

CITY AND COUNTY OF DENVER

DEPARTMENT OF FINANCE

BRENDAN J. HANLON
MANAGER OF FINANCE

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

Michael B. Hancock
Mayor

September 17, 2020

Honorable Stacie Gilmore
Denver City Council President
City and County Building, Room 451
Denver, CO 80202

Dear Council President Gilmore:

In keeping with the provisions of Section 20-93 of the Denver Revised Municipal Code (the "DRMC"), I am hereby notifying you of the Department of Finance's intent to issue Airport System Revenue Bonds, Series 2020A-D, for an on behalf of its Department of Aviation, in the following not to exceed amounts: Series A- \$225 million; Series B- \$110 million; Series C- \$890 million and Series D- \$750 million, for the purposes of refunding various series of existing Airport bonds for interest cost savings and preserving the flexibility to fix out certain variable rate obligations and restructuring of certain Airport bonds, if market conditions are favorable. It is expected that the Series 2020A Bonds will be issued as Non-AMT fixed rate obligations, the Series 2020B Bonds will be issued as AMT fixed rate obligations, the Series 2020C and 2020D Bonds will be issued as taxable fixed rate obligations. Series A-C bonds will be issued as senior lien obligations and the Series 2020D will be issued as subordinate lien obligations. The term of the Series 2020A-D bonds will not exceed 30 years.

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 Series 2020A-D 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 2020A-D Bonds.

In keeping with the intent of 20-93(b) of the DRMC, the President of Council will be notified promptly of any material change. The accompanying *Attachment A* contains a more detailed description of the financing. I do not anticipate formally communicating technical changes in the financing.

Sincerely,



Brendan J. Hanlon
Chief Financial Officer, Manager of Finance

Attachment

Cc: Honorable Timothy O'Brien, Auditor
Honorable Paul D. Lopez, Clerk and Recorder
John Mahoney, City Council Liaison
Everett Martinez, City Attorney's Office (DEN)

Attachment A:

DESCRIPTION OF THE AIRPORT SYSTEM REVENUE BONDS, SERIES 2020A-D

I. The Proposed Financing

The Series 2020A-D Bonds are expected to be issued as fixed rate bonds in not to exceed amounts as follows: Series A- \$225 million; Series B- \$110 million; Series C- \$890 million and Series D- \$750 million, at a true interest cost not expected to exceed 5%. The proceeds of the bonds will be used to refund outstanding bonds for interest cost savings and potentially restructure existing bonds for debt service payment deferral and refunding certain variable rate obligations to a fixed rate mode, if market conditions are favorable at the time of pricing. The Series 2020A are designated as Non-Alternative Minimum Tax (AMT)* bonds, the Series 2020B are designated as AMT* bonds the Series 2020C and 2020D will be designated as taxable bonds. As of September 2020, the refunding would produce net \$80 million NPV savings. The final par amount and interest rates will be fixed upon pricing of the transaction. The final term on the Series 2020A-D Bonds will not exceed 30 years.

** 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.*

II. Security for the Bonds

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 Series 2020A-D Bonds are special obligations of the City, issued for and on behalf of the Department of Aviation. The bonds are payable solely from and secured by a pledge of the Net Revenues of the Airport System. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Bonds. Neither the full faith and credit, nor the taxing power of the City, will be pledged in payment of the Bonds. The Series 2020A-C bonds will be issued as Senior lien obligations and the Series 2020D bonds will be issued as Subordinate lien obligations.

III. The Sale Process

The Series 2020A-D bonds will be sold in a negotiated process. The Series 2020A-D Bonds will be sold via a public sale with Barclays serving as senior manager and book runner, and Drexel Hamilton, Estrada Hinojosa, JP Morgan, Morgan Stanley, Ramirez and Co. and Stifel serving as co-managers. Underwriting firms for the 2020A-D bonds were selected from the City’s existing underwriter pool, which was developed via a competitive process conducted through the Department of Finance. The City uses the financial advisory services of Frasca & Associates LLC for Airport financings.

IV. The Proposed Timetable of Events

Major events in the proposed timetable are noted below:

<i>Date</i>	<i>Event</i>
September 2, 2020	Business Committee
September 21, 2020	20-93 Notification read to Council
September 28, 2020	First Council reading of the Ordinances
October 5, 2020	Second Council reading of the Ordinances
October 12, 2020	Pricing
October 22, 2020	Closing

V. Counsel

Hogan & Lovells serves as Bond Counsel on the Series 2020A-D Bond transaction. The Firm was selected through a competitive process conducted through the City Attorney’s Office.

VI. Other Information

I know of no event that will affect the financing as described herein. In keeping with the intent of the 20-93 of the DRMC, the President of Council will be notified promptly of any material change to the financing. I do not anticipate formally communicating technical changes of an immaterial nature or minor changes in the timetable.