



CITY AND COUNTY OF DENVER

DENVER
THE MILE HIGH CITY

Michael B. Hancock
Mayor

DEPARTMENT OF FINANCE

BRENDAN J. HANLON
MANAGER OF FINANCE

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

July 23, 2018

Honorable Jolon Clark
Denver City Council President
City and County Building, Room 405
Denver, CO 80202

Dear Council President Clark:

In keeping with the provisions of Section 20-93 of the Denver Revised Municipal Code (the "DRMC"), I am hereby notifying you of the Department of Finance's intent to issue Airport System Revenue Bonds, Series 2018A-C, for an on behalf of its Department of Aviation, in an amount not to exceed \$3.5 billion, for the of purpose of providing funding for capital project identified in the Airports 2018-2022 Capital Improvement Plan and refunding various series of existing Airport bonds and a liquidity facility. The Series 2018A Bonds will be issued as AMT fixed rate subordinate lien obligations, the Series 2018B Bonds will be issued as Non-AMT fixed rate subordinate lien obligations, and the Series 2018C Bonds will be issued as taxable fixed rate subordinate lien obligations. The series 2018C bonds will only be issued in lieu of Series 2018A-AMT bonds, if it is economically advantageous to do so at the time of pricing. The final maturity on the Bonds will not exceed 2048.

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. The Series 2018A-C Bonds are special obligations of the City, for and on behalf of the Department of Aviation, payable solely from and secured by a subordinate 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 the Series 2018A-C Bonds.

In keeping with the intent of 20-93(b) of the DRMC, the President of Council will be notified promptly of any material change. The accompanying *Attachment A* contains a more detailed description of the financing. I do not anticipate formally communicating technical changes in the financing.

Sincerely,

Brendan J. Hanlon
Chief Financial Officer, Manager of Finance

Attachment

Cc: Honorable Timothy O'Brien, Auditor
Debra Johnson, Clerk and Recorder
Zach Rothmier, City Council Liaison
Xavier DuRan, City Attorney's Office

DESCRIPTION OF THE AIRPORT SYSTEM REVENUE BONDS, SERIES 2018A-C

I. The Proposed Financing

The Series 2018A-C Bonds are being issued as subordinate lien fixed rate bonds in an amount not to exceed \$3.5 billion, at an interest rate not to exceed 5% and 6% for tax-exempt and taxable bonds, respectively. The proceeds of the bonds will be used to fund capital projects in DEN's 2018-2022 CIP, and refunding of outstanding bonds, if market conditions are favorable at the time of pricing. The Series 2017A are designated as Alternative Minimum Tax (AMT)* bonds, the Series 2017B are designated as non-AMT* bonds and the Series 2018C will be designated as taxable bonds. As of July 2018, the refunding may result in a \$5 million net release from the debt service reserve fund. The final par amount and interest rates will be fixed upon pricing of the transaction. The final maturity date on the Series 2018A-C Bonds will not exceed the 2048.

** 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 private activity projects such as terminal projects are.*

II. Security for the Bonds

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. The Series 2018A-C Bonds are special obligations of the City, issued for and on behalf of the Department of Aviation. The bonds are payable solely from and secured by a subordinate lien pledge of the Net Revenues of the Airport System. None of the properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Bonds. Neither the full faith and credit, nor the taxing power of the City, will be pledged in payment of the Bonds.

III. The Sale Process

The Series 2018A-C bonds will be sold in a negotiated process; with Bank of America serving as senior manager and book runner, Citi serving as Co-senior manager, and Barclays, D.A. Davidson, Drexel, Estrada Hinojosa, G.K. Baum, Harvestons Securities Inc., Ramirez and Co., RBC, Stifel, serving as co-managers on the Series 2018A-C Bonds. Underwriting firms were selected from the City's existing underwriter pool, which was developed via a competitive process conducted through the Department of Finance. The City uses the financial advisory services of Frasca & Associates LLC for Airport financings.

IV. The Proposed Timetable of Events

Major events in the proposed timetable are noted below:

<i>Date</i>	<i>Event</i>
July 18, 2018	Business Committee
July 23, 2018	20-93 Notification read to Council
July 30, 2018	First Council reading of the Ordinances
August 6, 2018	Second Council reading of the Ordinances
August 14, 2018	Pricing
August 23, 2018	Closing

V. Counsel

Hogan & Lovells and Becker Stowe Partners serve as co-Bond Counsel on the Series 2018A-C Bond transactions. Firms were selected through a competitive process conducted through the City Attorney's Office.

VI. Other Information

I know of no event that will affect the financing as described herein. In keeping with the intent of the 20-93 of the DRMC, the President of Council will be notified promptly of any material change to the financing. I do not anticipate formally communicating technical changes of an immaterial nature or minor changes in the timetable.