



DENVER
THE MILE HIGH CITY

Interim Financing- Subordinate Note Obligations and Series 2021C Subordinate Airport Bonds

Presentation for:

Business, Arts, Workforce, & Aeronautical Services Committee

November 17, 2021

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- Ordinance Request
- Governance Refresher
- DEN By the Numbers
- DEN Capital Improvement Plan Overview
- Capital Structure Overview
- Transaction Terms
- Timeline



Requested Ordinances

- The ordinances would authorize the Manager of Finance of behalf of the Department of Aviation (DEN) to issue the following obligations:

New Bond Series	Lien	Tax Status*	Not to Exceed Par Amount
Interim Notes	Subordinate	AMT/Non-AMT	\$700M
Series 2021C	Subordinate	AMT	\$35M

- The proposed Interim Financing provides funding for remaining projects within the Airports 2018-2022 Capital Improvement Program
 - Major projects include gate expansion and Great Hall Phases 1-2
 - It is expected that the interim financing will be taken out with long-term bonds upon maturity (June 2022)
- The 2021C bonds would refund series 2011A bonds to achieve interest savings

*AMT bonds are tax-exempt obligations that are subject to taxation for 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.



Key Financing Objectives

Debt structure to optimize cost while managing risks:

- ✓ Takes advantage of favorable interest rates for the refunding portion
- ✓ Provides timely funding for remaining essential 2018-2022 CIP projects while providing flexibility for DEN as it develops next 5-year capital improvement plan
- ✓ Enables continued construction progress to provide for sustained economic growth while maintaining and improving core facilities
- ✓ Maintains conservative portfolio composition

Airport Revenue Bonds 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.

Neither the full faith and credit nor the taxing power of the City is pledged to the payment of Airport Bonds.

City and County of Denver
Mayor
Michael B. Hancock

Department of Aviation
Manager of Aviation
Phil Washington

Responsibility Highlights:

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

Department of Finance
Chief Financial Officer
Brendan J. Hanlon

Responsibility Highlights:

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



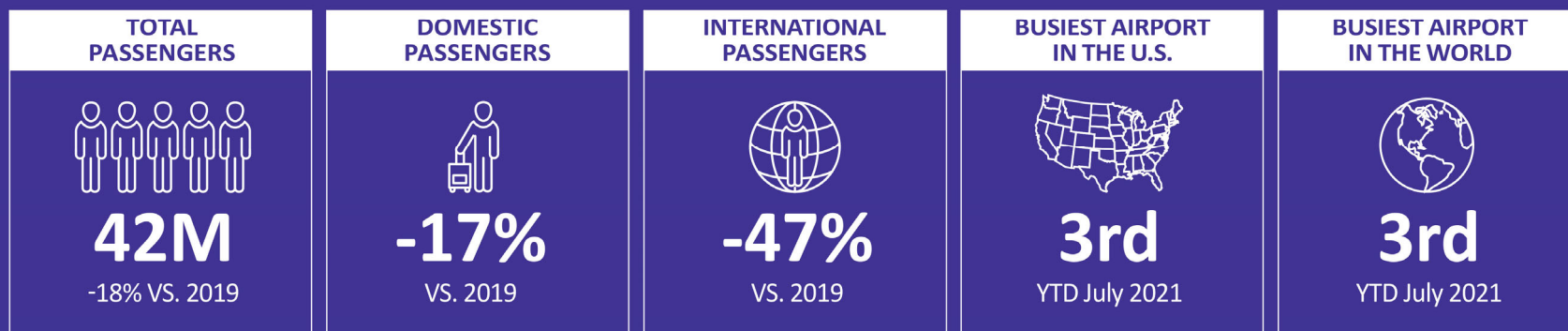
Multi-Year Financing Tools

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, Notes, Line of Credit	Short term unsecured debt obligation primarily used for interim financing	Generally repaid with bond proceeds

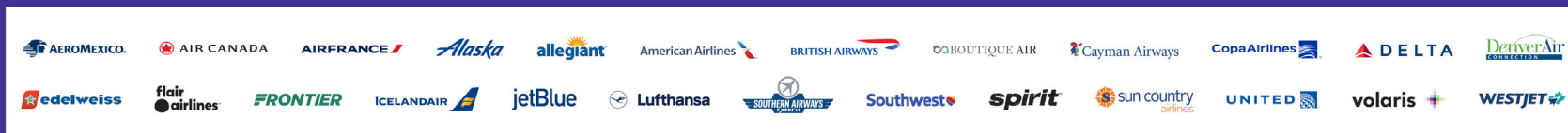
* Requires approval of majority of Denver voters.



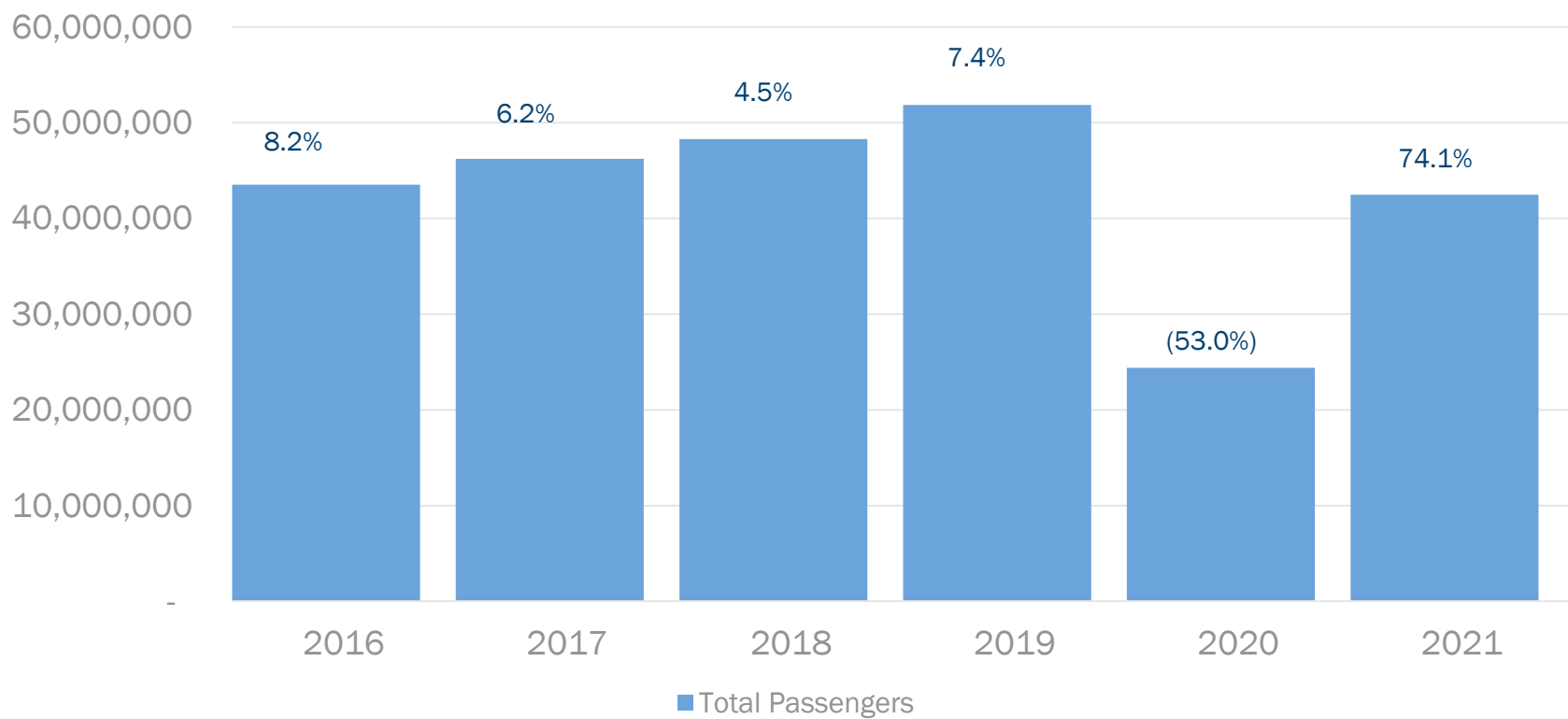
January – September 2021 Passenger Traffic Statistics



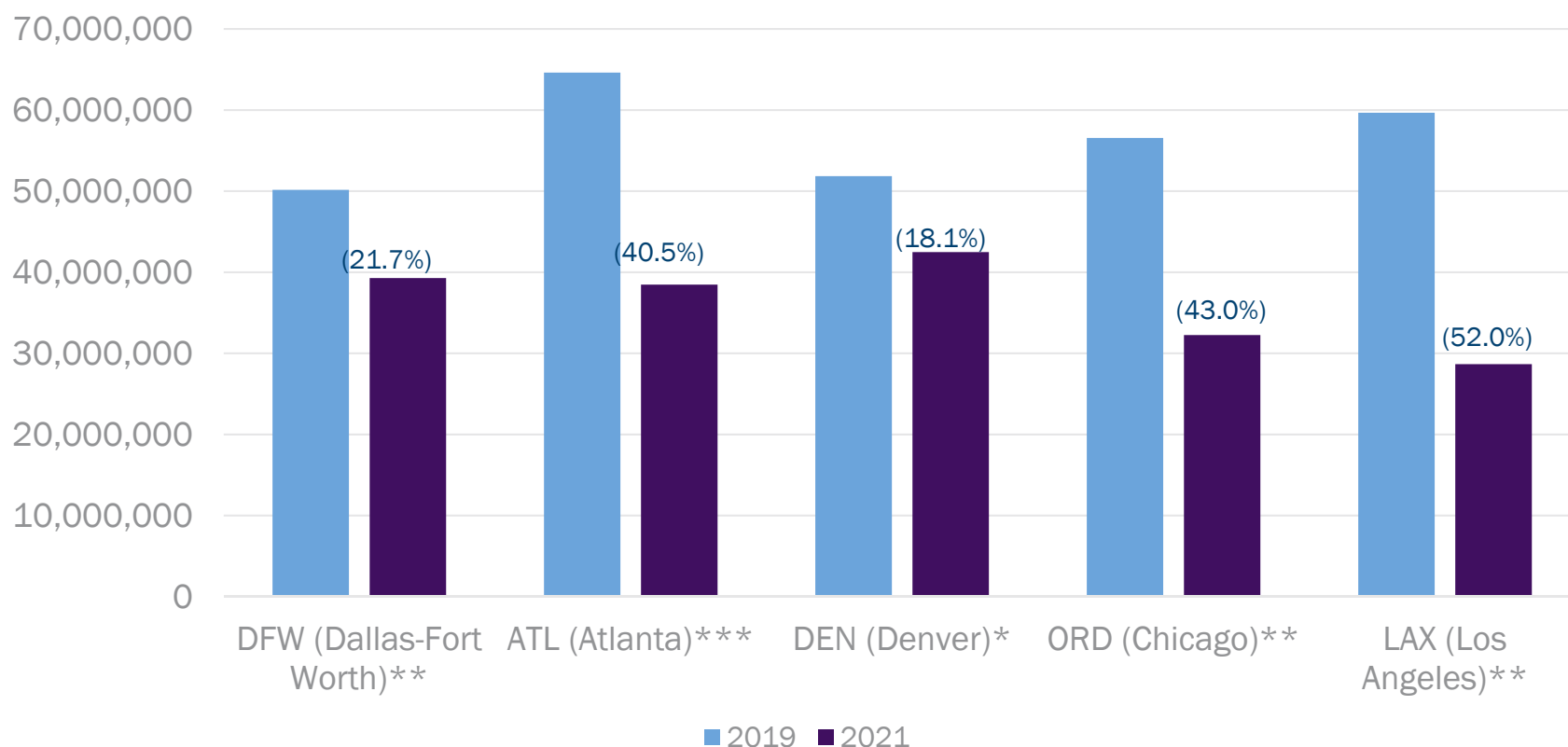
Air Service Network



TOTAL YEAR-TO-DATE (SEP) PASSENGERS* (and Year-over-Year % change)

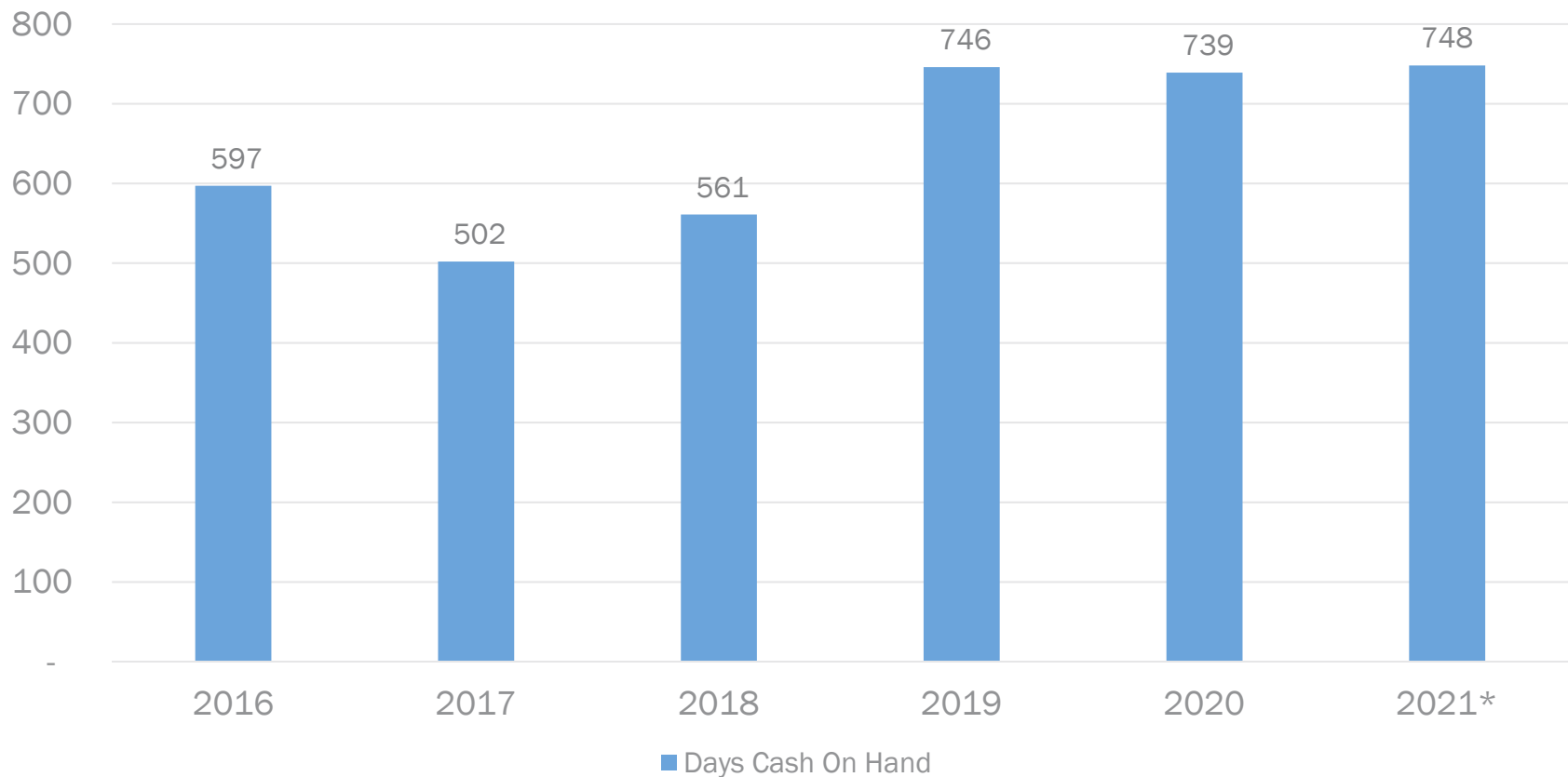


COMPARISON OF TOP 5 US AIRPORTS TOTAL YEAR-TO-DATE PASSENGERS (and % change vs. 2019)



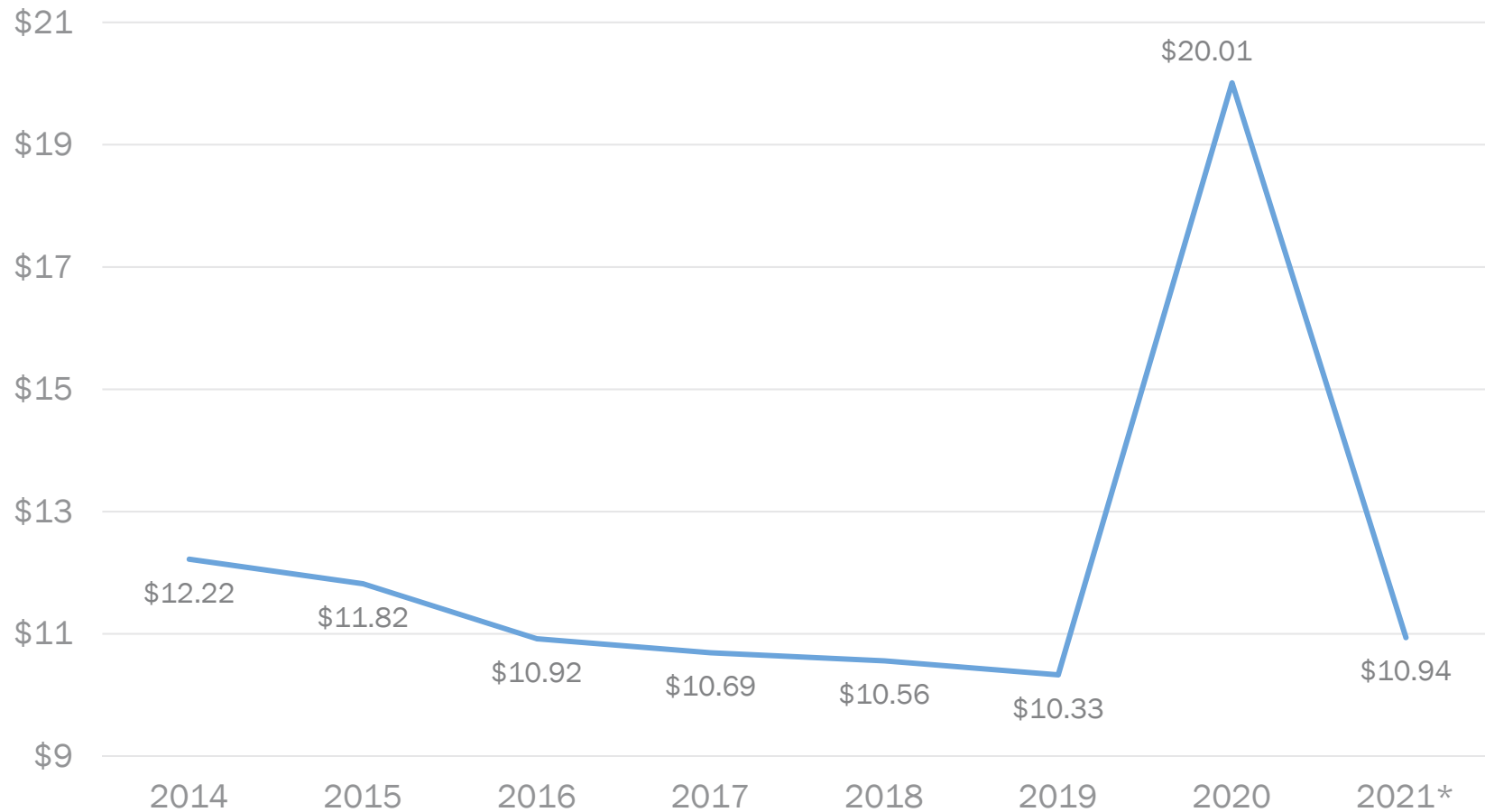
Unrestricted Days Cash on Hand

Unrestricted Days Cash On Hand





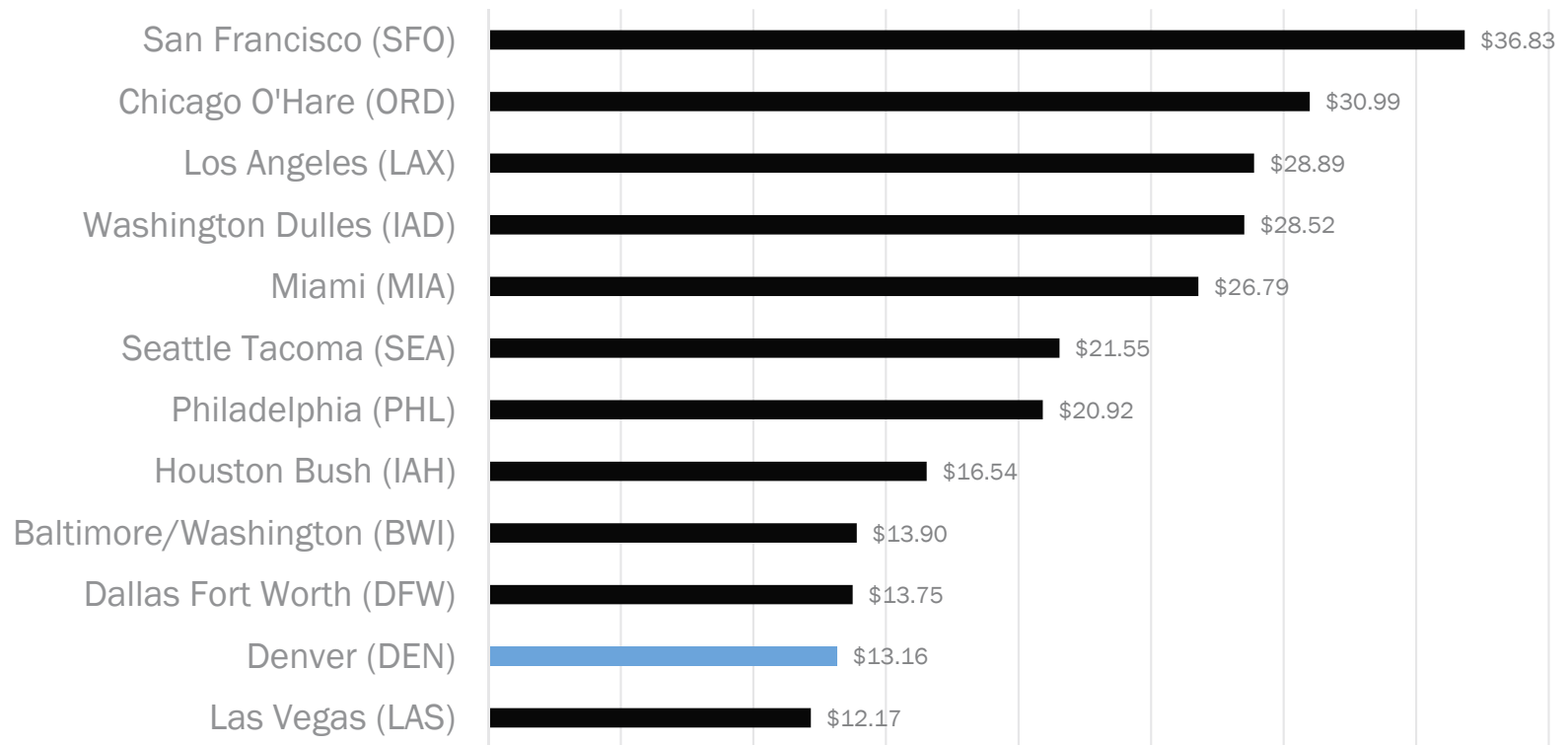
Cost Per Enplaned Passenger



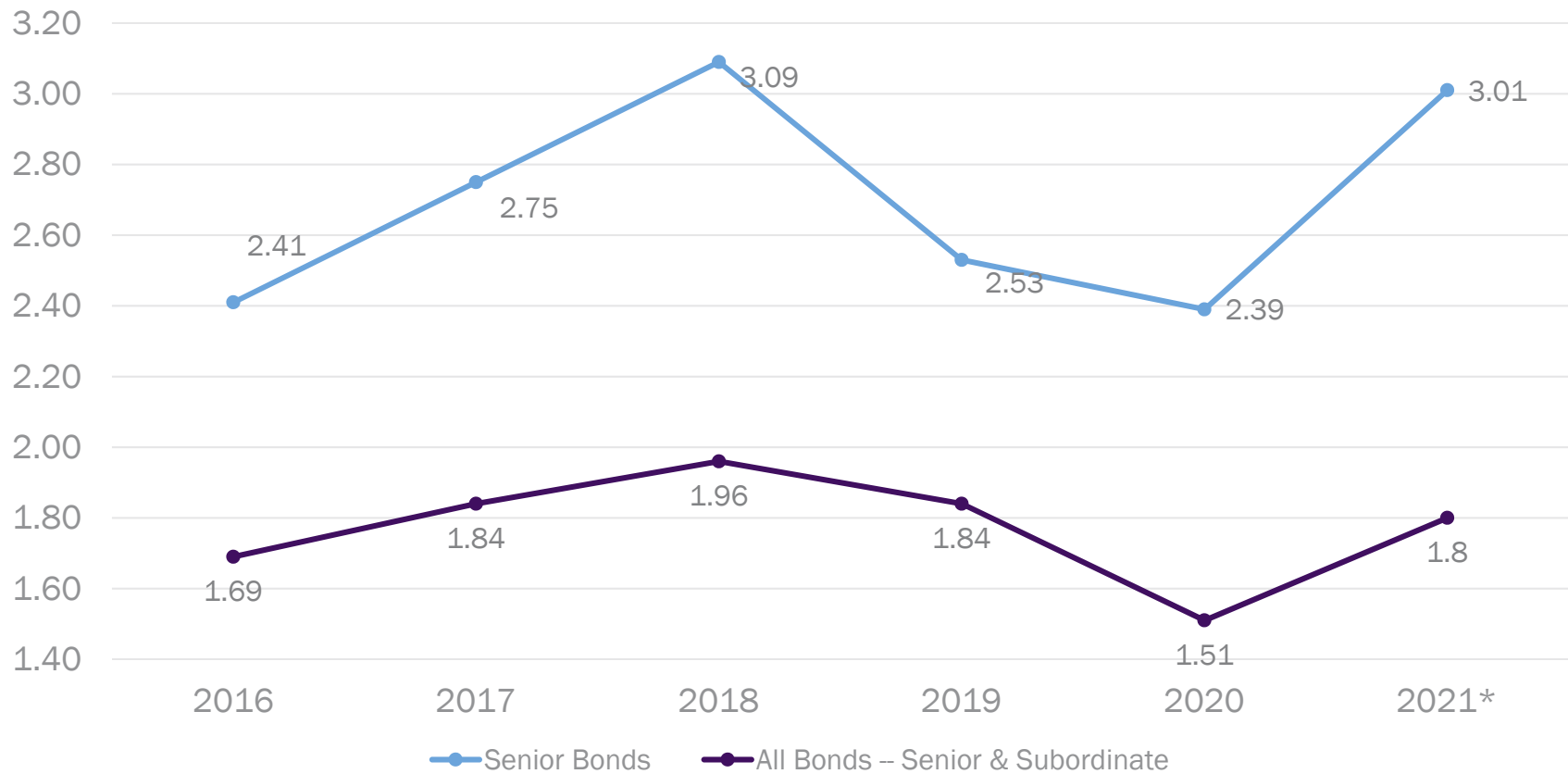


Major U.S. Airports CPE Forecast

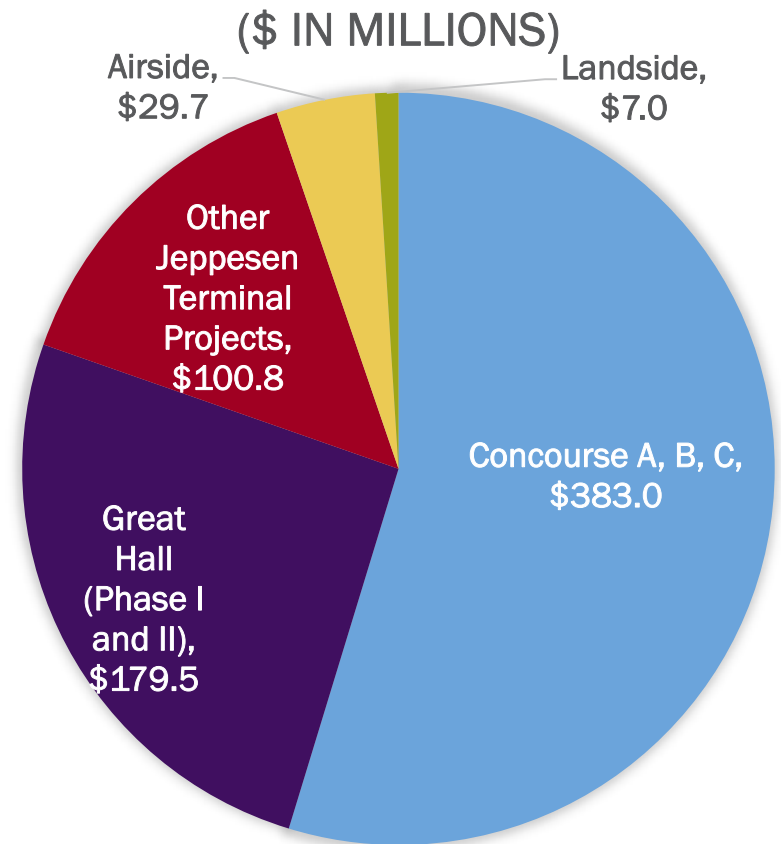
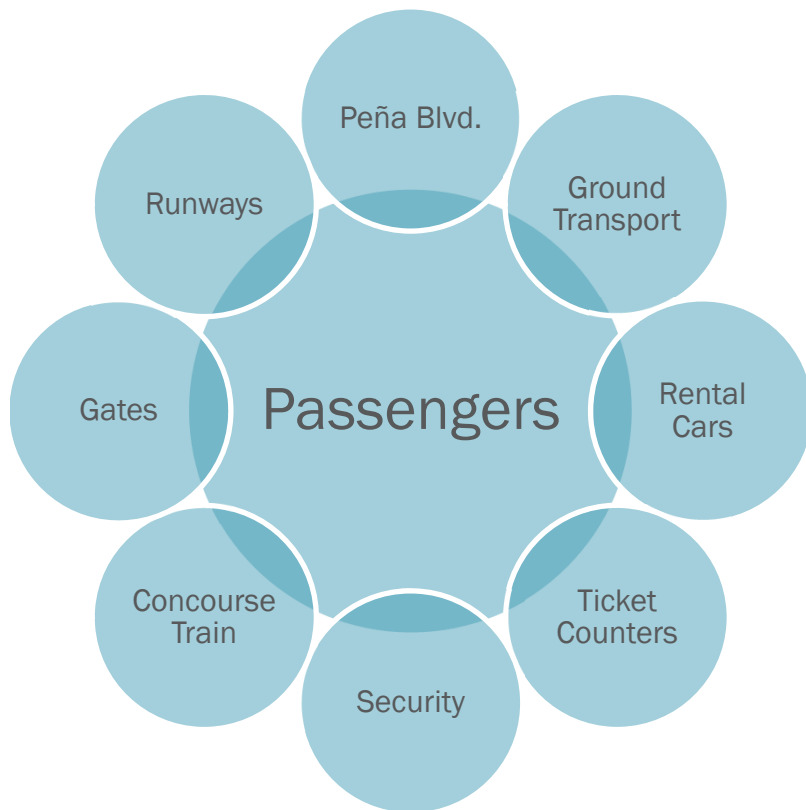
2022 CPE Forecast



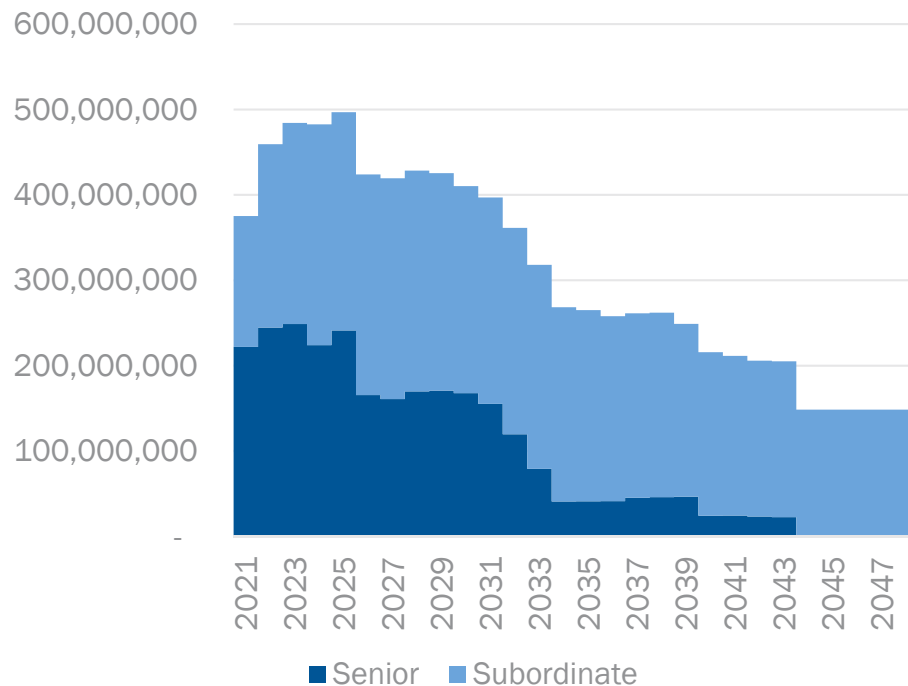
Strong Debt Service Coverage



DEN's Capital Plan 2018-2022



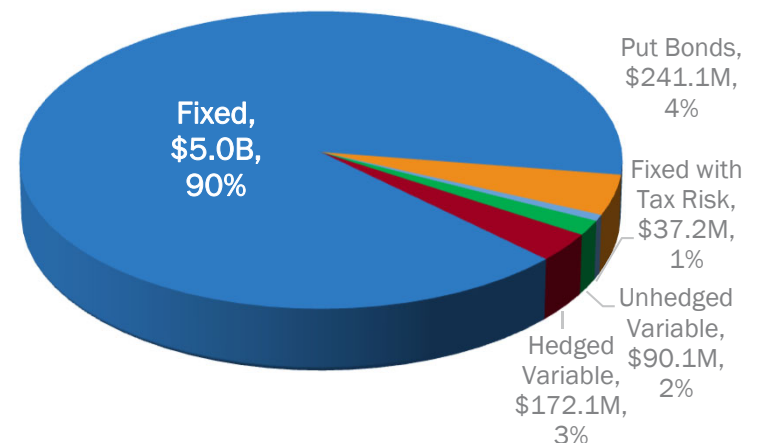
DEN Debt Service Profile



Note: Assumes average variable rate of 2.835% for ARS, 2.500% for SIFMA, 3.250% for 1M-LIBOR, and 3.250% for 3M-LIBOR

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DEN Capital Structure

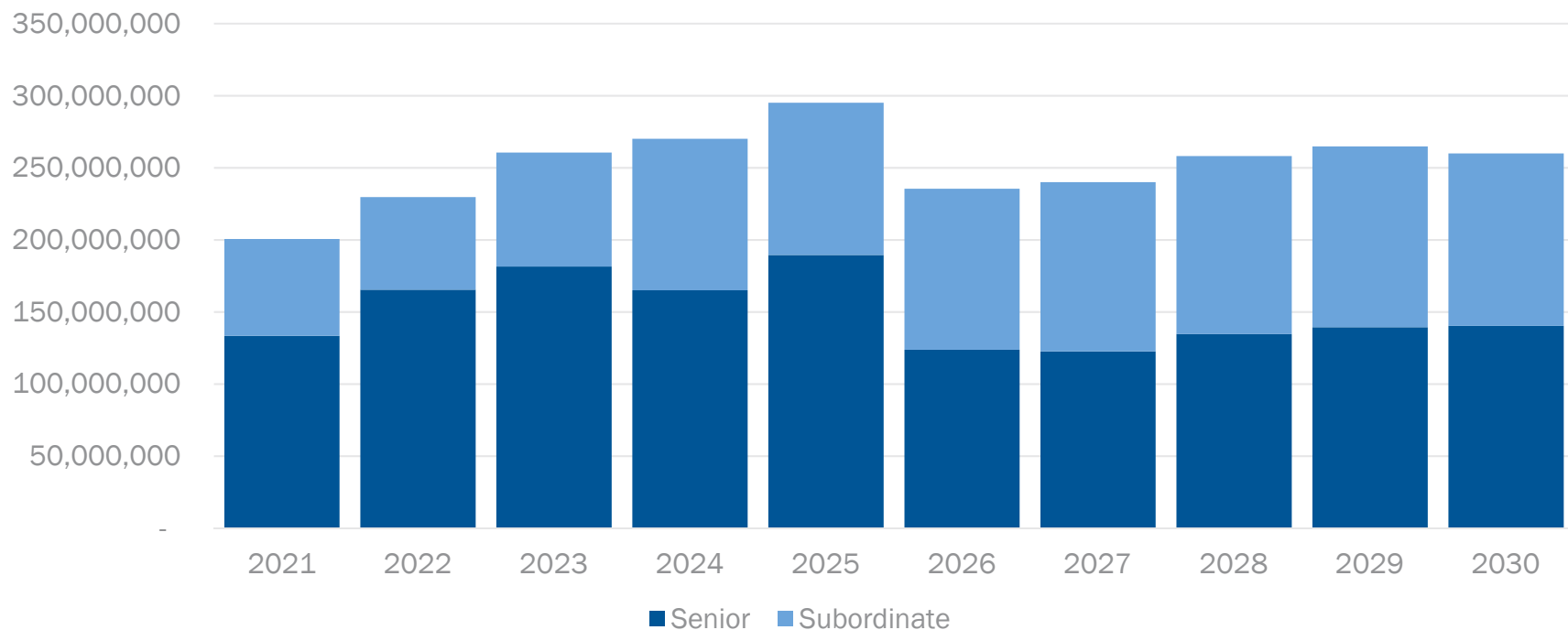


	Senior lien	Subordinate lien
Moody's	A1 (stable outlook)	A2 (stable outlook)
S&P	A+ (positive outlook)	A (positive outlook)
Fitch	AA- (stable outlook)	A+ (stable outlook)

Overview of DEN Capital Structure (Cont.)

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

DEN Principal Amortization Through 2030





Key Financing Terms

	Interim Notes	Series 2021C
Max Par Amount*	\$700 Million	\$35 Million
Lien	Subordinate- variable rate	Subordinate- fixed rate
Tax Status	Alternative Minimum Tax (AMT) and Non-AMT	Alternative Minimum Tax
Expected* Interest Rate	Variable SIFMA ⁽¹⁾ + 11 basis points	0.40%
Final Maturity	June 2022	November 15, 2022

* The final rate and par amount will be determined on the day of pricing

⁽¹⁾ SIFMA is the the Securities Industry and Financial Markets Association's SIFMA municipal swap index. The index is calculated weekly based upon the trading of 7-day high-grade variable rate municipal bonds. On October 27, 2021 the SIFMA index was set at 0.05%.

Details:

- The Bonds are payable solely from and secured by a pledge of Airport revenues
- Costs associated with the transaction will be paid from the proceeds
- Private placement with Bank of America (from competitively selected pre-qualified pool)
- No Ratings Required
- Refunding is estimate to produce approximately \$1 million net present value savings (3.4% of refunded par)

GOALS

- Continue additional airport capacity for DEN's *Vision 100*

FINANCIAL TOOLS

- Conservative Debt Structure
- Current & Future Airline Use and Lease Agreements
- CARES, CRRSA and ARPA Federal Stimulus

OTHER PERFORMANCE

- Passenger Traffic
- Unrestricted Cash



Transaction Schedules*

Interim Notes and Series 2021C	
Submit Ordinance Request with Council	11/8/2021
Business, Arts, Workforce and Aeronautical Services Committee	11/17/2021
Mayor Council	11/23/2021
Filing of Bond docs with City Council**	11/23/2021
First Reading	11/29/2021
Second Reading	12/6/2021
Closing- week of	12/13/2021

* Tentative – Subject to Change