

# Memorandum



CITY OF DALLAS

DATE August 29, 2014

TO Honorable Mayor and Members of the City Council

SUBJECT **Dallas/Fort Worth International Airport FY2015 Proposed Budget Briefing**

On September 3<sup>rd</sup>, 2014 the City Council will be briefed on the Proposed Dallas/Fort Worth International Airport FY2015 Budget. The briefing will be provided by Mr. Christopher Poinsett, Executive Vice President- Chief Financial Officer. Mr. Sean Donohue, Chief Executive Officer, will give a brief introduction preceding the briefing.

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

A handwritten signature in blue ink, appearing to read 'A.C. Gonzalez'.

A.C. Gonzalez  
City Manager

c: Warren M.S. Ernst, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Ryan S. Evans, 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, (I) Assistant City Manager  
Theresa O'Donnell, (I) Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Sana Syed, Public Information Officer  
Elsa Cantu, Assistant to the City Manager – Mayor & Council



## Dallas/Fort Worth International Airport



# FY 2015 Proposed Budget

Dallas City Council

September 3, 2014

## Executive Overview

- Core Business is Growing
  - Record passengers – 62.6 million (1.5% growth from Outlook)
  - Record international seats (up 5.6%) and passengers (up 7.1%)
  - AA positive results expected to drive continued growth such as Shanghai and Hong Kong
  - Other foreign carrier expansion to Gulf Region from Qatar Airways and Etihad Airways
  
- FY 2015 Budget = \$724.7\* million
  - \$73.4 million (11.3%) higher than FY14 Budget
  - \$78.3 million (12.1%) higher than FY14 Outlook
    - \$59.6 million (76%) related to debt service
  - \$11.6 million (1.6%) better than Financial Plan

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

## Executive Overview

- DFW Cost Center
  - Record net revenues of \$103.2 million
  - Net Revenues are budgeted 6.9% higher than FY14 Outlook and 16.3% better than Financial Plan
  - \$28.7 million used to lower landing fees (75% of amount over “Upper Threshold” of \$64.9 million)
- Airline Costs
  - Up \$55.3 million from FY14 Outlook, but \$7.1 million less than Financial Plan
  - 89% of increase due to debt service and Use Agreement items
  - FY15 landing fees are lower than FY13 Actuals, FY14 Outlook, and FY15 Plan
  - DFW’s Cost per Enplanement (CPE) compares favorably with other large hub airports

## Comparison of FY14 Outlook to FY15 Budget (millions)

Operating expenses are 5.0% higher and debt service is 21.8% higher than the FY 2014 Outlook.

	FY14 Outlook	FY15 Budget	Increase (Decrease)	
Operating Expenses	\$372.7	\$391.4	\$18.7	5.0%
Gross Debt Service	273.7	333.3	59.6	21.8%
<b>Total</b>	<b>\$646.4</b>	<b>\$724.7</b>	<b>\$78.3</b>	<b>12.1%</b>

## FY 2015 Budget Walkforward from FY 2014 Outlook

Budget Category (in millions)	Total
FY 2014 Outlook	\$372.7
Budget increases:	
Merit & salary annualization	4.8
New facilities/TRIP	2.9
Accounting policy changes	2.7
New asset management projects	2.1
Fixed contract increases	4.2
Airline/customer enhancements	4.7
Miscellaneous increases	1.6
Total budget increases	23.0
Restore contingency & reserves	2.2
Total increases before cost reductions	25.2
Cost reductions and efficiencies	(6.5)
Net changes in budget	18.7
FY 2015 Budget	\$391.4

## DFW Cost Center

Net revenues are \$103.2M, a \$6.7M (6.9%) increase over the FY14 Outlook.

	FY14 Outlook	FY15 Budget	Increase (Decrease)
Revenue Management Revenues			
Parking	\$121.1	\$136.0	\$14.9
Concessions	67.9	72.6	4.8
Rental Car (RAC)	31.6	31.9	0.2
Commercial Development	37.1	37.6	0.5
Sub-Total Revenue Mgmt	257.7	278.1	20.4
Other Revenues	32.2	34.3	2.1
<b>Total Revenues</b>	<b>289.8</b>	<b>312.3</b>	<b>22.5</b>
Expenditures			
Operating Expenses	144.0	151.0	7.0
Net Debt Service	43.3	51.8	8.5
Terminal Contributions	6.1	6.4	0.3
<b>Total Expenditures and Debt Service</b>	<b>193.3</b>	<b>209.2</b>	<b>15.8</b>
<b>DFW Cost Center Net Revenues</b>	<b>\$96.5</b>	<b>\$103.2</b>	<b>\$6.7</b>

## Airline Cost Walkforward

\$49.3 million (89.2%) of the Airline Cost increase is due to debt or use agreement items, with \$6.0 million is related to net operating costs.

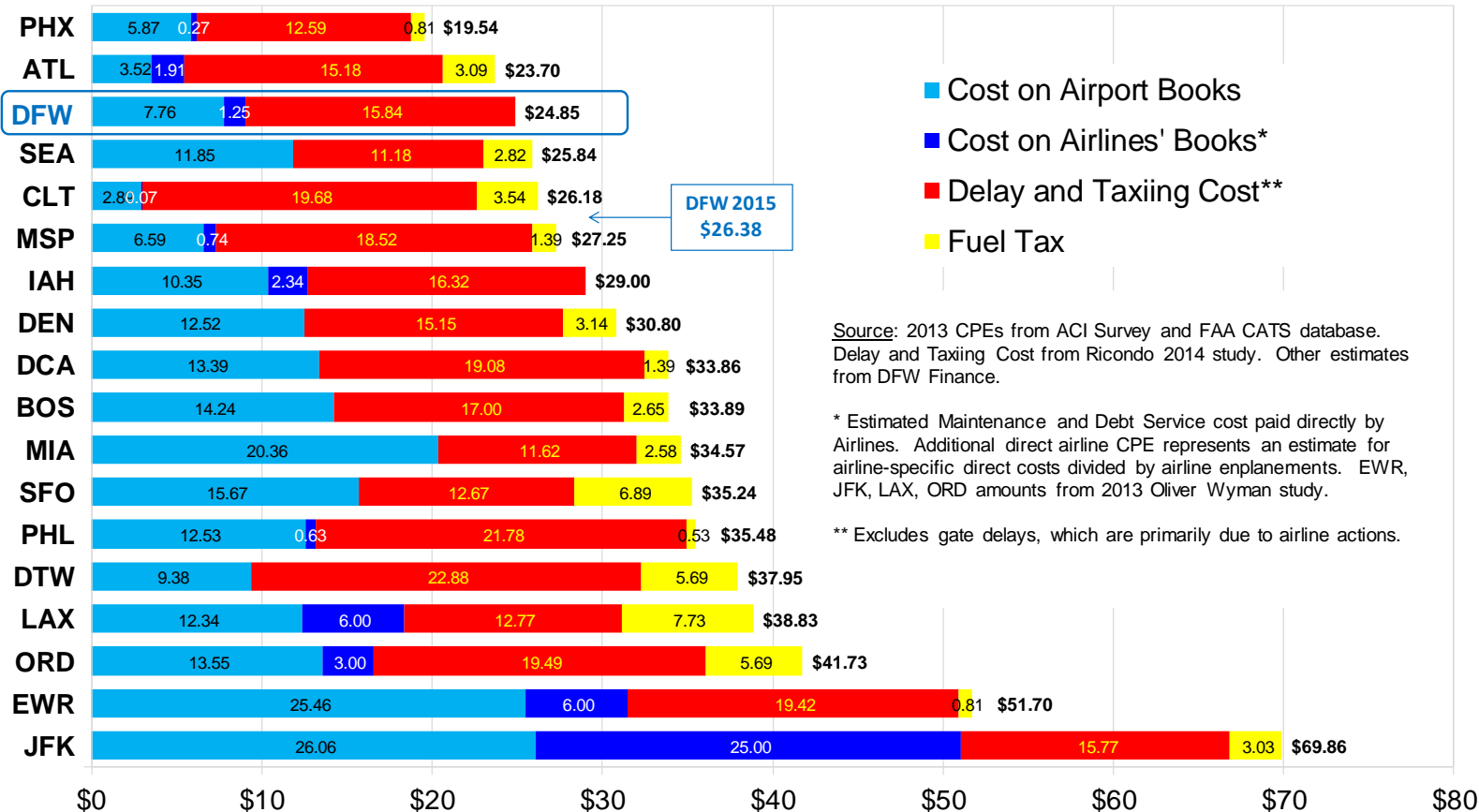
	Millions
FY 2014 Outlook	\$260.1
Debt & Use Agreement Items	
Debt service (net of PFCs)	44.9
Joint capital contribution decrease	4.0
Threshold upper limit increase	0.5
Total debt and Use Agreement	<u>49.3</u>
Ongoing operating expenses, net	
Increased operating costs, net	11.7
Terminal contribution increase	(0.3)
Threshold adjustment increase	(4.5)
Other non-airline revenues increases	(0.9)
Total ongoing operations, net	<u>6.0</u>
Net increase	<u>55.3</u>
FY 2015 Budget	<u><u>\$315.4</u></u>



# Airline Cost Per Enplanement Comparison

DFW's FY15 CPE compares favorably with the other airports' 2013 results

## Fully Loaded C.P.E. - DFW 2014 vs Competitive Set 2013



## FY 2015 Budget Resolution

Request approval of FY 2015 Budget of \$734.7 million, which includes \$10 million of contingency outside of the rate base. Contingency may only be used with DFW Airport Board approval.

Annual Budget (Millions)	FY14 Outlook	FY15 Budget	Increase (Decrease)
Operating Expenses	\$372.7	\$391.4	\$18.7
Gross Debt Service	273.7	333.3	59.6
Total 102 Fund Expenditures	<u>\$646.4</u>	\$724.7	<u>\$78.3</u>
Contingency O/S Rate Base		10.0	
Total Budget w/ Contingency		<u>\$734.7</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
- Total of \$11.2 million paid last year from Host Cities:
  - Dallas - \$5.9 million
  - Fort Worth - \$5.3 million
- Owner Cities received \$0.8 million (7.2%) increase from prior year.

## The Future of DFW Airport

DFW's \$2.7 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.

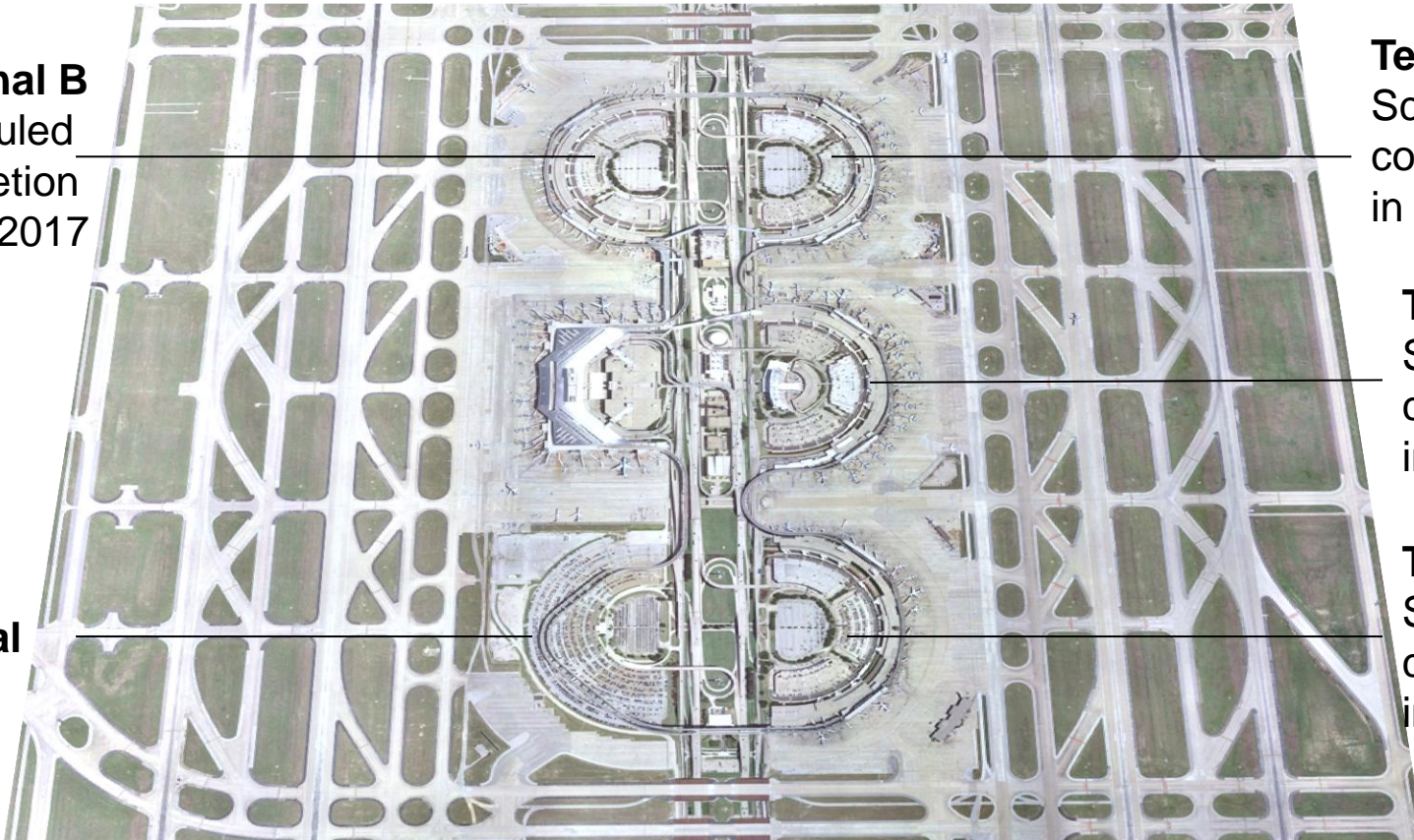
**Terminal B**  
Scheduled  
completion  
in Oct 2017

**Terminal A**  
Scheduled  
completion  
in June 2016

**Terminal C**  
Scheduled  
completion  
in 2020

**Future  
Terminal  
F?**

**Terminal E**  
Scheduled  
completion  
in Jan 2017



# TRIP Schedule – Terminal Enhancements



# Other Major Capital Projects

