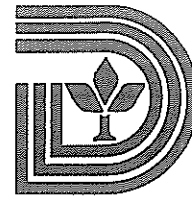


Memorandum

RECEIVED

2010 SEP -9 PM 2:44

CITY SECRETARY  
DALLAS, TEXAS



CITY OF DALLAS

DATE September 9, 2010

TO Members of the Budget, Finance & Audit Committee:  
Ann Margolin, Vice-Chair, Vonciel Jones Hill, Delia D. Jasso, Ron Natinsky, David A. Neumann

SUBJECT **Budget, Finance & Audit Committee Meeting**  
**Tuesday, September 14, 2010, 9:30 – 11:30 a.m.**  
**1500 Marilla Street, City Hall, Room 6ES, Dallas, Texas 75201**

**AGENDA**

1. Consideration of minutes from the August 24, 2010 Budget, Finance and Audit Committee Meeting
  2. Dallas/Fort Worth International Airport Briefing  
▪ New Use Agreement  
▪ Terminal Renewal and Improvement Program  
▪ Master Bond Ordinance and Supplemental Bond Issuances  
▪ FY 2011 Budget
- Jeff Fegan, Chief Executive Officer and  
Chris Poinsett, EVP Finance and  
Information Technology Services

**FYI:**

3. FY 2008 - 09 End of Year Report
4. Excess Workers' Compensation Insurance Memo



Jerry R. Allen, Chair  
Budget, Finance & Audit Committee

C: Honorable Mayor & Members of the City Council  
Mary K. Suhm, City Manager  
Deborah A. Watkins, City Secretary  
Tom P. Perkins, City Attorney  
Craig D. Kinton, City Auditor  
Ryan S. Evans, First Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer

A closed executive session may be held if the discussion concerns one of the following:

1. Contemplated or pending litigation or matter where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. Personnel matters involving discussions of the qualifications for performance of identifiable individuals already employed or being considered for employment by the City. Section 551.074 of the Texas Open Meetings Act.
3. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.074 of the Texas Open Meetings Act.
4. Discussions concerning sale or lease of real property, or negotiated contracts for donations to the City, when such discussions would have a detrimental effect on negotiating position of the City. Section 551.072 of the Texas Open Meetings Act.

**BUDGET, FINANCE, AND AUDIT COMMITTEE  
DRAFT MEETING MINUTES  
August 24, 2010**

The Council's Budget, Finance, and Audit Committee meetings are recorded. Agenda materials and audiotapes may be reviewed by contacting the City Manager's Office Staff Coordinator Laura L. Carrillo at 214-670-7804.

**Meeting Date:** August 24, 2010

**Committee Members Present:**

Jerry R. Allen, Chair, Ann Margolin, Vice – Chair, Vonciel Jones Hill, Delia D. Jasso, Ron Natinsky, David A. Neumann

**Committee Members Absent:**

None

**Other Council members present who attended a partial or duration of the meeting:**

None

**Staff Members Present:**

Jeanne Chipperfield, Laura Carrillo, Shelia Robinson, Edward Scott, Lance Sehorn, Ade Williams, Mike Frosch, Corrine Steeger, Zarin Gracey, Rhonn Ramirez, Jeannie Eneh, Craig Kinton, Randall Hanks, Donna Lowe

**Meeting called to order at 9:33 a.m.**

**AGENDA:**

1. **Consideration of Minutes from August 10, 2010 Budget, Finance, and Audit**

**Presenter(s):**

**Information Only:**

**Action Taken/Committee Recommendation(s):**

Motion made by: David A. Neumann

Motion seconded by: Ron Natinsky

**Note:** The motion passed unanimously

Follow up:

2. **Office of the City Auditor FY 2011 Audit Plan**

**Presenter(s):** Craig D. Kinton

**Information Only:** Yes

**Action Taken/Committee Recommendation(s):**

Motion made by:

Motion seconded by:

**Note:**

Follow up:

3. **Sales Tax Compliance Review Services - Evaluation Results**

**Presenter(s):** Craig D. Kinton

**Information Only:**

**Action Taken/Committee Recommendation(s):** A motion was made by the Budget, Finance & Audit Committee to move the Sales Tax Compliance Review Services - Evaluation Results to full City council on September 8, 2010 for approval.

Motion made by: Ron Natinsky

Motion seconded by: Ann Margolin

**Note:** The motion passed unanimously

Follow up:

4. **FY 2009 – 10 Appropriations Adjustments**

**Presenter(s):** Shelia Robinson

**Information Only:**

**Action Taken/Committee Recommendation(s):** A motion was made by the Budget, Finance & Audit Committee to move the FY – 10 Appropriations Adjustments briefing to full City council on September 8, 2010 for approval.

Motion made by: Delia D. Jasso

Motion seconded by: Ron Natinsky

**Note:** Councilmember David A. Neumann opposed the item.

Follow up:

5. **FY 2010 – 11 Proposed Budget Reserve Levels**

**Presenter(s):** Jeanne Chipperfield

**Information Only:** Yes

**Action Taken/Committee Recommendation(s):**

Motion made by:

Note:

Follow up:

**FYI Only:**

6. **Quarterly Investment Report**

**Presenter(s):** Jeanne Chipperfield

**Information Only:** Yes

**Action Taken/Committee Recommendation(s):**

Motion made by:

Note:

Follow up:

**Meeting adjourned at 10:51 a.m.**

# Memorandum



CITY OF DALLAS

DATE September 10, 2010

TO Members of the Budget, Finance & Audit Committee: Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Delia Jasso, Ron Natinsky, David Neumann

SUBJECT Dallas/Fort Worth International Airport Briefing

The September 14, 2010 Budget, Finance & Audit meeting agenda includes a briefing from Dallas/Fort Worth International Airport. Jeff Fegan, CEO of DFW Airport and Chris Poinatte, Executive Vice President for Finance and Information Technology Services, will provide a consolidated briefing on the following issues:

Dallas/Fort Worth International Airport Briefing

- New Use Agreement – Chris Poinatte
- Terminal Renewal and Improvement Program – Jeff Fegan
- Master Bond Ordinance and Supplemental Bond Issuances – Chris Poinatte
- FY2011 Budget – Chris Poinatte

This consolidated briefing will be given to the full City Council on Wednesday, September 15, 2010. The City Council is scheduled to vote on the Master Bond Ordinance, Supplemental Bond Issuances and FY2011 Airport Budget on September 22, 2010.

Attached is a copy of the consolidated briefing. Should you require additional information, please let me know.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield  
Chief Financial Officer

c: Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Deborah A. Watkins, City Secretary  
Tom P. Perkins, City Attorney  
Craig Kinton, City Auditor  
Ryan S. Evans, First Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest Turner, Assistant City Manager  
Frank Libro, Public Information Office  
Helena Stevens-Thompson, Assistant to the City Manager

# DFW International Airport

## Presentation to Dallas City Council

- \* New Use Agreement
- \* Terminal Renewal and Improvement Program
- \* Master Bond Ordinance and Supplemental Bond Issuances
- \* FY 2011 Budget

September 14/15, 2010

## Agenda

- New Use Agreement
  - Briefing
- Terminal Renewal and Improvement Program (TRIP)
  - Briefing
- Debt Financing Plan
  - Request approval of Master Bond Ordinance
  - Request approval of 44<sup>th</sup>, 45<sup>th</sup>, and 46<sup>th</sup> Supplemental Bond Ordinances
- FY 2011 Budget
  - Request approval of Budget



# **New Use Agreement**

## Current Use Agreement – Background

- 36 years old - expires September 30, 2010
- Residual airport (revenues equal expenses)
- Airlines pay net-operating cost through landing fees and terminal rents
- Significant airline control over capital and debt
- Exclusive gate leases

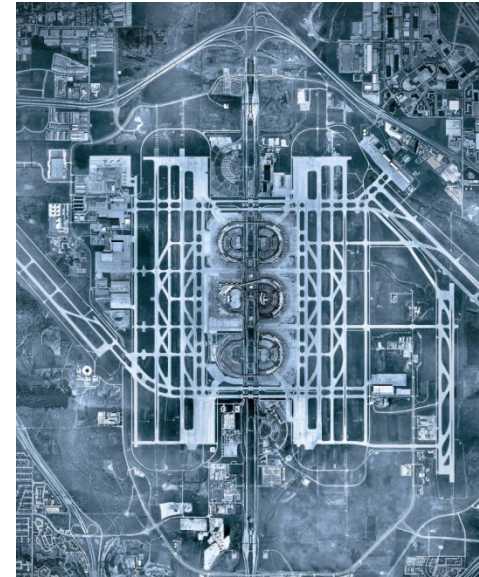
|  |   |  |
|--|---|--|
| <b>Revenues</b>  | = | <b>Expenses</b>  |
| * Landing Fees<br>* Terminal Rentals<br>* Non Airline Revenues |   | * Operating Expenses<br>* Debt Service & <b>Coverage</b><br>* Change in Ops Reserves |
| <b>FY10B = \$588 Million</b>                                   |   | <b>FY10B = \$588 Million</b>   |

|   |
|---|
| <b>Capital Improvement Fund</b>                 |
| Funded from the prior<br>year's coverage amount |
| <b>FY10B = \$52 Million</b>                     |



## New Use Agreement

- DFW Airport priorities
  - Preapproval of Terminal Renewal and Improvement Program (TRIP)
  - Sufficient discretionary capital
  - Simplified and fair financial structure
  - DFW to share in non-airline revenues
  - Airport remains strong financially
- Airline priorities
  - Predictable costs over 10 years
  - DFW has significant “skin in the game”
  - Control over major capital program elements
  - Retain maintenance of Terminals A&C



## New Use Agreement – Win/Win Arrangement

- 10 year agreement
- “Hybrid” business model
  - Airlines pay landing fees and terminal rents based on DFW’s cost to provide those facilities
  - DFW retains all non-airline revenue up to \$60M
  - Airlines provide “downside” protection
  - Fair cost allocations to all cost centers
- Preapproved capital program
  - TRIP
  - Other capital projects
- Preferential gate leases
  - “Use it or lose it”
- No financial liability for Owner Cities (now or in future)



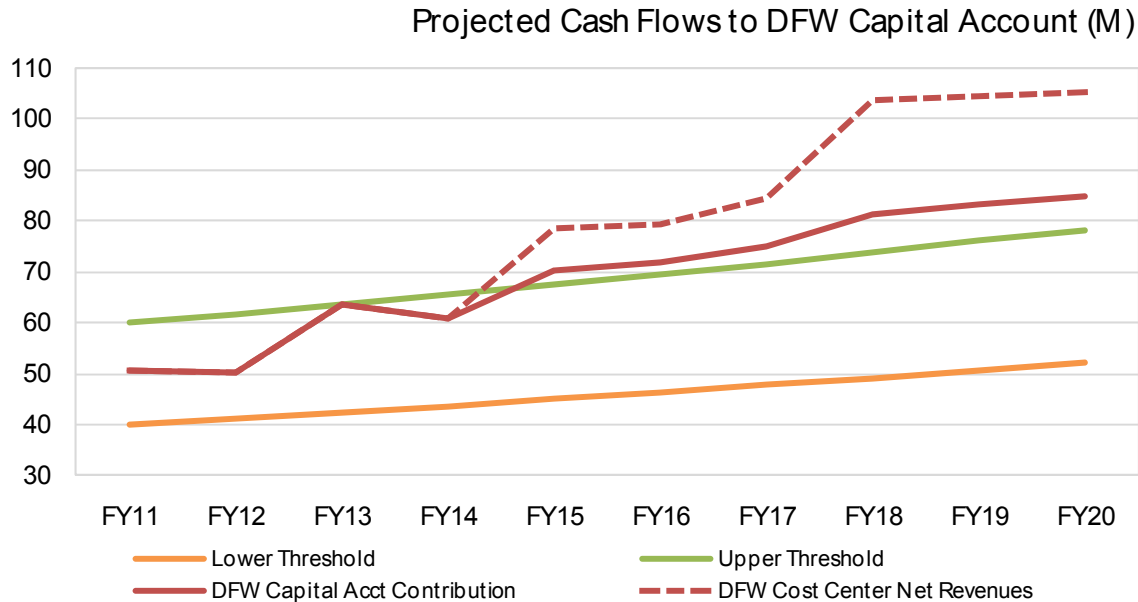
# New Use Agreement – New Financial Model

Airlines pay the cost of the airfield and terminals (in purple) less transfers. DFW retains net revenues from non-airline sources in its capital account (in blue). Airlines retain approval rights over Joint Capital Account. Key Airport Metrics are highlighted in yellow .

| Airline Cost Centers  |   | DFW Cost Centers   |
|---|---|--|
| <b>Airfield</b>   | <b>Terminal</b>   | <b>DFW</b>   |
| <b><u>Airfield Costs</u></b><br>Expenses & Debt Service   | <b><u>Terminal Costs</u></b><br>Expenses & Debt Service   | <b><u>DFW Revenues</u></b><br>Parking, Concessions, Rental Car, Commercial Development         |
| <b><u>Less - Misc Airfield Revs.</u></b><br>General Aviation<br>Fueling Facility Lease              | <b><u>Less - Misc Terminal Revs.</u></b><br>FIS, Turn Fees, TSA rents<br>Transfers - Joint Capital Acct.<br>Transfers - DFW Cost Center | <b><u>Less Expenses (plus Skylink)</u></b><br>Expenses & Debt Service<br>Transfers to Terminal |
| <b>= Airline Landing Fees</b>   | <b>= Airline Terminal Rents</b>   | <b>= Net Revs to DFW Capital</b>   |
| <b>Landing Fees + Terminal Rents = Airline Cost</b>   |   | ↓  |
| Divided by: Enplanements  |   | <b>DFW Capital Account</b>   |
| <b>= Airline Cost per Enplanement (CPE)</b>   |   | Annual contributions to DFW Capital Account:<br>between \$40M and \$60M                        |
| <b>Joint Capital Account</b>  |   | <b>Discretionary</b>   |
| (+) Natural Gas/Sale of Land<br>(-) Annual Transfer to Terminal<br><b>Requires Airline Approval</b> |   |  |

## Projected Cash Flows to DFW Capital Account

The upper and lower thresholds were established to provide DFW sufficient discretionary capital to renew non-terminal capital over ten years.



- DFW has downside protection. If net revenues do not achieve the lower threshold, the Airlines will pay additional landing fees.
- As revenues exceed the upper threshold, DFW shares 75% back with airlines to reduce landing fees.

## New Use Agreement Focuses DFW to Achieve Two Goals

### 1. Keep Airline Cost and CPE low

- CPE is projected to increase each year from \$6.93 in FY 2011 to around \$12.00 in FY 2020
- DFW currently the lowest cost airport among competitive set (CPE)
- Long range goal:
  - Remain lowest cost airport in FY 2020

### 2. Grow net revenues from non-airline sources

- DFW will generate \$52 million of net revenues in FY 2011 from concessions, rental car, parking, and commercial development
- Long range goal:
  - Double net revenues to over \$100 million by FY 2020



# **Terminal Renewal and Improvement Program**

## Terminal Renewal and Improvement Program (TRIP) Overview

The four legacy Terminals A, B, C and E will be renovated as part of the TRIP.

- Renovations begin with Terminal A in early 2011.
  - Phased renovations to be completed by early 2014.
  - Only 1/3 of the terminal will be closed for renovations.
- Terminals B, C and E renovations will follow in a phased schedule over several years with completion in 2017.
- Vast majority of gates will remain open and available.



## Terminal Renewal and Improvement Program Overview

The renovation of the terminals is a 30-year investment.

- 60% - 70% of work will replace aging infrastructure.
- Balance relates to finishes, passenger amenity improvements, and elements that produce positive business results.
- Concessions revenue will be enhanced through strategic locations and grouping at key passenger circulation points.



# Terminal Renewal and Improvement Program Overview

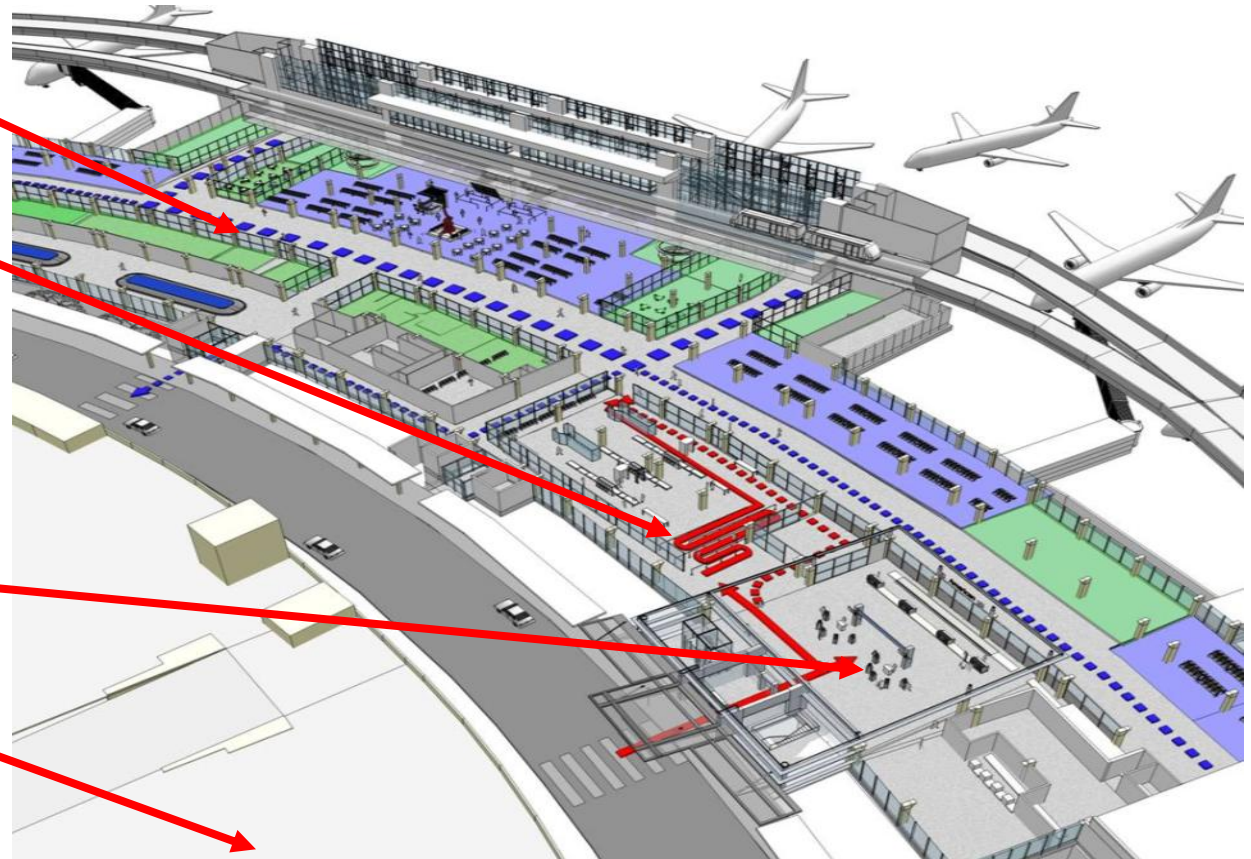
Passengers will enjoy significant improvements in the DFW experience.

Easy-to-locate, more visible shops and restaurants

Expanded, reconfigured security checkpoints

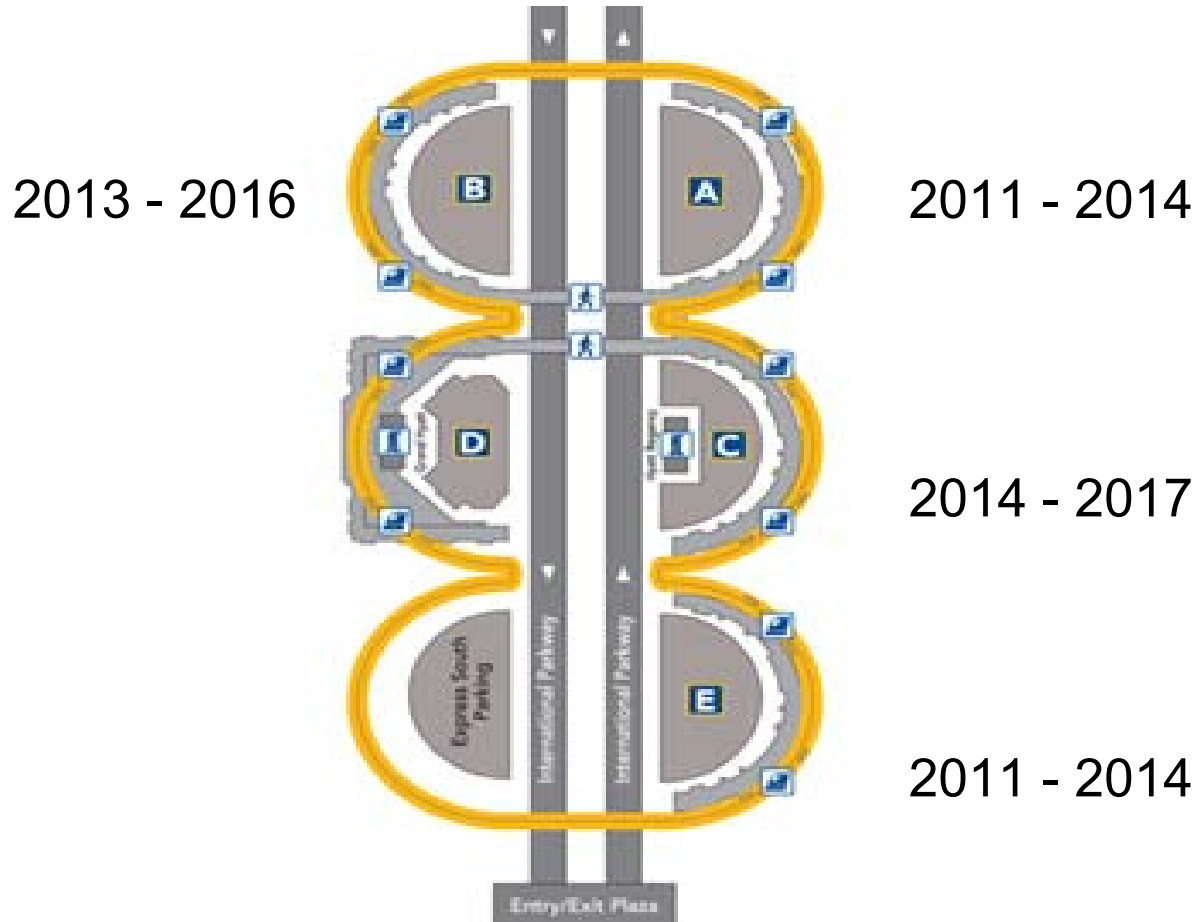
More self check-in options in ticketing areas

Parking garage improvements



# Terminal Renewal and Improvement Program Overview

This renovation will take place between 2011 and 2017.



## M/WBE Participation and Concessions

DFW remains committed to inclusion in TRIP opportunities.

- DFW will follow its successful M/WBE participation track record.
- M/WBE firms earned 35% of all construction work for Terminal D.
- In the past year alone, M/WBEs earned \$150 million in concessions sales at DFW.
- DFW will continue community outreach efforts throughout the TRIP in order to ensure access to opportunities.



## M/WBE Participation and Concessions

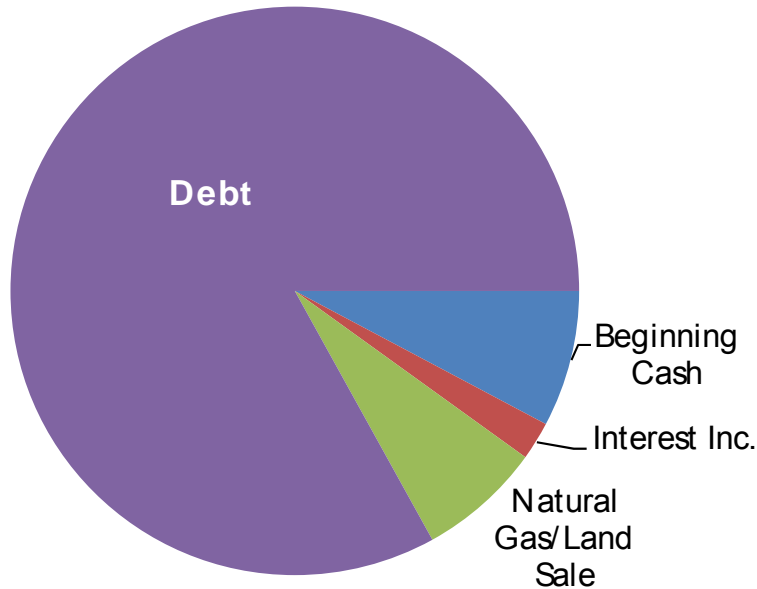
New M/WBE partnership arrangements have been made to support the TRIP.

- **Design Firms**
  - AECOM/EJES Joint Venture (40% M/WBE)
    - EJES Inc., African-American joint venture partner
    - 40% M/WBE subcontracting commitment on Supplemental Agreements
  - Jacobs Engineering Group, Inc.
    - 42% M/WBE subcontracting commitment on Supplemental Agreements
- **Construction Manager-at-Risk Services Firms**
  - Balfour Beatty/Azteca/Russell/Carcon (BARC) Joint Venture (40% M/WBE)
    - Russell, African-American joint venture partner
    - Azteca, Hispanic-American joint venture partner
    - Carcon, Hispanic-American joint venture partner
    - 35% M/WBE subcontracting commitment on Supplemental Agreements
  - Manhattan/Byrne/JRT/3i Joint Venture (40% M/WBE)
    - 3i Construction, African-American joint venture partner
    - Byrne, Hispanic-American joint venture partner
    - 35% M/WBE subcontracting commitment on Supplemental Agreements

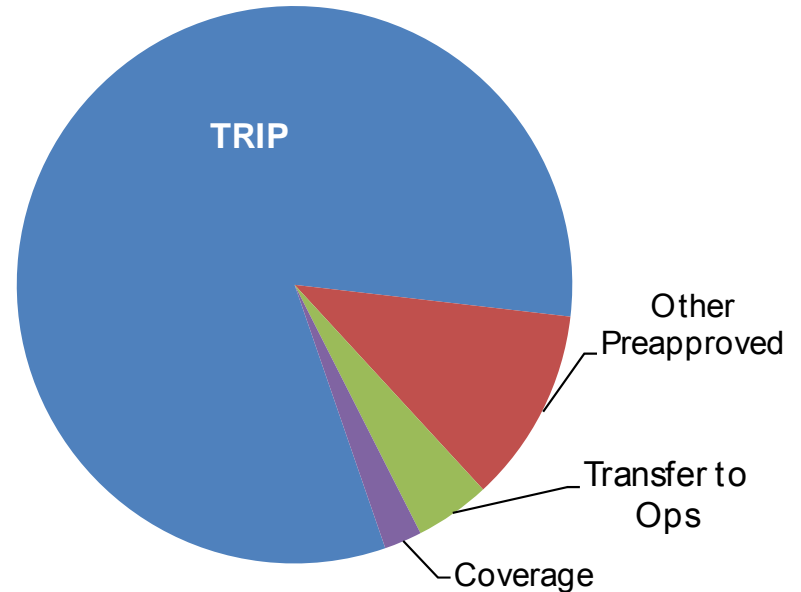
## TRIP – Sources and Uses of Cash

Most of the \$1.9B+TRIP budget will be funded from new debt issuances. The final budget is still being negotiated with the Airlines.

**Joint Capital Account - Sources**



**Joint Capital Account- Uses**



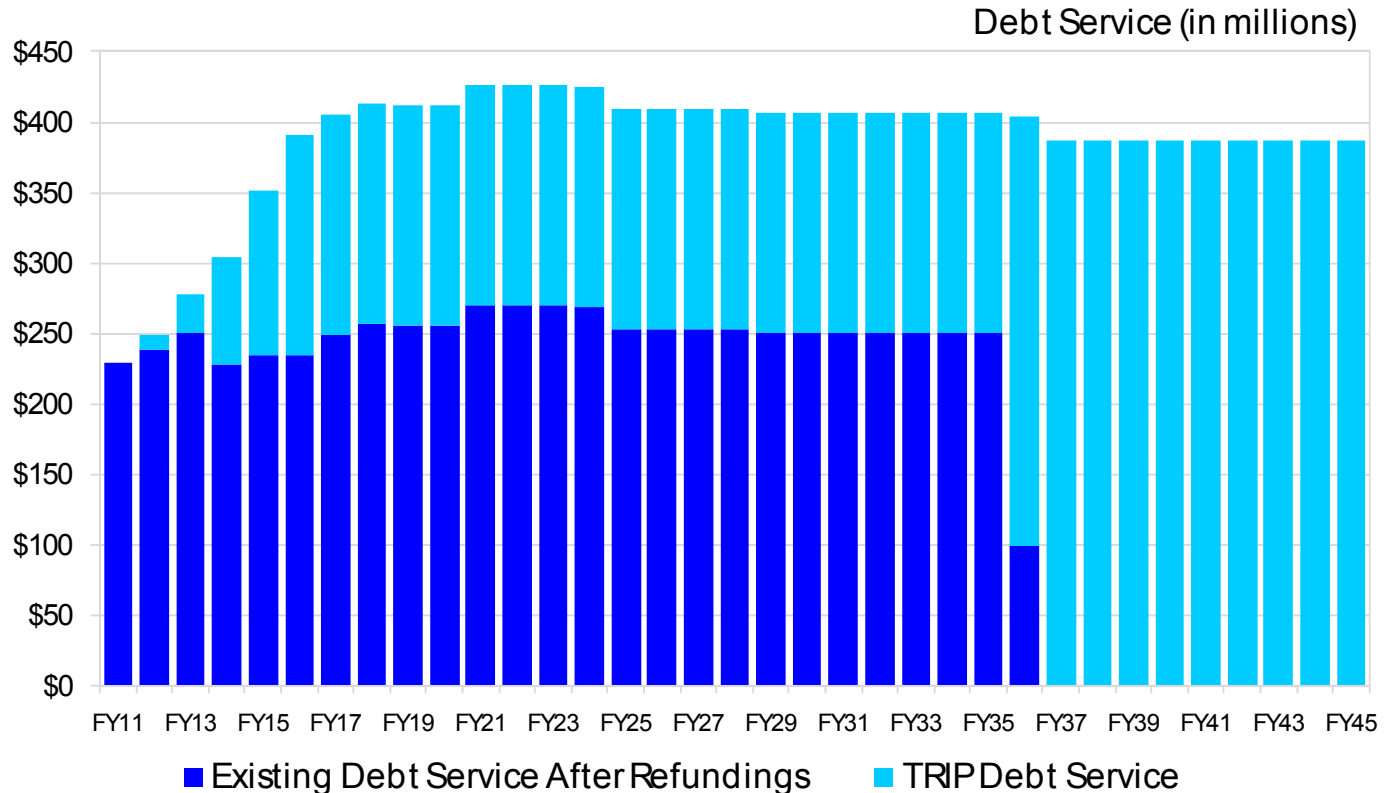
# Debt Financing Plan

## DFW Debt Profile and Projected Transactions Through FY 2015

- \$3.6 billion outstanding today
  - 95% callable through FY 2014
  - Project \$2.6 billion to be refunded through FY 2014
- DFW will issue over \$2.2 billion of “new money” bonds to fund TRIP and other capital projects through FY 2015
- DFW’s Bond Ratings
  - Expect to maintain or exceed high A rating (currently AA-/A1/A+)
  - DFW must remain cost competitive
  - Coverage ratios to be maintained in 1.40x to 1.50x range
  - Sufficient cash reserves

## Projected Debt Service

To finance the TRIP, bonds will be sold with maturities that will extend through 2045. Over 50% of debt service is projected to be paid with Passenger Facility Charges and the remainder through the rate base.



## FY 2011 Refundings

DFW expects to have seven fixed rate bond sales in FY 2011. Note that the new money bond sales in Phase 2 are preliminary and may change.

| Expected Date  | Purpose                              | AMT/Non-AMT | Amount (M)         | Series (Supp. Ord.)       |
|--|--------------------------------------|-------------|--------------------|---------------------------|
| Phase 1 (request City Council approval in September, 2010) |                                      |             |                    |                           |
| Oct 2010   | New Money                            | Non-AMT     | \$575              | 2010A (44th)              |
| Qtr1 2011  | Refunding/Savings                    | AMT         | \$265              | 2011A (45 <sup>th</sup> ) |
| Qtr1 2011  | Refunding/Savings & \$200M New Money | Non-AMT*    | \$420              | 2011B (46 <sup>th</sup> ) |
| Phased 2 (request approval in February/March, 2011)        |                                      |             | <u>Preliminary</u> |                           |
| Q2 2011  | Refunding/Savings                    | Skylink     | \$160              | 2011C                     |
| Q3 2011  | Refunding/Restructure                | Non-AMT     | \$430              | 2011D                     |
| Q3 2011  | Refunding/Restructure                | AMT         | \$145              | 2011E                     |
| Q3-4   | New Money                            | Non-AMT*    | \$600              | 2011F                     |

\* Assumes Congress extends AMT holiday for new money bonds

## Refunding Bond Information

|                              | 2011A                               | 2011B (Refunding Bonds) |
|------------------------------|-------------------------------------|-------------------------|
| Type of Bond                 | Fixed rate, AMT                     | Fixed rate, non-AMT     |
| Assets financed              | Terminals                           | Runways/non-terminals   |
| Bond series to be refunded   | 2000A, 2002B & C,<br>2003 C-1 & C-2 | 2000A, 2002B & C        |
| <b>Estimated NPV Savings</b> | <b>\$24 million</b>                 | <b>\$23 million</b>     |
| <b>Estimated NPV Benefit</b> | <b>4.6%</b>                         | <b>5.1%</b>             |
| <b>Extended Maturity</b>     | <b>No</b>                           | <b>No</b>               |
| Insurance                    | Possible, not likely                | Possible, not likely    |
| <b>Call dates</b>            | <b>5-10 years</b>                   | <b>5-10 years</b>       |

## Phase 1 Debt Issues for FY 2011 – Parameters

Issuance order may be modified based on financial markets and the timing of final Use Agreement negotiations.

| Parameter              | 2010A            | 2011A             | 2011B            |                   |
|------------------------|------------------|-------------------|------------------|-------------------|
|                        |                  |                   | New Money        | Refunding         |
| Bond Ordinance Number  | 44th             | 45th              | 46th             | 46th              |
| Maximum Deal Size      | \$620M           | \$275M            | \$225M           | \$225M            |
| Maximum Interest Rate  | 6.0%             | 7.0%*             | 6.0%             | 6.0%              |
| Maximum Maturity       | 11/1/2045        | 11/1/2035         | 11/1/2045        | 11/1/2035         |
| Minimum Price per Bond | 95%              | 95%               | 95%              | 95%               |
| Underwriter Discount   | \$6.00           | \$6.00            | \$6.00           | \$6.00            |
| Purpose                | New Construction | Refunding Savings | New Construction | Refunding Savings |

\* Higher rate due to AMT

## Underwriters – Phase 1

DFW has selected 15 underwriters (5 M/WBEs) in its pool for next five years and set an overall goal of 30% M/WBE participation for the program. M/WBE participation is projected to total approximately 35.5% for these three transactions.

|              | 2010 A (\$575M) | 2011A (\$265M)  | 2011B (\$420M)  |
|--------------|-----------------|-----------------|-----------------|
| Senior       | Jefferies       | Citigroup       | Cabrera (M/WBE) |
| Co-Senior    | Loop (M/WBE)    | Ramirez (M/WBE) | Morgan Stanley  |
| Co- Managers | Barclays        |                 | Merrill Lynch   |
|              | Morgan Stanley  |                 | Morgan Keegan   |
|              | Raymond James   |                 | Raymond James   |
|              | Stifel Nicolaus |                 |                 |

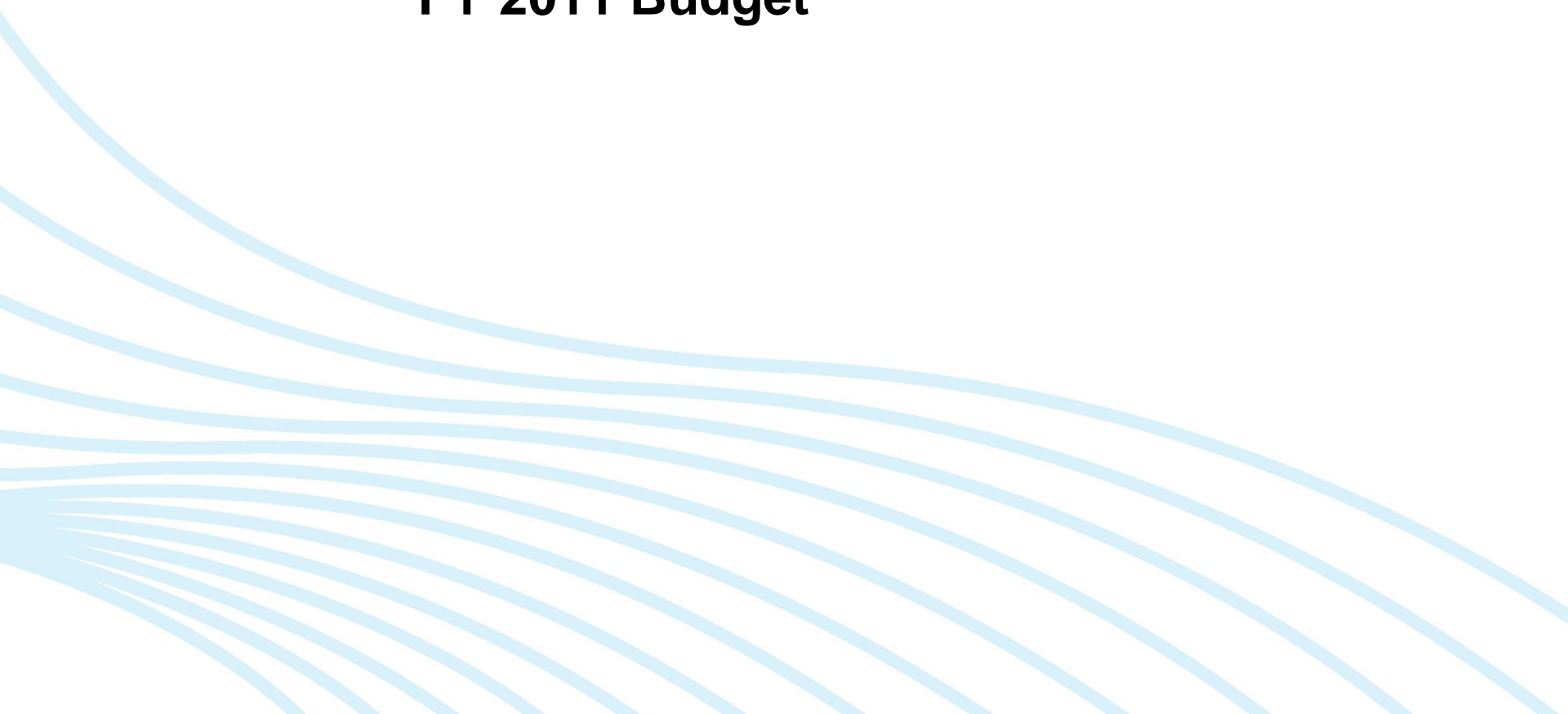
## Revised Master Bond Ordinance

DFW desires to update its master bond ordinance before the new program begins

- Background
  - 1968 Concurrent Bond Ordinance was amended in 2000 by the 30<sup>th</sup> Supplemental Bond Ordinance
  - Revised ordinance effective upon approval from the 2/3<sup>rd</sup> of bond holders and 100% of bond insurers of outstanding bonds
  - Bond insurers may represent the interest of, and give consent on behalf of, the bondholders they insure
- City Attorneys/Financial Advisors/Outside Bond Counsel have reviewed
- Reasons for Update
  - Consolidate into one document, and simplify
  - Clarifies minor ambiguities and potentially conflicting clauses
  - Removes original Airport construction language and competition clause
  - Allows future ordinance changes to require only 51% approval of holders
  - Removes limitations on permitted uses and valuation of certain funds
  - Extends time period for curing a deficiency in reserve funds



# **FY 2011 Budget**



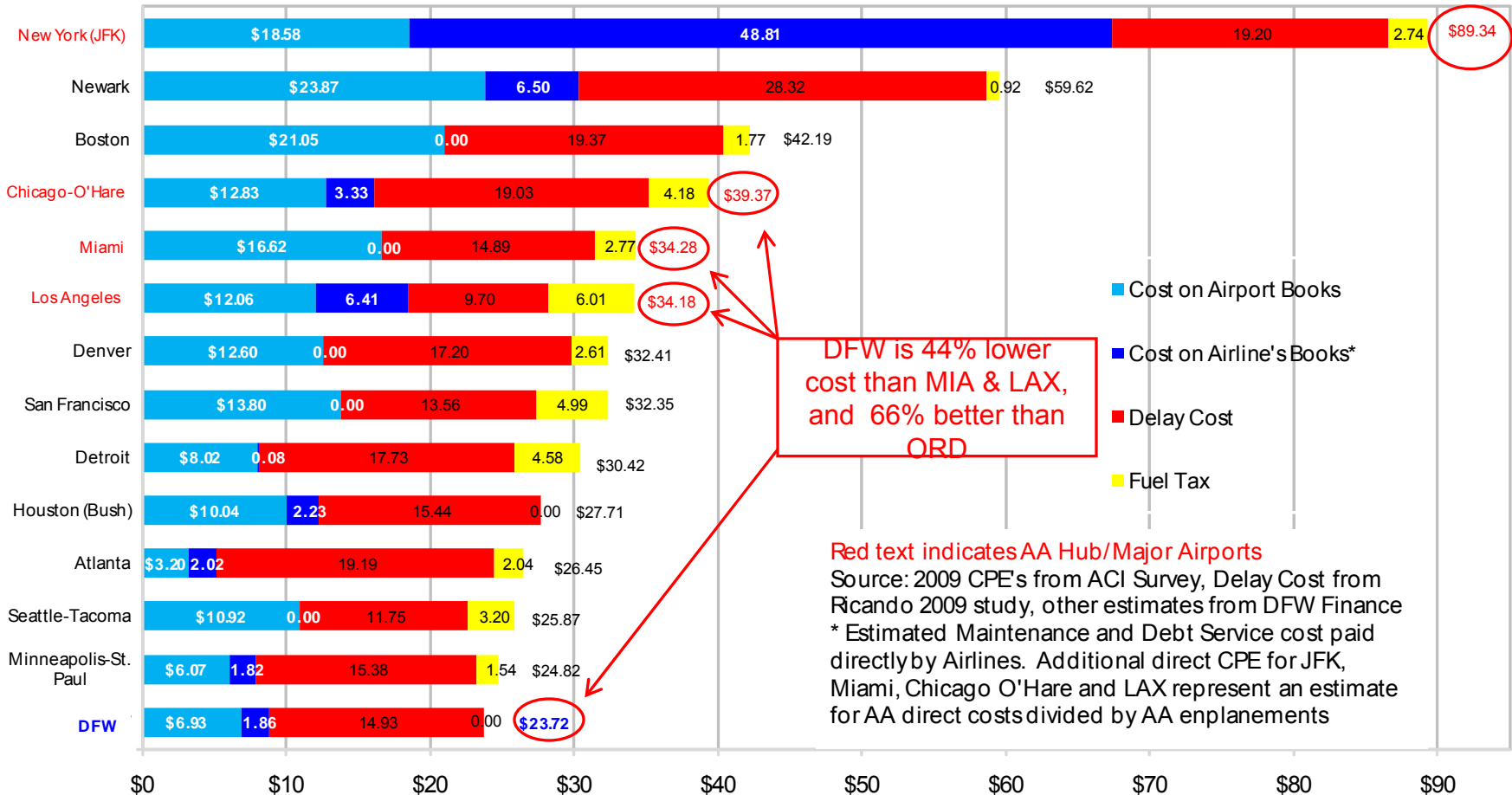
## FY 2011 Budget Highlights

Budget is based on the new Use Agreement

- **FY11 Budget is \$569.3 million, \$22.8 million (3.9%) less than FY10 Budget**
  - Savings primarily due to new Use Agreement model
  - FY10 Budget was \$52 million lower than FY09 Budget
    - \$75 million (12%) in budget reductions in past two years
  - FY11 Budget includes \$3.7 million investment for new fire station and 40 new security officers
- **FY11 Airline Cost is \$207 million, \$8 million (3.7%) less than FY10 Budget**
  - DFW projects actual FY10 airline costs to be \$203 million due to higher non-airline revenues (\$7 million) and lower costs (\$5 million)
  - DFW has refunded \$10-15 million to airlines annually over past 5 years due to better than budget performance
- **DFW remains the lowest cost airport**
  - Among top 14 large hub airports (CPE full cost basis)

# Key Airport Metric: Cost Per Enplanement - DFW is the lowest cost airport in competitive set and significantly lower than other AA hubs

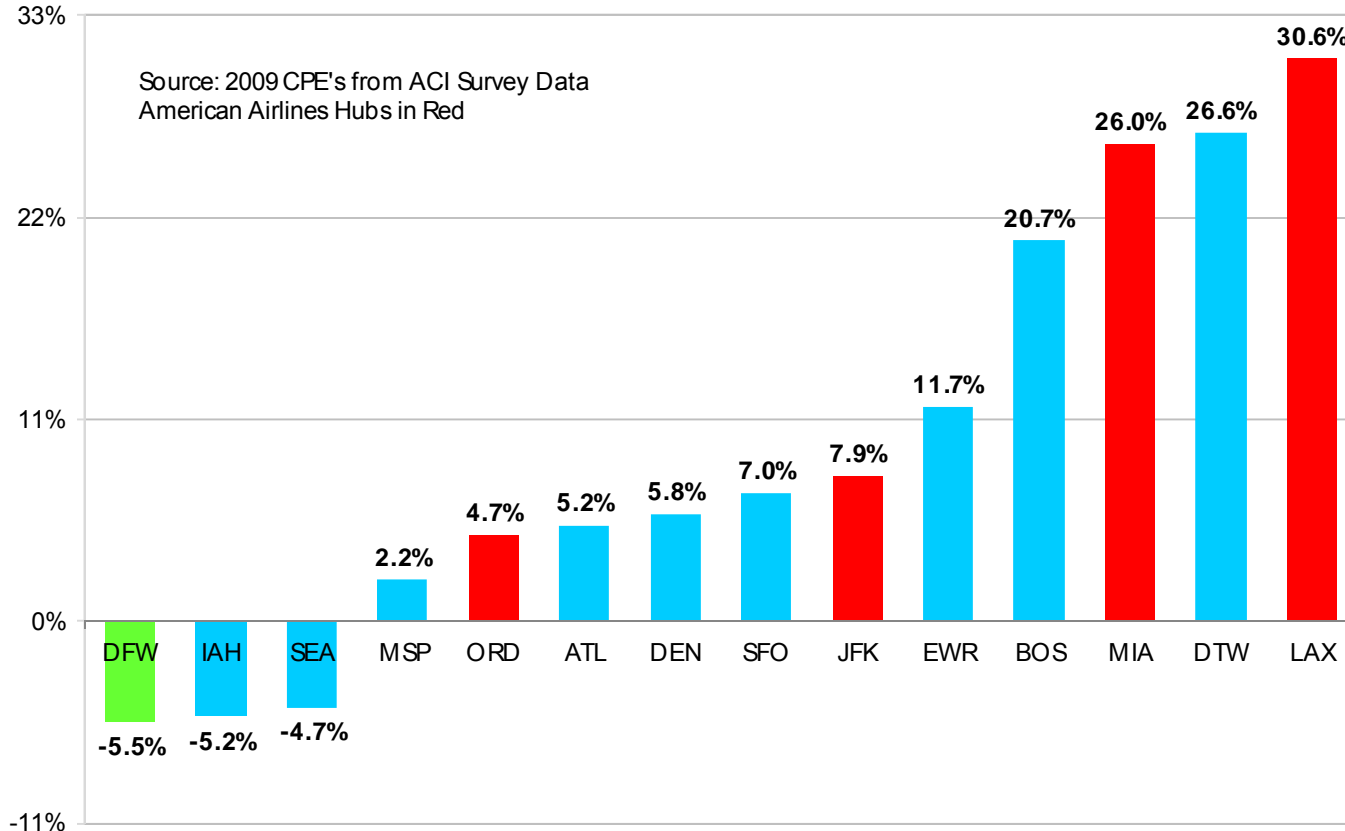
Full Loaded Cost per Enplaned Passenger



## Year over Year Changes in CPE (cost on airport books)

DFW's CPE is falling budget to budget versus increases at most other large hub airports. (American Airlines' hubs shown in red.)

Airport Direct Cost per Enplaned Passenger  
% change (2008/2009), except DFW (2010/2011)



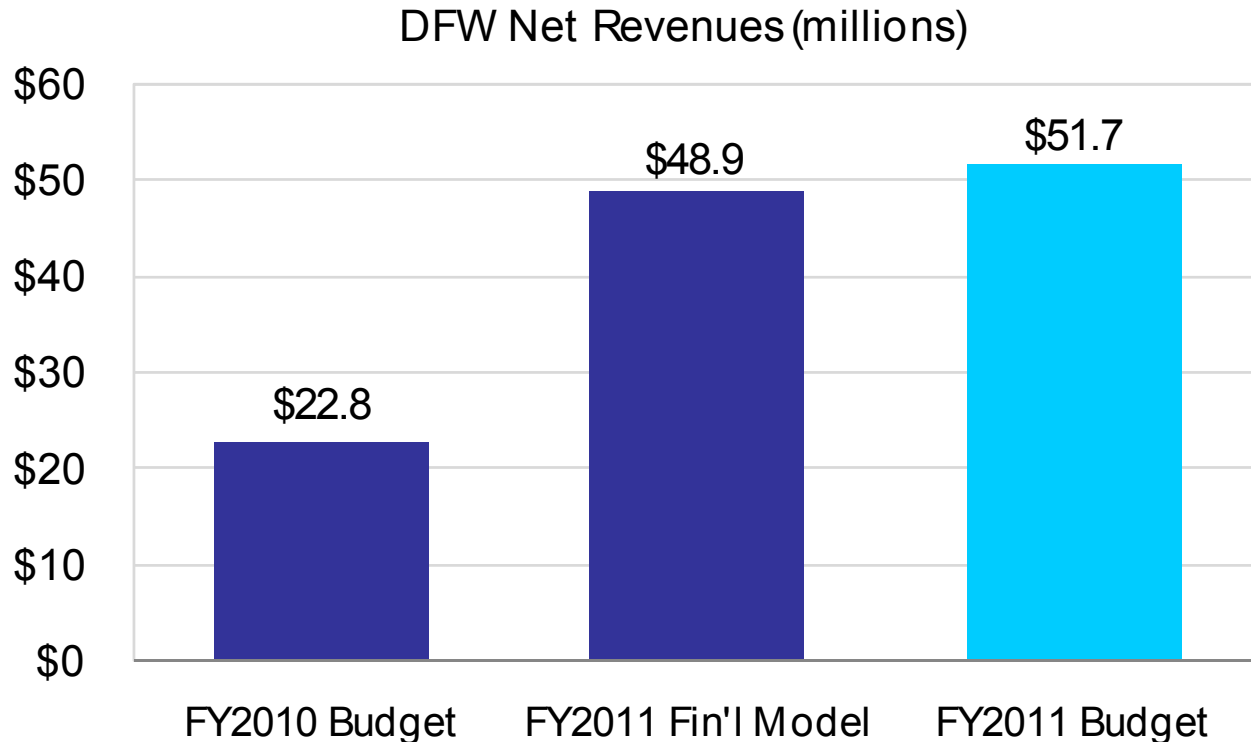
## Key Airport Metric: Containment of Airline Cost at DFW

DFW has reduced or held airline cost flat since the opening of Terminal D in FY 2006, offsetting about \$100 million of other cost increases. The FY 2011 Budget is \$8 million lower than the FY 2010 Budget, but \$4 million higher than FY 2010 Outlook, primarily due to new security requirements and a new fire station.



## Key Airport Metric - Net Revenues from DFW Cost Center

The new Use Agreement allows DFW to retain all net revenues from the DFW Cost Center in its discretionary capital account. This represents a significant increase from the prior Use Agreement model. DFW will use these funds for renewal and replacement projects.



## FY 2011 Budget Comparison - Non Airline Revenues

Non-airline revenues are budgeted to be \$15.5 million higher in FY 2011 than the FY 2010 Budget primarily due to a parking rate increase of \$2 for terminal parking (without a toll tag) and \$1 for terminal parking (with toll tag).

| DFW Revenues (millions)         | FY 2009        | FY 2010        | FY 2010        | FY 2011        | Inc (Dec) from |              |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
|                                 | Actual         | Budget         | Outlook        | Budget         | 10 B           | 10 OL        |
| <b>Revenue Management</b>       |                |                |                |                |                |              |
| Parking                         | \$92.7         | \$89.4         | \$95.2         | \$100.5        | \$11.1         | \$5.3        |
| Concessions                     | 47.8           | 45.9           | 47.4           | 46.9           | 1.0            | (0.5)        |
| Rental Car Facility             | 25.7           | 27.1           | 25.4           | 25.6           | (1.5)          | 0.2          |
| Commercial Development          | 29.5           | 27.7           | 28.3           | 29.6           | 1.9            | 1.3          |
| <b>Total Revenue Management</b> | <b>195.7</b>   | <b>190.1</b>   | <b>196.3</b>   | <b>202.6</b>   | <b>12.5</b>    | <b>6.3</b>   |
| Other DFW Revenues              | 33.9           | 31.4           | 31.3           | 34.4           | 3.0            | 3.1          |
| <b>Total DFW Revenues</b>       | <b>\$229.6</b> | <b>\$221.5</b> | <b>\$227.6</b> | <b>\$237.0</b> | <b>\$15.5</b>  | <b>\$9.4</b> |

## Operating Revenue and Expense Fund Budget

Operating expenses are 1% higher than budget due to a new fire station and enhanced security (\$3.7M), higher pension contributions (\$3.1M), increased health care costs (\$2.2M), offset by savings in other areas.

|                                  | FY 2010 | FY 2011 | Inc      | %       |
|----------------------------------|---------|---------|----------|---------|
| Operating Budget (in millions)   | Budget  | Budget  | (Dec)    | Change  |
| Operating Expenses               | \$332.0 | \$335.2 | \$3.2    | 1.0%    |
| Increase in Ops Reserve          | (3.5)   | 0.7     | 4.2      | n/a     |
| Debt Service                     | 261.1   | 228.4   | (32.7)   | (12.5%) |
| Total in Rate Base               | \$589.6 | \$564.3 | (\$25.3) | (4.3%)  |
| Contingency outside of rate base | \$2.5   | \$5.0   | \$2.5    | 100.0%  |
| Total                            | \$592.1 | \$569.3 | (\$22.8) | (3.9%)  |

## FY 2011 Budget

### Walkforward

| Expense Budget Walkforward (millions)    | Ops<br>Exps   | Ops<br>Reserve | Debt<br>Service | Total<br>Budget |
|--|---------------|----------------|-----------------|-----------------|
| FY 2010 Budget                           | \$332.0       | (\$3.5)        | \$261.1         | \$589.6         |
| Major Cost Increases                     |               |                |                 |                 |
| Debt Service increase                    | -             | -              | 19.5            | 19.5            |
| Operating Reserve increase               | -             | 3.9            | -               | 3.9             |
| Pension Plan & OPEB contributions        | 3.1           | -              | -               | 3.1             |
| Health Care                              | 2.3           | -              | -               | 2.3             |
| Contract increases                       | 2.9           | -              | -               | 2.9             |
| Enhanced Security for TSA mandates       | 2.8           | -              | -               | 2.8             |
| Merit pool (2.5%), effective January     | 1.4           | -              | -               | 1.4             |
| Fire Station #6, opens March             | 0.9           | -              | -               | 0.9             |
| Fill vacant positions                    | 0.7           | -              | -               | 0.7             |
| <b>Total Cost Increases</b>              | <b>14.1</b>   | <b>3.9</b>     | <b>19.5</b>     | <b>37.5</b>     |
| Major Cost Reductions                    |               |                |                 |                 |
| Switch to Rolling Coverage               | -             | -              | (52.2)          | (52.2)          |
| Asset Mgmt and ITS contracts             | (6.7)         | -              | -               | (6.7)           |
| Utilities/fuel contracts reductions      | (3.0)         | -              | -               | (3.0)           |
| Bad Debt                                 | (1.0)         | -              | -               | (1.0)           |
| <b>Total Budget Reductions</b>           | <b>(10.7)</b> | <b>0.0</b>     | <b>(52.2)</b>   | <b>(62.9)</b>   |
| <b>Net Increase (Decrease) in Budget</b> | <b>3.4</b>    | <b>3.9</b>     | <b>(32.7)</b>   | <b>(25.4)</b>   |
| FY 2011 Budget                           | \$335.4       | \$0.4          | \$228.4         | \$564.3         |

## Summary of All Presentations

- New Use Agreement establishes a win-win relationship with airlines for next ten years
  - Include approval of the Terminal Renewal and Improvement Program (TRIP) plus other major capital programs
- Approximately \$4.8 billion of debt transactions over next five years.
  - \$2.2+ billion of “new money” bonds to fund TRIP and other capital projects
  - \$2.6 billion for refinancing
- Request approval of Master Bond Ordinance and the 44<sup>th</sup>, 45<sup>th</sup> and 46<sup>th</sup> Bond Issuances
- Request approval of \$569.3 million FY 2011 Budget

# DFW International Airport

## Presentation to Dallas City Council

- \* New Use Agreement
- \* Terminal Renewal and Improvement Program
- \* Master Bond Ordinance and Supplemental Bond Issuances
- \* FY 2011 Budget

September 14/15, 2010

# Memorandum



DATE September 9, 2010

TO Members of the Budget, Finance & Audit Committee:  
Jerry R. Allen, Chair, Ann Margolin, Vice-Chair, Vonciel Jones Hill, Delia D. Jasso, Ron Natinsky, David A. Neumann

SUBJECT FY 2008 - 09 End of Year Report

The subject agenda item on the Budget, Finance & Audit Committee's September 14, 2010, agenda is not included in your packet. This item will be included on the September 27, 2010 agenda.

Please contact me if you need additional information.



Jeanne Chipperfield  
Chief Financial Officer

C: Honorable Mayor & Members of the City Council  
Mary K. Suhm, City Manager  
Deborah A. Watkins, City Secretary  
Tom P. Perkins, City Attorney  
Craig D. Kinton, City Auditor  
Ryan S. Evans, First Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager

# Memorandum



DATE September 10, 2010

TO Members of the Budget, Finance & Audit Committee:  
Jerry R. Allen, Chair, Ann Margolin, Vice-Chair, Vonciel Jones Hill,  
Delia D. Jasso, Ron Natinsky, David A. Neumann


SUBJECT Excess Workers' Compensation Insurance

The September 22, 2010 Council Agenda includes an item to award a thirty-six month excess workers' compensation insurance policy to McGriff, Seibels & Williams of Texas in a not-to-exceed amount of \$1,215,000 for the period 10/1/2010-2013.

The City pays the initial \$750,000 for each workers' compensation claim. The City purchases excess workers' compensation insurance for catastrophic claims exceeding \$750,000. Through a Request for Competitive Sealed Proposal (RFCSP) process, McGriff, Seibels & Williams of Texas was selected as the most responsive vendor to provide the City with excess coverage.

The recommended insurance policy is a three-year guaranteed premium. Additionally, there is no increase in premium and no changes in limits, coverage or deductibles as compared to the expiring policy.

Please let me know if you need additional information.



Mary K. Suhm  
City Manager

C: Honorable Mayor & Members of the City Council  
Deborah A. Watkins, City Secretary  
Tom P. Perkins, City Attorney  
Craig D. Kinton, City Auditor  
Ryan S. Evans, First Assistant City Manager  
A. C. Gonzalez, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer