



DENVER
THE MILE HIGH CITY

DEN Debt Service Reserve Release 1992F-G Bonds Presentation for:

Business, Arts, Workforce, & Aeronautical Services Committee

May 2021

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

- Ordinance Request and Financing Objectives
- Debt Service Reserve Fund Refresher
- DEN's General Bond Ordinance Bond Reserve Fund
- Key Terms
- Timeline

The ordinance would authorize the Manager of Finance on behalf of the Department of Aviation (DEN) to refund certain DEN bonds for the purpose of activating a change to the Bond Reserve Requirement provision within the Airport's General Bond Ordinance.

Refunded Bond Series	New Bond Series	Lien	Not to Exceed Par Amount
1992F	Series 2021A	Senior	\$15.8 Million
1992G	Series 2021B	Senior	\$13.1 million

- Change in calculation methodology would allow for release of approximately \$113.8 million from the Bond Reserve Fund to fund portion of existing CIP needs
- Ordinance allows for flexibility to change interest rate mode in the future
- The obligations are solely payable from airport revenues

Key Financing Objectives

- ✓ Takes advantage of opportunity to trigger a lower Bond Reserve Requirement (amendment approved by Council in 2018) to bring in-line with industry standards and allows for release of funds not otherwise legally required for debt service
- ✓ Provides additional funding flexibility to fund a portion of existing 2018-2022 CIP without issuing new money bonds
- ✓ Maintains current debt levels and does not add to debt liability
- ✓ No change to debt portfolio risk profile. No change to existing bond terms other than bond series (will now reference Series 2021)

Debt Service Reserve Fund Refresher

- DEN's Bond Reserve Fund is a debt service reserve fund (DSRF) which is a form of legally required contingency set aside to cover principal and interest payments on Revenue Bonds in situations such as cash flow disruptions and insufficient pledged revenues.
- A DSRF is funded at the time of a bond issuance with bond proceeds. The amount is typically set at the lesser of the following three prong test:
 - 10% of Proceeds
 - 125% of Average Annual Debt Service
 - Maximum Annual Debt Service
- DEN's Bond Reserve Requirement however, is currently set at maximum annual debt service on all outstanding bonds.
- While the bonds are outstanding, monies in the DSRF may only be used to cover principal and interest deficiencies and are typically kept in the fund for the term of the bonds.
- At bond maturity (or upon refunding) any monies remaining in the DSRF are treated as bond proceeds and its use is limited by tax law.



DEN's Senior Bonds Debt Service Reserve Requirement per GBO

In 2018 Council authorized an amendment to DEN's General Bond Ordinance (the "GBO"), changing the methodology on how the Bond Reserve Fund Requirement for DEN's Senior lien bonds is calculated.

The Bond Reserve Requirement changes from **maximum** annual debt service on the aggregate amount of senior lien bonds to the **lesser of**:

- 1) 125% of average annual debt service; or
- 2) Maximum annual debt service

This change can only be implemented when no Bonds issued prior to August 1, 2000 remain outstanding.

\$29 million of Series 1992F-G, issued prior to August 1, 2000, remain outstanding. A refunding/termination of these bonds is necessary to activate the DSRF amendment resulting in a recalculation of the debt service reserve requirement on DEN's Senior lien bonds.

Senior Bond Reserve Fund Balance as of 12/31/2020:	\$261.7M
Revised Bond Reserve Fund Balance (Based on new methodology):	<u>\$147.9M</u>
Net Release from Bond Reserve Fund:	\$113.8M

- ✓ No change to existing bond terms other than bond series
- ✓ Released Funds will be applied to existing CIP projects
- ✓ Bank of America, the existing holder/investor of the Series 1992F-G bonds, will continue to hold the refunded Series 2021A-B Bonds
- ✓ Final maturity date (2031) will not be extended
- ✓ Interest Rate will remain in variable rate mode through the expiration date of the existing facility (2023)

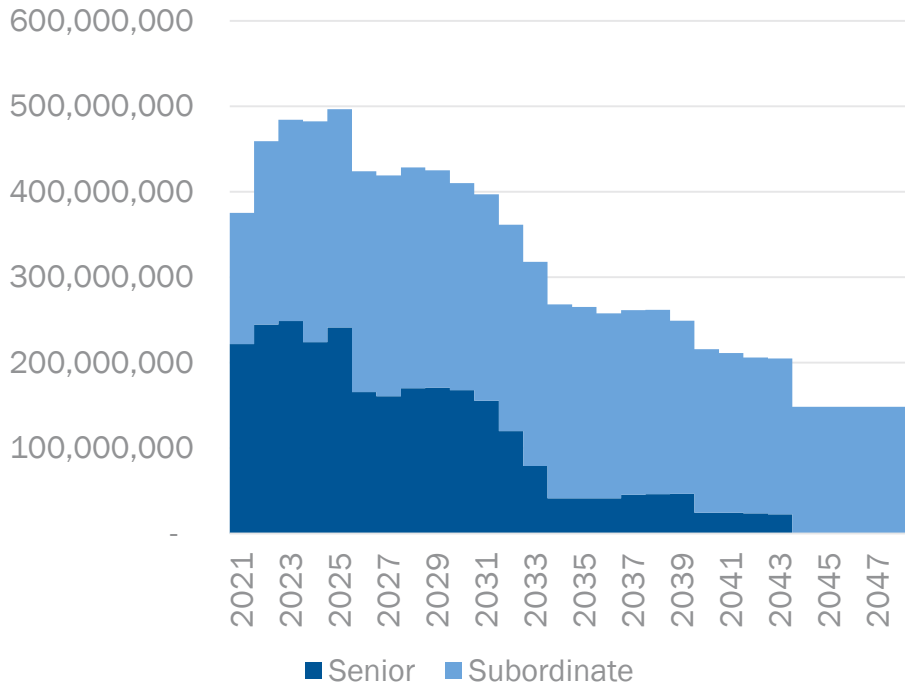
Series 2021A-B	
Submit Ordinance Request with Council	5/17/2021
Business, Arts, Workforce and Aeronautical Services Committee	6/09/2021
Mayor Council	6/14/2021
Filing of Bond Documents with City Council	6/16/2021
First Reading	6/21/2021
Second Reading	6/28/2021
Bond Sale (pricing)	N/A
Closing- Week of:	7/05/2021

* Tentative – Subject to Change

Definition of Bond Terms

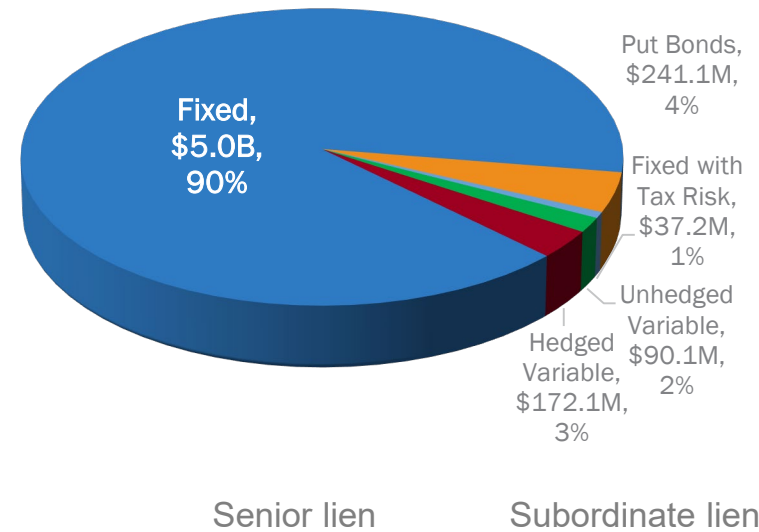
Term	Meaning
Par Value	An amount equal to the nominal or face value of a security. A bond selling at par, for instance, is worth the same dollar amount at which it was issued, or at which it will be redeemed at maturity—typically \$1,000 per bond.
AMT	Tax-exempt Bonds for which investors may have to 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.
Non-AMT	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.
Taxable	Bonds for which interest does not benefit from federal tax-exemption.
Senior	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.
Subordinate	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.
LIBOR	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.

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+ (stable outlook)	A (stable outlook)
Fitch	AA- (negative outlook)	A+ (negative outlook)