



**DENVER**  
THE MILE HIGH CITY

# **Series 2020A-D Airport Refunding Bonds Presentation for:**

Business, Arts, Workforce, & Aeronautical Services Committee

September 2, 2020

Presented by:

Brendan J. Hanlon- Department of Finance

Guadalupe Gutierrez- Department of Finance

George Karayiannakis- Denver International Airport

Michael Biel, Denver International Airport

FOR CITY SERVICES VISIT [DenverGov.org](https://denvergov.org) | CALL 311

- Ordinance Request Summary
- DEN Update
- DEN Goals and Financial Position
- Capital Structure Overview
- Ordinances
- Timeline

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*  
**Kim Day**

**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*

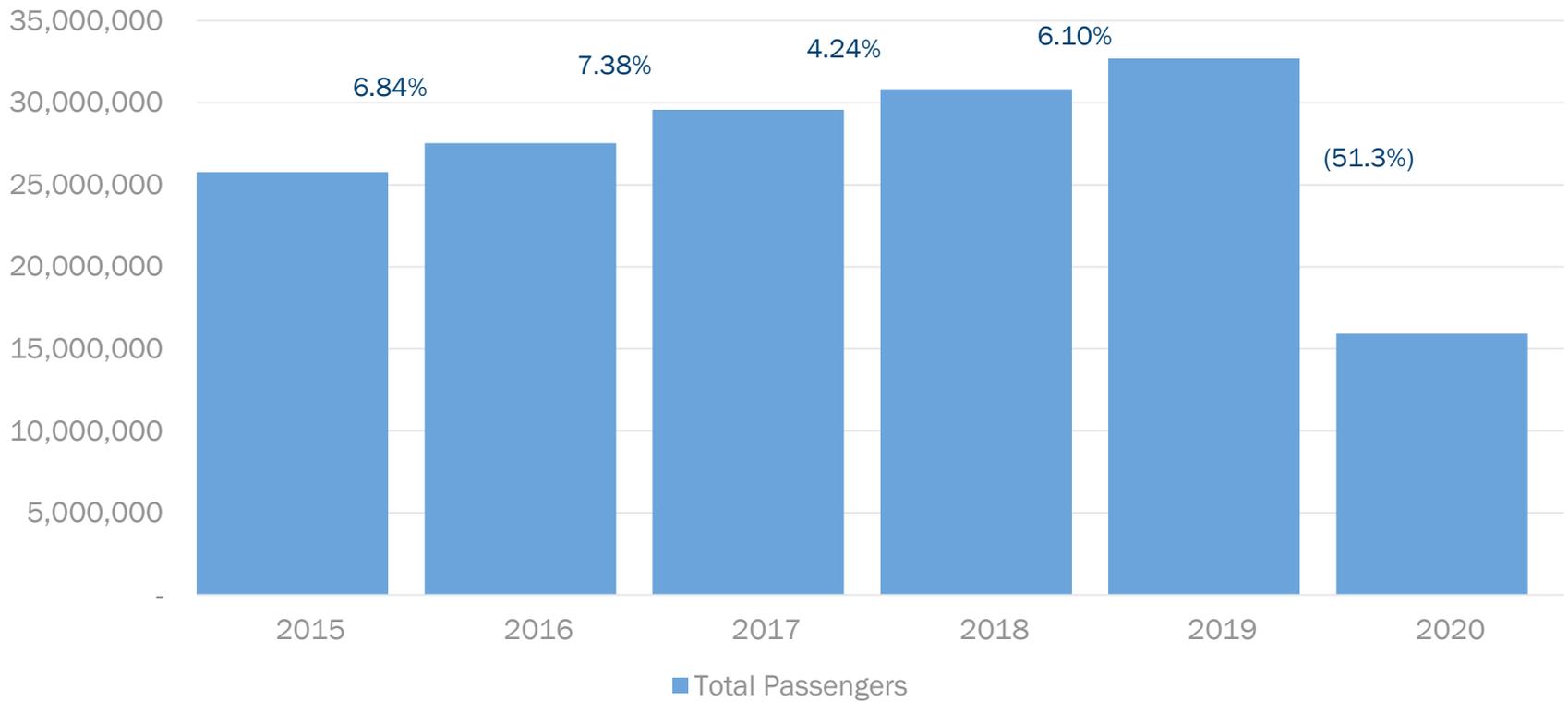
The ordinances would authorize the Manager of Finance of behalf of the Department of Aviation (DEN) to issue the following refunding/restructuring bonds within stated parameters such as:

- Maximum amount
- Proposed use of bond proceeds
- Maximum interest rates and rate mode
- Delegation to issue refunding bonds through 2021

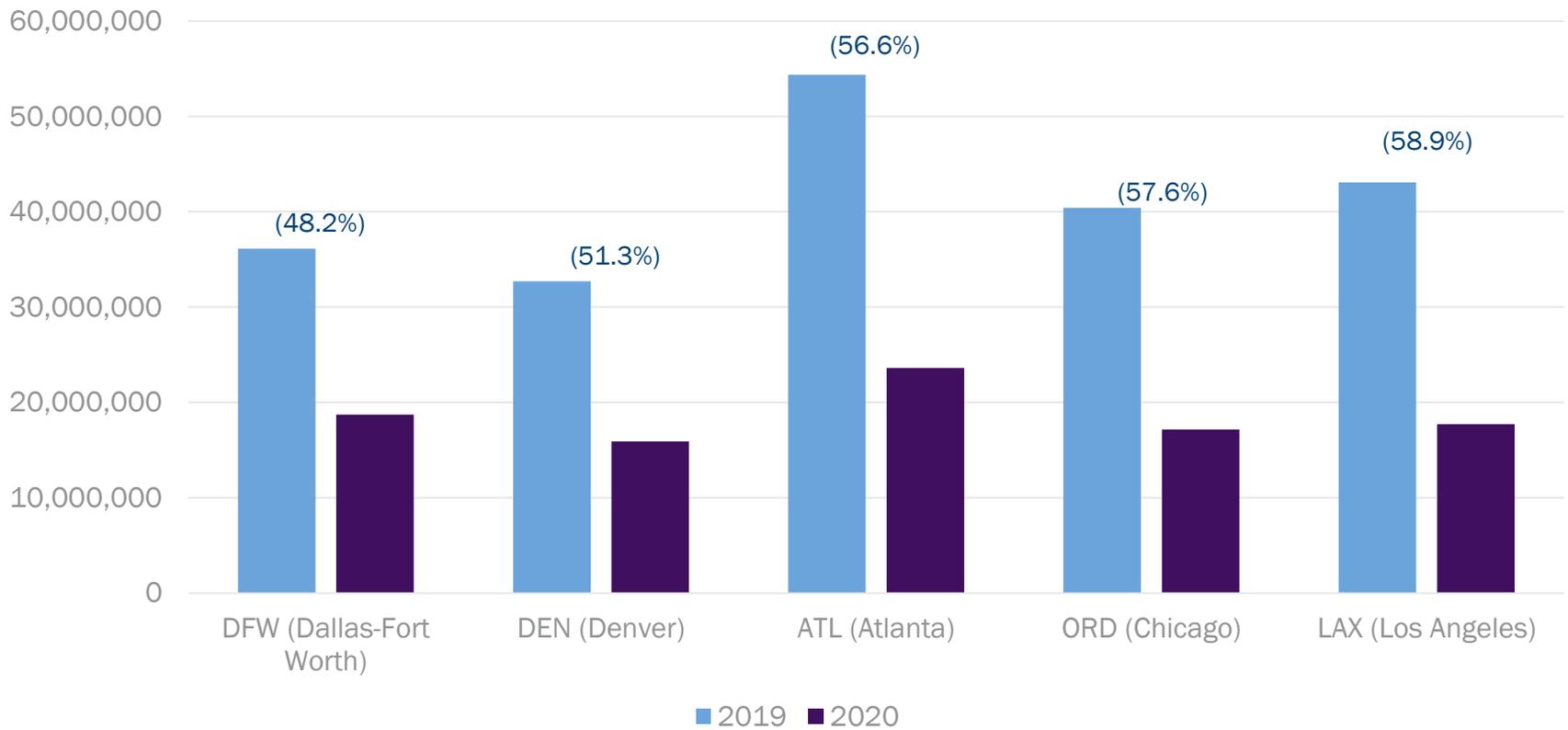
New Bond Series	Lien	Tax Status	Not to Exceed Par Amount
Series 2020A	Senior	Non-AMT	\$225 Million
Series 2020B	Senior	AMT	\$110 million
Series 2020C	Senior	Taxable	\$890 Million
Series 2020D	Subordinate	Taxable	\$750 million

- None of proposed financing transactions are considered “new money” that will provide funding for any new or existing projects.
- The obligations are solely payable from airport revenues.

## TOTAL PASSENGERS\*

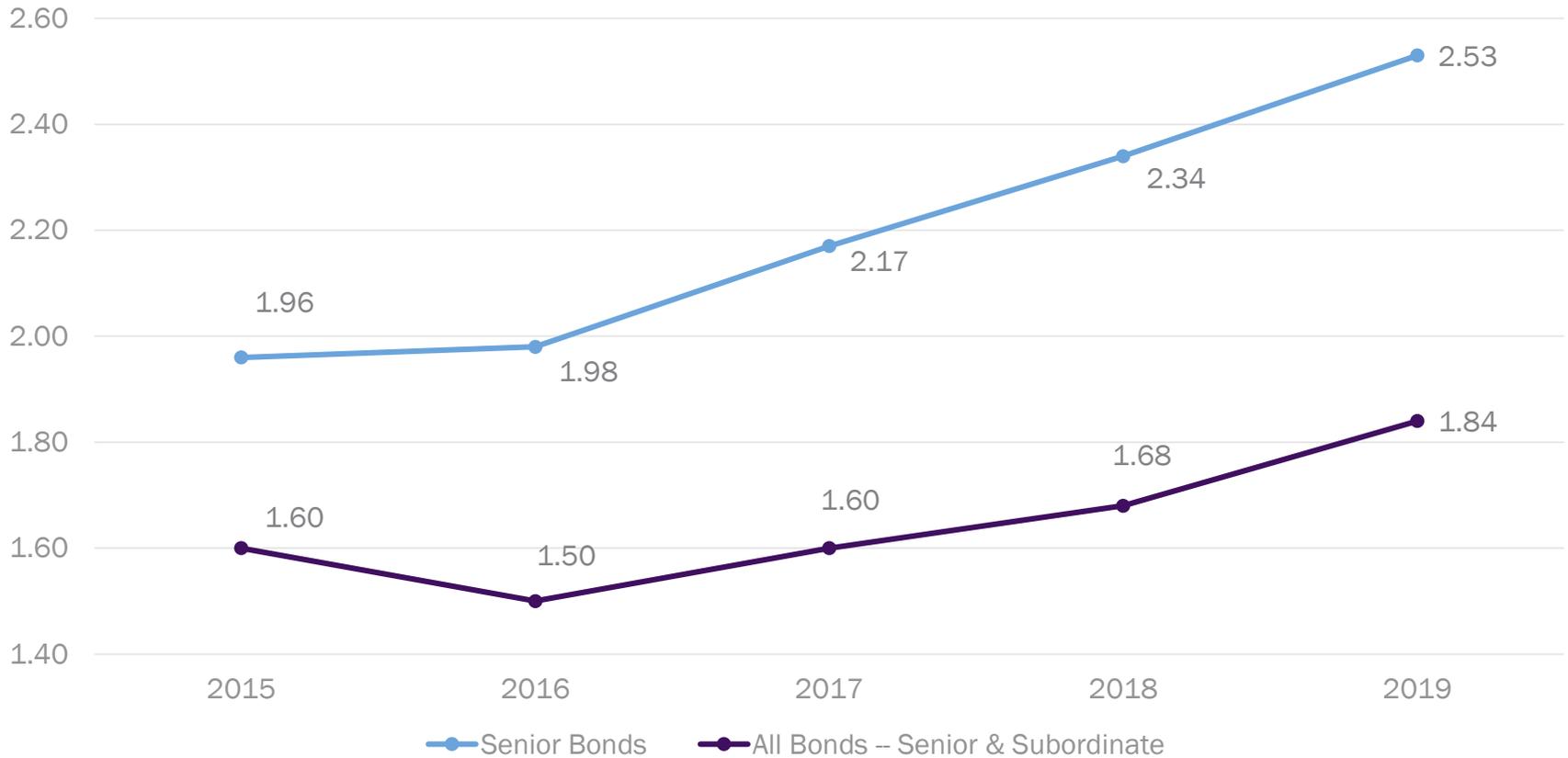


## COMPARISON OF TOP 5 US AIRPORTS TOTAL PASSENGERS\*



\*This is year over year comparison for the first 6 months of the indicated fiscal year

## Strong Debt Service Coverage



## GOALS

- Continue additional capacity for economic rebound

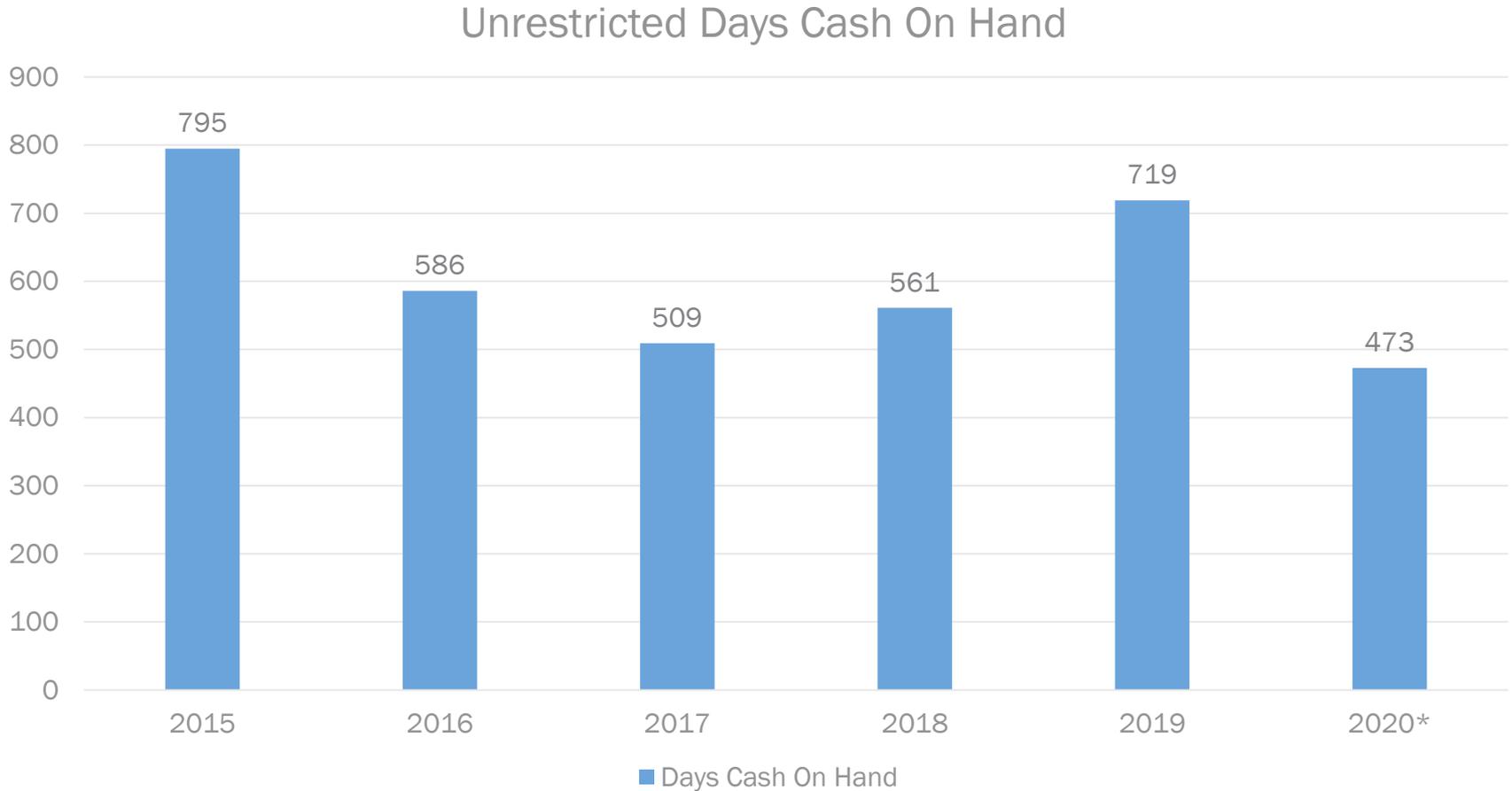
## FINANCIAL TOOLS

- Conservative Debt Structure
- Airline Use and Lease Agreement
- United Use and Lease Agreement
- CARES Act

## OTHER PERFORMANCE

- Passenger Traffic
- Unrestricted Cash

# Unrestricted Days Cash on Hand

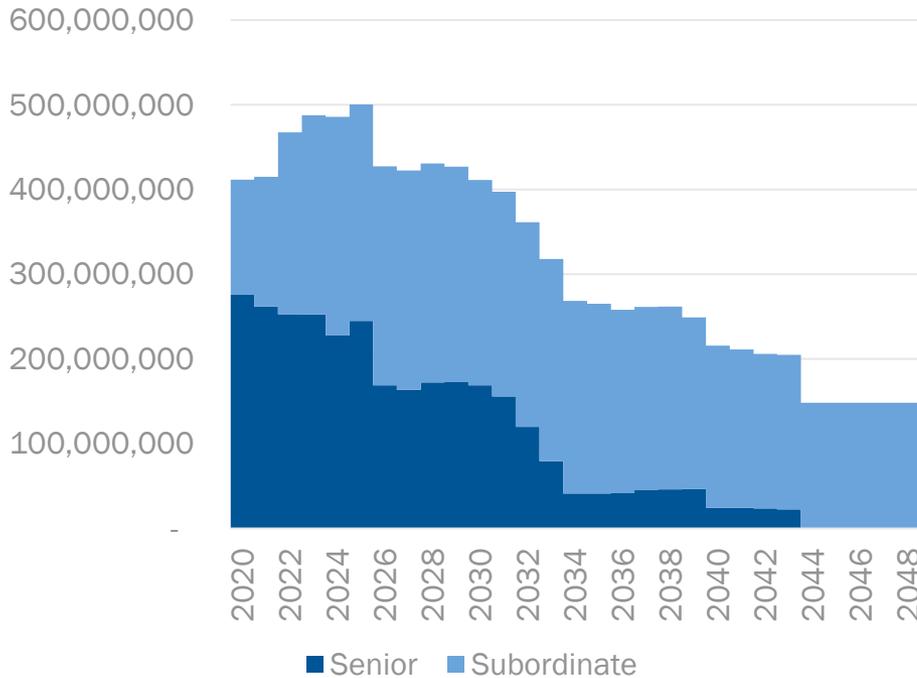


# Multi-Year Financing Tools

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)
<b>Revenue Bonds</b> • Excise Tax Bonds* • <b>Enterprise: DEN</b> , 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

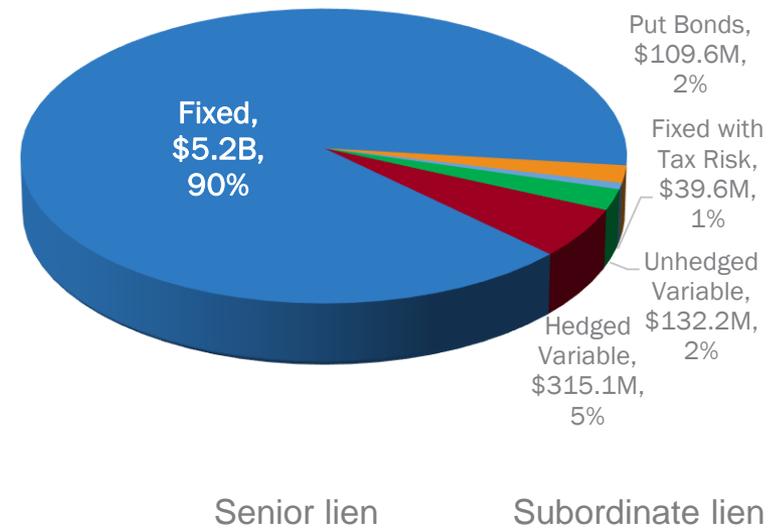
\* Requires approval of majority of Denver voters.

### DEN Debt Service Profile



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

### DEN Capital Structure



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

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

New Bond Series	Lien	Tax Status	Not to Exceed Par Amount
Series 2020A	Senior	Non-AMT	\$225 Million
Series 2020B	Senior	AMT	\$110 million
Series 2020C	Senior	Taxable	\$890 Million
Series 2020D	Subordinate	Taxable	\$750 million

- The proposed financings achieve the following debt objectives for DEN:
  - ✓ Refunding of bonds for interest cost savings
  - ✓ Refunding of variable rate bonds to fixed rate mode to reduce variable rate risk and terminate associated interest rate swap
  - ✓ Restructuring of bonds to defer between \$60-80 million of 2020 debt service payments to provide debt service relief

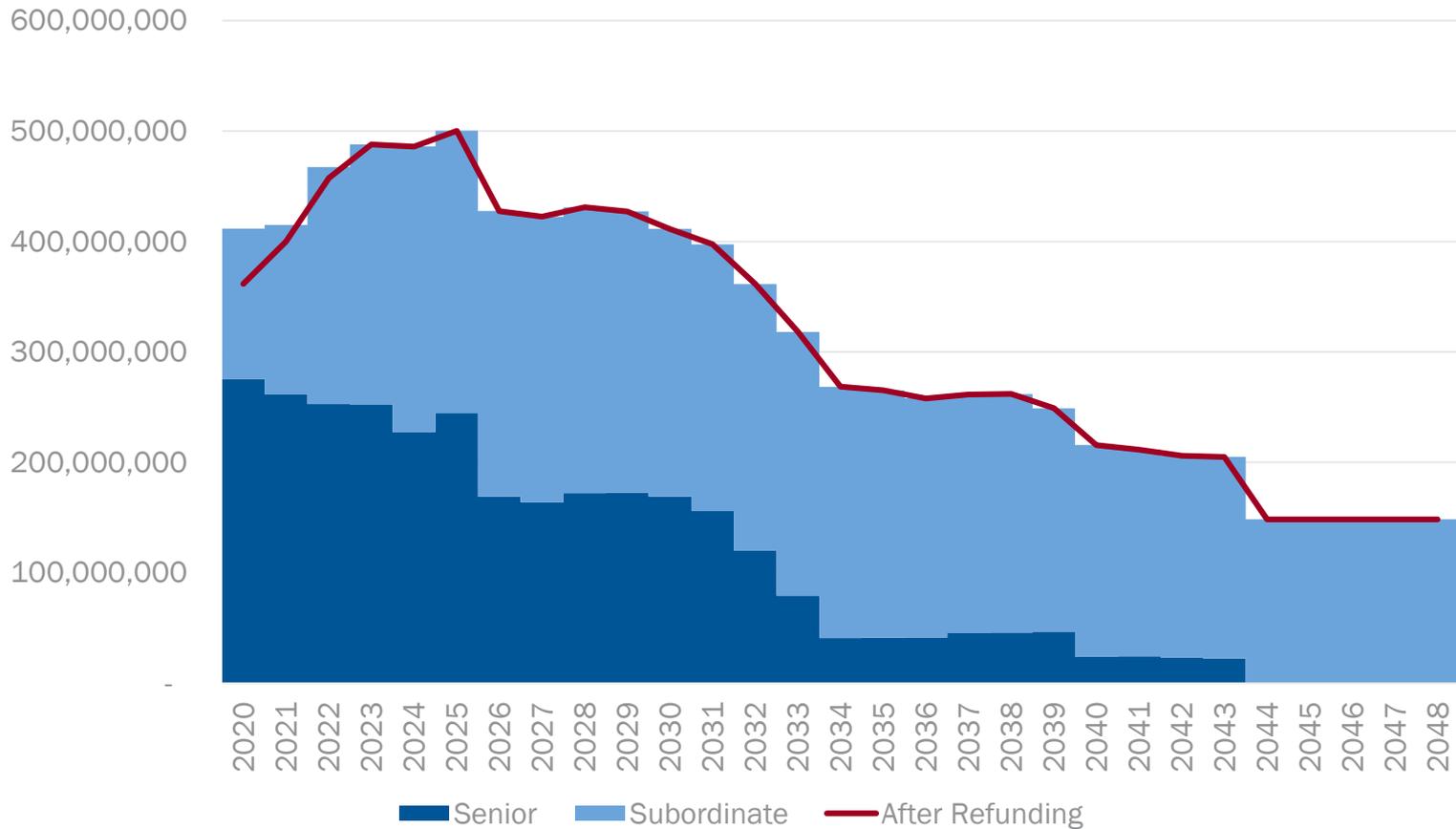
- The restructuring of DEN bonds may reduce debt service in 2020 by \$60-80 million, by deferring principal by approximately 6-years.
- Lowering debt service obligations of the Airport in 2020 provides relief in a time of depressed revenues as a result of COVID and also provides rates and charges relief to DEN's tenants in 2020 without out-year costs and avoids mid-year rates adjustments.
- Given the deferral of principal, the restructuring of DEN bonds will result in a net present value loss, that is expected to be offset by the refunding savings.

- ✓ Costs associated with the transaction and any deposit to DSRF will be paid from the proceeds of the financings.
- ✓ Negotiated method of sale (from competitively selected pre-qualified pool) to maximize structuring flexibility
- ✓ Final Term will not exceed 30-years

New Bond Series	Lien	Tax Status	Interest Rate*	Purpose	Not to Exceed Par Amount*	Current Savings*
Series 2020A	Senior	Non-AMT	0.90%	- Refund 2010A Bonds - Refund 2007F1-F2 to fixed - Restructure of bonds	\$225 Million	\$10 Million
Series 2020B	Senior	AMT	1.15%	- Refund 2008C1 Bonds (tender date of 12/11/2020) - Restructure of bonds	\$110 million	N/A
Series 2020C	Senior	Taxable	2.90%	- Refund 2011A-B, 2012A-B Bonds - Fund swap termination costs- 2008C1 - Restructure of bonds	\$890 Million	\$40 Million
Series 2020D	Subordinate	Taxable	3.00%	- Refund 2013A-B Bonds -Restructure of bonds	\$750 million	\$31Million

\*Savings are based on current interest rates and subject to change based on final rates on day of pricing. Savings applies to portions of transactions where savings are available, restructuring portions will incur an economic cost and reduce savings.

# Outstanding Debt- Post Issuance of 2020A-D Bonds



# Key Financing Objectives

Debt structure to optimize cost while managing risks:

- ✓ Takes advantage of current, low bond rates
- ✓ Provides flexibility to provide additional rate relief to DEN tenants
- ✓ Reduces exposure associated with DEN's existing swap portfolio
- ✓ Proactively addresses any potential future LIBOR bond index volatility
- ✓ Reduces complexity of DEN's balance sheet and financial reporting
- ✓ Maintains conservative variable/fixed portfolio composition

<b>Series 2020A-D</b>	
Submit Ordinance Request with Council	8/24/2020
Business, Arts, Workforce and Aeronautical Services Committee	9/2/2020
Mayor Council	9/15/2020
<b>Filing of Bond docs with City Council**</b>	<b>9/16/2020</b>
First Reading	9/21/2020
Second Reading	9/28/2020
Posting of Preliminary Official Statement	10/1/2020
Bond Sale (pricing)	10/13/2020
Closing	10/20/2020

\* Tentative – Subject to Change

\*\* Certain information to be included in the Preliminary Official Statement may not be available at the time of its filing with Council.



Term	Meaning
<b>Par Value</b>	An amount equal to the nominal or face value of a security. A bond selling at par, for instance, is worth the same dollar amount at which it was issued, or at which it will be redeemed at maturity—typically \$1,000 per bond.
<b>AMT</b>	Tax-exempt Bonds for which investors may have to pay taxes on interest subject to the federal Alternative Minimum Tax. For DEN, this generally applies to bonds issued to finance the terminal and gates, which are primarily used by the airlines or concessionaires.
<b>Non-AMT</b>	Tax-exempt bonds (where interest is not subject to the federal Alternative Minimum Tax). For DEN, this generally applies to bonds issued to finance projects associated with the runways, fire protection and drainage projects which may be used for general aviation purposes.
<b>Taxable</b>	Bonds for which interest does not benefit from federal tax-exemption.
<b>Senior</b>	Bonds issued under DEN's 1984 Airport System Revenue Bond Ordinance, which have a first claim on airport revenues after the payment of operating and maintenance costs.
<b>Subordinate</b>	Bonds issued under DEN's 1997 Airport System Subordinate Bond Ordinance, which have a claim on airport revenues after the payment of operating and maintenance costs subordinate to the Senior lien bonds.
<b>LIBOR</b>	The London Interbank Offered Rate (LIBOR) interest rate index, calculated from estimates submitted by London's leading banks, is the most popular and widely-used standard for short-term rates.