

CITY AND COUNTY OF DENVER, COLORADO 1999 DISCLOSURE STATEMENT

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

September 8, 1999

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

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IF ADDITIONAL INFORMATION REGARDING THIS DISCLOSURE STATEMENT IS SOUGHT SEE "CONTACTS FOR FURTHER INFORMATION".

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September 8, 1999

Dear Reader:

The City and County of Denver is committed to providing accurate and timely information to the financial markets. The material contained in the *1999 Disclosure Statement* has been prepared to comply with Rule 15c-2-12 of the Securities and Exchange Commission and the Mayor's Executive Order 114, enacted in 1996, which further committed the City to providing on-going information to the financial markets. The purpose of the *1999 Disclosure Statement* is to present information about the City's 1998 financial condition and performance, but it also contains information as of August 25, 1999, about the status of the City's efforts to make its automated systems Year 2000 compliant, and other post-1998 information as noted. **The 1999 Disclosure Statement must be read in conjunction with the City's Comprehensive Annual Financial Report (CAFR)** which is available from the Office of the Auditor. See "CONTACTS FOR FURTHER INFORMATION."

During 1998, the City continued its commitment to manage the outstanding debt of Denver International Airport in order to reduce costs to airport users. Two series of airport system revenue bonds, totaling \$310,060,000, were issued. These airport system revenue bonds provided for the retirement of certain variable rate subordinate debt, funded a portion of the costs of the Airport's 1999 and 2000 capital improvements projects, and provided a current refunding of senior debt of the Airport. For the first time in its history, the City entered into a \$300 million forward, fixed to floating interest rate swap agreement, which generated present value savings of \$60 million. The transaction provides the City the ability to lock in the historically low, current interest rates, for outstanding bonds with higher interest rate coupons. These bonds are not permitted by IRS regulations to be otherwise advanced refunded.

The City also issued \$148,425,000 of general obligation refunding bonds to reduce its total debt service payments over the next ten years by approximately \$10,990,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$7.3 million. On November 3, 1998, at a special municipal election, the City received authorization from Denver voters to issue \$98,640,000 of general obligation bonds for neighborhood projects. These projects included funding for parks and recreation, libraries, public safety, and health care facilities, and street improvements.

The City issued single family capital appreciation residual revenue refunding bonds which were used to advance refund the Series 1991 Single Family Mortgage Revenue Bonds. This transaction allowed the City to realize additional residual value generating over \$900,000 to the City. Additionally, the City, and 22 other Denver communities issued single family home mortgage revenue bonds to provide \$17,695,722 for mortgage loans to low-and-moderate-income homebuyers.

The Manager of Revenue is responsible for the City's compliance with Rule 15c2-12 and Executive Order 114. Please contact my office if you have questions about the material contained within the *1999 Disclosure Statement*, or if you have any comments for improving future *Disclosure Statements*.

Sincerely,

Cheryl D. Cohen
Manager of Revenue
City and County of Denver

CITY AND COUNTY OF DENVER

CITY OFFICIALS

Mayor

Wellington E. Webb

City Council

Allegra "Happy" Haynes, President

Susan Barnes-Gelt	T. J. "Ted" Hackworth
Susan Casey	Kathleen MacKenzie
Hiawatha Davis, Jr.	Ramona Martinez
Polly S. Flobeck	Deborah L. Ortega
Joyce Foster	Cathy Reynolds
Dennis Gallagher	Edward P. Thomas

Auditor

Donald J. Mares

Election Commissioners

Marcia Johnson Jan Tyler

Cabinet Officials

Bruce Baumgartner.....	Manager of the Department of Aviation
Richard Brasher.....	Manager of the Department of Public Works
Betty "BJ" Brooks.....	Manager of the Department of Parks and Recreation
Cheryl D. Cohen	Manager of the Department of Revenue, <i>ex officio</i>
Treasurer	
Theresa M. Donahue.....	Manager of the Department of Environmental Health
Thomas J. Migaki.....	Manager of the Department of General Services
Fidel "Butch" Montoya, Jr.....	Deputy Mayor, Manager of the Department of Public
Safety	
Daniel E. Muse.....	City Attorney
Chris Veasey.....	Manager of the Department of Human Services

Clerk and Recorder, *ex officio* Clerk

Rosemary E. Rodriguez

Board of Water Commissioners

William J. Shoemaker.....	President
William R. Roberts.....	First Vice President
Richard A. Kirk.....	Vice President
Denise S. Maes.....	Vice President

City Officials as of September 8, 1999

CITY GOVERNMENT, GENERAL INFORMATION AND BUDGET PROCESS

General Information

The City and County of Denver (the “City”) is located on the eastern slope of the Rocky Mountains in the north-central part of Colorado. The City is the capital of the State and is the service, financial, transportation and distribution center of the Rocky Mountain region. Over one-half of the population of the State currently resides 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. 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 by districts, all for four-year terms. Seven members constitute a quorum, and the vote of seven members is necessary to adopt any ordinance or resolution. Ordinances and resolutions 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 Council members. In 1995, the electorate of the State of Colorado imposed term limitations upon any elected official. The effect of this law limits the number of terms for any elected official to a maximum of two consecutive four-year or six-year terms. Currently, 12 of 13 City Council members and the Mayor are subject to this limitation, and would be ineligible for re-election in 2003.

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. A contingency reserve of no less than 2% of total estimated expenditures as well as a TABOR (the Taxpayer's Bill of Rights) Emergency Reserve equal to 3% of fiscal year spending excluding debt service are also required to be included in the budget. Revenues in excess of those projected, or an opening balance larger than projected, is 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.

General Fund

The General Fund is the principal operating fund of the City.

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 is a fixed-rate tax imposed on the sale of all tangible personal property not specifically exempted and on certain services. The general use tax is a fixed-rate 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 property tax mill levy was 12.783 mills for taxes collected in 1995 through 1997. For taxes collected in 1998 and 1999 the levy was 11.666 mills which is the net levy after taking into account a temporary mill levy rate reduction to comply with the requirements of State constitutional revenue and spending limitations. See "PROPERTY TAXATION".

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 Public Service Company of Colorado for its franchise to serve customers in the City and the franchise fee imposed on Mile Hi Cablevision Associates, Ltd. for operation of its cable television franchise within the City. The telecommunications business tax is imposed on providers of local exchange telecommunication service based upon the number of local service lines.

Charges for services is 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 are assessed to the individual or entity benefiting from the provision of a specific service, supply or material, and the exact charge varies depending upon the cost of the service, supply or material provided.

The occupational privilege tax (the "OPT") is levied on each employee earning \$500 or more per month who performs services within the City for an employer for any period of time and on each non-exempt employer operating within the City for any period of time. Proceeds are used to partially compensate for the City's services as an employment center. Beginning in 1984, the City accounted for all OPT revenues in the Capital Improvements Fund rather than in the General Fund. Since the increase in the OPT rate in November 1988, revenues derived from the OPT have been apportioned between the Capital Improvements Fund and the General Fund. The Capital Improvements Fund currently receives one-half of the revenues from the OPT and the balance is accounted for in the General Fund.

Intergovernmental revenues received by the City include State grants and other State 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 are allocated to public safety, public works, general government, parks and recreation and cultural facilities. The Department of Safety is primarily responsible for administering police, fire and sheriff department services. The Department of Public Works directs and oversees all capital improvement projects undertaken by the City and is responsible for, among other things, sanitation services, snow removal and street maintenance and repair.

Year 2000 Compliance (as of August 25, 1999)

The City relies on computers for many critical and essential functions, including the assessment of real and personal property for tax purposes and the collection of property taxes, sales and use taxes and utility and other enterprise revenues. These computers have date-sensitive computer software. In addition, many of the City's operating systems, including those required for the effective functioning of public facilities, have embedded date-sensitive computer software. Likewise, many of the City's critical functions and operating systems are dependent upon services provided by public utilities and other organizations whose systems also include date-sensitive software. Any date-sensitive computer software that is unable to distinguish the years beginning with 2000 from the years beginning with 1900 must be modified or replaced, in some cases along with related hardware, in order to avoid possible disruption of operations, including those related to collections of taxes and revenues and payment of debt service and other contractual obligations.

Recognizing this need, individual City departments and the City Auditor's Office began before 1998 to identify systems and equipment that might require modification or replacement in order to avoid significant disruptions in operations. In July 1998, the City established a Year 2000 Management Oversight Committee (the "Committee"). The Committee is comprised of senior administration officials and staff personnel and a member of the City Council. The mission of the Committee is to coordinate the efforts of the City, including the Departments of Revenue, Aviation, Safety, Public Works and General Services, the departments most likely to be affected by Year 2000 issues. City personnel expert in specific systems have been assigned to assist these Year 2000 coordinators. Outside consultants with Year 2000 experience have been engaged to provide support to the individual departments and the City Auditor's Office and to assist the City's overall Year 2000 coordinator. Such consultants are providing technical assistance in connection with the inventorying and testing of systems and equipment, the remediation of problems identified and the development of contingency plans.

The City has prioritized its various systems in order to focus its efforts. The City believes that all of the systems evaluated as "critical" or "essential" have been inventoried. "Critical systems" are ones for which failure could result in death, injury or severe financial loss; "essential systems" are ones for which only a brief failure is acceptable. The evaluation of the Year 2000 compliance of these systems is also complete. The modification or replacement of software and hardware that has been found to be non-compliant is well underway. Of the 102 remediation projects established, 45 are complete, and the remainder are in progress. Most of the projects in progress are expected to be completed by September 25, 1999; a few, however, will not be completed until November 1999. In spite of these efforts, some systems may fail. To deal with this possibility, the City is also preparing contingency plans. Contingency plans covering some 285 processes are being developed. Additional contingency plans may be needed.

Replacement of the City's financial and human resources tracking functions is progressing well. The general ledger, accounts payable, and purchasing functions of the replacement system became operational on August 1, 1999; the payroll and human resources functions are expected to become operational on October 1, 1999. As a result, the City expects that its core financial and human resource systems will be Year 2000 compliant before December 31, 1999.

Replacement of the City's sales and use tax accounting functions has been completed, and the replacement system is now operational. The upgrading for Year 2000 compliance of the City's existing computer system for assessing and collecting property taxes has also been completed. Among the general government systems with embedded date-sensitive computer hardware that must be remediated is the City-owned telephone equipment that allows public safety call takers to answer 9-1-1 calls at the City's Combined Communications Center. The installation of the remediated equipment has been completed. The shift to the new compliant system is scheduled to take place in September 1999.

The City estimates that the identified costs of Year 2000 compliance, including the costs of consultants, will be \$49,000,000 to \$53,000,000 for general government functions. The City has obtained no independent verification of these estimates. Such estimates are subject to change in the future, and such changes may be material. Approximately \$42,000,000 of the estimated costs of Year 2000 compliance have been paid or obligated through July 31, 1999. The remainder has been provided for in the City's 1999 operating budgets or is forecast for expenditure in 2000. The City's general fund budget for 1999 also includes a reserve of \$5,400,000 to address remediation costs that have not yet been identified. Also included in general government functions is the City's plan to spend approximately \$24,000,000 to improve the City's overall information technology services and equipment to ensure successful implementation of the financial and human resources management information system. The City also expects to incur costs of \$18,000,000 to \$24,000,000 to achieve Year 2000 compliance for non-general governmental functions, including \$12,000,000 to \$14,000,000 for Denver International Airport.

It is not expected that the City will have to enact new revenue-raising measures in order to provide funds to pay costs of Year 2000 compliance. Neither is it expected that such costs will adversely affect the City's ability to provide essential services. Finally, it is not expected that the City will have to borrow any significant portion of the costs of Year 2000 compliance, although the City has elected and may in the future elect to finance such costs where advantageous to the City.

Failure by the City to identify and correct Year 2000 problems in its computer systems could adversely affect the ability of the City to collect and expend taxes and revenues, to pay debt service and other contractual obligations and to provide financial and other information to interested persons on a timely basis.

This disclosure is forward-looking and involves risks and uncertainties that could result in actual results differing materially from expected results. Some factors that could significantly impact the City's expected Year 2000 compliance and the estimated cost thereof include the results of the technical assessment of date-sensitive systems and equipment, the ability timely to obtain equipment, parts and outside expertise to effect necessary repairs and the ability of key City contractors to achieve Year 2000 compliance.

Management Discussion of Recent Financial Results

The City has maintained a policy of managing General Fund resources to the level of funds available rather than relying on tax increases, by reallocating resources selectively to initiate new services, eliminating cash deficits in other funds and maintaining sizable year-end General Fund balances.

The 1997 budget reflected the City's strong financial position. The 1997 budget built upon the City's commitment to provide basic services while expanding upon certain priority services: public safety, youth services, parks and open space development and efficiency improvements. These efforts were undertaken with no tax increases and within a multi-year, fiscally prudent framework. Through maintaining a multi-year budgeting perspective, the City has been able to maintain basic services while putting more police officers on the street, improving recreation services and enhancing parks. The 1997 budget also emphasized investments to improve the quality and reduce the costs of City services. The budget contained a reserve of \$4 million to finance long-term efficiency initiatives developed by City agencies and an additional \$8 million reserve to improve efficiency through a strong equipment replacement program.

In 1998, the City budgeted to invest some of the prior years' accumulated increase in its reserves to strengthen Denver neighborhoods, further spur economic growth and improve the services provided businesses and residents with no tax increases. The budget contained expanded spending for both the police and sheriff's offices. The City enhanced its park systems and generated economic growth of the Central Platte Valley by the development of the Commons Open Space. The street repair program's budget increased and the recycling program expansion proceeded. Continued investments in technology included implementing solutions to the Year 2000 computer issues and the replacement of the City's central accounting and personnel computer systems. Denver's healthy economy was reflected in 1998 revenues, which exceeded 1997 receipts.

Management Discussion of 1999 Budget

As it did in 1998, the City budgeted in 1999 to invest some of the accumulated increase in its reserves to improve Denver neighborhoods, strengthen its economic base, expand public services provided to businesses and residents and to invest in youth and education. The 1999 budget contains expanded spending for police, fire and sheriff services including funding for a new photo radar traffic enforcement program. Projects approved for funding which are expected to strengthen the economic base include: (i) the International Trade Program which promotes the exchange of business activity in Denver and with foreign markets; (ii) continued development of the Central Platte Valley and Gateway areas; and (iii) continued redevelopment of the former Lowry Air Force Base and Stapleton International Airport sites. Moneys are budgeted for youth and education, including seed money to fund early childhood development services. Challenges imposed by information technology issues, such as Year 2000 compliance, will continue to be addressed. The 1999 General Fund revenues are estimated to increase by 4.1% over the prior year with no tax increases.

General Fund Financial Information

The following pages show: (i) General Fund Balance Sheet, (ii) General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for 1994 through 1998; (iii) General Fund Budget Summary in dollars; and (iv) the General Fund Budget Summary by percentage.

GENERAL FUND BALANCE SHEET
For the years ending December 31, 1994-1998
(\$ in thousands)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
ASSETS					
Cash and cash equivalents	\$ 60,249	\$ 63,179	\$ 72,762	\$ 75,463	\$ 92,547
Cash on hand	-	1,786	1,804	3,547	2,156
Receivables (net of allowances for uncollectibles):					
Taxes	59,375	90,107	89,965	94,150	96,902
Accounts	3,668	3,895	3,047	3,700	3,807
Accrued interest	1,240	1,505	2,247	2,504	1,813
Due from other funds	14,870	12,208	10,434	8,256	18,205
Interfund receivable	-	-	-	-	378
Prepaid items and other assets	125	114	1,422	127	258
Restricted assets:					
Cash and cash equivalents	<u>8,385</u>	<u>15,864</u>	<u>16,640</u>	<u>16,510</u>	<u>17,242</u>
TOTAL ASSETS	<u>\$ 147,912</u>	<u>\$ 188,658</u>	<u>\$ 198,321</u>	<u>\$ 204,257</u>	<u>\$ 233,308</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Vouchers payable	\$ 12,346	\$ 16,462	\$ 13,231	\$ 13,604	\$ 12,520
Accrued liabilities	5,881	5,934	6,171	6,648	6,737
Due to other funds	2,289	4,512	3,596	1,921	5,581
Deferred revenue	<u>55,271</u>	<u>55,748</u>	<u>56,899</u>	<u>58,278</u>	<u>58,114</u>
TOTAL LIABILITIES	<u>75,787</u>	<u>82,656</u>	<u>79,897</u>	<u>80,451</u>	<u>82,952</u>
 FUND BALANCE					
Reserved for emergency use	8,385	15,864	16,640	16,510	17,242
Reserved for encumbrances	6,285	6,315	7,120	7,604	13,528
Reserved for prepaid items and other assets	-	-	-	127	258
Unreserved:					
Designated for net unrealized gains	-	-	-	-	1,442
Undesignated	<u>57,455</u>	<u>83,823</u>	<u>94,664</u>	<u>99,565</u>	<u>117,886</u>
FUND BALANCE	<u>72,125</u>	<u>106,002</u>	<u>118,424</u>	<u>123,806</u>	<u>150,356</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 147,912</u>	<u>\$ 188,658</u>	<u>\$ 198,321</u>	<u>\$ 204,257</u>	<u>\$ 233,308</u>

(Source: City and County of Denver's Comprehensive Annual Financial Reports, 1994-1998.)

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

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
REVENUES					
Taxes:					
Property	\$ 53,653	\$ 53,643	\$ 54,857	\$ 56,605	\$ 57,592
Sales and use	249,163	259,827	265,788	286,696	325,357
Other	50,064	55,136	57,605	61,127	65,139
Licenses and permits	9,959	10,274	11,087	14,379	15,771
Intergovernmental revenues	22,808	24,435	25,106	28,027	28,734
Charges for services	49,702	53,606	59,964	60,575	69,056
Interest income	8,715	13,920	14,429	12,026	14,165
Fines and forfeitures	14,315	14,974	18,362	19,136	19,916
Other revenues	3,952	2,675	3,250	2,188	8,704
TOTAL REVENUES	<u>462,331</u>	<u>488,490</u>	<u>510,448</u>	<u>540,759</u>	<u>604,434</u>
EXPENDITURES					
Current:					
General government	79,130	87,967	93,431	102,959	113,412
Public safety	220,241	230,705	248,242	262,554	274,307
Public works	64,283	68,052	68,682	71,486	76,563
Health	23,380	31,304	28,084	34,812	36,238
Parks and recreation	27,834	29,416	30,356	33,298	35,463
Culture and entertainment	15,760	18,907	20,771	21,681	22,959
Capital outlay	-	-	-	-	9,305
TOTAL EXPENDITURES	<u>430,628</u>	<u>466,351</u>	<u>489,566</u>	<u>526,790</u>	<u>568,247</u>
Excess of revenues over expenditures	<u>31,703</u>	<u>22,139</u>	<u>20,882</u>	<u>13,969</u>	<u>36,187</u>
OTHER FINANCING SOURCES (USES)					
Certificates of participation proceeds	-	-	12,160	5,480	-
Proceeds from capital lease	-	-	314	-	9,305
Operating transfers in	15,390	15,111	18,395	11,649	13,973 ¹
Operating transfers out	(28,543)	(30,084)	(40,829)	(27,216)	(34,415) ¹
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,153)</u>	<u>(14,973)</u>	<u>(9,960)</u>	<u>(10,087)</u>	<u>(11,137)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	18,550	7,166	10,922	3,882	25,050
Fund balance - January 1	53,293	72,125	106,002	118,424	123,806
Prior period restatement	-	26,626 ²	-	-	-
Residual equity transfers in	282	85	1,500	1,500	1,500
FUND BALANCE - December 31^{3,4}	<u>\$ 72,125</u>	<u>\$106,002</u>	<u>\$118,424</u>	<u>\$123,806</u>	<u>\$150,356</u>

¹ Beginning in 1997, Operating Transfers In and Operating Transfers Out no longer reflected a "pass-through" of the surplus Facilities Development Admission Tax Revenues. These Revenues are recorded as dedicated to capital projects (\$7,905,824 in 1998).

² As the result of GASB Statement No. 22, "Accounting for Taxpayers-Assessed Tax Revenues in Governmental Funds," the City changed the manner in which it recognizes sales tax revenues which resulted in a Prior Period Restatement of \$26,626,000 in 1995.

³ Fund Balance includes a reserve for encumbrances. In 1998, the reserve equaled \$13,528,000.

⁴ Beginning in 1994, Fund Balance includes a portion of the City's Emergency Reserve required by TABOR (the Taxpayer's Bill of Rights). In 1998, the portion of the reserve so allocated equaled \$17,242,000.

GENERAL FUND BUDGET SUMMARY
1998 ACTUAL AND 1999 BUDGET
(\$ in thousands)

	<u>1998 Actual</u>	<u>1999 Budget</u>
REVENUES		
Property taxes	\$ 57,592	\$ 59,316
Sales and use taxes	325,357	334,000
Other taxes	65,139	67,500
Licenses and permits	15,771	16,694
Intergovernmental revenues	28,734	29,808
Charges for services	69,056	71,528
Interest income	14,165	12,538
Fines and forfeitures	19,916	26,426
Other revenues	<u>8,704</u>	<u>1,291</u>
TOTAL REVENUES	<u>604,434</u>	<u>619,101</u>
EXPENDITURES		
Current:		
General government	113,412	136,329
Public safety	274,307	282,746
Public works	76,563	70,336
Health	36,238	37,968
Parks and recreation	35,463	37,016
Culture and entertainment	22,959	24,062
Other	-	53,867 ¹
Reserve for wage survey	-	5,000 ²
Capital Outlay	<u>9,305</u>	-
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>568,247</u>	<u>647,324</u>
Excess of revenues over expenditures	<u>36,187</u>	<u>(28,223)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers out:		
Cultural Facilities	(4,559)	(4,592)
Theaters and Arenas	(2,110)	(2,100)
Workers' Compensation	(5,000)	(6,000)
Grant/Capital Projects	(22,143)	(14,459)
Other	(603)	(2,223)
Total operating transfers out	<u>(34,415)</u>	<u>(29,374)</u>
Proceeds from capital lease	9,305	-
Operating transfers in	<u>13,973</u>	<u>17,800</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,137)</u>	<u>(11,574)</u>
Excess of revenues & other financing sources over expenditures and other financing uses	25,050	(39,797)
Undesignated fund balance - January 1	99,565	117,886
Residual equity transfer in	1,500	-
Change in TABOR emergency reserve ³	(732)	(644)
Change in encumbrances ⁴	(5,924)	-
Change in prepaid items and other assets ⁵	(131)	-
Change in net unrealized gains ⁶	<u>(1,442)</u>	<u>-</u>
UNDESIGNATED FUND BALANCE - December 31	<u>\$117,886</u>	<u>\$ 77,445</u>

¹ *Expenditures: Other* is comprised of \$5.5 million for equipment; \$10 million for information technology; \$30 million for jail construction, and a \$13.4 million general contingency; less unspent agency appropriations of \$5.0 million.

² Amounts budgeted for the *Reserve for Wage Survey* are charged to various City departments when expended.

³ Represents an increase in the portion of the *TABOR Emergency Reserve* compared to the prior year, which results in a reduction in the undesignated fund balance.

⁴ Represents the increases in *Reserve for Encumbrances* compared to the prior year which results in the reduction in the undesignated fund balance.

⁵ Represents the increase in the *Reserve for Prepaid Items and Other Assets* compared to the prior year, which results in a reduction in the undesignated fund balance.

⁶ Beginning in 1998, the City implemented provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, represents the net unrealized gain compared to the prior year. This amount is not available for appropriation.

GENERAL FUND BUDGET SUMMARY
1998 ACTUAL AND 1999 BUDGET
(by percentage)

	<u>1998</u>	<u>1999</u>
	<u>Actual</u>	<u>Budget</u>
REVENUES & OTHER FINANCING SOURCES		
Property taxes	9.2%	9.3%
Sales and use taxes	51.8	52.4
Other taxes	10.4	10.6
Licenses and permits	2.5	2.6
Intergovernmental revenues	4.6	4.7
Charges for services	11.0	11.2
Interest income	2.2	2.0
Fines and forfeitures	3.2	4.2
Other revenues	1.4	0.2
Operating transfers in	<u>3.7</u>	<u>2.8</u>
TOTAL REVENUES & OTHER FINANCING SOURCES	<u>100.0%</u>	<u>100.0%</u>
EXPENDITURES & OTHER FINANCING USES		
General government	18.8%	20.1%
Public safety	45.5	41.8
Public works	12.7	10.4
Health	6.0	5.6
Parks and recreation	5.9	5.5
Culture and entertainment	3.8	3.6
Other	0.0	8.0
Reserve for wage survey	0.0	0.7
Capital Outlay	1.6	0.0
Operating transfers out	<u>5.7</u>	<u>4.3</u>
TOTAL EXPENDITURES & OTHER FINANCING USES	<u>100.0%</u>	<u>100.0%</u>

(Source: City and County of Denver's Comprehensive Annual Financial Report, 1998; the 1999 Budget; the Budget and Management Office; and the Department of Revenue)

Collection of Taxes

The City Charter provides that the Manager of Revenue, *ex officio* Treasurer, shall collect taxes in the same manner and at the same time as State taxes are collected, and 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, except as modified by the City Charter. The Treasurer is required under the City Charter to report the amount of tax collections to the Auditor.

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 is imposed on the sale of all tangible personal property not specifically exempted and on certain services. The general use tax is a fixed rate 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

<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	3.5%
Prepared food and drink	4.0%
Aviation fuel	\$0.04 per gallon
Automobile rental for thirty (30) days or less	5.5%
Lodging for thirty (30) days or less	8.0%

The practice of the City is to account for sales and use taxes on a combined basis. The following table reflects the City's sales and use tax collections for the past ten years.

GENERAL FUND SALES AND USE TAX REVENUES 1989 - 1998 (\$ in thousands)

<u>Year</u>	<u>Revenues</u>	<u>Percent Change</u>
1989	175,832	5.49%
1990	185,808	5.67
1991	195,618	5.28
1992	213,929	9.36
1993	237,558	11.04
1994	249,163	4.89
1995	259,827	4.28
1996	265,788	2.29
1997	286,696	7.87
1998	325,357	13.48

Property Taxation

Assessed Valuation. The assessed value of real property for tax purposes is computed using statutory actual values as determined from manuals and data developed by the Manager of Revenue, *ex officio* Assessor, based on evidence collected from the marketplace. The following table sets forth the State property appraisal system for assessment years 1993 through 2002.

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>
1994	1993	July 1, 1992	Jan. 1, 1991 to June 30, 1992
1995	1994	July 1, 1992	Jan. 1, 1991 to June 30, 1992
1996	1995	July 1, 1994	Jan. 1, 1993 to June 30, 1994
1997	1996	July 1, 1994	Jan. 1, 1993 to June 30, 1994
1998	1997	July 1, 1996	Jan. 1, 1995 to June 30, 1996
1999	1998	July 1, 1996	Jan. 1, 1995 to June 30, 1996
2000	1999	July 1, 1998	Jan. 1, 1997 to June 30, 1998
2001	2000	July 1, 1998	Jan. 1, 1997 to June 30, 1998
2002	2001	July 1, 2000	Jan. 1, 1999 to June 30, 2000
2003	2002	July 1, 2000	Jan. 1, 1999 to June 30, 2000

As of January 1, 1985, the State General Assembly was required to determine the percentage of the aggregate statewide valuation for assessment which is attributable to residential real property. For each subsequent year, the General Assembly was and is required to redetermine 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. All other taxable property (with certain specified exceptions) has had an assessed valuation ratio throughout these tax years of 29% of statutory actual value.

RESIDENTIAL REAL PROPERTY ASSESSMENT RATES

<u>Assessment Year</u>	<u>Percentage of Actual Value for Residential Real Property Assessment</u>
1993	12.86%
1994	12.86
1995	10.36
1996	10.36
1997	9.74
1998	9.74

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 both real and personal property with the exception of certain categories of exempt property. Classes not subject to property taxes include: property of the United States of America; property of the State and its political subdivisions; public libraries; property of school districts; property used as an integral part of a licensed school child care center; inventories of merchandise and supplies which 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 non-commercial personal property.

Property Taxes. Property taxes are due January 1 of each year. They may be paid in full on or before April 30 or in two equal installments, the first due 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 circumstance exists. 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.

The Treasurer is empowered to sell at public auction property upon which levied taxes remain unpaid, after due process of law. Tax 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 sale are bid on by the City. Property which thereby becomes the property of the City or another taxing entity is removed from the tax rolls. 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.

The following table sets forth the mill levies for the City, School District No. 1, the Urban Drainage and Flood Control District and other overlapping entities for the last five tax years. In 1997, the City determined that current mill levies would generate revenues, attributable to an increase in property values, in excess of the limits imposed by TABOR, Section 20, Article X, of the Colorado Constitution. The City temporarily reduced the 1997 mill levy rate to bring property tax revenues within the limits imposed by TABOR. See "CONSTITUTIONAL REVENUE AND SPENDING LIMITATIONS."

CITY-WIDE MILL LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS¹
(by year)

<u>Taxing Entity</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
City and County of Denver:					
General fund	12.783	12.783	12.783	11.666 ²	11.666 ²
Bond principal fund	6.705	5.473	7.745	7.745	7.745
Bond interest fund	3.353	4.585	2.313	2.313	2.313
Social Services	5.741	5.741	5.741	5.240 ²	5.240 ²
Fire pension	2.055	2.055	2.055	1.875 ²	1.875 ²
Police pension	2.451	2.451	2.451	2.237 ²	2.237 ²
School District No.1	46.873	47.293	46.958	43.605	48.982
Urban drainage and flood control	<u>0.780</u>	<u>0.780</u>	<u>0.780</u>	<u>0.749²</u>	<u>0.756²</u>
	80.741	81.161	80.826	75.430	80.814
<u>Special Districts³</u>					
Southwest Commons GID	31.300	31.300	31.300	31.300	31.300
Gateway Village GID	19.000	20.000	20.000	20.000	20.000
Cherry Creek North BID	9.642	9.642	9.824	9.642	17.642
Colfax on the Hill BID	<u>7.846</u>	<u>7.846</u>	<u>7.846</u>	<u>6.982</u>	<u>7.846</u>
TOTAL MILL LEVY:	<u>148.529</u>	<u>149.949</u>	<u>149.796</u>	<u>143.354</u>	<u>157.602</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.

² This is the net levy after taking into account a temporary mill levy rate reduction to comply with the requirements of State constitutional revenue and spending limitations. See "CONSTITUTIONAL REVENUE AND SPENDING LIMITATIONS."

³ Excludes certain overlapping government entities that impose mill levies in select portions of the City that differ in their reporting requirements to the City. These entities in the aggregate are not deemed material.

The following 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.

**PROPERTY VALUATIONS, TAX LEVIES AND COLLECTIONS
LAST FIVE YEARS**

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
ACTUAL AND ASSESSED VALUATION					
(\$ in millions):					
Statutory actual valuation (est.) ¹	<u>\$ 22,118</u>	<u>\$ 25,797</u>	<u>\$ 26,317</u>	<u>\$ 31,283</u>	<u>\$ 31,562</u>
Assessed valuation:					
Real Property - land	\$ 1,025	\$ 994	\$ 997	\$ 1,090	\$ 1,088
Real Property - improvements	2,242	2,354	2,408	2,850	2,908
Personal property	508	546	579	624	650
Public utilities	<u>449</u>	<u>427</u>	<u>448</u>	<u>466</u>	<u>404</u>
Total assessed valuations	<u>\$ 4,224</u>	<u>\$ 4,321</u>	<u>\$ 4,432</u>	<u>\$ 5,030</u>	<u>\$ 5,050</u>
Total assessed valuation					
Percentage change ²	0.0%	2.3%	2.6%	13.5%	0.4%
LEVIES AND COLLECTIONS³					
(\$ in thousands)					
Tax levy	<u>\$119,662</u>	<u>\$122,109</u>	<u>\$ 124,573</u>	<u>\$ 133,339⁴</u>	<u>\$132,947</u>
Collections:					
Current	\$119,233	\$121,676	\$ 124,175	\$ 132,957	NA
Delinquent	293	203	105	NA	NA
Delinquent taxes outstanding:					
Receivable Dec. 31, 1998	\$ 136	\$ 230	\$ 293	\$ 382	\$132,947
Cumulative total receivable					<u>\$134,531⁵</u>
Percent of original levy:					
Current collections	99.64	99.65	99.68	99.71	NA
Delinquent taxes receivable	0.11	0.18	0.23	NA	NA

¹ Statutory actual valuation represents 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 Changes in assessed valuations for the years shown are due in part to changes in the years used to compute values and adjustments attributable to a legislative extension of time permitted for appeals of assessed valuations.

³ The columnar headings show the years for which property taxes have been assessed and levied. Taxes shown in a column are actually collected in the following year. For example, property taxes levied in 1998 are collected in 1999.

⁴ Includes one time settlement from Continental Airlines bankruptcy.

⁵ Includes an additional \$543,000 representing the Cumulative Total Receivable for delinquent taxes for 1991-1993.

Assessed Valuation of Major Taxpayers

The following table lists the major property taxpayers based on assessed valuations for the 1998 tax year.

MAJOR PROPERTY TAXPAYERS¹ - ASSESSED VALUATIONS 1998 for collection 1999 (\$ in thousands)

<u>Name</u>	<u>Business</u>	<u>Assessed Valuation</u>	<u>Percentage of City's Total Assessed Valuation²</u>
Public Service Company	Utility	\$124,276	2.46%
United Airlines Inc.	Airline	104,970	2.08
Equity Office Properties	Real Estate	55,941	1.11
Crescent Real Estate Equities	Real Estate	51,185	1.01
Columbia-Healthone LLC	Medical	50,882	1.01
Republic Plaza Properties	Office Building	42,633	0.85
Temple Hoyne Buell Foundations - (Cherry Creek Shopping Center)	Shopping Center	39,544	0.78
AT&T	Utility	31,518	0.63
Resources Capital Management	Real Estate	26,646	0.53
Seven Seventeen HB Denver Corp.	Real Estate	25,567	0.51

¹ In prior years, US West was ranked among the ten major property taxpayers. In 1998, due to a one-time abatement change in State Assessed value, US West ranked 13th. It is anticipated in 1999 US West will again be ranked among the ten major property taxpayers.

² Based on a December 31, 1998, certified assessed valuation of \$5,049,711,010.

CITY FINANCIAL INFORMATION

Authorization for General Obligation Debt

Under the City Charter, general obligation bonded debt, excluding self-supporting water bonds, is subject to a limitation of three percent (3%) of the actual value of the taxable property within the City.

As of December 31, 1998, the City had outstanding general obligation bonds, including Bonds issued by the Water Board, in the aggregate principal amount of \$450,336,000 which includes accrued interest on compound interest bonds.

On November 3, 1998, the electors of the City authorized the issuance of general obligation bonds for various purposes in the aggregate principal amount of \$98,640,000. On April 23, 1999, the City issued the first series of general obligation bonds attributed to this authorization in the principal amount of \$3,133,500. The City expects to issue the remainder of the authorized general obligation bonds on or before December 31, 2000.

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, 1998.

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

TOTAL ESTIMATED ACTUAL VALUATION	<u>\$31,562,099</u>
Maximum general obligation debt, limited to 3% of total valuation	\$ 946,863
Outstanding bonds chargeable to limit	234,316
Less: amount reserved for long-term debt	<u>21,187</u>
Net chargeable to bond limit	<u>\$ 213,129</u>
Percent of Charter limit	22.51%
LEGAL DEBT MARGIN - December 31, 1998	<u>\$ 733,734</u>

General Obligation Bonded Debt

The following table lists the City's outstanding general obligation bonded debt as of December 31, 1998.

OUTSTANDING GENERAL OBLIGATION DEBT (\$ in thousands)

<u>Issue</u> ¹	<u>Original Amount</u>	<u>Amount Outstanding</u>
General Obligation Various Purpose Bonds, Series March 15, 1990 ²	\$ 74,000	\$ 10,485
General Obligation Various Purpose Bonds (Denver Mini-Bond Program), Series November 1, 1990	5,888	10,469 ³
General Obligation Various Purpose and Library Bonds, Series April 15, 1991 ²	84,460	17,325
General Obligation Various Purpose Bonds, Series 1992A ²	65,000	8,185
General Obligation Refunding Bonds, Series 1992B	11,295	1,880
General Obligation Various Purpose Bonds, Series 1992C ²	100,000	15,140
General Obligation Refunding Bonds, Series 1992D	20,815	16,665
General Obligation Library Bonds (Denver Mini-Bond Program), Series 1992E	3,992	5,742 ⁴
General Obligation Refunding Bonds, Series 1998A	<u>148,425</u>	<u>148,425</u>
Subtotal	\$513,875	\$234,316
General Obligation Water Bonds ⁵	<u>318,715</u>	<u>216,020</u>
TOTAL:	<u>\$832,590</u>	<u>\$450,336</u>

¹ In addition to those listed, the City has issued various general obligation bonds which have been refunded or the payment which has otherwise been provided for by escrowed funds invested in U.S. Government obligations.

² On April 1, 1998, the City issued \$148,425,000 in General Obligation Refunding Bonds. Net proceeds plus an additional \$10,470,000 of general obligation debt service moneys were used to advance refund \$154,865,000 of certain portions of outstanding General Obligation Bonds, Series 1990, 1991, 1992A, and 1992C to reduce total debt service payments over the next ten years by \$10,990,025 and to obtain an economic gain of \$7,380,738.

³ Amount includes \$4,581,000 of compound interest on the Series November 1, 1990 various purpose bonds.

⁴ Amount includes \$1,750,058 of compound interest on the Series 1992E various purpose bonds.

⁵ 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.

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, 1998 (other than bonds issued by the Denver Water Board, General Improvement District Bonds, and compound interest due at maturity on the Series November 1, 1990, and Series 1992E various purpose mini-bonds). See "GENERAL OBLIGATION BONDED DEBT".

<u>Year Ending December 31</u>	<u>Debt Service (\$ in thousands)</u>
1999	\$ 43,087
2000	43,845
2001	33,478
2002	33,432
2003	33,456
Thereafter	<u>115,588</u>
TOTAL:	<u>\$302,886</u>

The following tables set forth certain debt ratios based on the City's actual and assessed valuations and general obligation bonded debt as of December 31, 1998.

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

Total Direct General Obligation Bonded Debt	\$ 450,336
Less General Obligation Water Bonds	<u>216,020</u>
Net Direct General Obligation Bonded Debt	234,316
Overlapping General Obligation Bonded Debt ¹	<u>160,415</u>
Net Direct and Overlapping General Obligation Bonded Debt	<u>\$ 394,731</u>
Actual Valuation	\$31,562,099
Assessed Valuation	\$ 5,049,711

DEBT RATIOS

	<u>Actual Valuation</u>	<u>Assessed Valuation</u>	<u>Per Capita²</u>
Total Direct G.O. Bonded Debt	1.43%	8.92%	\$ 898
Net Direct G.O. Bonded Debt ³	0.74	4.64	467
Net Direct and Overlapping G.O. Bonded Debt	1.25	7.82	787

¹ The overlapping general obligation debt represents the outstanding general obligation debt of School District No. 1.

² Based upon a 1998 population estimate of 501,700.

³ The overlapping general obligation bonded debt represents the outstanding general obligation debt of the City and School District No. 1.

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, 1998, the School District had \$160,414,734 aggregate principal amount of general obligation bonds outstanding. At a general election held on November 3, 1998, the voters authorized the School District to issue a total of \$305,000,000 of general obligation bonds. In early 1999, the School District issued \$252,900,000 of the authorized general obligation bonds. The School District expects to issue all of the remaining \$52,100,000 in the year 2001.

July 1, 1997, the School District executed and delivered \$384,167,521 of Taxable Pension Certificates of Participation to provide for the payment of all of the estimated amount of its unfunded actuarial liability to its pension plan. As a result, as of December 31, 1998, there were outstanding \$425,727,521 aggregate principal amount of certificates of participation in lease purchase obligations of the School District. Such obligations are not considered debt for State law purposes and do not represent obligations of the School District extending beyond the current fiscal year. The obligations of the School District to make lease payments for each year is 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 contribution as each individual unit may determine.

The City is meeting its obligation to the Sewage District from a sewer service charge collected from the sewer users rather than from taxes. The Sewage District assessed the City charges of \$22,318,192 for 1998. The Sewage District had outstanding \$192,324,000 aggregate principal amount of bonds as of December 31, 1998, and had authorized but unissued debt of \$2,588,000.

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 and portions of Adams, Arapahoe 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.

The Transportation District issues bonds to maintain and improve the transit system. The Transportation District has no general obligation debt. As of December 31, 1998, the Transportation District had \$93,600,000 outstanding principal amount of sales tax revenue bonds, \$3,850,000 special passenger fare revenue bonds, and \$33,060,000 principal amount of Certificates of Participation.

Denver Metropolitan Major League Baseball Stadium District. The State General Assembly established the Denver Metropolitan Major League Baseball Stadium District (the “Baseball District”) in 1989. The purpose of the Baseball District was to select and acquire a site for a major league baseball stadium and to finance, construct and own the stadium upon the grant of a major league baseball franchise. The area comprising the Baseball District encompasses portions of the six county Denver Metropolitan region. The area within the Baseball District includes the City, Boulder and Jefferson Counties, the western portions of Adams and Arapahoe Counties and the northeastern and Highlands Ranch areas of Douglas County.

In August 1990, the voters authorized the Baseball District to impose a sales tax at the rate of 0.10% upon every taxable retail transaction for a period not to exceed 20 years upon the grant of a major league baseball franchise within the Baseball District. The Baseball District authorized the sales tax levy to commence on August 1, 1991, and the sales tax was imposed by the Colorado Department of Revenue commencing on that date. The Baseball District had \$92,155,000 principal amount of sales tax revenue bonds outstanding as of December 31, 1998.

Denver Metropolitan Major League Football Stadium District. In 1996, the State General Assembly enacted legislation creating the Metropolitan Football Stadium District (the “Football District”). The purpose of the Football District is to select and acquire a site and to finance and construct on that site a sports facility designed for use primarily as a National Football League football stadium. The Football District encompasses the City, Boulder and Jefferson Counties, the western portions of Adams and Arapahoe Counties and the northern portion of Douglas County.

In November 1998 the electors of the Football District authorized the Football District to impose a sales tax at the rate of 0.10% on taxable transactions occurring within the Football District, with such sales tax to commence upon the termination of the sales tax imposed by the Baseball District and terminate no later than January 1, 2012. The electors of the Football District also authorized the Football District to incur debt in an amount not to exceed \$260 million. On August 12, 1999, the Football District issued sales tax revenue bonds in an aggregate original principal amount of \$244,998,990, with such bonds maturing January 1, 2003 through January 1, 2012.

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 presently includes the City and portions of Adams, Arapahoe, Boulder, 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 Entities. There are a number of partially overlapping taxing entities having general obligation debt in amounts which do not materially affect the ability of the City to pay debt service on its general obligation bonds.

Wastewater System

The City's wastewater collection facilities consist of approximately 1,564 miles of sanitary sewer lines of various composition and ranging in size from 6" to 60" in diameter. Denver's system utilizes gravity flow and lift stations; four sanitary sewer lift stations and three storm sewer lift stations currently are in service.

No major expansions to Denver's system are planned in the near future. Denver maintains an active line maintenance program which uses television and ceiling units to monitor line condition. Denver employs a regular maintenance schedule to flush out lines and employs a grout process to repair slight breaks and trenchless technology to replace lines. Maintenance and replacement typically are funded out of the wastewater system's capital expansion program.

Wastewater Financial Information

Customer Information. Denver's wastewater management division estimates that Denver currently serves approximately 138,000 customers. Of this amount, approximately 128,000 (93%) are residential customers; approximately 10,000 (7%) are commercial customers.

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 1994 through 1998 is set forth on following page.

WASTEWATER MANAGEMENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS AND FUND BALANCE
For the years ending December 31
(\$ in thousands)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
OPERATING REVENUES					
Charges for services	\$56,459	\$57,902	\$58,975	\$ 60,282	58,712
TOTAL OPERATING REVENUES	<u>56,459</u>	<u>57,902</u>	<u>58,975</u>	<u>60,282</u>	<u>58,712</u>
OPERATING EXPENSES					
Personnel services	14,270	13,964	13,945	13,374	12,654
Contractual services	4,310	3,802	4,276	4,833	5,832
Supplies, materials and utilities	1,114	1,092	880	970	1,045
Depreciation and amortization	5,847	6,072	6,279	6,432	6,957
Payments to Metro Wastewater Reclamation District	21,730	25,200	24,717	23,567	22,318
TOTAL OPERATING EXPENSES	<u>47,271</u>	<u>50,130</u>	<u>50,097</u>	<u>49,176</u>	<u>48,806</u>
Operating income	<u>9,188</u>	<u>7,772</u>	<u>8,878</u>	<u>11,106</u>	<u>9,906</u>
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	1,324	2,211	2,422	3,094	3,845
Gain on disposition of assets	-	-	21	34	(28)
Interest expense	(578)	(573)	(533)	(516)	(469)
Other expense	(128)	(92)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>618</u>	<u>1,546</u>	<u>1,910</u>	<u>2,612</u>	<u>3,348</u>
Income before operating transfers	9,806	9,318	10,788	13,718	13,254
Operating transfers out	(1,500)	(1,500)	-	-	-
Net Income	<u>8,306</u>	<u>7,818</u>	<u>10,788</u>	<u>13,718</u>	<u>13,254</u>
Renewal & replacement applications	<u>518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained earnings - January 1	56,533	65,357	73,175	93,963	102,172
Prior period adjustment	-	-	10,000 ¹	-	-
Adjusted retained earnings - January 1	<u>56,533</u>	<u>65,357</u>	<u>83,175</u>	<u>93,963</u>	<u>102,172</u>
Retained Earnings - December 31	<u>\$65,357</u>	<u>\$73,175</u>	<u>\$93,963</u>	<u>\$107,681</u>	<u>\$115,426</u>

¹ The Wastewater Management enterprise fund's retained earnings has been restated by \$10,000,000 to properly reflect the recognition of prior years' return of contributed capital to the General Fund.

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.

During 1996, the Denver Health and Hospital Authority (DHHA) was established, 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, 1997 and 1998:

	<u>1997</u>	<u>1998</u>
Retirees and beneficiaries currently receiving benefits	4,415	4,520
Terminated employees entitled to benefits but not yet receiving such benefits	2,322	2,506
Current employees:		
Vested	6,201	6,249
Non-vested	<u>3,900</u>	<u>4,033</u>
Total	<u>16,838</u>	<u>17,308</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 an annual retirement benefit, in an amount equal to as much as 1.75% of their average 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 5 years of credited service who do not qualify for full retirement may retire at or after age 55 and receive a reduced retirement benefit. Benefit and contribution provisions are established by the Denver 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. During 1998, the City contributed a total of 10% of the salary of covered employees, with an 8.60% contribution for pension benefits (including death and disability) and a 1.40% contribution for health benefits. As of December 31, 1998, the market value of DERP’s pension trust fund was \$1,406,031,000.

State of Colorado - Fire and Police Pension Plan All full-time fire fighters and police officers of the City participate in the State of Colorado - Fire and Police Pension Plan (“State Plan”), a cost sharing multiple-employer public employee retirement system. The State Plan is administered by the Fire and Police Pension Association (FPPA).

All covered employees contribute at the rate of 8% of base salary. The City is required for employees hired before April 8, 1978 to provide level dollar funding at a minimum of \$27,894,000 each year until there is no longer any unfunded actuarial liability for police officers and fire fighters. For those police officers and fire fighters hired after April 8, 1978, the employee and the City each contribute 8% of their payroll. For this plan there is no unfunded actuarial liability. There are no long-term contracts for contributions to the State Plan. The total on-behalf payments made by the State for the benefit of City employees in 1998 was \$20,776,613.

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.

CONSTITUTIONAL REVENUE AND SPENDING LIMITATIONS

On November 3, 1992, the voters of the State approved an amendment to the State Constitution known as “the Taxpayer’s Bill of Rights” (“TABOR”), which restricts the ability of the State and local governments (the State and local governments defined as “districts” under the Colorado Constitution) to increase revenues, taxes, debt and spending.

TABOR requires that the voters of a district approve any new tax, increase of an existing tax, property tax mill levy increase, assessed valuation ratio increase, tax extension, a tax policy change of the district resulting in a net tax revenue gain to the district, and prior to the creation of any multiple fiscal year direct or indirect debt. TABOR contains limitations which restricts the amount tax revenues can increase over the prior year. The limitation that applies to the City is the rate of inflation plus the net percentage change in the actual value of all real property in the City from construction of improvements and additions to taxable real property less destruction of improvements and deletions to taxable real property, unless otherwise approved by the voters. TABOR allows a district to impose or increase taxes (other than property taxes) in an emergency, but voter approval thereof would be required at the next election or the tax imposed or increased would expire at the end of the election month. An emergency for this purpose is defined not to include economic conditions, revenue shortfalls, or salary or fringe benefit increases.

In addition to these revenue limits, TABOR restricts increases in the City’s spending over the prior year to the rate of inflation plus the net percentage change in the actual value of all real property in the City from construction of improvements and additions to taxable real property less destruction of improvements and deletions to taxable real property, unless otherwise approved by the voters. Any revenues collected in excess of these limits on spending and property tax revenue are required to be refunded during the next fiscal year.

LEASE PURCHASE AGREEMENTS

Generally

The City has utilized Certificates of Participation (COPs), proportionate interests in the lessor's right to receive rentals and revenues paid pursuant to lease purchase agreements ("Agreements"), executed to facilitate the financing of certain public capital projects. The Certificates do not constitute a general obligation or other indebtedness of the City within the meaning of any constitutional, statutory, or Charter debt limitations. The City's obligation to make payments relating to its various certificated lease Agreements is contingent upon the City appropriating the rental payments for the then current fiscal year. In the event of non-appropriation, the Agreement terminates and the Certificates are then payable solely from the proceeds received by the trustee upon the exercise of remedies.

Denver Capital Leasing Corporation

To aid in the facilitation of certain lease purchase acquisitions, the nonprofit Denver Capital Leasing Corporation (the "Corporation") was established. The principal purpose of the Corporation is to facilitate City and Denver Board of Water Commissioners' lease purchase financings.

The Corporation has a Board of Directors consisting of three directors and no members. The initial Board of Directors was appointed by the Mayor of the City, and vacancies are filled by nomination and affirmative vote of a majority of remaining Directors of the Corporation. In the event there are no or only one remaining Director(s) of the Corporation, the Mayor may appoint additional Board members to fill the vacancies. The Corporation's officers are appointed by the Board of Directors pursuant to the Board's power to manage and control the business of the Corporation.

The Directors of the Corporation have no private or proprietary interest in the Corporation. The Board of Directors serves without compensation (except reimbursement of expenses) and no part of the Corporation's net earnings, if any, inure to any director.

Certificated Lease Purchase Agreements

The City has entered into various lease purchase agreements for which certificates of participation have been executed and delivered. These lease purchase agreements and related certificates of participation are described below.

The Corporation, as lessor, entered into a Master Lease Purchase Agreement dated as of April 15, 1986, as amended through a fifth amendment thereof dated as of July 15, 1991 (the "1986-91 Master Lease") with the City as lessee thereunder. The 1986-91 Master Lease, as amended and further described below, is not directly related to the 1996 Master Indenture Leases. In connection with the 1986-91 Master Lease, five currently outstanding series of Certificates of Participation (in the revenues and rentals derived by the Corporation under the 1986-91 Master Lease) were executed and delivered pursuant to a Mortgage and Indenture of Trust dated as of April 15, 1986, as supplemented through a fifth supplement thereof dated as of July 15, 1991 (the "1986-91 Indenture") between the Corporation and US Bank National Association (formerly Colorado National Bank), as successor Trustee. The Leased Property under the 1986-91 Master Lease and the related series of certificates of participation are described below.

1986-91 MASTER LEASE SCHEDULE OF CERTIFICATES OF PARTICIPATION AND RELEASE OF PROPERTY

<u>Series</u>	<u>Outstanding Principal Amount (As of 12/31/98)</u>	<u>Leased Property</u>	<u>Date Scheduled to be Released as Leased Property</u>
1986	\$ 420,000 1,375,000	Fire Training Buildings Jail Dormitory Building	April 1, 2001 April 1, 2006
1989	310,000	Various Equipment	October 1, 1999
1990	1,315,000	Various Equipment	October 1, 1999
1991A	570,000 6,965,000	Various Equipment Wastewater Management Building	October 1, 2000 October 1, 2005
1991B	<u>2,165,000</u>	Denver C.A.R.E.S. (non-hospital detoxification facility) Site and Building	October 1, 2006
TOTAL	<u>\$13,120,000</u>		

All of the outstanding series of Certificates representing interests in the 1986-91 Master Lease, except for the Series 1986 Certificates, have been insured by municipal bond insurance policies issued by either Municipal Bond Investors Assurance Corporation (Series 1989 and Series 1990) or AMBAC Indemnity Corporation (Series 1991A and Series 1991B).

The Corporation, as lessor, has also entered into the Master Indenture Leases with the City, as lessee, thereunder and one currently outstanding series of certificates of participation has been executed and delivered pursuant to the 1996 Master Indenture, all as described below.

**1996 MASTER INDENTURE LEASES
SCHEDULE OF CERTIFICATES OF PARTICIPATION
AND RELEASE OF PROPERTY**

<u>Series</u>	Outstanding Principal Amount (As of 12/31/98)	<u>Leased Property</u>	Date Scheduled to be Released as Leased Property
1996A	\$ 9,255,000 1,520,000	Office Building at 303 West Colfax Ave. Site of Human Services Center Project	May 1, 2016 May 1, 2017
1997A	5,215,000 <u>34,475,000</u>	Voting Equipment Human Services Center	May 1, 2012 May 1, 2017
TOTAL	<u>\$ 50,465,000</u>		

The outstanding series of Master Indenture Certificates have been insured by a municipal bond insurance policy issued by MBIA Insurance Corporation.

The City has also entered into various stand-alone lease purchase agreements with lessors not limited to the Corporation in respect of which certificates of participation were executed and delivered. These certificates of participation and the leased property thereunder are described below.

**OTHER LEASES
SCHEDULE OF CERTIFICATES OF PARTICIPATION
AND RELEASE OF PROPERTY**

<u>Series</u>	<u>Outstanding Principal Amount (As of 12/31/98)</u>	<u>Leased Property</u>	<u>Date Scheduled to be Released as Leased Property</u>
1988	\$ 75,000	Car Impound Lot - Department of Public Safety	October 1, 1999
1993	1,007,000	Street Maintenance and Bulk Storage Facility	January 1, 2004
1994 Taxable	966,000	Police Station and City Motor Vehicle Operations Building	January 1, 2005
1995A	810,000	Office Building for Information Services and other City departments	January 1, 2014
1995B	620,000	Office Building for Central Services and other City departments	January 1, 2009
1996 Taxable	<u>11,890,000</u>	Open Space and Recreational Land	May 1, 2011
TOTAL:	<u>\$15,368,000</u>		

Non-certificated Lease Purchase Agreements

As of December 31, 1998, the City was the lessee under various other capitalized lease obligations for the lease purchase of real property and equipment outstanding in the amount of \$9,444,000. At the end of the final term of each such leases, the City expects to own the real property and equipment which are the subject of such leases. Certificates of participation relating to these leases have not been executed and delivered.

DENVER WATER BOARD

Water Board - Service Area

As of December 31, 1998, Denver Water served the City and 78 distributors outside the City pursuant to contracts. Denver Water has three basic types of distributor contracts for treated water: Total Service, for which Denver Water is responsible for complete operation and maintenance of the distribution system; Read & Bill, for which Denver Water is responsible for reading individual meters and billing, but not for operation and maintenance of the distribution system; and Master Meter (wholesale), for which Denver Water provides water to distributors who own and operate their own water system. As of December 31, 1998, Denver Water had 31 Total Service Distributor contracts, 18.5 Read & Bill Distributor contracts, 26.5 Master Meter Distributor contracts, and two Raw Water Master Meter contracts. (One Distributor Contract with the Alameda Water and Sanitation District is half Read & Bill and half Master Meter.)

Total acreage served by Denver Water as of December 31, 1998 was as follows.

SERVICE AREA

	Undeveloped	Developed	Total
	<u>Acres</u>	<u>Acres</u>	<u>Acres</u>
Suburban			
Total Service	4,520.53	18,582.27	23,102.80
Read & Bill	6,271.32	28,212.78	34,484.10
Master Meter ¹	16,307.02	40,189.39	56,496.41
City	<u>31,863.25</u>	<u>67,099.95</u>	<u>98,963.20</u>
Total	<u>58,962.12</u>	<u>154,084.39</u>	<u>213,046.51</u>

¹ Master Meter acres do not include Broomfield (26,238 acres), Arvada (19,801 acres), and North Table Mountain (5,486 acres).

NUMBER OF CUSTOMER ACCOUNTS AS OF DECEMBER 31, 1998

	<u>Number of Accounts</u>
City	144,759
Treated Water Contract Area:	
Master Meter (Resale Accounts)	64,225
Total Service	30,575
Read & Bill (Outside City)	<u>35,379</u>
Total Treated Water Customers	274,938
Raw Water Contract Area ¹	
City of Arvada	30,969
North Table Mountain Water and Sanitation District	<u>2,692</u>
 Total Customer Accounts	 <u>308,599</u>

**TOTAL TREATED WATER DELIVERY
FOR THE PERIOD 1989 - 1998**

Millions of Gallons

<u>Year</u>	<u>Annual</u>	<u>Daily Average</u>	<u>Daily Maximum</u>	<u>Population Served July 1²</u>	<u>Average Daily Gallons Per Capita</u>
1989	77,262.29	211.67	553.29	887,000	239
1990	72,043.94	197.38	507.12	891,000	222
1991	67,435.91	184.76	414.79	908,000	203
1992	73,043.27	199.57	414.11	912,000	219
1993	72,562.61	198.80	438.20	928,000	214
1994	76,516.08	209.63	479.01	947,000	221
1995	65,267.91	178.82	453.55	952,000	188
1996	76,203.96	208.21	456.99	945,000 ³	220
1997	75,363.33	206.47	517.57	957,000	216
1998	77,466.65	212.24	512.53	970,000	219

¹ The number of accounts were provided by the City of Arvada and the North Table Mountain Water and Sanitation District.

² Population estimates are treated water customers only. Revised data from 1981 to 1990 are interpolated from analysis of the 1990 census.

³ Population decrease due to exclusion of the City of Broomfield's population beginning in 1996.

Water Board - Debt Structure

BOARD OF WATER COMMISSIONERS
GENERAL OBLIGATION WATER IMPROVEMENT AND REFUNDING BONDS
Outstanding at December 31, 1998
(\$ 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>
April 1, 1961	3.50%	\$ 15,000	\$ 14,090	\$ 910
April 1, 1962	3.30%	15,000	14,340	660
June 1, 1964	3.30-3.40%	10,000	9,500	500
May 1, 1966 ¹	3.50%	6,290	5,890	400
Sept. 1, 1992 ¹	5.75-5.90%	16,060	-	16,060
Mar 1, 1993 ¹	4.50-6.00%	59,600	5,895	53,705
Sept. 1, 1993 ¹	4.80-5.10%	15,600	-	15,600
Jun 15, 1994 ¹	5.00-7.00%	131,835	51,820	80,015
Sept. 15, 1995 ¹	4.75-5.00%	12,825	-	12,825
Sept. 15, 1996 ¹	4.20-9.00%	16,975	1,160	15,815
Aug. 1, 1997 ¹	4.40-5.50%	19,530	-	19,530
		<u>\$ 318,715</u>	<u>\$ 102,695</u>	\$ 216,020
Plus discount, net of premium				(36)
Less deferred amount on refunding				<u>(1,338)</u>
				<u>\$ 214,646</u>

Lease Purchase Agreements

Denver Water Board. According to the Denver Water Board's financial statements as of December 31, 1998, there were \$51,347,000 aggregate principal amount of certificates of participation outstanding in annually appropriated lease purchase agreements of the Denver Water Board. Also, as of December 31, 1998, the Denver Water Board was lessee under various other capitalized lease obligations outstanding in the amount of \$33,048,000. The Denver Water Board has committed itself to pay such lease purchase obligations from revenues derived from the City's water system.

¹ Refunding serial issue.

Denver Water - 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 \$330 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. Such charge is assessed upon application for a new tap and is based upon the size of the connection required.

Since 1974, developers have been required to participate in the front-end financing of facilities necessary to meet their specific needs. Total participation receipts of approximately \$85 million have been collected since inception.

Plans are also underway for a treatment plant to provide recycled non-potable water for industrial and irrigation purpose. The Capital Plan anticipates Phase I of that plan to be on-line in 2001. Customers who agreed prior to December 31, 1997, to take such water when it becomes available were assessed an SDC at the rates applicable in 1997. A portion of the SDC's received for reuse plant water to be received in the future are refundable until, and are being held as restricted investments until, the Board meets certain obligations under various agreements.

In July 1998, the Board increased its SDCs by 5 percent and changed the method of assessing the fee. The change will become effective January 1, 1999. The new structure will assess a new single family residential customer a fee based on gross lot size. Multifamily residential customers severed through a single tap will be assessed a base fee for 2 units plus a charge for each additional dwelling unit. All other customers will continue to be assessed a fee based on tap size. The new SDC structure is designed to improve equity by basing the fee on variables (lot size and number of dwellings served) that are better predictors of new customer water demand. The Board also stated its intent to review the adequacy of SDCs on an annual basis.

**SYSTEM DEVELOPMENT CHARGES
AND PARTICIPATION RECEIPTS 1973-1998
(Cash Basis - Net of Refunds)**

	<u>System Development Charges¹</u>	<u>Participation Receipts</u>
1998	\$ 33,155,900 ²	\$ 8,411,500 ²
1997	45,058,100 ³	3,732,500
1996	15,137,300	2,913,100
1995	15,527,600	3,929,800
1994	13,535,700	2,881,800
1993	12,181,800	1,343,600
1992	10,920,300	1,198,800
1991	7,530,400	2,330,700
1990	6,615,100	1,838,700
1989	6,251,400	4,965,200
1988	6,084,600	3,067,700
1987	8,544,400	4,561,300
1973-1986	<u>149,473,600</u>	<u>43,647,100</u>
Total	<u>\$330,016,200</u>	<u>\$84,821,800</u>

¹ The System Development Charges receipts above are permitted to be used to retire debt.

² SDC amount includes \$12,961,000 and Participation includes \$3,169,100 of pre-paid amounts being held as restricted investments. See Footnote 3 below.

³ Increase in SDCs attributable to an overall growth in the Denver Metro housing market and \$22,920,000 of prepaid SDCs being held by Denver Water as restricted investments. The prepaid SDCs were paid in advance by developers choosing this alternative to avoid the Water Board's 5% rate increase effective January 1, 1998. See "SYSTEM DEVELOPMENT CHARGES EFFECTIVE JANUARY 1, 1986".

SYSTEM DEVELOPMENT CHARGES
(Effective January 1, 1999)
\$/tap

	Treated Water	
	<u>Inside</u>	<u>Outside</u>
Base charge per residence	\$ 980	\$ 1,375
Charge per square foot gross lot size	\$ 0.24	\$ 0.34

	Treated Water	
	<u>Inside</u>	<u>Outside</u>
Base charge for duplex or first two household units (served through a single tap)	\$ 3,570	\$ 5,000
Charge for each additional household unit above two units (served through a single tap)	\$ 730	\$ 1,020

<u>Tap Size:</u>	Treated Water		
	<u>Denver</u>	<u>Outside City</u>	<u>Non Potable</u>
¾"	\$ 2,925	\$ 4,010	\$ 2,100
1"	8,775	12,300	6,300
1½"	17,500	24,600	16,800
2"	26,325	36,900	27,300
3"	49,725	69,700	46,200
4"	81,900	114,800	69,300
6"	143,325	200,900	142,800
8"	245,700	344,400	184,800
10"	315,900	442,800	237,300
12"	418,275	586,300	338,100
Acre Foot Conversion (\$/AF)			
Inside the Combined Area	\$ 6,355	\$ 8,900	\$ 4,600
Outside the Combined Area	N/A	\$ 9,200	\$ 4,600

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

<u>Date</u>	<u>Incremental Increase</u>
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%

	<u>1994</u>		<u>1995</u>		<u>1996</u>		<u>1997</u>		<u>1998</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
BEGINNING CASH & INVESTMENTS	\$ 66,705	\$ 64,916	\$ 71,085	\$ 73,155	\$ 71,652	\$ 69,791	\$ 85,011	\$ 84,727	125,385	135,746
<u>RECEIPTS FROM:</u>										
Sale of water	86,000	98,132	96,800	93,361	110,970	114,782	115,500	123,005	124,502	127,281
Nonoperating, interest & other	8,510	10,573	12,520	9,942	12,003	10,421	13,915	16,113	14,156	16,379
System development charges	11,760	13,596	11,800	15,660	14,100	15,280	14,290	45,092	19,200	33,187
Developer participation (new facilities)	1,520	2,884	2,300	3,930	5,330	3,050	3,350	3,731	3,733	8,413
Reimbursements & grants	1,490	2,419	1,005	258	710	498	650	113	96	168
Subtotal	109,280	127,604	124,425	123,151	143,113	144,031	147,705	188,054	161,687	185,428
Sale of bonds	16,450	18,063	17,000	12,720	16,975	16,836	19,530	19,644	-	-
Total receipts	125,730	145,667	141,425	135,871	160,088	160,867	167,235	207,698	161,687	185,428
<u>LESS EXPENDITURES FOR:</u>										
Operations, maintenance & refunds	60,350	65,156	65,217	67,127	70,534	72,484	71,201	72,066	70,495	75,105
Debt service	31,799	37,130	41,885	39,840	43,049	42,463	43,950	43,905	48,553	48,247
Subtotal	92,149	102,286	107,102	106,967	113,583	114,947	115,151	115,971	119,048	123,352
Capital improvements (new facilities)	18,074	10,017	9,043	7,036	8,080	3,473	24,328	19,029	30,264	43,336
System replacements	20,834	14,785	15,333	14,098	19,868	15,294	9,286	8,109	12,316	7,589
Equipment	4,128	3,340	3,772	4,006	5,694	5,209	4,544	5,477	7,083	7,493
Subtotal	43,036	28,142	28,148	25,140	33,642	23,976	38,158	32,615	49,663	58,418
Indirect Costs to Capital	9,040	7,000	8,700	7,128	7,600	7,008	8,128	8,093	8,200	8,860
Total expenditures	144,225	137,428	143,950	139,235	154,825	145,931	161,437	156,679	176,911	190,630
ENDING CASH & INVESTMENTS ¹	\$ 48,210	\$ 73,155	\$ 68,560	\$ 69,791	\$ 76,915	\$ 84,727	\$ 90,809	\$ 135,746	\$ 110,161	\$ 130,544

General explanation of variances:

Variances in operating receipts are generally due to abnormal climatic conditions.

Variances in system development charges are generally related to levels of activity in the home building industry.

Variances in capital improvements are generally due to changes in project scheduling.

¹ 1994 operating receipts increase was due to a 4.5% rate increase effective June 1, 1994, and a substantial increase in consumption resulting from an unusually hot dry summer.

² 1994 actual O&M indirects to capital were \$2.0 million less than budgeted. Also includes \$560,000 unbudgeted sick leave payout.

³ 1994 new facilities capital expenditures were under budget primarily due to delay associated with the construction of several conduits.

⁴ 1995 Operating Receipts were under budget by \$3.5 million due to unusually wet weather during the summer months.

⁵ 1996 Operating Receipts were over budget by \$3.8 million due to high consumption levels in June, September & October.

⁶ Capital projects under ran by \$9.7 million in 1996 primarily due to rescheduling several construction projects to 1997.

⁷ 1997 Operating Receipts were over budget by \$7.5 million due to an increase in billings for October and the City paying past due amounts and converting to a monthly basis.

⁸ 1997 System Development Charges were over \$30.8 million due to substantial continued growth in the housing market, unbudgeted amounts of \$22.9 million from South Adams County, \$963,000 from the City of Arvada, and \$1.2 million from Arapahoe Estates Water District.

⁹ 1998 Capital Budget - this high level of expenditure reflects acquisition of gravel pit storage at \$4.1 million, updates and improvements to the treatment plants to comply with Federal and

State regulations of \$13.3 million, construction of the Colorow and Chatfield Reservoir totaling \$3.7 million, the low-side addition to Chatfield Pump Station at \$2.4 million, construction of

Conduit 74, phase 3 and 4, totaling \$4.7 million, and purchase of new computer systems at \$2.1 million.

¹⁰ 1998 Actual System Development Charges receipts of \$33.2 million were \$14.0 million more than budgeted substantially due to an unbudgeted receipt of \$12.5 million from Public Service

Company for delivery of 5,200 acre feet of non-potable water.

¹¹ 1998 Actual Capital Expenditures of \$67.3 million exceeded budget by \$9.4 million primarily due to an unbudgeted acquisition of the Moffat Water Tunnel for \$7.0 million and \$4.0 million

more than budgeted for acquisition of gravel pit storage. These increases were partially offset by underruns of \$1.5 million for construction of the Colorow Reservoir and \$1.6 million for

installation of natural gas and variable frequency engines at six pump stations. Both of these projects were deferred to 1999.

THE AIRPORT SYSTEM

Airport System Aviation Activity

Denver International Airport (the "Airport") opened on February 28, 1995 and serves as the primary air carrier airport for the Denver air service region. Stapleton was closed to all air traffic on February 27, 1995. Denver's central geographic location has made it a major destination point for communities throughout the Rocky Mountain region and a major transportation hub for airline flights connecting between the east and west coasts and other major metropolitan centers.

According to data reported by the Airports Council International, in 1998 the Airport, was ranked as the seventh busiest airport in the nation and the tenth busiest airport in the world based on total passengers. As shown in the table below, passenger enplanements at the Airport increased by 8.3% in 1997 and by 5.2% in 1998. Approximately 18.4 million passengers were enplaned at the Airport during 1998.

The following table shows 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.

AIRPORT SYSTEM HISTORICAL ENPLANED PASSENGERS BY MAJOR AIRLINE CATEGORY 1994-1998¹

<u>Year</u>	<u>Major/ National Airlines</u>	<u>Percent Change</u>	<u>Regional/ Commuter Airlines</u>	<u>Percent Change</u>	<u>Charter/ Miscell- aneous Airlines</u>	<u>Percent Change</u>	<u>Totals</u>	<u>Percent Change</u>
1994	15,305,272	2.1	923,473	(4.4)	360,423	(0.7)	16,589,168	1.6
1995	14,717,792	(3.8)	732,698	(20.7)	152,188	(57.8)	15,602,678	(5.9)
1996	15,434,015	4.8	656,653	(10.4)	88,329	(42.0)	16,178,997	3.7
1997	16,769,602	8.7	721,966	10.0	38,632	(56.2)	17,530,200	8.3
1998	17,915,600	6.8	405,557	(43.8)	123,383	219.4	18,444,540	5.2

¹ Unaudited.

The following table shows enplaned passengers for individual airlines serving the Airport System for 1997 and 1998, and comparative market share information based on enplaned passengers for such periods.

**AIRPORT SYSTEM
ENPLANED PASSENGERS BY AIRLINE
1997 - 1998¹**

<u>Airline</u>	<u>1997</u>	<u>Percent of Total</u>	<u>1998</u>	<u>Percent of Total</u>
United	11,517,165	65.7%	12,439,313	
United Express	1,134,230	6.5	1,279,769	67.4%
	<u>12,651,395</u>	<u>72.2%</u>	<u>13,719,082</u>	<u>6.9</u>
				74.3%
American	745,457	4.2%	842,844	4.6%
America West	256,277	1.5	200,509	1.1
Continental	486,633	2.8	503,323	2.7
Delta	819,031	4.7	867,729	4.7
Frontier	658,245	3.8	765,886	4.1
Northwest	392,687	2.2	393,814	2.1
TWA	220,183	1.2	223,146	1.2
USAir	252,599	1.4	269,518	1.5
Other	<u>1,047,292</u>	<u>6.0</u>	<u>658,689</u>	<u>3.7</u>
Totals	<u>17,529,799</u>	<u>100.0%</u>	<u>18,444,540</u>	<u>100.0%</u>

¹ Unaudited.

The table below shows total aircraft operations (landings and take-offs) for the Airport System for the period 1994 through 1998.

**AIRPORT SYSTEM
HISTORICAL AIRCRAFT OPERATIONS
1994-1998¹**

<u>Year</u>	<u>Air Carrier</u>	<u>Commuter</u>	<u>Taxi/ General Aviation</u>	<u>Military</u>	<u>Total</u>	<u>Percent Change</u>
1994	322,500	177,082	29,701	1,556	530,839	(3.9)
1995	312,154	134,526	28,129	1,123	475,932	(10.3)
1996	322,023	107,816	22,489	791	453,119	(4.8)
1997	341,879	128,271	22,394	770	493,314	8.9
1998	341,074	111,467	19,736	1,055	473,332	(4.1)

AIRPORT SYSTEM - FINANCIAL INFORMATION

Outstanding Bonds

Senior and Subordinate Bonds have been issued to fund costs of the Airport. As of December 31, 1998, the total aggregate amount of all outstanding Bonds is as follows (\$ in thousands):

Series 1990A Bonds	\$ 617,635
Series 1991A Bonds	373,765
Series 1991D Bonds	537,450
Series 1992B Bonds	219,490
Series 1992C Bonds	308,400
Series 1992D-G Bonds	105,000
Series 1994A Bonds	124,755
Series 1995A-B Bonds	329,290
Series 1995C Bonds	107,585
Series 1996A-B Bonds	279,635
Series 1996C-D Bonds	277,595
Series 1997A-B Bonds	75,000
Series 1997 D-E Bonds	439,815
Series 1998A Bonds	206,665
Series 1998B Bonds	<u>103,395</u>
Sub-total of Airport Revenue Bonds:	<u>4,105,475</u>
Series 1967 Special Facility Bonds	<u>620</u>
Total Outstanding Bonds	<u>\$ 4,106,095</u>

¹ Unaudited.

Summary Financial Information

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

AIRPORT SYSTEM CONDENSED STATEMENT OF REVENUES AND EXPENSES FOR THE FISCAL YEAR ENDED DECEMBER 31¹ (\$ in thousands)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Operating revenues	\$161,866	\$343,861	\$388,621	\$414,313	\$417,355
Operating expenses	<u>124,047</u>	<u>139,831</u>	<u>154,314</u>	<u>165,755</u>	<u>163,635</u>
Operating income before depreciation	37,819	204,030	234,307	248,558	253,720
Depreciation	53,014	104,510	121,783	121,313	120,939
Write-down of asset held for disposition-SIA	<u>0</u>	<u>66,220</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating Income (Loss)	(15,195)	33,300	112,524	127,245	132,781
Non-Operating					
Income (Expense)	<u>41,106</u>	<u>(174,572)</u>	<u>(202,446)</u>	<u>(195,726)</u>	<u>(181,297)</u>
Net Income (Loss)	<u>\$ 25,911</u>	<u>\$(141,272)</u>	<u>\$(89,922)</u>	<u>\$(68,481)</u>	<u>\$(48,516)</u>

The following table summarizes the debt service coverage as of December 31.

HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE UNDER THE BOND ORDINANCE¹ (\$ in thousands)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Gross Revenues	\$193,885	\$376,513	\$449,446	\$477,642	\$500,247
Operation & Maintenance Expenses	<u>120,921</u>	<u>143,707</u>	<u>154,051</u>	<u>176,381</u>	<u>168,126</u>
Net Revenues	72,964	232,806	295,395	301,261	332,121
Other Available Funds	<u>15,269</u>	<u>45,663</u>	<u>56,943</u>	<u>56,501</u>	<u>60,724</u>
Total amount available for Debt Service Requirements	<u>\$ 88,233</u>	<u>\$278,469</u>	<u>\$352,338</u>	<u>\$357,762</u>	<u>\$392,845</u>
Debt Service Requirement	<u>\$ 61,077</u>	<u>\$182,650</u>	<u>\$242,664</u>	<u>\$247,166</u>	<u>\$255,638</u>
Debt Service Coverage	<u>144%</u>	<u>152%</u>	<u>145%</u>	<u>145%</u>	<u>154%</u>

¹ Unaudited.

**AIRPORT SYSTEM
HISTORICAL ENPLANED CARGO OPERATIONS¹
1994-1998
(in pounds)**

<u>Year</u>	<u>Air mail</u>	<u>Freight and express</u>	<u>Total</u>	<u>Percent increase (decrease)</u>
1994	123,322,907	288,366,187	411,689,094	3.6
1995	131,118,426	268,614,544	399,732,970	(2.9)
1996	137,491,653	269,836,081	407,327,734	1.9
1997	151,756,471	297,683,390	449,439,861	10.3
1998	161,321,654	302,352,384	463,674,038	3.2

**AVERAGE AIRLINE COSTS
PER ENPLANED PASSENGER¹
1998 dollars**

\$14.27

**HISTORICAL PASSENGER FACILITY CHARGE REVENUES¹
(\$ in thousands)**

<u>Year</u>	<u>Revenues</u>
1994	40,936
1995	39,198
1996	41,619
1997	45,429
1998	47,411

¹ Unaudited.

CONTACTS FOR FURTHER INFORMATION

Compliance Officer for the City and County of Denver, Colorado 1999 Disclosure Statement:

Cheryl D. Cohen
Manager of Revenue, *ex officio* Treasurer
144 West Colfax Avenue, Room 300
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(303) 640-2262 (Phone)
(303) 640-3218 (Fax)

To obtain copies of the following City and County of Denver, Colorado documents:

Continuing Disclosure Annual Report:

City and County of Denver
Department of Revenue
Robert O. Gibson
Director of Financial Management
144 West Colfax Avenue, Room 209
Denver, Colorado 80202
(303) 640-3317 (Phone)
(303) 640-2719 (Fax)
www.denvergov.org/ click "Agencies" then click "Treasury Division"

Comprehensive Annual Financial Report:

Office of the Auditor
Internal Audit Section
110 Sixteenth Street, Suite 1100
Denver, Colorado 80202
(303) 640-2241 (Phone)
(303) 640-3372 (Fax)

Financial Statements and Supplementary Information - Airport System:

Department of Aviation
Denver International Airport
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Financial Statements - Board of Water Commissioners:

Denver Water Board
Kathryn Kempke
Manager of Treasury Operations
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Denver, Colorado 80254
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(303) 628-6479 (Fax)

The 1999 Disclosure Statement must be read in conjunction with the City's Comprehensive Annual Financial Report (CAFR) - available from the Office of the Auditor. See above.

AN ECONOMIC AND DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

INTRODUCTION

The Denver metropolitan area is the business and cultural center of the Rocky Mountain region. The 4,503 square mile metropolitan area consists of six counties: Adams, Arapahoe, Boulder, Denver, Douglas and Jefferson. This area is home to 55% of the state's population and 61% of the state's jobs. The economic activity of the Denver metropolitan area has a large influence on the state's economic performance.

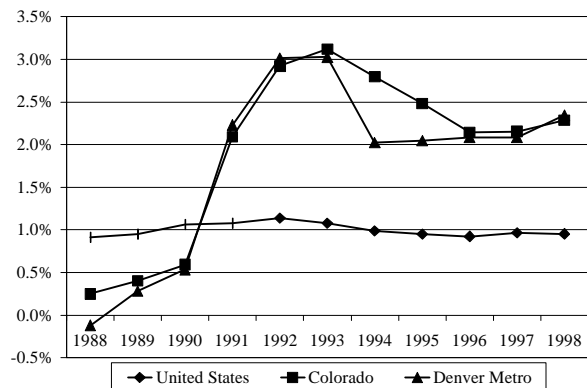
The Denver metropolitan area has registered positive job growth each year starting with 1988. Since 1990, job growth in the Denver metropolitan area has been greater than the national rate, with employment growth averaging 3.5% per year. The Denver metropolitan economy is an expanding economic system that offers diverse opportunities for its residents and businesses.

POPULATION

According to the U.S. Bureau of the Census, Colorado was the third fastest growing state in the nation in 1998. Colorado's population increased by 90,036 residents to 4,025,368, a 2.3% increase over the 1997 level. This was the first year that Colorado's population surpassed the four million mark. While the state has gone through several population growth cycles in its history, the growth trend recently has been quite consistent. It took 16 years for the state's population to grow from two million to three million people and

another 16 years to expand from three million to four million people. Colorado's population is projected to increase 2.0% annually to 4.2 million people in 2000, a significantly higher growth rate than the 0.9% annual increase expected for the nation.

POPULATION GROWTH RATES



Sources: U.S. Department of Commerce, Bureau of the Census; Colorado Division of Local Government.

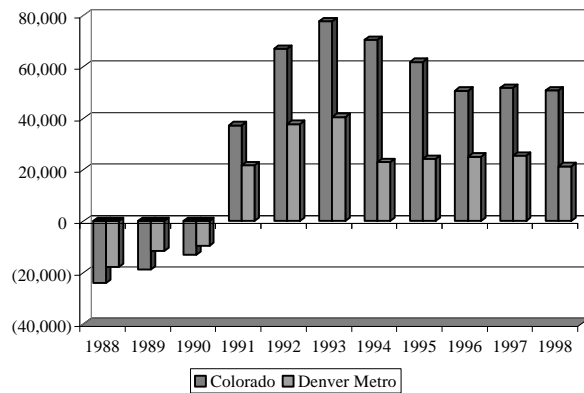
There are two components to population growth: natural increase and net migration. Natural increase, or births less deaths, is typically a relatively stable component. Net migration, or the number of people moving into the state minus the number leaving, is a comparatively more volatile component. Over the last 10 years, the natural increase of the population in Colorado has averaged about 31,000 residents per year. During this same period of time, net migration fluctuated between a low of -18,700 in 1989 and a high of nearly 77,800 in 1993. Since 1989, about 40% of Colorado's population growth has been due to natural increase and 60% due to net migration.

In 1998, about 50,900 of the 90,000 population increase resulted from people moving here from other states. Relocations from California have typically accounted for 15% to 20% of Colorado's in-migrants. Texas, Arizona, Florida, New Mexico and Illinois also provide Colorado with large numbers of new residents. The state demographer has noted that, while most in-migrants come to the state for jobs, there is a new trend of retirees relocating to the state to be closer to family. With a higher proportion of aging baby-boomers in the state than the national average, the median age in the state has increased to 35.3 as compared to the national median of 34.9.

The Denver metropolitan area has experienced average population growth of 2.1% per year from 1994 to 1998. This followed on the heels of 3.0% annual growth in 1992 and 1993. Population for the six-county region was 2,233,966 in 1998. According to the U.S. Census Bureau, Douglas County, one of the six counties comprising the Denver metropolitan area, was the second fastest growing county in the country in 1998. While Douglas County has the smallest population of the six counties, it has added the most people over the last ten years.

In general, nearly half of the net in-migrants into the state settle in the Denver metropolitan area. Net migration has fluctuated widely at the metropolitan level, from -11,600 in 1989 to 40,600 in 1993. Net migration in 1998 was estimated at 21,400 people. Douglas, Adams and Arapahoe counties are currently experiencing the strongest population growth rates in the Denver metropolitan area.

NET MIGRATION



Source: Colorado Division of Local Government.

The City and County of Denver has seen slow but positive population growth since 1991. Total population in 1998 is estimated at 508,597 people, a 0.8% increase over the 1997 population. Population growth rates for the City and County of Denver have historically been less than that of the overall Denver metropolitan area. This can be attributed to a lack of available housing units rather than a lack of demand. However, the housing supply outlook is changing.

Building permits for 4,371 residential units were issued in the City and County of Denver in 1998. This marked the first time in the last nine years that the number of permits issued in the City and County of Denver was not the lowest of the six Denver metropolitan counties. New residential construction activity is occurring primarily at various in-fill redevelopment sites in the City and County of Denver including the Central Platte Valley adjacent to downtown Denver, the former Stapleton International Airport and the former Lowry Air Force Base. This redevelopment activity is attracting new residents into the City and County of Denver.

COUNTY POPULATION
(in thousands)

	1988	1993	1998	% Change	
				88-93	93-98
Adams	269.0	283.3	322.3	5.3%	13.8%
Arapahoe	386.7	429.7	476.2	11.1%	10.8%
Boulder	218.4	246.8	272.0	13.0%	10.2%
Denver	479.6	492.6	508.6	2.7%	3.3%
Douglas	53.1	83.5	145.2	57.2%	73.9%
Jefferson	432.4	476.1	509.7	10.1%	7.1%
Denver Metro	1,839.3	2,011.9	2,234.0	9.4%	11.0%
Colorado	3,271.4	3,579.9	4,025.4	9.4%	12.4%

Source: Colorado Division of Local Government.

EMPLOYMENT

Colorado leads the nation in economic strength and growth potential for the sixth year in a row, according to the Corporation for Enterprise Development's *1998 Development Report Card for the States*. Colorado received straight A's for the economic benefits it provides the population, the vitality of its business climate and the potential for future growth. This study also ranked Colorado as one of the most diverse economies in the country. This diversification means greater economic stability than areas with more specialized economies. In a separate study by the Progressive Policy Institute, Colorado was ranked the third-highest overall in "high-tech readiness." States were rated on their number of skills-based jobs, the educational level of the workforce, foreign direct investment, economic dynamism and competition, transformation to a digital economy, and capacity to expand technologically.

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. It is from these estimates that unemployment rates are derived. The second data series is commonly referred to as nonagricultural wage and salary employment. This data series is used to estimate employment by industry based on the unemployment insurance reports filed by employers. This series does not include those individuals that are self-employed, a growing segment of Colorado's economy. While the non-agricultural employment data is a narrower definition of employment, it is the more accurate and widely cited measure.

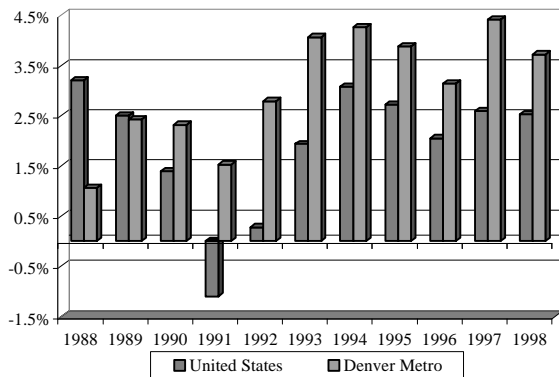
Nonagricultural employment in Colorado exploded between 1993 and 1995 with growth peaking at 5.1% in 1994. Employment growth of 3.6% in 1998 remains strong and is 1.1 percentage points higher than the national rate. In the United States, nonagricultural wage and salary employment expanded by 2.5% in 1998, slightly lower than the 2.6% rate achieved in 1997.

Colorado ranks third in the nation in high tech employment growth, increasing 43% between 1990 and 1997, according to the American Electronics Association third annual Cyberstates study. Colorado has the second highest concentration of technology workers, with 80 workers per 1,000. Colorado's information technology employment is predominantly in telecommunications and manufacturing operations, with software and high tech

services employment increasing the most. Many of the major high tech companies are located in the Denver metropolitan area.

Nonagricultural wage and salary employment in the Denver metropolitan area has grown consistently for the last 11 years. Since 1990, nonagricultural employment growth has averaged about 3.5% per year, with growth rates exceeding 4% in 1993, 1994 and 1997. Denver's peak employment growth year was 1997, when 51,300 jobs were added. In contrast, about 45,000 jobs were added in 1998, a 3.7% rate of growth. The six-county Denver metropolitan area now boasts a nonagricultural employment base of 1.26 million people.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT GROWTH RATES



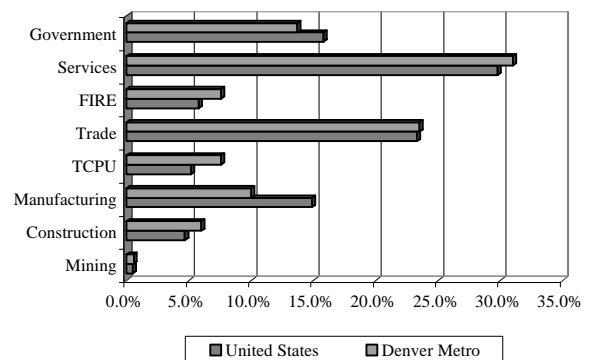
Sources: U.S. Department of Labor, Bureau of Labor Statistics; Colorado Department of Labor and Employment.

Job growth in the Denver metropolitan area in 1998 occurred in all industrial sectors with the exception of mining, which was flat. The strongest job gains were posted in the construction, communications, finance/insurance/real estate and business services categories.

Four major industry sectors - services, trade (wholesale and retail), government and

manufacturing - provide about 78% of the employment in the Denver metropolitan area. Further, the Denver metropolitan area has a greater concentration of financial services, communications and construction employment than the national average. The diversity of the employment base has helped minimize the impacts of a weak sector of the economy.

1998 EMPLOYMENT BY INDUSTRY



TCPU = Transportation, Communication & Pub Utilities
 FIRE = Finance, Insurance & Real Estate
 Sources: U.S. Department of Labor, Bureau of Labor Statistics; CO Department of Labor & Employment.

The services industry employs the most people in the Denver metropolitan area, accounting for about 31% of all nonagricultural employment. The services industry includes a broad mix of businesses, including personal services, business services, health care, private education, and legal and accounting services. This industry expanded by 4.4% in 1998 and has grown consistently throughout the last decade, highlighting the increasing importance of the services industry locally and nationally.

Manufacturing employs 125,500 people in the Denver metropolitan area, making it the fourth largest sector as measured by employment size. Only 10% of the Denver metropolitan area's total nonagricultural employment base is concentrated in

manufacturing operations as compared to nearly 15% nationally. However, the \$17 billion manufacturing industry is of primary importance since it is Colorado's largest industry as measured by new dollars brought into the state.

The construction industry was the fastest growing industry in the Denver metropolitan area for the third year in a row. Construction employment expanded by 11.9% due to strong activity in the non-residential markets and the home construction market. As described in greater detail in the Residential Real Estate and Commercial Real Estate sections of this report, a 19.3% increase in residential permits and a multitude of non-residential projects have created plenty of new employment opportunities for construction workers in the Denver metropolitan area.

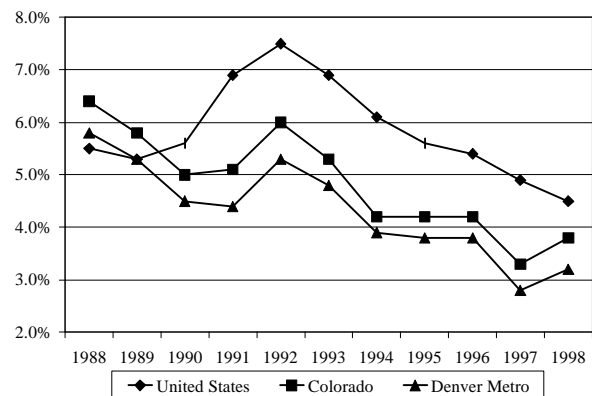
The City and County of Denver is the center of employment for the Denver metropolitan area. About 36% of the total Denver metropolitan area's employment is located in the City and County of Denver. Downtown Denver's Central Business District has the area's largest concentration of office space and a large cluster of telecommunications and information technology companies, as well as most of the metro area's financial and legal firms. Denver's job base of 446,400 is the largest in the state of Colorado.

UNEMPLOYMENT

The U.S. unemployment rate averaged 4.5% in 1998, with Colorado and 18 other states registering a rate of 4.0% or less. In the six-county Denver metropolitan area, an average of 41,100 individuals were looking for work each month during 1998, a 3.2%

unemployment rate. The unemployment rate in 1998 was up slightly from the 1997 level of 2.8%, which was one of the lowest annual rates on record. This was the ninth year in a row that the Denver metropolitan area jobless rate has been below the national average. The 1998 unemployment rate in the City and County of Denver of 4.1% was almost a full percentage point higher than the Denver metropolitan area average, yet remained below the national rate. 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.

The labor force is tight across the country and demographers forecast that this situation will not be much better in the future as baby boomers retire and lower birth rates constrain the workforce. Companies today need to focus on the quality of the labor force to succeed. The Denver metropolitan area offers a well-educated, highly skilled labor force. In fact, a 1995 report by the U.S. Census Bureau found that the Denver metropolitan area has the highest percentage of high school educated people than all other major cities. Further, the Denver

metropolitan area has the second highest percentage of people with bachelor's degrees in its population. The Denver metropolitan area and Colorado are investing heavily in new education and training programs to maintain this competitive edge.

MAJOR EMPLOYERS

Employment in the Denver metropolitan area is dominated by small business. Indeed, according to U.S. Department of Commerce statistics, nearly 98% of the 76,700 businesses in the Denver metropolitan area have under 100 employees. There are approximately 53 business establishments in the Denver metropolitan area which 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.

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 (18,800), Federal Government (15,900), the City and County of Denver (10,000), and Denver Public Schools (11,300). About 30% of the total Denver metropolitan area private business establishments are located in the City and County of Denver. The following are the 20 largest private employers in the Denver metropolitan area.

LARGEST PRIVATE EMPLOYERS

Company	Products	Employment
1. US WEST	Telecommunications	14,800
2. Columbia/HealthONE LLC	Hospitals, Health Care	9,300
3. Centura Health Systems	Hospitals, Health Care	9,000
4. King Soopers, Inc.	Grocery Stores	9,000
5. United Airlines, Inc.	Airline	8,000
6. Lockheed Martin	Aerospace & Defense-Related Systems	7,400
7. Lucent Technologies	Telecommunications Equipment	7,200
8. IBM Corporation	Computer Software, Services	5,000
9. Coors Brewing Company	Beverages	5,000
10. Safeway, Inc.	Grocery Stores	5,000
11. Exempla Healthcare	Hospitals, Health Care	4,200
12. Kaiser Permanente of Colorado	Health Care	4,000
13. Storage Technology Corp.	Computer Storage Devices	3,500
14. Kaiser-Hill Team /Rocky Flats	Clean-up/Waste Management	3,200
15. United Parcel Service	Motor Freight	3,200
16. Ball Corporation	Aerospace, R&D Production	3,100
17. New Century Energies	Natural Gas & Electric Provider	3,000
18. AT&T Co.	Telecommunications	3,000
19. AT&T Broadband & Internet Services	Telecommunications	3,000
20. Great West Life & Annuity Insurance Co.	Life Insurance Headquarters	3,000

*Sources: Denver Metro Chamber of Commerce,
Denver Business Journal.*

INTERNATIONAL TRADE

Denver's position in the international community was enhanced in 1995 with the opening of Denver International Airport. Denver International Airport now offers non-stop service to more than 110 U.S. cities and international flights to London and every major city in Canada and Mexico on a daily basis.

Denver is on the 105th meridian, the exact midpoint between Tokyo and Munich, 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. Denver will soon be the home of three foreign consulates. A new British consulate will open by the end of 1999. Japan opened a consulate in January 1999, joining the Mexican consulate that has been here for many years.

In 1998, Colorado exported \$5.2 billion in manufactured products to 170 countries, a 3.4% increase over 1997. The state's manufactured exports are dominated by high tech categories. Commercial industrial machinery and computer equipment exports accounted for 30% of manufactured exports in 1998. Electronic, electrical equipment and components placed second with 27% of the export value. Measuring, analyzing and controlling instrumentation captured third place, with 21% of the export value.

In addition, the state exported about \$900 million in agricultural products, with meat and wheat products accounting for more than 53% of agricultural exports. Colorado's

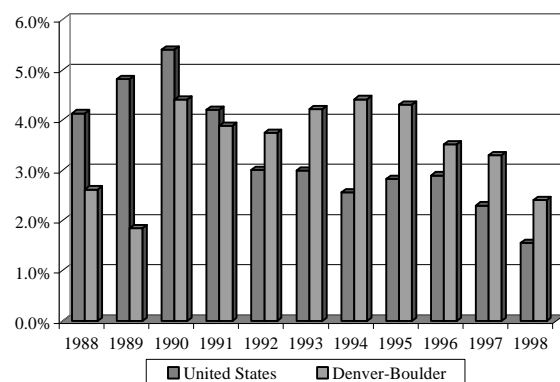
top trading partners include Canada, Japan, the United Kingdom, Germany and China.

A recent study by KPMG Peat Marwick looked at foreign investment in Colorado. The firm surveyed 147 foreign-based companies from 22 countries and found that the number of Colorado residents employed by foreign-owned entities increased from 19,733 in 1991 to 23,233 in 1996, an average annual increase of 3.5%. As measured by the number of companies, Japan, Australia, the United Kingdom and Germany have the strongest presence in Colorado.

INFLATION

The Denver-Boulder Consumer Price Index, which is typically used to measure the inflation rate, has increased at a rate higher than the national rate for the last seven years. The inflation rate in the Denver metropolitan area dropped to 2.4% in 1998, down from 3.3% in 1997. By contrast, the national rate dropped from 2.3% in 1997 to 1.6% in 1998.

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 average price of apparel decreased 3.3% in 1998 and transportation posted a minor increase of 0.5%. On the other hand, price increases were especially strong in housing (4.5%) and medical care (3.5%).

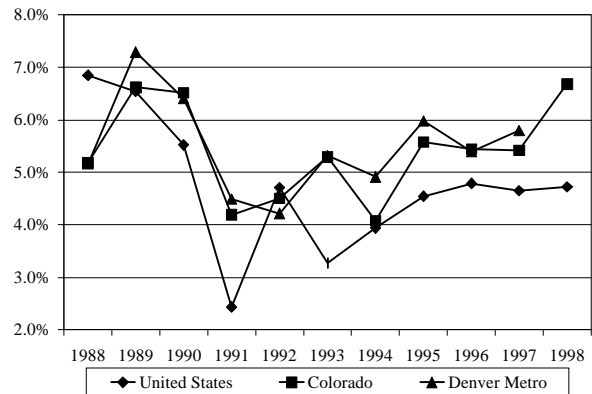
INCOME

Total personal income in Colorado increased 8.9% in 1998 to an estimated \$114.4 billion, a much stronger growth rate than the national increase of 5.7%. This was the ninth year in a row that Colorado posted a higher total personal income growth rate than the United States. Much of the strong increase in total personal income can be traced back to the booming population. When personal income is examined on a per capita basis, the state growth rate of 6.7% in 1998 is still two percentage points higher than the national increase of 4.7%. Colorado's per capita income of \$28,821 ranked ninth in the nation and was 8.8% higher than the national level of \$26,482.

The most recent data available for county-level personal income is from 1997. In general, the rate of increase of total personal income in the Denver metropolitan area tracks closely with that of the state. In 1997, total personal income in the Denver metropolitan area grew 8.0% as compared to the state increase of 7.6%. In the City and County of Denver, total personal income grew 6.5% in 1997.

The per capita income level in the Denver metropolitan area was \$30,822 in 1997, up 5.8% from 1996. Per capita income in the City and County of Denver, \$33,727 in 1997, continues the historic trend of being higher 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.

Another frequently-used income measure is median household effective buying income (EBI), an after-tax household income measure. EBI in the Denver metropolitan area in 1998 of \$37,966 is nearly 10 percent above the national average. EBI ranged from \$54,181 in Douglas County to \$26,715 in the City and County of Denver.

RETAIL TRADE

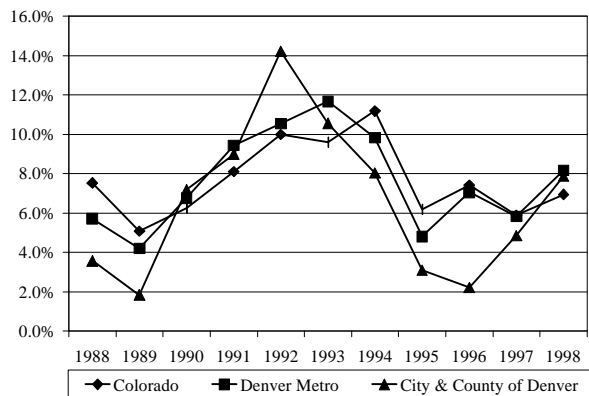
The Denver metropolitan area is the center of a large geographic region for retail, wholesale and distribution activities. Its market area reaches out to a vast portion of the western and central United States.

Strong population growth and generally prosperous economic conditions have created desirable operating conditions for

retailers throughout the state. Total retail sales in Colorado increased 7.0% in 1998, as compared to a national increase of 5.0%. Total retail sales in all industries in the Denver metropolitan area reached \$50.7 billion in 1998, 8.2% higher than the 1997 level. While these are certainly healthy growth rates, they are lower than those posted during the 1992 to 1994 period when strong population growth, mortgage refinancing and new home buyers' purchases of durable goods led to retail growth rates of 10% per year or higher.

A narrower definition of retail sales is retail trade sales, which covers only those sales in traditional retail store establishments. The largest category of retail trade sales in the Denver metropolitan area is auto dealers and service stations, followed by food stores and miscellaneous retail. All retail trade categories increased in 1998, with general merchandise stores and furniture/appliances posting the largest sales gains.

RETAIL SALES GROWTH

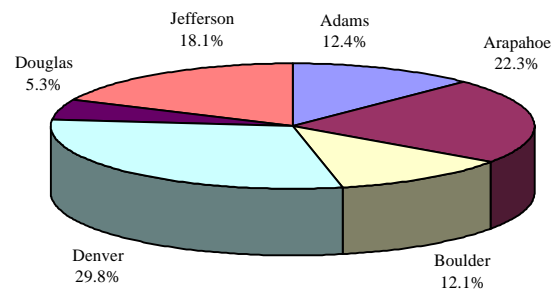


Source: Colorado Department of Revenue.

The City and County of Denver traditionally posts the highest level of retail sales in the Denver metropolitan area. In 1998, nearly 30% of the retail sales in the Denver

metropolitan area occurred in the City and County of Denver.

RETAIL SALES BY COUNTY



Source: Colorado Department of Revenue.

Retail sales growth was strongest in Douglas County for the sixth year in a row, with a 15.7% growth rate posted in 1998. Although this is an exceptionally strong growth rate, it is lower than the peak growth rate of 46.4% achieved in 1996 with the opening of the Park Meadows shopping mall. Retail sales grew by 7.9% in the City and County of Denver in 1998, the highest growth rate posted in that area since 1994. New retail construction is occurring throughout the Denver metropolitan area as a result of the strong retail market.

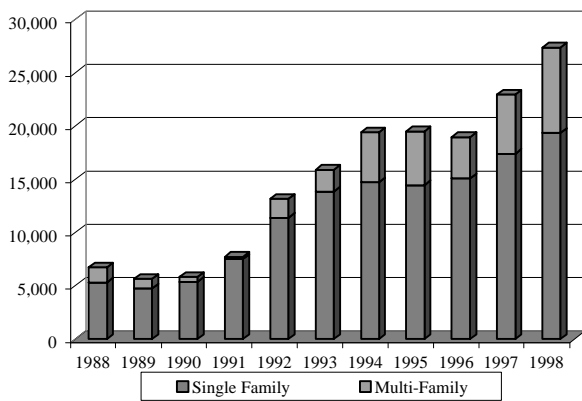
RESIDENTIAL REAL ESTATE

The Denver metropolitan area was one of the 10 busiest residential construction markets nationally in 1998 according to U.S. Housing Markets. New single family and multi-family residential permits rose to 27,379, the highest level since 1983.

Although most economic forecasts had predicted a slowdown in single family home construction in 1998, building permits grew

to 19,367, the fourth highest level in the last 25 years. Single family construction in the Denver metropolitan area has continued an upward trend since reaching a record low of 4,755 building permits in 1989. Single family home construction has been the strongest in the southern portions of the Denver metropolitan area, especially in Douglas County with 5,338 permits issued.

NEW HOME CONSTRUCTION



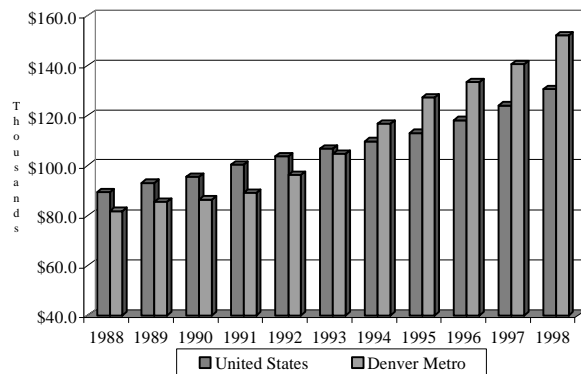
Source: Home Builders Association of Metro Denver.

The new homes have been selling at a brisk pace. There were 18,565 sales of new production-built homes in 1998, an 18% increase over the 1997 level. Douglas County posted the greatest number of new home sales, with 4,985 units sold. The City and County of Denver posted the greatest increase in new home sales, with 2,420 homes sold, a 60% increase over 1997.

A strong housing market in recent years has led to high levels of appreciation in new production home prices. The average price of a newly constructed home reached \$185,421 in 1998, a 6.6% increase over 1997. Average prices ranged from \$201,640 in Jefferson County to \$158,547 in Adams County. The average price of a new production home in the City and County of Denver was \$177,489 in 1998.

The resale market has also been quite strong. Median single family home prices in the Denver metropolitan area have increased an average of 6.4% per year over the last ten years, as compared to an annual average increase of 3.9% nationally. The median price of an existing single family home is \$152,200 in the Denver metropolitan area, as compared to a national median of \$130,600. The median home price in the Denver metropolitan area moved above the national median in 1994 for the first time since 1987.

MEDIAN HOME PRICES

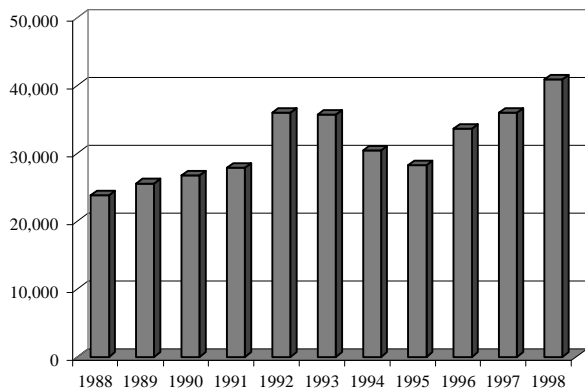


Source: National Association of REALTORS.

After a slight decline in previously-owned home sales activity in 1994 and 1995, activity rebounded in 1996 and 1997 and reached a record high in 1998. In 1998, 40,916 homes were placed under contract, up from 35,963 homes in 1997.

The average resale price of a single family home in the Denver metropolitan area rose to \$185,785 in 1998, a 9.6% increase over 1997. The average resale price of a condominium in the Denver metropolitan area rose 14.1% in 1998, to \$115,235. Home buyers paid a record \$7.7 billion for previously-owned homes in the Denver metropolitan area in 1998.

DENVER METRO HOME SALES



Source: Perry & Butler.

Despite the greatest number of multi-family building permits issued since 1984, the overall apartment vacancy rate in the Denver metropolitan area decreased from 4.9% in 1997 to 4.4% in 1998. The average annual vacancy rate for all units ranged from 4.0% in Arapahoe County to 7.2% in Douglas County. The average vacancy rate in the City and County of Denver ended the year at 4.3%, down from the 1997 average of 4.7%. The average rental rate for all apartments increased 7% from the fourth quarter of 1997 to the fourth quarter of 1998, to \$695 per month.

COMMERCIAL REAL ESTATE

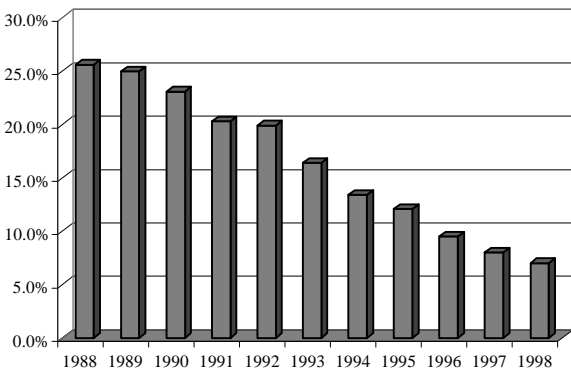
The Denver metropolitan area's commercial real estate market has expanded considerably in recent years. Though strong office and industrial construction throughout the metro area has made investors cautious, the Denver metropolitan area's commercial real estate market was ranked the 11th best place for investments in 1999 in the annual *Emerging Trends in Real Estate* report by the accounting and consulting firm PricewaterhouseCoopers.

The Denver metropolitan area has seen a tremendous boost in office construction in recent years. In sharp contrast to essentially no new office construction in 1995, more than 2.0 million square feet of office space was added in 1997 and 6.0 million square feet was either completed or under construction in 1998. Low vacancy rates in the office market have spurred both speculative and build-to-suit construction throughout the Denver metropolitan area, with most of the office activity occurring in the southeast and northwest markets.

For the first time in at least a dozen years, the downtown Denver market is experiencing new office construction. Two office buildings, the 175,000-square-foot 1899 Wynkoop building and the 145,000-square-foot Millennium Financial Center, are currently under construction. Two additional buildings are planned, including a 280,000-square-foot building by Continuum Partners LLC and a high-rise office building near the Denver Pavilions by Brookfield.

Vacancy rates have remained at healthy, low levels despite the vast amount of office construction. The office vacancy rate in the Denver metropolitan area dropped to 7% in 1998, down from 8% in 1997 and 25% ten years ago. This currently represents about 5.1 million square feet of available space. Full-service lease rates for all office properties throughout the Denver metropolitan area average \$15.50 per square foot. Average Class A rental rates range from \$25 per square foot in the southeast and central markets to \$15 per square foot in the southwest and northwest markets.

OFFICE VACANCY RATE



Source: CB Richard Ellis.

The industrial market has been exceptionally strong as well. Estimates peg industrial construction activity at more than 4.0 million square feet of new product completed in 1998, with about 65% of the construction occurring in the northeast sector. Looking forward to 1999, it is expected that about 2.0 million square feet of speculative industrial space will be built, with increasing demand for industrial products throughout the Denver metropolitan area. The industrial vacancy rate averaged 6.2% in 1998, representing about 8.9 million square feet of available space. Industrial rental rates averaged \$5.20 per square foot NNN in 1998.

Major redevelopment opportunities exist in the Denver metropolitan area with the closure of three defense-related sites and the former Stapleton International Airport. Redevelopment plans are well underway at these sites, offering opportunities for a mix of residential, commercial, educational and open space uses.

The decommissioned army medical center at Fitzsimons will house the University of Colorado Health Sciences Center, related research and treatment centers and a commercial bioscience research park. The

now closed Lowry Air Force Base is a 1,866-acre site that includes an advanced technology education center, business park, housing, parks and golf courses. The former Rocky Mountain Arsenal is now the Rocky Mountain Wildlife Refuge Prairie Gateway, an 815-acre site that will combine environmental, research and education uses with a recreation and wildlife refuge visitor center.

Forest City Enterprises was recently selected to redevelop the 4,700-acre former Stapleton Airport site. The site is already home to the United Airlines Flight Training Center, the largest training center of its kind, and the rapidly expanding Catellus Business Center. Development plans call for 17 million square feet of commercial space, 10,500 new homes and apartment units, and extensive parks and trails.

An affluent population and a large geographic service area have combined to establish a strong and diverse retail sector. The 1998 estimate of per household retail sales in the Denver metropolitan area of \$26,556 ranks the area 16th among the 30 largest metropolitan areas in the country. This strength in retail sales activity fosters a healthy retail real estate market. Construction activity was strong in 1998, with about 5.4 million square feet completed or under construction. Despite this amount of construction, the retail vacancy rate averaged 5.0% in 1998.

The Denver metropolitan area offers 12 geographically-dispersed malls which are 500,000 square feet or larger. The newest mall is the 1.5 million-square-foot Park Meadows, located in the south corridor. Park Meadows celebrated its grand opening in September 1996 with four anchor stores, including the metro area's first Nordstrom

and Dillard's department stores. FlatIron Crossing, currently under construction at U.S. 36 and 96th Street in Broomfield, is a 1.5 million-square-foot indoor and outdoor mall scheduled to open in Summer 2000. These new suburban malls complement the centrally-located, one million-square-foot Cherry Creek Shopping Center, which has been one of the area's top tourist destinations since it opened in 1990. Cherry Creek introduced several high-end department stores to the area, including Saks Fifth Avenue, Neiman Marcus and Lord & Taylor.

Downtown Denver shopping opportunities are offered by more than 400 merchants in nearly 2.5 million square feet of retail space concentrated along the pedestrian-only 16th Street Mall and the burgeoning Lower Downtown district. The new two-block Denver Pavilions project on the 16th Street Mall brought new retailers to Downtown, including NikeTown, Virgin Records, Hard Rock Café and a 12-screen United Artists theater.

There are also several other major projects recently completed or under construction which will influence construction activity in the years to come. These include the \$93 million Colorado's Ocean Journey aquarium which opened in June 1999, the \$160 million Pepsi Center basketball and ice hockey arena which will open in Fall 1999, and the \$360 million new Denver Broncos stadium which will open in 2001. All of these major projects are located within the City and County of Denver. These projects, combined with other commercial developments and roadway improvement projects throughout the Denver metropolitan area, ensure the continued strength of nonresidential construction in the Denver metropolitan area for the next few years.

TRANSPORTATION

Denver's central geographic location and its dominant cultural and business role in the Rocky Mountain region have combined to make the area one of the country's most important transportation hubs. 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.

A circumferential highway connecting the interstates and other major roadways is being built around the Denver metropolitan area. C-470 is the completed southwest quarter of the beltway highway system, connecting south I-25 to west I-70. E-470, which forms the eastern half of the new beltway, currently stretches for 34 miles from south I-25 to 120th Avenue. The final 12-mile segment of E-470 from 120th Avenue to north I-25 should be finished in 2002 or 2003. The final quarter of the beltway system, the Northwest Parkway, will connect north I-25 to west I-70. The Northwest Parkway currently is in the planning stages and is projected to open in 2003.

To address the concerns of an increasingly congested highway system, a Light Rail Transit (LRT) line is being built in the Denver metropolitan area. The first leg of the LRT line opened in October 1994. The \$116 million Central Corridor LRT covers a 5.3-mile route from 30th and Downing Streets through Downtown Denver and then south to Interstate-25 and Broadway. The next segment of the rail line, the Southwest Corridor LRT, will extend 8.7 miles south along Santa Fe Drive to Mineral Avenue. This project will open in July 2000 and is expected to carry about 8,500 passengers per day initially, growing to 22,000 per day by

2015. The next phase, the Southeast Corridor LRT, will run 19.7 miles along I-25 south to Lincoln Avenue in Douglas County. This project, along with an additional vehicle lane in each direction of I-25 and I-225, is expected to cost about \$1.1 billion when construction is completed in 2008. These segments form the backbone of the future, comprehensive light rail system throughout the Denver metro area.

1995 marked the beginning of a new era of air transportation for Colorado. Denver International Airport (DIA) opened with five 12,000-foot runways, three concourses, 84 full-service gates, 57 commuter aircraft parking positions and four international gates. The 53-square-mile site features state-of-the-art technology designed to increase safety margins and reduce delays. According to the Federal Aviation Administration, DIA had the fewest delays among the nation's 20 busiest airports in 1998.

DIA, which serves as a major hub for United Airlines, averaged about 1,300 flight operations and nearly 101,000 passengers each day in 1998, making it the sixth busiest airport in the country and the tenth busiest in the world. DIA is the 18th busiest air cargo hub, served by 22 major domestic carriers of air cargo, plus 22 cargo-only carriers. DIA offers non-stop service to more than 110 U.S. cities and non-stop international flights to London and every major city in Canada and Mexico on a daily basis. The airport's central location allows air travelers to easily reach two-thirds of the nation within 2 hours.

TOURISM

The tourism industry includes travel, outdoor recreation and conventions. As

measured by new dollars brought into the state, tourism ranks as Colorado's second largest basic industry, after manufacturing. According to the study by Longwoods International, a Canadian research firm that specializes in tourism industry analysis, pleasure visits to Colorado grew 4% in 1998 to 21.6 million. Compared to the growth rates from previous years, this was a relatively meager increase in tourism. The state hopes to increase the number of out-of-state visitors in 1999 with a \$5 million state promotion budget.

The Denver metropolitan area attracted 9.4 million overnight visitors in 1998, up from 8.8 million visitors in 1997. Of those visitors, 7 million were pleasure travelers and 2.4 million were business travelers. The visitors spent \$2.2 billion in Denver, a 5% increase from the \$2.1 billion spent in 1997. The largest number of tourists come to the Denver metropolitan area from Colorado, Texas, California and Wyoming. The most popular time of year to visit is between July and September.

The City and County of Denver is fast gaining a reputation as an entertainment mecca with all of the excitement and activity surrounding Coors Baseball Field and the lower downtown (LoDo) area. The Central Platte Valley, which is adjacent to downtown Denver, is home to Six Flags Elitch Gardens amusement park and Colorado's Ocean Journey, the only aquarium in an eight-state region. The \$93 million Colorado's Ocean Journey opened in June 1999 and boasts approximately one million gallons of salt and fresh water tanks with five major indoor exhibits. The facility is expected to attract 1.1 million visitors annually. In addition, the Denver metropolitan area offers over 100 parks, several museums, the Denver Zoo, the U. S.

Mint, the Botanic Gardens, and the largest performing arts complex under one roof in the country.

The City and County of Denver is one of only a handful of cities in the country with five major sports teams: the NFL Denver Broncos; the NBA Denver Nuggets; the MLB Colorado Rockies; the NHL Colorado Avalanche; and the MLS Colorado Rapids.

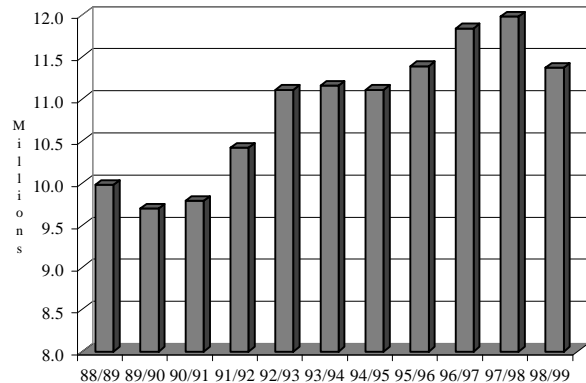
These sports teams have a significant economic impact on the Denver metropolitan area and have led to major investments in new sports venues. The \$160 million Pepsi Center, located in the Central Platte Valley, will open for the 1999 basketball and hockey season. The Pepsi Center will serve as the new home of the NHL Colorado Avalanche and the NBA Denver Nuggets, replacing McNichols Arena.

In November 1998, residents of the Denver metropolitan area voted to continue paying the 0.1% sales tax which is currently being collected to finance the costs of construction of Coors Field. When the debt for Coors Field is retired, which is expected to occur by January 1, 2001, the extended tax will be used to finance a new \$360 million Broncos football stadium for the Denver Broncos. The existing Mile High Stadium will be torn down to make way for the new facility, which should open in 2001.

Denver also serves as a gateway to Colorado's mountain recreation areas, offering a host of summer and winter entertainment options. Skier visits at the state's 25 resorts fell 5.3% to 11.37 million during the 1998-99 ski season, the largest annual decline in skier visits since the 1980-81 season. A skier visit is defined as one lift ticket sold or given away for all or part of

one day. The decline in skier visits was blamed on less than average snowfall and stiff competition from Canadian resorts. On average, about 65% of the ski lift tickets are sold to out-of-state visitors.

COLORADO SKI LIFT TICKETS SOLD



Source: Colorado Ski Country USA.

Conventions are also a major source of tourism activity in Denver. The 900,000 square foot Colorado Convention Center has lured numerous conventions to Denver. According to the Denver Metro Convention and Visitors Bureau, Denver hosted 36 conventions in 1998 which brought 161,400 delegates and \$168 million in spending, the second best convention year in Denver history. There are 40 groups booked for 1999 that are expected to bring nearly 154,500 delegates to town.

The Mayor's Convention Center Expansion Task Force recently recommended building Phase II of the Colorado Convention Center (CCC), which would add 200,000 to 300,000 square feet of exhibit space. When the CCC opened in 1990, it was the 10th largest center in the United States. With other cities rapidly expanding their centers, the CCC now ranks as the 37th largest. The increased competition has caused a reduction in the delegate size of

conventions. The facility expansion requires voter approval as the project would have to be financed through tax increases on restaurants, hotels and car rentals. The issue will be on the November 1999 ballot.

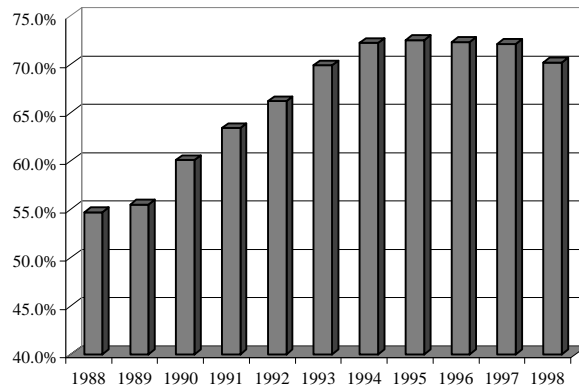
Hotel occupancy fell and average room rates grew at sluggish rates in 1998 as a result of the tremendous increase in the number of hotel rooms in recent years. The hotel occupancy rate in the Denver metropolitan area averaged 70.0% in 1998, down from the 1997 rate of 72.1%. The 1998 average room rate in the Denver metropolitan area was \$88, up 4.1% from 1997. Downtown occupancy fell slightly from 73.3% in 1997 to 73.0% in 1998. The average room rate in downtown Denver reached \$114 in 1998, up 3.4% from 1997.

The strong tourism market, the successful operation of Denver International Airport and a multitude of commercial real estate projects led to numerous hotel projects throughout the Denver metropolitan area in recent years. Denver International Airport opened four years ago with the dubious distinction of being the only major airport in the country with no nearby hotels. Today, there are at least 3,500 rooms in the DIA influence area.

Significant new office and industrial construction throughout the Denver metropolitan area has led to substantial development of limited service and extended stay facilities for the business traveler. In addition, a number of full-service and luxury hotels are being built within major business centers, including the 390-room Omni Hotel at Interlocken and a 526-room Westin hotel at DIA. New hotel development planned or underway in downtown Denver includes the redevelopment of the Executive Tower Inn to a 659-room Hilton and a new 1,100-room

Marriott convention center hotel next to the Colorado Convention Center. It is estimated that about 2,300 hotel rooms were added in 1998, a 9.5% increase.

HOTEL OCCUPANCY RATES



Source: Rocky Mountain Lodging Report.

SUMMARY

The Denver metropolitan area enjoyed its 11th consecutive year of job growth in 1998. About 45,000 new jobs were added in 1998, slightly fewer than the 51,300 added in 1997, but higher than the average annual increase in the last ten years of 34,400 jobs per year. Job growth occurred in seven of the eight major industry groups, with the strongest gains found in the construction, communications, finance/insurance/real estate and business services categories. The diversity of the industrial base makes the Denver metropolitan area more economically stable than other parts of the country.

The unemployment rate in the Denver metropolitan area has dropped from 5.8% in 1988 to the tight labor market rate of 3.2% in 1998. Office vacancies, a strong indicator of business growth and vitality, are down from nearly 26% in 1988 to just 7% today.

While the population tide is ebbing, positive net migration levels have boosted retail sales, personal income and housing activity. Single-family housing starts increased to 19,367 in 1998, and multi-family construction added 8,012 new units in 1998.

The Denver metropolitan area has benefited from strong population growth, business formation and income growth. The area's quality of life and business environment have established Denver and the surrounding area as a growth center that is well supported by existing and planned public infrastructure projects.

Prepared By:

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August 1999

APPENDIX

ECONOMIC INDICATORS

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
POPULATION (July 1)											
United States (thousands)	244,499	246,819	249,439	252,127	254,994	257,746	260,289	262,765	265,190	267,744	270,298
Colorado	3,271,448	3,284,537	3,304,004	3,373,094	3,471,610	3,579,936	3,680,140	3,771,527	3,852,362	3,935,332	4,025,368
Denver Metropolitan Area	1,839,300	1,844,481	1,854,304	1,895,657	1,952,798	2,011,927	2,052,623	2,094,595	2,138,234	2,182,788	2,233,966
City and County of Denver	479,622	472,785	467,854	473,565	480,175	492,582	494,107	496,171	500,963	504,704	508,597
POPULATION GROWTH RATE											
United States	0.9%	0.9%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	0.9%	1.0%	1.0%
Colorado	0.2%	0.4%	0.6%	2.1%	2.9%	3.1%	2.8%	2.5%	2.1%	2.2%	2.3%
Denver Metropolitan Area	-0.1%	0.3%	0.5%	2.2%	3.0%	3.0%	2.0%	2.0%	2.1%	2.1%	2.3%
City and County of Denver	-2.2%	-1.4%	-1.0%	1.2%	1.4%	2.6%	0.3%	0.4%	1.0%	0.7%	0.8%
NET MIGRATION											
Colorado	(24,046)	(18,698)	(12,973)	37,366	66,998	77,757	70,460	61,945	50,757	51,913	50,859
Denver Metropolitan Area	(17,678)	(11,611)	(9,649)	21,782	37,835	40,563	22,939	24,346	25,186	25,605	21,381
City and County of Denver	(12,662)	(9,721)	(9,828)	1,125	2,647	8,454	(2,207)	(1,576)	631	(875)	(2,518)
NONAGRICULTURAL EMPLOYMENT											
United States (millions)	105.2	107.9	109.4	108.3	108.6	110.7	114.1	117.2	119.6	122.7	125.8
Colorado (thousands)	1,436.1	1,482.3	1,520.9	1,545.0	1,596.9	1,670.7	1,755.9	1,834.4	1,900.4	1,979.5	2,051.0
Denver Metropolitan Area (thousands)	914.3	936.5	958.2	972.8	999.9	1,040.5	1,084.8	1,126.9	1,162.2	1,213.5	1,258.6
City and County of Denver		382,971	385,879	382,145	387,646	398,176	405,198	411,706	418,299	428,508	446,364
NONAGRICULTURAL EMPLOYMENT GROWTH RATE											
United States	3.2%	2.5%	1.4%	-1.1%	0.3%	1.9%	3.1%	2.7%	2.0%	2.6%	2.5%
Colorado	1.7%	3.2%	2.6%	1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.6%
Denver Metropolitan Area	1.1%	2.4%	2.3%	1.5%	2.8%	4.1%	4.3%	3.9%	3.1%	4.4%	3.7%
City and County of Denver			0.8%	-1.0%	1.4%	2.7%	1.8%	1.6%	1.6%	2.4%	4.2%
1998 INDUSTRY EMPLOYMENT											
	United States		Colorado			Denver Metropolitan Area					
Mining	0.5%		0.7%			0.6%					
Construction	4.7%		6.4%			6.0%					
Manufacturing	14.9%		10.1%			10.0%					
Transportation, Communications, Pub Util	5.2%		6.3%			7.6%					
Wholesale and Retail Trade	23.3%		24.0%			23.5%					
Finance, Insurance, Real Estate	5.8%		6.6%			7.6%					
Services	29.8%		30.1%			31.0%					
Government	15.8%		15.7%			13.7%					

APPENDIX

ECONOMIC INDICATORS

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
UNEMPLOYMENT RATE											
United States	5.5%	5.3%	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%
Colorado	6.4%	5.8%	5.0%	5.1%	6.0%	5.3%	4.2%	4.2%	4.2%	3.3%	3.8%
Denver Metropolitan Area	5.8%	5.3%	4.5%	4.4%	5.3%	4.8%	3.9%	3.8%	3.8%	2.8%	3.2%
City and County of Denver	7.0%	6.2%	5.5%	5.5%	6.6%	6.0%	5.0%	4.9%	5.0%	3.8%	4.1%
CONSUMER PRICE INDEX (CPI-U)											
United States	118.3	124.0	130.7	136.2	140.3	144.5	148.2	152.4	156.9	160.5	163.0
Denver-Boulder	113.7	115.8	120.9	125.6	130.3	135.8	141.8	147.9	153.1	158.1	161.9
INFLATION RATE											
United States	4.1%	4.8%	5.4%	4.2%	3.0%	3.0%	2.6%	2.8%	2.9%	2.3%	1.6%
Denver-Boulder	2.6%	1.8%	4.4%	3.9%	3.7%	4.2%	4.4%	4.3%	3.5%	3.3%	2.4%
TOTAL PERSONAL INCOME											
United States (billions)	\$4,166	\$4,481	\$4,778	\$4,948	\$5,239	\$5,469	\$5,741	\$6,059	\$6,408	\$6,771	\$7,158
Colorado (millions)	\$55,410	\$59,325	\$63,733	\$67,698	\$72,690	\$78,783	\$84,115	\$90,853	\$97,735	\$105,143	\$114,449
Denver Metropolitan Area (millions)	\$34,767	\$37,395	\$40,191	\$42,912	\$46,016	\$49,803	\$53,201	\$57,464	\$61,743	\$66,683	NA
City and County of Denver (millions)	\$9,503	\$10,251	\$10,835	\$11,353	\$12,180	\$13,079	\$13,826	\$14,942	\$15,829	\$16,855	NA
TOTAL PERSONAL INCOME GROWTH RATE											
United States	7.8%	7.6%	6.6%	3.6%	5.9%	4.4%	5.0%	5.5%	5.8%	5.7%	5.7%
Colorado	5.2%	7.1%	7.4%	6.2%	7.4%	8.4%	6.8%	8.0%	7.6%	7.6%	8.9%
Denver Metropolitan Area	4.9%	7.6%	7.5%	6.8%	7.2%	8.2%	6.8%	8.0%	7.4%	8.0%	NA
City and County of Denver	3.6%	7.9%	5.7%	4.8%	7.3%	7.4%	5.7%	8.1%	5.9%	6.5%	NA
PER CAPITA PERSONAL INCOME											
United States	\$17,038	\$18,153	\$19,156	\$19,623	\$20,547	\$21,220	\$22,056	\$23,059	\$24,164	\$25,288	\$26,482
Colorado	\$16,985	\$18,110	\$19,290	\$20,099	\$21,005	\$22,117	\$23,019	\$24,304	\$25,627	\$27,015	\$28,821
Denver Metropolitan Area	\$18,983	\$20,368	\$21,673	\$22,647	\$23,602	\$24,858	\$26,080	\$27,641	\$29,133	\$30,822	NA
City and County of Denver	\$19,809	\$21,686	\$23,200	\$24,014	\$25,141	\$26,558	\$28,123	\$30,324	\$31,899	\$33,727	NA
PER CAPITA PERSONAL INCOME GROWTH RATE											
United States	6.9%	6.5%	5.5%	2.4%	4.7%	3.3%	3.9%	4.5%	4.8%	4.7%	4.7%
Colorado	5.2%	6.6%	6.5%	4.2%	4.5%	5.3%	4.1%	5.6%	5.4%	5.4%	6.7%
Denver Metropolitan Area	5.2%	7.3%	6.4%	4.5%	4.2%	5.3%	4.9%	6.0%	5.4%	5.8%	NA
City and County of Denver	6.2%	9.5%	7.0%	3.5%	4.7%	5.6%	5.9%	7.8%	5.2%	5.7%	NA

APPENDIX

ECONOMIC INDICATORS

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
RETAIL SALES											
United States (millions)			\$1,844,611	\$1,855,937	\$1,951,589	\$2,083,029	\$2,250,033	\$2,361,793	\$2,506,141	\$2,615,669	\$2,746,011
Colorado (thousands)	\$40,557,919	\$42,624,610	\$45,292,872	\$48,970,094	\$53,868,059	\$59,042,680	\$65,650,512	\$69,722,025	\$74,895,340	\$79,312,815	\$84,826,081
Denver Metro Area (thousands)	\$23,893,711	\$24,901,801	\$26,587,274	\$29,097,544	\$32,169,550	\$35,928,209	\$39,462,577	\$41,363,675	\$44,282,197	\$46,861,534	\$50,693,696
City and County of Denver (thousands)	\$7,804,399	\$7,948,900	\$8,521,882	\$9,289,608	\$10,610,547	\$11,731,994	\$12,675,695	\$13,070,234	\$13,361,425	\$14,011,676	\$15,116,357
RETAIL SALES GROWTH RATE											
United States				0.6%	5.2%	6.7%	8.0%	5.0%	6.1%	4.4%	5.0%
Colorado	7.5%	5.1%	6.3%	8.1%	10.0%	9.6%	11.2%	6.2%	7.4%	5.9%	7.0%
Denver Metropolitan Area	5.7%	4.2%	6.8%	9.4%	10.6%	11.7%	9.8%	4.8%	7.1%	5.8%	8.2%
City and County of Denver	3.6%	1.9%	7.2%	9.0%	14.2%	10.6%	8.0%	3.1%	2.2%	4.9%	7.9%
MEDIAN HOME PRICE											
United States (thousands)	\$89.3	\$93.1	\$95.5	\$100.3	\$103.7	\$106.8	\$109.8	\$113.1	\$118.2	\$124.1	\$130.6
Denver Metro Area (thousands)	\$81.8	\$85.5	\$86.4	\$89.1	\$96.2	\$104.7	\$116.8	\$127.3	\$133.4	\$140.6	\$152.2
EXISTING HOME SALES											
Denver Metropolitan Area	23,791	25,552	26,739	27,863	36,006	35,693	30,388	28,247	33,626	35,963	40,916
NEW RESIDENTIAL UNITS											
Single Family (Denver Metro)	5,312	4,755	5,366	7,512	11,379	13,860	14,724	14,447	15,103	17,384	19,367
Multi-Family (Denver Metro)	1,431	900	485	224	1,798	2,026	4,660	5,057	3,838	5,568	8,012
Total Units	6,743	5,655	5,851	7,736	13,177	15,886	19,384	19,504	18,941	22,952	27,379
OFFICE VACANCY RATE											
Denver Metropolitan Area	25.6%	25.0%	23.1%	20.3%	19.9%	16.4%	13.4%	12.1%	9.5%	8.0%	7.0%
SKI LIFT TICKETS SOLD											
Colorado (millions)	88/89 9.98	89/90 9.70	90/91 9.79	91/92 10.42	92/93 11.11	93/94 11.16	94/95 11.11	95/96 11.39	96/97 11.84	97/98 11.98	98/99 11.37
HOTEL OCCUPANCY RATE											
Denver Metropolitan Area	54.7%	55.5%	60.1%	63.4%	66.2%	69.9%	72.2%	72.5%	72.3%	72.1%	70.0%

NA: 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; Perry & Butler; Home Builders Association of Metro Denver; CB Richard Ellis; Colorado Ski Country USA; Rocky Mountain Lodging Report.

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 Constructions. As used in this Order., the terms, “annual financial information,” “issuer,” “municipal securities,” “obligated person,” and “official statement” shall have the meanings ascribed hereto 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:

/s/ Daniel E. Muse
Attorney for the City and County
of Denver

Approved:

/s/ Wellington E. Webb
Mayor

/s/ Bruce Baumgartner
Manager of Public Works

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

/s/ Fidel Montoya
Manager of Safety

/s/ Cheryl D. Cohen
Manager of Revenue

/s/ Philip A. Hernandez
Manager of Social Services

/s/ Betty Jean Brooks
Manager of Parks and Recreation

/s/ Alonzo Matthews
Manager of Parks and Recreation

/s/ James DeLong
Manager of Aviation