



**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

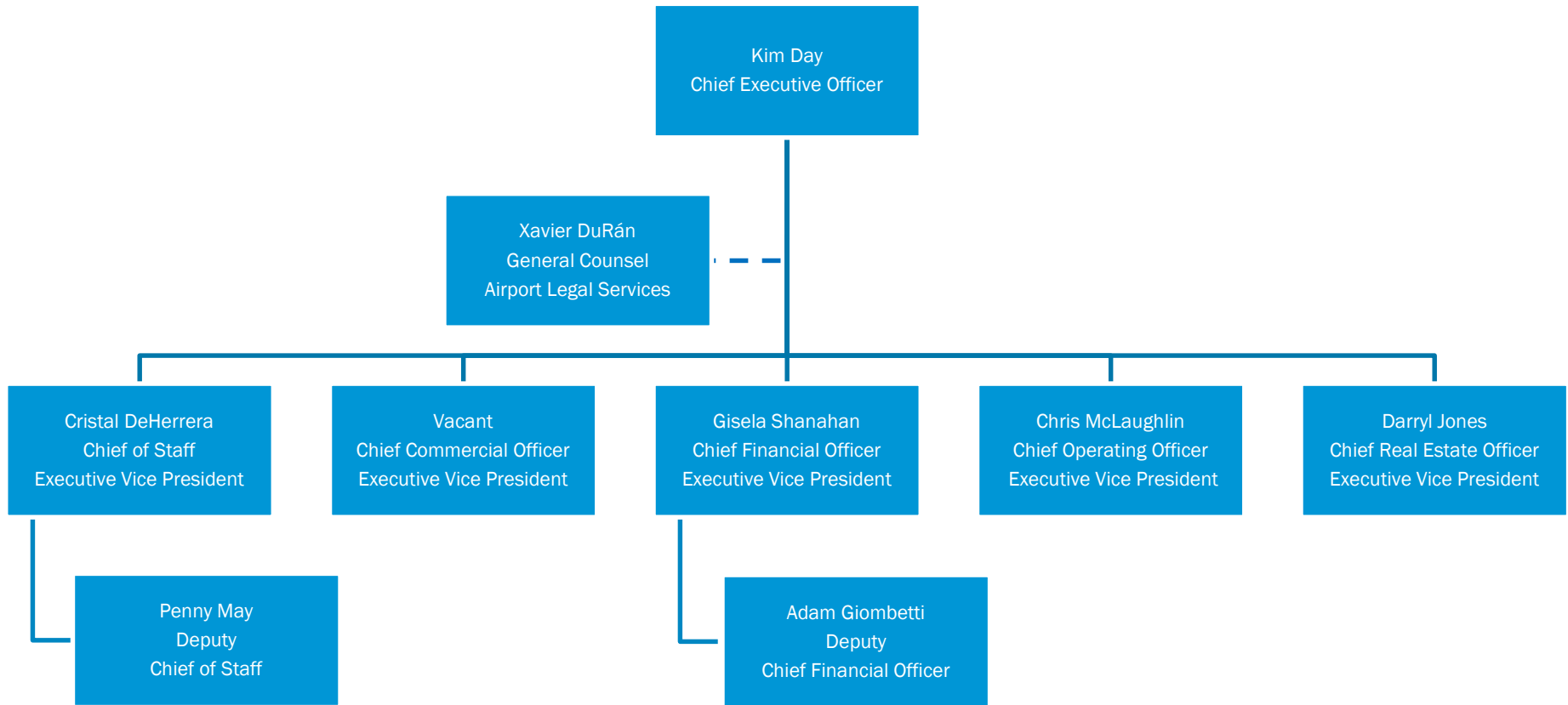
# Revenue Use Restrictions

- **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

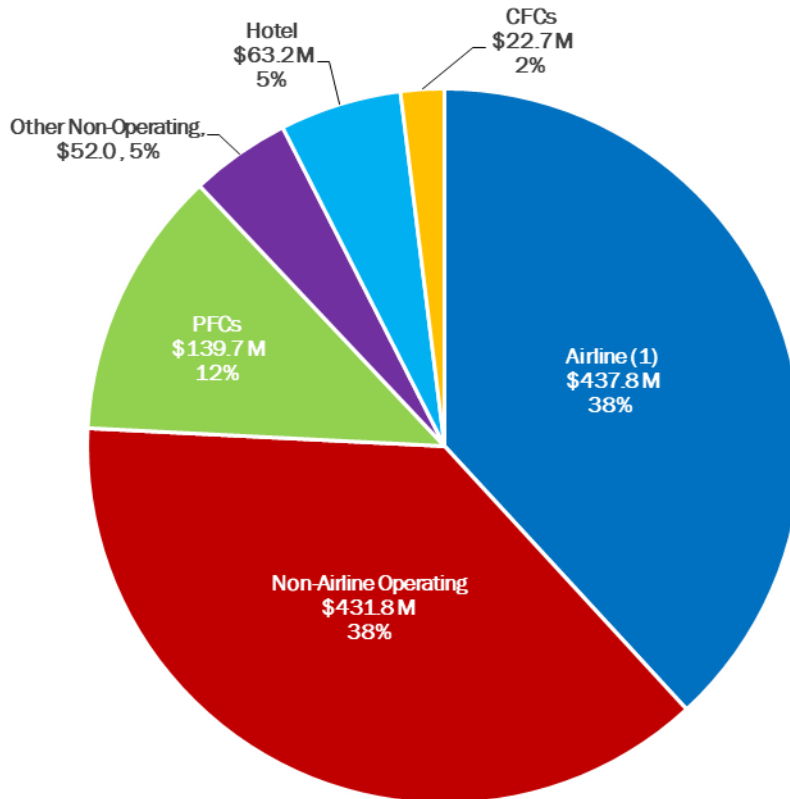
Performance Measures	2016 Actual	2017 Actual	2018 Actual	2019 Estimated	2020 Objective
Gross Concession Revenue per Enplaned Passenger	\$12.03	\$11.99	\$12.32	\$12.33	\$12.34
Cost per Enplaned Passenger (CPE)	\$10.92	\$10.69	\$10.56	\$10.91	\$11.79
Senior Bond Ratings	A+/A+/A1	A+/A+/A1	AA-/A+/A1	AA-/A+/A1	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



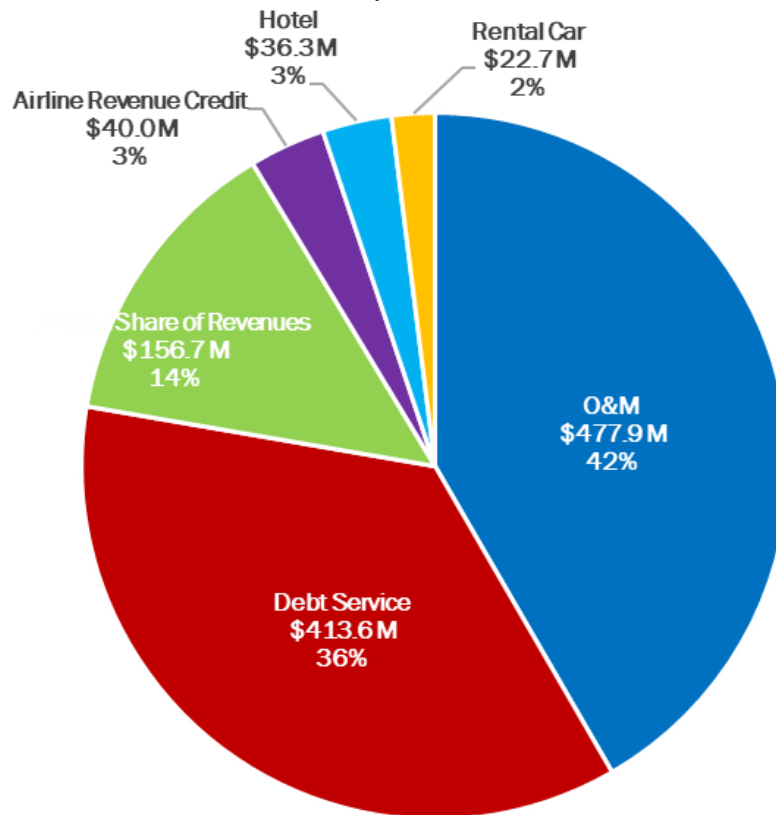
### Explanation of Revenue Budget Sources

- **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
<b>Airline:</b>						
Landing Fees	\$171,707,669	\$161,981,181	\$177,767,054	\$187,475,342	\$9,708,288	5.5%
Facility Rentals <sup>(1)</sup>	180,444,583	196,065,192	202,434,823	210,281,709	7,846,886	3.9%
<b>Non-Airline:</b>						
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%
<b>Total Operating Revenue</b>	<b>\$768,925,546</b>	<b>\$808,359,831</b>	<b>\$832,802,229</b>	<b>\$892,767,267</b>	<b>\$59,965,038</b>	<b>7.2%</b>

## 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:** <sup>(1)</sup> 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%)
<b>Total Non-Operating Revenue</b>	<b>\$256,495,619</b>	<b>\$260,574,424</b>	<b>\$214,732,390</b>	<b>\$214,373,086</b>	<b>(\$359,304)</b>	<b>(0.2%)</b>

## 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 <sup>(1)</sup>	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%
<b>Total O&amp;M Expense</b>	<b>\$400,604,759</b>	<b>\$415,523,930</b>	<b>\$456,202,663</b>	<b>\$473,908,898</b>	<b>\$17,706,235</b>	<b>3.9%</b>

## 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
<b>Total Personnel Services</b>	<b>\$118,160,075</b>	<b>\$124,476,793</b>	<b>\$140,060,458</b>	<b>\$146,579,146</b>	<b>\$6,518,688</b>	<b>4.7%</b>
<b>Total Direct City Personnel</b>	<b>\$38,712,643</b>	<b>\$41,053,232</b>	<b>\$44,238,910</b>	<b>\$48,752,906</b>	<b>\$4,513,996</b>	<b>10.2%</b>
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%
<b>Total Budgeted FTEs*</b>	<b>1,564.50</b>	<b>1,599.75</b>	<b>1,607.75</b>	<b>1,632.75</b>	<b>25.00</b>	<b>1.6%</b>

## 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%)
<b>Total O&amp;M Expense</b>	<b>\$400,604,759</b>	<b>\$415,523,930</b>	<b>\$456,202,663</b>	<b>\$473,908,898</b>	<b>\$17,706,235</b>	<b>3.9%</b>

## 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%
<b>Total Revenues</b>	<b>\$47,411,831</b>	<b>\$53,304,258</b>	<b>\$51,321,812</b>	<b>\$63,223,878</b>	<b>\$11,902,066</b>	<b>23.2%</b>
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%)
<b>Total Expense Appropriation</b>	<b>\$27,699,196</b>	<b>\$29,022,881</b>	<b>\$32,817,458</b>	<b>\$36,344,246</b>	<b>\$3,526,788</b>	<b>10.7%</b>
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

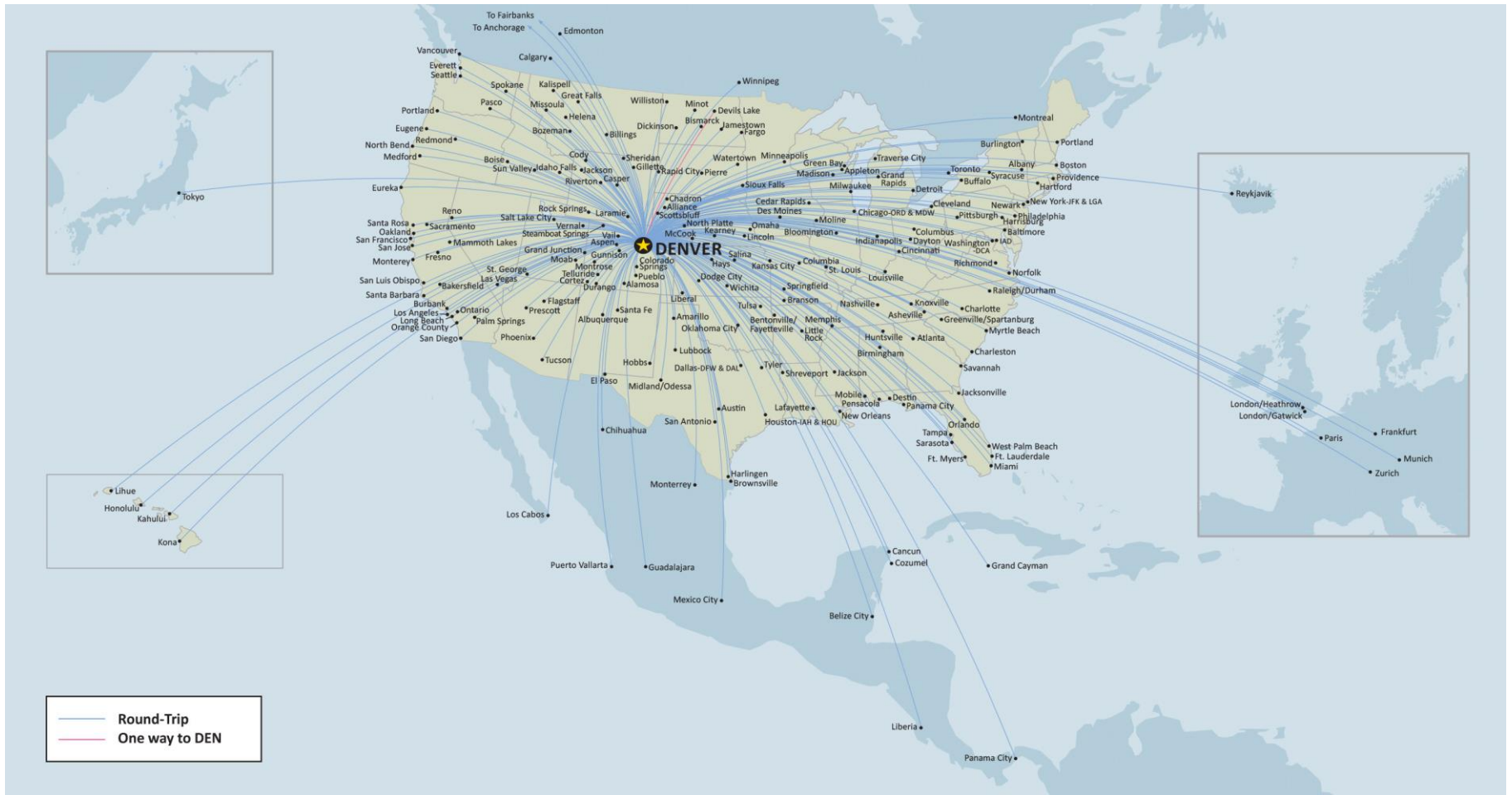
- Record-setting passengers in 2018 of 64.5M
- DEN reached 200 nonstop destinations milestone in August 2018
- DEN started 7 new international routes, featuring 3 new international airlines and 3 new international destinations in 2018 & 2019:
  - WestJet inaugurated their Denver service in March 2018 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 61<sup>st</sup> 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

