

Memorandum



CITY OF DALLAS

DATE August 12, 2016

TO Honorable Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Dallas Fort Worth International Airport FY 2017 Proposed Budget

On Monday, August 15, 2016, the Budget, Finance & Audit Committee will be briefed on the Dallas Fort Worth International Airport's FY 2017 Proposed Budget. The briefing will be provided by Mr. Christopher Poinsette, Executive Vice President – Chief Financial Officer.

Additionally, today your office was provided with bound copy of the Dallas Fort Worth International Airport's FY 2017 Proposed Budget. This budget was adopted by the DFW Board on June 30, 2016 and is included on the August 24th City Council Agenda.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
AC Gonzalez, City Manager
Christopher D. Bowers, Interim 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 2017 Proposed Budget

Budget, Finance, and Audit Committee

August 15, 2016



KPI Summary

All financial KPIs improved from the Financial Plan projections for FY 2017

Expenditure budget and airline cost increases have been planned for years, primarily due to TRIP debt service



Key Performance Indicators	FY16 Outlook	FY17 Fin'l Plan	FY17 Budget	FY17B Inc (Dec)	
				FY16OL	FY17FP
DFW Cost Center Net Revenues (Ms)	\$121.1	\$122.7	\$131.5	\$10.4	\$8.8
Total 102 Expenditure Budget (Ms)	\$794.3	\$904.8	\$884.6	\$90.2	(\$20.2)
Airline Costs (Ms)	\$328.8	\$428.5	\$401.5	\$72.7	(\$27.0)
Airline Cost Per Enplanement (CPE)	\$9.64	\$12.38	\$11.59	\$1.95	(\$0.79)
Total Passengers (Ms)	66.5	68.0	67.9	1.3	(0.1)
Total Landed Weights (Bs)	41.5	42.3	42.0	0.5	(0.3)

DFW Cost Center

DFW Cost Center – Net to Capital Account

The budget assumes that \$81.6 million will be transferred to the DFW Capital Account at the end of FY 2017

Budget Category (in Millions)	FY17 Budget	Increase (Decrease)	
		FY17B vs. FY16OL	FY17B vs. FY17FP
Revenue Management Revenues			
Parking	\$155.0	\$12.6	\$0.7
Concessions	82.2	9.2	1.7
Rental Car (RAC)	33.0	0.1	(2.6)
Commercial Development	41.4	(8.3)	(0.2)
Total Revenue Mgmt Revs	311.6	13.7	(0.4)
Other Revenues	54.9	10.3	4.5
Total Revenues	\$366.6	\$23.9	\$4.1
Less Expenses & Debt Service	(235.1)	(13.6)	4.7
Less Reduction in Landing Fees	(49.9)	(7.5)	(7.0)
Net to DFW Capital Account	\$ 81.6	\$ 2.9	\$ 1.8



Expenditure Budget

Total Expenditure Budget

FY17 Budget is \$884.6 million, \$90.2 million (11.4%) higher than Outlook, but \$20.2 million (2.2%) less than Plan.

Over 90% of increase from FY16 Outlook is due to:

- \$60.5 million for debt service related to the completion of TRIP and debt restructuring (67.1%)
- \$21.4 million for fixed expense increases and budget restoration (23.7%)



Annual Budget (Millions)	FY16	FY17	FY17	FY17B Inc (Dec)	
	Outlook	Plan	Budget	FY16 OL	FY17FP
Operating Expenses	\$424.4	\$464.4	\$454.2	\$29.8	(\$10.3)
Gross Debt Service	369.9	440.4	430.4	60.5	(10.0)
Total Expenditures Budget	\$794.3	\$904.8	\$884.6	\$90.2	(\$20.2)

FY17 Budget Walkforward from FY16 Outlook

Fixed contract increases and budget restoration represent 72% of budget increase (including operating reserves). FY17 budget reductions offset investments in strategic priorities.

Operating Expenses (in Millions)	Total
FY 2016 Outlook	\$424.4
Budget reductions	(11.4)
Strategic priorities	12.2
Fixed increases	11.3
Restore budget to prior year's levels	5.8
Merit, annualization, and new positions	5.2
Funding policy changes	1.4
Other increases	5.2
Net increase	29.8
FY 2017 Budget	\$454.2

Debt Service

Gross Debt Service is offset by Passenger Facility Charges (PFC's) and other transfers to arrive at Net Debt Service which is used to calculate rates and charges.

Debt Service (in Millions)	FY17 Budget	Increase (Decrease)	
		FY16OL	FY17 FP
Gross Debt Service and Coverage	\$430.4	\$60.5	(\$10.0)
Less PFCs and other offsets	160.7	4.6	(0.4)
Net Debt Service Paid by Rate Base	\$269.7	\$55.9	(\$9.6)

Airline Cost

Airline Cost

FY17 Budget is \$401.5 million, \$72.7 million (22.1%) higher than Outlook.

Airline cost increase has been planned for many years due primarily to TRIP debt service

- Airline cost was projected to be \$435 million with CPE of \$11.99 in original Financial Plan from FY 2011 for FY 2017

70% of increase due to TRIP debt service and Use Agreement items

DFW's CPE remains cost competitive and compares favorably with AA's large hub airports

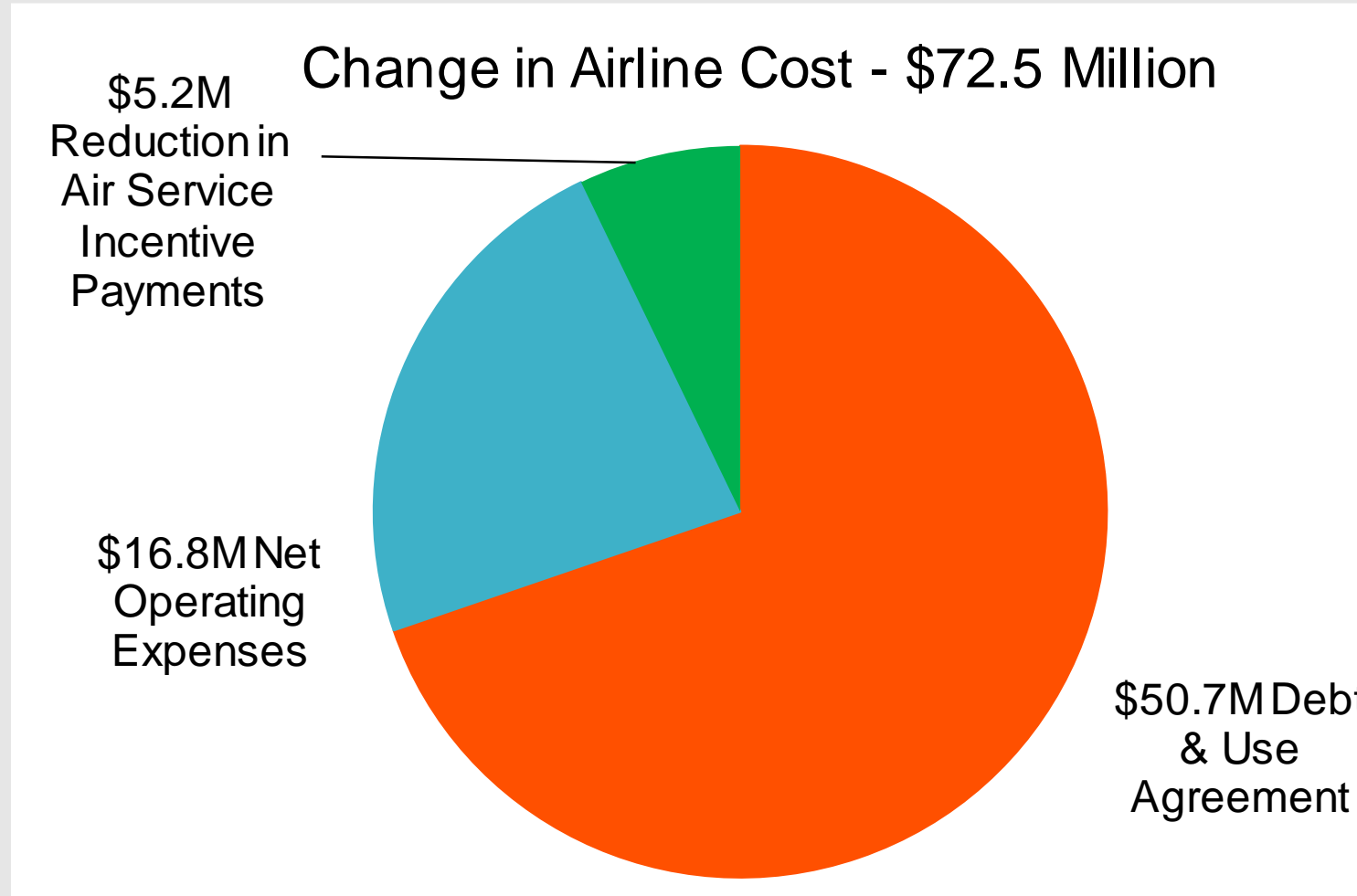


Key Performance Indicator	FY16 Outlook	FY17 Fin'l Plan	FY17 Budget	Increase (Decrease)	
				FY17B vs. FY16OL	FY17B vs. FY17FP
Airline Costs (Ms)	\$328.8	\$428.5	\$401.5	\$72.7	(\$27.0)
Airline Cost per Enplanement	\$9.64	\$12.38	\$11.59	\$1.95	(\$0.79)

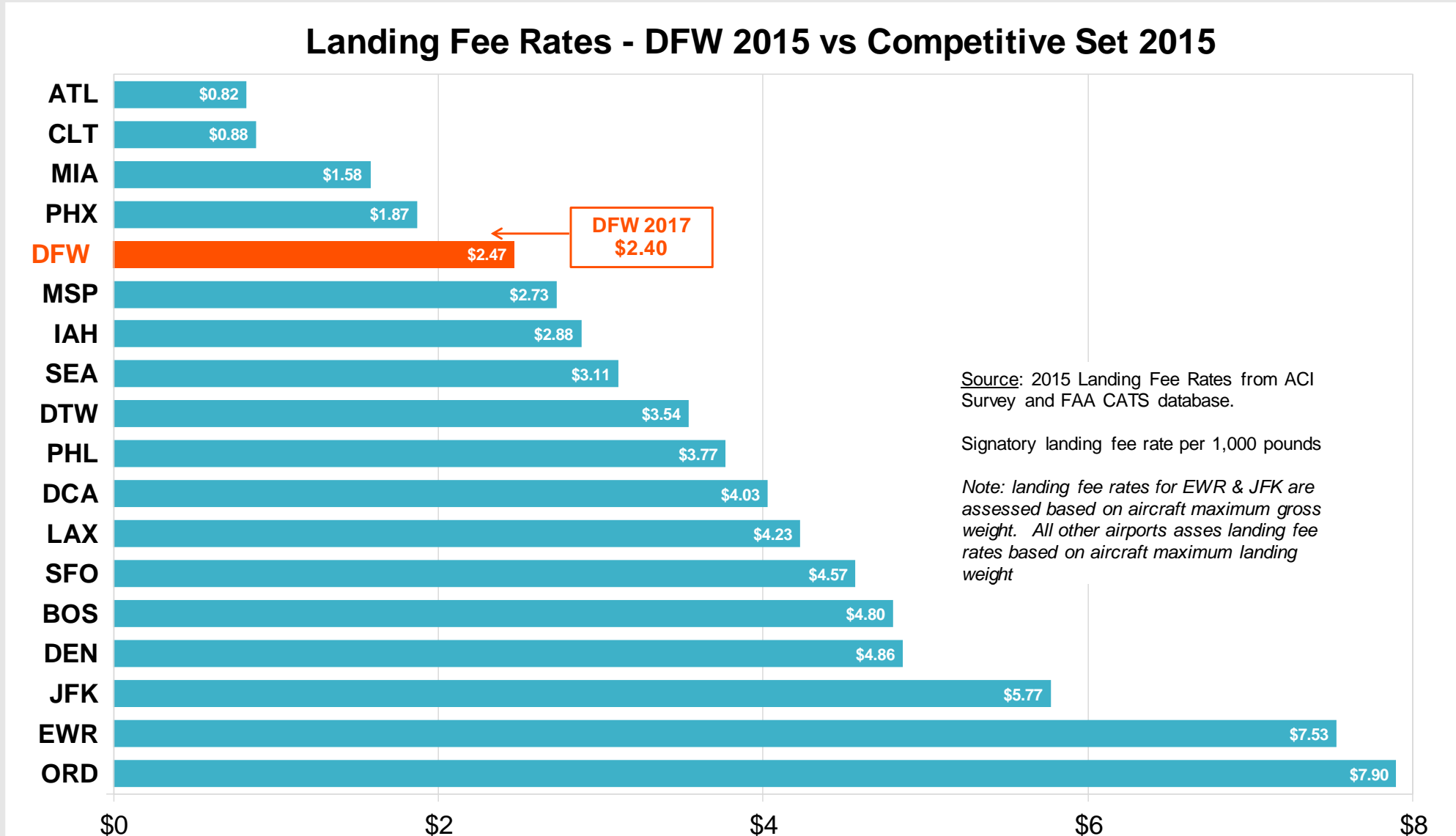


Airline Cost Increase

Airline costs are budgeted to increase \$72.5 million over the FY16 Outlook.



Landing Fee Rate Comparison



Wrap-Up and Approval of FY 2017 Budget

OBA – FY 2017 Budget Approval

Request approval of FY 2017 Budget of \$894.6 million, which includes \$10 million of contingency outside of the rate base. This contingency may only be used with Board approval.

Annual Budget (Millions)	FY16	FY16	FY17	FY17	FY17B Inc (Dec)	
	Budget	Outlook	Fin'l Plan	Budget	FY16 OL	FY17FP
Operating Expenses	\$426.2	\$424.4	\$464.4	\$454.2	\$29.8	(\$10.3)
Gross Debt Service	370.0	369.9	440.4	430.4	60.5	(10.0)
Total Expenditures Budget	<u>\$796.1</u>	<u>\$794.3</u>	<u>\$904.8</u>	<u>\$884.6</u>	<u>\$90.2</u>	<u>(\$20.2)</u>
Contingency O/S Rate Base				<u>10.0</u>		
Total Budget w/ Contingency				<u>\$894.6</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 \$12.5 million paid in FY15 from Host Cities:

- Dallas - \$6.65 million
- Fort Worth - \$5.81 million

Owner Cities received \$340K (2.8%) increase from prior year.

Taxes from rental car facility in Eules decreased 0.7% from prior year.

Questions?

Dallas Fort Worth International Airport FY 17 Proposed Budget
Budget, Finance, and Audit Committee
August 15, 2016

