

D E N V E R
THE MILE HIGH CITY

CITY AND COUNTY OF DENVER, COLORADO
2007 DISCLOSURE STATEMENT

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

For the year ended December 31, 2006

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

2006 DISCLOSURE STATEMENT
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CITY AND COUNTY OF DENVER

John W. Hickenlooper
Mayor

DEPARTMENT OF REVENUE

CLAUDE PUMILIA
MANAGER OF REVENUE

201 W. COLFAX AVE, DEPT 1010
DENVER, COLORADO 80202
PHONE: (720) 913-5500

September 27, 2007

Dear Reader:

Material contained in this disclosure statement has been prepared to comply with Rule 15c2-12 of the U.S. Securities and Exchange Commission and the Mayor of Denver's Executive Order 114, first enacted in 1996, which further commits the City to providing ongoing information to the financial markets. The purpose of the *Disclosure Statement for the Year Ended December 31, 2006* is to present information about the City's 2006 financial condition, but it also contains certain post-2006 information as noted. **The *Disclosure Statement for the Year Ended December 31, 2006* must be read in conjunction with the City's Comprehensive Annual Financial Report (CAFR)**, which can be found on the City's Web Site at www.denvergov.org or by contacting the Office of the Controller. The Disclosure Statement includes information the City has contracted to provide on an ongoing basis.

The City, on behalf of its Department of Aviation, entered into a forward starting swap transaction with a notional amount of \$362,000,000. This swap provides an interest rate hedge for outstanding Airport System Revenue Bonds that the City is not able to refund on a tax exempt basis prior to 2007. Two refunding transactions were executed, \$279,585,000 and \$170,005,000 Series 2006A and 2006B, respectively, in a fixed mode for purpose of currently refunding \$149,738,632 of the 1996A bonds, \$91,685,749 of the 1996B bonds, \$86,598,506 of the 1996C bonds, and \$146,297,667 of the 1996D bonds.

The City also issued \$125,000,000 General Obligation Bonds, Series 2006, as the second series of funds for the Justice System Facilities Project, for which voters had approved the issuance of \$378,000,000 of General Obligation Bonds. Subsequent to the end of 2006, the City also issued \$8,860,500 General Obligation Bonds through the City's Mini-Bond Program in March 2007 for this purpose.

For those who seek additional information about the City's 2007 transactions or other financings, the Official Statements can be found in the files of the Municipal Securities Rulemaking Board, online at www.dacbond.com or may be obtained by calling the City's Debt Management offices at 720-865-7116.

As the Manager of Revenue and Chief Financial Officer, I am responsible for the City's compliance with Rule 15c-2-12 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, 2006*, or if you have any comments regarding future disclosures.

Sincerely



Claude Pumilia
Manager of Revenue, Chief Financial Officer
City and County of Denver

**CITY AND COUNTY OF DENVER OFFICIALS
AS OF DECEMBER 31, 2006**

Mayor

John W. Hickenlooper

City Council

Michael B. Hancock, President

Carol Boigon	Peggy A. Lehmann
Charles V. Brown Jr.	Douglas D. Linkhart
Jeanne Faatz	Kathleen MacKenzie
Rick Garcia	Judy H. Montero
Rosemary Rodriguez	Jeanne Robb
Marcia M. Johnson	Elbra Wedgeworth

Auditor

Dennis J. Gallagher

Election Commissioners

Sandy Adams Susan Rogers

CABINET OFFICIALS

Kim M. Bailey	Manager of the Department of Parks and Recreation
Luis A. Colon	Manager of the Department of General Services
David D. Hart	Manager of Revenue, <i>ex officio</i> Treasurer
Alvin J. LaCabe, Jr.	Manager of the Department of Public Safety
Chris Mootz	City Attorney
Peter J. Park	Manager of Community Planning and Development
Nancy J. Severson	Manager of the Department of Environmental Health
Guillermo "Bill" V. Vidal	Deputy Mayor, Manager of the Department of Public Works
Turner West	Manager of the Department of Aviation
Roxane White	Manager of the Department of Human Services

Clerk and Recorder, *ex officio* Clerk

Wayne E. Vaden

BOARD OF WATER COMMISSIONERS

Denise S. Maes	President
Thomas A. Gougeon	First Vice President
Penfield Tate III	Member
George B. Beardsley	Member
Harris D. Sherman	Member

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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 2.6 million people, representing more than half of the population of the State, currently reside in the Denver metropolitan area.

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 thereunder 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.

As of December 31, 2006, the City Auditor is the general accountant of the City, responsible under the City Charter to receive and preserve all accounts, books, vouchers and papers relating to accounts and contracts of the City and other fiscal affairs. The City Auditor is elected every four years and is limited to three consecutive terms.

The City Charter establishes a cabinet of managers of ten departments to participate with the Mayor in formulating and implementing the general administrative policies of the City. In addition, the Mayor appointed a Clerk and Recorder, who also served as one of the three member election commission. At December 31, 2006, the Clerk and Recorder of the City was Wayne E. Vaden. In January, 2007, Denver voters approved a Charter change, whereby the Clerk and Recorder became an elected position, solely responsible for conducting all city elections. In May, 2007 Stephanie Y. O'Malley was elected as the Clerk and Recorder. As of December 31, 2006, the appointed members of the Mayor's cabinet consisted of the following individuals:

Kim M. Bailey	Manager of the Department of Parks and Recreation
Luis A. Colon	Manager of the Department of General Services
David D. Hart	Manager of Revenue, <i>ex officio</i> Treasurer
Alvin J. LaCabe Jr.	Manager of the Department of Public Safety
Chris Mootz	City Attorney
Peter J. Park	Manager of Community Planning and Development
Nancy J. Severson	Manager of the Department of Environmental Health
Guillermo "Bill" V. Vidal	Deputy Mayor, Manager of the Department of Public Works
Turner West	Manager of the Department of Aviation
Roxane White	Manager of the Department of Human Services

In addition to the members of the cabinet, Kelly Brough, the Chief of Staff and Chris Henderson, Chief Operating Officer have significant advisory roles in formulating policy.

Since December 31, 2006, the following changes have taken place in the Mayor's cabinet:

- Claude Pumilia has been named Manager of Revenue, *ex officio* Treasurer (*see below*)
- Arlene V. Dykstra is the City Attorney
- Stephanie Y. O'Malley has been elected as the Clerk and Recorder

In November 2006, Denver voters approved a change to the City's Charter that will replace the "Department of Revenue" with a "Department of Finance." The new Department of Finance will consolidate finance functions that have historically been performed in the Department of Revenue and a number of other departments of the City. The responsibilities of the consolidated Department of Finance include: the accounting, payment processing, revenue collection, treasury and budgetary functions. The Charter change also redefined duties and responsibilities of the City's Auditor. The Auditor will be responsible for conducting financial and performance audits as well as supervision of the independent annual audit. The changes will be effective January 1, 2008, but transitional steps have been undertaken in 2007. In April, 2007, the City hired Claude Pumilia to serve as Manager of the Department of Revenue and *ex-officio* Treasurer and after January 1, 2008, to serve as Manager of the Department of Finance and *ex officio* Treasurer.

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 below, 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 acting Mayor. If the Deputy Mayor refuses or is unable to serve as acting Mayor, the President of the City Council is to resign as President and become acting Mayor. If the President of the Council refuses or is unable to serve as acting Mayor, the City Council is to elect one of their number as acting 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 City has 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 also required to be included in the budget. Revenues in excess of those projected, or an opening balance larger than projected, are added to the Contingency Reserve.

The City administration utilizes multi-year planning and forecasting methods for General Fund budgeting and for capital projects planning. The City uses five-year revenue and expenditure forecasts in its General Fund financial planning in order to meet future operational needs and uses a six-year program in order to meet future capital needs.

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 requires voter approval prior to the creation by the City of any multiple-fiscal year debt or other financial obligation, subject to certain exceptions including refinancing outstanding bonds at a lower interest rate.

TABOR contains the provision that voters may authorize a public entity to retain excess revenues that would otherwise need to be repaid to the taxpayers. TABOR also limits the total amount of expenditures and reserve increases (excluding changes in debt service payments) that may be made by the City for all purposes to the total amount thereof made in the preceding year, adjusted for inflation and local growth, unless the voters approve a “revenue change.” Under TABOR, the creation of bonded debt increases and retiring or refinancing bonded debt lowers, fiscal year spending. If revenues collected by the City in excess of the spending limit are required to be refunded, they must be refunded during the next calendar year. TABOR contains the provision that voters may approve an entity to retain excess revenues.

An exception from the provisions of TABOR is maintained 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 the Department of Aviation, the Water Board, the Wastewater utility, the Golf Enterprise, and Environmental Services as enterprises under TABOR.

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 authorizes 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 are to be appropriated for public safety, public works, parks and recreation, health care, libraries and other essential services. Thereafter, the revenue cap is determined by the highest excess revenue for any given year during the preceding ten fiscal year period for the years from 2005 through 2014 as adjusted for inflation and certain other factors.

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 2004, 2005 and 2006, and information prepared by the City’s Department of Revenue.

Major Revenue Sources. The 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, 2006, was a fixed-rate (3.5%) tax imposed on the sale of all tangible personal property not specifically exempted and on certain services. Additionally, there are separate sales tax surcharges for short-term car rental, prepared food and beverages and aviation fuels. A portion of these charges is used for debt service payments. The general use tax was a fixed-rate (3.5%) 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.

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. The General Fund net property tax mill levy was as follows for the related tax collection years: 10.006 mills for 2000 and 2001; 8.744 mills for 2002; 8.964 mills for 2003; 8.857 mills for 2004; 8.965 for 2005; 8.854 mills for 2006; and 9.323 mills for taxes being collected in 2007. These levies take into account the temporary mill levy rate

reductions as needed to comply with State Constitutional revenue and spending limitations. See “Constitutional Revenue and Spending Limitations.”

Other amounts collected by the City and accounted for in the General Fund include the lodgers’ tax, the automobile ownership tax, franchise fees and the telecommunications business tax. The lodgers’ tax is levied on the purchase price of hotel, motel and similar temporary accommodations in the City. 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.

The occupational privilege tax (the “OPT”) is levied on each employee earning \$500 or more per month who perform services within the City for any period of time. Proceeds are used to partially compensate for the City’s services as an employment center. For 2006, the revenues from the OPT were divided equally between the Capital Improvements Fund and the General Fund.

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. The State-imposed cigarette 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 2006 Budget (49%) was allocated to Public Safety, which is primarily responsible for administering police, fire and sheriff’s department services. For the 2007 Budget, Public Safety represents 48% of the General Fund.

Management Discussion of 2006 Budget

After emerging from one of the worst recessions in local history, the Denver and State of Colorado economies have outperformed the national economy in 2006. This is reflected in above national trend data in the areas of employment, compensation, retail activity, and overall gross domestic product (formally called gross state product). These factors, combined with a healthy rebound in tourism and convention travel, have resulted in higher tax revenue collections than the original 2006 forecast.

The City’s budget assumes a continued slow and gradual recovery in the economy. In the 2007 budget, the City projected modest sales tax growth of 3.9 percent. Overall General Fund revenues are projected to be \$832 million, an increase of 5.4% from 2006. Total General Fund expenditures for 2007 are budgeted at \$838 million, an increase of 7.6% from 2006, which anticipates using \$6.4 million in reserves. This use of reserves still maintains a Fund Balance of at least 15% of expected expenditures. The City is taking steps to bring ongoing annual operating expenditures into alignment with the expected slower revenue growth for the next few years. The City maintains its commitment to take prudent steps to strengthen its financial position. Tables 1 and 2 on the following pages show the General Fund Budget Summary in both dollar amounts and by percentage.

TABLE 1
GENERAL FUND BUDGET SUMMARY
2005 ACTUAL RESULTS, 2006 REVISED BUDGET AND 2007 BUDGET
Prepared in Budgetary Format
(\$ in thousands)

	2005 Actual Results	2006 Revised Budget	2007 Budget
Revenues			
Taxes	\$ 522,995	\$ 526,616	\$ 546,790
Licenses and Permits	20,631	20,903	21,612
Intergovernmental Revenues	25,659	25,274	25,225
Charges for Services	117,740	135,371	147,455
Investment and Interest Income	5,345	9,390	11,121
Fines and Forfeitures	32,970	34,626	36,832
Other Revenues	<u>28,681</u>	<u>37,223</u>	<u>42,947</u>
TOTAL FINANCIAL SOURCES	<u>754,021</u>	<u>789,402</u>	<u>831,982</u>
EXPENDITURES			
General Government	183,180	204,214	221,260
Public Safety	361,737	374,718	396,796
Public Works	79,387	75,516	91,981
Health	41,505	42,428	42,649
Parks and Recreation	42,467	44,596	47,870
Cultural Activities	33,194	33,663	35,090
Unspent Reserves	--	--	--
Unspent Agency Appropriations	--	(10,000)	(14,000)
Other Financing and Adjustments	<u>(958)</u>	<u>(1,799)</u>	<u>--</u>
TOTAL EXPENDITURES BUDGET	<u>740,512</u>	<u>763,336</u>	<u>821,646</u>
General Contingencies and Reserves	<u>0</u>	<u>15,504</u>	<u>16,768</u>
TOTAL USE OF RESOURCES	<u>738,597</u>	<u>778,840</u>	<u>838,414</u>
Excess (Deficit) Financial Sources	13,509	10,562	(6,432)
Adjustment/Changes in TABOR Reserve		1,000	
Unrestricted Fund Balance – January 1	<u>107,123</u>	<u>120,632</u>	<u>128,814</u>
Unrestricted Fund Balance – December 31	<u>\$ 120,632</u>	<u>\$ 132,194</u>	<u>\$ 122,382</u>

(Source: The 2007 Mayor's Budget, dated October, 2006)

TABLE 2
GENERAL FUND BUDGET SUMMARY
2005 ACTUAL RESULTS, 2006 REVISED BUDGET AND 2007 BUDGET
(by percentage)

	<u>2005 Actual</u>	<u>2006 Revised</u>	<u>2007 Budget</u>
REVENUES & OTHER FINANCING SOURCES			
Taxes	69.4%	66.7%	65.7%
Licenses and Permits	2.7	2.6	2.6
Intergovernmental Revenues	3.4	3.2	3.0
Charges for Services	15.6	17.1	17.7
Investment and Interest Income	0.7	1.2	1.3
Fines and Forfeitures	4.4	4.4	4.4
Other Revenues	<u>3.8</u>	<u>4.7</u>	<u>5.2</u>
TOTAL REVENUES & OTHER FINANCING SOURCES	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
EXPENDITURES & OTHER FINANCING USES			
General Government	24.7%	26.2%	26.4%
Public Safety	48.8	48.1	47.3
Public Works	10.7	9.7	11.0
Health	5.6	5.4	5.1
Parks and Recreation	5.7	5.7	5.7
Cultural Activities	4.5	4.3	4.2
Unspent Reserves	0.0	0.0	0.0
Unspent Agency Appropriations	0.0	(1.3)	(1.7)
Other Financing and Adjustment	(0.1)	(0.2)	0.0
General Contingencies and Reserves	<u>0.0</u>	<u>2.0</u>	<u>2.0</u>
TOTAL EXPENDITURES & OTHER FINANCING USES	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(Source: The Mayor's 2007 Budget, dated October 2006)

Management Discussion of Recent Financial Results

The City maintains a policy of managing General Fund Resources to the level of funds available rather than relying on tax increases. This is accomplished by reallocating resources selectively and maintaining year-end unrestricted General Fund balances equal to at least 15% of estimated expenditures.

2002. In recognition of the weakening economic climate, the City's adopted 2002 budget was amended twice through cuts of approximately 1% each. The City also initiated a personnel review process to identify positions that would not be automatically filled when vacated. Expenditures were reduced by \$18.4 million. Sales tax collections declined for the second consecutive year. Sales tax receipts were \$12.8 million less than 2001, representing a decline of approximately 3%. Investment income declined by \$4 million due to the decreased amounts available for investment and declining interest rates in the financial markets. Property tax collections increased by \$3.6 million and charges for services increased by \$12 million. The City ended the year with an unreserved fund balance of \$77.9 million, or approximately 11% of 2002 expenditures.

2003. The economic climate continued to soften in 2003, with retail sales statewide remaining stagnant. Sales tax collections in Denver were \$8.7 million less than in 2002, representing a decline of approximately 2.32%. Investment income also declined by \$1.6 million due to the low interest rates and lower cash balances available to be invested. The City made additional budgetary reductions and transferred funds from the Capital Improvement Fund to the General Fund. The General Fund unreserved fund balance at year end was \$88.9 million, or approximately 12.3% of 2003 expenditures.

2004. A slow and gradual economic recovery was projected with Denver lagging behind the nation because of the downturn in the telecommunications and technology industries. A modest 1.1% sales tax growth was budgeted for 2004, but sales tax actually declined by 1.27%. The City implemented additional cost saving measures including limiting its capital projects to only critical maintenance projects, reducing capital equipment purchases, reducing fleet replacement and refinancing debt where appropriate. Some City employees were required to take two days leave without pay, to contribute 2 percent to pension costs, to pay a larger share of health insurance premiums, and to defer any pay increases until 2005. At year end the General Fund had an unreserved fund balance of \$107 million, or approximately 15.8% of 2004 expenditures.

2005. The Denver economy started to improve as the state and national economies improved. The City experienced a 7.66% increase in sales tax revenues compared to 2004. The City continued to control personnel costs by reviewing all vacant positions for possible elimination and by not filling a number of positions during the year. At year end the General Fund had an unreserved fund balance of \$120.6 million, or approximately 16.8% of 2005 expenditures.

2006. The Denver economy continued to strengthen and improve, outperforming the national economy. The City experienced increases in employment, construction, tourism and convention travel, as well as record passenger traffic at Denver International Airport. Sales tax revenues increased approximately 1.9% compared to 2005. At year end the General Fund had an unrestricted fund balance of \$132.2 million, or approximately 17.3% of 2006 expenditures.

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 2002 through 2006.

TABLE 3

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
ASSETS					
Cash and cash equivalents	\$ 58,645	\$ 52,637	\$ 77,031	\$ 80,062	\$ 91,178
Cash on hand	--	2	--	--	2
Receivables (net of allowances for uncollectibles):					
Taxes	112,196	115,748	121,778	124,775	128,385
Accounts	2,521	2,921	3,633	7,588	11,494
Notes					45
Accrued interest	781	409	552	1,091	1,537
Due from other funds	12,145	24,326	14,613	26,049	26,811
Due from other governments	--	--	88	80	51
Prepaid items and other assets	306	34,887	28,500	24,530	1
Restricted assets:					
Cash and cash equivalents	<u>24,949</u>	<u>17,900</u>	<u>17,989</u>	<u>19,681</u>	<u>42,008</u>
TOTAL ASSETS	<u>\$211,543</u>	<u>\$248,830</u>	<u>\$ 264,184</u>	<u>\$ 283,856</u>	<u>\$ 301,512</u>
LIABILITIES					
Vouchers payable	\$ 13,758	\$ 12,401	\$ 10,814	\$ 15,548	\$ 13,135
Accrued liabilities	8,509	5,624	7,590	7,572	10,177
Due to other funds	2,444	1,993	1,935	3,067	3,413
Deferred revenue	<u>71,494</u>	<u>75,505</u>	<u>77,884</u>	<u>79,099</u>	<u>89,131</u>
TOTAL LIABILITIES	<u>96,205</u>	<u>95,523</u>	<u>98,223</u>	<u>105,286</u>	<u>115,856</u>
FUND BALANCE					
Reserved for emergency use	18,685	17,900	17,989	19,681	19,663
Reserved for encumbrances	12,210	11,663	12,349	13,727	14,635
Reserved for prepaid items and other assets	306	34,887	28,500	24,530	1
Reserved for construction	6,209	--	--	--	--
Reserved for long-term debt	--	--	--	--	22,543
Unreserved:					
Undesignated	<u>77,928</u>	<u>88,857</u>	<u>107,123</u>	<u>120,632</u>	<u>128,814</u>
TOTAL FUND BALANCE	<u>115,338</u>	<u>153,307</u>	<u>165,961</u>	<u>178,570</u>	<u>185,656</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$211,543</u>	<u>\$248,830</u>	<u>\$ 264,184</u>	<u>\$ 283,856</u>	<u>\$ 301,512</u>

(Source: City and County of Denver's Comprehensive Annual Financial Reports, 2002, City and County of Denver's Comprehensive Annual Financial Report, as restated for 2003, City and County of Denver's Comprehensive Annual Financial Reports, 2004 -2006)

TABLE 4
CITY AND COUNTY OF DENVER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the years ending December 31, 2002-2006
(\$ in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
REVENUES					
Taxes					
Property	\$66,889	\$68,262	\$71,600	\$74,131	\$75,158
Sales and use	375,334	366,627	361,988	389,731	397,163
Other	66,622	69,707	71,235	76,473	51,760
Licenses and Permits	17,358	21,401	23,439	26,046	26,123
Intergovernmental Revenues	32,267	28,708	29,212	28,794	31,527
Charges for Services	97,066	100,853	103,878	95,108	120,694
Investment Income	5,796	4,210	3,994	6,360	11,571
Fines and Forfeitures	30,888	31,179	31,159	30,510	34,246
Other Revenues	<u>4,957</u>	<u>9,818</u>	<u>12,444</u>	<u>6,919</u>	<u>7,863</u>
TOTAL REVENUES	<u>697,177</u>	<u>700,765</u>	<u>708,949</u>	<u>734,072</u>	<u>756,105</u>
EXPENDITURES					
Current:					
General Government	170,298	173,704	161,183	163,547	165,154
Public Safety	328,853	328,225	338,000	361,645	374,829
Public Works	77,282	73,975	67,212	68,407	73,463
Health	42,478	40,949	40,145	40,702	41,745
Parks and Recreation	45,112	43,094	40,932	42,501	45,210
Cultural Activities	31,092	30,872	28,815	29,342	29,780
Capital Outlay	<u>15,035</u>	<u>33,961</u>	<u>1,705</u>	<u>749</u>	<u>--</u>
TOTAL EXPENDITURES	<u>710,150</u>	<u>724,780</u>	<u>677,992</u>	<u>706,893</u>	<u>730,181</u>
Excess of Revenues over Expenditures	(12,973)	(24,015)	30,957	27,179	25,924
OTHER FINANCING SOURCES (USES)					
Insurance Recoveries				134	99
Proceeds from Sale of Capital Assets	--	--	--	--	7
Proceeds from Financing Transactions	--	52,103	1,705	749	--
Operating Transfers In	27,165	31,561	18,175	18,034	24,725
Operating Transfers Out	<u>(55,045)</u>	<u>(40,323)</u>	<u>(38,183)</u>	<u>(33,487)</u>	<u>(43,669)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(27,880)</u>	<u>43,341</u>	<u>(18,303)</u>	<u>(14,570)</u>	<u>(18,838)</u>
Net change in fund balances	(40,853)	19,326	12,654	12,609	7,086
Fund balance - January 1	156,191	115,338	153,307	165,961	178,570
Prior Period Restatement	--	18,643	--	--	--
Residual equity transfers in	--	--	--	--	--
FUND BALANCE – December 31	<u>\$115,338</u>	<u>\$153,307</u>	<u>\$165,961</u>	<u>\$178,570</u>	<u>\$185,656</u>

(Source: City and County of Denver's Comprehensive Annual Financial Reports, 2002, City and County of Denver's Comprehensive Annual Financial Report, as restated, for 2003, City and County of Denver's Comprehensive Annual Financial Reports, 2004 - 2006)

Collection of Taxes

The City Charter provides that the Manager of Revenue, *ex officio* Treasurer, 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 over one-half of the General Fund revenues. A fixed-rate general sales tax of 3.5% was imposed on the sale of all tangible personal property not specifically exempted and on certain services. The general use tax was a fixed-rate, also 3.5%, imposed on the storage, use and consumption of tangible personal property not specifically exempted. The City imposes specific tax rates for the following goods or services:

GENERAL FUND SALES AND USE TAX RATES EFFECTIVE FOR 2006

<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	3.50% ⁽¹⁾
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⁾ On November 7, 2006, the voters of the City and County of Denver approved an increase of the City's sales tax of 0.12% to fund increased access to and quality of preschool programs for City residents. The revenue from this increase is only available for such purpose, and cannot be used for General Fund revenue. Collection started January 1, 2007.

The above General Fund Sales and Use Tax Rates Effective For 2006 reflects the City's total tax rate of goods and services as set forth; however, portions of the prepared food and drink tax, automobile rental tax and lodgers' taxes are reflected in the General Fund's Sales and Use Tax category while the remainder is pledged to certain Excise Tax Revenue Bonds and recorded in another Fund.

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
1997 – 2006
(\$ in thousands)

<u>Year</u>	<u>Revenues</u>	<u>Percent Change</u>
1997	\$286,696	7.87%
1998	325,357	13.49
1999	347,811	6.90
2000 ¹	393,550	13.15
2001	388,171	(1.37)
2002	375,334	(3.31)
2003	366,627	(2.32)
2004	361,988	(1.27)
2005	389,731	7.66
2006	397,163	1.91

¹ Does not include a one-time \$20 million payment resulting from a use tax audit.

(Source: Department of Revenue)

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 Manager of Revenue, *ex officio* Assessor, based on evidence collected from the marketplace. Table 6 sets forth the State property appraisal method for assessment years 1999 through 2007.

TABLE 6
STATE PROPERTY APPRAISAL SYSTEM

<u>Collection Year</u>	<u>Assessment Year</u>	<u>Value Calculated as of</u>	<u>Based on the Market Period</u>
1999	1998	July 1, 1996	January 1, 1995 to June 30, 1996
2000	1999	July 1, 1998	January 1, 1997 to June 30, 1998
2001	2000	July 1, 1998	January 1, 1997 to June 30, 1998
2002	2001	July 1, 2000	January 1, 1999 to June 30, 2000
2003	2002	July 1, 2000	January 1, 1999 to June 30, 2000
2004	2003	July 1, 2002	January 1, 2001 to June 30, 2002
2005	2004	July 1, 2002	January 1, 2001 to June 30, 2002
2006	2005	July 1, 2004	January 1, 2003 to June 30, 2004
2007	2006	July 1, 2004	January 1, 2003 to June 30, 2004
2008	2009	July 1, 2006	January 1, 2005 to June 30, 2006

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 2003 through 2007. For assessment years 2001 and 2002, residential real property was valued for assessment at 9.15% of its statutory actual value. For assessment years 1998 through 2000, residential real property was valued for assessment at 9.74% of its actual value. 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.

In November 2001, the electors of the State approved an amendment to the State Constitution, that (i) reduces property tax for qualified senior citizens by exempting fifty percent of the first \$200,000 of actual value of residential property from property taxation; (ii) requires that the State reimburse all local governments for any property tax revenue reduction resulting from this property tax reduction; and (iii) excludes the State reimbursement to local governments from the revenue and spending limits established under certain State constitutional provisions. Due to State budgetary constraints, the state legislature reduced the percentage to zero for tax collection years 2004, 2005 and 2006. This change does not reduce the total amount of property tax and State reimbursement the City will collect for these years. Instead, it suspends the provisions of the exemption program for a three-year period. In 2003, the only year in which the exemption program was in effect, the City received full reimbursement from the State for all reductions in property tax collected from qualified senior citizens. The state legislature has reinstated the exemption, at the maximum fifty percent level, beginning with the 2007 collection year.

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 February 28 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.

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, or to fund a City program for the developmentally disabled. 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.

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 GOVERNMENTS¹
(by year assessed)

<u>Taxing Entity</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City and County of Denver:					
General Fund	8.964	8.857	8.965	8.854	9.323
Bond Principal Fund	4.650	6.260	6.260	6.248	6.933
Bond Interest Fund	1.750	2.200	2.200	2.185	1.500
Human Services	4.025	3.839	3.886	3.838	3.992
Developmentally Disabled ²	--	1.000	1.000	1.000	1.012
Fire Pension	1.440	1.423	1.440	1.422	1.480
Police Pension	1.719	1.699	1.720	1.698	1.767
School District No.1	36.705	38.286	38.327	40.360	40.333
Urban Drainage and Flood Control District	<u>0.602</u>	<u>0.598</u>	<u>0.604</u>	<u>0.597</u>	<u>0.608</u>
TOTAL MILL LEVY:	<u>59.855</u>	<u>64.162</u>	<u>64.402</u>	<u>66.202</u>	<u>66.948</u>

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.

² Prior to 2003, Developmentally Disabled numbers were included in Human Services.

(Source: Department of Revenue; Office of County Assessor)

Table 8 summarizes the statutory actual and assessed valuation of property in the City, taxes levied and collected by the City for general purposes and the amounts and percentages delinquent for the last five assessment years.

TABLE 8
PROPERTY VALUATIONS, TAX LEVIES AND COLLECTIONS
LAST FIVE YEARS

	YEAR ASSESSED				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
ACTUAL AND ASSESSED VALUATION	(\$ in millions)				
Statutory Actual Valuation (est.) ¹	<u>\$ 53,269</u>	<u>\$ 61,738</u>	<u>\$ 62,867</u>	<u>\$ 65,842</u>	<u>\$ 66,999</u>
Assessed Valuation:					
Real Property – Land	\$ 1,673	\$ 2,004	\$ 2,060	\$2,342	\$2,348
Real Property – Improvement	4,837	4,966	5,002	5,112	5,221
Personal Property	705	727	728	729	715
Public Utilities	<u>786</u>	<u>734</u>	<u>743</u>	<u>760</u>	<u>751</u>
Total Assessed Valuation ^{2,3}	<u>\$ 8,001</u>	<u>\$ 8,431</u>	<u>\$ 8,533</u>	<u>\$8,943</u>	<u>\$9,035</u>
Total Assessed Valuation					
Percentage Change ⁴	1.5%	5.4%	1.2%	4.8%	1.0%
LEVIES AND COLLECTIONS⁵	(\$ in thousands)				
Tax Levy Collections:	<u>\$ 150,896</u>	<u>\$ 180,488</u>	<u>\$183,007</u>	<u>\$ 189,029</u>	<u>\$ 194,858</u>
Current and Prepaid	\$ 149,215 ⁴	\$ 179,300	181,051	186,798	1,068
Delinquent	<u>612</u>	<u>565</u>	<u>747</u>	<u>509</u>	N/A
Receivable	\$ 1,069	\$ 623	\$1,209	\$1,722	\$ 193,790
Cumulative Receivables 2002 to 2005					4,623
Cumulative Receivables Prior to 2002					<u>342</u>
Cumulative Total Receivable					<u>\$ 198,755</u>
Percent of Original Levy:	98.88%	99.34%	98.93%	99.09%	N/A
Current Collections					

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 valuation includes the assessed values of properties in the Tax Increment Financed Districts located within the City of \$473,118,166.

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 valuations.

⁴ The columnar headings show the years for which property taxes have been assessed and levied. Taxes shown in a column under Levies and Collections are actually collected in the following year. For example, property taxes levied in 2006 are collected in 2007.

⁵ The 2002 Current and Prepaid number has been adjusted to impute a \$2.233 million adjustment for taxes that were collected in December 2005.

(Source: Department of Revenue; Office of the County Assessor)

Assessed Valuation of Major Taxpayers

Table 9 lists the major property taxpayers based on assessed valuations for the 2006 assessment year.

TABLE 9

**CITY AND COUNTY OF DENVER
MAJOR PROPERTY TAXPAYERS - ASSESSED VALUATIONS 2006
(FOR COLLECTION 2007)
(\$ in thousands)**

<u>Name</u>	<u>Business</u>	<u>Assessed Valuation</u>	<u>Percentage of City's Total Assessed Valuation¹</u>
Xcel Energy Corp.	Utility	\$ 166,870	1.85%
Qwest Corp.	Utility	162,552	1.80
United Airlines Inc.	Airline	110,101	1.22
Equity Office Properties	Real Estate	73,502	0.81
AT&T	Utility	66,268	0.73
Columbia-HealthOne LLC	Medical	63,661	0.70
Crescent Real Estate Equities	Real Estate	63,371	0.70
Temple Hoyne Buell Foundation	Shopping Center	59,852	0.66
Frontier Airlines	Airline	56,407	0.62
Skywest Airlines	Airline	<u>48,768</u>	<u>0.54</u>
	TOTALS	<u>\$871,352</u>	<u>9.64%</u>

¹ Based on a December 31, 2006, certified assessed valuation of \$9,034,550,220.

(Source: Department of Revenue; Office of the County Assessor)

DEBT STRUCTURE OF THE CITY

Authorization for 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, excluding bonds issued by the Denver Water Board, is subject to a limitation of three percent (3%) of the actual value of the taxable property within the City.

As of December 31, 2006, the City had outstanding general obligation bonds in the aggregate principal amount of \$472,309,000, which does not include accrued interest of \$1,362,000 on compound interest bonds. In addition there were outstanding general obligation bonds issued by the Denver Water Board in the aggregate principal amount of \$86,300,000.

At the municipal election held on May 3, 2005, City voters authorized the issuance of \$378,000,000 in General Obligation Bonds for the purpose of acquiring and constructing new justice system facilities. The facilities are expected to include a new pre-arraignment detention facility, a courtroom building, a parking structure and a partial remodeling of the current jail facilities. In October 2005, \$70,000,000 of this authorization was issued and an additional \$125,000,000 was issued in November 2006. In April 2007, the City issued \$8,860,500 of Mini-Bonds for the justice system facilities project. The City plans on issuing the remaining authorized amount for this project early in 2008. The City has two interest rate swaps outstanding in the total notional amount of \$180 million, issued in relation to the Justice System Facilities Bonds.

The following schedule sets forth the computation of the General Obligation debt margin of the City (other than bonds issued by the Denver Water Board) as of December 31, 2006.

COMPUTATION OF THE GENERAL OBLIGATION DEBT MARGIN

TOTAL ESTIMATED ACTUAL VALUATION	<u>\$ 66,999,157,000</u>
Maximum general obligation debt, limited to 3% of total valuation	\$ 2,009,975,000
Less: Outstanding bonds chargeable to limit	<u>472,309,000</u>
LEGAL DEBT MARGIN – December 31, 2006	<u>\$ 1,537,666,000</u>

General Obligation Bonded Debt

The following table lists the City’s outstanding general obligation bonded debt as of December 31, 2006.

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

Issue	Original Amount	Amount Outstanding
General Obligation Refunding Bonds, Series 1998A	\$148,425	\$14,695
General Obligation Various Purpose Bonds (Denver Mini-Bond Program), Series 1999A	3,134	3,134 ¹
General Obligation Various Purpose Bonds, Series 1999B	95,505	41,995
General Obligation Various Purpose Bonds, Series 2000	29,000	19,725
General Obligation Denver Art Museum Bonds, Series 2002	52,500	41,550
General Obligation Auditorium, Theatre & Zoo Bonds, Series 2003A	35,000	33,370
General Obligation Medical Facilities Bonds, Series 2003B	148,000	123,220
General Obligation Justice System Facilities/Zoo, Series 2005	77,000	69,620
General Obligation Justice System Facilities, Series 2006	<u>125,000</u>	<u>125,000</u>
Subtotal	594,452	472,309
General Obligation Water Bonds ²	<u>161,730</u>	<u>86,300</u>
TOTAL:	<u>\$ 756,182</u>	<u>\$558,609</u>

¹ Amount excludes \$1,362,881 of compound interest on the Series 1999A bonds.

² The Denver Water Board has irrevocably committed to pay the principal of and interest on all water bonds from revenues derived from the City’s Water System.

(Source: Department of Revenue)

Combined Debt Service Schedule - General Obligation Bonds

The following schedule sets forth the debt service on the City's outstanding General Obligation Bonds as of December 31, 2006 (excluding bonds issued by the Denver Water Board).

<u>Year Ending December 31</u>	<u>Debt Service (\$ in thousands)</u>
2007	\$ 79,819
2008	62,241
2009	53,405
2010	39,799
2011 through 2025, totaling	<u>421,954</u>
TOTAL:	<u>\$ 657,220</u>

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, 2006.

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

Total Direct General Obligation Bonded Debt	\$ 558,609
Less General Obligation Water Bonds	<u>86,300</u>
Net Direct General Obligation Bonded Debt	\$ 472,309
Overlapping Debt ¹	<u>659,346</u>
Net Direct and Overlapping General Obligation Bonded Debt	<u>\$ 1,131,655</u>
Actual Valuation	\$66,999,157
Assessed Valuation ²	\$ 9,034,550

DEBT RATIOS

	<u>Actual Valuation</u>	<u>Assessed Valuation</u>	<u>Per Capita³</u>
Total Direct G.O. Bonded Debt	0.83%	6.18%	\$ 971
Net Direct G.O. Bonded Debt	0.70	5.23	821
Net Direct and Overlapping G.O. Bonded Debt	1.69	12.53	1,967

¹ The overlapping general obligation debt set forth is the outstanding debt of School District No. 1 as of December 31, 2006 and does not include the general obligation debt of certain overlapping government entities.

² This valuation includes the assessed values of properties in the Tax Increment Financed Districts located within the City of \$473,118,166.

³ Based upon the 2006 population estimate of 575,294.

(Sources: Department of Revenue; Office of the County Assessor; Denver Regional Council of Governments)

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 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 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 Center and other cultural facilities are the City's Facilities Development Admission Tax ("Seat Tax") and the Occupational Privilege Tax ("Head Tax"). There are no City Charter limitations stipulating maximum revenue bond debt.

Colorado Convention Center Excise Tax Revenues. The total City Lodger's Tax, imposed in 2006 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 1999A, 2001A, 2001B and 2005A Bonds (as hereafter described), and 1.75% is pledged only to the payment of the 2001A, 2001B and 2005A Bonds. Of the Lodgers Tax, 1.00% is allocated to the privately operated Denver Metro Convention and Visitors Bureau and not pledged for bond debt service. The Food and Beverage tax is 4.0%. Of that amount, 0.50% is pledged to be used for the payment of the 1999A, 2001A, 2001B and 2005A Bonds. The Auto Rental Tax of 7.25% is imposed on rentals paid on the purchase price of short-term automobile rentals. Of that amount, 2.00% is pledged to the payment of the 1999A, 2001A, 2001B and 2005A Bonds, and 1.75% is pledged only to the payment of the 2001A, 2001B and 2005A Bonds. The following table shows the City's calculation of the historic debt service coverage on the Series 1999A Excise Tax Revenue Refunding Bonds and the Series 2001A, 2001B and 2005A Excise Tax Revenue Bonds.

TABLE 11

**COLORADO CONVENTION CENTER RELATED
DEBT SERVICE COVERAGE ON EXCISE TAX BONDS
PAYABLE FROM PLEDGED REVENUES
1997-2006
(\$ in thousands)**

	Pledged Lodger's Tax Revenues	Pledged Food and Beverage Tax Revenues	Pledged Auto Rental Tax Revenues	Pledged Auto Rental & Lodger's Tax Increases ⁽²⁾	Other Sources ⁽¹⁾	Total Pledged Revenues	Debt Service Requirements	Coverage ⁽³⁾
1997	\$8,183	\$6,109	\$5,739	--	\$732	\$20,763	\$8,248	2.52%
1998	9,077	6,700	6,393	--	786	22,956	8,247	2.78
1999	9,172	6,980	6,558	--	715	23,425	8,247	2.84
2000	10,005	7,764	6,632	\$11,406	1,486	37,293	7,377	5.06
2001	9,099	7,804	6,164	10,642	1,381	35,090	23,998	1.46
2002	8,418	7,833	5,876	10,017	688	32,832	19,002	1.73
2003	8,359	7,840	5,776	9,940	730	32,645	19,305	1.69
2004	8,626	8,201	6,103	10,385	243	33,558	20,006	1.68
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

⁽¹⁾ Represents interest earnings.

⁽²⁾ Auto Rental Tax Increase and Lodger's Tax Increases, which resulted from voter approval in the 1999 Election, are pledged solely to payment of debt service on the outstanding 2001A, 2001B and 2005A 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 Excise Tax Bonds, Series 1999A.

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.

The following table sets forth the total Seat Tax collections for each of the bond years ending 1996 through 2006:

TABLE 12
TOTAL SEAT TAX COLLECTIONS AND PAYMENTS IN LIEU OF SEAT TAXES
FOR 1997 THROUGH 2006

<u>Bond Year</u>	<u>Seat Tax Collections</u>	<u>Payments in Lieu of Seat Taxes</u>	<u>Total</u>
1997	\$14,430,000	--	\$14,430,000
1998	13,487,400	--	13,487,400
1999 ¹	12,166,700	--	12,166,700
2000	8,763,300	--	8,763,300
2001	6,057,700	\$2,700,000 ²	8,757,700
2002	5,468,700	2,700,000	8,168,700
2003	5,030,700	2,700,000	7,730,700
2004	7,906,500	2,700,000	10,606,500
2005	9,351,700	2,700,000	12,051,700
2006	10,016,419	2,700,000	12,716,419

¹ McNichols Sports Arena demolished in 1999.

² In 2001, the Denver Broncos Football Club ceased playing games at a City-owned facility and began to play at Invesco 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 is required to make Payments in Lieu of Seat Taxes in the amount of \$2,700,000 per year through the year 2008.

The following table sets forth the total Head Tax collections for the years ending 1997 through 2006:

TABLE 13
TOTAL HEAD TAX COLLECTIONS FOR EACH BOND YEAR ENDING
1997 THROUGH 2006

<u>Year</u>	<u>Head Tax Collections</u>
1997	\$38,993,000
1998	40,579,500
1999	40,723,200
2000	44,188,200
2001	43,020,800
2002	41,028,000
2003	40,867,199
2004	40,118,190
2005	41,499,554
2006	41,502,771

The following table shows the City's calculation of the historic debt service coverage on obligations payable from the pledged revenues for the years ending 1997 through 2006:

TABLE 14
DENVER PERFORMING ARTS COMPLEX RELATED
HISTORIC DEBT SERVICE COVERAGE

<u>Bond Year</u>	<u>Pledged Excise Tax Revenue</u>	<u>Revenues Pursuant to the Escrow and Security Agreement</u>	<u>Interest Earnings</u>	<u>Total Pledged Revenues¹</u>	<u>Debt Service Requirements</u>	<u>Coverage Ratio</u>
1997	\$53,423,000	--	\$157,800	\$53,580,800	\$6,032,855	8.9%
1998	54,066,900	--	133,600	54,200,500	6,032,975	9.0
1999	52,889,900	--	377,200	53,267,100	6,033,600	8.8
2000	52,951,500	--	302,100	53,253,600	6,030,400	8.8
2001	49,078,500	\$2,700,000	328,650	52,107,150	6,026,600	8.6
2002	46,530,200	2,700,000	193,700	49,423,900	6,032,000	8.2
2003	48,597,899	2,700,000	N/A ¹	51,297,899	1,648,462	31.1
2004	48,024,690	2,700,000	N/A	50,724,690	3,058,305	16.6
2005	50,851,254	2,700,000	N/A	53,551,254	3,054,305	17.5
2006	51,519,000	2,700,000	N/A	54,219,000	3,054,605	17.8

¹ Pursuant to the Series 2003 Excise Tax Refunding Bonds transaction, interest earnings are no longer pledged to debt service.

Golf Enterprise Revenue Bonds

In 2005, the City designated the Golf Division of its Department of Parks and Recreation as an “enterprise” within the meaning of the State Constitution and established the Golf Division Enterprise Fund. The assets of the Enterprise are owned by the City and the power to operate, maintain and control the Enterprise is vested in the City’s Department of Parks and Recreation. The 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 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 (the “Enterprise”). The Bonds are 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 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 Enterprise. The Bonds are also payable under certain circumstances from a reserve account and a rate maintenance account.

The debt service coverage ratios of the Enterprise and the Golf Facilities, based on the revenues available for debt service forecasted in the Revenue and Debt Analysis, are as follows for the years 2002 through 2006:

TABLE 15

Historical Coverage

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating Revenues	\$7,664,419	\$6,887,166	\$7,332,201	\$7,642,403	\$8,112,745
Non-Operating Revenues	72,069	47,000	57,463	73,191	240,403
Golf Enterprise Fund Gross Revenue	7,736,488	6,934,166	7,389,664	7,715,594	8,353,148
Operation and Maintenance Expenses ¹	6,480,126	6,146,668	6,398,229	6,934,112	7,578,299
Pledged Revenue	1,256,362	787,498	991,435	781,482	774,849
Repayment of City Loan	200,000	100,000	-	-	-
Series 2005 Maximum Annual Debt Service ²	689,665	689,665	689,665	689,665	689,665
Total Debt Service Obligation	889,665	789,665	689,665	689,665	689,665
Coverage	1.41	1.00	1.44	1.13	1.12
Coverage Excluding Repayment of City Loan ³	1.82	1.14	1.44	1.13	1.12

⁽¹⁾ Excludes depreciation.

⁽²⁾ Years 2002-2005 reflect information set forth in the City’s Official Statement dated March 8, 2006, relating to the Series 2005 Golf Bonds. 2006 data reflects the Enterprise’s financial records for 2006 .

⁽³⁾ In 1995 the Golf Division received a \$1.3 million loan from the City’s General Fund and agreed to repay the loan \$200,000 per year. Due to a bookkeeping error, there was no payment in 1999 and that payment was made up in 2001. The final payment on the loan was made in 2003.

The following table sets forth comparative, unaudited operating results of the Enterprise for Fiscal Years 2002 through 2006.

TABLE 16*

**City of Denver, Colorado – Golf Division Enterprise Fund - Comparative Statement of Revenues, Expenses
For the Years Ended December 31 in Net Assets**

	2002 <u>(unaudited)</u>	2003 <u>(unaudited)</u>	2004 <u>(unaudited)</u>	2005 <u>(unaudited)</u>	2006 <u>(unaudited)</u>
Operating Revenues					
Charges for Services					
Golf Green Fees	\$5,410,425	\$4,841,229	\$5,182,931	\$5,345,409	\$5,700,851
Lease Rentals	2,229,615	1,995,055	2,132,364	2,251,839	2,355,516
Other	<u>24,379</u>	<u>50,882</u>	<u>16,907</u>	<u>45,155</u>	<u>(2,400)</u>
Total Operating Revenues	7,664,419	6,887,166	7,332,201	7,642,403	8,053,967
Operating Expenses					
Personnel	3,825,581	3,833,668	3,838,485	4,033,112	4,078,712
Contracts	856,530	632,000	743,542	894,831	806,702
Inter-departmental Billings	630,624	855,635	607,692	631,141	1,332,610
Supplies and Materials	1,167,391	825,365	1,208,510	1,375,028	1,208,248
Sub-Total Operating Expenses	6,480,126	6,146,668	6,398,229	6,934,112	7,426,273
Gross Operating Income Before Depreciation	1,184,293	740,498	933,973	708,291	627,694
Depreciation Expense	952,137	1,017,000	768,075	841,726	648,506
Operating Income	232,156	(276,502)	165,898	(133,435)	(20,812)
Non-Operating Revenue (Expenses)					
Interest	72,069	47,000	57,463	73,191	59,600
Transfers in (out) from General Fund	(200,000)	(100,000)	-	-	-
Loss on Write Off of Fixed Assets					
Total Non-Operating Revenue	(127,931)	(53,000)	57,463	73,191	59,600
Net Income	104,225	(329,502)	223,361	(60,244)	38,788
Cash - January 1	4,334,340	2,116,021	2,369,555	3,308,218	3,412,484
Increase (decrease) of Cash Due to Operating Activity	391,201	892,534	933,973	708,291	1,715,983
Increase (decrease) of Cash Due to Operating Activity			50,027	(242,940)	-
Increase (decrease) of Cash Due to Financing Activity	(127,931)	(53,000)	57,463	73,191	6,031,200
Capital Expenditures (Decrease of Cash)					
Capital Equipment	(306,909)	(405,400)	(68,760)	(355,048)	(346,704)
Capital Improvement	(2,174,680)	(180,600)	(34,040)	(79,228)	(6,472)
Sub-Total Capital Expenditures	(2,481,589)	(586,000)	(102,800)	(434,276)	(353,176)
Increase (Decrease) Cash	(2,218,319)	253,534	938,663	104,266	
Cash - December 31	2,116,021	2,369,555	3,308,218	3,412,484	10,806,491

*For further information, see Appendix A – “Comprehensive Annual Financial Report of the City.”

(Source: Years 2002-2005 reflect information set forth in the City’s Official Statement dated March 8, 2006, relating to the Series 2005 Golf Bonds. 2006 data reflects the Enterprise’s financial records for 2006)

Usage of Courses and Green Fees: Usage of the courses of the Golf Facilities in the last full five years are represented in Table XX. The next table reflects the latest increase in green fees effective as of January 1, 2006. A drought in 2003 lead to decreased attendance and increased costs, which led to an increase in fees approved by the City Council to cover possible losses.

TABLE 17**Total Rounds Played**

	2002 ⁽¹⁾	2003 ⁽²⁾	2004	2005	2006
City Park	48,982	47,923	52,288	54,298	55,280
Evergreen	26,863	29,718	26,687	26,689	22,843
Harvard Gulch	34,846	31,710	31,004	31,379	30,471
Kennedy	130,448	100,521	107,785	110,111	100,814
Overland	64,239	48,515	50,698	52,637	51,903
Wellshire	64,771	60,879	58,317	59,929	57,442
Willis Case	64,448	44,994	51,934	53,648	48,809
Total	434,597	364,260	378,713	388,691	367,562

⁽¹⁾ First year of drought; courses significantly impacted by year end.

⁽²⁾ Second year of drought.

TABLE 18**Schedule of Green Fees Effective as of January 1, 2006 – Denver Golf Courses**

<u>Category of Play</u>	<u>City Park</u>	<u>Evergreen</u>	<u>Harvard Gulch¹</u>	<u>Kennedy</u>	<u>Overland</u>	<u>Wellshire</u>	<u>Willis Case</u>
18-Hole Resident – Weekday	\$23.00	\$22.00	N/A	\$23.00	\$23.00	\$23.00	\$23.00
18-Hole Resident – Weekend	27.00	26.00	N/A	27.00	27.00	27.00	27.00
18-Hole Non-Resident-Weekday	23.00	22.00	N/A	23.00	23.00	23.00	23.00
18-Hole-Non-Resident-Weekend	27.00	26.00	N/A	27.00	27.00	27.00	27.00
18-Hole Resident Senior	15.00	15.00	N/A	15.00	15.00	15.00	15.00
18-Hole Resident Junior	12.00	12.00	N/A	12.00	12.00	12.00	12.00
Nine-Hole Resident-Weekday	13.00	13.00	\$7.00	13.00	13.00	13.00	13.00
Nine-Hole Resident Weekend	15.00	15.00	7.00	15.00	15.00	15.00	15.00
Nine-Hole Non-Resident Weekday	13.00	13.00	7.00	13.00	13.00	13.00	13.00
Nine-Hole Non-Resident Weekend	15.00	15.00	7.00	15.00	15.00	15.00	15.00
Nine-Hole Resident Senior	8.00	8.00	5.00	8.00	8.00	8.00	8.00
Nine-Hole Resident Junior	7.00	7.00	5.00	7.00	7.00	7.00	7.00
Denver Annual Pass /Daily Fee for 18-Hole (with initial payment of \$450 - good at all seven City golf facilities)	6.00	6.00	4.00	6.00	6.00	6.00	6.00
Denver Annual Pass/Daily Fee for 18 Holes (for resident seniors only with initial payment of \$275)	6.00	6.00	N/A	6.00	6.00	6.00	6.00
Denver Annual Pass/Daily Fee for Nine-Hole (with initial payment of \$450 – good at all seven City golf facilities)	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Denver Annual Pass/Daily Fee for Nine Hole (for resident seniors only with initial payment of \$275)	4.00	4.00	4.00	4.00	4.00	4.00	4.00

1 Harvard Gulch is a 9-hole par 3 course.

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, 2006, the School District had \$659,346,000 aggregate principal amount of general obligation bonds outstanding.

The School District has entered into annually renewable lease purchase arrangements from time to time in connection with which certificates of participation have been executed and delivered by trustees for the transactions. As of December 31, 2006, the aggregate principal amount of such certificates outstanding was \$359,218,038. 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 \$25,182,579 for 2006. The Sewage District had outstanding \$95,206,788 aggregate principal amount of bonds as of December 31, 2006.

Regional Transportation District. The Regional Transportation District (the “Transportation District”), a governmental and political subdivision of the State, was established in 1969, and currently includes the City, Boulder and Jefferson Counties, most of the City and County of Broomfield, and portions of Adams, Arapahoe, Weld, and Douglas Counties. The Transportation District is empowered to develop, maintain and operate a mass transportation system within its boundaries. Pursuant to a change in State statutes in 1982, the Transportation District may levy up to ½ mill for the payment of expenses of the Transportation District in situations of deficiencies, subject to the provisions of State constitutional revenue and spending limitations.

On November 2, 2004, the voters of the District authorized an increase in the District’s sales and use tax rate from 0.6% to 1.0%, effective January 1, 2005, to finance the FasTracks transit improvement program and the issuance by the District of up to \$3.477 billion in debt principal. FasTracks will entail the addition of six new light-rail lines and diesel-powered commuter rail lines, along with other transit improvements, in the Denver metropolitan area over the next 12 years. This authorization also exempted the District from any revenue and spending limitations on the additional tax and on any investment income generated by the increased tax revenue and allowed the District to incur debt to finance the capital improvements included in the FasTracks program. At the time that all the FasTracks debt is repaid, the District’s sales and use tax rate will be reduced to a rate sufficient to operate the rapid transit system financed through FasTracks.

The Transportation District issues bonds to maintain and improve the transit system. At the end of 2006 the Transportation District had no general obligation debt. In October 2006, the District issued \$600 million of sales tax revenue bonds to fund a portion of the \$4.7 billion comprehensive transit expansion plan known as FasTracks. As of December 31, 2006, the Transportation District had \$1,290,450,000 in aggregate principal amount of outstanding obligations. Of this amount, \$946,065,000 was bonded debt backed by the District’s sales tax and \$344,385,000 was the principal amount of outstanding certificates of participation in various lease purchase and installment sales arrangements under which the Transportation District is the lessee or purchaser. In August 2001, the District was authorized to issue up to \$118.5 million of commercial paper in order to provide bridge financing

for the portion of the Southeast Corridor multimodal project expected to be repaid from future federal grant monies. As of December 31, 2006, the Transportation District had issued \$92.5 million of the authorized commercial paper.

Denver Metropolitan Major League Football Stadium District. In 1996, the State General Assembly enacted legislation creating the Metropolitan Football Stadium District (“Football District”). The Football District was authorized to finance and construct a sports facility designed for use primarily as a National Football League stadium which has been built in the City. The Football District encompasses the City, Boulder and Jefferson Counties, most of the City and County of Broomfield, and the urbanized portions of Adams, Arapahoe and Douglas Counties.

In 1998 the electors of the Football District authorized the Football District to issue up to \$260 million of debt and to impose a sales tax at the rate of 0.10% on taxable transactions occurring within the Football District. The Football District has issued \$260 million of bonds and sales tax revenue capital appreciation bonds scheduled to mature between 2003 and 2012. The outstanding principal amount on these obligations as of December 31, 2006 was \$150,588,624.

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 bond mill levy information for these taxing districts is provided below:

TABLE 19
CITY AND COUNTY OF DENVER
OVERLAPPING TAXING DISTRICTS WITH GENERAL OBLIGATION DEBT⁽¹⁾

<u>Metropolitan Districts</u>	<u>Assessed Valuation</u> <u>Attributable to City</u> <u>Property Owners</u>	<u>% of Total</u> <u>City Assessed</u> <u>Valuation</u>	<u>Bond</u> <u>Mill Levy</u>
Bowles ⁽²⁾	\$ 24,490,970	0.271%	21.641
Central Platte	64,014,660	0.709	44.500
Denver Gateway Center	2,998,960	0.033	26.992
Denver Inter. Bus. Center	12,684,270	0.140	23.320
Ebert	49,777,480	0.551	55.000
Fairlake	23,652,180	0.262	27.000
GVR	95,381,820	1.056	15.950
Gateway Regional	25,417,440	0.281	10.000
Gateway Village GID	22,655,030	0.251	13.762
Goldsmith ⁽²⁾	225,869,530	2.500	10.780
Greenwood ⁽²⁾	1,127,470	0.012	11.000
North Washington Fire ⁽²⁾	4,871,220	0.054	1.388
Sand Creek ⁽²⁾	35,798,010	0.396	21.000
SBC	42,300,540	0.468	28.100
Section 14 Metropolitan ⁽²⁾	13,091,710	0.145	23.000
South Denver	40,247,890	0.445	9.000
Southeast Public Impr. ⁽²⁾	208,980,280	2.313	0.600
Town Center	475,410	0.005	55.000
Westerly Creek	<u>163,708,360</u>	<u>1.812</u>	52.931
Special District Total Assessed Value in the City	<u>\$1,057,543,230</u>	<u>11.706%</u>	
Denver Total Assessed Value ⁽³⁾	\$9,034,550,220		

⁽¹⁾ As of January 1, 2007

⁽²⁾ District assessed value located in more than one County

⁽³⁾ Includes the assessed values of properties in the Tax Increment Financed Districts located within the City of \$473,118,166.

(Source: State of Colorado 2006 Department of Local Affairs Division of Property Taxation and Office of the County Assessor)

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 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, 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, the City agreed, subject to annual appropriation by the City Council, has made all Economic Development Agreement payments, and future Economic Development

Payments are indicated in Table 16. The Economic Development Agreement is subject to termination on December 31, 2006 and each December 31 thereafter 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 20

**DENVER CONVENTION CENTER HOTEL
ECONOMIC DEVELOPMENT PAYMENTS**

<u>On or Before the 14th Day Prior to the Following Date:</u>	<u>Amount</u>
December 1, 2006	\$2,500,000 ¹
June 1, 2007	3,250,000 ¹
December 1, 2007	3,250,000
June 1, 2008	4,000,000
December 1, 2008	4,000,000
June 1, 2009	4,250,000
December 1, 2009	4,250,000
June 1, 2010	4,500,000
December 1, 2010	4,500,000
June 1, 2011	4,375,000
December 1, 2011	4,375,000
June 1, 2012	4,625,000
December 1, 2012	4,625,000
June 1, 2013	4,500,000
December 1, 2013	4,500,000
June 1, 2014	4,750,000
December 1, 2014	4,750,000
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 thereafter	5,500,000

¹These Economic Development Payments were made by the City to the Authority.

Retirement Plans

Substantially all of the general employees of the City are covered under the Denver Employees Retirement Plan (“DERP”); however, employees of the police department, fire department, and the Denver Water Board are covered by separate retirement systems.

City Employees. DERP is a single employer defined benefit pension plan established by the City to provide pension benefits for its employees. 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 post-retirement health benefits to eligible members.

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 employees who were members of DERP.

DERP membership consisted of the following as of December 31, 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Retirees and beneficiaries currently receiving benefits	6,002	6,255
Deferred Retirement Option Plan (DROP) participants	303	141
Terminated employees entitled to benefits but not yet receiving such benefits	3,155	3,243
Current employees:		
Vested	6,657	6,729
Non-vested	<u>2,075</u>	<u>2,259</u>
TOTAL	<u>18,192</u>	<u>18,627</u>

DERP provides retirement benefits plus death and disability benefits. Employees who retire at or after age 65 (or age 55 if the sum of age plus credited service is 75 or more) are entitled to a retirement benefit in an amount equal to from 1.5% to 2.0% of their average monthly salary, for each year of credited service, payable monthly for life. The average salary is based on the employee's highest salary in a 36-consecutive-month period of credited service. Employees with five years of credited service who do not qualify for full retirement may retire at or after age 55 and receive a reduced retirement benefit. The vesting requirement is five years of credited service. Benefit and contribution provisions are established by the City Council, which acts upon the recommendation of DERP's governing board as accompanied by an independent actuarial analysis.

DERP's funding policy provides for annual employer contributions at rates determined by an independent actuary, which when expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Beginning January 1, 2005, the City employees' contribution was changed from 2.0% to 2.5% and the City's contribution was changed from 8.0% to 8.5% of the salary of covered employees. As of December 31, 2006, the total net plan assets were \$1,990,720,219. Per DERP's independently audited 2006 Comprehensive Financial Annual Report, as of January 1, 2006, the most recent valuation, 97.3% of the plan's accrued liabilities were covered by valuation assets.

Other Post Employment Benefits. The Denver Employee Retirement Plan (DERP) provides a contribution towards health insurance in addition to pension, death and disability benefits. Retired employees under 65 receive a contribution of \$12.50 for every year of service towards health insurance premiums, which is reduced to \$6.25 when the employee reaches 65. While the amount of the retirement plan for this amount is under funded, the retirement plan indicates that it is not a material amount and expects it to be fully funded by 2009.

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 Deferred Benefit Plan ("New Hire Plan", a cost sharing multiple-employer public employee retirement system. The New Hire Plan is administered by the Fire and Police Pension Association ("FPPA"). 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. Both the Old Hire Police Pension Plan and the Old Hire Firefighters Pension Plan are affiliated with FPPA, and the FPPA manages investments, and administers the contributions to and distributions from, these Old Hire Plans. Denver's Police Pension and Relief Board and the Trustees of the Firefighters Pension Fund administer various other matters relating to the Old Hire Plans.

All full-time City police officers and firefighters in the classified service contribute to the plans at a rate of 8% of base salary, and the City contributes a matching 8% of salary to the Police and Firefighters Pension Plans (Old Hire Plans and New Hire Plan). In order to pay off the unfunded liability that exists for the Old Hire Plans, the City is required to provide level dollar funding at a minimum of \$27,894,000 each year until there is no longer any unfunded actuarial liability for Old Hire Police and Old Hire Firefighters Pension Plans. The State of Colorado is assisting Denver in paying off the unfunded liability. The State of Colorado contributed \$22,562,309 in 2006. For 2006, the City provided an annual contribution of \$52,896,222 including deductions taken from employees. There are no long-term contracts for contributions to the State Plan.

Water Board Retirement Plan. The Water Board Retirement Plan (“Board Plan”) is a defined benefit, single-employer, and noncontributory plan covering substantially all permanent full-time employees of the Water Board. The Board Plan benefits are integrated with Social Security benefits.

LEASE PURCHASE AGREEMENTS

Certificated Lease Purchase Agreements

The City has utilized lease purchase transactions whereby an independent lessor sells Certificates of Participation (COPs) which represent 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 from specified remedies. If appropriated for the applicable fiscal year, the City has the obligation to pay the related lease agreement rentals for that fiscal 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 outstanding on these transactions as of December 31, 2006 is summarized in Table 17.

TABLE 21

SCHEDULE OF LEASE PURCHASE TRANSACTIONS AND RELEASE DATES

<u>Series</u>	<u>Outstanding Principal Amount (As of 12/31/06)</u>	<u>Leased Property</u>	<u>Release Dates</u>
1995A	\$ 515,000	City Office Building for Information Services and other City departments	January 1, 2014
1995B	220,000	City Office Building for Central Services and other City departments	January 1, 2009
2001A	11,710,000	2000 W. 3 rd Avenue – Wastewater Building	December 1, 2017
2001B	23,290,000	5440 Roslyn – Fleet Maintenance Facility, Fire Stations #1, #10 & #15, and 2 Fire Trucks	December 1, 2016
2001C	13,620,000	Blair-Caldwell Research Library	December 1, 2021
2002A-B	15,425,000	Denver Cultural Center Parking Garage	December 1, 2021
2003A	4,640,000	Cherry Creek North Parking Garage	December 1, 2017
2003B	52,655,000	Buell Theatre, Jail Dorm Bldg	December 1, 2023
2003C1-C3	250,515,000	Wellington E. Webb Office Building	December 1, 2029
2005A	<u>51,825,000</u>	Human Services Campus	May 1, 2020
TOTAL:	<u>\$425,055,000</u>		

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 five-member governing board of the Denver Water Department purchased the Water Company for the citizens of the City. The Denver Water Department is established and derives its authority under Article X of the Charter of the City. The five-member Board of Water Commissioners is appointed by the Mayor of the City for overlapping six year terms.

Summary of 2006

In 2006, Denver Water implemented a number of capacity-planning, conservation, and efficiency efforts that are expected to ultimately improve its ability to serve its growing customer base more reliably and efficiently. Also in 2006, Denver Water initiated the following:

- Readied a two-pronged strategy for implementation in 2007: an Accelerated Conservation Program to instill permanent, efficient conservation behaviors among its customers and a new Rate Structure that takes into account reduced demand and more equitably links costs to consumption.
- Continued construction of the Gross Reservoir hydroelectric project as well as renovations to Eleven Mile Canyon Reservoir Outlet Works and Miller Reservoir
- Designed several key water-distribution system additions and improved its water-treatment capabilities
- Continued work related to the Moffat Collection System Project

Denver Water was able to meet water demand throughout 2006 without any drought-related restrictions. Peak reservoir levels were 6 percent higher than historical averages, and demand was 7 percent below normal. Above-average snowmelt filled the reservoirs to 98.9 percent of capacity in the spring, and higher-than-average reservoir levels were maintained even during the summer irrigation season.

Denver Water Board - Service Area

Water rates are based on four types of retail metered service: Outside City Total Service, Outside City Read and Bill, Outside City Master Meter, and Inside City.

- Outside City Total Service – This refers to areas outside the City where Denver Water is responsible for water delivery, reading meters and billing customers, as well as the operation and maintenance of the distribution system
- Outside City Read and Bill – This refers to areas outside the City where Denver Water is responsible for water delivery to a distributor and for reading individual meters and billing, but not for the operation and maintenance of the distribution system
- Outside City Master Meter – This refers to Distributors (water districts outside the City) that own and operate their own water system, perform their own meter reading and customer billing and who purchase water on a wholesale basis for distribution to their respective retail customers. As of December 31, 2006, wholesale water distributor contracts accounted for 21.5% of total water consumption
- Inside City – This service refers to all water users inside the City and County of Denver

A variation to the standard “Total Service” contract is the Total Service Improvement contract pursuant to which a distributor whose system does not currently meet Denver Water engineering standards may request to enter into a “Total Service” contract that includes special provisions for Denver Water to take control of the distributor’s

existing water system and upgrade it to meet Denver Water engineering standards. A surcharge is assessed to each customer within the distributor's service areas to pay for the improvements.

Total acreage served by Denver Water as of December 31, 2006 was as set forth below.

SERVICE AREA

	Undeveloped <u>Acres</u>	Developed <u>Acres</u>	Total <u>Acres</u>
Outside City			
Total Service	3,989.12	22,149.79	26,138.91
Read & Bill	4,676.17	27,217.47	31,893.64
Master Meter	14,903.11	42,899.46	57,802.57
Inside City	<u>24,749.35</u>	<u>74,213.85</u>	<u>98,963.20</u>
Total	<u>48,317.75</u>	<u>166,480.57</u>	<u>214,798.32</u>

The number of customer accounts served by Denver Water and its master meter customers as of December 31, 2006 was as follows:

NUMBER OF CUSTOMER ACCOUNTS – ACTIVE TAPS*

	<u>Number of Accounts</u>
City	158,346
Treated Water Contract Area:	
Master Meter	76,552
Total Service	35,960
Read & Bill	<u>36,043</u>
 Total Customer Accounts	 <u>306,901</u>

**These figures represent active taps, where service is on or has not been off for 5 consecutive years. Does not include taps sold to raw water distributors.*

Denver Water does not depend on any one customer or any group of customers for a major portion of its revenue. The twenty-five largest customers of the system accounted for only 4.88% of treated water sales revenue received in fiscal year 2006.

TABLE 22

**TOTAL TREATED WATER CONSUMPTION
FOR THE PERIOD 1997 - 2006**

<u>Year</u>	<u>Millions of Gallons</u>			<u>Estimate of Population Served July 1¹</u>	<u>Average Daily Gallons Per Capita</u>
	<u>Annual</u>	<u>Daily Average</u>	<u>Daily Maximum</u>		
1997	75,363.33	206.47	517.57	980,000	211
1998	77,475.48	212.26	512.53	996,000	213
1999	75,232.01	206.12	475.66	1,012,000	204
2000	83,585.25	228.38	478.19	1,036,000	220
2001	81,054.72	222.07	488.71	1,052,000	211
2002	75,221.18	206.09	419.20	1,076,000	192
2003	65,399.47	179.18	370.05	1,081,000	166
2004	60,578.77	165.52	340.92	1,104,000	150
2005	68,473.70	187.60	424.80	1,115,000	168
2006	74,724.98	204.73	425.68	1,124,000	182

¹ Population estimates are for treated water customers only and are interpolated from an analysis of the 2000 census. Data has been revised from prior years, due to the availability of new census data.

Denver Water Board – Debt Structure

As amended by the voters of the City in November 2002, the Charter authorizes the Board to issue only revenue bonds that do not require prior voter approval. Prior to this amendment, the Board was authorized to issue both general obligation bonds and revenue bonds, both subject to prior approval of the City’s electorate, except for refunding bonds. The outstanding General Obligation Bonds are backed by the Board’s irrevocable commitment to pay principal and interest from the revenues of the system. Water bonds are excluded from the debt limitations of the City.

The following table shows outstanding General Obligation and Water Revenue Bonds as of December 31, 2006.

TABLE 23

**BOARD OF WATER COMMISSIONERS
GENERAL OBLIGATION AND WATER REVENUE BONDS
Outstanding at December 31, 2006
(\$ in thousands)**

<u>Date of Issue</u>	<u>Interest Rates on Bonds Outstanding</u>	<u>Amount</u>		
		<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
General Obligation Bonds				
Series 1997	4.80-5.50%	\$19,530	\$(16,040)	\$3,490
Series 1999	5.50-6.00%	14,530	-	14,530
Series 2000	4.80-5.50%	12,700	(9,455)	3,245
Series 2001A	4.00-4.70%	11,215	(3,250)	7,965
Series 2001B	4.00-5.00%	75,170	(27,030)	48,140
Series 2002	2.75-4.50%	<u>11,610</u>	<u>(2,680)</u>	<u>8,930</u>
Total General Obligation Bonds		<u>\$ 144,755</u>	<u>\$ (58,455)</u>	<u>\$ 86,300</u>
Water Revenue Bonds				
Series 2003A	2.50-5.00%	\$ 50,000	\$ (300)	\$49,700
Series 2003B	2.50-5.00%	77,155	(15,740)	61,415
Series 2004	3.00-5.50%	43,655	(945)	42,710
Series 2005	3.25-5.25%	<u>30,000</u>	<u>(985)</u>	<u>29,095</u>
Total Water Revenue Bonds		<u>\$ 200,810</u>	<u>\$ (17,970)</u>	<u>\$ 182,840¹</u>

¹ On March 29, 2007, the Board issued \$100,000,000 Master Resolution Water Revenue Bonds, Series 2007.

Denver Water Board - Lease Purchase Agreements

The Board also uses capital leases to finance facilities and equipment and expects to pay annually appropriated lease purchase rental payments from revenues derived from the City's water system.

The Board entered into an annually renewable Master Lease Purchase Agreement (the "MLPA") in 1987 with the Denver Capital Leasing Corporation ("DCLC"), a nonprofit corporation organized in accordance with State law to facilitate financing of certain capital projects. DCLC assigned its interest in the MLPA to a trustee, and certificates of participation in the MLPA were issued. As of December 31, 2006, the aggregate principal components of the lease payments remaining under the MLPA were \$44,750,000, payable through 2016.

In 1992, the Board entered into an agreement amending the lease agreement of 1987 with the Colorado River Water Conservation District ("CRWCD") for construction of a dam and reservoir by CRWCD. The project was completed in the fall of 1995. Total minimum lease payments under the lease are \$40,500,000 through 2020. The present value of the minimum lease payments as of December 31, 2006, net of interest, was \$25,061,000. At the end of the lease term, the CRWCD is to convey to the Board 40% of the storage capacity of the reservoir and 40% of the related water rights.

Denver Water Board - System Development Charges and Participation Receipts

In addition to operating revenues and bond proceeds, funds are generated from (1) System Development Charges, which are fees received for new connections to Denver Water's system, and (2) Participation Receipts,

which are contributions paid by developers for the cost of specific facilities (e.g. distribution and transmission mains, pump stations and clear water reservoirs) to provide their developments with water service.

The System Development Charge (SDC), instituted in 1973, has provided a major source of funds for capital expenditures, although not legally restricted for such use. Since 1973, Denver Water has collected approximately \$531.6 million in SDCs. This charge applies to any applicant who is granted a license to take water through Denver Water's system or through a system deriving its supply from Denver Water. This charge is assessed upon application for a new tap and is based upon the (i) gross square footage of the single-family residential lot, (ii) the number of units in a multiplex building up to five units, or (iii) the size of the connections required. The Board reviews the adequacy of the SDC on an annual basis.

Participation Receipts have been a source of funds since 1974. Developers are required to participate in the front-end financing of facilities necessary to meet their specific needs. Total participation receipts of approximately \$125.4 million have been collected since inception.

TABLE 24
SYSTEM DEVELOPMENT CHARGES
AND PARTICIPATION RECEIPTS 1973-2006
(Cash Basis - Net of Refunds)

	<u>System Development Charges¹</u>	<u>Participation Receipts</u>
2006	\$ 22,305,207	\$ 2,730,141
2005	26,256,752	1,849,613
2004	24,833,961	2,228,550
2003	19,614,948	2,831,285
2002	36,590,914	5,567,014
2001	22,186,342	7,026,906
2000	25,525,391	6,392,360
1999	24,223,691	11,963,951
1998	33,155,890 ²	8,411,534 ²
1997	45,058,104 ³	3,732,524
1996	15,137,300	2,913,102
1973-1995	<u>236,664,900</u>	<u>69,762,300</u>
Total	<u>\$531,553,400</u>	<u>\$125,409,280</u>

¹ The System Development Charge receipts are permitted to be used to retire bond obligations of the Denver Water Board.

² The 1998 amount includes \$12,961,000 of pre-paid SDCs and \$3,169,100 of pre-paid Participation Receipts related to the Board's then planned construction of a plant to supply non-potable reuse water. The first phase of this recycled water project was completed in 2004.

³ The 1997 amount includes \$22,290,000 of pre-paid SDCs paid in advance by entities that chose to avoid the Board's 5% rate increase effective January 1, 1998.

SYSTEM DEVELOPMENT CHARGES
(As of December 31, 2006)
\$/TAP

	<u>Treated Water</u>	
	<u>Inside Denver</u>	<u>Outside</u>
<u>Single Family Residential Taps</u> ¹		
Base charge per residence	\$ 1,850	\$ 2,600
Charge per square foot gross lot size	\$ 0.39	\$ 0.54
<u>Multi-family Residential Taps</u> ²		
Base charge for duplex or first two household units (served through a single tap)	\$ 6,725	\$ 9,400
Charge for each additional household unit above two units (served through a single tap)	\$ 1,550	\$ 2,180
	<u>Treated Water Service</u>	
	<u>Denver</u>	<u>Outside City</u>
<u>All Other Taps</u> ³		
<u>Size of Connection:</u>		
¾"	\$ 4,975	\$ 6,975
1"	14,925	20,925
1½"	29,850	41,850
2"	44,775	62,775
3"	109,450	153,450
4"	194,025	272,025
6"	333,325	467,325
8"	447,750	627,750
10"	567,150	795,150
12"	691,525	969,525
Acre Foot Conversion (\$/AF)		
Inside the Combined Area	\$ 10,825	\$ 15,175
Outside the Combined Area		\$ 15,500

¹ Licenses for single family residential taps within the City and Denver Water Service Areas, including applicable special contracts.
² Licenses for multi-family residential taps within the City and Denver Water Service Areas, including applicable special contracts.
³ Licenses for all other taps within the City and Denver Water Service Areas, including applicable special contracts.

TABLE 25
HISTORY OF INCREASES
OF SYSTEM DEVELOPMENT CHARGES
(first implemented in 1973)

<u>Date</u>	<u>Incremental Increase</u> ¹
July 1, 1973	First imposed
April 1, 1975	50.0%
April 16, 1976	50.0
January 1, 1980	50.0
February 1, 1982	50.0
January 1, 1986	7.0
January 1, 1998	5.0
January 1, 1999	5.0
January 1, 2001	9.0
December 18, 2002	10.0
October 22, 2003	20.0
January 31, 2005	9.0
April 10, 2006	7.8

¹ Percentage change for residential service

RECEIPTS AND EXPENDITURES
 BUDGET TO ACTUAL COMPARISON 2002 - 2006 AND 2007 BUDGET (CASH BASIS)
 (amounts expressed in thousands)

	2002		2003		2004		2005		2006		2007
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
BEGINNING CASH & INVESTMENTS	\$ 186,755	\$ 186,755	\$ 156,540	\$ 156,540	\$ 163,405	\$ 163,405	\$ 154,996	\$ 155,626	\$ 159,276	\$ 159,276	\$ 149,198
RECEIPTS FROM:											
Sale of water	148,785	146,210	133,065	131,038	157,450	130,838	169,492	157,902	164,333	195,054	189,814
Drought Surcharge	-	776	11,043	8,001	-	12,425	(2,657)	68			
Nonoperating, interest & other	12,111	16,480	16,695	13,683	18,879	19,048	15,202	12,391	14,976	25,254	17,165
System development charges	27,446	36,644	23,783	19,649	22,034	24,917	22,586	26,280	25,654	22,389	27,843
Tap Surcharge	-	1,333	4,583	1,641	-	1,195					
Developer participation (new facilities)	3,918	5,573	2,115	2,835	2,036	2,241	2,593	1,850	4,978	2,735	5,014
Reimbursements & grants	152	1,881	3,123	3,420	494	3,646	450	762	2,705	1,586	2,658
	192,412	208,897	194,407	180,267	200,893	194,310	207,666	199,253	212,646	247,018	242,494
Sale of bonds	27,395	11,393	40,500	132,438	9,000	14,300	25,000	30,500	40,000		50,000
Total receipts	219,807	220,290	234,907	312,705	209,893	208,610	232,666	229,753	252,646	247,018	292,494
LESS EXPENDITURES FOR:											
Operations, maintenance & refunds	91,297	95,453	97,006	105,463	103,583	106,354	107,294	111,379	116,770	114,980	124,803
Debt service	32,712	35,258	33,630	71,338	37,878	38,445	44,428	44,732	47,398	46,264	54,392
	124,009	130,711	130,636	176,801	141,461	144,799	151,722	156,111	164,168	161,244	179,195
Capital improvements (new facilities)	78,240	81,421	91,228	100,017	47,079	38,478	43,325	30,848	50,400	59,246	61,012
System replacements	15,308	18,828	13,950	12,559	15,552	14,210	21,074	19,055	21,289	17,431	22,318
Equipment	10,069	8,834	7,264	5,528	13,556	7,744	12,878	8,334	13,853	7,083	15,732
	103,617	109,083	112,442	118,104	76,187	60,432	77,277	58,237	85,542	83,760	99,062
Indirects to capital	9,955	10,711	11,023	10,935	9,948	11,158	11,381	11,755	11,990	12,092	12,007
Total expenditures	237,581	250,505	254,101	305,840	227,596	216,389	240,380	226,103	261,700	257,096	290,264
ENDING CASH & INVESTMENTS	\$ 168,981	\$ 156,540	\$ 137,346	\$ 163,405	\$ 145,702	\$ 155,626	\$ 147,282	\$ 159,276	\$ 150,222	\$ 149,198	\$ 151,428

GENERAL EXPLANATION OF VARIANCES:

Variations in operating receipts are generally due to abnormal climatic conditions.
 Variations in system development charges are generally related to levels of activity in the home building industry.
 Variations in capital improvements are generally due to changes in project scheduling.
 Cash and investments do not agree with amounts on the Statements of Net Assets.
 Variance in beginning 2005 Cash & Investments Budget-Actual is due to Treasury's year end adjustment.

WASTEWATER MANAGEMENT SYSTEM

The Wastewater Management Enterprise Fund (“Wastewater”) was established by the City on January 1, 1967 to account for the sanitary sewer and storm operations of the City. The City’s wastewater collection facilities consist of over 1,500 miles of sanitary sewer lines of various composition, ranging in size from 6” to 60” in diameter and over 550 miles of storm drainage. Denver’s system utilizes gravity flow and lift stations; four sanitary sewer lift stations and three storm sewer lift stations are currently in service.

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 expansion program.

In April 2002, the City, for and on behalf of the Wastewater Management Division of its Department of Public Works, issued Wastewater Revenue Bonds in the principal amount of \$30,700,000, the proceeds of which were used to finance improvements to the storm drainage facilities. The bonds are not general obligations of the City and are payable solely from revenues derived by the City from its storm drainage and sanitary sewerage facilities. As of December 31, 2006, the outstanding principal amount of these bonds is \$26,565,000.

Wastewater Financial Information

Customer Information. Denver’s Wastewater Management Division estimates that Wastewater serves approximately 150,000 sanitary sewer customers. Of this amount, approximately 139,400 (92.8%) are residential customers; approximately 10,600 (7.2%) are commercial, industrial, or governmental customers.

Metro Wastewater Reclamation District. The sewage carried by the 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 over 40 other 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 22 presents historical data between 2002 and 2006 relating to the Sewage District’s total annual charges to Wastewater.

TABLE 26

HISTORICAL METRO ANNUAL CHARGES

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Enterprise Operating Expense	\$60,363,565	\$64,949,037	\$66,725,848	\$60,032,660	\$67,032,750
Metro Annual Charge ¹	\$23,566,979	\$24,585,451	\$24,769,816	\$23,516,528	\$25,182,579
Metro Annual Charge as a Percentage of Total Operating Expense	39.04%	37.85%	37.12%	39.17%	37.57%
Year-to-Year Metro Annual Charge Increase (Decrease)	4.51%	4.32%	0.75%	(5.06)%	7.08%
5-Year Cumulative Metro Annual Charge (Decrease)	---	4.32%	5.10%	-0.21%	6.86%

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

(Source: Wastewater Management Financial Statements for Years Ended December 31, 2006 and 2005)

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 27

HISTORICAL ACCOUNT INFORMATION

<u>Years (December 31)</u>	<u>Storm Accounts</u>	<u>Sanitary Sewerage Accounts</u>
1996	140,464	137,647
1997	141,273	138,346
1998	142,500	139,221
1999	143,372	141,488
2000	144,757	142,595
2001	146,413	144,115
2002	146,694	145,120
2003	148,755	146,901
2004	150,738	148,165
2005	152,127	149,266
2006	154,611	150,304

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 (i.e., 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. Following is a table showing the rates for each ratio group that were effective on January 1, 2006:

TABLE 28

APPROVED CURRENT RATES

<u>Ratio Group</u>	<u>Effective January 1, 2006</u>
0 to .10	\$1.44
.11 to .20	1.81
.21 to .30	2.18
.31 to .40	2.58
.41 to .50	2.95
.51 to .60	2.95
.61 to .70	3.34
.71 to .80	3.72
.81 to .90	4.09
.91 to 1.00	4.48

The rate for the lot's 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 \$88.50 ($\$2.95 \times 3,000/100$). Notwithstanding any circumstances where a lot or parcel would be charged a service charge of less than \$10.26 under this method of calculation, a minimum storm drainage service charge of \$10.26 is imposed on each improved lot or parcel within the City. 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.

Wastewater Management Division Enterprise Fund Budgets

The following table sets forth the major items of revenues and expenditures included in the 2006 revised and the 2007 budgets of the Wastewater Management Division Enterprise Fund.

TABLE 29

WASTEWATER ENTERPRISE BUDGETS

	<u>2006 Adjusted Budget</u>	<u>2007 Budget</u>
Operating Revenue		
Charges for Services	\$71,600,000	\$73,000,000
Other	<u>975,000</u>	<u>935,600</u>
Total Operating Revenue	<u>72,575,000</u>	<u>73,935,600</u>
Operating Expenses		
Personnel Services	21,927,394	20,263,825
Contractual Services	16,456,929	17,996,644
Supplies and Materials	1,385,087	1,076,542
Payments To Metro Wastewater and Other Districts	<u>26,810,000</u>	<u>29,780,000</u>
Total Operating Expenses	<u>66,579,410</u>	<u>69,117,011</u>
Operating Income (loss)	<u>5,995,590</u>	<u>4,818,589</u>
Other Income (Expense)		
Earnings on investments	3,000,000	730,000
Return of contributed capital	-	-
Debt interest payments	(1,358,900)	(1,325,000)
Bond principal payment	(1,090,000)	(1,135,000)
Purchase of capital equipment	<u>(1,011,090)</u>	<u>(1,210,289)</u>
Total Other Income	<u>(459,990)</u>	<u>(2,940,289)</u>
Modified Net Income	<u>\$ 5,535,600</u>	<u>\$ 1,878,300</u>

(Source: Wastewater Management Division Enterprise Department of Finance)

Operating History

Historical Wastewater Management Fund Information. Denver operates and accounts for its wastewater system through an enterprise fund. A five-year comparative statement of Denver's Wastewater Management Fund revenues, expenses and resulting changes in retained earnings as reported in Denver's audited comprehensive annual financial reports for fiscal years 2002 through 2006 is set forth in the following table.

The increase in capital contributions in 2006 is primarily due to transfers in from other city agencies. Curb and gutter infrastructure with a net book value of approximately \$35.8 million, net of disposals for replaced curbs and gutters, was transferred to Wastewater Management. The remaining changes in capital contributions for both 2006 and 2005 are primarily the result of the timing of the completion of projects that are funded by outside developers and donated to Wastewater Management as capital contributions upon completion.

TABLE 30
WASTEWATER MANAGEMENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS
For the years ending December 31
(\$ in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
OPERATING REVENUES					
Sanitary Sewer Charges	\$50,302	\$49,162	\$47,216	\$47,014	\$47,877
Storm Drainage Fees	<u>13,811</u>	<u>18,191</u>	<u>19,876</u>	<u>23,206</u>	<u>25,807</u>
TOTAL OPERATING REVENUES	<u>64,113</u>	<u>67,353</u>	<u>67,092</u>	<u>70,220</u>	<u>73,685</u>
OPERATING EXPENSES					
Personnel services	16,642	17,965	17,404	16,711	18,339
Contractual services	8,021	12,163	14,297	7,373	11,876
Supplies	1,812	583	685	714	143
Materials	409	332	399	492	485
Utilities	220	255	234	327	327
Depreciation and amortization	8,080	9,028	8,889	10,495	10,635
Payments to Metro Wastewater Reclamation District	<u>25,180</u>	<u>24,633</u>	<u>24,818</u>	<u>23,921</u>	<u>25,227</u>
TOTAL OPERATING EXPENSES	<u>60,364</u>	<u>64,959</u>	<u>66,726</u>	<u>60,033</u>	<u>67,033</u>
Operating income (loss)	<u>3,749</u>	<u>2,394</u>	<u>366</u>	<u>10,187</u>	<u>6,652</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	3,313	700	2,040	3,337	5,586
Interest Expense	--	(197)	(2,027)	(252)	(5)
Gain (loss) on disposition of assets	<u>6</u>	<u>90</u>	<u>24</u>	<u>376</u>	<u>66</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,319</u>	<u>593</u>	<u>37</u>	<u>3,462</u>	<u>5,647</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	7,068	2,987	403	13,649	12,299
Capital Contributions	7,358	13,689	13,509	10,727	37,333
Transfers Out	<u>(1,000)</u>	<u>(1,500)</u>	<u>(340)</u>	<u>0</u>	<u>(8)</u>
CHANGES IN NET ASSETS	13,426	15,176	13,572	24,376	50,064
RETAINED EARNINGS, JANUARY 1					
NET ASSETS, JANUARY 1	<u>350,131</u>	<u>363,557</u>	<u>378,733</u>	<u>392,305</u>	<u>416,681</u>
NET ASSETS, DECEMBER 31	<u>\$363,557</u>	<u>\$378,733</u>	<u>\$ 392,305</u>	<u>\$ 416,681</u>	<u>\$ 466,745</u>

(Source: Wastewater Management Enterprise Fund, Basic Financial Statements, 2002 – 2006)

Historic 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 maximum Debt Service Requirements of the Bonds as follows:

HISTORIC DEBT SERVICE COVERAGE RATIOS

<u>Years</u>	<u>Net Pledged Revenues</u>	<u>Maximum Annual Debt Service Requirement</u>	<u>Debt Service Coverage Ratio</u>
2001	\$18,864,253	\$2,484,444	7.59%
2002	14,297,000	2,484,444	5.75
2003	11,925,114	2,484,444	4.80
2004	9,266,964	2,484,444	3.73
2005	23,767,087	2,484,444	9.57
2006	22,867,696	2,484,444	9.20

(Source: Wastewater Enterprise Department of Finance)

Capital Improvement Plan. The Enterprise continuously reviews its future capital needs through staff observation and customer and community feedback. Once needs are identified, a study is initiated which may result in a recommendation for a capital improvements project. Recommended projects are incorporated into the Six-Year Capital Needs Assessment. The timing and priority for implementation of recommended projects within the Six-Year Capital Needs Assessment 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 Enterprise is continuously implementing the results of this process in its capital improvements plan. The following schedule provides the Enterprise's currently proposed capital improvements plan expenditures for the years 2008-2013:

PROPOSED CAPITAL EXPENDITURES

FOR 2008 THROUGH 2013
(\$ in thousands)¹

<u>Project Description</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Storm Drainage						
Annual Programs ¹	\$ 4,250	\$ 3,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Identified Projects	18,510	20,908	19,705	24,950	20,400	17,850
Subtotal	22,760	23,908	21,705	26,950	22,400	19,850
Sanitary Sewerage	9,900	10,250	10,250	10,250	10,250	10,250
Total	\$32,660	\$34,158	\$31,955	\$37,200	\$32,650	\$30,100

¹ Annual programs consist of alley restoration; replacement of curbs, gutters and cross pans; and minor ongoing local and neighborhood capital improvements.

(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 “Department”). 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 is situated approximately 24 miles northeast of Denver’s central business district and encompasses approximately 53 square miles. The passenger terminal complex consists of (1) a landside terminal, (2) three airside concourses providing 95 full service jet gates and 64 commuter aircraft parking positions and (3) the Airport Administration Building. The Airport has six runways – four oriented north-south and two oriented east-west. The sixth runway 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, Denver has long been a major transportation hub. Airline service within the United States is provided non-stop between Denver and more than 100 cities. Denver’s natural geographic advantage as a connecting hub location has been enhanced by the capability of the Airport to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2006, the Airport had approximately 23.7 million enplaned passengers, of which approximately 56.0% originated their travel at the Airport and 44.0% were passengers making connecting flights at the Airport. Currently, 29 passenger airlines provide scheduled passenger service at the Airport, including the seven largest U.S. passenger airlines, five foreign flag passenger airlines and regional/commuter airlines. In addition, several passenger charter and all-cargo airlines, including ABX Air, Inc., Air Transport International, Ameriflight, Antonov Airlines, DHL, FedEx, Key Lime Air, Kitty Hawk Air Cargo, and UPS Air Cargo provide service at the airport.

According to the Airports Council International, in 2006 the Airport was ranked as the fifth busiest airport in the nation and the tenth busiest airport in the world based on total passengers. As shown in Table 31, below, in 2004, the Airport experienced an increase of 12.7% representing approximately 21.1 million enplaned passengers and in 2005 the increase was 2.6% representing approximately 21.7 million enplaned passengers. 2006 continued this trend of growth in enplaned passengers with an increase of 9.0%, totaling 23.7 enplaned passengers. The totals include activity data for major/national airlines, regional/commuter airlines and charter and other airlines.

Information contained in Tables 31, 32, and 33 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 of 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 31

**AIRPORT SYSTEM
HISTORICAL ENPLANED PASSENGERS
BY MAJOR AIRLINE CATEGORY
2002-2006¹**

<u>Year</u>	<u>Major/ National Airlines²</u>	<u>Percent Change</u>	<u>Regional/ Commuter Airlines</u>	<u>Percent Change</u>	<u>Charter/ Misc. Airlines</u>	<u>Percent Change</u>	<u>Totals</u>	<u>Percent Change</u>
2002	16,891,218	(2.1)%	669,432	44.4%	268,914	(19.4)%	17,829,564	(1.2)%
2003	17,192,825	1.8	1,395,391	108.4	172,719	(35.8)	18,760,935	5.2
2004	18,296,498	6.4	2,623,675	88.0	223,908	29.7	21,144,081	12.7
2005	18,278,079	(0.1)	3,221,623	22.8	202,273	(9.7)	21,701,975	2.6
2006	19,674,467	(7.6)	3,791,642	17.7	199,203	(1.5)	23,665,312	9.0

¹ Includes revenue and non-revenue enplaned passengers.

² Includes Ted low-fare unit of United Airlines beginning in 2004 and Southwest Airlines beginning in 2006.

(Source: Department of Aviation management records)

The following table shows enplaned passengers for individual airlines serving the Airport System for 2005 and 2006, and comparative market share information based on enplaned passengers for such periods.

TABLE 32

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

<u>Airline</u>	<u>2005 Percent of Total</u>	<u>2006 Percent of Total</u>
United	35.8%	35.3%
Ted ¹	7.8	8.5
United Express ²	<u>12.8</u>	<u>12.6</u>
	56.4%	56.4%
Frontier Airlines	17.3%	18.7%
Frontier JetExpress	<u>2.2</u>	<u>2.0</u>
	19.4%	20.7%
American Airlines ³	4.1%	3.8%
America West ⁴	1.7	1.2
Continental ³	2.4	2.3
Delta Airlines ^{3,5}	3.4	2.4
Northwest ⁵	2.8	1.9
Southwest ⁶	--	3.3
US Airways ⁴	1.8	1.3
Other	<u>8.0</u>	<u>6.6</u>
	<u>24.2%</u>	<u>22.9%</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

1 Ted commenced service at the Airport on February 12, 2004.

2 Includes Chautauqua Airlines from 2005, GoJet from 2005, Mesa Airlines, Shuttle American from 2005, Sky West Airlines, Trans States Airlines in 2005 and Air Wisconsin through 2006.

3 Does not include commuter affiliates

4 The parent companies of America West Airlines and US Airways, Inc. merged effective September 27, 2005.

5 Delta Airlines and Comair, Inc., a Delta subsidiary that operates as Delta Connection, emerged from bankruptcy on April 30, 2006 and Northwest Airlines, Inc. emerged from bankruptcy on May 31, 2007.

6 Southwest commenced service at the Airport on January 3, 2006.

(Source: Department of Aviation management records and Denver City Council records)

The following table sets forth a summary of all of the aviation activity at the Airport for the period 2002 through 2006.

Table 33

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Enplaned Passengers:					
United	9,732	9,575	8,802	7,775	8,365
Ted ¹	--	--	1,340	1,690	2,001
United Express	<u>1,431</u>	<u>1,721</u>	<u>2,337</u>	<u>2,776</u>	<u>2,971</u>
Total United Group	<u>11,162</u>	<u>11,295</u>	<u>12,479</u>	<u>12,241</u>	<u>13,347</u>
Frontier	1,869	2,581	3,130	3,749	4,427
Frontier Jet Express	<u>91</u>	<u>149</u>	<u>391</u>	<u>468</u>	<u>478</u>
Total Frontier Group	<u>1,960</u>	<u>2,730</u>	<u>3,521</u>	<u>4,217</u>	<u>4,904</u>
Other	<u>4,707</u>	<u>4,736</u>	<u>5,144</u>	<u>5,244</u>	<u>5,414</u>
Total	<u>17,830</u>	<u>18,761</u>	<u>21,144</u>	<u>21,702</u>	<u>23,665</u>
Percent Change	(1.2)%	5.2%	12.7%	2.6%	9.0%
Total Originating Passengers					
Total Originating	9,644	10,265	11,395	11,984	13,249
Percent Originating	54.1%	54.7%	53.9%	55.2%	56.0%
Total Connecting Passengers					
Total Connecting	8,186	8,496	9,749	9,718	10,416
Percent Connecting	45.9%	45.3%	46.1%	44.8%	44.0%
United Group Passengers¹					
Percent Originating	37.0%	35.3%	36.0%	39.5%	40.9%
Percent Connecting	63.0%	64.7%	64.0%	60.5%	59.1%
Frontier Group Passengers					
Percent Originating	64.5%	65.9%	59.4%	54.0%	56.8%
Percent Connecting	35.5%	34.1%	40.6%	46.0%	43.2%
Average Daily Departures:					
Passenger Airlines:					
United and Ted	244	233	238	213	230
United Express	113	119	156	182	191
Frontier	68	80	94	107	125
Frontier JetExpress	8	11	21	25	24
Other	<u>202</u>	<u>195</u>	<u>208</u>	<u>194</u>	<u>203</u>
Total Passenger Airlines	635	638	719	722	722
All Cargo Airlines	<u>23</u>	<u>29</u>	<u>31</u>	<u>30</u>	<u>28</u>
Total	<u>659</u>	<u>666</u>	<u>750</u>	<u>752</u>	<u>801</u>
Percent Change	2.9%	1.2%	12.8%	0.4%	6.4%
Landed weight (billion pounds):					
Passenger Airlines:					
United and Ted	14.483	13.173	13.418	12.254	13.364
United Express	1.879	2.054	2.731	3.282	3.512
Frontier	2.907	3.630	4.434	5.222	6.087
Frontier JetExpress	140	181	526	616	617
Other	<u>7.066</u>	<u>6.663</u>	<u>7.025</u>	<u>6.734</u>	<u>6.837</u>
Total Passenger Airlines	26.474	25.701	28.134	28.108	30.418
All Cargo Airlines	<u>1.567</u>	<u>1.495</u>	<u>1.516</u>	<u>1.541</u>	<u>1.430</u>
Total	<u>28.041</u>	<u>27.195</u>	<u>29.651</u>	<u>29.649</u>	<u>31.848</u>
Enplaned Cargo (million pounds)²					
Enplaned Cargo	328,078	326,843	321,204	312,663	280,534
Percent Change	(10.6)%	(0.4)%	(1.7)%	(2.7)%	(10.3)%
Total Aircraft Operations (Landings and Take-Offs):					
Air Carriers	338,049	323,610	330,674	384,552	428,794
Air Taxi, Commuter, Military and General Aviation	<u>171,180</u>	<u>186,665</u>	<u>235,847</u>	<u>183,006</u>	<u>180,723</u>
Total	<u>509,299</u>	<u>510,275</u>	<u>566,521</u>	<u>567,558</u>	<u>609,517</u>
Percent Change	0.3%	0.2%	11.0%	0.2%	7.4%

¹ Ted commenced service at the Airport on February 12, 2004.

² The weight of enplaned cargo does not impact the Airport's Gross Revenues. Revenue is received from cargo carriers only from the landing fees and space rentals, which historically have constituted less than 2% of Gross Revenues.

(Source: Department of Aviation Management records)

Factors Affecting the Airport

The Airport has generally had steady growth in both passenger traffic and revenues since it opened in 1995, however, in 2001 and 2002, the Airport, like all major airports in the United States, experienced significant declines in passenger traffic and associated revenues as a result of the terrorist events of September 11, 2001, economic conditions and other factors. The Airport began recovering in 2003, with the number of enplaned passengers at the Airport increasing 5.2% in 2003 over 2002. The number of enplaned passengers at the Airport has continued to increase by 12.7% in 2004, 2.6% in 2005 and 9.0% in 2006, compared with previous years. 2006's 9.0% growth was well above the national average of 0.3%, according to the U.S. Department of Transportation.

United Airlines (United)

United, one of the world's largest airlines, is the principal air carrier operating at the Airport. United Airlines operates a major connecting hub at the Airport under a use and lease agreement with the City that expires in 2025. United, together with its Ted low fare unit and its United express commuter affiliates, accounted for approximately 56.4% of passenger enplanements at the Airport in 2005 and 2006, respectively. United also accounted for approximately 58.6% and 59.3% of the airline rentals, fees and charges component of the Airport System's operating revenues, and approximately 33.5% and 31.8% of the Airport System's Gross Revenues, in 2005 and 2006, respectively. Of United's total enplanements in 2005 and 2006, approximately 39.5% and 40.9% were originating passengers and approximately 60.5% and 59.1% were connecting passengers. 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.).

In December 2002, UAL and 27 of its subsidiaries, including United, filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code, which permitted United to continue operations while developing a plan of reorganization to address its debt, capital and cost structures. United received approval of a plan of reorganization and emerged from bankruptcy on February 1, 2006. As part of its bankruptcy proceedings and plan of reorganization, United paid all taxes it owed to the City, assumed all of its agreements with the City, and a combined special facilities and ground lease with respect to its special facilities at the Airport has been amended in connection with the refunding of related special facilities bonds.

For information relating to the use and lease agreements for the Airport between the City and United, see the Official Statement of the City for and on behalf of its Department of Aviation, dated August 20, 2007 provided in connection with the issuance of the Airport Revenue System Revenue Bonds, Series 2007D filed with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and currently available at "www.flydenver.com/biz/stats/index.asp".

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 \$270,025,000 Airport System Special Facilities Bonds, Series 2007, issued in June 2007 by the City, for and on behalf of the Department. The repayment of these bonds is the sole responsibility of United.

Frontier Airlines

Frontier has the second largest market share at the Airport, which serves as Frontier's only hub. The Frontier Group, consisting of Frontier and its Frontier JetExpress commuter affiliate, accounted for approximately 19.4% and 20.7% of passenger enplanements at the Airport in 2005 and 2006, respectively. The Frontier Group also accounted for approximately 12.1% and 13.0% of the airline rentals, fees and charges component of the Airport System's operating revenues, and approximately 6.9% of the Airport System's Gross Revenues in 2005 and 2006, respectively. Of the Frontier Group's total enplanements in 2005 and 2006, approximately 54.0% and 56.8% were originating passengers and approximately 46.0% and 43.2% were connecting passenger.

Except for the United Group and the Frontier Group, no airline accounts for more than 10% of either passenger enplanements at the Airport, the airline rentals, fees or charges component of the Airport System's operating revenues or the Airport System's Gross Revenues.

Southwest Airlines

Southwest commenced service at the Airport in January 2006. Southwest accounted for approximately 3.3% of passenger enplanements at the Airport in 2006. Southwest accounted for approximately 2.7% of the airline rentals, fees, and charges component of the Airport System in 2006, and approximately 1.4% of the Airport System's Gross Revenues.

Other Passenger Airline Information

For other passenger airline information, see the Official Statement of the City for and on behalf of its Department of Aviation, dated August 20, 2007, provided in connection with the issuance of the Airport Revenue System Revenue Bonds, Series 2007D filed with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and currently available at "www.flydenver.com/biz/stats/index.asp".

Airport System Aviation Activity

The table below shows total aircraft operations (landings and take-offs) for the Airport System for the period 2002 through 2006.

TABLE 34

**AIRPORT SYSTEM
HISTORICAL AIRCRAFT OPERATIONS
2002-2006**

<u>Year</u>	<u>Air Carrier</u>	<u>Air Taxi/ Commuter</u>	<u>General Aviation</u>	<u>Military</u>	<u>Total</u>	<u>Percent Change</u>
2002	338,049	157,777	12,416	987	509,229	0.3%
2003	323,610	174,092	11,228	1,345	510,275	0.2
2004	330,674	224,960	9,936	951	566,521	11.0
2005	384,552	172,532	9,780	874	567,558	0.2
2006	428,794	167,975	11,415	1,333	609,517	7.4

(Source: Department of Aviation Audited Financial Report for 2006)

TABLE 35

**DENVER INTERNATIONAL AIRPORT
2006-2011 CAPITAL PROGRAM
(\$ in thousands and rounded)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Totals</u>
Planned Projects:							
Airfield Improvements	\$10,696	\$11,724	\$10,200	\$ 14,440	\$ 14,704	\$ 13,341	\$ 75,105
Terminal and Concourse Improvements	27,226	70,335	20,941	11,602	8,327	54,904	193,335
Roads, Parking and Ground Transportation	7,413	13,600	3,190	1,400	1,350	12,496	39,449
Communications, Electronics, Security and Fire Protection	6,949	6,447	2,060	2,090	960	350	18,856
Environmental, Utilities, Storm Water, Drainage	2,266	1,635	2,466	1,334	4,961	500	13,162
Cargo and Support Buildings	5,636	225	--	--	--	--	5,861
Professional Services, MEEP and Art	<u>2,659</u>	<u>2,961</u>	<u>2,666</u>	<u>2,773</u>	<u>2,883</u>	<u>2,998</u>	<u>16,940</u>
Total Planned Projects	<u>\$ 62,845</u>	<u>\$106,927</u>	<u>\$41,523</u>	<u>\$33,639</u>	<u>\$33,185</u>	<u>\$84,589</u>	<u>\$362,708</u>

(Source: Department of Aviation Management Records)

The Capital Program for the Airport Systems has been updated and currently sets forth a 2008 through 2013 Capital Program. The 2008 through 2013 Capital Program is set forth in the Official Statement of the City for and on behalf of its Department of Aviation dated August 20, 2007 relating to the Airport System Revenue Bonds, Series 2007D.

TABLE 36
AIRPORT SYSTEM
HISTORICAL ENPLANED CARGO OPERATIONS
2002-2006
(in pounds)

<u>Year</u>	<u>Air mail</u>	<u>Freight and express</u>	<u>Total</u>	<u>Percent Change</u>
2002	44,842,352	283,235,306	328,077,658	(10.6)%
2003	55,088,719	271,753,872	326,842,591	(0.4)
2004	40,032,635	281,171,813	321,204,448	(1.7)
2005	34,463,315	278,199,783	312,663,098	(2.7)
2006	22,127,087	258,407,346	280,534,433	(10.3)

(Source: Department of Aviation Audited Financial Report for 2006)

Outstanding Bonds and Notes

Senior and Subordinate Bonds have been issued to fund costs of the Airport. As of December 31, 2006, the total aggregate amount of all outstanding Bonds is as follows (\$ in thousands):

TABLE 37
AIRPORT SYSTEM – OUTSTANDING BONDS
As of 12/31/06

Series 1991A Bonds	\$ 18,795
Series 1991D Bonds	96,708 ¹
Series 1992F-G Bonds	48,000
Series 1995C Bonds	10,625
Series 1997E Bonds	398,567
Series 1998A Bonds	202,970
Series 1998B Bonds	103,395
Series 2000A Bonds	236,240
Series 2000B Bonds	200,000
Series 2000C Bonds	100,000
Series 2001A Bonds	248,081
Series 2001B Bonds	16,675
Series 2001C1-C4 Bonds	200,000
Series 2001D Bonds	59,465
Series 2002 A1-A3	273,975
Series 2002C Bonds	41,100
Series 2002E Bonds	182,855
Series 2003A Bonds	161,965
Series 2003B Bonds	109,000
Series 2004A Bonds	73,300
Series 2004B Bonds	73,300
Series 2005A Bonds	227,740
Series 2005B Bonds	88,880
Series 2005C Bonds	85,000
Series 2006A Bonds	279,585
Series 2006B Bonds	<u>170,005</u>
Total Outstanding Bonds	<u>\$ 3,706,226</u>

¹ This amount does not include \$14,800,000 in escrow for the payment of these bonds.

(Source: Department of Aviation Audited Financial Report for 2006)

Subordinate Hedge Facility Obligations. In 1998, 1999, 2002, 2005 and 2006, 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 financial statements of the Airport System for Fiscal year 2006.

Installment Purchase Agreements. The City has entered into certain Master Installment Purchase Agreements with the GE Capital Public Finance, Inc., Siemens Financial Services, Inc. and Koch Financial Corporation in order to provide for the financing of certain portions of the Airport's capital program, including among other things, the acquisition of various runway maintenance vehicles and equipment, additional jetways and flight information display systems, ticket counter improvements in the landside terminal and the funding of the portion of the costs of completing, in 2005, modifications to the baggage system facilities at the Airport that enabled the TSA to install and operate its own explosives detection systems for the screening of checked baggage "in line" with the existing baggage systems facilities. As of December 31, 2006, the Master Installment Purchase Agreements were outstanding in the total principal amount of \$88,985,485.

The obligation of the City under each Master Installment Purchase Agreement to make payments thereunder is a special obligation of the City payable solely from the Capital Fund and such other legally available funds as the City may apply, but none of these Master Installment Purchase Agreements constitutes a pledge of the Capital Fund or any other revenues of the Airport System.

Summary Financial Information

The following table sets forth five years of operating results of the Airport System.

TABLE 38
AIRPORT SYSTEM
CONDENSED STATEMENT OF REVENUES AND EXPENSES
FOR THE FISCAL YEAR ENDED DECEMBER 31
(\$ in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating revenues	\$434,313	\$457,093	\$477,665	\$494,491	\$500,810
Operating expenses	<u>228,876</u>	<u>211,913</u>	<u>221,214</u>	<u>231,129</u>	<u>256,147</u>
Operating income before Depreciation	205,437	245,180	256,451	263,362	244,663
Depreciation and Amortization	<u>125,692</u>	<u>144,758</u>	<u>148,386</u>	<u>232,208</u>	<u>143,506</u>
Operating Income	79,745	100,422	108,065	31,154	101,157
Non-Operating Revenues (Expense)	(119,845)	(135,271)	(138,580)	(107,265)	(67,772)
Capital Contributions	<u>91,152</u>	<u>40,542</u>	<u>62,205</u>	<u>31,547</u>	<u>29,188</u>
Change In Net Assets	<u>\$51,052</u>	<u>\$ 5,693</u>	<u>\$ 31,690</u>	<u>\$ (44,564)</u>	<u>\$ 62,573</u>

(Source: Department of Aviation Audited Financial Report for 2006)

TABLE 39

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Gross Revenues	\$499,435	\$527,567	\$543,044	\$567,853	\$584,613
Operation & Maintenance Expenses	<u>216,791</u>	<u>201,573</u>	<u>220,254</u>	<u>231,733</u>	<u>257,624</u>
Net Revenues	282,644	325,994	322,790	336,120	326,990
Other Available Funds ¹	<u>46,751</u>	<u>50,807</u>	<u>54,849</u>	<u>55,173</u>	<u>49,788</u>
Total amount available for Debt Service Requirements	<u>\$329,395</u>	<u>\$376,801</u>	<u>\$377,639</u>	<u>\$391,293</u>	<u>\$376,777</u>
Debt Service Requirement ^{2,3} Senior and Subordinate Bonds	\$225,286	\$230,547	\$243,495	\$241,622	\$215,989
Debt Service Coverage Senior and Subordinate Bonds	146%	163%	155%	162%	174%

¹ Other Available Funds includes amounts available in the Coverage Account of the Capital Fund to be applied to help fund the rate maintenance covenant of the Ordinance.

² Excludes debt service on Senior Bonds which are to be paid from certain passenger facility charges.

³ Excludes debt service payable from amounts funded by capitalized interest.

(Source: Department of Aviation Audited Financial Report for 2006)

**AVERAGE AIRLINE COSTS
PER ENPLANED PASSENGER
(2006 dollars)**

\$11.31

(Source: Department of Aviation management records)

**AVERAGE AIRLINE COSTS
PER ENPLANED PASSENGER
FOR UNITED
(2006 dollars)**

\$12.56

(Source: Department of Aviation management records)

HISTORICAL PASSENGER FACILITY CHARGE REVENUES
(\$ in thousands)

<u>Year</u>	<u>Revenues</u>
2002	\$69,742
2003	71,945
2004	82,161
2005	84,000
2006	93,510

(Source: Department of Aviation Audited Financial Report for 2006)

CONTACTS FOR FURTHER INFORMATION

Compliance Officer for the City and County of Denver, Colorado 2006 Disclosure Statement:

Claude Pumilia
Manager of Revenue, *ex officio* Treasurer
201 W. Colfax Avenue
Denver, Colorado 80202
(720) 865-7202 (Phone)
(720) 865-7276 (Fax)
debtmanagement@ci.denver.co.us

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 Revenue
Margaret Danuser
Debt Administrator
144 West Colfax Avenue, Room 209
Denver, Colorado 80202
(720) 865-7116 (Phone)
(720) 865-7176 (Fax)
www.denvergov.org/Treasury/template22997.asp

Comprehensive Annual Financial Report:

Beth Machann
Controller
201 West Colfax Avenue
Denver, Colorado 80202
(720) 913-5000 (Phone)
(720) 913-5247 (Fax)
www.denvergov.org/Auditor/22813368template1jump.asp

Financial Statements and Supplementary Information - Airport System:

Department of Aviation
Denver International Airport
Stan Koniz
Assistant Deputy Manager of Aviation/Finance
Administration Division
8500 Pena Boulevard
Denver, Colorado 80249-6340
(303) 342-2401 (Phone)
(303) 342-2460 (Fax)
www.flydenver.com/biz/stats/index.asp

Financial Statements - Board of Water Commissioners:

Denver Water Board
Kathryn Kempke
Manager of Treasury Operations
1600 West 12th Avenue
Denver, Colorado 80254
(303) 628-6410 (Phone)
(303) 628-6479 (Fax)
www.denverwater.org/financialinfo

The 2006 Disclosure Statement must be read in conjunction with the City's Comprehensive Annual Financial Report (CAFR) for the Year Ended December 31, 2006 - available from the Controller's Office. See above.

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

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AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

INTRODUCTION

The Denver metropolitan area is the business and cultural center of the Rocky Mountain region with 56% of the state's population and 60% of the state's jobs. The 4,531-square-mile metropolitan area includes seven counties—Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson. The seventh county was added to the Denver metropolitan area on November 15, 2001 when the City of Broomfield became a combined city and county government. Portions of the former City of Broomfield had been located in Adams, Boulder, Jefferson, and Weld counties.

Business activity in the U.S. economy reached a peak in March 2001 and a trough in November 2001 according to the National Bureau of Economic Research (NBER). A peak marks the end of an expansion and the beginning of a recession whereas a trough marks the end of the recession and the beginning of the next expansion.

The U.S. economy steadily recovered from the 2001 recession with the most noticeable gains occurring in 2005 and 2006. All 50 states and the District of Columbia posted annual increases in employment from 2005 to 2006 with the exception of Louisiana and Michigan. Still, the rate of employment increase varies dramatically across the country.

Real Gross Domestic Product (GDP) expanded by 3.3% for all of 2006. The 2006 increase in GDP, which is the broadest measure of national economic activity, was primarily attributable to improvements in personal consumption expenditures. Increases in business investment, exports, and government spending also contributed to the overall increase. Improvements were partially offset by decreased private inventory investment and increased imports.

Colorado lagged the nation in the post-recession recovery in 2002 and 2003 but prevailed from 2004 to 2006. Employment grew at a faster rate in Colorado than across the nation from 2004 to 2006. Colorado's gross domestic product by state (formally called gross state product), a comparable

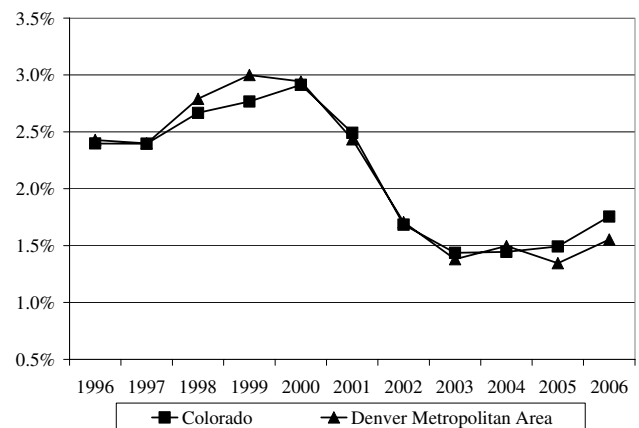
measure to national gross domestic product, grew at a faster rate of 4.9% in 2006.

The majority of the statistics included in this report are annual statistics, with the most recent annual data primarily for 2006. In some cases, 2006 data is not yet available in which case the most recent information available is provided.

POPULATION

Colorado was the eighth fastest-growing state in the country in terms of population growth from July 2005 to July 2006 and is the 22nd most populated state in the country, according to the U.S. Census Bureau. The Colorado Demography Office estimates that Colorado's population reached 4,804,353 as of July 2006. Colorado's population increased by about 81,600 people or by 1.7% from 2005 to 2006. The national population increase for the same period was 1.0%.

POPULATION GROWTH RATES



Source: Colorado Division of Local Government, State Demography Office.

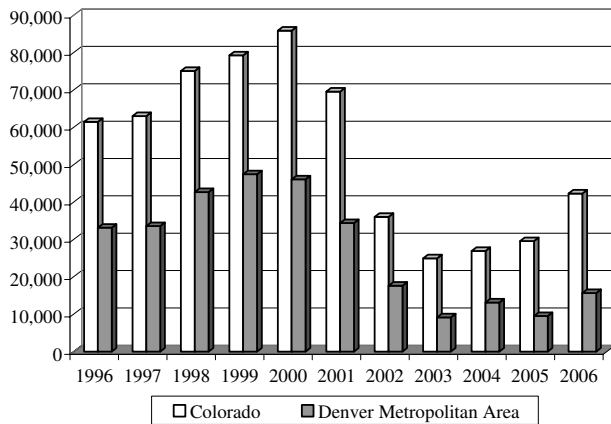
There are two components to population growth: natural increase and net migration. Natural increase, or births less deaths, is typically a relatively stable component. Net migration, or the number of people moving into the state minus the number leaving, is a comparatively more volatile component.

AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

Over the last 10 years, the natural increase of the population in Colorado has averaged about 36,900 residents per year. For the period 1997 through 2006, the natural increase in the population accounted for 41% of the population growth.

Net migration activity, on the other hand, has fluctuated over the period from 1997 to 2006 between a high of 85,900 in 2000 and a low of 25,000 in 2003 to average 53,300 per year. Over the past ten years, net migration has accounted for 59% of the population growth. Migration activity slowed considerably in 2002 through 2006 due to the economic slowdown, as people tend to move based on their perception of job opportunities. In 2006, net migration accounted for 52% of the population growth whereas net migration accounted for about 70% of the population growth from 1998 and 2000. Former California residents have typically accounted for 14% to 20% of Colorado's in-migrants. Texas, Arizona, Florida, New Mexico, and Illinois also provide Colorado with large numbers of new residents.

NET MIGRATION



Source: Colorado Division of Local Government.

The Denver metropolitan area continues to be a magnet for young, well-educated people looking for the opportunities and lifestyle that the area offers. The median age in Colorado is 34.7 compared to the

national median of 36.4, according to the U.S. Census Bureau.

The Denver metropolitan area experienced population growth rates of 2.2% or higher from 1991 to 2001. Population growth slowed in 2002 through 2005, falling to a low of a 1.3% increase in 2005. The population growth rate increased to 1.6% in 2006, resulting in a 2.1% average annual increase from 1996 to 2006.

Population in the Denver metropolitan area reached an estimated 2,668,131 people as of July 1, 2006. The natural increase in the population in the Denver metropolitan area has averaged about 23,200 people per year during the 1997 to 2006 period whereas net migration has averaged 26,900 people per year. Net migration has ranged from a high of 47,500 in 1999 to a low of 9,200 in 2003. For the ten years ending in 2006, 50.6% of the net in-migrants into the state settled in the Denver metropolitan area.

COUNTY POPULATION (in thousands)

Area	1996	2001	2006	% Change	
				1996-01	2001-06
Adams	323.0	361.3	413.3	11.8%	14.4%
Arapahoe	451.1	503.8	541.8	11.7%	7.5%
Boulder	261.8	281.0	290.9	7.3%	3.5%
Broomfield		40.6	47.0		15.6%
Denver	518.3	560.4	575.3	8.1%	2.7%
Douglas	114.7	200.4	263.2	74.7%	31.3%
Jefferson	498.0	529.7	536.7	6.4%	1.3%
Metropolitan Denver	2,166.9	2,477.2	2,668.1	14.3%	7.7%
Colorado	3,902.4	4,446.9	4,804.4	14.0%	8.0%

Source: Colorado Division of Local Government.

Douglas, Broomfield, and Adams counties reported the strongest population growth rates in the Denver metropolitan area for the period from 2001 to 2006. According to the U.S. Census Bureau, Douglas County was the fastest growing county in the country during the 1990s. This first place ranking was maintained for the 2000 to 2001 period, with the county continuing to post double-digit population growth rates. Growth slowed in 2002, but remains

AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

strong with Douglas County ranking as the 35th fastest growing county in 2006 and the seventh fastest growing county in the nation from 2000 to 2006.

The City and County of Denver has seen slow but positive population growth since 1991. Total population in 2006 is estimated at 575,294 people, a 0.6% increase over the 2005 population. Population growth rates for the City and County of Denver have historically been less than that of the overall Denver metropolitan area. During the past ten years the average annual growth rate was 1.0% compared to 2.1% for the Denver metropolitan area.

EMPLOYMENT

Two monthly reports prepared by the U.S. Department of Labor provide estimates of employment. The first is a survey of households used to estimate employment by place of residence (the "household survey"). The information from the household survey is used to estimate the total labor force, total employment (including self-employment), and unemployment by county. Unemployment rates are derived from these estimates.

The second is the Current Employment Statistics (CES) data series. The CES survey is a federal/state cooperative program that provides monthly estimates of nonagricultural payroll jobs derived from a sample of over 300,000 business establishment reports nationwide. These data are some of the most closely watched and widely used economic indicators among public and private policymakers alike. However, this series does not include those individuals that are self-employed, a growing segment of Colorado's economy.

A major change in the reporting of CES data occurred in 2003. The reporting of industry-level data switched from the 60-year-old Standard Industrial Classification (SIC) industry codes to the new North American Industry Classification System (NAICS) codes. The new NAICS codes include 20 broad sectors compared to the ten industry divisions

in the SIC code system. These NAICS sectors are combined and trends discussed within 11 "supersectors," or combinations of the 20 broad NAICS sectors.

Colorado ranked fifth in the nation for job growth during the 1990s. Nonagricultural employment growth remained consistently high throughout the decade, averaging 3.8% from 1990 to 2000. The employment situation changed in 2001 due to the national recession, the fallout in the high technology and telecommunications industries, and the terrorist attacks of September 11, 2001. The employment growth rate in Colorado fell to 0.6% in 2001, the lowest growth rate posted since 1987.

This was followed by the loss of 74,000 jobs during 2002 and 2003, the most severe job losses experienced in the state since the Great Depression. Colorado has high concentrations of high technology and telecommunications employment, industries that were especially hard-hit by the recent economic downturn. In fact, Colorado ranked first in the concentration of high-tech workers from 2000 to 2006 and ranked third in 2007 by the American Electronics Association. It may be argued that these industries led the Colorado economic downturn.

The employment situation began to improve in the state in 2004 and has continued to post gains through 2006. Total employment in the state increased 2.4% in 2006 following a 2.1% increase in employment in 2005. The state added a total of 46,400 jobs in 2005 and 52,800 jobs in 2006.

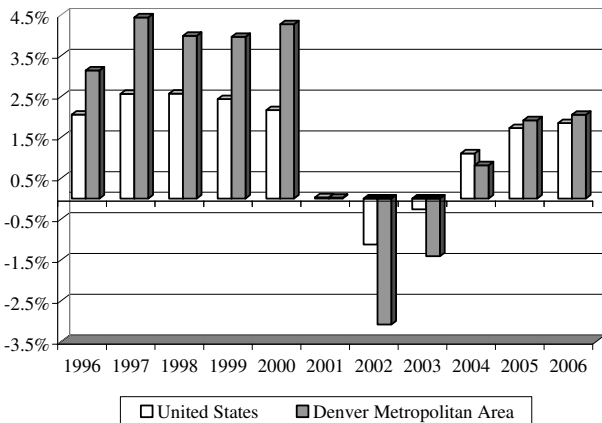
On June 6, 2003, the U.S. Office of Management and Budget (OMB) announced an initial update to statistical area definitions based on new standards and the results of the 2000 Census. These changes were implemented with the release of employment data beginning in January 2005. The Denver Metropolitan Statistical Area (MSA) was one of the areas impacted by the updated statistical area definitions. It is no longer possible to separate the seven-county Denver metropolitan region in the Current Employment Statistics employment data.

AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

The Denver MSA is now defined to include a ten-county area: the original six counties (Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson) plus Clear Creek, Elbert, Gilpin, and Park counties. In this report, Boulder County (the Boulder-Longmont MSA) is added to the Denver MSA in order to arrive at an estimate for employment in the 11-county region. All annual data included in this report has been adjusted to reflect this new geographic definition so that year to year comparisons are still valid.

The 11-county Denver metropolitan area is the home of a nonagricultural employment base of 1.38 million people. Nonagricultural wage and salary employment in the Denver metropolitan area grew consistently from 1988 through 2001, with a peak of 56,300 jobs added in 2000. This was followed by a decline in the employment base in 2002 and 2003, the first employment losses in the region since 1987.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT GROWTH RATES



Sources: U.S. Department of Labor, Bureau of Labor Statistics; Colorado Department of Labor and Employment.

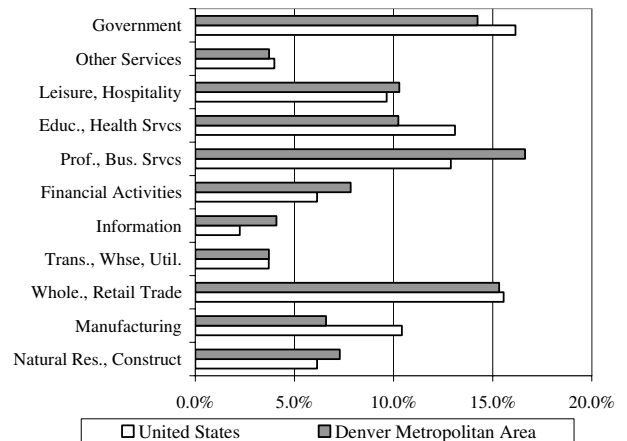
Nonagricultural employment statistics for the Denver metropolitan area reveal that the region lost 61,200 jobs during 2002 and 2003, including the loss of 42,400 jobs in 2002 and 18,800 jobs in 2003. The 3.1% employment decline posted in 2002 was the steepest employment loss on record for the Denver metropolitan area. Employment losses

continued in 2003 with a 1.4% decline; however, conditions began to improve in the second half of 2004. The Denver metropolitan area added a total of 10,700 positions in 2004, a 0.8% increase over 2003 employment levels. Employment gains in the Denver metropolitan area strengthened in 2005 and 2006. The area added 27,700 jobs in 2006, a 2.1% increase over 2005.

Nine of the 11 supersectors, or major industry categories, posted gains in 2006 over 2005. Only the manufacturing and information sectors posted a decline in employment in 2006 for a combined loss of 800 jobs. In absolute terms, the strongest job growth in 2006 occurred in the professional and business services sector which gained 8,900 positions. The leisure and hospitality and natural resources and construction sectors saw the next highest gains with 3,900 positions each. Employment in the education and health services, government, and wholesale and retail trade sectors also increased significantly.

Three major industry sectors – wholesale and retail trade, professional and business services, and government - provide about 46% of the employment in the Denver metropolitan area. The professional and business services supersector includes a broad segment of businesses, ranging from accounting and legal services to security services.

2006 EMPLOYMENT BY INDUSTRY



Sources: U.S. Department of Labor, Bureau of Labor Statistics; CO Department of Labor & Employment.

AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

The Denver metropolitan area has a greater concentration of professional and business services; information (which includes telecommunications); financial activities; natural resources and construction; and leisure and hospitality.

The City and County of Denver is the center of employment for the Denver metropolitan area. About 32% of the total Denver metropolitan area employment is located in the City and County of Denver. Downtown Denver's Central Business District has one of the area's largest concentrations of office space and a large cluster of telecommunications and information technology companies, as well as most of the metropolitan area's financial and legal firms. Denver's job base of 430,200 is the largest in the state of Colorado. The employment base in the City and County of Denver increased by an estimated 5,500 jobs in 2006, a 1.3% gain.

LABOR FORCE & UNEMPLOYMENT

The U.S. unemployment rate declined for the third consecutive year in 2006 after increasing in both 2002 and 2003. The U.S. unemployment rate declined from 5.1% in 2005 to 4.6% in 2006.

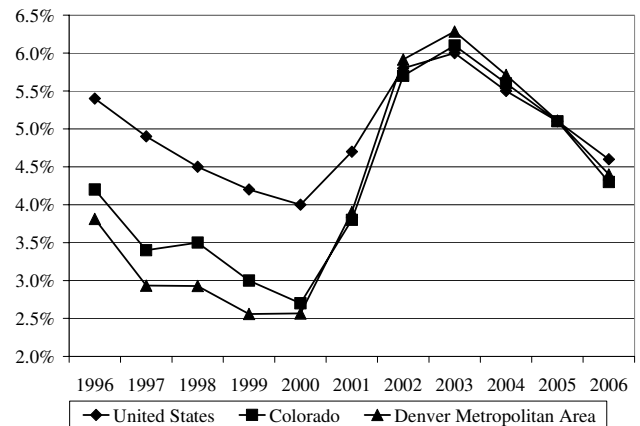
The unemployment rate in Colorado followed a similar trend as the nation with consecutive increases in 2002 and 2003, followed by decreases from 2004 to 2006. After reaching 6.1% in 2003, the unemployment rate in Colorado fell to 5.1% in 2005 and 4.3% in 2006.

The unemployment rate in the Denver metropolitan area peaked at 6.3% in 2003 and decreased to an average of 5.7% in 2004. The unemployment rate continued to fall to 4.4% in 2006. Given the total labor force in the Denver metropolitan area of 1.49 million, this represented an average of 65,300 people seeking employment each month in 2006.

The unemployment rate in the City and County of Denver also declined in 2006, falling from 6.0% in 2005 to 4.9% in 2006. As an urban center, Denver's

unemployment rate historically runs above the metropolitan area's rate.

UNEMPLOYMENT RATES



Sources: U.S. Department of Labor, Bureau of Labor Statistics; CO Department of Labor & Employment.

Colorado boasts one of the most highly educated workforces in the nation according to the 2005 American Community Survey by the U.S. Census Bureau. Colorado has the third highest percentage of college graduates in the country, behind Washington, DC and Massachusetts. Of the adult population in the Denver metropolitan area, 88.6% are high school graduates and 39.0% are college graduates.

MAJOR EMPLOYERS

Employment in the Denver metropolitan area is dominated by small business. According to U.S. Department of Commerce statistics, 97.7% of the 83,200 businesses in the Denver metropolitan area have less than 100 employees. There are approximately 60 business establishments in the Denver metropolitan area that have 1,000 or more employees. These companies represent a diverse mix of industries and are located throughout the Denver metropolitan area, providing a good geographic balance in employment centers. The following list includes the 20 largest private employers in the Denver metropolitan area.

AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

As the capital of Colorado, the City and County of Denver has a large concentration of government employees. The largest public sector employers in Denver include the State of Colorado (21,400 employees), the Federal Government (14,600), the City and County of Denver (17,100), and Denver Public Schools (13,100). About 32% of the total Denver metropolitan area private business establishments are located in the City and County of Denver.

LARGEST PRIVATE EMPLOYERS

<u>Company</u>	<u>Products/Services</u>	<u>Employees</u>
1. King Soopers Inc.	Grocery Stores	10,720
2. Wal-Mart	General Merchandiser	10,000
3. Qwest Communications	Telecommunications	9,400
4. Lockheed Martin Corporation	Aerospace & Defense	8,150
5. HealthONE Corp.	Healthcare	7,700
6. Safeway Inc.	Grocery Stores	6,700
7. Exempla Healthcare	Healthcare	6,110
8. University of Denver	University	5,890
9. IBM Corp.	Computer Systems & Services	5,500
10. Centura Health	Healthcare	5,220
11. United Airlines	Airline, Reservation Center	5,000
12. EchoStar Communications Corp.	Satellite Television and Equipment	5,000
13. Kaiser Permanente	Healthcare	4,800
14. Denver Health	Healthcare	4,500
15. Frontier Airlines	Airline	4,100
16. Ball Corporation	Aerospace, Containers, R&D	3,800
17. Sun Microsystems Inc.	Network Computer Systems	3,800
18. Great-West Life & Annuity Insurance Company	Insurance	3,760
19. United Parcel Service	Parcel Delivery	3,500
20. University of Colorado Hospital	Healthcare	3,500

Source: *Development Research Partners, May 2007.*

Four Colorado companies made the *Forbes* October 2006 list of the 200 best small public companies. Dynamic Materials ranked 41st, Credo Petroleum ranked 74th, Whitening Petroleum was 99th, and

Rocky Mountain Chocolate Factory ranked 124th. To qualify for the list, companies must have 12-month sales between \$5 million and \$600 million, a stock price of about \$5 per share, and a five-year average return on equity of at least 5%.

Fortune Small Business named five Colorado companies among the fastest-growing small public companies in the U.S. which earned the state the fifth-place ranking for the number of fastest-growing small businesses.

Eleven Colorado companies made the 2006 *Inc.* list of the 500 fastest-growing private companies nationwide. The companies included on the list provide a variety of goods and services, including food manufacturing, health services, environmental services, real estate, technical consulting, marketing, and systems integration.

Sixteen companies headquartered in Colorado now reside on the *Fortune* 1,000 list. These companies include Qwest Communications (178), EchoStar Communications (252), S&C Holdco 3 (268), Liberty Media (281), First Data (331), Liberty Global (340), Ball Corporation (348), Molson Coors Brewing (386), Newmont Mining (447), MDC Holdings (461), Level 3 Communications (465), Western Union (492), CH2M Hill (526), UAP Holding (690), ProLogis (743), and AIMCO (928).

INTERNATIONAL TRADE

Denver's position in the international community was enhanced in 1995 with the opening of Denver International Airport. Denver International Airport offers daily, non-stop service to almost 150 U.S. cities and international locations, including flights to London, Frankfurt, Munich, and several major cities in Canada and Mexico.

Denver is on the 105th meridian, the exact midpoint between Tokyo and Frankfurt, allowing companies to conduct business with both countries in the same business day. Further, a location between Canada and Mexico positions the Denver metropolitan area to benefit from opportunities presented by the North American Free Trade Agreement (NAFTA).

AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

The Colorado Office of Economic Development and International Trade maintains a contractual agreement with a representative office in Guadalajara, Mexico led by a foreign national. Relations are maintained with honorary trade offices in Japan, Argentina, Germany, Brazil, and Switzerland.

Colorado exports increased 17.3% from 2005 to 2006. Comparatively, U.S. exports increased 12.7% in 2006 to \$1.45 trillion. Total exports from Colorado in 2005 were valued at \$8.0 billion which represents 0.8% of the nation's total exports. Colorado exports to NAFTA partners increased 8.0% in 2006 to \$2.9 billion, representing 36% of the state's total value of exported products.

Canada continues to rank as Colorado's top trading partner, with exports increasing 2.3% in 2006 to \$1.85 billion. Mexico is the state's second largest trading partner, with exports increasing 20.1% in 2006 to \$1 billion. The state's third largest export market is Taiwan, with exports increasing 243.6% from \$206 million to \$707 million. Other top trading partners include China, Japan, Germany, Malaysia, South Korea, the United Kingdom, and France.

Four of the five of the state's top exports in 2006 were technology-related products. All of the top five export products showed positive growth rates or no change. Colorado's largest exports in 2006 were:

- ◆ Digital monolithic integrated circuits (\$898 million, +97.4%)
- ◆ Parts and accessories for automatic data processing machines and units (\$646 million, 0.0%)
- ◆ Monolithic integrated circuits, other than digital (\$326 million, +34.2%).
- ◆ Automatic data processing input or output units (\$304 million, +6.7%)
- ◆ Meat of bovine animals (\$242 million, +64.6%)

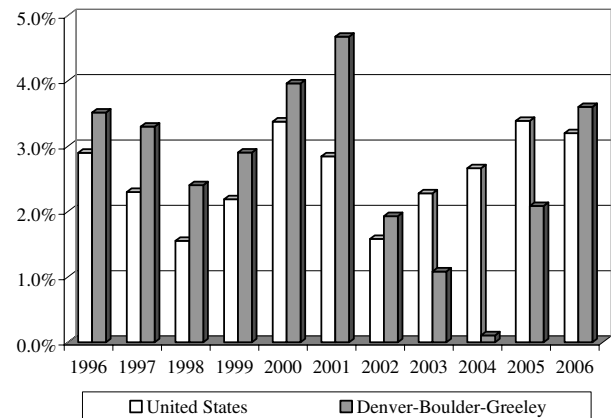
About 9.5% of Denver metropolitan area jobs may be credited to international business, according to a 2004 study by Dr. Tucker Hart Adams and colleagues at the University of Denver Graduate School of International Studies. This includes direct

employment of 17,100 workers at foreign-owned businesses and 29,000 employees at companies that export their goods and services. Another 76,800 jobs are generated from multiplier effects, bringing total employment due to globalization to 122,900.

INFLATION

The Denver-Boulder-Greeley Consumer Price Index, which is typically used to measure the inflation rate, increased at a rate higher than the national rate each year from 1992 through 2002. The inflation rate in the Denver metropolitan area finally fell below the national rate in 2003 and continued to increase at a slower than national average rate through 2005. The Denver-Boulder-Greeley inflation rate again outpaced the national rate in 2006 increasing to 3.6% compared to 3.2% nationally. Prices began to rise across the country as the national recovery strengthened.

INFLATION RATES



Source: U.S. Department of Labor, Bureau of Labor Statistics.

The consumer price index is derived from a market basket of eight major categories of products including food and beverages, housing, apparel, transportation, medical care, recreation, education and communication, and other goods and services. The categories experiencing the greatest increase in 2006 were apparel, medical care, and transportation.

AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

INCOME

Colorado ranked second in the nation for average annual personal income growth from 1990 to 2000 with an 8.4% average annual increase, according to data from the U.S. Bureau of Economic Analysis.

After slowing from 5.8% in 2001 to 0.2% in 2002, the rate of increase in total personal income has improved through 2006. Total personal income in Colorado increased 6.2% in 2005 followed by a 6.5% increase in 2006 to \$186 billion, which was the 15th fastest annual increase of the 50 states and the District of Columbia.

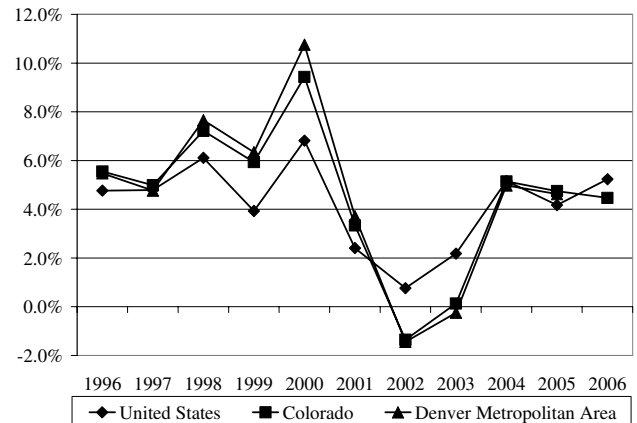
Per capita personal income growth in Colorado declined in 2002 but has increased each year of the 2003 through 2006 period. Per capita personal income increased 4.5% from 2005 to 2006. Per capita personal income of \$39,186 in 2006 in Colorado ranks as the ninth highest of the fifty states and the District of Columbia. Nationally, per capita personal income increased 6.3% to \$36,276 in 2006.

The most recent data available for county-level personal income is from 2005. Total personal income in the Denver metropolitan area increased 6.1% in 2005. The City and County of Denver experienced a 5.9% increase in total personal income in 2005.

The per capita personal income level in the Denver metropolitan area was \$42,870 in 2005, up 4.6% from 2004. Per capita personal income throughout the Denver metropolitan area ranges from \$47,652 in Denver County to \$29,001 in Adams County.

Per capita personal income in the City and County of Denver of \$47,652 in 2005 ranked as the third highest county in the state, behind Pitkin and Clear Creek. The City and County of Denver continues the historic trend of having higher per capita personal income than both the Denver metropolitan area and the state.

PER CAPITA PERSONAL INCOME GROWTH RATES



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The average annual salary in the Denver metropolitan area increased 4.7% to \$48,062 during the first three quarters of 2006, compared to \$45,892 during the same period of 2005. The average annual salary in the City and County of Denver increased 5.1% from \$49,345 in the first three quarters of 2005 to \$51,868 during the same quarters of 2006.

RETAIL TRADE

The Denver metropolitan area is the center of a large geographic region for retail, wholesale, and distribution activities. Its market area reaches out to a vast portion of the western and central United States.

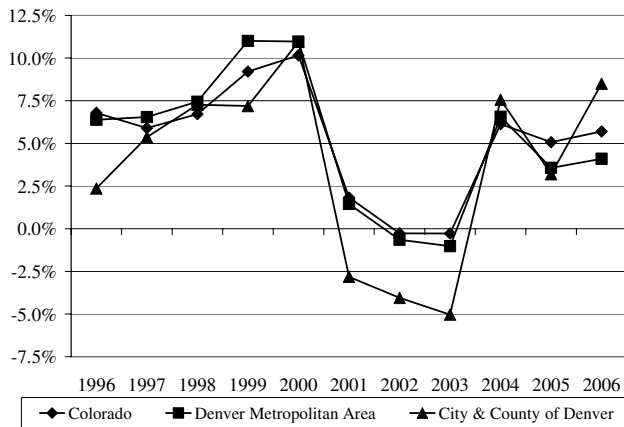
Consumer spending increased in 2006 at the national level due to an improving economy and an overall increase in consumer confidence. Retail and food services sales in the U.S. increased 5.5% in 2006. After factoring in the 3.2% national inflation rate in 2006, consumers drove a 2.3% real increase in retail sales.

Spending patterns have been strong in the Denver metropolitan area. Total retail sales (in all industries) in the Denver metropolitan area increased 7.4% in 2006, down slightly from a 7.5% increase in 2005.

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Retail trade sales, which are a subset of total retail sales and include all of those establishments that most people think of as “retailers” as well as food and drinking service establishments, increased 4.1% in 2006 to \$40.2 billion.

RETAIL TRADE SALES GROWTH



Source: Colorado Department of Revenue.

The largest category of retail trade sales in the Denver metropolitan area is motor vehicles and auto parts, followed by food and beverage stores and general merchandisers. The largest increase in retail trade activity between 2005 and 2006 occurred in non-store retailers, health and personal care, and clothing and accessories.

Arapahoe County, the City and County of Denver, and Jefferson County traditionally post the highest level of retail trade sales in the Denver metropolitan area. In 2006, about 22% of the retail trade sales in the Denver metropolitan area occurred in Arapahoe County, 21% occurred in the City and County of Denver, and 20% occurred in Jefferson County.

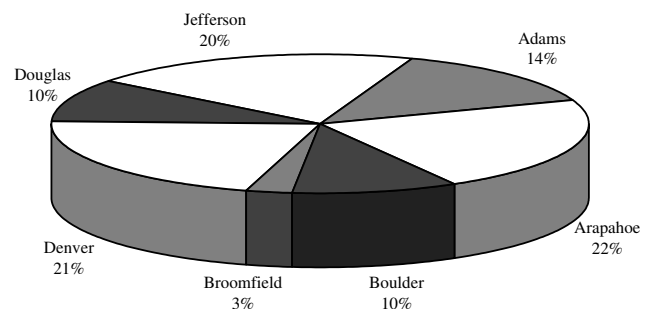
Adams County posted the strongest annual growth rate in 2006, with total retail trade sales increasing 10.2% over the 2005 level. Retail trade sales increased in all Denver metropolitan counties in 2006 with the exception of Arapahoe County.

RETAIL TRADE SALES BY INDUSTRY (in \$millions)

Industry	2005	2006	Change
Retail Trade:			
Motor Vehicle and Auto Parts	\$8,639	\$8,156	-5.6%
Furniture and Furnishings	\$1,568	\$1,606	2.4%
Electronics and Appliances	\$1,179	\$1,262	7.0%
Building Materials / Nurseries	\$3,106	\$3,195	2.9%
Food/Beverage Stores	\$5,987	\$6,302	5.3%
Health and Personal Care	\$1,032	\$1,149	11.3%
Service Stations	\$2,512	\$2,723	8.4%
Clothing and Accessories	\$1,741	\$1,912	9.8%
Sporting/Hobby/Books/Music	\$1,371	\$1,427	4.1%
General Merchandise/Warehouse	\$5,256	\$5,525	5.1%
Misc. Store Retailers	\$1,418	\$1,411	-0.5%
Non-Store Retailers	\$785	\$1,132	44.2%
Total Retail Trade	\$34,595	\$40,171	16.1%
Food / Drinking Services	\$3,995	\$4,371	9.4%
TOTAL	\$73,184	\$80,342	9.8%

Source: Colorado Department of Revenue.

2006 RETAIL TRADE SALES BY COUNTY



Source: Colorado Department of Revenue.

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RESIDENTIAL REAL ESTATE

Total home construction activity in the Denver metropolitan area decreased 13.8% in 2006 after decreasing 4.2% in 2005. The 13.8% decline in 2006 resulted from a 30.6% decrease in single-family detached home construction which was offset by a 14.4% increase in single-family attached home construction and a 276.3% increase in multi-family construction. The large increase in multi-family construction is due in part to a small base of homes, and to increased high-density construction in the Denver metropolitan area along the light rail lines. Despite persistent interest rates hikes throughout 2005, mortgage rates stayed at low rates, keeping home ownership affordable.

The average number of single-family homes permitted each year for the ten-year period ending in 2006 was 14,605 homes. There were 10,952 single-family detached homes permitted in 2006, 25% lower than the ten-year average. The greatest number of single-family detached homes was permitted in Douglas County with Arapahoe and Adams counties reporting the second and third largest number of permits.

All seven counties in the Denver metropolitan area posted decreases in single-family detached home permits with the exception of the City and County of Broomfield. The largest decrease was seen in Douglas County (-43%) followed by Adams (-39%) and Boulder (-36%) counties. The number of single-family detached home permits issued in the City and County of Broomfield increased by 17% in 2006.

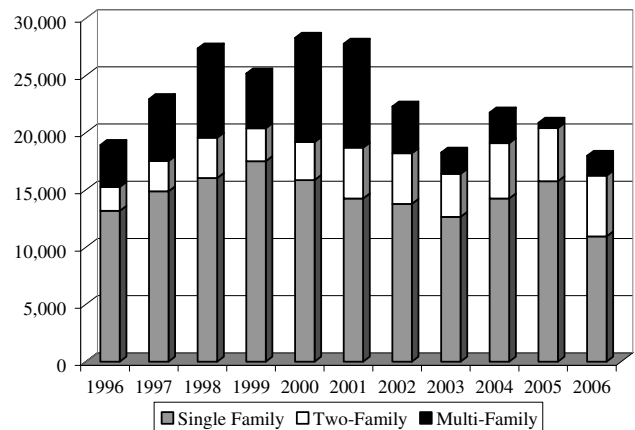
The greatest number of single-family attached home permits was issued in the City and County Denver in 2006. The City and County of Denver issued 1,658 permits in 2006, followed by Arapahoe County and Douglas County which respectively issued 1,027 and 834 permits for single-family attached homes. Single-family attached homes include condos, duplexes, and town homes.

Multi-family or apartment construction increased by 276.3% in the Denver metropolitan area in 2006. A

total of 1,727 permits were issued for multi-family construction in the seven-county region during 2006 of which about 74% were issued in Douglas and Jefferson counties. The remaining multi-family construction activity occurred in the City and County of Denver (319 permits) and Boulder County (137 permits). Multi-family construction activity continues to be below the ten-year average of 4,701 new units per year.

The recent increase in apartment construction is a result of improving market conditions. The apartment vacancy rate in the Denver metropolitan area peaked at 13.1% during the first and second quarters of 2003. The apartment vacancy rate declined to 7.0% in the fourth quarter of 2006 according to the *Denver Metro Apartment Vacancy and Rent Survey*. The vacancy rate decreased in all counties from fourth quarter 2005 to fourth quarter 2006. The highest vacancy rate of 7.4% is in Adams and Arapahoe counties. The lowest rate of 5.5% is in Broomfield County.

NEW HOME CONSTRUCTION



Source: Home Builders Association of Metro Denver.

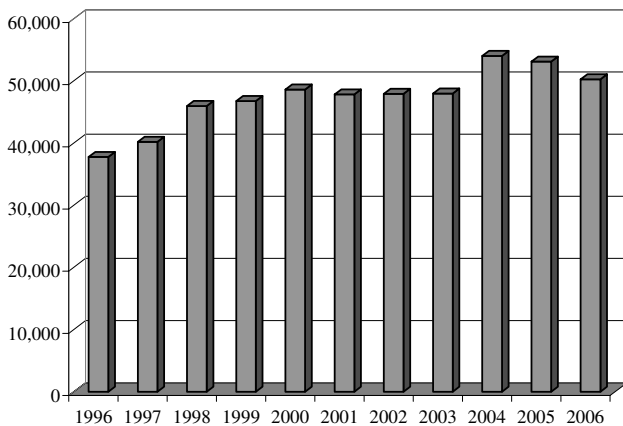
Minimal apartment rental rate increases coincided with improving vacancy rates in 2006. The fourth quarter 2006 average monthly rental rate of \$850 increased from the fourth quarter of 2005 average rental rate of \$848. Apartment rents vary by county, ranging from \$1,014 in Douglas County to \$802 in

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Arapahoe County. The average rental rate does not reflect concessions such as move-in bonuses, free rent, or other amenities that apartment communities continue to offer to attract tenants.

Sales activity of previously-owned homes decreased for the second consecutive year in 2006 from a record high in 2004 of 54,012 sales. Existing home sales in the Denver metropolitan area slipped to 50,224 homes and condominiums, a 5.4% decrease from 2005. The total value of homes sold in the Denver metropolitan area declined as well to \$14.5 billion in 2006, a decrease of 2.8% compared to 2005.

DENVER METROPOLITAN HOME SALES



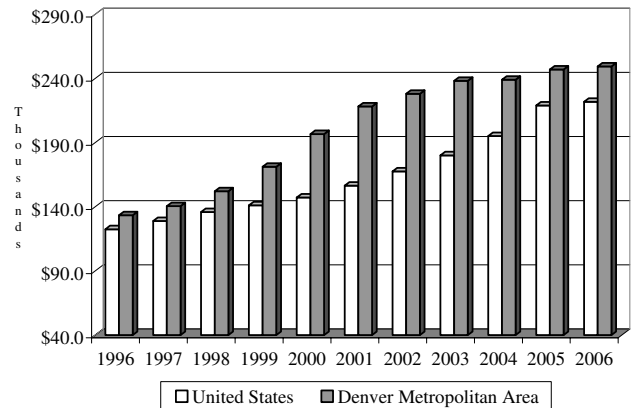
Source: MetroList Inc.

Median home prices have moderated in the Denver metropolitan area due to increased inventory and slower in-migration activity. The median home price reflects the middle value of all existing home sales, meaning that half of the homes sold for more and half of the homes sold for less. The median sales price of an existing single-family home in 2006 reached \$249,500 in the Denver metropolitan area, compared to the national median of \$221,900. The Denver metropolitan area experienced a 1.0% increase in the median home price in 2006 compared to the national increase of 1.3%.

The average home price is calculated as the total value of all homes sold divided by the number of

homes sold. This value may be skewed by very low or very high sales price. The average price of a single-family detached home in the Denver metropolitan area rose to \$317,112 in 2006, a 3.1% increase over 2005. The average price of a condominium decreased 0.2% in 2006 to \$188,745. Home prices in the Denver metropolitan area had been appreciating at rates greater than the national level from 1992 to 2001, so this moderation in price increase represents a market correction, bringing Denver metropolitan area home prices back in line with the national price level.

MEDIAN HOME PRICES



Source: National Association of REALTORS.

Rising wages from the previous economic expansion landed a record number of Americans in a home-ownership position. According to a recent U.S. Census Bureau study, the home ownership rate in the Denver metropolitan area increased from 55.7% in 1990 to 68.2% in 2000. The combination of increased home ownership rates, the prolonged economic slowdown with significant layoffs, and the increased use of adjustable rate mortgages, zero down payment, and interest-only mortgages has led to an increase in home foreclosures.

There were 19,427 home foreclosures in the Denver metropolitan area in 2006 compared to 14,339 in 2005 and 12,331 in 2004. Total foreclosures rose above the record of 17,122 set in 1988 for the first time in 18 years.

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Several high-end residential neighborhoods are in development stages in the Denver metropolitan area. Work began on a \$100 million residential and retail development in North Cherry Creek which will feature condominiums priced at around \$800,000. Another \$100 million development at One Cherry Lane in the Denver Tech Center will be a 28-acre gated community of single-family homes targeted at households with an income range of \$250,000 to \$300,000 per year. The Landmark condominium project in Greenwood Village will house 125 units in a 12-story building priced between \$271,000 and \$1.2 million. Plans are underway for a 55-story building with 200 condominiums at 14th and Lawrence Streets in Denver. Finally, the Four Seasons project in downtown Denver is planning to include 140 luxury condominiums on the upper floors of the “five-star” hotel. The Ritz-Carlton Denver also plans to offer condominiums priced from \$800,000 to \$4 million.

COMMERCIAL REAL ESTATE

The Denver metropolitan area commercial real estate market boasted solid performance in 2006, providing a wide range of rental and ownership opportunities throughout the region for all business types.

Investors spent a record \$5 billion in 2006 on commercial real estate in the Denver metropolitan area, a 61.3% increase over the previous record \$3.1 billion in 2005. The largest transactions according to Northstar Commercial Partners included the eight-building Equity Office Properties portfolio (\$260 million) and the Government Properties EPA building (\$91.3 million). Northstar Commercial Partners tracks sales of \$1 million or greater.

The Denver metropolitan area experienced a boom in nonresidential construction activity from 1998 through early 2001 with a plethora of office, industrial, retail and entertainment projects. Development has continued, but at a much more modest pace than in previous years. Major redevelopment projects are still under construction at many sites throughout the metropolitan area,

including projects at the former Stapleton International Airport and Fitzsimons Army Medical Hospital sites. Smaller redevelopment projects are occurring throughout the Denver metropolitan area with a couple of the most notable projects including redevelopment of the former Buckingham Square mall in Aurora into a lifestyle center, the Streets at SouthGlenn redevelopment of the former Southglenn Mall in Centennial, and redevelopment of the former site of Lord and Taylor at Park Meadows mall in Lone Tree into an outdoor promenade.

Office Activity

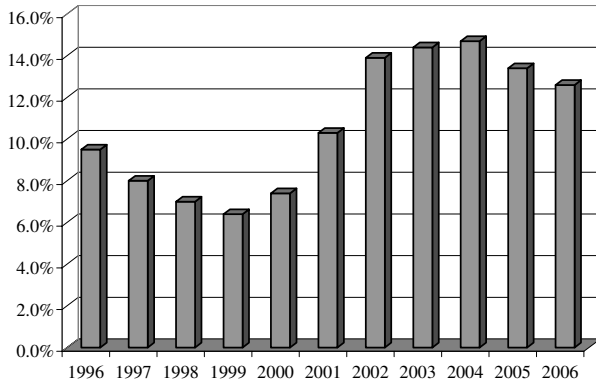
Office construction increased in 2006 after staying at minimal levels from 2003 to 2005 according to data from CoStar Realty Information, Inc. Developers added approximately 1.55 million square feet of new office space in 41 buildings in the Denver metropolitan area in 2006, up from 730,000 square feet in 42 buildings added in 2005. The office market remained active towards the end of 2006, with about 1.33 million square feet of office construction underway.

Over half of the new office space is located in the City and County of Denver. These buildings include the 320,000-square-foot Denver Newspaper Agency and the 275,645-square-foot Environmental Protection Agency buildings in downtown Denver, as well as the 78,000-square-foot Lowry Medical Center Office building in the Lowry redevelopment area.

The direct vacancy rate of office properties throughout the Denver metropolitan area decreased from 13.4% in the fourth quarter of 2005 to 12.6% in the fourth quarter of 2006. The office vacancy rate in the Denver metropolitan area at the end of 2006 was slightly higher than the national office vacancy rate of 11.4%.

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OFFICE VACANCY RATE



Sources: CB Richard Ellis (1996-98); CoStar Realty Information, Inc. (1999-2006).

An increase in the average lease rate coincided with the decline in the overall vacancy rate for the office market in the Denver metropolitan area. The average lease rate at the end of the 2006 was \$18.56 per square foot, an increase from the average lease rate of \$17.46 per square foot at the end of 2005.

Class A lease rates averaged about \$21.62 per square foot at the end of 2006, up from \$20.40 per square foot at the end of 2005. Class B and Class C average lease rates also increased slightly, ranging from \$13.91 to \$17.52 per square foot in the fourth quarter of 2006.

Jones Lang LaSalle reported the suburban vacancy rate in the Denver metropolitan area decreased from 16.0% at the end of 2005 to 14.2% at the end of 2006. The office vacancy rate in the Central Business District also declined, falling from 12.3% at year-end 2005 to 11.1% at year-end 2006.

The Denver metropolitan area offers some of the most affordable office space in North America. According to the May 2007 Global Market Rents report by CB Richard Ellis, the lease rate in the Denver metropolitan area of \$22.17 per square foot ranks in the middle (#26) of the 65 largest metropolitan areas in North America.

Industrial Activity

Industrial construction activity improved in 2006 compared to last year. About 1.65 million square feet of industrial space in 28 buildings was completed in 2006 compared to 1.3 million square feet in 40 buildings in 2005.

At the end of 2006, about 2.1 million square feet of industrial, manufacturing, and warehouse space was under construction compared to 860,000 square feet of industrial construction underway a year earlier.

The industrial vacancy rate decreased from 7.8% in the fourth quarter of 2005 to 6.7% in the fourth quarter of 2006. Industrial lease rates increased to \$4.95 per square foot at the end of 2006 from \$4.70 per square foot at the end of 2005.

CoStar data shows continued improvement in the flex space market over the past two years, with decreased vacancy rates and increased lease rates. The direct vacancy rate in flex buildings decreased slightly from 14.1% in the fourth quarter of 2005 to 13.7% at the end of 2006. Meanwhile, the average lease rate of \$8.56 per square foot is up slightly from \$8.38 per square foot in the fourth quarter of 2005. During 2006, about 460,000 square feet of new flex space was added to the Denver metropolitan area in 15 buildings, up from 370,000 square feet added in 2005 in 21 buildings.

Although not classified as either office or industrial space, there is considerable activity in the hospital sector in the form of new construction, renovations, and expansions. Construction of a new campus to replace the 110-year-old St. Anthony Central Hospital is in planning phases. The hospital will move from its 16-acre, West Colfax location to a 45-acre site at Lakewood's Federal Center with completion planned for 2010. Ground breaking on the future Exempla Lutheran Medical Center Southwest occurred in January 2007. The almost 20,000-square-foot center is scheduled to open in fall 2007 and will provide a variety of cancer-related scans, radiation therapy, and chemotherapy. The Children's hospital is building a new facility at Fitzsimons to open in 2007. HealthONE announced

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plans for expansions of three of its Denver metropolitan area hospitals: St. Luke's Medical Center, Swedish Medical Center, and the Medical Center of Aurora, with all projects scheduled for completion in 2008. Renovations are planned for the Porter Adventist Hospital to be completed in 2007. The University of Colorado Hospital completed its move to the Anschutz Medical Campus while construction continues at the University of Colorado Health Sciences Center at Fitzsimons.

Redevelopment Activity

Major redevelopment projects are underway or recently completed throughout the Denver metropolitan area, offering opportunities for a mix of residential, commercial, educational, and open space uses.

The decommissioned army medical center at Fitzsimons is being developed into the largest (578 acres) medical science and health care-related redevelopment project in the United States. Fitzsimons is undergoing a \$4.3 billion renovation and transformation into one square mile dedicated to excellence in patient care, education, research, and development. The 227-acre campus of the University of Colorado Health Sciences Center and the University of Colorado Hospital will anchor the redevelopment project. In addition, the Children's Hospital is relocating to the Fitzsimons campus. Plans are also underway to build a Veteran's Affairs hospital at Fitzsimons. The Colorado Bioscience Park Aurora at Fitzsimons is attracting private bioscience companies that need to be in close proximity to the medical facilities. The Fitzsimons master plan calls for up to 15 million square feet of new construction housing 32,000 employees. Development plans also include residential and commercial development.

Forest City Stapleton, Inc. continues to develop the former Stapleton International Airport site, the largest infill development site in the nation. Plans for residential homes are in initial stages to be available for occupancy in 2009. The first phase will include between 150 and 250 units in two 15- to 20-story

towers and will be priced at about \$300 per square foot.

Miller Weingarten Realty LLC purchased Buckingham Square mall and is negotiating a purchase of the adjacent Dillard's site. The property would be constructed into a mixed-used development site including 350,000 square feet of retail space arranged in an urban-village format.

Wheat Ridge City Council approved plans for a 185,000-square-foot Cabela's sporting goods store on 36 acres of a 178-acre site slated for redevelopment. An additional 300,000 square feet of space would be available for retail, commercial, and light industrial development.

With the recent approval of FasTracks, which is the \$4.7 billion, 12-year transit expansion plan in the Denver metropolitan area, there are numerous opportunities for transit-oriented-development (TOD) surrounding current and future transit stations. In fact, about 1.4 million square feet of office, retail, hotel, and residential space is planned for 20 acres surrounding Union Station, which will serve as the FasTracks hub, over the next two decades. Lincoln Station, the southernmost light rail stop of the Southeast Corridor line, will be the location of another development with phase I slated to be completed in spring 2008. Construction began in February on Denver's first "goburb village," an intersection of urban and suburban development which would include more than 2 million square feet of office space, 2,000 residential units, and 50,000 square feet of retail. The density at the location would be about three times that of a typical suburban development.

Retail Activity

An affluent population and a large geographic service area have combined to establish a strong and diverse retail sector.

Denver metropolitan retail construction activity continues to increase as developers respond to the improving economy. Almost 4.8 million square feet of new retail was built in the Denver metropolitan

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area in 2006. In the final quarter of 2006, 4.7 million square feet of retail space was under construction in the Denver metropolitan area, down from the record 5.9 million square feet of retail space under construction at the end of 2005, according to CB Richard Ellis. Notable projects recently completed include 29th Street in Boulder, Southlands, Northfield at Stapleton, and Phase I of the Orchard Town Center.

Vacancy rates increased to 6.5% in 2006, up from 6.1% in the fourth quarter of 2005. Rental rates increased four consecutive quarters in 2006 to \$16.64 per square foot in the final quarter of the year.

The Denver metropolitan area offers 13 retail centers of 500,000 square feet or more and numerous smaller shopping districts. These retail centers are geographically dispersed throughout the region, ranging from the Colorado Mills “shoppertainment” regional mall in Lakewood to FlatIron Crossing in Broomfield to Park Meadows in Douglas County. These suburban malls complement the centrally-located, one million-square-foot Cherry Creek Shopping Center located within the City and County of Denver that is currently expanding to add Nordstrom’s Department Store. Cherry Creek Shopping Center has been one of the area’s top tourist destinations since it opened in 1990.

TRANSPORTATION

The central location and dominant role of the Denver metropolitan area in the western United States have combined to make the area one of the country's most important transportation hubs. All modes of transportation, except water, converge in the Denver metropolitan area, providing excellent access to the rest of the United States and the world.

Highways

The Denver metropolitan area is at the crossroads of three major interstate highways, including I-25 as the north-south route and both I-70 and I-76 providing east-west access. More than three-quarters

of the Denver metropolitan area beltway has been completed (E-470, C-470 and the Northwest Parkway), providing drivers with easy travel. The final beltway segment in Jefferson County is in the planning stages.

T-REX, the Transportation Expansion Project, was Colorado’s largest public works project since the construction of Denver International Airport. T-REX included a \$1.7 billion contract to widen Interstates 25 and 225 and build a 19-mile light rail line in the southeast metro area. The highway portion of T-REX opened in September 2006 and the light rail line opened in November 2006.

Mass Transit

The Regional Transportation District (RTD) serves the mass transit needs of the Denver metropolitan area. RTD operates 1,071 buses on 174 routes and 104 light rail vehicles on 35 miles of track. The District operates 66 Park-N-Ride free parking lots for commuters using any of its 36 light rail stations and 10,366 bus stops. RTD also operates 36 free hybrid-electric buses along the 16th Street Mall in downtown Denver, transporting visitors from one end of the mile-long pedestrian mall to the other.

Light rail in the Denver metropolitan area currently consists of the Central, Central Platte Valley, Southwest Corridor, and Southeast Corridor light rail lines. The T-REX project included construction of the Southeast Corridor Light Rail line, which opened in November 2006. This 19-mile line running along I-25 from Lincoln Avenue in Douglas County to downtown Denver will carry an estimated 20,000 passengers daily. Ridership on the other lines continues to exceed projections.

Voters in November 2004 approved the funding of FasTracks, which is RTD’s \$4.7 billion, 12-year comprehensive plan for the design and construction of high quality transit service and facilities in the Denver metropolitan region. When completed, FasTracks will add 119 miles of new light rail and commuter rail, 18 miles of bus rapid transit service, over 21,000 new parking spaces at rail and bus stations, and expanded bus service in all areas with

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focused support on suburb-to-suburb travel. In addition to the 36 transit stations either in operation or under construction, FasTracks will add 57 new stations throughout the region.

FasTracks will greatly increase transportation options for Denver metropolitan area workers and residents and provide an alternative to congestion during peak travel times. Transit-Oriented Development will also provide housing and commercial options for residents and businesses that prefer to be near transit. This expansion will be the largest build-out of a transit system in the U.S. since the Washington, DC Metro system, and will rank the Denver metropolitan area as one of the top five regions in the country in terms of miles of fixed rail.

Air

Denver International Airport is a 53-square-mile facility with six runways, three concourses, and 93 gates. The 16,000-foot, sixth runway opened in June 2003 and accommodates increased international flights. The three-mile long runway is the second-longest paved landing strip in the world, and the longest commercial precision instrument runway in North America. Denver International Airport is approximately 23 miles northeast of downtown Denver.

Denver International Airport averaged nearly 1,670 flight operations and about 129,660 passengers every 24 hours in 2006, making it the fifth busiest airport in North America and tenth busiest in the world. Total passenger traffic at Denver International Airport was 47.3 million in 2006, up 9.1% from 2005.

Denver International Airport serves as a major hub for United and Frontier Airlines. Southwest Airlines began operating out of Denver International Airport in January 2006, helping to increase air traffic and reduce average travel costs for passengers flying in and out of Denver. These airlines, along with about 30 other commercial carriers, serve almost 150 domestic and international destinations with nonstop service. International destinations served by nonstop service from Denver include London, Frankfurt,

Munich, and several major cities in Mexico and Canada. About 44% of the passengers that fly into Denver International Airport connect to other flights.

Nine cargo airlines and 18 major and national airlines provide cargo services at Denver International Airport. Denver International Airport handled 622 million pounds of cargo in 2006, down 9.0% from 2005 levels. The 622 million pounds of cargo handled in 2006 included about 42 million pounds of mail and 580 million pounds of freight and express.

Denver International Airport is accommodating airline growth by building at least eight new gates west of Concourse C. The \$160 million project will take three years and is the first major expansion since the airport opened in 1995. The airport will also build another 1,700-space, multi-story parking garage on the west side of Jeppesen Terminal in addition to the new regional jet facility for United Airlines. The airport also recently expanded the international arrivals area, including a new baggage carousel and an additional 5,000 square feet of office space in the Customs and Border Protection area.

TOURISM

The tourism industry includes travel, outdoor recreation, and conventions. The most recent Longwoods International study reveals that a record 11.7 million overnight visitors spent \$2.8 billion in the Denver metropolitan area in 2006, which represents an increase from the 10.4 million visitors that spent \$2.4 billion in 2005. The number of leisure travelers increased from 7.9 million in 2005 to 9.1 million in 2006, while business travel increased 7% from 2.5 million visitors to 2.6 million visitors.

The City and County of Denver is recognized as an entertainment center with numerous attractions located throughout downtown and the surrounding areas. The Central Platte Valley, which is adjacent to downtown Denver, is home to Elitch Gardens amusement park and the Downtown Aquarium. Coors Baseball Field and the Lower Downtown

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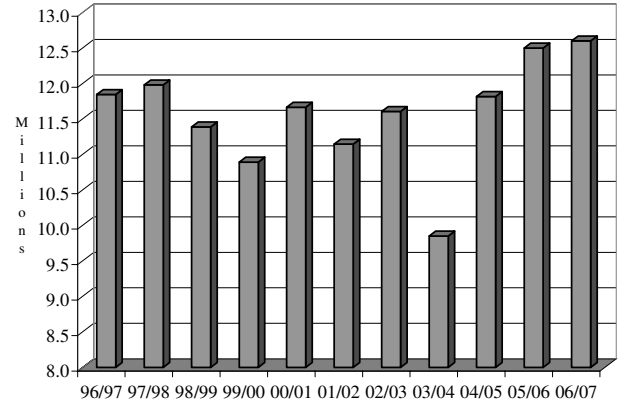
(LoDo) area provide a variety of entertainment and residential options. The Denver metropolitan area is rich in open spaces and offers several museums, the Denver Zoo, the U.S. Mint, the Botanic Gardens, and the second largest arts center in the country. The Denver Art Museum's Frederic C. Hamilton building was completed in October 2006. The \$90.5 million building expanded the Denver Art Museum's gallery space by 40%.

The City and County of Denver is one of only two cities in the country with eight professional sports teams: the NFL Denver Broncos; the NBA Denver Nuggets; the MLB Colorado Rockies; the NHL Colorado Avalanche; the MLS Colorado Rapids; the AFC Colorado Crush; the NLL Colorado Mammoth; and the MLL Denver Outlaws.

These sports teams have a significant economic impact on the Denver metropolitan area and have led to major investments in new sports venues. The \$400 million, 76,125-seat Invesco Field at Mile High football stadium hosts Denver Broncos football games as well as large public events. The \$180 million Pepsi Center, located in the Central Platte Valley, hosts four professional sports teams and numerous sporting events and other special events throughout the year. For example, The City and County of Denver hosted the NBA All-Star Game in 2005 that had an estimated \$30 million impact on Denver. Dick's Sporting Goods Park opened in spring 2007 and hosts the Colorado Rapids soccer team. This innovative park is considered the largest and most state-of-the-art professional stadium and field complex in the world.

Denver serves as a gateway to Colorado's mountain recreation areas, offering a host of summer and winter entertainment options. The number of skier visits to Colorado's ski resorts during the 2006-2007 season increased 0.2%, setting a record for the second season in a row with an estimated 12.6 million visitors. A skier visit is defined as one lift ticket sold or given away for all or part of one day.

COLORADO SKI LIFT TICKETS SOLD



Source: Colorado Ski Country USA.

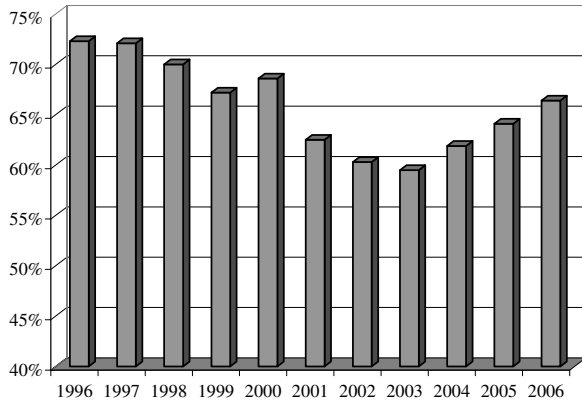
Conventions are also a major source of tourism activity in Denver. The \$310.7 million expansion of the Colorado Convention Center was completed in 2004. The expansion doubled the size of the existing convention center to accommodate larger meetings and boasts six exhibition halls, a new ballroom, and a 5,000-seat auditorium. The City and County of Denver hosted about 180,195 delegates in 2006, up from 153,483 in 2005. Denver secured the 2008 Democratic National Convention that is expected to bring 35,000 delegates and journalists to the Denver metropolitan area and will be the City's largest traditional convention gathering in history. The convention is expected to have a \$160 million economic impact on the region, according to the Denver Metro Convention and Visitors Bureau.

The 1,100-room Hyatt Regency Denver at the Colorado Convention Center opened for business in December 2005. By the end of 2005, the \$285 million hotel had recorded roughly \$103 million in bookings through 2013.

In addition to the new Hyatt, several other hotel projects are in various planning stages in the downtown Denver market including a Four Seasons, Hilton Garden Inn, W Hotel, Ritz-Carlton, St. Regis, Homewood Suites, and the renovation of the Executive Towner Inn. Downtown Denver currently offers 7,300 hotel rooms of the 39,000 hotel rooms in all of the Denver metropolitan area.

AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

HOTEL OCCUPANCY RATES



Source: Rocky Mountain Lodging Report.

The hotel occupancy rate in the Denver metropolitan area averaged 66.4% in 2006, up from 64.1% achieved in 2005. Denver metropolitan hotels enjoyed improved conditions from 2004 to 2006 in terms of occupancy levels and rental rates after suffering through the lowest occupancy rates in 15 years during 2003. Occupancy rates increased in all Denver metropolitan area submarkets, with the exception of the Southeast Suburban and Midtown markets.

The average hotel room rate in the Denver metropolitan area increased from \$91.10 in 2005 to \$101.54 in 2006. The Rocky Mountain Lodging Report survey covers about 30,000 hotel rooms, or about 80% of the Denver metropolitan area supply.

SUMMARY

Economic conditions throughout the Denver metropolitan area continued to strengthen in 2006. Total nonagricultural employment increased for the third consecutive year in 2006 following employment declines in 2002 and 2003. Total employment in the Denver metropolitan area increased 2.1% in 2006, representing the addition of 27,700 jobs. In 2006, nine of the 11 NAICS supersectors posted employment increases with Information and Manufacturing employment reporting declines.

The unemployment rate in the Denver metropolitan area peaked at 6.3% in 2003 and has been decreasing since to 4.4% in 2006. The Denver metropolitan area unemployment rate fell below the national rate of 4.6% in 2006.

Total personal income in Colorado increased 6.5% in 2006 which exceeded the national increase of 6.3%. The per capita personal income level in Colorado increased 4.5% in 2006 to \$39,186, the ninth highest income level of the 50 states and the District of Columbia.

Retail trade sales increased 4.1% in the Denver metropolitan area in 2006 compared to a 5.9% increase for national retail trade sales. Retail trade sales in the Denver metropolitan area totaled \$40.2 billion in 2006.

Office vacancies, a strong indicator of business growth and vitality, decreased from 13.4% at the end of 2005 to 12.6% at the end of 2006. Total new single-family and multi-family residential permits declined 13.8% in 2006 to 17,990 permits. Permits issued for single-family detached homes declined while increases occurred for both single-family attached and multi-family construction.

The City and County of Denver and the Denver metropolitan region entered an economic recovery mode in the latter half of 2004 and continued to show steady improvement through 2006. Further improvements at a measured pace are anticipated for the Denver metropolitan economy in the years ahead.

Prepared By:



**Development
Research Partners**

10184 West Belleview Avenue, Suite 100
Littleton, Colorado 80127
Phone: 303-991-0073

DATA APPENDIX

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
POPULATION (July 1)											
United States (thousands)	269,394	272,647	275,854	279,040	282,217	285,226	288,126	290,796	293,638	296,507	299,398
Colorado	3,902,451	3,995,924	4,102,491	4,215,984	4,338,807	4,446,928	4,521,824	4,586,761	4,653,023	4,722,755	4,804,353
Denver Metropolitan Area	2,166,886	2,218,872	2,280,781	2,349,188	2,418,292	2,477,174	2,519,433	2,554,209	2,592,441	2,627,322	2,668,131
City and County of Denver	518,255	527,442	533,406	545,517	555,781	560,365	560,882	566,173	568,913	571,848	575,294
POPULATION GROWTH RATE											
United States	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	1.0%	0.9%	1.0%	1.0%	1.0%
Colorado	2.4%	2.4%	2.7%	2.8%	2.9%	2.5%	1.7%	1.4%	1.4%	1.5%	1.7%
Denver Metropolitan Area	2.4%	2.4%	2.8%	3.0%	2.9%	2.4%	1.7%	1.4%	1.5%	1.3%	1.6%
City and County of Denver	2.1%	1.8%	1.1%	2.3%	1.9%	0.8%	0.1%	0.9%	0.5%	0.5%	0.6%
NET MIGRATION											
Colorado	61,473	63,044	75,124	79,306	85,903	69,588	36,063	24,958	26,921	29,574	42,321
Denver Metropolitan Area	33,171	33,588	42,695	47,456	46,092	34,410	17,653	9,159	13,141	9,505	15,679
City and County of Denver	6,914	5,277	2,004	7,411	5,111	(1,404)	(5,317)	(879)	(3,211)	(3,749)	(3,721)
NONAGRICULTURAL EMPLOYMENT											
United States (millions)	119.7	122.8	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.2
Colorado (thousands)	1,900.9	1,980.2	2,057.6	2,132.6	2,213.8	2,226.9	2,184.2	2,152.8	2,179.6	2,226.0	2,278.8
Denver Metropolitan Area (thousands)	1,168.0	1,219.8	1,268.4	1,318.6	1,374.9	1,375.2	1,332.8	1,314.0	1,324.7	1,350.1	1,377.8
City and County of Denver	418,299	431,229	446,364	455,642	469,140	461,996	438,891	425,692	423,547	424,677	430,210
NONAGRICULTURAL EMPLOYMENT GROWTH RATE											
United States	2.1%	2.6%	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%
Colorado	3.6%	4.2%	3.9%	3.6%	3.8%	0.6%	-1.9%	-1.4%	1.2%	2.1%	2.4%
Denver Metropolitan Area	3.1%	4.4%	4.0%	4.0%	4.3%	0.0%	-3.1%	-1.4%	0.8%	1.9%	2.1%
City and County of Denver	1.6%	3.1%	3.5%	2.1%	3.0%	-1.5%	-5.0%	-3.0%	-0.5%	0.3%	1.3%

DATA APPENDIX

2006 INDUSTRY EMPLOYMENT

	United States	Colorado	Denver Metropolitan Area	City & County of Denver
Natural Resources & Construction	6.1%	8.3%	7.3%	5.5%
Manufacturing	10.4%	6.6%	6.6%	5.6%
Wholesale & Retail Trade	15.6%	15.1%	15.3%	12.4%
Transportation, Warehousing, Utilities	3.7%	3.3%	3.7%	5.9%
Information	2.2%	3.3%	4.1%	4.0%
Financial Activities	6.1%	7.1%	7.8%	8.6%
Professional & Business Services	12.9%	14.6%	16.6%	17.9%
Education & Health Services	13.1%	10.1%	10.2%	11.5%
Leisure & Hospitality	9.7%	11.6%	10.3%	10.0%
Other Services	4.0%	4.0%	3.7%	3.2%
Government	16.1%	16.1%	14.2%	15.5%

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
UNEMPLOYMENT RATE											
United States	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%
Colorado	4.2%	3.4%	3.5%	3.0%	2.7%	3.8%	5.7%	6.1%	5.6%	5.1%	4.3%
Denver Metropolitan Area	3.8%	2.9%	2.9%	2.6%	2.6%	3.9%	5.9%	6.3%	5.7%	5.1%	4.4%
City and County of Denver	5.0%	4.0%	3.8%	3.3%	3.0%	4.6%	6.8%	7.3%	6.8%	6.0%	4.9%
CONSUMER PRICE INDEX (CPI-U, 1982-84=100)											
United States	156.9	160.5	163.0	166.6	172.2	177.1	179.9	184.0	188.9	195.3	201.6
Denver-Boulder-Greeley	153.1	158.1	161.9	166.6	173.2	181.3	184.8	186.8	187.0	190.9	197.7
INFLATION RATE											
United States	2.9%	2.3%	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%
Denver-Boulder-Greeley	3.5%	3.3%	2.4%	2.9%	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%

DATA APPENDIX

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
TOTAL PERSONAL INCOME (millions, except as noted)											
United States (billions)	\$6,512	\$6,907	\$7,416	\$7,796	\$8,422	\$8,717	\$8,873	\$9,150	\$9,716	\$10,221	\$10,861
Colorado	\$100,233	\$107,873	\$118,493	\$128,860	\$144,394	\$152,700	\$153,066	\$154,829	\$164,673	\$174,919	\$186,266
Denver Metropolitan Area	\$62,936	\$67,635	\$74,553	\$81,469	\$92,478	\$98,091	\$97,913	\$98,521	\$104,552	\$110,925	N/A
City and County of Denver	\$15,604	\$16,256	\$17,852	\$19,247	\$21,746	\$23,535	\$23,729	\$23,747	\$25,127	\$26,622	N/A
TOTAL PERSONAL INCOME GROWTH RATE											
United States	6.0%	6.1%	7.4%	5.1%	8.0%	3.5%	1.8%	3.1%	6.2%	5.2%	6.3%
Colorado	8.1%	7.6%	9.8%	8.7%	12.1%	5.8%	0.2%	1.2%	6.4%	6.2%	6.5%
Denver Metropolitan Area	8.0%	7.5%	10.2%	9.3%	13.5%	6.1%	-0.2%	0.6%	6.1%	6.1%	N/A
City and County of Denver	6.6%	4.2%	9.8%	7.8%	13.0%	8.2%	0.8%	0.1%	5.8%	5.9%	N/A
PER CAPITA PERSONAL INCOME											
United States	\$24,175	\$25,334	\$26,883	\$27,939	\$29,843	\$30,562	\$30,795	\$31,466	\$33,090	\$34,471	\$36,276
Colorado	\$25,570	\$26,846	\$28,784	\$30,492	\$33,367	\$34,481	\$34,014	\$34,059	\$35,810	\$37,510	\$39,186
Denver Metropolitan Area	\$28,814	\$30,188	\$32,499	\$34,560	\$38,276	\$39,698	\$39,127	\$39,031	\$40,975	\$42,870	N/A
City and County of Denver	\$29,573	\$30,291	\$33,005	\$35,068	\$39,144	\$41,885	\$42,497	\$42,710	\$45,206	\$47,652	N/A
PER CAPITA PERSONAL INCOME GROWTH RATE											
United States	4.8%	4.8%	6.1%	3.9%	6.8%	2.4%	0.8%	2.2%	5.2%	4.2%	5.2%
Colorado	5.5%	5.0%	7.2%	5.9%	9.4%	3.3%	-1.4%	0.1%	5.1%	4.7%	4.5%
Denver Metropolitan Area	5.5%	4.8%	7.7%	6.3%	10.8%	3.7%	-1.4%	-0.2%	5.0%	4.6%	N/A
City and County of Denver	4.8%	2.4%	9.0%	6.3%	11.6%	7.0%	1.5%	0.5%	5.8%	5.4%	N/A

DATA APPENDIX

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
RETAIL TRADE SALES											
United States (Billions)	\$2,361	\$2,476	\$2,588	\$2,806	\$2,985	\$3,068	\$3,135	\$3,264	\$3,462	\$3,691	\$3,910
Colorado (millions)	\$42,629	\$45,142	\$48,173	\$52,609	\$57,955	\$59,014	\$58,852	\$58,689	\$62,288	\$65,447	\$69,174
Denver Metropolitan Area (millions)	\$24,859	\$26,486	\$28,458	\$31,590	\$35,055	\$35,561	\$35,330	\$34,967	\$37,260	\$38,589	\$40,171
City and County of Denver (millions)	\$6,027	\$6,350	\$6,812	\$7,302	\$8,102	\$7,874	\$7,554	\$7,174	\$7,716	\$7,963	\$8,640
RETAIL TRADE SALES GROWTH RATE											
United States	6.1%	4.9%	4.5%	8.4%	6.4%	2.8%	2.2%	4.1%	6.1%	6.6%	5.9%
Colorado	6.8%	5.9%	6.7%	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	5.7%
Denver Metropolitan Area	6.4%	6.5%	7.4%	11.0%	11.0%	1.4%	-0.7%	-1.0%	6.6%	3.6%	4.1%
City and County of Denver	2.4%	5.4%	7.3%	7.2%	11.0%	-2.8%	-4.1%	-5.0%	7.6%	3.2%	8.5%
MEDIAN HOME PRICE											
United States (thousands)	\$122.6	\$129.0	\$136.0	\$141.2	\$147.3	\$156.6	\$167.6	\$180.2	\$195.2	\$219.0	\$221.9
Denver Metropolitan Area (thousands)	\$133.4	\$140.6	\$152.2	\$171.3	\$196.8	\$218.3	\$228.1	\$238.2	\$239.1	\$247.1	\$249.5
EXISTING HOME SALES											
Denver Metropolitan Area	37,755	40,185	45,951	46,742	48,611	47,832	47,919	47,966	54,012	53,106	50,244
NEW RESIDENTIAL UNITS											
DENVER METROPOLITAN AREA											
Single Family	13,182	14,890	16,058	17,523	15,873	14,262	13,793	12,656	14,260	15,778	10,952
Two-Family	2,093	2,647	3,527	2,883	3,321	4,442	4,425	3,755	4,843	4,642	5,311
Multi-Family	3,666	5,415	7,794	4,784	9,116	9,090	4,085	1,858	2,681	459	1,727
Total Units	18,941	22,952	27,379	25,190	28,310	27,794	22,303	18,269	21,784	20,879	17,990

DATA APPENDIX

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
OFFICE VACANCY RATE											
Denver Metropolitan Area	9.5%	8.0%	7.0%	6.4%	7.4%	10.3%	13.9%	14.4%	14.7%	13.4%	12.6%
HOTEL OCCUPANCY RATE											
Denver Metropolitan Area	72.3%	72.1%	70.0%	67.2%	68.6%	62.5%	60.3%	59.5%	61.9%	64.1%	66.4%
SKI LIFT TICKETS SOLD	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/05	06/07
Colorado (millions)	11.8	12.0	11.4	10.9	11.7	11.1	11.6	9.9	11.8	12.5	12.6

N/A: Not Available

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; Metrolist Inc.; Home Builders Association of Metro Denver; CB Richard Ellis; CoStar Realty Information, Inc.; Rocky Mountain Lodging Report; Colorado Ski Country USA.

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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: October 29, 1996
SUBJECT: Securities Disclosure Policies and Practices of the City and County of Denver

I. Purpose

- A. In connection with the issuance of certain bonds, notes, certificates of participation and other municipal securities, the City and its Enterprises are 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.
- B. Such 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.
- C. This Order is issued in order to centralize the information dissemination process, to establish appropriate controls on Disclosure Statements made by the City, 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 intended in any way to limit any person's access to public records or information, nor to infringe upon the normal political process, in particular the right of any elected official of the City to review, discuss, release, comment upon or criticize any information.

II. Definitions

- A. Meanings and Construction. As used in this Order, the terms, "annual financial information," "issuer," "municipal securities," "obligated person," and "official statement" shall have the meanings ascribed thereto under Rule 15c2-12, and the following terms shall have the following meanings:
 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. "Compliance Officer" means the Manager of the Department of Revenue, ex-officio Treasurer of the City.
3. "SEC" means the United States Securities and Exchange Commission and any successor federal agency having jurisdiction over the purchase, sale and offering by broker-dealers of securities such as those issued by the City.
4. "Rule 15c2-12" means the Rule of that designation 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.
5. "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.
6. "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. Such 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. Such term does not include any statement made or information provided by an elected official of the City unless such statement has been coordinated with and approved by the Compliance Officer for release to the public.
7. "Enterprise" means the Department of Aviation, the Wastewater Management Division of the Department of Public Works, [the Board of Water Commissioners], and any other section, division, agency or department of the City designated as an "Enterprise" pursuant to the Charter or by ordinance.

III. Statement of Policy

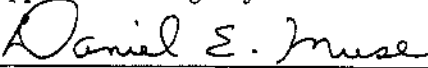
- A. In order to assure compliance by the City with the disclosure requirements of Rule 15c2-12, it is the policy of the City that:
 1. No official statement relating to any municipal securities as to which the City or any of its Enterprises is the issuer or an obligated person for purposes of Rule 15c2-12 shall be issued or released to the public until and unless approved by the Compliance Officer.

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 the release thereof shall be approved by the Compliance Officer.
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 Compliance Officer.
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 Compliance Officer any such Disclosure Statement, together with such additional information requested by the Compliance Officer, and each such employee, agent and official of the City shall consult with the Compliance Officer concerning such proposed Disclosure Statement.
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 Compliance Officer required by this Order shall be deemed to be a statement or undertaking by or on behalf of the City or such Enterprise.

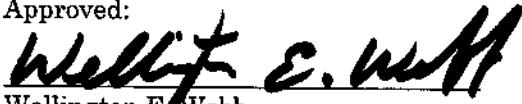
IV. Rules and Regulations


The Compliance Officer shall promulgate and revise from time to time such rules and regulations as the Compliance Officer 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:

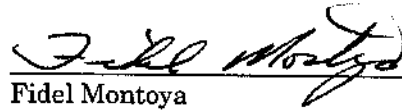

Daniel Muse
Attorney for the City and County
of Denver


Approved:


Wellington E. Webb
Mayor



Bruce Baumgartner
Manager of Public Works


Patricia Gabow, M.D.
Manager of Health and Hospitals

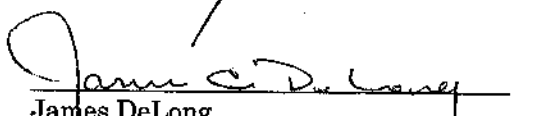

Fidel Montoya
Manager of Safety


Cheryl Cohen
Manager of Revenue


Philip A. Hernandez
Manager of Social Services


Betty Jean Brooks
Manager of Parks and Recreation


Alonzo Matthews
Manager of General Services


James DeLong
Manager of Aviation

APPENDIX C
2005 ABSTRACT OF ASSESSMENT

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2006 Abstract of Assessment

	Total Assessed Value	Total Actual Value
Vacant Land		
Residential	\$ 74,987,430	\$ 258,577,300
Commercial	53,347,770	183,957,800
Industrial	19,970,780	68,864,800
Agricultural	48,870	168,500
PUD	6,718,560	23,167,400
All Others	17,825,020	61,465,600
Possessory Interest	39,560	136,400
Total	\$ 172,937,990	\$ 596,337,800
Residential		
Single Family	\$ 2,846,706,890	\$ 35,762,649,300
Condominiums	604,845,220	7,598,558,000
Duplexes/Triplexes	90,985,720	1,143,036,700
Multi Unit (4 to 8)	36,107,170	453,607,600
Multi Unit (9 & up)	351,536,370	4,416,286,000
Manufactured Homes	456,280	5,732,200
Partial Exempt	2,413,140	30,315,800
Total	\$ 3,933,050,790	\$ 49,410,185,600
Commercial		
Merchandising	\$ 499,728,690	\$ 1,723,202,300
Lodging	168,180,590	579,933,100
Offices	1,271,321,970	4,383,868,900
Recreation	71,683,260	247,183,700
Commercial Condos	58,450,520	201,553,500
Possessory Interest	31,447,590	108,440,000
Special Purpose	392,904,120	1,354,841,800
Warehouses	713,455,860	2,460,192,600
Multi-Use	112,185,210	386,845,600
Partial Exempt	21,383,290	73,735,500
Total	\$ 3,340,741,100	\$ 11,519,797,000
Industrial		
Manufacturing	\$ 120,659,800	\$ 416,068,300
Total	\$ 120,659,800	\$ 416,068,300
Personal Property		
Residential	\$ 7,927,830	\$ 27,337,300
Commercial	598,947,050	2,065,334,700
Industrial	108,400,810	373,795,900
Prod. Oil & Gas	10,930	37,700
Total	\$ 715,286,620	\$ 2,466,505,600
Natural Resources		
Prod. Oil & Gas	\$ 1,043,570	\$ 1,192,700
Total	\$ 1,043,570	\$ 1,192,700
State Assessed	\$ 750,830,350	\$ 2,589,070,200
Grand Total	\$ 9,034,550,220	\$ 66,999,157,200

	Total Assessed Value	Total Actual Value
Exempt Properties		
Federal Government	\$ 109,779,620	\$ 378,550,500
State Government	234,125,920	807,330,800
County Government	1,335,060,240	4,603,656,000
Political Subdivision	734,234,270	2,531,842,400
Religious	155,657,870	536,751,300
Private Schools	109,052,550	376,043,300
Charitable	303,658,130	1,047,097,000
Personal Property	3,085,800	10,640,700
All Others	161,938,410	558,408,400
Total	\$ 3,146,592,810	\$ 10,850,320,400

Special Taxing Districts

	Assessed Value	Mill Levy	Tax Revenue
Bowles Metropolitan	\$ 25,490,970	40.000	1,019,639
Broadway Station Metro Dist No 3	5,177,250	1.000	5,177
Central Platte Valley Metro	30,597,160	57.000	1,743,012
Central Platte Valley Metro (debt)	33,417,500	39.300	1,313,308
Cherry Creek North B.I.D.	110,539,460	17.642	1,950,137
Cherry Creek Subarea B.I.D.	21,188,020	0.708	15,001
Clear Creek Valley Water & San	685,400	2.934	2,011
Colfax B.I.D.	34,936,430	7.846	274,111
Denver Gateway Center Metro	2,997,520	32.992	98,894
Denver Gateway Meadows Metro	1,440	30.000	43
Denver Intl. Bus. Center Metro	12,684,270	40.000	507,371
Denver Suburban Water	201,380,160	0.325	65,449
Ebert Metropolitan	49,777,480	55.000	2,737,761
Fairlake Metropolitan	14,418,920	41.508	598,501
Fairlake Metropolitan (debt)	9,233,260	27.000	249,298
First Creek Metropolitan	46,970	10.845	509
Gateway Regional Metropolitan	25,417,440	13.000	330,427
Gateway Village G.I.D.	22,655,030	32.500	736,288
Goldsmith Metropolitan	201,380,160	17.271	3,478,037
Goldsmith Metropolitan (debt)	24,489,370	10.780	263,995
Greenwood Metropolitan	1,127,470	17.177	19,367
GVR Metropolitan	95,381,820	24.294	2,317,206
Holly Hills Water & Sanitation	18,100,970	2.716	49,162
Madre Metropolitan District No 2	30	50.000	2
Mile High Business Center Metro	1,987,900	35.000	69,577
North Washington Fire Protection	4,871,220	13.595	66,224
North Washington Srt Water & San	4,871,220	1.188	5,787
Old South Gaylord B.I.D.	3,901,510	4.920	19,195
Sand Creek Metropolitan	26,981,010	25.500	688,016
Sand Creek Metropolitan (debt)	8,817,000	21.000	185,157
SBC Metropolitan*	42,300,540	35.000	1,480,519
Section 14 Metropolitan	7,108,580	26.720	189,941
Section 14 Metropolitan (debt)	5,983,130	10.246	61,3303
Sheridan Sanitation District No. 2	360,700	0.555	200
South Denver Metropolitan	40,247,890	9.000	362,231
Southeast Public Imp Metropolitan	208,980,280	1.608	336,040
Town Center Metropolitan	475,410	55.000	26,148
Valley Sanitation	10,003,070	2.493	24,938
Westerly Creek Metro **	163,708,360	54.568	8,933,238
Total			\$ 30,223,220

*\$1,252,250 of the tax for SBC Metropolitan is distributed directly to the Stapleton TIF.

**\$5,881,585 of the tax for Westerly Creek is distributed directly to the Stapleton TIF.

Tax Increment Finance Districts

District	Assessed Value Increment
Alameda Square	\$ 1,124,107
American National	1,863,275
California St. Parking Garage	614,775
Cherokee	188,850
City Park South	1,895,180
Downtown Denver	62,292,964
Elitch's	17,119,756
Executive Tower Hotel	0
Guaranty Bank	1,338,336
Highlands Garden Village	4,137,382
Lowenstein Theater	606,510
Lowry	103,334,540
Mercantile Square	1,823,558
Northeast Park Hill	5,124,116
Pepsi Center	32,973,019
Point Urban	912,550
South Broadway	13,391,425
St. Luke's #1	8,813,447
St. Luke's #2	7,018,908
Stapleton	199,280,617
Westwood	4,715,171
York Street	4,549,680
Total	\$ 473,118,166

Summary of Levies and Taxes

	Mill Levy	Tax Revenue
City & County of Denver		
General Fund	9.323	\$ 84,229,112
Bond Principal	6.933	62,636,537
Bond Interest	1.500	13,551,825
Social Services	3.992	36,065,924
Developmentally Disabled	1.012	9,142,965
Fire Pension	1.480	13,371,134
Police Pension	1.767	15,964,050
Total	26.007	\$ 234,961,548
School District #1		
General Fund	34.734	\$ 313,806,067
Bond Redemption	5.599	50,584,447
Total	40.333	\$ 364,390,514
Urban Drainage & Flood Control District	0.608	\$ 5,493,007
Total General Taxes	66.948	\$ 604,845,068
Total Special District Taxes		30,223,220
Grand Total of All Taxes		\$ 635,068,288
Taxes Distributed to DURA		\$ 31,674,315

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