

Memorandum



CITY OF DALLAS

DATE August 14, 2017

Members of the Government Performance & Financial Management Committee:
TO Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee M. Kleinman,
Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **Dallas/Fort Worth International Airport Proposed FY 2018 Budget**

On Monday, August 21, 2017, the Dallas/Fort Worth International Airport will brief the Government Performance & Financial Management Committee on Dallas/Fort Worth International Airport Proposed FY 2018 Budget. I have attached the briefing for your review.

Please let me know if you need additional information.

M. Elizabeth Reich

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Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Raquel Favela, Chief of Economic Development & Neighborhood Services
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Dallas Fort Worth International Airport Proposed FY 2018 Budget

Government Performance & Financial Management Committee

August 21, 2017



FY 2018 Budget Overview

Six Key Themes for FY 2018 Budget

Debt service increases associated with TRIP and other capital projects – **\$22 million planned**

Accelerated principal repayments resulting from the 2016A Bonds – **\$27 million planned**

New Passenger Facility Charge reserve policy in FY 2017 resulting in one-time benefit in FY 2017 – **\$11 million planned**

Limited operating expense increase (2.6% increase from FY 2017 Budget; 5.5% increase from management reduced FY 2017 Outlook)

Flat DFW Cost Center revenues

Funded Customer Experience and Safe and Secure strategic priorities



Expenditure Budget

Excluding debt service and fixed budget increases, the FY 2018 Budget increases 1.6% from Outlook

The debt service budget increases have been planned

The operating budget funds

- Strategic priorities
- Fixed contract increases
- Restoration of budgets reduced or unused in FY 2017
- Salary annualization and merit



Annual Budget (Millions)	FY18 Budget	FY18B v FY17B		FY18B v FY17OL	
		Amount	%	Amount	%
Operating Expenses	\$471.1	\$11.8	2.6%	\$24.5	5.5%
Gross Debt Service	483.1	52.6	12.2%	53.9	12.6%
Total Expenditures Budget	\$954.2	\$64.4	7.2%	\$78.4	9.0%

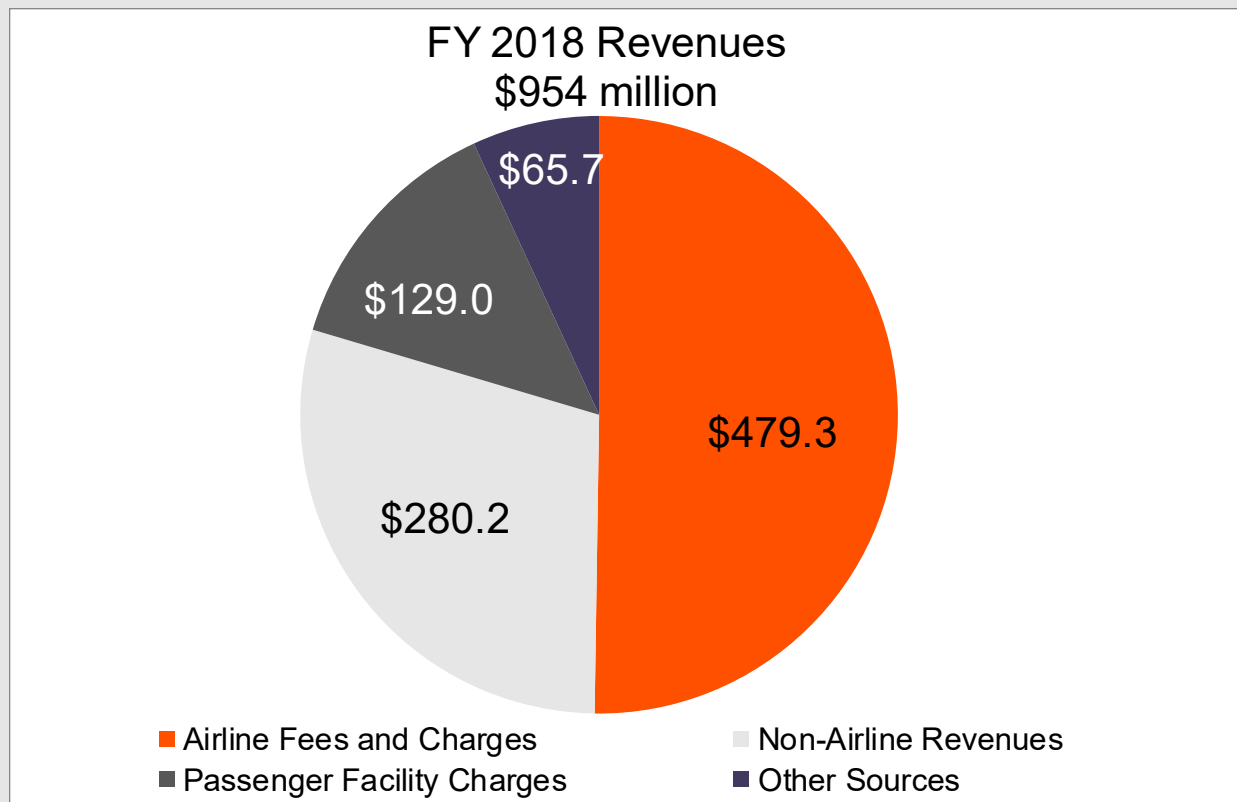
FY 2018 Budget Walkforward from FY 2017 Outlook

Fixed contract increases and budget restoration represent 80% of budget increase (including operating reserves).

Operating Expenses (in Millions)	Total
FY 2017 Outlook	\$446.6
Budget reductions	(8.6)
Customer experience	2.5
Safe and secure	1.8
Salary annualization and merit pool	10.7
Fixed contract increases	9.0
Restore CEO contingency and other items	6.6
Other increases	2.5
Net increase	24.5
FY 2018 Budget	\$471.1

FY 2018 Revenues

Half the \$954 million Expenditure Budget is funded by airlines, with the balance coming from the non-airline sources.



DFW Cost Center – Non-Airline Revenues

FY 2018 Revenues are \$356.1 million, a \$2.1 million (0.6%) increase over the FY 2017 Outlook.

Budget Category (in Millions)	FY17 Outlook	FY18 Budget	Increase (Decrease)	
			Amount	Percent
Revenues				
Parking	\$161.6	\$164.3	\$2.7	1.7%
Concessions	65.9	66.6	0.7	1.1%
Concessions - Advertising	15.5	13.6	(1.9)	(12.4%)
Rental Car (RAC)	33.3	33.2	(0.1)	(0.3%)
Commercial Development	43.1	44.4	1.4	3.2%
Subtotal	319.3	322.1	2.8	0.9%
Employee Transportation	17.6	16.9	(0.7)	(4.0%)
Utilities & Miscellaneous	8.1	7.3	(0.8)	(9.4%)
DPS	1.5	1.5	0.0	0.5%
Interest Income	7.6	8.3	0.8	10.2%
Total Revenues	\$354.0	\$356.1	\$2.1	0.6%



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 and very close to original Use Agreement contractual projection

\$64 million (75%) of the increase is due to an increase in debt service, reduction of Passenger Facility Charges, and other 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	FY17 Outlook	FY18 Budget	Increase (Decrease)	
			Amount	Percent
Airline Costs (Ms)	\$394.3	\$479.3	\$85.0	21.6%
Airline Cost Per Enplanement (CPE)	\$11.57	\$13.77	\$2.20	19.1%



FY 2018 Budget Approval

Request approval of FY 2018 Budget of \$964.2 million, which includes \$10 million of contingency outside of the rate base. This contingency may only be used with Board approval.

Annual Budget (Millions)	FY17 Outlook	FY18 Budget	Increase (Decrease)	
			Amount	Percent
Operating Expenses	\$446.6	\$471.1	\$24.5	5.5%
Gross Debt Service	429.1	483.1	53.9	12.6%
Total Expenditures Budget	<u>\$875.8</u>	<u>\$954.2</u>	<u>\$78.4</u>	<u>9.0%</u>
Contingency O/S Rate Base		<u>10.0</u>		
Total Budget w/Contingency		<u>\$964.2</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 \$13.1 million paid in FY16 from Host Cities:

- Dallas - \$7.0 million
- Fort Worth - \$6.1 million

Owner Cities received \$649K (4.9%) increase from prior year.

Taxes from rental car facility in Eules increased 4.4% from prior year.

