



DENVER
THE MILE HIGH CITY



DENVER INTERNATIONAL AIRPORT (DEN)

2023 Budget Presentation to City Council

Phil Washington, Chief Executive Officer

Mike Nakornkhet, Interim Chief Financial Officer

Michael Biel, Interim Deputy Chief Financial Officer

September 28, 2022





100 MILLION ANNUAL PASSENGERS

- SUSTAINABILITY & RESILIENCY • EQUITY, DIVERSITY, INCLUSION & ACCESSIBILITY
- CONTINUOUS STAKEHOLDER INPUT/FEEDBACK • ENHANCING THE CUSTOMER EXPERIENCE

PILLAR 1



POWERING OUR PEOPLE

- Develop Workforce Leadership Strategy
- Establish Center of Equity and Excellence in Aviation
- Implement Career Pathways Program

PILLAR 2



GROWING OUR INFRASTRUCTURE

- Complete Major Infrastructure Projects
- Update Master Plan
- Develop Infrastructure Plan for DEN Real Estate

PILLAR 3



MAINTAINING WHAT WE HAVE

- Complete Concourse Renewal Program
- Update Strategic Asset Management Plan
- Develop Science-based Greenhouse Gas Emissions Target

PILLAR 4



EXPANDING OUR GLOBAL CONNECTIONS

- Identify Air Cargo Opportunities
- Expand to Disconnected Destinations (e.g. Africa)
- Grow Domestic Network

DEN by the Numbers



DEN 2021 PASSENGER TRAFFIC HIGHLIGHTS

TOTAL PASSENGERS¹



58.8M

DOWN **15%** FROM 2019

DOMESTIC PASSENGERS²



56.9M

DOWN **14%** FROM 2019

INTERNATIONAL PASSENGERS²



1.9M

DOWN **40%** FROM 2019

10 BUSIEST AIRPORTS WORLDWIDE, 2021³

RANK	AIRPORT	2021 TOTAL PASSENGERS
1	ATLANTA (ATL)	75,704,760
2	DALLAS (DFW)	62,465,756
3	DENVER (DEN)	58,828,552
4	CHICAGO (ORD)	54,020,399
5	LOS ANGELES (LAX)	48,007,312
6	CHARLOTTE (CLT)	43,302,230
7	ORLANDO (MCO)	40,351,068
8	GUANGZHOU (CAN)	40,259,401
9	CHENGDU (CTU)	40,117,496
10	LAS VEGAS (LAS)	39,754,366

O&D VS. CONNECTING³



59%
O&D



41%
CONNECTING

Source: Preliminary Official Statement: (1) *Monthly Passenger Traffic*, (2) *History of Enplaned Passengers at the Airport by Traffic Type*. Report of the Airport Consultant: (3) *Airline Traffic Forecasts*.

DEN Equity Plan Goals

DEN Equity Plan's Three Goals	Budget Investment Strategy Examples	How does this reduce gaps in racial and ethnic outcomes? Highlights:
Our People	Cultural engagement, recruitment/hiring, and training	<ul style="list-style-type: none"> Equity, Diversity, and Inclusion (EDI) as a Vision 100 Guiding Principle Standard performance goal for Senior Leaders, Supervisors and Individual Contributors Greater training opportunities for staff Center of Equity and Excellence in Aviation 60% or 629 of DEN's employees have completed the Race and Social Justice Academy training as of September 2022. <ul style="list-style-type: none"> 83 employees have partially completed the training 42 employees are registered to complete the final course (RSJ 301)
Our Operations	Equity in Infrastructure, Equity in Procurement, Equity in Grants	<ul style="list-style-type: none"> Double the number of certified firms awarded prime contracts by December 2025 Establishes Equity as "best value" in the competitive procurement process. Incorporates equity into the grants application process
Our Community	Expand community outreach and involvement at DEN	<ul style="list-style-type: none"> Business Development Training Academy Networking opportunities Increasing certified firms' participation and capacity building

Center of Equity and Excellence in Aviation Programs

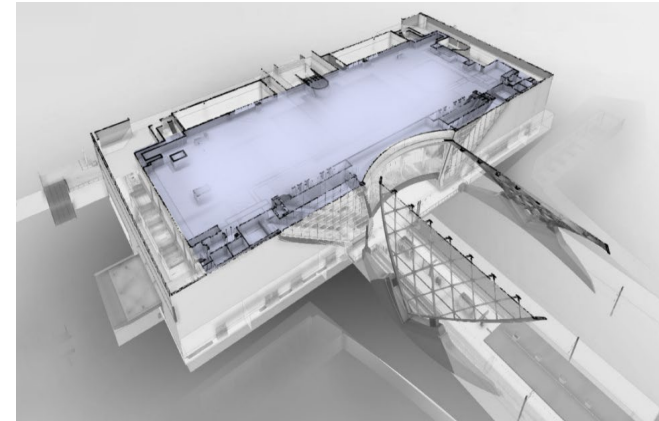
City Budget Priority: Prioritize and support the recovery, resilience, and innovation of our workforce, local businesses, and community organizations

- **The Career Pathways** - funding for student and youth support programs that are aimed at exposing marginalized communities to careers in aviation and providing hands-on practical work experiences to students inclusive of internship and apprenticeship programming.

City Budget Priority: Reframe safety in a public health, evidence-based, and anti-racist context with community investment to ensure healthy neighborhoods.

- **Partnership with the CO Dept of Corrections (CDOC)** - serve as a worksite for justice-involved individuals who are enrolled in CDOC programs that support the transition to skill-building employment pathways. DEN is seeking city partnership to support this effort as a means of offering alternative employment pathways to marginalized community populations.
- **Partnership with Executives Partnering to Invest in Children (EPIC)** - pursue further data collection, planning, and solution implementation around childcare with plan to launch a small center (approximately 2,000 sq ft) within the CEEA space.

Center of Equity and Excellence in Aviation (CEEA)



DEN Sustainability Programs

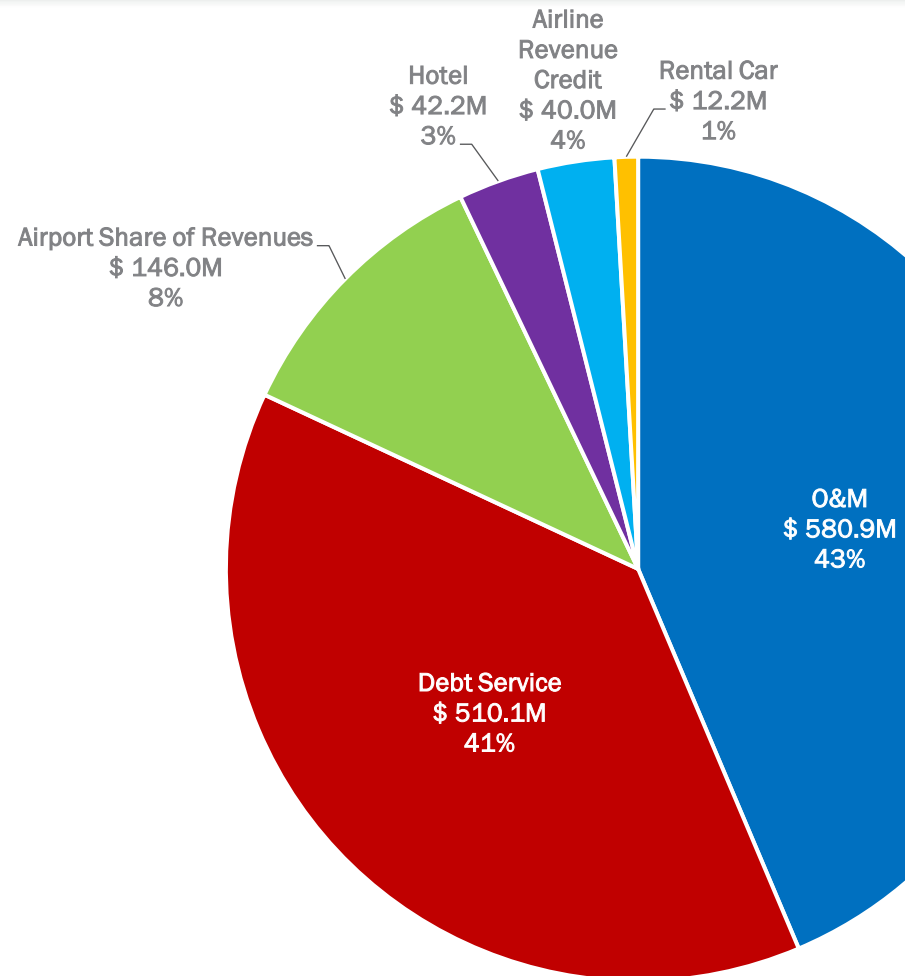
City Budget Priority: Protect our natural environment through policy and invest in communities to combat climate change

- **Energy Performance Contract (EPC)** – funding for project management and to commission EPC equipment to ensure that the project's 20% energy savings, 28% water savings, and 30,000 metric ton greenhouse gas emissions reduction are fully realized
- **Solar Energy** – funding for DEN's existing solar Power Purchase Agreements (PPAs), Community Solar Gardens (CSGs), and solar subscriptions, as well as the two large solar PPAs that will come online in 2023
- **Green Building** – funding to support LEED Gold certifications for the Great Hall and concourse expansion projects, and to develop procedures to support Envision certifications of civil construction projects
- **Waste Diversion** – expanding existing programs to improve recycling and composting rates
- **Deicing Fluid Recycling** – funding for new aircraft deicing fluid (ADF) management contract, including operation of the new system that will allow recycled ADF to be reapplied to aircraft in a closed loop
- **Water Quality** – various studies to develop procedures to appropriately manage contaminated soil, wetlands, and receiving waters and support compliance with water quality permits
- **Greenhouse Gas Emissions** – funding to complete and begin implementation of DEN's Vision 100 Net Zero Emissions Plan



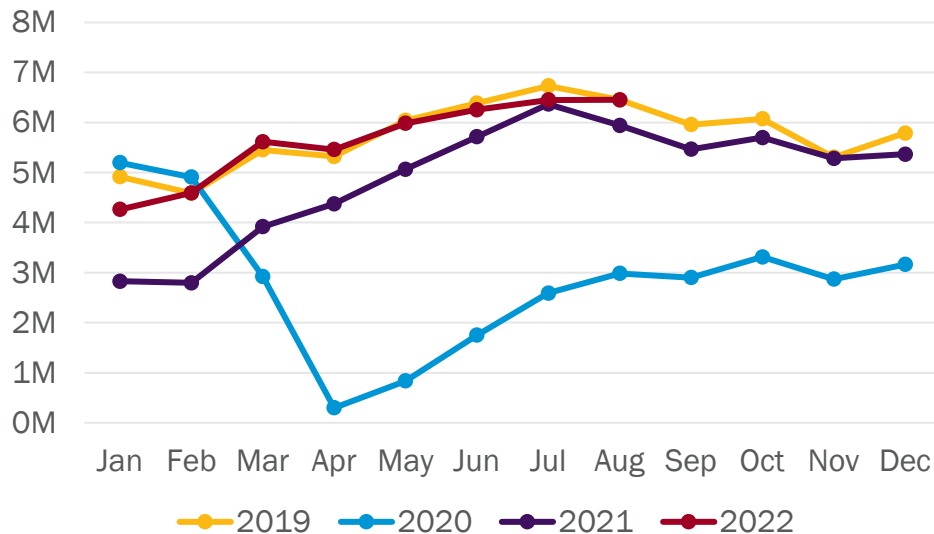
DEN 2023 Proposed Budget of \$1.33B

**2023 DEN Budget:
\$1.33B**



DEN's Runway to Recovery

**Denver International Airport, Change in Total Passenger Traffic
2022, 2021, 2020 and 2019 by Month¹**

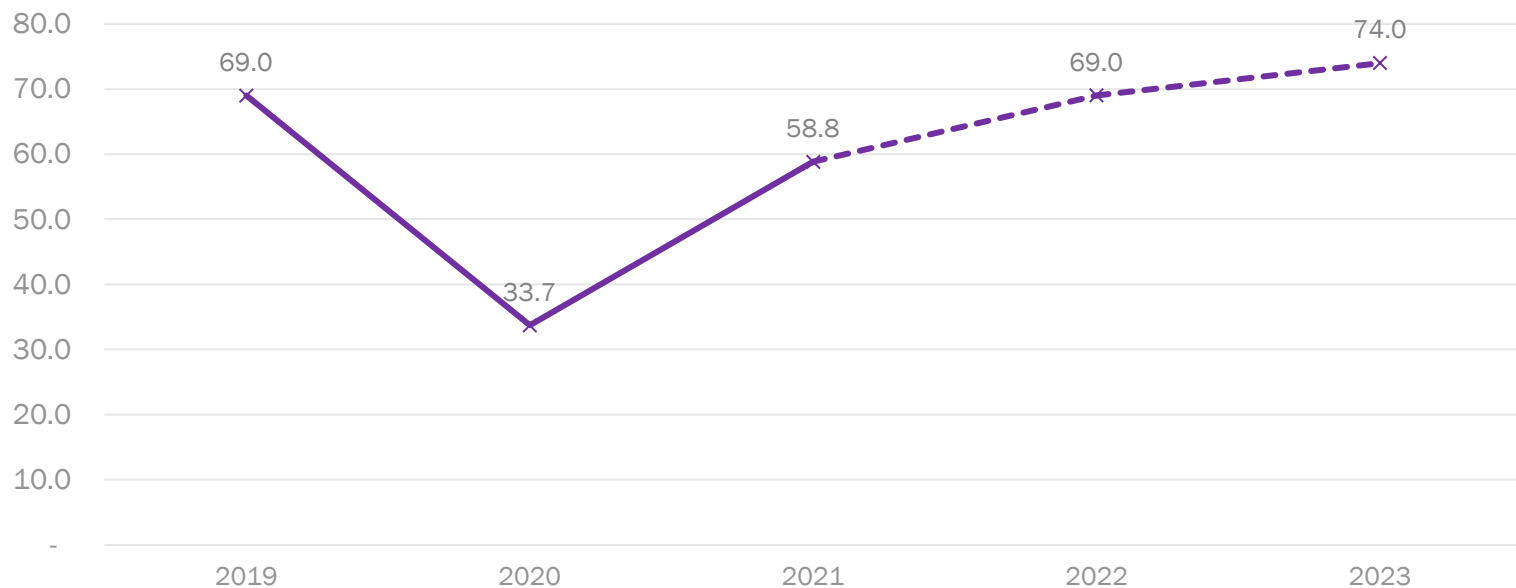


- In the 12 months ending December 2021, approximately 59 million passengers used the Airport, making DEN the third busiest O&D passenger market in the U.S. and the World.
- Through August 2022 passenger traffic is projected to be 2.0% lower compared to the same YTD period in 2019. Based on forward-looking airline schedules, 2022 is projected to end with approximately 69 million total passengers.
- For the 2023 budget appropriation, DEN is projecting 74 million total passengers

2023 Budget Passenger Forecast

- **DEN is budgeting to accommodate up to 74 million passengers in 2023**
- This is based on strong demand trends and the full availability of 39 new gates at the Airport.
- DEN's recovery back to pre-pandemic levels outpaces Fitch Ratings' U.S. airport projections, which expects the U.S. as a whole to recover to 2019 levels by 2024.
- Domestic leisure travel is recovering at a faster pace than business travel, and airports with large international market shares are lagging behind in recovery.

Million Annual Passengers (MAP)



DEN Funding Structure

Denver International Airport is an enterprise organization

Funded primarily by Airline Revenues, Non-Airline Revenues and Passenger Facility Charges (PFCs)

- Airline Revenues: Landing Fees and Terminal Rents charged to the Airlines in order to recover costs.
 - Governed by Federal Aviation Administration (FAA) policy.
- Non-Airline Revenues: Includes all other revenue sources such as parking, concessions, hotel, car rentals, etc.
- PFCs: \$4.50 fee for every eligible passenger at commercial airports controlled by public agencies.
 - Airports use these fees to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition.

DEN Funding Structure

Airport pays the City for services provided to the Airport (~\$79M per year)

- Police & Fire
- City Attorney's Office
- Auditor's Office
- Office of Human Resources
- Division of Small Business Opportunity
- Division of Workforce Development
- General Services Purchasing
- Indirect Cost Allocation: Costs are shared/split among City agencies
 - Uniform Services
 - Finance & Risk Management
 - Technology Services
 - General Services
 - Mayor's Office & City Council

Performance Context

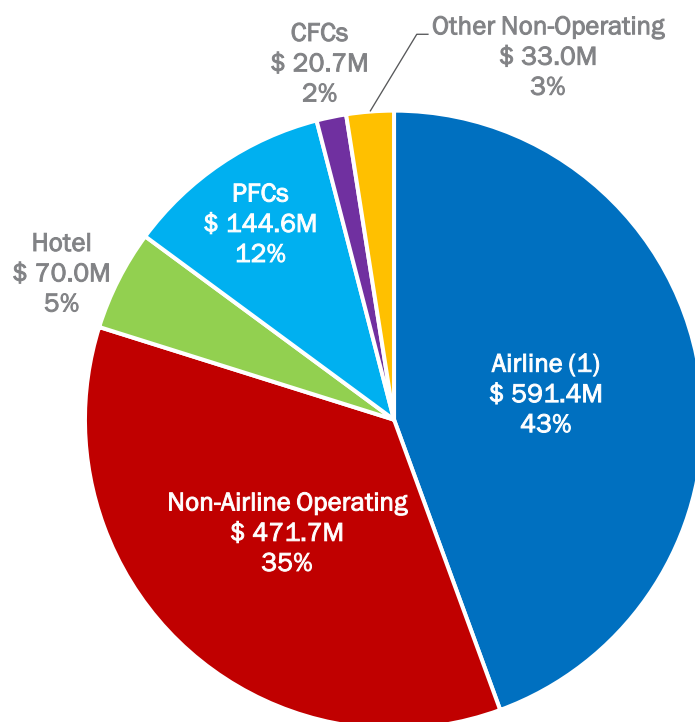
Performance Measures	2019 Actual	2020 Actual	2021 Actual	2022 Estimated	2023 Objective
Gross Concession Revenue per Enplaned Passenger	\$12.65	\$11.92	\$12.20	\$13.66	\$14.26
Cost per Enplaned Passenger (CPE)	\$10.33	\$19.96	\$10.60	\$11.82	\$13.38
Senior Bond Ratings	AA-/A+/A1	AA-/A+/A1	AA-/A+/A1	AA-/A+/Aa3	AA-/A+/Aa3
Debt Service Coverage – All Bonds	1.90x	1.51x	2.10x	1.79x	1.72x
International Destinations	26	25	26	26	27
Total Destinations	215	213	217	217	217

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.
- International & Total Destinations: Number of destinations served by DEN with regularly scheduled service at some point during the year.

2023 Sources of Revenue

2023 DEN Revenue Sources \$1.33B



Note: ⁽¹⁾ Airline revenues shown are prior to netting-out of \$40.0M Airline Revenue Credit

Explanation of Revenue Budget Sources

Operating Revenues

- Airline Revenues: Facility Rentals & Landing Fees
- Non-Airline Operating Revenues: Concessions, Parking, Car Rental, Ground Transportation, Aviation Fuel Tax and Other
- Hotel: Operating revenues for the Westin Hotel

Non-Operating Revenues

- 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
- Customer Facility Charges (CFCs): Daily fee charged on rental car contracts used for capital and major maintenance projects related to Rental Car operations
- Other Non-Operating Revenue: Includes investment income, insurance recoveries, grant income and other miscellaneous non-operating revenues

Aviation Operating Revenue Overview

Operating Revenue	2020 Actual	2021 Actual	2022 Budget	2023 Budget	\$ Variance 2023 vs. 2022	% Variance 2023 vs. 2022
Airline:						
Landing Fees	\$135,707,650	\$150,575,289	\$185,000,000	\$198,036,500	\$13,036,500	7.1%
Facility Rentals ⁽¹⁾	226,836,673	187,007,457	281,400,000	353,373,200	71,973,200	25.6%
Non-Airline:						
Commercial	188,042,391	306,480,694	402,123,932	435,222,933	33,099,001	8.2%
Aviation Fuel Tax	9,788,894	21,626,348	27,945,803	30,477,530	2,531,727	9.1%
Hotel	24,480,555	43,673,601	53,102,957	70,000,000	16,897,043	31.8%
Other	6,952,478	14,084,362	6,000,000	6,000,000	0	0%
Total Operating Revenue	\$591,808,641	\$723,447,752	\$955,572,692	\$1,093,110,163	\$137,537,470	14.4%

Key Drivers

- **Landing Fees:** Residual fee charged per 1,000 lbs. of max aircraft landed weight. Reflects increases in costs of maintaining the airfield.
- **Facility Rentals:** Compensatory fees based on rented space and rates charged. Reflects airline-rented terminal space increase due to new gates.
- **Commercial:** Includes concessions, parking, car rental, and ground transportation. Increase driven by higher overall demand due to passenger traffic recovery.
- **Aviation Fuel Tax:** Consumption increase driven by projected increases in aircraft operations.
- **Hotel:** Driven by projected occupancy rates and revenue per available room. While transient and leisure bookings are strong, business and group bookings have been slower to recover.
- **Other:** Includes badging, farming and connectivity fees, as well as estimate of late fees.

Note: ⁽¹⁾ Facility Rentals are shown net of estimated airline revenue credit

Aviation Non-Operating Revenue Overview

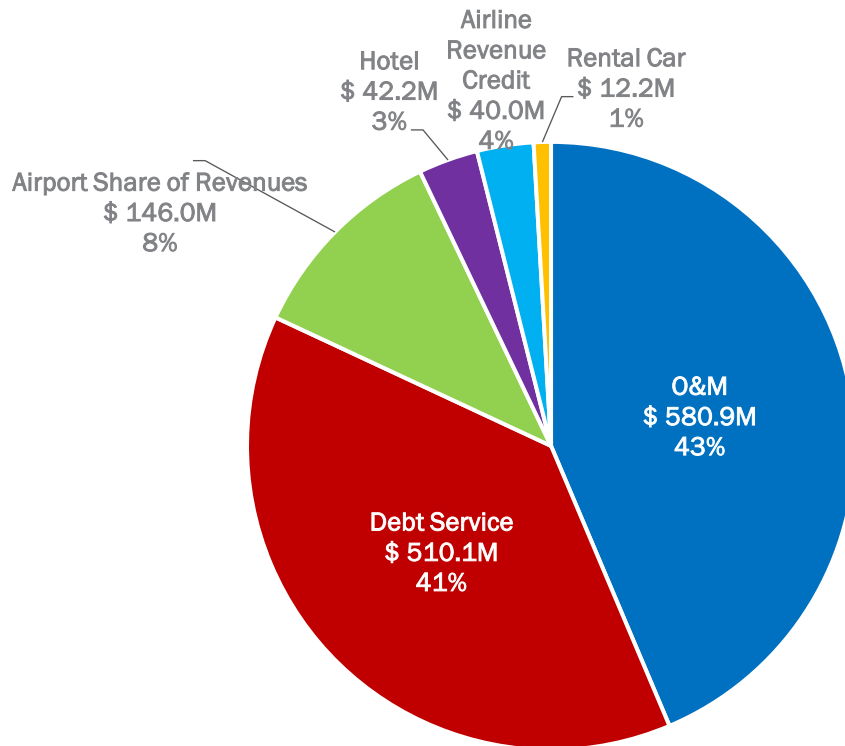
Non-Operating Revenue	2020 Actual	2021 Actual	2022 Budget	2023 Budget	\$ Variance 2023 vs. 2022	% Variance 2023 vs. 2022
Passenger Facility Charges	\$64,921,821	\$113,499,956	\$139,791,309	\$144,619,628	\$4,828,319	3.5%
Customer Facility Charges	10,621,397	15,585,116	22,385,760	20,687,176	(1,698,584)	(7.6%)
Investment Income	150,043,304	(34,936,837)	36,000,000	32,400,000	(3,600,000)	(10.0%)
Other	3,501,402	7,050,838	600,000	600,000	0	0.0%
Total Non-Operating Revenue	\$229,087,923	\$101,199,073	\$198,777,069	\$198,306,804	(\$470,265)	(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 car transaction day to fund capital and major maintenance projects related to car rental operations.
- **Investment Income:** Reflects estimate based on available cash on hand.
- **Other Non-Operating Revenue:** Includes land sales and sales of surplus equipment.

2023 Uses of Revenue

2023 DEN Revenue Uses \$1.33B



Explanation of Revenue Budget Uses

Operations & Maintenance (O&M):

- Includes personnel, services & supplies, internal billings and joint marketing costs

Debt Service:

- Interest and principal payments on all outstanding debt due in 2023

Airport Share of Revenues:

- Remaining net revenues available for capital equipment, capital improvements and all other lawful airport needs

Hotel:

- Operating and capital reserve expenses for the Westin Hotel

Airline Revenue Credit:

- Airlines' portion of the revenue split

Rental Car:

- Future capital and major maintenance projects related to rental car operations

Aviation Operating Budget Overview

Operating Expense	2020 Actual	2021 Actual	2022 Budget	2023 Budget	\$ Variance 2023 vs. 2022	% Variance 2023 vs. 2022
Personnel	\$131,067,118	\$126,119,203	\$157,678,813	\$173,127,182	\$15,448,369	9.8%
Internal Services & Other	68,078,456	64,972,004	75,546,650	79,489,490	3,942,840	2.2%
Services & Supplies	188,105,503	212,188,434	280,795,900	326,761,780	45,965,880	16.4%
Hotel ⁽¹⁾	17,357,185	22,464,662	31,490,773	42,235,847	10,745,074	34.1%
Total Operating Expense	\$404,608,262	\$425,744,303	\$545,512,136	\$621,614,298	\$76,102,163	14.0%

Key Drivers

- Personnel: A net increase in personnel services due to pay equity, merit, benefits and addition of 30 new FTEs
- Internal Services & Other: A net increase in City services driven by merit and services returning causing an increase in the indirect cost allocation
- Services & Supplies: A net increase in services and supplies driven primarily by increases in top contracts related to shuttle bus, security guards, janitorial, insurance coverage, and professional services

NOTE: ⁽¹⁾ Includes capital reserves for appropriation purposes

Personnel Overview

Career Service Authority (CSA) Employees	2020 Actual	2021 Actual	2022 Budget	2023 Budget	\$ Variance 2022 vs. 2023	% Variance 2022 vs. 2023
Total Personnel Services	\$131,067,118	\$126,119,203	\$157,678,813	\$173,127,182	\$15,448,369	9.8%
Total Direct City Personnel	\$45,212,997	\$45,395,959	\$52,684,240	\$55,791,610	\$3,107,370	5.9%

FTEs Overview

Budgeted DEN FTEs	1,312.25	1,312.25	1,312.25	1,342.25	30.0	2.3%
Budgeted Uniform FTEs	266	243	258	266	8.0	3.1%
Budgeted City FTEs ⁽¹⁾	54.5	57.5	58.0	58.0	0.0	0.0%
Total Budgeted FTEs	1,632.75	1,612.75	1,628.25	1,666.25	38.0	2.3%

Key Drivers

- **Personnel Services:** Increase driven by merit and benefits increases, pay equity study, and addition of 30.0 FTEs to support new programs at DEN, and facilitate facility and passenger growth
 - Center of Equity and Excellence in Aviation (6 FTEs): 2.0 Administrator I, 2.0 Administrator II, 1.0 Program Manager, 1.0 Business Operations Administrator
 - Airport Customer Experience Specialist program: 4.0 Customer Service Agents
 - Additional 20 FTEs to support facility expansion and increased passengers caused by the addition of 39 new gates
- **Direct City Personnel:** Increase driven by merit and benefit increases for other City agencies
 - Denver Police: 8.0 FTEs for return to full authorized staffing levels post-pandemic

NOTE: ⁽¹⁾ Excludes Auditor (billable hours) and Indirect Cost FTE allocations

DEN Facility Growth

- DEN has the operational need to add 30 jobs to the budget appropriation in 2023 to support areas with the most critical staffing shortages due to upcoming facility expansions as well as the anticipated increase in passenger and flight activity levels.
- The table below illustrates the growth in facility size and activity levels anticipated at DEN in 2023 compared to the pre-pandemic year of 2019:

	2019	2023	Change	% Change
Airline Rentable Sq Ft (millions)	2.08	2.53	0.45	21.8%
Concessions Sq Ft	205,350	278,577	73,227	35.7%
Contact Gates	106	145	39	36.8%
Total Passengers	69,015,703	74,147,585	5,131,882	7.4%
Departing Flights	313,872	338,399	24,527	7.8%

Stimulus Funds

American Rescue Plan Act of 2021 (ARPA)

- On March 11, 2021, the United States government signed into law an additional financial aid package known as the American Rescue Plan Act of 2021 (ARPA). The City, for and on behalf of the Department, received an award totaling \$204.3 million of general grant funding, as well as an additional \$28.8 million reserved for concessionaire relief, (together known as the ARPA Funds).
- The ARPA general grant funding may be used to fund costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the Airport, and debt service payments, including reimbursement of debt service payments. The Airport was reimbursed for debt service payments.
- In April 2022, the City, for and on behalf of the Department, established an irrevocable trust escrow account (ARPA Irrevocable Escrow) to restrict all the reimbursed general grant funding under ARPA Funds solely for future application to senior and/or subordinate debt service payments and deposited the full amount of the general grant funding.
- As of July 31, 2022, the City, for and on behalf of the Department, has not used any of the funds on deposit in the ARPA Irrevocable Escrow to pay senior and/or subordinate debt service payments.

Federal Grants

2022 Federal Awards Year-To-Date (\$ millions)

Project	Total Project Cost	FAA – AIP	BIL – AIG (Formula)	BIL – ATP (Competitive)	Total Grant	DEN Share
7 th Runway	\$ 5.7	\$ 4.3			\$ 4.3	\$ 1.4
Pond 002 Relocation Expansion and Improvements	61.9		46.4		46.4	15.5
Runway Complexes Pavement & Lighting Rehab 16R and 34L	38.0	22.0	2.0		24.0	14.0
Taxiway EE	4.7	4.7			4.7	
Baggage Handling System Modernization	97.0			60.0	60.0	37.0
Total	\$ 207.3	\$ 31.0	\$ 48.4	\$ 60.0	\$ 139.4	\$ 67.9

- DEN has been awarded a total of \$139.4 million in federal grants in 2022 (through the end of August)
- Over \$104 million of that funding comes as a result of the Bipartisan Infrastructure Law (BIL), both from formula-based (AIG) and competitive (ATP) awards
- \$60m in grants funding for Baggage Handling System Modernization is the single largest ATP grant award for one project in the country

2023 Estimated Grant Receipts (\$ millions)

Funding Source	Estimated Amount (\$ millions)
Airport Improvement Program (AIP)	\$ 42.0
BIL Airport Infrastructure Grant (BIL AIG)	\$ 63.5
BIL Airport Terminal Project (BIL ATP)	TBD

Workforce Metrics

Vacancy Rate

14.1%

Time to Fill

50.5 Days

Turnover

14.30%

Note: This data was provided by OHR as of September 1, 2022. The Vacancy Rate shown reflects open job requisitions only.

Personnel Strategies

Retention

- Focus
 - Higher than average
 - Operational and safety impact
 - Impact to customers
- Identify Needs
 - Financial (pay/bonuses)
 - Growth and development
 - Team engagement
- Resources
 - DEN Engagement Team
 - DEN EDI Team
 - Center of Equity and Excellence in Aviation
 - OHR and Culture and Strategy
 - Exit survey data

Recruitment

- Reduce Open Job Requisitions
 - Partner to prioritize
 - 180% increase (128 vs 359)
 - Additional DEN recruiters
- Innovative Talent Attraction
 - Partnership with GCM
 - Individual targeted campaigns
 - Passive and network sourcing
- Diversity in Leadership
 - Partnership with C&S
 - Applicant fall out analysis
 - Recruitment Reimagined – partnership with Harvard and OSEI.

EDI

- Leadership
 - Successful EDI efforts come from leadership
 - Leadership training
 - Diversity in leadership
- Talent Acquisition
 - Targeted Recruiting
 - Onboarding process
 - Creating a culture of inclusivity
- Retention
 - Mentorship programs
 - Employee resource groups
 - Stay interviews
 - Employee engagement surveys
 - Employee development

2022 Staffing Assessment

- To support DEN's Vision 100 strategy, rapid passenger traffic recovery, and expanding facility; DEN determined the need for an additional 30 Full Time Equivalents (FTEs)
- Using Vision 100 as the guiding framework for evaluating the allocation of 20 FTEs, DEN established the following criteria for prioritizing its staffing needs:

Safety and Security

Does the position directly support the mission of protecting the traveling public, employees, other stakeholders, and the environment?

Regulatory Compliance

Will this position assist DEN in fulfilling its responsibilities in maintaining all current and future legal requirements to Federal, State, and Local agencies tasked with airport oversight?

Incremental Growth

Is the position directly related to the projected growth in enplanements, infrastructure and passengers as envisioned in Vision 100?

- An in-depth airport-wide staffing analysis to understand organizational efficiencies and forecast additional staffing requirements will be completed prior to 2024 budget cycle

Questions & Answers

Denver International Airport

