



Series 2024 DEN Interim Financing Presentation

Business, Arts, Workforce, & Aviation Services Committee
October 23, 2024

Presented by:

Jessica Skibo – DOF, Capital Funding Debt Manager and
Mike Biel – DEN, Deputy Airport Chief Finance Officer

Agenda

- Council Request and Financing Objectives
- DEN Finance 101
- Overview of Financing Transaction
- DEN by the Numbers
- Timeline

Council Request

- Bill Request 24-1447 Ordinance authorizes the Manager of Finance/Chief Finance Officer on behalf of the Department of Aviation to secure an Interim Revolving Subordinate Note in the maximum amount of \$500 million, maturing 12 months from date of closing
- The proposed interim financing provides short-term funding for projects currently underway within the Airports 2023-2035 Capital Improvement Plan (CIP)
 - Some of the key projects include Great Hall Completion, Baggage Modernization, and Restroom Renewal
 - It is expected that the interim financing will be refunded with long-term bonds mid-late 2025 in alignment with a new money issuance and refunding, which will also require council approval
- Aligns with DEN's Vision 100 and Operation 2045 continuing to enhance the customer experience framed by the Citywide goal of Great Government prioritizing responsible and effective government spending

Governance

DEN is designated an Enterprise of the City because of its business-type operations.

DEN revenues may not be used for normal government operations or services and funds are accounted separately from the General Fund.

City and County of Denver
Mayor
Mike Johnston

Department of Aviation

Manager of Aviation/Chief Executive Officer

Phillip A. Washington

Responsibility Highlights:

- *Airport management and operations*
- *Control of airport system*

Department of Finance

Manager of Finance/Chief Financial Officer

Nicole Doheny

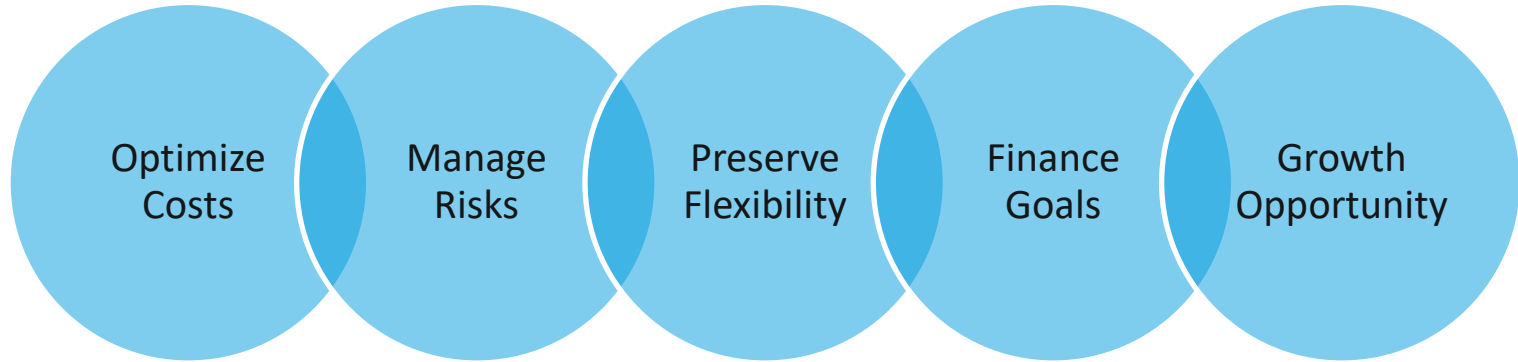
Responsibility Highlights:

- *Issuance of airport system bonds*
- *Plan of finance & administration of airport system debt*
- *Investment of airport system funds*

Airport Financing Tools

- Airport revenue bonds, as well as this interim financial instrument, 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
- DEN utilizes long-term airport revenue bonds, special facility bonds, interim financing tools, grants and cash to fund modernizing and maintaining of existing facilities and providing for capacity expansion within the CIP
- Long-term bonds are typically utilized when new money for a particular CIP plan are known and market conditions are relatively stable, or a refunding of a past Series is required
- Interim or bridge financing is utilized when timing and funding flexibility, as well as increased market volatility (e.g. surrounding the election) are priority considerations

Financing Objectives



Interim Revolving Note:

- Provides DEN the flexibility to draw cash as needed for the current CIP projects
- Reduces risk as a private placement is not subject to market volatility associated with a presidential election year
- Maintains conservative portfolio composition (lien status, variable/fixed mix)

Interim Revolving Note Terms

- Interim Revolving Note, Series A, provider is Truist Commercial Equity, Inc. who was selected via competitive process

Term	Amount	Undrawn Fee	Index Rate	Drawn Fee	Lien	Tax Status*
12 months	Not to exceed \$500M	10 basis points	79% of One Month SOFR ¹	+28.56 basis points	Subordinate	AMT/ Non-AMT

¹The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. One month term SOFR is a forward-looking rate for the following one-month period.

- **Flexibility:** prepay advances on the line at any time without premium or penalty
- **Accelerated Timing:** No ratings or public disclosure required
- **Outlook:** Plan to refund the Interim Revolving Note mid to late next year with fixed-rate bonds in alignment with required refunding's and new money needs

*Tax Status: Alternative Minimum Tax (AMT) bonds are tax-exempt obligations that are subject to taxation for certain higher income investors defined by Internal Revenue Service regulations. Bonds that fund "Private Activity" projects such as terminal and concourse improvements which are primarily used by airlines or concessionaires are subject to AMT while governmental purpose projects, such as airfield and runway improvements are generally not subject to AMT.



DEN By The Numbers

DEN by the Numbers



3RD-BUSIEST AIRPORT IN NORTH AMERICA

6TH-BUSIEST AIRPORT IN THE WORLD (ACI CY 2023)

PASSENGERS

69 million
2019

33.7 million
2020

58.8 million
2021

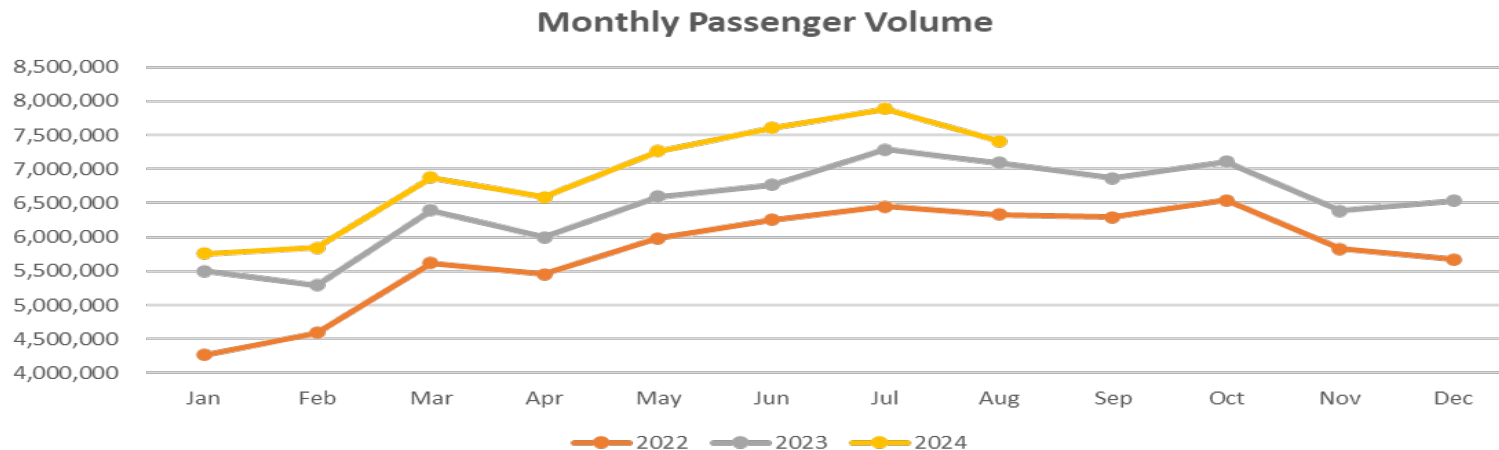
69.3 million
2022

77.8 million
2023

Continued Passenger Growth

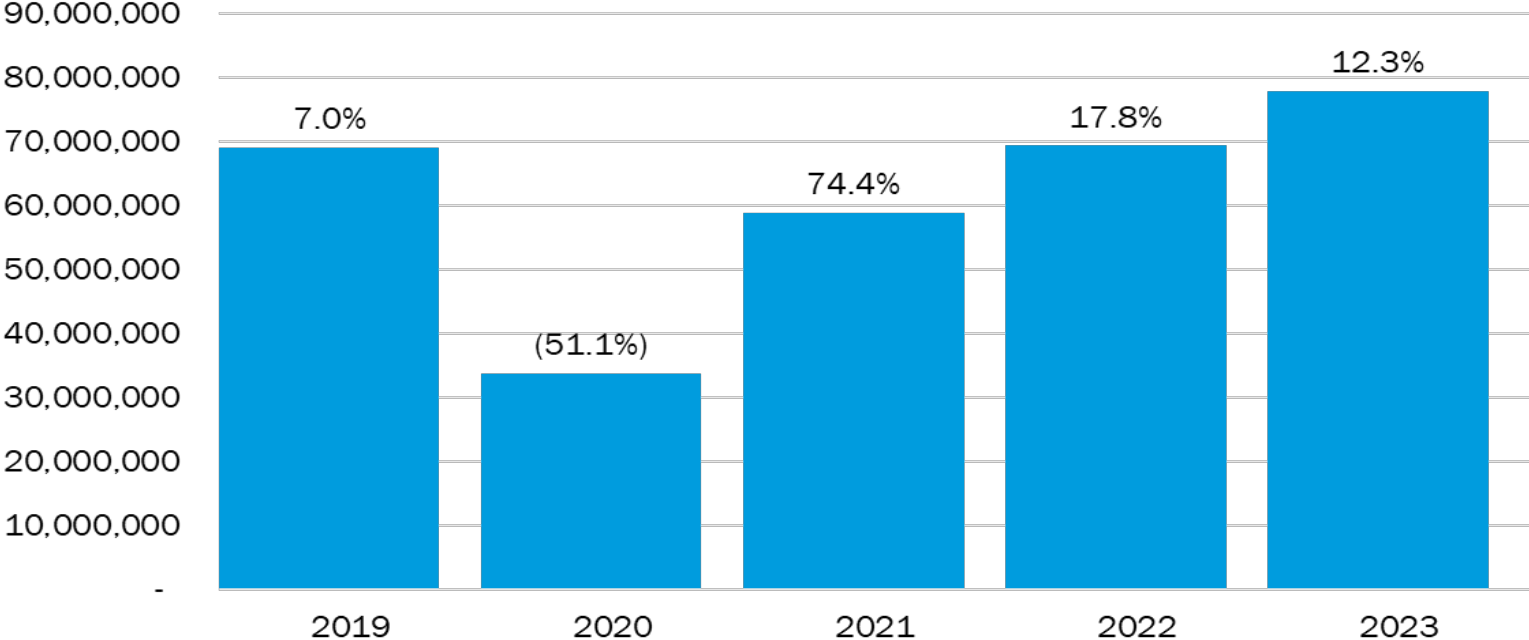
DEN plans for conservative financial forecast in alignment with passenger growth

- Year to date 2024 passenger volume has been trending well ahead of 2023 levels
- Traffic is forecast to conclude the year significantly above 2023
- Depending on the strength of the remainder of the year, DEN could finish 2024 with more than 82 million passenger (2023 was 77.8M)



5-Year Total Annual Passengers

TOTAL ANNUAL PASSENGERS
(and Year-over-Year % change)



DEN Financial Strength - 2023



**802
DAYS**

LIQUIDITY

(DAYS CASH ON HAND)



217%

**ALL BONDS DEBT
SERVICE COVERAGE**



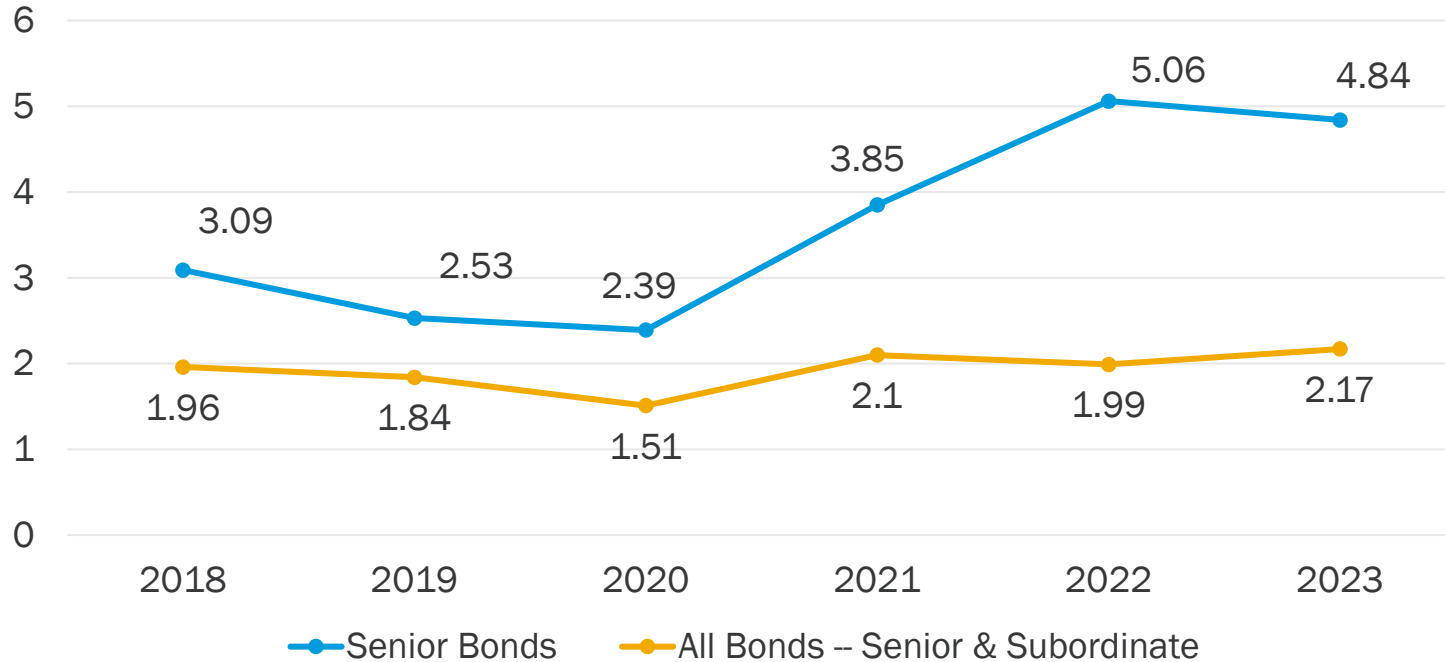
\$10.75

**AIRLINE COST PER
ENPLANED PASSENGER**

Based on actual 2023 year-end audited Annual Comprehensive Financial Report (ACFR).

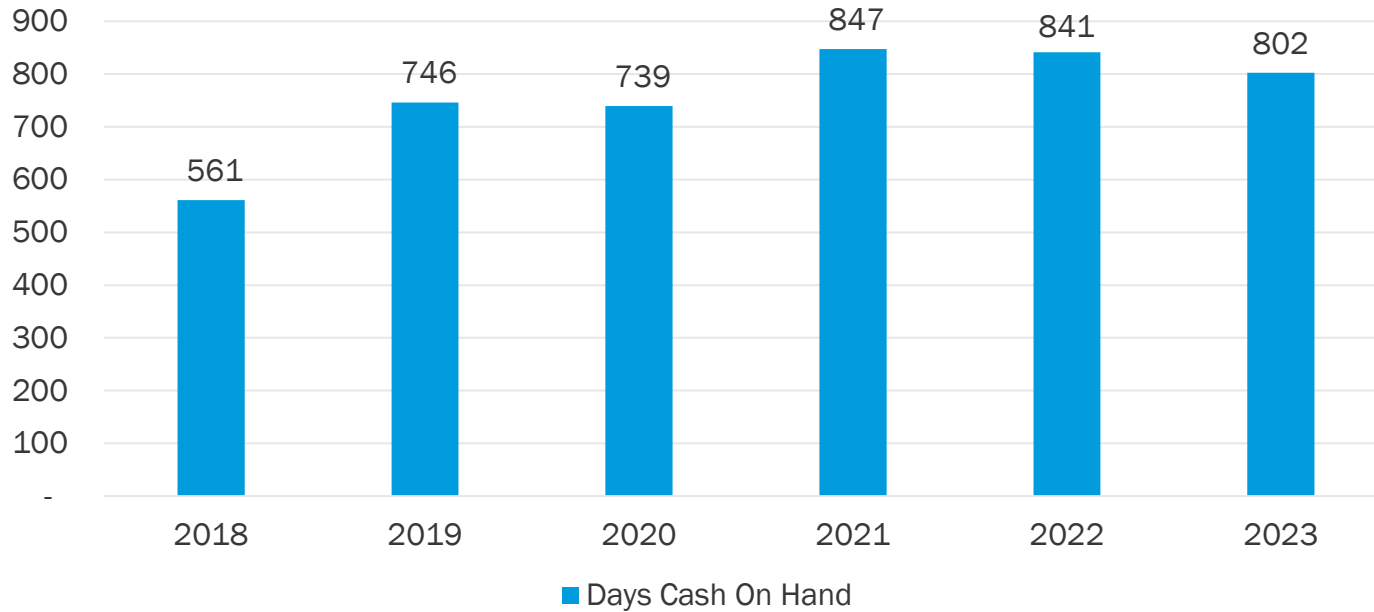
Debt Service Coverage

Strong Debt Service Coverage

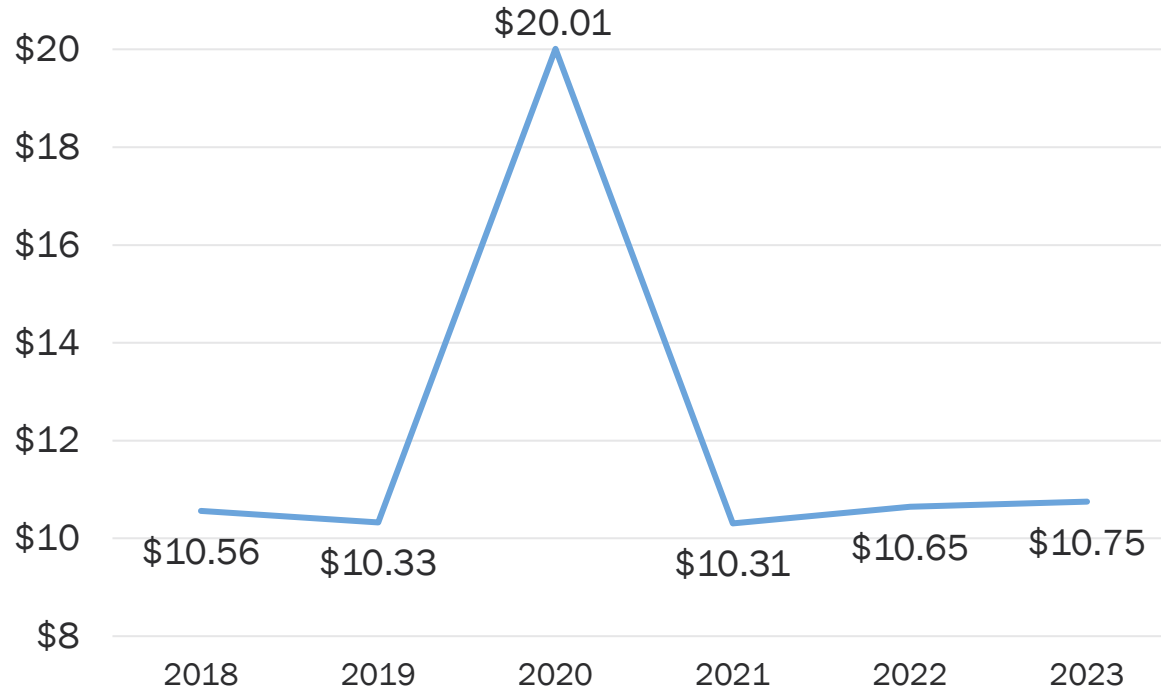


Days Cash on Hand (Liquidity)

Unrestricted Days Cash On Hand



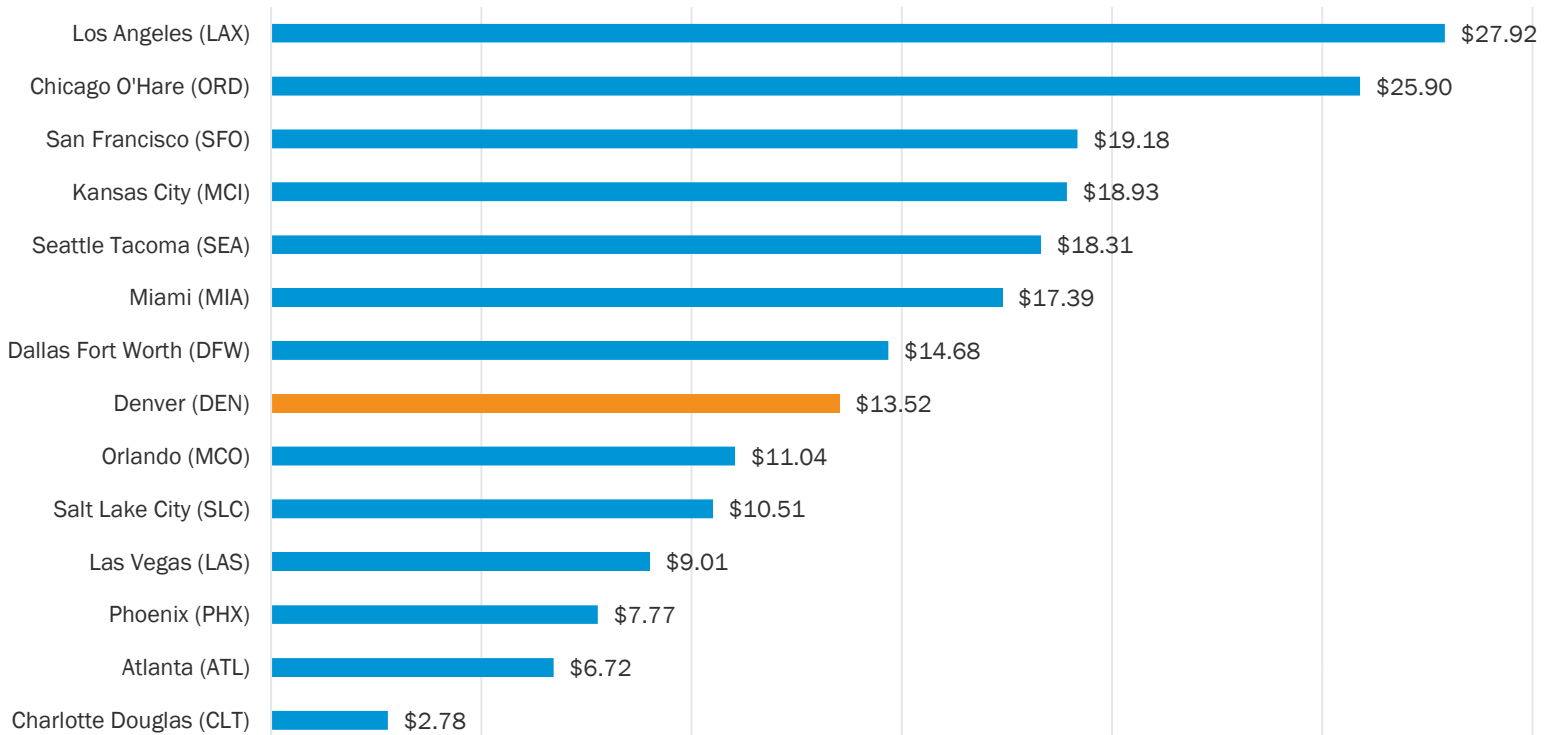
Airline Cost per Enplaned Passenger (CPE)



Airport Cost Per Enplanement (CPE) Comparison

DEN's CPE remains competitive compared to other Large Hubs

2024 CPE Estimate



Source: WJ Advisors, The CPE Report, November 2023

Capital Improvement Plan (CIP) | 2023-2035

To realize Vision 100 and Operation 2045, DEN is **expanding** and **extending** the CIP to approximately \$12.8B through 2035, addressing capacity, operational, and existing asset needs, while staying true to our Vision 100 guiding principles and pillars.

SELECT LISTING OF CIP PROJECTS	FACILITY LOCATION	MAINTAINING WHAT WE HAVE	MODERNIZATION	GROWING OUR INFRASTRUCTURE
Great Hall Completion	Terminal		X	X
Concourse C West Expansion (11 New Gates)	Concourse	X	X	X
Concourse Renewal (Including Restroom Renewal)	Concourse	X	X	
North Terminal Expansion	Terminal			X
Baggage Modernization	Terminal & Concourse	X	X	
Conveyance Modernization	All	X	X	
Consolidated Rental Car Facilities and Common Transportation System	Landside		X	X
Automated Guideway Transit System (AGTS) Expansion	All	X	X	X
Asset Management Program	All	X		
Annual Runway Complex Pavement	Airside	X		

Recap - Interim Revolving Note

Interim Revolving Note, Series A provides the greatest flexibility to Airport for funding while meeting project cash flow needs

- ✓ Avoids the volatility associated with the current market
- ✓ Provides flexibility to secure financing as needed
- ✓ Allows for forward looking Plan of Finance to refund the Note next year with fixed-rate bonds in alignment with required refunding's and new money needs

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Transaction Schedule

Tentative Dates*	
October 23 rd	BIZ Committee
October 28 th	20-93 Notification to City Council
October 29 th	Mayor Council
November 1 st	Filing of Documents with City Council
November 4 th	First Reading
November 12 th	Second Reading
November 15 th	Publication of Ordinance
November 26 th	Closing



Appendix

Public Disclosure Guidance

The City of Denver as an issuer of publicly traded municipal bonds is responsible for providing comprehensive and accurate information to the public. These obligations are covered under:

- Securities Exchange Act Rule 15c2-12 and 10b & 10b-5- Antifraud Provisions and City’s Executive Order 114

Examples of statements and Information covered by disclosure obligations and antifraud provisions includes:

- City’s website and hyperlinks
- Public reports with financial data (Annual Comprehensive Financial Report (ACFR), Budget, Annual Disclosure Statement, financial reports)
- **All statements made by municipal issuers that are reasonably expected to reach investors are subject to antifraud provisions *regardless* of the municipal issuer’s compliance with the continuing disclosure obligations.**

Inadequate disclosure practices outcomes/consequences:

- Investigation by the SEC, local district attorney, U.S. Justice Department and state or local legislative bodies
- Imposition of fines or penalties, civil suits for damages
- Harm to an issuer’s reputation and investor confidence (potential personal liability)
- Rating agency downgrades

Any official public disclosure should be coordinated with the Department of Finance and any public comments made in connection with the City’s financial condition, unless deemed final by the City’s CFO should be carefully caveated.

Federal Aviation Administration (FAA) Revenue Use Restrictions

What can Airport revenues be used for?

- The various acts governing revenue diversion and the use of airport funds detail what Airport revenues can be used for as well as sanctions if revenues are not used properly.
- Airport revenues must be used for capital and operating costs of:
 - The airport
 - The local airport system
 - Other facilities owned and operated by the sponsor that are directly related to the **air transportation** of passengers or property
 - Any use of Airport revenues outside of these categories would be considered *Revenue Diversion* by the FAA

What can Airport revenues NOT be used for?

- Pay municipal projects or salaries unrelated to the airport that should be funded from the General Fund
- Overpaying for services or facilities of the Airport utilities or undercharging for use of its property and/or services.
- Charity and community purposes that are not directly and substantially related to the operation of the Airport
- Use Airport property for community purposes without charging for fair market value, unless approved on a case-by-case basis by the FAA.

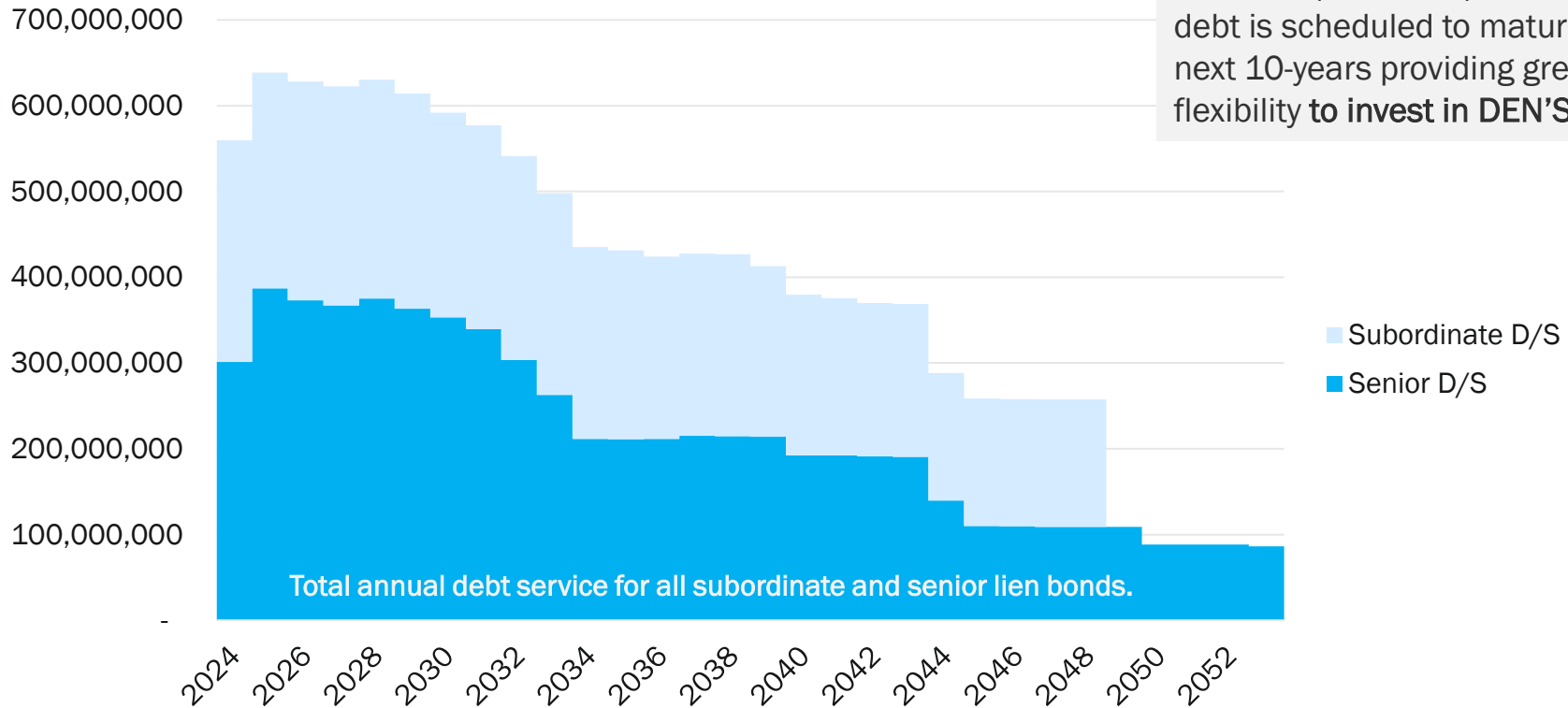
Note: The **FAA Authorization Act of 1994** is the long-standing federal prohibition against revenue diversion. The Act specifically prohibits airport payments for city services unrelated to the operation of the airport, imposed new reporting requirements on airports, and authorizes civil penalties of up to \$50,000.

Key Terms

Term	Definition
AMT	Tax-exempt Bonds for which investors may have to pay taxes on interest subject to the federal Alternative Minimum Tax. For DEN, this generally applies to bonds issued to finance the terminal and gates, which are primarily used by the airlines or concessionaires.
Coupon Rate	The annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity.
Net Present Value (NPV) Savings	NPV savings are calculated based on the difference in cash flows between the refunded (old) and refunding (new) debt, present-valued at the refunding bond all-in yield.
Non-AMT	Tax-exempt bonds (where interest is not subject to the federal Alternative Minimum Tax). For DEN, this generally applies to bonds issued to finance projects associated with the runways, fire protection and drainage projects which may be used for general aviation purposes.
Par Value	An amount equal to the nominal or face value of a security. A bond selling at par, for instance, is worth the same dollar amount at which it was issued, or at which it will be redeemed at maturity—typically \$1,000/bond.
Refunding	Method by which outstanding bonds are “refinanced” by the issuance of new bonds, typically at a lower interest rate than the outstanding bonds.
Senior	Bonds issued under DEN’s 1984 Airport System Revenue Bond Ordinance, which have a first claim on airport revenues after the payment of operating and maintenance costs.
Subordinate	Bonds issued under DEN’s 1997 Airport System Subordinate Bond Ordinance, which have a claim on airport revenues after the payment of operating and maintenance costs subordinate to the Senior lien bonds.
Taxable	Bonds for which interest does not benefit from federal tax-exemption.
Yield	A bond’s yield is the rate of return the bond generates. The current yield is the bond's coupon rate divided by its market price.

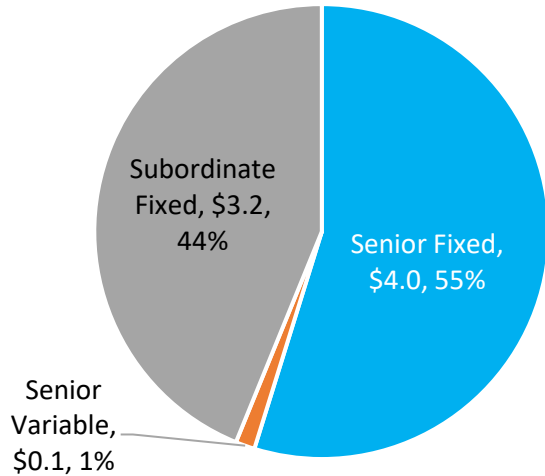
Annual Debt Service

Over 40%, or \$3.2B, of outstanding debt is scheduled to mature over the next 10-years providing greater flexibility to invest in DEN'S future



Overview of Current DEN Capital Structure

DEN Outstanding Bonds (in billions)
as of October 2024



- Most of DEN’s capital projects are financed with General Airport Revenue Bonds (GARBS)
- Only airport revenues are pledged to the outstanding bonds
 - No tax or General Fund dollars are used
 - No voter approval required
- DEN’s debt portfolio is managed in partnership with the City’s Department of Finance (DOF)

	Senior lien	Subordinate lien
Moody’s	Aa3 (stable outlook)	A1 (stable outlook)
S&P	AA- (stable outlook)	A+ (stable outlook)
Fitch	AA- (positive outlook)	A+ (positive outlook)

Municipal Bonds 101

- A municipal bond is a debt obligation issued to fund public purpose capital improvements such as roads, airports and public facilities
 - Bonds constitute a formal agreement to pay between borrower (issuer) and lender (investor)
 - Paid back (principal + interest) over time, typically 10-30 years
- Issuing bonds allows the City to acquire assets without waiting for sufficient cash to purchase them outright.
- Municipal bonds typically issued as tax-exempt obligations because of the public purpose nature of the projects being financed
 - Interest is tax exempt for the investor, making the City's interest rate and the total cost of borrowing lower
 - In exchange, the City must abide by various IRS regulations over the life of the bonds