



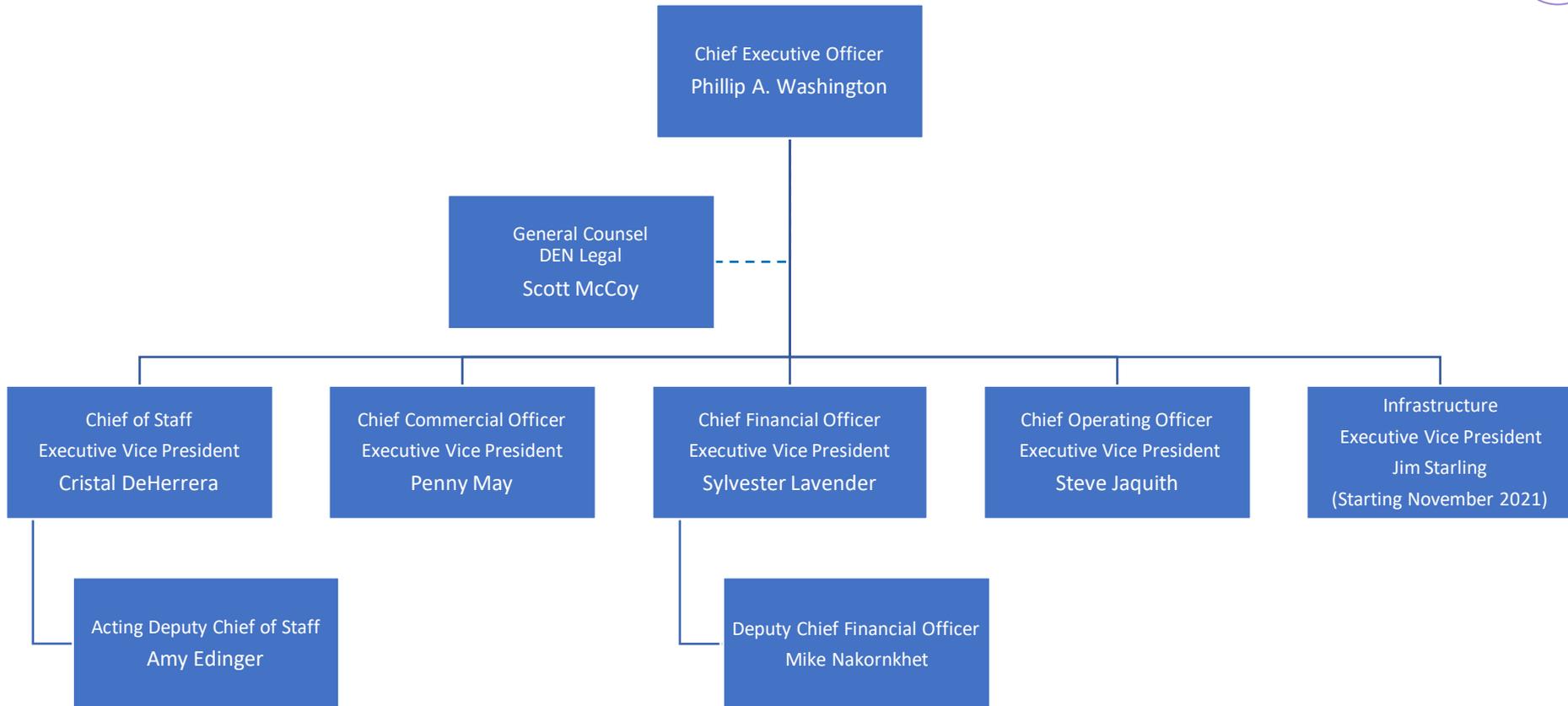
DENVER INTERNATIONAL AIRPORT 2022 BUDGET PRESENTATION “RUNWAY TO RECOVERY”

SEPTEMBER 23, 2021

PHIL WASHINGTON, CHIEF EXECUTIVE OFFICER
SYLVESTER LAVENDER, CHIEF FINANCIAL OFFICER
MIKE NAKORKHET, DEPUTY FINANCIAL OFFICER

DENVER INTERNATIONAL AIRPORT







24

Airlines

202

Nonstop Destinations

19

International Destinations serving

8

Countries (Aug. 2021)



Roughly
1,200 companies

working at DEN

Approximately

30,000 employees



Colorado's largest economic engine

\$33 billion annually

PASSENGERS

69 million
2019

33.7 million
2020

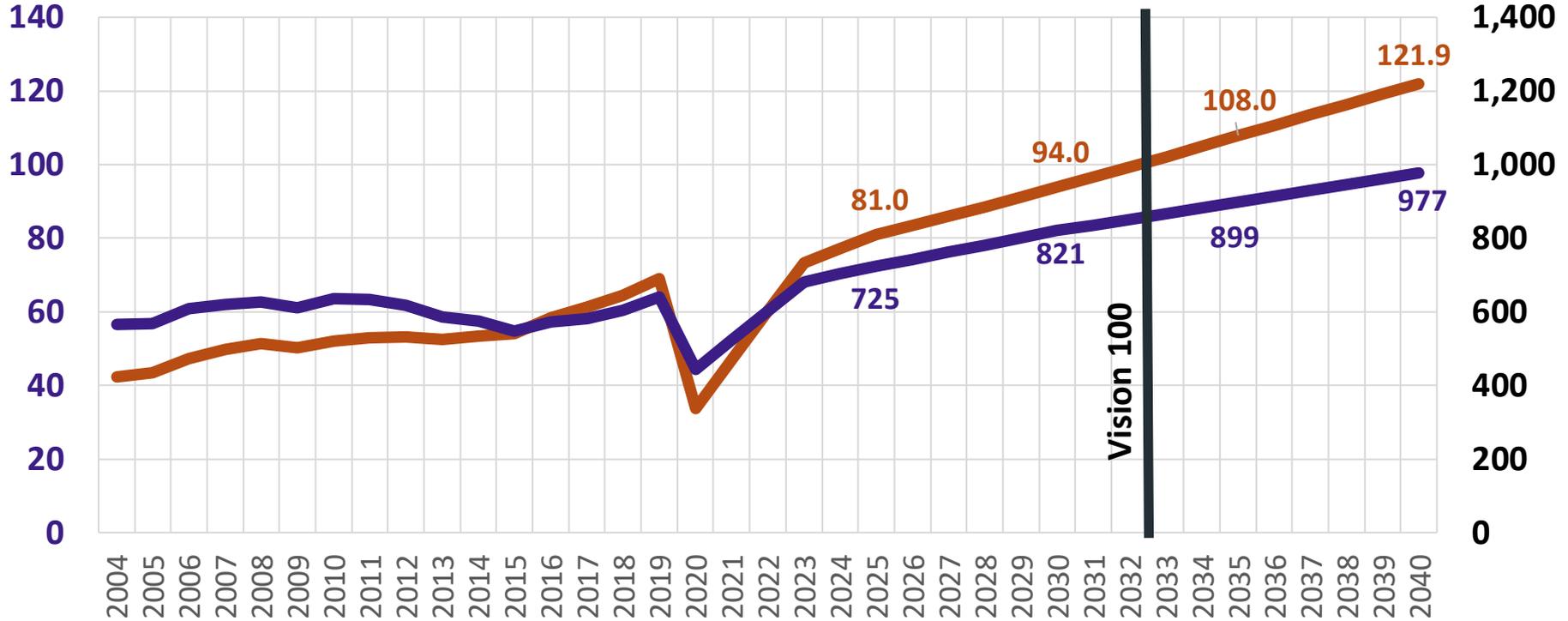
55.2 million
2021

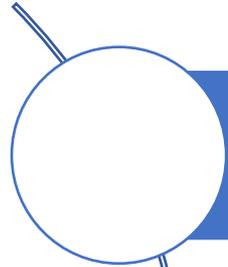
72.8 million
2022

DEN Forecast Update Addendum (Aug 2020)

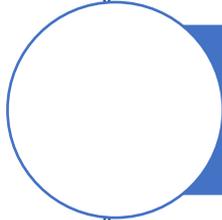
— Annual Passengers (millions)

— Annual Aircraft Operations (thousands)

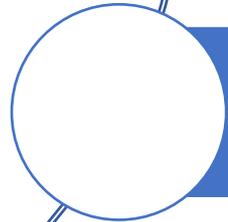




Sustainability Initiatives: \$38.0 million budgeted in 2022 for planning and initial stages



Customer Experience Initiatives: \$10.3 million budgeted in 2022 for planning and initial stages



Equity, Race, Diversity, Inclusion Initiatives: Over \$300 million in potential budget impacts



- **DEN will seek to implement and operationalize equity in planning and decision-making processes by developing and using as a tool our Rapid Equity Assessment (REA) process, a set of questions to assist staff in identifying and prioritizing equity, race diversity, and inclusion opportunities. The REA tool includes the following questions:**
 - Will the decision impact historically marginalized communities?
 - Could this present an equity opportunity?
 - Who will benefit from and/or be burdened by this decision?
 - How will the decision prioritize the needs of the populations identified above?
 - What are our strategies to mitigate any potential negative consequences of this decision?
 - How will we proceed with the action? How will we monitor impact to the identified populations above?

199 open positions & up to \$24M in wages and benefits impacted



Contracting Priorities and Opportunities

- Unbundling Contracts where appropriate
- Emphasis on Historically Under-utilized Businesses (HUBs) as Primes and traditional Primes subbing to them
- Bonding Programs
- Concession Loan Programs
- Joint Ventures and Mentor/Protégé Programs
- Small Business Prime Program (Set-Aside)
- Prompt Pay Programs
- Allowing bidders to correct minor formalities in proposals that would otherwise result in a non-responsive outcome.
- Strict adherence to Small Business goals.

\$281M in Services and Supplies budget impacted (51% of O&M budget)



POWERING OUR PEOPLE

\$3.4 million budgeted
for initial planning of
training and internship
opportunities



Gateway to DEN – Introducing Aviation

Exposure to aviation within the community through direct network building with local schools and learning partners that support youth internships, job shadowing and apprenticeships with DEN departments

Employee Development

Introductory formal employee development training offers employee recognition and appreciation, job shadowing, mentoring, and fellowships to sharpen entry level learning experiences

Executive/Senior Leadership Inter-Agency Exchange Program

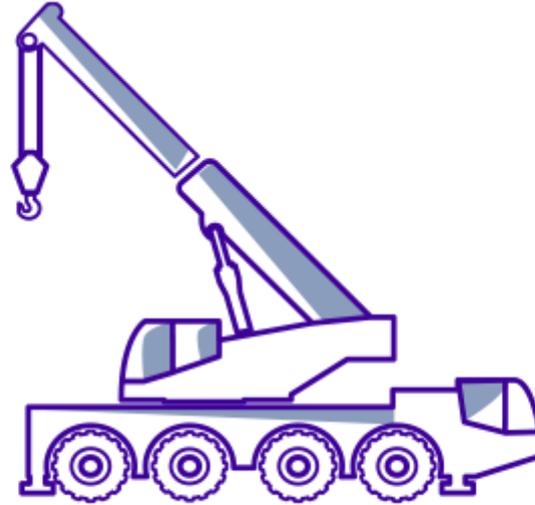
Advanced employee knowledge building through a direct experience in growing employee career potential through national and international strategic leadership skills development

Aviation Training Center of Excellence

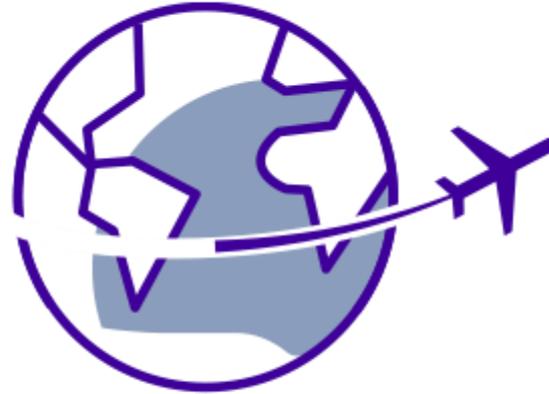
Developing a future workforce with formal training and programs in aviation

Management/Leadership Development

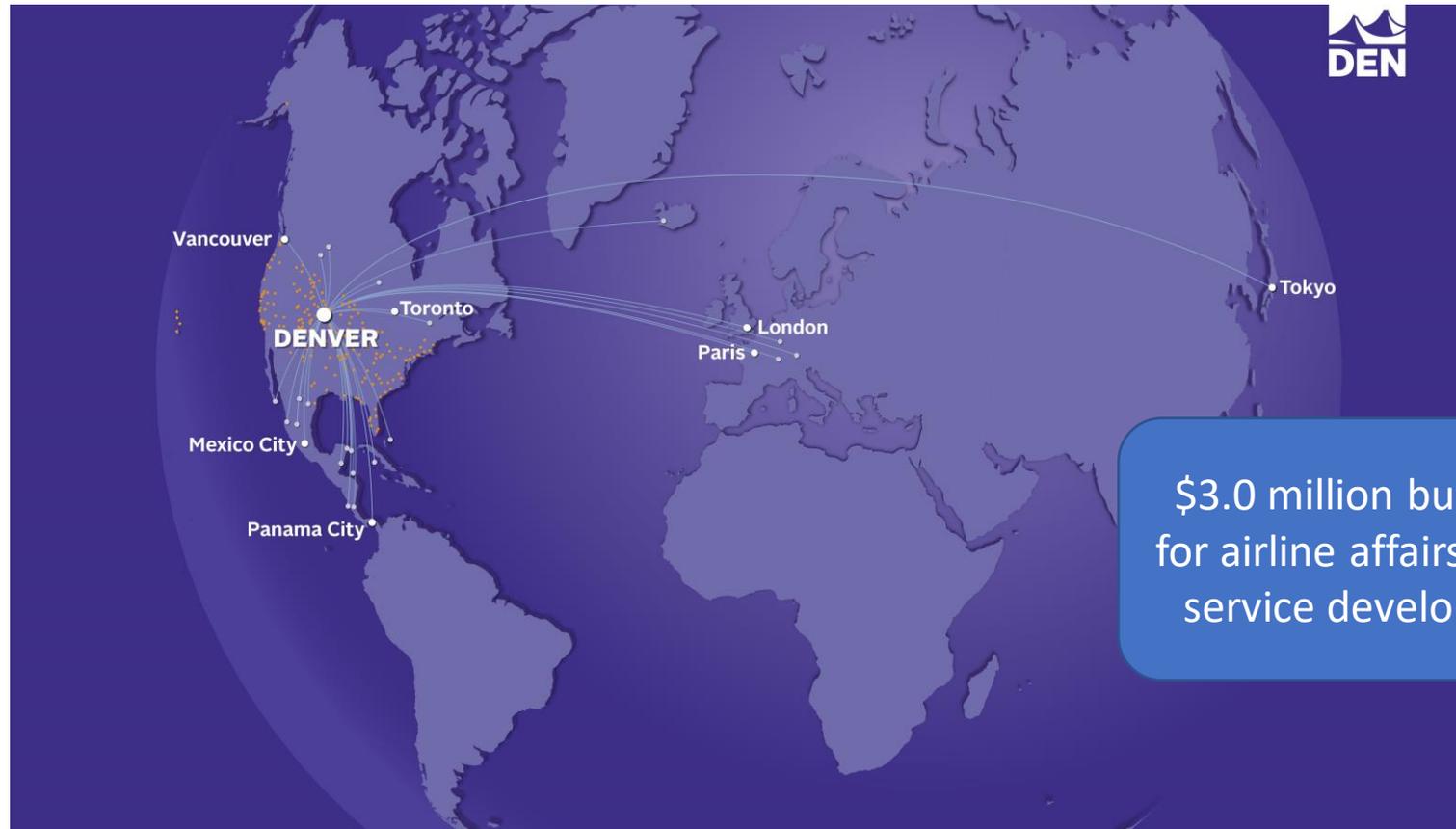
Leadership Academy advances employees through a graduated progression of modular-based employee learning and development that focuses on core functions of leadership and management principles



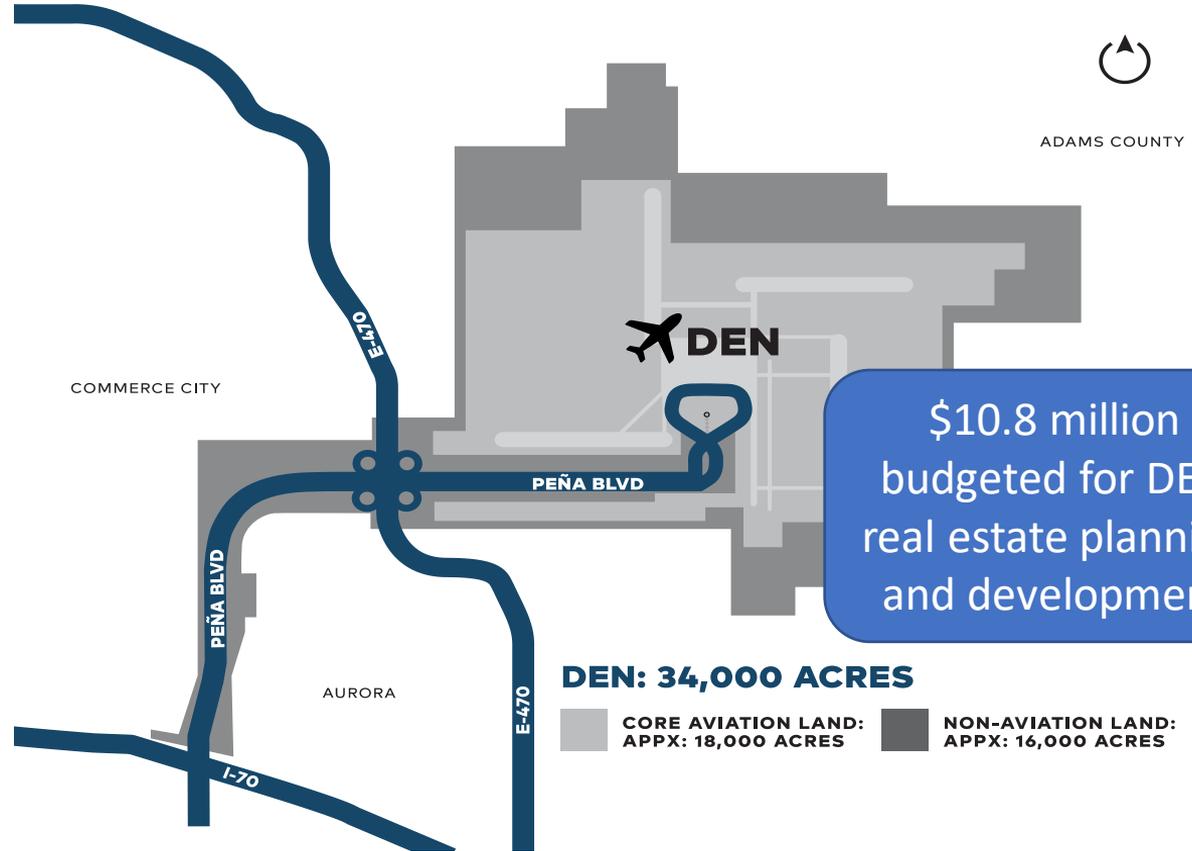
GROWING OUR INFRASTRUCTURE



EXPANDING OUR GLOBAL CONNECTIONS



\$3.0 million budgeted for airline affairs and air service development



\$10.8 million budgeted for DEN real estate planning and development

DEN: 34,000 ACRES

 CORE AVIATION LAND: APPX: 18,000 ACRES	 NON-AVIATION LAND: APPX: 16,000 ACRES
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Increase
In
Revenue



Opportunities
to Attract
Businesses



More Educational
and Culture
Opportunities



BENEFITS OF MORE FLIGHTS AND MORE PASSENGERS =

Stronger
Economy



More
Jobs



Better
Quality Of
Life



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



- **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



- **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

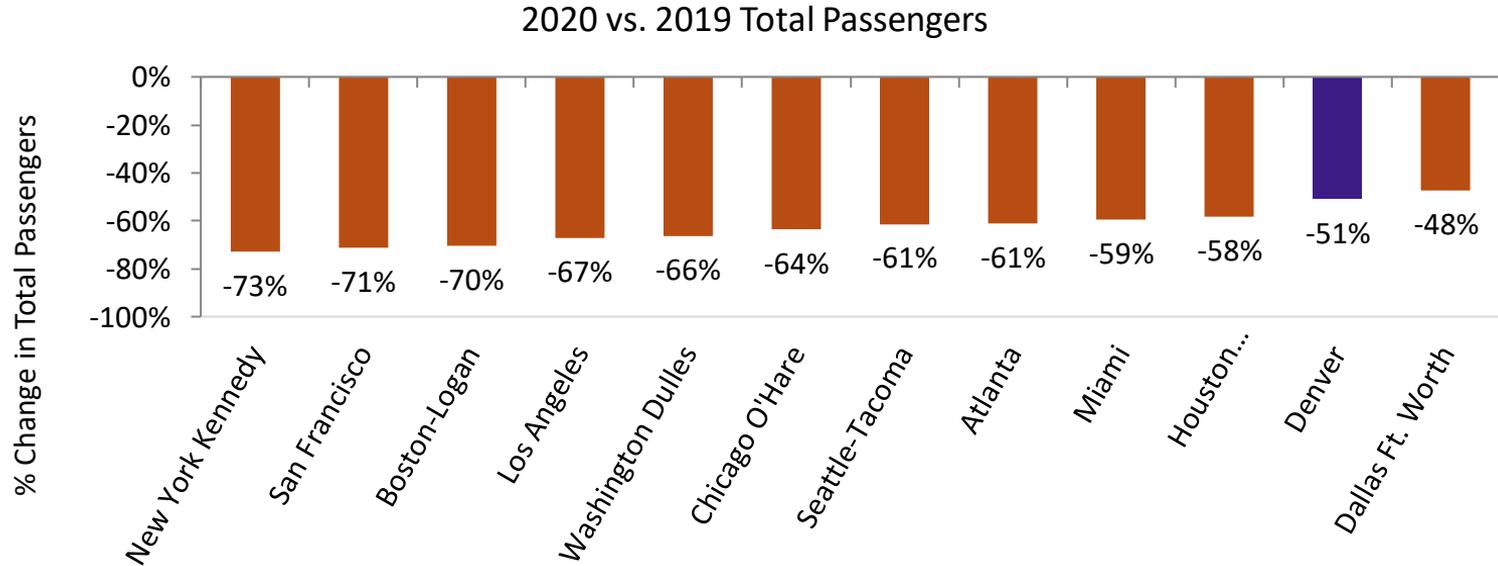
- **Airport pays the City for services provided to the Airport (~\$73M per year)**
 - Police
 - Fire
 - City Attorney's Office
 - Auditor
 - Human Resources
 - Division of Small Business Opportunity
 - Division of Workforce Development
 - General Services Purchasing
 - Indirect Cost Allocation – Costs shared/split amongst City agencies
 - Uniform Services
 - Finance & Risk Management
 - Technology Services
 - General Services
 - Mayor's Office & City Council



- **As a result of the COVID-19 pandemic, in March 2020, DEN began to see a decrease in passenger traffic and revenues.**
- **In April 2020, DEN saw the most sizable impact of COVID-19, with passenger traffic declining by 94.4% compared to April 2019.**
- **DEN management took proactive measures to mitigate the impact of the pandemic on the Airport and our partners.**
 - By implementing a hiring freeze and reducing O&M expenditures, DEN saved \$86M from the original 2020 Budget.
 - DEN also provided relief to its partners, airlines and concessionaires, by deferring 3 months of airline payments, and eliminating concessionaires' Minimum Annual Guarantee (MAG) payments from Mar 2020 through Dec 2021.



- In 2020 DEN experienced a 51% decrease in passenger traffic from 2019
- While significant, DEN's passenger decline was second-lowest compared to other large airports in the nation as shown in the chart below:





- **Passenger traffic is picking-up significantly in 2021.**
 - July 2021 passenger counts were 145.7% higher compared to July of last year, and only 5.4% lower than July 2019.
 - DEN expects that by the end of the year, the 2021 total annual passenger count will exceed 55 million, or 20% lower than the 2019 total.
- **The federal government has provided three rounds of stimulus funding (CARES, CRRSA and ARPA) totaling more than \$550M, which DEN has applied towards debt service, assistance of concessionaires, and will potentially apply the remainder towards projects that could generate future revenue.**
- **The 2022 Budget was established in anticipation of passengers returning to pre-pandemic levels and to accommodate new gates that will come online.**
- **As the country begins to return to a new normal and air travel returns, DEN is well-positioned to facilitate the upcoming growth, and be a global leader in transportation.**



- DEN has received \$269M in grants from the Coronavirus Aid, Relief and Economic Security (CARES) Act stimulus package, which the airport applied towards debt service in 2020 and 2021.
- DEN will also receive \$48.5M in grants from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA), and \$204M from the American Rescue Plan Act (ARPA), which the Airport also plans to apply towards debt service, or projects that generate future revenue.
- The CRRSA and ARPA stimulus also contains \$7.2M and \$28.8M in funding to assist DEN’s concessionaires.
- DEN has met the FAA’s workforce retention requirements for receiving these grants.

Grant	2020 Airport	2021 Airport	2021 Concessions
CARES	\$269,073,999		
CRRSA		\$48,592,317	\$7,194,733
ARPA		\$204,258,878	\$28,778,936
Total	\$269,073,999	\$252,851,999	\$35,973,669



- **DEN has maintained strong financial metrics throughout the COVID-19 pandemic and expects to continue. These key financial metrics include:**
 - Cost Per Enplanement (CPE)
 - A relative measurement that indicates the cost competitiveness of DEN as compared to the other peer airports
 - Debt Service Coverage Ratio (DSCR)
 - A minimum ratio required by our General Bond Ordinance to ensure bond holders that debt service payments can be made

Performance Measures	2018 Actual	2019 Actual	2020 Actual	2021 Estimated	2022 Objective
Gross Concession Revenue per Enplaned Passenger	\$12.32	\$12.65	\$11.92	\$12.20	\$12.74
Cost per Enplaned Passenger (CPE)	\$10.56	\$10.33	\$20.01	\$13.57	\$12.79
Senior Bond Ratings	AA-/A+/A1	AA-/A+/A1	AA-/A+/A1	AA-/A+/A1	AA-/A+/A1
Debt Service Coverage – All Bonds	1.96x	1.90x	1.51x	1.95x	1.61x

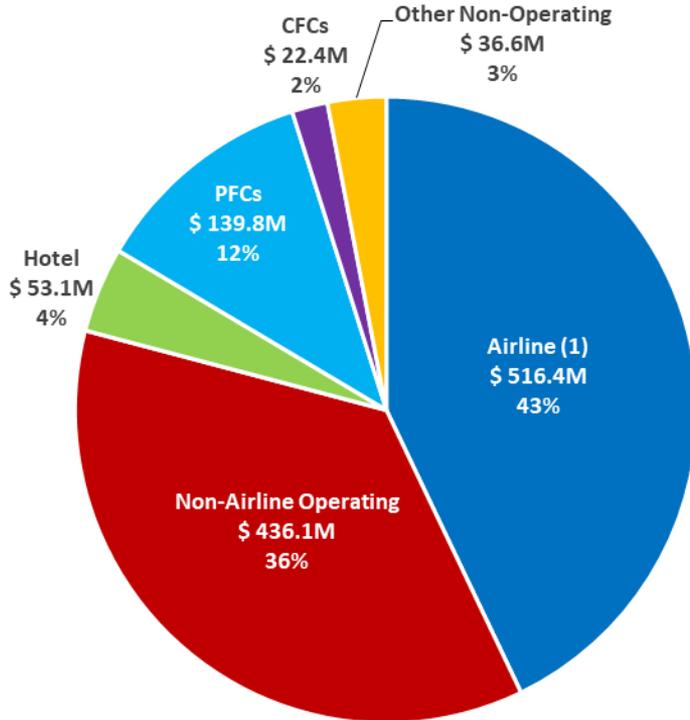


- Management has several tools to address any shortfalls in traffic/non-airline revenue
 - O&M cost savings
 - Application of federal grants proceeds
 - Capital program reductions/deferrals
- Adjusted results after implementing one or more of the tools above to strengthen metrics
 - Both include adjustments to the application of federal grants proceeds

Result Period (2022)	Target Range	Base (w/\$1.6B Financing in 2022)	Low (20%)	Lower (40%)
Key Adjustment(s)			~15% O&M Reduction (\$75M)	~15% O&M Reduction & Potential \$275M Capital Deferral
Traffic	72.8M	72.8M	58.2M	43.8M
Debt Service Coverage	+150%	161%	159%	142%
Days Cash on Hand	Min. 500 Days	505	521	516
CPE	\$12-\$16	\$12.79	\$16.01	\$22.82



2022 DEN Revenue Sources \$1.20B



Note: ⁽¹⁾ Airline revenues shown are prior to netting-out of \$50.0M Airline Revenue Credit
DENVER INTERNATIONAL AIRPORT

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 & 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

Operating Revenue	2019 Actual	2020 Actual	2021 Budget	2022 Budget	\$ Variance 2022 vs. 2021	% Variance 2022 vs. 2021
Airline:						
Landing Fees	\$175,636,092	\$135,707,650	\$203,300,000	\$185,000,000	(\$18,300,000)	(9.0%)
Facility Rentals ⁽¹⁾	210,835,844	226,836,673	254,013,396	281,400,000	27,386,604	10.8%
Non-Airline:						
Commercial	389,549,936	188,042,391	220,093,999	402,123,932	182,029,933	82.7%
Aviation Fuel Tax	25,464,070	9,788,894	11,495,000	27,945,803	16,450,803	143.1%
Hotel	62,087,716	24,480,555	35,841,758	53,102,957	17,261,199	48.2%
Other	4,219,442	6,952,478	5,200,000	6,000,000	800,000	15.4%
Total Operating Revenue	\$867,793,100	\$591,808,641	\$729,944,153	\$955,572,692	\$225,628,539	30.9%

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 farming and connectivity fees as well as estimate of late fees.



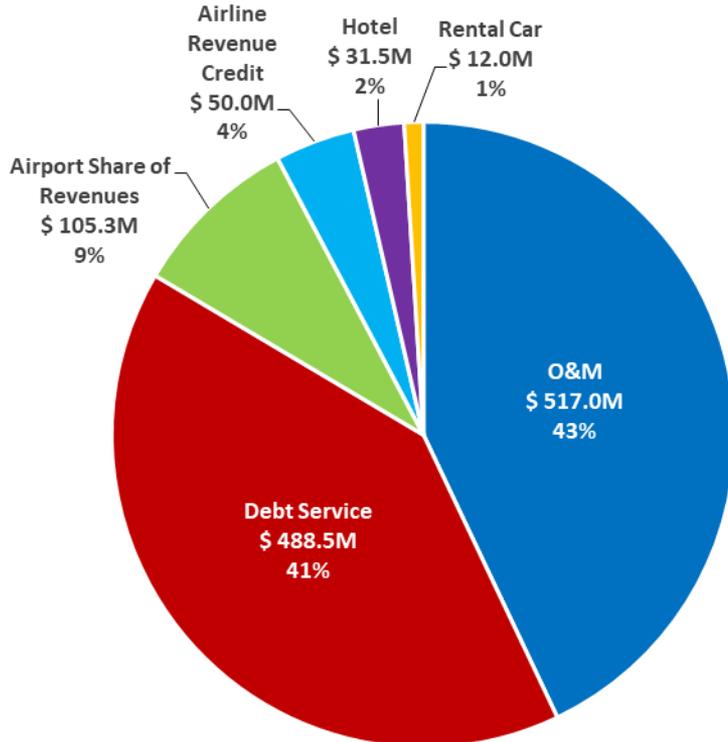
Non-Operating Revenue	2019 Actual	2020 Actual	2021 Budget	2022 Budget	\$ Variance 2022 vs. 2021	% Variance 2022 vs. 2021
Passenger Facility Charges	\$132,483,511	\$64,921,821	\$79,986,439	\$139,791,309	\$59,804,870	74.8%
Customer Facility Charges	21,524,769	10,621,397	13,500,000	22,385,760	8,885,760	65.8%
Investment Income	171,096,212	150,043,304	27,300,000	36,000,000	8,700,000	31.9%
Other	2,970,061	3,501,402	84,000,000	600,000	(83,400,000)	(99.3%)
Total Non-Operating Revenue	\$328,074,553	\$229,087,923	\$204,786,439	\$198,777,069	(\$6,009,370)	(2.9%)

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, grant proceeds and sales of surplus equipment. 2021 Budget included federal stimulus monies as non-operating revenue, whereas latest accounting guidance treats stimulus as an offset to expenses.



2022 DEN Revenue Uses \$1.20B



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 2022

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

Hotel:

- Operating and capital reserve expenses for the Westin Hotel

Rental Car:

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

Operating Expense	2019 Actual	2020 Actual	2021 Budget	2022 Budget	\$ Variance 2022 vs. 2021	% Variance 2022 vs. 2021
Personnel	\$132,850,238	\$131,067,118	\$145,582,407	\$157,678,813	\$12,096,406	8.3%
Internal Services & Other	67,484,387	68,078,456	70,384,685	75,546,650	5,161,965	7.3%
Services & Supplies	242,789,556	188,105,503	240,444,861	280,795,900	40,351,039	16.8%
Hotel ⁽¹⁾	31,676,839	17,357,185	31,200,000	31,490,773	290,773	0.9%
Total Operating Expense	\$474,801,020	\$404,608,262	\$487,611,953	\$545,512,136	\$57,900,183	11.9%

Key Drivers

- **Personnel:** Increase driven by merit and benefits increases, pay equity study and removal of budget required furloughs.
- **Internal Services & Other:** Increase driven by merit and benefit increases for other City agencies and increase in propylene glycol rate as a result of transferring ownership of Tower Road Sanitary Sewer Line to Denver Public Works. Includes 15 additional Fire FTE to support new firetruck as traffic has returned to pre-pandemic levels.
- **Services & Supplies:** Increase driven by anticipated return of passenger traffic and addition of 39 new gates opening in 2022: janitorial services, security guards, shuttle bus services, automated guideway transportation system (AGTS) maintenance, baggage handling system maintenance, conveyance systems maintenance. As well as new and returning services in 2022: customer bag drop service, Terminal self bag drop system maintenance, and total queue management service.



Career Service Authority (CSA) Employees	2019 Actual	2020 Actual	2021 Budget	2022 Budget	Variance 2021 vs. 2022	% Variance 2021 vs. 2022
Total Personnel Services	\$132,850,238	\$131,067,118	\$145,582,407	\$157,678,813	\$12,096,406	8.3%
Total Direct City Personnel	\$44,238,910	\$45,212,997	\$48,768,743	\$52,684,240	\$3,915,497	8.0%
FTEs Overview						
Budgeted DEN FTEs ⁽¹⁾	1,308.25	1,312.25	1,312.25	1,312.25	0.00	0.0%
Budgeted Uniform FTEs ⁽¹⁾	250	266	243	258	15.00	6.2%
Budgeted City FTEs ^(1,2)	49.5	54.5	57.5	58.0	0.50	0.9%
Total Budgeted FTEs	1,607.75	1,632.75	1,612.75	1,628.25	15.50	1.0%

Key Drivers

- **Personnel Services:** Increase driven by merit and benefits increases, pay equity study and removal of budget required furloughs.
- **Direct City Personnel:** Increase driven by merit and benefit increases for other City agencies as well as additional 0.50 FTE.
 - City Attorney’s Office: 0.50 FTE for Legal fellowship position
 - Denver Fire: 15.0 FTEs for support of new firetruck as traffic has returned to pre-pandemic levels

Notes:

⁽¹⁾ 2020 Budgeted FTEs were established in 2019, prior to the onset of the COVID-19 pandemic

⁽²⁾ Excludes Auditor (billable hours) and Indirect Cost FTE allocations



Division Operating Expenses (\$ in thousands)	2021 Budget	2022 Budget	\$ Variance	% Variance
Executive Office	\$ 18,835	\$ 22,609	\$ 3,774	20%
External Affairs	6,262	11,655	5,393	86%
Commercial	54,677	61,651	6,973	13%
Finance	31,037	32,177	1,140	4%
Operations	337,745	375,104	37,359	11%
DEN Real Estate	7,855	10,825	2,970	38%
Hotel	21,860	31,491	9,631	44%
Subtotal O&M	\$ 478,272	\$ 545,512	\$ 67,240	14%
Debt Service	\$ 375,252	\$ 488,535	\$ 113,283	30%
Total Expenses	\$ 853,524	\$ 1,034,047	\$ 180,523	21%

Key Drivers

- **Divisional O&M:** Increases driven by removal of hiring freeze, filling of vacant positions to lower the vacancy rate, and contractual services to support the return of passengers and new gates.
- **Debt Service:** Reflects existing bond debt service and an estimate of first year debt service to complete DEN's existing \$3.5 billion Capital Improvement Plan (CIP). This amount is subject to change depending on a plan of finance currently under evaluation.



DENVER
THE MILE HIGH CITY

RUNWAY TO RECOVERY



Vancouver

Toronto

DENVER

London
Paris

Tokyo

Mexico City

Panama City

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