

# Memorandum



CITY OF DALLAS

DATE August 30, 2013  
TO The Honorable Mayor and Members of the City Council  
SUBJECT Dallas/Fort Worth International Airport FY 2014 Proposed Budget

On September 4, 2013, the City Council will be briefed on the Proposed FY 2014 Budget. The briefing will be provided by Mr. Christopher Poinatte, Executive Vice President – Chief Financial Officer of Dallas/Fort Worth International Airport.

Please let me know if you have questions or need additional information.



A.C. Gonzalez  
Interim City Manager

c: Thomas P. Perkins, City Attorney  
Judge Daniel F. Solis, Administrative Judge  
Rosa A. Rios, City Secretary  
Craig D. Kinton, City Auditor  
Ryan S. Evans, Interim First Assistant City Manager  
Jill A. Jordan, P. E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Charles M. Cato, Interim Assistant City Manager  
Theresa O'Donnell, Interim Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Frank Libro, Public Information Officer  
Elsa Cantu, Assistant to the City Manager – Mayor and Council



## Dallas/Fort Worth International Airport



# FY 2014 Proposed Budget

Dallas City Council

September 4, 2013



## Executive Overview

- Core Business is Growing
  - Record total passengers - 61.2 million (2% growth from FY13 Outlook)
  - Record number of international flights and destinations, resulting in 6% growth in international passengers
  - AA/US Airways merger expected to result in significant future growth at DFW
- FY 2014 Budget = \$651.3 million\*
  - \$7.8 million (2.4%) lower than FY13 Budget
  - \$1.2 million (0.2%) higher than FY13 Outlook
  - No new programs

\* Before \$10 million contingency outside of the rate base



## Executive Overview

- DFW Cost Center
  - Record net revenues (\$91.8 million)
  - Revenues are budgeted 5.7% higher than FY13 Outlook
  - \$20.6 million is transferred to lower landing fees (75% of amount over “Upper Threshold” of \$64.3 million)
- Airline Costs
  - Up \$19.4 million from FY 13 Outlook, but less than expected per Financial Plan (i.e., \$55.7 million planned increase)
  - 78% of increase due to debt service for Terminal Renewal and Improvement Program (TRIP) and Use Agreement items
  - DFW remains in first quartile within airport competitive set (cost per enplaned passenger)



## Comparison of FY13 Outlook to FY14 Budget (millions)

Operating expenses are 2.4% higher and debt service is 2.6% lower than the FY 2013 Outlook.

	<b>FY 2013 Outlook</b>	<b>FY 2014 Budget</b>	<b>Increase (Decrease)</b>	
Operating Expenses	\$360.1	\$368.8	\$8.7	2.4%
Gross Debt Service	290.0	282.5	(7.5)	(2.6%)
Total	\$650.1	\$651.3	\$1.2	0.2%



## Expense Budget Walkforward (1 of 2)

<b>Budget Category (in millions)</b>	<b>Total</b>	<b>DFW</b>	<b>Airline</b>
<b>FY 2013 Outlook</b>	<b>\$360.1</b>	<b>\$142.7</b>	<b>\$217.4</b>
<b>Budget reductions</b>			
Demolitions & other (one time)	(3.4)	(2.3)	(1.1)
Asset Management projects	(1.6)	(0.7)	(0.9)
Parking Control System savings	(1.0)	(1.0)	(0.0)
Energy rates	(0.6)	(0.3)	(0.3)
<b>Total budget reductions</b>	<b>(6.6)</b>	<b>(4.3)</b>	<b>(2.3)</b>
<b>Merit &amp; fixed increases</b>			
Merit, annualization & vacancies	3.9	1.4	2.5
Pension/Post Employment Benefits	2.3	0.7	1.6
Contract increases	2.0	1.7	0.3
Hardstand operations	1.0	0.0	1.0
Health care	0.6	0.2	0.4
CNG fuel credits	0.7	0.5	0.2
Property Insurance	0.5	0.8	(0.3)
<b>Total merit &amp; fixed increases</b>	<b>11.0</b>	<b>5.3</b>	<b>5.7</b>



## Expense Budget Walkforward (2 of 2)

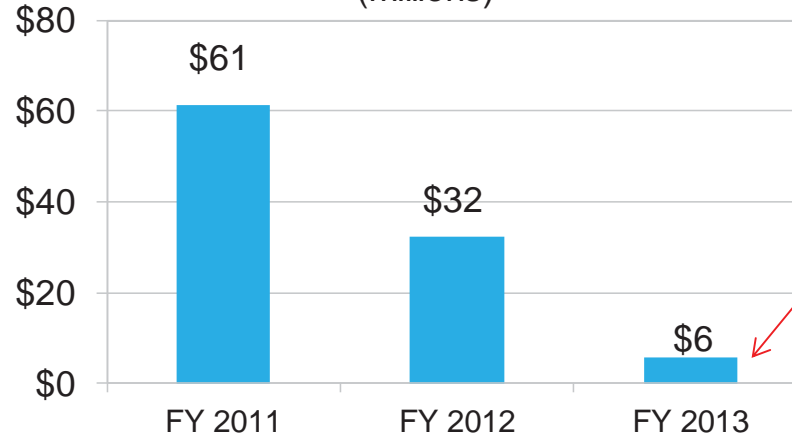
<b>Budget Category (in millions)</b>	<b>Total</b>	<b>DFW</b>	<b>Airline</b>
<b>Volume driven increases</b>			
Partially restore deicing budget	1.1	0.0	1.1
Terminal maint increases (TRIP)	0.7	0.0	0.7
<b>Total volume driven increases</b>	<b>1.8</b>	<b>0.0</b>	<b>1.8</b>
<b>Other</b>			
Marketing initiatives	0.6	0.2	0.4
Other, net	(0.1)	1.0	(1.1)
<b>Total other increases</b>	<b>0.5</b>	<b>1.2</b>	<b>(0.7)</b>
<b>Restore CEO Contingency</b>	<b>2.0</b>	<b>0.8</b>	<b>1.2</b>
<b>Net Increases</b>	<b>8.7</b>	<b>3.0</b>	<b>5.7</b>
<b>FY 2014 Budget</b>	<b>\$368.8</b>	<b>\$145.7</b>	<b>\$223.1</b>

## Debt Service (millions)

The reduction in Passenger Facility Charges (PFCs) available to pay for Eligible Debt Service more than offsets the reduction in Gross Debt Service resulting in a higher net debt service impact on the rate base.

	<b>FY 2013 Outlook</b>	<b>FY 2014 Budget</b>	<b>Increase (Decrease)</b>
Gross Debt Service and Coverage	\$290.1	\$282.7	(\$7.5)
PFC's & Offsets to Debt Service	155.5	129.7	(25.7)
Less Interest Income	(0.2)	(0.2)	(0.0)
<b>Net Debt Service to Rate Base</b>	<b>\$134.5</b>	<b>\$152.8</b>	<b>\$18.2</b>

PFC Reserve Account Ending Balances  
(millions)



There are no PFCs left in the reserve fund in FY14.





## DFW Cost Center (millions)

Net revenues are \$91.8M, a \$4.0M (4.6%) increase over the FY13 Outlook.

<b>Budget Category</b>	<b>FY 2013 Outlook</b>	<b>FY 2014 Budget</b>	<b>Increase (Decrease)</b>
Revenue Management Revenues			
Parking	\$116.2	\$124.1	\$7.9
Concessions	61.6	66.8	5.2
RAC	29.9	30.9	1.0
Commercial Development	36.3	36.3	0.0
Sub-total Revenue Mgmt	244.0	258.1	14.1
Other Revenues	30.5	31.5	1.1
<b>Total Revenues</b>	<b>274.5</b>	<b>289.6</b>	<b>15.2</b>
Expenditures			
Operating Expenditures	142.7	145.7	3.0
Net Debt Service	36.2	44.5	8.2
Terminal Contribution	7.7	7.7	0.0
<b>Total Expenditures</b>	<b>186.7</b>	<b>197.8</b>	<b>11.2</b>
<b>DFW Cost Center Net Revenues</b>	<b>\$87.8</b>	<b>\$91.8</b>	<b>\$4.0</b>



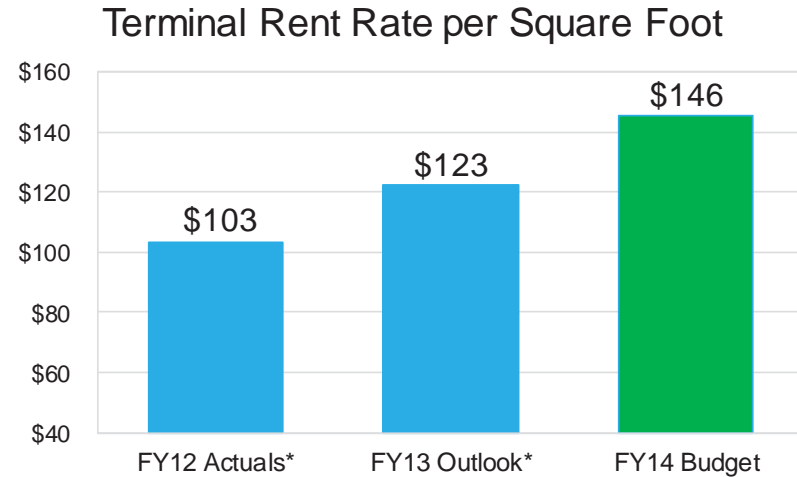
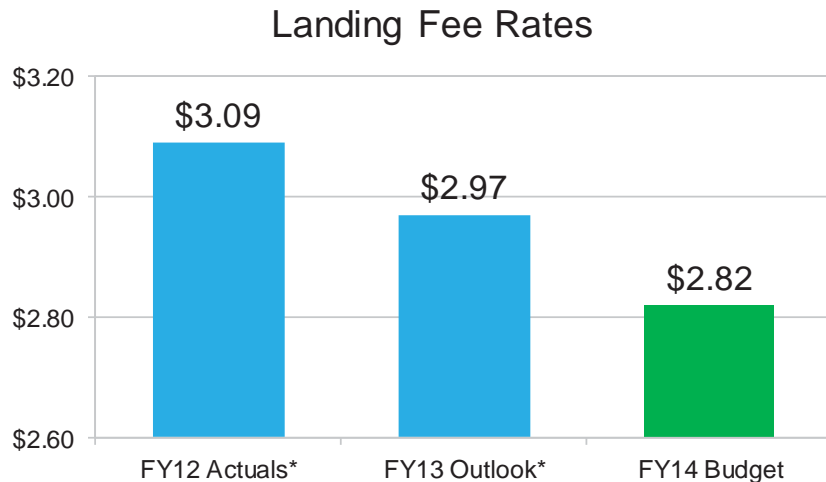
## Airline Costs Walkforward (millions)

\$15.1 million (78.2%) of the Airline Cost increase is due to debt or use agreement items. Only \$1.9 million is related to net operating expenses.

FY 2013 Outlook	\$233.7	\$7.54 CPE
Debt & Use Agreement Items		
Debt Service (net of PFCs)	10.0	
Joint Capital Contribution	4.0	
CPI Threshold Adjustment	1.1	
Total Debt and Use Agreement	<u>15.1</u>	
Net Operating Expenses		
Reduction in Federal Reimbursements	1.3	
Hardstand Costs	1.3	
Other Operating Costs	4.5	
Less Increase in Non-Airline Revenues	<u>(5.2)</u>	
Total Net Operating Expenses	<u>1.9</u>	
Reduction in Air Service Incentive Payments	<u>2.3</u>	
Total Increase	<u>\$19.4</u>	
FY 2014 Budget	<u>\$253.1</u>	\$8.04 CPE

## Landing Fees and Terminal Rents Comparison

FY14 landing fee rates are less than rates in FY12 and FY13 due to increased non-airline revenues. Terminal rents increase due to debt service for TRIP.



\*Settlement adjustments are reflected in the year earned



## FY 2014 Budget Resolution

Request approval of FY 2014 Budget of \$661.3 million, which includes \$10 million of contingency outside of the rate base. Contingency may only be used with Board approval.

Annual Budget (millions)	FY13 Outlook	FY14 Budget	Increase (Decrease)
Operating Expenses	\$360.1	\$368.8	\$8.7
Gross Debt Service	290.0	282.5	(7.5)
Total 102 Fund Expenditures	<u>\$650.1</u>	<u>\$651.3</u>	<u>\$1.2</u>
Contingency O/S Rate Base		10.0	
Total Budget w/ Contingency		<u>\$661.3</u>	



## **Tax Sharing to Owner Cities**

Eules, Irving, Coppell and Grapevine (south of Hwy 114) have tax sharing arrangements with DFW and the Owner Cities.

- Revenues split between “Host City” (1/3<sup>rd</sup> ) and Owner Cities (2/3<sup>rd</sup> )
  - Split between Dallas and Fort Worth is based upon 7/11<sup>th</sup> and 4/11<sup>th</sup> ownership, except for Rental Car Center taxes which are shared equally
- Amounts paid last year from Host Cities: Dallas - \$5.5 million and Fort Worth - \$5.0 million

## The Future of DFW Airport

DFW's \$2.3 billion Terminal Renewal and Improvement Program (TRIP) is (re)defining first class for this global gateway. Currently underway in Terminals A, B and E, TRIP calls for the renovation of DFW's original terminals.

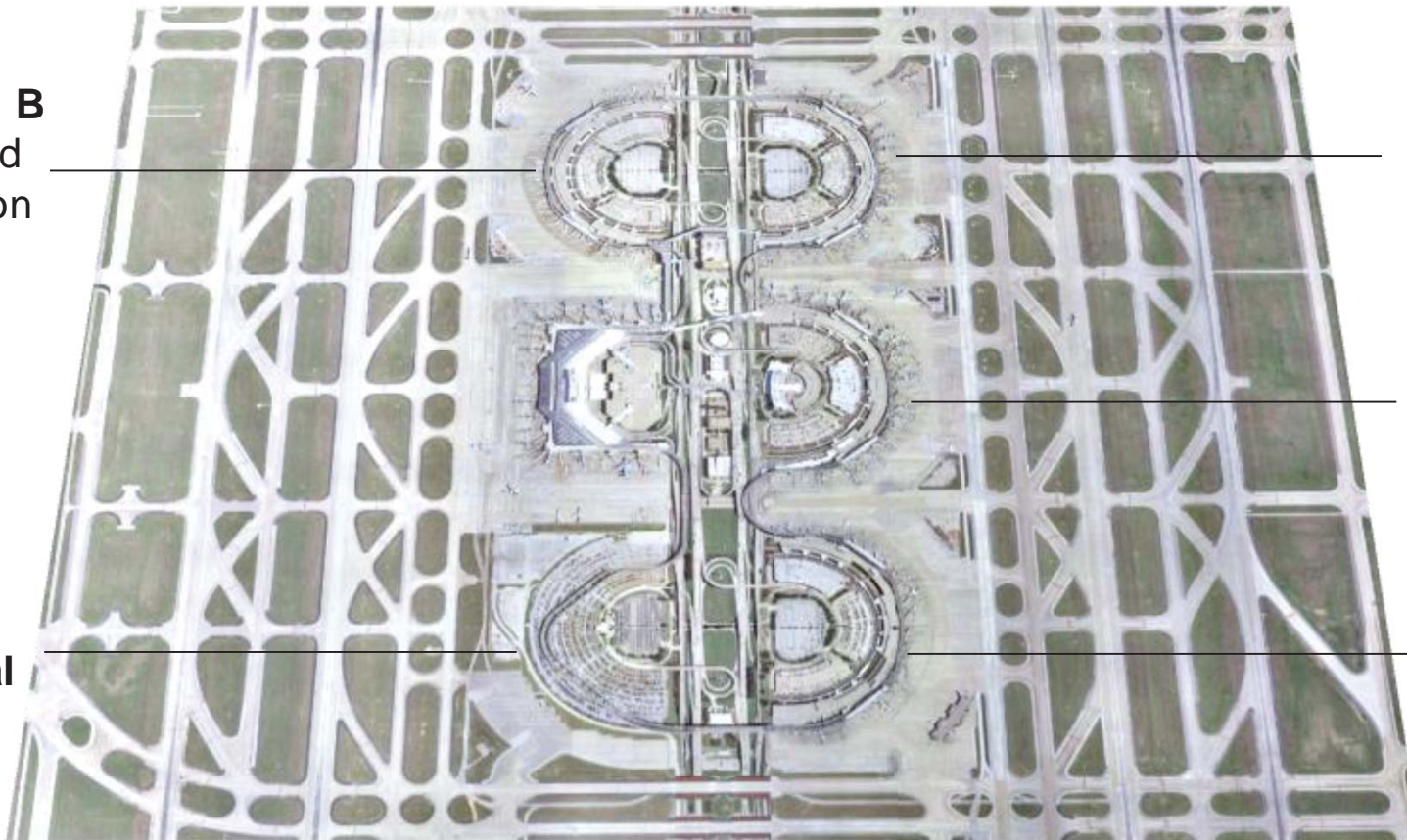
**Terminal B**  
Scheduled  
completion  
in 2016

**Terminal A**  
Scheduled  
completion  
in 2015

**Terminal C**  
Scheduled  
completion  
in 2018

**Future  
Terminal  
F?**

**Terminal E**  
Scheduled  
completion  
in 2016



## TRIP Schedule: Terminal A – Phase 2



# TRIP Schedule: Terminal A – Phase 2 Enhanced Parking Structure

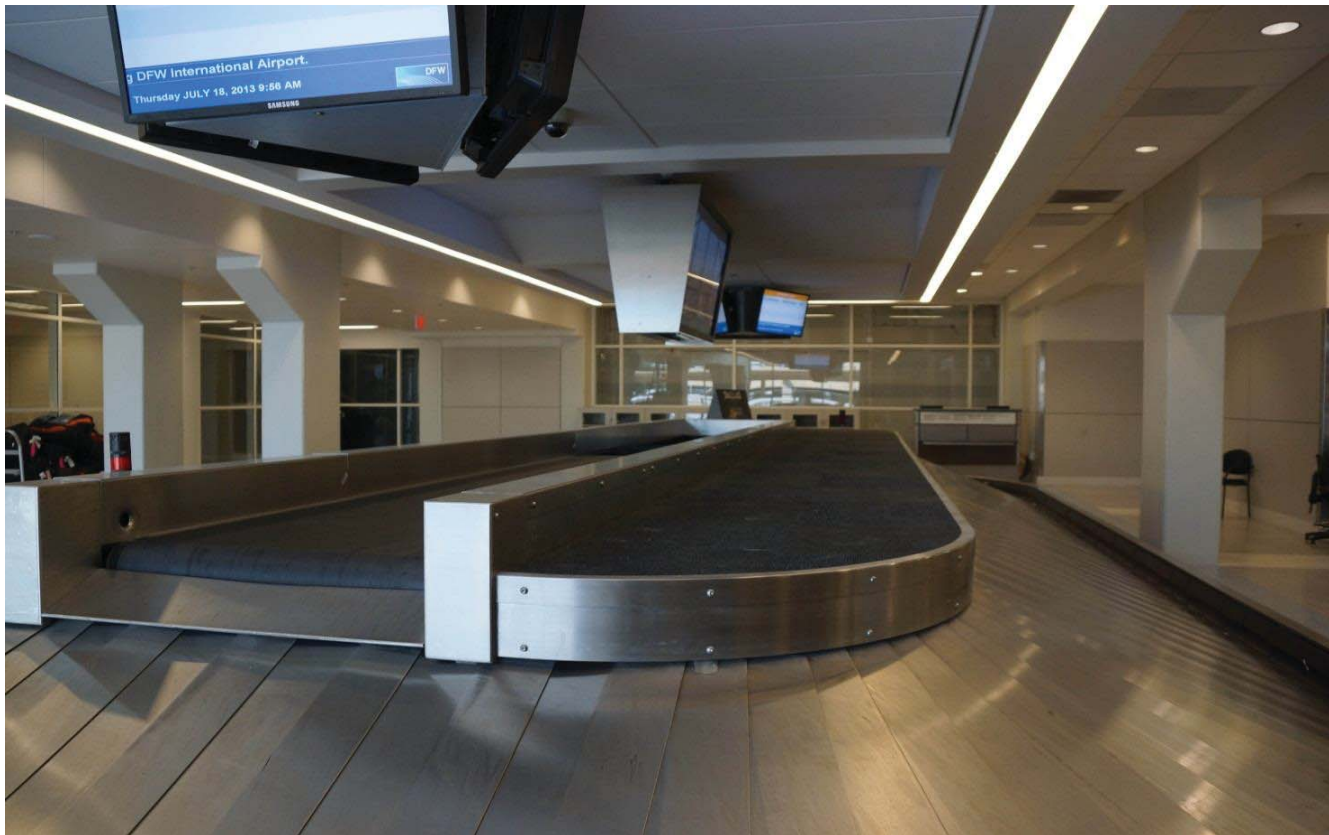




## TRIP Schedule: Terminal B – Under Construction



## TRIP Schedule: Terminal E – Phase 1 Complete



## TRIP Schedule: DART Station – Opens Late 2014



