



DENVER
THE MILE HIGH CITY



DENVER INTERNATIONAL AIRPORT (DEN)

2020 Budget

*“America’s favorite connecting hub, where the
Rocky Mountains meet the world”*



Financial Structure

- Denver International Airport is an Enterprise organization
 - No tax dollars
 - No general fund dollars
 - Issues its own bonds
 - Debt paid by net revenues generated

Revenue Profile

- **Two revenue types: Airline and Non-Airline**
- **Airline revenues**
 - Fees are charged to the Airlines in order to recover costs
 - Includes facility rent and landing fees
 - Governed by Federal Aviation Administration (FAA) policy and Airline Use & Lease Agreement
- **Non-Airline revenues**
 - Includes all other revenue sources such as parking, concessions, hotel, car rentals, aviation fuel taxes, oil and gas and land rentals
 - Provides an additional revenue source for the Airport to reinvest in our facilities
 - Continuing to diversify our sources of non-airline revenues is a key objective
 - Some revenue sources are dedicated to supporting specific objectives

Revenue Use Restrictions

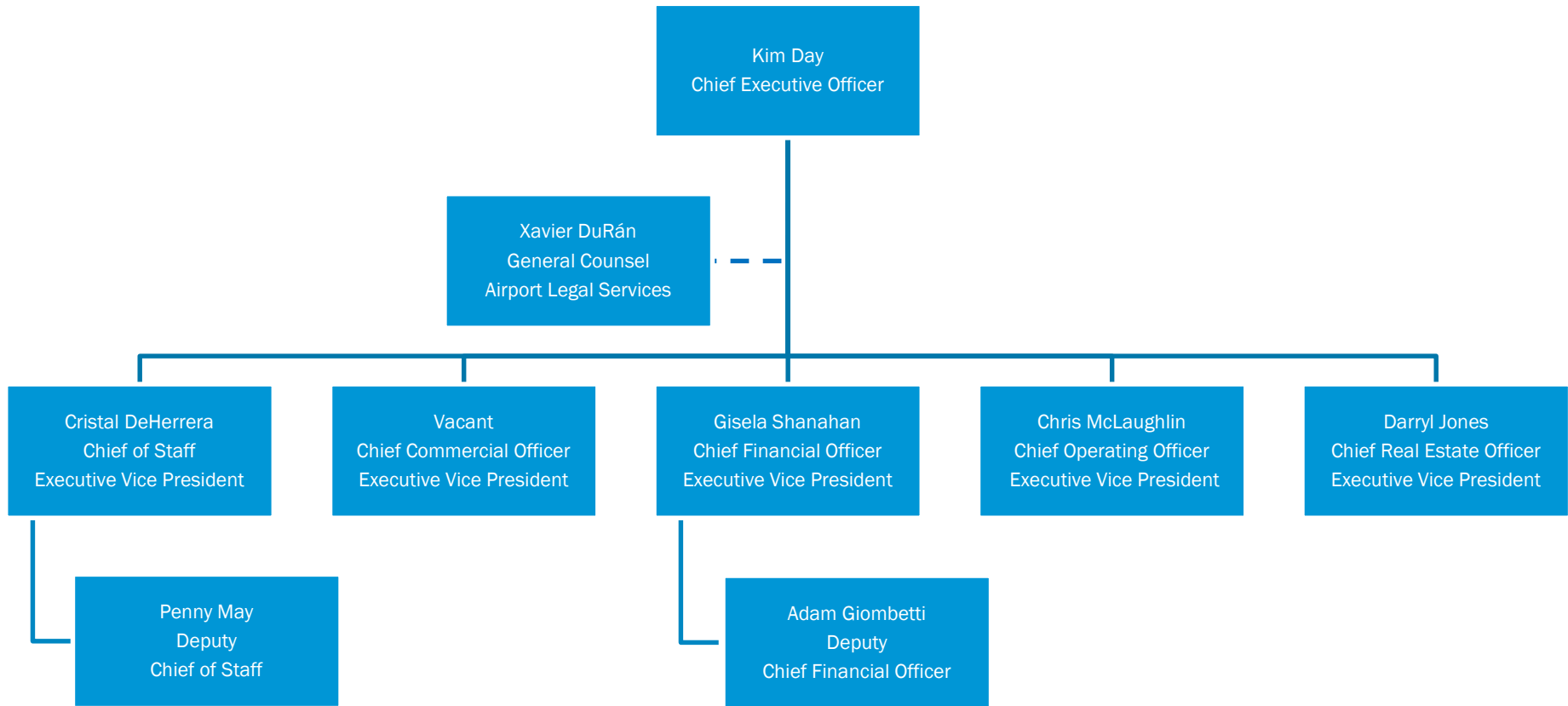
- **FAA restrictions on revenue usage**
 - All airport revenues to be used for aviation related purposes
 - Support ongoing operations and maintenance (O&M)
 - Fund capital improvements
 - Develop additional sources of revenue

- **Airport pays the City for services provided to the Airport (~\$68M per year)**
 - Police
 - Fire
 - Legal Services
 - Auditor
 - Human Resources
 - Division of Small Business Opportunity
 - Indirect Cost Allocation – Costs shared/split amongst City agencies
 - Uniform Services
 - Finance & Risk Management
 - Technology Services
 - General Services
 - Mayor's Office & City Council

DEN Strategic Overview



DEN Organization Structure



Performance Context

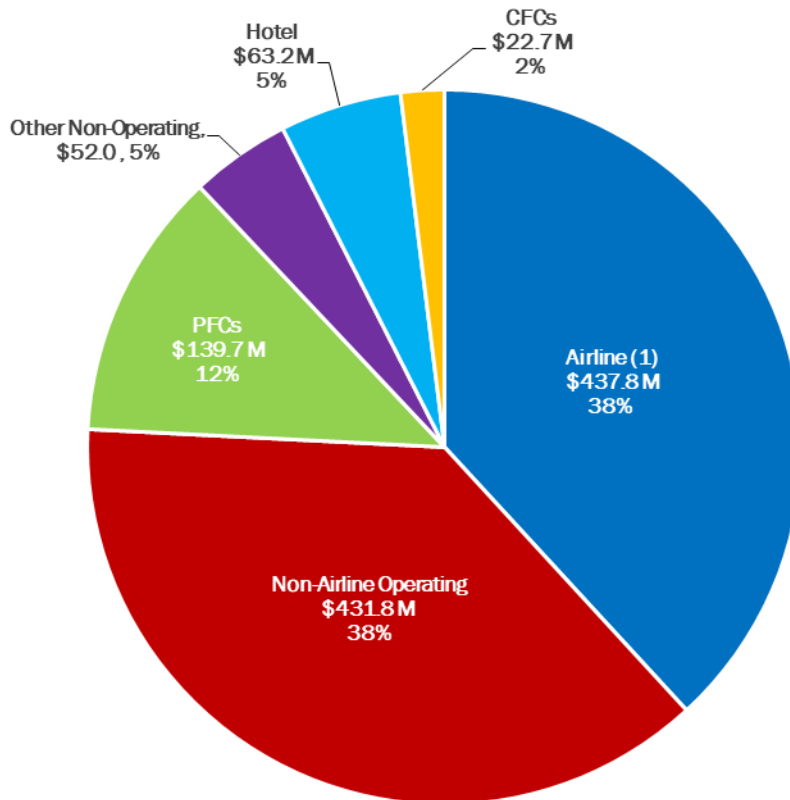
Performance Measures	2016 Actual	2017 Actual	2018 Actual	2019 Estimated	2020 Objective
Gross Concession Revenue per Enplaned Passenger	\$12.03	\$11.99	\$12.32	\$12.33	\$12.34
Cost per Enplaned Passenger (CPE)	\$10.92	\$10.69	\$10.56	\$10.91	\$11.79
Senior Bond Ratings	A+/A+/A1	A+/A+/A1	AA-/A+/A1	AA-/A+/A1	AA-/A+/A1
Debt Service Coverage – All Bonds	1.69x	1.84x	1.96x	1.61x	1.53x
International Destinations	21	23	25	26	27
Total Destinations	181	187	201	214	220

Performance Context Definitions

- **Gross Concession Revenue per Enplaned Passenger:** Per passenger amount spent while at DEN on terminal and concourse concessions.
- **Cost per Enplaned Passenger (CPE):** Cost paid by airlines for the operating cost, debt service and amortization of capital costs divided by the number of enplaned passengers annually.
- **Senior Bond Ratings:** Impacts borrowing costs. Fitch/Standard & Poor's (S&P)/Moody's.
- **Debt Service Coverage:** Ratio of net revenues plus other available funds for servicing debt as defined in the Airport general bond ordinance.
- **Destinations:** Number of destinations served by DEN with regularly scheduled service at some point during the year.

2020 Sources of Revenue

2020 DEN Revenue Sources \$1.15B

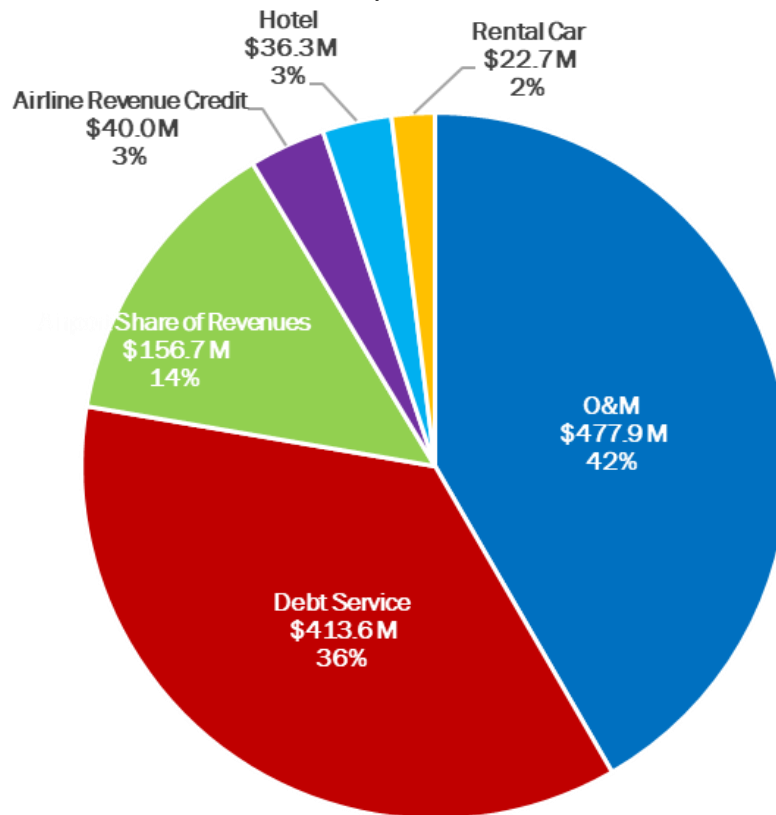


Explanation of Revenue Budget Sources

- **Airline Revenues:** Facility Rentals and Landing Fees
- **Non-Airline Operating Revenues:** Concessions, Parking, Car Rental, Ground Transportation, Aviation Fuel Tax and Other
- **Passenger Facility Charges (PFCs):** \$4.50 collected per enplaned passenger to fund Federal Aviation Administration (FAA) approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition
- **Other Non-Operating Revenue:** Includes investment income, insurance recoveries, grant income and other miscellaneous non-operating revenues
- **Hotel:** Operating revenues for the Westin Hotel
- **Customer Facility Charges (CFCs):** Daily fee charged on rental car contracts used for capital and major maintenance projects related to Rental Car operations

2020 Uses of Revenue

2020 DEN Revenue Uses \$1.15B



Explanation of Revenue Budget Uses

- **O&M Expenses:** Includes operating expenses of \$473.9M and joint marketing costs of \$4.0M
- **Debt Service:** Interest and principal payments on all outstanding debt due in 2020
- **Airport Share of Revenues:** Remaining net revenues available for capital equipment, capital improvements and all other lawful airport needs
- **Airline Revenue Credit:** Airlines' portion of the revenue split capped at \$40.0M
- **Hotel:** Operating and capital reserve expenses for the Westin Hotel
- **Rental Car:** Future capital and major maintenance projects related to Rental Car operations

Aviation Operating Revenue Overview

Operating Revenue	2017 Actual	2018 Actual	2019 Budget	2020 Projected	\$ Variance 2020 vs. 2019	% Variance 2020 vs. 2019
Airline:						
Landing Fees	\$171,707,669	\$161,981,181	\$177,767,054	\$187,475,342	\$9,708,288	5.5%
Facility Rentals ⁽¹⁾	180,444,583	196,065,192	202,434,823	210,281,709	7,846,886	3.9%
Non-Airline:						
Commercial	328,529,556	363,120,400	369,910,619	395,143,762	25,233,143	6.8%
Aviation Fuel Tax	25,993,127	25,039,142	23,167,921	26,564,026	3,396,105	14.7%
Hotel	47,411,831	53,304,258	51,321,812	63,223,878	11,902,066	23.2%
Other	14,838,780	8,849,658	8,200,000	10,078,550	1,878,550	22.9%
Total Operating Revenue	\$768,925,546	\$808,359,831	\$832,802,229	\$892,767,267	\$59,965,038	7.2%

Key Drivers

- **Landing Fees:** Residual fee charged per 1,000 lbs. of max aircraft landed weight. Increase driven by higher estimated O&M expenses and debt service allocated to the airfield.
- **Facility Rentals:** Compensatory fees based on rented space and rates charged. Increase driven by estimated expenses allocated to the terminal complex.
- **Commercial:** Includes concessions, parking, car rental, and ground transportation. Increase driven by favorable estimated gross concessions per passenger due to projected increases in enplaned passenger traffic.
- **Aviation Fuel Tax:** Consumption increase driven by projected increases in aircraft operations and fuel rates.
- **Hotel:** Increase driven by higher projected occupancy rates and increases in revenue per available room.
- **Other:** Includes farming and connectivity fees as well as late fees.

Note: ⁽¹⁾ Facility Rentals are shown net of the estimated \$40M airline revenue credit

Aviation Non-Operating Revenue Overview

Non-Operating Revenue	2017 Actual	2018 Actual	2019 Budget	2020 Projected	\$ Variance 2020 vs. 2019	% Variance 2020 vs. 2019
Passenger Facility Charges	\$118,332,696	\$123,907,062	\$128,849,483	\$139,662,569	\$10,813,086	8.4%
Customer Facility Charges	19,491,735	20,019,006	20,582,907	22,710,517	2,127,610	10.3%
Investment Income	46,779,006	73,802,316	49,600,000	42,000,000	(7,600,000)	(15.3%)
Other	71,892,182	42,846,040	15,700,000	10,000,000	(5,700,000)	(36.3%)
Total Non-Operating Revenue	\$256,495,619	\$260,574,424	\$214,732,390	\$214,373,086	(\$359,304)	(0.2%)

Key Drivers

- **Passenger Facility Charges (PFCs):** \$4.50 collected per enplaned passenger to fund Federal Aviation Administration (FAA) approved projects that, for example, enhance safety, security, or capacity; reduce noise; or increase air carrier competition. Increase due to higher level of enplaned passengers.
- **Customer Facility Charges (CFCs):** \$2.15 collected per rental transaction day to fund capital and major maintenance projects related to car rental operations.
- **Investment Income:** Decrease driven by a reduction in available cash on hand due to the funding of capital projects.
- **Other Non-Operating Revenue:** Includes land sales, grant proceeds and sales of surplus equipment. Decrease driven by fewer land sales.

Aviation Operating Budget Overview

Operating Expense Category ⁽¹⁾	2017 Actual	2018 Actual	2019 Budget	2020 Projected	\$ Variance 2020 vs. 2019	% Variance 2020 vs. 2019
Personnel	\$118,160,075	\$124,476,793	\$140,060,458	\$146,579,146	\$6,518,688	4.7%
Internal Services & Other	56,876,712	59,165,865	63,884,518	68,334,646	4,450,128	7.0%
Services & Supplies	225,567,972	231,881,272	252,257,687	258,995,106	6,737,419	2.7%
Total O&M Expense	\$400,604,759	\$415,523,930	\$456,202,663	\$473,908,898	\$17,706,235	3.9%

Key Drivers

- **Personnel:** Increase primarily driven by merit and benefits increases as well as market adjustments to salaries.
- **Internal Services & Other:** Increase driven by merit and benefit increases for other City agencies, additional City FTEs, and indirect cost allocation.
- **Services & Supplies:** Increase primarily driven by snow removal services and materials, customer bag drop services, security guard services and systems, annual insurance premiums, new conveyance systems maintenance contract, and janitorial supplies.

Personnel Overview

Career Service Authority (CSA) Employees	2017 Actual	2018 Actual	2019 Budget	2020 Projected	Variance 2020 vs. 2019	% Variance 2020 vs. 2019
Total Personnel Services	\$118,160,075	\$124,476,793	\$140,060,458	\$146,579,146	\$6,518,688	4.7%
Total Direct City Personnel	\$38,712,643	\$41,053,232	\$44,238,910	\$48,752,906	\$4,513,996	10.2%
FTEs Overview						
Budgeted DEN FTEs	1,275.25	1,308.25	1,308.25	1,312.25	4.00	0.3%
Budgeted Uniform FTEs	250.00	250.00	250.00	266.00	16.00	6.4%
Budgeted City FTEs*	39.25	41.50	49.50	54.50	5.00	10.1%
Total Budgeted FTEs*	1,564.50	1,599.75	1,607.75	1,632.75	25.00	1.6%

Key Drivers

- **Personnel Services:** Increase driven by merit and benefit increases as well as market adjustments to salaries.
 - Division of Small Business Opportunity: 2.0 FTEs transferred from the City to the Airport's Commerce Hub.
 - External Affairs: 1.0 FTE to support community affairs, outreach, MWBE efforts and strategic planning.
 - Airport Maintenance: 0.5 FTE for converting geographic info systems administration position to full-time.
 - Communications & Customer Service: 0.5 FTE for converting marketing professional position to full-time.
- **City Personnel:** Increase driven by merit & benefits associated with Fire and Police personnel as well as additional FTEs.
 - Denver Fire Department: 16.0 FTEs for staffing of new fire truck.
 - Division of Small Business Opportunity: 2.0 FTEs for increasing contract compliance related to the capital plan.
 - City Attorney's Office: 1.0 FTE for continued support of DEN legal needs.
 - Human Resources: 2.0 FTEs to meet growing Airport needs.

Aviation Operating Budget Overview

Division	2017 Actual	2018 Actual	2019 Budget	2020 Projected	\$ Variance 2020 vs. 2019	% Variance 2020 vs. 2019
Executive Office	\$20,892,604	\$22,913,861	\$25,904,726	\$26,710,932	\$806,206	3.1%
External Affairs	8,896,633	5,792,791	7,811,853	9,287,322	1,475,469	18.9%
Commercial	56,169,543	59,257,735	61,896,174	64,459,860	2,563,686	4.1%
Finance	69,740,543	70,991,101	78,627,928	80,278,895	1,650,967	2.1%
Operations	242,320,579	253,079,390	277,491,092	289,518,325	12,027,233	4.3%
DEN Real Estate	2,584,857	3,489,052	4,470,890	3,653,564	(817,326)	(18.3%)
Total O&M Expense	\$400,604,759	\$415,523,930	\$456,202,663	\$473,908,898	\$17,706,235	3.9%

Key Drivers

- **All Divisions:** Increase driven by merit and benefit increases as well as market adjustments to salaries.
- **Executive Office:** Increase driven by 3.5 FTEs.
- **External Affairs:** Increase driven by 3.0 FTEs and shifting of personnel from other divisions.
- **Commercial:** Increase driven by customer bag drop service initiative and future additional locations.
- **Finance:** Increase driven by technical security systems maintenance and licenses, annual insurance premiums and 2.0 FTEs.
- **Operations:** Increase driven by 16.5 FTEs, snow removal services and materials, security guard services, new conveyance systems maintenance contract, and janitorial supplies.
- **DEN Real Estate:** Decrease driven by aligning needs for strategic plan.

Hotel Budget Overview

Hotel Budget	2017 Actual	2018 Actual	2019 Budget	2020 Projected	\$ Variance 2020 vs. 2019	% Variance 2020 vs. 2019
Room Revenue	\$30,272,061	\$34,469,131	\$33,405,383	\$42,818,756	\$9,413,373	28.2%
Food & Beverage Revenue	16,432,241	17,252,014	17,317,979	18,749,158	1,431,179	8.3%
Other Revenue	707,529	1,583,113	598,450	1,655,964	1,057,514	176.7%
Total Revenues	\$47,411,831	\$53,304,258	\$51,321,812	\$63,223,878	\$11,902,066	23.2%
Operating Expenses	27,369,328	28,615,910	31,437,958	35,107,167	3,669,209	11.7%
Capital Reserves	329,868	406,971	1,379,500	1,237,079	(142,421)	(10.3%)
Total Expense Appropriation	\$27,699,196	\$29,022,881	\$32,817,458	\$36,344,246	\$3,526,788	10.7%
Average Daily Room Rate	\$228.48	\$240.45	\$236.74	\$262.38	\$25.64	10.8%
Occupancy Rate	69.9%	75.7%	74.1%	85.1%	N/A	11.0%

Key Drivers

- The Hotel Fund is for the operation and maintenance of the Westin Hotel.
- Revenue and expenses are based on estimates provided by hotel management, Airport estimates, and required contractual reserves.
- Revenue and expense increases based on expected occupancy rate increase for additional group business and events.

Aviation Highlights

- Record-setting passengers in 2018 of 64.5M
- DEN reached 200 nonstop destinations milestone in August 2018
- DEN started 7 new international routes, featuring 3 new international airlines and 3 new international destinations in 2018 & 2019:
 - WestJet inaugurated their Denver service in March 2018 to Calgary, Canada
 - United began their service in March 2018 to London, England
 - Norwegian Air began service in April 2018 to Paris, France, a new destination
 - Frontier began their service in May 2018 to Calgary, Canada
 - Edelweiss inaugurated their Denver service in June 2018 to Zurich, Switzerland, a new destination
 - Cayman Airways inaugurated their Denver service in March 2019 to the Cayman Islands, a new destination
 - United began their service in May 2019 to Frankfurt, Germany
- DEN started 34 new domestic destinations in 2018 & 2019:
 - Frontier – 15
 - United – 16
 - Allegiant – 1
 - Southwest – 1
 - Boutique Air – 1

New Domestic Flights 2018-2019



Total Destinations



As of August 2019

DEN Energy Programs

- **DEN hosts 7 solar photovoltaic arrays totaling over 15 megawatts of power generating capacity**
 - 4 arrays interconnected at DEN electric meters
 - 2 on-site Community Solar Gardens
 - Xcel-owned solar canopy at Peña Station NEXT parking lot, part of a microgrid/battery storage demonstration project
- **Renewable energy purchasing**
 - Xcel's Renewable*Connect Program
 - Off-site Community Solar Gardens
- **Energy efficiency**
 - Xcel Energy Annual Achievement Awards in 2014, 2016, and 2018 for lighting, HVAC, and control projects
- **Green building**
 - 4 Leadership in Energy and Environmental Design (LEED) certified buildings, including LEED Platinum hotel
- **Over 50 electric vehicle charging stations for passengers and employees**

DEN Energy Projects

- **Energy Master Plan**
 - “Ensure that Denver International Airport can meet its future energy needs with energy that is low-carbon, cost-effective, reliable, and resilient”
- **Comprehensive energy audits/Energy Performance Contract**
- **New large-scale solar project**
- **Planning first net-zero energy building**
- **DEN Real Estate energy goals**
- **Xcel Community Resiliency Initiative application**



DEN Sustainability Highlights

- **Climate**

- 28% reduction in DEN-controlled greenhouse gas emissions between 2013 and 2018 despite passenger growth

- **Food**

- DEN's partners donated 177,836 pounds in 2018 – almost 150,000 meal-equivalents

- **Materials**

- Over 20 separate materials diverted from the landfill
- Composting increased from 65 tons in 2013 to 144 tons in 2018
- New glass program recycled 325 tons in the first 12 months

- **Mobility**

- All DEN city employees offered RTD EcoPass

- **Water Quality**

- DEN collects an industry-leading 70% of the deicing fluid applied to aircraft each winter season

Aviation Accomplishments

- **2019 Skytrax World Airport Awards:**
 - Best Regional Airport in North America
 - No. 2 Best Airport in North America (highest-rated U.S. airport)
 - No. 3 Best Airport Staff in North America
 - No. 7 World's Best Regional Airport
- 2018 named the best airport in the U.S. in the first ever Wall Street Journal U.S. airport rankings
- Awarded 2018 Best Design/Implementation of a Surface Parking Lot by International Parking Institute for DEN's 61st and Pena parking facility
- 2018 J.D. Power: Ranked No. 4 among "mega" airports
- **2018 Global Traveler Trazees Awards:**
 - Third-place: Favorite airport in America
 - Second-place: Favorite Airport Shopping
- 2018 Speed test by Ookla: Second-fastest airport Wi-Fi in the world
- 2018 OAG Aviation Punctuality Report: Ranked fourth worldwide among mega airports for flight punctuality and second in the U.S.
- Awarded The Bond Buyer's Deal of the Year award which recognizes excellence and innovation in municipal financing for its \$2.5 billion issuance, the largest AMT bond transaction and the largest airport revenue bond ever issued

Denver International Airport

