

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team  
At [MileHighOrdinance@DenverGov.org](mailto:MileHighOrdinance@DenverGov.org) by **3:00pm on Monday**.

**\*All fields must be completed.\***

*Incomplete request forms will be returned to sender which may cause a delay in processing.*

Date of Request: August 20, 2012

Please mark one: ☒ Bill Request or ☐ Resolution Request

1. Has your agency submitted this request in the last 12 months?

☐ Yes ☒ No

If yes, please explain:

2. **Title:** (Include a concise, one sentence description – please include name of company or contractor and contract control number - that clearly indicates the type of request: grant acceptance, contract execution, 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 Revenue Bonds, Series 2012A-B in an amount not to exceed \$1.3 billion for the purpose of funding Airport capital improvements, refunding outstanding Airport Revenue bonds, and paying costs of issuance expenses.

3. **Requesting Agency:** Department of Finance

4. **Contact Person:** (With actual knowledge of proposed ordinance/resolution.)

- **Name:** Guadalupe Gutierrez
- **Phone:** Guadalupe Gutierrez
- **Email:** lupe.gutierrez@denvergov.org

5. **Contact Person:** (With actual knowledge of proposed ordinance/resolution who will present the item at Mayor-Council and who will be available for first and second reading, if necessary.)

- **Name:** Guadalupe Gutierrez
- **Phone:** 720-913-9370
- **Email:** lupe.gutierrez@denvergov.org

6. **General description of proposed ordinance including contract scope of work if applicable:**

The proposed ordinance supports three debt objectives. The first objective is to authorize the issuance of new money financing to fund approximately \$400 million Airport capital improvements. The 2012A-B bonds will be fixed rate obligations and will be used to finance various maintenance and improvement projects at Denver International Airport identified as part of the Airports 2013-2018 Capital Improvement Plan, including components of the South Terminal Redevelopment Plan. The second objective is to refund \$56 million of commercial paper. The third objective is to reduce debt service payments by refunding up to \$664 million of certain outstanding DIA bonds. The current unique financial market conditions may warrant issuing a portion of the bonds on a taxable basis because taxable yields are lower than tax-exempt yields on certain bond maturities. A separate ordinance request will be submitted concurrently for the proposed taxable bonds. The final par amount and tax-exempt/taxable mix will be determined on the day of pricing and is dependent on market conditions.

**\*\*Please complete the following fields:** (Incomplete fields may result in a delay in processing. If a field is not applicable, please enter N/A for that field – please do not leave blank.)

a. **Contract Control Number:** N/A

b. **Duration:** Term of the 2012A-B bonds will not exceed 30 years (Refunding will not extend original final maturity of refunded bonds)

c. **Location:** Bond funded improvements will be located at DIA

d. **Affected Council District:** Council District 11

e. **Benefits:** Funds essential capital maintenance and improvement needs for the Airport. Refunding produces debt service savings (\$31 million as of 8-16-2012)

f. **Costs:** Costs associated with the transaction will be paid from the proceeds of the bond transaction

7. **Is there any controversy surrounding this ordinance?** (Groups or individuals who may have concerns about it?) **Please explain.**

No identified controversy

(Completed by Mayor's Office):

**Ordinance Request Number:**

**Date:**

*To be completed by Mayor's Legislative Team:*

SIRE Tracking Number: \_\_\_\_\_

Date Entered: \_\_\_\_\_



**DENVER**  
THE MILE HIGH CITY

MICHAEL B. HANCOCK  
Mayor

# CITY AND COUNTY OF DENVER

DEPARTMENT OF FINANCE

CARY KENNEDY  
CHIEF FINANCIAL OFFICER

201 W. COLFAX AVE. Dept. 1010  
DENVER, COLORADO 80202  
PHONE: (720) 913-5000

## Executive Summary

### An Ordinance to Issue Airport System Revenue Bonds, Series 2012A-B

The proposed ordinance authorizes the Manager of Finance to issue an amount of up to \$1.3 billion Airport System Revenue Bonds, Series 2012A-B, for the purpose of obtaining new money to fund capital improvements and maintenance, refunding of existing Airport bonds, and paying the costs associated with the issuance of the Series 2012A-B Bonds.

#### New Money

The proposed financing would fund approximate \$400 million of capital improvements and maintenance identified as part of the Airports 2013-2018 capital improvement plan. New money proceeds will also be used to refund \$56M of commercial paper notes. Because the tax status (between AMT\* and non-AMT) is still being evaluated, we have included an extra \$100 million in new money projects for the proposed Series A Bonds. This is to cover the risk of certain projects currently expected to be non-AMT being re-characterized as AMT projects. The total amount of projects funded will remain the same regardless of the allocation between AMT and non-AMT tax status. Further detail on projects is provided under each bond series description.

#### Refunding

There is approximately \$664 million of outstanding bonds that may be refunded to produce present value savings as well as lower debt service costs for the Airport. Based on current rates, a refunding of \$325 million of these obligations produce \$31 million or 9.75% of present value savings for the Enterprise. A list of the potential refunding candidates is listed below and each refunding candidate will be evaluated in terms of savings and overall impact to the Airport's debt portfolio consistent with the Department of Finance debt policy. The final maturity on the refunding bonds will not exceed the final maturity on the bonds being refunded.

List of potential refunding candidates:

Series 1998A, Series 1998B, Series 2002E, Series 2003A, Series 2003B and Series 2005A

A description of each series of bonds is provided below.

#### The Series A Bonds (AMT)

The Airport System Revenue Bonds, Series A will be issued as fixed rate tax-exempt bonds subject to the Alternative Minimum Tax (AMT) with an approximate par amount of \$600 million. Proceeds will be used to fund capital improvements, refund bonds originally issued on an AMT basis and pay issuance costs associated with the transaction. Financed projects include terminal complex fire alarm replacement and transit system capacity improvements and a new parking garage to accommodate parking demands and generate revenue for DIA. The current unique financial market conditions may warrant issuing all or a portion of the bonds on a taxable basis because taxable yields are lower than tax-exempt AMT yields on certain bond maturities. Therefore a companion ordinance in a similar par amount as the Series 2012A obligations is being submitted concurrently with this request. Authorized par amounts for the Series 2012A and taxable obligations should not be viewed on a cumulative basis but rather as a combined amount not to exceed \$600 million. The decision on proceeding with the issuance of taxable bonds will be dependent on the structure that provides the lowest cost at the time of sale in the market.

#### The Series B Bonds (Non-AMT)

The Airport System Revenue Bonds, Series B will be issued as fixed rate tax-exempt debt with an approximate par amount of \$750 million. Bond proceeds will fund airfield maintenance and rehabilitation projects, including runway and roadway pavement rehabilitation and South Terminal Redevelopment Plan improvements consisting primarily of the Airport Hotel. Proceeds will also be used to refund tax-exempt bonds.

The Airport's current underlying bond ratings are A1/A+/A+ respectively by Moody's, Standard and Poor's, and Fitch. 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 Bonds are special obligations of the City, for and on behalf of the Department of Aviation, payable solely from and secured by a 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 2012A-B Bonds.

\* 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.

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