

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: May 28, 2019

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

☒ 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 2019A-D in an amount not to exceed \$500 million for the purpose of refunding airport bonds, paying for swap terminations 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 debt management objectives, which include refunding of existing bonds to realize interest rate savings, addressing mandatory tender dates on variable rate bonds that come due in 2019 and terminating associated interest rate swaps. The 2019A-D bonds will be issued as fixed rate obligations. The final par-amount, and rate of interest will be determined on the day of pricing and is dependent on market conditions but will not exceed the par amounts listed above.

This ordinance request should be read in conjunction with the ordinance request being submitted simultaneously requesting authorization to issue subordinate airport bonds up to the same amount for the same purposes. The Department of Finance would like to preserve the flexibility to allocate 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 substantially the same amounts and purposes – one authorizing senior bonds and the other authorizing subordinate bonds, but the aggregate amount of senior and subordinate bonds issued under these ordinances will not exceed \$500 million.

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: BR19 0542

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>	<i>Additional Funds</i>	<i>Total Contract Amount</i>
<i>(A)</i>	<i>(B)</i>	<i>(A+B)</i>
<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 ☒ 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

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CITY AND COUNTY OF DENVER

DEPARTMENT OF FINANCE

BRENDAN J. HANLON
MANAGER OF FINANCE

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

Executive Summary- An Ordinance to Issue Series 2019A-D Airport System (Senior) Revenue Bonds

The proposed ordinance authorizes the Manager of Finance to issue a par-amount not to exceed \$500 million Airport System Senior Revenue Bonds, Series 2019A-D, for the purpose of refunding existing Airport bonds, paying for costs of terminating certain swaps and paying the costs associated with the issuance of the Series 2019A-D bonds.

Use of Series 2019A-D Bond Proceeds

The refunding of the bond series listed below, are being done as part of the ordinary course of debt administration, which requires the City to address certain mandatory tender dates on its variable rate obligations. Current market conditions are favorable to allow for fixing the rate on these bonds and terminating associated swaps. Additionally, the City is capturing the opportunity to refund currently callable bonds in order to realize interest rate savings.

The Series 2019A (AMT*)- Par Amount not to Exceed \$210 million

The Series 2019A Bonds will be designated as Alternative Minimum Tax (AMT*) bonds. These bonds will be used to refund the Series 2008C2-3 bonds, which have a mandatory tender date of August 29, 2019.

The Series 2019B (Taxable)- Par Amount not to Exceed \$30 million

The Series 2019B Bonds will be designated as taxable bonds and will be used for terminating swaps associated with the Series 2008C2-3 bonds, that were not integrated for tax purposes.

The Series 2019C (Non-AMT*)- Par Amount not to Exceed \$160 million

The Series 2019C Bonds are not subject to the Alternative Minimum Tax (AMT*) and will be used to refund the Series 2009A Bonds for interest rate savings. Based on current rates, savings are estimated to exceed \$30 million.

The Series 2019D(Non-AMT*)- Par Amount not to Exceed \$100 million

The Series 2019D bond are not subject to the Alternative Minimum Tax (AMT*) and will be used to refund the Series 2016B bonds which have a mandatory tender date of November 15, 2019 and to pay costs associated with terminating associated swaps.

** 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 such as terminal projects are.*

This request should be read in conjunction with the ordinance request being submitted simultaneously requesting authorization to issue subordinate airport bonds up to the same amount for the same purposes. The Department of Finance would like to preserve the flexibility to allocate between the senior and subordinate liens based on what is most financially advantageous, as we closer approach the sale of the bonds. In order to facilitate this flexibility, two ordinances for substantially the same amounts and purposes – one authorizing senior bonds and the other authorizing subordinate bonds, but the aggregate amount of senior and subordinate bonds issued under these ordinances will not exceed the maximum \$500 million par amount are being summited. The final par amount and interest rate of the 2019A-D Bonds will be determined at the time of the bond pricing (to occur after City Council approval) but will in no event exceed the authorized amounts. The Series A-D bonds will be issued as fixed rate obligations with a term not to exceed 30 years. The term of the refunded bonds will not be extended.

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The Airport's current underlying senior bond ratings are A1/A+/AA- respectively by Moody's, Standard and Poor's, and Fitch. The Series 2019A-D 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 7/29/2019.

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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