

September 4, 2018

To the Honorable Mayor and Members of the Dallas City Council:

Dallas Fort Worth International Airport (DFW) is requesting approval of its annual operating budget for Fiscal Year 2019. The \$1 billion budget reflects a 6.0% increase from the FY 2018 outlook due to increased funding for strategic priorities, fixed contract increases, salary annualization and merit pool.

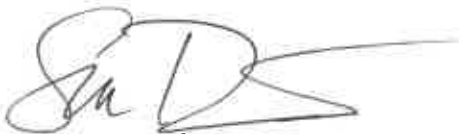
DFW is anticipating a record-breaking 73.3 million passengers for FY 2019, a 6.3% increase, the largest increase in 15 years. This increase is being driven by American Airlines' service expansion at DFW.

DFW Airport is addressing the increase in passengers by increasing funding for strategic priorities in Customer Experience, Operational Excellence and Safety & Security. The budget also includes an increase in debt service which is partially offset by an increase in Passenger Facility Charges. With the strong passenger growth, airline cost per enplanement – a key metric for airlines and DFW – will decrease for the first time since FY 2011.

This item was approved by the DFW Airport Board on June 7, 2018. The approved Official Board Action and budget book are attached for your reference. This item is scheduled for Council action at the September 12, 2018 Dallas City Council Meeting. There is no cost impact associated with this item for the City of Dallas. The City has no liability for DFW airport indebtedness.

Should you have any questions regarding this matter, please contact Chris Poinsatte, Executive Vice President/Chief Financial Officer at 972-973-5210.

Regards,



Sean Donohue  
Chief Executive Officer  
Dallas Fort Worth International Airport

cc: William Meadows, DFW Airport Board Chair  
T.C. Broadnax, Dallas City Manager

# Dallas Fort Worth International Airport Proposed FY 2019 Budget

Government Performance & Financial Management Committee

September 4, 2018



# FY 2019 Budget Overview

## Key Themes

Record passenger forecast of 73.3M (6.3% increase); largest increase in 15 years

Strategic priorities funded for Customer Experience, Safe and Secure and Operational Excellence (\$9.5 million, or 37% of operating budget increase)

Final year of accelerated principal and coverage payments resulting from the 2016A Bonds (\$31.2M increase)

Passenger Facility Charge (PFCs) increase of \$16.8M; offsetting the increase in debt service

Non-airline net revenues increase \$20.5M (18.2%) due to increase in passengers, interest income and PFCs

Airline Cost Per Enplanement (CPE) decreases \$0.08 due to strong passenger growth; first CPE decrease since FY 2011



# Expenditure Budget

FY 2019 Expenditure Budget is \$1,008.4 million, a \$56.8 million (6.0%) increase from the FY 2018 Outlook.

Annual Budget (Millions)	FY19 Budget	FY19B v FY18B		FY19B v FY18OL	
		Inc (Dec) Amount	%	Inc (Dec) Amount	%
Operating Expenses	\$496.2	\$25.1	5.3%	\$25.7	5.5%
Gross Debt Service	512.2	29.1	6.0%	31.2	6.5%
Total Expenditures Budget	\$1,008.4	\$54.2	5.7%	\$56.8	6.0%



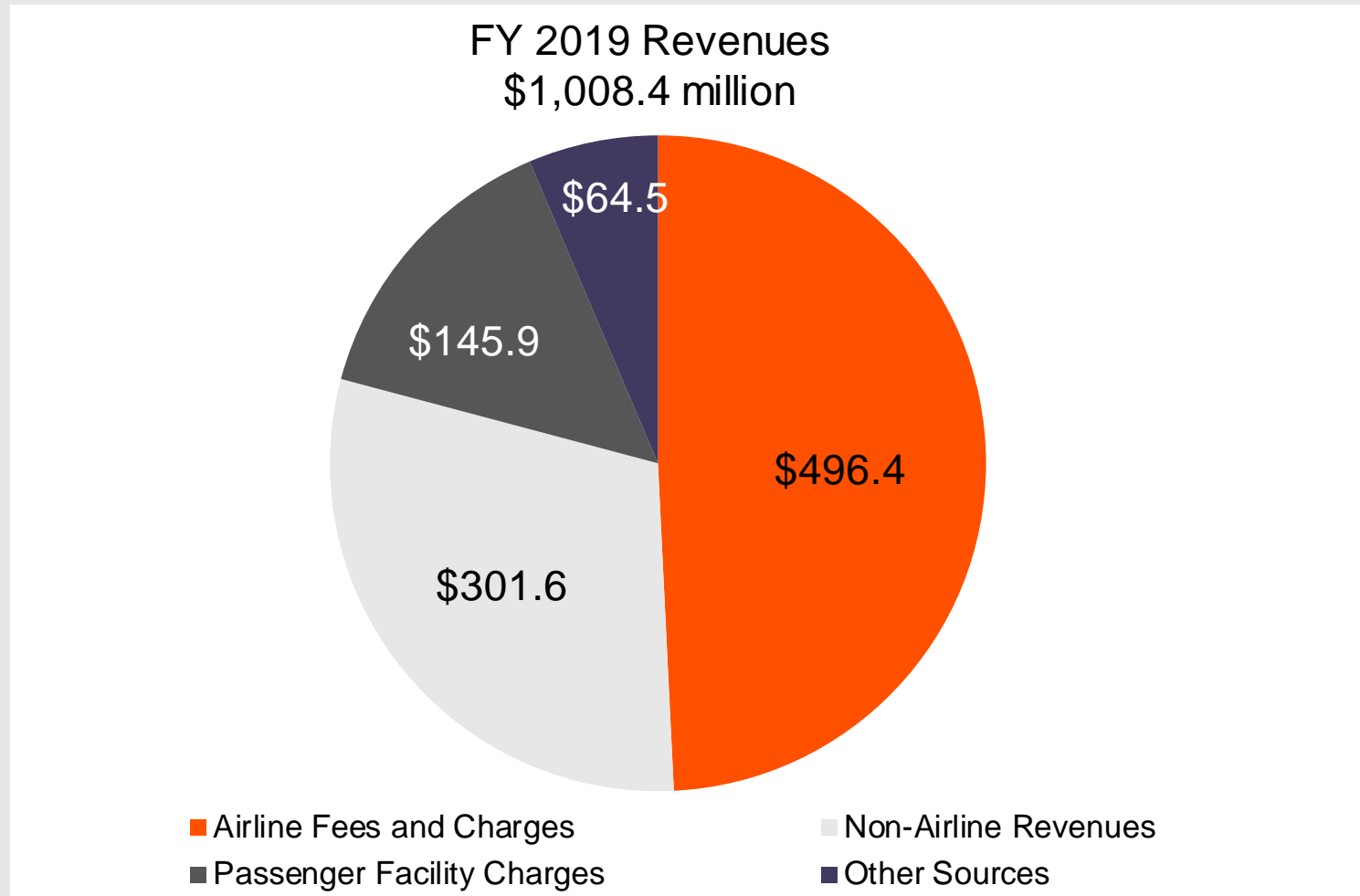
# FY 2019 Budget Walkforward from FY 2018 Outlook

Funding strategic priorities, fixed contract increases, salary annualization and merit pool account for 93.8% of the budget increase.

<u>Operating Expenses (in Millions)</u>	<u>Total</u>
FY 2018 Outlook	\$470.6
Budget reductions	(5.4)
Strategic priorities	
Customer experience	2.4
Safe and secure	4.0
Operational excellence	1.2
Salary annualization and merit pool	8.1
Fixed contract increases	8.4
Restore budgets	3.0
Other increases	4.0
Net increase	<u>25.7</u>
FY 2019 Budget	<u><u>\$496.2</u></u>

# FY 2019 Revenues

49.2% of the \$1,008.4 million Expenditure Budget is funded by airlines, with the balance coming from the non-airline sources.



# DFW Cost Center – Revenues

FY 2019 Revenues are \$386.1 million, a \$23.2 million (6.4%) increase over the FY 2018 Outlook.

Budget Category (in Millions)	FY18 Outlook	FY19 Budget	Increase (Decrease)	
			Amount	Percent
<b>Revenues</b>				
Parking	\$164.5	\$175.2	\$10.7	6.5%
Concessions	69.5	73.9	4.5	6.4%
Concessions - Advertising	13.9	14.2	0.3	2.4%
Rental Car (RAC)	33.6	34.4	0.8	2.5%
Commercial Development	45.2	48.5	3.3	7.3%
Miscellaneous	36.2	39.7	3.5	9.8%
<b>Total Revenues</b>	<b>\$362.9</b>	<b>\$386.1</b>	<b>\$23.2</b>	<b>6.4%</b>



# Airline Cost (Revenue to DFW)

The airlines pay landing fees and terminal rentals to DFW based on the cost to operate the airfield and terminals (including debt service).

The airline revenue/cost increase has been planned

- 93% of the increase is due to an increase in debt service and contractually agreed upon items

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



Key Performance Indicator	FY18 Outlook	FY19 Budget	Increase (Decrease)	
			Amount	Percent
Airline Costs (Ms)	\$474.6	\$498.4	\$23.8	5.0%
Airline Cost Per Enplanement (CPE)	\$13.36	\$13.28	(\$0.08)	(0.6%)



# FY 2019 Budget Approval

Request approval of FY 2019 Budget of \$1,018.4 million, which includes \$10 million of contingency outside of the rate base. This contingency may only be used with Board approval.

Annual Budget (Millions)	FY18	FY19	Increase (Decrease)	
	Outlook	Budget	Amount	Percent
Operating Expenses	\$470.6	\$496.2	\$25.7	5.5%
Gross Debt Service	481.0	512.2	31.2	6.5%
Total Expenditures Budget	<u>\$951.6</u>	\$1,008.4	<u>\$56.8</u>	6.0%
Contingency O/S Rate Base		<u>10.0</u>		
Total Budget w/Contingency		<u>\$1,018.4</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” (1/3<sup>rd</sup>) and Owner Cities (2/3<sup>rd</sup>)

- Split between Dallas and Fort Worth is based upon 7/11<sup>th</sup> and 4/11<sup>th</sup> ownership, except for Rental Car Center taxes which are shared equally

Host Cities paid \$13.3 million in FY17

- Dallas - \$7.1 million
- Fort Worth - \$6.2 million

Owner Cities received \$188K (1.4%) increase from prior year



DFW International Logistics Center  
Bldgs. A, B, C, & S. 20th Ave  
Improvements

Print #180501224  
Date: 05/11/18  
LatLon: 32.860109 -97.050333  
Order No. 64165  
Aerial Photography, Inc. 954-968-0144



