



**DFW Airport Board
FY 2006 Proposed Budget**

Presented to the Owner Cities

August 2005



FY 2006 Proposed Budget Overview

Agenda

- Background
- Impact of CDP and Other Cost Drivers
- 102 Fund Revenue and Expense Budget Overview
- Summary



Background



FY 2006 Budget in Summary

- DFW has made significant cost reductions since 9/11 to keep airline costs as low as possible
- The opening of the CDP has been planned for many years. The CDP accounts for \$135 million or 88% of the total 102 Budget Increase in FY 2006
- DFW has taken over responsibility for Terminal E that adds \$15 million of annual operating costs
- The airlines share of the budget has been reduced from 40% to 39% due to the growth of non-airline revenues
- DFW is still very competitive from a cost standpoint compared to other hub airports



DFW is a Residual Airport

- DFW is funded solely from airport revenues
- No local tax revenues
- Signatory Airlines pay the residual “net cost” of operating the Airport
- Landing fee revenue is the “ultimate balancer” between revenues, operating expenses, and debt service costs
- DFW has an end of the year settlement with the Signatory airlines for the differences between collections and expenses



Since 9/11 DFW Has Focused on Keeping “Net Cost” to Airlines as Low as Possible

- Discontinued discretionary spending
- Scaled back preventive and scheduled maintenance at many facilities
- Reduced staffing levels by 11%
- Returned \$104 million in rate relief and capital transfers to the Airlines since 9/11



Delta Pull-Down Required Further Budget Reductions

- Absorbed \$20 million of lost revenues during FY 2005 without passing rate increases on to Airlines
- Announced \$0.43 landing fee reduction for last 5 months of FY 2006 - \$7.5M savings
- Projected year end settlement is expected to be approximately \$8 million
- By year end, the Airlines will have received approximately \$139M of rate relief from DFW since 9/11



Impact of CDP and Cost Drivers



Capital Development Program

The Skylink high-speed airport train opened to the public on May 21



- 24 two-car trains; 12 in each direction
- Trains arriving every 2 minutes
- Average passenger ride 5 minutes
- Guideway elevated an average of 50 feet above ground
- Two stations in each terminal



Capital Development Program

International Terminal D will provide service for approximately 11.0 million passengers in FY 2006



- Located on 29 acres
- 2 million square feet
- 2 major ticketing areas
- Three-level roadway system
- 28 gates
- 100,000 square feet of concessions

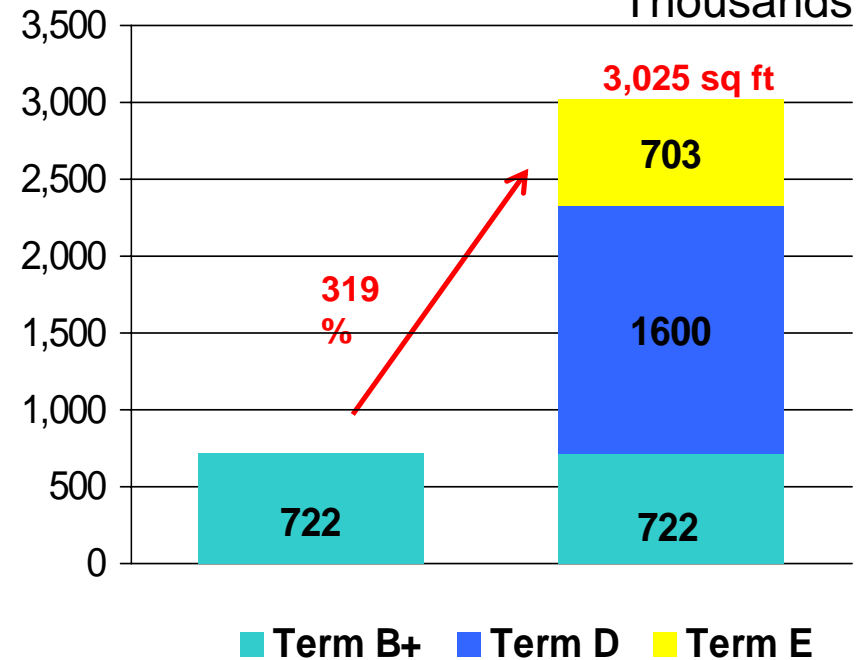


Impact of CDP Opening and Terminal E

Since Terminals D and E increase the square footage that DFW manages by 319 percent, the related energy and facility maintenance costs will triple in FY 2006 as compared to FY 2004



Terminal Square Footage in Thousands

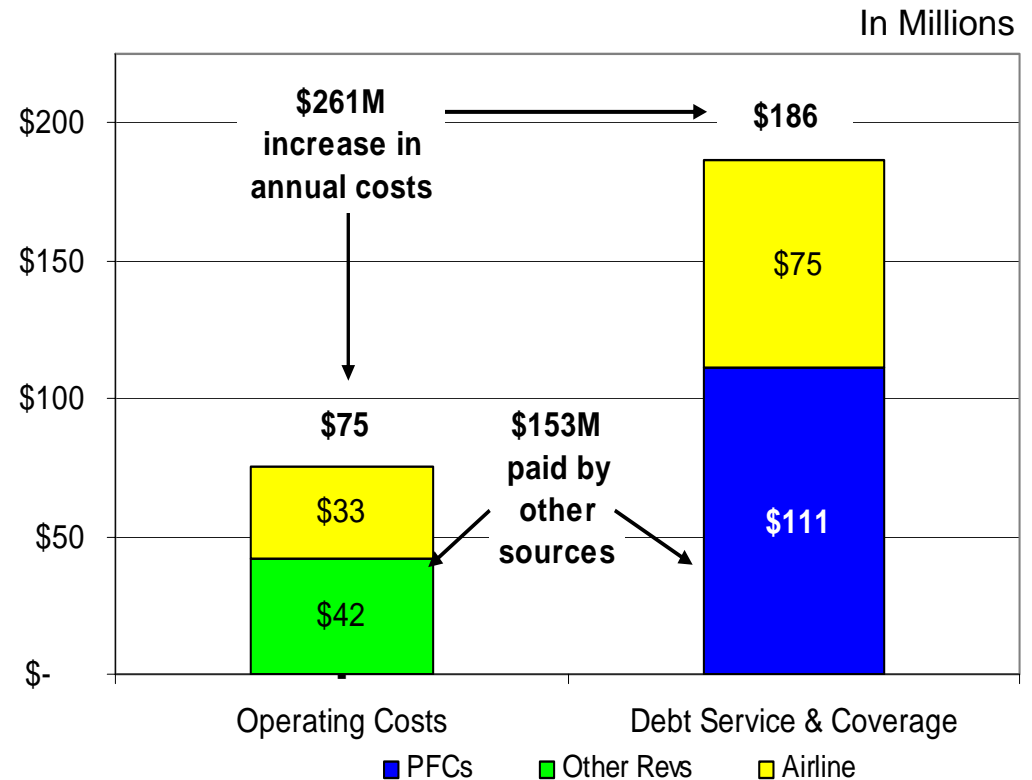




102 Budget Impact of CDP – \$261 Million Annually

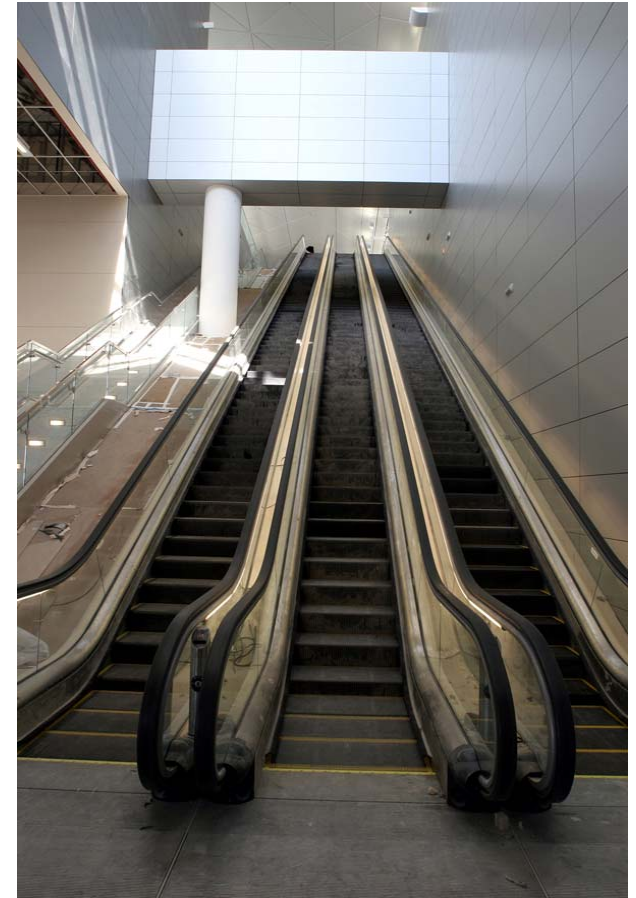
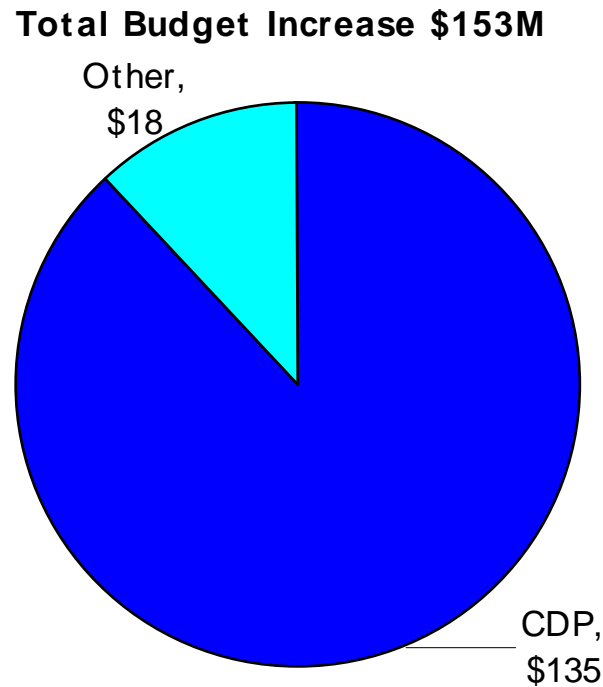
PFCs and Other Revenues pay for \$153 million (59%) of the CDP impact

- PFCs will cover 75% (\$111M) of the CDP debt service
- Concessions, Board gates, FIS fees and other revs will cover \$42M



Capital Development Program

The increase in CDP operating/debt service costs represents 88% of total budget increase for FY 2006





Other Major Cost Drivers for FY 2006

The remaining \$18 million of cost increases result from the following two projects

- Terminal E
 - DFW assumed responsibility for Terminal E and baggage system after Delta pull-down in January
 - Incremental cost impact – \$9.6 million (offset by increased terminal rentals)

- Approved pension plan changes
 - Plan changes approved last year to eliminate the social security offset to make plan more competitive with market
 - Total pension contribution increases \$7.4M



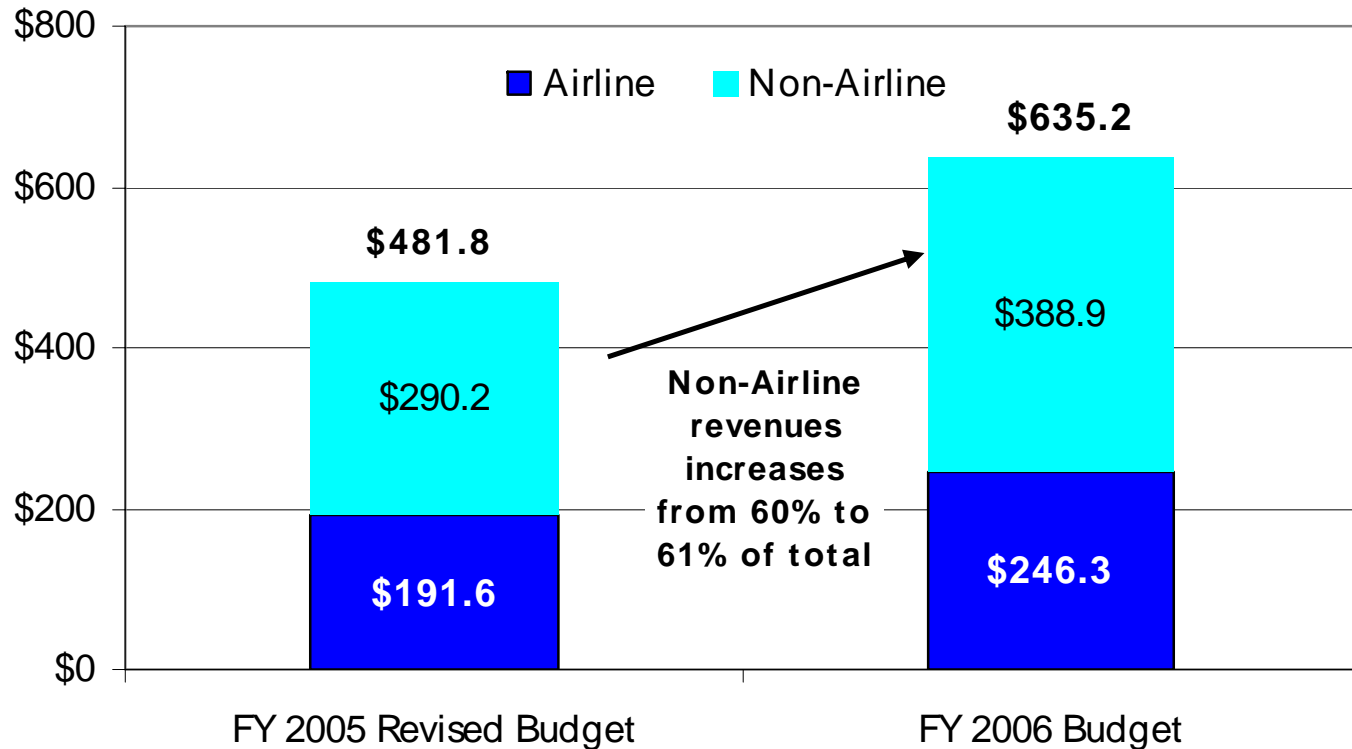
102 Fund Revenue and Expense Budget Overview



FY 2006 Revenues - \$635.2 Million

Total revenues are projected to grow 32%, with non-airline revenues increasing from 60% to 61% of total revenues

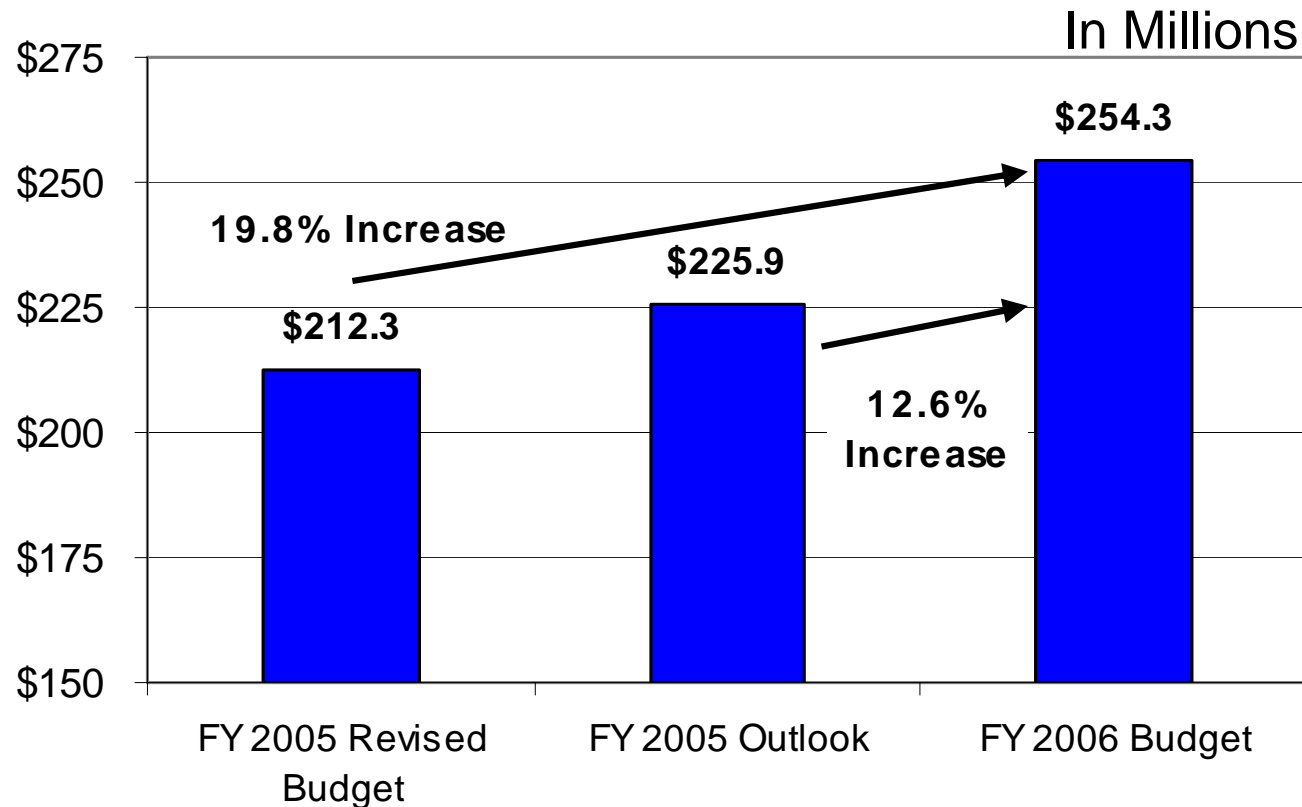
In Millions





Non-Airline Ops Revenues - \$254 Million

FY 2006 non-airline operating revenues are projected to grow 19.8% compared to FY 2005 Budget⁽¹⁾



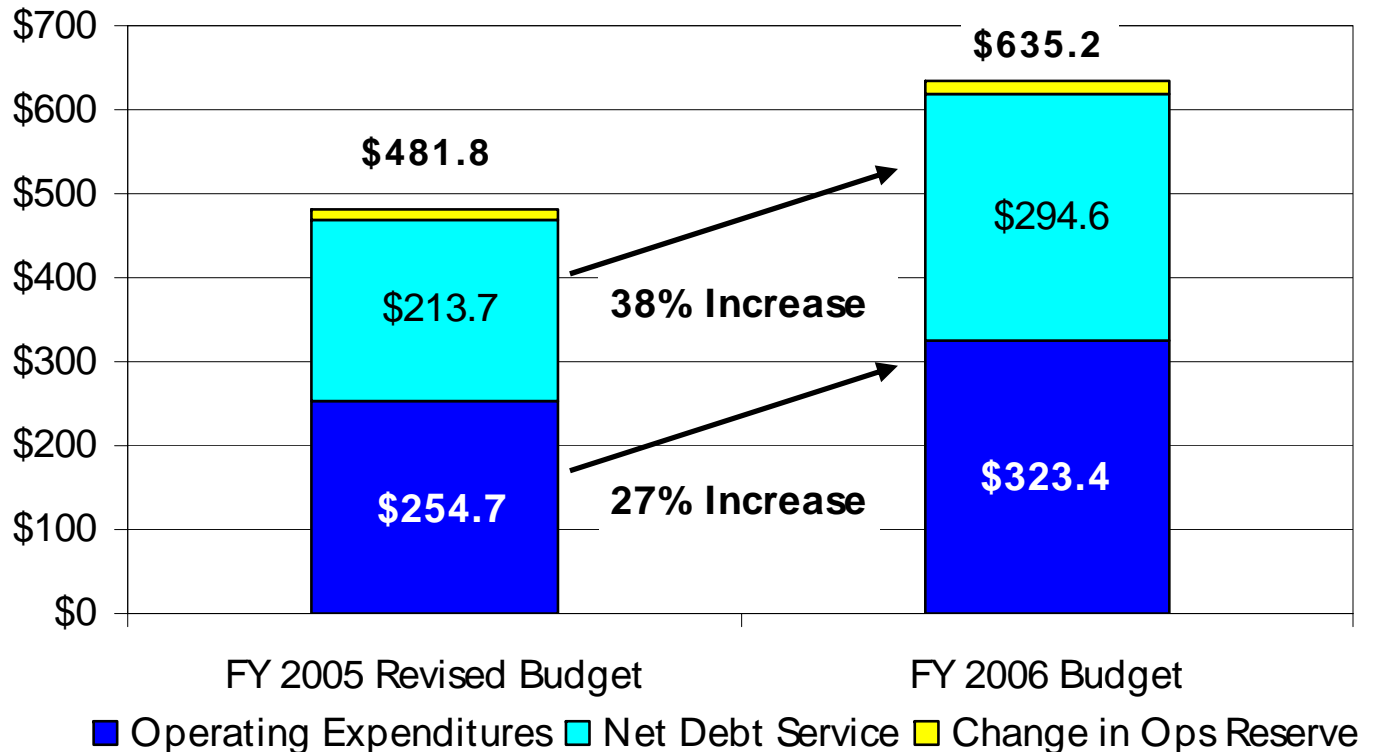
FY 2006 Budget
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(1) Revenue projections are preliminary and subject to revision until final Rates, Fees and Charges are established.



102 Fund Expenditure Budget - \$635.2 Million

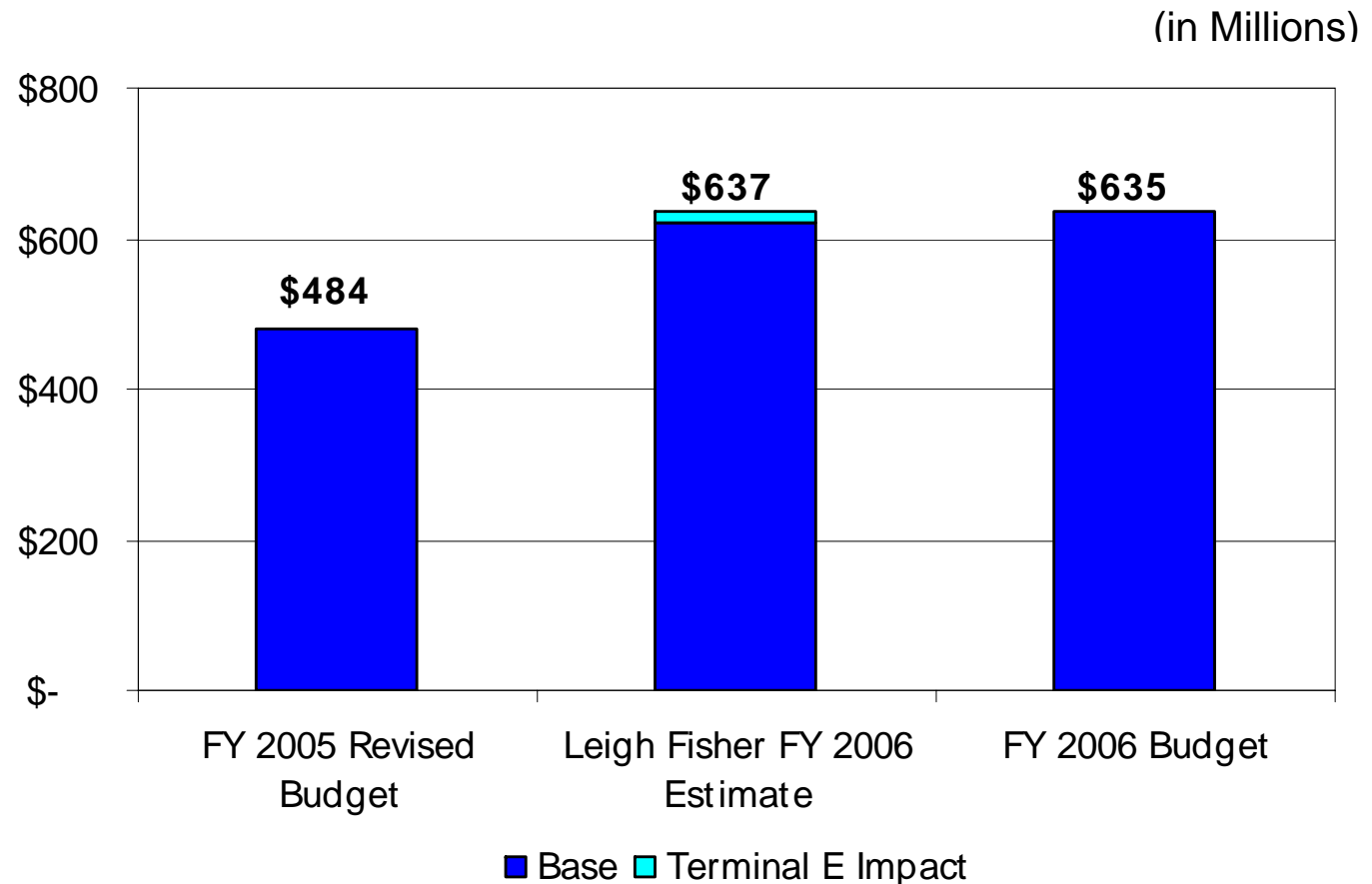
The 102 Expenditure Budget increase is due primarily to the opening of CDP and the payment of debt service on the CDP
(in Millions)





Increase in Budget Was Planned

Leigh Fisher Analysis (completed June 2004) projected total costs for FY 2006 of \$620 million, plus \$17 million impact of Terminal E, for total of \$637 million





FY 2006 Operating Budget Rollforward

Primary cost drivers in FY 2006 are annualization of the CDP, Terminal E, and approved pension plan modifications

	<u>(000s)</u>
FY 2005 Budget (Pre-Delta Pulldown)	\$ 261,843
Add - Terminal E Maintenance Costs	7,016
Less - Initial Budget Reductions	<u>(14,174)</u>
FY 2005 Revised Budget (Post-Delta)	254,685
Less - Additional Budget Reductions	(8,165)
Add - Major Cost Drivers	
CDP Operating Cost Annualization	42,932
Annualization of Other Contracts	13,522
Approved Pension Plan Modifications	7,404
Other Major Cost Drivers	12,629
Other, net	432
FY 2006 Proposed Budget	<u><u>\$ 323,439</u></u>



Cost Impact of CDP Opening

\$42.9 Million Increase

CDP Operating Cost Annualization	(000s)
Terminal D Maintenance Costs	\$ 12,241
Terminal D Energy/Utilities Costs	4,696
Terminal D Information Systems Costs	6,192
Terminal D Security Costs	3,175
Skylink Operating Costs	9,376
Terminal D Transportation/Parking Costs	2,169
Energy Plaza/Central Utility Plant Costs	2,666
Other CDP Operating Costs	2,417
Total CDP Annualization	\$ 42,932



Annualization of Maintenance, Energy, ITS, and Transportation Contracts (non-Term D)

Annualization includes fixed price increases and an increase in the number of months under contract

Annualization of Other Contracts	(000s)
Terminal E Maintenance/Energy	\$ 5,046
Baggage Systems (Terminals B & E)	4,400
Transportation/Parking	2,923
Information Systems	819
General Aviation Fuel Increases	334
Total	\$ 13,522



Miscellaneous Cost Drivers for FY 2006

\$12.4 Million Increase

Other Major Cost Drivers	(000s)
Annualization of Salaries & FY05 Merit	\$ 3,531
FY 2006 Merit Pool (5% for 9 Mos)	3,665
Maintain CEO Contingency at \$7.5M	1,551
Carrier Support Program	1,300
Litigation & Claims Exposures	790
ITS Security Systems	500
Environmental Programs	350
West Cargo Security (Pass Through)	549
Increased CNG Usage for Vehicles	392
Total Miscellaneous	\$ 12,629



FY 2006 Budget Summary

Over \$99 million of the increased budget is projected to be covered by PFCs and increases in non-airline revenues; reducing the Airlines share to 39%

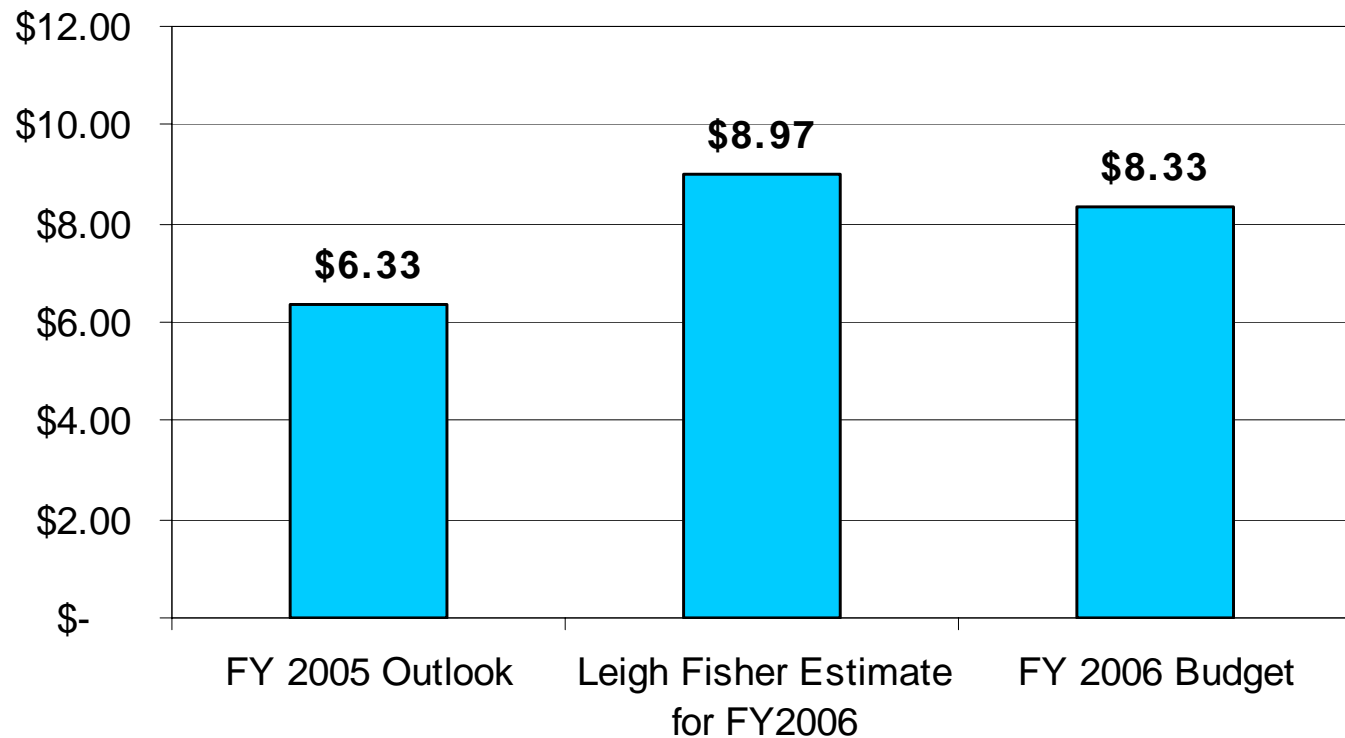
Millions	FY 2005 Revised Budget	FY 2006 Budget	Inc (Dec)
Total Budget	\$ 481.8	\$ 635.2	\$ 153.4
Less Non-Airline Revenues:			
Non-Airline Ops Revenues	(212.3)	(254.3)	(42.0)
PFCs and Non-Ops Revenues	(77.9)	(134.6)	(56.7)
Paid by Signatory Airlines*	\$ 191.6	\$ 246.3	\$ 54.7
Percent Signatory Airlines	40%	39%	1%

* Amount paid through landing fees and terminal rents



Preliminary Cost/Enplaned Passenger - \$8.33

Cost per Enplaned Passenger is projected to be 7.1% below the Leigh Fisher estimate for FY 2006 due to growth on non-airline operating revenues

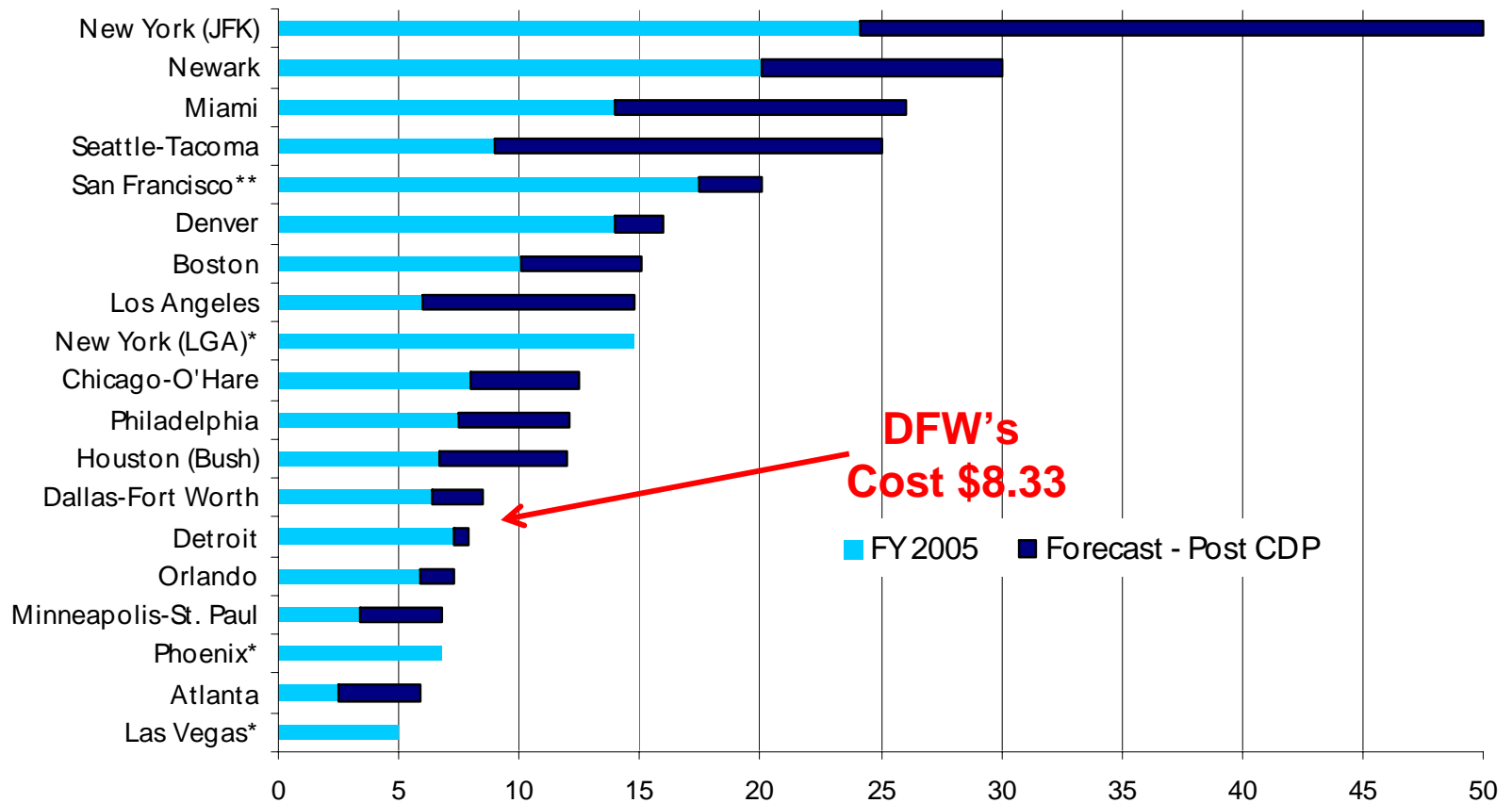


* FY 2005 Outlook includes projected end of year settlement



Cost per Enplaned Passenger Comparison

DFW's preliminary cost per passenger positions DFW below the average of other Airports before and after CDP planned capital improvements



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Source: First Southwest/Leigh Fisher, except for DFW

* Forecasted amounts not available

** Forecast amounts lower than current levels



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