

# Memorandum



CITY OF DALLAS

Date September 2, 2011  
To The Honorable Mayor and Members of the City Council  
Subject Dallas/Fort Worth International Airport FY2012 Annual Budget Briefing

On September 7th, Chris Poinssatte, Executive Vice President –Chief Financial Officer at Dallas/Fort Worth International Airport, will provide a briefing on the DFW Airport Board's FY2012 Budget. The briefing materials are attached for your review.

Please contact me if you have questions.

A handwritten signature in black ink, appearing to read 'Mary K. Suhm'.

Mary K. Suhm  
City Manager

Cc: A.C. Gonzalez, First Assistant City Manager  
Ryan S. Evans, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Interim Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Thomas P. Perkins, Jr., City Attorney  
Rosa A. Rios, Interim City Secretary  
Craig D. Kinton, City Auditor  
C. Victor Lander, Administrative Judge  
Helena Stevens-Thompson, Assistant to the City Manager

**DFW International Airport Board  
Proposed FY 2012 Budget  
Presentation to Dallas City Council**

September 7, 2011

A series of light blue, curved lines that sweep across the bottom and left side of the slide, creating a dynamic, flowing background element.

## **FY 2012 Budget - Highlights**

- FY 2012 Budget = \$601.6 million\*
  - \$32 million (5.6%) increase from FY 2011 Outlook
  - \$18 million scheduled increase in debt service, but \$11.9 million lower than the financial plan target for FY 2012
  - \$14 million (4.2%) net increase in expenses, but \$8.5 million lower than the Financial Plan target for FY 2012
- Cost Per Enplanement - DFW remains one of the lowest cost large hub airports

\*before \$5.0 million contingency outside of rate base.

## FY 2012 Budget – Highlights continued

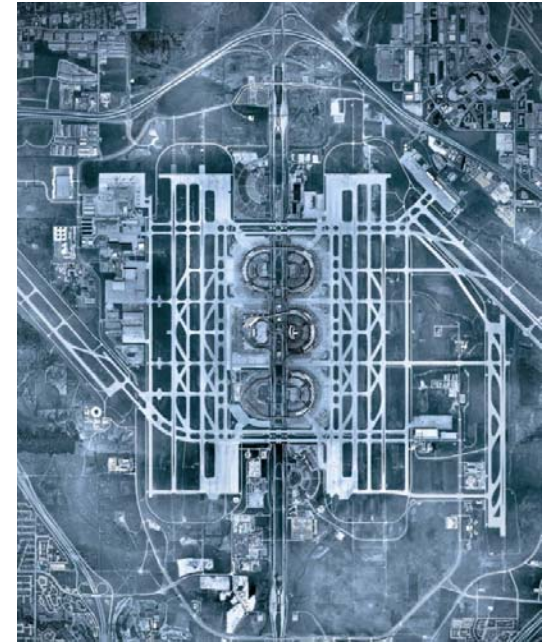
- Airline Cost - \$202.5 million
  - Goal – Keep airline costs low
  - \$4.5 million increase, but DFW has committed to achieve savings during FY 2012 to keep airline cost flat
  - Financial Plan target for FY 2012 was a \$38 million increase from FY 2011 Budget



## DFW's New Business Model

The new ten-year Use Agreement with Airlines defines the business model.

- Three cost centers
- Airfield
  - Revenues equal expenses (residual)
  - Primary revenues to DFW - Landing Fees
- Terminal
  - Revenues equal expenses (residual)
  - Primary revenues to DFW - Terminal Rents
- DFW Cost Center
  - DFW retains net revenues (i.e., profit)
  - Primary revenues - parking, concessions, commercial development, rental car, and interest income
  - If net revenues exceed “Upper Threshold” (\$61.5 million in FY 2012), DFW shares 75% of excess with airlines to reduce following year’s landing fees.

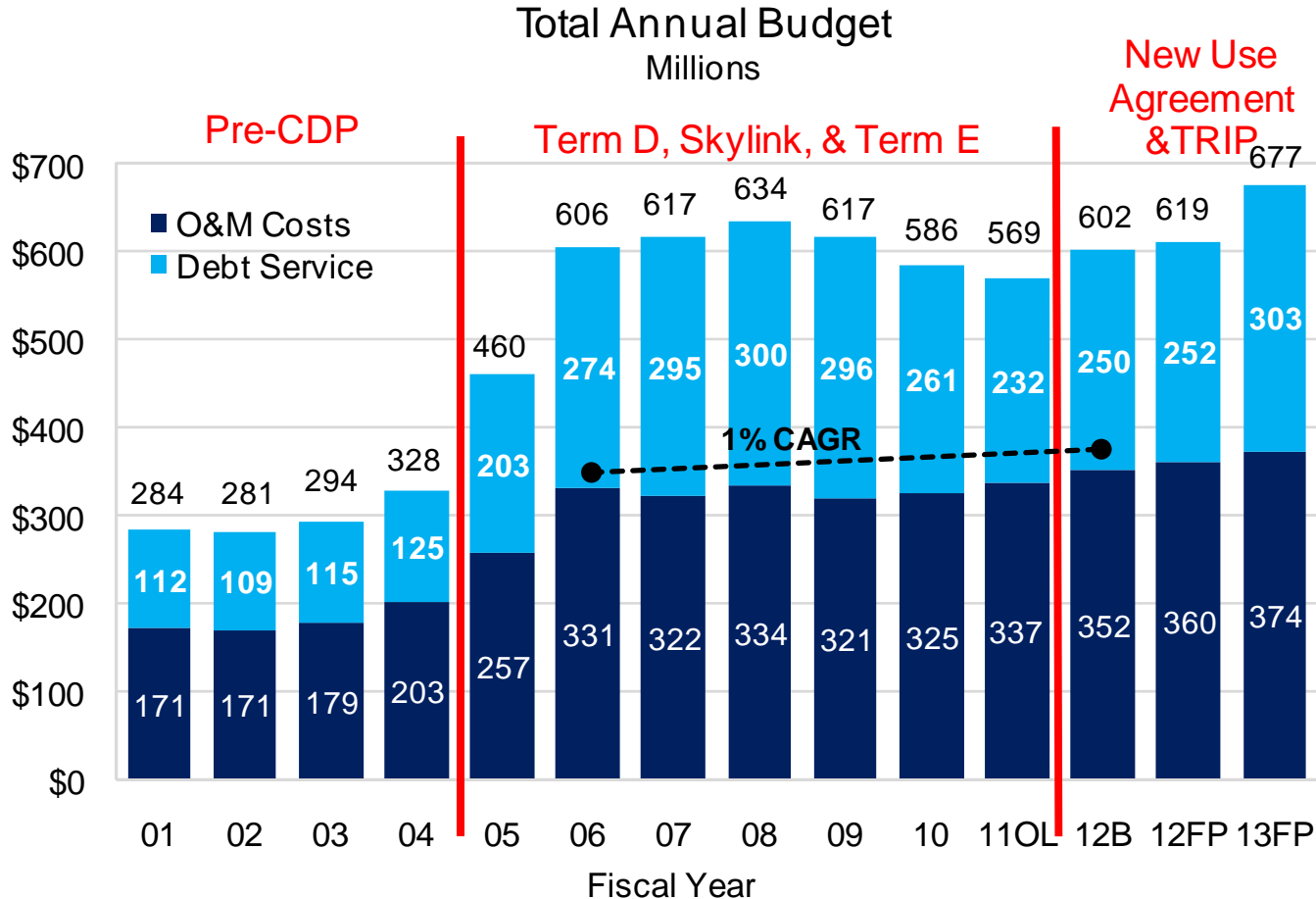


# Annual Budget



## Historical Perspective - Total Annual Budget

DFW has always maintained or reduced its budget, except when entering a new period such as in FY 2005 (CDP/Term E) and again in FY 2012 (TRIP).



## Budget Walkforward – Summary

The \$32 million increase from the FY 2011 Outlook is summarized below and on the following slide.

	<u>Millions</u>
FY 2011 Outlook	\$ 569.5
Scheduled debt service increase	18.1
Expense increases	
Less savings - contracts and energy	(7.2)
Expense increases (next slide)	16.6
Restore CEO contingency to \$2.5M	2.5
Operating reserve requirement	2.0
Total Expense Increases	<u>14.0</u>
Total Increase	<u>32.1</u>
FY 2012 Budget	<u><u>\$ 601.6</u></u>



## 102 Budget Walkforward from Outlook - Other Expense Increases

Of the \$16.6 million of other cost increases, only the International Air Service Support program is considered discretionary.

Other Increases	Millions
Pension plan	\$ 2.7
Annualized - FY11 merit and new DPS positions	2.7
FY12 merit pool (3% effective 1/1/12)	2.2
Healthcare	1.8
Terminal D employee busing (new)	1.5
International air service support	1.1
Skylink contract increase	1.0
Parking (busing and TRIP)	0.7
ITS contract increases	0.7
Deicing filters & equipment	0.6
Other, less than \$500k	1.6
Total	\$ 16.6

## International Air Service Support Program

DFW has added 9 new announced and implemented international routes/destinations since October 2010, for a total of 47 international destinations.



Barbados  
Rio de Janeiro



Queretaro  
Veracruz  
Mazatlan  
Morelia



Brisbane  
Sydney



Punta Cana

## International Air Service Support Program

DFW's 5-year targets include markets in Europe, Asia, the Middle East and the Americas.

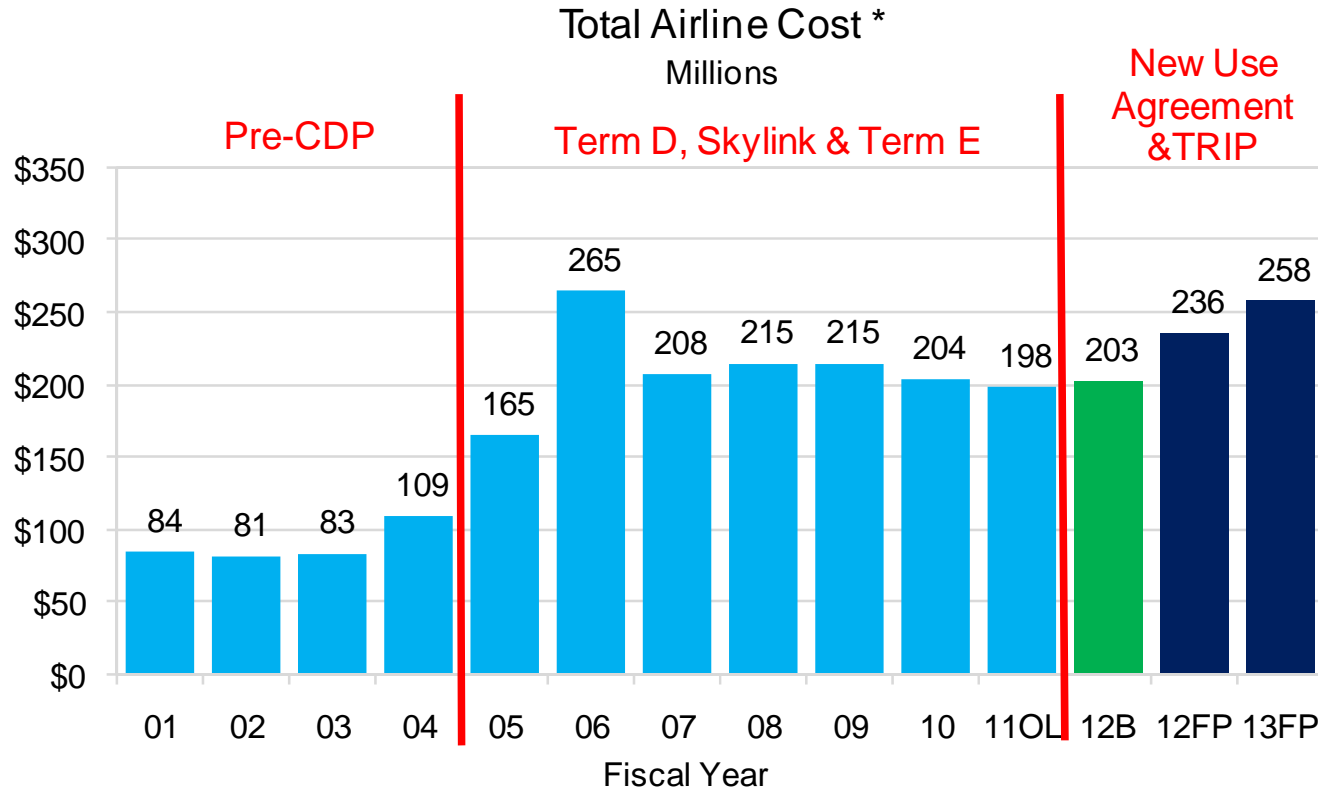


# **Airline Cost Landing Fees and Terminal Rents**



## Historical Perspective – Airline Cost

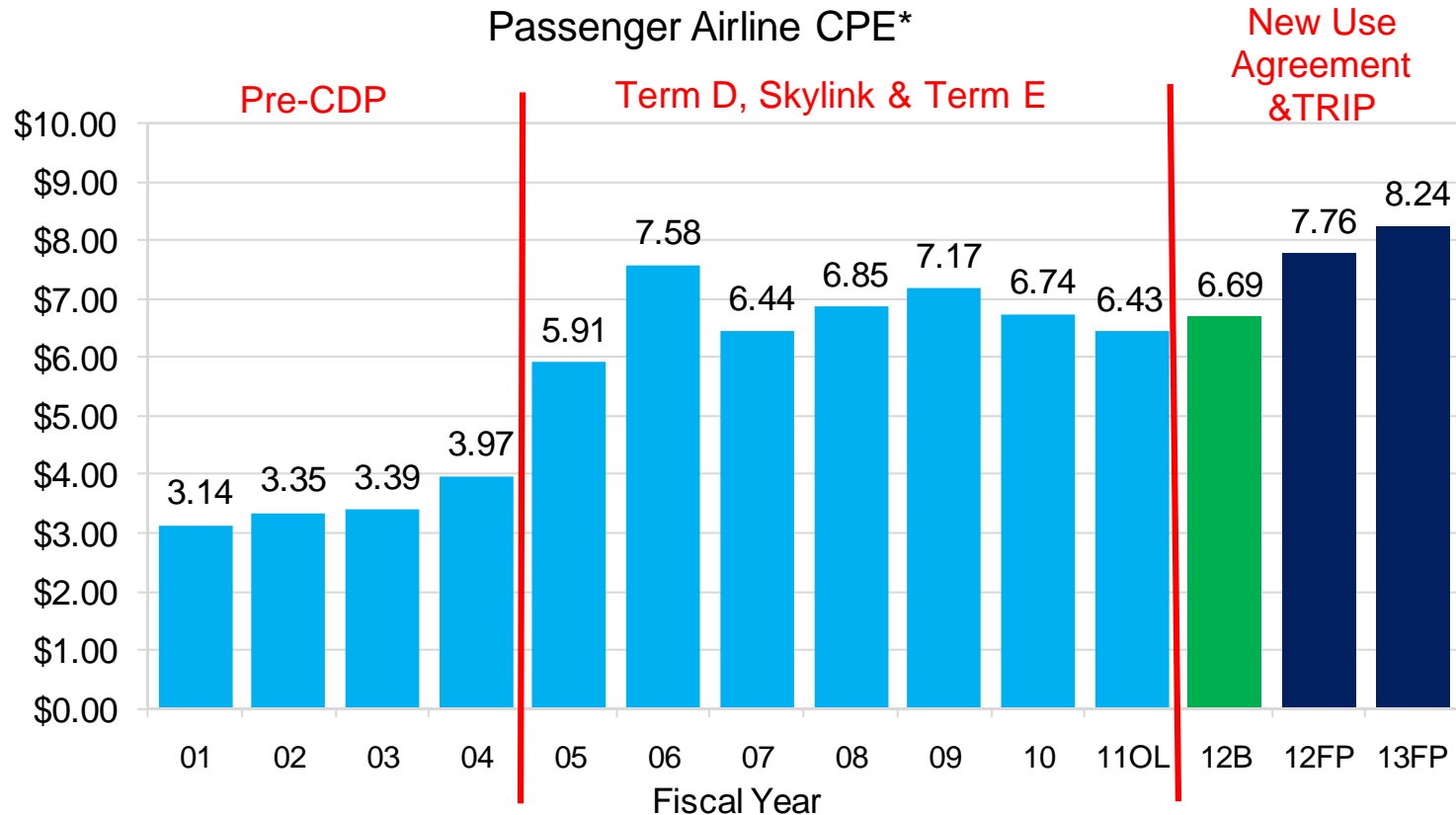
Airline cost is projected to increase \$4.5 million to \$202.5 million. DFW has committed to reduce airline cost during FY 2012 to keep flat with FY 2011 Outlook.



\* As modified for FY11 "True-Up" and Air Service Incentive Payments

## Historical Perspective - Airline Cost Per Enplanement (CPE)

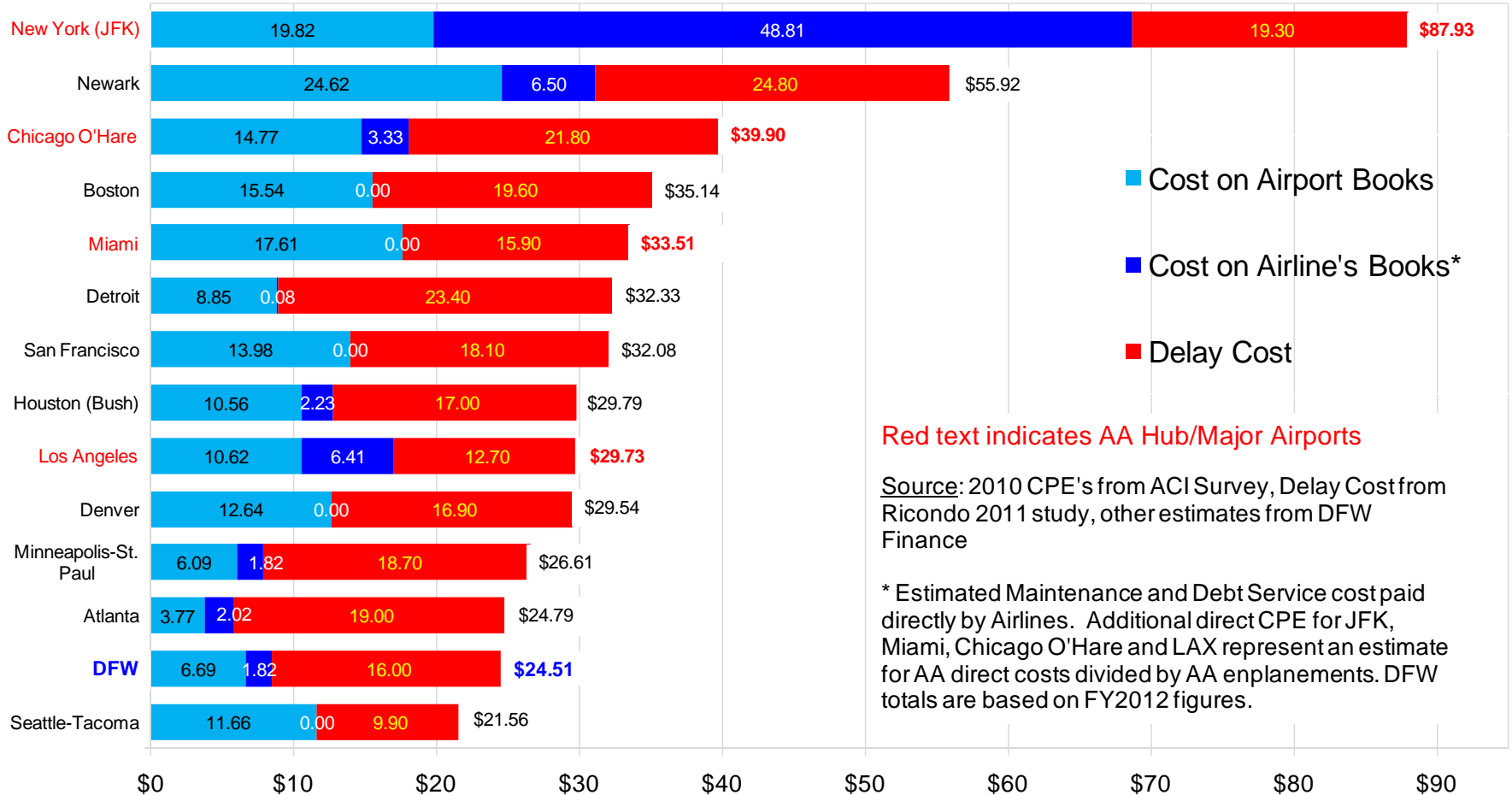
DFW has managed CPE within a \$1 range since FY 2006 when Terminal D opened.



\* Adjusted for FY11 "True-Up" and Air Service Incentive Payments

# CPE – DFW is the Second-Lowest Cost Large Hub Airport

Fully Loaded Cost per Enplaned Passenger





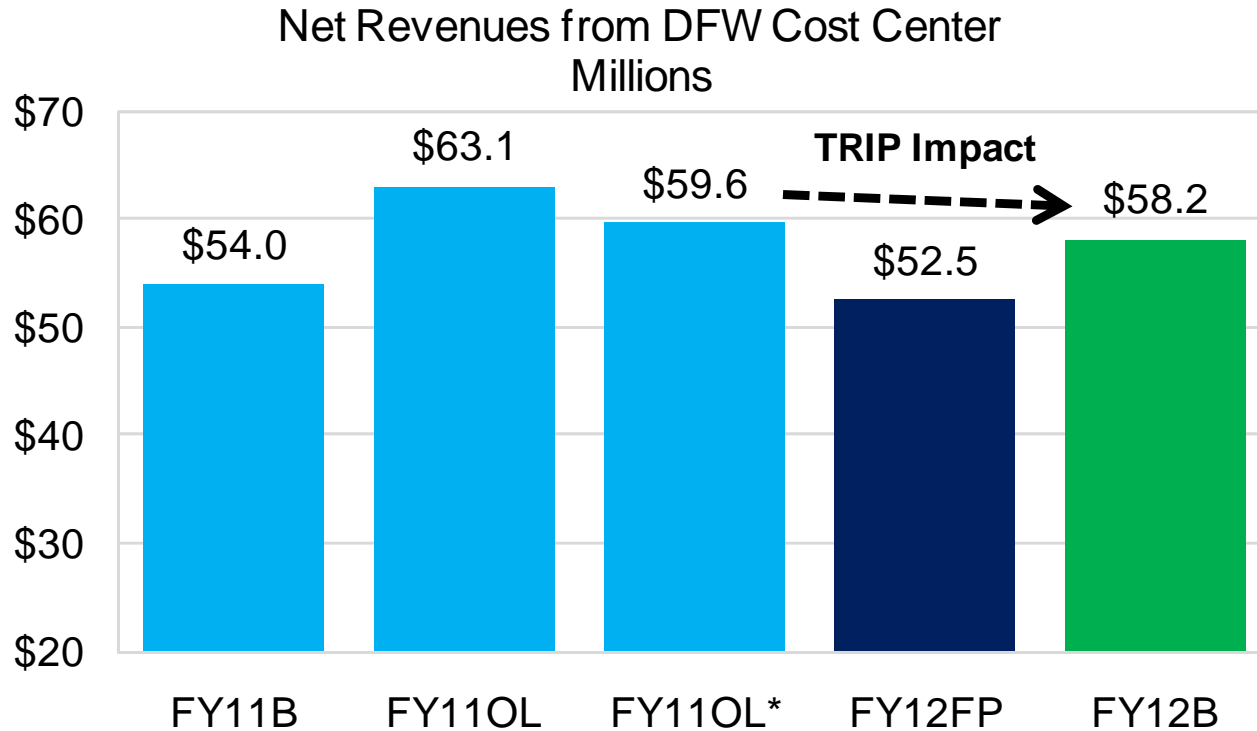
# DFW Cost Center





## Net Revenues from DFW Cost Center

Net revenues improve \$5.7 million from the Financial Plan, but \$1.4 million lower than the FY11 Outlook due primarily to estimated impact of TRIP on parking and concessions.



\* Excludes one-time revenues and expenses from FY11

## DFW Cost Center – Net Revenues

Net revenues are projected to decrease \$4.9 million due to the loss of one time concessions and commercial development revenues in FY 2011 and expected negative impact of TRIP construction on parking and concessions in FY 2012.

In Millions	FY 2011 Outlook	FY 2012 Budget	Better (Worse)
Revenues			
Parking	\$106.7	\$108.1	\$1.4
Concessions	50.9	49.0	(1.9)
Rental Car (RAC)	26.8	27.6	0.8
Commercial Development	36.4	32.7	(3.7)
Other Revenues	24.9	28.9	4.0
Total Revenues	245.6	246.2	0.6
Expenses and Debt Service	182.5	187.9	(5.4)
Net Revenues from DFW CC	\$63.1	\$58.2	(\$4.9)

# Budget Resolution



## FY 2012 Budget Resolution

- Request approval of FY 2012 Budget of \$606.6 million

Annual Budget (millions)	FY 2010 Actual	FY 2011 Outlook	FY 2012 Budget	Incr from FY 2011
Operating Expenses	\$324.5	\$337.3	\$351.4	\$14.1
Debt Service	261.0	232.2	250.2	18.0
Total Budget	\$585.5	\$569.5	\$601.6	\$32.1
Contingency requires DFW Board approval for use			\$5.0	
Total Budget w/ Contingency			\$606.6	

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