

Memorandum



CITY OF DALLAS

DATE August 14, 2015

TO Honorable Mayor and Members of the City Council

SUBJECT **Dallas/Fort Worth International Airport FY 2016 Proposed Budget Presentation to Owner Cities**

On August 19, 2015, the City Council will be briefed on the Dallas/Fort Worth International Airport FY 2016 Proposed Budget. The briefing will be provided by Mr. Christopher Poinsett, Executive Vice President-Chief Financial Officer. Mr. Sean Donohue, Chief Executive Officer, will give a brief introduction preceding the briefing.

Please let me know if you have any questions or require additional information.

A handwritten signature in blue ink, appearing to read 'A.C. Gonzalez'.

A.C. Gonzalez
City Manager

- c: Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, Assistant City Manager

- Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council



Dallas/Fort Worth International Airport



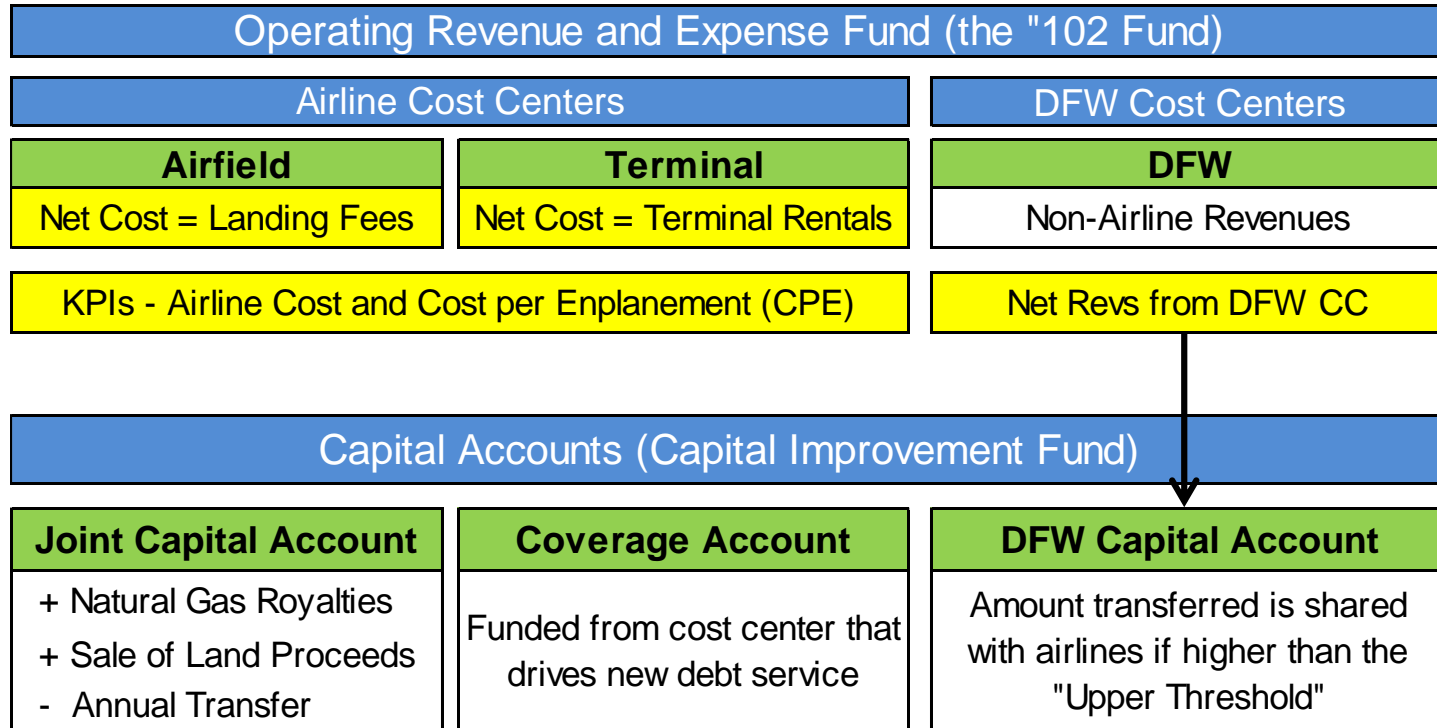
**FY 2016 Proposed Budget
Presentation to Owner Cities
August/September 2015**

Overview – FY 2016 Budget

- Annual Budget goal is to beat targets in FY15 Financial Plan
- Accomplished for all financial targets
 - Total expenditures - \$20.7 million better
 - DFW cost center net revenues for non-airline business units - \$4.9 million better
 - Airline cost - \$35.2 million better
 - Airline cost per enplanement - \$0.85 better
- Passengers increase, but slightly under Plan



Overview – DFW’s Business Model



Grow the Core Business

- Record passengers – 64.4 million (up 1.4% from FY15 Outlook)
- Record international passengers (up 3.8%)
- Passengers lower than Financial Plan due to AA announcement to constrain capacity growth
- Landed weights are up due to heavier new aircraft



Key Performance Indicator	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease)	
				FY16B vs. FY15OL	FY16B vs. FY16FP
Total Passengers (Ms)	63.5	65.3	64.4	0.9	(0.9)
Total Landed Weights (Bs)	40.7	40.9	41.7	1.0	0.8

DFW Cost Center Net Revenues

- FY16 Budget is \$107.8 million, \$2.5 million (2.3%) lower than FY15 Outlook
 - Higher expenses and debt service offset by higher revenues
- \$4.7 million of exposure in parking, concessions, and RAC revenue budgets
- 4.8% better than Financial Plan due to a lower costs



Key Performance Indicator	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease)	
				FY16B vs. FY15OL	FY16B vs. FY16FP
DFWCC Net Revenues (Ms)	\$110.4	\$102.9	\$107.8	(\$2.5)	\$4.9

DFW Cost Center Net Revenues

Budget Category (in Millions)	FY16 Budget	Increase (Decrease)	
		FY16B vs. FY15OL	FY16B vs. FY16FP
Revenues			
Parking	\$143.2	\$7.2	\$1.0
Concessions	71.4	2.6	(3.5)
Rental Car	32.5	1.2	(1.2)
Commercial Development	39.4	2.2	0.1
Sub-total	286.6	13.2	(3.6)
Other Revenues	41.3	4.0	2.7
Total Revenues	327.9	17.3	(0.9)
Less Total Expenditures	(220.0)	19.8	(5.9)
DFW Cost Center Net Revenue	\$107.8	(\$2.5)	\$4.9

Expenditure Budget

- Operating expenses are higher than Outlook and Financial Plan primarily due to Strategic Priorities
- Debt service increases from FY15 due to the completion of portions of the Terminal Renewal and Improvement Program (TRIP), new terminal parking garages, and other capital projects
- Debt service is lower than the Financial Plan due primarily to the new schedule to rebaseline TRIP and related capital projects

Annual Budget (in Millions)	FY16 Budget	Increase (Decrease)			
		FY16B vs FY15OL		FY16B vs FY16FP	
Operating Expenses	\$421.8	\$28.0	7.1%	\$10.1	2.4%
Gross Debt Service	370.0	46.2	14.3%	(30.7)	(7.7)%
Total Expenditures Budget	\$791.7	\$74.2	10.3%	(\$20.7)	(2.5)%

FY 2016 Budget Walkforward from FY 2015 Outlook

<u>Operating Expenses (in Millions)</u>	<u>Total</u>
FY 2015 Outlook	\$393.8
Cost reductions	(6.3)
Strategic priorities	10.6
Merit & salary annualization	5.2
Fixed contract increases	6.3
Other contract increases	4.6
Other increases	1.7
Total operating expense increases, net	<u>22.2</u>
Restore contingency	3.5
Adjust operating reserve	2.4
FY 2016 Expense Budget	<u><u>\$421.8</u></u>

Strategic Priorities

The FY16 Budget includes \$13.3 million of funding for strategic priorities most of which were not assumed in the Financial Plan

	<u>Millions</u>
Strategic Priorities	
Customer service	\$5.3
ITS security, disaster recovery & PCI compliance	2.3
DPS security	1.5
American Airlines rebanking	1.4
Fire Training Research Center revenue growth	<u>0.2</u>
Total Strategic Priorities	10.6
Add Operating Reserve	<u>2.7</u>
Total Budget Impact	<u><u>\$13.3</u></u>



information
security



Airline Cost (Airline Payments for Landing Fees and Terminal Rents)

DFW charges the airlines what it costs to operate the airfield and terminals.

- FY 2016 Budget is \$50.1 million (16.6%) higher than the FY 2015 Outlook due to debt service and strategic priorities
- DFW’s CPE compares favorably with other large hub airports
- Airline costs are \$35.2 million less than Financial Plan due to lower debt service and increased Passenger Facility Charge revenue

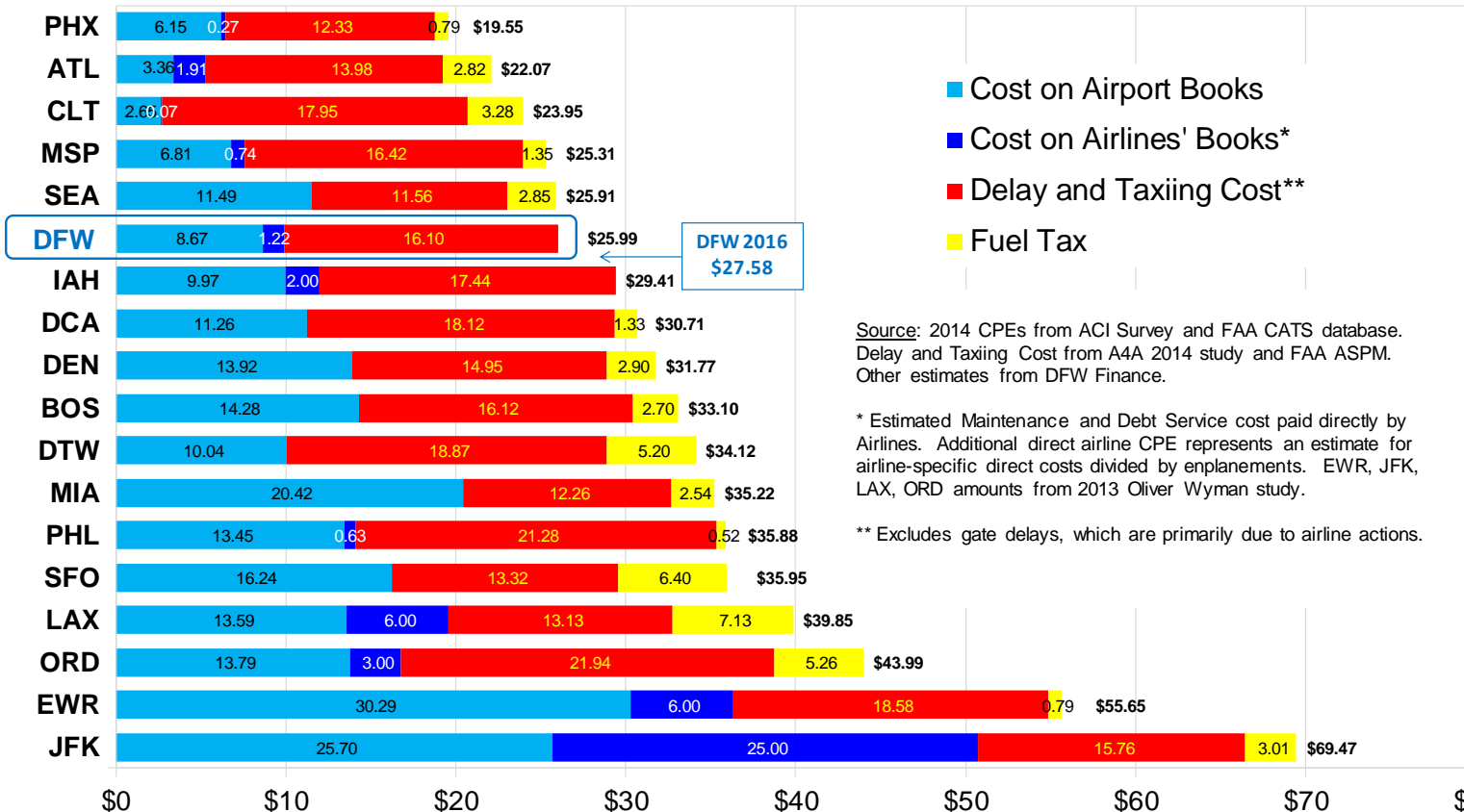


Key Performance Indicator	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease)	
				FY16B vs. FY15OL	FY16B vs. FY16FP
Airline Costs (Ms)	\$301.4	\$386.6	\$351.4	\$50.1	(\$35.2)
Airline Cost per Enplanement	\$8.71	\$11.17	\$10.32	\$1.61	(\$0.85)

Fully Loaded Cost per Enplaned Passenger

DFW's FY16 CPE compares favorably with the other airports' 2014 results

Fully Loaded C.P.E. - DFW 2015 vs Competitive Set 2014



OBA - FY 2016 Budget and Schedule of Charges Approval

Request approval of FY 2016 Budget of \$801.7 million, which includes \$10 million of contingency outside of the rate base. This contingency may only be used with Board approval.

Annual Budget (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease)	
				FY16B vs FY15OL	FY16B vs FY16FP
Operating Expenses	\$393.8	\$411.7	\$421.8	\$28.0	\$10.1
Gross Debt Service	323.7	400.7	370.0	46.2	(30.7)
Total 102 Fund Expenditures	<u>\$717.5</u>	<u>\$812.4</u>	\$791.7	<u>\$74.2</u>	<u>(\$20.7)</u>
Contingency O/S Rate Base			10.0		
Total Budget w/ Contingency			<u>\$801.7</u>		

Tax Sharing to Owner Cities

Eules, Irving, Coppell and Grapevine (south of Hwy 114) have tax sharing arrangements with DFW and the Owner Cities.

- Revenues split between “Host City” (1/3rd) and Owner Cities (2/3rd)
 - Split between Dallas and Fort Worth is based upon 7/11th and 4/11th ownership, except for Rental Car Center taxes which are shared equally
- Total of \$12.1 million paid in FY14 from Host Cities:
 - Dallas - \$6.4 million
 - Fort Worth - \$5.7 million
- Owner Cities received \$1.0 million (8.5%) increase from prior year

TRIP/Major Capital Projects – Terminal Enhancements

