding the integrity of LIBOR represents a potentially serious systemic vulnerability and risk due to limited transactions in the underlying inter-bank lending market. In July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the “**FCA**”), which regulates LIBOR, announced that it expects that it would not be in a position to sustain LIBOR through its influence or legal compulsion powers after the end of 2021 and called for an orderly transition over a four to five-year period from LIBOR to the reference rates selected by the Alternative Rate Committees. Any transition away from LIBOR, as well as the uncertainty surrounding the future of LIBOR and future regulatory and market developments, could have a materially adverse effect on the current and future trading market for, and the market price of, LIBOR-based financial instruments, such as certain swap agreements, including swap agreements related to certain of the Airport’s Senior Bonds and Subordinate Contract Obligations.

## Credit Risk of Swap Counterparties

The City has entered into interest rate swap agreements with various financial institutions. See “FINANCIAL INFORMATION—Subordinate Obligations.” During and following the U.S. recession in 2008-2009, each of the Rating Agencies downgraded the claims-paying ability and financial strength ratings of many commercial banks and other financial institutions serving as counterparties, though many of the institutions have subsequently been upgraded. The Rating Agencies could announce downgrades of these entities in the future, which could have a material adverse effect on the Airport, including significant increases in its debt service costs.

The occurrence of certain events, including non-payment or a ratings downgrade of the applicable swap providers if not cured, could give the other party to the swap agreement the ability to cause a termination thereof (or might result in automatic termination in the case of a bankruptcy). The amount due in connection with any such termination could be owed by, or to, the Airport depending on interest rate conditions at the time of termination regardless of fault. The amount owed may be substantial, and any such termination could leave the parties unhedged. A termination may be avoided by novating the swap to another party, or the burden of the Airport having to pay any such termination payment may be alleviated by entering into a replacement swap on the same terms as the terminating swap but with the new swap provider’s payment of an upfront fee which could be used to pay all or a portion of the termination payment. The availability of such options would depend on the applicable termination events, and the parties’ creditworthiness and market conditions at the time. See “FINANCIAL INFORMATION—Subordinate Obligations.”

## Letter Report of the Airport Consultant; Actual Results May Differ from Projections and Assumptions

The Letter Report of the Airport Consultant included as APPENDIX A was prepared in connection with, but prior to the actual offering and sale of the Series 2020A-D Bonds, and consequently makes various assumptions as set forth therein and is subject to uncertainties. It will not be revised to reflect certain events or updates that occur after its dated date. The range of projected key financial metrics included in the Letter Report of the Airport Consultant was prepared based on a hypothetical three-year and five-year recovery in the number of enplaned passengers compared to actual Fiscal Year 2019 (i.e. pre-COVID-19) passenger levels at the Airport, as well as a number of other assumptions described therein. The passenger recovery period was based, in part, on comments related to vaccine timing and the expected return to travel from, but not limited to, a major airplane manufacturer, certain of the busiest airlines serving the Airport, credit rating agencies and organizations representing the airline/aviation industry. Economic activity (e.g., population and unemployment) in the City of Denver, the State and the United States in 2020, and potentially later years, could be substantially lower than historical levels due to the negative effects of COVID-19. **Given the unprecedented nature and continuing uncertainty surrounding the COVID-19 pandemic, the Letter Report of the Airport Consultant does not include any projections of the (a) economic activity in the region served by the Airport and its effect on passenger travel at the Airport or (b) the number of enplaned passengers and other aviation activity (e.g. number of flights at the Airport).**

The Letter Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an understanding of all of the assumptions used to prepare the projections made therein. No assurances can be given that the hypothetical passenger recovery periods discussed in the Letter Report of the Airport Consultant will be achieved or that the assumptions upon which the projections are based will be realized. As noted in such report, any projection is subject to uncertainties; therefore there are likely to be differences between the projections and actual results, and those

differences may be material. See “LETTER REPORT OF THE AIRPORT CONSULTANT” and “APPENDIX A—LETTER REPORT OF THE AIRPORT CONSULTANT.”

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statements in this Official Statement will not be realized and unanticipated events and circumstances will occur. The forward-looking statements and projections presented herein and in the Letter Report of the Airport Consultant incorporate certain assumptions more fully described above and in the Letter Report of the Airport Consultant. Any forward-looking statement and/or projection should be read in connection with the related assumptions. It can be expected that there will be differences between forward-looking statements and projections presented herein and in the Letter Report of the Airport Consultant, and actual results, and those differences may be material.

### **Potential Tax Law Changes**

From time to time, there are legislative proposals in Congress and in state legislatures that, if enacted, could alter or amend the treatment of the Series 2020A-D Bonds for federal and state tax purposes or adversely affect the market value or marketability of the Series 2020A-D Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, from time to time regulatory actions are announced or proposed, and litigation is threatened or commenced, which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the Series 2020A-D Bonds. It cannot be predicted whether any such regulatory action will be implemented, whether any particular litigation or judicial action will be commenced or, if commenced, how it will be resolved, or whether the Series 2020A-D Bonds or the market value or marketability thereof would be affected thereby. Prospective purchasers of the Series 2020A-D Bonds should consult their tax advisors regarding any future, pending or proposed legislation, regulatory initiatives, rulings or litigation as to which Bond Counsel expresses no opinion. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2020A-D Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation. See “TAX MATTERS.”

## **LETTER REPORT OF THE AIRPORT CONSULTANT**

The Airport Consultant prepared the Letter Report of the Airport Consultant dated [\_\_\_\_], 2020, which is included herein as “APPENDIX A—LETTER REPORT OF THE AIRPORT CONSULTANT” with the consent of the Airport Consultant. The Letter Report of the Airport Consultant presents hypothetical ranges of passenger recovery periods for the return to actual 2019 pre-COVID passenger levels at the Airport for purposes of projecting key Airport financial metrics, including debt service coverage and average airline cost per enplaned passenger from Fiscal Year 2020 through Fiscal Year 2025 (as previously defined, the “**Projection Period**”), including the assumptions upon which such forecasts are based.

**Given the unprecedented nature and continuing uncertainty surrounding the COVID-19 pandemic, the Letter Report of the Airport Consultant does not include any projections of the (a) economic activity in the region served by the Airport and its effect on passenger travel at the Airport or (b) the number of enplaned passengers and other aviation activity (e.g. number of flights at the Airport).**

The range of projected key financial metrics was prepared based on a hypothetical three-year and five-year recovery in the number of enplaned passengers to actual 2019 passenger numbers at the Airport. The Letter Report of the Airport Consultant provides that the Department management has assumed the number of enplaned passengers using the Airport in 2020 would decline 60% compared to the actual 34.5 million enplaned passengers in 2019, which assumed decline takes into account certain potential factors affecting the number of enplaned passengers using the Airport in 2020 including COVID-19-related international and domestic travel restrictions, health concerns affecting the propensity to travel, and lack of a vaccine or widespread use of a vaccine if one becomes available. The estimated number of enplaned passengers in 2020 was assumed to equal 13.9 million, which number was used as the basis for the numbers projected for the hypothetical recovery periods. For the three-year hypothetical recovery period, after the number of enplaned passengers reach actual 2019 enplaned passengers in 2023, the Letter Report of the Airport Consultant assumes that the number of enplaned passengers would increase at the actual 20-year rate of growth in passenger traffic at the Airport from 1999 through 2019 (approximately 2.1% per year). The Letter Report of the Airport Consultant also assumes, among other things, dates by which various components of the 2018-2022 Capital Program will be complete, that the Stimulus Funds will be applied to Debt Service Requirements and Subordinate Debt Service Requirements in 2020 through 2023, that the rate-making methodology in the existing Use and Lease Agreements will not change during the Projection Period, that no extension of existing COVID-19 relief policies or future relief policies will be implemented for airlines and concessionaires, and that the current \$4.50 PFC level will remain in place during the Projection Period.

**The Letter Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of the Airport Consultant. As noted in the Letter Report of the Airport Consultant, any projection is subject to uncertainties; therefore, there are likely to be differences between projections in the Letter Report of the Airport Consultant and actual results, and those differences may be material.**

**The projections in the Letter Report of the Airport Consultant are based upon certain information and assumptions that were provided or reviewed and agreed to by the Department and are set forth in the Letter Report of the Airport Consultant. Additionally, the debt service coverage projections in the Letter Report of the Airport Consultant (a) were not updated to reflect the sale, issuance or final terms of the Series 2020A-D Bonds, and (b) include the expected refunding savings from the Series 2020A-D Bonds, but do not include any adjustments for debt service savings which may occur with respect to any refunding of the other Senior Bonds or Subordinate Obligations (in addition to the Refunded Bonds during the Projection Period).**

**No assurances can be given that the hypothetical passenger recovery period and expectations discussed in the Letter Report of the Airport Consultant will be achieved or that the assumptions upon which the projections are based will be realized. The Letter Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an explanation of the assumptions and projections used therein. As of the date of this Official Statement, in the opinion of the Airport Consultant, the assumptions made in the Letter Report of the Airport Consultant provide a reasonable basis for the projections therein.**

See also “CAPITAL PROGRAM,” “AVIATION ACTIVITY AND AIRLINES—Airline Information.” “IMPACT OF COVID-19 ON THE AIRPORT,” and “CERTAIN INVESTMENT CONSIDERATIONS—Letter Report of the Airport Consultant; Actual Results May Differ from Projections and Assumptions,” for a discussion of, among other things, the factors that may impact projections related to the Airport.

## LITIGATION

The Airport System is involved in several claims and lawsuits arising in the ordinary course of business. Except as described in following section, “—Current Litigation Relating to the Adams County IGA,” the City believes that any liability assessed against the City as a result of such claims or lawsuits, which are not covered by insurance or accounted for in the 2018-2022 Capital Program, would not materially adversely affect the financial condition or operations of the Airport System.

### Current Litigation Relating to the Adams County IGA

The City and Adams County are parties to the Adams County IGA governing, among other things, Noise Standards in the vicinity of the Airport. See “FINANCIAL INFORMATION—Intergovernmental Agreement with Adams County.” On November 15, 2017, the City received a Notice of Default letter from Adams County, the City of Aurora, the City of Commerce City, the City of Brighton and the City of Thornton (the cities in which the property affected by the noise violations asserted by Adams County is located) (collectively, the “**Claimants**”) which (i) asserted that ARTSMAP is antiquated and does not meet the requirements of the Adams County IGA for installation and operation of a noise monitoring system capable of recording noise levels sufficient to determine whether the City is in compliance with the Noise Standards and (ii) demanded that the City install and operate a new system that complies with all requirements of the Adams County IGA and commit to the installation of such new system within the 30-day period. The City also received Notices of Violation from the Claimants dated November 15, 2017 that (i) asserted that calculations made by the Claimants using an alternative, non-ARTSMAP noise analysis system revealed a significant number of Class I violations and 141 Class II violations by the City in each of the years 2014 through 2016, and (ii) requested that the City determine and immediately implement procedures set forth in the Adams County IGA to remedy such violations. Adams County also asked the City to provide the City’s noise monitoring data for years 2012 and 2013.

On July 2, 2018, the Board of County Commissioners of Adams County filed a civil complaint against the City in the Jefferson County District Court of Colorado, which was amended on July 20, 2018 to include the City of Aurora and the City of Brighton as plaintiffs (the “**Original Complaint**”). The Original Complaint sought, among other things, a declaration from the Court that the City is in breach of the Adams County IGA as a result of the City’s continued use of ARTSMAP, which the Complaint alleges is not sufficient to measure compliance with Noise Standards agreed to under the Adams County IGA. In conjunction with this declaratory relief, the Original Complaint sought an injunction of the City’s continued use of ARTSMAP and specific performance including, among other things, (i) use of an alternative noise monitoring system and for the City to recalculate and re-report the annual calculation of compliance with the Noise Standards for 2014 through 2018 and future years using such alternative noise monitoring system, (ii) installation of additional noise monitoring terminals in and around the Airport to sufficiently measure compliance with the Noise Standards under the Adams County IGA; and (iii) supply of a terminal at the Adams County offices to allow real-time, continuous monitoring of such alternative noise monitoring system data.

Additionally, the City received Notices of Violation from the Claimants dated July 2, 2018, once again asserting Class I and Class II violations by the City for each year 2014 through 2017. On May 21, 2019, the Plaintiffs filed the Amended Complaint, which, in addition to allegations made in the Original

Complaint, alleges between 93 and 108 Class II violations in 2014 through 2016 that remained uncured in the succeeding calendar year and, in addition to the relief sought in the Original Complaint, seeks (i) a mandatory Court order requiring the City to implement reasonable, non-discriminatory rules and regulations concerning airport operations to achieve and maintain compliance with the Noise Standards and (ii) if the Court does not make such order, an award of liquidated damages of \$500,000 for each Class II violation that occurred during 2014, 2015 and 2016 that remained uncured in the succeeding calendar year.

On June 19, 2020 the Court issued a ruling (the “**Ruling**”) finding, among other things, (i) that the Adams County IGA requires installation of a noise monitoring system as opposed to a noise modeling system, as the ARTSMAP system does not measure actual noise levels and is not a noise monitoring system and (ii) the City is liable to Adams County for liquidated damages in the amount of \$500,000 for each of the 67 uncured Class II Violations from 2014 through 2016 for a total of \$33,500,000, plus interest, in liquidated damages.

Pursuant to the Ruling, the City will be required to make changes in its noise monitoring program and may need to make changes to the operations of the Airport and flight procedures that could materially adversely affect Net Revenues. An amendment to the Ruling was issued on September 1, 2020 in which the Court ruled on the City’s post-trial motions, denying the City’s request for claim preclusion, and calculating pre-trial interest. The total Amended Judgment with Prejudgment Interest is calculated as \$47,480,603.17, with post-judgment interest continuing to accrue at 8% per annum from June 19, 2020 until the date of payment. A Notice of Appeal is due October 20, 2020, however the City has not yet determined whether it will file the appeal. **[TO BE UPDATED RE PLANS TO APPEAL].**

On August 27, 2020, the City received updated Notices of Violation alleging twelve Class I and twenty-two Class II violations in 2017 and one Class I and fourteen Class II violations in 2018, and a new Notice of Violations alleging one Class I and eight Class II violations in 2019, in each case using methods of calculation endorsed by the Court and in each case including potential additional to be determined Class II violations depending on noise value detection threshold levels. [The Department is reviewing these Notices and as of the date of this Official Statement has not made a determination of their validity. These Notices will be interpreted in accordance with the court’s ruling, including as it may be appealed.]

There can be no assurances that Adams County will not send additional notices of potential noise violations, or amend the notices described above, which could result in the City being required to pay additional amounts in liquidated damages. To the extent the City is obligated to pay all or a portion of the liquidated damages described above, the City expects to include such amounts in its calculation of future airline rates and charges.

## **RATINGS**

S&P Global Ratings, Fitch, Inc. and Moody’s Investors Service, Inc. have published ratings of “[\_\_\_\_\_]” ([\_\_\_\_\_] outlook), “[\_\_\_\_\_]” ([\_\_\_\_\_] outlook) and “[\_\_\_\_\_]” ([\_\_\_\_\_] outlook) respectively, with respect to the Series 2020A-D Bonds.

The City has furnished to these rating agencies the information contained in this Official Statement and certain other materials and information relating to the Series 2020A-D Bonds and the Airport System, including certain materials and information not included in this Official Statement. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions by the rating agencies.



A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the agency assigning such rating and is not a recommendation to buy, sell or hold the Series 2020A-D Bonds. An explanation of the procedure and methodology used by each rating agency and the significance of such ratings may be obtained from the rating agency furnishing the same. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any of such rating agencies if, in the judgment of any of them, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings is likely to have an adverse effect on the market price of the Series 2020A-D Bonds.

#### **VERIFICATION OF MATHEMATICAL COMPUTATIONS]**

The accuracy of, among other things, the mathematical computations of amounts deposited into the Escrow Accounts to pay when due the principal and accrued interest on the Refunded Bonds on their redemption dates will be verified by Causey Demgen & Moore P.C., Denver, Colorado. See “PLAN OF FINANCE.”

#### **UNDERWRITING**

The Series 2020A-D Bonds are being purchased from the City by Barclays Capital Inc. (the “**Representative**”), as representative of the underwriters set forth on the cover page hereof (the “**Underwriters**”). The Series 2020A-D Bonds are being purchased at a price equal to \$[\_\_\_\_\_], being the aggregate principal amount of the Series 2020A-D Bonds, [plus/less original issue premium/discount of \$[\_\_\_\_\_]] and less an underwriting discount of \$[\_\_\_\_\_]. Pursuant to a Bond Purchase Agreement by and between the City, for and on behalf of the Department, and the Representative (the “**Bond Purchase Agreement**”), the Underwriters agree to accept delivery of and pay for all of the Series 2020A-D Bonds if any are delivered. The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

Drexel Hamilton, LLC, an underwriter of the Series 2020A-D Bonds, has entered into distribution agreements with Multi-Bank Securities, Inc., and Tigress Financial Partners LLC. Under these distribution agreements, such firms may purchase Series 2020A-D Bonds from Drexel Hamilton, LLC at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020A-D Bonds that such firm sells.

J.P. Morgan Securities LLC (“**JPMS**”), an underwriter of the Series 2020A-D Bonds, has entered into negotiated dealer agreements (each, a “**Dealer Agreement**”) with each of Charles Schwab & Co., Inc. (“**CS&Co.**”) and LPL Financial LLC (“**LPL**”) for the retail distribution of certain securities offerings

at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2020A-D Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020A-D Bonds that such firm sells.

Morgan Stanley & Co. LLC, an underwriter of the Series 2020A-D Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

### **RELATIONSHIP OF CERTAIN PARTIES**

J.P. Morgan Securities LLC, an underwriter of the Series 2020A-D Bonds, serves as an auction rate securities dealer for the Series 2007F1-F2 Bonds, which are expected to be refunded with the issuance of the Series 2020A-D Bonds.

### **EXPERTS**

Frasca & Associates, LLC, is serving as Municipal Advisor to the City with respect to the Series 2020A-D Bonds. It is also a “Financial Consultant” as defined in the Senior Bond Ordinance. WJ Advisors LLC is serving as the Airport Consultant to the City with respect to the Series 2020A-D Bonds.

### **CONTINUING DISCLOSURE**

In order to provide certain continuing disclosure with respect to the Series 2020A-D Bonds in accordance with Rule 15c2-12, the City will deliver a Continuing Disclosure Undertaking in respect of the Series 2020A-D Bonds in which it will agree to provide or cause to be provided annually to EMMA certain additional financial information and operating data concerning the Airport System and other obligated persons and to provide notice of certain specified events. See “APPENDIX G—FORM OF CONTINUING DISCLOSURE UNDERTAKING” for a description of the annual information and the events for which notice is to be provided and other terms of the Continuing Disclosure Undertakings.

### **LEGAL MATTERS**

All legal matters incident to the validity and enforceability of the Series 2020A-D Bonds are subject to the approval of Hogan Lovells US LLP, Denver, Colorado, Bond Counsel. The substantially final form of the opinion of Bond Counsel is appended to this Official Statement. Certain legal matters will be passed upon for the City by Kristin M. Bronson, Esq., City Attorney, and Ballard Spahr LLP, Denver, Colorado, Special Counsel to the City; and for the Underwriters by Sherman & Howard L.L.C., Denver, Colorado.

### **TAX MATTERS**

#### **The Series 2020A Bonds and Series 2020B Bonds**

*The information in this section applies solely to the Series 2020A Bonds and Series 2020B Bonds*

The following discussion is a summary of the opinions of Bond Counsel to the City that are to be rendered on the tax-exempt status of interest on the Series 2020A-B Bonds and of certain federal and

State income tax considerations that may be relevant to prospective purchasers of such Series 2020A-B Bonds. This discussion is based upon existing law, including current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed regulations under the Code, and current administrative rulings and court decisions, all of which are subject to change.

Upon issuance of the Series 2020A-B Bonds, Hogan Lovells US LLP, Bond Counsel to the City, will provide an opinion, substantially in the form appended to this Official Statement, to the effect that, under existing law, (i) interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2020B Bonds are held by a person who is a “substantial user” of the Airport System or a “related person,” as those terms are used in Section 147(a) of the Code, and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts and estates, and (ii) interest on the Series 2020B Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2020B Bonds are held by a person who is a “substantial user” of the Airport System or a “related person,” as those terms are used in Section 147(a) of the Code, but is an item of tax preference in calculating the federal alternative minimum tax liability of individuals, trusts and estates.

The foregoing opinion will assume compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2020A-B Bonds. The City will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the Series 2020A-B Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Series 2020A-B Bonds.

The opinions of Bond Counsel to the City will also provide to the effect that, under existing law and to the extent interest on any Series 2020A-B Bonds is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State.

If a holder purchases a Series 2020A-B Bond for an amount that is greater than its stated redemption price at maturity, such holder will be considered to have purchased the Series 2020A-B Bond with “amortizable bond premium” equal in amount to such excess. A holder must amortize such premium using a constant yield method over the remaining terms of the Series 2020A-B Bond based on the holder’s yield to maturity. As bond premium is amortized, the holder’s tax basis in such Series 2020A-B Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of the Series 2020A-B Bond prior to its maturity. No federal income tax deduction is allowed with respect to amortizable bond premium on a Series 2020A-B Bond. Purchasers of Series 2020A-B Bonds with amortizable bond premium should consult with their own tax advisors regarding the proper computation of amortizable bond premium and with respect to state and local tax consequences of owning such Series 2020A-B Bonds.

Other than the matters specifically referred to above, Bond Counsel to the City express, and will express, no opinions regarding the federal, State, local or other tax consequences of the purchase, ownership and disposition of Series 2020A-B Bonds. Prospective purchasers of the Series 2020A-B Bonds should be aware, however, that the Code contains numerous provisions under which receipt of interest on the Series 2020A-B Bonds may have adverse federal tax consequences for certain taxpayers. Such consequences include the following: (1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2020A-B Bonds or, in the case of financial institutions, that portion of a holder’s interest expense allocated to interest on the Series 2020A-B Bonds (subject to certain exceptions); (2) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2020A-B Bonds; (3) interest on the

Series 2020A-B Bonds earned by certain foreign corporations doing business in the United States of America could be subject to a branch profits tax imposed by Section 884 of the Code; (4) passive investment income, including interest on the Series 2020A-B Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (5) Section 86 of the Code requires recipients of certain Social Security and certain railroad retirement benefits to take into account, in determining the inclusion of such benefits in gross income, receipts or accrual of interest on the Series 2020A-B Bonds.

The Internal Revenue Service (the “**Service**”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Series 2020A-B Bonds will be audited. If an audit is commenced, under current Service procedures the holders of the Series 2020A-B Bonds may not be permitted to participate in the audit process. Moreover, public awareness of an audit of the Series 2020A-B Bonds could adversely affect their value and liquidity.

Bond Counsel to the City will render their opinions as of the issue date, and will assume no obligation to update their opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinions of Bond Counsel to the City are not binding on the courts or the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon their review of existing law and upon the certifications, representations and covenants referenced above.

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Series 2020A-B Bonds, the exclusion of interest on the Series 2020A-B Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Series 2020A-B Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

**Prospective purchasers of Series 2020A-B Bonds should consult their own tax advisors as to the applicability and extent of federal, State, local or other tax consequences of the purchase, ownership and disposition of Series 2020A-B Bonds, including the potential consequences of any pending or proposed legislation, in light of their particular tax situation.]**

### **The Series 2020C Bonds and Series 2020D Subordinate Bonds**

*The information in this section applies solely to the Series 2020C Bonds and Series 2020D Subordinate Bonds*

The following is a summary of material U.S. federal income tax considerations of the ownership and disposition of the Series 2020C Bonds and Series 2020D Subordinate Bonds (collectively, the “**Taxable Bonds**”). This summary is based upon provisions of the Code, applicable regulations, administrative rulings and judicial decisions in effect as of the date hereof, any of which may subsequently be changed, possibly retroactively, or interpreted differently by the Service so as to result in U.S. federal income tax consequences different from those discussed below. Except where noted, this summary deals only with a Taxable Bond held as a capital asset by a beneficial owner who is a U.S. holder (as defined below) who purchases the Taxable Bond on original issuance at the first price at which a substantial portion of such Taxable Bonds are sold for cash to persons other than bond houses, brokers

or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, referred to herein as the “issue price.” This summary does not address all aspects of U.S. federal income taxes and does not deal with all tax consequences that may be relevant to holders in light of their personal circumstances or particular situations, such as:

- tax consequences to dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies and traders in securities that elect to use a mark-to-market method of accounting for their securities;
- tax consequences to persons holding Taxable Bonds as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- tax consequences to persons whose “functional currency” is not the U.S. dollar;
- tax consequences to entities treated as partnerships for U.S. federal income tax purposes and investors therein;
- tax consequences to certain former citizens or residents of the United States;
- alternative minimum tax consequences, if any;
- any state, local or foreign tax consequences; and
- estate or gift taxes.

If an entity that is treated as a partnership for U.S. federal income tax purposes holds Taxable Bonds, the tax treatment of a partner or member will generally depend upon the status of the partner or member and the activities of the entity. If you are a partner or member in such an entity holding the Taxable Bonds, you should consult your tax advisors.

**Prospective purchasers of Taxable Bond should consult their own tax advisors concerning the U.S. federal income tax consequences of the purchase, ownership and disposition of Taxable Bonds in light of their specific situation, as well as consequences arising under the laws of any other taxing jurisdiction.**

In this discussion, the term “U.S. holder” refers to a beneficial owner of Taxable Bonds that is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or

(2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

**Payment of Interest.** Stated interest on a Taxable Bond will generally be taxable to a U.S. holder as ordinary income at the time it is received or accrued in accordance with the U.S. holder's usual method of accounting for tax purposes.

**Original Issue Discount.** If any Taxable Bonds are issued with original issue discount, or "**OID**," a U.S. holder of such Taxable Bonds will be subject to special tax accounting rules, as described in greater detail below. In that case, U.S. holders should be aware that they generally must include OID in gross income in advance of the receipt of cash attributable to that income.

A Taxable Bond with an "issue price" that is less than its stated redemption price at maturity (the sum of all payments to be made on the Taxable Bond other than payments of stated interest) will generally be issued with OID in an amount equal to that difference if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity. The "issue price" of a Taxable Bond will be the first price at which a substantial amount of such Taxable Bonds is sold to investors (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agent or wholesaler).

A U.S. holder generally must include OID in gross income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in the following paragraphs.

The amount of OID that a U.S. holder must include in income is the sum of the "daily portions" of OID with respect to the Taxable Bond for each day during the taxable year or portion of the taxable year in which such holder held that Taxable Bond. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for a Taxable Bond may be of any length and may vary in length over the term of the Taxable Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period.

The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of:

- the Taxable Bond's "adjusted issue price" at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over
- the sum of all stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Taxable Bond at the beginning of any accrual period is equal to its issue price increased by the OID that has accrued for each prior accrual period. Under these rules, a U.S. holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

U.S. holders may elect to treat all interest on any Taxable Bond as OID and calculate the amount includible in gross income under the constant yield method described above. The election is to be made for the taxable year in which such holder acquired the Taxable Bond and may not be revoked without the consent of the Service. U.S. holders should consult with their own tax advisors about this election.

***Sale, Redemption or Other Taxable Disposition of Taxable Bonds.*** A U.S. holder will generally recognize gain or loss upon the sale, redemption or other taxable disposition of a Taxable Bond equal to the difference between the amount realized (less accrued stated interest, which will be taxable as such) upon the sale, redemption or other taxable disposition and the U.S. holder's adjusted tax basis in the Taxable Bond. Legal defeasance of the Taxable Bonds may result in a deemed exchange of such Taxable Bonds, in which event the holder will recognize gain or loss as described in the preceding sentence. A U.S. holder's adjusted tax basis in a Taxable Bond will generally be equal to the amount that such U.S. holder paid for the Taxable Bond increased by any previously accrued OID. Any gain or loss recognized on a taxable disposition of the Taxable Bond will be capital gain or loss. If, at the time of the sale, redemption or other taxable disposition of the Taxable Bond, a U.S. holder is treated as holding the Taxable Bond for more than one year, this capital gain or loss will be long-term capital gain or loss. Otherwise, this capital gain or loss will be short-term capital gain or loss. In the case of certain non-corporate U.S. holders (including individuals), long-term capital gain generally will be subject to U.S. federal income taxation at preferential rates. A U.S. holder's ability to deduct capital losses may be limited.

***Information Reporting and Backup Withholding.*** Information reporting requirements generally will apply to interest (including OID) on the Taxable Bonds and the proceeds of a sale of a Taxable Bond paid to a U.S. holder unless the U.S. holder is an exempt recipient (such as a corporation). Backup withholding will apply to those payments if the U.S. holder fails to provide its correct taxpayer identification number, or certification of exempt status, or if the U.S. holder is notified by the Service that it has failed to report in full payments of interest and dividend income. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability if the required information is furnished in a timely manner to the Service.

## **CERTAIN ERISA CONSIDERATIONS**

The information under this heading summarizes certain considerations associated with the purchase of the Series 2020A-D Bonds by employee pension and welfare plans. The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee benefit plans subject to Title I of ERISA ("**ERISA Plans**"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on certain arrangements set forth in Section 4975(e)(1) which include, among other arrangements, tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, individual retirement accounts, individual retirement annuities, Archer MSAs, health savings accounts, and Coverdell education savings accounts, as described in Sections 4975(e)(1)(B) through (F) of the Code (collectively, "**Tax-Favored Plans**," and together with ERISA Plans, the "**Plans**"). Certain types of U.S. employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and church plans (as defined in Section 3(33) of ERISA and Section 4975(g)(3) of the Code) for which no election has been made under Section 410(d) of the Code, as well as non-U.S. employee benefit plans, are exempt from ERISA requirements and Code requirements but may nonetheless be subject to similar provisions of state and federal or foreign laws ("**Similar Laws**"). The information under this heading addresses the requirements of ERISA and the Code, but it should be understood that Similar Laws may impose comparable requirements.

**General Fiduciary Matters.** Among other requirements, ERISA requires fiduciaries to exercise prudence when investing ERISA Plan assets, taking into account diversification of the ERISA Plan's portfolio, liquidity needs and the requirement that ERISA Plan investments be made in accordance with the documents governing such ERISA Plan. Under ERISA, any person who has any discretionary authority or responsibility in the administration of an ERISA Plan or who exercises any discretionary authority or control with respect to the management, or disposition of the assets of an ERISA Plan, or

who renders investment advice for a fee or other compensation, direct or indirect, with respect to the assets of an ERISA Plan, or has any authority or responsibility to do so, is generally considered to be a fiduciary of the ERISA Plan, unless a statutory or administrative exemption is available. The term “plan assets” is defined at 26 CFR 2510.3-101.

**Prohibited Transaction Issues.** Section 406 of ERISA and Section 4975 of the Code (the “**Prohibited Transaction Rules**”) prohibit a broad range of transactions between plans and “Parties in Interest” under ERISA or “Disqualified Persons” under the Code. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by these definitions, they include: (i) a fiduciary with respect to a Plan (including the owner of a Tax-Favored Plan); (ii) a person or entity providing services to a Plan; and (iii) an employer or employee organization any of whose employees or members are covered by the Plan. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax or other liability) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available and certain prohibited transactions may be subject to rescission.

ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or Disqualified Person. The acquisition of any of the Series 2020A-D Bonds by a Party in Interest or Disqualified Person would involve the lending of money or extension of credit. In such a case, however, certain exemptions from the prohibited transaction rules might be available depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2020A-D Bond. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or “PTCEs.” These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide limited relief from the Prohibited Transaction Rules for certain transactions, provided, among other things, that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan or Tax-Favored Plan involved in the transaction and provided further that the ERISA Plan or Tax-Favored Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied with respect to any purchase, holding or disposition of the Series 2020A-D Bonds by any investor, and even if the conditions specified in one or more of these exemptions are satisfied, the scope of relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions.

**Plan Asset Issues.** Under the U.S. Department of Labor’s regulations governing what constitutes “plan assets”, assets of an entity in which a Plan invests may be treated as plan assets for the purposes of ERISA and the Code only if the plan acquires an “equity interest” by reason of the investment and no other exception is available. If a Plan invests in an entity whose assets thereby are considered plan assets, the manager of the entity would be a plan fiduciary to the extent it exercises any authority or control respecting management or disposition of the entity’s assets or provides investment advice for a fee. Any such manager that is considered a plan fiduciary would be separately required to comply with ERISA’s prohibited transaction provisions. An equity interest is defined for this purpose as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Series 2020A-D Bonds should be treated as debt for these purposes.



**Representation and Warranty.** By acquiring a Series 2020A-D Bond, each purchaser of a Series 2020A-D Bond will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser to acquire or hold the Series 2020A-D Bonds constitutes assets of any ERISA Plan or Tax-Favored Plan or of a plan subject to Similar Laws or (ii) the acquisition and holding of the Series 2020A-D Bonds will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under applicable Similar Laws.

THE FOREGOING DISCUSSION IS GENERAL IN NATURE AND IS NOT INTENDED TO BE ALL INCLUSIVE. DUE TO THE COMPLEXITY OF THE “PLAN ASSET” RULES AND THE PENALTIES THAT MAY BE IMPOSED UPON PERSONS INVOLVED IN NON-EXEMPT PROHIBITED TRANSACTIONS, IT IS PARTICULARLY IMPORTANT THAT PLAN FIDUCIARIES AND OTHER FIDUCIARIES, AND OTHER PERSONS CONSIDERING PURCHASING THE SERIES 2020A-D BONDS, CONSULT WITH THEIR COUNSEL REGARDING THE POTENTIAL APPLICABILITY OF ERISA, SECTION 4975 OF THE CODE AND ANY SIMILAR LAWS TO THE ASSETS INTENDED TO BE USED IN THE ACQUISITION OF SUCH INVESTMENT AND TO THE PARTICULAR CIRCUMSTANCES OF THE TRANSACTION.

### **FINANCIAL STATEMENTS**

The audited financial statements of the Airport System as of and for the years ended December 31, 2019 and 2018 are attached to this Official Statement as “APPENDIX E—ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS 2019 AND 2018.” BKD, LLP, the City’s independent external auditor, has not been engaged to perform and has not performed, since the date of its report included in “APPENDIX E” hereto, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this Official Statement. The consent of BKD, LLP to the inclusion of “APPENDIX E” was not sought or obtained.

The unaudited financial statements of the Airport System for six months ended June 30, 2019 and June 30, 2020 (the most recent quarterly unaudited financials available) are attached to this Official Statement as “APPENDIX F—UNAUDITED FINANCIAL STATEMENTS OF THE AIRPORT SYSTEM FOR SIX MONTHS ENDED JUNE 30, 2019 AND JUNE 30, 2020”.

The financial statements present financial information only with respect to the Airport System and do not present the financial position of the City and County of Denver, Colorado.

[Remainder of Page Intentionally Left Blank]

**MISCELLANEOUS**

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2020A-D Bonds, a copy of the Senior Bond Ordinance and the Subordinate Bond Ordinance may be obtained from the City and the Department.

So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

**CITY AND COUNTY OF DENVER, COLORADO**

By: \_\_\_\_\_  
Manager of Aviation/Chief Executive Officer

By: \_\_\_\_\_  
Chief Financial Officer, as the Manager of  
Finance/*ex-officio* Treasurer

\* \* \*

**APPENDIX A**

**LETTER REPORT OF THE AIRPORT CONSULTANT**



Appendix A

# Letter Report of the Airport Consultant

on the proposed issuance of

City and County of Denver, Colorado

Airport System Revenue Bonds, Series 2020A, Series 2020B, and Series 2020C

Airport System Subordinate Revenue Bonds, Series 2020D

September \_\_\_\_, 2020

**Prepared for**

The City and County of Denver, Colorado

**Prepared by**

WJ Advisors LLC

Denver, Colorado



September \_\_\_\_, 2020

Ms. Kim Day  
Manager of Aviation/Chief Executive Officer  
City and County of Denver Department of Aviation  
Denver International Airport  
Airport Office Building, Room 9860  
8500 Peña Boulevard  
Denver, Colorado 80249-6340

Re: Letter Report of the Airport Consultant on the Proposed Issuance of City and County of Denver, Colorado, for and on Behalf of Its Department of Aviation, Airport System Revenue Bonds, Series 2020A, Non-Alternative Minimum Tax, Series 2020B, Alternative Minimum Tax, and Series 2020C, Taxable, and Airport System Subordinate Revenue Bonds, Series 2020D, Taxable

Dear Ms. Day:

WJ Advisors LLC is pleased to submit this letter report (2020 Letter Report) related to the proposed issuance of Airport System Revenue Bonds, Series 2020A, Non-Alternative Minimum Tax, Series 2020B, Alternative Minimum Tax (AMT), and Series 2020C, Taxable, and Airport System Subordinate Revenue Bonds, Series 2020D, Taxable, (together, the 2020 Bonds), by the City and County of Denver, Colorado (the City), for and on behalf of its Department of Aviation (the Department). The proposed 2020 Bonds are to be issued pursuant to the General Bond Ordinance (GBO) and the General Subordinate Bond Ordinance (SBO), each as amended. Following the date of this 2020 Letter Report and prior to the issuance of the proposed 2020 Bonds, the City expects to adopt a supplemental bond ordinance and a supplemental subordinate bond ordinance providing for the issuance of the proposed 2020 Bonds.

The City has also issued Junior Lien Obligations pursuant to the General Junior Lien Bond Ordinance (JBO). In this 2020 Letter Report, the GBO, SBO, and JBO are collectively referred to as the Bond Ordinances. The City owns and, through the Department, operates Denver International Airport (the Airport). The Airport is the main asset of the Airport System.

### **COVID-19**

The worldwide outbreak of novel coronavirus SARS-CoV-2 (COVID-19) starting in late 2019 caused significant disruptions to domestic and international passenger travel as well as the conduct of day-to-day business in the City, the rest of the United States (U.S.) and the world. The numbers of flights and passengers on the passenger airlines serving the Airport have been and continue to be substantially lower than they were during the same months in the previous year as a result of the global pandemic known as COVID-19.

Ms. Kim Day  
September \_\_, 2020

As an indicator of the declines in airline passenger activity in the United States<sup>1</sup> resulting from COVID-19, the Transportation Security Administration (TSA) has reported that the number of passengers screened at all United States airports, including the Airport, decreased relative to the same months of 2019 in the prior year as follows: (51.7%) in March 2020, (95.3%) in April 2020, (90.4%) in May 2020, (81.1%) in June 2020, (74.0%) in July 2020, and (71.0%) in August 2020.

At the Airport, the number of enplaned passengers decreased as follows in comparison to number of enplaned passengers in the same months of 2019 (the latest data available): (46.6%) in March 2020, (94.4%) in April 2020, (86.2%) in May 2020, (72.5%) in June 2020, (61.6%) in July 2020, and (53.3%) in August 2020.

In the past, the largest monthly decrease in the number of enplaned passengers at the Airport prior to COVID-19 was (33.1%) in September 2001 and was related to the terrorist attacks of September 11, 2001. Similarly, the largest monthly decrease in the United States was (33.4%) in September 2001 and was also related to the terrorist attacks of September 11, 2001. These points of comparison are indicated solely to provide an understanding of the magnitude of the monthly decreases in passenger traffic at the Airport resulting from COVID-19 relative to prior events.

Certain sources of Gross Revenues at the Airport are based on passenger activity levels, including, but not limited to public parking revenues (originating passengers), rental car privilege fees (arriving passengers) and Terminal Complex concession revenues (enplaned passengers). Passenger activity-based non-airline revenues, including the ones mentioned in this paragraph, represented approximately 42% of Gross Revenues at the Airport based on actual 2019<sup>2</sup> results (latest available data).

The largest source of Gross Revenues is from airline rentals, rates, fees and charges for use of the Terminal Complex, Airfield Area, and certain other aeronautical facilities at the Airport, which represented 38% of Gross Revenues based on actual 2019 results. In general, the contractual arrangements between the Department and the airlines using the Airport means that declines in airline and passenger activity do not materially affect the level of revenues earned from the airlines on a year-to-year basis, mostly because of a provision in the contractual arrangements that allows the Department to adjust all airline revenues from budget to actual results.

In reaction to the significant decline in aviation activity resulting from COVID-19, the Department implemented the following two programs:

---

<sup>1</sup> The actual numbers of enplaned passengers for the United States during the same months are not currently available.

<sup>2</sup> The City's Fiscal Year ends December 31.

Ms. Kim Day  
September \_\_, 2020

- *Policy on Signatory Air Carrier Rent Abatement in Response to the COVID-19 Pandemic*, in which the Department made rent abatements available for rentals, rates, fees and charges incurred by passenger and cargo Signatory Airlines for the months stated below.
  - Fixed rents for leased space were abated for the months of April, May and June 2020 with payments to the Department resuming on July 1, 2020. Each Signatory Airline is required to pay the fees and rents that accrued during this period by December 31, 2020.
  - Variable rates and charges (e.g., per passenger charges) were abated for the months of March, April, and May 2020 with payments to the Department resuming on June 1, 2020. Each Signatory Airline is required to pay the fees and rents that accrued during this period by November 30, 2020.
- *COVID-19 Relief for Concessionaires and Rental Car Companies*, which allows concessionaires and rental car companies to only pay a percentage fee of gross revenues to the Airport from March 2020 through December 2020, and not pay the minimum annual guarantee (MAG) that would have otherwise been due and payable to the Airport. In addition, rental car companies ground rent and facility rent were abated for the months of April, May, and June 2020 with payments to the Department resuming on July 1, 2020. Each rental car company is required to pay to the Department the rents and fees that accrued during this period by December 31, 2020. In Table 1 below, the MAG waiver applies to the following categories of nonairline revenues: rental car privilege fees, and Terminal Complex concession revenues.

In the projection of key financial metrics presented later in this 2020 Letter Report for 2020 to 2025 (the Projection Period), no additional airline or concessionaire and rental car program abatements or MAG waivers were assumed.

Table 1 on the next page presents the percent change in the number of passengers and the largest sources of nonairline revenues using unaudited results from March 2020 through August 2020, as compared to the same month in the previous year.

Despite the reductions in nonairline revenues, the Department has not used nor does it currently expect to use any of its restricted cash reserves (e.g., Operation and Maintenance Reserve Account) to pay Operation and Maintenance Expenses (O&M Expenses) or pay debt service (Debt Service Requirements) in response to COVID-19.

Given the unprecedented nature and continuing uncertainty surrounding COVID-19, this 2020 Letter Report does not include any projections of (1) economic activity in the region served by the Airport or in the nation or (2) the number of enplaned passengers and other aviation activity (e.g., number of flights) at the Airport.

Ms. Kim Day  
September \_\_, 2020

Table 1  
**PERCENT INCREASE/(DECREASE) IN THE LARGEST SOURCES OF NONAIRLINE REVENUES**  
**(compared to the same month in the previous year)**  
Denver International Airport

<b>Passengers and Concession Revenues</b>	<b>March 2020</b>	<b>April 2020</b>	<b>May 2020</b>	<b>June 2020</b>	<b>July 2020</b>	<b>Preliminary August 2020</b>
Enplaned passengers	(46.6%)	(94.4%)	(86.2%)	(72.5%)	(61.6%)	(53.3%)
Originating passengers	(49.9%)	(94.3%)	(87.7%)	(76.1%)	(64.6%)	(59.0%)
Public parking	(34.6%)	(95.6%)	(89.2%)	(72.3%)	(67.1%)	(64.0%)
Rental car privilege fees (a)	(57.0%)	(83.8%)	(67.7%)	(85.6%)	(58.8%)	(42.8%)
Hotel	(43.4%)	(87.3%)	(92.2%)	(82.6%)	(76.5%)	(73.9%)
Terminal Complex concession revenues (a) (b)	(60.8%)	(88.1%)	(67.1%)	(77.0%)	(71.4%)	(63.2%)
Other (c)	6.2%	(58.8%)	(86.8%)	(49.5%)	(40.4%)	(56.8%)

Source: Unaudited Department records.

- (a) Percent decrease is the result of declines in the number of passengers using the Airport and the MAG waiver, as described in this section of this 2020 Letter Report.
- (b) Includes food and beverage, merchandise, and terminal services concessions.
- (c) Includes aviation fuel tax, other rental car revenues, ground transportation, and other miscellaneous revenues.

As such, in this 2020 Letter Report, we have used a hypothetical range of passenger recovery periods for the return to actual 2019 passenger levels (the year prior to COVID-19) at the Airport for purposes of projecting key Airport financial metrics such as debt service coverage and average airline cost per enplaned passenger (CPE).

#### **CITY AND DEPARTMENT ACTIONS**

As the negative effects on airline travel at the Airport, in the United States, and internationally caused by COVID-19 became more apparent, the Department took a series of operational, commercial, and financial actions in order to prioritize strong cash liquidity and debt service coverage, and also assist airline and nonairline partners serving the Airport.



Ms. Kim Day  
September \_\_, 2020

These actions included, but were not limited to (1) reducing O&M Expenses and (2) implementing a deferral and repayment program for Signatory Airline payments of rentals, rates, fees and charges and a concessionaire MAG waiver program, as described in the COVID-19 section above. Targeted O&M Expense reductions included implementing a hiring freeze and furlough days for existing employees, reducing overtime and eliminating travel, suspending nonessential procurements/contracts, reviewing all contracts to reset service levels and costs, and implementing new approval procedures to closely monitor/reduce spend rates. These targeted O&M Expense reductions are estimated to result in total O&M Expenses in 2020 (excluding the hotel) that are approximately 10% lower than the budget.

All Signatory Airline deferral and repayment amounts were structured by the Department to occur in 2020, and these amounts have been incorporated into the projections of key financial metrics presented later in this 2020 Letter Report.

The Department continues to review the Airport Capital Program and may delay the timing and/or reduce the scope and cost of individual projects included in the Program given the substantial reduction in passengers due to COVID-19. For purposes of this 2020 Letter Report, it was assumed that the \$3.5 billion Airport Capital Program would be funded and implemented by the Department as described later.

## **CARES ACT GRANTS**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law, which included, among other things, the award of certain grants to the operators of all United States airports, including Denver International Airport. The Department was awarded \$269.1 million in CARES Act grants, which is to be provided to the Department on a reimbursement basis.

Airport operators can use their awarded CARES Act grants to pay for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of O&M Expenses on or after January 20, 2020, and the payment of Debt Service Requirements on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the agreement between the airport operator and the Federal Aviation Administration (FAA) was executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020.

Under the Bond Ordinances, federal grants, including CARES Act grants, are not included in the definition of Gross Revenues. However, any grants (including CARES Act grants) irrevocably committed to the payment of Debt Service Requirements can be excluded from Debt Service Requirements in the calculation of debt service coverage pursuant to the Bond Ordinances. The Department has irrevocably committed the \$269.1million of CARES Act grants to the

Ms. Kim Day  
September \_\_, 2020

payment of Debt Service Requirements of Senior Bonds and Subordinate Bonds. The Department currently expects a portion of the CARES Act grants to be irrevocably committed to the payment of 2020 Debt Service Requirements, with the remaining portion to be irrevocably committed to the payment of Debt Service Requirements in 2021 through 2023. Such amounts have been excluded from Debt Service Requirements in the projection of key financial metrics presented later in this 2020 Letter Report.

### **PROPOSED 2020 BONDS**

The net proceeds from the sale of the proposed 2020 Bonds, together with other available funds, are currently expected to be used to refund (1) \$70.8 million of bond principal of the Series 2007F1-F2 Bonds, (2) \$79.1 million of bond principal of the Series 2008C1 Bonds, (3) \$114.8 million of bond principal of the Series 2010A Bonds, (4) \$16.9 million of bond principal of the Series 2011A Bonds, (5) \$9.0 million of bond principal of the Series 2011B Bonds, (6) \$135.4 million of bond principal of the Series 2012A Bonds, (7) \$196.7 million of bond principal of the Series 2012B Bonds, (8) \$126.3 million of bond principal of the Series 2013A Bonds, and (9) \$113.6 million of bond principal of the Series 2013B Bonds (collectively, the Refunded Bonds). The net proceeds of the proposed 2020 Bonds are also expected to be used to pay certain costs of issuance, swap termination costs and fund bond reserve fund deposits as necessary.

The proposed 2020 Bonds are assumed to be issued as fixed-rate bonds with a final maturity date of November 15, 2037. An all-in true interest cost of approximately 2.45% on the proposed 2020 Bonds is assumed by Frasca & Associates, LLC (the Department's Financial Advisor).

Upon the issuance of the proposed 2020 Bonds and refunding of the Refunded Bonds, the average annual reduction in Debt Service Requirements is currently estimated to be approximately \$12.6 million per year during the Projection Period. The estimated Debt Service Requirements for the proposed 2020 Bonds and the estimated reduction or elimination of Debt Service Requirements on the Refunded Bonds have been incorporated into the projections of key financial metrics presented later in this 2020 Letter Report.

### **SCOPE OF THIS 2020 LETTER REPORT**

This 2020 Letter Report was prepared to present a range of results for the Projection Period for the following key Airport financial metrics (1) debt service coverage on Senior Bonds, (2) debt service coverage on Senior Bonds and Subordinate Bonds, (3) debt service coverage on Senior Bonds, Subordinate Bonds, and Junior Lien Obligations, and (4) the average airline CPE at the Airport. We were also asked to provide information regarding the Airport's financial performance as set forth in the Attachment to this 2020 Letter Report.

Ms. Kim Day  
September \_\_, 2020

In preparing this 2020 Letter Report, we assisted Department management in identifying key factors affecting the projection of financial metrics and in formulating assumptions about those factors. The results and key findings of our analyses are summarized in this 2020 Letter Report. This 2020 Letter Report should be read in its entirety for an understanding of the projections and the underlying assumptions.

Capitalized terms in this 2020 Letter Report are used as defined in the Bond Ordinances, the Passenger Facility Charge (PFC) Ordinances, and the Airport use and lease agreements, as amended (the Airline Agreements). Please refer to the sections of the Official Statement titled “Security and Sources of Payment,” “Financial Information,” and “Summary of Certain Provisions of the General Bond Ordinance and the General Subordinate Bond Ordinance” for additional information.

### **ASSUMPTIONS USED TO PROJECT KEY FINANCIAL METRICS**

The range of projected key financial metrics was prepared based on a hypothetical three-year and five-year recovery<sup>3</sup> in the number of enplaned passengers to actual 2019 passenger numbers at the Airport, as well as several other assumptions, as discussed below.

#### **Enplaned Passengers**

From January 2020 through February 2020, the number of enplaned passengers at the Airport (prior to the significant decrease in passengers due to COVID-19) increased 6.2% in comparison to the number of enplaned passengers in the same months of 2019.

Starting in March 2020, the Airport experienced significant decreases in the number of enplaned passengers in comparison to numbers of enplaned passengers in the same months of 2019, as follows (latest data available): (46.6%) in March 2020, (94.4%) in April 2020, (86.2%) in May 2020, (72.5%) in June 2020, (61.6%) in July 2020, and (53.3%) in August 2020.

The number of enplaned passengers using the Airport in 2019 was 7.0% higher compared to the number of enplaned passengers in 2018.

Given the recent and significant decrease in the numbers of enplaned passengers at the Airport, publicly available statements by many of the busiest airlines serving the Airport about reductions in service to their other national and international markets, and uncertainty regarding the timing of a COVID-19 vaccine, Department management has assumed that the number of enplaned passengers using the Airport in 2020 would decline 60% compared to the 34.5 million enplaned passengers in 2019. The assumed decline takes into account certain

---

<sup>3</sup> Based, in part, on comments related to vaccine timing and the expected return to travel from, but not limited to, a major airplane manufacturer, certain of the busiest airlines serving the Airport, credit rating agencies, and organizations representing the airline/aviation industry.

Ms. Kim Day  
September \_\_, 2020

potential factors affecting the number of enplaned passengers using the Airport in 2020, including, but not limited to, domestic and international travel restrictions, continued health and other concerns related to COVID-19 that affect the propensity to travel, and lack of a vaccine and/or if a widely available vaccine is available, the widespread use of a vaccine. The number of enplaned passengers at the Airport in 2020 is assumed to equal 13.8 million.

The number of enplaned passengers at the Airport using the hypothetical recovery periods of three-years and five-years are presented in Table 2. The estimated number of enplaned passengers in 2020 was used as the basis for the passenger numbers projected during the recovery period.

Table 2  
**HYPOTHETICAL RECOVERY IN THE NUMBER OF ENPLANED PASSENGERS**  
Denver International Airport  
(in millions)

Year	Number of Enplaned Passengers			
	Three-Year Recovery	Annual Increase (Decrease)	Five-Year Recovery	Annual Increase (Decrease)
Actual 2019	34.5	7.0%	34.5	7.0%
2020	13.8	(60.0%)	13.8	(60.0%)
2021	20.7	50.0%	19.0	37.5%
2022	27.6	33.3%	24.2	27.3%
2023	34.5	25.0%	27.6	14.3%
2024	35.2	2.1%	31.1	12.5%
2025	36.0	2.1%	34.5	11.1%

For the three-year hypothetical recovery period, after the number of enplaned passengers reach 2019 enplaned passenger levels in 2023, it was assumed that the number of enplaned passengers would increase at the actual 20-year rate of growth in passenger traffic at the Airport (from 1999 through 2019) of approximately 2.1% per year, which was affected by, among other events, the events of September 11, 2001 and the financial crisis of 2008/2009 and subsequent national economic recession.

### **Airport Capital Program and Funding Sources**

An overview of the 2018-2022 Airport Capital Program and proposed funding sources is discussed below. The proposed funding sources are based on the three-year hypothetical recovery in the number of enplaned passengers described earlier in this 2020 Letter Report.

Ms. Kim Day  
September \_\_, 2020

- **Airport Capital Program.** The 2018-2022 Airport Capital Program, which is estimated to cost approximately \$3.5 billion, started in or around 2018, and is currently expected to be completed by the end of 2023. According to the Department, approximately \$1.1 billion of the Airport Capital Program was completed through the end of 2019. Of the \$3.5 billion in Airport Capital Program project costs, approximately \$2.4 billion is ongoing or is expected to be started and completed by the end of 2023.

While the Department continues to review the Airport Capital Program and may delay the timing and/or reduce the scope and cost of individual projects included in the Program given the substantial reduction in passengers due to COVID-19, it was assumed in this 2020 Letter Report that the Department would implement and complete the remaining \$2.4 billion Airport Capital Program by the end of 2023.

The Airport Capital Program includes capital projects in the following areas:

	<b>Project costs (in billions)</b>	<b>Percent of total</b>
Concourses A, B, and C	\$2.3	66%
Landside Terminal	0.8	23
Airside	0.3	9
Landside	0.1	2
<b>Total</b>	<b>\$3.5</b>	<b>100%</b>

Major projects in the Airport Capital Program and the estimated year in which each project would be completed include: Concourse A, B, C gate expansion (2021), the Great Hall Project (2024), baggage system improvements (2021), rehabilitation of certain runways (2021), taxiways (2022), and apron areas (2021), and the Peña Boulevard roadway reconfiguration (2021).

In November 2019, the Department gained control and operations of the Great Hall Project from a 3<sup>rd</sup> party developer and in March 2020 contracted with a new project team (including a design firm, a program management consultant, and a construction manager/general contractor) to complete the current Great Hall Project. The Department made a termination payment of \$183.6 million to the 3<sup>rd</sup> party developer in early 2020. The Department expects that the cost of the Great Hall Project will remain at the original budget amount of \$770 million. The Great Hall Project is expected to be completed at the end of 2024, later than the original completion date of November 2021. For purposes of this 2020 Letter Report it was assumed that the Great Hall Project would be completed by the end of December 2024.

Ms. Kim Day  
September \_\_, 2020

Please refer to the “DENVER INTERNATIONAL AIRPORT” and “CAPITAL PROGRAM” sections of the Official Statement for more information regarding projects in the Airport Capital Program. The financial projections included in this 2020 Letter Report reflect assumed changes in Gross Revenues, O&M Expenses, and Debt Service Requirements, as discussed below, associated with the financing, construction, and completion of the Airport Capital Program.

- **Airport Capital Program Funding Sources.** The Department currently estimates that the \$3.5 billion 2018-2022 Airport Capital Program would be funded from the following sources: (1) \$116.4 million of federal grants-in-aid (other than CARES Act grants), (2) \$2.2 billion of net proceeds from the sale of prior bonds (including the bonds sold in 2018), and (3) the net proceeds from the sale of approximately \$1.2 billion of future planned bonds.

### **Airport Financial Performance**

Provided below is an overview of Airport Gross Revenues, O&M Expenses, and Debt Service Requirements, all of which is more fully discussed in the Attachment to this 2020 Letter Report.

- **Gross Revenues.** Under the GBO, Gross Revenues include rentals, rates, fees, and charges associated with the Airport, PFC revenues and certain other revenues. Pursuant to the PFC Ordinances, starting in January 2019, all annual PFC revenues (and associated interest income) are included in Gross Revenues. Revenues from a rental car customer facility charge (CFC) that is collected by on-Airport rental car companies and remitted to the Department are currently defined as Gross Revenues, but are not included in the projection of Gross Revenues and debt service coverage presented in this 2020 Letter Report because the use of CFC revenues is restricted.

As mentioned previously, no additional airline or concessionaire and rental car program abatements or MAG waivers were assumed beyond the relief programs discussed under the COVID-19 section of this 2020 Letter Report.

For purposes of this 2020 Letter Report, it was assumed that as any contracts or agreements associated with revenue sources discussed below expire during the Projection Period, new contracts or agreements would be executed with similar terms and conditions.

Airline revenues from Terminal Complex rentals, landing fees, and other rates, fees, and charges were the largest source of Gross Revenues in 2019, accounting for 37.8% of Gross Revenues. The projection of airline revenues in this 2020 Letter Report was based on the rate-making methodology in the Airline Agreements. That portion of Debt Service Requirements assumed to be paid by CARES Act grants has been excluded from

Ms. Kim Day  
September \_\_, 2020

the projection of airline rentals, rates, fees, and charges and airline revenues presented in this 2020 Letter Report.

The Airline Agreements between the Department and United Airlines and Southwest Airlines expire on February 28, 2035. The Airline Agreements for airlines other than United Airlines and Southwest Airlines expires on December 31, 2020. The Department has proposed a one-year extension with no material changes to the existing other airline Airline Agreements, with two one-year extension options exercisable by the Department. For purposes of this 2020 Letter Report, it was assumed that the other airlines would agree to extend the existing Airline Agreements and that the existing rate-making methodology would remain in place during the Projection Period.

The second largest source of Gross Revenues in 2019 was public parking, followed by rental car privilege fees, hotel, food and beverage, merchandise, and ground transportation. Revenues from these sources and other revenue sources were projected on the basis of the terms and conditions of the underlying agreements between the Department and Airport tenants, and for concession and certain other revenue sources, the hypothetical recovery in passenger traffic described earlier in this 2020 Letter Report.

Two of the rental car companies with concession agreements and facilities and ground leases with the Department recently filed for Chapter 11 bankruptcy (Hertz, including its brands Dollar/Thrifty and Advantage, including its brand EZ Rent A Car). Collectively, Hertz and Advantage (including each company's brands) represented approximately 33.8% of the rental car gross revenue market share at the Airport in 2019. Hertz continues to operate and provide rental car facilities at the Airport while operating under Chapter 11 bankruptcy protection. In July 2020, Sixt Rent A Car acquired the ground and facility agreement as well as the concession agreement between the Department and Advantage. Sixt currently makes payments under the existing agreements and now operates on-Airport. Sixt previously had been at an off-Airport location. There is no assurance that Hertz will assume or reject its agreements and leases during the bankruptcy process. For purposes of this 2020 Letter Report, it was assumed that Hertz would assume its agreements and leases.

Allowances for increased concession revenues were assumed for the Great Hall Project and the Concourse A, B, C gate expansion, starting when these projects are completed.

The projection of Designated Passenger Facility Charges, which is equal to all PFC revenue collected by Department management at the Airport, assumes that the PFC remains at \$4.50 per enplaned passenger during the Projection Period.

- **O&M Expenses.** O&M Expenses include personnel services, professional services, repairs and maintenance, Airport hotel operations, and other expenses. Personnel

Ms. Kim Day  
September \_\_, 2020

services, professional services, and repairs and maintenance expenses accounted for 66.9% of actual 2019 O&M Expenses. The Airport hotel accounted for 6.8% of O&M Expenses in 2019. The remaining 26.4% of O&M Expenses consisted of other expenses such as utilities.

As stated earlier, Department management is targeting a 10% reduction in O&M Expenses compared to the Department's 2020 budget of \$468.3 million (excluding the hotel). Beginning in 2021, Department management plans to target an average annual rate of growth for O&M Expenses of approximately 4.2%, which includes O&M Expenses for existing facilities, excluding the Airport hotel, and O&M Expenses associated with projects in the 2018-2022 Capital Program.

O&M Expenses excluding the hotel are projected to increase from \$421.7 million in 2020 to \$517.9 million in 2025.

- **Debt Service Requirements.** Debt Service Requirements for Senior Bonds (net of capitalized interest and the \$269.1 million of CARES Act grants Department management has irrevocably committed to pay Debt Service Requirements) are estimated to increase from \$291.5 million in 2019 to \$381.3 million in 2025. Debt Service Requirements for Subordinate Bonds (net of the funds described in this paragraph) are estimated to increase from \$84.8 million in 2019 to \$258.2 million in 2025.

Projected changes in Debt Service Requirements for Senior Bonds and Subordinate Bonds are attributable to (1) the overall structure of outstanding Senior Bonds and Subordinate Bonds, (2) the reduction in Debt Service Requirements from the refunding of the Refunded Bonds with the proposed issuance of the Series 2020 Bonds, (3) Department management's current expectation regarding the timing of CARES Act grants to be irrevocably committed to pay Debt Service Requirements, and (4) the planned issuance of future planned bonds. The Department has irrevocably committed \$269.1 million of CARES Act grants to the payment of Debt Service Requirements of Senior Bonds and Subordinate Bonds and currently expects to use the CARES Act grants in 2020 through 2023.

Estimated Debt Service Requirements on the proposed Series 2020 Bonds were provided by the Department's Financial Advisor.



Ms. Kim Day  
September \_\_, 2020

## **PROJECTED KEY FINANCIAL METRICS**

A summary of the following key projected financial metrics is presented in Table 3 for the three-year hypothetical recovery period and in Table 4 for the five-year hypothetical recovery period:

- Net Revenues plus Other Available Funds
- Debt Service Requirements
- Debt service coverage pursuant to the Bond Ordinances
- Airline revenues and average cost per enplaned passenger (CPE).

Under the Rate Maintenance Covenant of the GBO, debt service coverage is calculated by dividing Net Revenues and Other Available Funds by Debt Service Requirements on Senior Bonds. As shown on Tables 3 and 4, projected debt service coverage on Senior Bonds in each year of the Projection Period demonstrates compliance with the GBO Rate Maintenance Covenant of 125%.

Under the Rate Maintenance Covenant of the SBO, debt service coverage is calculated by dividing Net Revenues and Other Available Funds by Debt Service Requirements on Senior Bonds and Subordinate Bonds. As shown on Tables 3 and 4, projected debt service coverage in each year of the Projection Period demonstrates compliance with the SBO Rate Maintenance Covenant of 110% of the Debt Service Requirements on Senior Bonds and Subordinate Bonds

Debt service coverage is also presented on Tables 3 and 4 for Senior Bonds, Subordinate Bonds and Junior Lien Obligations.

Average airline CPE is projected to be substantially higher during the Projection Period than in previous years at the Airport as a result of (1) the projected decrease in the numbers of enplaned passengers resulting from COVID-19 and (2) the relatively fixed-cost nature of airline terminal and airfield facilities at the Airport and most other airports in the United States. The average airline CPE at the Airport for the most recent five year period ending 2019 (the year prior to COVID-19) were as follows: \$10.33 (2019), \$10.56 (2018), \$10.69 (2017), \$10.92 (2016), and \$11.82 (2015).

Although this is not known as of the date of this 2020 Letter Report, we expect that the average airline CPE at most airports in the United States will be higher in the near-term as compared with previous years for similar reasons as those at the Airport.

Table 3

**SUMMARY OF FINANCIAL PROJECTIONS**  
Denver International Airport  
Fiscal Years Ending December 31  
(in thousands, except coverage and airline cost per enplaned passenger)  
(page 1 of 2)

Calculation	Projection Assuming 3-Year Passenger Recovery (Full Recovery in 2023) (a)						
	2020	2021	2022	2023	2024	2025	
<b>1. APPLICATION OF GROSS REVENUES</b>							
<b>Gross Revenues</b>							
Airline rentals, rates, fees, and charges							
Passenger airlines	[A]	\$ 345,500	\$ 420,700	\$ 508,700	\$ 540,800	\$ 549,100	\$ 580,600
Cargo landing fees		8,600	11,400	10,300	10,200	9,900	9,900
Total airline rentals, rates, fees, and charges		\$ 354,100	\$ 432,100	\$ 519,000	\$ 551,000	\$ 559,000	\$ 590,500
Other Airport revenues							
Public parking		\$ 76,600	\$ 119,500	\$ 162,100	\$ 206,300	\$ 214,400	\$ 222,900
Rental car privilege fees		25,900	39,000	52,100	65,300	66,900	68,500
Hotel		23,700	36,000	49,000	62,000	64,000	66,000
Terminal Complex concession revenues		35,200	54,200	82,300	105,300	112,900	118,000
Other		59,300	72,200	84,400	95,300	97,300	100,500
Total other Airport revenues		\$ 220,700	\$ 320,900	\$ 429,900	\$ 534,200	\$ 555,500	\$ 575,900
Interest income		30,000	34,600	37,100	38,900	41,600	44,600
Designated Passenger Facility Charges		55,400	82,700	110,000	137,300	140,200	143,000
<b>Total Gross Revenues</b>	[B]	\$ 660,200	\$ 870,300	\$ 1,096,000	\$ 1,261,400	\$ 1,296,300	\$ 1,354,000
<b>Operation and Maintenance Expenses (b)</b>	[C]	439,800	464,000	489,100	509,500	530,700	552,800
<b>Net Revenues</b>	[D=B-C]	\$ 220,400	\$ 406,300	\$ 606,900	\$ 751,900	\$ 765,600	\$ 801,200
<b>Other Available Funds</b>	[E]	67,400	55,000	68,600	80,400	79,400	95,300
<b>Net Revenues plus Other Available Funds</b>	[F=D+E]	\$ 287,800	\$ 461,300	\$ 675,500	\$ 832,300	\$ 845,000	\$ 896,500
<b>Debt Service Requirements</b>							
Senior Bonds		\$ 269,500	\$ 220,100	\$ 274,600	\$ 321,600	\$ 317,400	\$ 381,300
Less: CARES Act grants (c)		(98,000)	-	-	-	-	-
Net Senior Bonds	[G]	\$ 171,500	\$ 220,100	\$ 274,600	\$ 321,600	\$ 317,400	\$ 381,300
Subordinate Bonds		\$ 130,000	\$ 146,100	\$ 259,500	\$ 270,300	\$ 275,700	\$ 258,200
Less: CARES Act grants (c)		(83,000)	(22,000)	(38,000)	(28,000)	-	-
Net Subordinate Bonds	[H]	\$ 47,000	\$ 124,100	\$ 221,500	\$ 242,300	\$ 275,700	\$ 258,200
Junior Lien Obligations (d)	[I]	1,200	4,000	4,100	4,700	4,800	5,000
<b>Total Debt Service Requirements</b>	[J=G+H+I]	\$ 219,700	\$ 348,200	\$ 500,200	\$ 568,600	\$ 597,900	\$ 644,500
<b>Transfers prior to revenue split (e)</b>	[K]	\$ 68,100	\$ 85,100	\$ 98,500	\$ 117,300	\$ 122,200	\$ 144,900
<b>Deposit to Airline Revenue Credit Account (f)</b>	[L]	\$ -	\$ 14,000	\$ 38,400	\$ 40,000	\$ 40,000	\$ 40,000
<b>Deposit to Capital Improvement Account (f)</b>	[F-J-K-L]	\$ -	\$ 14,000	\$ 38,400	\$ 106,400	\$ 84,900	\$ 67,100

Table 3

**SUMMARY OF FINANCIAL PROJECTIONS**  
 Denver International Airport  
 Fiscal Years Ending December 31  
 (in thousands, except coverage and airline cost per enplaned passenger)  
 (page 2 of 2)

	Calculation	Projection Assuming 3-Year Passenger Recovery (Full Recovery in 2023) (a)					
		2020	2021	2022	2023	2024	2025
<b>2. DEBT SERVICE COVERAGE</b>							
<b>Senior Bonds</b>							
Net Revenues plus Other Available Funds	[F]	\$ 287,800	\$ 461,300	\$ 675,500	\$ 832,300	\$ 845,000	\$ 896,500
Net Senior Bonds	[G]	171,500	220,100	274,600	321,600	317,400	381,300
<b>Debt service coverage on Senior Bonds</b>	[F/G]	168%	210%	246%	259%	266%	235%
<b>Senior Bonds and Subordinate Bonds</b>							
Net Revenues plus Other Available Funds	[F]	\$ 287,800	\$ 461,300	\$ 675,500	\$ 832,300	\$ 845,000	\$ 896,500
Net Senior Bonds and Subordinate Bonds	[M=G+H]	218,500	344,200	496,100	563,900	593,100	639,500
<b>Debt service coverage on Senior Bonds and Subordinate Bonds</b>	[F/M]	132%	134%	136%	148%	142%	140%
<b>Senior Bonds, Subordinate Bonds, and Junior Lien Obligations</b>							
Net Revenues plus Other Available Funds	[F]	\$ 287,800	\$ 461,300	\$ 675,500	\$ 832,300	\$ 845,000	\$ 896,500
Net Senior Bonds, Subordinate Bonds, and Junior Lien Obligations	[J]	219,700	348,200	500,200	568,600	597,900	644,500
<b>Debt service coverage on Senior Bonds, Subordinate Bonds, and Junior Lien Obligations</b>	[F/J]	131%	132%	135%	146%	141%	139%
<b>3. AIRLINE COST PER ENPLANED PASSENGER</b>							
<b>Net passenger airline rentals, rates, fees, and charges</b>							
Passenger airline rentals, rates, fees, and charges	[A]	\$ 345,500	\$ 420,700	\$ 508,700	\$ 540,800	\$ 549,100	\$ 580,600
Deposit to Airline Revenue Credit Account	[L]	-	(14,000)	(38,400)	(40,000)	(40,000)	(40,000)
<b>Net passenger airline rentals, rates, fees, and charges</b>	[A+L]	\$ 345,500	\$ 406,700	\$ 470,300	\$ 500,800	\$ 509,100	\$ 540,600
<b>Enplaned passengers</b>		13,807	20,711	27,615	34,518	35,243	35,983
Annual rate of growth		(60%)	50%	33%	25%	2%	2%
<b>Airline cost per enplaned passenger</b>		\$ 25.02	\$ 19.64	\$ 17.03	\$ 14.51	\$ 14.45	\$ 15.02

(a) Recovery to 2019 passenger levels.

(b) Includes variable rate bond fees.

(c) Reflects the Department's current expectation to use CARES Act grants on an irrevocable commitment to pay Debt Service Requirements.

(d) Reflects Junior Lien Obligations of the hotel for furniture, fixture and equipment expenses.

(e) Reflects the transfers that are estimated to occur prior to the allocation of remaining revenues between the Signatory Airlines and the Airport, including but not limited to, the deposits to the O&M Reserve Account, the Coverage Account (Other Available Funds) and the Equipment and Capital Outlay Account. In 2020, includes the use of \$20.4M of PFC revenues to pay Debt Service Requirements.

(f) Remaining Net Revenues are allocated 50% to Signatory Airlines and 50% to the Airport. The Airline Revenue Credit is capped at \$40 million; the remaining amount is deposited into the Capital Improvement Account.

Table 4

**SUMMARY OF FINANCIAL PROJECTIONS**  
Denver International Airport  
Fiscal Years Ending December 31  
(in thousands, except coverage and airline cost per enplaned passenger)  
(page 1 of 2)

	Calculation	Projection Assuming 5-Year Passenger Recovery (Full Recovery in 2025) (a)					
		2020	2021	2022	2023	2024	2025
<b>1. APPLICATION OF GROSS REVENUES</b>							
<b>Gross Revenues</b>							
Airline rentals, rates, fees, and charges							
Passenger airlines	[A]	\$ 345,500	\$ 422,100	\$ 515,400	\$ 555,900	\$ 561,100	\$ 584,800
Cargo landing fees		8,600	12,000	12,000	12,700	11,700	10,600
Total airline rentals, rates, fees, and charges		\$ 354,100	\$ 434,100	\$ 527,400	\$ 568,600	\$ 572,800	\$ 595,400
Other Airport revenues							
Public parking		\$ 76,600	\$ 109,500	\$ 141,900	\$ 165,100	\$ 189,000	\$ 213,800
Rental car privilege fees		25,900	35,700	45,600	52,300	59,000	65,700
Hotel		23,700	33,000	43,000	49,000	56,000	63,000
Terminal Complex concession revenues		35,200	49,700	71,900	84,300	99,500	113,200
Other		59,300	71,100	82,000	90,400	94,400	99,700
Total other Airport revenues		\$ 220,700	\$ 299,000	\$ 384,400	\$ 441,100	\$ 497,900	\$ 555,400
Interest income		30,000	34,500	36,800	38,200	39,200	41,100
Designated Passenger Facility Charges		55,400	75,900	96,300	110,000	123,600	137,300
<b>Total Gross Revenues</b>	[B]	\$ 660,200	\$ 843,500	\$ 1,044,900	\$ 1,157,900	\$ 1,233,500	\$ 1,329,200
<b>Operation and Maintenance Expenses (b)</b>	[C]	439,800	462,000	485,300	506,200	528,000	550,000
<b>Net Revenues</b>	[D=B-C]	\$ 220,400	\$ 381,500	\$ 559,600	\$ 651,700	\$ 705,500	\$ 779,200
<b>Other Available Funds</b>	[E]	67,400	55,000	68,600	80,400	79,400	95,300
<b>Net Revenues plus Other Available Funds</b>	[F=D+E]	\$ 287,800	\$ 436,500	\$ 628,200	\$ 732,100	\$ 784,900	\$ 874,500
<b>Debt Service Requirements</b>							
Senior Bonds		\$ 269,500	\$ 220,100	\$ 274,600	\$ 321,600	\$ 317,400	\$ 381,300
Less: CARES Act grants (c)		(98,000)	-	-	-	-	-
Net Senior Bonds	[G]	\$ 171,500	\$ 220,100	\$ 274,600	\$ 321,600	\$ 317,400	\$ 381,300
Subordinate Bonds		\$ 130,000	\$ 146,100	\$ 259,500	\$ 270,300	\$ 275,700	\$ 258,200
Less: CARES Act grants (c)		(83,000)	(22,000)	(38,000)	(28,000)	-	-
Net Subordinate Bonds	[H]	\$ 47,000	\$ 124,100	\$ 221,500	\$ 242,300	\$ 275,700	\$ 258,200
Junior Lien Obligations (d)	[I]	1,200	4,000	4,100	4,700	4,800	5,000
<b>Total Debt Service Requirements</b>	[J=G+H+I]	\$ 219,700	\$ 348,200	\$ 500,200	\$ 568,600	\$ 597,900	\$ 644,500
<b>Transfers prior to revenue split (e)</b>	[K]	\$ 68,100	\$ 84,100	\$ 96,800	\$ 108,500	\$ 116,400	\$ 145,000
<b>Deposit to Airline Revenue Credit Account (f)</b>	[L]	\$ -	\$ 2,100	\$ 15,600	\$ 27,500	\$ 35,300	\$ 40,000
<b>Deposit to Capital Improvement Account (f)</b>	[F-J-K-L]	\$ -	\$ 2,100	\$ 15,600	\$ 27,500	\$ 35,300	\$ 45,000

Table 4

**SUMMARY OF FINANCIAL PROJECTIONS**  
 Denver International Airport  
 Fiscal Years Ending December 31  
 (in thousands, except coverage and airline cost per enplaned passenger)  
 (page 2 of 2)

	Calculation	Projection Assuming 5-Year Passenger Recovery (Full Recovery in 2025) (a)					
		2020	2021	2022	2023	2024	2025
<b>2. DEBT SERVICE COVERAGE</b>							
<b>Senior Bonds</b>							
Net Revenues plus Other Available Funds	[F]	\$ 287,800	\$ 436,500	\$ 628,200	\$ 732,100	\$ 784,900	\$ 874,500
Net Senior Bonds	[G]	171,500	220,100	274,600	321,600	317,400	381,300
<b>Debt service coverage on Senior Bonds</b>	[F/G]	168%	198%	229%	228%	247%	229%
<b>Senior Bonds and Subordinate Bonds</b>							
Net Revenues plus Other Available Funds	[F]	\$ 287,800	\$ 436,500	\$ 628,200	\$ 732,100	\$ 784,900	\$ 874,500
Net Senior Bonds and Subordinate Bonds	[M=G+H]	218,500	344,200	496,100	563,900	593,100	639,500
<b>Debt service coverage on Senior Bonds and Subordinate Bonds</b>	[F/M]	132%	127%	127%	130%	132%	137%
<b>Senior Bonds, Subordinate Bonds, and Junior Lien Obligations</b>							
Net Revenues plus Other Available Funds	[F]	\$ 287,800	\$ 436,500	\$ 628,200	\$ 732,100	\$ 784,900	\$ 874,500
Net Senior Bonds, Subordinate Bonds, and Junior Lien Obligations	[J]	219,700	348,200	500,200	568,600	597,900	644,500
<b>Debt service coverage on Senior Bonds, Subordinate Bonds, and Junior Lien Obligations</b>	[F/J]	131%	125%	126%	129%	131%	136%
<b>3. AIRLINE COST PER ENPLANED PASSENGER</b>							
<b>Net passenger airline rentals, rates, fees, and charges</b>							
Passenger airline rentals, rates, fees, and charges	[A]	\$ 345,500	\$ 422,100	\$ 515,400	\$ 555,900	\$ 561,100	\$ 584,800
Deposit to Airline Revenue Credit Account	[L]	-	(2,100)	(15,600)	(27,500)	(35,300)	(40,000)
<b>Net passenger airline rentals, rates, fees, and charges</b>	[A+L]	\$ 345,500	\$ 420,000	\$ 499,800	\$ 528,400	\$ 525,800	\$ 544,800
<b>Enplaned passengers</b>		13,807	18,985	24,163	27,615	31,067	34,518
Annual rate of growth		(60%)	38%	27%	14%	13%	11%
<b>Airline cost per enplaned passenger</b>		\$ 25.02	\$ 22.12	\$ 20.68	\$ 19.13	\$ 16.92	\$ 15.78

(a) Recovery to 2019 passenger levels.

(b) Includes variable rate bond fees.

(c) Reflects the Department's current expectation to use CARES Act grants on an irrevocable commitment to pay Debt Service Requirements.

(d) Reflects Junior Lien Obligations of the hotel for furniture, fixture and equipment expenses.

(e) Reflects the transfers that are estimated to occur prior to the allocation of remaining revenues between the Signatory Airlines and the Airport, including but not limited to, the deposits to the O&M Reserve Account, the Coverage Account (Other Available Funds) and the Equipment and Capital Outlay Account. In 2020, includes the use of \$20.4M of PFC revenues to pay Debt Service Requirements.

(f) Remaining Net Revenues are allocated 50% to Signatory Airlines and 50% to the Airport. The Airline Revenue Credit is capped at \$40 million; the remaining amount is deposited into the Capital Improvement Account.

Ms. Kim Day  
September \_\_, 2020

### **ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS**

The financial projections presented in this 2020 Letter Report are based on information and assumptions provided by, or reviewed with and agreed to by, Department management. The projections reflect management's expected course of action during the Projection Period and, in management's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the projections are set forth in this 2020 Letter Report. The attachment, "Background," should also be read in its entirety for additional information regarding financial performance of the Airport.

In our opinion, the underlying assumptions provide a reasonable basis for the projections.

However, any projection is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the projected and actual results, and those differences could be material. Neither WJ Advisors LLC nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, projections, opinions, or conclusions disclosed in this 2020 Letter Report. We have no responsibility to update this 2020 Letter Report for events and circumstances occurring after the date of this 2020 Letter Report.

We appreciate the opportunity to serve as the Department's Airport Consultant in connection with this proposed financing.

Respectfully submitted,

Attachment

**BACKGROUND**

City and County of Denver, Colorado

[THIS PAGE INTENTIONALLY LEFT BLANK]



## CONTENTS

	Page
AIRPORT FINANCIAL PERFORMANCE .....	24
FINANCIAL FRAMEWORK .....	24
GROSS REVENUES .....	24
AIRLINE RENTALS, FEES, AND CHARGES .....	25
Overview .....	25
Airline Agreement—United Airlines .....	27
Airline Agreement—Southwest Airlines .....	28
Airline Agreement—Other Airlines.....	28
NONAIRLINE REVENUES.....	29
Terminal Complex Concessions .....	29
Outside Concession Revenues.....	30
Other Outside Concession and Terminal Revenues.....	33
Airfield Area Revenues .....	34
Building and Ground Rentals .....	35
Other Revenues.....	36
INTEREST INCOME .....	37
PASSENGER FACILITY CHARGE REVENUES .....	37
OPERATION AND MAINTENANCE EXPENSES.....	37
2019 Operation and Maintenance Expenses.....	37
DEBT SERVICE REQUIREMENTS.....	38
APPLICATION OF REVENUES .....	38

## TABLES

	Page
Table 1: Percent Increase/(Decrease) in the Largest Sources of Nonairline Revenues .....	4
Table 2: Hypothetical Recovery in the Number of Enplaned Passengers .....	8
Table 3: Summary of Financial Projections – Three-Year Recovery.....	14
Table 4: Summary of Financial projections – Five-Year Recovery .....	16
Table 5: Other Signatory Airlines and Their Number of Leased Gates .....	29
Table 6: Existing Department Owned Public Parking Facilities and Rates .....	31

## FIGURES

	Page
Figure 1 : Gross Revenues .....	25
Figure 2: Airline Percentages of Leased Gates, Leased Space and Enplaned Passengers in 2019 .....	27
Figure 3: On-Airport Rental Car Company Shares of Gross Revenues .....	33
Figure 4: Structure of Funds and Accounts and Application of Revenues Under the General Bond Ordinance, General Subordinate Bond Ordinance, and General Junior Lien Bond Ordinance .....	39

## AIRPORT FINANCIAL PERFORMANCE

### FINANCIAL FRAMEWORK

The Department accounts for Airport System financial operations and results according to generally accepted accounting principles for governmental entities and the requirements of the Bond Ordinances. Other key documents that influence the financial operations of the Airport are the PFC Ordinances, and the Airline Agreements.

Under the Rate Maintenance Covenant of the GBO, the Department covenants to fix, revise, charge, and collect rentals, rates, fees, and other charges for the use of the Airport System so that, in each Fiscal Year, Gross Revenues together with Other Available Funds will, at all times, be at least sufficient to provide for the payment of O&M Expenses for such Fiscal Year, and the larger of either (1) the total amount of required deposits to various Airport System funds and accounts during such Fiscal Year, or (2) 125% of the aggregate Debt Service Requirements on Senior Bonds for such Fiscal Year.

Under the Rate Maintenance Covenant of the SBO, the Department covenants to fix, revise, charge, and collect rentals, rates, fees, and other charges for the use of the Airport System so that, in each Fiscal Year, Gross Revenues together with Other Available Funds will, at all times, be at least sufficient to provide for the payment of O&M Expenses for such Fiscal Year, and the larger of either (1) the total amount of required deposits to various Airport System funds and accounts during such Fiscal Year, or (2) 110% of the aggregate Debt Service Requirements on Senior Bonds and Subordinate Bonds for such Fiscal Year.

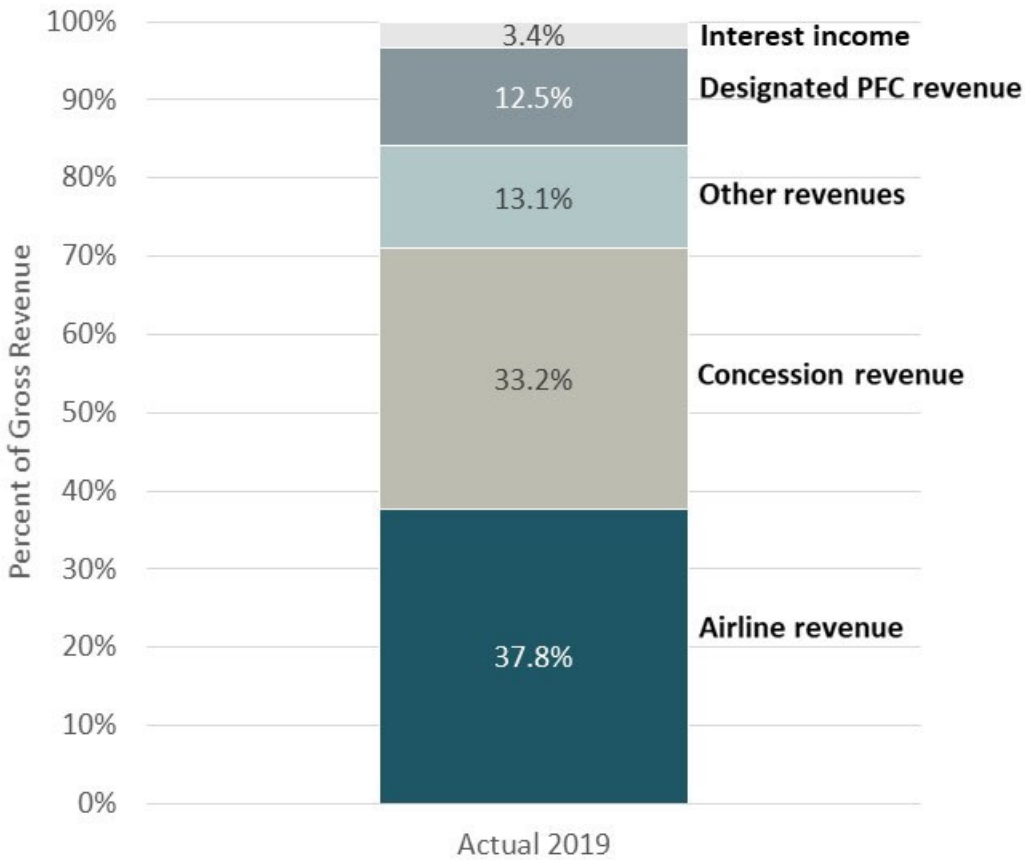
An overview of recent historical Airport financial results is provided in this section and Debt Service Requirements (Senior Bonds, Subordinate Bonds and Obligations, and Junior Lien Obligations), and deposits to the funds and accounts of the Bond Ordinances.

### GROSS REVENUES

Figure 1 presents the major sources of Gross Revenues for the Airport for 2019.

Revenues from a customer facility charge (CFC) that is collected by the on-Airport rental car companies and remitted to the Department are currently defined as Gross Revenues, but are not included in Gross Revenues and debt service coverage presented in this 2020 Letter Report because the use of CFC revenues is restricted.

Figure 1  
**GROSS REVENUES**  
 Denver International Airport



Note: Excludes CFC revenues for the reasons described in this 2020 Letter Report.  
 Source: Department management records.

## **AIRLINE RENTALS, FEES, AND CHARGES**

### **Overview**

In 2019, airline rentals, rates, fees, and charges accounted for 37.8% of Gross Revenues.

The Department and certain airlines (the Signatory Airlines) serving the Airport have executed separate Airline Agreements, as amended, that provide for, among other things: (1) the use and lease of space at the Airport, (2) the basis for calculating and recalculating rentals, rates, fees, and charges paid by the airlines operating at the Airport, and (3) the majority-in-interest rights of the airlines regarding changes to the methodology used to establish their rentals, rates, fees, and charges. The Airline Agreements also:

- Provide that 50% of the Net Revenues remaining at the end of each year after all other requirements are satisfied, up to a maximum of \$40.0 million, is to be credited to the

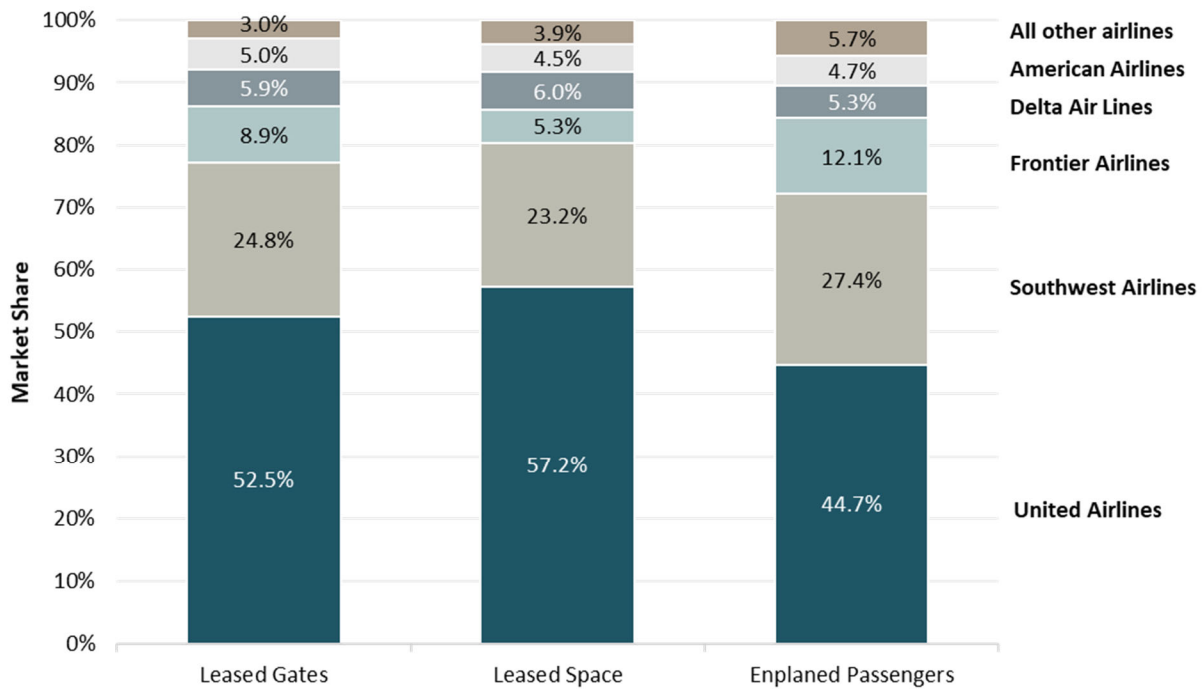
airlines signatory to the Airline Agreement in the following year through the Airline Revenue Credit Account.

- Contain a provision stating that, notwithstanding any other provision of the agreement regarding rate-making methodologies or rentals, rates, fees, and charges, the airline rate base must generate Gross Revenues that, together with Other Available Funds, are sufficient to satisfy the Rate Maintenance Covenants of the GBO each year.

For those airlines that are not signatory to the Airline Agreements, Department management assesses rentals, rates, fees, and charges following procedures consistent with those outlined in the Airline Agreements, in an amount equal to 20% more than Signatory Airline rentals, rates, fees, and charges. In addition, the nonsignatory airlines do not share in the year-end Net Revenue credit.

The amount of revenues from airline rentals, rates, fees, and charges each year is a function of a number of factors, including the amount of space and gates leased by the Signatory Airlines to support their aviation activity and operations at the Airport. Using actual 2019 data, Figure 2 provides a comparison of market shares of leased gates, leased space, and enplaned passengers for the five busiest airlines serving the Airport (ranked on the basis of market shares of enplaned passengers in 2019). Collectively, the five busiest airlines lease approximately 97.0% of gates and 96.1% of airline leased space at the Airport. The amount of space leased by each airline to support its operations at the Airport compared to market shares of enplaned passengers vary significantly.

**Figure 2**  
**AIRLINE PERCENTAGES OF LEASED GATES, LEASED SPACE AND ENPLANED PASSENGERS IN 2019**  
 Denver International Airport



Note: Reflects actual 2019 data for all airlines. Columns may not add to 100% because of rounding.  
 Source: Department management records.

**Airline Agreement—United Airlines**

Various amendments to United Airlines’ Airline Agreement have been adopted since its execution in 1991, including, but not limited to, amendments to maintain United Airlines’ commitment to continue using the Airport as a connecting hub in its route system.

In May 2012, the Department and United Airlines further amended the Airline Agreement with United Airlines (the 2012 Amendment) to provide, among other things, using the equivalent of 75% of future revenue from the \$1.50 portion of the PFC per eligible enplaned passenger to pay existing PFC-eligible Debt Service Requirements in the Terminal Complex. As previously mentioned, effective January 1, 2019, all PFC revenues are defined as Gross Revenues under the PFC Ordinances. The effect of the 2012 Amendment was to further reduce rentals, rates, fees, and charges for airlines leasing space in the Terminal Complex, including United Airlines, and to make the Airport more cost-competitive for existing and future airlines serving the Airport.

The Department and United Airlines amended the Airline Agreement in 2014 (the 2014 Amendment) with an effective date of January 1, 2015. Under the 2014 Amendment, the Department agreed to (1) restructure the Airport’s debt with the intention of reducing airline rates and charges from 2015 to 2025, (2) permanently delete up to 140,000 square feet from

United Airlines' demised premises (which amount was subsequently modified by an amendment to the 2014 Amendment), (3) consolidate the requirement for United Airlines' activity levels at the Airport, and (4) seek approval from the Signatory Airlines at the Airport to revise amortization charges.

In addition, under the 2014 Amendment, United agreed to a 10-year extension of the lease to February 28, 2035 as well as committed to maintain available seat miles (ASMs) at the Airport through February 28, 2025 at a level equal to or greater than 9.1% of total ASMs in the worldwide United Airlines system, subject to a payment offset to United Airlines' portion of the Annual Revenue Credit account if United Airlines falls short of its commitment. United Airlines shall not be deemed to be in default of the lease provided it makes payments to the Department subject to annual payment caps, \$12 million to \$20 million per year, as outlined in the 2014 Agreement. The Department would deposit these amounts in the Capital Improvement Account (and such deposits would not be included in Gross Revenues) and use the deposits for any lawful Airport System purpose.

On February 14, 2020, United agreed to lease gates and support space currently under construction in Concourse A and Concourse B, as part of the Department's gate expansion program. United will lease 11 new gates on Concourse B (four of these gates are expected to be operational at the beginning of 2021 and the remaining seven are expected to be operational at the beginning of 2022). In addition, United will lease twelve new gates on Concourse A that are expected to be operational at the beginning of 2022.

United Airlines may terminate its Airline Agreement, as supplemented and amended, if its cost per enplaned revenue passenger at the Airport exceeds \$20 (in 1990 dollars) in any given year. United Airlines' cost per enplaned revenue passenger at the Airport is not expected to exceed \$20 (in 1990 dollars) during the Projection Period.

#### **Airline Agreement—Southwest Airlines**

In February 2020, Southwest Airlines agreed to extend its Airline Agreement to February 28, 2035, and has agreed to lease all 16 of the new gates on Concourse C that are part of the gate expansion program. These gates are expected to be operational at the end of 2021.

#### **Airline Agreement—Other Airlines**

The airlines listed in Table 5 operate at the Airport under an Airline Agreement that expires on December 31, 2020. The Department has proposed a one-year extension with no material changes to the existing other airline Airline Agreements, with two one-year extension options exercisable by the Department. Airlines are listed in order of their numbers of leased gates as of December 31, 2019. Certain other airlines also operate at the Airport pursuant to an Airline Agreement, but do not lease gates. Many of these are regional airlines that have code-sharing agreements with the airlines listed in Table 5 or are foreign-flag passenger airlines.



Table 5  
**OTHER SIGNATORY AIRLINES AND THEIR NUMBER OF LEASED GATES**

Signatory Airline	Leased Gates
Frontier Airlines	9
Delta Air Lines	6
American Airlines	5
Spirit Airlines	2
Alaska Airlines	1

Source: Department management records.

As of the date of this 2020 Letter Report, Department management expects the other airlines will execute the extension to the Airline Agreement. It is Department management’s expectation that the airline rate-making methodology will be substantially similar to that in the existing Airline Agreements when it is amended or expires during the Projection Period.

The Department has also executed Airport use and lease agreements with certain all-cargo airlines and other cargo tenants, as discussed later in this 2020 Letter Report. Please refer to the “AGREEMENTS FOR USE OF AIRPORT FACILITIES” section of the Official Statement for a summary of the agreements between the Department and the airlines serving the Airport.

**NONAIRLINE REVENUES**

Revenues from nonairline sources accounted for 46.3% of Gross Revenues in 2019. As described below, Department management intends to continue implementing certain key nonairline revenue initiatives, including renegotiating leases and agreements, rebidding concession opportunities and agreements, and developing new nonairline revenue sources.

**Terminal Complex Concessions**

The Department leases space at the Airport to concessionaires pursuant to Terminal Complex concession agreements, which provide for payment to the Department of the greater of a percentage of gross revenue or a minimum annual guarantee. The concession agreements also contain a reestablishment clause that allows Department management to adjust rental rates, within certain parameters, if necessary to satisfy the Rate Maintenance Covenant of the GBO. In 2019, revenues from Terminal Complex concessions accounted for 7.4% of Gross Revenues.

As existing terminal and specialty retail program concession agreements expire over the next 5 years, Department management will have the opportunity to rebid the agreements to incorporate new concepts and, potentially, new concessionaires based on the Airport’s Concession Policy. Department management believes that refreshing and expanding the in-terminal concessions will not only improve the passengers’ experience at the Airport, but also increase the revenues earned by the Department from these locations.

**Food and Beverage.** The food and beverage concession agreements provide for percentage fee revenues to the Department primarily ranging from 7% to 18% of gross revenues or a minimum annual guarantee, whichever is higher. Recent performance trends were taken into account in projecting food and beverage concession revenues, and revenues were computed at the higher of the estimated percentage fee or minimum annual guarantee.

**Merchandise.** The specialty retail and merchandise concession agreements provide for percentage revenues to the Department primarily ranging from 8% to 21% of gross revenues or a minimum annual guarantee, whichever is higher. Recent performance trends were taken into account in projecting specialty retail, merchandise store, and kiosk revenues. Revenues were computed at the higher of the estimated percentage fee or minimum annual guarantee.

**Terminal Services.** Services include advertising, baggage carts, insurance, shoeshine stands, vending machines, bag storage facilities, automated bank teller machines, personal care, on-Airport gas station and convenience store, and other services. In general, these services are provided by concessionaires that pay the Department the higher of a percentage of gross revenues or a minimum annual guarantee, depending on the type of service provided. For most Terminal Services concessionaires, the estimated revenue from the percentage fee would be higher than the minimum annual guarantee, with percentage fees ranging from 5% to 12% of gross revenues.

In addition to the services listed above, revenues from Department management's concession joint marketing program are in the category "terminal services." The concession joint marketing program was established by Department management and assists concessionaires in achieving increased sales and revenues. The program is funded by 1% of sales from each concessionaire in addition to concession payments to the Department.

### **Outside Concession Revenues**

Outside concession revenues are generated from public automobile parking, rental car privilege fees, and ground transportation services.

**Public Automobile Parking.** Public automobile parking at the Airport is provided in parking structures, surface lots adjacent to the Landside Terminal Building, and remote parking lots. In 2019, public parking revenues accounted for 18.3% of total Gross Revenues and 39.6% of nonairline revenues.

Table 6 lists the Department-owned parking facilities at the Airport, as well as the number of spaces and the parking rates for each facility, which are adjusted by Department management from time-to-time. Certain parking rates were adjusted by the Department in September 2019. There was no change in the remote surface parking lots rates.

Standard Parking Corporation, subcontracting with Global Parking Systems, operates and manages the public parking facilities at the Airport under a management contract with the Department that was effective on February 1, 2017 and expires on January 31, 2022. Under

this contract, the Department retains all rights to increase parking rates. When the existing agreement expires, Department management expects that they will either extend the agreement through the end of the Projection Period or rebid or renegotiate terms and conditions that would produce similar or higher parking revenues to the Department.

Table 6  
**EXISTING DEPARTMENT OWNED PUBLIC PARKING FACILITIES AND RATES**  
 Denver International Airport

Parking facilities	Number of spaces	24-hour rate	Hourly rate
Short-term (close-in) parking			
Garages	15,889	\$28	\$5
Valet (a)	794	\$35	N/A
Long-term surface lot parking (b)	9,249	\$17	\$5
Remote surface lot parking (a)	17,422	\$8	\$2
61 <sup>st</sup> and Peña surface lot parking	800	\$6	N/A
	44,154		

Source: Department management records, as of September 2, 2020.

(a) Lot(s) closed due to low passenger traffic volumes.

(b) Includes 4,479 spaces temporarily closed due to low passenger traffic volumes.

The Department also has an agreement with LRW Investment Company, effective through October 31, 2028, to operate WallyPark, an automobile parking lot service located on Airport property. WallyPark transports its passengers to and from the Landside Terminal Building via shuttle buses.

The agreement with LRW Investment Company was recently extended from a scheduled termination in 2014 through 2028 as part of an amendment that obligates LRW to expand WallyPark parking facilities at the Airport. Published daily rates are \$13.95 for self-parking and \$17.95 for valet parking, with discounts available through online reservations. Pursuant to the agreement with LRW Investment Company, the Department receives the higher of (1) a minimum annual guarantee equal to 85% of the previous year’s payment to the Department or (2) a percentage of gross revenues, ranging from 18% to 24% during the term of the agreement.

A number of off-Airport parking facilities operate near the Airport including Canopy Airport Parking, DIA Park, Fine Parking, Parking Spot, and US Airport. The off-Airport parking operators provide courtesy vehicle service to and from the Landside Terminal Building and pay the Department an off-Airport parking privilege fee equal to 8.0% of Gross Revenues.

When the existing management contract with Standard Parking Corporation expires, Department management expects that they will either extend the contract through the end of the Projection Period, or Department management will rebid or renegotiate terms and conditions that would produce similar operations and revenue.

**Rental Car Revenues.** Rental car revenues paid to the Department include privilege fees and rentals for service, storage, and building facilities. The Department has executed two agreements with each on-Airport rental car entity, which became effective on January 1, 2014, and will expire on December 31, 2020. The rental car companies will continue to operate at the Airport in 2021 under their existing agreements. It is Department management's expectation that the existing agreements will be extended, rebid, or renegotiated with similar terms and conditions. In 2019, rental car privilege fee and rental revenues accounted for 7.5% of Gross Revenues.

Two of the rental car companies with concession agreements and facilities and ground leases with the Department recently filed for Chapter 11 bankruptcy (Hertz, including its brands Dollar/Thrifty and Advantage, including its brand EZ Rent A Car). Collectively, Hertz and Advantage (including each company's brands) represented approximately 33.8% of the rental car gross revenue market share at the Airport in 2019. Hertz continues to operate and provide rental car facilities at the Airport while operating under Chapter 11 bankruptcy protection. In July 2020, Sixt Rent A Car acquired the ground and facility agreement as well as the concession agreement between the Department and Advantage. Sixt currently makes payments under the existing agreements and now operates on-Airport. Sixt previously had been at an off-Airport location. There is no assurance that Hertz will assume or reject its agreements and leases during the bankruptcy process. For purposes of this 2020 Letter Report, it was assumed that Hertz would assume its agreements and leases.

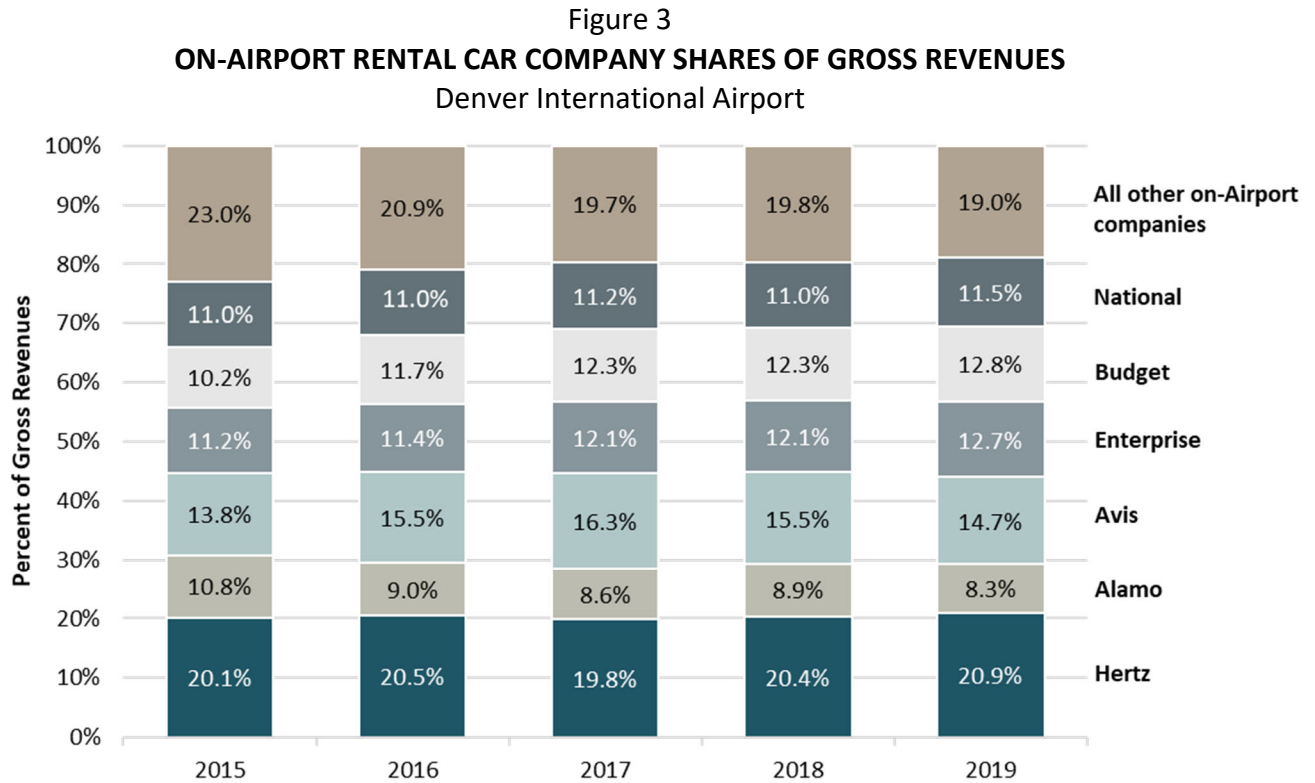
- **Concession Agreement and Terminal Building Premise Lease (concession agreement),** which requires each rental car company to pay the Department a privilege fee equal to 10% of its annual gross revenues or a minimum annual guarantee, whichever is higher. The minimum annual guarantee is equal to 85% of the percentage rent payable in the preceding year, but no less than the highest minimum annual guarantee in any previous year since 1999, whichever is greater.

The Department has concession agreements with 11 rental car companies that operate eleven rental car brands at the Airport: Alamo Rent A Car, Avis Rent A Car, Budget Rent A Car, Dollar Rent A Car, Enterprise Rent-A-Car, Fox Rent A Car, Hertz, National Car Rental, Payless Car Rental, Sixt Rent A Car, and Thrifty Car Rental.

- **Car Rental Facilities and Ground Lease (facilities and ground lease),** under which each rental car company pays a (1) ground rental and a (2) facility rental charge. Each rental car company pays an additional common use service charge for its lease premises to recover the cost of services, which may include, but is not limited to insurance, snow removal, landscape watering, law enforcement and/or security officers, industrial waste handling, sewer, and trash/refuse removal.

The Department has facilities and ground leases with Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless, Sixt Rent A Car, and Thrifty. The Department has a separate agreement with Fox, which pays ground rentals to the Department.

Figure 3 presents the on-Airport rental car company market shares of gross revenue for 2015 through 2019.



Notes: Columns may not total 100% because of rounding. “All other on-Airport companies” include Advantage Rent A Car, Dollar Rent A Car, E-Z Rent-A-Car, Fox Rent A Car, Payless Car Rental, and Thrifty Car Rental. Advantage and its brand E-Z Rent-A-Car recently filed for bankruptcy. In July 2020, Sixt Rent A Car acquired the ground and facility agreement as well as the concession agreement between the Department and Advantage.

Source: Department management records, reflecting final car rental annual statements through 2019.

### Other Outside Concession and Terminal Revenues

Other sources of outside concession and terminal revenues include employee parking fees, ground transportation services, other terminal space rentals, and the Airport hotel. Other terminal revenues accounted for 8.4% of Gross Revenues in 2019.

**Ground Transportation Services** The Department charges the operators of all commercial ground transportation vehicles operating at the Airport based on the frequency and duration of their use of the Landside Terminal roadways and curbside. Access to the Landside Terminal curbside is controlled by an automatic vehicle identification system that tracks the frequency and duration of use by each commercial vehicle operator. Commercial vehicle operators include buses, limousines, shuttles, hotel/motel courtesy vans, off-Airport rental car vans, off-Airport parking vans, taxicab operators, and transportation network companies (TNCs), such as Uber and Lyft.

The number of trips by commercial vehicle operators at the Airport has grown recently, primarily as a result of the increasing number of O&D passengers using the Airport, as well as changes in the types of commercial vehicle operators serving the Airport. Despite the growth in the number of trips, revenues shown in the line item Ground Transportation Services, including TNCs, remained a relatively small portion of concession revenues in 2019. TNCs, which started serving the Airport in 2014, have increased their share of total commercial vehicle operator trips from approximately 14.1% in 2015 (the first full year of TNCs operating at the Airport) to approximately 63.4% in 2019. Other commercial vehicle operators, such as taxicabs and limousines, have seen corresponding declines in their respective shares of total commercial vehicle trips at the Airport, likely due to the increased use of TNCs, but also the use of train service between the Airport and downtown Denver.

Total ground transportation revenues in 2019 were 15.5% higher than 2018 primarily due to the increased number of trips by TNCs serving the Airport.

**Employee Parking.** The Department operates two employee parking lots north of Peña Boulevard. Employee parking is also provided in the two lots adjacent to the parking garages in the Terminal Complex and in the administration building. Employees of businesses at the Airport (other than Department employees) pay a monthly fee to the Department to park at these locations. Shuttle bus service is provided to the employee lots under a new contract with ABM Aviation that was effective in February of 2017 and expires January 31, 2022.

**Airport Hotel.** The Department opened a 519-room, full service hotel in November 2015 that is operated as a Westin Hotel. The hotel is accessed from the Landside Terminal Building, the public plaza, and the train station. The hotel is owned by the Department and was financed from the net proceeds of the 2012 Bonds.

The Department has an agreement with Westin Hotels & Resorts for the hotel operation and management (the Hotel Management Agreement). The Hotel Management Agreement expires in 2030. Under the Hotel Management Agreement, Westin receives a management fee and reimbursements from the Department for certain operating expenses.

**Other Terminal Space.** The Department also receives rentals for storage space, customer service counters, and other space leased by nonairline tenants at the Airport.

### **Airfield Area Revenues**

Nonairline Airfield Area revenues include general aviation landing fees, farming income, rentals for certain land parcels and structures, and fuel flowage fees. In 2019, Airfield Area revenues accounted for approximately \$180,000 of Gross Revenues (less than 1.0% of Gross Revenues).

The Department owns all of the mineral rights to all land within the boundaries of the Airport. In addition to the sources of nonairline Airfield Area revenues listed above, the Department also owns oil and gas wells. Revenues from these wells were \$1.2 million in 2018. There were no revenues from these oil and gas wells in 2019. For purposes of this 2020 Letter Report, oil

and gas revenues were not projected in Gross Revenues, as Department management is in the process of evaluating the long-term operation of this program.

### **Building and Ground Rentals**

Building and ground rentals at the Airport include rentals for cargo, airline maintenance, and general aviation facilities. These revenues are summarized as follows: United Airlines support facilities, other North Airline Support Area, other South Airline Support Area, South Cargo Area, FedEx and General Aviation Area. Most of the facilities in the North and South Airline Support and Cargo Areas were financed with the net proceeds of Senior Bonds and Special Facilities Bonds. In 2019, building and ground rentals accounted for 1.2% of Gross Revenues.

The Department has a policy of establishing and annually adjusting ground rental rates to recover all capital and operating costs allocable to land made available for lease to Airport tenants. The rate base for calculating the ground rental rate includes costs allocable to the North Cargo Area, which was graded as part of the new Airport construction project in 1995, but then abandoned when cargo operations were established in the South Cargo Area. Of these costs, 50% are allocated to the Airfield Area cost center and recovered through landing fees. The balance will not be recovered until the North Cargo Area land is leased.

The Department establishes building and ground rentals for the facilities it financed with the proceeds of Senior Bonds to recover O&M Expenses, debt service, and amortization charges allocable to such facilities.

***Facilities Financed with Senior Bonds.*** The Department owns and financed the construction of cargo buildings, cargo ramp, and ground service equipment areas at the Airport, which are leased to or used by the following tenants under cargo use and lease agreements: DHL Express (USA), FedEx Corporation, and United Parcel Service. The Department also has an agreement with Air General, which only has cargo handling facilities at the Airport. As these and other agreements expire during the Projection Period, the Department also expects that it will negotiate new agreements with similar terms and conditions.

The Department had a 25-year agreement with United Airlines for in-flight kitchen, cargo, and ground service equipment (GSE) facilities that were originally financed with Airport Bonds and Department cash. The agreement with United Airlines expired on December 31, 2018. United Airlines has retained space in the cargo and the GSE facilities on a holdover basis but has relinquished the in-flight kitchen facility back to the Department. It is anticipated that United Airlines will execute new leases for the cargo and GSE facility with reduced space. Sky Chefs Inc., leases the in-flight kitchen facility under a support facilities agreement that expires May 31, 2021, and has the option of two (2) one-year extensions. Additional tenants in the cargo and GSE buildings include Southwest Airlines, Swissport SAUSA, and SkyWest Airlines each of which operate under short-term lease agreements of five years or less.

Frontier Airlines maintenance hangar lease expired May 31, 2019. Frontier Airlines executed a new 10-year ground and facility rental lease that expires May 31, 2029, with two five-year extensions.

**Facilities Financed with Special Facilities Bonds.** In addition to issuing Special Facilities Bonds to finance rental car facilities at the Airport, the Department issued Special Facilities Bonds to finance a line maintenance hangar and other facilities for United Airlines. The Department refunded these bonds for savings in 2017.

United Airlines leases approximately 500,000 square feet of land for facilities that were financed with proceeds from the sale of Special Facilities Bonds. These bonds were refunded in June 2007. United Airlines pays ground rent for the land it leases under its Special Facilities and Ground Lease with the Department, which is scheduled to expire on October 1, 2023 with an option to extend through October 1, 2032.

**Other Existing Facilities.** The U.S. Postal Service (USPS) financed its sorting and distribution facility at the Airport. Under an agreement with the Department, which was scheduled to expire in 2018 and has been extended through 2023, the USPS pays ground rent for the areas of the Airport that it uses.

Southwest Airlines had a ground and facility lease on a flight kitchen facility that expired February 29, 2020. This agreement is in holdover and the Department expects to extend the agreement during the Projection Period.

General aviation area revenues include the ground rentals and aircraft fees paid by Signature Flight Support under a 30-year agreement with the Department, which is scheduled to expire in March 2025. Signature leases a 12.4-acre site at the Airport and provides fixed base operator services for corporate and other aircraft.

**New Southwest Airlines Hangar.** In August 2020, Southwest Airlines signed a 32-year agreement with the Department to lease the ground and to construct and operate an aircraft maintenance hangar and related buildings, improvements, fixtures, and equipment. Upon the expiration or early termination of this lease, all buildings, improvements, fixtures, and the equipment that are constructed on the ground will automatically become, at no cost to the Department, the sole property of the Department.

## **Other Revenues**

The largest portion of other revenues received by the Department is derived from aviation fuel tax proceeds. In 2019, other revenues accounted for 3.5% of Gross Revenues.

Under legislation enacted by the State of Colorado, the Department receives approximately 65% of aviation fuel tax proceeds collected by the State. The Department also receives revenues from a tax it imposes on fuel sold at the Airport.



## **INTEREST INCOME**

Interest income on the investment of moneys held in funds and accounts (other than the Project Fund, PFC Fund, and Bond Reserve Fund of the GBO, and the Subordinate Bond Reserve Account of the SBO) is defined as Gross Revenues under the GBO. In 2019, interest income accounted for 3.4% of Gross Revenues.

## **PASSENGER FACILITY CHARGE REVENUES**

The Department imposes a \$4.50 PFC per eligible enplaned passenger at the Airport, as approved by the FAA. Under various FAA approvals, the Department has the authority to collect and use approximately \$3.5 billion in PFC revenues for PFC-eligible project costs at the Airport. Through 2019, the Department had collected and used \$2.2 billion of PFC revenues.

Under the PFC Ordinances, the PFC Fund and two subaccounts—the PFC Debt Service Account and the PFC Project Account—were established for the annual deposit and use of PFC revenues. All annual PFC revenues and PFC interest income are defined as Designated Passenger Facility Charges. Designated Passenger Facility Charges are included as Gross Revenues of the Airport. In 2019, Designated Passenger Facility Charges accounted for 12.5% of Gross Revenues.

PFC revenues are expected to be used to pay PFC-eligible Debt Service Requirements under existing PFC authorizations from the FAA, and to pay PFC-eligible Debt Service Requirements and PFC-eligible project costs under a future PFC authorization from the FAA.

The Department intends to use a majority of the PFC revenues to pay existing PFC-eligible Debt Service Requirements in the Terminal Complex, consistent with the 2012 Amendment to the Airline Agreement with United Airlines.

## **OPERATION AND MAINTENANCE EXPENSES**

### **2019 Operation and Maintenance Expenses**

Historically, personnel services have represented the single largest category of expense at the Airport, which is typical of most U. S. airports. Personnel services is expected to remain the largest category of expense at the Airport throughout the Projection Period. Personnel services include all salaries, wages, and benefits for filled staff positions, as well as all personnel costs for other Department agencies providing services at the Airport such as police and fire.

The next largest category of expense at the Airport was professional services, which includes management and other contracts for the provision of the following services at the Airport (from highest to lowest expense):

- ABM Parking Services (ABM)
- Standard Parking Corporation and Global Parking Systems
- HSS Inc.

The third largest category of expense was repairs and maintenance, which includes the maintenance of (1) AGTS between the Landside Terminal building and each concourse, (2) computer software and technical equipment, and (3) the elevator/escalator systems. The fourth largest category of expense was cleaning services, which includes janitorial and snow removal services.

As these and other contracts and agreements expire during the Projection Period, Department management expects to enter into new contracts or agreements that would provide a similar or better level of service, and similar or lower annual costs to the Department.

As previously mentioned, the Department has a Hotel Management Agreement with Westin Hotels & Resorts that became effective when the hotel opened in November 2015 and is scheduled to expire 15 years from that date. Under the Hotel Management Agreement, Westin receives a management fee and reimbursements from the Department for certain operating expenses. The hotel expenses represent 6.8% of the 2019 O&M Expenses of the Airport.

## **DEBT SERVICE REQUIREMENTS**

In 2019, total Debt Service Requirements, including payments under interest rate exchange agreements, on Senior Bonds were \$291.5 million, on Subordinate Bonds were \$84.8 million, and on Junior Lien Obligations were \$1.8 million.

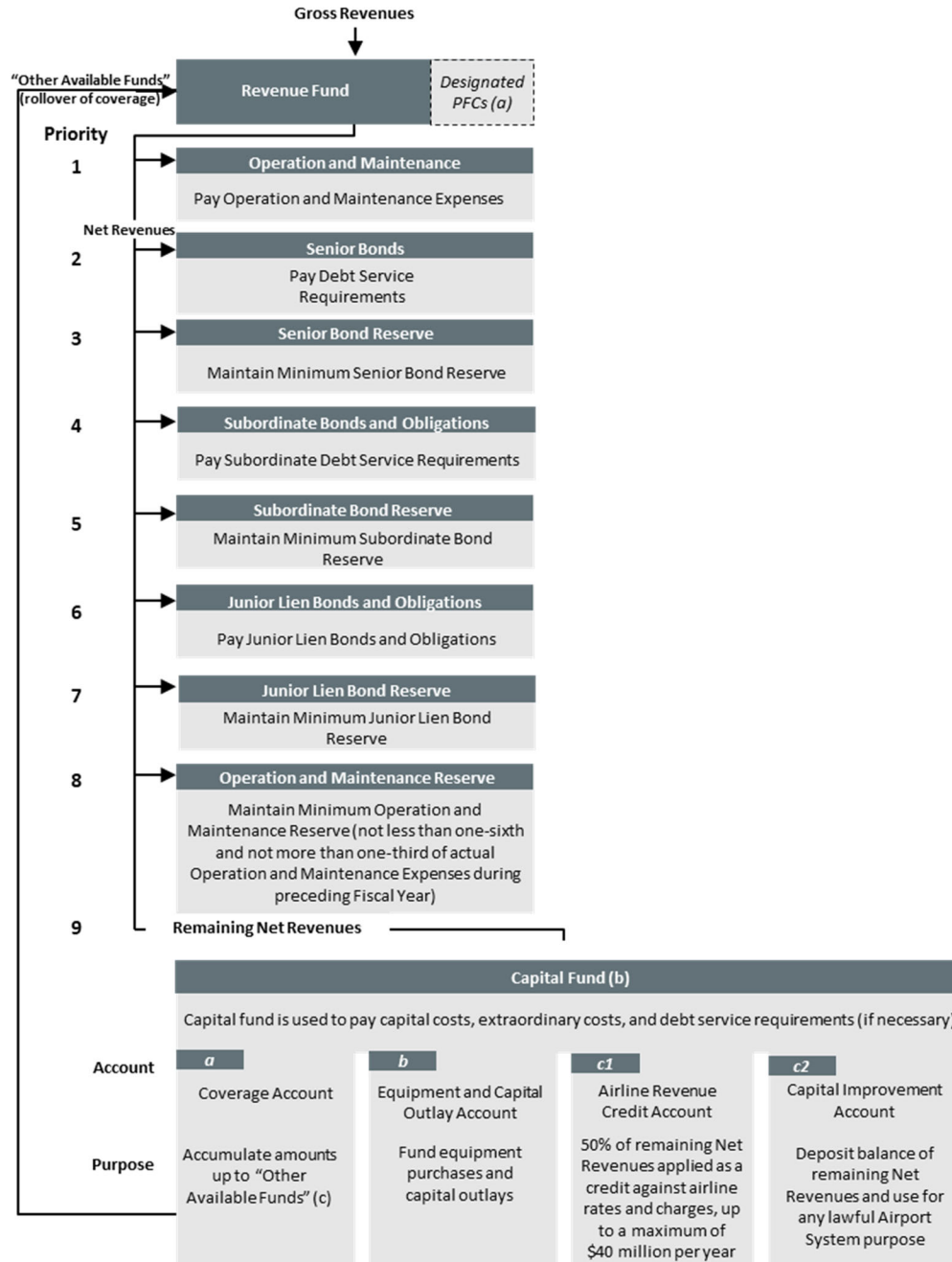
There are also certain capital costs (i.e., furniture, fixtures, and equipment costs) associated with the Airport hotel that are considered to be Junior Lien Obligations.

## **APPLICATION OF REVENUES**

Gross Revenues are used to pay certain costs in funds and accounts of the Bond Ordinances, as shown in Figure 4. Gross Revenues remaining after the payment of O&M Expenses, Debt Service Requirements on Senior Bonds, Subordinate Bonds, and Junior Lien Obligations, and other fund deposit requirements (equal to remaining net revenues) are transferred to the Capital Fund at the end of each year. Under the Airline Agreements, certain accounts were established within the Capital Fund, as also shown on Figure 4.

The balance of the remaining net revenues flow to the Capital Improvement Account and can be used for any lawful Airport System purpose.

Figure 4  
**STRUCTURE OF FUNDS AND ACCOUNTS AND APPLICATION OF REVENUES UNDER  
 THE GENERAL BOND ORDINANCE, GENERAL SUBORDINATE BOND ORDINANCE, AND  
 GENERAL JUNIOR LIEN BOND ORDINANCE**  
 City and County of Denver



- (a) Beginning in 2019, all Passenger Facility Charges (PFCs) are defined as Designated PFCs and are included in Gross Revenues under the PFC Ordinances.
- (b) Account structure for the Capital Fund is used by the Department for accounting purposes. These accounts are not required by the GBO.
- (c) Equal to the greater of 25% of Debt Service Requirements on Senior Bonds or 10% of the sum of the aggregate Debt Service Requirements on Senior Bonds and Subordinate Bonds.

**APPENDIX B-1**

**AMENDED AND RESTATED AIRPORT SYSTEM GENERAL BOND ORDINANCE**

**APPENDIX B-2**

**THE SERIES 2020 SUPPLEMENTAL ORDINANCE**

**APPENDIX C-1**

**AMENDED AND RESTATED GENERAL SUBORDINATE BOND ORDINANCE**

**APPENDIX C-2**

**THE SERIES 2020 SUPPLEMENTAL SUBORDINATE ORDINANCE**

## APPENDIX D

### DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but neither the City nor the Department takes any responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

*None of the City, the Department, the Paying Agent, the Registrar or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2020A-D Bonds under the Senior Bond Ordinance, (3) the payment by DTC or any DTC Participant of any amount received under the Senior Bond Ordinance with respect to the Series 2020A-D Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2020A-D Bonds or (5) any other related matter.*

DTC will act as securities depository for the Series 2020A-D Bonds. The Series 2020A-D Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's nominee). One fully registered bond certificate will be issued for each maturity of the Series 2020A-D Bonds, each in the aggregate principal amount of such maturity, and will be deposited with the DTC. The Series 2020A-D Bonds may in the future be registered in such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com> and <http://www.dtc.org>. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.



Purchases of Series 2020A-D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020A-D Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020A-D Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020A-D Bonds except in the event that use of the book-entry system for the Series 2020A-D Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020A-D Bonds deposited by Direct Participants with DTC are registered in the name of DTC's nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020A-D Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020A-D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020A-D Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2020A-D Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020A-D Bonds, such as redemptions, tenders, defaults and proposed amendments to the Senior Bond Ordinance. For example, Beneficial Owners of Series 2020A-D Bonds may wish to ascertain that the nominee holding the Series 2020A-D Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2020A-D Bonds within a maturity of the Series 2020A-D Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consider or vote with respect to the Series 2020A-D Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020A-D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2020A-D Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to

time. Payments with respect to the Series 2020A-D Bonds to Cede & Co., or to such other nominee as may be requested by an authorized representative to DTC, is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner must give notice to elect to have its Series 2020A-D Bonds purchased or tendered through its Participant to the Remarketing Agent, and will effect delivery of such Series 2020A-D Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2020A-D Bonds on DTC's records to the Remarketing Agent. The requirement for physical delivery of Series 2020A-D Bonds in connection with a mandatory tender or mandatory purchase will be deemed satisfied when the ownership rights of the Series 2020A-D Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2020A-D Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2020A-D Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the Series 2020A-D Bonds are required to be printed and delivered as provided in the Senior Bond Ordinance.

The City may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2020A-D Bonds. In that event, certificates representing the Series 2020A-D Bonds will be printed and delivered to DTC.

\* \* \*

**APPENDIX E**

**ANNUAL FINANCIAL REPORT OF THE AIRPORT SYSTEM FOR FISCAL YEARS  
2019 AND 2018**

**APPENDIX F**

**UNAUDITED FINANCIAL STATEMENT OF THE AIRPORT SYSTEM FOR  
SIX MONTHS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this “**Disclosure Undertaking**”) is executed and delivered by the CITY AND COUNTY OF DENVER, COLORADO (the “**City**”), in connection with the issuance of the “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2020A (Non-AMT)” in the aggregate principal amount of \$[\_\_\_\_\_] (the “**Series 2020A Bonds**”), “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2020B (AMT)” in the aggregate principal amount of \$[\_\_\_\_\_] (the “**Series 2020B Bonds**”), “City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Revenue Bonds, Series 2020C (Taxable)” in the aggregate principal amount of \$[\_\_\_\_\_] (the “**Series 2020C Bonds**”), and City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Subordinate Revenue Bonds, Series 2020D (Taxable)” in the aggregate principal amount of \$[\_\_\_\_\_] (the “**Series 2020D Subordinate Bonds**” and, together with the Series 2020A Bonds, the Series 2020B Bonds, and the Series 2020C Bonds, the “**Bonds**”) by the City, for and on behalf of its Department of Aviation (the “**Department**”). The Series 2020A Bonds, Series 2020B Bonds, and Series 2020C Bonds are being issued pursuant to the General Bond Ordinance effective November 29, 1984, as amended and restated in its entirety pursuant to the provisions of the 2018 Amended and Restated Airport System General Bond Ordinance, enacted as Ordinance No. 0777, Series of 2018, and Ordinance No. 20-[\_\_\_\_], Series of 2020, adopted by the City Council of the City (collectively, the “**Senior Bond Ordinance**”). The Series 2020D Subordinate Bonds are being issued pursuant to the General Subordinate Bond Ordinance effective June 28, 2013, as amended and supplemented, and Ordinance No. [\_\_\_\_], Series of 2020, adopted by the City Council of the City (the “**Subordinate Bond Ordinance**” and together with the Senior Bond Ordinance, the “**Ordinance**”).

In consideration of the purchase of the Bonds by the Participating Underwriters (as defined below), the City covenants and agrees as follows:

**Section 1. Definitions.** The definitions set forth in the Ordinance apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section. As used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means (a) with respect to the City, the financial information or operating data with respect to the City and the Airport System, delivered at least annually pursuant to Section 2 hereof, substantially similar to the type set forth in the Official Statement as described in Schedule 1 hereto and (b) with respect to each Obligated Person other than the City, the SEC Reports, provided that if such Obligated Person is no longer required to file the SEC Reports, information substantially equivalent to that required to be contained in the SEC Reports. Annual Financial Information may, but is not required to, include Audited Financial Statements and may be provided in any format deemed convenient by the City.

“*Audited Financial Statements*” means the annual financial statements for the Airport System, prepared in accordance with generally accepted accounting principles as in effect from time to time, audited by a firm of certified public accountants.

“*Bondowner*” or “*Owner of the Bonds*” means the registered owner of the Bonds, and so long as the Bonds are required to be registered through the Securities Depository in accordance with the Ordinance, any beneficial owner of Bonds on the records of said Securities Depository or its participants, or any person who, through any contract, arrangement or otherwise, has or shares investment power with

respect to the Bonds, which includes the power to dispose, or direct the disposition, of the Bonds identified to the satisfaction of the City.

“*Commission*” means the Securities and Exchange Commission.

“*Event*” or “*Events*” means any of the events listed in Sections 3(a) and 3(b) of this Disclosure Undertaking.

“*Financial Obligation*” means (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the United States Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) system of the MSRB available on the Internet at <http://emma.msrb.org>. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; telephone (703) 797-6600; fax (703) 797-6700.

“*Obligated Person*” means the City, for and on behalf of the Department, and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of Gross Revenues of the Airport System for each of the prior two Fiscal Years of the City.

“*Official Statement*” means the final Official Statement dated [\_\_\_\_\_] , 2020, together with any supplements thereto prior to the date the Bonds are issued, delivered in connection with the original issue and sale of the Bonds.

“*Participating Underwriters*” has the meaning given thereto under the Rule, or any successors to such Underwriters known to the Treasurer.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*SEC Reports*” means reports and other information required to be filed pursuant to Sections 13(a), 14 or 15(d) of the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Treasurer*” means the Manager of Finance of the City’s Department of Finance, Chief Financial Officer, ex officio Treasurer of the City, or his or her designee, and successor in functions, if any.

## **Section 2. Provision of Annual Financial Information.**

(a) Commencing with respect to the Fiscal Year ended December 31, 2020, and each Fiscal Year thereafter while the Bonds remain outstanding under the Ordinance, the Treasurer shall provide or cause to be provided to the MSRB, Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System. No such provision of any Annual Financial Information shall be deemed an official act of the City without the approval of the Treasurer.

(b) Such Annual Financial Information with respect to the Airport System shall be provided not later than 270 days after the end of each Fiscal Year. If not provided as a part of the Annual Financial Information, the Audited Financial Statements with respect to the Airport System will be provided when available, but in no event later than 270 days after the end of each Fiscal Year.

(c) The Treasurer may provide or cause to be provided Annual Financial Information and Audited Financial Statements with respect to the City and the Airport System by specific cross-reference to other documents which have been submitted to the MSRB or other repositories in accordance with the Rule or filed with the Commission. If the document so referenced is a final official statement within the meaning of the Rule such final official statement must be available from the MSRB. The Treasurer shall clearly identify each such other document provided by cross reference.

### **Section 3. Reporting of Events.**

(a) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Treasurer shall provide or cause to be provided to the MSRB notice of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, or their failure to perform;

(5) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (6) defeasances;
- (7) rating changes;
- (8) tender offers;
- (9) bankruptcy, insolvency, receivership, or similar event of the Obligated Person; and

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

For the purposes of the event identified in paragraph (3)(a)(9) hereof, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or

liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(b) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Treasurer shall provide or cause to be provided to the MSRB notice of any of the following events with respect to the Bonds, if material:

- (1) non-payment related defaults;
- (2) modifications to the rights of the beneficial owners of the Bonds;
- (3) bond calls;
- (4) release, substitution or sale of property securing repayment of the Bonds;
- (5) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (6) appointment of a successor or additional trustee or a change in the name of a trustee; and
- (7) incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders.

Whenever the Treasurer obtains knowledge of the occurrence of an event specified in paragraph 3(b), the Treasurer shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Treasurer determines that such event would constitute material information for owners of Bonds, then the Treasurer shall provide or cause to be provided to the MSRB in accordance with the terms of this paragraph 3(b) notice of such event.

(c) At any time the Bonds are outstanding under the applicable Ordinance, the Treasurer shall provide or cause to be provided, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 2 hereof. No such notice shall be deemed an official notice from the City without the approval of the Treasurer.

**Section 4. Term.** This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earlier of (a) the date all principal and interest on the Bonds shall have been deemed paid pursuant to the terms of the applicable Ordinance; (b) the date that the City or the Department shall no longer constitute an “Obligated Person” with respect to the Bonds within the meaning of the Rule; and (c) the date on which those portions of the Rule which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds, which determination shall be evidenced by an Attorney’s Opinion selected by the City, a copy of which opinion shall be given to the representative of the Participating Underwriters. The Treasurer shall file or cause to be filed a notice of any such termination with the MSRB.



**Section 5. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, (a) if such amendment occurs prior to the actual original issuance and delivery of the Bonds and the Participating Underwriters consent thereto, (b) if such amendment is consented to by the owners of no less than a majority in aggregate principal amount of the Bonds obtained in the manner prescribed by the applicable Ordinance, or (c) if such amendment or waiver is otherwise required by the Rule or permitted by the Rule without Bondowner consent. Written notice of any such amendment or waiver shall be provided by the Treasurer to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

**Section 6. Additional Information.** Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Undertaking; provided that the City shall not be required to do so. No such information shall be deemed an official notice from the City without the approval of the Treasurer. If the City chooses to include any information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or notice or include its disclosure in any future annual filing or notice of occurrence of an Event.

**Section 7. Default and Enforcement.** If the City or the Treasurer fail to comply with any provision of this Disclosure Undertaking, any Bondowner may take action in the District Court for the Second Judicial District of the State of Colorado to seek specific performance by court order to compel the City or the Treasurer to comply with its obligations under this Disclosure Undertaking; provided that any Bondowner seeking to require compliance with this Disclosure Undertaking shall first provide to the Treasurer at least thirty (30) days' prior written notice of the City's or the Treasurer's failure, giving reasonable details of such failure, following which notice the City and the Treasurer shall have thirty (30) days to comply. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the applicable Ordinance or the Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Treasurer to comply with this Disclosure Undertaking shall be an action to compel performance.

**Section 8. Beneficiaries.** This Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 9. Filing.** The filing of Annual Financial Information, Audited Financial Statements, notices of Events or any other notice required by this Disclosure Undertaking shall be effected by sending the filing or notice to the MSRB, in such designated electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

**Section 10. Obligated Persons.** The City is currently the only Obligated Person. If any future Obligated Person is required by federal law to file SEC Reports with the Commission, the City and the Treasurer take no responsibility for the accuracy or completeness of such SEC Reports or other financial or operating information disseminated by any future Obligated Person. Unless no longer required by the Rule to do so, the City and the Treasurer agree to use their reasonable best efforts to cause any future Obligated Person (to the extent such future Obligated Person is not otherwise required under federal law to file SEC Reports), to disseminate Annual Financial Information as contemplated by Section 2 hereof

and notice of certain events related to such Obligated Person as contemplated by Section 3 hereof, substantially equivalent to that contained in the SEC Reports to the MSRB, through EMMA, as contemplated by this Disclosure Undertaking. Any change in Obligated Persons shall be reported by the Treasurer in connection with the Annual Financial Information. The City and the Treasurer have no obligation to file or disseminate any SEC Reports relating to any future Obligated Person.

**[Date and Signatures]**

## **Schedule 1**

“Annual Financial Information” means the financial information and operating data with respect to the City, the Airport System and any Obligated Person substantially similar to the type set forth in the following portions of the Official Statement (i) fund balances of the Capital Fund under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A-C BONDS—Capital Fund,” (ii) Table 2 (Capital Program Total Cost) under the heading “CAPITAL PROGRAM,” (iii) Tables 3 (History of Enplaned Passengers at the Airport by Traffic Type), 4 (Enplaned Passengers by Airline Type), 5 (Percentage of Enplaned Passengers by Airline), and 6 (Summary of Selected Aviation Activity) under the heading “AVIATION ACTIVITY AND AIRLINES—Aviation Activity,” and (iv) Tables 8 (City and County of Denver Airport System Statement of Revenues, Expenses and Changes in Net Assets), 9 (Outstanding Senior Bonds), 10 (Credit Facility Obligations Related to Senior Bonds), 11 (Outstanding Subordinate Bonds), and 14 (PFC Revenues) under the heading “FINANCIAL INFORMATION.”

**APPENDIX H**

**FORM OF OPINION OF BOND COUNSEL [TO BE UPDATED BY HOGAN]**

**APPENDIX I**  
**ECONOMIC AND DEMOGRAPHIC INFORMATION**