



DENVER
THE MILE HIGH CITY

Series 2022 Airport Revenue Bonds Presentation:

Business, Arts, Workforce, & Aeronautical Services Committee

May 18, 2022

Presented by:

FOR CITY SERVICES VISIT | CALL
DenverGov.org | **311**

Guadalupe Gutierrez-Department of Finance
Sylvester Lavender- Denver International Airport

- Council Request
- DEN Finance Reminders
- Financing Objectives
- DEN by the Numbers
- Overview of Financings
- Timeline

Ordinance # BR22-569

- authorizes various series senior lien airport bonds in an amount not to exceed \$3.98 billion for the purpose of executing the 2022 plan of finance transactions

Ordinance #BR22-0570

- authorizes various series subordinate lien airport bonds in an amount not to exceed \$3.98 billion for the purpose of executing the 2022 plan of finance transactions

The two ordinances are being issued for substantially the same amounts and purposes to preserve flexibility to allocate between the senior and subordinate liens based on what is most financially advantageous as we closer approach the bond sale.

Aggregate amount of senior and subordinate bonds will not exceed \$3.98 million.

DEN Finance Reminders

- Transactions are not considered debt or obligations of the City. The obligations are solely payable from airport revenues.
- The airport is restricted by the FAA in the use of its revenues.
- Transactions are structured within the guidelines outlined in the City's debt policy.
- By approving these ordinances, City Council is not approving the Capital Improvement Plan (CIP), projects, or changes to projects. Only City Council approved contracts will be financed with bonds .

Council Request

2022 Plan of Finance Overview

The ordinances would authorize the Manager of Finance (MOF) on behalf of the Department of Aviation (DEN) to issue debt for the following purposes:

Item	Purpose	Expected Timing	Max Proceeds ⁽¹⁾	Refunding Savings ⁽²⁾	Expected Lien ⁽²⁾
1	Refund 2021 Interim Notes (June 30 maturity)	June	\$700M	N/A	Senior
2	New money to complete 2018-2022 CIP	June	\$986M	N/A	Senior
3	New money for 2023-2027 CIP	Fall	\$714M	N/A	Undetermined
4	Refund 2019D Bonds (mandatory tender November 15)	Fall	\$84M	N/A	Senior
5	Refund Series 2012A-B Bonds for economic savings and/or restructure debt service	Fall	\$348M	\$13.0M	Senior
6	Refund 2007G1-G2 Bonds to terminate swap	Fall	\$93M	N/A	Senior
7	Refund 2013A-B Bonds for economic savings	Fall	\$314M	\$7.9M	Subordinate
Total			\$3.24B		

⁽¹⁾ Excludes accrued interest, capitalized interest, bond reserves and costs of issuance

⁽²⁾ Estimated based on current market conditions

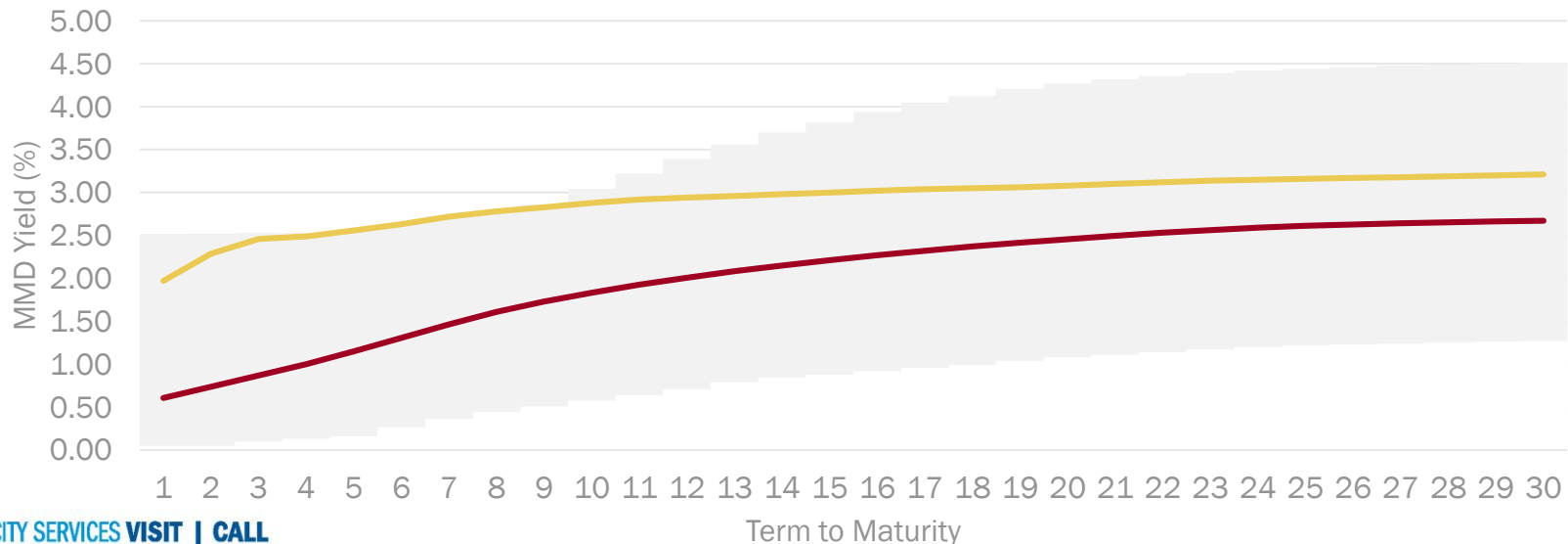
2022 Financing Plan Approach

- Seeking City Council approval for all the DEN financing transactions currently contemplated for 2022
 - ✓ Enables the City to react more quickly to changes in the capital markets for financings which might not occur until fall of 2022
 - ✓ City's Chief Financial Officer to ensure financing limits/terms in bond ordinance limits are met/not exceeded
- The Department of Finance would be back in from on City Council to seek approval of any amendments outside of bond ordinance limits; or for any financings not currently contemplated
 - ✓ DEN would also have to bring any new contract over \$5M for design or construction of a project to council for approval, as required by Charter and DRMC

Bond Market Conditions

- Market volatility has created a situation in which structuring flexibility (bond coupons, duration, liquidity) is needed to accommodate different investor demands.
- Bloomberg survey of 50 economists shows consensus that bond rates will continue to increase

Municipal Market Data(MMD) Yield Curve
Ten Year History



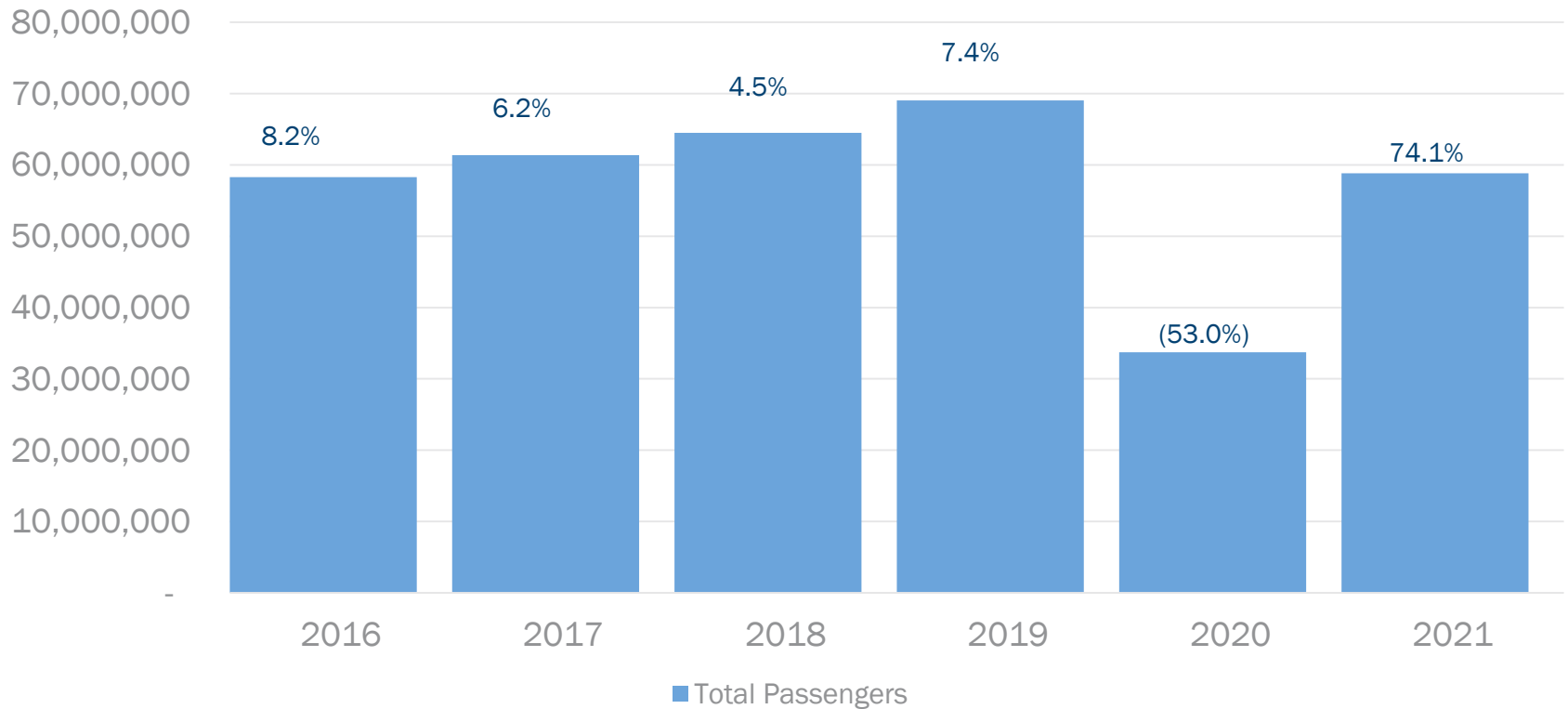
New Money Financings- Secure long-term debt financing at relatively low interest rates, in anticipation of continued rising rates.

- Provide funding to complete 2018 -2022 capital improvement plan
 - Gate Expansion projects
 - Great Hall Phase II
- To provide funding for a portion of the new 2023- 2027 capital improvement program.
 - Great Hall Completion Phase
 - Concourse A East Ground loading gates and gate relocation
 - Baggage modernization
 - Deicing pad expansion

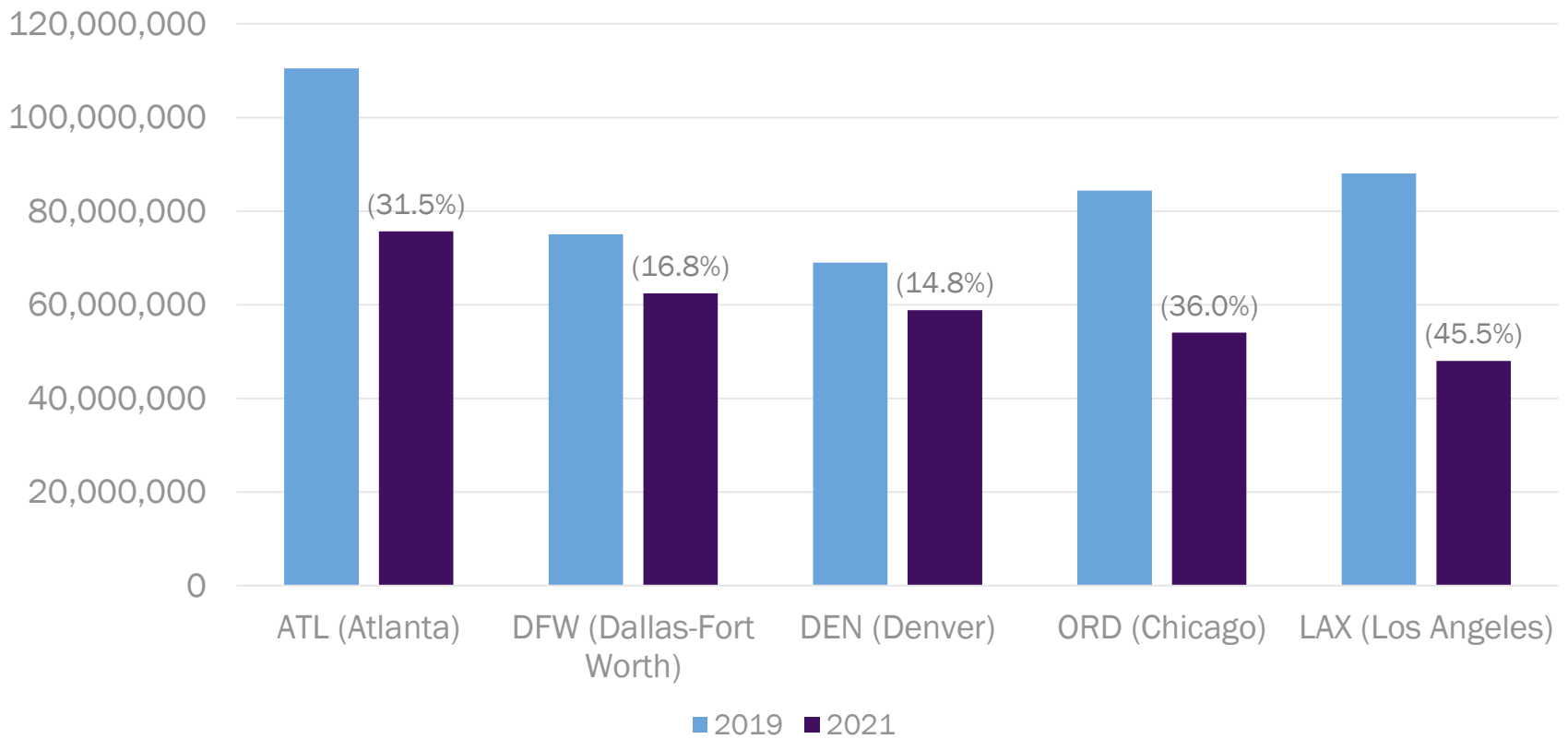
Refinancings meant to produce interest cost savings, address tender dates or reduce swap risk

- \$21M estimated Net Present Value (NPV) savings
- Terminate swaps and refund associated bonds if costs are competitive

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

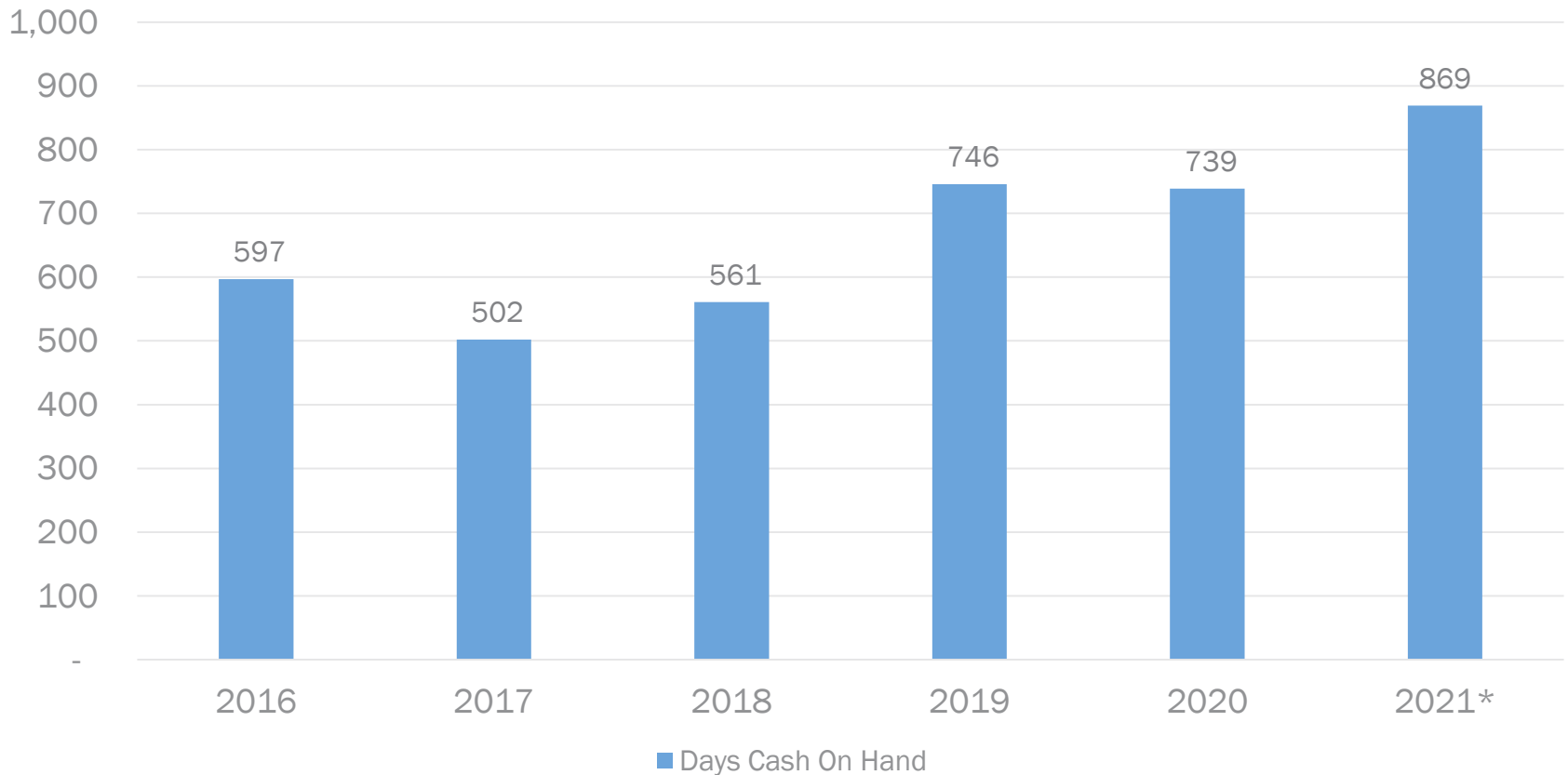


COMPARISON OF TOP 5 US AIRPORTS TOTAL YEAR-TO-DATE PASSENGERS (and % change vs. 2019)

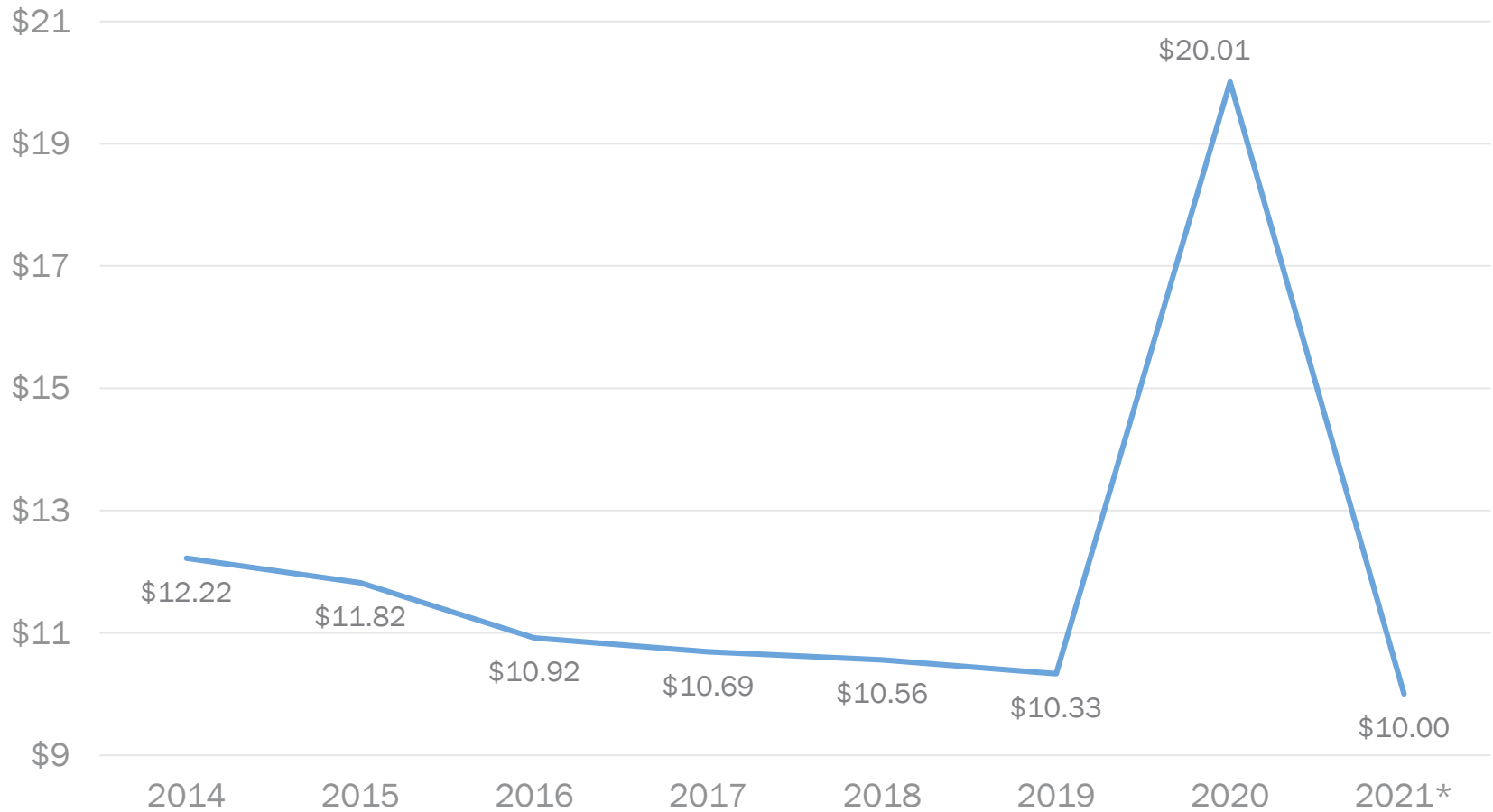


Unrestricted Days Cash on Hand

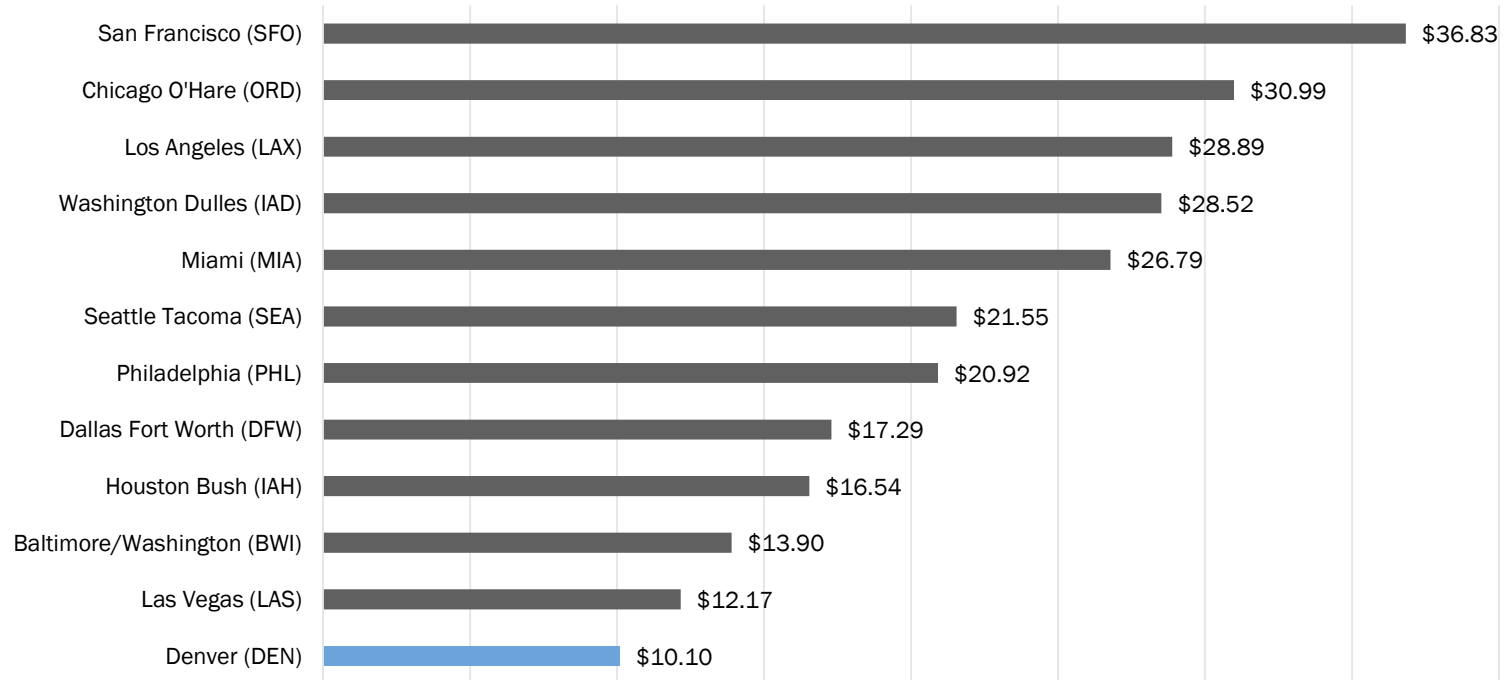
Unrestricted Days Cash On Hand



Cost Per Enplaned Passenger (CPE)



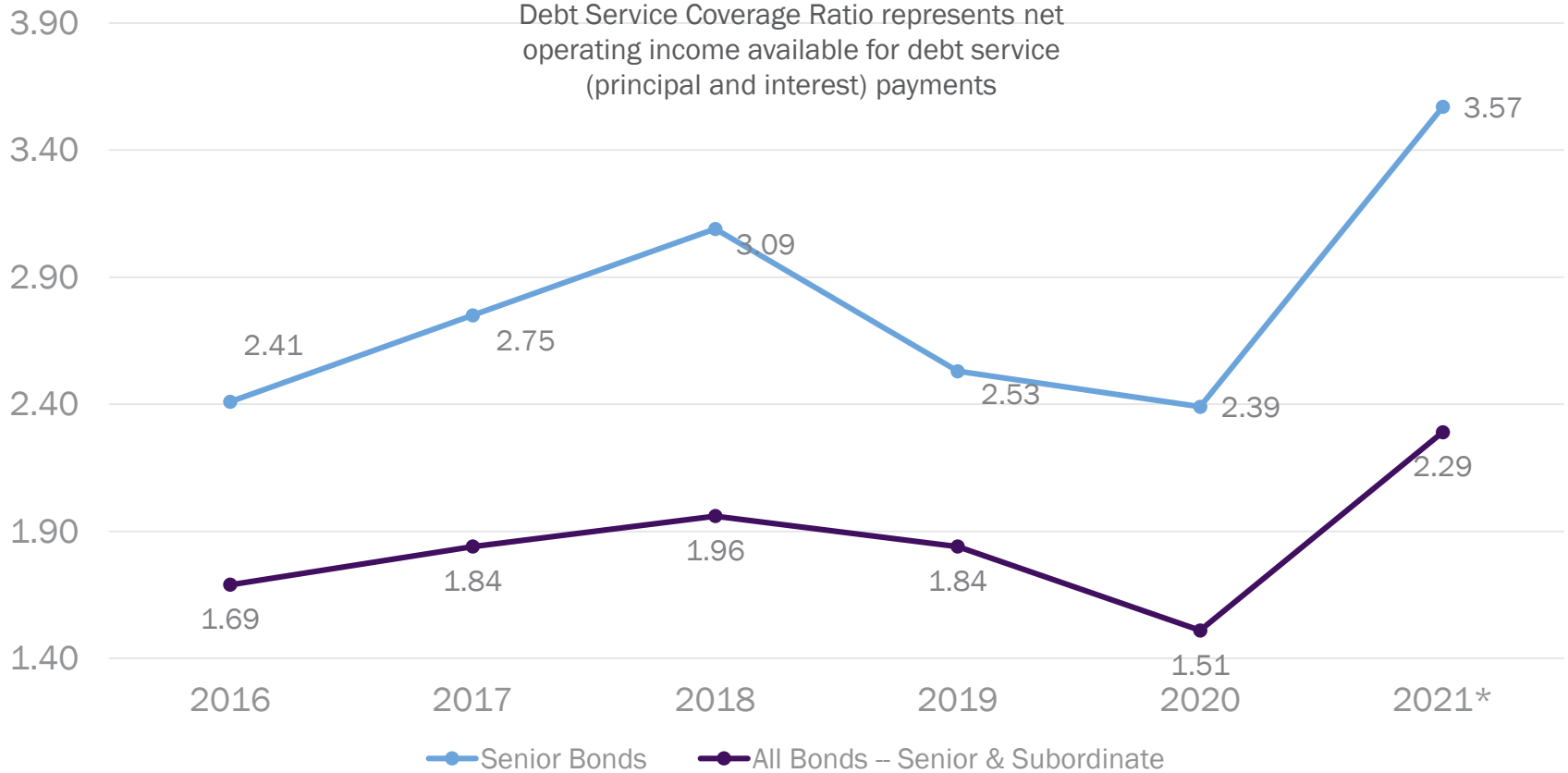
2022 CPE Forecast



Debt Service Coverage

Strong Debt Service Coverage

Debt Service Coverage Ratio represents net operating income available for debt service (principal and interest) payments

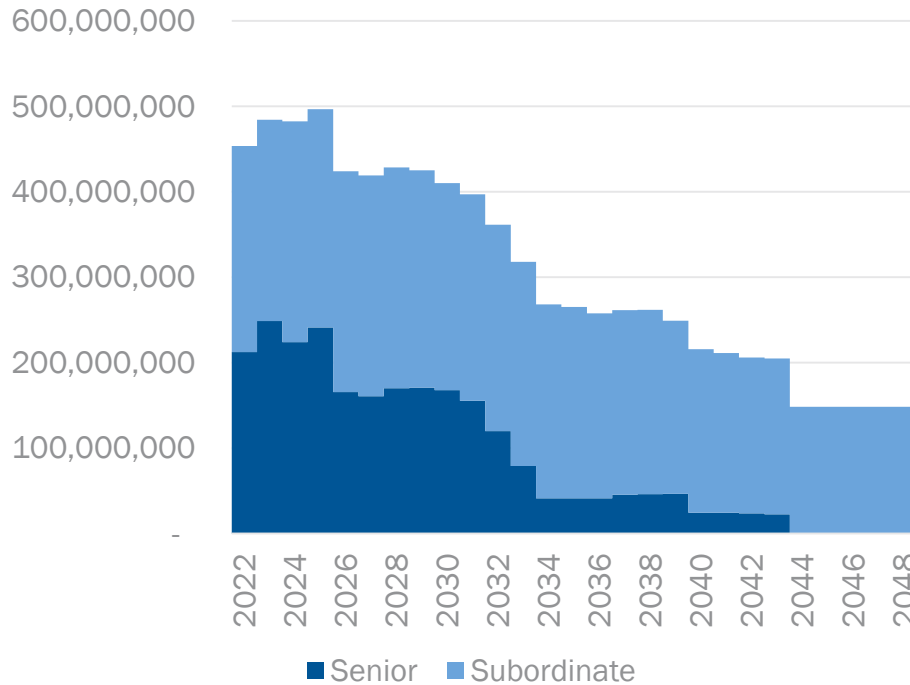


Multi-Year Financing Tools

Financing Mechanism	Description	Revenue Repayment Source
General Obligation (GO) Bonds*	Long-term obligation, secured by the full faith and credit of the City	Ad valorem taxes (dedicated Property Tax Mill Levy)
Revenue Bonds • Excise Tax Bonds* • Enterprise: DEN, Golf, Wastewater	Issued for a specific capital project(s) and repaid solely by an associated revenue stream	New or renewed special taxes or fees (seat, lodgers, food & beverage, car rental, occupational privilege, fees, airline and non-airline revenues)
Certificates of Participation (COPs) & Capital Leases	Lease purchase with City asset used as collateral. Subject to annual appropriation	Existing revenues; new fees, new revenue increment, program savings
Commercial Paper	Short term unsecured debt obligation primarily used for interim financing	Generally repaid with bond proceeds

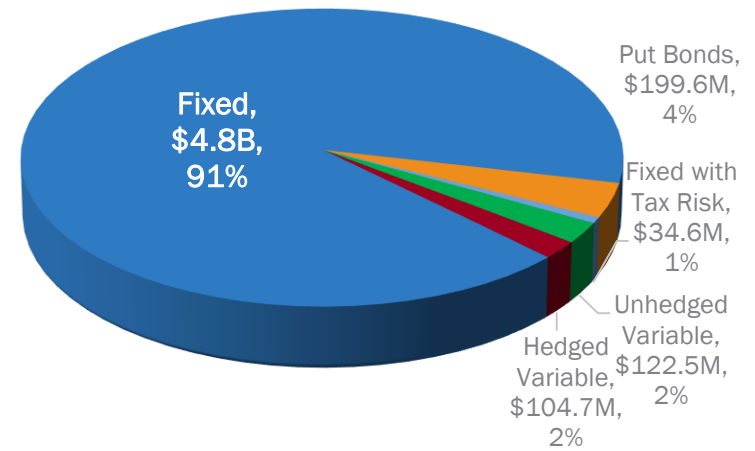
* Requires approval of majority of Denver voters.

DEN Debt Service Profile



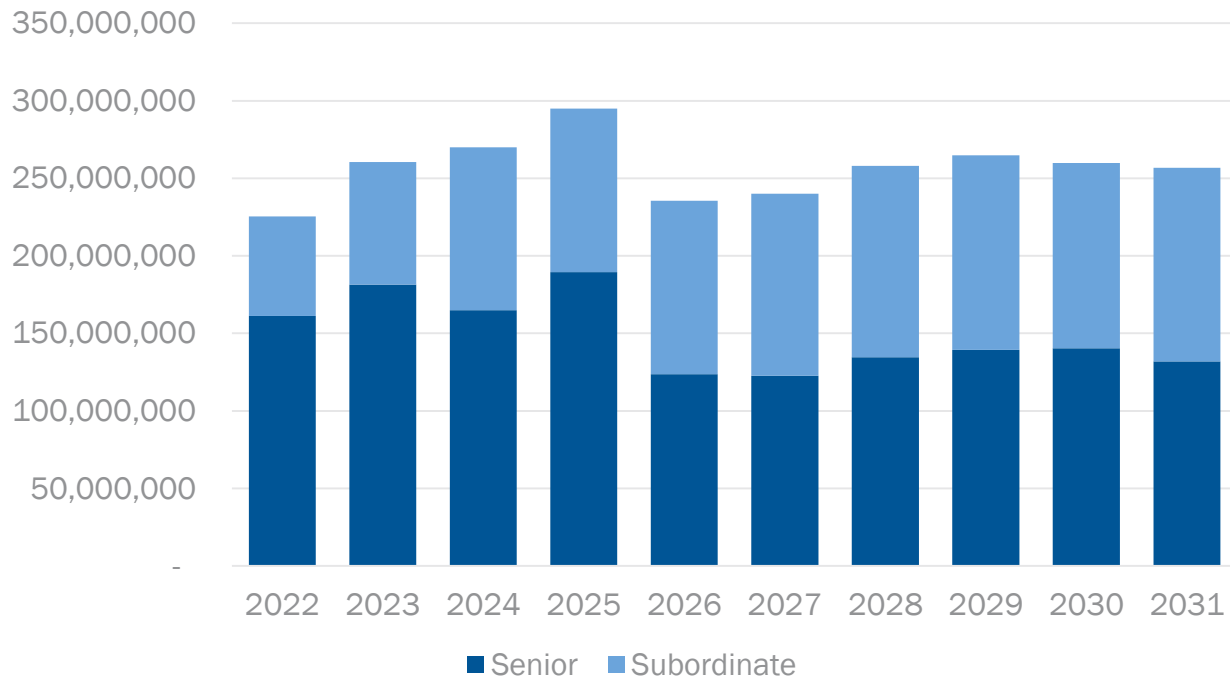
Note: Assumes average variable rate of 1.000% for SIFMA and 1.300% for 1M-LIBOR
Excludes \$700M interim notes issued in 2021

DEN Capital Structure

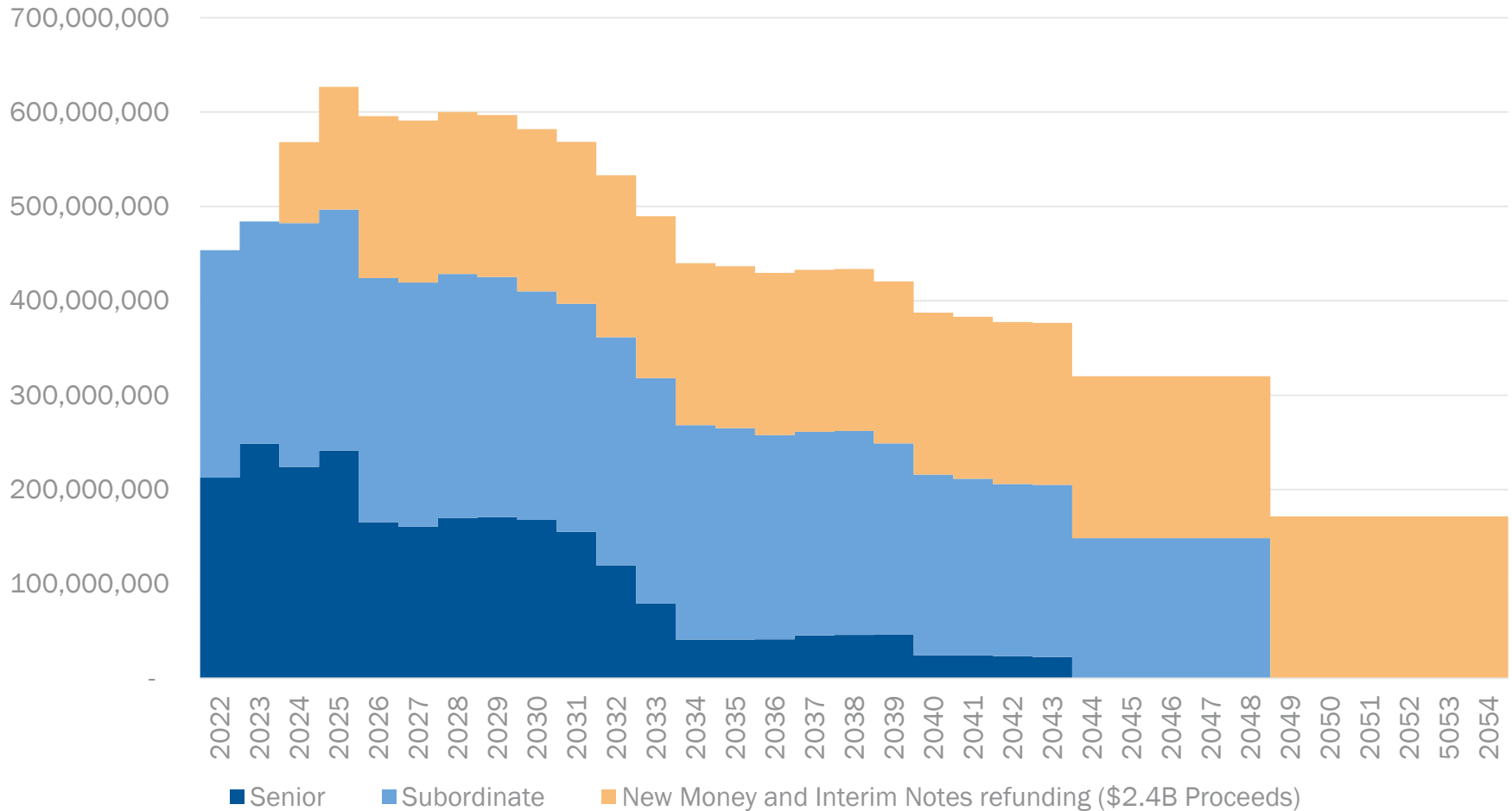


	Senior lien	Subordinate lien
Moody's	A1 (stable outlook)	A2 (stable outlook)
S&P	A+ (positive outlook)	A (positive outlook)
Fitch	AA- (stable outlook)	A+ (stable outlook)

- More than \$2.5 billion of principal is scheduled to mature over the next 10 years



Debt Portfolio Post Transactions



Based upon market conditions on May 10, 2022 and assumptions related to short term interest rates

Ordinance Financing Terms

Item	Purpose	Maximum Maturity	Par Amount*	Current Market Yield	Not to Exceed Coupon
1	Refund 2021 Interim Notes (June 30 maturity)	2054	\$800M	4.35%	5.75%
2	New money to complete 2018-2022 CIP	2054	\$1,125M	4.35%	5.75%
3	New money for 2023-2027 CIP	2055	\$865M	4.35%	6.00%
4	Refund 2019D Bonds (mandatory tender November 15)	2031	\$85M	3.20%	5.50%
5	Refund Series 2012A-B Bonds (savings and/or restructure)	2043	\$365M	3.85%	5.50%
6	Refund 2007G1-G2 Bonds	2031	\$100M	3.20%	5.50%
7	Refund 2013A-B Bonds for economic savings	2048	\$635M	4.90%	5.50%
		TOTAL	\$3.98B		

**Expected par by purpose may change but total authorization for FY2022 will not*

- ✓ Costs of issuance, capitalized interest and any deposit to DSRF will be paid from financing proceeds
- ✓ Expect negotiated method of sale from competitively selected pre-qualified pool of firms to maximize structuring flexibility.

Ordinance Terms continued

City's CFO/MOF to determine the timing, number, purpose and size of each separate issue but not beyond the financing limits and amounts in the key ordinances, such as:

- Size/Amount-Aggregate amount of senior & subordinate bonds not exceed \$3.98 billion.
- Bond pricings- authorizes multiple bond pricing dates; but not beyond the current calendar year
- Underwriters-to be selected from the pre-approved/competitively selected pool
- Purpose-to be determined for each separate issue (i.e., new money, refunding, or a combination
- Bond provisions- lien status (Senior/Subordinate) and tax designation (Taxable/Tax-exempt/AMT/Non-AMT)

Compliance with Section 20-93 of DRMC concerning notification to Council of bond transactions

Transaction Schedules*

	Initial 2022 Bonds (Series TBD)	Additional Series 2022 Bonds
Submit Ordinance Request with Council		5/9/2022
Business, Arts, Workforce and Aeronautical Services Committee		5/18/2022
Mayor Council		5/24/2022
Filing of Bond docs with City Council		5/25/2022
First Reading		6/6/2022
Second Reading		6/13/2022
Bond Sale (pricing)	6/23/2022	Prior to 12/31/2022
Closing	6/30/2022	Depends on market factors

*Tentative – Subject to Change.



DENVER
THE MILE HIGH CITY

Additional Materials

FOR CITY SERVICES VISIT | CALL
DenverGov.org | **311**

Refunded Bond Candidates

Series / Lien	Series Purpose	Par Outstanding	Bond Coupon (Maximum)
Series 2012A-B Senior Lien	Finance capital improvements (2013 - 2018 CIP) at DEN including Hotel and portions of Hotel Transit Center, and refund prior 1998 and 2003 DEN Bonds for debt service savings	\$393M	5.00%
Series 2013A-B Subordinate Lien	Finance capital improvements (2013 - 2018 CIP) at DEN including completion of Hotel Transit Center	\$652M	5.50%
Series 2007G1-G2 Senior Lien	Refund Series 1997E bonds for debt service savings	\$93M	Variable / 4.01% Swap Rate
Series 2019D Senior Lien	Refund Series 2016B bonds and terminate associated LIBOR swaps	\$84M	5.00%