



# DENVER

## THE MILE HIGH CITY

### CITY AND COUNTY OF DENVER, COLORADO 2015 DISCLOSURE STATEMENT

PUBLISHED IN ACCORDANCE WITH THE SECURITIES  
AND EXCHANGE COMMISSION RULE 15c2-12

For the year ended December 31, 2014

ISSUED TO FULFILL AGREEMENTS CONTAINED IN CONTINUING DISCLOSURE  
UNDERTAKINGS EXECUTED IN CONNECTION WITH MUNICIPAL BONDS AND  
OTHER OBLIGATIONS

**2015 DISCLOSURE STATEMENT**  
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MICHAEL B. HANCOCK  
Mayor

DEPARTMENT OF FINANCE

CARY KENNEDY  
CHIEF FINANCIAL OFFICER

201 W. Colfax Avenue, Dept 1010  
Denver, CO 80202  
p: (720) 913-5500  
f: (720) 913-5599  
[www.denvergov.org/finance](http://www.denvergov.org/finance)

August 25, 2015

Dear Reader:

Material contained in this Disclosure Statement has been prepared to comply with Rule 15c2-12 as amended through the date hereof of the U.S. Securities and Exchange Commission and the Denver Mayor's Executive Order 114, first enacted in 1996, which further commits the City to providing ongoing information about the City's 2014 financial condition. It also contains certain post 2014 unaudited and prospective information as noted. The Disclosure Statement for the Year Ended December 31, 2014 must be read in conjunction with the City's Comprehensive Annual Financial Report ("CAFR"), the Wastewater Management Enterprise Fund Financial Statements, the City's Municipal Airport System Annual Financial Report and the Denver Employees Retirement Plan's CAFR. Information on where to locate these reports can be found at the end of this Disclosure Statement. It is the practice of the City to separately file Event Notices on EMMA satisfying all Continuing Disclosure Undertakings. The Disclosure Statement includes all other information the City has contracted to provide on an ongoing basis.

In October 2014, the City issued \$12,000,000 of Series 2014A General Obligation Mini-Bonds for the purpose of funding Better Denver Bond projects approved by voters in November 2007. No further electoral authorization under the Better Denver Bond Program remains.

In December 2014, the City, for and on behalf of its Department of Aviation, completed the restructuring of multiple series of Airport System Revenue Bonds and, in connection with this restructuring, issued \$116,000,000 Series 2014A Bonds in order to defease and current refund certain of these series, as further described in this Disclosure Statement.

For those who seek additional information about the City's 2014 transactions or other financings, the Official Statements and/or relevant Event Disclosures can be found in the files of the Municipal Securities Rulemaking Board, online at <http://emma.msrb.org> or may be obtained by calling the City's Debt Management offices at 720-913-5500.

As the Manager of Finance and Chief Financial Officer, I am responsible for the City's compliance with Rule 15c2-12 and Denver Mayor's Executive Order 114. Please contact my office if you have questions about the material contained within this Disclosure Statement for the Year Ended December 31, 2014, or if you have any comments regarding future disclosures.



Sincerely,

Cary Kennedy  
Manager of Finance, Chief Financial Officer  
City and County of Denver

**CITY AND COUNTY OF DENVER OFFICIALS  
AS OF DECEMBER 31, 2014**

**Mayor**

Michael B. Hancock

**City Council**

Christopher Herndon, President

Albus Brooks	Judy H. Montero
Charles V. Brown Jr.	Chris Nevitt
Jeanne Faatz	Deborah Ortega
Robin Kniech	Jeanne Robb
Peggy A. Lehmann	Susan K. Shepherd
Paul D. Lopez	Mary Beth Susman

**Auditor**

Dennis J. Gallagher

**Clerk and Recorder**

Debra Johnson

**CABINET OFFICIALS**

Cary Kennedy	Deputy Mayor, Chief Financial Officer, as the Manager of Finance/ <i>Ex-Officio</i> Treasurer
Adrienne Benavidez	Executive Director of the Department of General Services
Lauri Dannemiller	Executive Director of the Department of Parks and Recreation
Kim Day	Chief Executive Officer of the Department of Aviation
Jose Cornejo	Executive Director of the Department of Public Works
Doug Linkhart	Executive Director of the Department of Environmental Health
Stephanie O'Malley	Executive Director of the Department of Safety
Penny May	Executive Director of the Department of Human Services
Brad Buchanan	Executive Director of Community Planning and Development
D. Scott Martinez	City Attorney

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# THE CITY AND COUNTY OF DENVER, COLORADO

## General Information

The City and County of Denver is located on the front range of the Rocky Mountains in the north-central part of the State of Colorado. Denver is the capital of the State and is the service, retail, financial, transportation and distribution center of the Rocky Mountain region. Over 3 million people, representing more than half of the population of the State, currently reside in the Denver metropolitan area, of which approximately 663,000 reside in the City limits.

## Organization

The City was originally incorporated by a special act passed at the first session of the Legislative Assembly of the Territory of Colorado, adopted and approved on November 7, 1861. The State Constitution was adopted by the people of the State on March 14, 1876, and the Territory was admitted into the Union as a State by proclamation of President Grant on August 1, 1876. Article XX was added to the State Constitution at the State's general election in November 1902. The City was reorganized as the consolidated municipal government known as the City and County of Denver and exists as a "home-rule" city under the City Charter adopted by the qualified electors of the City on March 29, 1904, as amended from time to time. The City is a single governmental entity performing both municipal and county functions.

## Government

The City Charter establishes a "strong-mayor" form of government. The Mayor of the City is the chief executive, exercising all administrative and executive powers granted to the City, except as otherwise delegated by the City Charter. The Mayor is elected every four years and is limited to three consecutive terms. The legislative powers of the City are vested in the City Council, except as otherwise provided in the City Charter. The City Council consists of thirteen members, two of whom are elected on an at-large basis and eleven of whom are elected from districts, all for four-year terms with a three consecutive-term limit. Seven members constitute a quorum, and the vote of seven members is necessary to adopt any ordinance or resolution. Ordinances passed by the City Council are subject to a qualified veto by the Mayor (except certain ordinances concerning charter amendments or conventions). The Mayor's veto may be overridden by the vote of nine City Council members.

The City Auditor is responsible for internal audits of the City and, with the Audit Committee, oversees the audit of the City's Comprehensive Annual Financial Report (CAFR). The Auditor is elected every four years and is limited to three consecutive terms. Powers to conduct financial and performance audits are carried out by the City Auditor in that office's audit capacity. The current City Auditor is Timothy O'Brien, who replaced term-limited Dennis J. Gallagher as of July 20, 2015.

The Clerk and Recorder is responsible for performing all the duties of the City Clerk as provided for in the City Charter and City ordinances, as well as the duties of the Public Trustee and the County Clerk and Recorder provided by the State Constitution and statutes, with the exception of those relating to the registration of motor vehicles. The Clerk and Recorder also has oversight of the Election Division. The Clerk and Recorder is elected every four years and is limited to three consecutive terms. The current Clerk and Recorder is Debra Johnson.

The Chief Financial Officer serves on the Mayor's cabinet and is responsible for the management of the City's debt and financial obligations and the appointment of the Manager of Cash, Risk & Capital Funding, Controller, Treasurer, Budget Manager, Assessor and Director of Real Estate. Responsibilities for issuance of payments, payroll and other general accounting functions are performed by the Department of Finance. The current Chief Financial Officer is Cary Kennedy.



The City held its municipal election on May 5, 2015, and re-elected Mayor Michael B. Hancock and added seven new City Council members, five of whom were filling vacancies due to term limits.

As of December 31, 2014, the appointed members of the Mayor's cabinet (whose positions were retitled by executive order in 2014) were the following individuals:

Cary Kennedy	Deputy Mayor, Chief Financial Officer, as the Manager of Finance/ <i>Ex-Officio</i> Treasurer
Adrienne Benavidez	Executive Director of the Department of General Services
Lauri Dannemiller	Executive Director of the Department of Parks and Recreation
Kim Day	Chief Executive Officer of the Department of Aviation
Jose Cornejo	Executive Director of the Department of Public Works
Doug Linkhart	Executive Director of the Department of Environmental Health
Stephanie O'Malley	Executive Director of the Department of Safety
Penny May	Executive Director of the Department of Human Services
Brad Buchanan	Executive Director of Community Planning and Development
D. Scott Martinez, Esq.	City Attorney

In addition to the members of the cabinet as of December 31, 2014, other advisers include Chief of Staff Janice Sinden and Deputy Chief of Staff Evan Dreyer. Since re-election, the Mayor has announced cabinet position changes to the Departments of Human Services, Environmental Health and Parks and Recreation. Penny May has been appointed Deputy Chief of Staff and Don Mares has been appointed to replace Ms. May as the Executive Director of the Department of Human Services. As of the date of this Disclosure Statement, appointments to Environmental Health and Parks and Recreation are pending.

The City Charter provides that a vacancy in the office of Mayor is to be filled by a special election except that, if the vacancy occurs within the final six months of a term of office, the acting Mayor, determined as described in this paragraph, is to discharge the duties of the Mayor for the unexpired portion of the term. Prior to the special election or for the remainder of the unexpired portion of the term, in the event a vacancy occurs in the office of Mayor, the City Charter provides for succession to such office by the Deputy Mayor, who is to resign and become Mayor. If the Deputy Mayor refuses or is unable to serve as Mayor, the President of the City Council is to resign as President and become Mayor. If the President of the Council refuses or is unable to serve as Mayor, the City Council is to elect one of their members to fulfill the duties of the Mayor.

### **Budget Policy**

The City Charter establishes a fiscal year for the City that begins on January 1 and ends on December 31 (the "Fiscal Year"). Before the third Monday in October of each Fiscal Year, the Mayor submits an operating and capital budget for the ensuing Fiscal Year to the City Council for its approval. The City Council may accept the budget with a majority vote or may vote to override all or any part of the Mayor's budget with a two-thirds majority vote. After the budget is approved (no later than the second Monday in November), the Mayor is empowered to administer the operating and capital budget for the next Fiscal Year. If the City Council fails to adopt a budget by the required date, the proposed budget, together with any amendments approved by the City Council, becomes the official budget.

The budget proposed by the Mayor may not include expenditures in excess of estimated opening balances and anticipated revenues. In addition, the General Fund budget is required by the City Charter to include a year-end closing balance, which can only be expended upon a two-thirds majority vote of the City Council during that Fiscal Year, but may be considered income for the ensuing Fiscal Year. The annual budget includes a Contingency Reserve of no less than 2% of total estimated expenditures. In addition, an Emergency Reserve equal to 3% of fiscal year spending excluding debt service is required by State constitutional provisions (TABOR Reserve) to be included in the budget. In March 2014, the City Council approved fulfilling the TABOR Reserve requirement by pledging real property in lieu of cash. This reserve may only be applied for emergency purposes as specified in the Colorado Constitution. By Department of Finance policy, the General Fund targeted reserve is 15%, and should not be drawn below 10%.

The City administration utilizes multi-year planning and forecasting methods for General Fund budgeting and for capital projects planning.

## **Ratings**

The City and County of Denver currently has the highest possible General Obligation bond ratings with a “Stable” outlook from all three major credit ratings agencies. Denver is the only city or county in Colorado to hold AAA General Obligation bond ratings from all three rating agencies.

## **Constitutional Revenue and Spending Limitations**

In 1992, the voters of the State approved an amendment to the State Constitution known as the “Taxpayer’s Bill of Rights” (“TABOR”), which limits the powers of public entities to borrow, tax and spend.

TABOR restricts the total amount of expenditures and reserve increases (excluding changes in debt service payments) that may be made by the City for all purposes by limiting the City’s revenues to the total amount of revenues received by the City in the preceding year, adjusted for inflation and local growth. Under TABOR, excess revenues are required to be refunded to citizens the next fiscal year unless the voters approve a public entity to retain excess revenues. In November 2000, Denver voters approved an exemption from the TABOR limits for all non-tax revenues received by the City in Fiscal Year 1999 and thereafter. Denver voters approved an additional TABOR waiver in November 2005, which authorized the City to exempt all non-property tax revenues received by the City in Fiscal Years 2005 through 2014, provided that the revenues retained in excess of the limits were appropriated for public safety, public works, parks and recreation, health care, libraries and other essential services and included Fiscal Years 2015 and thereafter with a different revenue cap. On November 6, 2012, Denver voters passed ballot measure 2A that permanently removed all TABOR restrictions described above regarding the collection and retention of all taxes. The measure permanently allows the City to collect, retain, and spend all lawful property and non-property taxes.

TABOR requires voter approval prior to the City undertaking any multiple fiscal year debt or other financial obligation, subject to certain exceptions, including refinancing outstanding bonds at a lower interest rate. TABOR contains an exception for “enterprises,” defined in TABOR as a government-owned business authorized to issue its own revenue bonds and receiving less than 10% of its annual revenues from all State and local governments combined. The effect of “enterprise” status is to exempt an enterprise from the restrictions and limitations otherwise applicable under TABOR. The City has designated as enterprises for purposes of TABOR the operations of its sanitary and storm sewerage utilities, the Department of Aviation, the Department of Environmental Services, and City-owned golf courses.

## **General Fund**

The General Fund is the principal operating fund of the City. Information contained in this section has been drawn from the annual financial reports of the City, the General Fund budget for the years 2014 and 2015, and information prepared by the Department of Finance.

**Major Revenue Sources.** Two major revenue sources for the City’s General Fund are sales and use taxes and the City’s property tax. Other revenue sources include intergovernmental revenues, charges for services, franchise fees and other taxes.

The general sales tax, at the end of December 31, 2014, was a fixed-rate (3.62%) tax imposed on the sale of all tangible personal property not specifically exempted and on certain services. The general use tax, at the end of December 31, 2014, was a fixed-rate (3.62%) tax imposed on the storage, use and consumption of tangible personal property not specifically exempted. In practice, sales and use taxes are accounted for on a combined basis. See also “Sales and Use Taxes.”

Property taxes are levied on all real property, personal property and public utilities within the City, except for certain property that has been specifically exempted in whole or in part. General categories of exempt property include property used for religious or charitable purposes and property owned by governmental entities.

Additional amounts collected by the City and accounted for in the General Fund include the lodgers' tax, short-term auto rental tax, prepared food and beverage tax, occupational privilege taxes ("OPT" or "Head Tax"), the automobile ownership tax, franchise fees and the telecommunications business tax. A portion of the lodgers', short term auto rental and prepared food and beverage taxes are pledged to debt service on excise tax revenue bonds of the City. OPT is also pledged to debt service on excise tax revenue bonds of the City. See "DEBT STRUCTURE OF THE CITY – Excise Tax Revenue Bonds Debt Service Coverage."

The automobile ownership tax is levied on all motor vehicles registered with the City's Division of Motor Vehicles and is based on the age and value of the vehicle. Franchise fees include the utility franchise fees imposed upon Xcel Energy for its franchise to serve customers in the City and the franchise fee imposed on Comcast for operation of its cable television franchise within the City. The telecommunications business tax is imposed on providers of local exchange telecommunication service based upon the number of local service lines.

Charges for services are another major revenue source for the City's General Fund. General Fund agencies bill individuals, businesses and other City funds for various services, supplies and materials. Charges vary depending upon cost and are assessed to the individual or entity benefiting from the provision of a specific service, supply or material.

Intergovernmental revenues received by the City include State grants and other revenues. Various highway taxes and fees collected by the State are shared with local governments including the City. Currently, a portion of the State-imposed cigarette tax and wholesale marijuana tax is also shared with the City and included in intergovernmental revenues.

**Major Expenditure Categories.** The General Fund accounts for all expenditures normally associated with basic municipal functions. Expenditures under the General Fund include General Government, Public Safety, Public Works, Health, Parks and Recreation, and Cultural Activities. The largest portion of the 2014 revised expenditure Budget (46.9%) was allocated to Public Safety, which is primarily responsible for administering police, fire and the sheriff's departments' services. For the 2015 adopted Budget, Public Safety represents 42.6% of the General Fund.

### **Management Discussion of 2015 Budget**

The 2015 Budget, adopted in November 2014, projected total General Fund revenue of \$1.164 billion in 2015, an increase of 4.8% over the 2014 revised budget due primarily to strong sales and use tax collections attributed to the growing economy. Core sales and use tax revenues (minus audits) are projected to increase 5.6% in 2015. General Fund expenditures are projected to grow to \$1.214 billion in 2015, up by 13.3% over the 2014 revised budget, as base expenditures grow 6.6% with an additional \$63 million of non-permanent capital investments to address deferred infrastructure needs. Other high-priority investments include increasing sheriff staffing and reform efforts, new affordable and workforce housing, accelerated police and fire hiring, increases to parks maintenance staff, street repaving, and investments in recreation, after-school programs and child-care services for Denver youth. The 2015 Budget also includes \$47 million of capital and operating investments in the North Denver Cornerstone Collaborative (NDCC) project, which will begin the revitalization of Brighton Boulevard, continue the development of the River North park system, and allow the City to integrate the Colorado Department of Transportation's planned reconstruction of Interstate 70. Reserves are projected to continue to increase and the undesignated fund balance is anticipated to be 15.2% of projected expenditures, or \$185 million, by the end of 2015. For the Mayor's complete 2015 Budget, visit [www.denvergov.org/budget](http://www.denvergov.org/budget).

Although not part of the 2015 Budget, City Council has approved to place a November 2015 ballot measure for voter authorization of excise tax revenue bonds to support the Colorado Convention Center and National Western Center projects. See "DEBT STRUCTURE OF THE CITY – Excise Tax Revenue Bonds Debt Service Coverage."

The City has been engaged in discussions with Adams County, Colorado and various cities within Adams County regarding certain limitations on the development of property within the Denver International Airport (the "Airport") area as provided in the Intergovernmental Agreement on a New Airport dated April 21, 1988 (the "Airport IGA"). The Airport IGA addressed a variety of matters including specific land use regulations related to Denver's concurrent annexation of the land for the Airport from Adams County. An agreement between all involved parties has been reached regarding a proposed amendment to the Airport IGA (the "Amendment") which includes a 1,500-acre "pilot program" on which the Airport could locate a wider spectrum of commercial uses than

currently allowed under the Airport IGA. Under the Amendment, the City would share with Adams County 50% of the available city tax revenue derived from development on the 1,500 acres, excluding any and all tax revenues that are obligated by voter approval, bond covenants or any other form of contract for a specific purpose. The City would also provide Adams County with a one-time payment of \$10 million. Ordinances referring ballot measures to approve the Amendment have been approved by both City Council and the Adams County Board of County Commissioners for a coordinated election in November 2015. If the ballot measures do not pass in both jurisdictions, the Amendment will not be effective.

### **Litigation Update**

The City is party to numerous pending lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. Generally, the City is self-insured, except for the City's Airport System.

For Fiscal Year 2015, the City Attorney's office has received an appropriation of approximately \$3.0 million, for payment of claims and judgments for items not covered by existing insurance. The City anticipates additional claims could be filed that may require a request for the City Council to transfer additional funds into the claims account in excess of the amounts described above.

The City is one of several hundred localities nationwide selected by the Department of Justice's Project Civic Access for an Americans with Disability Act ("ADA") compliance review. In 2012, Project Civic Access conducted a compliance review of City facilities. In 2014, the City received the results of the compliance review and will be engaging with Project Civic Access to agree on necessary public improvements which are anticipated to require an additional appropriation, of a sum to be determined, from the City's General Fund.

Two local organizations, the Civil Rights Education and Enforcement Center ("CREEC") and the Colorado Cross-Disability Coalition ("CCDC") served a demand letter on the City alleging violations of the ADA by the City. In this letter, CREEC and CCDC allege that the City failed to install curb ramps required by the ADA and the Rehabilitation Act. CREEC and CCDC claim that if this matter is not settled they would be entitled to injunctive relief requiring that the City install missing ramps as well as attorney's fees and costs. The City, CREEC and CCDC have executed a tolling agreement and are attempting to negotiate a resolution. No claim has been filed. At this time, the City believes a voluntary resolution is likely and therefore that the likelihood of an unfavorable outcome is low. It is not possible to estimate the range of potential costs at this time, but if amounts available to pay such costs are insufficient, an additional appropriation would be requested to be made by City Council.

Pursuant to State law and subject to constitutional limitations, if a monetary judgment is rendered against the City, and the City fails to provide for the payment of such judgment, the City Council must levy a tax (not to exceed 10 mills per annum) upon all of the taxable property within the City for the purpose of making provision for the payment of the judgment. The City is required to continue to levy such tax until the judgment is discharged. Such mill levy is in addition to all other mill levies for other purposes.

### **Governmental Immunity**

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the "Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the City, for injuries which lie in tort or could lie in tort.

The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle (including a light rail car), owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000; (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000; except in such instance, no person may recover in excess of \$350,000. These maximums are to be adjusted by the Colorado

Secretary of State every four years beginning January 1, 2018, based upon the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index. The City may increase any maximum amount that may be recovered from the City for certain types of injuries. However, the City may not be held liable either directly or by indemnification for punitive or exemplary damages unless the City voluntarily resolves to pay such damages in accordance with State law. The City has not acted to increase the damage limitations in the Immunity Act.

The City may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and it may not be able to claim sovereign immunity for actions founded upon federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the City may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

**TABLE 1**  
**GENERAL FUND BUDGET SUMMARY**  
**2014 ACTUAL RESULTS, 2014 BUDGET AND 2015 BUDGET**  
**Prepared in Budgetary Format**  
**(\$ in thousands)**

	<u>2014</u> <u>Actual<sup>1</sup></u>	<u>2014</u> <u>Revised</u> <u>Budget</u>	<u>2015</u> <u>Adopted</u> <u>Budget</u>
<b>REVENUES</b>			
Taxes			
Property	\$112,120	\$108,617	\$108,837
Sales and Use	555,428	543,557	576,295
Other	94,124	98,271	100,364
Intergovernmental Revenues	31,647	30,433	30,407
Licenses and Permits	48,425	36,646	38,341
Fines and Forfeitures	51,954	57,135	57,788
Charges for Services	169,047	177,473	187,849
Investment Income	7,499	3,879	4,164
Transfers In	46,045	45,542	49,755
Other Revenues and Financing Sources	<u>27,272<sup>3</sup></u>	<u>8,389</u>	<u>9,772</u>
<b>TOTAL FINANCIAL SOURCES</b>	<b><u>\$1,143,561</u></b>	<b><u>\$1,109,941</u></b>	<b><u>\$1,163,571</u></b>
<b>EXPENDITURES</b>			
General Government	\$230,139	\$251,143	\$274,762
Public Safety	500,627	503,063	517,657
Public Works	129,111	96,632	108,863
Health	48,957	48,948	49,862
Parks and Recreation	57,476	54,929	56,452
Cultural Activities	41,065	39,500	41,350
Debt Service	7,505		
Transfers Out	52,000	66,198	140,879
General Fund Contingency	-	19,075	36,589
Estimated Unspent Appropriations	-	<u>(8,000)</u>	<u>(12,000)</u>
<b>TOTAL EXPENDITURES BUDGET</b>	<b><u>\$1,066,880</u></b>	<b><u>\$1,071,488</u></b>	<b><u>\$1,214,413</u></b>
<b>FUND BALANCES<sup>2</sup></b>			
Net Change in Fund Balance	76,681	38,453	(50,842)
Fund Balance January 1	<u>287,335</u>		
Fund Balance December 31	364,016		
Undesignated Fund Balance January 1	201,030	196,943	235,396
Undesignated Fund Balance December 31	267,764	235,396	184,554
<b>Total Fund Balance December 31</b>	<b><u>\$267,764</u></b>	<b><u>\$235,396</u></b>	<b><u>\$184,554</u></b>

1 The City's CAFRs and Budgets use slightly different reporting codes for specific revenue and expenditure categories. Accordingly, there may be differences in some line item descriptions and totals.

2 For the 2014 CAFR, the City applies GASB 54, which clarifies existing fund type definitions. The CAFR lists Fund Balance as a change in all fund balances, which includes the General Fund and other Governmental Funds. The Office of Management and Budget does not use this methodology for the Budget, therefore Fund balances should only be compared within the Budget columns in the table set forth above.

3 Amount includes \$18,763,065 of Other Financing Sources related to the execution of non-certificated capital equipment leases for the lease purchase of public works fleet in 2014.

(Sources: 2014 CAFR, 2015 Budget Book)

**TABLE 2**

**GENERAL FUND BUDGET SUMMARY  
2014 ACTUAL RESULTS, 2014 BUDGET AND 2015 BUDGET  
(by percentage)**

	<b><u>2014 Actual<sup>1</sup></u></b>	<b><u>2014 Revised Budget</u></b>	<b><u>2015 Adopted Budget</u></b>
<b>REVENUES</b>			
Taxes			
Property	9.8%	9.8%	9.4%
Sales and Use	48.6	49.0	49.5
Other	8.2	8.9	8.6
Intergovernmental Revenues	2.8	2.7	2.6
Licenses and Permits	4.2	3.3	3.3
Fines and Forfeitures	4.5	5.1	5.0
Charges for Services	14.8	16.0	16.1
Investment Income	0.7	0.3	0.4
Transfers In	4.0	4.1	4.3
Other Revenues and Financing Sources	<u>2.4</u>	<u>0.8</u>	<u>0.8</u>
<b>TOTAL FINANCIAL SOURCES</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>EXPENDITURES</b>			
General Government	21.6%	23.4%	22.6%
Public Safety	46.9	46.9	42.6
Public Works	12.1	9.0	9.0
Health	4.6	4.6	4.1
Parks and Recreation	5.4	5.1	4.6
Cultural Activities	3.8	3.7	3.4
Debt Service	0.7	-	-
Transfers Out	4.9	6.2	11.6
General Fund Contingency	-	1.8	3.0
Estimated Unspent Appropriations	<u>-</u>	<u>(0.7)</u>	<u>(1.0)</u>
<b>TOTAL EXPENDITURES BUDGET</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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1 The City's CAFRs and budgets use slightly different reporting codes for specific revenue and expenditure categories. Accordingly, there may be differences in some line item descriptions and totals.

## **Management Discussion of Recent Financial Results**

**2010.** Sales and use tax collections for 2010 were 5.7% higher than 2009. Additionally, the City contributed a one-time use of excess fire pension mill levy funds in an amount of \$18 million to the General Fund. The fire pension mill levy funds are typically used to pay for the City's contribution towards the Old and New Hire Fire Pension Plans and the unfunded liability that exists for the Old Hire Pension Plan. There was no required contribution towards the unfunded liability on the Old Hire Fire Pension Plan in 2010, allowing these funds to be spent on General Fund fire operating costs. With this contribution, total General Fund revenues increased by 6.9% over 2009. With respect to expenditures, City departments saved over \$30 million from the original 2010 budget. This was done through both permanent savings such as reducing positions, five employee furlough days, and temporary savings such as deferring equipment and supply costs wherever possible.

**2011.** 2011 General Fund revenue collections of sales tax was 4.6% higher than 2010 due primarily to tax audit revenues being collected in 2011 rather than 2012 because of a one-time sales tax amnesty program. This early collection accounts for \$18.6 million or 3.1% of the 4.6% General Fund revenue growth rate. With respect to expenditures, City departments saved over \$14 million from the original 2011 budget. This was done through both permanent savings such as reducing positions, five employee furlough days, and temporary savings such as deferring equipment and supply costs wherever possible. Total General Fund expenditures, including transfers out, grew 2.9% from 2010.

**2012.** 2012 General Fund revenue collections of sales tax were 7.4% higher than 2011 due primarily to strong economic performance in retail sales. Total 2012 revenues performed 3.5% over 2011. With respect to expenditures, City departments saved \$8 million from the original 2012 budget. This in-year savings was achieved by holding positions vacant, five employee furlough days, and temporary savings such as deferring equipment and supply costs wherever possible. Total General Fund expenditures, including transfers out, grew 6.3% from 2011.

**2013.** 2013 General Fund core revenue collections of sales and use tax, which do not include audit revenues, were 7.5% higher than 2012 primarily as a result of a recovering economy following the economic downturn. Including audit revenues, total sales and use tax revenue collections for the General Fund were 9.2% higher than 2012. Total 2013 revenues performed 10.4% over 2012. With respect to expenditures, City departments saved over \$17 million from the revised 2013 budget, adjusted for the passage of ballot measure 2A in November 2012. See also "Constitutional Revenue and Spending Limitations." This was due to expected unspent appropriations, in large part by achieving savings measures put in place to respond to the recession, including compensation savings and equipment replacement deferrals. Total General Fund expenditures, including transfers out, increased by 5.1% from 2012, primarily driven by personnel cost increases and transfers to other funds.

**2014.** 2014 core revenue collections of sales and use tax, which do not include audit revenues, were 11.7% higher than 2013 primarily as a result of the continued robust recovery of the economy. Including audit revenues, total sales and use tax revenue collections for the General Fund were 12.7% higher than 2013. Total 2014 revenues performed 8.6% over 2013. With respect to budget basis expenditures, City departments saved \$43.6 million from the revised 2014 budget due to achieving expected unspent appropriations, due in large part to compensation savings. Total General Fund expenditures, including transfers out, increased by 9.8% from 2013, primarily driven by personnel cost increases.



## General Fund Financial Information

The following pages include Table 3, General Fund Balance Sheet and Table 4, General Fund Statement of Revenues, Expenditures and Changes in Fund Balance for 2010 through 2014.

**TABLE 3**

**CITY AND COUNTY OF DENVER  
GENERAL FUND BALANCE SHEET  
For the years ending December 31  
(\$ in thousands)**

ASSETS	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Cash and cash equivalents	\$116,023	\$120,191	\$146,392	\$195,214	\$270,048
Cash on hand	32	101	70	143	140
Receivables (net of allowances for uncollectibles):					
Taxes	123,142	134,806	163,031	170,018	180,913
Notes	1,652	641	480	2,804	2,785
Accounts	18,931	20,187	21,140	20,109	19,541
Accrued interest	646	1,135	1,030	1,440	1,876
Due from other funds	2	150	-	-	-
Interfund receivable	24,122	15,537	9,204	12,528	9,077
Prepaid items and other assets	1,064	330	159	268	425
Restricted assets:					
Cash and cash equivalents	19,952	42,528	45,283	48,203	51,218
Assets held for disposition	-	<u>11,436</u>	<u>11,436</u>	<u>11,436</u>	<u>11,436</u>
<b>TOTAL ASSETS</b>	<u>\$259,738</u>	<u>\$347,042</u>	<u>\$398,225</u>	<u>\$462,163</u>	<u>\$547,459</u>
LIABILITIES					
Vouchers payable	\$13,097	\$16,362	\$16,719	\$17,037	\$19,921
Accrued liabilities	25,683	26,622	30,200	32,423	35,582
Due to other funds	31	65	111	274	266
Interfund Payable	2,940	1,964	3,199	2,122	3,548
Deferred revenue	82,757	87,701	121,104	122,972	124,126
Compensated Absences	-	-	26	-	-
Advances	<u>151</u>	<u>18</u>	<u>18</u>	-	-
<b>TOTAL LIABILITIES</b>	<u>\$124,659</u>	<u>\$132,732</u>	<u>\$171,377</u>	<u>\$174,828</u>	<u>\$183,443</u>
FUND BALANCE					
Nonspendable	1,064	330	159	268	425
Restricted	52,652	54,049	56,566	62,443	65,439
Committed	-	12,039	15,084	23,594	30,388
Unassigned	<u>127,191</u>	<u>147,892</u>	<u>155,039</u>	<u>201,030</u>	<u>267,764</u>
<b>TOTAL FUND BALANCE</b>	<u>180,907</u>	<u>214,310</u>	<u>226,848</u>	<u>287,335</u>	<u>364,016</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$305,566</u>	<u>\$347,042</u>	<u>\$398,225</u>	<u>\$462,163</u>	<u>\$547,459</u>

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(Source: City and County of Denver's CAFR, 2010 - 2014)

**TABLE 4**  
**CITY AND COUNTY OF DENVER**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the years ending December 31**  
**(\$ in thousands)**

REVENUES	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Taxes:					
Property	\$83,763	\$73,331	\$79,199	\$108,522	\$112,120
Sales and Use	409,816	441,187	451,352	493,002	555,428
Other	74,757	76,061	81,579	85,816	94,124
Licenses and Permits	28,571	29,714	33,906	42,916	48,425
Intergovernmental Revenues	28,377	26,274	25,913	27,669	31,647
Charges for Services	146,654	153,861	162,086	167,864	169,047
Investment Income	7,885	8,096	4,606	1,890	7,499
Fines and Forfeitures	44,322	55,090	53,227	54,818	51,954
Other Revenues	<u>13,632</u>	<u>9,164</u>	<u>7,414</u>	<u>10,314</u>	<u>8,233</u>
<b>TOTAL REVENUES</b>	<b><u>\$837,777</u></b>	<b><u>\$872,778</u></b>	<b><u>\$899,282</u></b>	<b><u>\$992,811</u></b>	<b><u>\$1,078,477</u></b>
EXPENDITURES					
Current:					
General Government	\$169,548	\$168,801	\$174,272	\$181,635	\$211,460
Public Safety	434,128	444,721	469,039	475,654	500,627
Public Works	80,368	84,263	90,007	98,178	129,111
Health	43,145	43,109	43,765	44,636	48,957
Parks and Recreation	46,642	48,100	53,188	55,279	57,476
Culture and Entertainment	32,585	33,152	34,736	39,192	41,064
Community Development	14,864	14,608	15,687	15,998	18,152
Economic Opportunity	456	353	205	574	527
Obligation Retirement	<u>3,990</u>	<u>4,445</u>	<u>4,602</u>	<u>4,785</u>	<u>7,506</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$825,726</u></b>	<b><u>\$841,552</u></b>	<b><u>\$885,501</u></b>	<b><u>\$915,931</u></b>	<b><u>\$1,014,880</u></b>
Excess of Revenues Over Expenditures	12,051	31,226	13,781	76,880	63,597
OTHER FINANCING SOURCES (USES)					
Other	3,677	463	1,379	305	19,039 <sup>1</sup>
Operating Transfers In	54,321	31,578	36,073	38,589	46,045
Operating Transfers Out	<u>(47,226)</u>	<u>(29,864)</u>	<u>(38,695)</u>	<u>(55,287)</u>	<u>(52,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>10,772</u></b>	<b><u>2,177</u></b>	<b><u>(1,243)</u></b>	<b><u>(16,393)</u></b>	<b><u>13,084</u></b>
Net Change in Fund Balance	22,823	33,403	12,538	60,487	76,681
Fund Balance – January 1, as originally reported	113,220	136,061	155,039	226,848	287,335
Change in accounting principle – GASB 54	<u>44,864</u>	<u>44,846</u>	<u>44,846</u>	<u>-</u>	<u>-</u>
Fund Balance - January 1, as restated	<u>158,084</u>	<u>180,907</u>	<u>214,310</u>	<u>226,848</u>	<u>287,335</u>
Fund Balance - December 31	<b><u>\$180,907</u></b>	<b><u>\$214,310</u></b>	<b><u>\$226,848</u></b>	<b><u>\$287,335</u></b>	<b><u>\$364,016</u></b>

1 Amount includes \$18,763,065 of Other Financing Sources related to the execution of non-certificated capital equipment leases for the lease purchase of public works fleet in 2014.

(Source: City and County of Denver's CAFR, 2010 - 2014)

## Collection of Taxes

The City Charter provides that the Chief Financial Officer collect taxes in the same manner and at the same time as State taxes are collected. All laws of the State for the assessment and collection of general taxes, including laws for the sale of property for taxes and the redemption of the same, apply to the City, except as modified by the City Charter.

## Sales and Use Taxes

The City's sales and use tax collections historically account for approximately 50% of the General Fund revenues. As of December 31, 2014, a fixed-rate general sales tax of 3.62% was imposed on the sale of all tangible personal property not specifically exempted and on certain services. The general use tax was also a fixed-rate of 3.62%, imposed on the storage, use and consumption of tangible personal property not specifically exempted. The City's practice is to account for sales and use taxes on a combined basis.

The sales and use tax rate includes a 0.12% portion authorized by voters in November 2006 to fund increased access to and quality of preschool programs for City residents for the years 2007 through 2014. In November 2014, Denver voters approved a single ballot measure extending the 0.12% preschool sales and use tax through December 31, 2026, and increasing the rate by 0.03% to 0.15% effective January 1, 2015. The revenue from this portion of the sales and use tax is only available for the described purpose, and cannot be used for General Fund purposes.

The general sales and use tax and the preschool tax are charged on all medical marijuana sales and, effective January 1, 2014, retail recreational marijuana sales are charged an additional 3.5% special tax which is to be used for expenditures authorized in the Denver Revised Municipal Code, which include, among other things, expenses related to the licensing and regulation of the retail marijuana industry and, generally, the expenses of operating and improve the City and its facilities.

The City imposes specific tax rates for the following goods or services:

### GENERAL FUND SALES AND USE TAX RATES EFFECTIVE FOR 2014

<u>Taxation of Certain Goods or Services</u>	<u>City Tax Rate</u>
Non-exempt retail sales, lease or rentals of tangible personal property and on certain services	3.62% <sup>1,2</sup>
Retail marijuana special sales tax	3.5% <sup>3</sup>
Prepared food and drink	4.0%
Aviation fuel	\$0.04 per gallon
Automobile rental for thirty (30) days or less	7.25%
Lodging for thirty (30) days or less	10.75%

- 1 Includes a 0.12% portion dedicated to increasing access to and quality of preschool programs for City residents. The revenue from this portion of the sales and use tax is only available for such purpose, and cannot be included in General Fund revenue. Collection of this dedicated sales and use tax increase started January 1, 2007 at 0.12%, and by voter approval in November 2014, was increased to 0.15% effective January 1, 2015.
- 2 City Council has approved the placement of a November 2015 ballot measure for voter approval to increase the sales and use tax rate by 0.08%, beginning January 1, 2016 and expiring December 31, 2025, and dedicating the revenue derived from the tax rate increase to fund the Denver College Affordability Fund.

[Footnotes continued on next page]

- 3 Collection of this tax started on January 1, 2014, as approved by Denver voters in November 2013. Because the revenue from this tax collected in 2014 exceeded the estimated revenue set forth in the 2013 ballot measure and the limitations of TABOR, the City Council has approved the placement of a November 2015 ballot measure to allow the City to retain and spend all 2014 tax revenues derived from this special tax, as well as continue to impose and collect the tax as previously approved.

The above General Fund Sales and Use Tax Rates effective for 2014 reflect the City’s total tax rate for goods and services as set forth; however, portions of the prepared food and beverage tax, short term automobile rental tax and lodgers’ taxes are reflected in the General Fund’s Sales and Use Tax category while the remainder is either contractually pledged to the Denver Metropolitan Convention and Visitors Bureau or to certain Excise Tax Revenue Bonds and recorded in other Funds.

Table 5 reflects the City’s sales and use tax collections for the past ten years.

**TABLE 5**  
**GENERAL FUND SALES AND USE TAX REVENUES**  
**2005 – 2014**  
**(\$ in thousands)**

<u>Year</u>	<u>Revenues</u> <sup>1</sup>	<u>Percent Change</u> <sup>1</sup>
2005	\$389,731	7.66%
2006	397,163	1.91
2007	418,177	5.29
2008	430,928	3.05
2009	387,838	(10.00)
2010	409,817	5.67
2011	441,187	7.65
2012	451,352	2.30
2013	493,002	9.23
2014	555,428	12.66

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1 The revenues and percent changes reflect changes including amounts received as a result of sales tax audit collections.

(Source: Department of Finance)

## Property Taxation

**Assessed Valuation.** The assessed value of real property for tax purposes is computed using statutory actual values as determined from manuals published by the Administrator of the State Division of Property Taxation and from data developed by the Chief Financial Officer, *ex officio* Assessor, based on evidence collected from the marketplace. Table 6 sets forth the State property appraisal method for assessment years 2005 through 2014.

**TABLE 6**

### STATE PROPERTY APPRAISAL METHOD

<b>Collection <u>Year</u></b>	<b>Assessment <u>Year</u></b>	<b>Value Calculated <u>As of</u></b>	<b>Based on the <u>Market Period</u></b>
2006	2005	June 30, 2004	January 1, 2003 to June 30, 2004
2007	2006	June 30, 2004	January 1, 2003 to June 30, 2004
2008	2007	June 30, 2006	January 1, 2005 to June 30, 2006
2009	2008	June 30, 2006	January 1, 2005 to June 30, 2006
2010	2009	June 30, 2008	January 1, 2007 to June 30, 2008
2011	2010	June 30, 2008	January 1, 2007 to June 30, 2008
2012 <sup>1</sup>	2011	June 30, 2010	July 1, 2008 to June 30, 2010
2013	2012	June 30, 2010	July 1, 2008 to June 30, 2010
2014	2013	June 30, 2012	July 1, 2010 to June 30, 2012
2015	2014	June 30, 2012	July 1, 2010 to June 30, 2012

As of January 1, 1985, the State General Assembly was required to determine the percentage of the aggregate statewide valuation for assessment that is attributable to residential real property. For each subsequent year, the General Assembly was and is required to re-determine the percentage of the aggregate statewide valuation for assessment which is attributable to each class of taxable property, after adding any increased valuation for assessment attributable to new construction and increased oil and gas production. For each year in which there is a change in the level of value, the General Assembly is required to adjust the assessed valuation ratio for residential real property as necessary to maintain the previous year's percentage of aggregate statewide valuation attributable to residential real property. The Colorado General Assembly set the residential real property assessed valuation ratio at 7.96% of its statutory actual value for assessment years 2005 through 2014. All other taxable property (with certain specified exceptions) has had an assessed valuation ratio throughout these tax years of 29% of statutory actual value.

The City's assessed valuation is established by the Assessor of the City, except for public utility property, which is assessed by the Administrator of the State Division of Property Taxation. Property taxes are levied on all real and personal property, except certain categories of exempt property. Classes of property not subject to property taxes include, but are not limited to, property of the United States of America; property of the State and its political subdivisions; property of school districts; property used as an integral part of a licensed school childcare center, inventories of merchandise and supplies that are held for consumption by a business or are held primarily for sale; agricultural and livestock products; agricultural equipment; property used for religious or charitable purposes; and noncommercial personal property.

**Property Taxes.** Property taxes are due January 1 of each year. They may be paid in full on or before April 30 or in two equal installments, the first due the last day of February and the second due June 15. The first half becomes delinquent after the last day of February. The second half becomes delinquent after June 15. If the entire tax is paid at one time on or before April 30, no interest is charged.

<sup>1</sup> During the period of economic downturn, the City instituted a policy change already authorized by law to utilize a 24 month valuation period instead of an 18 month valuation period in order to provide more stability, accuracy, and fairness in valuation. The dollar amounts of tax collected during these years were accurately reported, it is only the methodology of valuation that has been updated to reflect this change.

Delinquent general property taxes draw interest where the following circumstances exist. If the first installment is not paid by the last day of February, penalty interest accrues at the rate of 1% per month from March 1 until June 16 or to the date of payment if such installment is paid prior to June 16. After June 15, the entire tax becomes delinquent and accrues interest at the rate of 1% per month until the date of payment, which penalty interest is in addition to any penalty interest which may have accrued on the same taxes prior to June 16. If the full amount of taxes is paid in a single payment after the last day of April, interest is added to the full amount of taxes due in the amount of 1% per month and accrues from the first day of May until the date of payment.

The Treasurer is empowered to sell at public auction property upon which levied taxes remain unpaid, after due process of law. Tax lien sales are held in November of the year in which the taxes become delinquent. All tax certificates not sold to buyers at the annual tax lien sale are attributed to the City. Three years after the date of sale, a tax deed may be issued by the Treasurer for unredeemed tax certificates.

The City Charter imposes a tax limit of 15 mills for all general municipal purposes. This limit does not apply to taxes levied for the payment of general obligation bonded indebtedness, to fund the City’s Social Services Fund, to provide for fire and police pensions, to fund a City program for the developmentally disabled, to fund early childhood education, or taxes levied pursuant to a voter authorized 2.5 mill levy increase for deferred capital maintenance. State case law permits the City to impose an additional General Fund levy for functions ordinarily performed by counties in the State. Current State statutes limiting mill levies imposed by counties do not apply to the City.

In 2007, Denver voters approved a 2.5 mill levy designated for capital maintenance projects in the City. This earmarked tax is exempt from TABOR revenue limits. In 2014, this capital maintenance levy was 2.542 due to prior year refunds and abatements, generating approximately \$28.9 million.

Table 7 sets forth the mill levies for the City, School District No. 1, and the Urban Drainage and Flood Control District for the last five levy years.

**TABLE 7**

**CITY AND COUNTY OF DENVER  
CITY-WIDE MILL LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS<sup>1</sup>  
(by year assessed)**

<b><u>Taxing Entity</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
City and County of Denver:					
General Fund	6.174	7.174	10.610	10.458	10.436
Bond Principal Fund	4.470	3.980	4.170	4.330	4.100
Bond Interest Fund	3.110	3.600	3.780	4.103	4.333
Social Services	3.556	4.101	4.520	4.480	4.470
Developmentally Disabled	1.019	1.030	1.033	1.021	1.016
Fire Pension	1.317	1.519	1.587	1.572	1.568
Police Pension	1.572	1.812	1.893	1.875	1.870
Capital Maintenance <sup>2</sup>	2.544	2.572	2.581	2.553	2.542
Capital Improvement	<u>2.281</u>	<u>2.631</u>	<u>2.752</u>	<u>2.727</u>	<u>2.720</u>
<b>TOTAL DENVER MILL LEVY</b>	<b><u>26.044</u></b>	<b><u>28.419</u></b>	<b><u>32.926</u></b>	<b><u>33.119</u></b>	<b><u>33.055</u></b>
School District No. 1	39.972	42.265	50.488	49.299	49.299
Urban Drainage and Flood Control District	<u>0.576</u>	<u>0.623</u>	<u>0.657</u>	<u>0.672</u>	<u>0.700</u>
<b>TOTAL MILL LEVY:</b>	<b><u>66.592</u></b>	<b><u>71.307</u></b>	<b><u>84.071</u></b>	<b><u>83.090</u></b>	<b><u>83.054</u></b>

Note: A mill equals one-tenth of one percent of assessed valuation.

- 1 The columnar heading shows the year for which property is assessed and property taxes are levied. Taxes are collected the following year. The table excludes certain overlapping government entities that impose mill levies in certain discrete portions of the City, but whose boundaries are not co-terminus with the City’s boundaries. For “Overlapping Taxing Districts with General Obligation Debt” see Table 18.
- 2 A levy in excess of the 2.5 mills approved by voters is allowable due to prior year refunds and abatements.

(Source: Department of Finance)

Table 8 summarizes the statutory actual and assessed valuation of property in the City and taxes levied and collected by the City for the last five assessment years.

**TABLE 8**  
**PROPERTY VALUATIONS, TAX LEVIES AND COLLECTIONS**  
**LAST FIVE YEARS**  
**(\$ in millions)**

<b>ACTUAL AND ASSESSED VALUATION:</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Statutory Actual Valuation (est.) <sup>1</sup>	<u>\$83,151</u>	<u>\$77,143</u>	<u>\$76,697</u>	<u>\$79,581</u>	<u>\$80,891</u>
Assessed Valuation:					
Real Property – Land	\$3,546	\$3,387	\$3,358	\$3,252	\$3,218
Real Property – Improvement	6,839	5,936	5,868	6,441	6,564
Personal Property	739	726	723	742	765
Public Utilities	<u>836</u>	<u>888</u>	<u>808</u>	<u>829</u>	<u>838</u>
Total Assessed Valuations <sup>2</sup>	<u>\$11,960</u>	<u>\$10,937</u>	<u>\$10,757</u>	<u>\$11,264</u>	<u>\$11,385</u>
Percentage Change <sup>3</sup>	(0.44%)	(8.55%)	(1.65%)	4.71%	1.07%
<b>LEVIES AND COLLECTIONS:<sup>4,5</sup></b>					
Taxes Levied:	<u>\$258,519</u>	<u>\$255,918</u>	<u>\$295,438</u>	<u>\$310,922</u>	<u>\$312,228</u>
Total Collections	\$254,755	\$251,004	\$293,970	\$306,893	N/A
Total Collections at Year End (as Percentage of Original Levy)	98.54%	98.08%	99.50%	98.70%	N/A

- 
- 1 Colorado statutes establish property valuation methods with actual valuation representing estimated appraisal value before the respective assessment ratios are applied. In general, an income and expense value is used for commercial property, and market value is used for residential property.
  - 2 This includes the assessed valuation that generates tax increment revenues, a portion of which are paid to the Denver Urban Renewal Authority (“DURA”) and are not retained by the City. See “DEBT STRUCTURE OF THE CITY – Overlapping Debt and Taxing Entities.”
  - 3 Changes in assessed valuations for the years shown are due in part to changes in the years used to compute values which occur every two years and adjustments attributable to a legislative extension of time permitted for appeals of assessed values. See “Property Taxation – Assessed Valuation” and Table 6 above.
  - 4 The columnar headings show the years for which property taxes have been assessed and levied. Taxes shown in a column are actually collected in the following year. For example, property taxes levied in 2014 are collected in 2015.
  - 5 Total collections do not include mills levied for the Fire Pension and Police Pension funds.

(Source: Department of Finance)

*Assessed Valuation of Major Taxpayers.* Table 9 lists the top ten property taxpayers based on assessed valuations for the 2014 assessment year.

**TABLE 9**  
**CITY AND COUNTY OF DENVER**  
**MAJOR PROPERTY TAXPAYERS - ASSESSED VALUATIONS 2014**  
**(FOR COLLECTION IN 2015)**  
**(\$ in thousands)**

<u>Name</u>	<u>Business</u>	<u>Assessed Valuation</u>	<u>Percentage of City's Total Assessed Valuation<sup>1</sup></u>
Public Service Co.	Utility	\$238,892	2.10%
CenturyLink	Utility	160,625	1.41
Brookfield Office Properties	Real Estate	157,806	1.39
Beacon Capital Partners	Real Estate	140,874	1.24
Columbia-Healthone LLC	Health Care	93,118	0.82
UBS Realty Investors	Real Estate	82,268	0.72
Taubman Centers Inc.	Real Estate	82,225	0.72
Callahan Capital Partners	Real Estate	75,956	0.67
LBA Realty Fund	Real Estate	73,287	0.64
<u>Frontier Airlines</u>	Airline	<u>61,653</u>	<u>0.54</u>
<b>TOTAL:</b>		<b><u>\$1,166,704</u></b>	<b><u>10.25%</u></b>

1 Based on a December 31, 2014 certified assessed valuation of \$11,385,251,250. This includes the assessed valuation that generates tax increment revenues, a portion of which are paid to DURA and are not retained by the City. See "DEBT STRUCTURE OF THE CITY-Overlapping Debt and Taxing Entities."

(Source: Department of Finance)

## DEBT STRUCTURE OF THE CITY

### General Obligation Debt

General obligation bonds are backed by the full faith and credit of the City and are payable from ad valorem property taxes and other general revenues. Except for refunding bonds issued to achieve savings, Denver voters must approve general obligation debt prior to issuance. Under the City Charter, general obligation bonded debt is subject to a limitation of three percent (3%) of the actual value of the taxable property within the City.

As of December 31, 2014, the City had outstanding general obligation bonds in the aggregate principal amount of \$867,645,500, which does not include accrued interest of \$4,042,547 on compound interest bonds.

In November 2007, City voters authorized \$549,730,000 in Better Denver General Obligation Bonds to be issued to provide for a wide variety of infrastructure improvements. In October 2014, the City issued \$12,000,000 of Series 2014A General Obligation Mini-Bonds for the purpose of funding Better Denver Bond projects approved by voters in November 2007. Upon this issuance, all of the electoral authorization under the Better Denver authorization has been issued and no such authorization remains.



The following schedule sets forth the computation of the General Obligation debt margin of the City as of December 31, 2014.

**COMPUTATION OF THE GENERAL OBLIGATION DEBT MARGIN**  
**(\$ in thousands)**

TOTAL ESTIMATED ACTUAL VALUATION – December 31, 2014	<u>\$80,891,083</u>
Maximum general obligation debt, limited to 3% of actual valuation	2,426,732
Less outstanding bonds chargeable to limit <sup>1</sup>	<u>867,646</u>
LEGAL DEBT MARGIN – December 31, 2014	<u>\$1,559,087</u>

- 
- 1 This figure represents outstanding gross principal of the City’s General Obligation Bonds. Debt Margin calculation in the City’s CAFR is outstanding principal net of the Debt Service fund balance as of December 31, 2014 allocated to Bond Principal in the amount of approximately \$21.7 million. Amounts in the Debt Service fund may be applied to both principal and interest of General Obligation Bonds.

**Outstanding General Obligation Debt**

The following table lists the City’s outstanding general obligation bonded debt as of December 31, 2014.

**TABLE 10**  
**OUTSTANDING GENERAL OBLIGATION DEBT**  
**(\$ in thousands)**

<u>Issue</u>	<u>Original</u> <u>Amount</u>	<u>Amount</u> <u>Outstanding</u>
General Obligation Justice System Facilities and Zoo Bonds, Series 2005 <sup>1</sup>	\$77,000	\$3,655
General Obligation Justice System Facilities Bonds, Series 2006 <sup>1</sup>	125,000	13,265
General Obligation Justice System Facilities Bonds (Denver Mini-Bond Program), Series 2007 <sup>2</sup>	8,861	8,861
General Obligation Justice System Facilities Bonds, Series 2008	174,135	132,830
General Obligations Better Denver and Zoo Bonds, Series 2009A	104,500	76,735
General Obligation Various Purpose Bonds, Series 2009B	14,415	2,595
General Obligation Better Denver Bonds, Series 2010A	37,910	13,560
General Obligation Better Denver Build America Bonds, Series 2010B	312,055	312,055
General Obligation Better Denver Bonds, Series 2010D	44,650	34,510
General Obligation Better Denver Bonds, Series 2011A	16,455	16,455
General Obligation Better Denver and Refunding Bonds, Series 2013A	120,925	105,175
General Obligation Refunding Bonds, Series 2013B1-B2 <sup>1,3</sup>	137,435	135,950
General Obligation Better Denver Bonds (Denver Mini-Bond Program), Series 2014A <sup>4</sup>	<u>12,000</u>	<u>12,000</u>
<b>TOTAL:</b>	<u><b>\$1,185,341</b></u>	<u><b>\$867,646</b></u>

- 
- 1 The Series 2013B1-B2 bonds refunded portions of the Series 2005 bonds and Series 2006 bonds.  
2 Amount excludes \$3,851,567 of compound interest on the Series 2007 Capital Appreciation Bonds.  
3 Direct bank placement; no official statement prepared.  
4 Amount excludes \$190,980 of compound interest on the Series 2014A Capital Appreciation Bonds.

(Source: Department of Finance.)

The following schedule sets forth the debt service on the City's outstanding General Obligation Bonds as of December 31, 2014.

<b>Year Ending</b>	<b>Debt Service<sup>1</sup></b>
<b><u>31-Dec</u></b>	<b><u>(\$ in thousands)</u></b>
2015	\$91,015
2016	91,029
2017	90,969
2018	91,605
2019	77,011
2020 through 2030, totaling	795,561

- 
- 1 The City previously issued Taxable General Obligation Better Denver Bonds (Direct Pay Build America Bonds), Series 2010B (the "2010B Bonds"). The amounts in this column do not include the cash subsidy payments related to the interest payable on the 2010B Bonds pursuant to the City's designation of the 2010B Bonds as "Build America Bonds." Because the subsidy is not included in the annual debt service totals, sequestration will not affect the numbers going forward.

The following schedules set forth certain debt ratios based on the City's actual and assessed valuations and General Obligation bonded debt as of December 31, 2014.

**SUMMARY OF  
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT  
(\$ in thousands)**

Total Direct General Obligation Bonded Debt	\$867,646
Overlapping General Obligation Bonded Debt <sup>1</sup>	<u>1,364,745</u>
Total Direct and Overlapping General Obligation Bonded Debt	<u>\$2,232,391</u>
Actual Valuation	\$80,891,083
Assessed Valuation <sup>2</sup>	\$11,385,251

- 
- 1 The overlapping general obligation debt represents the outstanding general obligation debt of School District No. 1. See "DEBT STRUCTURE OF THE CITY - Overlapping Debt and Taxing Entities" below for information relating to other overlapping entities.
- 2 This includes the assessed valuation that generates tax increment revenues, a portion of which are paid to DURA and are not retained by the City. See "DEBT STRUCTURE OF THE CITY - Overlapping Debt and Taxing Entities."

**DEBT RATIOS**

	<b><u>Actual Valuation</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>Per Capita<sup>1</sup></u></b>
Total Direct G.O. Bonded Debt	1.07%	7.62%	\$1,309
Total Direct and Overlapping G.O. Bonded Debt	2.76%	19.61%	\$3,369

- 
- 1 Based upon a 2014 population estimate from the State Demography Office of 662,670. The 2014 CAFR uses a population estimate from the U.S. Census Bureau of 663,862.

(Sources: Department of Finance; Office of the Assessor)

## **Excise Tax Revenue Bonds Debt Service Coverage**

Excise Tax Revenue bonds are special and limited obligations of the City, payable from a specific, dedicated source of revenue which does not pledge the full faith and credit of the City. There are two existing forms of excise tax revenue bonds differentiated by the specific taxes pledged as repayment revenues. Pledged revenues for the repayment of bonds issued to finance the construction and improvements to the Colorado Convention Center are the Lodger's Tax, the Prepared Food and Beverage Tax and the Short Term Auto Rental Tax. Revenues pledged for repayment of the bonds issued to improve the Denver Performing Arts Complex and other cultural facilities are the City's Facilities Development Admission Tax ("Seat Tax") and Occupational Privilege Tax ("OPT" or "Head Tax"). Except for refunding bonds issued to achieve savings, Denver voters must approve Excise Tax Revenue debt prior to issuance. There are no City Charter limitations stipulating maximum revenue bond debt.

***Colorado Convention Center.*** The total City Lodger's Tax, imposed on the purchase price of hotel, motel and similar temporary accommodations in the City, is 10.75%. Of that amount, 3.0% (Pledged Lodger's Tax Revenues) is pledged on parity to the payment of the 2005A, 2009A and 2009B<sup>1</sup> Bonds related to the Colorado Convention Center, and 1.75% is pledged only to the payment of the 2005A and 2009A Bonds. Of the Lodgers Tax, 2.75% is contractually pledged to the privately operated Denver Metro Convention and Visitors Bureau and not pledged for bond debt service. The Prepared Food and Beverage tax is 4.0%. Of that percentage, 0.50% is pledged to the payment of the 2005A, 2009A and 2009B<sup>1</sup> Bonds. The Short Term Auto Rental Tax of 7.25% is imposed on rentals paid on the purchase price of short-term automobile rentals. Of that percentage, 2.00% is pledged to the payment of the 2005A, 2009A and 2009B<sup>1</sup> Bonds, and 1.75% is pledged only to the payment of the 2005A and 2009A Bonds.

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<sup>1</sup> 2009B Bonds matured and were fully paid off on September 1, 2014.

The following table presents the City's calculation of the historic debt service coverage on the Convention Center Excise Tax Revenue Bonds for the years 2005 through 2014.

**TABLE 11**

**COLORADO CONVENTION CENTER RELATED  
DEBT SERVICE COVERAGE ON EXCISE TAX BONDS  
PAYABLE FROM PLEDGED REVENUES  
2005-2014  
(\$ in thousands)**

	<u>Pledged Lodger's Tax Revenues</u>	<u>Pledged Food and Beverage Tax Revenues</u>	<u>Pledged Auto Rental Tax Revenues</u>	<u>Pledged Auto Rental &amp; Lodger's Tax Increases<sup>2</sup></u>	<u>Other Sources<sup>1</sup></u>	<u>Total Pledged Revenues</u>	<u>Debt Service Requirements</u>	<u>Coverage Ratio<sup>3</sup></u>
2005	\$10,071	\$8,537	\$6,673	\$11,427	\$441	\$37,093	\$21,496	1.73
2006	12,074	9,326	7,116	13,270	677	42,463	20,385	2.08
2007	13,857	10,396	7,957	15,045	1,026	48,281	21,527	2.24
2008	15,006	10,720	7,721	15,510	849	49,806	23,745	2.10
2009	12,279	10,141	6,874	13,177	415	42,886	24,779	1.73
2010	13,703	11,116	7,707	14,738	402	47,666	24,026	1.98
2011	15,553	12,243	8,058	16,123	287	52,264	28,561	1.83
2012	16,173	12,840	8,595	16,955	324	54,887	28,531	1.92
2013	17,726	13,564	9,425	18,587	263	59,565	28,514	2.09
2014	21,092	15,202	10,894	21,835	381	69,404	28,478	2.44

1 Includes interest earnings.

2 Auto Rental Tax and Lodger's Tax Increases, both at a tax rate of 1.75%, which resulted from voter approval in the 1999 Election, are pledged solely to payment of debt service on the outstanding 2005A and 2009A Bonds.

3 For informational purposes only: Although they have been used in this calculation of coverage of total debt service, for the reason stated in the footnote above, Auto Rental and Lodger's Tax Increases may not be used for payment of the outstanding 2009B Bonds, which matured and were fully paid on September 1, 2014.

City Council has approved a November 2015 ballot measure for voter authorization of up to \$778 million of new excise tax revenue bonds for the purpose of financing tourism related projects for the National Western Center Campus and improvements to the Colorado Convention Center; and in connection with the debt authorization, eliminating the expiration date of the Lodger's Tax and the Auto Rental Tax Increases of 1.75%, currently due to expire in 2023 upon maturity of the 2005A and 2009A Bonds. The ballot measure will not result in any new tax or any increase of existing taxes. Public information about the National Western Center is available at: <https://www.denvergov.org/mayor/MayorsOffice/ProgramsInitiatives/NorthDenverCornerstoneCollaborative/NationalWesternStockShow/tabid/444513/Default.aspx>

**Denver Performing Arts Center and Other Cultural Facilities.** In 2003, the City issued Excise Tax Revenue Refunding Bonds, Series 2003, in the amount of \$28,245,000. The bonds were issued to refund outstanding Excise Tax Revenue Bonds, Series 1985A and 1985B. The Series 2003 Bonds are to be repaid from the Seat Tax and Head Tax revenues.

OPT is levied on each employee, with certain exemptions, earning \$500 or more per month who performs services within the City for an employer for any period of time. Proceeds are used to partially compensate for the City's services as an employment center.

The following table (previously broken out in three separate tables, now combined for the convenience of the reader) presents the City's calculation of the historic debt service coverage on the Series 2003 Excise Tax Revenue Bonds for the years 2005 through 2014.

**TABLE 12**

**DENVER PERFORMING ARTS COMPLEX RELATED  
DEBT SERVICE COVERAGE ON EXCISE TAX BONDS  
PAYABLE FROM PLEDGED REVENUES  
2005-2014  
(\$ in thousands)**

	<u>Seat Tax Collections</u>	<u>Payment in Lieu of Seat Taxes<sup>1</sup></u>	<u>Total Seat Tax Collections</u>	<u>Head Tax Collections</u>	<u>Total Pledged Revenues</u>	<u>Debt Service Requirements</u>	<u>Coverage Ratio</u>
2005	\$6,652	\$2,700	\$9,352	\$41,500	\$50,852	\$3,054	16.65
2006	7,316	2,700	10,016	41,503	51,519	3,055	16.86
2007	7,406	2,700	10,106	42,751	52,861	3,054	17.31
2008	7,065	2,700	9,765	43,041	52,806	3,056	17.28
2009	7,082	-	7,082	39,551	46,633	3,054	15.27
2010	7,160	-	7,160	41,819	48,979	2,558	19.15
2011	8,325	-	8,325	41,141	49,466	2,858	17.31
2012	8,986	-	8,986	43,227	52,213	3,054	17.10
2013	8,721	-	8,721	44,515	53,235	3,058	17.41
2014	9,262	-	9,262	46,438	55,700	3,054	18.24

1 In 2001, the Denver Broncos Football Club ceased playing games at a City-owned facility and began to play at Sports Authority Field at Mile High where Seat Taxes are not imposed. An Escrow and Security Agreement between the Football Club and the City was executed whereby the team was required to make Payments in Lieu of Seat Taxes in the amount of \$2,700,000 per year through the year 2008.

## **Golf Enterprise Revenue Bonds**

In 2005, the City designated the Golf Division of its Department of Parks and Recreation (the “Golf Enterprise”) as an “enterprise” within the meaning of the State Constitution and established the Golf Division Enterprise Fund. The assets of the Golf Enterprise are owned by the City and the power to operate, maintain and control the Golf Enterprise is vested in the City’s Department of Parks and Recreation. The Golf Enterprise is not authorized to levy any taxes in connection with the Golf Facilities, and changes to the rates, fees and charges collected by the Golf Enterprise are set by City Council acting by ordinance.

On March 8, 2006, the City issued \$7,365,000 of Golf Enterprise Revenue Bonds, Series 2005 (the “Series 2005 Golf Bonds”) on behalf of the Golf Division of its Department of Parks and Recreation. As of December 31, 2014, a principal amount of \$3,485,000 of the Series 2005 Golf Bonds remains outstanding. The Bonds were issued for the purpose of acquiring, maintaining, constructing, improving, installing and equipping certain City-owned golf facilities. The Bonds are special and limited obligations of the City payable solely from and secured by a first lien upon the pledged revenues of the Golf Enterprise from the operation of its golf facilities, which means all City-owned land, buildings, man-made structures, and equipment used to operate golf courses within the Golf Enterprise. The Bonds are also payable under certain circumstances from a reserve account and a rate maintenance account.

Tables 13 and 14 summarize the debt service coverage ratios of the Golf Enterprise and the Golf Facilities, based upon the revenues and expenditures of the Golf Enterprise for the past five years. In 2013, Operation and Maintenance Expenses included a one-time accounting adjustment reflected as a non-cash charge of \$617,324 to reflect prior years’ accounting inconsistencies which required reconciliation. Calculated based upon Bond Ordinance 891, Series of 2005 (the “Golf Bond Ordinance”), the debt service coverage ratio for 2013 was 1.68. In 2014, Operation and Maintenance Expenses included a net non-cash charge of \$1,318,108 related to a capital lease financing to acquire golf carts. Calculated based upon the Golf Bond Ordinance, the debt service coverage ratio for 2014 was 2.19. See “Accounting of Capital Assets” below.

***Accounting of Capital Assets:*** As further described in the Notes to Basic Financial Statements in the City’s 2014 CAFR, assets to be acquired pursuant to capital leases are to be recorded at the present value of future minimum lease payments and amortized over the shorter of the lease term or the estimated useful life of the asset. The City maintains an internally established capitalization threshold of \$5,000 for the asset. Under the City’s internally established policies, assets purchased under capital leases which fall below the capitalization threshold are to be fully expensed in the year purchased.

On December 31, 2009, the Golf Enterprise entered into a non-certificated capital lease financing transaction to acquire golf carts for a principal amount of \$617,324. Because the total principal amount exceeded the City’s capitalization threshold, this lease was accounted for by the Golf Enterprise as a capital asset which depreciated under the straight-line method over a 5 year useful life. However, the Office of the Controller uses a capitalization policy that assets must have a value over \$5,000 on a per unit basis, and therefore the entire principal amount of the lease should have been expensed in 2009. This resulted in a one-time, non-cash charge of \$617,324 taken in 2013 to correct the booking which had occurred in 2009. This lease was fully paid off in 2014.

On July 15, 2011, the Golf Enterprise entered into a second non-certificated capital lease financing transaction to acquire golf carts for a principal amount of \$129,942. The full amount was expensed in 2011 as a non-cash charge in accordance with the Office of the Controller’s capitalization policy and this amount was correctly reported in previous disclosures. This lease was fully paid off in 2014.

On May 30, 2014, the Golf Enterprise entered into a third non-certificated capital lease financing transaction to acquire golf carts for a principal amount of \$1,318,108. This did not meet City’s capitalization threshold on a per unit basis, and therefore resulted in a net non-cash expense of \$1,318,108 in 2014.

Table 13 below shows the calculation of the debt service coverage ratio from 2010 through 2014 based on audited CAFR figures which reflect the City's internally adopted threshold for accounting of capital assets.

**TABLE 13**

**Historical Coverage Based on CAFR Figures**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$8,743,774	\$8,927,642	\$9,761,412	\$9,521,319	\$ 10,881,173
Rate Maintenance Account	<u>240,403</u>	<u>240,403</u>	<u>240,403</u>	<u>240,403</u>	<u>240,403</u>
Golf Enterprise Fund Gross Revenue	8,984,177	9,168,045	10,001,815	9,761,722	11,121,576
Operation and Maintenance Expenses	<u>6,710,271</u>	<u>7,376,802</u>	<u>7,766,043</u>	<u>9,231,856</u>	<u>10,935,965</u>
Net Pledged Revenue	2,273,906	1,791,243	2,235,772	529,866	185,611
Maximum Annual Debt Service	\$686,865	\$686,865	\$686,865	\$686,865	\$686,865
Coverage	3.32	2.61	3.26	0.77	0.27

(Source: Denver Parks and Recreation)

Table 14 shows the City's calculation of the debt service coverage ratio from 2010 through 2014 utilizing the standard practice under GASB of depreciation of lease financed capital assets over the useful life of the asset. The allowance for depreciation is expressly excluded from Operation and Maintenance Expenses under the Golf Bond Ordinance. In addition, under the Golf Bond Ordinance, the one-time, non-current, non-cash charge taken in 2013 for prior accounting inconsistencies occurring in 2009 should be excluded from Operation and Maintenance Expenses.

**TABLE 14**

**Historical Coverage Based on Golf Bond Ordinance**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$8,743,774	\$8,927,642	\$9,761,412	\$9,521,319	\$10,304,073 <sup>2</sup>
Rate Maintenance Account	<u>240,403</u>	<u>240,403</u>	<u>240,403</u>	<u>240,403</u>	<u>240,403</u>
Golf Enterprise Fund Gross Revenue	8,984,177	9,168,045	10,001,815	9,761,722	10,544,476
Operation and Maintenance Expenses	<u>6,710,271</u>	<u>7,376,802</u>	<u>7,766,043</u>	<u>8,614,532</u> <sup>1</sup>	<u>9,040,757</u> <sup>2</sup>
Net Pledged Revenue	2,273,906	1,791,243	2,235,772	1,147,190	1,503,719
Maximum Annual Debt Service	\$686,865	\$686,865	\$686,865	\$686,865	\$686,865
Coverage	3.32	2.61	3.26	1.67	2.19

- 1 2013 Operation and Maintenance Expense excludes a one-time, non-current, non-cash charge of \$617,324 in Supplies and Materials Expenses to reflect prior years' accounting inconsistencies.
- 2 2014 Operation and Maintenance Expense excludes a non-cash expense of \$1,895,208 in Supplies and Materials Expenses for the gross cost of leased golf carts that did not meet City's capitalization threshold. 2014 Operating Revenues excludes \$577,100 of revenues reflecting the trade-in value of older golf carts related to the same lease. The net effect to Net Pledged Revenue is \$1,318,108, equal to the principal amount of the 2014 golf cart capital lease financing.

(Source: Denver Parks and Recreation)

The following table sets forth comparative, operating results of the Golf Enterprise for Fiscal Years 2010 through 2014.

**TABLE 15**

**City of Denver, Colorado – Golf Division Enterprise Fund - Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances.**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues					
Golf Charges	\$8,743,774	\$8,923,603	\$9,717,333	\$9,521,319	\$10,289,915
Other Revenue	<u>-</u>	<u>4,040</u>	<u>44,079</u>	<u>-</u>	<u>591,258<sup>3</sup></u>
Total Operating Revenues	<u>\$8,743,774</u>	<u>\$8,927,642</u>	<u>\$9,761,412</u>	<u>\$9,521,319</u>	<u>\$10,881,173</u>
Operating Expenses					
Personnel Services	\$4,225,271	\$4,063,704	\$4,234,326	\$4,606,117	\$5,132,359
Contractual Services	71,000	573,646	348,153	350,022	614,338
Supplies and Materials	731,000	1,004,913	815,861	1,607,081 <sup>2</sup>	3,050,851 <sup>4</sup>
Depreciation Expense	902,994	1,129,878	929,107	1,002,716	1,120,810
Other Operating Expenses <sup>1</sup>	<u>1,683,000</u>	<u>1,734,539</u>	<u>2,367,703</u>	<u>2,668,636</u>	<u>2,138,417</u>
Total Operating Expenses	<u>\$7,613,265</u>	<u>\$8,506,680</u>	<u>\$8,695,150</u>	<u>\$10,234,572</u>	<u>\$12,056,775</u>
Operating Income (Loss)	1,130,509	420,962	1,066,262	(713,253)	(1,175,602)
Non-Operating Revenue (Expenses)					
Investment and Interest Income	41,003	(267,069)	34,519	(39,740)	50,380
Interest Expenses	<u>(295,657)</u>	<u>75,000</u>	<u>(242,795)</u>	<u>(224,277)</u>	<u>(195,125)</u>
Income(Loss)	875,855	228,893	857,986	(977,270)	(1,320,347)
Net Assets – January 1	<u>13,363,100</u>	<u>14,238,954</u>	<u>14,467,848</u>	<u>15,325,834</u>	<u>14,253,564</u>
Net Assets – December 31	\$14,238,954	\$14,467,848	\$15,325,834	\$14,253,564	\$12,933,217

- 1 Major costs include payments made to City for employee costs, Workers Compensation and payroll processing.
- 2 Supplies and Materials Expenses and Operating Income in 2013 impacted by a one-time, non-cash charge of \$617,324 to reflect prior years' accounting inconsistencies.
- 3 Other revenue in 2014 includes \$577,100 of revenues reflecting the trade-in value of older golf carts related to the purchase of new golf carts financed by a capital lease.
- 4 Supplies and Materials Expenses and Operating Income in 2014 impacted by a non-cash expense of \$1,895,208 for leased golf carts that did not meet City's capitalization threshold.

(Source: Denver Parks and Recreation)



**Usage of Courses and Multi-Year Green Fees.** Usage of the courses of the Golf Facilities in the last full five years are represented in Table 16. Table 17 reflects the green fees in effect on December 31, 2014.

**TABLE 16**

**Total Rounds Played**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Aqua Golf	16,314	16,329	14,617	13,935	13,363
City Park	41,228	43,415	48,978	46,148	50,751
Evergreen	20,655	19,609	23,858	19,053	19,331
Harvard Gulch	30,043	28,346	31,038	28,275	27,671
Kennedy <sup>1</sup>	86,966	82,671	96,949	89,579	85,408
Overland	46,760	45,696	49,490	42,118	45,277
Wellshire	49,580	48,453	52,410	49,016	52,274
Willis Case	<u>49,134</u>	<u>47,085</u>	<u>53,774</u>	<u>48,153</u>	<u>50,079</u>
Total	340,680	331,604	371,114	336,277	344,154

- 1 This facility offers two separate 18 hole miniature golf courses and has a signature aquatic driving range.
- 2 Kennedy Golf Course has a miniature golf course; however, miniature golf rounds are not included in total rounds played.

(Source: Denver Parks and Recreation)

**TABLE 17**

**Schedule of Green Fees<sup>1</sup> in effect on December 31, 2014 – Denver Golf Courses**

<u>Category of Play</u>	<u>City Park</u>	<u>Evergreen</u>	<u>Harvard Gulch<sup>2</sup></u>	<u>Kennedy</u>	<u>Overland</u>	<u>Wellshire</u>	<u>Willis Case</u>
18-Hole - Weekday	\$27.00	\$27.00	N/A	\$27.00	\$27.00	\$27.00	\$27.00
18-Hole - Weekend/Holiday	\$40.00	\$36.00	N/A	\$40.00	\$40.00	\$40.00	\$40.00
18-Hole - Senior (Weekday Only)	\$20.00	\$20.00	N/A	\$20.00	\$20.00	\$20.00	\$20.00
18-Hole - Junior (Weekday Only)	\$13.00	\$13.00	N/A	\$13.00	\$13.00	\$13.00	\$13.00
9-Hole - Weekday	\$17.00	\$17.00	9.00	\$17.00	\$17.00	\$17.00	\$17.00
9-Hole - Weekend/Holiday	\$20.00	\$20.00	9.00	\$20.00	\$20.00	\$20.00	\$20.00
9-Hole - Senior (Weekday Only)	\$11.00	\$11.00	7.00	\$11.00	\$11.00	\$11.00	\$11.00
9-Hole - Junior (Weekday Only)	\$8.00	\$8.00	7.00	\$8.00	\$8.00	\$8.00	\$8.00

- 1 The City charges the same fees for residents and non-residents.
- 2 Harvard Gulch is a 9-hole par 3 course.

(Source: Denver Parks and Recreation)

## Overlapping Debt and Taxing Entities

The following information has been supplied by the overlapping entities described below and the City has not attempted to verify the accuracy thereof.

***School District No. 1 in the City and County of Denver.*** School District No. 1 (the “School District”) has identical boundaries with the City. As of December 31, 2014, the School District had \$1,364,745,175 aggregate principal amount of general obligation bonds outstanding.

The School District has entered into annually renewable lease purchase arrangements from time to time in which certificates of participation have been executed and delivered by trustees for the transactions. As of December 31, 2014, the aggregate principal amount of such certificates outstanding was \$1,025,673,563. Neither the lease purchase agreements nor the related certificates executed and delivered by the trustees are considered debt or multiple-fiscal year financial obligations of the School District for State law purposes. The obligations of the School District to make lease payments for each year are subject to annual appropriations by the Board of Education.

***Metro Wastewater Reclamation District.*** Metro Wastewater Reclamation District (the “Sewage District”), a governmental and political subdivision of the State, was organized in 1961 and currently includes the City and numerous other adjacent municipal units. Each municipal unit presently owns and operates a sewer system and voluntarily became part of the Sewage District in order to construct and operate a sewage disposal system in the Denver metropolitan area. Under service contracts with the Sewage District, each municipal unit is obligated to pay the Sewage District for the costs of services rendered (including debt service) based on usage of the Sewage District’s facilities. Each municipal unit imposes taxes or charges sufficient to fund its share of Sewage District costs.

The City is meeting its obligation to the Sewage District from a sewer service charge collected from the System’s users. The Sewage District assessed the City charges of \$44,200,243 for 2014. The Sewage District had outstanding \$618,635,000 aggregate principal amount of bonds as of December 31, 2014.

***Regional Transportation District.*** The Regional Transportation District (“RTD”), a governmental and political subdivision of the State, was established in 1969, and currently includes the City, Boulder, City and County of Broomfield and Jefferson Counties and portions of Adams, Arapahoe, Weld and Douglas Counties. RTD is empowered to develop, maintain and operate a mass transportation system within its boundaries. RTD may levy up to one-half of one mill on all taxable property within the RTD for the payment of its expenses in situations of deficiencies, subject to the provisions of State constitutional revenue and spending limitations. RTD has not exercised its power to levy a general ad valorem property tax since 1976. At an election held within the RTD in 2004, voters approved an increase to the RTD’s sales tax rate from 0.6% to 1.0% and authorized debt in the amount of \$3.477 billion to be spent on the construction and operation of a transit expansion plan known as FasTracks. As of December 31, 2014, approximately \$2.492 billion of FasTracks debt has been issued and \$2.449 billion of principal is currently outstanding. RTD also has \$167,105,000 of principal outstanding on non-FasTracks debt and \$1,064,745,000 of principal outstanding on certificates of participation related to various lease purchase and installment sales arrangements under which RTD is the lessee or purchaser.

RTD is in the process of expanding commuter and light rail service throughout the greater Denver metropolitan area, the “RTD FasTracks Program.” RTD has awarded a design-build-operate-maintain contract for the “East Corridor” of the program, to consist of a commuter rail line connecting Denver Union Station, located in downtown Denver, with Denver International Airport (the “Airport”). The East Corridor rail service currently is planned by RTD to commence in 2016 and will be funded largely by Denver Transit Partners, a concessionaire selected by RTD to design, construct, operate and maintain the line. Neither the City nor the Department of Aviation has any obligation in respect of the design, construction, operation or maintenance of the rail line, nor will they receive any revenue from the use of the commuter rail service. In March 2010, the City, for and on behalf of the Department of Aviation and RTD entered into the Intergovernmental Agreement for the FasTracks East Corridor Project (the “FasTracks East Corridor IGA”), and while the City does not have responsibility for the commuter rail line or service, the City does have certain duties under the FasTracks East Corridor IGA. Under the FasTracks East Corridor IGA, pursuant to which RTD agreed to lease property at the Airport and construct the rail lines and

supporting infrastructure for the East Corridor project, and the Department of Aviation, among other things, is required to finance and build a “terminal-to-station” interface at the Airport. On December 31, 2013, the Department of Aviation met its obligation under the FasTracks East Corridor IGA to have the Airport Terminal Station substantially completed by January 1, 2014, allowing RTD complete and uninterrupted access in order that RTD may complete the installation and begin operation testing of the commuter rail line. The Department of Aviation will be responsible for operating and maintaining only certain portions of the Airport Rail Station. The term of the FasTracks East Corridor IGA extends through 2056, unless earlier terminated in writing by mutual consent of the parties, or by court order. The FasTracks East Corridor IGA provides that the Department of Aviation will grant a lease of certain property at the Airport to RTD with an initial term of 50 years, and up to three renewal periods of 15 years each, with each renewal being subject to FAA approval.

The FasTracks East Corridor IGA was amended in 2012 to provide for various double track improvements and the City funded its obligations under the amendment through a 2012C1-C3 Lease Purchase Agreement dated May 17, 2012 with Denver Properties Leasing Trust, as lessor, which executed and delivered Certificates of Participation in a principal amount of \$45,000,000 (see Table 20). See also “THE AIRPORT SYSTEM – The 2013-2018 Capital Program.”

***Urban Drainage and Flood Control District.*** The Urban Drainage and Flood Control District (the “Drainage District”), a governmental and political subdivision of the State, was established in 1969 and includes the City and portions of Adams, Arapahoe, Boulder, Broomfield, Douglas and Jefferson Counties. The Drainage District was established to provide flood control and drainage facilities for the areas within the Drainage District. The Drainage District may levy up to 1/10 mill to defray engineering and operating expenses, up to 4/10 mill for construction costs and up to 4/10 mill for maintenance expenses. Beginning with taxes levied in 1986 and collected in 1987, a 1/10 mill for a special revenue fund for the South Platte River basin was authorized. Authorization for an additional levy may be obtained by voter approval. The Drainage District has no outstanding bonded indebtedness. Projects undertaken by the Drainage District to date have been financed from ad valorem taxes and local government matching contributions.

***Other Overlapping Taxing Entities.*** There are a number of taxing entities whose boundaries overlap the City or portions thereof and have general obligation debt which is paid from property taxes levied upon property of land owners within the City. Assessed valuation and mill levy information for these taxing districts is provided in the following table.

**TABLE 18**  
**CITY AND COUNTY OF DENVER**  
**OVERLAPPING TAXING DISTRICTS WITH GENERAL OBLIGATION DEBT**  
**Year Ending December 31, 2014**

<b>Taxing District</b>	<b>Assessed Valuation Attributable to Denver</b>	<b>% of Total Denver Assessed Value</b>	<b>2014 Mill Levy<sup>4</sup></b>
Adams County Fire Protection <sup>1</sup>	\$6,589,140	0.06%	17.286
BMP Metropolitan No 2 (debt) <sup>2</sup>	12,779,360	0.11	18.400
Bowles Metropolitan <sup>1</sup>	24,292,390	0.21	42.000
Central Platte Valley Metro <sup>2</sup>	71,105,490	0.62	49.000
Central Platte Valley Metro (debt) <sup>2</sup>	57,577,400	0.51	16.000
Cherry Creek North B.I.D.	159,219,860	1.40	17.642
Colo. Int. Center Metro No 14 <sup>2</sup>	8,446,680	0.07	60.000
Denargo Market Metro No 2 <sup>2</sup>	5,174,290	0.05	40.000
Denver Gateway Center Metro	3,054,020	0.03	37.865
Denver Intl. Bus. Ctr Metro No 1	16,200,030	0.14	40.000
Ebert Metropolitan <sup>2</sup>	58,361,060	0.51	75.000
Ebert Metropolitan (debt) <sup>2</sup>	1,906,680	0.02	58.000
Fairlake Metropolitan <sup>2</sup>	19,031,180	0.17	32.681
Fairlake Metropolitan (debt) <sup>2</sup>	8,787,020	0.08	22.000
Gateway Regional Metro	34,962,090	0.31	16.000
Gateway Village G.I.D.	17,861,970	0.16	32.500
Goldsmith Metropolitan <sup>1</sup>	226,551,070	1.99	11.750
Greenwood Metropolitan <sup>1</sup>	1,859,440	0.02	13.839
Madre Metropolitan Dist. No. 2 <sup>2</sup>	6,288,980	0.06	50.000
Mile High Business Center Metro	20,253,580	0.18	35.000
Sand Creek Metropolitan <sup>1,2</sup>	25,376,190	0.22	35.500
Sand Creek Metropolitan (debt) <sup>1,2</sup>	9,016,070	0.08	20.000
SBC Metropolitan	62,212,660	0.55	35.000
Section 14 Metro <sup>1,2</sup>	7,870,650	0.07	23.552
Section 14 Metro (debt Raccoon) <sup>1,2</sup>	3,028,900	0.03	19.038
Section 14 Metro (debt Fairmark) <sup>1,2</sup>	3,369,410	0.03	6.846
Southeast Public Improvement Metro <sup>1</sup>	226,836,510	1.99	2.000
<u>Westerly Creek Metro<sup>2</sup></u>	<u>329,249,660</u>	<u>2.89</u>	<u>55.986</u>
<u>Special District Total Assessed Value</u>	<u>\$1,427,261,780</u>	<u>12.54%</u>	
Denver Total Assessed Value <sup>3</sup>	\$11,385,251,250		

1 District also has assessed value located in more than one county.

2 Includes related districts which have separate financing and taxing roles; financing districts may not be listed in the chart above due to insignificant assessed value.

3 This includes the assessed valuation that generates tax increment revenues, a portion of which are paid to DURA and are not retained by the City. See "DEBT STRUCTURE OF THE CITY- Overlapping Debt and Taxing Entities."

4 The mill levy represented is the total mill levy for each respective district, not only the bond mill levy.

(Source: Office of the Assessor)

## **City Discretionary Support Payments**

***Denver Urban Renewal Authority Contingent and Discretionary Payments.*** The Denver Urban Renewal Authority (“DURA”) issued its Stapleton Senior Subordinate Tax Increment Revenue Bonds, Series 2010B-1 (the “Series 2010B-1 DURA Bonds”) in the aggregate principal amount of \$100,740,000. The Series 2010B-1 DURA Bonds are secured by certain tax increment revenues (the “DURA Pledged Revenues”) and a debt service reserve fund (the “DURA Series 2010B-1 Reserve Fund”) in the initial amount of \$6 million. The Series 2010B-1 DURA Bonds are scheduled to be outstanding until December 1, 2025. In order to support the redevelopment activities funded by the Series 2010B-1 DURA Bonds, the City has entered into a Services Agreement, dated April 1, 2010 (the “2010 Services Agreement”) with DURA in which the City’s Manager of Finance has agreed to request that the City Council consider appropriating funds to replenish the DURA Series 2010B-1 Reserve Fund to the extent that DURA Pledged Revenues are not sufficient to pay the principal and interest on the Series 2010B-1 DURA Bonds in any year and amounts are withdrawn from the DURA Series 2010B-1 Reserve Fund. In any year, the City’s Manager of Finance is not obligated to seek an appropriation which would exceed the maximum annual debt service payments due on the Series 2010B-1 DURA Bonds and the requested amount is not to exceed \$12 million annually. The City Council’s decision to appropriate such funds is to be by ordinance without compulsion and solely in the City Council’s discretion. The City Council has never been requested to appropriate funds under the 2010 Services Agreement. DURA has agreed to repay amounts appropriated by the City with interest, subject to senior DURA financial commitments.

***Denver Union Station Project Authority Contingent and Discretionary Payments.*** The City is cooperating with RTD, the Colorado Department of Transportation (“CDOT”) and the Denver Regional Council of Governments (“DRCOG”) to finance and construct a multi-modal hub for the region’s transit system at the Denver Union Station site (the “DUS Project”). The City created the Denver Union Station Project Authority (“DUSPA”), a Colorado nonprofit corporation and instrumentality of the City, for the purpose of financing, owning, constructing, operating and maintaining the DUS Project. In order to finance the transportation elements of the DUS Project, DUSPA negotiated loans (collectively, the “DOT Loans”) with the U.S. Department of Transportation to fund the DUS Project. The DOT Loans are secured by an indenture (the “DOT Indenture”) which provides for debt service reserve funds (the “DOT Reserve Funds”) to be drawn upon in the event that DUSPA does not make required payments when due under the DOT Loans. In consideration of the benefits to be derived by the City as a result of the completion of the DUS Project, the City has entered into a Contingent Commitment and Services Agreement, dated February 9, 2010 (the “Contingent Commitment Agreement”), with DUSPA and the trustee under the DOT Indenture pursuant to which the City has agreed, subject to annual appropriation, to replenish one of the DOT Reserve Funds up to an amount agreed upon within the DOT Indenture (but in no event greater than \$7.15 million) in the event of a draw on such fund. The City Council’s decision to appropriate such funds is by ordinance without compulsion and solely in the City Council’s discretion. The City Council has never been requested to appropriate funds under the Contingent Commitment Agreement. DUSPA is required under the terms of the Contingent Commitment Agreement to reimburse the City for the amount of its payments with interest, subject to prior DUSPA financial commitments.

**Denver Convention Center Hotel Authority.** In the spring of 2003, the City created the Denver Convention Center Hotel Authority for the express purpose of acquiring, constructing, equipping, operating and financing a convention center headquarters hotel, parking garage and supporting facilities across the street from the Colorado Convention Center. In June 2003, the Authority issued its own special limited obligation revenue bonds in the amount of \$354 million to finance the hotel and contract independently with a developer and operator for the hotel. The hotel opened as scheduled on December 20, 2005. In April 2006, the Authority issued \$356 million in refunding bonds to fully refund the 2003 revenue bonds. The refunding bonds are payable from hotel revenues, and the hotel is mortgaged by the Authority to the bond trustee to secure the bonds. The Authority has no taxing power. The City did not pledge its own credit to support the hotel project and did not create any multiple-fiscal year direct or indirect debt or other financial obligation of the City in connection with the financings. However, the City entered into an Economic Development Agreement with the Authority under which, the City makes payments in consideration of various agreements with the Authority regarding the hotel’s construction and operation in respect of the Convention Center and of the economic benefits to the City expected to be derived from the construction and operation of the hotel, subject to annual appropriation by the City Council. The City has made all payments under the Economic Development Agreement through December 31, 2014. The remaining Economic Development Payments are set forth in Table 19. The Economic Development Agreement is subject to termination on each December 31 according to its terms and expires no later than December 31 of the thirty-fifth calendar year after the opening of the Denver Convention Center Hotel.

**TABLE 19**

**DENVER CONVENTION CENTER HOTEL  
ECONOMIC DEVELOPMENT PAYMENTS**

<b><u>On or Before the 14<sup>th</sup> Day Prior to the Following Date:</u></b>	<b><u>Amount</u></b>
June 1, 2015	\$5,000,000
December 1, 2015	\$5,000,000
June 1, 2016	\$5,250,000
December 1, 2016	\$5,250,000
June 1, 2017	\$5,375,000
December 1, 2017	\$5,375,000
Each December 1 and June 1 after 2018 until 2040	\$5,500,000

**PENSION PLANS**

The majority of the City’s employees are covered under the Denver Employees Retirement Plan (“DERP”). Employees of the police department and the fire department are covered by separate retirement plans affiliated with and administered by the Fire and Police Pension Association (“FPPA”). DERP’s pension plan and the FPPA Plans are described below and at Note G in the “Other Note Disclosures” section of the City’s 2014 CAFR.

**Denver Employees Retirement Plan**

The following information has been taken from the 2014 Comprehensive Annual Financial Report of DERP (the “DERP 2014 CAFR”) and has not been verified by the City.

DERP is a defined benefit plan. Its purpose is to provide retirement benefits to qualified members of the City and County of Denver and the Denver Health and Hospital Authority. DERP has separate legal standing and has no financial responsibility to the City. The assets of DERP are funds held in trust by DERP for the exclusive purpose of paying pension and certain postemployment health benefits to eligible members. DERP health benefits are described below under “OTHER POST EMPLOYMENT BENEFITS – DERP OPEB Plan.”

The Denver Health and Hospital Authority (“DHHA”) was established in 1996, and effective January 1, 1997, DHHA made contributions to DERP on behalf of its Denver Career Service Authority employees who were members of DERP.

DERP membership consisted of the following as of December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Retirees and beneficiaries currently receiving benefits	8,481	8,815
Terminated employees entitled to benefits but not yet receiving such benefits	3,414	3,466
Current employees:		
Vested	5,977	5,584
Non-vested	<u>2,327</u>	<u>2,905</u>
<b>TOTAL</b>	<u>20,199</u>	<u>20,770</u>

DERP provides retirement benefits plus death and disability benefits. Members who were hired before July 1, 2011, and retire at or after the age of 65 (or at age 55 if the sum of their age and credited years of service is at least 75) are entitled to an annual retirement benefit, in an amount equal to 2.0% of their final average salary for each year of credited service, payable monthly for life. Effective for employees hired after September 1, 2004, the formula multiplier was reduced to 1.5%. Final average salary is based on the member’s highest salary during a 36 consecutive month period of credited service. Members with 5 years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

For members who were hired after July 1, 2011, they must be age 60 and added to credited years of service of summing to equal at least 85 in order to receive a normal retirement prior to age 65. Final average salary is based on the member’s highest salary during a 60 consecutive month period of credited service. Five year vesting is required of all employees in order to qualify for a benefit, regardless of their age at the time of termination of employment.

Annual cost of living adjustments to retirement benefits are authorized only by vote of the Retirement Board, and only when sufficient excess funds are available to cover the cost of any such increase in benefits over the lifetime of all retired members; however, no cost of living adjustment has been made since 2002. The estimated cost of benefit and contribution provisions is determined annually by an independent actuary, recommended by the DERP’s board and enacted into ordinance by the Denver City Council.

The following are DERP contribution requirements and dates on which contribution requirement changes took effect.

	January 1, 2005	January 1, 2010	January 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
City Contribution	8.50%	8.50%	9.50%	10.25%	11.00%	11.20%	11.50%
Employee Contribution	<u>2.50%</u>	<u>4.50%</u>	<u>5.50%</u>	<u>6.25%</u>	<u>7.00%</u>	<u>7.30%</u>	<u>8.00%</u>
Total	11.00%	13.00%	15.00%	16.50%	18.00%	18.50%	19.50%

As of December 31, 2014, the total net plan assets were \$2,133,128,481. Per DERP’s independently audited 2014 Comprehensive Annual Financial Report, as of January 1, 2014, the most recent actuarial valuation, 76.4% of the plan’s actuarial accrued liabilities were covered by actuarial value of assets.

On August 11, 2015, DERP filed a bill request seeking City Council approval of changes in the DERP governing ordinance, one of which is a requested change in the “actuarially assumed rate of investment return” for the plan, from 8.0% to 7.75%. This request indicates that it is being made “in light of work done by DERP’s investment consultant indicating lower 10-year expected returns for the DERP-specific asset allocation.” The other requested changes to this ordinance are stated to be non-substantive, technical changes. There is no proposed change to the DERP contribution requirements for 2016 in the bill request.

### **Fire and Police Pension Plans**

All full-time fire fighters and police officers in the classified service of the City hired on or after April 8, 1978 (“New Hires”) participate in the Statewide Defined Benefit Plan (“New Hire Plan”), a cost-sharing multiple-employer public employee retirement system. The New Hire Plan is administered by the FPPA. Pursuant to Colorado Revised Statutes §31-31-701(2), which was deleted in 2014 as obsolete, full-time City firefighters and police officers in the classified service hired prior to April 8, 1978 (“Old Hires”) participate in the City’s Old Hire Pension Plans, unless the Old Hires elected to become covered by the New Hire Plan before March 1, 1981. The FPPA manages investments, and administers the contributions to, and distributions from, the Old Hire Plans. The City’s Police Pension and Relief Board and the Trustees of the Firefighters Pension Fund administer various other matters relating to the Old Hire Plans.

As of January 1, 2014, the most recent valuation, actuarial reports stated that the plans for fire fighters and police officers hired before April 8, 1978, were funded at 73.3% and 90.8%, respectively. The City’s contributions to FPPA for employees hired before April 8, 1978, for the years ended December 31, 2014, 2013 and 2012, were \$28,458,000, \$30,206,000 and \$24,715,000, respectively.

For FPPA, covered employees under the New Hire Plan contribute at the rate of at least 8% of base salary. The City also made contributions for the years ended December 31, 2014, 2013 and 2012, for police officers and fire fighters hired on or after April 8, 1978, in the amounts of \$14,229,000, \$14,650,000 and \$15,445,000, respectively. As of January 1, 2014, the most recent valuation, the actuarial report states that under current law benefits, which assume no cost-of-living adjustments, the New Hire Plan is funded at 100.9%.



## **OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described above, the City provides health insurance benefits to eligible retirees and their qualifying dependents. Current and retired employees participate in the same group plans with blended premium rates creating an implicit benefit for the retirees in the plans. The City's contribution toward the implicit rate subsidy is based on pay-as-you-go funding for the retirees. The plans for eligible DERP and FPPA retirees are described below and at Note H in the "Other Note Disclosures" section of the City's 2014 CAFR.

### **DERP OPEB Plan**

DERP retirees are responsible for 100% of the blended premium rate. They may choose to use their health benefit toward the premium costs. The health benefit associated with the DERP pension provides monthly health insurance premium reduction of \$12.50 per year of service for retired participants under the age of 65 and \$6.25 per year of service for retirees 65 and older. Per DERP's independently audited 2014 Comprehensive Annual Financial Report, 55.2% of the plan's accrued liabilities were covered by valuation assets.

### **OPEB for Collectively Bargained Agreements**

The City has collectively bargained agreements with the Sheriff, Police, and Fire Departments employees. Each of those agreements provides for post employment benefits as individually negotiated. All collectively bargained agreements are of public record and available in the Clerk and Recorder's Office.

The Sheriff Department employees are treated as DERP employees for purposes of retirement including their post employment health benefits but have additional bargained benefits, including funeral expenses for death in the line of duty, within the collectively bargained agreement. Police and Fire Department employees or their survivors receive contractual payments for their respective non-City post employment health plans, funeral expenses, and statutorily required death and disability coverages.

## LEASE PURCHASE AGREEMENTS

### Certificated Lease Purchase Agreements

The City has completed lease purchase transactions structured with an independent lessor who sells Certificates of Participation (COPs) representing proportionate interests in the lessor's right to receive rentals and revenues paid by the City pursuant to lease purchase agreements executed to facilitate the financing of certain public capital projects. Neither the lease purchase agreements nor the COPs constitute general obligations or other indebtedness of the City within the meaning of any constitutional, statutory, or Charter debt limitations. Under its various lease purchase agreements, the City has the right to appropriate or not appropriate the rental payments due for the then current fiscal year. In the event of nonappropriation, the respective lease purchase agreement terminates and the related COPs are then payable solely from the proceeds received by the trustee for the benefit of the owners of the COPs. If appropriated for the applicable fiscal year, the City has the obligation to pay rentals for that year.

*Certificated Lease Purchase Transactions.* Certificates of participation have been executed and delivered in conjunction with various lease purchase agreements discussed in the paragraph above. Principal portions of Base Rentals under these lease purchase agreements outstanding as of December 31, 2014 are summarized in Table 20.

**TABLE 20**  
**SCHEDULE OF LEASE PURCHASE TRANSACTIONS**  
**AND RELEASE DATES**  
**AS OF DECEMBER 31, 2014<sup>1</sup>**

<u>Series</u>	<u>Outstanding Principal</u> <u>Amount</u>	<u>Leased Property</u>	<u>Date Lease Property</u> <u>Scheduled to be Acquired</u>
2005A	\$ 19,000,000	Human Services Campus	May 1, 2020
2008A1-A3	236,275,000	Wellington E. Webb Office Building	December 1, 2031
2008B	16,665,000	Denver Botanic Gardens Parking Facility	December 1, 2028
2010A <sup>2</sup>	19,410,000	Central Platte Campus	December 1, 2030
2010B	19,445,000	Wastewater Office Building/Roslyn Maintenance Facility	December 1, 2021
2012A	8,330,000	Denver Cultural Center Parking Garage	December 1, 2021
2012C1-C3 <sup>2</sup>	42,710,000	Denver Properties Leasing Trust	December 1, 2031
2013A	<u>33,755,000</u>	Buell Theatre	December 1, 2023
<b>TOTAL</b>	<b><u>\$395,590,000</u></b>		

<sup>1</sup> Does not include certificates of participation executed and delivered in June 2015.

<sup>2</sup> Direct bank placements; no official statement prepared.

### Non-certificated Lease Purchase Agreements

As of December 31, 2014, the City was the lessee under various other capitalized lease obligations for the lease purchase of real property and equipment outstanding in a principal amount of \$23,950,334 compared to \$7,041,507 as of December 31, 2013. At the end of the final term of each such leases, the City expects to own the real property and equipment which are the subject of such leases. Certificates of participation relating to these leases have not been executed and delivered.

## DENVER WATER BOARD

In November 1870 the privately owned Denver City Water Company was organized. It was merged into the Denver Union Water Company in October 1894, along with several smaller companies servicing various parts of a growing Denver. In November 1918, the governing board of the Denver Water Department purchased the Water Company for the citizens of the City. Article X of the Charter of the City establishes the Denver Water Department, which is under the control of a five-member, nonpartisan Board of Water Commissioners (the “Denver Water Board”), and vests the charge and control of the City’s water system and plant in the Denver Water Board. All revenues of the water system are accounted for in the Water Works Fund, disbursements from which are controlled by the Denver Water Board. Members of the Denver Water Board are appointed by the Mayor of the City for overlapping six year terms.

The Denver Water Board is an independent and non-political agency of the City. The Denver Water Board may issue revenue bonds that are payable solely from the net revenues of the operations of the Denver Water Board but, since 2003, the Denver Water Board has not had the authority under the City Charter to issue general obligation bonds of the City and there are no Denver Water Board general obligation bonds outstanding. Financial Statements for Denver Water are available at: <http://www.denverwater.org/AboutUs/FinancialInformation/>.

## WASTEWATER MANAGEMENT SYSTEM

The Wastewater Management Enterprise Fund (“Wastewater”), a department within the City’s Department of Public Works, was established to account for the sanitary sewer and storm operations of the City. The City’s wastewater collection facilities consist of approximately 1,543 miles of sanitary sewer lines and 820 miles of storm drainage lines of various compositions, overall ranging in size from 8” to more than 120” in diameter. Denver’s system uses 5 sanitary sewer lift stations and 9 storm sewer lift stations which are currently in service as well as gravity flow stations.

Denver maintains an active line maintenance program, which uses television and sealing units to monitor line condition and seal joints. Denver employs a regular maintenance schedule to flush out lines, a grout process to repair slight breaks, and trenchless technology to replace lines. Maintenance and replacement have historically been funded out of the Wastewater System’s capital maintenance program.

In January 2012, the City, for and on behalf of the Wastewater Management Division of its Department of Public Works, issued \$50,425,000 of Wastewater Revenue Bonds. The proceeds were used to defease the outstanding Series 2002 revenue bonds and to finance \$32,500,000 capital improvements to storm drainage facilities. As of December 31, 2014, a principal amount of \$43,425,000 of the Series 2012 Wastewater Bonds remains outstanding.

### Wastewater Financial Information

**Customer Information.** Denver’s Wastewater Management Division estimates that Wastewater serves approximately 157,939 sanitary sewer customers. Of this amount, approximately 142,497 (90%) are residential customers; approximately 14,822 (9%) are commercial, industrial, or governmental customers.

**Metro Wastewater Reclamation District.** The sewage carried by the City’s Sanitary Sewerage Facilities is delivered to Metro Wastewater Reclamation District (the “Sewage District”), a political subdivision of the State organized to manage and finance facilities for the carriage, treatment and disposal of wastewater throughout the metropolitan Denver area. The City entered into a Sewage Treatment and Disposal Agreement (the “Sewage District Agreement”) with the Sewage District in March 1964. There are currently 60 municipalities, districts and industrial entities contracting with the Sewage District for sewage treatment and disposal services. Under the Sewage District Agreement, there is an annual charge to each signatory, payable quarterly. The annual charge is calculated with the intention that each signatory pays in proportion to its use of the Sewage District’s services. Table 21 presents historical data between 2010 and 2014 relating to the Sewage District’s total annual charges to Wastewater.

**TABLE 21**

**HISTORICAL METRO WASTEWATER RECLAMATION DISTRICT  
ANNUAL CHARGES**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Enterprise Operating Expense	\$84,489,828	\$96,069,624	\$97,853,113	\$104,064,242	\$101,801,603
Metro Annual Charge	\$33,566,435	\$45,010,602	\$44,367,414	\$44,859,512	\$44,200,243
Metro Annual charge as a Percentage of Total Operating Expense	39.73%	46.85%	45.34%	43.11%	43.42%
Year-to-Year Metro Annual Charge Increase	14.50%	34.09%	(1.43%)	1.11%	(1.47%)

1 These figures do not reflect the amounts paid to other sewage treatment and disposal districts.

(Source: Wastewater Enterprise Department of Finance)

**Account Information.** The number of accounts served by the Storm Drainage facilities and Sanitary Sewerage facilities during the past ten years are reflected in the following table:

**TABLE 22**

**HISTORICAL ACCOUNT INFORMATION**

Year ended <u>December 31</u>	Storm Drainage <u>Accounts</u>	Sanitary Sewer <u>Accounts</u>
2005	152,127	149,266
2006	154,605	150,304
2007	156,795	150,637
2008	158,176	153,720
2009	158,955	154,230
2010	159,932	155,482
2011	160,482	156,392
2012	161,420	156,374
2013	162,192	156,884
2014	163,143	157,939

**Storm Drainage Service Charge.** The City imposes a storm drainage service charge on every lot or parcel of land within the City to the owners thereof, with the exception of real property owned by the Department of Aviation (Denver International Airport). The storm drainage service charge is structured so that the owner of each lot or parcel pays for the Storm Drainage Facilities to the extent its lot or parcel contributes stormwater runoff to the Storm Drainage Facilities beyond the amount of stormwater runoff which would otherwise be contributed by such lot or parcel if the lot or parcel was in its natural state. The amount of stormwater runoff attributed to a lot or parcel is directly related to the amount of impervious surface area (e.g., roofs, driveways, parking lots, etc.) on the property. The storm drainage service charge is based on the percentage of impervious area to the total property area. The City determines the annual storm drainage service charge for each lot or parcel by dividing the lot’s or parcel’s impervious area by its total area. The ratio of these figures is then matched to the appropriate ratio group determined by the City, with each ratio group assigned a corresponding rate.

In June 2011, the City adopted by ordinance the fee schedule set forth in the table below for the storm drainage service charges. On July 1, 2014 and thereafter, the annual storm drainage service charge and the minimum annual charge are to be adjusted annually based on the percentage change from the previous year in the United States Consumer Price Index, equal to a 2.8% increase effective as of July 1, 2014 and a 2.7% increase effective as of July 1, 2015.

**TABLE 23**  
**STORM DRAINAGE RATE HISTORY AND FUTURE RATES**

<u>Ratio Group</u>	<u>Rate</u> <u>2006-2010</u>	<u>Rate</u> <u>2011(July)</u>	<u>Rate</u> <u>2012(July)</u>	<u>Rate</u> <u>2013(July)</u>	<u>Rate</u> <u>2014(July)</u>	<u>Rate</u> <u>2015(July)</u>
0 to .10	\$1.44	\$1.73	\$1.76	\$1.80	\$1.85	\$1.90
.11 to .20	1.81	2.17	2.21	2.25	2.31	2.37
.21 to .30	2.18	2.62	2.67	2.72	2.80	2.88
.31 to .40	2.58	3.10	3.16	3.22	3.31	3.40
.41 to .50	2.95	3.54	3.61	3.68	3.78	3.88
.51 to .60	2.95	3.77	3.85	3.93	4.04	4.15
.61 to .70	3.34	4.01	4.09	4.17	4.29	4.41
.71 to .80	3.72	4.46	4.55	4.64	4.77	4.90
.91 to .90	4.09	4.91	5.01	5.11	5.25	5.39
.91 to 1.00	4.48	5.38	5.49	5.60	5.76	5.92
<b>Minimum Annual Charge</b>	\$10.26	\$12.31	\$12.56	\$12.81	\$13.17	\$13.53

The rate for the lot or parcel's ratio group is multiplied by the square footage of the lot's or parcel's impervious area and then divided by 100. The resulting quotient is equal to the annual storm drainage service charge. For example, a 5,000 square foot lot with 3,000 square feet of impervious area would be included in the .51 to .60 ratio group and therefore would be charged an annual storm drainage service charge of \$124.50 (\$4.15 x 3,000/100). The minimum annual storm drainage service charge will not be less than \$13.17 and \$13.53 for the rate periods effective July 1<sup>st</sup> of 2014 and 2015, respectively. The power and authority of home rule municipalities such as the City to impose storm drainage service charges computed as described above has been affirmed by the State Supreme Court.

**Sanitary Sewer Service Charge.** The sanitary sewage service charge is imposed on all real property within the City which discharges or has the opportunity to discharge sewage into the Sanitary Sewerage Facilities of the City. The City Code prescribes a methodology for calculation of these charges. Depending on the circumstances of the particular user, the user will be charged the fee on a flat rate, a rate correlated to the user's use of potable water, a rate based on the characteristics of the subject property (e.g., number of rooms and bath facilities, etc.), or a rate based on use measured by a meter or other method approved by the Manager of Wastewater. Industrial waste accounts are also assessed a sewer service surcharge based on the amount and composition of their sewage, with such surcharges calculated to match the aggregate surcharge payable to the Sewage District under the Sewage District Agreement. This surcharge is billed to and paid by industrial waste accounts in the same frequency as the sanitary sewage service charge.

In June 2011, the City adopted by ordinance a fee schedule for sanitary sewage service charges whereby such sanitary sewage service charges were increased as follows.

<u>Effective Date</u>	<u>Rate Change</u>
July 1, 2011 <sup>1</sup>	45%
July 1, 2012	15%
July 1, 2013	10%
July 1, 2014	CPI (2.8%)
July 1, 2015	CPI (2.7%)

<sup>1</sup> Prior to 2011 the last rate increase for sanitary sewer occurred in 1995.

The following table sets forth the statements of revenues, expenses of the 2013, 2014 and 2015 Approved Budgets.

**TABLE 24**  
**WASTEWATER ENTERPRISE BUDGETS**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Operating Revenue	\$110,685,000	\$114,106,800 <sup>1</sup>	\$125,182,100
Operating Expenses			
Personnel Services	24,454,000	26,458,000 <sup>1</sup>	26,735,000
Contractual Services	22,049,000 <sup>1</sup>	22,166,300 <sup>1</sup>	25,514,700
Supplies and Materials	2,083,000	2,024,000	2,165,000
District Water Treatment Charges	<u>46,000,000</u>	<u>47,551,000</u>	<u>51,000,000</u>
Total Operating Expenses	<u>94,586,000<sup>1</sup></u>	<u>98,199,300<sup>1</sup></u>	<u>105,414,700</u>
Operating Income (Loss)	16,099,000 <sup>1</sup>	15,907,500 <sup>1</sup>	19,767,400
Other Income (Expense)			
Investment and Interest Income	200,000	320,000	389,000
Debt Interest Payment	(1,794,475) <sup>2</sup>	(1,743,675)	(1,614,175)
Bond Principal Payment	(2,540,000) <sup>2</sup>	(2,590,000)	(2,715,000)
Purchase of capital equipment	<u>(872,000)</u>	<u>(3,092,900)<sup>1</sup></u>	<u>(2,177,100)</u>
Total Other Income (Expense)	<u>(5,006,475)</u>	<u>(7,106,575)</u>	<u>(6,117,275)</u>
Modified Net Income	<u>\$11,092,525<sup>1</sup></u>	<u>\$8,800,925<sup>1</sup></u>	<u>\$13,650,125</u>

1 Reflects final approved budget instead of initial budget published in prior years' General Fund Budget Books.

2 These amounts do not reflect the debt service on bonds that were issued in January 2012.

(Source: Wastewater Enterprise Department of Finance)

## Operating History

**Historical Wastewater Management Fund Information.** A five-year comparative statement of Denver's Wastewater Management Fund revenues, expenses and resulting changes in retained earnings as reported in Wastewater Management Enterprise Fund's Audited Financial Statements for fiscal years 2010 through 2014 is set forth in the following table.

**TABLE 25**  
**WASTEWATER MANAGEMENT ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET ASSETS**  
**For the years ending December 31**

	2010	2011	Restated 2012 <sup>1</sup>	2013	2014
<b>OPERATING REVENUES</b>					
Sanitary sewer	\$45,556,406	\$58,279,339	\$69,569,997	\$78,000,355	\$81,833,408
Storm drainage	<u>29,806,256</u>	<u>31,464,231</u>	<u>36,596,860</u>	<u>37,871,321</u>	<u>38,972,387</u>
<b>TOTAL OPERATING REVENUES</b>	<u>\$75,362,662</u>	<u>\$89,743,570</u>	<u>\$106,166,857</u>	<u>\$115,871,676</u>	<u>\$120,805,795</u>
<b>OPERATING EXPENSES</b>					
Personnel services	\$19,340,219	\$19,031,648	\$20,087,538	\$21,429,496	\$21,175,362
Contractual services	14,577,854	14,425,358	15,857,625	19,687,211	18,021,659
Supplies	1,180,098	870,453	1,006,249	1,158,631	1,220,404
Utilities	142,815	466,812	421,262	430,240	438,928
Depreciation and amortization	15,682,407	16,264,751	16,113,025	16,499,152	16,745,007
Payments To Metro Wastewater Reclamation District	<u>33,566,435</u>	<u>45,010,602</u>	<u>44,367,414</u>	<u>44,859,512</u>	<u>44,200,243</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$84,489,828</u>	<u>\$96,069,624</u>	<u>\$97,853,113</u>	<u>\$104,064,242</u>	<u>\$101,801,603</u>
Operating Income	(9,127,166)	(6,326,054)	8,313,744	11,807,434	19,004,192
<b>NONOPERATING REVENUE (EXPENSES)</b>					
Intergovernmental revenue	0	0	0	888,094	700,028
Investment income (loss)	2,185,741	257,876	1,122,750	(555,067)	894,994
Interest expense <sup>2</sup>	4,927	4,927	(1,347,653)	(1,479,624)	(843,425)
Bond issuance costs	0	0	(602,493)	0	0
Gain (loss) on disposition of assets	<u>101,906</u>	<u>(1,781,378)</u>	<u>16,720</u>	<u>59,797</u>	<u>81,677</u>
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<u>2,292,574</u>	<u>(1,518,575)</u>	<u>(810,676)</u>	<u>(1,086,800)</u>	<u>833,274</u>
Income before capital contributions and transfers	(6,834,592)	(7,844,629)	7,503,068	10,720,634	19,837,466
Capital contributions	13,983,763	11,652,062	6,890,861	7,289,698	18,444,026
Transfers out	(25,200)	(2,106,305)	(25,200)	(25,000)	(25,000)
Change in net assets	7,123,971	1,701,128	14,368,729	17,985,332	38,256,492
Net assets, beginning of year	<u>501,507,050</u>	<u>508,631,021</u>	<u>510,264,253</u>	<u>524,632,982</u>	<u>542,618,314</u>
Net assets, end of year	<u>\$508,631,021</u>	<u>\$510,332,149</u>	<u>\$524,632,982</u>	<u>\$542,618,314</u>	<u>\$580,874,806</u>

1 2012 results were restated in 2013 to reflect the implementation of GASB 65.

2 Figures in 2010-2011 represent amortized bond premiums.

(Source: Wastewater Management Enterprise Fund, Audited Financial Statements, 2010 – 2014)

**Historical Net Pledged Revenues.** Based upon the revenues and expenditures of the Wastewater Management Division Enterprise Fund for the past five years and using the Debt Service Requirements of the Bonds, the amounts which would have constituted Net Pledged Revenues available for debt service in each of the past five years would have covered the Debt Service Requirements of the Bonds as follows.

**HISTORIC DEBT SERVICE COVERAGE RATIOS**

<u>Years</u>	<u>Estimated Net Pledged Revenues</u>	<u>Annual Debt Service Requirements</u>	<u>Debt Service Coverage Ratio</u>
2010	\$8,745,909	\$2,484,444	3.52
2011	10,201,500	2,484,444	4.11
2012	24,561,940	3,222,888	7.62
2013	28,016,286	3,164,383	8.85
2014	36,635,534	3,099,422	11.82

(Source: Wastewater Enterprise Department of Finance)

**Capital Improvement Plan**

The Wastewater Enterprise continuously reviews its future capital needs to be identified in the master drainage plan through staff observation and customer and community feedback. Recommended projects are incorporated into the Six-Year Capital Improvement Plan. The timing and priority for implementation of recommended projects within the Six-Year Capital Improvement Plan are based upon certain factors including the master plan, study findings, health and safety matters, legal and contractual obligations, completion of existing projects, coordination with other projects, mitigation of damages, cost and operational efficiency, public/private cooperation and regional benefits. The Wastewater Enterprise is continuously implementing the results of this process in its capital improvements plan. The following schedule provides the Wastewater Enterprise’s currently proposed capital improvements plan expenditures for the years 2015-2020.

**WASTEWATER ENTERPRISE PROPOSED CAPITAL IMPROVEMENT PLAN FOR 2015 THROUGH 2020<sup>1</sup>**

<u>Project Description</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Storm Drainage	\$19,539,655	\$ 42,231,719	\$16,826,898	\$8,155,071	\$6,162,500	\$5,900,000
Sanitary Sewerage	<u>2,765,697</u>	<u>4,195,436</u>	<u>4,076,005</u>	<u>4,780,000</u>	<u>5,257,505</u>	<u>5,312,666</u>
Total	\$22,305,352	\$46,427,156	\$20,902,903	\$12,935,071	\$11,420,005	\$11,212,666

<sup>1</sup> Figures are current minimum estimates subject to re-evaluation.

(Source: Wastewater Enterprise Department of Finance)



## THE AIRPORT SYSTEM

### Description of the Airport

The Municipal Airport System (“Airport System”) is owned by the City and the power to operate, maintain, and control the Airport System is vested in its Department of Aviation. The primary asset of the Airport System is Denver International Airport (the “Airport”), which is the primary air carrier airport for the Denver air service region. The Airport may be referred to in this Disclosure Statement as either “DIA” or “DEN,” its official International Air Transport Association (IATA) three-letter identifier code.

The Airport is situated approximately 24 miles northeast of Denver’s central business district and encompasses approximately 53 square miles. The Airport’s passenger complex has a landside terminal and three airside concourses. The airside concourses provide 96 full-service jet gates for large jet aircraft and up to 53 parking or loading bridge positions for regional/commuter airline aircraft. The Airport has six runways – four oriented north-south and two oriented east-west. Five runways are 12,000 feet long and 150 feet wide. The sixth is 16,000 feet long and 200 feet wide and can accommodate fully loaded jumbo jets and large airlines, including the Airbus A-380.

### Airport System Aviation Activity

Located close to the geographic center of the United States mainland, Denver has long been a major air transportation hub. Denver has direct airline service to more than 170 cities, including 20 international destinations in nine countries. Denver’s natural geographic advantage as a connecting hub location has been enhanced by the Airport’s ability to accommodate aircraft landings and takeoffs in virtually all weather conditions. The Denver Metropolitan Area, with a population of more than 3.0 million, is the primary region served by the Airport.

There are 20 passenger airlines providing scheduled service at the Airport as of December 31, 2014, including nine major/national passenger airlines, six foreign-flag airlines and five regional/commuter airlines. In addition, several passenger charter airlines and all-cargo airlines provide service at the Airport.

With a few exceptions, the Airport has experienced continual growth in both passenger traffic and associated revenues since it opened in 1995. The Airport served approximately 26.7 million enplaned passengers (passengers embarking on airplanes) in 2014, a 1.7% increase compared to 2013. The Airport served 26.3 million enplaned passengers in 2013, a 1.2% decrease compared to 2012. Approximately 61% of passengers were originating or terminating their travel at the Airport in 2014, compared to approximately 58% in 2013. Approximately 39% were passengers making connecting flights beyond Denver in 2014, compared to approximately 42% in 2013.

Information contained in Tables 26, 27, and 28 regarding passenger enplanements and related aviation activity at the Airport may vary from information published in the past due to changes in categorization or presentation by certain airlines.

The following table shows annual levels of enplaned passengers for all airlines serving the Airport System for the most recent five-year period. The totals include activity data for major/national airlines, regional/commuter airlines and charter and other airlines.

**TABLE 26**

**AIRPORT SYSTEM  
HISTORICAL ENPLANED PASSENGERS  
BY AIRLINE TYPE<sup>1</sup>  
2010-2014**

<u>Year</u>	<u>Major / International Airlines<sup>2</sup></u>		<u>Regional / Commuter Airlines</u>		<u>Charter / Miscellaneous Airlines</u>		<u>Total Airlines</u>	
	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>	<u>Enplaned Passengers</u>	<u>Percent Change</u>
2010	21,032,064	1.9%	4,666,047	10.1%	326,811	34.8%	26,024,922	3.6%
2011	21,709,430	3.2	4,439,841	(4.8)	306,494	(6.2)	26,455,765	1.7
2012	21,984,133	1.3	4,323,837	(2.6)	289,021	(5.7)	26,596,991	0.5
2013	21,576,140	(1.9)	4,436,792	2.6	272,375	(5.8)	26,285,307	(1.2)
2014	21,962,984	1.6	4,767,207	7.4	6,493	(97.2)	26,736,684	1.7

1 Includes revenue and non-revenue enplaned passengers.

2 Includes Lynx in 2010 - March 2011. See also footnotes to Table 28.

(Source: Department of Aviation)

The following table shows enplaned passengers for individual airlines serving the Airport System for 2013 and 2014, and comparative market share information based on enplaned passengers for such periods.

**TABLE 27**

**AIRPORT SYSTEM  
PERCENTAGE OF ENPLANED PASSENGERS BY AIRLINE**

<u>Airline</u>	<u>2013</u>	<u>2014</u>
United	24.6 %	24.3 %
United Express	<u>16.0</u>	<u>16.3</u>
Total United	40.6	40.6
American Airlines	2.8	2.8
Delta	4.6	4.4
Frontier	19.1	18.5
Southwest	25.6	26.4
US Airways	2.8	2.9
Other	<u>4.5</u>	<u>4.4</u>
Total Other	59.4	59.4
Total	100.0 %	100.0 %

(Source: Department of Aviation)

The following table sets forth a summary of selected aviation activity at the Airport for the period of 2010 through 2014.

**TABLE 28**

**SUMMARY OF AVIATION ACTIVITY - DENVER INTERNATIONAL AIRPORT**  
**(In thousands – Totals may not add due to rounding)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Enplaned Passengers (millions):</b>					
United	7.386	6.400	6.721	6.446	6.491
United Express	4.152	4.087	4.039	4.213	4.370
Continental	0.542	0.864	--	--	--
Total United Group	12.079	11.351	10.760	10.659	10.861
Frontier <sup>1</sup>	5.259	5.859	5.826	5.015	4.932
Lynx <sup>2</sup>	0.311	0.031	--	--	--
Frontier JetExpress <sup>3</sup>	0.025	--	--	--	--
Total Frontier Group	5.595	5.890	5.826	5.015	4.932
Southwest	4.726	5.756	6.301	6.721	7.065
American <sup>5</sup>	0.722	0.732	0.755	0.741	1.537
Other	2.903	2.727	2.955	3.149	2.342
Total	26.025	26.456	26.597	26.285	26.737
<i>Percent Change from Prior Year</i>	3.6%	1.7%	0.5%	(1.2%)	1.7%
<b>Originating Passengers (millions):</b>	14.101	14.595	14.785	15.328	16.214
Percent of Total Enplaned	54.2%	55.2%	55.6%	58.3%	60.6%
<b>Connecting Passengers (millions):</b>	11.923	11.861	11.812	10.957	10.523
Percent Connecting of Total Enplaned	45.8%	44.8%	44.4%	41.7%	39.4%
<b>United Group Passengers:</b>					
Percent Originating	38.2%	39.5%	40.0%	41.1%	39.0%
Percent Connecting	61.8%	60.5%	60.0%	58.9%	61.0%
<b>Frontier Passengers:</b>					
Percent Originating	50.4%	50.0%	48.4%	55.0%	62.6%
Percent Connecting	49.6%	50.0%	51.6%	45.0%	37.4%
<b>Southwest Passengers:</b>					
Percent Originating	71.4%	70.5%	68.3%	69.0%	72.1%
Percent Connecting	28.6%	29.5%	31.7%	31.0%	27.9%
<b>American Airlines:</b>					
Percent Originating	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Connecting	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Average Daily Departures:</b>					
Passenger Airlines:					
United	149	130	133	125	124
United Express	246	246	239	246	252
Frontier	158	152	137	105	100
Frontier JetExpress	1	--	--	--	--
Southwest	124	147	159	159	158
American	18	20	20	20	33
Other	138	137	118	112	75
Total Passenger Airlines	833	832	806	767	742
All-Cargo Airlines	25	25	25	25	26
Total	858	856	831	792	768
<i>Percent Change from Prior Year</i>	3.7%	(0.2%)	(2.9%)	(4.6%)	(3.0%)
<b>Landed Weight (billion pounds):</b>					
Passenger Airlines:					
United	9.568	7.925	7.974	7.432	7.292
United Express	4.999	4.826	4.675	4.779	4.881
Frontier	6.714	6.679	6.338	5.182	5.018
Frontier JetExpress	0.03	--	--	--	--
Southwest	5.611	6.656	7.244	7.353	7.423
American Airlines	0.844	0.836	0.864	0.831	1.609
Other	4.287	4.382	3.590	3.766	2.813
Total Passenger Airlines	32.054	31.304	30.685	29.343	29.036
All-Cargo Airlines	1.222	1.207	1.204	1.260	1.315
Total	33.275	32.512	31.889	30.603	30.351
<i>Percent Change from Prior Year</i>	1.8%	(2.3%)	(1.9%)	(4.0%)	(0.8%)
<b>Enplaned Cargo (million pounds)<sup>4</sup></b>	241.71	242.491	227.734	222.771	229.458
<i>Percent Change from Prior Year</i>	9.2%	0.3%	(6.1%)	(2.2%)	3.0%
<b>Total Aircraft Operations (Landings/Take-Offs):</b>					
Air Carriers	468,962	452,223	443,389	420,073	422,178
Commuter/Military/Taxi/General Aviation	166,483	182,457	174,868	166,787	152,983
Total	635,445	634,680	618,257	586,860	575,161
<i>Percent Change from Prior Year</i>	3.8%	(0.1%)	(2.6%)	(5.1%)	(2.0%)

[Footnotes on next page]

## Footnotes for Table 28

- 1 Includes Frontier and Frontier/Republic Holdings. Frontier Airlines was acquired by Indigo Partners LLC based in Phoenix, Arizona in November 2013. Frontier no longer has regional flights offered by Republic Holdings.
- 2 Lynx commenced service at the Airport in December 2007. In March 2011, Republic Holdings discontinued Lynx and transitioned its Q400 turboprop service to the Frontier Express brand. See also “The Frontier Group” below.
- 3 Several airlines operated as Frontier Jet Express during this period, the most recent of which was Midwest Express, which ceased operating as such in the fall of 2010.
- 4 The weight of enplaned cargo does not impact the Airport’s Gross Revenues. Revenue is received from cargo carriers only from landing fees and space rentals, which historically have constituted less than 2% of Gross Revenues.
- 5 American Airlines and US Airways merged in December 2013. See also “American Airlines” below.

(Source: Department of Aviation)

## Factors Affecting the Airport

Future aviation activity and enplaned passenger traffic at the Airport will depend on many local, regional, national and international factors, including but not limited to economic and political conditions, aviation security and public health concerns, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline mergers and alliances, availability and price of aviation and other fuel and capacity of the national air traffic control system and of the Airport.

## The United Group

United is the principal air carrier operating at the Airport. The Airport is a primary connecting hub in United’s route system both in terms of passengers (based on information provided by individual airports) and flight operations (according to data published by Official Airline Guides, Inc.). Under the United Use and Lease Agreement, United currently leases 31 of the existing 96 full service jet gates at the Airport, as well as 13 gates in Concourse B’s regional jet facility. The United Use and Lease Agreement originally had a 30 year term, beginning in 1995 and expiring in 2025. In 2014, United agreed to a ten year extension of the Use and Lease Agreement, providing terms for United’s occupancy and operations at the Airport through 2035. See also “Bond Issuances – Revenue Bonds”. In June 2015, United announced the consolidation of its global pilot-training operations to its training center in Denver.

In 2008, United began to significantly reduce its consolidated domestic capacity, its consolidated overall capacity and its workforce. Such reductions continued in 2009, 2010 and 2011. On October 1, 2010, United Continental Holdings (formerly known as UAL Corporation), the parent company of United, completed the merger of United and Continental, and integrated the two airlines under the United brand to operate under a single FAA operating certificate as of November 30, 2011. The United Group (United, United Express and Continental) accounted for approximately 40.6% of passenger enplanements at the Airport in 2013 and 2014. The Airport ranks as the 4th busiest airport in the route network of the United Group based on enplaned passenger data for 2014.

## United Special Facility Bonds

In 1992, the City issued approximately \$261 million of Special Facility Revenue Bonds on behalf of United to finance the construction of various United special facilities on airport premises. The 1992 Bonds were refunded and defeased with the proceeds of Series 2007 Airport System Special Facilities Bonds issued by the City, for and on behalf of the Department of Aviation. The repayment of these bonds is the sole responsibility of United.

## Southwest Airlines

Southwest Airlines (“Southwest”) had the second largest market share at the Airport in 2013 and 2014. Southwest commenced service at the Airport in January 2006 and since that time has experienced strong and continued growth in airline service at the Airport. In 2014, the Airport was the 4th busiest airport in the Southwest system. In May 2011, Southwest acquired AirTran Holdings, Inc. (the parent of AirTran Airways). Southwest integrated AirTran Airways into the Southwest brand on March 1, 2012 and operates Southwest and AirTran Airways under a single FAA operating certificate.

## **The Frontier Group**

Frontier and its affiliates (“Frontier”) had the third largest market share at the Airport in 2013 and 2014. In 2014, the Airport was the busiest airport in the Frontier system.

Frontier Holdings, together with its Frontier, Frontier Express and Lynx subsidiaries, filed for protection under the U.S. Bankruptcy Code in April of 2008 and emerged from bankruptcy on October 1, 2009, with Frontier Holdings being acquired by and becoming a wholly-owned subsidiary of Republic Holdings. Republic Holdings announced in April 2012 that it had engaged Barclays Capital to assist it in the sale of the Frontier Group. Frontier was acquired by Indigo Partners LLC based in Phoenix, Arizona in November 2013 and no longer has regional flights offered by Republic Holdings.

In 2014, Frontier began to transform its business model from a low-cost carrier to an ultra low-cost carrier. As a result, the carrier is cutting back its connecting traffic at the Airport. Overall, in 2014, the Airport saw a 1.6% decline in total Frontier passengers when compared to total Frontier passengers in 2013. Currently, Frontier seat capacity is expected to decline 33% in 2015 as compared to 2014. However, the Airport is estimating only a 0.3% overall decline in seat capacity as a result of expected strong growth in increased operations from United, Southwest, American, Delta, and Spirit.

## **American Airlines**

On December 9, 2013, American Airlines and US Airways announced the completion of a merger to form the American Airlines Group (“American”). The American Airlines Group received a single FAA operating certificate on April 8, 2015. With no connecting enplaned passenger traffic, American does not use the Airport as a major hub.

## **Other Passenger Airline Information**

Except for the United Group, the Frontier Group, Southwest, and American, no single airline accounted for more than 5% of passenger enplanements at the Airport in 2014 or more than 5% of either the airline rentals, fees and charges component of the Airport System’s operating revenues or the Airport System’s Gross Revenues in 2014.

## **Availability of Information Concerning Individual Airlines**

Certain of the airlines or their parent corporations, including United Continental Holdings, Southwest, Republic Holdings and American Airlines Group Inc, are subject to the information reporting requirements of the Exchange Act, and as such are required to file periodic reports, including financial and operational data, with the Securities and Exchange Commission (“SEC”). The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation (“DOT”). The City, including its Department of Aviation, does not take any responsibility for and makes no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT.

## The 2013-2018 Capital Program

The capital program dated July 2013 for the Airport represents expectations of future capital needs of the Airport System in order to maintain, reconstruct and expand Airport facilities through 2018. The capital needs between 2013 and 2018 are summarized in the following table.

**TABLE 29**  
**2013-2018 CAPITAL PROGRAM**  
**(\$ in thousands; totals may not add due to rounding)**

	<u>2013</u> <sup>1</sup>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>	<u>Deemed Funded</u> <sup>2</sup>	<u>Balance</u> <sup>2</sup>
Airfield	\$118,310	\$ 30,886	\$28,929	\$27,539	\$12,116	\$11,850	\$ 229,630	\$117,751	\$111,879
Baggage/AGTS	64,822	39,273	37,727	0	0	0	141,822	98,597	43,225
Commercial	17,121	14,550	14,000	0	0	0	45,671	1,171	44,500
Environmental/Utilities	15,560	0	0	0	0	0	15,560	13,638	1,922
Other CIP	105,567	32,641	0	0	0	0	138,208	19,797	118,411
Roads	26,182	13,250	5,100	8,000	2,100	1,000	55,632	16,229	39,403
Technologies	34,735	6,809	3,578	1,265	1,208	0	47,594	12,571	35,024
Terminal Complex	97,361	47,575	12,657	3,774	1,774	0	163,142	29,086	134,056
South Terminal Redevelopment Program	356,825	162,443	25,000	0	0	0	544,268	369,126	175,142
<b>TOTAL</b>	<b>\$836,481</b>	<b>\$347,427</b>	<b>\$126,991</b>	<b>\$40,578</b>	<b>\$17,198</b>	<b>\$12,850</b>	<b>\$1,381,526</b>	<b>\$677,965</b>	<b>\$703,561</b>

1 Payment of certain of these project costs in the total approximate amount of \$341,698,000 was budgeted for 2012.

2 Sources of funds for these costs include approximately \$476 million of proceeds from Senior Bonds issued prior to 2013, approximately \$198 million in FAA grants received and expected to be received, approximately \$4 million of other sources, also assumed to be received, approximately \$607.6 million from the proceeds of the Series 2013A-B Subordinate Bonds, and approximately \$96 million from proceeds of Senior Bonds and commercial paper notes to be issued in the future. To the extent FAA grants and other funds assumed to be received are not received in the amount or timeframe assumed, the City expects to fund projects from the proceeds of additional Senior Bonds or Subordinate Bonds or from cash on hand.

(Source: Department of Aviation)

It is the practice of the Department of Aviation to develop a capital program and reevaluate the capital needs of the Airport System on a regular basis. The capital program for the Airport described in Table 29 represents expectations of Airport System capital needs in order to maintain, reconstruct and expand Airport facilities in the six-year period from 2013 through 2018 (the “2013-2018 Capital Program”). The South Terminal Redevelopment Program, now described as the Hotel and Transit Center, is the single largest component of the 2013-2018 capital program, and consists of the construction of the DIA Rail Station, now described as the Airport Terminal Station, that will provide connectivity from downtown Denver to the Airport, the construction of a new 519-room, full service hotel, and a plaza to provide public access between the Landside Terminal Building, the hotel and the Airport Terminal Station. The new hotel is on schedule for opening in November 2015 and the passenger rail service from downtown Denver to the Airport is scheduled to begin in 2016. The Airport System’s capital needs between 2013 and 2018 were estimated to have a total cost of approximately \$1.4 billion (in 2013 dollars) and expected to be financed with a combination of Airport System Senior Bonds and Subordinate Bonds, federal grants, Airport System moneys, subordinate contract obligations and subordinate commercial paper notes. The capital program is periodically revised for the Airport System to reflect changes in scope and increases in construction costs, and on March 28, 2013 and May 21, 2015, the City voluntarily posted on the MSRB’s Electronic Municipal Market Access system (“EMMA”) notices that provided updates on the South Terminal Redevelopment Program and described the changes thereto as of such dates. Further details on the capital program for the Airport System, including the South Terminal Redevelopment Program, are available in the most recent Official Statement dated July 10, 2013, relating to the City and County of Denver, Colorado, for and on behalf of its Department of Aviation, Airport System Subordinate Revenue Bonds, Series 2013A and Series 2013B, which can be found on the Airport’s website and EMMA.

The Department of Aviation is currently in the process of evaluating its capital needs for the six-year period from 2015 through 2020.

RTD is in the process of expanding commuter and light rail service throughout the greater Denver metropolitan area, pursuant to the RTD FasTracks Program. RTD has an agreement with Denver Transit Partners (“DTP”), under which DTP will design, construct, finance, operate and maintain a project it refers to as “Eagle P3”, which includes the “East Rail” line, a 22.8 mile commuter rail line connecting Denver Union Station, located in downtown Denver, with the Airport. The East Rail service currently is planned by RTD to commence in 2016. Neither the City nor the Department of Aviation will receive any revenue from the use of the commuter rail service.

In March 2010, the City, for and on behalf of the Department of Aviation, and RTD entered into the Intergovernmental Agreement for the FasTracks East Corridor Project (the “FasTracks East Corridor IGA”), pursuant to which RTD agreed to lease property at the Airport and construct the rail lines and supporting infrastructure for the East Corridor project, and the Department of Aviation, among other things, is required to finance and build a train station and a “terminal-to-station” interface at the Airport (the “Airport Terminal Station”).

On December 31, 2013, the Department of Aviation met its obligation under the FasTracks East Corridor IGA to have the Airport Terminal Station substantially completed by January 1, 2014, allowing RTD complete and uninterrupted access in order that RTD may complete the installation and begin operational testing of the commuter rail line. The Department of Aviation will be responsible for operating and maintaining only certain portions of the Airport Terminal Station. The term of the FasTracks East Corridor IGA extends through 2056, unless earlier terminated in writing by mutual consent of the parties, or by court order. The FasTracks East Corridor IGA provides that the Department of Aviation will grant a lease of certain property at the Airport to RTD with an initial term of 50 years, and up to three renewal periods of 15 years each, with each renewal being subject to FAA approval.

On May 9, 2012, the City and RTD executed an amendment to the FasTracks East Corridor IGA to clarify performance and payment responsibility with respect to the construction of improvements in the area immediately south of the Airport Terminal Station. The parties were unable to agree on funding responsibility, and the matter was referred to a neutral finder of fact. The neutral party ultimately determined that RTD owed the City approximately \$7.8 million for construction costs incurred by Denver for which RTD was financially responsible under the FasTracks East Corridor IGA. The City appealed the neutral party’s decision to the Colorado District Court. On December 11, 2014, the District Court affirmed the neutral party’s decision in all material respects. On January 29, 2015, the City filed a Notice of Appeal with the Colorado Court of Appeals, and the appeal remains pending as of this Disclosure Statement. The City has argued on appeal that the neutral party committed reversible error in basing the award on cost estimates rather than the actual costs incurred by Denver.

The FasTracks East Corridor IGA further provided that RTD would construct, at Denver’s expense, an additional rail station on the Airport’s property. The City identified the station as the Peña Boulevard Station, located near Peña Boulevard and planned 61st Avenue. The station currently is under construction. On May 26, 2015, the City and RTD executed a second amendment to the FasTracks East Corridor IGA for the purpose of establishing payment terms by which Denver would pay RTD approximately \$12.2 million for construction of the Peña Boulevard Station, minus \$7.8 million (i.e., the minimum amount RTD owes the City in connection with Airport Terminal Station).

The City has developed a detailed plan for a transit-oriented community on 400 acres of City-owned and private property surrounding the Peña Boulevard Station. On May 26, 2015, the City executed a Development Agreement with Rail Stop LLC, by which the City committed to invest up to \$38 million (including the \$12.2 million for station construction costs) for Phase 1 infrastructure for the project, known as Peña Station. The Development Agreement provides a mechanism by which the City will recover more than its initial investment, primarily through a mill levy on private property to be imposed by several metropolitan districts. Construction of infrastructure is underway. Panasonic Enterprise Solutions Company, a subsidiary of Panasonic North America, has selected Peña Station for construction of its headquarters and assembly facility. The City and Panasonic further have entered into a Memorandum of Understanding intended, in part, to ensure that Peña Station is developed as an environmentally sustainable community.

## Outstanding Bonds and Notes

Senior and Subordinate Bonds have been issued to fund capital construction and maintenance of the Airport. As of December 31, 2014, the total aggregate amount of all outstanding Bonds is as follows:

**Table 30**

**AIRPORT SYSTEM – OUTSTANDING BONDS<sup>1</sup>**

As of December 31, 2014

<u>Issue</u>	<u>Amount</u>
Series 1992C Bonds <sup>1</sup>	\$40,080,000
Series 1992F Bonds <sup>2,3,4</sup>	19,100,000
Series 1992G Bonds <sup>2,3</sup>	15,800,000
Series 2002C Bonds <sup>2,3,4</sup>	28,200,000
Series 2005A Bonds <sup>1</sup>	219,425,000
Series 2006A Bonds <sup>4</sup>	268,360,000
Series 2006B Bonds	11,365,000
Series 2007A Bonds	188,350,000
Series 2007B Bonds	24,250,000
Series 2007C Bonds	34,635,000
Series 2007D Bonds	147,815,000
Series 2007D2 Bonds	16,365,000
Series 2007E Bonds	47,400,000
Subseries 2007F1 Bonds <sup>2,4,5</sup>	37,625,000
Subseries 2007F2 Bonds <sup>2,4,5</sup>	37,925,000
Subseries 2007G1 Bonds <sup>2,3,4</sup>	67,800,000
Subseries 2007G2 Bonds <sup>2,3,4</sup>	67,800,000
Subseries 2008A1 Bonds	53,990,000
Series 2008B Bonds <sup>2,3,4</sup>	65,000,000
Subseries 2008C1 Bonds <sup>2,3,4</sup>	92,600,000
Subseries 2008C2 Bonds <sup>2,3,4</sup>	100,000,000
Subseries 2008C3 Bonds <sup>2,3,4</sup>	100,000,000
Series 2009A Bonds	164,850,000
Series 2009B Bonds	65,290,000
Series 2009C Bonds <sup>2,3,4</sup>	104,655,000
Series 2010ABonds	171,360,000
Series 2011A Bonds	301,830,000
Series 2011B Bonds	113,550,000
Series 2011C Bonds	4,895,000
Series 2012A Bonds	299,530,000
Series 2012B Bonds	507,980,000
Series 2012C Bonds	30,285,000
Series 2014A Bonds <sup>2,3,4</sup>	<u>116,000,000</u>
<b>Total Senior Bonds</b>	<b>\$3,564,110,000</b>
Series 2013A Bonds	\$326,260,000
Series 2013B Bonds	<u>393,655,000</u>
<b>Total Subordinate Bonds</b>	<b>\$719,915,000</b>
<b>Total Outstanding Bonds</b>	<b>\$4,284,025,000</b>

- 1 In 1999, the City used the proceeds from certain federal grants to establish an escrow to defease \$54.88 million of Series 1991D Bonds and Series 1992C Bonds. Annually from 2006 through 2011, the City used Airport Net Revenues and revenues from PFCs to establish escrows to defease or call Senior Bonds related to the discontinued automated baggage system. As a result, \$40,800,000 of Series 1992C Bonds and \$3,195,000 of Series 2005A Bonds have been economically defeased; however, none of the defeasances satisfied all of the requirements of the Senior Bond Ordinance, and consequently such economically defeased Senior Bonds are reflected as still being outstanding.
- 2 These Senior Bonds constitute variable interest rate obligations that are either secured by letters of credit or insurance or standby bond purchase agreements constituting Credit Facilities under the Senior Bond Ordinance or currently constitute credit facility bonds owned by certain banks as described in footnote 3 below. The City's repayment obligations to the financial institutions issuing such Credit Facilities constitute Credit Facility Obligations under the Senior Bond Ordinance.
- 3 These credit facility Senior Bonds bear interest at a fixed spread indexed to one-month LIBOR pursuant to private placement transactions directly placed with certain banks.

[Footnotes continued on next page]



- 4 A portion of these Senior Bonds are associated with certain swap agreements discussed below and in Note 12 to the audited financial statements of the Airport System for Fiscal Year 2014, effectively converting the floating rates of the variable rate bonds to fixed rates and converting the fixed rates of the fixed rate bonds to variable rates.
- 5 The Subseries 2007F1-F4 Bonds currently are in an auction rate mode.

(Source: Department of Aviation Audited Financial Report for 2014)

## Bond Issuances

**Revenue Bonds.** On December 12, 2014, the Airport completed the restructuring of multiple series of Airport System Revenue Bonds, currently bearing interest at variable rates, in order to extend the maturities of the Series 1992F, 1992G, 2002C, 2007G1-G2, 2008B, 2008C1, 2008C2-C3 and 2009C Bonds (collectively, the “Amended Series”). This, in conjunction with the simultaneous issuance of Series 2014A Bonds in the amount of \$116,000,000 to defease and current refund a portion of the Series 2007F1-F4 Bonds, completed the debt restructuring component of the amended Use and Lease Agreement with United by deferring approximately \$25 million in principal annually on the Amended Series and the Series 2007F1-F4 Bonds, resulting in the net deferral of approximately \$288.7 million of total principal maturing in calendar years 2015-2025 to calendar years 2026-2031.

**Subordinate Revenue Bonds.** On July 17, 2013, the Airport issued Subordinate Airport System Revenue Bonds, Series 2013A (AMT), and 2013B (non-AMT) in the amount of \$719,915,000 to fund a portion of the costs of the 2013-2018 capital program. All proceeds not deposited into the Capitalized Interest Accounts or Bond Reserve Fund were deposited into the Project Fund. No other Subordinate Bonds are currently outstanding.

**Subordinate Commercial Paper Notes.** Airport System Subordinate Commercial Paper Notes may be issued for the purpose of funding the costs of acquiring, improving and equipping facilities for the Airport, refunding or paying certain Airport System obligations and other purposes. On January 27, 2011, the Airport entered into a Letter of Credit Agreement with Barclays Capital Inc., allowing the Airport to issue Subordinate Commercial Paper Notes. The Agreement with Barclays expired in January 2014 and subsequently, the Airport no longer maintains a Commercial Paper facility.

**Subordinate Hedge Facility Obligations.** In 1998, 1999, 2002, 2005, 2006, 2007 and 2008, the City entered into various interest rate swap agreements constituting Subordinate Hedge Facility Obligations under the Senior Bond Ordinance and the Subordinate Bond Ordinance in respect of certain series of outstanding Senior Airport System Bonds. Detailed information regarding these swap agreements is set forth in Note 12 to the audited financial statements of the Airport System for fiscal year 2014.

**Installment Purchase Agreements.** The Airport System entered into various Master Installment Purchase Agreements. As of December 31, 2014 the following Agreements were outstanding:

<u>Date Entered</u>	<u>Firm</u>	<u>Original Amount</u>	<u>Interest Rate</u>
10/26/2006	Koch Financial Corporation	\$23,000,000	4.3400%
10/26/2006	GE Capital Public Finance	\$9,000,000	4.1600%
1/10/2012	Sovereign Capital Leasing	\$20,500,000	1.9595%

As of December 31, 2014, \$21.0 million of principal note payments were outstanding under these Agreements, compared to \$25.8 million at December 31, 2013.

Summary Financial Information

**TABLE 31**  
**AIRPORT SYSTEM**  
**HISTORICAL ENPLANED CARGO OPERATIONS**  
**2010-2014**  
**(in pounds)**

<u>Year</u>	<u>Air mail</u>	<u>Freight and Express</u>	<u>Total</u>	<u>% Change</u>
2010	19,663,000	222,047,310	241,710,310	9.2%
2011	18,612,677	223,878,051	242,490,728	0.3
2012	17,373,529	210,360,700	227,734,229	(6.1)
2013	13,817,432	208,953,640	222,771,072	(2.2)
2014	15,926,140	213,532,252	229,458,392	3.0

(Source: Department of Aviation)

**TABLE 32**  
**AIRPORT SYSTEM**  
**CONDENSED STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31**  
**(\$ in thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012<sup>1</sup></u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$601,402	\$602,769	\$624,673	\$661,637	\$711,492
Operating Expenses	<u>409,865</u>	<u>392,862</u>	<u>388,171</u>	<u>431,935</u>	<u>413,563</u>
Operating Income before Depreciation	191,537	209,907	236,502	229,702	297,928
Depreciation and Amortization	<u>181,496</u>	<u>179,070</u>	<u>178,567</u>	<u>184,721</u>	<u>183,560</u>
Operating Income	10,041	30,837	57,935	44,981	114,368
Non-Operating Revenues (Expenses) net	(87,795)	(75,488)	(46,259)	(55,906)	(9,013)
Capital Contributions	<u>30,200</u>	<u>34,702</u>	<u>22,996</u>	<u>31,413</u>	<u>20,533</u>
Change In Net Assets	<u>(\$47,554)</u>	<u>(\$9,949)</u>	<u>\$34,672</u>	<u>\$20,488</u>	<u>\$125,888</u>

1 2012 has been restated for adoption of GASB 65. 2011 has not been restated for adoption of GASB 65.

(Source: Department of Aviation)

**TABLE 33**

**HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE  
UNDER THE BOND ORDINANCE  
FOR THE FISCAL YEAR ENDED DECEMBER 31  
(\$ in thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gross Revenues <sup>1</sup>	\$685,339	\$705,703	\$713,279	\$743,101	\$786,405 <sup>4</sup>
Operation & Maintenance Expenses	<u>302,881</u>	<u>312,278</u>	<u>318,394</u>	<u>349,987</u>	<u>355,769</u>
Net Revenues	382,458	393,425	394,885	393,114	430,636
Other Available Funds <sup>2</sup>	<u>47,975</u>	<u>48,045</u>	<u>51,685</u>	<u>50,409</u>	<u>54,833</u>
Total amount available for Debt Service Requirements	<u>\$430,433</u>	<u>\$441,470</u>	<u>\$446,570</u>	<u>\$443,524</u>	<u>\$485,469</u>
 <u>Senior Bonds</u>					
Debt Service Requirements	\$197,349	\$197,421	\$209,520	\$202,758	\$219,334
Debt Service Coverage	218%	224%	213%	219%	221%
 <u>Senior and Subordinate Bonds<sup>3</sup></u>					
Debt Service Requirements	\$235,244	\$235,356	\$247,563	\$242,817	\$268,422
Debt Service Coverage	183%	188%	180%	183%	181%

1 Including Passenger Facility Charges

2 Other Available Funds is defined in the Senior Bond Ordinance to mean for any Fiscal Year the amount determined by the Manager of Aviation to be transferred from the Capital Fund to the Revenue fund; but in no event is such amount to exceed 25% of aggregate Debt Service Requirements for such Fiscal Year.

3 Subordinate Obligations include Subordinate Credit Facility Obligations, Subordinate Contract Obligations and Subordinate Hedge Facility Obligations. Except for Subordinate Commercial Paper Notes, no Subordinate Bonds were outstanding from 2010-2012.

4 Excludes \$17,215,000 of rental car customer facility charges (“CFCs”) in 2014. CFCs were included in Gross Revenues for the first time in 2014 due to the final maturity, on January 1, 2014, of Special Facilities Revenue Bonds relating to the car rental facilities at the Airport. The Department of Aviation may seek City Council approval to amend the ordinances relating to CFCs to exclude CFCs from Gross Revenues in 2015 and thereafter, consistent with the treatment of CFCs in years prior to 2014. CFCs may be pledged to the payment of Special Facilities Revenue Bonds in the future. Therefore, CFCs have been excluded from 2014 Gross Revenues as a one-time revenue source. For additional information on CFCs, refer to the 2014 Annual Financial Report for the Airport. Including CFCs in 2014 Gross Revenues and as reported in the 2014 Annual Financial Report, Debt Service Coverage of Senior Bonds was 229% and Debt Service Coverage of Senior and Subordinate Bonds was 187% in 2014.

(Source: Airport Financial Statements for 2014)

**AVERAGE AIRLINE COSTS  
PER ENPLANED PASSENGER  
2014 Dollars**

\$12.22<sup>1</sup>

**AVERAGE AIRLINE COSTS  
PER ENPLANED PASSENGER  
FOR UNITED (includes Continental; does not include United Express)  
2014 Dollars**

\$20.82<sup>1</sup>

**AVERAGE AIRLINE COSTS  
PER ENPLANED PASSENGER  
FOR UNITED GROUP (includes Continental and United Express)  
2014 Dollars**

\$14.40<sup>1</sup>

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1 Numbers are net of revenue credit and fuel tax rebates.

(Source: Department of Aviation)

**HISTORICAL PASSENGER FACILITY CHARGE REVENUES  
(\$ in thousands)**

<u>Year</u>	<u>Revenues</u>
2010	\$102,595
2011	103,210
2012	105,472
2013	103,032
2014	103,959

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(Source: Department of Aviation)

## CONTACTS FOR FURTHER INFORMATION

Compliance Officer for the City and County of Denver, Colorado 2015 Disclosure Statement:

Cary Kennedy  
CFO, Manager of Finance, *Ex-Officio* Treasurer  
201 W. Colfax Avenue  
Denver, Colorado 80202  
(720) 913-1514 (Phone)  
(720) 913-5599 (Fax)  
debtmanagement@denvergov.org

Financial reports are available on the City's web site, <http://www.denvergov.org/>, and may be obtained by following the instructions given under the respective headings below. Copies of the financial reports may also be obtained from the following City and County of Denver, Colorado contacts:

***Continuing Disclosure Annual Report and  
Wastewater Management Enterprise Fund Financial Statements:***

City and County of Denver  
Department of Finance  
Michelle Wang  
Senior Financial Management Analyst  
201 West Colfax Avenue, Dept. 1004  
Denver, Colorado 80202  
(720) 913-9353 (Phone)  
(720) 913-9460 (Fax)  
[www.denvergov.org/DisclosureStatements](http://www.denvergov.org/DisclosureStatements)

***Comprehensive Annual Financial Report:***

Beth Machann  
Controller  
201 West Colfax Avenue  
Denver, Colorado 80202  
(720) 913-5500 (Phone)  
(720) 913-5247 (Fax)  
<http://denvergov.org/controller>

***Financial Statements and Supplementary Information - Airport System:***

Department of Aviation  
Denver International Airport  
Gisela Shanahan  
Chief Financial Officer/Executive Vice President of Finance  
8500 Pena Boulevard  
Denver, Colorado 80249-6340  
(303) 342-2400 (Phone)  
(303) 342-2460 (Fax)  
<http://business.flydenver.com/stats/index.asp>

***Financial Statements - Board of Water Commissioners:***

Denver Water Board  
Usha Sharma  
Manager of Treasury Operations  
1600 West 12th Avenue  
Denver, Colorado 80204  
(303) 628-6410 (Phone)  
(303) 628-6479 (Fax)  
[www.denverwater.org/AboutUs/FinancialInformation/](http://www.denverwater.org/AboutUs/FinancialInformation/)

***Financial Statements – Denver Employees Retirement Plan:***

Denver Employees Retirement Plan  
Heather Darlington, CPA  
Assistant Director – Finance & Systems  
777 Pearl Street  
Denver, Colorado 80203  
(720) 723-2734 (Phone)  
(303) 839-9525 (Fax)  
[www.derp.org/index.cfm/ID/9/Publications](http://www.derp.org/index.cfm/ID/9/Publications)

The 2015 Disclosure Statement must be read in conjunction with the City’s Comprehensive Annual Financial Report (CAFR) for the Year Ended December 31, 2014 – available on the City’s website or from the Controller’s Office. See above.

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**APPENDIX A**  
**AN ECONOMIC AND DEMOGRAPHIC OVERVIEW OF THE**  
**DENVER METROPOLITAN AREA**



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## Introduction

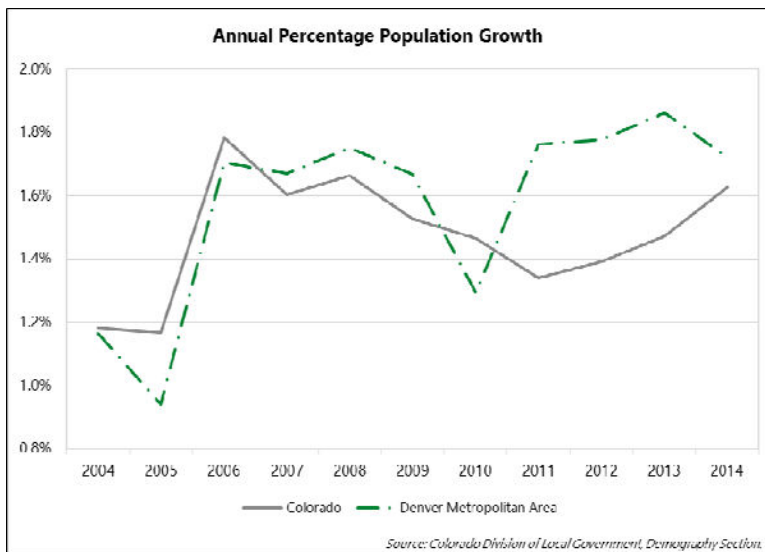
Colorado posted the third-fastest employment growth rate of the 50 states in 2014. Despite the strong growth rate at the state level, employment growth has not been consistent across the state’s regions. Employment growth in the Denver metropolitan area has been strong and diverse, while Weld County has been the fastest growing region in the state due to the expanding energy sector. On the other hand, the Colorado Springs metropolitan area has experienced a slower growth rate due to its reliance on military spending, and activity remains sluggish on the Western Slope.

The Denver metropolitan area is comprised of seven counties – Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson. The Denver metropolitan area economy strongly influences the economy statewide as the area accounts for about 62 percent of Colorado jobs and 56 percent of the state’s total population. Indeed, the Denver metropolitan area added 52,200 jobs of the total 78,900 jobs added in the state during 2014. Four industry supersectors – natural resources and construction, professional and business services, education and health services, and leisure and hospitality – accounted for 67 percent of Denver metropolitan area jobs added between 2013 and 2014.

## Population

### Colorado

U.S. Census Bureau population data show Colorado as the fourth fastest-growing state between July 2013 and July 2014. According to the Colorado Demography Office, the Colorado population increased 1.6 percent to over 5.3 million, a rate over two times faster than the rate of the nation due to a high birth rate, low death rate, and positive net migration.



Population growth depends on two components – natural increase and net migration. Natural increase is the difference between births and deaths, and typically changes only gradually as the population ages. Net migration reflects the number of in-migrants to the state minus the number leaving, and it tends to be more volatile as economic cycles, housing costs, and other less-predictable factors tend to influence population mobility. Natural increase accounted for 49 percent of Colorado’s total population change between 2004 and 2014, and net migration accounted for 51 percent.

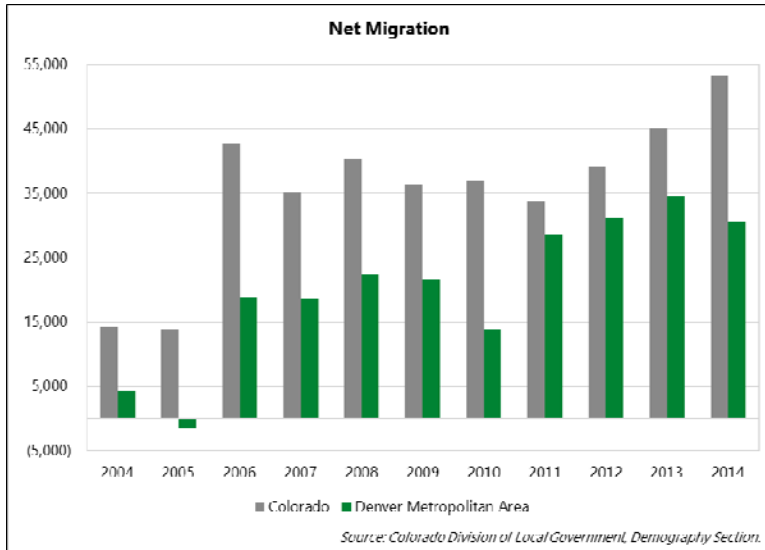
Demographers expect net migration will be the major contributing factor to Colorado’s

population growth throughout the decade, representing about 62 percent of the state’s population increase in 2014. Colorado is experiencing two major demographic shifts in the state’s population. First, in 2014, the largest generational group residing in the state became the millennials (born 1981-1997), surpassing the baby boomers (born 1946-1964). Second, Colorado’s share of the population 65 years and older is increasing rapidly. Among the 50 states, Colorado ranked as having the fourth lowest share of those 65+ (10 percent) in 2010. By 2025, this

percentage will increase to 17 percent of the population. This means that the over 65 population will double from 2010 to 2025, with the population increasing from 555,000 to 1.1 million.

**Denver Metropolitan Area**

The Denver metropolitan area is a magnet for new Colorado residents, although the two nationwide recessions that occurred over the past ten years made the share of regional population growth due to net migration somewhat smaller than it was during the 1990s and early 2000s. Net migration represented 49 percent of total



Denver metropolitan area population growth between 2004 and 2014, and natural increase represented 51 percent of total growth. The prior decade (1994-2004) showed net migration represented 56 percent of the population change.

Even with slower net migration during recession periods, the Denver metropolitan area's average annual population growth over the past ten years (1.6 percent) was noticeably faster than the national average (0.9 percent). The region's population grew 1.7 percent between 2013 and 2014, and the Denver metropolitan area is now home to over 3 million residents.

In 2012 and 2013, net migration in the Denver metropolitan area accounted for more than 75 percent of total Colorado migration. Just as the area historically was known as a magnet for the baby boomers, the area is now a choice location for the millennials. The millennials are the largest population group in the Denver metropolitan area, numbering just over 713,800 in 2014. While generation X (685,100 population) and baby boomers (684,500 population) dominate the labor force today, the millennials are making their mark on the workplace today and will represent the largest component of the labor force within 10 years.

According to the Colorado Demography Office, the Denver metropolitan area's largest population group are young adults (ages 25-34), representing 14.7 percent of the population. The area's median age (36.8) is lower than the nationwide median (37.5) and the total share of the region's population age 65 and older (11.8 percent) is smaller than the comparable share nationwide (13.5 percent).

**Denver Metropolitan Area Population by County**

	2004	2009	2014	Avg. Annual Population Growth	
				2004-2009	2009-2014
<b>Adams</b>	385,945	436,323	477,870	2.5%	1.8%
<b>Arapahoe</b>	523,715	566,480	616,881	1.6%	1.7%
<b>Boulder</b>	283,288	293,641	313,624	0.7%	1.3%
<b>Broomfield</b>	46,406	55,378	61,100	3.6%	2.0%
<b>Denver</b>	560,230	595,573	662,670	1.2%	2.2%
<b>Douglas</b>	233,646	282,163	311,589	3.8%	2.0%
<b>Jefferson</b>	524,876	532,606	558,896	0.3%	1.0%
<b>Denver Metropolitan Area</b>	2,558,106	2,762,164	3,002,629	1.5%	1.7%
<b>Colorado</b>	4,608,811	4,976,853	5,350,572	1.5%	1.5%

Source: Colorado Division of Local Government, Demography Section.

Of the seven Denver metropolitan area counties, the City and County of Denver, the City and County of Broomfield, and Douglas County reported the fastest population growth over the past five years. Growth in five of the seven counties exceeded both the statewide and national average growth rates between 2009 and 2014.

## City and County of Denver

The City and County of Denver represents over 22 percent of the total Denver metropolitan area population, the largest portion of the seven counties in the region. The young adults (age 25-34) also represent the largest portion of the City and County of Denver's population at 20.3 percent, 5.6 percentage points higher than the portion in the Denver Metropolitan area. The City and County of Denver also has a median age of 34.5, more than two years younger than the surrounding population. Between 2004 and 2009, total population growth averaged 1.2 percent per year. Since the Great Recession of 2007-2009, the City and County of Denver has reported steady population growth, averaging 2.2 percent growth over the last five years. From 2004 to 2014, net migration represented 45 percent of the population growth, while 55 percent was attributed to natural increase.

## Employment

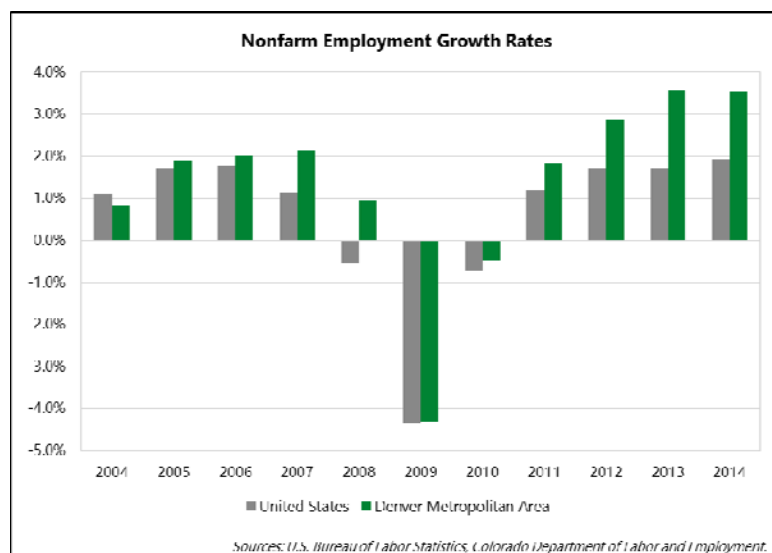
The U.S. Bureau of Labor Statistics releases employment data based on two different surveys. The household survey – also called the Current Population Survey (CPS) – reflects employment characteristics by place of residence and is the data source for statistics on labor force, employment and self-employment, and unemployment by county. This data is discussed in the Labor Force & Unemployment section of this report.

The so-called "establishment" survey is the data source for the Current Employment Statistics (CES) series, which includes detailed information on employment, hours, and earnings by industry. Although the survey does not count the self-employed, the CES data are some of the most closely watched and widely used gauges of employment trends. CES data was revised in March 2015, and annual benchmark data are included in this report.

Industry employment data in the CES series are grouped according to North American Industry Classification System (NAICS) codes. This coding structure includes 20 detailed industry sectors that are combined to form 11 "supersectors."

## Colorado

During the past ten years, Colorado employment grew at an annual average rate of 1.2 percent, more than two times the national rate (0.5 percent). The most recent recession caused significant declines in employment growth in Colorado, as the state posted more negative growth rates during the last recession than the national average. While Colorado was harder hit by the last recession than the rest of the nation, the area recovered at a much faster pace and recorded higher employment growth for the last four years.



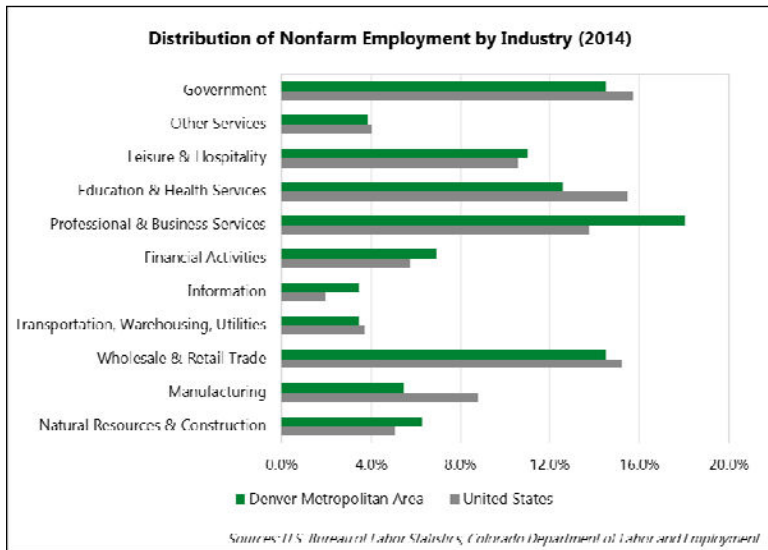
The concentration of certain industries in the state gave it unique advantages in recent times of economic growth. A large presence of high-tech, natural resource, and construction activity positioned Colorado to expand at a steady pace over the last few years. Colorado

employment rose across all supersectors from 2013 to 2014, most notably in natural resources and construction (+11.5 percent). The education and health services supersector and the transportation, warehousing, and utilities supersector both recorded a 4.2 percent increase in employment between 2013 and 2014. Total employment in Colorado increased 3.3 percent between 2013 and 2014. Colorado’s employment growth rate was 1.4 percentage points higher than the national growth rate of 1.9 percent during the same period.

**Denver Metropolitan Area**

The U.S. Bureau of Labor Statistics also compiles CES data for a number of Metropolitan Statistical Areas (MSAs), including the Denver-Aurora-Lakewood MSA (Denver MSA) and the Boulder MSA. The Denver MSA consists of ten counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties. Because CES data are not available for the counties individually, data in this section of the report reflect the Denver MSA and Boulder MSA (Boulder County) combined.

This 11-county region has a nonfarm employment base of over 1.5 million workers. Growth in the region has been slightly stronger than the state, with employment rising 3.6 percent between 2013 and 2014. Accounting for about 62 percent of the state’s employment, the Denver metropolitan area added 52,200 jobs of the total 78,900 jobs



added in the state during the last year. The ten-year average annual growth rate for the area (1.4 percent) was higher than the state average of 1.2 percent. Both the state and the 11-county region began to report economic expansion in 2011, but the Denver metropolitan area has consistently expanded at a faster pace than the state each year since the recovery began.

Four industry supersectors – natural resources and construction, professional and business services, education and health services, and leisure and hospitality – accounted for 67 percent of Denver metropolitan area jobs added between 2013 and 2014. Part of these industries’ large impact on overall job growth

reflects their sheer size, as they are some of the region’s largest sectors in terms of total jobs. The wholesale and retail trade and the government supersectors are the region’s second and third largest industries by employment, reporting over-the-year employment growth of 2.5 percent and 2 percent, respectively.

U.S. oil producing states experienced an energy boom through 2014, as oil production picked up due to improved drilling technologies. According to the U.S. Energy Information Administration, Colorado supplies about one out of every 50 barrels of U.S. oil output. This helps explain the 12.2 percent increase in employment between 2013 and 2014 in the natural resources and construction sector. The sector reported the largest over-the-year increase in employment, adding 10,400 new jobs in the region and representing nearly 20 percent of all jobs added in 2014. Growth in the sector also occurred in both 2012 (+5.1 percent) and 2013 (+9.7 percent).

**City and County of Denver**

The City and County of Denver is the employment center for the Denver metropolitan area and accounts for 30 percent of the region’s total jobs. Downtown Denver’s central business district has one of the area’s largest concentrations of office space and is home to telecommunications companies, large healthcare organizations,

financial and legal firms, and a variety of other businesses. The City and County of Denver had the state's largest job base of roughly 465,860 workers in the third quarter of 2014, and employment increased 4.8 percent between the third quarters of 2013 and 2014.

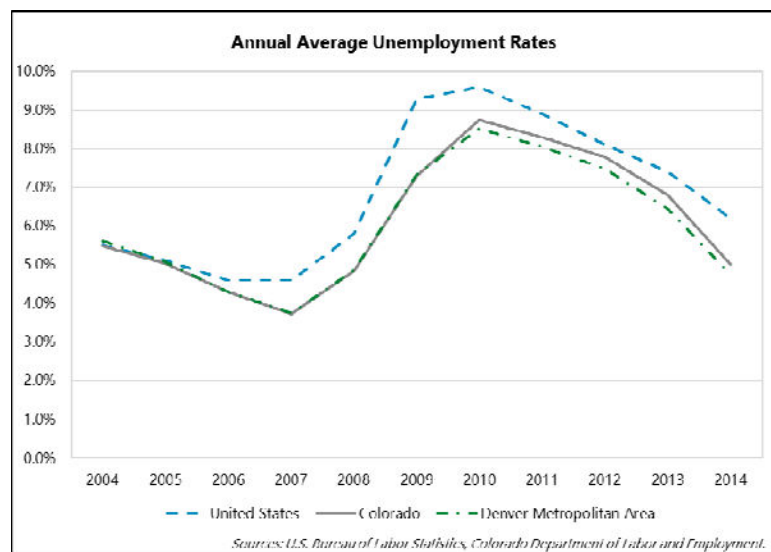
The City and County of Denver's three largest industry supersectors by employment concentration are professional and business services (20.2 percent), government (13.6 percent), and leisure and hospitality (12.4 percent). Total employment rose in all 11 industry supersectors between the third quarters of 2013 and 2014, with the largest increases in natural resources and construction (13.6 percent), leisure and hospitality (7 percent), professional and business services (6.1 percent), and other services (5.4 percent).

## Labor Force & Unemployment

In 2014, the economic recovery picked up speed, pushing the national unemployment rate to the lowest level since 2008. Companies began hiring at a faster pace as consumers became more confident and companies were more optimistic about future economic conditions. The national unemployment rate fell significantly, but the rate remains at levels that signal the national economy is still in recovery mode. Revised data show the unemployment rate declined to 6.2 percent in 2014, a decline of 1.2 percentage points from the 2013 rate (7.4 percent).

### Colorado

Colorado's unemployment rate fell faster than the national average, reaching 5 percent in 2014, the lowest level since 2008. Colorado's annual average unemployment rate peaked at 8.7 percent in 2010 and the rate has fallen at an increasing rate over the last four years. The state's unemployment rate has remained at or below the national



level since 1990. Colorado's unemployment rate of 5 percent in 2014 was 1.2 percentage points below the national average. Colorado achieved significant improvements in the labor market through 2014, with the last six months of the year reporting unemployment rates below five percent.

### Denver Metropolitan Area

The most recent recession pushed the Denver metropolitan area unemployment rate to a peak of 8.5 percent in 2010, but the area recorded improvements over the last four years. The unemployment rate fell 1.7 percentage points between 2013 and 2014 to 4.8 percent, the lowest level since 2007. The

Denver MSA tied for the eighth lowest unemployment rate of the 32 largest metropolitan areas based on data for February 2015. The lowest rate was 3.4 percent in the Austin-Round Rock, Texas MSA and the highest was in the Las Vegas-Henderson-Paradise, Nev. MSA at 7.2 percent.

### City and County of Denver

As an urban center, the City and County of Denver typically records higher unemployment than the greater Denver metropolitan area. While the City and County of Denver reported unemployment rates that were higher than the national average between 2004 and 2006, rates have remained below the national average since 2007.

The average annual unemployment rate in the City and County of Denver peaked at 9.1 percent in 2010, but has steadily declined each year since. The unemployment rate fell to 4.9 percent in 2014, the lowest level since 2007. The 2014 rate was 0.1 percentage points above the Denver metropolitan area rate, but 1.3 percentage points below the national rate.

## Major Employers

Colorado’s small businesses play a major role in the state’s job creation and economic growth. Data from the U.S. Census Bureau show that, as of 2013, more than 98 percent of Colorado businesses employed fewer than 100 workers. Self-employment is another important economic driver in Colorado: according to the U.S. Bureau of Economic Analysis, Colorado had the nation’s fourth-largest share of total jobs linked to sole proprietorship in 2013.

While small businesses and the self-employed are vitally important to the Denver metropolitan area economy, larger firms are also key providers of jobs and income. Census Bureau data show 121 firms with 1,000 or more employees were operating in Colorado in 2013 and 60 percent of these large businesses were located in the Denver metropolitan area.

Nine companies headquartered in Colorado were included on the 2015 *Fortune 500* list. Arrow Electronics (#131)

### Metro Denver Largest Private Sector Employers

Company	Product/Service	Employment
King Soopers Inc.	Grocery	14,290
Wal-Mart	General Merchandise	11,830
HealthONE Corporation	Healthcare	11,050
Centura Health	Healthcare	8,310
SCL Health System	Healthcare	8,270
Lockheed Martin Corporation	Aerospace & Defense Related	6,990
CenturyLink	Telecommunications	6,500
Kaiser Permanente	Healthcare	6,220
Comcast Corporation	Telecommunications	5,910
University of Colorado Health	Healthcare, Research	5,860
Children’s Hospital Colorado	Healthcare	5,740
Safeway Inc.	Grocery	5,660
Target Corporation	General Merchandise	5,550
United Airlines	Airline	4,900
Wells Fargo	Financial Services	4,450
University of Denver	University	4,230
IBM Corporation	Computer Systems & Services	4,200
DISH Network	Satellite TV & Equipment	3,990
Level 3 Communications	Communication & Internet	3,830
United Parcel Service	Parcel Delivery	3,380

Source: Development Research Partners, May 2015.

was the highest-ranked Colorado company, followed by DISH Network (#208), DaVita Healthcare Partners (#231), Liberty Interactive (#263), Ball Corporation (#332), Newmont Mining (#379), Level 3 Communications (#401), Western Union (#468), and CH2M (#480).

Private sector businesses account for the majority of employment in the Denver metropolitan area, but the public sector also represents a sizeable portion of the area’s job base. As the capital of Colorado, the City and County of Denver has a large concentration of government employees. Specifically, public sector employment in Denver consists of 13,700 federal government employees, 13,700 state government employees, and 35,900 employees in local government entities including Denver Public Schools (15,150 employees) and the City and County of Denver (11,200 employees).

## International Trade

The Denver metropolitan area is located just west of the nation’s geographic center and at the exact midpoint between Tokyo and Frankfurt. As a result, it serves as an ideal hub for businesses focused on interstate and

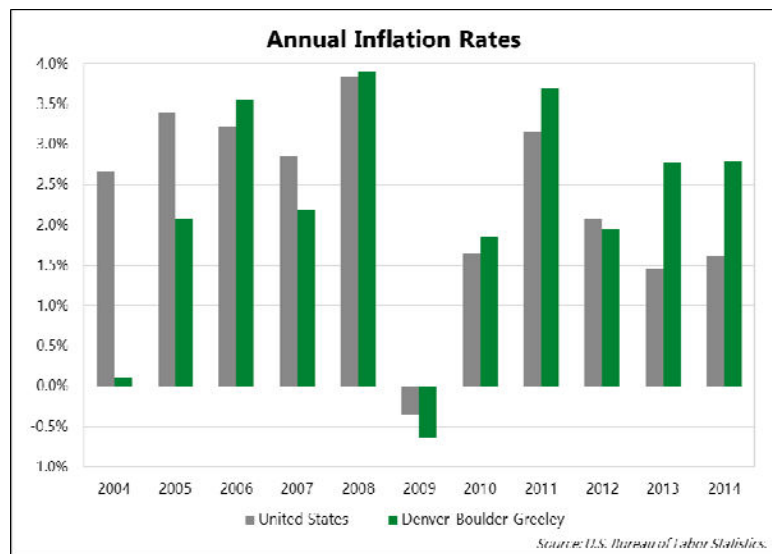


international commerce. Shipping businesses can access the Denver metropolitan area via all transportation modes except water, and the region’s location midway between Canada and Mexico – U.S. partners under the North American Free Trade Agreement (NAFTA) – is another asset for trade-focused companies. About one-third of the total dollar value of export shipments from Colorado went to Canada and Mexico in 2014; others of the state’s largest trading partners include China, Japan, Netherlands, and Malaysia.

Between 2010 and 2013, Colorado’s exports posted significant over-the-year growth, surpassing pre-recession levels. However, there was a 2.1 percent decline in exports between 2013 and 2014, marking the first over-the-year decline in exports since 2009. Much of the decline is attributed to exports to Canada, with an 18.7 percent decline during the period. The state exported considerably less agriculture and construction machinery and industrial machinery products to Canada in 2014. National exports increased from 2013 to 2014, rising 2.8 percent.

Key exports for Colorado include computer and electronic products, food and kindred products, machinery, and chemicals. Machinery exports decreased 21.8 percent between 2013 and 2014, the largest decrease of all export products, while computer exports declined 4.1 percent. The largest increases in the state’s major export products occurred in electrical equipment products (20.7 percent), food products (9.3 percent), and chemicals (6 percent).

## Inflation



The U.S. Bureau of Labor Statistics measures inflation – or deflation – as a change in the Consumer Price Index (CPI). The CPI is a compilation of price measures for items in eight broad categories, the most heavily weighted of which are housing, transportation, and food and beverages. Housing carries the most weight of these three categories.

The weight placed on housing costs is one reason why the U.S. average and Denver-Boulder-Greeley CPIs have varied over the past decade. Slow economic growth following the 2001 recession and a milder-than-average home price boom meant the Denver-Boulder-Greeley CPI rose at a slower-than-average

pace between 2003 and 2005. Oil prices – which tend to drive CPI when they are most volatile – rose in 2005 and brought the local and national inflation rates closer together.

The Denver-Boulder-Greeley area reported prices that increased at a faster pace than the U.S. in four of the last five years. The Denver-Boulder-Greeley CPI rose 2.8 percent in 2013, 1.3 percentage points higher than the U.S. CPI. During 2014, the Denver-Boulder-Greeley index rose 2.8 percent, while the U.S. index increased 1.6 percent.

CPI data suggests a few categories are driving the price increases that are faster than the national average. Housing costs in the Denver-Boulder-Greeley area rose 4.9 percent between 2013 and 2014, while housing costs across the U.S. rose just 2.6 percent during the same period. Further, transportation costs rose 0.7 percent in the Denver-Boulder-Greeley area but declined 0.7 percent nationally.

Denver-Boulder-Greeley prices for education and communication, food and beverages, housing, medical care, recreation, and transportation rose more quickly than U.S. prices in 2014. Apparel and other goods and services reported lower price indices for 2014 compared with the prior year.

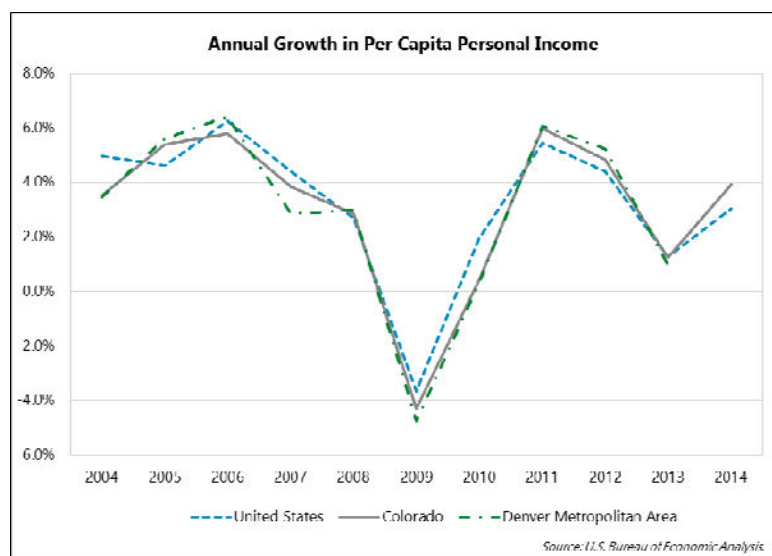


## Income

### Colorado

The largest component of personal income is earnings from work, meaning a difficult labor market and slow wage growth can affect overall personal income trends. The 2008 housing crisis pushed total personal income growth downward, leading to a decline of 2.7 percent in 2009. Growth began to recover in 2010 (1.9 percent) and continued in 2011 (7.5 percent). In mid-2013, the Colorado economy was one of only 13 states to recover all jobs lost during the 2008 recession, starting the state on a path of economic expansion. With the rest of the country still in recovery mode, personal income in Colorado rose at a slightly faster pace than the national average. This was also the time when investments began to rise, with the stock market reaching new highs and the housing market rebounding. State personal income grew at a 6.3 percent pace in 2012, 2.8 percent in 2013, and 5.6 percent in 2014.

Growth in per capita personal income – or total personal income divided by population – has recently been faster-than-average in Colorado. The state’s population growth has historically grown at a pace faster than the national average, which sometimes dampens per capita income growth rates. For example, the state’s per capita income growth rate of rate of 1.3 percent in 2013 matched the national rate. In 2014, per capita income growth picked up again as unemployment rates fell, rising 3.9 percent. In Colorado, per capita personal income was \$48,730 in 2014, or 106 percent of the national average, representing the 14th highest level of the states.



### Denver Metropolitan Area

Personal income trends in the Denver metropolitan area have roughly followed the statewide trend over the past decade. Income growth slowed after the 2001 recession, accelerated between 2004 and 2006, and slowed – eventually declining – during the most recent recession. The decline in Denver metropolitan area total personal income between 2008 and 2009 (-3.1 percent) was steeper than the decline reported nationwide (-2.8 percent), but the region’s personal income grew faster than the national average in 2013, increasing 2.9 percent compared with the national increase of 2 percent.

Denver metropolitan area per capita personal income in 2013 (\$52,357) was 117 percent of the U.S. average. Comparatively high wage rates tend to keep per capita personal income in the Denver metropolitan area above the national average. A separate measure, the Denver metropolitan area average annual wage, reached \$56,514 in 2013, which was up 0.3 percent over the 2012 annual average.

### City and County of Denver

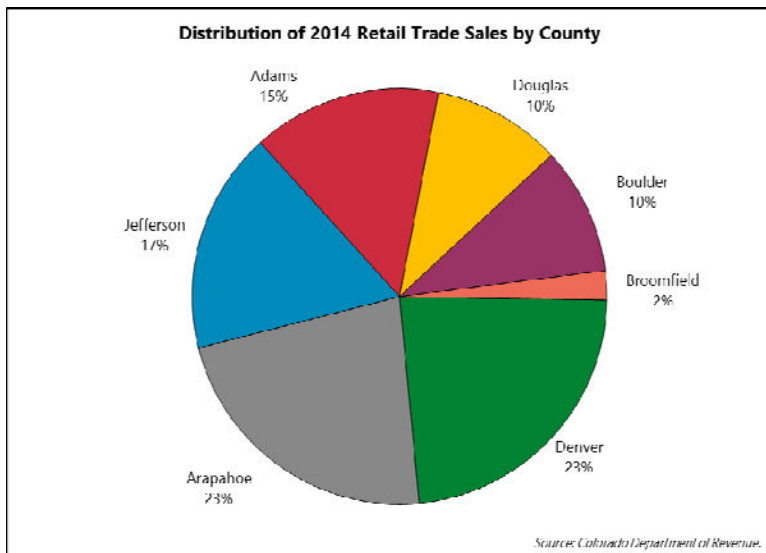
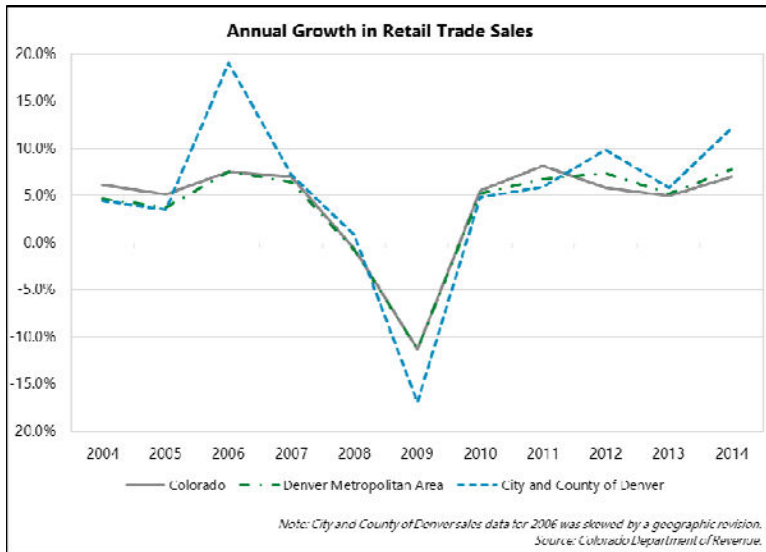
Per capita personal income in the City and County of Denver is generally higher than the U.S., averaging 127 percent of the national number between 2004 and 2013. The income differential peaked in 2006, when per capita personal income (\$50,128) reached 131 percent of the national average. The City and County of Denver per capita

personal income fell sharply (-7 percent) between 2008 and 2009, but increased in 2010 through 2013. Per capita income increased 0.8 percent in 2013, a slower rate than the U.S. and Denver metropolitan area.

The City and County of Denver boasts a higher than average per capita personal income compared with the Denver metropolitan area, averaging 108 percent of the metro-wide number since 2003. The difference can be attributed to the relatively high wage rates in the county. The average annual wage in the City and County of Denver was \$61,139 in 2013, which was \$4,625 higher than the Denver metropolitan area average annual wage.

## Retail Trade

Retail sales account for a large part of the nation’s total economic output and are a useful indicator of overall consumer health. The recession pushed national retail sales down in 2008 and 2009, when sales declined 1.2 percent and 7.1 percent, respectively. However, as consumer financial situations recovered and confidence rose, retail sales also grew, increasing 4.2 percent in 2013 and 4 percent in 2014. Durable goods sales also recovered, an encouraging sign since these products tend to be more expensive and represent a long-term commitment, such as cars. In fact, motor vehicle sales rose 9.3 percent in 2013 and 8.2 percent in 2014. The strong increase in consumers purchasing vehicles signaled that households were financially more stable than they were during the recession when motor vehicles sales decreased significantly by 14 percent in 2008 and 13.9 percent in 2009. The impressive rebound may also partially be due to the delay in purchasing big ticket items during difficult times.



### Colorado

Reflecting the recessions that began in 2001 and 2007, retail trade sales in Colorado fell in 2002 and 2003 and again in 2008 and 2009. However, as the labor market recovered, retail trade sales increased with the consumers’ recovering incomes and spending abilities. After a decline in 2009, retail trade sales increased 5.5 percent in 2010 and increased even more in 2011 by 8.1 percent. Sales growth slowed slightly in 2012 to 5.9 percent, possibly reflecting the slower growth in personal income and that much of the pent-up demand was satisfied in 2011. Retail trade sales increased 7 percent in 2014, reflecting an additional \$5.9 billion in sales over-the-year.

**Denver Metropolitan Area Retail Trade Sales (\$millions)**

Industry	2013	2014	Percent Change
Retail Trade:			
Motor Vehicle / Auto Parts	\$9,648	\$10,801	12.0
Furniture and Furnishings	\$1,700	\$1,852	9.0
Electronics and Appliances	\$1,425	\$1,580	10.9
Building Materials / Nurseries	\$3,049	\$3,427	12.4
Food/Beverage Stores	\$8,996	\$9,111	1.3
Health and Personal Care	\$1,979	\$2,331	17.8
Service Stations	\$2,693	\$2,577	-4.3
Clothing and Accessories	\$2,437	\$2,576	5.7
Sporting/Hobby/Books/ Music	\$1,553	\$1,676	7.9
General Merchandise/ Warehouse	\$6,649	\$6,873	3.4
Misc. Store Retailers	\$2,229	\$2,744	23.1
Non-Store Retailers	\$841	\$937	11.4
Total Retail Trade	\$43,198	\$46,485	7.6
Food / Drinking Services	\$6,100	\$6,638	8.8
<b>TOTAL</b>	<b>\$49,299</b>	<b>\$53,123</b>	<b>7.8</b>

*Note: Data are not adjusted for inflation. Sales by industry may not add to totals due to rounding and data suppression. Source: Colorado Department of Revenue.*

*Denver Metropolitan Area*

Like sales in Colorado, retail trade sales in the Denver metropolitan area grew rapidly in 2006 and 2007. A strong housing market allowed households more asset-based wealth, and solid job and income growth also supported retail activity. When the most recent recession dramatically lessened household wealth and drove unemployment higher, Denver metropolitan area retail trade sales fell 0.8 percent in 2008 and 11.3 percent in 2009.

Consumer confidence data suggest many households are becoming more optimistic about the economic situation, and consumers have noticeably increased their spending since the recession. Denver metropolitan area retail trade sales rose 5.2 percent in 2013 and 7.8 percent in 2014.

good indicator of healthy spending, rose 12 percent in 2014. Furniture and furnishings, another durable goods category, increased 9 percent. Sales for two of the largest contributors to total Denver metropolitan area retail trade sales – grocery stores and general merchandise stores – rose 1.3 percent and 3.4 percent between 2013 and 2014, respectively.

The City and County of Denver has the largest share of retail trade activity in the Denver metropolitan area and showed retail trade sales growth of 12.1 percent from 2013 to 2014. Sales in each county in the Denver metropolitan area increased in 2014, with the smallest over-the-year gain in the City and County of Broomfield (2.2 percent). Other counties increased between 4 percent (Jefferson County) and 10.8 percent (Adams County).

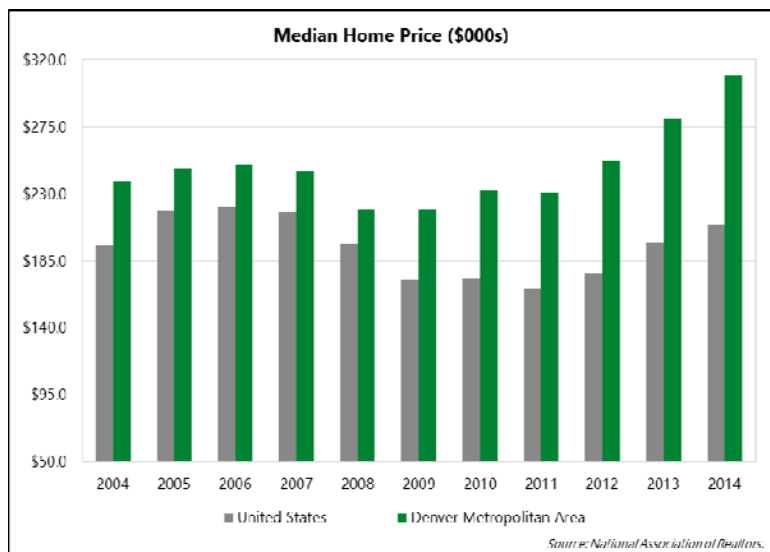
*City and County of Denver*

Retail trade sales in the City and County of Denver represented 23.2 percent – the largest share – of total retail trade sales in the Denver metropolitan area in 2014. Total 2014 retail trade sales in the City and County of Denver were up 12.1 percent over-the-year. This increase was the largest over-the-year increase since 2006 when retail trade sales rose 19.1 percent between 2005 and 2006.

**Residential Real Estate**

Combined, all aspects of the housing market – from new home construction to money spent on mortgage and rental payments, furnishings, and home improvements – contribute significantly to the nation’s economy.

With strong population growth throughout the state, the housing market makeup has changed to adjust to the preferences of the growing millennial population and the aging baby boomers. Census data show the U.S. homeownership rate fell from 69.1 percent in the first quarter of 2005 to a third quarter 2014 rate of 64.4 percent, the lowest rate reported since 1995. The shift in homeownership for individual states has been even more profound: Colorado’s homeownership rate fell from 72.1 percent in the first quarter of 2005 to 64.8 percent in the fourth quarter of 2014.



The decline in the Colorado homeownership rate is likely due to several factors, including rapidly rising prices that are keeping some households out of the ownership market, the limited supply of homes available for sale, and changing housing preferences due to demographic shifts. While interest rates are at record lows nationally, the disconnect between the high demand for homes and the low supply has pushed home prices to record high levels. Demand for housing is urging new construction activity, resulting in increasing new residential building permits for single-family attached and detached homes.

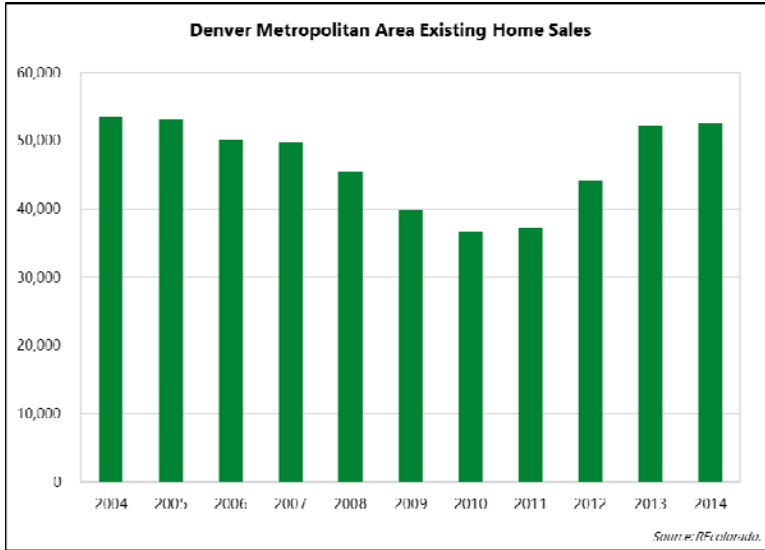
## Residential Home Prices

The limited supply of homes for sale and the high demand from new home buyers drove up the median home price in the Denver metropolitan area through 2014. The median home price rose 10.5 percent to \$310,200. Of the past six years, 2011 was the only year to record a decline in the median home price, falling 0.4 percent over-the-year. Since 2011, median home prices have risen at a rapid pace in the Denver metropolitan area. The median home price increased over-the-year in both 2012 and 2013, rising 9.1 percent and 11.2 percent, respectively. The Denver metropolitan area median home price is now 24 percent higher than the 2006 peak, whereas the 2014 national median home price remained 6 percent lower than the 2006 peak. Many states throughout the country are still in recovery mode from the Great Recession, therefore housing prices have not risen as rapidly across the nation as they have in the Denver metropolitan area. Further, housing inventory has not kept up with the fast population growth.

The S&P/Case-Shiller Home Price Index shows that the Denver home price index reached record highs in 2014. Denver and Dallas remain the only two cities tracked in the index that have surpassed their prerecession peaks. The December 2014 data shows the Denver index was 12.8 percent above its peak in August 2006. The 20 city composite index was 16.2 percent below its peak in July 2006. Another housing price index, the Federal Housing Finance Agency's Home Price Index shows Denver as having the 13th highest (+9.2 percent) over-the-year increase of 100 metropolitan areas using fourth quarter 2014 data. When comparing the Denver area index to its five-year value change, it ranks 11th with a positive change (+33.9 percent). Both price indexes, though using different methodologies, indicate that Denver metropolitan area home prices are rising rapidly. While increasing home prices are a positive sign for the economy, the rate at which prices are rising suggests a significant disconnect in the supply and demand for homes.

## Foreclosures

According to experts, foreclosure activity recently reached some of the lowest levels in 20 years. Foreclosure filings fell 29 percent in 2014 to 5,342 in the Denver metropolitan area, following a 50 percent decline in 2013. Each of the seven counties in the Denver metropolitan area recorded a substantial decline in foreclosures in 2014, ranging from a 44 percent decline in the City and County of Broomfield to a 23 percent decline in Arapahoe County. The count of new filings reported in the City and County of Denver in 2014 (1,087) was 33 percent lower than the 2013 count.



**Residential Home Sales**

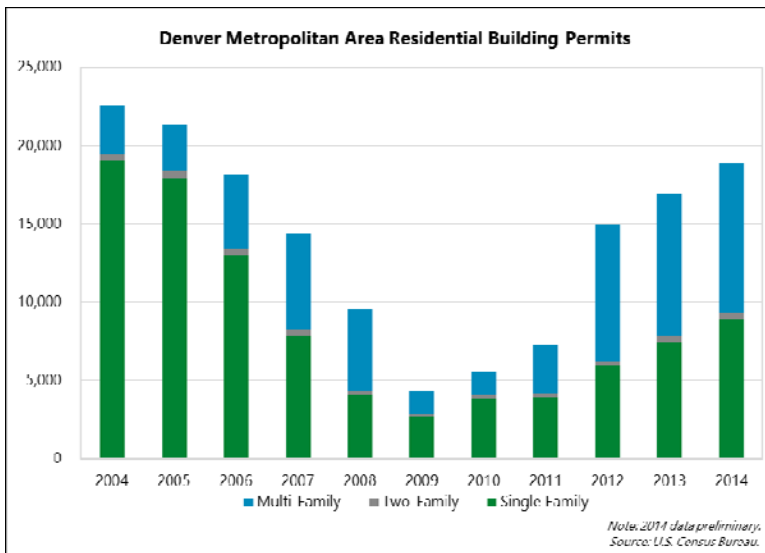
Denver metropolitan area existing home sales reached a peak (53,482) in 2004. Sales declined for six years following that time, reaching a low of 36,650 sales in 2010. Beginning in 2011, there has been positive over-the-year growth in existing home sales, signaling a strengthening housing market. With a growing job market pushing households into a healthier financial situation, demand for homes increased. While demand remains high, low inventory and rapidly rising prices challenged home sales during 2014.

Existing home sales rose 18.6 percent between 2012 and 2013, but sales rose only 0.6 percent

between 2013 and 2014. The slower growth rate is another indication of the tight inventory levels. There were 52,723 total home sales in 2014, which was 1.4 percent lower than the 2004 peak. Inventory levels are at the lowest level on record, constraining options for homebuyers and potentially inhibiting further growth. As mortgage lending rules become less restrictive and new units come online, the pent up demand in the residential real estate market should be alleviated.

**Residential Building Permits**

Metro Denver is a top destination for relocation with above-average employment growth and a high quality of life. With a growing job market pushing households into a healthier financial situation, demand for homes



increased significantly. High demand and low inventory have constrained the residential real estate market, and new development has just recently started to provide some relief.

With aging baby boomers and an expanding economy, there has been a shift in the type of housing demanded. There has been an increased demand for senior living facilities, ranging from independent senior living to assisted living facilities. During the recession, many families doubled up in housing in order to conserve financial stability. With the Denver metropolitan area's economy on an expansionary path, those families that doubled up during the recession are looking to move into their own home.

While the dynamics of the residential real estate market are shifting, construction permits rose at a steady pace through 2014. There were over 18,800 residential construction permits issued in the Denver metropolitan area in 2014, an increase of 11.4 percent compared with 2013. Single-family detached permits rose 20.9 percent over 2013, single-family attached permits decreased 5.5 percent, and multi-family construction increased 4.4 percent. It



is important to note that multi-family construction, which has historically represented between 25 and 30 percent of the total number of new units each year, represented 50 percent of the total in 2014.

Total permits issued in the City and County of Denver rose 1.5 percent between 2013 and 2014, after an increase the previous year of 5.2 percent. The slight increase was attributed to a 33.2 percent increase in single-family detached permits (1,710 permits) and a 12.1 percent increase in single-family attached units (287 permits). Multi-family permits declined 8.5 percent, reaching 3,961 total permits.

**Apartment Market**

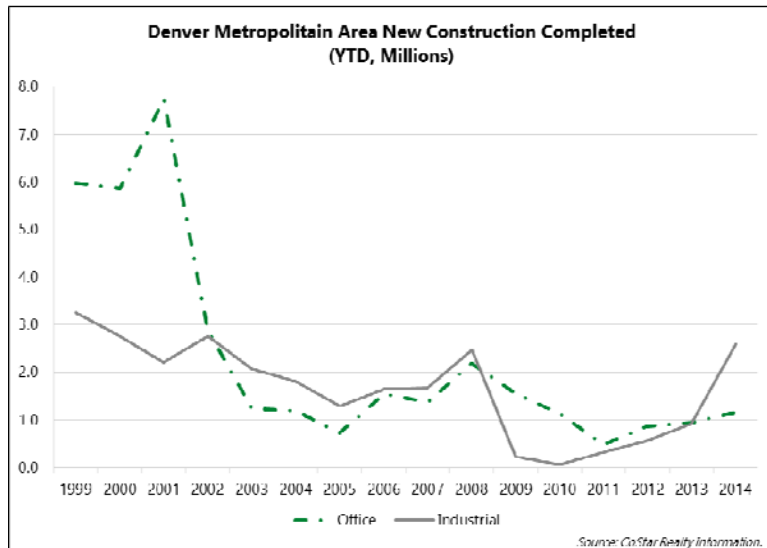
Apartment vacancy data also indicates that demand for apartments is at an all-time high in the Denver metropolitan area. The vacancy rate reached 3.9 percent during the third quarter of 2014, the lowest vacancy rate in the area since 2001. The fourth quarter level (4.7 percent) was 0.5 percentage points lower than the prior year and 4.3 percentage points lower than the peak of 9 percent in 2009. The *Denver Metro Apartment Vacancy and Rent Survey* shows average annual vacancy rates decreased from 2013 to 2014 in four of the six county-level markets included in the report. The vacancy rate increased 2.1 percentage points in the Boulder/Broomfield submarket and was unchanged in Arapahoe County. Vacancy rate changes in the other counties ranged from a decrease of 0.8 percentage points in Adams County to a 0.1 percentage point decline in the City and County of Denver.

Rising apartment demand and falling vacancy rates pushed average lease rates to record highs: the Denver metropolitan area average rent increased 9.7 percent between 2013 and 2014 to \$1,126 per month. Every county reported over-the-year increases in the average rental rate. Adams County recorded the largest increase in the average rental rate, reporting an 11.2 percent increase between 2013 and 2014. The City and County of Denver recorded an average rental rate of \$1,130 for 2014, an increase of 8.8 percent from the previous year.

**Commercial Real Estate**

The first decade of the new millennium presented many challenges for the commercial real estate market. The nation suffered two recessions, one in 2001 and another in 2007 through 2009. Prior to the 2001 recession, commercial development in the Denver metropolitan area was booming, adding millions of square feet of new office construction each year. Construction activity dropped significantly after the 2001 recession and has remained below those all-time highs. Recent office construction has been impacted by companies demanding less space as they implement new strategies to use space more efficiently, utilize coworking space and desk sharing, and offer more telecommuting options.

While the 2001 recession strongly affected the office market, the 2007-2009 recession had a larger impact on the industrial market in the Denver metropolitan area. Between 2008 and 2010, new industrial construction fell from nearly 2.5 million square feet to under 0.1 million square feet. The recession led to decreases in personal consumption and consumer confidence, which led to a decline in demand for industrial space as space for manufacturing and inventory storage was not needed.

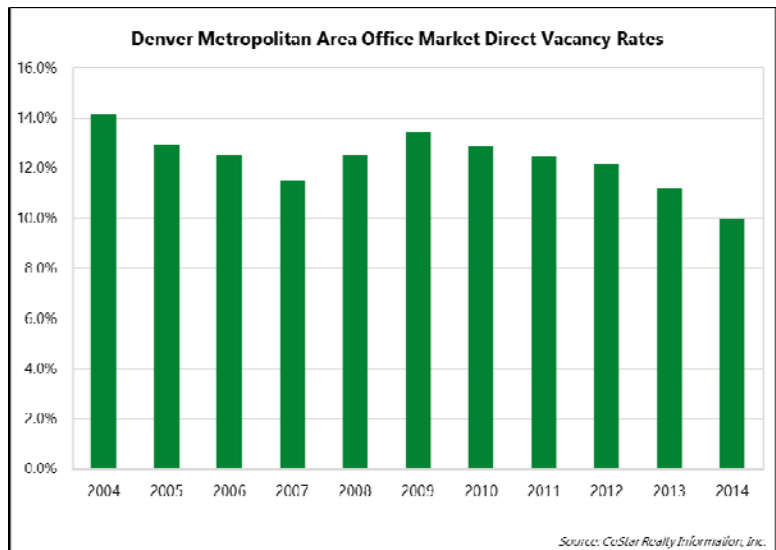


Due to the volatile path of commercial real estate construction over the past 12 years, construction activity over the last several years was slow and allowed for the continued decline in vacancy rates. The commercial real estate markets in the Denver metropolitan area reported significant improvements in 2014, recording record low vacancy rates and record high average lease rates. The recent improvement in the commercial real estate markets has triggered build-to-suit activity and speculative commercial development for the first time since the Great Recession.

## Office Activity

Data from CoStar Realty Information, Inc. show the direct office market vacancy rate in the Denver metropolitan area fell in 2014 to 10.1 percent, the lowest rate since 2001. Office lease rates have steadily increased since the fourth quarter of 2010 and have continued to record new highs every quarter since. The average lease rate in the fourth quarter of 2014 (\$22.89 per square foot) was the highest recorded lease rate since at least 1999.

Several large build-to-suit office projects were completed in 2014, including the Charles Schwab Campus world headquarters, the One Union Station south wing, and the Cornerstar Healthcare Plaza. As of the end of 2014, 1.2 million square feet of office space was completed and 2.85 million square feet was under construction.



## Industrial and Flex Activity

CoStar Realty Information shows that the industrial direct vacancy rate for the Denver metropolitan area of 2.9 percent during the fourth quarter of 2014 was the lowest level on record. The improved local economy triggered growth in the manufacturing sector, leading to increased demand for inventory and production space. This growth pushed the vacancy rate down and the average lease rate up. The high demand for industrial space pushed the average lease rate to \$6.06 per square foot in the fourth quarter of 2014, 19 percent higher than the previous year's level of \$5.09 per square foot.

Flex market lease rates surpassed their 2008 peak in the fourth quarter of 2014. The Denver metropolitan area direct flex market lease rate was \$9.88 per square foot, 2.2 percent above than the fourth quarter 2008 average. Direct flex market vacancy in the fourth quarter (8.5 percent) was 1 percentage point below the year-ago level and was the lowest level since 1999.

New construction in the industrial and flex markets was mostly build-to-suit projects. After the completion of about 1 million square feet of new industrial and flex space in 2013, nearly 3.2 million square feet was completed in 2014. Some of the more notable projects completed in 2014 included multiple buildings at the Enterprise Business Center, Caprice Commerce Center buildings one and two, a new ViaWest datacenter, the Benjamin West headquarters, and a new building at the Concord Business Center. In the fourth quarter of 2014, there was just under 1.7 million square feet of industrial and flex space under construction.

## *Retail Activity*

Personal consumption and retail sales increased at a healthy clip in 2014. Low interest rates and falling gasoline prices in 2014 led to an income effect, which gave consumers additional funds for discretionary spending and allowed them to purchase big ticket items. These positive components of the market increased demand for retail space, but the retail market has not responded at the same pace as the office, industrial, and flex markets. The direct vacancy rate for the retail market was 5.5 percent in 2014, falling 2.7 percentage points from the 2009 peak of 8.2 percent. While the vacancy rate has fallen, the average lease rate for retail space has been mostly unchanged. The fourth quarter 2014 average lease rate was \$15.50 per square foot, which was just 0.5 percent higher than the rate one year ago.

The amount of retail construction completed slowed in 2014, with nearly 600,000 square feet of space completed compared with the 1.15 million square feet of space completed the previous year. Most of the new spaces completed were small, with an average of 11,600 square feet of space per building in 2014. There was nearly 900,000 square feet of retail space under construction as of the end of 2014.

## *Medical Facilities*

The Denver metropolitan area is a leading healthcare and wellness hub and receives support from cutting-edge research and development facilities, unmatched talent, and state-of-the-art amenities. The healthcare system has experienced a rapid increase in demand for healthcare services due to changes in healthcare policy and the aging population. The elevated demand furthered new construction activity in the healthcare sector from diversified hospitals to clinics and urgent care facilities.

Completed projects through 2014 included the \$623 million National Jewish Health-Saint Joseph Hospital, the \$3.7 million Platte Valley Medical Center in Commerce City, and Centura Health opened three new health and wellness centers. Other projects continuing construction and slated to begin in 2015 include an expansion of the stroke and neuroscience program at Swedish Medical Center, an expansion of the Littleton Adventist Hospital, a \$90 million expansion and renovation of Craig Hospital, and continued construction at Centura Health's St. Anthony North Health Campus.

The healthcare field is particularly active in Aurora, which is home to the Fitzsimons Life Sciences District and the adjacent Anschutz Medical Campus, the largest medical-related redevelopment site in the nation. The University plans to build a \$63 million Center for Personalized Medicine and Biomedical Informatics. Adjacent to the Anschutz Medical Campus is the U.S. Department of Veterans Affairs (VA) Eastern Colorado Healthcare System hospital and facility. Construction on this facility continues, and will house the VA Schizophrenia Research Center, one of three nationwide.

## **Transportation**

With access by road, rail, and air, the Denver metropolitan area is one of the country's most important transportation hubs. The region's national and international connectivity both reflects and supports its dynamic economy.

### *Highways*

Colorado's transportation network includes almost 1,000 miles of Interstate highway, more than 300 miles of other freeways and expressways, and almost 87,100 miles of arterials, collectors, and local roads. The Texas Transportation Institute compiles data on transportation in cities across the U.S. and reported that the Denver-Aurora area had nearly 1.4 million commuters who logged 22.2 billion vehicle-miles of freeway travel and 542



million passenger miles on public transportation in 2011. Commuters in the Denver-Aurora area also observe 45 hours of traffic congestion annually per commuter, ranking Denver with the 13 highest traffic congestion of the 101 tracked metropolitan areas.

There are several major highway projects in progress throughout the Denver metropolitan area, with the goal of making travel easier on the commuter and enhancing the performance of the highway system. The I-25 and Santa Fe Drive project replaced bridge structures on I-25 over Santa Fe Drive and will add a single point interchange at the intersection. Another project will use the existing highway infrastructure to expand the capacity of I-25 by adding one HOV/tolled Express Lane in each direction. The US 6 Bridges Design-Build Project will replace six existing bridges, build six new bridges, construct new ramp structures to accommodate existing traffic, construct a bicycle/pedestrian bridge, and improve mobility through the I-25 and US 6 interchange.

### *Mass Transit*

The Regional Transportation District (RTD), funded by a one percent sales tax, oversees the Denver metropolitan area's mass transit system. RTD operates 1,011 buses on 138 fixed routes and 172 light rail vehicles on six light rail lines (C, D, E, F, H, and W). The District operates 77 Park-n-Rides, 46 light rail stations, and more than 9,700 bus stops. RTD also operates 36 hybrid-electric buses along the 16th Street Mall in downtown Denver and transports 45,000 visitors daily from one end of the mile-long pedestrian mall to the other free of charge. System-wide ridership for 2014 resulted in nearly 105 million boardings.

RTD works continually to expand capacity and services for public transportation in order to meet increasing demand. The FasTracks program is a \$7.4 billion buildout of a comprehensive, multi-modal metro transit system. Major FasTracks projects were completed in 2014 and several are ongoing in 2015. Denver's Union Station was completed in July 2014 and serves as the region's transportation hub providing passenger rail service for Amtrak, the Ski Train, and future FasTracks commuter rail lines; an expanded regional bus facility for RTD regional and express buses, the Downtown Circulator, and the 16th Street Mall Shuttle; and light rail service. RTD also broke ground on the North Metro Rail Line (opening 2018) and obtained approval for the Southeast Light Rail extension into Lone Tree. RTD expects to open five new projects in 2016 consisting of the East (downtown Denver to Denver International Airport), Gold (downtown Denver to Wheat Ridge), and I-225 rail lines, a portion of the Northwest rail line, and the U.S. 36 Bus Rapid Transit Corridor. When the system is completed, there will be 122 miles of new rail service, 18 miles of bus rapid transit, 57 new stations, 31 new Park-n-Rides, and 21,000 new parking spaces.

### *Air*

Denver International Airport (DIA) is a state-of-the-art facility owned and operated by the City and County of Denver and celebrates 20 years of operation in 2015. Occupying 53 square miles and located approximately 24 miles northeast of downtown Denver, DIA is the primary airport serving the nine-county region and the state of Colorado. DIA has more than 35,000 badged employees who work at the airport and approximately 1,200 City and County of Denver employees.

DIA accommodated 53.5 million passengers in 2014 with six runways, three concourses, 109 gates, and 42 regional aircraft positions. DIA serves the ever-expanding international travel market via the sixth runway, the longest in North America. DIA has 15 commercial carriers offering scheduled nonstop service from Denver to more than 180 domestic and international destinations, with major hubs for United, Southwest, and Frontier Airlines. In 2014, DIA and airline staff managed about 1,500 flight operations and more than 146,000 passengers every 24 hours. Total airport passenger traffic rose 1.7 percent between 2013 and 2014 and was about 916,200 passengers above the prior year's level of 52.6 million. DIA ranks as the nation's fifth-busiest airport by passenger traffic and is the 15th busiest airport worldwide.

The Denver metropolitan area is a natural hub for cargo operations due to its central U.S. location and access to an extensive freight network and major interstate highways. Additionally, the airport's air cargo and mail facilities comprise 375,000 square feet in five buildings south of the airfield, with room to expand. DIA is home to several world-class cargo companies and support facilities, including World Port Cargo Support, DHL, UPS, FedEx, and United Airlines cargo. The U.S. Postal Service facility is also located nearby, providing a wide array of competitive shipping and receiving options. Further, more than 50 freight forwarders and customs brokers operate within 20 miles of DIA. The total amount of cargo shipped through DIA increased slightly between 2013 and 2014. With the consumers and businesses growing more confident in the economy, air freight activity picked up and gained a greater portion of the airport's daily operations. Eight cargo airlines and 13 major and national carriers currently provide DIA cargo service, and the carriers handled roughly 519 million pounds of shipments – including 486.6 million pounds of freight and express and 32.9 million pounds of air mail – in 2014.

DIA is a recognized leader in sustainability efforts, and was the first airport in the nation to receive ISO 14001 Environmental Management System certification in 2004. The airport is also a Gold Member of the Colorado Department of Public Health and Environment's Environmental Leadership Program. The airport continually works to reduce its carbon footprint through a variety of energy efficient technologies. DIA is the largest distributed generation photovoltaic energy producer in Colorado and its four solar array systems produce approximately 6 percent of the airport's total electrical power requirements. The airport has one of the largest compressed natural gas fleets in the country including 172 buses, sweepers, and other alternatively fueled vehicles, and 121 electric and hybrid electric vehicles. Alternative vehicles comprise roughly 51 percent of the airport's light duty fleet.

Construction continued in 2014 on the Hotel and Public Transit Center. The Westin Hotel at Denver International Airport will have 519 rooms, a 26,000-square-foot conference center to hold up to 2,500 people, and many amenities including a pool and workout center. The Westin Hotel is expected to open in November 2015. The airport also completed a \$10.3 million reconstruction of Runway 7-25, a \$14.7 million upgrade to the lighting system on Runway 8-26, replaced the lighting in the east and west parking garages with energy-efficient LED lighting, and added the fourth solar array that is capable of generating 2 megawatts (MW) of power.

Three reliever airports complement DIA's expanding role in the Denver metropolitan area economy. Centennial Airport serves the southeast metro area; Front Range Airport is located six miles southeast of DIA and serves the northeast Denver metropolitan area; and Rocky Mountain Metropolitan Airport serves Jefferson, Broomfield, and Boulder Counties in the northwest area. Three general aviation airports – Boulder Municipal Airport, Erie Municipal Airport, and Vance Brand Municipal Airport in Longmont – also serve the Denver metropolitan area.

### *Rail*

Rail lines are a critical component of the nation's transportation system and are vital to the Denver metropolitan area's economic health and global competitiveness. Colorado is home to 14 freight railroads operating on more than 2,660 miles of track, and the Denver metropolitan area serves as a major hub for the Burlington Northern Santa Fe and Union Pacific railroad. In 2012, coal accounted for 74 percent of rail shipments originating in Colorado and more than 58 percent of shipments ending in the state. Cement was the second largest originating commodity (6 percent), while stone, sand, and gravel (8 percent) was the second largest commodity ending in the state. Colorado was ranked sixth in the country for originated rail tons of coal and fourth in rail tons of cement.

Passenger rail adds to the variety of travel options available in the Denver metropolitan area. Amtrak's California Zephyr route offers area residents transportation through the Rocky Mountains west of Denver and connects Chicago to San Francisco. The Southwest Chief route passes through Lamar, La Junta, and Trinidad, providing transportation between Kansas City, Kan. and Albuquerque, N.M. Almost 203,000 travelers passed through Colorado Amtrak stations in fiscal year 2014, and 55 percent of those travelers either boarded or alighted from

trains in the Denver metropolitan area. There were 2.3 percent more riders in fiscal year 2014 than there were during the 2013 fiscal year.

## Tourism

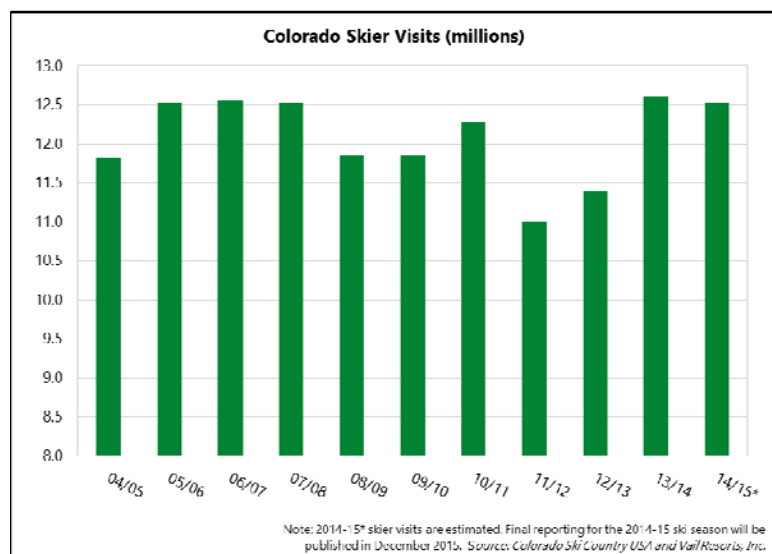
The Denver metropolitan area is an international hub of tourism, drawing visitors in through outdoor recreation opportunities, arts and cultural events, and music and sports entertainment. The area is home to seven professional sports teams with three sports arenas, 90 golf courses, 850 miles of bike paths with 57 bike sharing stations, and 200 parks covering over 20,000 acres. The area also offers major attractions including a zoo, an aquarium, two waterparks, two amusement parks, over 40 museums, and 13 historical sites. In 2013, attendance at cultural events exceeded 14.2 million people in the Denver metropolitan area and generated an economic impact of \$1.85 billion.

According to the most recent study by Longwoods International, Denver tourism activity increased to a record 15.4 million overnight visitors spending \$4.6 billion in 2014, representing a 10 percent increase in visitors and a 15 percent increase in spending over 2013. Top Denver attractions included the 16th Street Mall, the Cherry Creek Shopping District, and the Lower Downtown area, as well as numerous cultural facilities such as the Denver Zoo, the Denver Art Museum, and the Denver Botanic Gardens.

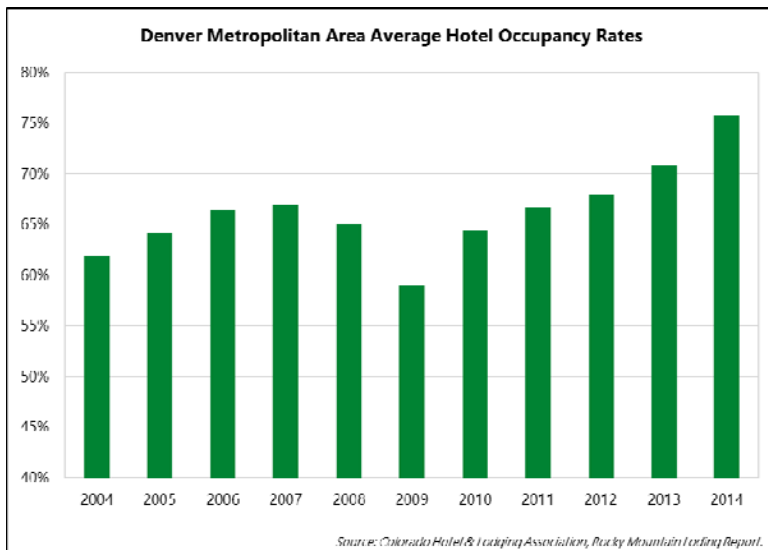
Denver metropolitan area residents and visitors have access to numerous opportunities for skiing, hiking, backpacking, camping, biking, rafting, boating, mountain climbing, and hunting. The state is home to 25 ski and snowboard resorts offering 325 ski lifts, 2,460 trails, and 42,680 skiable acres. Colorado is one of the nation's most-favored destinations for skiing: 12 of the 30 top resorts in *Ski* magazine's "2015 Resort Rankings" are located

in the Colorado Rocky Mountains, with 11 resorts in the top 20.

Twelve Colorado ski resorts – including several in the top resorts ranking – are located within two hours of the Denver metropolitan area. Data from Colorado Ski Country USA and Vail Resorts, Inc. indicate that the number of skier visits during the 2014-15 ski season fell about 0.5 percent compared with the prior season, falling to 12.5 million skier visits. Colorado skier visits – or the count of persons skiing or snowboarding for any part of one day – reached a record 12.6 million during the 2013-14 season.



While Colorado and the Denver metropolitan area are known to draw recreational visitors and outdoor enthusiasts, business, professional, and leisure travel has become increasingly popular in recent years. The Colorado Convention Center reported that there were 220 distinct events through 2013 and there were nearly 842,500 attendees.



Hotels, restaurants, and other attractions and events in Metro Denver were awarded numerous accolades in 2014. Among the awards were hotels recognized by *Travel + Leisure* as some of the top 100 in the world, *Livability* ranked Denver the second best city in the nation for beer, and *Forbes* named Denver the 13th best city for shopping. Events such as the National Western Stock Show, the Cinco de Mayo Festival, the USA Pro Challenge, and the Great American Beer Festival contribute positive economic impacts and attract thousands of tourists to the area.

Rising interest for business and leisure travel has led to elevated demand for hotel development throughout the Denver

metropolitan area. There are several new hotels in the pipeline for 2015, including a \$70 million Sage Hospitality hotel in Cherry Creek and two 18-story buildings that will house the AC Hotel by Marriot hotel and the Starwood-branded Le Meridien Hotel.

Between the increased demand for hotel rooms by travelers and the addition of new hotels to the market, average room rates for the Denver metropolitan area hit record highs in 2014. Data from the *Rocky Mountain Lodging Report* shows the region's average nightly room rate for 2014 (\$124.37) was 8.1 percent higher than the 2013 average, and the average occupancy rate for 2014 (75.8 percent) was also higher than the 2013 rate (70.8 percent).

## Summary

The Denver metropolitan area has a nonfarm employment base of over 1.5 million workers. Growth in the region has been slightly stronger than the state, with employment rising 3.6 percent between 2013 and 2014. Accounting for about 62 percent of the state's employment, the Denver metropolitan area added 52,200 jobs of the total 78,900 jobs added in the state during the last year. The unemployment rate in the Denver metropolitan area averaged 4.8 percent in 2014, representing a tightening of labor market conditions.

Just as the area historically was known as a magnet for the baby boomers, the area is now a choice location for the millennials. The millennials are the largest population group in the Denver metropolitan area, numbering just over 713,800 in 2014. While generation X (685,100 population) and baby boomers (684,500 population) dominate the labor force today, the millennials are making their mark on the workplace today and will represent the largest component of the labor force within 10 years.

With limited supply in the residential real estate market and above average population growth, the median home price in the Denver metropolitan area increased 10.5 percent in 2014 to \$310,200 compared with the U.S. median of \$209,000. There were over 18,800 residential construction permits issued in the Denver metropolitan area in 2014, an increase of 11.4 percent compared with 2013. However, the dynamics of the residential real estate market are shifting. Multi-family construction, which has historically represented between 25 and 30 percent of the total number of new housing units built each year, represented 50 percent of the new construction in 2014.

The commercial real estate markets in the Denver metropolitan area reported significant improvements in 2014, recording record low vacancy rates and record high average lease rates. The recent improvement in the commercial real estate markets has triggered significant build-to-suit activity and speculative commercial

development. The Denver metropolitan area is an international hub of tourism, attracting visitors with outdoor recreation opportunities, arts and cultural events, and music and sports entertainment. Continuing buildout of the FasTracks system, along with various other infrastructure improvements throughout the region, ensure the continued appeal of the Denver metropolitan area for new businesses, residents, and visitors.

Prepared By:



**Development  
Research Partners**

10184 West Belleview Avenue, Suite 100

Littleton, Colorado 80127

Phone: 303-991-0073

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>POPULATION (July 1)</b>											
United States (thousands)	292,805	295,517	298,380	301,231	304,094	306,772	309,347	311,722	314,112	316,498	318,857
Colorado	4,608,811	4,662,534	4,745,660	4,821,784	4,901,938	4,976,853	5,049,717	5,117,368	5,188,504	5,264,890	5,350,572
Denver Metropolitan Area	2,558,106	2,582,177	2,626,197	2,670,038	2,716,819	2,762,164	2,797,896	2,847,228	2,897,837	2,951,798	3,002,629
City and County of Denver	560,230	559,459	562,862	570,437	581,903	595,573	604,879	620,977	634,903	648,937	662,670
<b>POPULATION GROWTH RATE</b>											
United States	0.9%	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	0.7%
Colorado	1.2%	1.2%	1.8%	1.6%	1.7%	1.5%	1.5%	1.3%	1.4%	1.5%	1.6%
Denver Metropolitan Area	1.2%	0.9%	1.7%	1.7%	1.8%	1.7%	1.3%	1.8%	1.8%	1.9%	1.7%
City and County of Denver	0.0%	-0.1%	0.6%	1.3%	2.0%	2.3%	1.6%	2.7%	2.2%	2.2%	2.1%
<b>NET MIGRATION</b>											
Colorado	14,300	13,779	42,896	35,000	40,469	36,267	36,954	33,745	39,166	45,275	53,339
Denver Metropolitan Area	4,263	(1,367)	18,864	18,704	22,326	21,639	13,892	28,512	31,215	34,603	30,629
City and County of Denver	(6,069)	(6,929)	(2,537)	1,625	5,480	7,620	3,819	10,660	8,918	8,989	8,012
<b>NONAGRICULTURAL EMPLOYMENT</b>											
United States (millions)	131.7	134.0	136.4	137.9	137.2	131.2	130.3	131.8	134.1	136.4	139.0
Colorado (thousands)	2,179.6	2,226.0	2,279.1	2,331.3	2,350.3	2,245.6	2,222.3	2,258.6	2,313.0	2,381.9	2,460.8
Denver Metropolitan Area (thousands)	1,324.9	1,350.0	1,377.4	1,407.0	1,420.5	1,359.2	1,352.8	1,377.7	1,417.2	1,467.8	1,520.0
City and County of Denver	423,446	424,641	432,416	442,746	449,254	423,282	420,523	422,704	434,083	441,249	457,531
<b>NONAGRICULTURAL EMPLOYMENT GROWTH RATE</b>											
United States	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.7%	1.9%
Colorado	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.3%
Denver Metropolitan Area	0.8%	1.9%	2.0%	2.1%	1.0%	-4.3%	-0.5%	1.8%	2.9%	3.6%	3.6%
City and County of Denver	-0.5%	0.3%	1.8%	2.4%	1.5%	-5.8%	-0.7%	0.5%	2.7%	1.7%	3.7%

**2014 EMPLOYMENT DISTRIBUTION BY INDUSTRY**

	United States		Colorado		Denver Metropolitan Area		City & County of Denver				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Natural Resources & Construction	5.1%	7.2%	6.3%	6.0%							
Manufacturing	8.8%	5.6%	5.4%	4.3%							
Wholesale & Retail Trade	15.2%	14.4%	14.5%	11.9%							
Transportation, Warehousing, Utilities	3.7%	3.2%	3.5%	5.7%							
Information	2.0%	2.8%	3.5%	2.6%							
Financial Activities	5.7%	6.2%	6.9%	7.8%							
Professional & Business Services	13.7%	15.7%	18.0%	20.2%							
Education & Health Services	15.4%	12.1%	12.5%	12.0%							
Leisure & Hospitality	10.6%	12.2%	11.0%	12.4%							
Other Services	4.0%	4.1%	3.8%	3.5%							
Government	15.7%	16.6%	14.5%	13.6%							

**UNEMPLOYMENT RATE**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
United States	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%
Colorado	5.5%	5.0%	4.3%	3.7%	4.8%	7.3%	8.7%	8.3%	7.8%	6.8%	5.0%
Denver Metropolitan Area	5.6%	5.1%	4.3%	3.8%	4.9%	7.3%	8.5%	8.1%	7.5%	6.5%	4.8%
City and County of Denver	6.5%	5.7%	4.8%	4.1%	5.4%	8.1%	9.1%	8.6%	7.8%	6.6%	4.9%

**CONSUMER PRICE INDEX (CPI-U, 1982-84=100)**

United States	188.9	195.3	201.6	207.3	215.3	214.5	218.1	224.9	229.6	233.0	236.7
Denver-Boulder-Greeley	187.0	190.9	197.7	202.0	209.9	208.5	212.4	220.3	224.6	230.8	237.2

**INFLATION RATE**

United States	2.7%	3.4%	3.2%	2.8%	3.8%	-0.4%	1.6%	3.2%	2.1%	1.5%	1.6%
Denver-Boulder-Greeley	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>TOTAL PERSONAL INCOME (millions, except as noted)</b>											
United States (billions)	\$10,043	\$10,606	\$11,376	\$11,990	\$12,429	\$12,080	\$12,418	\$13,190	\$13,873	\$14,151	\$14,709
Colorado	\$166,625	\$177,819	\$191,699	\$202,599	\$212,102	\$206,438	\$210,454	\$226,145	\$240,350	\$247,069	\$260,993
Denver Metropolitan Area	\$103,467	\$110,486	\$119,633	\$125,274	\$131,368	\$127,325	\$129,909	\$140,275	\$150,270	\$154,613	N/A
City and County of Denver	\$23,641	\$25,340	\$27,916	\$28,415	\$30,585	\$29,098	\$30,394	\$33,469	\$35,876	\$36,999	N/A
<b>TOTAL PERSONAL INCOME GROWTH RATE</b>											
United States	5.9%	5.6%	7.3%	5.4%	3.7%	-2.8%	2.8%	6.2%	5.2%	2.0%	3.9%
Colorado	4.6%	6.7%	7.8%	5.7%	4.7%	-2.7%	1.9%	7.5%	6.3%	2.8%	5.6%
Denver Metropolitan Area	4.3%	6.8%	8.3%	4.7%	4.9%	-3.1%	2.0%	8.0%	7.1%	2.9%	N/A
City and County of Denver	3.2%	7.2%	10.2%	1.8%	7.6%	-4.9%	4.5%	10.1%	7.2%	3.1%	N/A
<b>PER CAPITA PERSONAL INCOME</b>											
United States	\$34,300	\$35,888	\$38,127	\$39,804	\$40,873	\$39,379	\$40,144	\$42,332	\$44,200	\$44,765	\$46,129
Colorado	\$36,421	\$38,390	\$40,611	\$42,174	\$43,377	\$41,518	\$41,689	\$44,183	\$46,315	\$46,897	\$48,730
Denver Metropolitan Area	\$40,855	\$43,148	\$45,909	\$47,216	\$48,625	\$46,314	\$46,459	\$49,280	\$51,854	\$52,357	N/A
City and County of Denver	\$42,925	\$45,931	\$50,128	\$50,346	\$53,125	\$49,402	\$50,370	\$53,980	\$56,538	\$56,967	N/A
<b>PER CAPITA PERSONAL INCOME GROWTH RATE</b>											
United States	5.0%	4.6%	6.2%	4.4%	2.7%	-3.7%	1.9%	5.5%	4.4%	1.3%	3.0%
Colorado	3.5%	5.4%	5.8%	3.8%	2.9%	-4.3%	0.4%	6.0%	4.8%	1.3%	3.9%
Denver Metropolitan Area	3.5%	5.6%	6.4%	2.8%	3.0%	-4.8%	0.3%	6.1%	5.2%	1.0%	N/A
City and County of Denver	3.6%	7.0%	9.1%	0.4%	5.5%	-7.0%	2.0%	7.2%	4.7%	0.8%	N/A
<b>RETAIL TRADE SALES (millions, except as noted)</b>											
United States (billions)	\$3,834	\$4,084	\$4,304	\$4,446	\$4,394	\$4,083	\$4,306	\$4,627	\$4,863	\$5,067	\$5,270
Colorado	\$62,288	\$65,492	\$70,437	\$75,375	\$74,911	\$66,454	\$70,105	\$75,804	\$80,248	\$84,240	\$90,149
Denver Metropolitan Area	\$37,197	\$38,589	\$41,491	\$44,177	\$43,829	\$38,882	\$40,894	\$43,658	\$46,861	\$49,299	\$53,123
City and County of Denver	\$7,691	\$7,963	\$9,480	\$10,162	\$10,252	\$8,517	\$8,925	\$9,454	\$10,388	\$10,992	\$12,327



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>RETAIL TRADE SALES GROWTH RATE</b>											
United States	6.1%	6.5%	5.4%	3.3%	-1.2%	-7.1%	5.5%	7.5%	5.1%	4.2%	4.0%
Colorado	6.1%	5.1%	7.6%	7.0%	-0.6%	-1.1.3%	5.5%	8.1%	5.9%	5.0%	7.0%
Denver Metropolitan Area	4.6%	3.7%	7.5%	6.5%	-0.8%	-1.1.3%	5.2%	6.8%	7.3%	5.2%	7.8%
City and County of Denver <sup>1</sup>	4.4%	3.5%	19.1%	7.2%	0.9%	-16.9%	4.8%	5.9%	9.9%	5.8%	12.1%
<b>MEDIAN HOME PRICE (thousands)</b>											
United States	\$195.2	\$219.0	\$221.9	\$217.9	\$196.6	\$172.1	\$173.1	\$166.2	\$177.2	\$197.4	\$209.0
Denver Metropolitan Area	\$239.1	\$247.1	\$249.5	\$245.4	\$219.3	\$219.9	\$232.4	\$231.4	\$252.4	\$280.6	\$310.2
<b>EXISTING HOME SALES</b>											
Denver Metropolitan Area	53,482	53,106	50,244	49,789	45,506	39,892	36,650	37,189	44,164	52,391	52,723
<b>NEW RESIDENTIAL UNITS</b>											
<b>DENVER METROPOLITAN AREA</b>											
Single Family	19,069	17,888	12,938	7,799	4,037	2,690	3,791	3,885	5,947	7,396	8,944
Two-Family	374	471	428	398	224	133	285	309	299	399	377
Multi-Family	3,108	2,953	4,769	6,195	5,296	1,465	1,478	3,005	8,679	9,145	9,545
Total Units	22,551	21,312	18,135	14,392	9,557	4,288	5,554	7,199	14,925	16,940	18,866
<b>OFFICE VACANCY RATE</b>											
Denver Metropolitan Area	14.1%	12.9%	12.5%	11.4%	12.5%	13.4%	12.9%	12.5%	12.1%	11.2%	10.1%
<b>HOTEL OCCUPANCY RATE</b>											
Denver Metropolitan Area	61.9%	64.1%	66.4%	67.0%	65.0%	59.0%	64.4%	66.8%	68.0%	70.8%	75.8%
<b>SKIER VISITS</b>											
Colorado (millions)	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
	11.8	12.5	12.6	12.5	11.9	11.9	12.3	11.0	11.4	12.6	12.5

N/A: Not Available

1: The large increase in retail trade sales in the City and County of Denver in 2006 was due to geographic revisions in the data series and may not accurately reflect actual activity.

\*2014-15 Ski season ski visits are an estimated value. Final reporting for the 2014-15 ski season will be published in December 2015.

Sources: U.S. Department of Commerce, Bureau of the Census; Colorado Division of Local Government, Demography Section; U.S. Department of Labor, Bureau of Labor Statistics; Colorado Department of Labor and Employment, Labor Market Information; U.S. Department of Commerce, Bureau of Economic Analysis; Colorado Department of Revenue; National Association of REALTORS; REcolorado; Home Builders Association of Metro Denver; CoStar Realty Information, Inc.; Rocky Mountain Lodging Report; and Colorado Ski Country USA.

**APPENDIX B**  
**EXECUTIVE ORDER NO. 114**

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**EXECUTIVE ORDER NO. 114**

**TO:** All Departments and Agencies Under the Mayor

**FROM:** Mayor

**DATE:** May 4, 2012

**SUBJECT:** Securities Disclosure Policies and Practices of the City and County of Denver

**PURPOSE:** This Executive Order establishes the policy of the City and County of Denver for the preparation and dissemination of information that must be disclosed in connection with the issuance of certain bonds, notes, certificates of participation and other municipal securities of the City and its Enterprises. The City is required to prepare and disseminate certain disclosure information in order to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, including a requirement for continuing disclosure of annual financial information and notices of certain material events in a timely fashion. These reporting and disclosure practices require close coordination on the part of the City in order to assure compliance with contractual Undertakings, promote uniformity in disclosures and reduce liability on the part of the City to holders of securities.

This Order is designed to centralize the information dissemination process, to establish appropriate controls on Disclosure Statements made by the City's Department of Finance, and to enable the City and its Enterprises to comply with Rule 15c2-12, in order to assure the City's access to the capital markets as a source of funds for necessary and useful public undertakings of the City.

This Order is not designed to limit any person's access to public records or information, nor to infringe upon the political process, in particular the right of any elected official of the City to review, discuss, release, comment upon or criticize any information.

Executive Order No. 114, dated October 29, 1996, is hereby canceled and superseded by this Executive Order No. 114.

1. **Applicable Authority.** The applicable authority relevant to the provisions and requirements of this Executive Order No. 114 are Sections 2.5.1 and 2.5.3 (E) of the Charter of the City; and Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, including a requirement for continuing disclosure of annual financial information and notices of certain material events in a timely fashion.
2. **Definitions.** As used in this Order, the terms "annual financial information," "issuer," "municipal securities," "obligated person," and "official statement" shall have the meanings ascribed to these terms under Rule 15c2-12. The following terms shall have the following meanings.
  - 2.1. "1934 Act" means the Securities Exchange Act of 1934, as the same may be amended, modified and integrated at the time in question, together with any similar federal statute applicable to brokers, dealers or municipal securities dealers purchasing, selling or trading in securities issued by the City.
  - 2.2. "Compliance Officer" means the Manager of the Department of Finance of the City.
  - 2.3. "Disclosure Statement" means any written or oral communication relating generally to the creditworthiness of the City or its Enterprises or specifically to the financial viability of particular projects being financed with municipal securities whose payment is supported by the City or one of its Enterprises. The term includes annual financial information, information concerning the occurrence of events, and notices, conferences, reports, speeches and published material of any other sort made in a manner and under circumstances where it is —reasonable to expect that such statement may reach and be relied upon by investors in the securities issued by the City or its

Enterprises. The term does not include any statement made or information provided by an elected official of the City unless the statement has been coordinated with and approved by the Compliance Officer for release to the public.

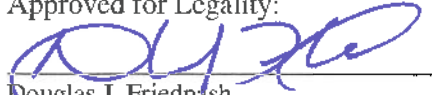
- 2.4. "Enterprise" means the Department of Aviation, the Wastewater Management Division of the Department of Public Works, and any other section, division, agency or department of the City designated as an "Enterprise" pursuant to the Charter or by ordinance.
- 2.5. "Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the 1934 Act, as the same may be amended, modified and interpreted at the time in question, together with any similar rule or regulation promulgated by a federal agency and applicable to the City and its securities.
- 2.6. "SEC" means the United States Securities and Exchange Commission and any success or federal agency having jurisdiction over the purchase, sale and offering by broker-dealers of securities such as those issued by the City.
- 2.7. "Undertaking" means a contract designed to comply with the continuing disclosure requirements of Rule 15c2-12, entered into by the City and obligating the City to provide annual financial information and notices of the occurrence of certain events, if material.

3. **Statement of Policy:** In order to assure compliance by the City with the disclosure requirements of Rule 15c2-12, it is the policy of the City that:

- 3.1. No official statement relating to any municipal securities as to which the City or any of its Enterprises is the issuer or an obligated person for purposes of Rule 15c2-12 shall be issued or released to the public until and unless approved by the Manager of the Department of Finance.
- 3.2. No Disclosure Statement concerning municipal securities as to which the City or any of its Enterprises is the issuer or an obligated person for purposes of Rule 15c2-12 shall be issued or released to the public by any employee, agent or official of the City in a way reasonably expected to be received and relied upon by investors in such securities until and unless such Statement and its release shall be approved by the Manager of the Department of Finance.
- 3.3. No Undertaking relating to municipal securities as to which the City or any of its Enterprises is the issuer or an obligated person for purposes of Rule 15c2-12 shall be binding upon the City without the approval of the Manager of the Department of Finance.
- 3.4. Unless required by law to do otherwise, prior to releasing to the public any Disclosure Statement intended to be made public, all non-elected employees, agents and officials of the City shall report to and file with the Manager of the Department of Finance any such Disclosure Statement, together with such additional information requested by the Manager of the Department of Finance, and each such employee, agent and official of the City shall consult with the Manager of the Department of Finance concerning such proposed Disclosure Statement.
- 3.5. No Disclosure Statement, official statement or Undertaking in respect of any municipal securities as to which the City or any of its Enterprises is the issuer or an obligated person for purposes of Rule 15c2-12 that is issued or released to the public by any employee, agent or official of the City without the approval of the Manager of the Department of Finance required by this Order shall be deemed to be a statement or undertaking by or on behalf of the City or such Enterprise.
- 3.6. Filings with the Municipal Securities Rulemaking Board (MSRB) shall be made through the electronic platform Electronic Municipal Market Access (EMMA).

4. **Rules and Regulations:** The Manager of the Department of Finance shall promulgate and revise from time to time such rules and regulations as the Manager of the Department of Finance shall deem necessary to implement this Order, such rules and regulations to be binding upon all non-elected officials, employees and agents of the City.

Approved for Legality:

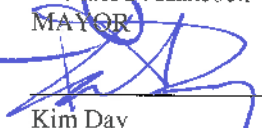


Douglas J. Friednash  
City Attorney for the City and County  
Of Denver

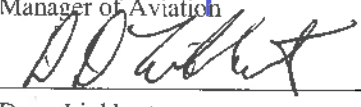
Approve:



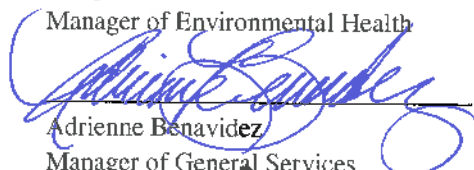
Michael B. Hancock  
MAYOR



Kim Day  
Manager of Aviation




Doug Linkhart  
Manager of Environmental Health



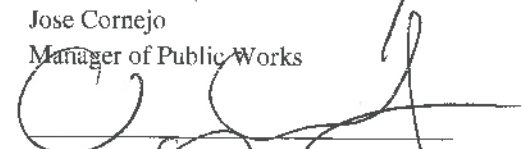
Adrienne Benavidez  
Manager of General Services



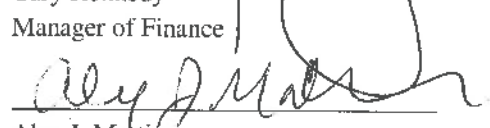
Lauri J. Danne Miller  
Manager of Parks & Recreation



Jose Cornejo  
Manager of Public Works



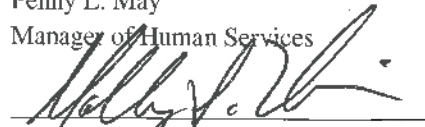
Cary Kennedy  
Manager of Finance



Alex J. Martinez  
Manager of Safety



Penny L. May  
Manager of Human Services



Molly Urbina  
Manager of Community Planning and  
Development

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**APPENDIX C**  
**2014 ABSTRACT OF ASSESSMENT**



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## 2015 Assessment Calendar

**January 1**—All taxable property is listed and valued based on its status.

**By April 15**—All assessable **business personal property** (equipment, fixtures, and furnishings) must be listed on a Declaration Schedule and returned to the Assessor to avoid penalties.

**By May 1**—Real property valuations are mailed to taxpayers.

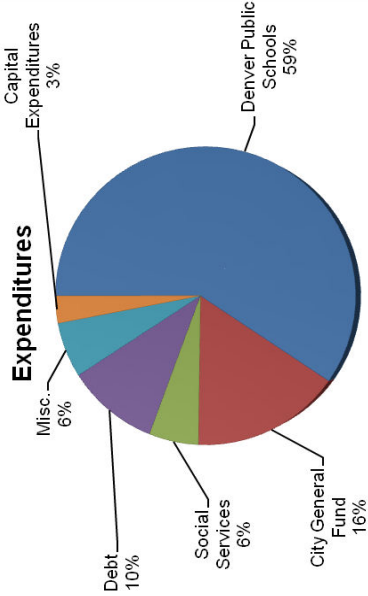
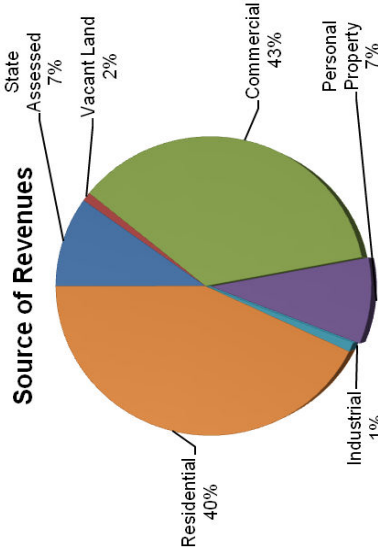
**May 1 to June 1**—Assessor hears protests to real property valuations.

**July 15 to July 30**—Assessor hears protests to business personal property valuations.

**By August 25**—Initial Certification of Value is sent to each taxing entity in the county.

**By December 15**—Taxing entities certify mill levies to Assessor.

## 2014 Property Tax Dollars



## General Information

Assessment Division is responsible for the accurate valuation and uniform assessment of property within the City & County of Denver. All real and personal property, except that specifically exempted by law, is subject to taxation. It is the joint responsibility of the Assessor and the owner to ensure that property is correctly listed on assessment rolls.

### Please Note

- The Assessor does **not** set tax rates (mill levies).
- City & County taxes are established each year under constitutional guidelines and are approved by the Mayor and City Council.
- School taxes are levied by Denver Public Schools under authority of the School Board.
- Special district taxes are approved by boards of directors for their individual districts.

Tax bill calculations are based on four components: Actual Value, Exempt Amount, Assessment Rate and Mill Levy. The **Assessor** determines Actual Value and amount(s) under law to be exempted from taxation; the **State** of Colorado sets the Assessment Rate for various classes of property and **Taxing Jurisdictions** (City & County, School and Special Districts) establish Mill Levies (tax rates).

In 2014, the State continued the following assessment rates:

Residential Property.....	7.96%
Natural Resources.....	87.50%
Commercial.....	29.00%

Each charge or line on a Tax Bill is calculated as follows:  
**(Actual Value — Exemption) x Asmt Rate x Millage = Tax**

Denver property taxes issued in January may be paid in one or two installments. To avoid interest charges, the first half of taxes due in 2015 must be paid by February 28th and the second half must be paid by June 15th. If paid in one installment, the entire amount must be received (or postmarked) no later than April 30th.

Denver staff are available from 7:30 AM to 4:30 PM Monday through Friday to answer questions and provide information by dialing 3-1-1 (720-913-1311). For 24x7 assistance visit the Assessor's Office online at:

[www.denvergov.org/assessor](http://www.denvergov.org/assessor)

# Abstract of Assessment And Summary of Levies

## City & County of Denver Colorado



**DENVER**<sup>®</sup>  
THE MILE HIGH CITY

**2014**

**Total  
Assessed Valuation  
\$11,385,251,250**

**Michael B. Hancock**  
Mayor

**Keith A. Erffmeyer**  
Assessor

### 2014 Abstract of Assessment

	Total Assessed Value	Total Actual Value
<b>Vacant Land</b>		
Residential	\$ 68,882,030	\$ 237,524,300
Commercial	71,255,070	245,707,100
Industrial	18,375,990	63,365,500
Agricultural	69,110	238,300
PUD	3,641,830	12,558,000
All Others	19,544,060	67,393,300
Possessory Interest	58,650	202,200
<b>Total</b>	<b>\$ 181,826,740</b>	<b>\$ 626,988,700</b>
<b>Residential</b>		
Single Family	\$ 3,285,020,180	\$ 41,269,097,700
Condominiums	614,576,110	7,720,805,500
Duplexes/Triplexes	79,633,850	1,000,425,200
Multi Unit (4 to 8)	35,066,870	440,538,600
Multi Unit (9 & up)	549,245,880	6,900,073,900
Manufactured Homes	478,600	6,012,500
Partial Exempt	3,581,890	44,998,600
<b>Total</b>	<b>\$ 4,567,603,380</b>	<b>\$ 57,381,952,000</b>
<b>Commercial</b>		
Merchandising	\$ 664,320,410	\$ 2,290,760,000
Lodging	265,156,320	914,332,100
Offices	2,075,625,380	7,157,328,900
Recreation	118,239,250	407,721,600
Commercial Condos	141,020,670	486,278,200
Possessory Interest	33,242,650	114,629,800
Special Purpose	550,106,330	1,896,918,400
Warehouses	845,690,770	2,916,175,100
Multi-Use	184,319,930	635,586,000
Partial Exempt	31,810,840	109,692,600
<b>Total</b>	<b>\$ 4,909,532,550</b>	<b>\$ 16,929,422,700</b>
<b>Industrial</b>		
Manufacturing	\$ 122,425,260	\$ 422,156,100
<b>Total</b>	<b>\$ 122,425,260</b>	<b>\$ 422,156,100</b>
<b>Personal Property</b>		
Residential	\$ 9,525,380	\$ 32,846,100
Commercial	660,757,600	2,278,474,500
Industrial	95,202,540	328,284,600
Prod. Oil & Gas	0	0
<b>Total</b>	<b>\$ 765,485,520</b>	<b>\$ 2,639,605,200</b>
<b>Natural Resources</b>		
Prod. Oil & Gas	0	0
<b>Total</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>State Assessed</b>	<b>\$ 838,377,800</b>	<b>\$ 2,890,957,900</b>
<b>Grand Total</b>	<b>\$ 11,385,251,250</b>	<b>\$ 80,891,082,600</b>
<b>Exempt Properties</b>		
Federal Government	\$ 127,840,920	\$ 440,830,700
State Government	375,514,850	1,303,690,000
County Government	1,781,697,580	6,523,077,700
Political Subdivision	1,037,385,770	3,614,878,700
Religious Entities	222,622,560	818,660,300
Private Schools	115,902,750	404,956,800
Charitable Entities	324,557,160	1,490,759,100
All Others	192,575,570	727,350,800
<b>Total</b>	<b>\$ 4,178,097,160</b>	<b>\$ 15,324,204,100</b>

### Special Taxing Districts

	Assessed	Mill	Tax
Adams County Fire Protection	6,589,140	17.286	\$ 113,900
Bluebird Business Imp District	7,321,690	10.000	73,217
BMP Metropolitan No 2 (debt) (1)	12,779,360	18.400	235,140
Bowles Metropolitan	24,292,390	42.000	1,020,280
Broadway Station Metro No 3 (2)	4,178,580	6.000	25,071
Central Platte Valley Metro (3)	71,105,490	49.000	3,484,169
Central Platte Valley Metro (debt)	57,577,400	16.000	921,238
Cherry Creek North B.I.D.	159,219,860	17.642	2,808,957
Cherry Creek Subarea B.I.D. (4)	43,303,300	0.346	14,983
Clear Creek Valley Water/Sanitation	660,930	2.791	1,845
Colfax Business Improvement	44,996,820	8.005	360,200
Colo. Int. Center Metro No 13	30	25.000	1
Colo. Int. Center Metro No 14	8,446,680	60.000	506,801
Denarigo Market Metro No 2	5,174,290	40.000	206,972
Denver Gateway Center Metro	3,054,020	37.865	115,640
Denver High Point at DIA Metro	641,560	15.000	9,623
Denver Intl. Bus. Ctr Metro No 1	16,200,030	40.000	648,001
DUS Metro District No 2 (5)	14,251,180	30.000	427,535
DUS Metro District No 3 (6)	1,100	10.000	11
Ebert Metropolitan	58,361,060	75.000	4,377,080
Ebert Metropolitan (debt)	1,906,680	58.000	110,587
Fairlake Metropolitan	19,031,180	32.681	621,958
Fairlake Metropolitan (debt)	8,787,020	22.000	193,314
Federal Boulevard BID	4,188,210	10.000	41,882
Gateway Regional Metro	34,962,090	16.000	559,393
Gateway Village G.I.D.	17,861,970	32.500	580,514
Goldsmith Metropolitan	226,551,070	11.750	2,661,975
Greenwood Metropolitan	1,859,440	13.839	25,733
GVR Metropolitan	61,464,870	20.094	1,235,075
Holly Hills Water & Sanitation	18,501,190	2.716	50,249
Madre Metropolitan Dist. No. 2	6,288,980	50.000	314,449
Mile High Business Center Metro	20,253,580	35.000	708,875
North Washington St Water/Sanita	6,589,140	0.924	6,088
Old South Gaylord B.I.D.	5,693,710	8.162	46,472
Sand Creek Metropolitan	25,376,190	35.500	900,855
Sand Creek Metropolitan (debt)	9,016,070	20.000	180,321
SBC Metropolitan (7)	62,212,660	35.000	2,177,443
Section 14 Metro	7,870,650	23.552	185,370
Section 14 Metro (debt Racoon)	3,028,900	19.038	57,664
Section 14 Metro (debt Fairmark)	3,369,410	6.846	23,067
Sheridan Sanitation Dist No. 2	468,450	0.555	260
South Sloan's Lake Metro No 2 (6)	831,370	35.000	29,098
Southeast Public Impr Metropolitan	226,836,510	2.000	453,673
Town Center Metropolitan	367,140	75.000	27,536
Town Center Metro Subdistrict 1	1,710,650	50.000	85,533
Town Center Metro Subdistrict 2	678,150	50.000	33,908
Valley Sanitation	9,814,650	2.493	24,468
Westerly Creek Metro (9)	329,249,660	55.986	18,433,371
<b>Total</b>			<b>\$ 45,119,795</b>

(1) \$163,379 of the tax for BMP Metro No 2 (debt) is distributed to South Broadway TIF  
 (2) \$14,359 of the tax for Broadway Station Metro No 3 is distributed to Cherokee TIF  
 (3) \$1,886,066 of the tax for Central Platte Valley Metro is distributed to Denver Union Station DDA  
 (4) \$8,780 of the tax for Cherry Creek Subarea BID is distributed directly to Denver Union Station DDA  
 (5) \$280,100 of the tax for DUS Metro No 2 is distributed directly to Denver Union Station DDA  
 (6) \$7 of the tax for DUS Metro No 3 is distributed to Denver Union Station DDA  
 (7) \$1,970,143 of the tax for SBC Metro is distributed to Stapleton TIF  
 (8) \$20,649 of the tax for South Sloan's Lake Metro No 2 is distributed to St. Anthony's TIF  
 (9) \$16,678,451 of the tax for Westerly Creek Metro is distributed to Stapleton TIF

### Tax Increment Finance Districts

District	Assessed Value Increment	Tax Revenue
Alameda Square	\$ 2,595,782	
American National	3,844,173	
California St. Parking Garage	6,365,221	
Cherokee	6,365,221	
City Park South	17,513,884	
Colorado National Bank Bldg	4,115,390	
Downtown Denver	148,829,171	
Executive Tower Hotel	13,203,828	
Globeville Commercial	0	
Guaranty Bank	2,218,711	
Highlands Garden Village	9,958,046	
Ironworks Foundry	503,680	
Lowenstein Theater	2,688,370	
Lowry	147,274,050	
Marycrest	1,008,770	
Mercantile Square	1,771,817	
Northeast Park Hill	3,366,449	
Pepsi Center	41,436,148	
Point Urban	958,530	
South Broadway	15,071,339	
Stapleton	379,663,342	
Westwood	5,964,157	
York Street	4,150,790	
9th & Colorado	2,672,100	
Saint Anthony	1,753,870	
414 14th Street	1,221,780	
2300 Welton	10,230	
<b>Total</b>		<b>\$ 818,799,594</b>

### Summary of Levies and Taxes

	Mill Levy	Tax Revenue
<b>City &amp; County of Denver</b>		
General Fund	13.156	\$ 149,784,365
Bond Principal	4.100	46,679,530
Bond Interest	4.333	49,332,294
Social Services	4.470	50,892,073
Developmentally Disabled	1.016	11,567,415
Fire Pension	1.568	17,852,074
Police Pension	1.870	21,290,420
Capital Maintenance	2.542	28,941,309
<b>Total</b>	<b>33.055</b>	<b>\$ 376,339,480</b>
<b>School District #1</b>		
General Fund	38.780	\$ 441,520,043
Bond Redemption	10.519	119,761,458
<b>Total</b>	<b>49.299</b>	<b>\$ 561,281,502</b>
<b>Urban Drainage &amp; Flood Control District</b>	<b>0.700</b>	<b>\$ 7,969,676</b>
<b>Total General Taxes</b>	<b>83.054</b>	<b>\$ 945,590,658</b>
<b>Total Special District Taxes</b>		<b>45,119,795</b>
<b>Grand Total of All Taxes</b>		<b>\$ 990,710,453</b>
<b>Taxes Distributed to DURA</b>		<b>\$ 68,004,581</b>
<b>Tax Distributed to DDA</b>		<b>\$ 4,075,043</b>
(Denver Urban Renewal Authority)		
(Denver Downtown Development Authority)		

