DFW

DALLAS/FORT WORTH
INTERNATIONAL AIRPORT

FY2008 ADOPTED BUDGET

Finance Department

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Dallas/Fort Worth International Airport

FY 2008 Adopted Budget

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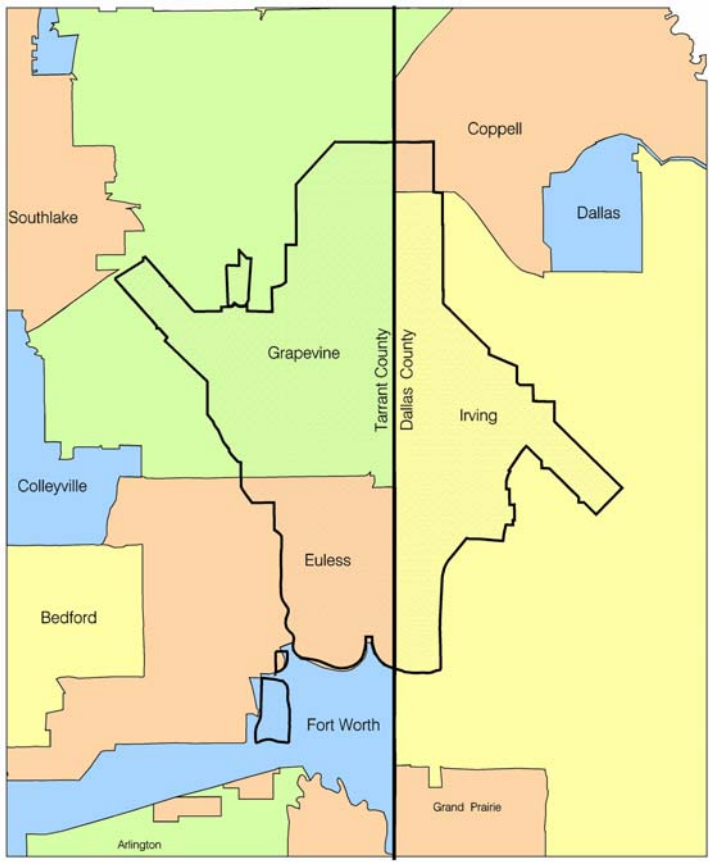
Dallas/Fort Worth
International Airport Board

Mission Statement
DFW shall be the Airport of Choice
by creating a positive, competitive, and safe environment
that exceeds our customers' expectations,
thereby expanding economic benefits for
Dallas, Fort Worth, and the Region.

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 of Dallas and Fort Worth within the boundaries of the Cities of Grapevine, Coppell, Irving, and Euless.



Source: DFW Airport Information Technology Services/GIS Group

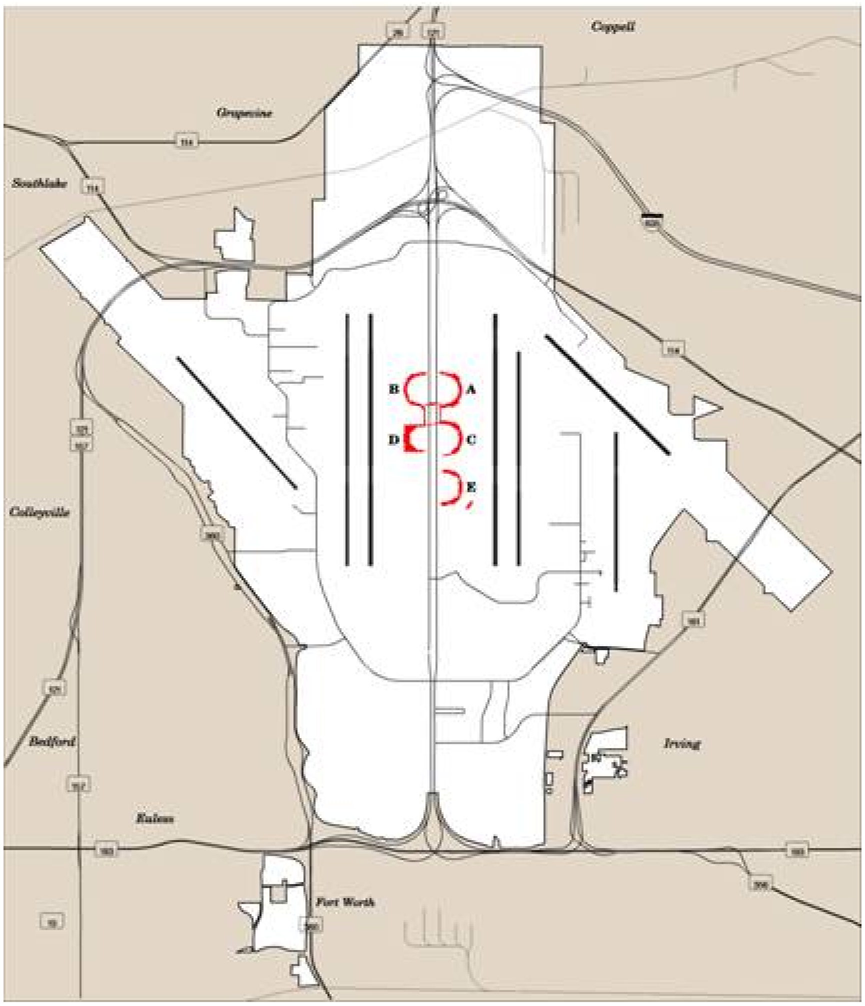
DFW is located within a four-hour flight time of 95 percent of the U.S. population and currently ranks third among the world's busiest airports in terms of operations. Its central location is the focal point of one of the nation's largest intermodal hubs, connecting air, rail, and interstate highway systems. DFW currently operates daily flights to more than 171 cities worldwide, including 135 nonstop domestic destinations and 36 nonstop international destinations. DFW has continued to grow its air cargo segment. In March, 2006, DFW was named "Best Cargo Airport in the World" by industry-leading publication, Air Cargo World.

The Airport recently received top honors from Airports Council International and J. D. Power and Associates. DFW was voted "Best Airport in the Americas" for Customer Service in the Airports Council International Survey 2006. DFW also ranked highest in customer satisfaction for large airports in the J.D. Power and Associates 2007 North America Airport Satisfaction Study.

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.

DFW Infrastructure



DFW operates five terminals (A, B, C, D and E) totaling 4.7 million square feet of building space and 159 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 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 29 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, American Airlines (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

In July 2006, after discussions, the City of Dallas, the City of Fort Worth, Southwest Airlines, American Airlines, and DFW International Airport signed a contract, the provisions of which were ultimately enacted into law by Congress in October 2006. The key provisions of the new law are:

- Immediately allow airlines servicing Dallas Love Field to offer "through-ticketing" to destinations within the fifty United States.
- Eliminate all remaining restrictions on service from Love Field after eight years from the enactment of legislation.
- Limit international commercial passenger service exclusively to DFW.
- Reduce the number of gates available for scheduled passenger air service at Love Field from 32 gates to 20 gates.

The resolution of the Wright Amendment matter is positive from DFW's perspective because it provides certainty regarding Love Field and DFW; it reduces the chance that air carriers will move a large number of flights from DFW to Love Field; and it gives DFW and the air carriers serving it eight years to prepare for the lifting of all Wright Amendment restrictions.

In October 2006, Chesapeake Energy Corporation paid DFW an initial non-refundable bonus of $185.6 million for the rights to drill for natural gas on the Airport. In addition, Chesapeake agreed to pay DFW 25% royalty on the sale of natural gas from the Airport. 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 Controlling Documents and Business Model

In addition to the Contract and Agreement between the Cities of Dallas and Fort Worth, 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.

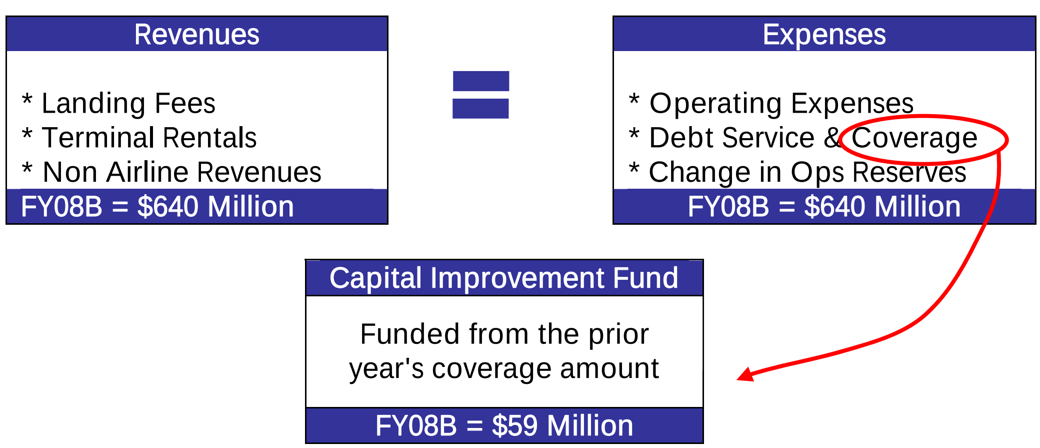
The Controlling Documents require that Gross Revenues of the Airport be deposited into the 102 Revenue and Expense Fund. Gross Revenues are defined as all Airport revenues and receipts except:

- 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 3 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 Capital Improvement Fund.

The DFW residual model is shown in the following chart. The Revenues and Expense 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 any incremental amount sufficient to maintain a 90 day Operating Reserve.

Next, management calculates ancillary non-airline revenues (e.g., parking, concessions, and ground leases) and non-operating revenues (e.g., interest income, Passenger Facility Charges - PFCs). These projected expenditures and revenues are then accumulated into "cost centers" to calculate the required airline revenues (primarily terminal and landing fees) that must be collected during the year so that total revenues equal total expenditures.

102 Ops Rev & Expense Fund

Total Expenses		Non-Airline Revs		Terminal Fees		Landing Fees
* Ops expenses * Maintenance * Airport Services * Ops reserves (25%) * Debt service * Coverage (25%)	minus	Operating Revenues * Parking * Rental Car * Ground rents Other Revenues * CIF Transfers * PFCs	minus	* Terminal A * Terminal B * Terminal C * Terminal D * Terminal E * HVAC/FIS/Turn Fees - Concessions Revs	equals	<u>Net Expenses</u> Landed Weights FY08 Rate $4.37
FY08B = $640M		FY08B = $416M		FY08B = $56M		FY08B = $168M
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 then uses this information to prepare an annual Forecast and a schedule of Rates, Fees, and Charges (approved by the Board) which is the basis for charging the airlines, tenants, and other airport users 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. FY 2006 numbers in this report are settlement amounts.

Capital Funds

DFW's Bond Ordinances require DFW to collect 25% of Aggregate Annual Debt Service for Debt 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 Capital Improvement Fund ("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 Airline Trust Account (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 Airport’s Discretionary Account (302 Fund) which may be used for any other lawful purpose. In certain instances, as defined by the Use Agreement, the Common Capital Improvement Account (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:

Fund Number	Fund Description	Primary Use
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, passenger facility charges, or through Capital Improvement Fund 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

The FY 2008 Expense Budget was compiled by the departments in April, and reviewed and modified by Executive Staff in May. A preview presentation was made to the Board of Directors on June 7th, with a more detailed presentation on June 22, 2007. A presentation was made to the signatory airlines on June 8, 2007. Approval is scheduled for June 22, 2007.

The Controlling Documents require that the Airport's Budget be submitted to the City Managers of Dallas and Fort Worth by July 15th each year and considered for approval by the City Councils by September 1st each year. For the FY 2009 Budget, DFW is requesting that the submission and approval dates be revised to August 15th and September 30th, respectively. The original bond ordinance included a maintenance tax provision that would be levied on the citizens of Dallas and Fort Worth if DFW was unable to fund all of its operating expenses. In order for the Cities to incorporate this potential tax provision in their annual budgets, a July 15th submission deadline was established for DFW's annual operating budget. This tax levy was never enacted. In 2000, the maintenance tax provision was eliminated in the 30th Supplemental Bond Ordinance. The proposed revision to the submission and approval dates will allow for a more accurate budget in the future. DFW's fiscal year begins October 1st.

Presentation of Amounts & Comparisons to Prior Years

The FY 2008 Budget is presented in tables and charts that are rounded to millions and thousands. The detail supporting the tables and charts are not rounded. Therefore, some columns and charts may not add-up due to rounding difference.

Certain FY 2007 and FY 2006 amounts have been reclassified to reflect the FY 2008 presentation and/or to adjust for newly revised industry benchmarks. For example, DFW has modified its calculation of "airline costs" to adopt the new Airport Council International (ACI) definition which includes landing fees, terminal rentals, FIS charges, turn fees, HVAC, and aircraft parking. In FY 2007, DFW only included landing fees and terminal rentals. This revision to the calculation increases cost per enplanement (CPE) by approximately 50 cents. The FY 2008 CPE has been reduced to $7.18, down 6.4% from the FY 2007 Budget of $7.67.

FY 2007 Revenue Outlook

In February 2007, DFW updated its revenue projection for the remainder of FY 2007. The "FY 2007 Outlook" reflects a $25.3 million increase in revenue (from $619 million to $644 million) and is included in many revenue tables to provide the most accurate comparisons to the FY 2008 Budget. The revenue increase resulted primarily from favorable parking and concession revenues compared to budget.

Executive Overview

Introduction

The Dallas/Fort Worth International Airport (DFW) has successfully managed the troubled waters of the airline/airport industry for the past six years and it appears that FY 2008 will continue to present similar challenges. Although passengers and landed weights are projected to decrease slightly in FY 2008, management is very pleased that it has been able to keep the net cost of the Airport to the Airlines at the same level as FY 2007. This has been accomplished by aggressively growing non-airline revenues and limiting the growth of expenses.

Management projects that aircraft operations, landed weights and passengers will decrease 1.6%, 1.8%, and 1.5%, respectively in FY 2008 as compared to FY 2007 Budget. In addition to the decrease in operations, landing fees are projected to decrease because American Airlines (AA) plans to terminate some of its Boeing 777 aircraft leases and replace them with smaller planes. Passengers are projected to decrease due to a softening of the travel market beginning this summer. The business outlook for the next 12 to 18 months is somewhat cautious due primarily to high fuel costs and AA's upcoming pilot labor negotiations, but once negotiations are complete, management expects AA to begin to grow their business at their primary domestic hub, DFW; especially if DFW can provide a low cost structure.

While management is guarded regarding core aviation activity for the next 18 months, it is aggressively pursuing non-airline revenues as evidenced by FY 2008 non-airline revenues increasing $37.9 million (10%) over the FY 2007 Budget and $16.2 million (4%) over FY 2007 Outlook due to growth in parking, concessions, commercial development, and rental car facility (RAC).

The FY 2008 Expense Budget is $640.2 million, a $21.6 million (3.5%) increase from the FY 2007 Budget of $618.7 million. The $21.6 million increase is due primarily to fixed increases in contracts, salary annualization, Other Post Employment Benefits (OPEB), health care, operating reserves, and debt service.

Budget Objectives

Recognizing that the core business would be down slightly in FY 2008, management established the following FY 2008 Budget Objectives before the process began:

- Minimize increases to Airline costs
  - Provide a signatory landing fee at or below the current rate (FY 2007 Budget) of $4.44 per thousand pounds of landed weight, despite a 1.8% decrease in projected landed weights from FY 2007 Budget.
  - Provide a cost per enplanement that was at or below $7.67 (FY 2007 Budget) despite a 1.5% decrease in projected enplanements from the FY 2007 Budget.

To achieve these goals, management focused its efforts on:

- Maximizing non-airline revenue opportunities, including continuation of the 777 program
- Continuing to drive efficiencies without sacrificing quality, safety or security
- Implementing new budget techniques to avoid large year-end expense settlement
  - Base budgets on FY 2007 run rates rather than FY 2007 Budget
  - Reduce the CEO contingency to 2% of the budget

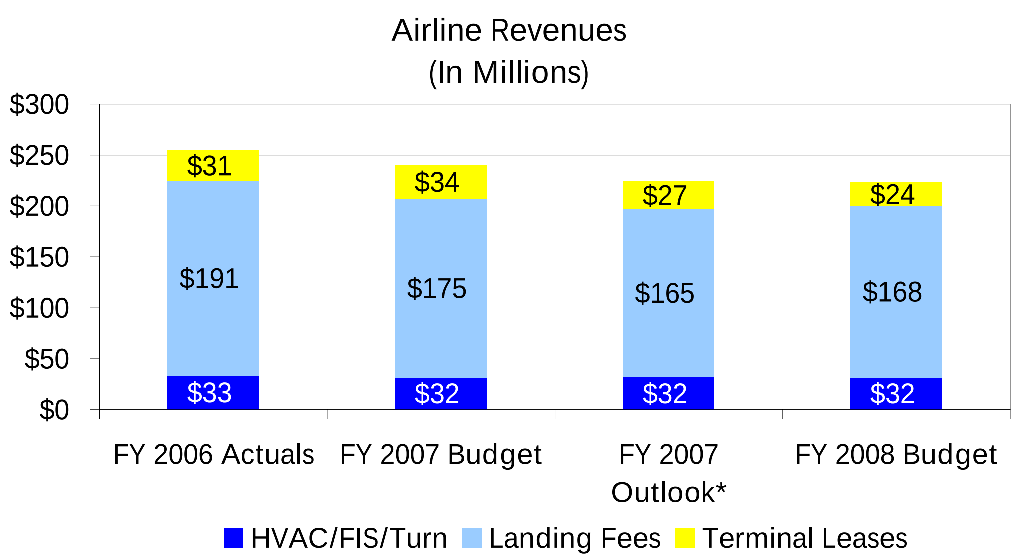
- o Utilize a portion of remaining contingency for one-time strategic initiatives
- o Increase vacancy and health insurance off-sets

FY 2008 Budget Summary

FY 2008 Operating Revenue and Expense Fund Budget (In Millions)	FY2007 Budget	FY2008 Budget	Inc (Dec) Dollar	Inc (Dec) Percent
Total Expense Budget	$618.7	$640.2	$21.6	3.5%
Less Non-Airline Revenues	378.5	416.4	37.9	10.0%
Amount Paid by Airlines	$240.2	$223.8	($16.4)	(6.8%)
Cost Per Enplanement	$7.67	$7.18	($0.49)	(6.4%)
Landing Fee Rate	$4.44	$4.37	($0.07)	(1.6%)
Percent Paid by Airlines	38.8%	35.0%		(10.0%)

Distribution of Airline Revenues

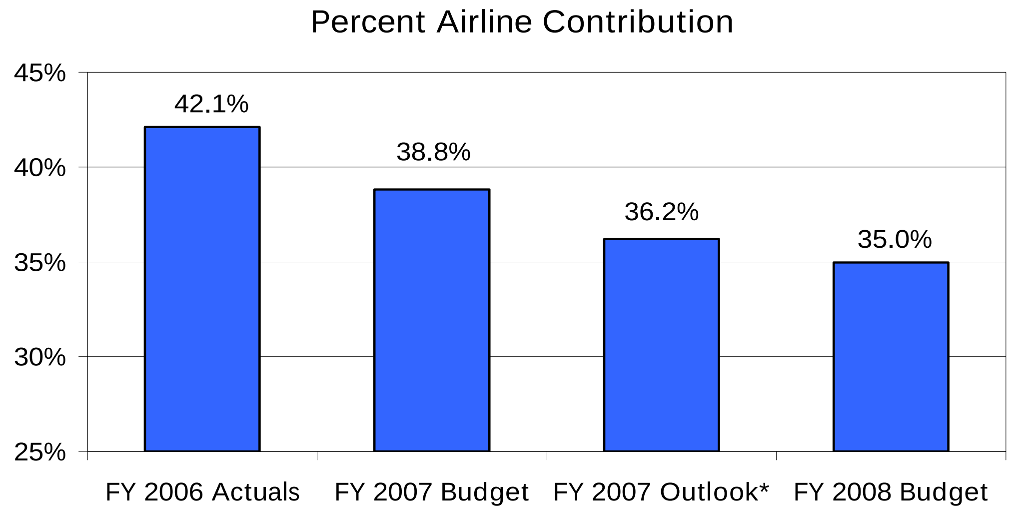
The following chart highlights the distribution of the airline revenues by revenue category and shows that Airline costs will remain constant in FY 2008 as compared to the FY 2007 Outlook when adjusted for two one-time items (see note). The chart shows that terminal rentals are decreasing because of lower terminal costs and higher concessions revenues (which are credited against terminal costs for rate setting); and an increase in landing fees due to slightly higher costs in that cost center. This can be further seen in the other charts that follow.



* The FY 2007 Revenue Outlook reflects two significant areas of one-time revenues totaling $5.6 million which will not occur in FY 2008. The first is a one-time $3.6 million reduction in the bad-debt provision primarily the result of Delta coming out of bankruptcy and improved concessions collections. The second is a one-time payment of $2.0 million

related to the lease of the Sekin building. These one-time amounts have been omitted from the FY 2007 Outlook for comparison purposes because they are not recurring business.

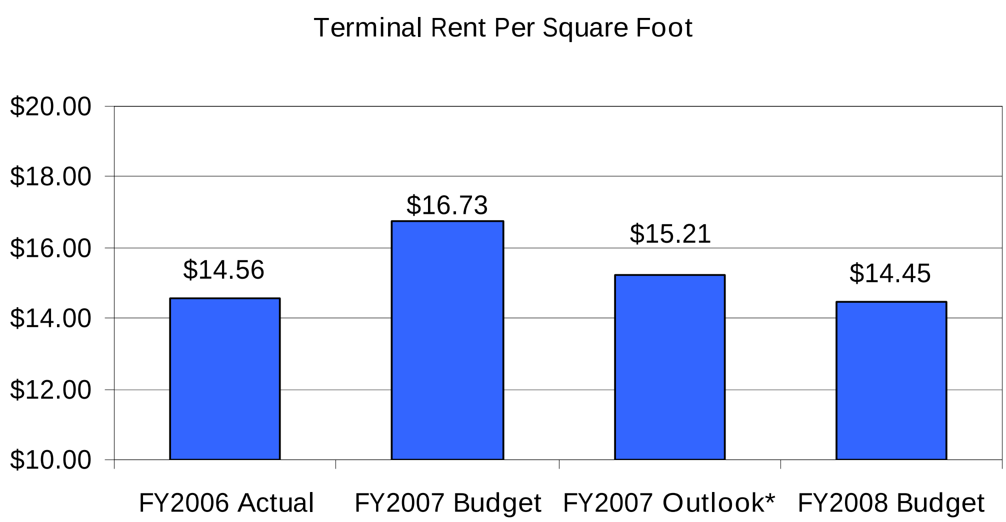
The following chart shows that the total share of the Airport cost paid by the Airlines for FY 2008 is 35% which is a $16.4 million (6.8%) decrease from the FY 2007 Budget and is consistent with the FY 2007 Outlook when one time savings are omitted (see note). Airline costs include charges for as landing fees, terminal rents, HVAC, FIS charges, turn fees and aircraft parking.



* Omits two one-time revenues totaling $5.6 million which will not occur in FY 2008.

Terminal Rentals

The average terminal rental rate will decrease to the FY 2006 levels due to lower terminal costs and higher concession revenues. Terminal rental rates have also been favorably impacted by DFW's pursuit of reimbursement of utility and custodial costs from the TSA related to security check points. (Note terminal rentals vary significantly by terminal.)



* Omits two one-time revenues totaling $5.6 million which will not occur in FY 2008.

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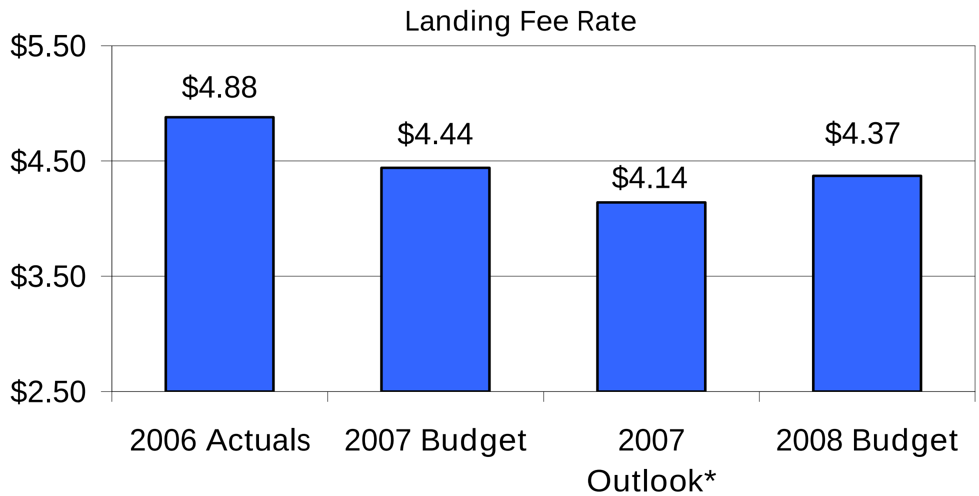
Landing Fee

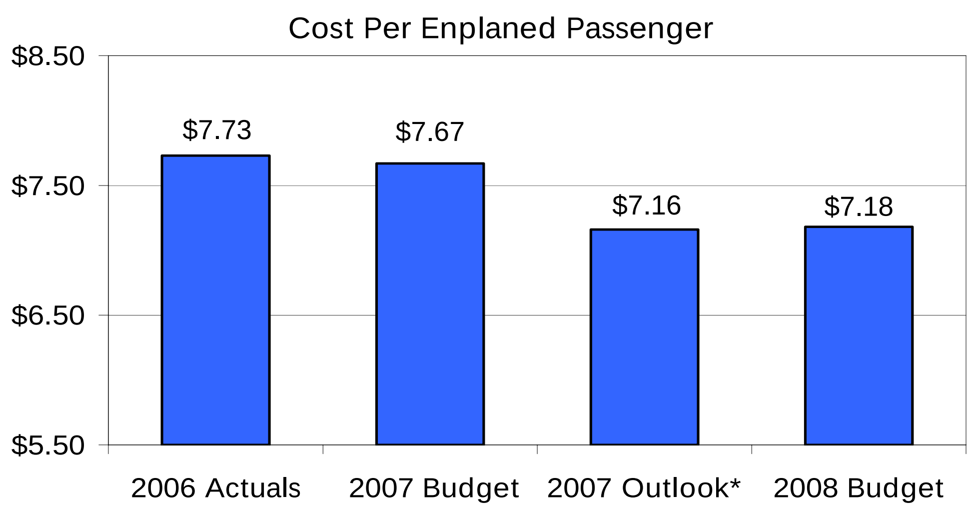
The landing fee is assessed per 1,000 pounds of maximum approved landed weight for each specific aircraft as certified by the Federal Aviation Administration (FAA). The preliminary landing fee projection for FY 2008 is $4.37, $0.07 (1.6%) less than the FY 2007 Budget of $4.44 primarily due to the projected 1.8% reduction of landing weights in FY 2008 which negatively impacts the landing fee by $0.08.



* Omits two one-time revenues totaling $5.6 million which will not occur in FY 2008.

Cost Per Enplanement (CPE)

Cost per enplaned passenger 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. Cost per enplanement is up $0.02 (0.3%) in FY 2008 compared to the FY 2007 Outlook primarily due to the projected decrease in enplanements from Outlook (1.2%) .

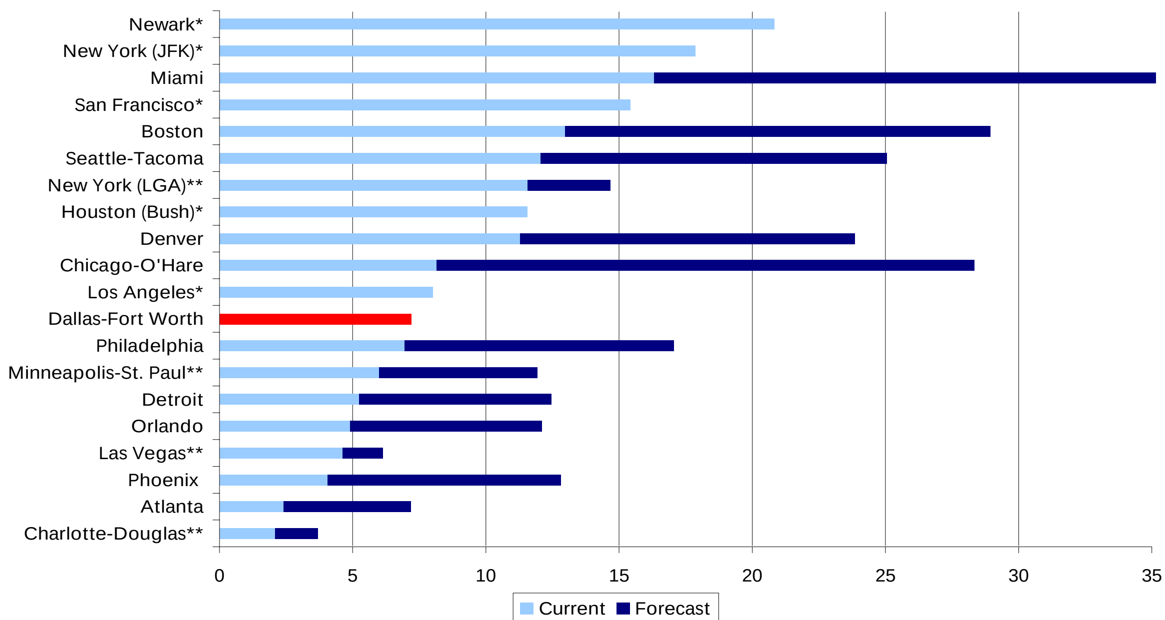


* Omits two one-time revenues totaling $5.6 million which will not occur in FY 2008.

Cost Per Enplanement Benchmark Against Other Airports

The following chart highlights DFW's FY 2007 Cost per Enplaned Passenger projection with the twenty largest U.S. airports before (light blue) and after (dark blue) the completion of their CDP capital expansion programs. The information on the following table has been obtained from the consulting firm of Jacobs Consulting (formally Leigh Fisher). This chart shows that DFW is currently very well positioned from a cost standpoint, and will be even more competitive as other Airports complete their CDP over the coming years and DFW can use its natural gas revenues to fund its capital program and potentially retire debt early to drive down its CPE.

Cost per Enplaned Passenger Comparison - DFW FY2008 = $7.18



Source: Jacobs Consulting
*Forecasted amounts not available
**Forecasted amounts lower than current levels

FY 2008 Operational Outlook

Operational Performance Indicators

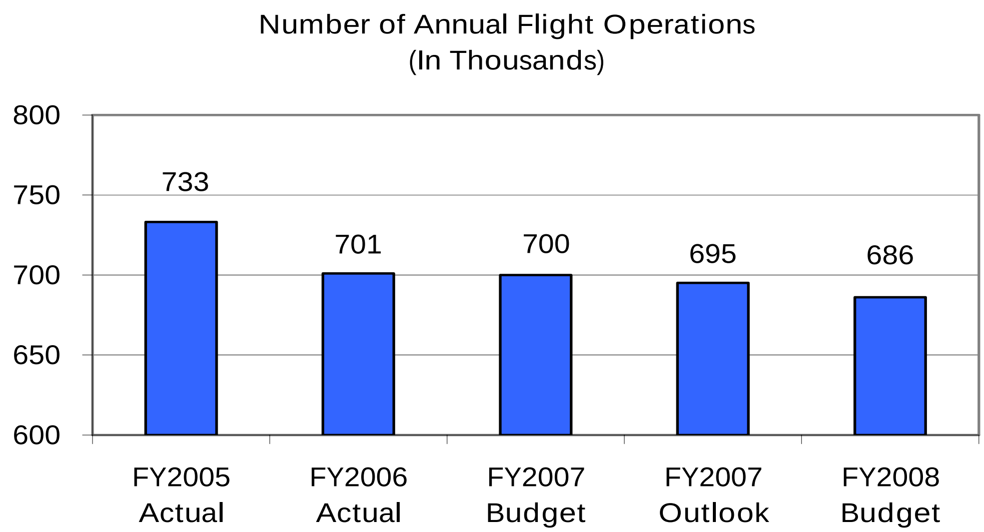
The Airport's Key Operational Performance Indicators are:

- Operations – which drives landed weights and landing fee revenues
- Landed weight – which drives landing fee revenues
- Passengers - which drives parking, concessions, rental car revenues, and international (FIS) fees

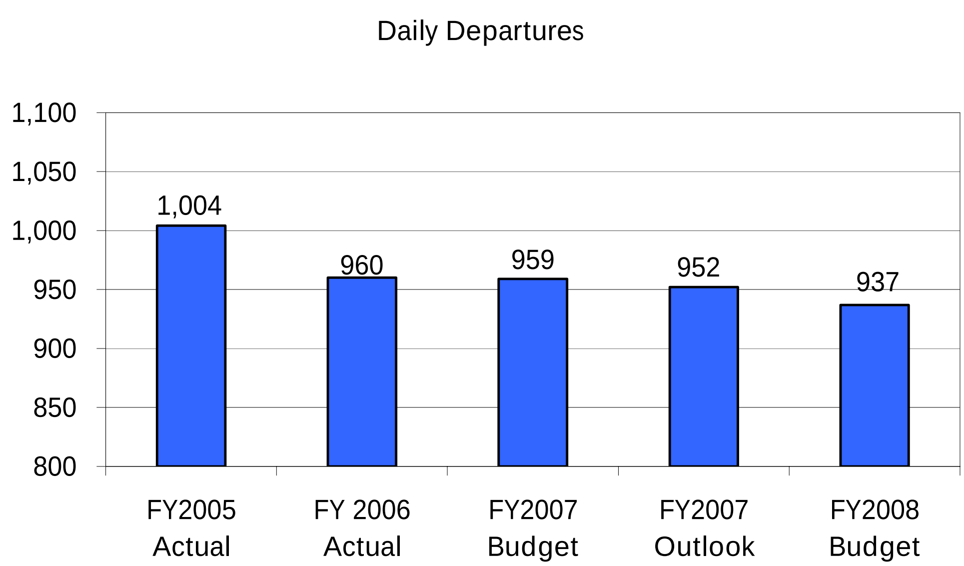
The FY 2008 Budget for these key indicators is prepared by the Air Services Development Department and is based on announced service changes and projected changes resulting from discussions with the major Airlines serving DFW.

Operations

The reduction between FY 2005 and FY 2006 was due to the Delta pull down and AA reducing flights due to fuel prices. Operations in FY 2008 are expected to decrease 1.6% from the FY 2007 Budget due to reductions in flights at various airlines (such as AirTran) and a minor reduction in main-line service at AA (due to certain international flights).



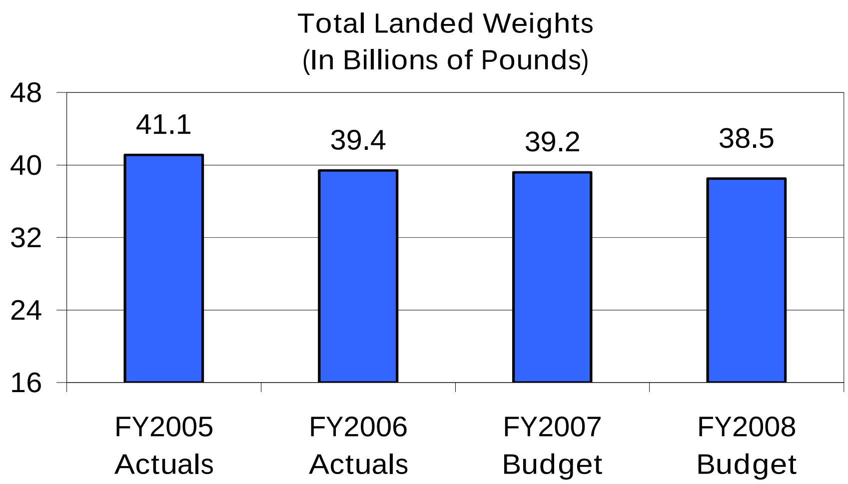
Operations can also be viewed on an average daily basis as shown in the following chart.



Landed Weights

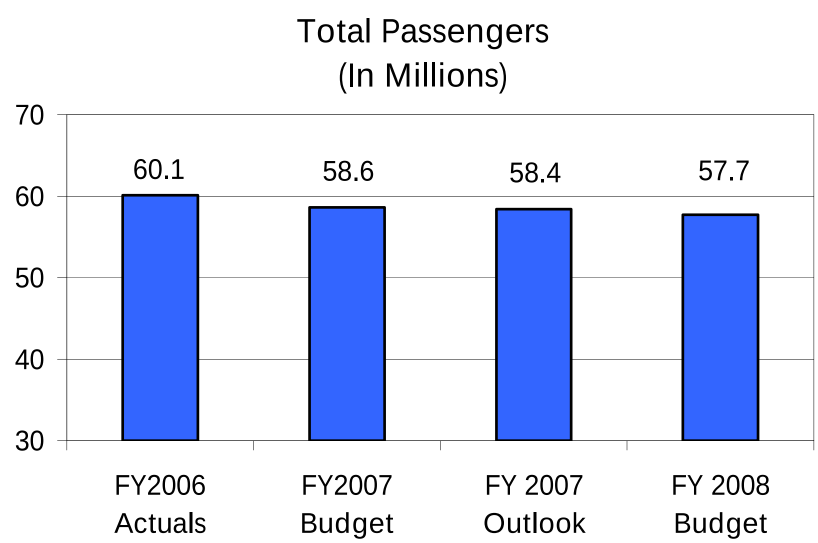
The following chart highlights landed weights from the FY 2005 through FY 2008 Budget. Landed weights are projected to decrease 1.8% to 38.5 billion pounds in FY 2008, a 0.7 billion pound decrease from the FY 2007 Budget. Signatory Airlines represent 99.1% of the total landed weights or 38.5 billion pounds for FY 2008 with non-signatory permittee at 0.4 billion pounds and non-permittee at 0.08 billion pounds.

Landed weights from passenger airlines are expected to decrease by 1.8 % from the FY 2007 Budget, primarily the result of AA's decision to reduce its fleet and retire some of its larger airplanes (777 aircraft). Landed weights for cargo airlines are expected to increase by 2.6% primarily due to the growth of Asian freighters.



Passengers

Total passengers are projected to decrease to 57.7 million in FY 2008, a $0.7 million (1.2%) decrease over the FY 2007 Outlook, due to expected softening in the travel marketing FY 2008.



102 Revenue and Expense Fund Overview

Revenues

The FY 2008 102 Fund Revenue Budget is $640.2 million, a $21.6 million (3.5%) increase from the FY 2007 Budget of $618.7 million.

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 2008 Expense Budget is $640.2 million, a $21.6 million (3.5%) increase from the FY 2007 Budget of $618.7 million. The following tables summarize the FY 2008 Budget and a walk-forward from the FY 2007 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)

	FY 2006 Actual	FY 2007 Budget	FY 2008 Budget	Inc (Dec)
Operating Expenditures	$314.0	$322.0	$335.8	$13.7
Net Debt Service	273.8	297.0	301.0	4.0
Operating Reserves	$17.2	-$0.3	3.4	3.8
Total Budget	**$605.0**	**$618.7**	**$640.2**	**$21.6**

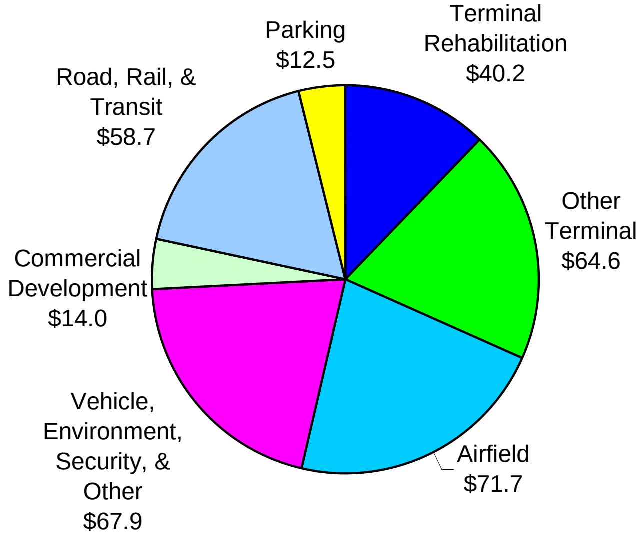
Budget Walkforward

Ref		Millions
	FY07 Budget as Approved	$618.7
A	Budget Savings/Reductions	(8.5)
	Total Budget Reductions	**($8.5)**
	Add - Major Cost Drivers	
B	Cost Annualization/Fixed Increases	$10.5
C	Debt Service	4.0
D	Operating Reserve	3.8
E	FY 2008 Merit Pool (4%, effective 1/1)	3.5
F	OPEB & Retirement Plans	2.0
G	Facility Assessments & Energy Audits	1.8
H	Life, Health & Disability Increases, net	1.1
I	Planning Initiatives	0.4
J	New Positions	0.7
	Total Major Cost Drivers	**$27.8**
	Other, Net	2.2
	FY07 Proposed Budget	**$640.2**

FY 2008 Capital Sources and Uses of Cash

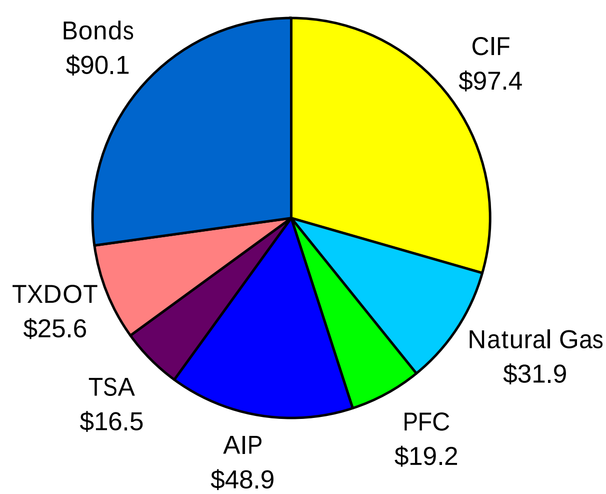
Total capital expenditures for FY 2008 are forecasted at $329.7 million on a cash flow basis. The major projects included in the FY 2008 Capital Budget include the Terminal Renovation Program which includes a recently approved $45 million program for terminal rehabilitation, an Airport Development Plan (ADP) update, Southeast Perimeter Taxiway, TXDOT roadway connector (north end of Airport) and Terminal A ATSAC baggage system upgrade. See the Capital Budget section of the book for a detailed list of projects.

FY 2008 Projected Capital Expenditures
$329.7 Million



The following chart highlights the projected sources of cash for capital expenditures in FY 2008.

FY 2008 Capital Sources of Cash
$329.7 Million



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Capital Funds Available

The following table highlights capital funds available at the end of FY 2008 by funding source. More detailed discussions of these sources and uses of funds can be found in the Capital Budget Section of this report.

Airport Capital Funds Walkforward
(In Millions)

	CIF			Bonds		
	301	301NG	302	JRB	316	Total
Beginning Balance	$ 27.3	$ 153.8	$ 55.5	$ 112.9	$ 118.1	$ 467.6
Sources of Funds:						-
CIF Settlement	29.4	-	8.5	-	-	37.9
Interest Income	1.9	7.8	3.0	3.4	5.9	22.0
AIP Reimbursements	13.1		32.5	3.3	-	48.9
PFC Reimbursements	-		10.8	3.0	5.4	19.2
TSA Reimbursements	-		-	0.4	16.2	16.5
TXDOT Right-of-Way Sale (1)	-		44.3	3.2	-	47.5
TXDOT Payout (2)	-		(10.0)			(10.0)
777 Program		(14.0)	7.0	-		(7.0)
Terminal Rehab Transfer (3)		(45.0)	45.0			-
Natural Gas Royalties		30.0		-		30.0
Less: Capital Uses	(64.7)	(31.9)	(111.6)	(91.3)	(30.1)	(329.7)
Less: Debt Service (4)	-		-	-	(115.4)	(115.4)
Ending Cash Balance	**$7.0**	**$100.7**	**$85.1**	**$34.8**	**$0.0**	**$227.7**

(1) Estimated $44.3M sale proceeds from TXDOT for DFW Right-of-Way (Connector Rds).
(2) $10M payback to TXDOT to construct frontage road west of 121 on behalf of DFW.
(3) $45M cash transfer from 301NG to 302 to fund Terminal Rehabilitation Program.
(4) FY 2008 and future.

Operating Revenue and Expense Budget

Revenues

The following table highlights revenue by category and revenue summary account. FY 2008 Revenue Budget is $640.2 million, a $21.6 million (3.5%) increase over the FY 2007 Outlook, which is Management's most recent projection of FY 2007 results. Variances between the Outlook and the FY 2008 Budget are explained on the following pages.

102 Fund Revenues (In Millions)

	FY 2006 Actuals	FY 2007 Budget	FY 2007 Outlook*	FY 2008 Budget	Inc (Dec) Outlook Dollar	Inc (Dec) Outlook Percent
Airline Revenue						
Landing Fees	$190.9	$175.0	$163.3	$168.3	$5.0	3.1%
Terminal Leases	30.5	33.6	29.1	23.7	(5.4)	(18.5%)
Other Airline Revenue	33.4	31.5	31.6	31.8	0.2	0.5%
Total Airline Revenue	**$254.8**	**$240.2**	**$224.0**	**$223.8**	**($0.2)**	**(0.1%)**
Non-Airline Operating Revenue						
Parking	$90.8	$97.1	$102.9	$107.8	$4.9	4.8%
Concessions	40.8	39.8	45.9	47.4	1.5	3.3%
Rental Car Facility	27.2	27.4	29.2	31.0	1.8	6.3%
Commerical Development	19.4	19.5	21.0	24.8	3.8	18.3%
General Aviation and Fuel Farm	7.9	7.7	7.3	8.3	1.0	13.5%
Employee Transportation	7.6	7.4	7.3	8.5	1.2	15.8%
Taxi, Limo & Shuttle Fees	5.3	6.1	6.3	6.7	0.4	6.0%
Utilities	4.4	4.9	4.4	5.7	1.3	30.6%
Other Revenue	11.1	9.9	8.5	10.8	2.4	28.0%
Total Non-Airline Ops Revenue	**$214.6**	**$219.9**	**$232.8**	**$251.2**	**$18.4**	**7.9%**
Non Operating Revenue						
Passenger Facility Charges (PFCs)	$118.2	$119.1	$119.1	$119.9	0.8	0.7%
Interest Income	9.8	12.3	15.7	16.8	1.1	6.8%
Reimbursements from Other Funds	7.7	13.3	13.1	14.6	1.5	11.3%
777 Program	0.0	14.0	14.0	14.0	0.0	0.0%
Total Non Operating Revenue	**$135.7**	**$158.7**	**$161.9**	**$165.3**	**$3.4**	**2.1%**
Total Non-Airline Revenues	**$350.3**	**$378.5**	**$394.7**	**$416.4**	**$21.7**	**5.5%**
Total Revenue	**$605.1**	**$618.7**	**$618.7**	**$640.2**	**$21.6**	**3.5%**

*Adjusted for two one-time revenues totaling $5.6 million which will not occur in FY 2008.

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 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 2008 Landing Fees Budget is $168.3 million, a $5.0 million (3.1%) increase from the FY 2007 Outlook of $163.3 million primarily due to higher costs in the airfield cost center as described in the Expense Budget portion of this section. The signatory landing fee rate per thousand pounds will increases $0.23 (5.5%) from the FY 2007 Outlook of $4.14 to the FY 2008

Budget of $4.37 due to the higher airfield cost and lower landed weights (1.8% decrease from Outlook). The landing weight reduction caused $.08 of the $0.23 change.

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 2008 Terminal Lease Budget is $23.7 million, a $5.4 million (18.5%) decrease from the FY 2007 Outlook of $29.1 million primarily due to decreases in resource and supply costs related to the terminals and an increase in terminal concessions revenues.

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).

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: 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.

The FY 2008 Parking Revenue budget is $107.8 million, a $4.9 million (4.8%) increase from the FY 2007 Outlook of $102.9 million, primarily due to a shift of parking customers to the higher priced Terminal product through continued promotional programs, a new Valet service planned in FY 2008, and a full year of the Off-Airport Parking Privilege Fee.

Concessions

Concessions revenues consist primarily of in-terminal food, beverage, 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 2008 Concessions Budget is $47.4 million, a $1.5 million (3.3%) increase from the FY 2007 Outlook of $45.9 million, primarily due to reversing the one-time benefit of a favorable bad debt experience in FY 2007 Budget in which some amounts that had previously been written off were collected. In addition, increases in the communications and passenger services category contributed to the increase.

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. RAC base rent per acre is derived from the average Airport cost per acre (described in the Commercial Development section below). The FY 2008 RAC revenue budget is $31.0 million, a $1.8 million (6.3%) increase from the FY 2007 Outlook of $29.2 million, primarily due to an agreement with the rental car companies that all collections from the insurance loss waiver will be subject to percentage rent beginning in FY2008 and a higher ground rental rate.

Commercial Development

This category includes ground lease and percentage rent revenue generated from non-terminal Airport facilities and property. Multi-year lease agreements are negotiated with tenants, on a square foot or acre basis. Some facilities such as the Hyatt hotel and 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 2008 Commercial Development Budget is $24.8 million, a $3.8 million (18.3%) increase from the FY 2007 Outlook of $21.0 million primarily to due American Airlines renting Hanger #5 for $3 million annually and the increase in the ground acre rate. The Outlook has been adjusted to remove the one-time $2 million payment for the Sekin building in FY 2007. The Airport Services ground rental rate in FY 2008 is $23,896, a $1.4 million (6.3%) increase from the FY 2007 rate of $22,490.

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 2008 GA and Fuel Farm budget is $8.3 million, a $1.0 million (13.5%) increase from the FY 2007 Outlook primarily due to increases in projected GA flights and increased overhead attributed to the Fuel Farm.

Employee Transportation

DFW charges employees for the cost of providing transportation from the parking lots to the terminals. The FY 2008 employee transportation revenue budget is $8.5 million, a $1.2 million (15.8%) increase from the FY 2007 Outlook of $7.3 million because of the monthly fee to cover the increased cost in providing these services. Fees are increasing from $40 to $44 per non-flight crew employees and from $20 to $22 for flight crews.

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 2008 budget of $6.7 million is $0.4 million (6.0%) greater than the FY 2007 Outlook of $6.3 million primarily due to projected increases in taxi, limo and shuttle activity.

Utilities

The Utilities category represents fees charged to Airport users for trash removal and water usage. The FY 2008 Utilities revenue budget is $5.7 million, a $1.3 million (30.6%) increase from the FY 2007 Outlook of $4.4 million due primarily to Chesapeake purchasing water from the airport. In addition, sanitary sewer rates have increased from $1.95 to $2.25 per thousand gallons, which represents approximately $0.3 million in additional revenue.

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 ($4.3 million), DPS revenue which consists of fingerprinting, badging, training, EMS, and canine ($2.8 million), supplemental rent, 9.4C, and C-1 improvement rent ($1.9 million), miscellaneous permit fees ($0.9 million), miscellaneous fees which are primarily recycling revenue ($0.3 million), late payment fees ($0.2 million) and other fees ($0.4 million). The FY 2008 Budget for Other Revenue is $10.8 million, a $2.4 million (28.0%) increase from the FY 2007 Outlook, primarily due to TSA paying a full year of O&M costs in the terminals in FY2008, an increase in permit fees, and the removal of the one-time positive impact of reducing bad debt expense when Delta came out of bankruptcy.

Passenger Facility Charges (PFCs)

DFW collects $4.50 PFCs for each enplaned passenger passing through the Airport. DFW projects that it will receive $110.6 million in PFC collections in FY2008 (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 2008, DFW will use $119.9 million of PFCs to pay approximately 50% of the eligible debt service. This transfer from the 252 Fund to the 102 Fund is considered Gross Revenue.

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 2008 Interest Income Budget is $16.8 million, a $ 1.1 million (6.8%) increase from the FY 2007 Outlook due to higher projected interest rates and a higher investment balance in the 102 Fund.

Reimbursements from Other Funds

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 2007, the coverage credit for FY 2008, which is based on the prior year’s debt service coverage, is expected to increase by $1.6 million in FY 2007. See Capital Budget section of this report for more information on the Coverage Credit

777 Program

The 777 Program is budgeted to continue in FY 2008 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 natural gas fund (301NG) to the 302 Fund.

FY 2008 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 2008 Budget from the FY 2007 Budget by major program.

Budget Walkforward

Ref		Millions
	FY07 Budget as Approved	$618.7
A	Budget Savings/Reductions	(8.5)
	Total Budget Reductions	**($8.5)**
	Add - Major Cost Drivers	
B	Cost Annualization/Fixed Increases	$10.5
C	Debt Service	4.0
D	Operating Reserve	3.8
E	FY 2008 Merit Pool (4%, effective 1/1)	3.5
F	OPEB & Retirement Plans	2.0
G	Facility Assessments & Energy Audits	1.8
H	Life, Health & Disability Increases, net	1.1
I	Planning Initiatives	0.4
J	New Positions	0.7
	Total Major Cost Drivers	**$27.8**
	Other, Net	2.2
	FY07 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.

A. Major Budget Reductions

The following table highlights the major cost reductions between the FY 2007 Budget and the FY 2008 Budget.

Ref	Budget Reductions	(Millions)
A-1	Asset Management Supply Reductions	($1.6)
A-2	Asset Management Conveyances	(1.6)
A-3	Asset Management Skylink	(1.3)
A-4	Fuels	(1.2)
A-5	Insurance	(1.1)
A-6	Contingency Fund	(0.9)
A-7	Increased Vacancy Factor	(0.8)
	Total	($8.5)

A-1: <u>Asset Management Supply Reductions</u> $1.6 million savings

The reduction is due to changing the contract methodology for terminal contracts to include reimbursable parts into the contract rather than having DFW pay for the parts separately. The lower costs are being realized in FY 2007 and, accordingly, have been removed from the FY 2008 budget.

A-2 <u>Asset Management. Conveyances</u> $1.6 million savings

The savings is due to an over estimation of conveyance maintenance expense in the FY 2007 Budget. The lower costs are being realized in FY 2007 and, accordingly, have been removed from the FY 2008 budget.

A-3 <u>Asset Management Skylink</u> $1.3 million savings

The savings primarily resulted from a change in contract methodology for the maintenance and custodial services contracts for the Skylink stations. By consolidating these custodial contracts DFW has been able to receive a reduction in cost by eliminating duplicative costs being charged by multiple contractors. These cost reductions are being realized in FY 2007 and, accordingly, have been removed from the FY 2008 budget.

A-4: <u>Fuels</u> $1.2 million savings

The reduction is due to reduced usage of CNG and general aviation fuels in FY 2007. The savings are expected to continue and have been removed from the FY 2008 budget.

A-5: <u>Insurance</u> $1.1 million savings

The savings is due to decreased annual premiums for DFW's property & casualty insurance. The contract bids were received in early 2007. The FY 2007 budget was based on the potential impact of a bad hurricane season; better rates were achieved as this did not materialize. It is anticipated that DFW will receive similarly priced bids in FY 2008.

A-6: <u>CEO Contingency</u> $0.9 million savings

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 due to a change in policy, establishing the contingency fund at 2% of operating expenses rather than a constant $7.5M. The CEO Contingency has not been fully used in the past several years, so it was reasonable to reduce it.

A-7: <u>Increased Vacancy Factor</u> $0.8 million savings

This reduction is due to a re-evaluation of the realized vacancy rates for approved positions at the Airport over the past several years. Based on this review, it was determined that the vacancy should be increased from 4% to 4.5%, which results in a budget savings of $800,000.

B. Cost Annualization/Fixed Increases

The following table shows the cost increases resulting from fixed contract increases and/or annualization of contracts/costs that were not budgeted for a full year in FY 2007.

Ref	Cost Annualization/Fixed Increases	(Millions)
B-1	Terminal E Maintenance	$2.7
B-2	Bussing (Terminal Link & Employee)	2.6
B-3	Skylink	1.1
B-4	ITS Terminal and Other Contracts	1.8
B-5	Annualization of FY 07 Merit Increase	0.9
B-6	Terminal B/Public Facilities Maintenance	0.7
B-7	Terminal D Facility Maintenance	0.7
	Total	$10.5

B-1: Terminal E Maintenance — $2.7 million

This represents the increased cost for Terminal E maintenance resulting from the new maintenance contract that became effective April 1, 2007. This is partially offset by savings in supplies.

B-2: Bussing — $2.6 million

This represents the increase in cost for employee bussing ($1.9 million) and Terminal Link ($0.7 million) due to the re-bidding of these contracts in 2007. This increase has been partially offset by increased employee transportation fees (see Revenue Section of this report).

B-3: Skylink — $1.1 million

This represents the scheduled annual contract increase in the Skylink operating contract with Bombardier.

B-4: ITS Terminal, Security and Other Contract Maintenance — $1.8 million

This represents the increased contract maintenance costs for ITS systems in the terminals primarily due to the addition of Terminal E and the Skylink stations to the contracts; a full year of maintenance for the AOC/EOC communications and audio visual equipment, and the incremental costs associated with contract maintenance of the Terminal Security Surveillance System. These changes reflect a cost increase of $1.0 million. In addition, the budget includes the following system enhancements: cash management, automation of system testing, Oracle Tutor, an upgrade to the Master Antenna Television (MATV) system (total $0.8 million).

B-5: Salary Annualization — $0.9 million

This represents the annualization of merit increase (4%) and associated benefits approved by the Board in the FY 2007 Budget that impacts the first three months of FY 2008.

B-6: Terminal B/Public Facilities Maintenance $0.7 million

This represents the increase in contract cost for Terminal B Public Facilities Maintenance and is due to the annual inflation adjustment and scope adjustment adding in reimbursables, AOA guard shacks, the collection and disposal of fire suppressant test water. This increase is offset by savings in supplies.

B-7: Terminal D Facility Maintenance $0.7 million

This represents the increase in cost for the Terminal D Facilities Maintenance contract, which was revised to provide for deficiency repairs. This increase is offset by savings in supplies.

C. Debt Service $4.0 million

The increase in debt service is due to higher scheduled principal and interest payments in FY 2008 as compared to FY 2007, net of savings from refundings completed in FY 2007. There are no new refundings planned for FY 2008.

D. Operating Reserve $3.8 million

DFW is required to maintain an Operating Reserve that is equal to 25% the Operating Budget. DFW must fund an additional $3.4 million into this Reserve in FY 2008 to cover the Operating Budget increase. In FY 2007, the reserve was decreased $0.4 million because the FY 2007 Budget decreased $1.6 million. Thus, the net change in Operating Reserve is $3.8M million ($3.4 million plus $0.4 million).

E. Merit Increases $3.5 million

This provides for an average 4% increase for Board employees, effective January 1, 2008. The $3.5 million increase includes associated benefits.

F-1: GASB 45 (OPEB) $1.4 million

DFW will adopt Government Accounting Standards Board (GASB) 45 in FY 2008. This accounting statement requires that post employment benefits given to retirees (i.e. medical benefits) be recognized during their years of employment (similar to pension benefits). In the past, these costs were recognized on a "pay as you go" basis. The impact of this accounting change is a cost increase of $1.4 million.

F-2: Retirement Contribution $0.6 million

The annual pension contribution requirement for the DFW pension plans is scheduled to increase $0.6 million based on the increase in salaries between years. The pension cost as a percentage of salaries remained the same.

G-1: Energy Audit $1.0 million

In FY 2008, DFW will commission a complete energy audit of Terminal D at a cost of $1.0 million. The Energy & Transportation Management Department expects this to provide considerable energy savings in subsequent years (i.e. a payback of approximately two years) based on past experience.

G-2: Facility Assessments $0.8 million

DFW plans to commission structural assessments of the condition of infrastructure of the sanitary sewer and industrial wastewater systems. The expected cost in FY 2008 is $0.8 million.

H. Life, Health & Disability Increases, Net $1.1 million

This represents the increased cost of providing Life, Health & Disability insurance to DFW Board employees. The gross increase in health costs forecast by AON for DFW was $2.6 million. Based on past experience and employee vacancies, management has estimated that the savings from the AON projections will be approximately $1.5 million, leaving a net of $1.1 million.

I. Planning Initiatives $0.4 million

This represents the cost of planning studies primarily due to expanded commercial development activity and demand for studies for rail, transportation and security.

J. New Positions $0.7 million

This represents the net cost of the new positions as shown on the FY 2008 Position Summary on OPS page 14 which reflects a $0.9 million increase. The $0.2 million difference is due to pension costs that will not hit the budget until FY 2009.

Operating Budget by Category

The following table compares the FY 2008 Budget with the FY 2007 Budget. The table on the next page cross references the walkforward shown above by Expense Category. Variances are explained on the pages that follow this table.

Operating Budget By Category
In Millions

	FY 2006 Actual	FY 2007 Budget	FY 2008 Budget	Increase (Decrease)
Operating Costs				
Salaries & Wages	$96.0	$98.4	$103.9	$5.5
Benefits	48.2	46.3	50.1	3.8
Contract Services	100.6	103.5	111.9	8.4
Equipment & Supplies	17.0	18.0	15.5	(2.5)
Utilities	42.3	37.4	36.8	(0.6)
Insurance	5.3	6.2	5.2	(1.0)
Gen'l Admin & Other	4.7	4.7	5.8	1.1
Contingency	0.0	7.5	6.6	(0.9)
Total Operating Budget	$314.1	$322.0	$335.8	$13.8
Operating Reserve	17.2	(0.4)	3.4	3.8
Total	$331.3	$321.6	$339.2	$17.6

DFW FY 2008 Budget Walkforward
(In Millions)

Ref	Cost Driver	Total	Sals	Bens	Conts	Sup	Util	Ins	G&A	Op Res	Debt
	FY 2007 Budget	$618.7	$98.4	$46.3	$103.5	$18.0	$37.4	$6.2	$12.2	($0.4)	$297.0
	Budget Reductions										
A-1	Asset Mgt. Supply Reductions	($1.6)				($1.6)					
A-2	Conveyance Contract	(1.6)			(1.6)						
A-3	Skylink Maintenance & Custodial	(1.3)			(1.3)						
A-4	Fuels	(1.2)				(1.2)					
A-5	Property Insurance	(1.1)						(1.1)			
A-6	Contingency Fund	(0.9)							(0.9)		
A-7	Increased Vacancy Factor	(0.8)	(0.8)								
	Total Budget Reductions	($8.5)	($0.8)	-	($2.9)	($2.8)	-	($1.1)	($0.9)	-	-
	Cost Annualization/Fixed Increases										
B-1	Terminal E Maintenance	$2.7			$2.7						
B-2	Bussing	2.6			2.6						
B-3	Skylink	1.1			1.1						
B-4	ITS Contracts	1.8			1.8						
B-5	Annualization	0.9	0.8	0.1							
B-6	Terminal B/Public Facilities Maintenance	0.7			0.7						
B-7	Terminal D Facility Maintenance	0.7			0.7						
	Total Cost Annualization	$10.5	$0.8	$0.1	$9.6	-	-	-	-	-	-
C	Increase in Debt Service	$4.0									$4.0
D	Operating Reserve	3.8								3.8	
E	Merit Increases	3.5	3.2	0.3							
F	GASB 45 (OPEB) & Retirement	2.0		2.0							
G	Facility Assessments & Energy Audit	1.8			1.8						
H	Life, Health & Disability Increases, net	1.1		1.1							
I	Planning Initiatives	0.4			0.4						
J	New Positions	0.7	1.3	0.1	(0.8)						
	Other	2.2	0.8	0.2	0.3	0.3	(0.6)	0.1	1.1	-	-
	FY 2008 Proposed budget	$640.2	$103.9	$50.1	$111.9	$15.5	$36.8	$5.2	$12.4	$3.4	$301.0

Salaries & Wages

The FY 2008 Salaries and Wages budget is $103.9 million, a $5.5 million (5.6%) increase over the FY 2006 budget of $98.4 million primarily due to merit increases effective Jan.1, 2008, ($3.2 million, average merit increase of 4%, E); annualization of the FY 2007 merit plan, ($0.8 million, B-5); $1.3 million for new positions (which is largely offset by decreases in Contract Services) and other increases such as MIP, ($0.3 million) Longevity, Sick leave Incentive and Vacation Accruals ($0.4 million) and other items ($0.3 million). The salary budget assumed a 4% vacancy factor in FY 2007 and 4.5% FY 2008 ($0.8 million A-7).

Benefits

The FY 2008 Benefits budget is $50.1 million, a $3.8 million (8.2%) increase over the FY 2007 budget of $46.3 million due to the adoption of GASB 45 for OPEB ($1.4 million, F-1); pension plan contribution increases, ($0.6 million, F-2) an increase in Life, Health & Disability costs ($1.1 million, H); benefit costs for initiatives described above, ($0.5 million); Social Security/Medicare taxes related to merit & salary annualizations ($0.5 million); less a decrease in Worker's Comp costs ($0.3 million).

Contract Services

The FY 2008 Contracts Services budget is $111.9 million, an $8.4 million (8.1%) increase from the FY 2007 budget of $103.5 million due to increased maintenance costs in Terminal E ($2.7 million ,B-1), Terminal D ($0.7 million, B-7), and Terminal B/Public Facilities ($0.7 million, B-6); increases in bussing costs for Terminal Link and Employee Transportation ($2.6 million, B-2); a scheduled increase in the Skylink operating contract ($1.1 million, B-4); the Energy Audit in Terminal D ($1.0 million, G); assessments of sanitary sewer and industrial waste water systems ($0.8 million, G); increases in ITS contracts ($1.8 million, B-4); Planning initiatives ($0.4 million, J); and other items (0.3 million); offset by maintenance savings for conveyances ($1.6 million, A-2); Skylink maintenance & custodial ($1.3 million, A-3); and savings in Contract Services due to new positions ($0.8 million, J)

Utilities

The FY 2008 Utilities budget is $36.8 million, a $0.6 million (1.6%) decrease from the FY 2007 budget of $37.4 million due to savings from the new phone system and decreased volumes for Gas and Electricity ($0.6 million).

Equipment & Supplies

The FY 2008 Equipment & Supplies budget is $15.5 million, a $2.5 million (13.9%) decrease from the FY 2007 budget of $18.0 million primarily due to savings in Asset Management facility supplies ($1.6 million, A-1) and savings in CNG and General Aviation fuel ($1.2 million A-4) offset by other items ($0.3 million).

Insurance

The FY 2008 Insurance budget is $5.2 million, a $1.0 million (16.1%) decrease from the FY 2007 budget of $6.2 million primarily due to decreased premiums for Property & Casualty insurance ($1.0 million, A-5).

General, Administrative & Other

The FY 2008 General, Administrative, & Other budget is $5.8 million, a $1.1 million (23.4%) increase over the FY 2007 budget of $4.7 million primarily due increases in business development costs ($0.5 million) and other miscellaneous increases ($0.6 million).

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 due to a change in policy, establishing the contingency fund at 2% of operating expenses rather than a constant $7.5M.

Management is in the middle of a strategic planning exercise and has identified several one-time projects that it may decide to implement in FY 2008 once the planning is complete. Rather than budgeting these in the departmental budgets as contingencies, it was decided to use the CEO Contingency to fund them when the time is appropriate. Some of the larger potential projects include: $1.3 million for assessments of commercial development and other Airport buildings, $0.6 million for potential marketing initiatives, $0.4 million for a SEB diversity study and $0.3 million for environmental studies.

Operating Reserve

DFW is required to maintain an Operating Reserve that is equal to 25% the Operating Budget. DFW must fund an additional $3.4 million into this Reserve in FY 2008 to cover the Operating Budget increase. In FY 2007, the reserve was decreased $0.4 million because the FY 2007 Budget decreased $1.6 million. Thus, the net change in Operating Reserve is $3.8M million ($3.4 million plus $0.4 million).

Net Debt Service Budget

The Net Debt Service budget is comprised of debt service, plus 25% coverage, less offsets to Debt Service. Offsets are primarily earnings on the Interest and Sinking Fund in 2007 and 2008. The following table compares the Net Debt Service Budget between the FY 2007 Budget and the FY 2008 Budget:

Net Debt Service Budget
(In Millions)

Description	FY07 Budget	FY08 Budget	Inc (Dec)	% Change
Debt Service	$240.9	$245.0	$4.1	1.7%
Coverage	$59.4	$60.2	0.8	1.3%
Offsets to Debt Service	($3.3)	($4.2)	(0.9)	-27.3%
Net Debt Service	**$297.0**	**$301.0**	**$4.0**	**1.3%**

Debt service increased from $297.0 million in FY 2007 to $301.0 million in FY 2008 primarily due higher principal and interest payments scheduled in FY 2008 as compared to FY 2007. The variable rate interest assumption for FY 2008 is 3.75%, unchanged from FY 2007. Actual FY 2008 average interest rates are projected to be approximately 5.4%.

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

The increase in offsets is due to higher interest income assumption with respect to interest earnings in the Interest and Sinking Fund.

Position Walkforward

Total projected positions assumed in the FY 2008 Budget have increased by 34 positions. Of these positions, 24 have an impact on the FY 2008 O & M Budget and 10 will impact the FY 2008 Capital Budget. Of the 34 new positions, 27 were added to eliminate work being done by contractors or to reduce overtime. In each case, the budget was reduced by the amounts shown on the following page. The total net impact of these positions on the Operating and Capital Budget is approximately $137,000. Seven of the new positions are directly tied to growth in non-airline revenues (Marketing and Parking).

Preliminary FY 2008 Position Summary

Division/Department/Section	FY 2007	New Ops (102 Fund)	New Cap (301 Fund)	Total FY2008
Executive Office	25			25
Legal	4			4
Audit Services	15			15
Administration & Diversity				
Human Resources	25			25
Internal Communications	5			5
Procurement	40			40
Risk Management	10			10
Small & Emerging Business	9			9
Total Admin & Diversity	89			89
Finance & ITS				
Finance	59			59
Information Technology Services	102	1	1	104
Total Finance & ITS	161	1	1	163
Marketing & Terminal Management				
Air Services Development	8			8
Aviation Real Estate	9			9
Customer Service	121			121
Marketing Services	13	1		14
Total Marketing & Term Management	151	1		152
Operations				
Airport Operations	112			112
Asset Management	180			180
Department of Public Safety	471	6		477
Energy & Transportation Management	125			125
Environmental Affairs	22	4	2	28
Planning	10	4		14
Airport Development	70	1	7	78
Total Operations	990	15	9	1,014
Revenue Mgmt				
Commercial Development	15			15
Parking Operations	352	7		359
Concessions	16			16
Total Revenue Management	383	7		390
Total DFW	1,818	24	10	1,852

Operating Revenue and Expense Budget

New Position Summary - Operating (102 Fund)

Division/Department	#	Position	Justification	FY 2008 O & M Budget Impact Cost*	Savings**	Net
Information Systems	1	Network Engineer	Expansion of services Terminal D/E/AOC, reduce contract	$134,615	($160,000)	($25,385)
Marketing Services	1	Sr. Marketing Comm Spec	Support Revenue Management advertising/marketing	93,975	-	93,975
Airport Development	1	Code Inspector	In-house placement; reduce contract cost	95,558	(147,411)	(51,853)
DPS	1	Fire Fighter ***	Proper shift staffing/reduced overtime	68,631	(40,000)	28,631
	1	DPS Recruiter	Background Investigator/Recruiter for new positions	85,509	-	85,509
	4	Police Officer****	New TSA security requirements, reduce overtime	239,769	(160,000)	79,769
Environmental Affairs	2	Sr. Env Ops Analyst	Implement new Environmental Management System	207,000	-	207,000
	2	Env Ops Analyst	Increased environmental measurement requirements	207,000	-	207,000
Planning	1	Sr. Planner	Reduce contract cost	103,500	(95,500)	8,000
	1	Planning Services Coord	Replace consultant	65,400	(63,000)	2,400
	2	Project Manager	Replace consultant	207,000	(191,500)	15,500
Parking	1	Valet Parking QA	QA for Valet-no; supports add'l $1 M revenue	65,400	-	65,400
	6	General Duty Officers	Reduce OT; supports $1.8 M in current revenue	316,200	(98,000)	218,200
Total Operating Positions	24			$1,889,557	($955,411)	$934,146

New Position Summary - Capital (301 Fund)

Division/Department	#	Position	Justification	FY 2008 Capital Impact Cost*	Savings**	Net
Information Systems	1	Project Mgr - GIS	So support GIS needs for ADP - Paid out of 301	$99,620	($104,000)	($4,380)
Environmental Affairs	2	Env Ops Technicians	In-house placement; reduce contract cost	127,000	(177,506)	(50,506)
Airport Development	2	Project Managers	In-house placement; reduce contract costs	187,422	(324,630)	(137,208)
	1	Construction Mgmt	In-house placement; reduce contract cost	107,007	(146,093)	(39,086)
	1	Project Controls Manager	In-house placement; reduce contract cost	138,268	(235,925)	(97,657)
	1	Scheduler	In-house placement; reduce contract cost	128,059	(234,971)	(106,912)
	1	Payment Analyst	In-house placement; reduce contract cost	69,889	(114,480)	(44,591)
	1	Document Control	In-house placement; reduce contract cost	45,435	(56,120)	(10,685)
Total Capital Positions	10			$902,700	($1,393,725)	($491,025)
Total Positions	34			$2,792,257	($2,349,136)	$443,121
					Less Pension*	(306,000)
					Net Impact on FY08 Budget	$137,121

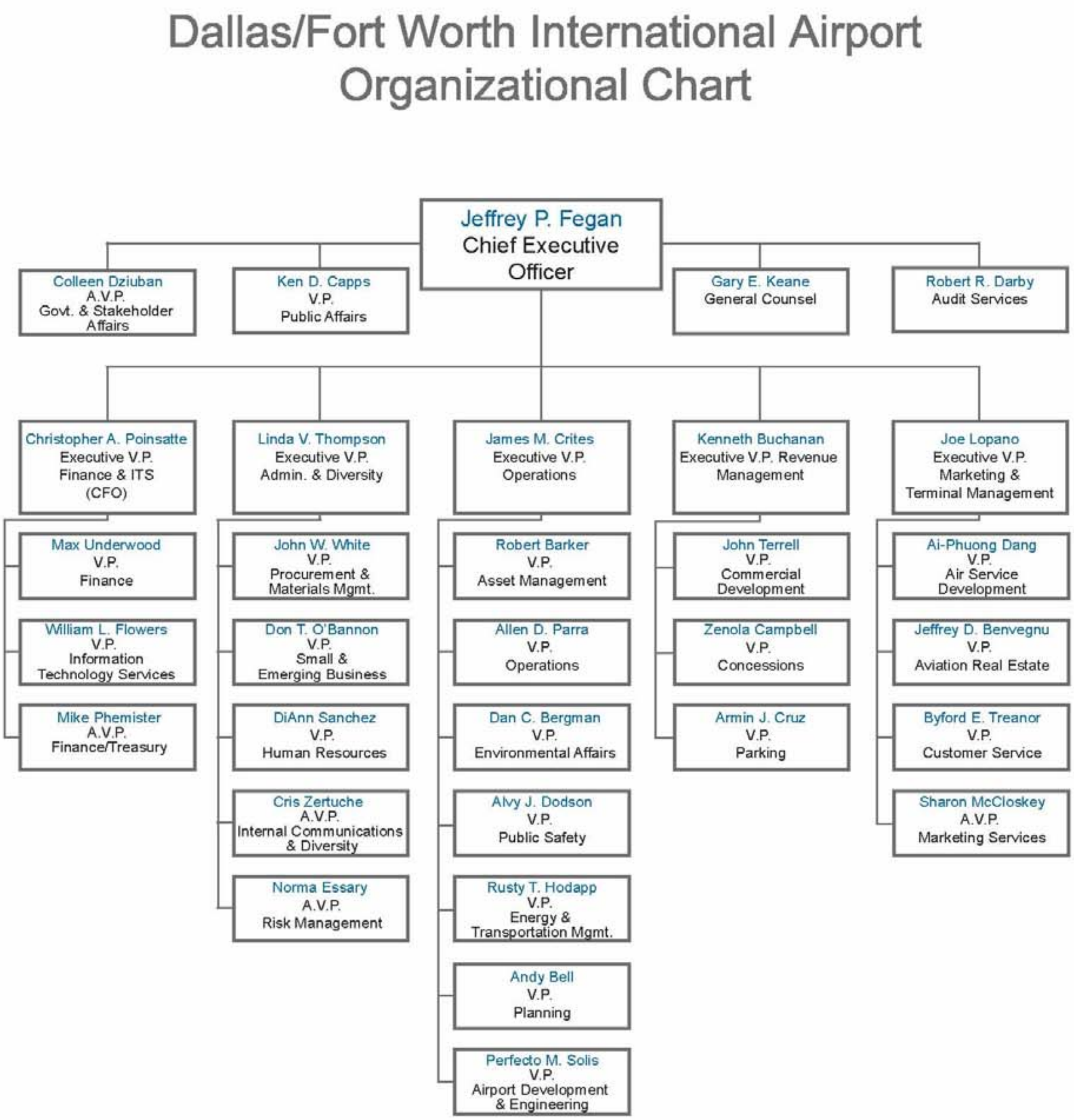
* Cost equals budgeted FY 2008 salary plus all benefits including pension to illustrate ongoing costs. Pension costs ($306K) will not impact FY 2008.
** Savings equals the amount that the budget was reduced due to addition of new position
*** Fire Fighter hire date is 12/1/2007
**** Police Officer hire dates are 1/1/08 for 3 and 4/1/08 for 1

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 2007 Budget by major cost driver (which is cross referenced to explanations in the Operating Budget section of the report - see OPS-9 to OPS-13). The following table is a budget comparison by department.

Departmental Budget Comparison
In Thousands

Division/Department	FY 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Executive Office Division	$7,301	$14,372	$13,792
Legal Division	4,894	3,096	2,896
Audit Services Division	1,490	1,950	2,028
Administration & Diversity Division			
Human Resources Department	4,401	5,218	4,606
Internal Communications & Diversity Office	689	833	997
Procurement & Materials Management Department	4,285	4,379	4,754
Risk Management Office	7,111	8,238	7,328
Small & Emerging Business Department	1,333	1,646	1,727
Finance & ITS			
Finance Department	14,558	6,463	5,098
Information Technology Services Department	21,060	26,775	30,072
Marketing & Terminal Management			
Air Service Development Department	1,557	1,903	2,214
Aviation Real Estate	1,012	1,049	1,256
Customer Service Department	9,953	10,349	11,113
Marketing Services Department	4,255	4,371	4,561
Operations			
Airport Development Department	7,103	1,880	1,676
Airport Operations Department	8,180	9,514	9,613
Asset Management Department	62,353	69,554	68,455
Department of Public Safety	45,007	46,175	49,337
Energy & Transportation Management	66,177	60,265	62,789
Environmental Affairs Department	4,335	5,013	5,539
Planning Department	1,789	1,544	2,617
Revenue Management			
Commercial Development Department	1,123	1,734	2,399
Parking Department	31,489	33,306	38,457
Revenue Management Department	2,627	2,409	2,446
Total DFW	$314,081	$322,039	$335,771


Dallas/Fort Worth International Airport
Organizational Chart
Jeffrey P. Fegan
Chief Executive Officer
Colleen Dziuban
A.V.P.
Govt. & Stakeholder Affairs
Ken D. Capps
V.P.
Public Affairs
Gary E. Keane
General Counsel
Robert R. Darby
Audit Services
Christopher A. Poinsatte
Executive V.P.
Finance & ITS
(CFO)
Max Underwood
V.P.
Finance
William L. Flowers
V.P.
Information Technology Services
Mike Phemister
A.V.P.
Finance/Treasury
Linda V. Thompson
Executive V.P.
Admin. & Diversity
John W. White
V.P.
Procurement & Materials Mgmt.
Don T. O'Bannon
V.P.
Small & Emerging Business
DiAnn Sanchez
V.P.
Human Resources
Cris Zertuche
A.V.P.
Internal Communications & Diversity
Norma Essary
A.V.P.
Risk Management
James M. Crites
Executive V.P.
Operations
Robert Barker
V.P.
Asset Management
Allen D. Parra
V.P.
Operations
Dan C. Bergman
V.P.
Environmental Affairs
Alvy J. Dodson
V.P.
Public Safety
Rusty T. Hodapp
V.P.
Energy & Transportation Mgmt.
Andy Bell
V.P.
Planning
Perfecto M. Solis
V.P.
Airport Development & Engineering
Kenneth Buchanan
Executive V.P. Revenue Management
John Terrell
V.P.
Commercial Development
Zenola Campbell
V.P.
Concessions
Armin J. Cruz
V.P.
Parking
Joe Lopano
Executive V.P.
Marketing & Terminal Management
Ai-Phuong Dang
V.P.
Air Service Development
Jeffrey D. Benvegnu
V.P.
Aviation Real Estate
Byford E. Treanor
V.P.
Customer Service
Sharon McCloskey
A.V.P.
Marketing Services

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$3,329	$3,356	$3,616
Benefits	922	995	1,062
Contract Services	1,667	1,667	1,685
Maintenance and Other Supplies	104	80	75
General, Admin and Other	819	774	733
Contingency	-	7,500	6,584
Total Expenses	$6,841	$14,372	$13,754

Walk-Forward from FY07 Budget	(000s)	Reference
FY07 Budget	$14,372	
Salary Annualization & Merit Increases	265	B-5, E
Pension Plan & Health Insurance	86	F, H
Contingency	(916)	A-6
Other, Net	(53)	
Total FY 2008 Proposed Budget	$13,754	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$210	$217	$222
Benefits	95	105	115
Contract Services	4,544	2,499	2,272
Equipment & Other Supplies	7	14	26
General, Administrative, & Other	38	261	261
Total Expenses	**$4,894**	**$3,096**	**$2,896**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$3,096**	
Salary Annualization & Merit Increases	6	B-5, E
Pension Plan & Health Insurance	10	F, H
Reduction in Litigation/Claims	(250)	
Other, Net	34	
Total FY 2008 Proposed Budget	**$2,896**	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$949	$1,194	$1,227
Benefits	421	481	522
Contract Services	49	227	231
Equipment & Other Supplies	23	14	14
General, Administrative, & Other	47	34	34
Total Expenses	**$1,490**	**$1,950**	**$2,028**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$1,950**	
Salary Annualization & Merit Increases	34	B-5, E
Pension Plan & Health Insurance	39	F, H
Other, Net	5	
Total FY 2008 Proposed Budget	**$2,028**	

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 Building Standards all costs related to ADE are funded by the 301 Fund, not the 102 Fund.

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

Project Development

The Project Development section is responsible for managing all aspects of the programming, design, and implementation of construction and rehabilitation projects. This section is comprised of Architects, Professional Engineers, Project Managers, Construction Managers, and support staff.

Program Administration

The Program Administration section provides administrative and analytical support, estimating, budgeting, trend analysis, contract administration, project schedule administration, and resource projections in support of the Project Development section. This section is comprised of Administrators, Accountants, Scheduling and Estimating Professionals and support staff.

Airport Building Standards

The Airport Building Standards 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.

Budget Comparison and Walkforward

	FY 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$2,125	$727	$825
Benefits	1,922	310	369
Contract Services	2,758	829	468
Equipment & Other Supplies	105	3	5
General, Administrative, & Other	193	11	9
Total Expenses	**$7,103**	**$1,880**	**$1,676**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$1,880	
Salary Annualization & Merit Increases	19	B-5, E
Pension Plan & Health Insurance	52	F, H
Reduction in Outside Contract Services	(361)	
Other, Net	86	
Total FY 2008 Proposed Budget	**$1,676**	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$1,731	$1,992	$1,930
Benefits	781	1,758	976
Contract Services	1,044	876	974
Equipment & Other Supplies	179	132	111
General, Administrative, & Other	665	460	615
Total Expenses	**$4,401**	**$5,218**	**$4,606**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$5,218**	
Salary Annualization & Merit Increases	8	B-5, E
Pension Plan & Health Insurance	(781)	F, H
Other, net	162	
Total FY 2008 Proposed Budget	**$4,606**	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$314	$430	$545
Benefits	107	160	199
Contract Services	171	201	201
Equipment & Other Supplies	33	19	25
General, Administrative, & Other	63	22	27
Total Expenses	**$689**	**$833**	**$997**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$833**	
Salary Annualization & Merit Increases	21	B-5, E
Pension Plan & Health Insurance	39	F, H
Other, net	104	
Total FY 2008 Proposed Budget	**$997**	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$1,983	$2,172	$2,384
Benefits	870	997	1,160
Contract Services	643	650	650
Equipment & Other Supplies	479	338	338
General, Administrative, & Other	311	222	222
Total Expenses	$4,285	$4,379	$4,754

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$4,379**	
Salary Annualization & Merit Increases	91	B-5, E
Pension Plan & Health Insurance	147	F, H
Other, net	137	
Total FY 2008 Proposed Budget	**$4,754**	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$436	$470	$679
Benefits	1,134	1,205	996
Contract Services	188	210	360
Equipment & Other Supplies	13	11	11
Insurance	5,258	6,248	5,182
General, Administrative, & Other	82	94	101
Total Expenses	**$7,111**	**$8,238**	**$7,328**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$8,238	
Salary Annualization & Merit Increases	26	B-5, E
Pension Plan & Health Insurance	24	F, H
Property Insurance	(1,100)	A-5
Workers' Comp	(300)	
Wellness Center	150	
Other, net	290	
Total FY 2008 Proposed Budget	**$7,328**	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$637	$697	$749
Benefits	238	284	312
Contract Services	317	414	414
Equipment & Other Supplies	7	15	15
General, Administrative, & Other	134	238	238
Total Expenses	**$1,333**	**$1,646**	**$1,727**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$1,646**	
Salary Annualization & Merit Increases	28	B-5, E
Pension Plan & Health Insurance	28	F, H
Other, net	25	
Total FY 2008 Proposed Budget	**$1,727**	

Finance

Finance is comprised of five groups - Accounting, Financial Planning, Capital Planning, Business Analysis and Treasury/Debt. 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. 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/Debt is responsible for debt issuance/management, cash management, banking relations, DFW investments, retirement fund investments, and grants and PFC administration.

Budget Comparison and Walkforward

	FY 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$6,521	$4,101	$3,670
Benefits	6,874	1,367	402
Contract Services	876	698	722
Equipment & Other Supplies	182	78	81
General, Administrative, & Other	105	220	224
Total Expenses	**$14,558**	**$6,463**	**$5,098**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$6,463**	
Salary Annualization & Merit Increases	153	B-5, E
Pension Plan & Health Insurance	(943)	F, H
Increased Vacancy Factor	(500)	A-7
Other, Net	(76)	
Total FY 2008 Proposed Budget	**$5,098**	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$6,449	$7,408	$8,374
Benefits	2,584	3,108	3,677
Contract Services	7,235	12,477	14,389
Equipment & Other Supplies	2,828	1,497	1,461
Utilities	1,748	2,017	1,804
General, Administrative, & Other	216	268	367
Total Expenses	$21,060	$26,775	$30,072

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$26,775	
Salary Annualization & Merit Increases	343	B-5, E
Pension Plan & Health Insurance	501	F, H
ITS Contracts	1,800	B-4
Other, net	653	
Total FY 2008 Proposed Budget	$30,072	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$560	$692	$703
Benefits	213	272	291
Contract Services	589	708	811
Equipment & Other Supplies	10	9	8
General, Administrative, & Other	185	222	402
Total Expenses	**$1,557**	**$1,903**	**$2,214**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$1,903**	
Salary Annualization & Merit Increases	11	B-5, E
Pension Plan & Health Insurance	19	F, H
Other, Net	282	
Total FY 2008 Proposed Budget	**$2,214**	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$629	$683	$732
Benefits	260	155	313
Contract Services	86	159	160
Equipment & Other Supplies	13	23	23
General, Administrative, & Other	25	29	29
Total Expenses	$1,012	$1,049	$1,256

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$1,049	
Salary Annualization & Merit Increases	49	B-5, E
Pension Plan & Health Insurance	155	F, H
Other, Net	3	
Total FY 2008 Proposed Budget	$1,256	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$4,858	$5,085	$5,269
Benefits	2,455	2,710	3,024
Contract Services	2,228	2,031	2,332
Equipment & Other Supplies	274	296	267
General, Administrative, & Other	138	227	221
Total Expenses	$9,953	$10,349	$11,113

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$10,349	
Salary Annualization & Merit Increases	297	B-5, E
Pension Plan & Health Insurance	247	F, H
Other, Net	220	
Total FY 2008 Proposed Budget	$11,113	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$839	$980	$1,005
Benefits	329	387	430
Contract Services	2,531	2,605	2,542
Equipment & Other Supplies	51	39	50
General, Administrative, & Other	505	361	535
Total Expenses	$4,255	$4,371	$4,561

Walk-Forward from FY07 Budget	(000s)	Reference
FY07 Budget	$4,371	
Salary Annualization & Merit Increases	38	B-5, E
Pension Plan & Health Insurance	43	F, H
Other, net	109	
Total FY 2008 Proposed Budget	$4,561	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$4,657	$5,092	$5,382
Benefits	2,210	2,553	2,934
Contract Services	261	300	341
Equipment & Other Supplies	874	1,522	881
General, Administrative, & Other	178	47	75
Total Expenses	$8,180	$9,514	$9,613

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$9,514	
Salary Annualization & Merit Increases	97	B-5, E
Pension Plan & Health Insurance	381	F, H
Fuels	(641)	A-4
Other, Net	262	
Total FY 2008 Proposed Budget	$9,613	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$9,347	$9,376	$9,093
Benefits	4,203	4,685	4,874
Contract Services	44,404	47,375	48,043
Equipment & Other Supplies	4,254	6,512	4,998
Utilities	-	1,400	1,241
General, Administrative, & Other	145	207	207
Total Expenses	**$62,353**	**$69,554**	**$68,455**

	(000s)	Reference
FY07 Budget	**$69,554**	
Reduction in salaries	(700)	B-5, E
Pension Plan & Health Insurance	227	F, H
Asset Mgt Supply Reductions	(1,600)	A-1
Conveyance Contract Reductions	(1,600)	A-2
Skylink Maintenance & Custodial Reductions	(1,300)	A-3
Terminal E Facility Maintenance Contract	2,700	B-1
Terminal B/Public Facilities Maintenance	700	B-6
Terminal D Facility Maintenance	700	B-7
Facility Assessments & Energy Audit	800	G
Delta Hanger Maintenance Contract	(350)	
Terminal D Art Maintenance reduction	(300)	
Solid Waste Removal contract reduction	(159)	
Other, net	(217)	
Total FY 2008 Proposed Budget	**$68,455**	

Department of Public Safety (DPS)

DPS is responsible for the protection of life and property through the effective and efficient delivery of police, aircraft/fire rescue, structural fire, explosive detection and disposal, hazardous materials remediation, emergency medical services, and civilian guard services.

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$28,288	$29,877	$31,095
Benefits	11,942	12,697	14,228
Contract Services	2,953	1,991	2,281
Equipment & Other Supplies	1,250	1,043	1,125
General, Administrative, & Other	575	567	608
Total Expenses	$45,007	$46,175	$49,337

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$46,175	
Salary Annualization & Merit Increases	902	B-5, E
Pension Plan & Health Insurance	1,228	F, H
Employee Checkpoint Screening	160	
SW Cargo Gate Guards	557	
Other, Net	315	
Total FY 2008 Proposed Budget	$49,337	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$6,361	$6,437	$6,899
Benefits	2,834	3,072	3,491
Contract Services	10,724	11,239	13,469
Equipment & Other Supplies	5,707	5,538	5,006
Utilities	40,505	33,927	33,758
General, Administrative, & Other	46	52	165
Total Expenses	$66,177	$60,265	$62,789

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$60,265	
Salary Annualization & Merit Increases	462	B-5, E
Pension Plan & Health Insurance	419	F, H
Skylink	1,100	B-3
Facility Assessments & Energy Audit	1,000	G
Fuels	(531)	A-4
Other, net	74	
Total FY 2008 Proposed Budget	$62,789	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$1,359	$1,468	$1,738
Benefits	561	641	875
Contract Services	2,221	2,702	2,634
Equipment & Other Supplies	114	115	185
General, Administrative, & Other	81	87	107
Total Expenses	$4,335	$5,013	$5,539

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$5,013	
Salary Annualization & Merit Increases	69	B-5, E
Pension Plan & Health Insurance	54	F, H
Environmental Affairs Initiatives	400	
Other, Net	4	
Total FY 2008 Proposed Budget	$5,539	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$501	$728	$1,167
Benefits	201	274	480
Contract Services	1,054	500	900
Equipment & Other Supplies	10	15	24
General, Administrative, & Other	23	27	46
Total Expenses	**$1,789**	**$1,544**	**$2,617**

Walk-Forward from FY07 Budget	(000s)	Reference
FY07 Budget	**$1,544**	
Salary Annualization & Merit Increases	30	B-5, E
Pension Plan & Health Insurance	48	F, H
Planning Initiatives	900	I, J
Other, net	95	
Total FY 2008 Proposed Budget	**$2,617**	

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

This department is responsible for parking revenues, products, pricing, sales, and category profit and loss statements. Parking also negotiates business agreements with outside agencies, particularly travel agencies or corporations, in order to increase revenue. They are responsible for devising, analyzing, justifying new products, and pricing, as well as working with the Marketing team to create promotions intended to drive new revenue.

Budget Comparison and Walkforward

	FY 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$622	$923	$1,175
Benefits	224	354	473
Contract Services	159	319	666
Equipment & Other Supplies	14	10	0
Utilities	61	91	-
General, Administrative, & Other	44	37	85
Total Expenses	$1,123	$1,734	$2,399

Walk-Forward from FY07 Budget	(000s)	Reference
FY07 Budget	$1,734	
Salary Annualization & Merit Increases	37	B-5, E
Pension Plan & Health Insurance	91	F, H
Other, net	537	
Total FY 2008 Proposed Budget	$2,399	

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 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$11,765	$12,956	$14,117
Benefits	6,310	7,146	8,308
Contract Services	12,956	12,432	15,077
Equipment & Other Supplies	437	634	649
General, Administrative, & Other	21	137	305
Total Expenses	**$31,489**	**$33,306**	**$38,457**

Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	**$ 33,306**	
Salary Annualization & Merit Increases	474	B-5, E
Pension Plan & Health Insurance	888	F, H
Bussing	2,600	B-2
Other, net	1,189	
Total FY 2008 Proposed Budget	**$38,457**	

Revenue Management

The Revenue Management 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.

Primary department responsibilities/goals include the following: increase revenue from existing concessions and rental car operations, meet or exceed the DFW goal with respect to M/W/DBE participation in all DFW concessions, work diligently to add new businesses and revenue to DFW, manage DFW revenue programs, and foster an atmosphere that promotes frequent and meaningful communication with the tenants.

Budget Comparison and Walkforward

	FY 2006 Actuals	FY 2007 Budget	FY 2008 Budget
Expenses (000s)			
Salaries & Wages	$1,112	$1,368	$1,339
Benefits	481	550	541
Contract Services	962	345	315
Equipment & Other Supplies	30	19	85
General, Administrative, & Other	42	127	166
Total Expenses	$2,627	$2,409	$2,446

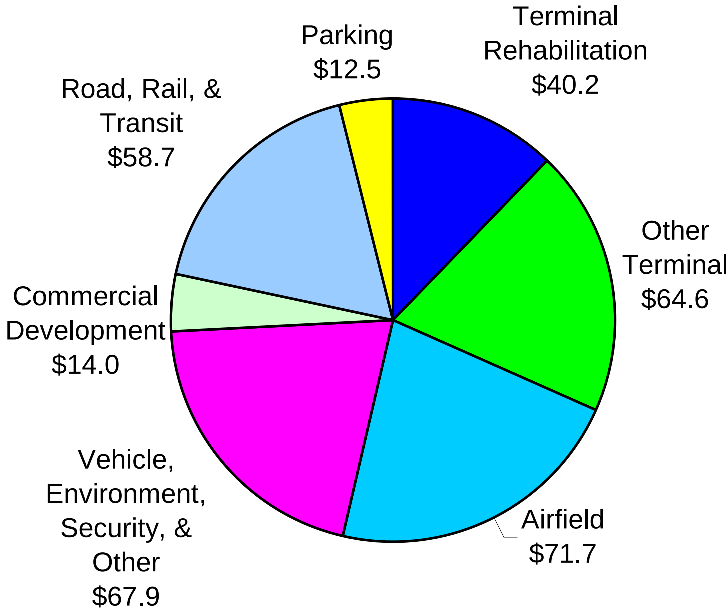
Walk-Forward from FY07 Budget

	(000s)	Reference
FY07 Budget	$2,409	
Salary Annualization & Merit Increases	35	B-5, E
Pension Plan & Health Insurance	54	F, H
Other, Net	(53)	
Total FY 2008 Proposed Budget	$2,446	

Capital Budget

Projected Capital – Uses of Cash

DFW projects to spend approximately $329.7 million on capital expenditures in FY 2008 as summarized in the following chart.



The closeout of the FY 2000 Capital Development Program is virtually complete with the exception of four projects totaling approximately $31 million (identified as "CDP" on projects on page 2 and 3). Remaining CDP projects are currently under review for determination of final project cost and savings.

The following table summarizes total projected capital expenditures for projects to be in progress during FY 2008.

Projected Capital Expenditures
In Millions

	Prior Years	Projected FY 2008	Future Years	Total Budget
Capital Expenditures				
Terminal Rehabilitation	$23.2	$40.2	$8.2	$71.6
Other Terminal	216.2	64.6	15.7	296.5
Airfield	134.4	71.7	8.0	214.1
Vehicle, Environmental, Security, & Other	103.2	67.9	17.6	188.7
Commercial Development	21.1	14.0	0.2	35.3
Road, Rail, and Transit	20.8	58.7	22.4	101.9
Parking	14.7	12.5	3.0	30.3
Total Capital	**$533.7**	**$329.7**	**$75.1**	**$938.5**

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.

Projected Capital Expenditures

In Thousands

= New projects FY 2008

Project Name	Prior Years	FY08	Future Years	301	302	301NG	313	JRB	316
				FY08 Funding source					
FY08 Terminal Re-Lifing Assessment	0	2,400				2,400			
FY08 Renew Roofing and Waterproofing(non-Term)		2,085	2,085	2,085					
FY07 Visit Dallas Fort Worth/Convention Visitors Bureau	100	3,000	1,900		3,000				
FY07 Replace Roofing & Waterproofing	738	3,310	309	3,310					
FY07 Radio System Upgrade	750	1,750						1,750	
FY07 Improve Storm Drainages/Inspect Storm Sewer	81	754		754					
FY07 Health & Wellness Center	15	1,464			1,464				
FY07 Capitalization of ADD/Eng Svcs Overhead	2,235	2,381	2,476	2,381					
FY07 AOA Physical Perimeter Security Upgrades	526	7,933							7,933
FY07 Airport Development Plan (ADP) Update	1,500	9,500				9,500			
FY07 - Replace General Vehicles		1,227		1,227					
FY06 Air Service Incentive Program (ASIP)	1,399	2,406	3,405		2,406				
FY06 - AOC - Operations Building	312	1,547					1,547		
FY05/06 Rehab Water Systems (5 yr rehab program)	24	2,945	4,054	2,945					
FY04 NE/NW Cargo Cleanup Remediation	318	1,182						1,182	
FY00 Airport-Wide Signage Replacement	17,972	1,079					1,079		
CDP - FY07 Aircraft Hangar Drain Modifications	70	5,319					5,319		
Other Less Than $1M	77,188	17,614	3,357	4,342	555	0	8,702	3,385	630
Total Vehicle, Environmental, Security, & Other	$103,226	$67,895	$17,585	$17,044	$7,424	$11,900	$16,646	$6,317	$8,563
FY08 Terminal IT Infrastructure Expan (Comm rooms		2,000					2,000		
FY08 Install Safe gate at A, C and D *	0	5,072	1,691		5,072				
FY08 Expand DFW FIDS/ A, B, and C *	0	3,801	1,267		3,801				
FY08 Expand DFW BIDS to A, B, and C *	0	1,055	352		1,055				
FY06 ATSAC-Permanent Infrastructure @ Terminal A	1,509	21,583	12,328						21,583
FY05 Terminal Interior Signage	1,470	1,486					1,486		
FY05 Terminal Building Revolving Door Upgrade	1,259	7,266						7,266	
FY05 Curbside Canopy and Signage	3,094	1,034					1,034		
CDP - FY05 SkyLink Heat Exchanger SkyLink Stations	18,228	10,431					10,431		
CDP - FY05 AA Leasehold Improvements (Non Board)	9,533	4,855					4,855		
Other Terminal Less Than $1M	181,115	6,020	62	383	685	0	3,150	1,802	0
Total Other Terminal	$216,209	$64,603	$15,699	$383	$10,614	$0	$22,957	$9,068	$21,583
FY08 Terminal A & C Lighting (Interior) *	0	1,201	400		1,201				
FY08 Terminal A & C Entrance Doors *	0	1,075	0		1,075				
FY08 Restore PCA, Terminal E *		1,823	608		1,823				
FY08 Replace Seating, Terminal B		1,900			1,900				
FY08 Replace Jet Bridges, Terminal E (FY08 AIP)		3,500		2,912	588				
FY08 Replace Jet Bridges, Terminal B		2,000				2,000			
FY08 Replace Elevators, Terminal E *	0	1,163	388		1,163				
FY08 Replace all old style millwork at A and C *	0	2,020	673		2,020				
FY08 Preconditioned Air Unit replacement *	0	2,230	743		2,230				
FY08 Correct HVAC Sys. Inbalance in Terminal E *	0	1,029	343		1,029				
FY08 Bath Room Rehab. Term C *	0	2,176	690		2,176				
FY08 Bath Room Rehab. Term B *	0	2,411	804		2,411				
FY08 Bath Room Rehab. Term A *	0	1,913	638		1,913				
FY07 Replace Terminal E Escalators	525	1,574			1,574				
FY07 Replace Terminal B Jet Bridges		3,619		3,619					
FY07 Replace Terminal B Escalators	129	1,193		1,193					
Other Terminal Rehabiliation Less Than $1M	22,552	9,398	2,932	1,361	5,072	2,771	96	97	0
Total Terminal Rehabilitation	$23,206	$40,224	$8,218	$9,085	$26,175	$4,771	$96	$97	$0

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

Project list continued on next page.

Capital Budget

Project Name	Prior Years	FY08	Future Years	301	302	301NG	313	JRB	316
				FY08 Funding source					
FY08 Replace Roadway Coating, Terminal B		2,775	925			2,775			
FY08 Replace Roadway Coating, Terminal A		2,775	925			2,775			
FY08 Rehabilitate Roadway High Poles		1,165		1,165					
FY08 Rehabilitate Landside Pavements(Year 1 of 5)		1,681	3,324				1,681		
FY08 Rehabilitate Landside Bridges (Year 1 of 5)		3,122	6,173				3,122		
FY08 Express/Terminal Link Van Replacement		3,040		3,040					
FY08 Employee Parking Bus Replacement		2,937		2,937					
FY08 DFW Connector Roadways	0	20,580	10,876		20,580				
FY07 Recoat Terminal C Upper Roadway	4	3,282		3,282					
FY07 Design of North & West Airfield Drive	1,000	1,800			1,800				
FY07 Contingency (Rehab Landside Bridges from FY07	0	3,517						3,517	
FY06-Replacement Employee Buses	1,531	3,949		3,949					
FY05/06-Rehabilitate Landside Pavements & Bridges	108	1,284	154	1,284					
FY01 DFW Roadway Improvements (ATMS 16	30	1,020					1,020		
FY01 DFW Roadway Improvements	2,048	2,743					2,743		
Other Road, Rail, & Transit Less Than $1M	16,117	3,032	0	0	784	0	2,248	0	0
Total Road, Rail, & Transit	$20,839	$58,702	$22,377	$15,656	$23,164	$5,550	$10,815	$3,517	$0
FY08 Rehabilitate Parking Lots		1,500	1,500	1,500					
CDP FY00 Automated Parking System	14,363	9,998	781				9,998		
Other Parking Less Than $1M	359	1,034	750	1,001	0	0	33	0	0
Total Parking	$14,722	$12,531	$3,031	$2,501	$0	$0	$10,030	$0	$0
FY07 International Commerce Park Phase 3F	2,796	8,387				8,387			
FY06 Trammell Crow - (ICP) Multi-site Infrastructure	0	1,000						1,000	
FY00 Euless/Irving Infrastructure Development- Phase	8,362	1,021						1,021	
Other Commercial Development Less Than $1M	9,926	3,573	223	665	0	1,287	620	1,001	0
Total Commercial Development	$21,083	$13,982	$223	$665	$0	$9,675	$620	$3,023	$0
FY08 Rehabilitate AOA Storm Sewers (sinkhole)		2,750	2,750	2,750					
FY08 Rehabilitate Airfield Pavements (AIP)		2,725	2,725	2,725					
FY08 Rehabilitate Airfield Lighting Systems (AIP)		1,275	425	1,275					
FY07 Rehabilitate Airside Bridges (AIP)	23	1,325		1,325					
FY07 Rehabilitate Airfield Pavements	4,696	1,977		1,977					
FY07 Rehabilitate Airfield Lighting Systems (AIP)	102	4,012		4,012					
FY06 Rehabilitate Airfield Pavements	647	3,058		3,058					
FY06 Perimeter Taxiways-Founder's Plaza	150	1,385			1,385				
FY06 Construction of Perimeter Taxiways SE Quadrant	14,446	42,012	2,066		42,012				
FY05 Taxiway Kilo	26,115	1,589					1,589		
FY04 Rehabilitate Airfield Lighting Systems	1,566	1,590					1,590		
FY03 Rehabilitate Airfield Lighting Systems	3,246	1,672					1,672		
Other Airfield Less Than $1M	83,439	6,367	0	2,206	868	0	3,292	0	0
Total Airfield	$134,429	$71,736	$7,966	$19,328	$44,265	$0	$8,144	$0	$0
Total	$533,715	$329,674	$75,099	$64,661	$111,641	$31,896	$69,308	$22,022	$30,146

* Part of $45M FY08 Terminal Rehabiliation Program

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.

FY08 Capital Budget

There are several major capital initiatives included in the FY 2008 Capital Budget including:

- Airport Development Plan Update (ADP) – An update to the 1997 ADP master plan is currently underway to provide a revised framework to address the future needs of the Airport. $10.5 million has been programmed for this project, with $9 million in FY 2008. Deliverables include development of near-term capital plan (FY 2009 – 2014) and long-term 20-year plan, aviation activity forecasts, individual department capital plans, and assistance with an Environmental Assessment Action Plan. Part of the ADP will include a holistic capital plan for terminal re-life initiatives, the beginning of which is the "Terminal Rehabilitation" initiatives discussed below.

- Southeast Perimeter Taxiways (SE Quadrant) – Construction 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 is estimated to be complete in 2009. Approximately $42 million is forecasted to spend for FY 2008 with the remainder in FY 2009.

- 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 $21.6 million in FY 2008 with approximately $12.3 million and the remainder in FY 2009.

- 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 other terminal rehabilitation projects included in the budget and funded from a variety of sources. All of these projects are estimated to be complete by 2009.

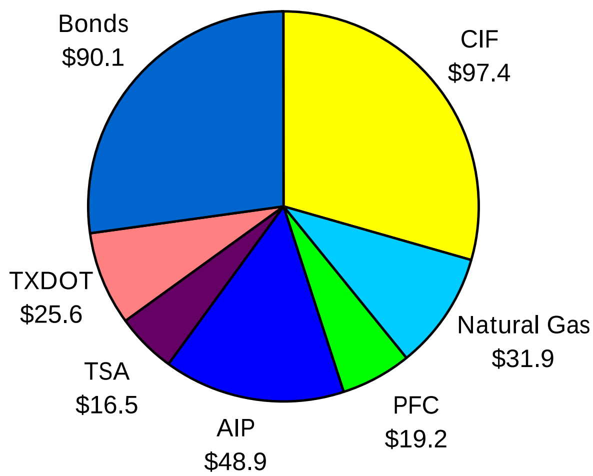
- DFW Roadway Improvements – As TXDOT proceeds with plans for the Connector Roadway project to construct highway widening on the north side of the Airport, DFW will receive approximately $44 million from a right-of-way sale of land for these highway improvements. DFW will then pay TXDOT $10 million to construct a frontage road on HWY 114. The net proceeds are programmed for 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. Approximately $20.6 million is anticipated to be spent during FY 2008, with the remainder in FY 2009.

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 walkforward of DFW's capital funds.

FY 2008 Capital Sources of Cash
$329.7 Million



Capital Budget

Airport Capital Funds Walkforward
In Millions

	CIF			Bonds		
	301	301NG	302	JRB	316	Total
Beginning Balance	$ 27.3	$ 153.8	$ 55.5	$ 112.9	$ 118.1	$ 467.6
Sources of Funds:						-
CIF Settlement	29.4	-	8.5	-	-	37.9
Interest Income	1.9	7.8	3.0	3.4	5.9	22.0
AIP Reimbursements	13.1		32.5	3.3	-	48.9
PFC Reimbursements	-		10.8	3.0	5.4	19.2
TSA Reimbursements	-		-	0.4	16.2	16.5
TXDOT Right-of-Way Sale (1)	-		44.3	3.2	-	47.5
TXDOT Payout (2)	-		(10.0)			(10.0)
777 Program		(14.0)	7.0	-		(7.0)
Terminal Rehab Transfer (3)		(45.0)	45.0			-
Natural Gas Royalties		30.0		-		30.0
Less: Capital Uses	(64.7)	(31.9)	(111.6)	(91.3)	(30.1)	(329.7)
Less: Debt Service (4)	-		-	-	(115.4)	(115.4)
Ending Cash Balance	**$7.0**	**$100.7**	**$85.1**	**$34.8**	**$0.0**	**$227.7**

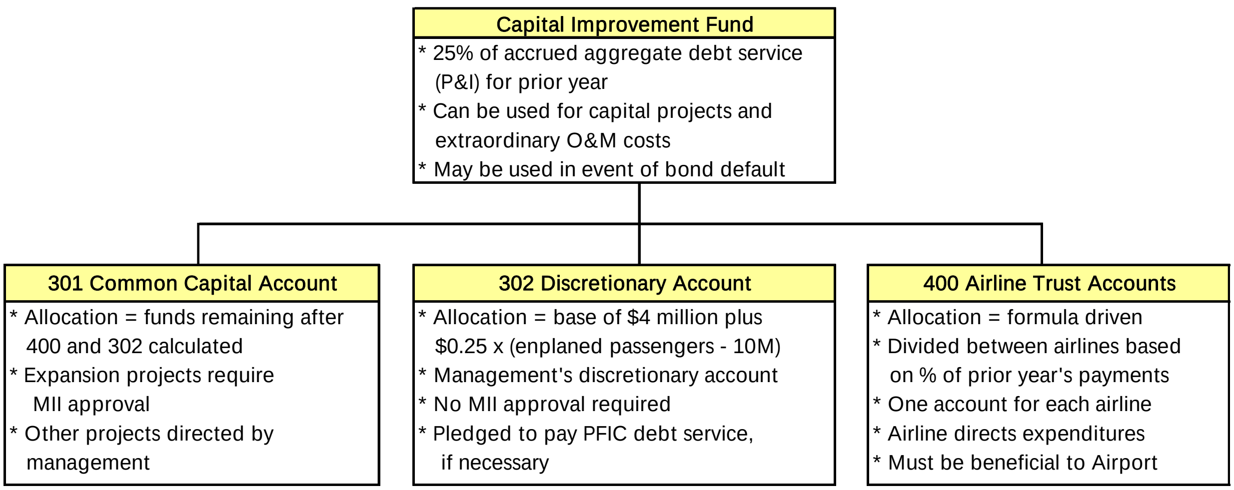
(1) Estimated $44.3M sale proceeds from TXDOT for DFW Right-of-Way (Connector Rds).
(2) $10M payback to TXDOT to construct frontage road west of 121 on behalf of DFW.
(3) $45M cash transfer from 301NG to 302 to fund Terminal Rehabilitation Program.
(4 FY 2008 and future.

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.

Capital Improvement Fund Allocations



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 2008, 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 2008, Fund 302 is to receive an additional $7 million funds transfer as part of the 777 Program as described above.

Capital Budget

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 safety-related, environmentally-mandated, and/or required to maintain and replace the Airport's infrastructure. 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.

Natural Gas Proceeds

Natural Gas Proceeds are deposited into the 301 CIF Fund. For accounting purposes they have been segregated into the 301NG 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. Management is developing a policy regarding the use of natural gas proceeds for Board consideration. This will be presented to the Board in July.

Summary Natural Gas Programming In Millions	
One-Time Bonus Payment	**$186**
Reimburse Cities for original contribution	(20)
777 Program FY 2007 Budget	(14)
777 Program FY 2008 Budget	(14)
FY 2008 Budget - ADP Update	(11)
FY 2008 Budget - Terminal Rehabilitation Program	(45)
FY 2008 Budget - Int'l Commerce Commerce Park III	(11)
FY 2008 Budget - Other	(4)
Total NG Funds Programmed To Date	**(120)**
Remaining Balance	**$66**

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Capital Budget

Capital Improvement Fund Allocations

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

Capital Improvement Fund (CIF) Allocations
In Millions

Coverage to be Distributed	FY 2006 Allocation Paid In FY07	FY 2007 Allocation Paid In FY08	FY 2008 Allocation Paid In FY09	FY 2009 Allocation Paid In FY10
Net debt service	$219.1	$237.5	$240.8	$243.3
Coverage percentage	25.0%	25.0%	25.0%	25.0%
Total Coverage to be Distributed	**$54.8**	**$59.4**	**$60.2**	**$60.8**
Airline Trust Fund				
Joint revenue bond reserve	$166.6	$166.6	$166.6	$166.6
Divided by revenue bond outstanding	3,765.5	3,722.8	3,678.0	3,626.1
Ratio of reserve to debt	4.42%	4.47%	4.53%	4.59%
Coverage multiplier	1.25%	1.25%	1.25%	1.25%
Airline trust allocation factor	5.53%	5.59%	5.66%	5.74%
Net debt service	219.1	237.5	240.8	243.3
(A) Trust Funds Distribution - Calculated	12.1	13.3	13.6	14.0
(B) Trust Funds - Threshold	7.0	7.0	7.0	7.0
Total Airline Trust Fund (lesser of A/B)	**$7.0**	**$7.0**	**$7.0**	**$7.0**
Coverage Credit				
Total Avg Annual Reserve Fund w/o sureties	$255.2	$255.3	$255.3	$255.3
Divided by revenue bond outstanding (princi	3,765.5	3,722.8	3,678.0	3,626.1
Percentage to Outstanding Debt	6.78%	6.86%	6.94%	7.04%
Allocation Factor	8.47%	8.57%	8.68%	8.80%
Total Amount to Trust if no Sureties	18.6	20.4	20.9	21.4
Less Deposited to Trust (Item 1 above)	(7.0)	(7.0)	(7.0)	(7.0)
Total Coverage Credit (to 102 Fund)	**$11.6**	**$13.4**	**$13.9**	**$14.4**
DFW Discretionary Fund 302				
Enplaned (revenue) passengers	$28.1	$28.1	$28.1	$28.1
Less established threshold	(10.0)	(10.0)	(10.0)	(10.0)
Enplaned passengers over 10 million	18.1	18.1	18.1	18.1
Per passenger amount due	0	0	0	0
Total due from pax formula	4.5	4.5	4.5	4.5
Plus amount due from base allocation	4.0	4.0	4.0	4.0
DFW Discretionary Fund Transfer	**$8.5**	**$8.5**	**$8.5**	**$8.5**
ATSAC Bond Coverage Transfer				
ATSAC Bonds Debt Service	$4.3	$4.5	$5.1	$5.1
Coverage Percentage	25%	25%	25%	25%
ATSAC Coverage (to 102 Fund)	**$1.1**	**$1.1**	**$1.3**	**$1.3**
Capital Improvement Fund				
Total coverage distributed to funds	$54.8	$59.4	$60.2	$60.8
Less airline trust distribution	(7.0)	(7.0)	(7.0)	(7.0)
Less Coverage Credit (Item 2 above)	(11.6)	(13.4)	(13.9)	(14.4)
Less airport discretionary distribution	(8.5)	(8.5)	(8.5)	(8.5)
Less Coverage for ATSAC	(1.1)	(1.1)	(1.3)	(1.3)
Remainder to CIF 301 Fund	**$26.6**	**$29.4**	**$29.5**	**$29.6**

Note: Excludes 7/7/7 Program

Debt Financing

The following table highlights principal and interest payments budgeted for FY 2008 by debt issuances. The assumed variable interest rate is 3.75%.

Debt Service Summary for FY2008
In Thousands

Bond Series	Final Maturity	Interest	Principal	Total Debt Service
2000A - Fixed rate	2035	$ 20,116	-	$ 20,116
2001A - Fixed rate	2035	35,096	5,390	40,486
2002A - Fixed rate	2035	17,652	6,425	24,077
2002B - Variable rate	2035	3,033	-	3,033
2002C - Variable rate	2035	2,022	-	2,022
2003A - Fixed rate	2035	75,567	-	75,567
2003C-1 - Variable rate	2018	2,280	-	2,280
2003C-2 - Variable rate	2018	2,281	-	2,281
2004A-1 - Variable rate	2024	1,967	4,775	6,742
2004A-2 - Variable rate	2024	2,159	4,775	6,934
2004B	2035	10,534	285	10,819
2006A	2015	13,582	31,060	44,642
2007A (Preliminary)	2023	5,048	915	5,963
Gross Debt Service		**$ 191,337**	**$ 53,625**	**$ 244,962**

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.

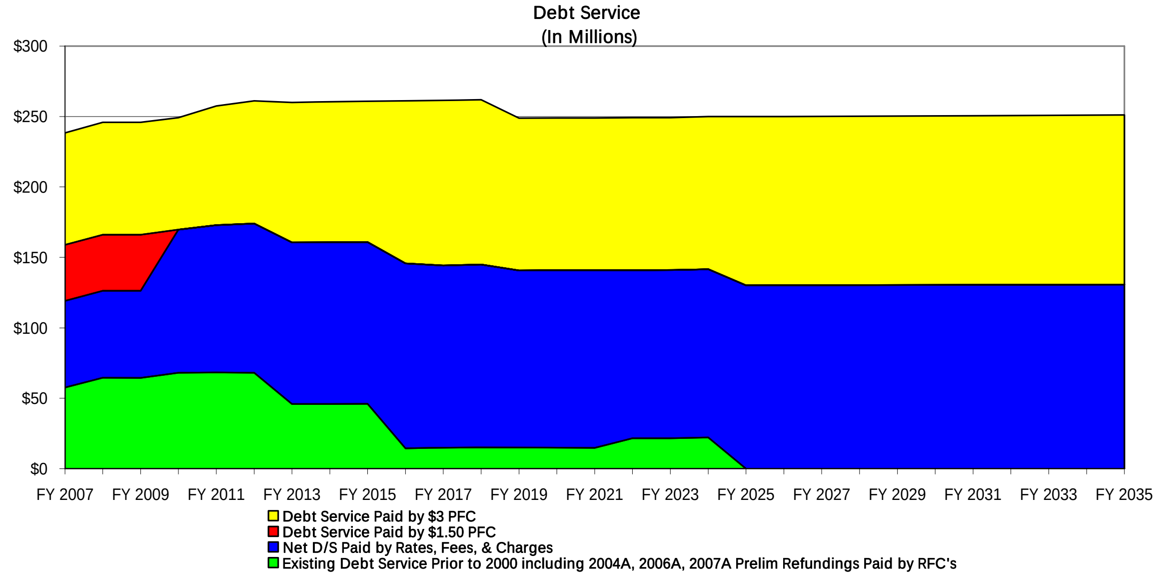
FIC bonds are issued to provide conduit financing for Airlines and other airport users. FIC bonds are secured solely by financing agreements between the FIC and the underlying party responsible for repayment of the bond. These bonds contain no relet provisions, cross default provisions, or liens against 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 2008 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

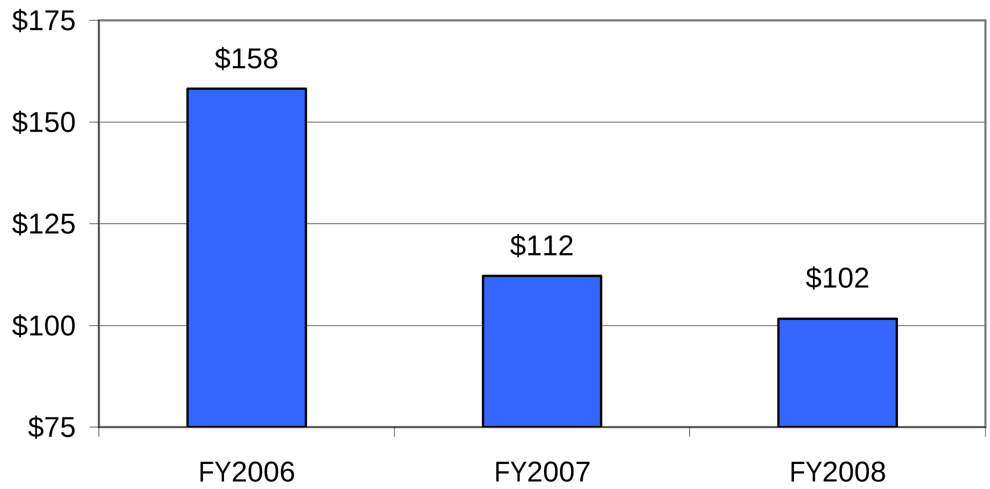
As of March 31, 2007
In Millions

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	114	114	114
PFC #5	SkyLink	Active	2,191	795	330
PFC #6	Deicing System	Active	52	-	13
PFC #7	ATSAC	Active	60	-	39
PFC #8	CDP Completion	Active	2,892	-	266
PFC #9	Perimeter Taxiways, ATSAC	Active	37	-	2
Totals			$ 5,529	$ 1,092	$ 947
PFC Balance					$ 145
Collection Authority Remaining					$ 4,437

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



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 2008.

Federal AIP Grant Summary
In Thousands

Grant Number	Award Date	Grant Amount	Grant Drawdowns: Prior Years	Grant Balance 9/30/07	Grant Drawdowns: Proj. FY 2008	Grant Balance 9/30/08
Entitlement						
80-06	22-Aug-06	$7,105	$3,167	$3,938	$3,938	$0
Total Entitlement		**$7,105**	**$3,167**	**$3,938**	**$3,938**	**$0**
Discretionary						
79-06	22-Aug-06	$24,918	$2,346	$22,572	$22,572	$0
Total Discretionary		**$24,918**	**$2,346**	**$22,572**	**$22,572**	**$0**
Totals		**$32,023**	**$5,513**	**$26,510**	**$26,510**	**$0**

The FY 2008 entitlement grant requested funding for the following projects:

2008 AIP Grant Application
In Thousands

Project	AIP	DFW	Total Cost
Rehab Storm Sewers, AOA	$ 3,300	$ 2,200	$ 5,500
Rehab Airfield Lighting	1,020	680	1,700
Rehab Airfield Pavements	3,270	2,180	5,450
Replace Term E/B Jetbridges	1,643	1,097	2,740
Total	**$ 9,233**	**$ 6,157**	**$ 15,390**

The Airport has received its FY 2006/07 Discretionary AIP funding for $45.7 million to fund construction of the Southeast Perimeter Taxiway project (total project budget of $64.7 million). The $45.7M was received in FY 2006 and FY 2007.

The Airport is scheduled to receive $2.552 million in FY 2008 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 2008 payment will represent the 9th 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.

DFW plans to refund these bonds in late FY 2007 and split the bonds into fixed and variable rates series. This will allow DFW to make payments on the fixed rate bonds, and begin to pay down approximately $5-$7 million of variable rate bonds each year ahead of schedule. This is intended to pay off the RAC bonds 7-8 years ahead of schedule.

RAC Walkforward
In 000's

	2006 Actual	2007 Outlook	2008 Budget
Transaction Days	4,958	4,840	5,131
Beginning Cash Balance	$7,548	$12,970	$17,661
Investment Earnings	443	741	835
Revenue ($4 CFC)	19,830	19,361	20,522
Debt Service	(14,685)	(14,743)	(20,616)
Capital Expenditures	(166)	(669)	(4,600)
Ending Cash Balance	**$12,970**	**$17,661**	**$13,802**

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 10/1/07	$9,510
Investment Earnings	476
Cash flow from Grand Hyatt	8,963
Debt Service	(4,476)
Ending Cash Balance	**$14,472**

Appendix A
Glossary of Acronyms

AAB – Airline Advisory Board
AACS – Automated Access Control System
ADA – Americans with Disabilities Act
ADD – Airport Development Department
AIP – Airport Improvement Program
AOA – Aircraft Operation Area
AOC – Airport Operations Center
APM – Automated People Mover
APS – Automated Parking System
ARFF – Aircraft Rescue Fire Fighting
ATSAC - Aviation Transportation Security Act Compliance
BIDs – Baggage Information Displays
CCC – Consolidated Communications Center
CCTV – Closed Circuit Television
CDP – Capital Development Program
CEO – Chief Executive Officer
CIF – Capital Improvement Fund
CIP – Capital Improvement Program
CNG – Compressed National Gas
CPCS – Computerized Parking Control System
CSP – Carrier Support Program
CUP – Central Utility Plant
CUTE – Common Use Terminal Equipment
CUSS – Common Use Self Service
DBEs – Disadvantaged Business Enterprises
DBO – Date of Beneficial Occupancy
DFW – Dallas/Fort Worth International Airport
DOT – Department of Transportation
DPS – Department of Public Safety
E&AM – Energy & Asset Management
EVIDs – Electronic Visual Information Displays
FAA – Federal Aviation Administration
FARs – Federal Aviation Regulations
FEIS – Final Environmental Impact Statement
FIC – Facility Improvement Corporation
FIDs – Flight Information Display System
FIS – Federal Inspection Service
FY – Fiscal Year
GA – General Aviation
GAAP – Generally Accepted Accounting Principles
GIDs – Gate Information Displays
GIS – Geographic Information System
GL – General Ledger
GNP – Gross National Product
HR – Human Resources
HVAC – Heating Ventilation Air-Conditioning
INS – Immigration & Naturalization Service
IRS – Internal Revenue Service
ITS – Information Technology Service
JRB – Joint Revenue Bonds
KPI's – Key Performance Indicators
LARS – Land Acquisition Reporting System
MAG – Minimum Annual Guarantee
M/WBEs – Minority/Women-Owned Business Enterprises
MEPS/RS – Mechanical, Electrical, Plumbing, Structural/Ramp Services
MII – Majority in Interest
MOU – Memorandum of Understanding
O&M – Operating & Maintenance
OBAs – Official Board Actions
OPS – Operations
PFCs – Passenger Facility Charges
PFIC – Public Facility Improvement Corporation
PSSF – Passenger Service Special Facilities
QTR – Quarter
RAC – Rent-A-Car
RAP – Respond Action Plan
RFC – Rates Fee & Charges
RIDs – Ramp Information Displays
RIMS – Risk Information Management System
RMS – Records Management System
ROI – Return on Investment
RS – Ramp Services
SEB – Small & Emerging Business
SWAP – Interest Rate SWAP
TCEQ – Texas Commission on Environmental Quality
TSA – Transportation Security Administration
WBE – Women Business Enterprise

APPENDIX B
Signatory Airlines
June 2007

SIGNATORY AIRLINES PASSENGER CARRIERS	PERMITTEE AIRLINES PASSENGER CARRIERS
Air Canada	Air Midwest, Inc.
AirTran Airways, Inc.	Allegiant Air. LLC
Alaska Airlines, Inc.	Aviateca, S. A.
American Eagle Airlines, Inc.	Bell Helicopter Textron, Inc.
American Airlines, Inc.	Caris Air Services, LLC
America West Air Lines, Inc.	Comair, Inc.
ATA Airlines, Inc.	LACSA (Lineas Areas Costarricenses, S.A.)
Atlantic Southeast Airlines, Inc.	Mesa Airlines, Inc.
British Airways, PLC	Nova Air - 04/2007 (use of office space only, aeronautical ops projected to start in 12/2007)
Champion Air - 12/01/2006	Omni Air International, Inc.
Chautauqua Airlines, Inc.	Pinnacle Airlines, Inc.
Continental Airlines, Inc.	Ryan International, Inc.
Delta Air Lines, Inc. (Chap 11 Bankruptcy)	Steve Hudson
ExpressJet Airlines – 11/01/2006	TACA International Airlines, S.A.
Frontier Airlines, Inc.	
Korean Air Lines Co., Ltd.	
Lufthansa German Airlines	
Mexicana Airlines - 7/01/06	
Midwest Airlines, Inc.	
Northwest Airlines, Inc. (Chap 11 Bankruptcy)	
Republic Airlines, Inc.	
Skywest Airlines, Inc. - 3/01/2006	
Shuttle America Corporation	
Sun Country Airlines (MN Airlines, LLC)	
United Air Lines	
US Airways (Chapter 11 Bankruptcy)	

SIGNATORY AIRLINES FREIGHT CARRIERS	PERMITTEE AIRLINES FREIGHT CARRIERS
ABX Air, Inc. (f/k/a Airborne)	
Air China Limited – 06/01/06	Air 1st Aviation Co.
Air France - Compagnie Aerienne - 3/26/06	Ameriflight, LLC
Air Transport International, LLC (ATI)	Atlas Air, Inc.
Cathay Pacific Airways Limited	Florida West International Airways – 6/03/06
China Airlines, Ltd.	Kitty Hawk, Inc.
China Cargo Airlines, Ltd.	Martinaire Aviation, LLC
EVA Airways Corporation	TradeWinds Airlines, Inc.
Evergreen International Airlines	
Federal Express Corporation	
Singapore Airlines Cargo Pte, Ltd.	
United Parcel Service	
UPS Supply Chain Solutions	

NON-OPERATING SIGNATORY AIRLINES
Air New Zealand Limited
Executive Express II, Inc.
Express One International, Inc. – Nonexistent
Japan Airlines Co, Ltd.
National Airlines, Inc. - Nonexistent
Sabena SA/NV - Nonexistent
Zantop International Airlines, Inc.