

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team

at MileHighOrdinance@DenverGov.org by **3:00pm on Monday**. Contact the Mayor's Legislative team with questions

Date of Request: August 24, 2020

Please mark one: Bill Request or Resolution Request

1. Type of Request:

- Contract/Grant Agreement Intergovernmental Agreement (IGA) Rezoning/Text Amendment
- Dedication/Vacation Appropriation/Supplemental DRMC Change

X Other:

2. Title: (Start with *approves, amends, dedicates*, etc., include name of company or contractor and indicate the type of request: grant acceptance, contract execution, contract amendment, municipal code change, supplemental request, etc.)

An ordinance to authorize the Manager of Finance, Chief Financial Officer to issue City and County of Denver, for and on behalf of its Department of Aviation, Airport Senior Revenue Bonds, Series 2020A-C in an amount not to exceed \$1.225 billion for the purpose of refunding and restructuring of airport bonds, paying for swap termination costs and paying costs of issuance expenses.

3. Requesting Agency: Department of Finance

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Guadalupe Gutierrez-Vasquez	Name: Guadalupe Gutierrez-Vasquez
Email: lupe.gutierrez@denvergov.org	Email: lupe.gutierrez@denvergov.org

5. General description or background of proposed request. Attach executive summary if more space needed:

The proposed ordinance supports various debt management objectives, which include refunding of existing bonds to realize interest cost savings, restructuring of bonds to provide relief of airport financial metrics, fixing the rate on variable rate bonds and terminating associated interest rate swaps. The 2020A-C bonds will be initially issued as fixed rate obligations. The final par-amount, lien designation for the bond restructuring (senior versus subordinate) and rate of interest will be determined on the day of pricing and is dependent on market conditions but will not exceed authorized amounts.

This ordinance request should be read in conjunction with the ordinance request being submitted simultaneously requesting authorization to issue subordinate airport bonds for refunding and bond restructuring purposes (Series 2020D). The Department of Finance would like to preserve the flexibility to allocate the bond restructuring between the senior and subordinate liens based on what is most financially advantageous, as we closer approach the bond sale. Therefore, we are presenting, two ordinances for partially the same purpose – one authorizing senior bonds and the other authorizing subordinate bonds, but the aggregate amount of the bond restructuring will not exceed \$80 million.

The proposed 2020A-C Bonds are not considered new money financings that would add to the Airports existing principal portfolio balance and NO new funding for projects is being sought for financing at this time. The bonds are and will continue to be paid solely from airport revenues and are not a direct obligation of the City.

- 6. City Attorney assigned to this request (if applicable):** Everett Martinez
7. City Council District: District 11- Stacie Gilmore

8. **For all contracts, fill out and submit accompanying Key Contract Terms worksheet**

To be completed by Mayor's Legislative Team:

Resolution/Bill Number: BR20 0889

Date Entered: _____

Key Contract Terms

Type of Contract: (e.g. Professional Services > \$500K; IGA/Grant Agreement, Sale or Lease of Real Property):
Bond Financing

Vendor/Contractor Name: N/A

Contract control number: N/A

Location: bond projects will be located at DEN, which is located in Council District 11

Is this a new contract? N/A Yes No Is this an Amendment? N/A Yes No If yes, how many? _____

Contract Term/Duration (for amended contracts, include existing term dates and amended dates):

Term of the Bonds will not exceed 30 years

Contract Amount (indicate existing amount, amended amount and new contract total): N/A

<i>Current Contract Amount</i> (A)	<i>Additional Funds</i> (B)	<i>Total Contract Amount</i> (A+B)
<i>Current Contract Term</i>	<i>Added Time</i>	<i>New Ending Date</i>

Scope of work: N/A

Was this contractor selected by competitive process?

The bonds are being sold via a negotiated process with underwriters who were competitively selected.
If not, why not?

Has this contractor provided these services to the City before? N/A Yes No

Source of funds: Bonds will be repaid solely by revenues/fees of the Airport

Is this contract subject to: W/MBE DBE SBE XO101 ACDBE X N/A

WBE/MBE/DBE commitments (construction, design, Airport concession contracts):

MWBE firms will be allocated a percentage of the transaction

Who are the subcontractors to this contract? N/A

CITY AND COUNTY OF DENVER

DEPARTMENT OF FINANCE

BRENDAN J. HANLON
MANAGER OF FINANCE

201 W. COLFAX AVE.
DEPT. 1010
DENVER, COLORADO 80202

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am:

Resolution/Bill Number: BR20 0889

Date Entered: _____

Executive Summary- An Ordinance to Issue Series 2020A-C Airport System (Senior) Revenue Bonds

The proposed ordinance authorizes the Manager of Finance to issue a par-amount not to exceed \$1.225 billion Airport System Senior Revenue Bonds, Series 2020A-C, for the purpose of addressing various debt management objectives, which include: refunding of bonds to achieve interest cost savings, refunding of certain variable rate bonds to a fixed rate to reduce variable rate risk, restructuring of existing Airport bonds to provide debt service relief in 2020, paying for costs of terminating certain swaps, funding any additional bond reserve fund requirements (if necessary under the General Bond Ordinance), and paying the costs associated with the issuance of the Series 2020A-C bonds.

This ordinance request is being submitted in conjunction with another request that also includes restructuring of DEN bonds for debt service relief purposes as well as refunding of DEN bonds at the subordinate lien level (Series 2020D Bonds). The Department of Finance would like to preserve the flexibility to allocate the bond restructuring between lien's (senior and subordinate) to maximize efficiencies of the market at the time of pricing.

The proposed 2020A-C Bonds are not considered new money financings that would add to the Airports existing principal portfolio balance and NO new funding for projects is being sought for financing at this time. The bonds are and will continue to be paid solely from airport revenues and are not a direct obligation of the City.

Use of Series 2020A-C Bond Proceeds

Refunding for Savings- As part of the ordinary course of debt administration various DEN bonds are being refunded to take advantage of low market interest rates in order to achieve interest cost savings.

Refunding from Variable to Fixed-Current market conditions are favorable to allow for fixing the rate and reducing variable rate risk on the 2008C1 bonds, which are due for mandatory tender on December 11, 2020 and terminating associated swaps. As well as fixing out Series 2007F1-2 bonds.

Restructuring for Debt Service Relief- this action would enable the City to refund and defer 2020 debt service payments of various DEN bonds for the purposes of lowering DEN's 2020 debt service obligations by up to \$80 million while providing rates and charges relief to DEN's tenants. The final allocation between the senior and subordinate lien designation for the restructuring is still being refined; however, the total amount is estimated to be between \$60-80 million and will not exceed the maximum par amounts authorized.

New Bonds	Lien	Tax Status	Purpose	Not to Exceed Par Amount	Current Savings*
Series 2020A	Senior	Non-AMT**	- Refund 2010A Bonds for interest rate savings - Refund 20007F1-F2 auction rate bonds to fixed rate mode - Restructure tax-exempt eligible portions of 2020 principal on senior bonds (if desired for airline rates and charges management)	\$225 Million	\$10 Million
Series 2020B	Senior	AMT**	- Refund 2008C1 Bonds to address mandatory tender date of 12/11/2020 - Restructure tax-exempt eligible portions of 2020 principal on senior bonds (if desired for airline rates and charges management)	\$110 million	N/A
Series 2020C	Senior	Taxable	- Refund 2011A-B, 2012A-B Bonds for interest rate savings - Fund swap termination costs associated with 2008C1 - Restructure 2020 principal on senior bonds (if desired for airline rates and charges management)	\$890 Million	\$40 Million
Series 2020D	Subordinate	Taxable	- Refund 2013A-B Bonds for interest rate savings -Restructure 2020 principal on subordinate bonds (if desired for airline rates and charges management)	\$750 million	\$31Million

*Savings are based on current interest rates and subject to change based on final rates on day of pricing. Savings applies to portions of transactions where savings are available, restructuring portions will incur an economic cost and reduce savings.

**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 governmental purpose projects, such as airfield improvements are generally not subject to AMT, while bonds issued to fund what the IRS designates as private activity projects are.

The final par amount and interest rate of the 2020A-C Bonds will be determined at the time of the bond pricing (to occur after City Council approval). The Series 2020A-C bonds will be issued as fixed rate obligations with a term not to exceed 30 years.

The Airport's current underlying senior bond ratings are A1/A+/AA- respectively by Moody's, Standard and Poor's, and Fitch. The Series 2020A-C Bonds will be evaluated by the three major rating agencies and we expect a final rating prior to posting of the preliminary official statement, slated for September 2020.

To be completed by Mayor's Legislative Team:

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The City has by ordinance designated the Department of Aviation as an Enterprise within the meaning of the TABOR Amendment to the Colorado State Constitution. Senior Airport System Revenue Bonds are special obligations of the City, for and on behalf of the Department of Aviation, payable solely from and secured by a senior lien pledge of the Net Revenues of the Airport System. Neither the full faith and credit, nor the taxing power of the City, will be pledged in payment of Airport System Revenue Bonds.

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