

Memorandum



DATE August 29, 2008

TO Honorable Mayor and Members of the City Council

SUBJECT Dallas-Fort Worth International Airport FY2009 Proposed Budget and Resolution to Call Braniff Bonds

The subject briefing is on the Council's September 3rd briefing agenda. Chris Poinatte, DFW Airport's EVP & CFO, will present the attached briefing. A copy of the DFW FY2009 Budget is included with these materials.

Please contact me if you need additional information.



David Cook
Chief Financial Officer

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
David O. Brown, Interim Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Ramon F. Miguez, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager



Dallas/Fort Worth International Airport

FY 2009 Budget Presentation to Cities of
Dallas and Fort Worth

August and September 2008

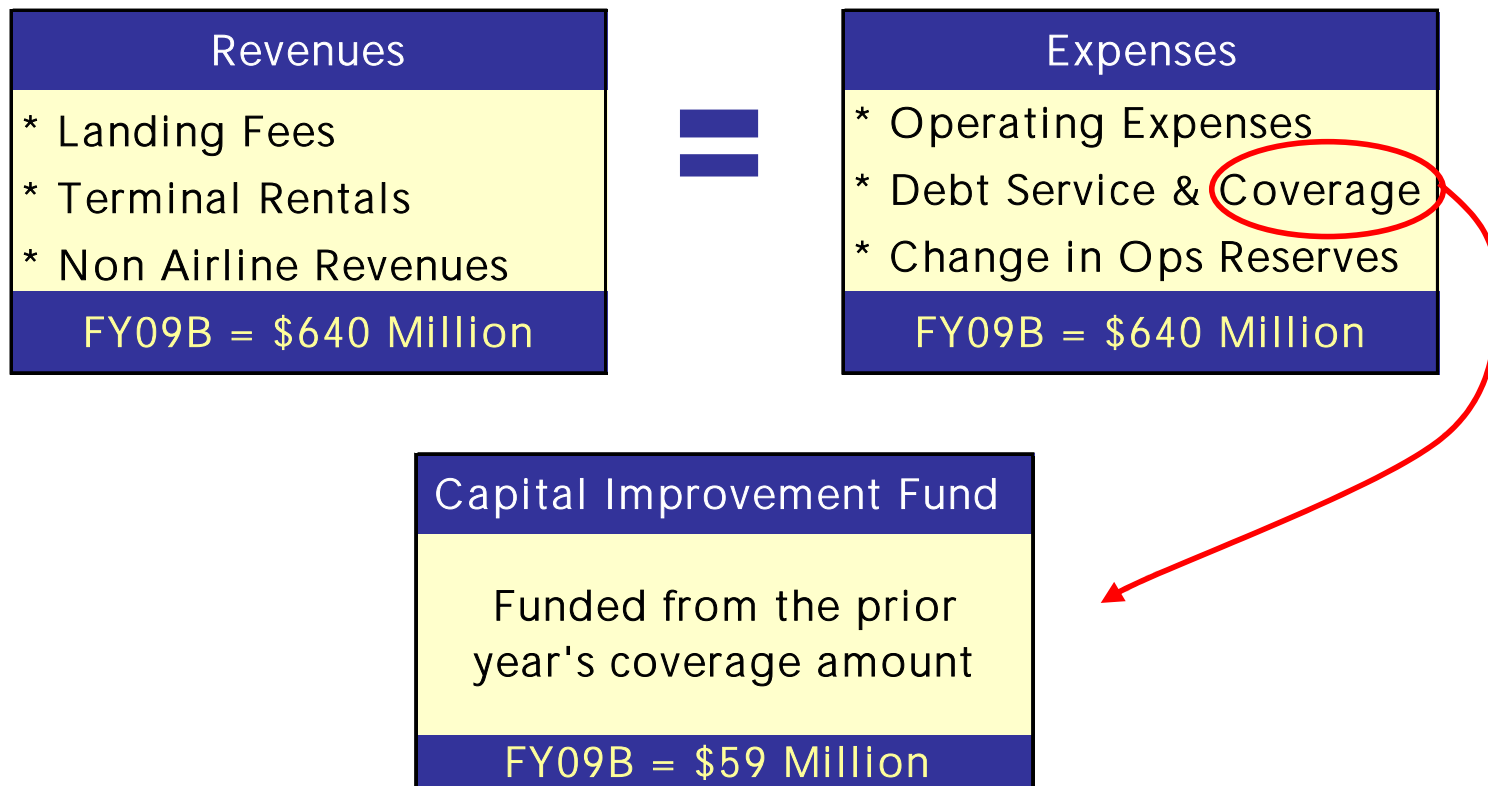


Agenda

- Background
- FY 2009 Expense and Debt Service Budget
- FY 2009 Non-Airline and Airline Revenues
- Comparison to Other Airports
- Summary

Background - Residual Airport

Revenues must equal expense because DFW is a residual airport



Background – Residual Airport

Landing fees are the balancer so that revenues equal expenses.

Total Expenses		Non-Airline Revs		Terminal Fees		Landing Fees
<ul style="list-style-type: none"> * Ops expenses * Maintenance * Airport Services * Ops reserves (25%) * Debt service * Coverage (25%) 	minus	<ul style="list-style-type: none"> Operating Revenues * Parking * Rental Car * Ground rents Other Revenues * CIF Transfers * PFCs 	minus	<ul style="list-style-type: none"> * Terminal A * Terminal B * Terminal C * Terminal D * Terminal E * HVAC/FIS/Turn Fees - Concessions Revs 	equals	<p style="text-align: center;"><u>Net Expenses</u> Landed Weights FY09 Rate \$4.60</p>
FY09B = \$640M		FY09B = \$414M		FY09B = \$59M		FY09B = \$167M
100%		65%		9%		26%



Background - Budget Overview

Despite decrease in operations DFW has been able to minimize the impact on its budget and airlines costs

- Expense budget - DFW has offset \$23M of cost increases with \$23M of cost savings to keep the expense budget flat at \$640M
- Non-airline revenues - The reduction in passengers and lower interest rates has resulted in a \$12M decrease in non-airline revenues
- To offset the impact on the airlines DFW:
 - Added a \$10M capital transfer from DFW Discretionary Account which results in only a \$2M increase in airline costs for FY 2009
 - Will implement a split landing fee rate
 - \$4.37 for first six months
 - \$4.83 for last six months
 - Will attempt to find \$12 million of savings to further reduce landing fees in second half of year
- If total savings goal is achieved, total airline cost will be \$10 million less than in FY 2008



Background – Operations

DFW projects loss of airline operations, landed weights, and passengers due to industry situation, economy an increase in fuel costs

	FY08 Budget	FY 09 Budget	Change	Perc. Change
Passengers (Ms)	57.7	54.1	(3.6)	-6.2%
Operations (Ks)	686.0	630.0	(56.0)	-8.2%
Landed Weights (Bs)	38.5	36.6	(1.9)	-4.9%



FY 2009 Expense and Debt Service Budget

Despite significant fixed increases in the FY 2009 Budget, Management has identified offsetting savings to keep the FY 2009 Budget at last year's level of \$640 million.

<u>(in millions)</u>	<u>FY 2008</u> <u>Budget</u>	<u>FY 2009</u> <u>Budget</u>	<u>Inc</u> <u>(Dec)</u>
Salaries	\$103.9	\$107.7	\$3.8
Benefits	50.1	50.0	(0.1)
Contract Services	111.9	112.6	0.6
Supplies	15.5	17.4	1.9
Insurance	5.2	4.4	(0.8)
Utilities	36.8	41.8	5.0
General & Admin.	5.8	5.5	(0.3)
Contingency	6.6	5.0	(1.6)
Operating Reserve	3.4	0.0	(3.4)
Debt Service	301.0	296.0	(5.0)
Total	<u>\$640.2</u>	<u>\$640.2</u>	<u>\$0.0</u>



FY 2009 Expense and Debt Service Budget Increases

Walkforward of cost increases

<u>Cost Increases</u>	<u>(in millions)</u>
Utility & fuel cost increases	\$8.0
Contract increases	3.1
Security & fire increase (22 positions, net)	0.9
Debt service	5.0
FY 2009 merit (3.8%, effective 1/1/09)	3.4
Annualization of salaries & benefits	1.3
Supplies for Terminal D baggage system	0.4
Workers comp - to FY08 actual levels	0.3
Overtime - to FY08 actual levels	0.3
Other	0.9
Total Cost Increases	<u><u>\$23.6</u></u>



FY 2009 Expense and Debt Service Budget Reductions

Management has been able to offset budget increase with \$23.6M of savings

<u>Cost Savings</u>	<u>(in millions)</u>
Debt refunding	(\$10.0)
Operating Reserve requirement reduction	(3.4)
DFW purchases of its own gas (cap)	(2.2)
Vacancies & deferrals	(1.7)
Contract savings	(1.9)
Contingency reduction	(1.6)
Medical cost savings	(0.7)
Property insurance	(0.7)
G & A savings	(0.4)
Other savings (yet to be identified)	(1.0)
Total Budget Reductions	<u><u>(\$23.6)</u></u>

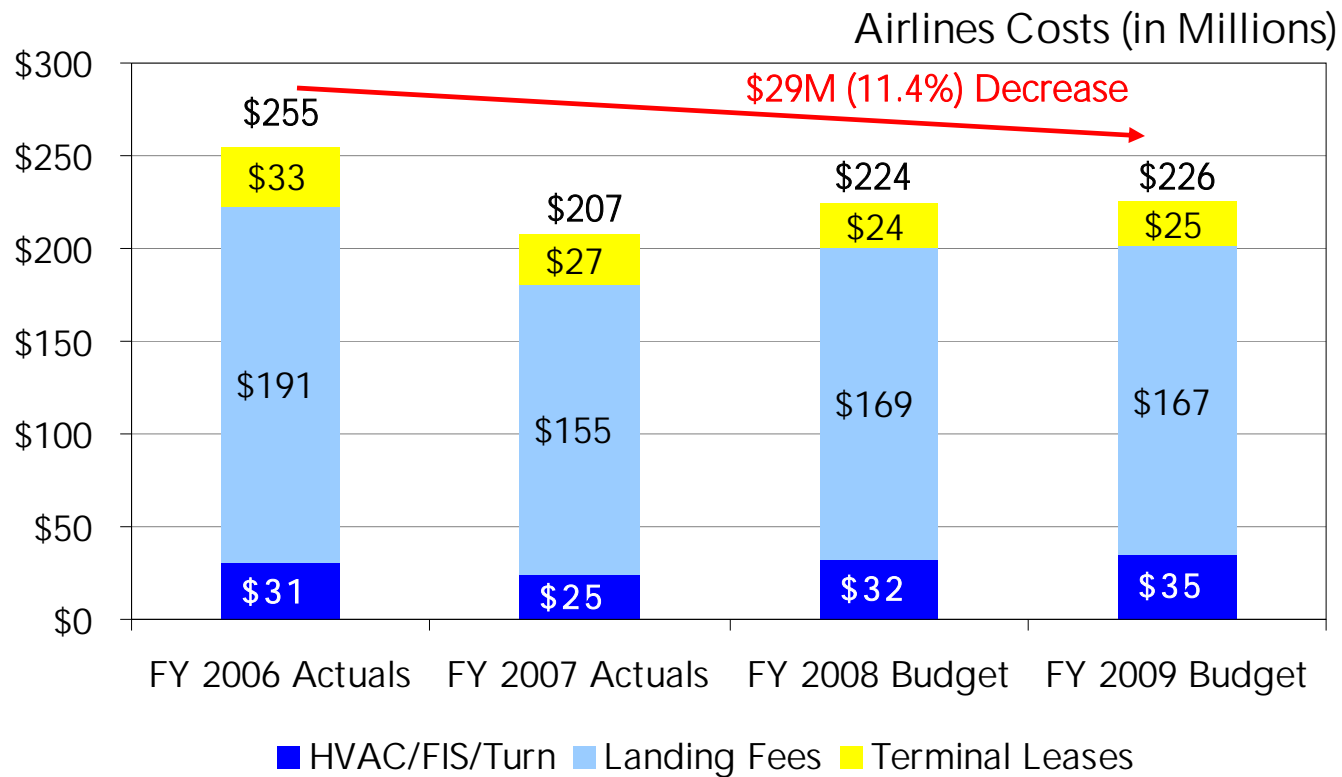


FY 2009 Non-Airline Revenue Budget

<u>(in millions)</u>	<u>FY2008</u>	<u>FY2009</u>	<u>Inc</u>	
	<u>Budget</u>	<u>Budget</u>	<u>(Dec)</u>	<u>%</u>
Non-Airline Operating Revenue				
Parking	\$107.8	\$99.6	(\$8.2)	-7.6%
Concessions	47.4	46.1	(1.3)	-2.7%
Rental Car Facility-Percent Rent	27.5	22.8	(4.7)	-17.0%
Rental Car Facility-Ground Rent	3.5	3.8	0.3	8.4%
Commercial Development	24.8	29.3	4.5	17.9%
General Aviation and Fuel Farm	8.3	7.3	(1.0)	-12.4%
Employee Transportation	8.5	8.3	(0.1)	-1.3%
Taxi, Limo & Shuttle Fees	6.7	6.7	0.0	0.0%
Non-Airline Trash & Water	5.7	5.8	0.1	2.4%
Other Revenue	10.8	11.3	0.5	4.2%
Total Non-Airline Ops Revenue	\$251.1	\$241.2	(\$10.0)	-4.0%
Non Operating Revenue				
Passenger Facility Charges (PFCs)	\$119.9	\$123.7	\$3.8	3.2%
Interest Income	16.8	9.6	(7.2)	-42.8%
Reimbursements from Other Funds	14.6	25.6	11.0	75.9%
777 Program	14.0	14.0	0.0	0.0%
Total Non Operating Revenue	165.3	172.9	7.7	4.6%
Total Non-Airline Revenues	\$416.4	\$414.1	(\$2.3)	-0.6%

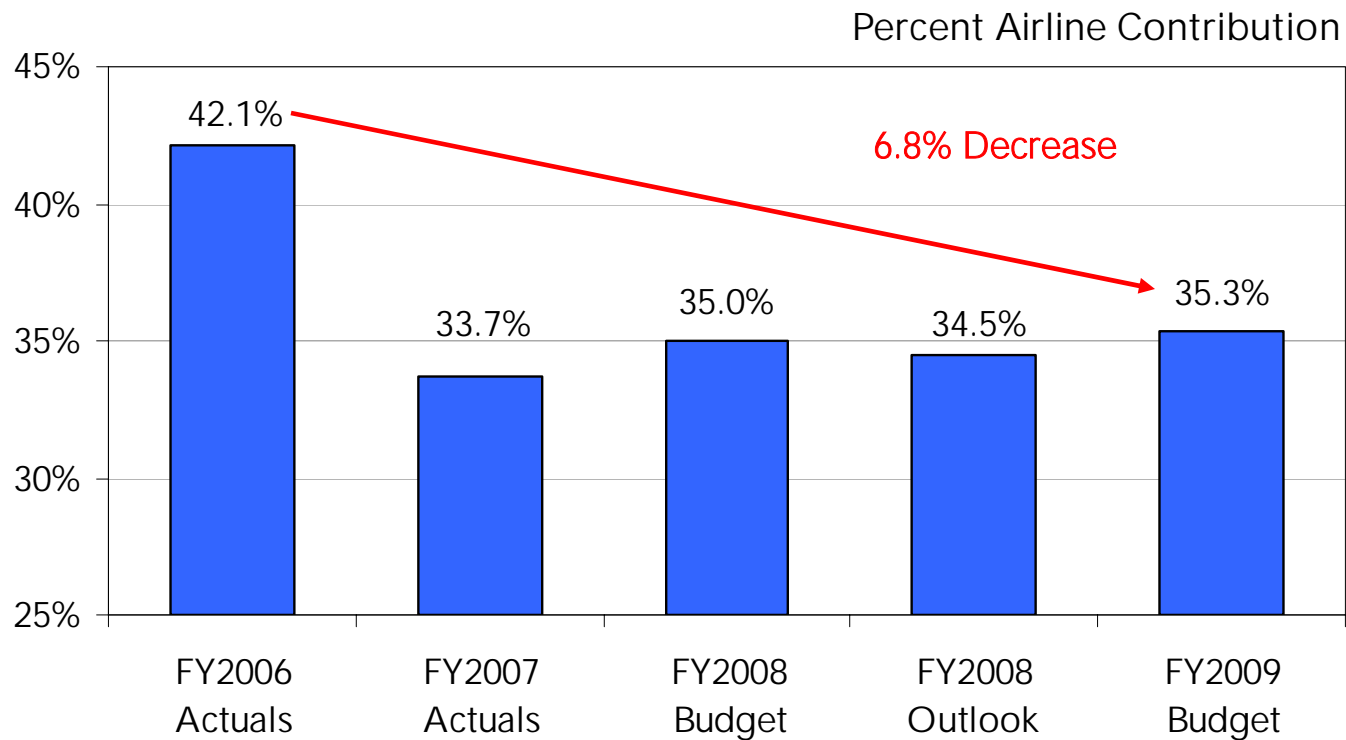
FY 2009 Airline Revenue Budget

Total Airline payments have been reduced \$29M (11.4%) since FY 2006 despite 7% decrease in landed weights and 10% decrease in passengers



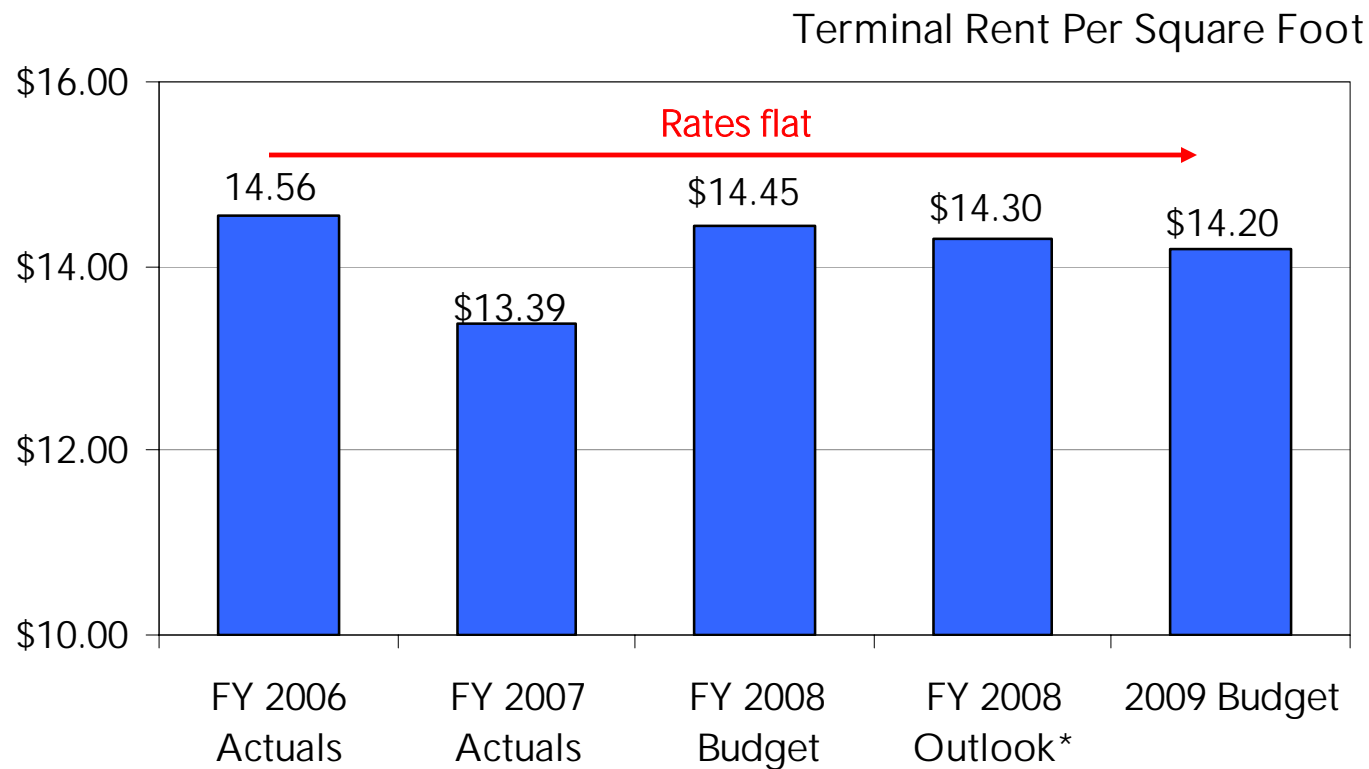
FY 2009 Airline Revenue Budget

...and Airlines are paying a lower percentage of DFW's total budget than in FY 2006



FY 2009 Airline Revenue Budget

DFW has been able to hold average terminal rental rates at under \$14.50 over the past four years, the lowest terminal rentals in the country

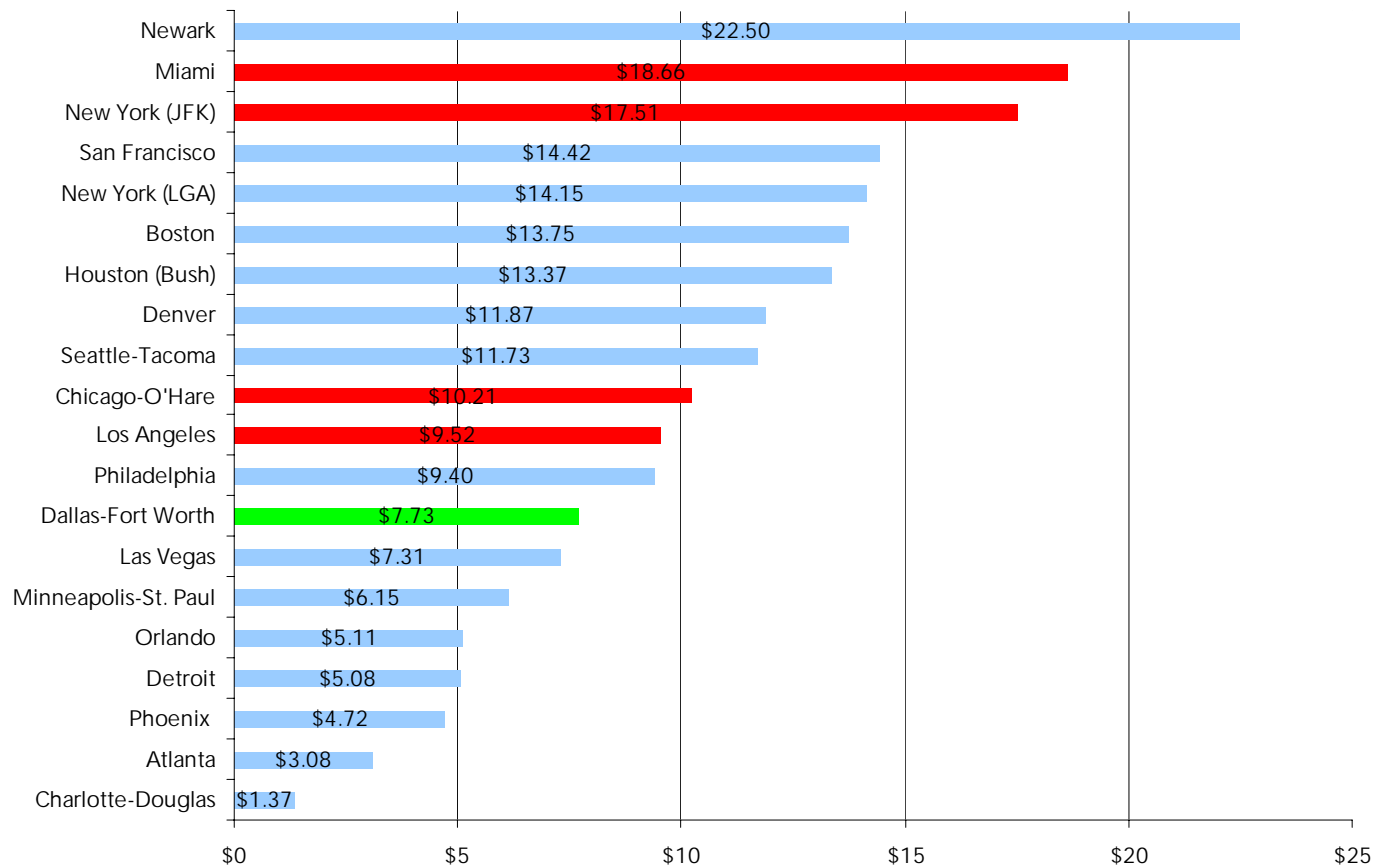


* Pre-settlement



DFW Comparisons to Other Airports – Cost Per Enplanement

Cost per Enplaned Passenger Comparison - DFW FY2009 = \$7.73

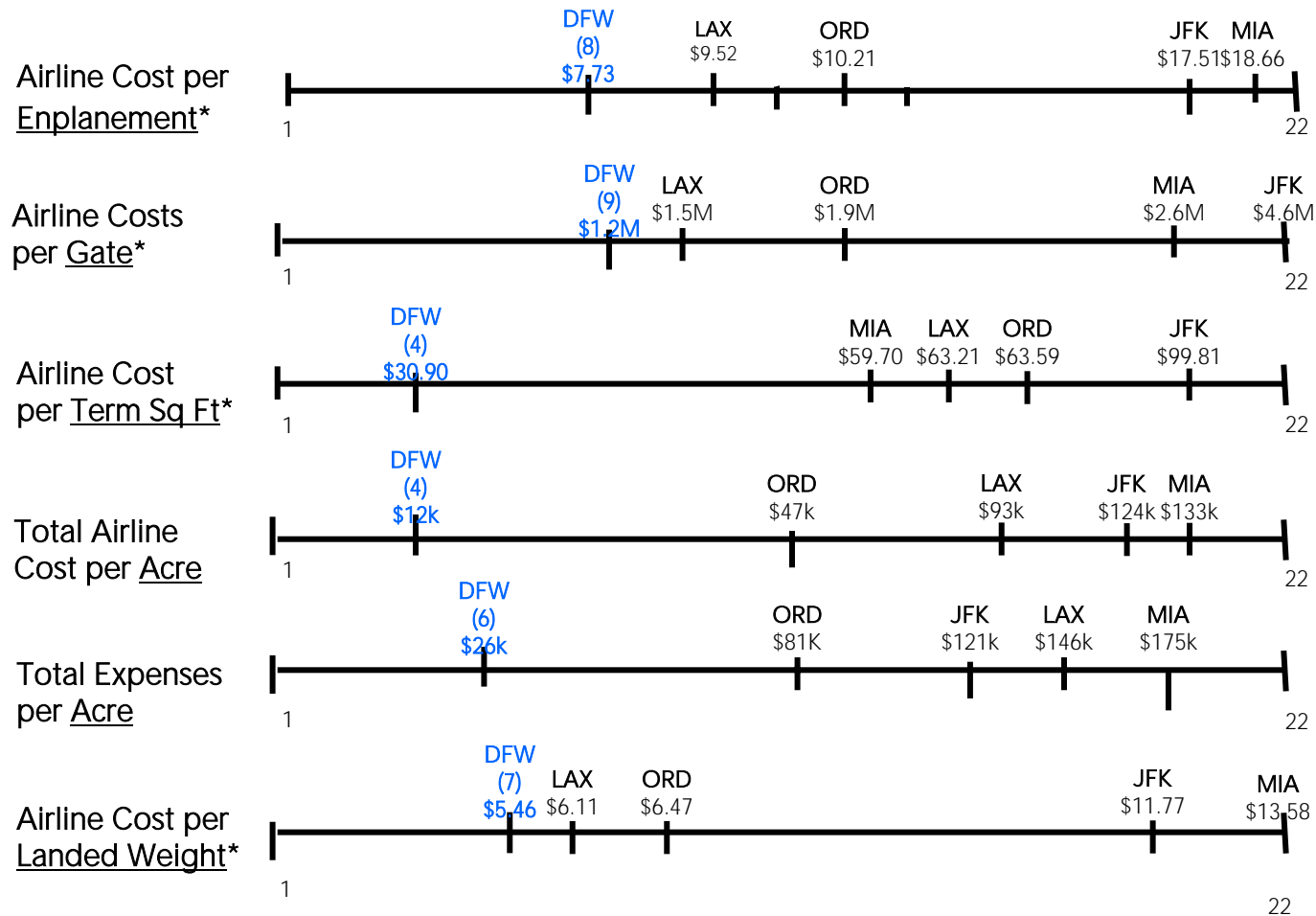


Source: 2007 CPE's from ACI Survey and Jacobs Consulting.
2007 enplanements adjusted for change in OAG seat volumes from Nov. 2007 to Nov. 2008 adjusted for 2% economic factor.



DFW Comparison to Other Airports - AA Hubs

DFW is AA's lowest cost hub and one of best of largest 22 airports



* Passenger Airline Cost



Summary

- DFW has been able to offset \$23M of cost increases with \$23M of cost savings to keep the budget flat at \$640M.
- DFW is committing a maximum of \$10M to reduce airline costs
- DFW will implement a split landing fee rate
 - \$4.37 for first six months
 - \$4.83 for last six months
 - DFW management will attempt to find \$12 million of savings to further reduce landing fees in second half of year
- If total savings goal is achieved, total airline cost will be \$10 million less than in FY 2008



Dallas/Fort Worth International Airport

FY 2009 Budget Presentation to Cities of
Dallas and Fort Worth

August and September, 2008

Dallas/Fort Worth International Airport

FY 2009 Adopted Budget

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Dallas/Fort Worth International Airport Board

Vision Statement

“DFW Airport - Connecting the World”

Mission Statement

DFW International Airport will provide our Customers outstanding facilities and services, expanding global access and economic, benefits to those we serve. DFW International Airport's primary business goal is to grow the core business of domestic and international passenger and cargo airline service.

Board of Directors

Chair of the Board

Lillie M. Biggins

Fort Worth, Place 8

Vice Chair of the Board

Benjamin Muro

Dallas, Place 5

Secretary of the Board

Francisco Hernandez, Jr.

Fort Worth, Place 2

Mayor Thomas C. Leppert

Dallas, Place 10

Mayor Mike Moncrief

Fort Worth, Place 3

Robert Hsueh

Dallas, Place 6

Sanmi Akinmulero

Dallas, Place 1

Forrest Smith

Dallas, Place 4

Jeffrey Wentworth

Fort Worth, Place 7

John P. Loza

Dallas, Place 11

Bernice J. Washington

Dallas, Place 9

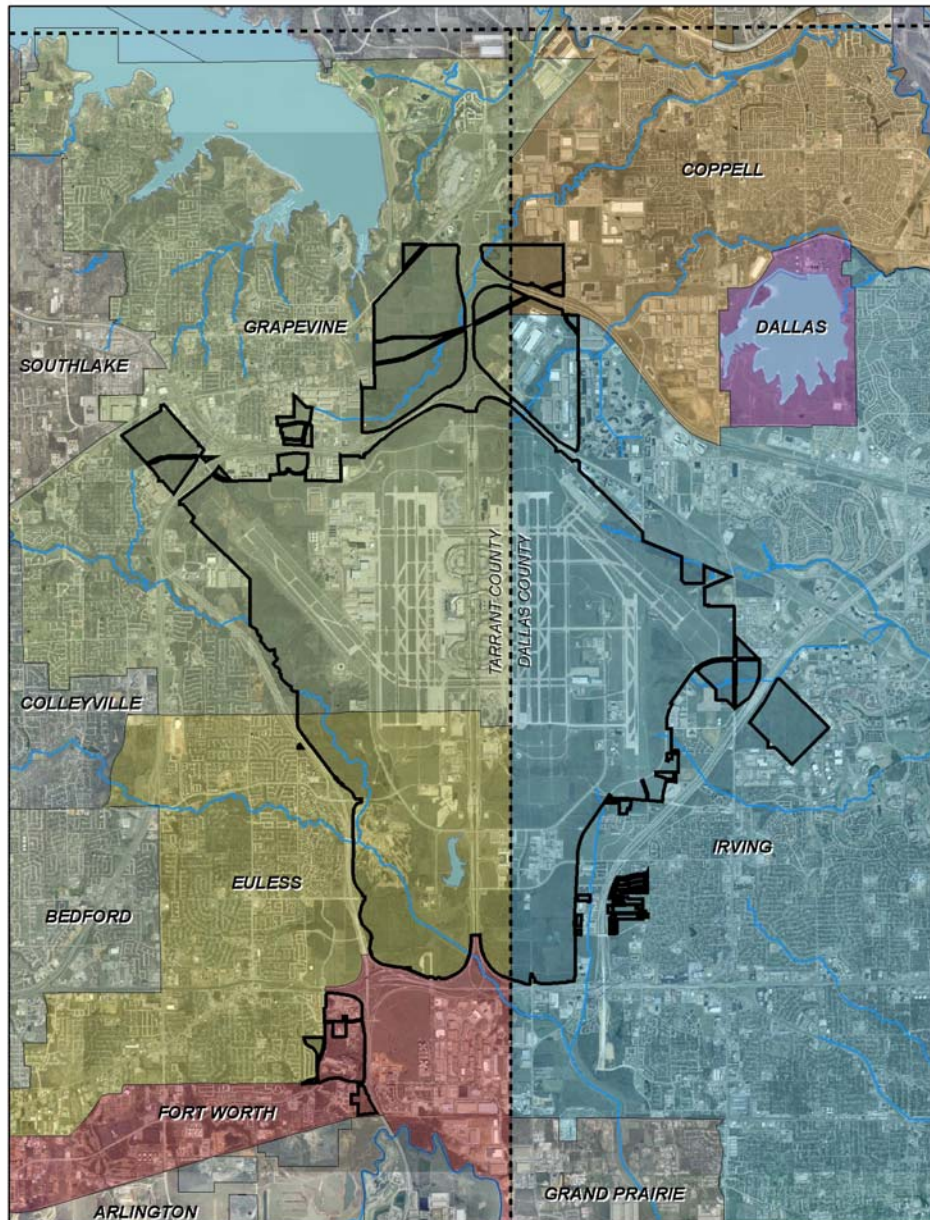
Glenn P. Porterfield*

Eules

*Non-Voting Member

Airport Background

The Dallas/Fort Worth International Airport (the "Airport") was created by a "Contract and Agreement" between the Cities of Dallas, Texas, and Fort Worth, Texas ("the Cities") on April 15, 1968 for the purpose of developing and operating an airport as a joint venture between the Cities. DFW is located between the Cities within the boundaries of the Cities of Grapevine, Coppell, Irving, and Euless.



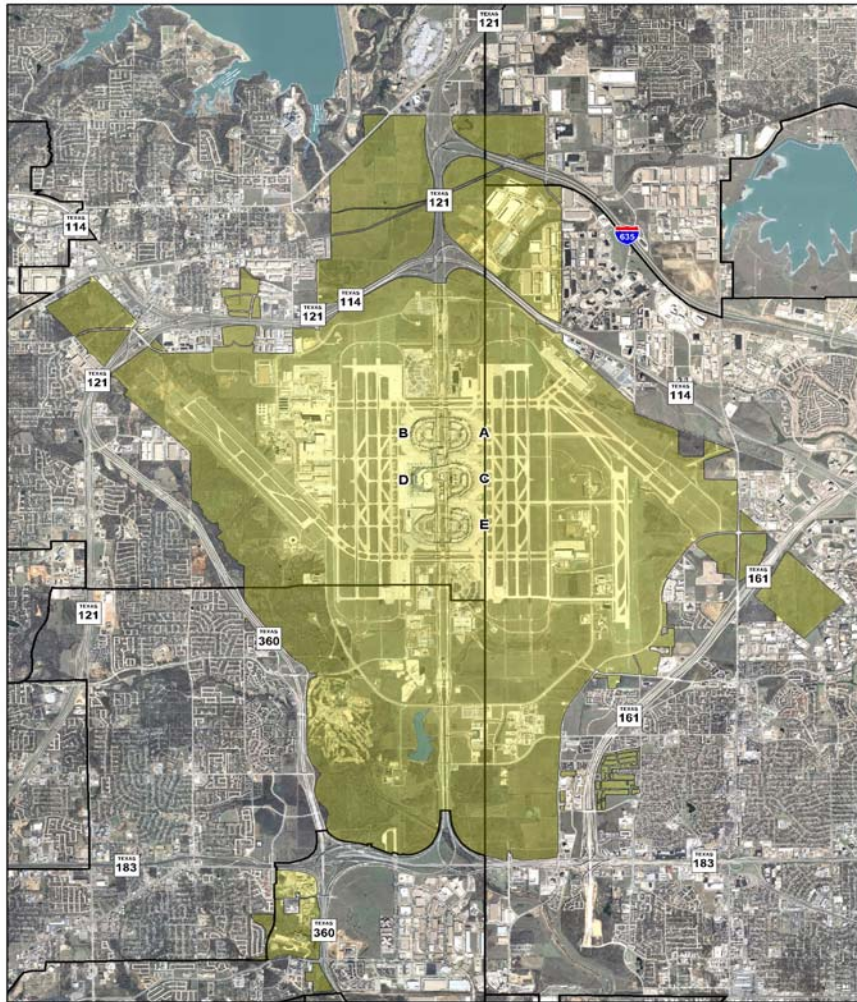
Source: DFW Airport Information Technology Services/GIS Group

DFW is located within a four-hour flight time of 95% of the U.S. population and currently ranks third among the world's busiest airports in terms of operations, and seventh in terms of passengers. Its central location is the focal point of one of the nation's largest intermodal hubs, connecting air, rail, and interstate highway systems. DFW currently operates daily passenger flights to 173 destinations worldwide, including 135 nonstop domestic destinations and 38 nonstop international destinations. DFW is recognized as a premier inland cargo hub, served by major international cargo carriers. *Air Cargo World* magazine ranks DFW as the best cargo airport in North America in the category of 500,000 to 999,999 tons in its annual Air Cargo Excellence survey.

The Airport continues to receive top honors from Airports Council International. DFW was voted "Best Airport in the Americas" for Customer Service in the Airports Council International Survey in 2007, for the second year in a row. DFW also ranked 2nd in the world for "Best Airport Over 40 Million Passengers" and 6th for "Best Airport Worldwide."

DFW Infrastructure

DFW has more capacity for operations than any airport in the world with seven runways: two diagonals and five north/south parallels. DFW continues to prepare for future growth and the use of the newest, largest transcontinental aircraft such as the A380 by extending its runway structure. DFW recently completed the extension of four runways from 11,400 feet to 13,400. An eighth north/south, 9,560 foot runway could be constructed if ever needed. The Southeast Quadrant End-Around (perimeter) Taxiway is currently under construction and is planned to be operational in the first quarter of FY 2009. The Southeast quadrant is the first of end-around taxiways that are planned as part of DFW's future airfield layout. This taxiway concept will enhance aircraft operational efficiency, safety and prevent runway incursions. DFW is the leader in setting new standards for the FAA in this new concept.



Source: DFW Airport Information Technology Services/GIS Group

DFW operates five terminals (A, B, C, D and E) totaling 4.7 million square feet of building space and 155 aircraft boarding gates. DFW is responsible for all of the janitorial and facility maintenance in Terminals B, D and E, and baggage maintenance in Terminals B and E. American Airlines (AA) is responsible for the majority of the facilities maintenance in Terminals A and C and all of the baggage maintenance in Terminals A, C and D. DFW assumed responsibility for Terminal E in January 2005 when Delta Air Lines closed its hub and reduced service by approximately 90 percent.

The new international Terminal D, which opened in 2005, significantly increased DFW's capacity with 27 new gates, 1.6 million square feet of air-conditioned space, and the 8,100 new terminal parking spaces. The new terminal also offers a 298-room, integrated Grand Hyatt Hotel complete with a restaurant, ballroom, conference space, and roof top spa and swimming pool. In April 2006, AA shifted some of its larger domestic operations from Terminals A and C to Terminal D, providing passengers with additional parking and concession options and conveniences.

DFW's new airport train, Skylink, also opened in 2005. The bi-directional trains can carry 8,500 passengers per hour. There are two Skylink stations in each terminal, with trains arriving every two minutes at an average travel time between terminals of five minutes.

The new DFW Airport Operations Center (AOC) was completed in April 2006. The AOC serves as a single point of contact to centralize communications for DFW's passengers, guests, tenants, employees, and contractors. Single point of contact includes the 9-1-1 call management of police, fire and emergency medical response teams. In addition, 3-1-1 non-emergency services were added in FY 2007.

Recent Significant Events

DFW unveiled a new Strategic Plan in FY 2008. The strategic plan is a critical document that captures the Airport's mission and goals, and lays out broad approaches for achieving them over time. The DFW leadership team generated new vision and mission statements as well as a primary goal. The mission statement and primary goal are stated on page INT-1 of this document. Four key drivers accompany the strategic plan.



In Spring 2007, the United States and the European Union agreed to a phased-in approach to Open Skies, resulting in the elimination of the rule that prohibited nonstop service from DFW to destinations across Europe, including London Heathrow. Acting upon this historic agreement, DFW inaugurated new international air service to London Heathrow via AA and British Airways on March 30, 2008. DFW also began service to Amsterdam Schiphol via KLM Dutch Airlines that day, which marked the single largest one-day expansion in international air service since DFW opened in 1974.

In March 2008, DFW introduced Valet Parking. Valet Parking is available in all terminals. Parking with DFW Valet Parking means that all cars are parked in covered garages and never leave Airport property. The service also includes 24-hour, 7-day-a-week monitoring, with the customers' cars waiting in the garage of their arrival terminal.

In September 2007, Chesapeake Energy Corporation begin production of natural gas at DFW. Through June 2008, DFW has received \$14.5 million of royalties, representing production through April 2008. Proceeds from the sale of land or mineral rights (natural gas) are not considered "gross revenue" of the Airport per DFW's Controlling Documents and must be

deposited in DFW's "capital" account (301 Fund). DFW and the Airlines have agreed to transfer a limited portion of the proceeds to other funds as a part of the 777 Program. See the Capital Budget section for more discussion regarding other uses of natural gas proceeds.

DFW's environmental success recently earned the Airport's participation in EPA's National Environmental Performance Track Program (NETP), and Texas Commission on Environmental Quality's (TCEQ) Clean Texas Platinum Award. The NETP recognizes top businesses and organizations that excel at environmental leadership and performance. DFW is the first airport in Texas to achieve the highest level of recognition awarded by the TCEQ; one of only 12 other organizations to have achieved the state agency's highest award since the program's inception in 1992.

The FAA awarded DFW the 2007 Flight Safety Foundation Airport Safety Award for its flawless annual FAA inspection. DFW has had zero uncorrectable safety discrepancies for seven years in a row.

DFW has taken a leadership position in the national movement toward improved passenger care during "Irregular Operations" events which lead to stranded passengers. DFW hosted the first industry-wide conference in September of 2007 and spearheaded the effort to make it a part of Airports Council International's itinerary moving forward. Some of the ideas now in action include keeping concessions, ground transportation and checkpoints open overnight, 24-hour automated retail options, better hotel information, improved passenger communication, stocking diapers and infant formula for families, and maintaining a supply of cots and blankets.

DFW Controlling Documents and Business Model

In addition to the Contract and Agreement between the Cities, DFW is governed by several other key documents including the 30th Supplemental Bond Ordinance which modified the original 1968 Concurrent Bond Ordinance (collectively called the "Bond Ordinances"); and the Use Agreement between DFW and the Signatory Airlines (signed in 1974). The Use Agreement expires on December 31, 2009. Collectively, these agreements are called the "Controlling Documents."

The Controlling Documents define how DFW manages its business affairs. DFW is a residual airport which means that the Signatory Airlines pay the residual net cost of operating DFW. Total revenues must equal total expenses each year. DFW does not collect any local tax revenue to fund its operations.

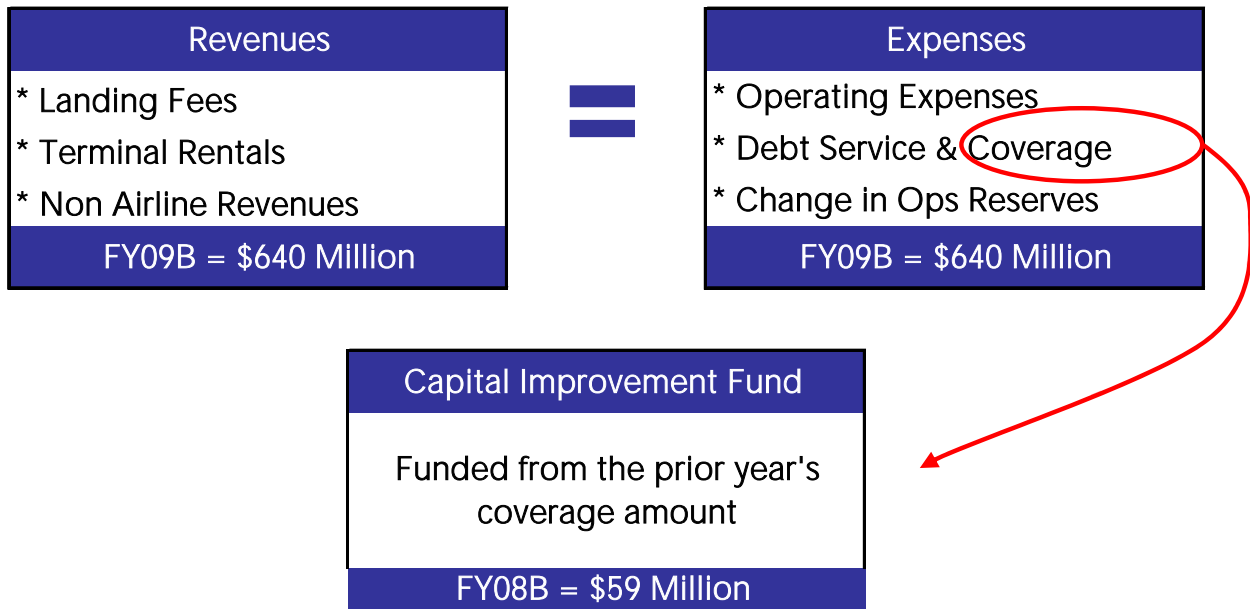
The Controlling Documents require that Gross Revenues of the Airport be deposited into the 102 Revenue and Expense Fund. Gross Revenues are defined as all Airport revenues and receipts except:

- Bond proceeds
- Passenger Facility Charge (PFC) proceeds used to fund capital projects (rather than for debt service)
- Interest earned on unspent bond, Construction Improvement Fund (CIF), and PFC receipts
- Grant proceeds used to fund capital projects
- Sale of land or mineral rights (e.g. natural gas)

The 102 Fund is a self-balancing fund. The Airport's Gross Revenues must equal the Airport's annual 102 expenditures, as defined in the Controlling Documents, including:

- Operational expenditures
- The amount required to fund a three-month operating reserve equal to 25% of the operating expenditure budget
- Debt service, plus coverage calculated at 25% of debt service. The coverage amount is then used to fund the following year's CIF.

The DFW residual model is shown in the following chart. Revenues and Expenses shown in this chart are recorded in the 102 Revenue and Expense Fund.



Rate Setting

Each year, Management prepares an Annual Budget of projected expenditures for the Operating Revenue and Expense Fund (commonly referred to as the "102 Fund"). This budget includes DFW's projected operating expenses excluding depreciation, plus annual debt service (interest and principal), plus an amount sufficient to pay an additional 25% of the Aggregate Annual Debt Service (defined as "Coverage"), plus, if necessary, an incremental amount sufficient to maintain a 90-day Operating Reserve. Bond documents allow DFW to establish a 90-day operating reserve and charge this as an allowable expense to the Airlines

Next, Management calculates ancillary Non-Airline revenues (e.g., parking, concessions, and ground leases) and non-operating revenues (e.g., interest income, PFC's. These projected expenditures and revenues are then accumulated into "cost centers" to calculate the required Airline revenues (primarily terminal rents and landing fees) that must be collected during the year so that total revenues equal total expenditures.

DFW Airport Residual Model

Total Expenses		Non-Airline Revs		Terminal Rents		Landing Fees
* Ops expenses		* Parking		* Terminal A		<u>Net Expenses</u> Landed Weights
* Maintenance		* Concessions		* Terminal B		
* Overhead	minus	* Ground rentals	minus	* Terminal C	equals	FY08 Rate
* Ops reserves		* HVAC/trash/water		* Terminal D		\$4.60
* Debt service		* PFCs		* Terminal E		
* Coverage (25%)		* CIF Transfers		* HVAC/FIS/Turn Fees		
				- Concession Rev		
\$640 Million		\$414 Million		\$59 Million		\$167 Million
100%		65%		9%		26%

Landing fee revenue is the ultimate “balancer” to ensure that forecasted revenues equal forecasted expenses. The landing fee rate is calculated by dividing total required landing fee revenues by total projected Airline landed weights per thousand pounds. Management uses this information to prepare an annual forecast which is the basis for the official Schedule of Rates, Fees, and Charges (SOC). The SOC is then approved by the Board and is the basis for charging airlines, tenants, and other airport customers for services used.

At the end of the year, a reconciliation or Settlement of the 102 Fund is computed using actual revenues and actual expenses. Depending on whether an individual Signatory Airline has overpaid or underpaid during the year, it receives a refund or is billed an additional payment.

Capital Funds

DFW’s Bond Ordinances require DFW to collect Coverage. The Airlines pay for Coverage through their fee structure. During the fiscal year, these funds are held in reserve to pay debt service, if ever required. After the fiscal year, these funds are transferred to the CIF as its primary source of capital funds. Proceeds from the sale of mineral rights or assets (such as natural gas proceeds) are also deposited directly into the CIF. DFW also uses Federal and State funds, PFCs, and debt financing to fund its capital projects.

Historically, DFW has used these funds primarily for capital projects although some CIF funds are then transferred back into the 102 Fund (in accordance with Airline agreement) to ultimately lower Airline landing fees. The CIF is then allocated amongst three accounts: Airline Trust Accounts (“400 Fund”); Airport’s Discretionary Account (“302 Fund”); and the Common Capital Improvement Account (“301 Fund”).

DFW’s Controlling Documents govern the allocation and use of the CIF. The CIF may be used to pay for capital programs; extraordinary or major operations and maintenance expenses, or any other lawful purpose. The Airlines may use the 400 Fund to fund capital projects on the Airport. These projects must be approved, procured, and constructed by the Board. DFW has full control over the 302 Fund, which may be used for any other lawful purpose. In certain instances, as defined by the Use Agreement, the 301 Fund requires both DFW and Airline approval before funds may be spent.

Fund Structure

Although DFW uses the word “fund” to describe the designation of the source and prospective use of proceeds, DFW is an enterprise fund and does not utilize traditional “fund accounting” commonly used by government organizations. The following table summarizes the primary funds used by DFW:

<u>Fund Number</u>	<u>Fund Description</u>	<u>Primary Use</u>
101	Fixed Asset/LT Debt	Balance Sheet
102	Operating Revenue and Expense	Operations
252	Passenger Facility Charges (PFC)	Capital/Debt Service
301	CIF - Common Capital Improvement Account	Capital
302	CIF - Airport Discretionary Account	Capital
303-316	Various Bond Funds	Capital
400s	CIF - Airline Trust Account	Capital
500/600	Debt Service and Sinking Funds	Debt Service
907	FIC - Rental Car Facility	Rental Car Facility
910	PFIC - Grand Hyatt Hotel	Hotel

DFW’s Generally Accepted Accounting Principles (GAAP) Financial Statements include all of DFW’s funds, whereas the Budget document focuses on revenues and expenses included in the 102 Fund. DFW manages its day-to-day operations primarily through the 102 Fund in accordance with the Controlling Documents.

Basis of Budgeting

The 102 Fund Budget is commonly called an Operating Budget, but it contains elements that are not “expenses” under GAAP such as debt service, coverage requirements, reserve requirements, and certain expenditures which may be capitalized under GAAP.

Capital expenditures are funded through the issuance of Joint Revenue Bonds, grants, PFC’s, or through CIF allocations as defined in the Controlling Documents. From a process standpoint, the Board does not approve an overall capital budget (although a list of projected expenditures for capital projects is included in this report). Rather, the Board approves projects to be funded with bond proceeds before the bonds are sold and establishes individual capital project budgets as contracts for large bond-funded projects. DFW Management uses the budgets included in the Capital Funds section of this report as the basis for reporting capital project statuses to the Board.

Budget Schedule

DFW’s fiscal year begins October 1. The FY 2009 Expense Budget was compiled by the departments in May, and reviewed and modified by Executive Staff in June. A preview presentation was made to the Board of Directors on July 3. A presentation was made to the Signatory Airlines on June 30, 2008. The Airport Board of Directors approved the FY 2009 Budget on August 7, 2008.

The Controlling Documents were modified at the FY 2008 Budget approval meeting and now require that DFW’s Budget submission to the City Managers of Dallas and Fort Worth is by August 15 and considered for approval by September 30.

Presentation of Amounts & Comparisons to Prior Years

The FY 2009 Budget is presented in tables and charts that are rounded to millions and thousands. The detail supporting the tables and charts is not rounded. Therefore, some columns and charts may not add-up due to rounding difference.

Certain FY 2008 and FY 2007 amounts have been reclassified to reflect the FY 2009 presentation and/or to adjust for newly revised industry benchmarks.

FY 2008 Revenue Outlook

During the FY 2009 Budget generation, DFW updated its revenue projection for the remainder of FY 2008. The "FY 2008 Outlook" reflects a \$1.0 million decrease in revenue (from \$640.2 million to \$639.3 million) and is included in many revenue tables to provide the most accurate comparisons to the FY 2009 Budget.

Executive Overview

Introduction

The Dallas/Fort Worth International Airport (DFW) has faced many challenges in the airline/airport industry over the years, including the events stemming from the 9/11 terrorist attacks and Delta's decision to dramatically reduce its DFW operations. With record high energy costs and announcements for reduced operations from U.S. domestic airlines, FY 2009 will once again be a very challenging year for DFW. Despite approximately \$24 million of mostly fixed cost increases (e.g., energy and fuel expenses); management has taken actions to keep the budget flat from FY 2008 to FY 2009. The FY 2009 Budget will remain at \$640.2 million.

Due to the high cost of jet fuel, most major Airlines have increased leisure and business fares and have announced cuts in capacity. In addition, several Airlines have ceased operations or have declared bankruptcy. American Airlines (AA) has announced a 4.6% cut in domestic capacity at DFW. Based on capacity announcements by the Airlines, increases in Airline fares and fees, and general economic conditions, Management projects aircraft operations, landed weights and the passengers will decrease 7.7%, 4.9%, and 6.2%, respectively in FY 2009 as compared to FY 2008 Budget. The projected reduction in passengers has a corollary impact on passenger dependent revenues from non-airline sources such as parking, terminal concessions, and rental car. In addition, interest rates are significantly lower than FY 2008 (2.5% versus 4.75%). Total Non-Airline revenue is projected to decrease by approximately \$2.3 million in FY 2009 from FY 2008 Budget.¹

As discussed on pages INT-7-9, DFW is a residual airport that is not supported by local tax revenues. With the reduction in non-airline revenues resulting from Airline decisions to reduce service, the percentage of airport costs paid by the Airlines will increase in FY 2009. Despite this increase, DFW costs remain competitive with other large U.S. airports (see EXE-5). In order to assist the Airlines, DFW is proposing a split year landing fee rate, with a landing fee of \$4.37 for the first six months of the fiscal year. This rate is \$0.23 less than the average rate from FY 2009. The average year landed weight of \$4.60 reflects a \$10 million transfer from the discretionary capital Fund (Fund 302). For more discussion on this transfer, see OPS-5-6. During 2009, DFW will evaluate its landed weights, Non-Airline revenues and its operating expenses. If necessary, the landing fee will be increased for the last six months of the year to ensure all costs are recovered. Management is committed to continue to identify cost savings and/or grow non-airline revenues throughout the year to attempt to mitigate airline costs.

Budget Objectives

Management has sought to minimize increases to the Airlines by focusing on methods to contain costs and implement cost mitigation initiatives.

To achieve these goals, Management focused its efforts on:

- Driving efficiencies without sacrificing quality, safety or security
- Developing a process for review and deferral of non-critical employment positions
- Implementing an overall reduction in general and administrative costs
- Continuing to implement a wellness program in order to reduce healthcare related costs

¹ Prior to \$1.5 million airline bad debt offset

Executive Overview

- Implementing a natural gas cost hedging plan involving the airport's natural gas program

FY 2009 Budget Summary

FY 2009 Operating Revenue and Expense Fund Budget				
(In Millions)				
	FY2008	FY2009	Inc/(Dec)	
	<u>Budget</u>	<u>Budget</u>	<u>Dollar</u>	<u>Percent</u>
Total Expense Budget	\$640.2	\$640.2	-	-
Less: Non-Airline Revenues	416.4	414.1	(2.3)	(0.6%)
Amount Paid by Airlines	<u>\$223.8</u>	<u>\$226.1</u>	<u>(\$2.3)</u>	<u>(1.0%)</u>
Cost Per Enplanement	<u>\$7.18</u>	<u>\$7.73</u>	<u>\$0.55</u>	<u>7.6%</u>
Landing Fee Rate	<u>\$4.37</u>	<u>\$4.60</u>	<u>\$0.23</u>	<u>5.3%</u>
Percent Paid by Airlines	<u>35.0%</u>	<u>35.3%</u>	<u>0.3%</u>	<u>1.0%</u>

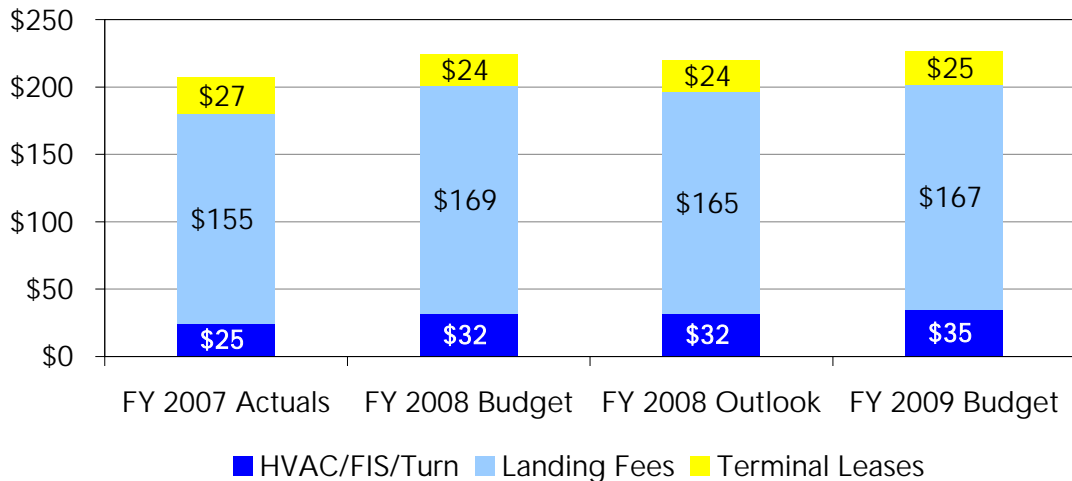
* Net of \$1.5 million airline bad debt provision

Distribution of Airline Revenues

The following chart highlights the distribution of the Airline revenues by revenue category and shows that Airline costs will increase in FY 2009 as compared to the FY 2008 Outlook. The chart shows that terminal rents are increasing because of lower passenger enplanements and concessions revenues (which are credited against terminal costs for rate setting); and an increase in landing fees primarily due to lower Non-Airline revenues. This can be further seen in the other charts that follow.

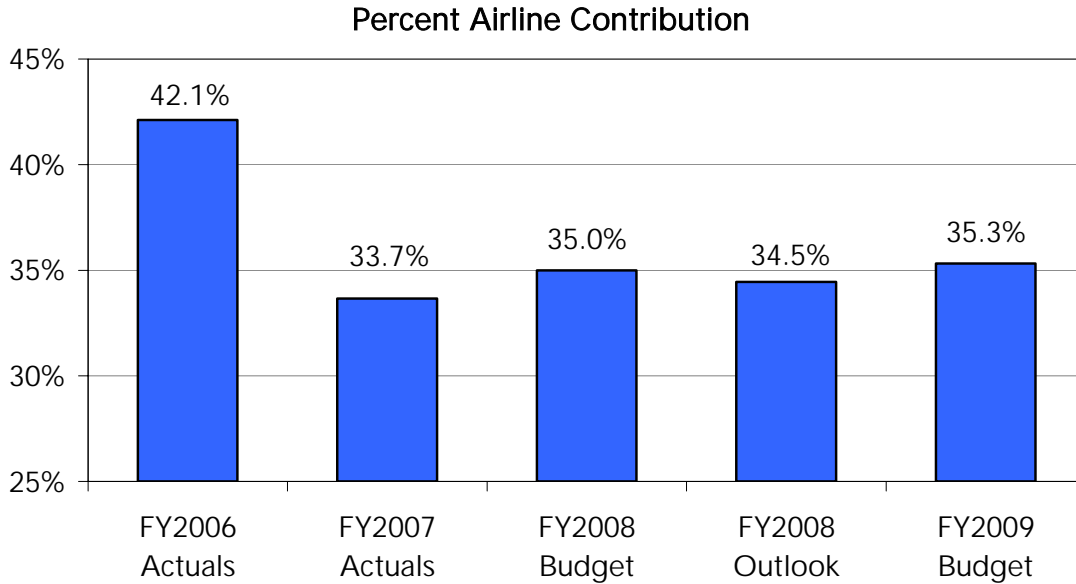
Airline Revenues

(In Millions)



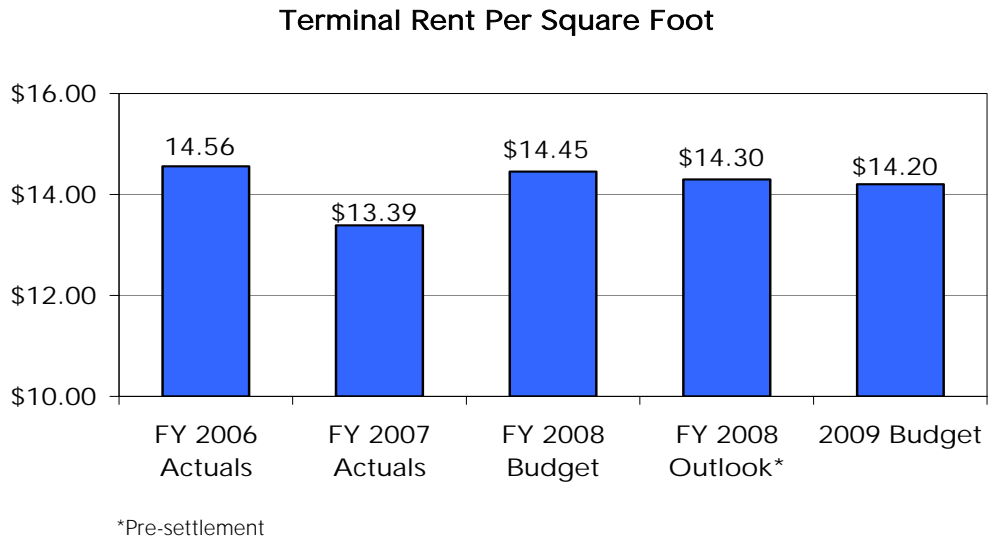
Executive Overview

The following chart shows that the total share of the Airport cost paid by the Airlines for FY 2009 is 35.3%, which is a \$2.3 million (1.0%) increase from the FY 2008 Budget and is an increase compared to the FY 2008 Outlook due to the decreases in Non-Airline revenue. Airline costs include charges for landing fees, terminal rents, HVAC, FIS charges, turn fees and aircraft parking.



Terminal Rentals

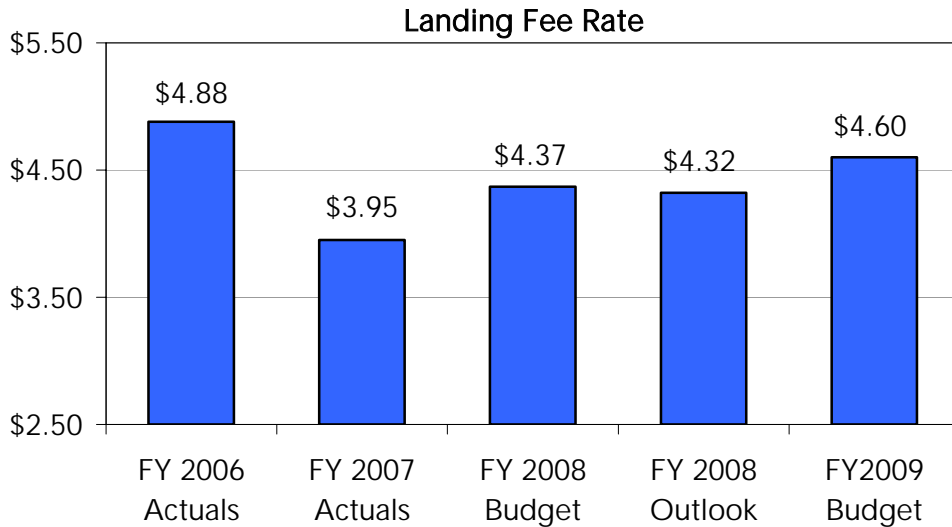
The average terminal rental rate will decrease due to lower terminal costs and higher TSA reimbursements, partially offset by lower rent credits resulting from lower terminal concession revenues.



Executive Overview

Landing Fee

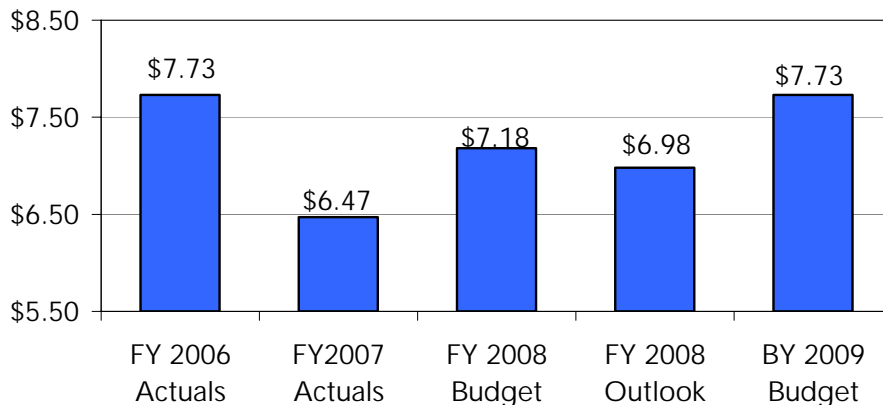
The landing fee is assessed per 1,000 pounds of maximum approved landed weight for each specific aircraft as certified by the FAA. The landing fee projection for FY 2009 is \$4.60, \$0.23 (5.3%) greater than the FY 2008 Budget of \$4.37. This increase is due to the projected 4.9% reduction of landing weights coupled with a \$2.3 million (prior to \$1.5 million offset for Airline bad debt provision) decrease in Non-Airline revenues in FY 2009, compared to the FY 2008 Budget.



Cost Per Enplanement (CPE)

CPE represents the average cost per passenger enplanement to the Airlines based on the airport costs paid by the Airlines, defined above, reduced by cargo landing fees. CPE is up \$0.55 (7.6%) in FY 2009 compared to the FY 2008 Budget primarily due to the decrease in enplanements and Non-Airline revenues in FY 2009. The FY 2008 Outlook is expected to be \$0.20 less than the FY 2008 Budget and significantly less than the FY 2009 Budget.

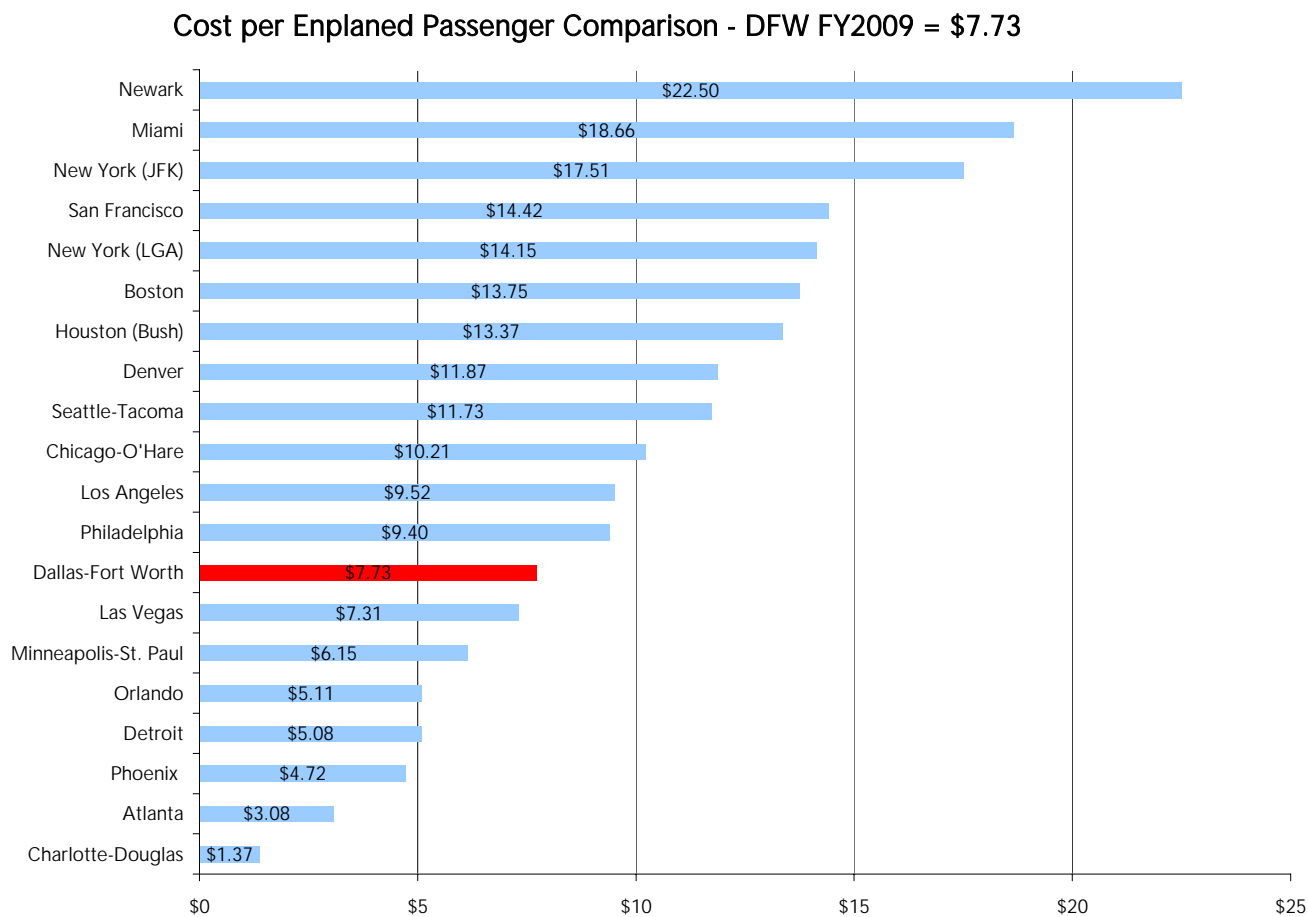
Cost Per Enplaned Passenger



Executive Overview

Cost Per Enplanement Benchmark Against Other Airports

The following chart highlights DFW's FY 2009 CPE projection with the CPE projections for the 20 largest U.S. airports for FY 2007, adjusted for recent Airline capacity reduction announcements plus a 2% decrease for the economy. The base information on the following table was obtained from Airports Council International (ACI) and the consulting firm of Jacobs Consulting (formally Leigh Fisher). This chart shows that DFW is well-positioned from a cost standpoint.



Source: 2007 CPE's from ACI Survey and Jacobs Consulting.
2007 enplanements adjusted for change in OAG seat volumes from Nov. 2007 to Nov. 2008 adjusted for 2% economic factor.

FY 2009 Operational Outlook

Operational Performance Indicators

The Airport's Key Operational Performance Indicators are:

- Operations – which drives landed weights and landing fee revenues
- Landed weight – which drives landing fee revenues

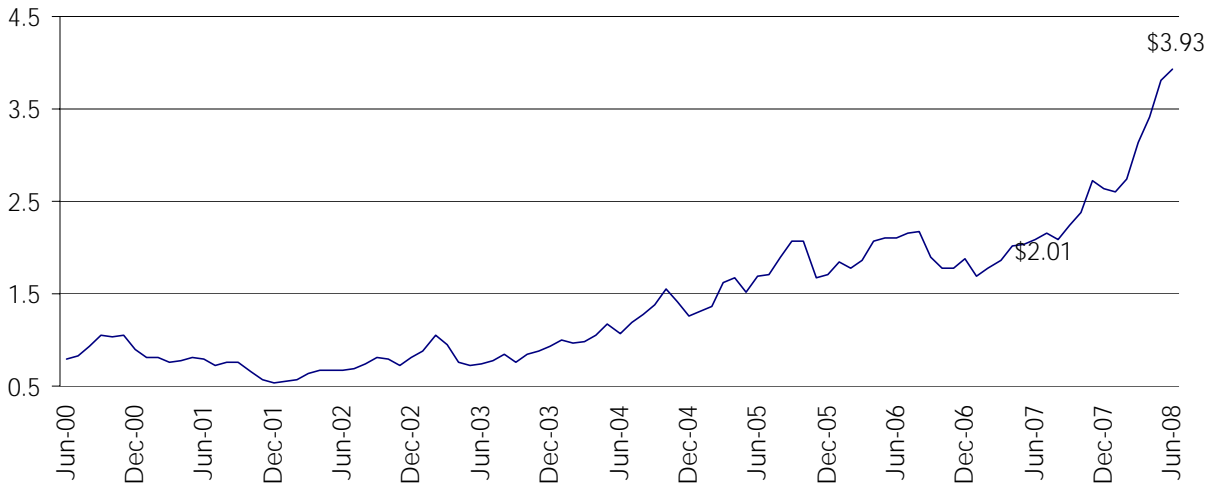
Executive Overview

- Passengers - which drives parking, concessions, rental car revenues, and international (FIS) fees

The FY 2009 Budget for these key indicators is prepared by the Air Services Development Department and is based on announced service changes and projected changes resulting from discussions with the major Airlines serving DFW.

The primary factor driving the reduction in drivers is jet fuel prices. As illustrated in the following chart, jet fuel prices continue to climb and were averaging 96% higher in June 2008 than in June 2007.

Jet Fuel Prices (\$ per gallon)



Source: Energy Information Administration, <http://tonto.eia.doe.gov/dnav/pet/pet_pri_spt_s1_d.htm>. Annual prices are calculated by EIA from daily data by taking an unweighted average of the daily closing spot prices for a given product over the specified time period. Graph shows averages for Los Angeles, U.S. Gulf Coast, New York

As a result of the rising jet fuel prices, the Airlines have started to reduce domestic capacity. While AA has had large reductions (over 10%) in their other major airports; DFW experienced a 5% reduction. The following chart shows large airports with large reductions in capacity.

% Change in Domestic Seats November 2008 vs. November 2007			
Airports:			
Honolulu	-23%	Orlando	-13%
Oakland	-21%	Las Vegas	-13%
Cincinnati	-19%	Chicago (Midway)	-12%
Kansas City	-17%	Houston (Bush)	-11%
Cleveland	-15%	Pittsburgh	-10%
Raleigh/Durham	-15%	Chicago (O'Hare)	-10%
Orange County	-13%	Sacramento	-9%

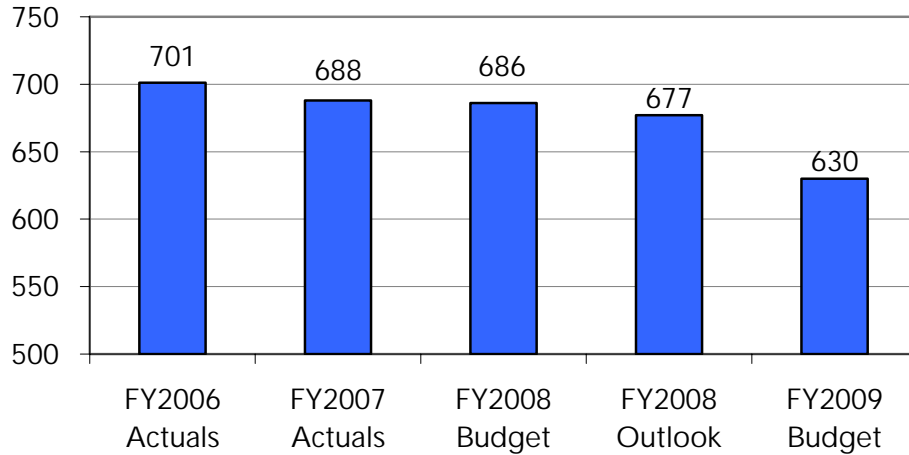
Per OAG schedule on departing domestic flights

Executive Overview

Operations

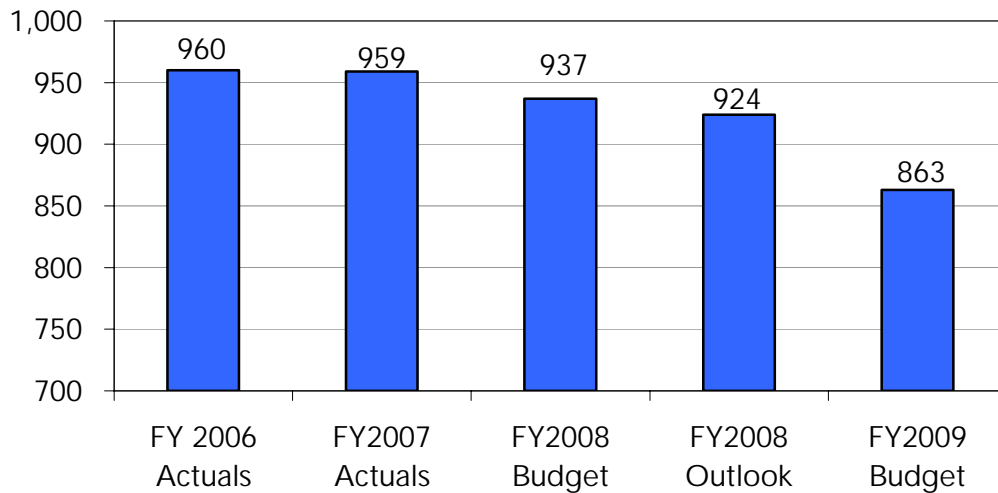
Operations in FY 2009 are expected to decrease 8.2% from the FY 2008 Budget due to reductions in flights from both hub and non-hub Airlines resulting from rising jet fuel prices.

**Number of Annual Flight Operations
In Thousands**



Operations may also be viewed on an average daily basis as shown in the following chart.

Daily Departures



Landed Weights

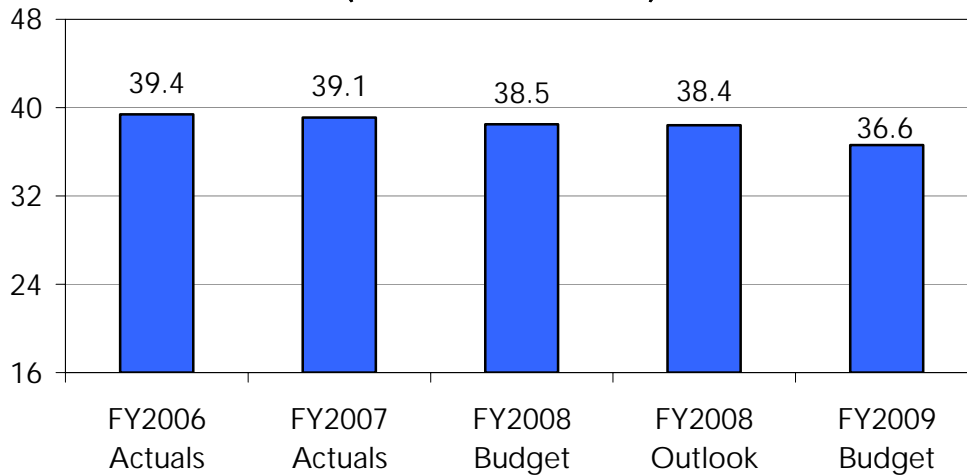
The following chart highlights landed weights from the FY 2006 through FY 2009 Budget. Landed weights are projected to decrease 4.9% to 36.6 billion pounds in FY 2009, a 1.9 billion pound decrease from the FY 2008 Budget. Signatory Airlines represent 99.4% of the total

Executive Overview

landed weights of 36.4 billion pounds for FY 2009 with Non-Signatory Permittee at 0.01 billion pounds and Non-Permittee at 0.001 billion pounds.

Landed weights from Passenger Airlines are expected to decrease by 5.2% from the FY 2008 Budget, primarily the result of Airline industry reduction in capacity due to rising jet fuel prices. Landed weights for Cargo Airlines are expected to decrease by 1.8%.

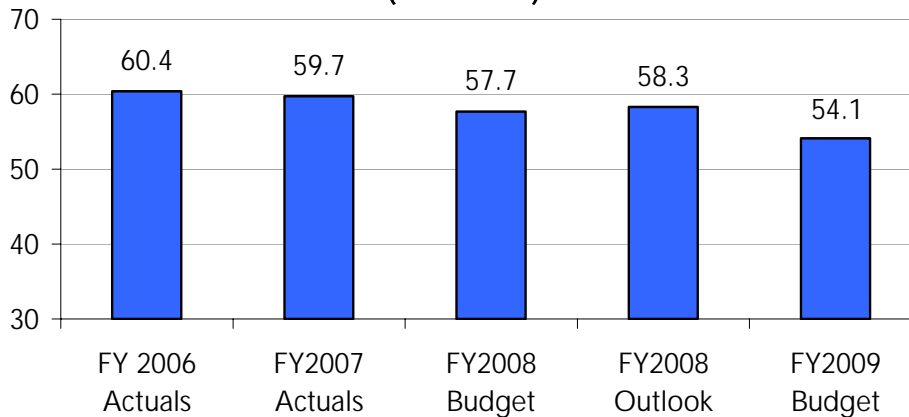
Total Landed Weights (In Billions of Pounds)



Passengers

Total passengers are projected to decrease to 54.1 million in FY 2009, a 3.6 million (6.2%) decrease over the FY 2008 Budget, due to announced Airline capacity reductions, increases in Airline fares and fees, and general economic conditions.

Total Passengers (In Millions)



Executive Overview

102 Revenue and Expense Fund Overview

Revenues

The FY 2009 102 Fund Revenue Budget is \$640.2 million, which equals the FY 2008 Budget.

Operating revenues are classified into Airline Revenues (landing fees, terminal rentals, FIS fees, turn fees, HVAC, and aircraft parking), Non-Airline Operating Revenues (primarily parking, concessions, ground rentals and RAC) and Non-Operating Revenues (PFCs to repay debt service, interest income, CIF reimbursements, and the 777 Program). Airline and Non-Airline Operating Revenues are derived primarily from user charges based on usage of Airport facilities and services in accordance with established rates. Airlines and other tenants generally pay amounts approximately equal to the Airport's direct operations and maintenance expense for the service, plus an allocation of debt service and general overhead. Revenues are discussed in detail in the Operating Budget section of this report.

102 Fund Expense Budget

The 102 Fund Expense Budget is comprised of Operating Expenses and Net Debt Service plus Coverage. The FY 2009 Expense Budget is \$640.2 million, remaining the same as the FY 2008 Budget of \$640.2 million. The following tables summarize the FY 2009 Budget and a walk-forward from the FY 2008 Budget by major cost drivers. Detailed explanations of these budget reductions and cost drivers are included in the Operating Budget section.

Expense Budget Comparison (In Millions)

	FY2007 <u>Actual</u>	FY2008 <u>Budget</u>	FY2009 <u>Budget</u>	Inc <u>(Dec)</u>
Operating Expenditures	\$322.3	\$335.8	\$344.3	\$8.5
Net Debt Service	294.5	301.0	295.9	(5.1)
Operating Reserves	(0.3)	3.4	0.0	(3.4)
Total Budget	<u>\$616.5</u>	<u>\$640.2</u>	<u>\$640.2</u>	<u>-</u>

Executive Overview

Budget Walkforward Support		
Ref		(Millions)
	FY 08 Budget as Approved	\$640.2
	Add- Major Cost Drivers	
A	Utility & fuel increases	\$8.0
B	Debt service	5.0
C	FY 2009 merit pool	3.4
D	Contract increases	3.1
E	Annualization of salaries & benefits	1.3
F	Security & fire increases	0.9
G	Terminal D baggage system supplies	0.4
H	Workers' compensation	0.3
I	Overtime	0.3
	Other	0.9
	Total Cost Drivers	\$23.6
	Less - Budget Reductions	
J	Debt refunding	(\$10.0)
K	Change in Operating Reserve	(3.4)
L	DFW purchases of its own gas	(2.2)
M	Vacancies & deferrals	(1.7)
N	Contract savings	(1.9)
O	Contingency reduction	(1.6)
P	Medical cost savings	(0.7)
Q	Property insurance	(0.7)
R	General and administrative reductions	(0.4)
	Other savings	(1.0)
	Total Budget Reductions	(\$23.6)
	FY 09 Proposed Budget	\$640.2

Operating Revenue and Expense Budget

Revenues

The following table highlights revenue by category and revenue summary account. FY 2009 Revenue Budget is \$640.2 million, a \$1.0 million (0.2%) increase over the FY 2008 Outlook, which is Management's most recent projection of FY 2008 results on a pre-settlement basis. Variances between the Outlook and the FY 2008 Budget are explained on the following pages.

102 Fund Revenues (In Millions)						
	FY2007	FY2008	FY2008	FY2009	Inc (Dec) Outlook	
	<u>Actuals</u>	<u>Budget</u>	<u>Outlook*</u>	<u>Budget</u>	<u>Dollar</u>	<u>Percent</u>
Airline Revenue						
Landing Fees	\$155.1	\$168.1	\$164.5	\$167.0	\$2.5	1.5%
Terminal Leases	18.9	23.7	23.8	24.5	0.7	2.9%
Other Airline Revenue	33.5	32.0	31.9	34.7	2.8	8.7%
Total Airline Revenue	207.5	223.8	220.2	226.1 **	5.9	2.7%
Non-Airline Operating Revenue						
Parking	106.6	107.8	105.2	99.6	(5.6)	-5.3%
Concessions	47.5	47.4	49.9	46.1	(3.8)	-7.7%
Rental Car -Percent Rent	24.9	27.5	24.6	22.8	(1.8)	-7.2%
Rental Car -Ground Rent	3.5	3.5	3.6	3.8	0.2	4.2%
Commerical Development	21.4	24.8	29.3	29.3	(0.0)	0.0%
Gen. Aviation & Fuel Farm	8.9	8.3	7.5	7.3	(0.2)	-2.7%
Employee Transportation	7.6	8.5	8.5	8.3	(0.1)	-1.3%
Taxi, Limo & Shuttle Fees	6.8	6.7	6.8	6.7	(0.1)	-2.2%
Non-Airline Trash & Water	4.0	5.7	5.7	5.8	0.1	1.5%
Other Revenue	12.1	10.8	10.8	11.3	0.5	4.5%
Total Non-Airline Ops Revenue	243.3	251.1	252.1	241.2	(10.9)	-4.3%
Non Operating Revenue						
Passenger Facility Charges	119.1	119.9	123.1	123.7	0.6	0.5%
Interest Income	18.1	16.8	15.3	9.6	(5.7)	-37.4%
Reim. from Other Funds	14.5	14.6	14.6	25.6	11.0	75.9%
777 Program	14.0	14.0	14.0	14.0	0.0	0.0%
Total Non Operating Revenue	165.7	165.3	167.0	172.9	5.9	3.6%
Total Non-Airline Revenues	409.0	416.4	419.1	414.1	(4.9)	-1.2%
Total Revenue	\$616.5	\$640.2	\$639.3	\$640.2	\$1.0	0.2%

*Pre-Settlement
 ** Net of \$1.5 million airline bad debt provision

Operating Revenue and Expense Budget

Landing Fees

Signatory Airlines pay landing fees based on the landed weight of the aircraft utilizing the Airport and a landing fee rate. Non-Signatory Permittee and Non-Signatory Non-Permittee/General Aviation Airlines pay a 15% and 30% premium over the average Signatory landing fee rate, respectively. A discussion of how landing fee rates are calculated is included in the Introduction Section of this report.

The FY 2009 Landing Fees Budget is \$167.0 million, which is net of a \$1.5 million bad debt offset. This amount is \$2.5 million (1.5%) more than the FY 2008 Outlook, due to reduced non-airline revenues in FY 2009 which must be paid by airlines as a part of the current residual arrangement with the Airlines. Also, results in FY 2008 have been adversely impacted by several days of MD-80 cancellations.

The average signatory landing fee rate per thousand pounds in FY 2009 will increase \$0.23 (5.3%) to \$4.60 from the current rate of \$4.37 due to lower non-airline revenues and lower landed weights (4.9% lower than the level used to compute the current \$4.37 rate). The impact of the lower landed weights is \$0.21 of the \$0.23 increase.

Terminal Leases

Terminal lease fees are charged to Signatory Airlines based on the projected costs to operate the terminals, plus overhead and debt service allocations, less a credit for allocated concessions revenue (based on passengers per terminal). Terminal lease forecasts are established on a per square foot basis.

The FY 2009 Terminal Lease Budget is \$24.5 million, a \$0.7 million (2.9%) increase from the FY 2008 Outlook primarily due to a decrease in the concessions credit against the rent resulting from decreases in concessions revenue, partially offset by lower terminal costs.

Other Airline Revenue

Other Airline Revenue is comprised of FIS International fees, Common Use gate fees and apron parking fees, and HVAC charges for the terminals. FIS fees represent the \$4.80 fee paid by the airlines for each deplaning international passenger for customs inspections. The Common Use gate fees result from airline use of Airport-owned gates (rather than leasing terminal space).

The FY 2009 Other Airline Revenue Budget is \$34.7 million, a \$2.8 million (8.7%) increase from the FY 2008 Outlook due on a projected increase in international passengers subject to the FIS fees (increase of 5% from the FY2008 Budget) and HVAC as a result of increased energy costs.

Non-Airline Revenue

The following charts will be used in the explanations for parking, concessions and RAC Percentage Rent Revenue.

Originating, total and destination passengers are the primary drivers of revenue for parking, concessions, and RAC, respectively. As illustrated in the following chart, all passenger classifications are projected to decrease 7.2% from the FY 2008 Outlook.

Operating Revenue and Expense Budget

FY 2009 Passengers (In Thousands)					
	Connec- ting	O&D	(O)rigi- nation	(D)esti- nation	Total
FY 2008 Outlook	34,109	24,180	12,276	11,904	58,289
FY 2009 Budget	31,676	22,455	11,401	11,055	54,131
Change from Budget	(2,433)	(1,725)	(875)	(849)	(4,158)
% Change					-7.2%

The following chart is a comparison of the FY 2009 Budget to the Outlook, adjusted for one-time events in FY 2008 that will not occur in FY 2009 and excluding the offset for bad debts.

	FY 2008 <u>Outlook</u>	FY 2009 <u>Budget</u>	Inr (Dec)	%
Parking	\$105.2	\$99.6	(\$5.6)	-5.3%
Concessions*	\$49.8	\$46.6	(\$3.2)	-6.4%
RAC % Rent#	\$24.5	\$22.8	(\$1.7)	-6.9%

* excluding bad debt
excluding \$.8M settlement

The above chart illustrates that changes in Parking, Concessions, and RAC revenues are in line with (or outperform) the expected reduction in passengers from the FY 2008 Outlook.

Parking

Parking fees are charged to the public based on the length of stay and the parking facility used. The Airport offers five parking products: Valet (\$24 per day), Terminal (\$17 per day), Infield (\$13 per day), Express (\$11 covered and \$10 uncovered, per day), Remote (\$7 per day), and hourly for drop-offs and pass-throughs. The Off-Airport Parking Privilege Fee commenced January 2007. Each off-airport location is charged 8% of reported gross revenues related to accessing airport facilities. DFW entered into a concession agreement with a third party to offer valet parking. This service commenced in March 2008.

The FY 2009 Parking Revenue Budget is \$99.6 million, a \$5.6 million (5.3%) decrease from the FY 2008 Outlook of \$105.2 primarily due to the projected decrease in originating passengers. The originating passengers are expected to decrease 7.1% from the FY 2008 Outlook. The 5.3% decrease in parking revenues is less than the expected 7.1% reduction in originating passengers due to new programs currently being developed, marketing efforts and other efficiencies in the Parking business.

Operating Revenue and Expense Budget

Concessions

Concession revenues consist primarily of in-terminal food, beverages, vending, passenger services, retail concessions, advertising, and communications. A small percentage of this revenue stream is derived from concessions activities outside the terminal (e.g., gas station and airport-wide cell phone leases). Concessionaire contracts normally include a Minimum Annual Guarantee (MAG) plus a percentage of gross sales over an amount specified in the contract. Advertising and communications contracts generally have fixed monthly payments, but can have one-time payments which are amortized over the life of the contract.

The FY 2009 Concessions Budget, adjusted for the removal of bad debt, is \$46.6 million, a \$3.2 million (6.4%) decrease from the adjusted FY 2008 Outlook. This decrease is due to the decrease of passengers, partially offset by increased revenues from new Concession programs, higher minimums and efficiencies in the Concessions business unit. Consequently, Concession revenue is expected to decrease by a lower percentage than the 7.2% reduction in total passengers.

Rental Car Facility (RAC)

Rental car agencies that operate in the Airport's RAC are charged a ground lease and a percentage of gross sales as stipulated in the rental car agreements. Based on a new contract, RAC base rent per acre increases 3% per acre per year from the ground rental rate established in the FY 2008 Budget (described in the Commercial Development section below). The FY 2009 RAC percent rent revenue Budget is \$22.8 million, a \$1.8 million (7.2%) decrease from the adjusted FY 2008 Outlook, primarily due to the reduction in destination passengers.

Commercial Development

This category includes ground lease and percentage rent revenue generated from non-terminal Airport facilities and property and surface use fees resulting from drilling for natural gas. Multi-year lease agreements are negotiated with tenants, on a square foot or acre basis. Some facilities such as the Hyatt Regency Hotel and Bear Creek Golf Course also have percentage rent components. The ground lease price per acre for most tenants is based on direct maintenance costs, plus an allocation of airport services and debt service, divided by total developed acres.

The FY 2009 Commercial Development Budget is \$29.3 million which is the same as the FY 2008 Outlook due to less surface use fees, offset by new ground leases starting in FY 2008 which will continue through FY 2009. The Airport Services ground rental rate in FY 2009 is \$23,974, a \$78.00 increase (0.3%) from the FY 2008 rate of \$23,896.

General Aviation and Fuel Farm

General Aviation (GA) fees consist of fueling and aircraft services fees. The Fuel Farm amount represents the fees the airlines pay to cover the debt service cost and overhead of the Fuel Farm. The FY 2009 GA and Fuel Farm Budget is \$7.3 million, a \$0.2 million (2.7%) decrease from the FY 2008 Outlook, primarily due to projected reduction in GA flights.

Employee Transportation

DFW charges employees for the cost of providing transportation from the parking lots to the terminals. The FY 2009 employee transportation revenue Budget is \$8.3 million, a \$0.1 million

Operating Revenue and Expense Budget

(1.3%) decrease from the FY 2008 Outlook due to a lower number of airline employees that are expected to use employee transportation.

Taxi, Limo & Shuttle Fees

These revenues represent the fees paid by taxis, limos, shuttles and other shared-ride transportation companies that require access to the airport to drop-off and pick-up passengers. The FY 2009 Budget of \$6.7 million is \$0.1 million (2.2%) less than the FY 2008 Outlook primarily due to projected decreases in passenger activity for FY 2009.

Non-Airline Water and Trash

The Non-Airline Water and Trash category represents fees charged to Airport users for trash removal and water usage. The FY 2009 Non-Airline Water and Trash revenue Budget is \$5.8 million, a \$0.1 million (1.5%) increase from the FY 2008 Outlook due primarily to slightly higher increases in water and trash activity.

Other Revenues

Other Revenues include reimbursements from the Transportation Security Administration (TSA) for law enforcement officer flex-response at security checkpoints, TSA Rent and TSA O&M charges (\$4.7 million), DPS revenue which consists of fingerprinting, badging, training, EMS, and canine reimbursement (\$3.2 million), supplemental rent, 9.4C and C-1 improvement rent (\$1.7 million), miscellaneous permit fees (\$1.0 million), miscellaneous fees which are primarily recycling revenue (\$0.3 million), late payment fees (\$0.1 million) and other fees (\$0.6 million). The FY 2009 Budget for Other Revenue is \$11.3 million, a \$0.5 million (4.5%) increase from the FY 2008 Outlook, primarily due to increases in DPS Training Center, Canine Reimbursement, Badging and Permit Fees.

Passenger Facility Charges (PFC's)

DFW collects \$4.50 PFC's for each enplaned passenger passing through the Airport. DFW projects that it will receive \$102.3 million in PFC collections in FY2009 (see Capital Budget section). DFW deposits these funds into the 252 Fund and then uses the funds to pay for eligible capital projects and debt service as incurred. In FY 2009, DFW will use \$123.7 million of PFC's to pay approximately 50% of the eligible debt service. This transfer from the 252 Fund to the 102 Fund is considered Gross Revenue. Management projects the 252 Fund will have approximately \$91 million at the end of FY 2009.

Interest Income

Interest income includes interest earned on investments from the Operating Revenue & Expense Fund (102), the 3 month Operating Reserve, and Debt Service Reserve Fund (600s). The FY 2009 Interest Income Budget is \$9.6 million, a \$5.7 million (37.4%) decrease from the FY 2008 Outlook due to lower interest rates (2.5% versus 4.5%).

Reimbursements from Other Funds

Reimbursements from Other Funds is \$25.6 million, an \$11 million (75.9%) increase from the FY 2008 Outlook of \$14.6 million. The \$11 million is greater due to the "Coverage Credit", explained in the next paragraph and a one-time transfer to the 302 Fund of \$10 million. The

Operating Revenue and Expense Budget

one-time transfer from the 302 Fund is the result of an agreement between DFW and the Airlines in which DFW will transfer a maximum of \$10 million from the 302 Fund to 102 Fund at the end of FY 2009. To the extent DFW can implement programs to reduce airline costs below \$214.1 million (\$12 million below the budgeted total airline costs of \$226.1 million), then the 302 transfer will be reduced. To the extent that DFW reduces airline costs by more than \$22 million in FY 2009, the transfer will be zero dollars and the airlines will receive the benefit greater than \$22 million. The nature of the additional revenue or cost savings will determine which airline rate will be impacted in accordance with the residual ratemaking model of the Use Agreement with the Airlines. For example, concession revenues are primarily an offset to terminal rents while parking revenues serve to offset the landing rate.

DFW and the Airlines have agreed to make an annual reimbursement from the Common Capital Improvement Account (301) to the 102 Fund known as the "Coverage Credit" to offset debt service coverage for debt supported with surety policies. As a result of increased debt service coverage in FY 2008, the coverage credit for FY 2009, which is based on the prior year's debt service coverage, is expected to increase by \$1.0 million in FY 2009. See the Capital Budget section of this report for more information on the Coverage Credit.

777 Program

The 777 Program is Budgeted to continue in FY 2009 which allows a transfer of \$14 million to the 102 Fund, \$7 million from Natural Gas Fund (301NG) and \$7 million from the Airline Trust Funds. The final \$7 million transfer is from 301NG to the 302 Fund.

FY 2009 Expense Budget by Major Cost Driver

The purpose of this section is to discuss the Budget from a programmatic or cost driver standpoint. The following table is a walk-forward of the FY 2009 Budget from the FY 2008 Budget by major program.

Operating Revenue and Expense Budget

Ref		(Millions)
	FY 08 Budget as Approved	\$640.2
	Add- Major Cost Drivers	
A	Utility & fuel increases	\$8.0
B	Debt service	5.0
C	FY 2009 merit pool	3.4
D	Contract increases	3.1
E	Annualization of salaries & benefits	1.3
F	Security & fire increases	0.9
G	Terminal D baggage system supplies	0.4
H	Workers' compensation	0.3
I	Overtime	0.3
	Other	0.9
	Total Cost Drivers	\$23.6
	Less - Budget Reductions	
J	Debt refunding	(\$10.0)
K	Change in Operating Reserve	(3.4)
L	DFW purchases of its own gas	(2.2)
M	Vacancies & deferrals	(1.7)
N	Contract savings	(1.9)
O	Contingency reduction	(1.6)
P	Medical cost savings	(0.7)
Q	Property insurance	(0.7)
R	General and administrative reductions	(0.4)
	Other savings	(1.0)
	Total Budget Reductions	(\$23.6)
	FY 09 Proposed Budget	\$640.2

Please note that the references in the following tables are used to cross-reference the variance explanations in the Expense Comparison by Summary Account and in the Department Budget section of this report.

Major Cost Drivers:

A. Utility & Fuel Increases \$8.0 million

This represents the increase in Utilities (primarily electricity and gas) and fuels (primarily Compressed Natural Gas (CNG) costs for FY 2009. The major increases are in electricity (\$4.9 million) gas (\$1.4 million) and CNG (\$1.4 million). The following table shows the percentage increases in energy rates that are driving the most significant increases in utility and fuel costs.

Operating Revenue and Expense Budget

	FY 2008 <u>Budget</u>	FY 2009 <u>Budget</u>	Inc <u>(Dec)</u>	% <u>Increase</u>
Electricity - \$/KwH	\$0.0924	\$0.1097 *	\$0.0173	18.7%
Natural Gas -\$/mmbtu#	\$8.44	\$12.44	\$4.00	47.4%
CNG - \$/GGE	\$1.4362	\$2.2000	\$0.7638	53.2%

*Electric rates hedged through March 31, 2009, at a 75% level. If electric rates had not been hedged, the average rate for 2009 would be \$0.1172 KwH.

#Represents commodity costs (excluding transportation) for use at Energy Plaza. Natural gas commodity hedges end September 30, 2008.

The following table shows the details of the Utility & Fuel Budgets:

(in millions)	FY08 <u>Budget</u>	FY09 <u>Budget</u>	Inc <u>(Dec)</u>	%
<u>Utility Budget</u>				
Electricity	\$27.5	\$32.4	\$4.9	18%
Natural Gas	3.8	5.2	1.4	37%
Water	2.1	1.9	(0.2)	-10%
Wastewater	1.1	1.2	0.1	9%
Total	\$34.5	\$40.7	\$6.2	18%
<u>Fuel Budget</u>				
Gasoline	\$0.2	\$0.4	\$0.2	100%
Diesel	0.2	0.4	0.2	100%
Propane	0.0	0.0	0.0	100%
CNG	2.6	4.0	1.4	54%
Total	\$3.0	\$4.8	\$1.8	60%
Grand Total	\$37.5	\$45.5	\$8.0	21%

B. Debt Service

\$5.0 million

This represents the increase in Debt Service prior to any refunding. This increase is primarily the result of lower interest earnings on debt reserve funds as a result of lower interest rates. Interest earnings on these funds are treated as a reduction in debt service costs in the 102 Fund.

C. FY 2009 Merit Pool

\$3.4 million

This provides for a merit pool sufficient to provide employees an average 3.8% increase plus benefits, effective January 1, 2009 and an equity adjustment to bring the lowest paid employees at DFW up to the first quartile of the pay scale.

D. Contract Increases

\$3.1 million

The following table shows the fixed increases in contracts for FY 2009:

Operating Revenue and Expense Budget

	<u>(millions)</u>
Skylink	\$1.5
Buildings reverting to DFW	0.5
Security Services (replacement of VRM)	0.4
Terminal D facility maintenance	0.3
Other	0.4
Total Increases in Contracts	<u>\$3.1</u>

The increase for Skylink represents both a scheduled contract increase and an annual inflation related increase in the Skylink operating contract with Bombardier.

E. Annualization of Salaries & Benefits **\$1.3 million**

This represents the annualization of the merit increase (4%) and associated benefits approved by the Board in the FY 2008 Budget that impacts the first three months of FY 2009.

F. Security & Fire Increases **\$0.9 million**

This represents the net cost of new positions for Security & Fire personnel as shown on the FY 2009 position summary on OPS page 14.

G. Supplies for Terminal D Baggage Handling System **\$0.4 million**

This represents the cost for parts that will be incurred in FY 2009 as DFW assumes responsibility for the Terminal D baggage handling system, previously covered by warranty.

H. Workers' Compensation **\$0.3 million**

This represents the increase in Workers' Compensation costs for FY 2009.

I. Overtime **\$0.3 million**

This represents the increase in overtime costs for FY 2009. The increase is driven by Level Orange and overtime needed to cover mandatory in-service police training due to changing state requirements.

Budget Reductions:

J. Debt Re-funding **\$10.0 million**

This represents the net principal and interest savings that is expected to be achieved by a proposed refunding of DFW's debt expected to occur in the fourth quarter of FY 2009.

K. Change in Operating Reserve **\$3.4 million**

Due to DFW's strong cash position (102 fund cash sufficient to cover 172 days expenses, total cash sufficient to cover 708 days of expenses) it is recommended that DFW not fund the Operating Reserve for FY 2009.

Operating Revenue and Expense Budget

L. DFW purchases its own gas **\$2.2 million**

This represents the savings achieved by DFW taking a small portion of its Natural Gas royalties in the form of physical gas for heating and CNG fuel. The price for the Operating Fund will be fixed at \$9.00 per mmbtu as opposed to the current market rate of \$12.44.

M. Vacancies and deferrals **\$1.7 million**

This represents an increase in the budgeted vacancy rate from 4.5% to 5.0% and a deferral in the hiring of non-critical DFW employee positions.

N. Contract Savings **\$1.9 million**

The following table shows contract savings achieved in FY 2009.

	<u>(millions)</u>
Planning, Commercial Dev. & Gov't Affairs	(\$0.8)
ITS (CPSC & Cisco mtce.)	(0.6)
Term D Art Maintenance	(0.3)
Other	(0.2)
Total Contract Savings	<u>(\$1.9)</u>

O. Contingency Reduction **\$1.6 million**

This represents the reduction in Contingency funding from \$6.6 million to \$5.0 million.

P. Medical Cost Savings **\$0.7 million**

This represents the medical cost savings estimated to be achieved by the combination of DFW's Wellness Program and the switch to self-insured insurance plans.

Q. Insurance **\$0.7 million**

This represents a reduction in Property & Casualty premiums for FY 2009.

R. G & A Savings **\$0.4 million**

This represents a 10% reduction in G & A expenses not related to business development.

Operating Revenue and Expense Budget

Operating Budget by Category

The following table compares the FY 2009 Budget with the FY 2008 Budget. The table on the next page cross references the walk-forward shown above by expense category. Variance explanations include references to the table on the following page.

Operating Budget By Category					
In Millions					
	FY 2007	FY 2008	FY 2009	<u>Inc (Dec)</u>	
	Actual	Budget	Budget	Dollar	Percent
Operating Costs					
Salaries & Wages	\$98.1	\$103.9	\$107.7	\$3.8	3.7%
Benefits	56.4	50.1	50.0	(0.1)	-0.2%
Contract Services	103.8	111.9	112.6	0.7	0.6%
Equipment & Supplies	16.7	15.5	17.4	1.9	12.3%
Utilities	37.4	36.8	41.8	5.0	13.6%
Insurance	4.7	5.2	4.4	(0.8)	-15.4%
Gen'l Admin & Other	5.3	5.8	5.5	(0.3)	-5.2%
Contingency	0.0	6.6	5.0	(1.6)	-24.2%
Total Operating Budget	\$322.4	\$335.8	\$344.3	\$8.5	2.5%
Operating Reserve	(0.3)	3.4	0.0	(3.4)	-100.0%
Total	\$322.0	\$339.2	\$344.3	\$5.0	1.5%

Salaries & Wages

The FY 2009 Salaries and Wages Budget is \$107.7 million, a \$3.8 million (3.7%) increase over the FY 2008 Budget of \$103.9 million primarily due to merit increases effective Jan.1, 2009 and an equity adjustment for lower paid employees, (\$3.2 million, average merit increase of 3.8%, C); annualization of the FY 2008 merit plan, (\$1.1 million, E); new positions in the Security and Fire areas (\$0.7 million, F) and an increase in overtime (\$0.3 million, I). These increases were mitigated by an increase in the vacancy factor from 4.5% to 5% (\$0.5 million, M) and the deferral in filling a number of vacant positions (\$0.8 million, M).

Benefits

The FY 2009 Benefits Budget is \$50.0 million, a \$0.1 (0.2%) decrease from FY 2008. Benefits increased due to the merit increase (\$0.2 million, C) the annualization of the FY 2008 merit increase (\$0.1 million, E) the hiring of additional Security & Fire personnel (\$0.1 million, F) and an increase in Workers' Comp costs (\$0.3 million, H). These increases were mitigated by savings due to vacancies and hiring deferrals (\$0.4 million, M) and medical cost savings (\$0.7 million, P).

Operating Revenue and Expense Budget

DFW FY 2009 Budget Walkforward (In Millions)											
Ref	Cost Driver	Total	Sals	Bens	Conts	Sup	Util	Ins	G&A	Op Res	Debt
	FY 2008 Budget	\$640.2	\$103.9	\$50.1	\$111.9	\$15.5	\$36.8	\$5.2	\$12.4	\$3.4	\$301.0
Major Cost Drivers											
A	Utility & Fuel Increases	\$8.0				\$1.8	\$6.2				
B	Debt Service	5.0									5.0
C	FY 2009 Merit	3.4	3.2	0.2							
D	Contract Increases	3.1			3.1						
E	Annualization	1.3	1.2	0.1							
F	Security & Fire Increases	0.9	0.8	0.1							
G	Supplies for Terminal D Baggage Handling	0.4				0.4					
H	Workers' comp	0.3		0.3							
I	Overtime	0.3	0.3								
	Other costs	0.9		0.1		0.5	0.3				
	Total Cost Drivers	\$23.6	\$5.5	\$0.9	\$3.1	\$2.7	\$6.5	\$0.0	\$0.0	\$0.0	\$5.0
Budget Reductions											
J	Debt re-funding	(\$10.0)									(\$10.0)
K	Change in Operating Reserve	(3.4)								(3.4)	
L	DFW Gas purchases	(2.2)				(0.8)	(1.4)				
M	Vacancies & deferrals	(1.7)	(1.3)	(0.4)							
N	Contract Savings	(1.9)			(1.9)						
O	Contingency reduction	(1.6)							(1.6)		
P	Medical cost savings	(0.7)		(0.7)							
Q	Insurance	(0.7)						(0.7)			
R	G & A savings	(0.4)							(0.4)		
	Other savings	(1.0)	(0.5)		(0.5)						
	Total Savings	(\$23.6)	(1.8)	(1.1)	(2.4)	(0.8)	(1.4)	(0.7)	(2.0)	(3.4)	(10.0)
	FY 2009 Proposed budget	\$640.2	\$107.7	\$50.0	\$112.6	\$17.4	\$41.8	\$4.4	\$10.5	\$0.0	\$296.0

Contract Services

The FY 2009 Contracts Services Budget is \$112.6 million, a \$0.7 million (0.6%) increase from the FY 2008 Budget of \$111.9 million due to contract increases, primarily for Skylink and new buildings (\$3.1 million, D), mitigated by contract savings (\$1.9 million, N).

Utilities

The FY 2009 Utilities Budget is \$41.8 million, a \$5.0 million (13.6%) increase from the FY 2008 Budget of \$36.8 million due to increases in the price of natural gas and electricity (\$6.3 million), mitigated by DFW purchases of its own gas (\$2.2 million, L).

Equipment & Supplies

The FY 2009 Equipment & Supplies Budget is \$17.4 million, a \$1.9 million (12.6%) increase from the FY 2008 Budget of \$15.5 million primarily due to increases in fuels (\$1.7 million, A) and an increase in supplies needed for the baggage handling system in Terminal D (\$0.4 million, G).

Operating Revenue and Expense Budget

Insurance

The FY 2009 Insurance Budget is \$4.4 million, a \$0.7 million (13.5%) decrease from the FY 2008 Budget of \$5.2 million primarily due to decreased premiums for Property & Casualty Insurance (\$0.7 million, Q).

General, Administrative & Other

The FY 2009 General, Administrative, & Other Budget is \$5.5 million, a \$0.3 million (5%) decrease from the FY 2008 Budget of \$5.8 million primarily due to reductions in expenses other than those related to business development. (\$0.3 million, R).

Contingency

The CEO Contingency provides protection against variable interest rate exposure, unhedged fuel prices, unforeseen TSA security requirements, and potential insurance and/or legal claims. The savings is the result of reducing the contingency fund to a \$5.0 million level (\$1.6 million, O).

Operating Reserve

DFW is required to maintain an Operating Reserve that is equal to 25% the Operating Budget. Due to DFW's favorable cash position, (102 fund cash sufficient for 172 days of expenses, total cash sufficient for 708 days of Budgeted expenses) we propose not funding the Operating Reserve in FY 2009. (\$3.4 million, K).

Net Debt Service Budget

The Net Debt Service Budget is comprised of debt service, plus 25% coverage, required by the controlling bond documents, less offsets to Debt Service. The Offset to Debt Service in FY 2009 is the amount of interest earned after money is deposited to the Interest and Sinking Funds. This interest is treated as an offset to debt service costs in the 102 Fund. The following table compares the amount of debt service between the FY 2008 Budget and the FY 2009 Budget:

Net Debt Service Budget (In Millions)				
Description	FY08 Budget	FY09 Budget	\$ Change	% Change
Debt Service	\$245.0	\$238.8	(\$6.2)	-2.5%
Coverage	60.2	59.2	(\$1.0)	-1.7%
Offsets to Debt Service	(4.2)	(2.1)	\$2.1	50.0%
Net Debt Service	\$301.0	\$296.0	(\$5.0)	-1.7%

Debt service costs are projected to decrease by \$6.2 million in FY 2009 due primarily to a proposed refunding of the series 2004A bonds in the late summer of 2009. This reduction in debt service also causes a decrease in required coverage. This savings coupled with a decrease in interest earning of \$2.1 million due to lower expected interest rates next year results in a decrease in Net Debt Service of \$5.0 million.

Operating Revenue and Expense Budget

Per the terms of the Use Agreement and Airport's Bond Covenants, the Airlines must pay 25% of accrued aggregate annual debt service for each year (as defined in the Controlling Documents). This amount is then transferred into the CIF at the beginning of the following year. See the Capital Funds section for further discussion.

Position Walkforward

Total projected positions assumed in the FY 2009 Operating Expense Budget have increased by 22 positions. All of these positions are for DFW Security and Fire personnel. The total net impact of these positions on the Operating and Capital Budgets is approximately \$900,000.

FY 2009 Position Summary			
Division/Department/Section	FY 2008	New Personnel	Total FY2009
Executive Office	25		25
Legal	4		4
Audit Services	15		15
Administration & Diversity			
Human Resources	26		26
Internal Communications	6		6
Procurement	40		40
Risk Management	10		10
Small & Emerging Business	9		9
Total Admin & Diversity	91	0	91
Finance & ITS			
Finance	50		50
Treasury Management	8		8
Information Technology Services	104		104
Total Finance & ITS	162	0	162
Marketing & Terminal Management			
Air Services Development	9		9
Aviation Real Estate	8		8
Customer Service	121		121
Marketing Services	15		15
Total Marketing & Term Management	153	0	153
Operations			
Airport Operations	112		112
Asset Management	180		180
Department of Public Safety	480	22	502
Energy & Transportation Management	125		125
Environmental Affairs	29		29
Planning	14		14
Airport Development	78		78
Total Operations	1,018	22	1,040
Revenue Mgmt			
Commercial Development	15		15
Parking Operations	359		359
Concessions	17		17
Total Revenue Management	391	0	391
Total DFW	1,859	22	1,881

Operating Revenue and Expense Budget

New Position Summary - Operating (102 Fund)				FY 2009 O & M Budget Impact		
Division/ Department	#	Position	Justification	Cost*	Savings**	Net
DPS	8	Fire Fighter	Staff new Station 6 - phased implementation	336,008		336,008
	4	MCR Operator	Increased duties and monitoring of 1542 portal cameras	188,292	-	188,292
	1	Police Officer	Background Investigator to replace temporary employee	59,113	(18,000)	41,113
	2	Police Officer	Canine teams to increase patrols in terminals and cargo areas in response to TSA requirement.	58,698		58,698
	7	ACO Processor	Replace 5 temporaries, 2 civilian security guards temporarily assisting in ACO, and 1 processor for new CBP bading process.	331,445	(47,000)	284,445
Total	<u>22</u>			<u>\$973,556</u>	<u>(\$65,000)</u>	<u>\$908,556</u>

* Cost equals budgeted FY 2009 salaries plus all benefits except pension, since pension costs will not affect the FY 2009 budget. Pension cost will be about \$150,000 for these positions in FY 2010.

** Savings equals the amount that the budget was reduced due to addition of new position

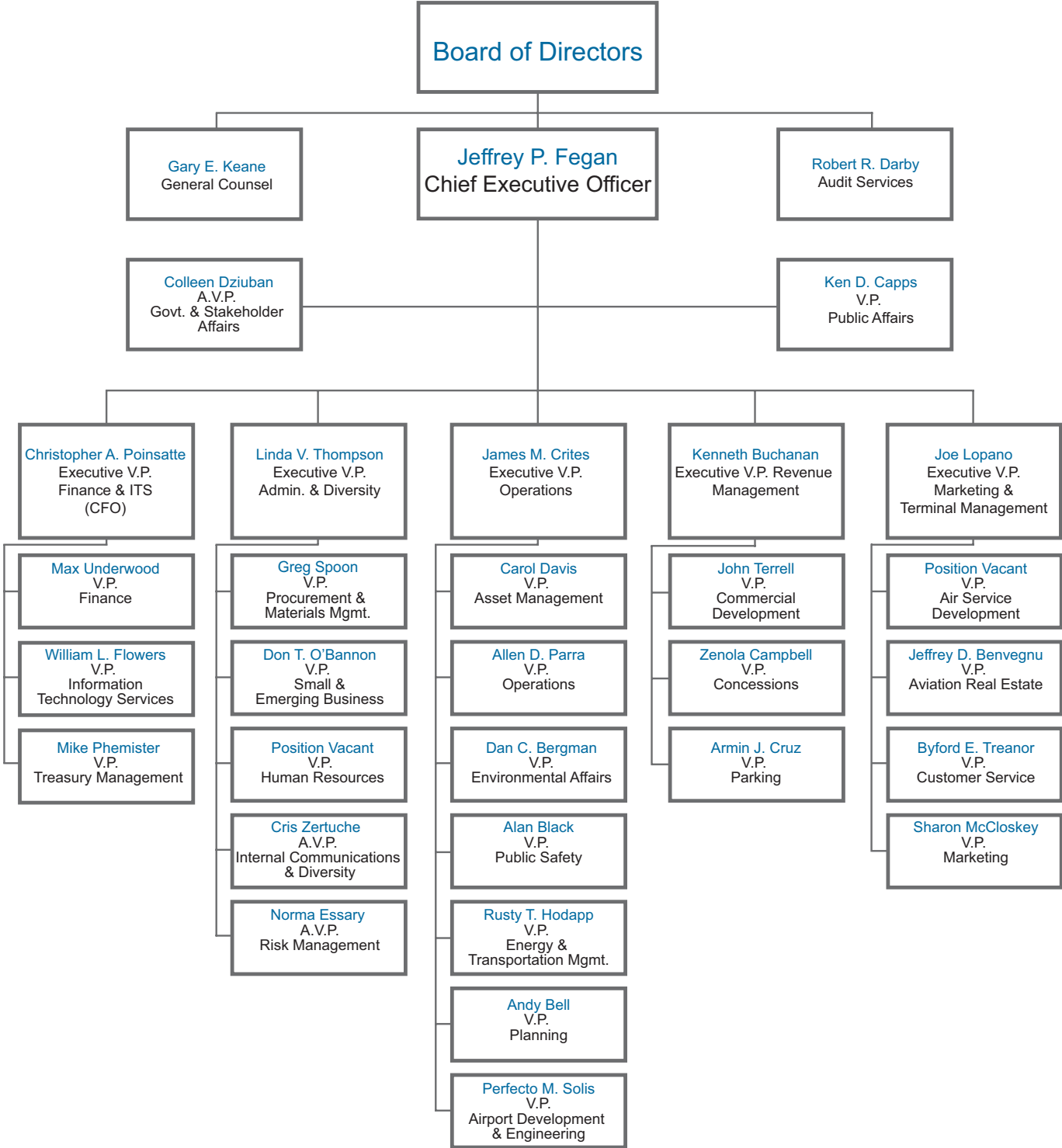
Department Budgets

Overview

DFW is organized into Divisions (managed by EVPs) which are comprised of Departments (managed by VPs). The DFW organizational chart is shown on the following page. This section of the report includes Divisional organization charts followed by the departmental budgets that comprise that division. Each departmental page includes a summary of the department's major functions and a walkforward of the FY 2008 Budget by major cost driver (which is cross referenced to explanations in the Operating Budget section of the report - see OPS-9 to OPS-14). The following table is a budget comparison by department.

Departmental Budget Comparison			
In Thousands			
Division/Department	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Executive Office Division	\$7,029	\$13,779	\$10,907
Legal Division	2,665	2,894	2,820
Audit Services Division	1,898	2,022	2,077
Administration & Diversity Division			
Human Resources Department	5,945	4,596	4,676
Internal Communications & Diversity Department	999	995	999
Procurement & Materials Management Department	4,239	4,737	4,847
Risk Management Department	6,624	7,324	7,163
Small & Emerging Business Department	1,598	1,723	1,630
Finance & ITS			
Finance Department	18,396	5,840	5,627
Information Technology Services Department	25,146	30,027	29,590
Marketing & Terminal Management			
Air Service Development Department	1,729	2,211	2,384
Aviation Real Estate Department	1,170	1,252	1,254
Customer Service Department	9,997	11,064	11,086
Marketing Services Department	4,845	4,555	4,798
Operations			
Airport Development Department	1,703	1,641	1,634
Airport Operations Department	8,694	9,568	9,885
Asset Management Department	68,407	68,381	70,462
Department of Public Safety	47,567	49,141	51,861
Energy & Transportation Management	60,547	62,738	69,658
Environmental Affairs Department	4,953	5,528	5,588
Planning Department	2,047	2,611	2,310
Revenue Management			
Commercial Development Department	1,712	2,393	2,030
Parking Department	32,547	38,313	38,600
Concessions Department	1,918	2,439	2,432
Total DFW	\$322,375	\$335,771	\$344,318

Dallas/Fort Worth International Airport Organizational Chart



Department Budgets

Executive Office

The Chief Executive Officer, as the chief administrator and executive officer of the DFW Airport Board, recommends policies to the Board of Directors for the planning, constructing, maintaining, operating and regulating of DFW. The Chief Executive Officer, along with the Executive Staff, oversees the implementation of adopted policies and is responsible for conducting monthly and special meetings with the Board of Directors. The budget for Public Affairs and Government & Stakeholder's Affairs is included in Executive Office budget.

The Public Affairs department is responsible for providing a wide range of public and media relations and related services, special events planning, and corporate communications services. Public Affairs staff serves as the initial and preferred point of contact between DFW, the media, and the general public. The Public Affairs department is the lead department and clearinghouse for all external communications.

The Governmental & Stakeholder Affairs department is responsible for all governmental, legislative, regulatory, and political matters affecting DFW on a local, regional, state, and national level and for all communication and dialogue between and among DFW and members of the United States Congress, the Texas Legislature, and DFW's owner cities and other North Texas governmental entities.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$3,386	\$3,616	\$3,274
Benefits	1,072	1,086	1,018
Contract Services	1,651	1,685	782
Maintenance and Other Supplies	81	75	79
General, Admin and Other	839	733	754
Contingency *	0	6,584	5,000
Total Expenses	\$7,029	\$13,779	\$10,907
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$13,779	
Salary Annualization & Merit Increases		133	C, E
Vacancies & Deferrals		(428)	M
Medical Savings		(10)	P
Contract Savings		(200)	N
Contingency Reduction		(1,584)	O
Other, Net **		(783)	
Total FY 2009 Proposed Budget		\$10,907	
* Expenses are lower in FY 2007 because Contingency dollars were not actually spent.			
** Includes unidentified savings			

Department Budgets

Legal

The Legal department is responsible for legal consultation to the Chief Executive Officer and the Board of Directors, as well as for the prosecution and defense of litigation involving DFW. The General Counsel and the Legal Counsel are provided to DFW in accordance with the Contract and Agreement between the Cities of Dallas and Fort Worth.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$218	\$222	\$239
Benefits	102	115	114
Contract Services	2,293	2,270	2,232
Equipment & Other Supplies	7	26	24
General, Administrative, & Other	45	261	211
Total Expenses	\$2,665	\$2,894	\$2,820
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$2,894	
Salary Annualization & Merit Increases		7	C, E
Vacancies & Deferrals		(2)	M
Medical Savings		(2)	P
G & A		(50)	R
Other, Net		(27)	
Total FY 2009 Proposed Budget		\$2,820	

Department Budgets

Audit Services

The Department of Audit Services is an independent appraisal function that reviews and evaluates DFW activities as a service to the Board of Directors and management. The Department of Audit Services reports directly to the Board of Directors through the Finance/Audit Committee. The department performs work contributing to the safeguarding of assets; economical and efficient use of resources; accomplishment of established objectives and goals; compliance with laws, regulations, and DFW policies; and the reliability and integrity of information used by decision-makers.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$1,113	\$1,221	\$1,244
Benefits	508	522	502
Contract Services	224	231	273
Equipment & Other Supplies	19	14	17
General, Administrative, & Other	34	34	41
Total Expenses	\$1,898	\$2,022	\$2,077
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$2,022	
Salary Annualization & Merit Increases		40	C, E
Vacancies & Deferrals		(60)	M
Medical Savings		(7)	P
Other, Net		82	
Total FY 2009 Proposed Budget		\$2,077	

Department Budgets

Airport Development and Engineering (ADE)

Airport Development & Engineering (ADE) has overall responsibility for the efficient, economical design and construction of facility development and major rehabilitation projects at DFW. ADE also provides technical support services and/or personnel to other departments at DFW as needed in fulfilling DFW's mission. With the exception of Airport Code Compliance all costs related to ADE are funded by the 301 Fund, not the 102 Fund.

The Airport Development & Engineering Department is broken down into six sections:

VP Office – Airport Development & Engineering

Building / Structural (Vertical) Engineering & Construction

The Building / Structural (Vertical) Engineering & Construction section is responsible for managing all aspects of the programming, design, and implementation of vertical construction and rehabilitation projects. This section is comprised of Architects, Professional Engineers, Project Managers, Construction Managers and support staff.

Civil / Airfield (Flat) Engineering & Construction

The Civil / Airfield (Flat) Engineering & Construction sections is responsible for managing all aspects of the programming, design and implementation of civil and airfield (flat) construction and rehabilitation projects. This section is comprised of Architects, Professional Engineers, Project Managers, Construction Managers and support staff.

Project Administration

The Project Administration section provides administrative and analytical support, estimating, budgeting, trend analysis, contract administration, project schedule administration, and resource projections in support of the Building / Structural (Vertical) Engineering & Construction section and the Civil / Airfield (Flat) Engineering & Construction section. This section is comprised of Administrators, Accountants, Scheduling and Estimating Professionals and support staff.

Survey

The Survey section provides boundary surveys, topographic surveys, as-built and design surveys and other land surveying services in support of the Building / Structural (Vertical) Engineering & Construction sections, the Civil / Airfield (Flat) Engineering & Construction section, the Commercial Development Department and the Operations Department. This section is comprised of a Land Surveyor, Survey Technicians, Survey Party Chiefs, and Land Survey Instrument Operators.

Code Compliance

The Code Compliance section is responsible for enforcing DFW Airport's design criteria and building standards in assuring compliance to the code and standards for tenant and DFW Airport development projects. This section is comprised of Building Official, Engineers, Inspectors, and support staff.

Department Budgets

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$705	\$825	\$798
Benefits	302	334	353
Contract Services	686	468	468
Equipment & Other Supplies	7	5	5
General, Administrative, & Other	3	9	10
Total Expenses	\$1,703	\$1,641	\$1,634
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$1,641	
Salary Annualization & Merit Increases		22	C, E
Vacancies & Deferrals		(3)	M
Medical Savings		(4)	P
Other, Net		(22)	
Total FY 2009 Proposed Budget		\$1,634	

Department Budgets

Human Resources

Human Resources (HR) provides a full array of services to support DFW's mission, the CEO's priorities, management, and employees. The primary functions are to develop and implement programs to enhance the effectiveness of the workforce. HR is responsible for consulting and advising management on employee relations issues, including employee corrective action, complaints, and grievances; and assisting employees with concerns. In addition, HR develops and administers policies and procedures to ensure compliance with federal and state regulations. HR also has responsibility for coordinating the recruitment and staffing activities of DFW.

Compensation and benefit programs are designed and implemented to meet workforce needs in a fiscally responsible manner competitive with the marketplace. These programs cover health and welfare benefits as well as all other benefits including the administration of the retirement plans. In the area of organizational development, HR is responsible for developing, implementing, and managing DFW's training and development program including DFW's core curriculum, career development, and performance management. HR is also responsible for administering the Human Resources Information System (HRIS), PeopleSoft, and maintaining all personnel records and reports.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$1,869	\$1,930	\$2,065
Benefits	1,562	966	995
Contract Services	1,655	974	975
Equipment & Other Supplies	118	111	53
General, Administrative, & Other	741	615	588
Total Expenses	\$5,945	\$4,596	\$4,676
Walk-Forward from FY08 Budget			
		(000s)	<u>Reference</u>
FY08 Budget		\$4,596	
Salary Annualization & Merit Increases		120	C, E
Vacancies & Deferrals		(5)	M
Medical Savings		(10)	P
G & A Savings		(27)	R
Other, net		2	
Total FY 2009 Proposed Budget		\$4,676	

Department Budgets

Internal Communications & Diversity

Internal Communications and Diversity manages and provides strategic direction for DFW Airport's internal communications and diversity programs. The Internal Communications team is responsible for writing and managing the content, messaging, and distribution of all employee communications. One of the key objectives of Internal Communications is to create awareness and educate employees on key DFW Airport initiatives, as well as manage and create communication vehicles to inform on business news and promote and recognize the efforts of DFW Airport employees. The Internal Communications team publishes Connected Weekly, a weekly online newsletter, a quarterly print publication, manages Connected Online (intranet site) and develops other special publications.

Diversity programs at DFW are designed to ensure that the Airport's workforce reflects the cultural diversity of the community and our customers. The Diversity department is responsible for the design and development of all Diversity training, mentoring programs and cultural awareness events. In addition the Diversity staff monitors and manages the distribution of DFW's workforce demographic reports to identify hiring opportunities to recruit diverse candidates and works closely with Human Resources on recruiting and retention strategies to support a diverse workforce. The staff also is responsible for the design and distribution of DFW's Affirmative Action Plan for Veterans and Person's with Disabilities, Vets-100 report and other reports related to Diversity.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$443	\$543	\$572
Benefits	157	199	206
Contract Services	243	201	182
Equipment & Other Supplies	58	25	21
General, Administrative, & Other	98	27	19
Total Expenses	\$999	\$995	\$999
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$995	
Salary Annualization & Merit Increases		27	C, E
Vacancies & Deferrals		(3)	M
Medical Savings		(7)	P
G & A Savings		(8)	R
Other, net		(5)	
Total FY 2009 Proposed Budget		\$999	

Department Budgets

Procurement

Procurement & Materials Management (PMM) provides DFW-wide centralized procurement, materials management, and reprographic services in accordance with federal, state, local laws/regulations and DFW policies. PMM manages professional services contracts/ procurements and P-card program and prepares Official Board Actions (OBAs) for Board meetings. The Central Warehouse provides central receipt, financial and physical management of inventory, management of excess and obsolete property, and provides DFW-wide mail service. Print Services provides centralized reproduction, printing, and binding services for departments within the Airport.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$2,121	\$2,372	\$2,362
Benefits	974	1,155	1,081
Contract Services	538	650	686
Equipment & Other Supplies	408	338	491
General, Administrative, & Other	198	222	227
Total Expenses	\$4,239	\$4,737	\$4,847
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$4,737	
Salary Annualization & Merit Increases		63	C, E
Vacancies & Deferrals		(9)	M
Medical Savings		(20)	P
Other, net		76	
Total FY 2009 Proposed Budget		\$4,847	

Department Budgets

Risk Management

Risk Management's primary objective is to mitigate the risk of catastrophic loss of DFW assets and injury to DFW employees and patrons. Accordingly, Risk Management is charged with identifying, analyzing and evaluating loss prevention measures and reducing loss costs; establishing and maintaining a workplace safety culture; and ensuring compliance with all applicable laws and regulations. Areas of general administration include liability claims management, safety training, control of self-funded and fully insured programs with emphasis upon property & casualty liability, general liability, errors & omissions, fiduciary/fidelity exposures, contractual review/interpretation, breach of contract, auto liability, driver safety and workers' compensation liability. Risk Management also oversees the Wellness Program for DFW. This program promotes a healthy lifestyle for all employees, in and outside of the workplace.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$535	\$679	\$790
Benefits	946	991	1,319
Contract Services	246	360	522
Equipment & Other Supplies	14	11	11
Insurance	4,730	5,182	4,430
General, Administrative, & Other	153	101	91
Total Expenses	\$6,624	\$7,324	\$7,163
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$7,324	
Salary Annualization & Merit Increases		45	C, E
Vacancies & Deferrals		(5)	M
Medical Savings		(5)	P
Property Insurance		(752)	Q
Workers' Comp		300	H
Other, net		256	
Total FY 2009 Proposed Budget		\$7,163	

Department Budgets

Small & Emerging Business

Small & Emerging Business (SEB) is responsible for administering DFW's affirmative action-oriented initiatives to support and promote the involvement of disadvantaged business enterprises (DBEs) and minority/women-owned business enterprises (M/WBEs) in airport contracting. SEB is responsible for effectively implementing and administering the Board's DBE and M/WBE Programs. SEB is charged with increasing the opportunities to involve DBE and M/WBE firms by creating a level playing field on which DBE and M/WBE firms can compete fairly for DFW's Board contracts, subcontracts, purchases, applicable third party contracts, and concessions. SEB implements technical, financial, and managerial assistance efforts to increase the competitiveness and qualifications of DBE and M/WBE firms. SEB also maintains procedures to monitor and ensure compliance with program requirements.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$733	\$749	\$747
Benefits	282	308	301
Contract Services	193	413	353
Equipment & Other Supplies	14	15	17
General, Administrative, & Other	376	238	213
Total Expenses	\$1,598	\$1,723	\$1,630
 Walk-Forward from FY08 Budget			
		(000s)	<u>Reference</u>
FY08 Budget		\$1,723	
Salary Annualization & Merit Increases		21	C, E
Vacancies & Deferrals		(3)	M
Medical Savings		(12)	P
G & A reductions		(25)	R
Other, net		(74)	
Total FY 2009 Proposed Budget		\$1,630	

Department Budgets

Finance and Treasury Management

The Finance department was reorganized into two departments in FY2008, Finance and Treasury Management. The Treasury Management department was created to focus on DFW's financial stewardship. Each department is overseen by a Vice President, reporting to the CFO.

Finance

Finance is comprised of four groups - Accounting, Financial Planning, Capital Planning, and Business Analysis. Accounting is responsible for financial reporting, general ledger accounting, internal controls, revenue collections, accounts payable, accounts receivable, payroll, and fixed assets. Financial Planning is responsible for developing and monitoring DFW's operating Budget and Outlooks for revenue and expenses. This group is also responsible for establishing DFW's rates, fees and charges and performing departmental financial analysis. Capital Planning is responsible for developing and monitoring DFW's Capital Budget and forecast. The Business Analysis group analyzes DFW's business units to determine profitability, implementation of activity based costing, project analysis, process improvement and management methodologies for proper allocations of revenues and expenses.

Treasury / Cash Management

Treasury/Cash Management is responsible for providing strategic financial management for the Airport.. This includes overseeing debt issuance/management, cash management, banking relations, DFW investments, retirement fund investments, and grants and PFC administration.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$4,708	\$3,681	\$3,741
Benefits *	12,749	1,132	1,048
Contract Services	665	722	553
Equipment & Other Supplies	115	81	81
General, Administrative, & Other	159	224	203
Total Expenses	\$18,396	\$5,840	\$5,627
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$5,840	
Salary Annualization & Merit Increases		140	C, E
Vacancies & Deferrals		(150)	M
Medical Savings		(33)	P
G & A savings		(21)	R
Other, Net		(149)	
Total FY 2009 Proposed Budget		\$5,627	
* Benefits in FY07 included retirement contributions for the entire Airport.			

Department Budgets

Information Technology Services

Information Technology Services (ITS) is responsible for delivering technology solutions to DFW and is divided into four sections. Enterprise Systems is responsible for the development, and maintenance of technology solutions for DFW human resource, procurement, fixed asset, parking, data architecture, and public safety systems. Systems Operations is responsible for the development, implementation, maintenance, and administration of the voice and data communications infrastructure, desktop and server computing environments, and data base administration. Business Solutions is responsible for the development and implementation of executive decision support systems, records management, CADD/GIS, web development, and the implementation of work-flow technologies. Terminal Systems is responsible for the development and maintenance for life safety systems, security systems and passenger service systems.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$7,430	\$8,374	\$8,392
Benefits	3,017	3,632	3,499
Contract Services	10,728	14,389	13,834
Equipment & Other Supplies	1,694	1,461	1,582
Utilities	2,037	1,804	1,953
General, Administrative, & Other	240	367	329
Total Expenses	\$25,146	\$30,027	\$29,590
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$30,027	
Salary Annualization & Merit Increases		320	C, E
Medical Savings		(40)	P
Vacancies & Deferrals		(162)	M
ITS Contracts		(555)	N
G & A reductions		(38)	R
Other, net		38	
Total FY 2009 Proposed Budget		\$29,590	

Department Budgets

Air Service Development

In order to expand the economic benefits for Dallas, Fort Worth, and the region, DFW works to aggressively develop and grow air service core business. Air Service Development is responsible for developing and implementing comprehensive strategy and marketing programs designed to attract new entrant domestic and international carriers to DFW, encourage existing DFW carriers to enter into new markets, and encourage existing carriers to expand service to markets they currently serve, all in an effort to produce economic impact for the Dallas/Fort Worth Metroplex.

The aviation industry is undergoing significant transformation and cost challenges therefore making Air Service Development work highly competitive not only within the US but also globally as airports are all competing for the same scarce resources which is scheduled air service.

Air Service Development focuses on both domestic and international passenger and cargo airlines, respectively. These sections are responsible for formulating strategic plans that include top target markets and airlines, monitoring airline business trends, targeting potential airline services, and presenting business case presentations for target airlines to review. Through the business case presentations, Air Service Development promotes DFW by highlighting its numerous advantages and world-class facilities, and provides analytical demonstrations of the viability of the DFW market for new airlines and new service

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$610	\$703	\$841
Benefits	251	287	322
Contract Services	504	811	811
Equipment & Other Supplies	6	8	7
General, Administrative, & Other	358	402	403
Total Expenses	\$1,729	\$2,211	\$2,384
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$2,211	
Salary Annualization & Merit Increases		80	C, E
Vacancies & Deferrals		(9)	M
Medical Savings		(6)	P
Other		108	
Total FY 2009 Proposed Budget		\$2,384	

Department Budgets

Aviation Real Estate

Aviation Real Estate serves as the liaison between the Airport and the tenants of all passenger terminals and aviation-related facilities, including air cargo and hangars. Through permits and leases, we manage the contractual relationship with the tenants. The department is also responsible for aviation facilities strategic planning, with the goal of maximizing efficiency within the terminals and other aviation facilities. Finally, Aviation Real Estate will be leading the Use Agreement negotiation efforts over the next few years leading up to the expiration of the current agreement in December 2009.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$729	\$732	\$691
Benefits	280	308	278
Contract Services	120	160	235
Equipment & Other Supplies	12	23	21
General, Administrative, & Other	29	29	29
Total Expenses	\$1,170	\$1,252	\$1,254
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$1,252	
Salary Annualization & Merit Increases		24	C, E
Vacancies & Deferrals		(2)	M
Medical Savings		(5)	P
Other		(15)	
Total FY 2009 Proposed Budget		\$1,254	

Department Budgets

Customer Service

DFW's prestigious award winning Customer Service Department oversees the Ambassador Volunteer Program, Ground Transportation Service, Rental Car Center (RAC), and Terminal Management supporting the "Best Airport in the Americas."

Ambassadors are located throughout the terminals offering friendly, accurate and expedient assistance responding to inquiries regarding airport services, facilities, flight assistance, tourism, and general information. Guest Assistants are located curbside at each terminal to provide information, obtain taxicabs and request special transportation services. Agents and Shift Supervisors support Guest Assistants and the traveling public by ensuring curbside operation meets public demand and offers limited guest vehicle assistance (i.e. dead batteries, flat tires, etc.). The competent team monitors parking zones and enforces parking regulations including unattended curbside vehicles.

Established in 1994, the Rental Car Center provides a modern consolidated facility that increased parking capacity, improved customer service and operational efficiency.

The Terminal Management team is a critical link between tenant airlines, contractors, concessions, and essential stake holders to insure compliance of DFW Airport Board expectations. Safety, security, guest relations, service, service recovery, cleanliness and facility maintenance compose the multi-layered levels of oversight provided by Terminal Management.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$5,008	\$5,269	\$5,620
Benefits	2,627	2,975	2,970
Contract Services	1,829	2,332	2,048
Equipment & Other Supplies	365	267	249
General, Administrative, & Other	168	221	199
Total Expenses	\$9,997	\$11,064	\$11,086
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$11,064	
Salary Annualization & Merit Increases		240	C, E
Medical Savings		(55)	P
Vacancies & Deferrals		(31)	M
Contract Savings		(284)	N
G & A Savings		(22)	R
Other, Net		174	
Total FY 2009 Proposed Budget		\$11,086	

Department Budgets

Marketing Services

Marketing Services is responsible for developing and executing DFW's trade and consumer marketing plans in order to drive increased revenues and new airline business to DFW. Marketing Services is charged with conducting and analyzing customer research in order to highlight consumer perceptions and behavior changes that could be impacting DFW's non-airline revenues. In response to the identifiable needs and wants of its customers, Marketing Services then develops a marketing plan that utilizes advertising, website, interactive communications, and promotions to try to influence behavior change to the benefit of DFW's revenue stream.

In order to attract airlines and air service to DFW, Marketing Services is also responsible for developing an aggressive marketing program that utilizes advertising, direct mail, interactive communications, promotions, and trade shows. This group also works on cooperative advertising with eligible airlines that provide service from DFW in order to promote new service and ensure its long-term viability in the DFW marketplace.

The brand image is an important part of DFW's strategic marketing efforts. Marketing Services is responsible for ensuring that a consistent brand image is portrayed to every one of DFW's audiences. These efforts are achieved through brand orientation classes for new and existing employees and by working with internal departments and external groups.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$944	\$1,005	\$1,110
Benefits	386	423	447
Contract Services	2,993	2,542	2,542
Equipment & Other Supplies	68	50	50
General, Administrative, & Other	454	535	649
Total Expenses	\$4,845	\$4,555	\$4,798
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$4,555	
Salary Annualization & Merit Increases		80	C, E
Vacancies & Deferrals		(8)	M
Medical Savings		(14)	P
Other, net		185	
Total FY 2009 Proposed Budget		\$4,798	

Department Budgets

Airport Operations

Airport Operations is responsible for managing airside and landside operations and ground transportation regulation. The overall goal of Operations is to ensure the continuous availability of aviation support services and facilities for efficient and safe operations. Through this department, a clear line of responsibility for operational decisions is available to all DFW tenants, concessionaires, and service consumers 24 hours per day.

The Airport Operations Center (AOC) serves as DFW's central point of communications and provides real-time situational awareness of day to day operations and emergency events impacting DFW operational capability. The AOC provides a central point for DFW information, work and service requests processing as well as, detailed reporting of DFW business operations on a 24/7 basis; comprehensive logistical support during emergencies and direct support to DFW's Emergency Operations Center (EOC) when activated.

Airfield Operations is responsible for ensuring the airfield is managed and maintained in compliance with Federal Aviation Regulation Part 139. This includes safety, security, and training associated with activities on the airfield and managing the General Aviation Facility.

Ground Transportation regulates commercial transportation service providers operating at the Airport and monitors standards to insure that the safest, highest quality and best-managed transportation services are readily available to the traveling public. Ground Transportation also administers the parking citation appeal hearing and collection processes.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$4,910	\$5,382	\$5,732
Benefits	2,434	2,891	2,865
Contract Services	506	339	339
Equipment & Other Supplies	798	881	881
General, Administrative, & Other	46	75	68
Total Expenses	\$8,694	\$9,568	\$9,885
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$9,568	
Salary Annualization & Merit Increases		270	C, E
Vacancies & Deferrals		(80)	M
Medical Savings		(20)	P
Other, Net		147	
Total FY 2009 Proposed Budget		\$9,885	

Department Budgets

Asset Management

Asset Management (AM) manages DFW's physical infrastructure assets. Services include facilities maintenance, commissioning/retro-commissioning of physical assets, infrastructure/ facility management, solid waste management, and customer support. The department ensures the safe and efficient operation of a world class airport through core business activities of maintenance, repair, renewal, operation, and special support.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$8,863	\$9,091	\$9,249
Benefits	4,414	4,801	4,641
Contract Services	47,887	48,043	49,796
Equipment & Other Supplies	5,688	4,998	5,353
Utilities	1,381	1,241	1,241
General, Administrative, & Other	174	207	182
Total Expenses	\$68,407	\$68,381	\$70,462
Walk-Forward from FY08 Budget			
		(000s)	Reference
FY08 Budget		\$68,381	
Salary Annualization & Merit Increases		390	C, E
Vacancies & Deferrals		(446)	M
Medical Savings		(85)	P
Contract Increases		1,753	D
Contract Savings		(300)	N
Supplies for Term D baggage system		400	G
G & A savings		(25)	R
Other, net		394	
Total FY 2009 Proposed Budget		\$70,462	

Department Budgets

Department of Public Safety (DPS)

It is the mission of the DFW Airport Department of Public Safety to ensure the protection of life and property through the effective and efficient delivery of professional public safety services to the airport community

The Police sections provide law enforcement support for passenger pre-board security screening at terminal checkpoints and inside/outside of the terminals; criminal investigation; disseminate intelligence information; prosecute criminal cases; provide ancillary services in support of law enforcement; record processing; and evidence tracking.

The Fire sections provide aircraft rescue fire fighting response, structural fire response, and hazardous material mitigation, weapons of mass destruction response, emergency medical support, fire code inspection, and specialized rescue, assistance in code development, schedules inspections of all facilities, reviews all facility construction plans, develops and delivers fire safety education, investigates all fires, and provides emergency management planning.

Emergency Medical Services provides response to emergency medical requests, patient transports, and emergency medical training for police and fire services.

Civilian Services Division provides badging services to the airport community, security at Airfield Operations Area gates, and 911 and emergency dispatch services.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$30,100	\$31,095	\$32,954
Benefits	12,573	14,032	14,341
Contract Services	3,077	2,281	2,478
Equipment & Other Supplies	1,179	1,125	1,520
General, Administrative, & Other	638	608	568
Total Expenses	\$47,567	\$49,141	\$51,861
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$49,141	
Salary Annualization & Merit Increases		1,495	C, E
Security & Fire Increases		909	F
Vacancies & Deferrals		(160)	M
Overtime		300	I
Medical Savings		(220)	P
Employee Checkpoint Screening		400	D
Contract Savings		(290)	N
G & A Savings		(40)	R
Other, Net		326	
Total FY 2009 Proposed Budget		\$51,861	

Department Budgets

Energy & Transportation Management

Energy & Transportation Management (E&TM) manages DFW's utility services and transportation systems infrastructure. Services include energy management, thermal energy production and distribution, potable water and sanitary sewer system operation, pretreatment plant operation, spent aircraft deicing fluid collection & storage system operation, Skylink system operation and vehicle fleet maintenance. The department ensures the safe and efficient operation of a world class airport through core business activities of maintenance, repair, renewal and operation based on sustainable principles.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$6,728	\$6,899	\$7,098
Benefits	3,045	3,441	3,291
Contract Services	11,305	13,469	14,891
Equipment & Other Supplies	5,400	5,006	5,816
Utilities	33,980	33,758	38,413
General, Administrative, & Other	89	165	149
Total Expenses	\$60,547	\$62,738	\$69,658
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$62,738	
Salary Annualization & Merit Increases		240	C, E
Vacancies & Deferrals		(45)	M
Medical Savings		(60)	P
Skylink		1,500	D
Contract Savings		(203)	N
Utilities		7,951	A
DFW purchases of its own gas		(2,200)	L
G & A savings		(16)	R
Other, net		(247)	
Total FY 2009 Proposed Budget		\$69,658	

Department Budgets

Environmental Affairs

Environmental Affairs implements comprehensive environmental compliance programs throughout DFW Airport; advises the Board of Directors, Executive and Senior Staff, and department personnel regarding the mission critical priorities of pollution prevention, source reduction, waste minimization, and continuous improvement; provides regulatory and technical guidance to DFW departments, tenants, and contractors engaging in activities subject to environmental laws, regulations, rules, and enforcement agency policy; and manages a compliance-focused Environmental Management System and seventeen core compliance programs.

The Planning Section provides support to capital development projects by conducting required environmental analyses responsive to the National Environmental Policy Act and Federal Aviation Administration requirements. The Noise Compatibility Office operates and maintains the noise and flight track monitoring system; addresses community concerns; provides public outreach and ensures compliance with applicable aircraft noise-related laws, regulations, and conditions contained in DFW's Final Environmental Impact Statement.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$1,497	\$1,738	\$1,761
Benefits	628	864	869
Contract Services	2,568	2,634	2,623
Equipment & Other Supplies	166	185	238
General, Administrative, & Other	94	107	97
Total Expenses	\$4,953	\$5,528	\$5,588
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$5,528	
Salary Annualization & Merit Increases		41	C, E
Vacancies & Deferrals		(10)	M
Medical Savings		(17)	P
G & A Savings		(10)	R
Other, Net		56	
Total FY 2009 Proposed Budget		\$5,588	

Department Budgets

Planning

Planning is responsible for directing and coordinating the overall planning activities of DFW including facilities, airfield, and transportation/roadway planning, and for directing DFW's signage program. Facility Planning ensures that development activities are consistent with DFW's Development Plan and are undertaken in a timely manner in order to satisfy demand and articulates strategic direction for DFW capacity expansion by continuously updating DFW's Master Plan, including all terminal facilities.

Airfield Planning provides strategic direction on planning DFW's runway, taxiway, and airspace systems. Close coordination is maintained with the Federal Aviation Administration (FAA) to ensure that all applicable regulations and directives are properly maintained and addressed in all future plans.

Transportation/Roadway Planning develops the DFW Board's long-term ground transportation plans to improve DFW circulation, regional access, rail transit service, and parking. Transportation/Roadway Planning ensures that development of the regional transportation system recognizes and addresses the needs of DFW patrons and employees for improved facilities.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$584	\$1,167	\$1,218
Benefits	238	474	486
Contract Services	1,179	900	515
Equipment & Other Supplies	16	24	48
General, Administrative, & Other	30	46	42
Total Expenses	\$2,047	\$2,611	\$2,310
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$2,611	
Salary Annualization & Merit Increases		45	C, E
Vacancies & Deferrals		(7)	M
Medical Savings		(9)	P
Contract Savings		(385)	N
G & A Savings		(4)	R
Other, net		59	
Total FY 2009 Proposed Budget		\$2,310	

Department Budgets

Commercial Development

The Commercial Development department is a land planning and land leasing unit. It consists of two basic functions: leasing of sites for non-aviation commercial development, including Foreign Trade Zone uses; and management of facilities and land uses, with both sections focused on the generation of revenue

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$963	\$1,175	\$1,236
Benefits	361	467	465
Contract Services	308	666	241
Equipment & Other Supplies	20	0	12
Utilities	19	-	-
General, Administrative, & Other	41	85	76
Total Expenses	\$1,712	\$2,393	\$2,030
Walk-Forward from FY08 Budget			
		(000s)	<u>Reference</u>
FY08 Budget		\$2,393	
Salary Annualization & Merit Increases		45	C, E
Vacancies & Deferrals		(8)	M
Medical Savings		(9)	P
Contract Savings		(425)	N
G & A Savings		(9)	R
Other		43	
Total FY 2009 Proposed Budget		\$2,030	

Department Budgets

Parking Operations

This department is responsible for parking products, pricing, service delivery and reporting. Parking negotiates various business agreements in order to better manage costs, improve customer service and increase revenues. The management team develops and implements new programs, working with Marketing to promote products that will increase customer satisfaction and generate the greatest value for DFW Airport.

The Parking Operations section is responsible for the collection and security of revenue generated from on-Airport parking; providing parking information; executing marketing promotions; and ensuring the proper operation of all parking-related equipment, systems, and facilities. Customer Relations handles customer feedback and monitors all electronic parking transactions for accuracy, administering billing changes as necessary. The Bussing section, which is staffed by DFW employees, provides transportation services to DFW Remote Lots and the Trinity Railway Express. The Contract Bussing group is responsible for monitoring the contracted transportation services for Terminal Link, Express Parking and Employee Shuttle.

Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$12,570	\$14,117	\$14,592
Benefits	6,930	8,165	8,058
Contract Services	12,414	15,077	14,953
Equipment & Other Supplies	430	649	723
General, Administrative, & Other	203	305	274
Total Expenses	\$32,547	\$38,313	\$38,600
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget	\$	38,313	
Salary Annualization & Merit Increases		552	C, E
Vacancies & Deferrals		(73)	M
Medical Savings		(170)	P
G & A Savings		(31)	R
Other, net		9	
Total FY 2009 Proposed Budget		\$38,600	

Department Budgets

Concessions

The Concessions department is responsible for the management and administration of all passenger-related concessions and related revenues within the airport terminals, rental car revenue, telecommunication, and selected airport properties outside the terminals including the hotels and gas/convenience stores.

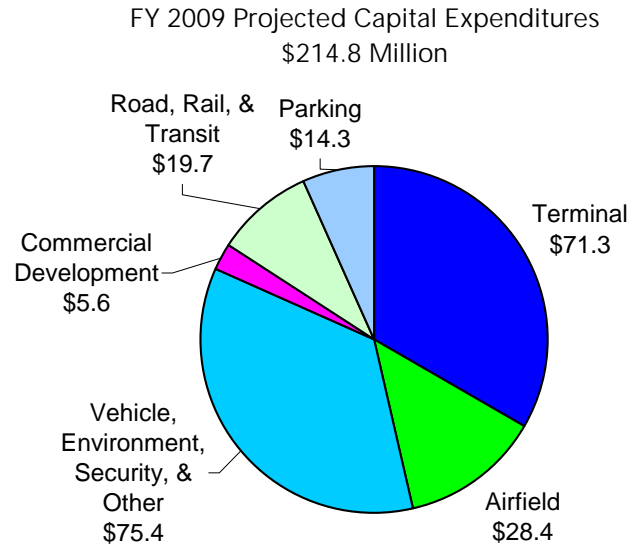
Budget Comparison and Walkforward

	FY 2007 Actuals	FY 2008 Budget	FY 2009 Budget
Expenses (000s)			
Salaries & Wages	\$1,285	\$1,339	\$1,434
Benefits	530	534	564
Contract Services	19	315	338
Equipment & Other Supplies	30	85	33
General, Administrative, & Other	54	166	63
Total Expenses	\$1,918	\$2,439	\$2,432
Walk-Forward from FY08 Budget			
		<u>(000s)</u>	<u>Reference</u>
FY08 Budget		\$2,439	
Salary Annualization & Merit Increases		50	C, E
Vacancies & Deferrals		(10)	M
Medical Savings		(9)	P
G & A Savings		(103)	R
Other		65	
Total FY 2009 Proposed Budget		\$2,432	

Capital Budget

Projected Capital – Uses of Cash

DFW projects to spend approximately \$214.8 million on capital expenditures in FY 2009 as summarized in the following chart.



The following table summarizes total projected capital expenditures for projects to be in progress during FY 2009.

Projected Capital Expenditures In Millions				
	Prior Years	Projected FY 2009	Future Years	Total Budget
Capital Expenditures				
Terminal	84.8	\$71.3	\$38.1	\$194.2
Airfield	70.2	28.4	17.5	116.2
Vehicle, Environmental, Security, & Other	45.3	75.4	57.6	178.3
Commercial Development	15.5	5.6	0.6	21.7
Road, Rail, and Transit	26.0	19.7	8.3	54.0
Parking	16.2	14.3	24.0	54.5
Total Capital	\$258.0	\$214.8	\$146.1	\$618.9

Capital Budget

The following table shows cash flow projections by category and major project, and projected funding sources by project. New projects are highlighted in blue.

* Projects which are part of the \$45 million Terminal Rehabilitation Program which was approved in FY 2007.

** Projects which are reasonably certain to occur in FY 2009 but have yet to be approved.

Project Name	Prior Years	FY2009	Future Years	FY09 Funding Source						
				301	302	301NG	313	JRB	316	
Construction of SE Perimeter Taxiway (AIP)	\$48,898	\$7,855			\$7,855					
FY08 Rehabilitate Airfield Pavements (AIP)	486	4,737	1,595	4,737						
FY07 Rehabilitate Airfield Pavements (AIP)	2,547	3,520		3,520						
FY09 Rehabilitate Airfield Pavements (AIP)	0	3,407	10,220	3,407						
FY07 Rehabilitate Airfield Lighting Systems (AIP)	2,558	1,571		1,571						
FY08 Rehab Airfield Lighting Systems (AIP)	395	1,304		1,304						
FY09 Rehab Airfield Lighting Systems (AIP)	0	1,221	3,663	1,221						
FY06 Rehabilitate Airfield Pavements (AIP)	2,373	1,161		1,161						
Rehab Aircraft Parking Aprons FY06	1,168	748		748						
FY08 Airfield Lighting Control - Fiber Network / PLC	0	500	250	500						
Other Airfield Less Than \$500K	11,806	2,395	1,797	1,745	0	0	454	0	195	
Total Airfield	\$70,231	\$28,417	\$17,524	\$19,912	\$7,855	\$0	\$454	\$0	\$195	
International Commerce Park, Phase 3 F	\$8,089	\$1,629				\$1,629				
Trammell Crow ICP Multi-Site Infrastructure Reimb.		997						997		
17th Street Sanitary Sewer	16	847				847				
North Beacon Site Development	0	675						675		
Other Commercial Development Less Than \$500K	7,412	1,495	556	593	211	200	269	221	0	
Total Commercial Development	\$15,517	\$5,642	\$556	\$593	\$211	\$2,676	\$269	\$1,893	\$0	
FY09 Replace Remote Parking Buses **	\$0	\$4,683				\$4,683				
FY08 Rehab Parking Lots	57	3,484		3,484						
FY08 Employee Parking Bus Replacement	0	2,780		2,780						
FY08 Repair Expansion Joints Parking Garages	56	1,980		1,980						
Computerized Parking Control System (CPCS)	15,676	1,000	24,000				1,000			
Other Parking Less Than \$500K	417	355		195	115	0	0	44	0	
Total Parking	\$16,206	\$14,282	\$24,000	\$8,440	\$115	\$4,683	\$1,000	\$44	\$0	
FY08 Rehab Landside Bridges	325	4,398	4,398		4,398					
DFW Roadway Improvements	2,288	2,503					2,503			
FY08 Rehab Landside Pavements	181	2,363	2,363	2,363						
Replace Roadway Coating FY08, Term A	103	2,591				2,591				
Replace Roadway Coating FY08, Term B	284	2,410				2,410				
FY09 Replace Skylink Concrete Panels **	0	1,015				1,015				
FY09 Roadway Sign Post Replacement **	0	943				943				
ATMS 16 Intersctns	130	920					920			
FY07 Preliminary Engineering East-West Connector	153	900	900				900			
APM-FIDS in SkyLink Stations	2,399	801					801			
Other Roadways, Rail, & Transit Less Than \$500K	20,100	900	683	0	824	0	76	0	0	
Total Roadways, Rail, & Transit	\$25,962	\$19,744	\$8,343	\$2,363	\$5,222	\$6,960	\$5,199	\$0	\$0	

Note: Excludes \$16.2M in roadway improvements (N.Airfield Dr, Mustang Dr, and Royal Lane, which will be funded from TXDOT sale of right-of-way.

Project list continued on next page.

Capital Budget

Project Name	Prior Years	FY2009	Future Years	FY09 Funding Source						
				301	302	301NG	313	JRB	316	
ATSAC-Terminal A Inline Baggage System (TSA)	\$7,758	\$17,009	\$10,345							\$17,009
AA Leasehold Improvements (Non Board)	9,533	4,855					4,855			
FY07 AA Expansion FIDS, GIDS & AFIDS	765	4,027			4,027					
FY08 Replace Terminal B Jet Bridges (AIP)	313	3,553		3,553						
FY08 Replace Terminal E Jet Bridges (AIP)	495	3,108		3,108						
Terminal A, C PCA Equipment *	303	2,505			2,505					
FY09 CCTV TSA Video Enhancements	0	2,000			2,000					
FY07 AA Replace Ticket/Gate Counter Millwork *	50	2,000	643		2,000					
FY07 Replace Terminal E Escalators	233	1,989	186	383	1,606					
FY07 AA Terminal Restroom Rehab A, B & C *	689	1,897	5,940		1,897					
Assess Condition of Terminals	1,000	1,760			1,760					
FY08 Replace Escalators Term B	1	1,400				1,400				
AA Leasehold Improvements	7,406	1,599					1,599			
FY07 OAL Terminal E Restroom Rehab *	424	1,194	1,308		1,194					
FY08 Restore PCA Terminal E	111	1,139	1,579			1,139				
FY07 OAL Replacement Terminal E Elevators *	156	1,133	59		1,133					
FY07 Replace Terminal B Escalators	177	1,126	24	1,126						
FY07 OAL Terminal E Entrance Upgrades *	63	1,110			1,110					
Terminal Electrical for Consolidated Vending **	0	1,078				1,078				
FY07 AA Replace Entry Doors at Term A & C *	2	1,073			1,073					
FY07 OAL Terminal E HVAC Sys Imbalance *	32	1,049	317		1,049					
FY09 Replace 400hz GPU (4) Term D **	0	1,141	1,141			1,141				
FY09 Emergency Evac/PA Sys Term D **	0	1,000	600			1,000				
FY09 Terminal Concession Shell Buildout A/C (Pappas)	0	815	272		815					
FY07 AA Replace Term A & C Interior Lighting *	298	839			839					
Term E Baggage System Components *	156	835			835					
FY07 AA Replace Term A & C Elevator Equipmnt *	88	833			833					
Replace Term B BHS Components FY08	0	699				699				
Relocation of Term D Pax Boarding Bridges	992	651			651					
FY08 Terminal B Lighting Retrofit	100	554				554				
FY09 Terminal B Jetbridge **	0	500				500				
Other Terminal Less Than \$500K	53,645	6,833	15,709	1,174	4,606	759	31	263		0
Total Terminal	\$84,791	\$71,302	\$38,123	\$9,344	\$29,933	\$8,269	\$6,485	\$263	\$17,009	
FY09 Data Center		\$9,382	\$3,127		\$9,382					
Aircraft Hangar Drains Modification	1,134	8,175					8,175			
FY09 DPS Station #6		4,006	4,618		4,006					
AOA Physical Perimeter Security Upgrades	802	5,899	930							5,899
Airport Development Plan (VFR 2030)	1,908	3,189			3,189					
FY09 ADE Overhead		2,801		2,801						
FY07 Replace Roofing and Waterproofing	1,233	2,674		2,674						
Rehabilitate Building HVAC Systems	394	2,435		2,435						
FY07 Radio Transmission Capacity Expansion	200	2,300					2,300			
International Marketing Services w/Visit DFW	1,242	2,000	1,758		2,000					
FY09 Natural Gas Reimbursables		1,954				1,954				
30 Inch Water Line at Mustang	293	1,873				1,873				
FY09 ATSAC Debt Service Coverage		1,752		1,752						
Rehab Water System FY06	175	1,640	4,919	1,640						
Renew Roofing & Waterproofing FY08	0	1,390	2,779	1,390						
Design North & West Airfield Drive Improvements	1,574	1,226			1,226					
Wildlife Deterrent Fence		1,205	211							1,205
ADE Building Addition	15	1,200	2,132		1,200					
AOC Operations Relocation to Term E	64	1,183			1,183					
Rehab Landside Pavements & Bridges FY05/06	368	1,020		1,020						
FY09 Radio Simulcast System **	0	1,000	6,750		1,000					
FY09 CCTV Head End Sys Expansion **	0	1,000	4,000		1,000					
Telephone System-Administrative/Terminals	203	1,000	1,332		1,000					
FY06 Replace General Vehicles	497	845		845						
FY07 Dual Data Center	0	800	121		800					
FY08 CDP Litigation-AFFholder	150	750	2,860		750					
Rehabilitate Roadway High Poles FY08	51	674		674						
Air Service Incentive Program (ACIP)	22	626	15,406		626					
FY07 Refurbish Fire System Components	24	552	112					552		
NE/NW Cargo Cleanup Remediation	649	549	302					549		
FY08 Automated Access Control (AACS) Upgrade	0	525	175		525					
FY08 Noise Monitoring Field Site Replacement	0	512	1,025	512						
FY07 Replace General Vehicles	724	503		503						
Other Less Than \$500K	33,612	8,731	5,008	3,534	2,969	314	508	1,305		100
Total Vehicle, Environmental, Security, & Other	\$45,334	\$75,369	\$57,566	\$19,779	\$30,855	\$4,141	\$8,683	\$4,706	\$7,205	
Total Capital Expenditures	\$258,042	\$214,757	\$146,112	\$60,431	\$74,191	\$26,729	\$22,091	\$6,907	\$24,409	

Capital Budget

From a process standpoint, the Board of Directors does not approve an overall capital budget; instead, the Board approves projects to be funded with bond proceeds before the bonds are sold and reviews individual capital project as contracts for those projects are brought to the Board for approval.

FY09 Capital Budget

There are several major capital initiatives included in the FY 2009 Capital Budget including:

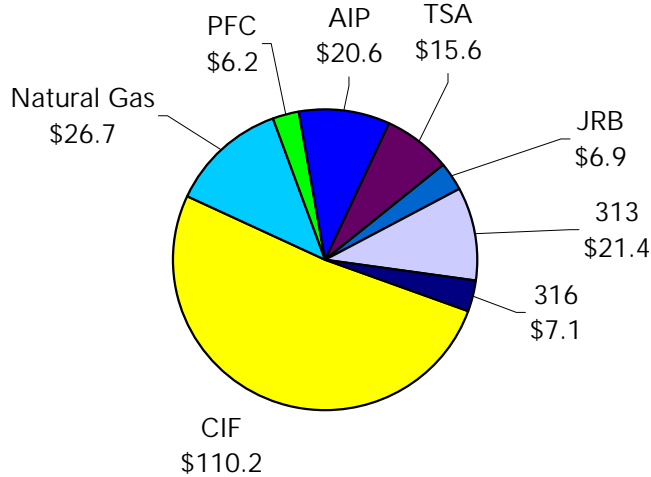
- Terminal A Aviation Transportation Security Act Compliance (ATSAC) – Design and construction of an Explosive Detection Systems into Terminal A's in-line baggage system as required by the Transportation Security Administration (TSA). The total budget is \$35 million to be funded entirely by a TSA Letter of Intent and PFCs. This project is estimated to spend approximately \$17 million in FY 2009 with the balance finishing in FY 2010.
- Terminal Rehabilitation – As DFW's Terminals A, B, C, and E approach their useful life, additional capital investments are required to maintain the facilities and equipment to desired customer service levels. The Board approved a \$45M Terminal Rehabilitation Program in June 2007. The Airlines agreed that this program should be funded by a transfer from natural gas revenues to the 302 fund so that the projects would not have an impact on rates, fees, and charges. In addition, there are numerous other terminal rehabilitation projects included in the budget and funded from a variety of sources. A total of \$54 million is forecasted for terminal improvements in FY 2009.
- DFW Roadway Improvements – As TXDOT proceeds with plans for the Connector Roadway project to construct highway widening on the north side of the Airport, DFW anticipates receiving an estimated \$54 million from a right-of-way sale of land for these highway improvements. Approximately \$10 million of these receipts will revert back to TXDOT to construct a frontage road on HWY 121 on behalf of DFW. The remaining proceeds are programmed to facilitate increased traffic capacity on the Airport including: 1) widen North Airfield Drive; 2) extend Mustang Drive to North Airfield Drive; and 3) widen West Airfield Drive and Mid-Cities to West Airfield Drive; and 4) widen Royal Lane from Regent Blvd to IH 635. Improvements to North Airfield Drive, including an extension to Mustang Drive will be the first phase to begin. Approximately \$16.2 million is anticipated to be spent during FY 2009.
- Rehabilitate Landside Pavements and Bridges – As part of a five-year landside roads and bridges renewal plan, this critical infrastructure will require major rehabilitation to maximize the remaining useful life. Approximately \$14.3 million is anticipated to be spent during FY 2009.
- Southeast Perimeter Taxiways (SE Quadrant) – Completion of a perimeter taxiway and associated projects on the southeast quadrant of the airport which will significantly reduce the risk of runway incursions and also improve aircraft flow efficiencies. The total budget is \$64.7 million and is funded by an FAA Airport Improvement Program (AIP) Discretionary grant (\$45.7M) and PFCs (\$19M). This project will be complete in FY 2009.

Capital Budget

Capital Projects - Sources of Cash

DFW's capital programs are funded from a variety of sources as shown in the following chart. The table highlights the walk forward of DFW's capital funds.

FY 2009 Capital Sources of Cash
\$214.8 Million



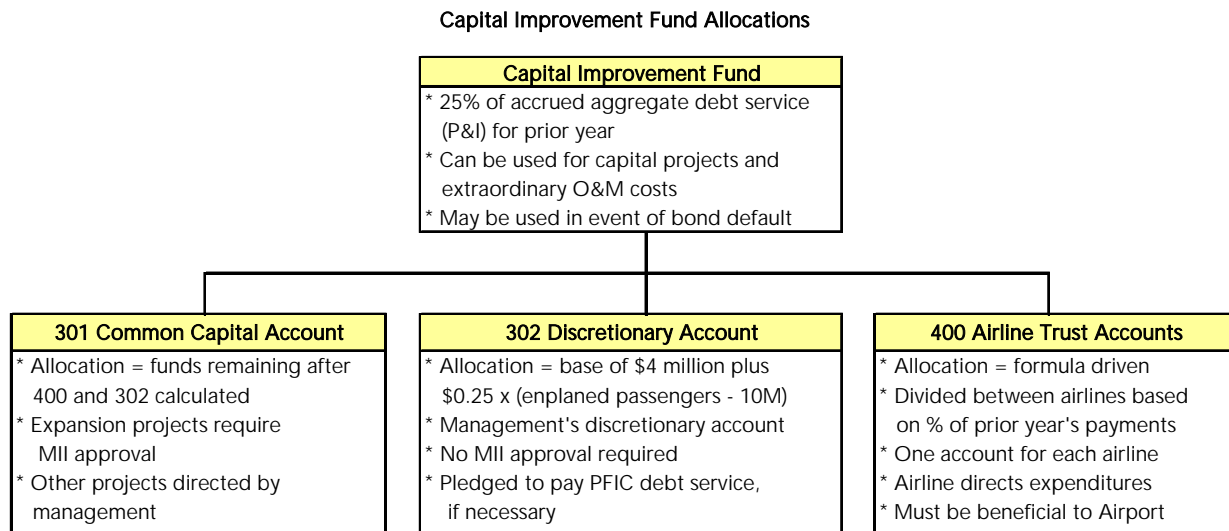
Airport Capital Funds Walkforward (In Millions)

	CIF			Bonds		Total
	301	301NG	302	JRB	316	
Beginning Balance Fcst (10/1/08)	\$ 40.6	\$ 107.6	\$ 123.6	\$ 75.9	\$ 123.2	\$ 470.8
Sources of Funds:						-
CIF Settlement	29.0		8.1	-	-	37.1
Interest Income	2.7	4.3	5.1	3.2	6.0	21.3
AIP Reimbursements	14.6	-	5.9	0.2	-	20.6
FY09 AIP LOI Runway Extension				5.3		5.3
PFC Reimbursements	-	-	2.0	-	4.3	6.2
TSA Reimbursements	-	-	2.0	0.7	12.9	15.6
TXDOT Right-of-Way Sale	44.3				-	44.3
777 Program		(14.0)	7.0	-		(7.0)
Transfer to 102			(10.0)			(10.0)
Natural Gas Royalties		95.0		-		95.0
Less: Capital Uses	(60.4)	(26.7)	(74.2)	(29.0)	(24.4)	(214.8)
Less: Debt Service	-		-	-	(121.9)	(121.9)
Ending Cash Balance	\$70.7	\$166.1	\$69.4	\$56.3	\$0.0	\$362.6

Capital Budget

Capital Improvement Fund (CIF)

DFW's Bond Ordinances require DFW to collect 25% of accrued aggregate debt service for Coverage as part of Rates, Fees, and Charges each year. On the first day of the following fiscal year, the unused coverage balance is transferred to the appropriate CIF account. The Airport's controlling documents govern the specific uses of these funds. CIF funds may be used to pay for capital programs, extraordinary or major operation and maintenance expenses and repairs; or to pay debt service if the Airport is in default. Historically, the Airport has primarily used these funds for capital projects. The following flowchart highlights how Capital Improvement Funds are distributed between the three accounts.



Airline Trust Accounts (4xxs)

An Airline Trust Account is established for Signatory Airlines that sign the Trust Agreements. Each airline may use funds in its trust account on capital projects that are beneficial to the Airline and the Airport. Funds are allocated to the overall Airline trust based on formula. Allocations among the individual Airline Trust Accounts are based on their percentage of payments in the previous year for landing fees, terminal rentals, and HVAC charges. As part of the CDP negotiations, it was agreed that the Trust Accounts would be capped at \$7 million per year. For FY 2009, the \$7 million trust allocation is being included in the 777 Program, whereby the \$7 million trust allocation would transfer to Fund 102 to reduce landing fees.

Airport Discretionary Account (302)

A portion of the CIF is deposited into the Airport's Discretionary Account (the 302 Account). The CIF is allocated by formula to the 302 Account based on the number of enplaned passengers. Funds in the 302 account may be expended at the discretion of the Airport without airline approval. These funds are typically spent on projects that have a long-term benefit to the Airport, such as real estate development, or to temporarily fund projects that will be reimbursed from outside sources. For FY 2009, Fund 302 is to receive an additional \$7 million funds transfer as part of the 777 Program as described above. As described in EXE-1, a transfer

Capital Budget

of up to \$10 million from the 302 Fund is reflected in the FY 2009 Operating Revenue and Expense Budget (Fund 102).

Common Capital Improvement Account (301)

All remaining CIF funds (after 302 and 400's) are deposited to the Common Capital Improvement Account (the 301 Account). Management has capital expenditure authority for 301 projects that are required to renew or replace the Airport's infrastructure and equipment. Other capital expenditures (primarily expansion-type projects) from the 301 Account require Majority in Interest (MII) approval by the Signatory Airlines. During FY 2007, Fund 301 received a minimum one-time bonus payment of \$186 million from winner of the natural gas solicitation, of which \$55.3 million remains to be spent on programmed needs.

Natural Gas Proceeds

Natural Gas Proceeds are deposited into the 301 CIF Fund. For accounting purposes they have been segregated into the 303 fund. The following table shows current programming to date of the \$186 million of proceeds for the one-time bonus paid to DFW in October 2007. New projects are highlighted in blue. Note that the \$21 million transferred to DFW's Discretionary Capital Account (302) as part of the 777 Program is still available for capital programming.

Capital Budget

Natural Gas Sources and Uses	
In Millions	
<u>SOURCES:</u>	<u>In Millions</u>
One-Time Bonus Payment	\$186
Investment Earnings (Actual)	11
Natural Gas Royalty Revenue (Actual Through June 2008)	15
Total Sources	<u>\$211</u>
<u>USES (Actual + Remaining Commitments):</u>	
Reimburse Owner Cities for original contribution	(\$20)
777 Program FY 2007 through FY 2009 Transfer to 102	(21)
777 Program FY 2007 through FY 2009 Transfer to 302	(21)
Cash Transfer to 302 \$45M Terminal Improvements Program	(45)
Terminal Improvements:	
FY08 Replace Roadway Coating Terminal A & B	(5)
FY08 Replace Terminal Seating	(4)
FY08 Restore PCA Terminal E	(3)
Other	(4)
Commercial Development:	
FY08 Int'l Commerce Park (includes landscape reimb)	(10)
FY08 30 Inch Water Line at Mustang / 17th St Sanitary Sewer	(3)
Other	(3)
Total Uses Programmed Through FY09:	<u>(\$139)</u>
Remaining Balance	<u><u>\$72</u></u>
<p>Note: Excludes \$12.5 million interim funding for Mustang Drive extension which will be funded from proceeds from TXDOT sale of right-of-way.</p>	

Capital Improvement Fund Allocations

The following table highlights the calculation of the CIF allocation for FY 2006 - FY 2009.

Capital Budget

Capital Improvement Fund (CIF) Allocations			
In Millions			
	FY 2006 Allocation	FY 2007 Allocation	FY 2008 Allocation
Coverage to be Distributed	Paid In FY07 Paid In FY08 Paid In FY09		
Net debt service	\$219.1	\$237.5	\$239.0
Coverage percentage	25.0%	25.0%	25.0%
Total Coverage to be Distributed	\$54.8	\$59.4	\$59.7
Airline Trust Fund			
Joint revenue bond reserve	\$166.6	\$166.6	\$163.0
Divided by revenue bond outstanding	3,765.5	3,722.8	3,641.2
Ratio of reserve to debt	4.42%	4.47%	4.48%
Coverage multiplier	1.25%	1.25%	1.25%
Airline trust allocation factor	5.53%	5.59%	5.59%
Net debt service	219.1	237.5	239.0
(A) Trust Funds Distribution - Calculated	12.1	13.3	13.4
(B) Trust Funds - Threshold	7.0	7.0	7.0
Total Airline Trust Fund (lesser of A/B)	\$7.0	\$7.0	\$7.0
Coverage Credit			
Total Avg Annual Reserve Fund w/o sureties	\$255.2	\$255.3	\$254.3
Divided by revenue bond outstanding (principal)	3,765.5	3,722.8	3,641.2
Percentage to Outstanding Debt	6.78%	6.86%	6.98%
Allocation Factor	8.47%	8.57%	8.73%
Total Amount to Trust if no Sureties	18.6	20.4	20.9
Less Deposited to Trust (Item 1 above)	(7.0)	(7.0)	(7.0)
Total Coverage Credit (to 102 Fund)	\$11.6	\$13.4	\$13.9
DFW Discretionary Fund 302			
Enplaned (revenue) passengers	28.1	28.1	26.4
Less established threshold	(10.0)	(10.0)	(10.0)
Enplaned passengers over 10 million	18.1	18.1	16.4
Per passenger amount due	0	0	0
Total due from pax formula	4.5	4.5	4.1
Plus amount due from base allocation	4.0	4.0	4.0
DFW Discretionary Fund Transfer	\$8.5	\$8.5	\$8.1
ATSAC Bond Coverage Transfer			
ATSAC Bonds Debt Service	\$4.3	\$4.5	\$7.0
Coverage Percentage	25%	25%	25%
ATSAC Coverage (to 102 Fund)	\$1.1	\$1.1	\$1.8
Capital Improvement Fund			
Total coverage distributed to funds	\$54.8	\$59.4	\$59.7
Less airline trust distribution	(7.0)	(7.0)	(7.0)
Less Coverage Credit (Item 2 above)	(11.6)	(13.4)	(13.9)
Less airport discretionary distribution	(8.5)	(8.5)	(8.1)
Less Coverage for ATSAC	(1.1)	(1.1)	(1.8)
Remainder to CIF 301 Fund	\$26.6	\$29.4	\$29.0
Note: Excludes 7/7/7 Program			

Capital Budget

Debt Financing

The following table highlights principal and interest payments budgeted for FY 2009 by debt issuances. The assumed variable interest rate is 3.75%.

Debt Service Summary for FY2009				
In Thousands				
Bond Series	Final Maturity	Interest	Principal	Total Debt Service
2000A - Fixed rate	2035	\$ 20,116	-	\$ 20,116
2001A - Fixed rate	2035	34,799	5,695	40,494
2002A - Fixed rate	2035	17,299	6,780	24,079
2002B - Fixed rate	2035	4,572	-	4,572
2002C - Fixed rate	2035	3,048	-	3,048
2003A - Fixed rate	2035	75,566	-	75,566
2003C-1 - Fixed rate	2018	3,169	-	3,169
2003C-2 - Fixed rate	2018	3,455	-	3,455
2004A-1 - Fixed rate	2024	2,848	2,400	5,248
2004A-2 - Fixed rate	2024	2,848	2,400	5,248
2004B - Fixed rate	2035	10,525	295	10,820
2006A - Fixed rate	2015	12,029	32,595	44,624
2007A (Preliminary)	2023	5,020	1,025	6,045
Gross Debt Service		\$ 195,296	\$ 51,190	\$ 246,486

The Airport has four forms of indebtedness—Joint Revenue Bonds, Special Facility Revenue Bonds, Facility Improvement Corporation (FIC) Revenue Bonds, and Public Facility Improvement Corporation Bonds.

Joint Revenue Bonds are issued for the development of airport property and are authorized by concurrent ordinances adopted by the City Councils of the Dallas and Fort Worth. These bonds are secured by a lien on and pledge of gross revenues of the Airport.

Special Facility Revenue Bonds are issued for the construction of various special facilities and are payable solely from lease revenues between the Airport and the lessee. There have been no special facility bonds issued since 1979.

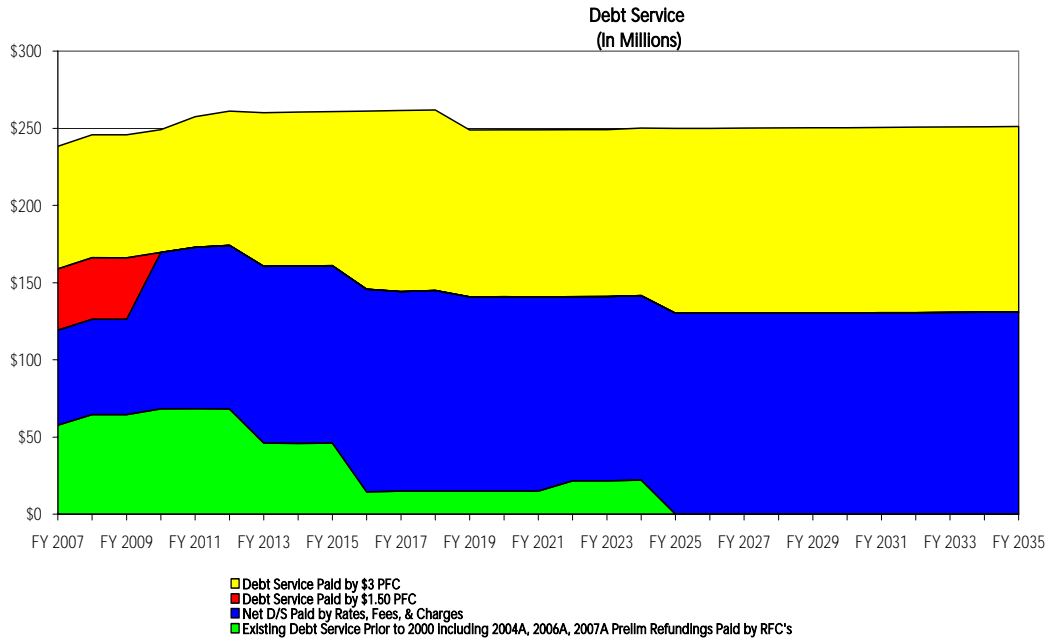
FIC bonds are issued to provide conduit financing for Airlines and other airport users. FIC bonds are secured solely by financing agreements between the FIC and the underlying party responsible for repayment of the bond. These bonds contain no relet provisions, cross default provisions, or liens against assets, which are owned by the airport. FIC bonds were also issued for construction of the Rental Car Facility. See discussion later in this section.

PFIC Bonds were issued for the sole purpose of financing the Grand Hyatt Hotel at Terminal D. Debt Service will be paid from hotel revenues.

Capital Budget

There are no statutory limits on debt in the State of Texas. It is DFW's objective to obtain sufficient debt financing to meet its long-range objectives, while keeping our debt at levels that support competitive rates, fees, and charges for its customers. Bond funds are committed to specific projects at the time of issuance and the use of proceeds is regulated by the bond covenants. Although the budget includes the assumption that DFW will not issue additional revenue bonds in FY 2009 or refund any debt, management may consider these options under the right conditions.

The following chart highlights projected debt service payments through 2034.



This chart shows the original debt service before the CDP debt services was incurred (green), the CDP debt incurred and payable from the first \$3.00 of PFCs (yellow), the amount of debt service paid by the additional \$1.50 PFC through 2009 in accordance with the MOU with American Airlines, and the total of debt service that will be allocable to Rates, Fees, and Charges (blue plus green). The chart also demonstrates the significant level of debt service that is being paid through PFCs through 2035 and the amount paid for debt service through 2009 (which is the end of the use agreement).

Passenger Facility Charges

Airports are authorized to impose user fees, known as Passenger Facility Charges (PFCs), of up to \$4.50 per enplaned revenue passenger. PFCs are collected by the Airlines at the time the travel ticket is issued and then remitted monthly to the Airport and placed into the 252 Fund until transferred to the 102 fund to pay for eligible debt services. DFW Airport submits PFC applications to the Federal Aviation Administration (FAA) for approval.

The following table shows the status of PFC applications submitted through 5/31/06; while the chart shows projected PFC balances that will be available in the future.

Capital Budget

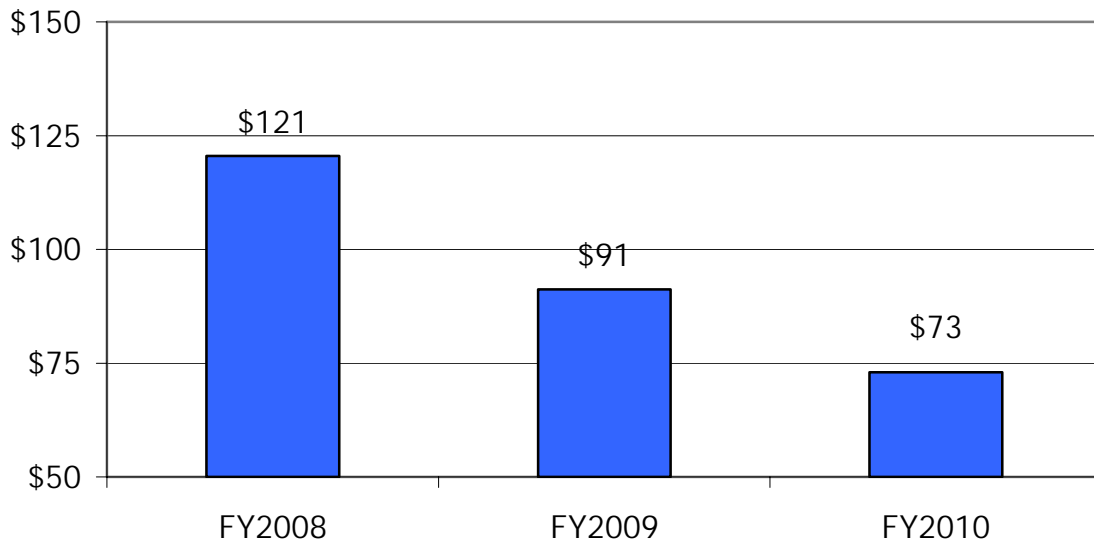
As of March 31, 2008
In Millions

Appl. #	Primary Purpose	Status	Eligible Amount	Amount Collected	Spent
PFC #1	Runway 16/34 East	Closed	\$ 94	\$ 94	\$ 94
PFC #2/4	Various Projects	Closed	89	89	89
PFC #3	Terminal B	Closed	115	115	115
PFC #5	SkyLink	Active	2,191	921	383
PFC #6	Deicing System	Active	52	-	16
PFC #7	ATSAC	Active	60	-	43
PFC #8	CDP Completion	Active	2,892	-	330
PFC #9	Perimeter Taxiways, ATSAC	Active	37	-	11
Totals			\$ 5,529	\$ 1,219	\$ 1,080
PFC Balance					\$ 139
Collection Authority Remaining					\$ 4,310

PFCs may be used for eligible projects as defined by the FAA. Eligible projects include airfield improvements, transportation systems, terminals, and debt service on these related projects. PFCs collected from PFC applications 5-8 will be used to pay debt service for the eligible portions of the associated projects through 2034 and will significantly reduce the cost to the Airlines. DFW filed PFC#9 in FY 2006 to help fund the southeast perimeter taxiway and Taxiway K reconstruction.

The following chart shows estimated PFC balances available for capital projects. All of the remaining PFC funds are scheduled to be used to pay future debt service.

Projected PFC Balance In Millions



Capital Budget

Grant Funds - Airport Improvement Program

Airport Improvement Program (AIP) grants are issued by the FAA on an annual basis for entitlement and discretionary purposes. Entitlements are funds allocated to airports based on passenger and cargo enplanements. Airports compete for and are awarded discretionary funds based on a priority system administered by the FAA. The following table highlights the FAA entitlement and discretionary funds projected to be outstanding in FY 2009.

Federal AIP Grant Summary In Thousands						
Grant Number	Award Date	Grant Amount	Prior Years	Grant Drawdowns		
				Grant Balance 9/30/08	Proj. FY 2009	Grant Balance 9/30/09
Entitlement						
83-07	5-Jul-07	\$9,089	\$42	\$9,047	\$9,047	\$0
Total Entitlement		\$9,089	\$42	\$9,047	\$9,047	\$0
Discretionary						
82-07	4-Sep-07	\$18,371	\$16	\$18,355	\$18,355	\$0
84-07	30-Aug-07	\$200	\$0	\$200	\$200	\$0
Total Discretionary		\$18,571	\$16	\$18,555	\$18,555	\$0
Totals		\$27,660	\$58	\$27,602	\$27,602	\$0

The FY 2009 entitlement grant requested funding for the following projects:

2009 AIP Grant Application In Thousands			
Project	AIP	DFW	Total Cost
Rehab Airfield Aprons	\$ 487	\$ 163	\$ 650
Rehab Airfield Lighting	750	250	1,000
Rehab Airfield Pavements	4,305	1,435	5,740
Airfield Pavement Evaluation	338	112	450
Purchase Friction Tester	120	40	160
Replace Term B Jetbridges	3,000	1,000	4,000
Total	\$ 9,000	\$ 3,000	\$ 12,000

The Airport is scheduled to receive \$5.292 million in FY 2009 for the reimbursement under an FAA Letter of Intent ASW-00-1 signed May 2001 to provide federal funding for the design and construction of Runway Extension 17C, 18R, and 18L and the Northwest Holding Apron projects. The FY 2009 payment will represent the 10th of 11 agreed-upon installment payments from the FAA.

Capital Budget

Consolidated Rental Car Center (RAC)

In March 2000, DFW Airport consolidated the North and South Rental Car Facilities into a single consolidated facility just south of the South Remote Parking lot. This facility was constructed with two Facility Improvement Corporation (FIC) bond sales totaling \$159.6M (Series 1998 and 1999). These bonds were secured solely by a \$4 transaction fee per daily car rental which is also used to pay for RAC capital projects. In January 2008, DFW and the Rental Car Companies entered into an agreement whereby DFW will begin collecting a Customer Transaction Charge (CTC), to cover the maintenance and operating expenses of the RAC bus fleet which was previously paid by the Rental Car Companies. The current fee is \$2 per transaction day and will be adjusted to collect actual costs. The chart below does not reflect this fee.

RAC Walkforward			
In 000's			
	2007	2008	2009
	Actual	Outlook	Budget
Transaction Days	5,301	5,013	4,536
Beginning Cash Balance	\$12,467	\$18,710	\$23,036
Investment Earnings	546	819	838
Revenue (\$4 RCFC)	21,205	20,051	18,143
Debt Service	(14,685)	(14,686)	(14,690)
Capital Expenditures	(823)	(1,857)	(7,623)
Ending Cash Balance	\$18,710	\$23,036	\$19,705

Hyatt Hotel/PFIC

In July 2005 DFW Airport opened a 298 room Grand Hyatt Hotel located on top of DFW Airport's new International Terminal D. This \$62.3M hotel was financed through the Public Facility Improvement Corporation (PFIC) in 2001. Debt service will be provided through Hotel revenues. In the event Hotel revenues are insufficient to cover debt service, DFW Airport's Discretionary 302 fund will guarantee any shortfalls. The operating revenues and expenses of the hotel are not included in this budget because the Hotel is a stand alone entity.

The following table shows projected cash balances of the Grand Hyatt Owners Fund

Grand Hyatt Owners Cash Walkforward	
Redemption & Improvement Fund	
In 000's	
Beginning Cash Balance 10/1/08 *	\$13,200
Investment Earnings	764
Cash flow from Grand Hyatt *	8,675
Debt Service	(4,500)
Ending Cash Balance	\$18,140

* Estimated - Hyatt has not yet completed their budget for FY 2009