

# Memorandum



CITY OF DALLAS

DATE August 2, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Dallas Fort Worth International Airport FY 2020 Proposed Budget**

In accordance with Amendment Seven to the Contract and Agreement between the owner cities of Dallas and Fort Worth, the Dallas Fort Worth International Airport (DFW) Board is required to submit its annual budget to the owner cities by August 15<sup>th</sup> for approval by September 30<sup>th</sup> of each year.

On August 7, 2019, Max Underwood, Dallas Fort Worth International Airport Vice President of Finance, will present the Dallas Fort Worth International Airport FY 2020 Proposed Budget and will be available for questions.

The Dallas Fort Worth International Airport Board is requesting the Owner Cities of Dallas and Fort Worth approve its Fiscal Year 2020 Operating Budget. The \$1.032 Billion budget reflects a 4.6% increase in passengers from FY19. Additionally, DFW is increasing funding for strategic priorities related to the growth of DFW Airport.

The FY2020 budget reflects the growth that DFW Airport has been experiencing. DFW is expecting to welcome over 75.7 Million passengers in FY2020. The budget currently includes the assumption of the custodial responsibility in Terminals A and C, which is currently American Airlines' responsibility. DFW will also continue to invest in strategic initiatives including the Integrated Operations Center, several Customer Experience programs, Safety and Security enhancements, and innovation.

Some of the key assumptions DFW took into consideration for this budget include:

- Inflation – CP 2.7%
- Healthcare/STD/LTD/Life – 3.6% per employee
- Merit Increase – 3.0% for general employees, 3.5% for DPS Commissioned Officers
- Defined Benefit Pension Plan/OPED – No increase from FY19
- Vacancy Factor – 5%
- Debt Service – Remains flat as refunding savings offsets new debt service from commercial paper program.

The Dallas Fort Worth International Airport Board approved budget book is attached for your reference, along with the August 7<sup>th</sup> briefing presentation. The City Council will consider this item at the August 28, 2019 Council Agenda meeting.

DATE August 2, 2019  
SUBJECT **Dallas Fort Worth International Airport FY 2020 Proposed Budget**

If you have any questions or concerns, please contact Brett Wilkinson, Managing Director, Office of Strategic Partnerships and Government Affairs, [brett.wilkinson@dallascityhall.com](mailto:brett.wilkinson@dallascityhall.com).



Kimberly Bizer Tolbert  
Chief of Staff to the City Manager

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|--|---|
| T.C. Broadnax, City Manager                | Joey Zapata, Assistant City Manager                                       |
| Chris Caso, City Attorney (Interim)        | Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer |
| Mark Swann, City Auditor                   | Michael Mendoza, Chief of Economic Development and Neighborhood Services  |
| Biliera Johnson, City Secretary            | M. Elizabeth Reich, Chief Financial Officer                               |
| Preston Robinson, Administrative Judge     | Laila Aleqresh, Chief Innovation Officer                                  |
| Majed A. Al-Ghafry, Assistant City Manager | Liz Cedillo-Pereira, Chief of Equity and Inclusion                        |
| Jon Fortune, Assistant City Manager        | Directors and Assistant Directors   |

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# Dallas Fort Worth International Airport

Proposed FY20 Budget



# DFW International Airport Rankings



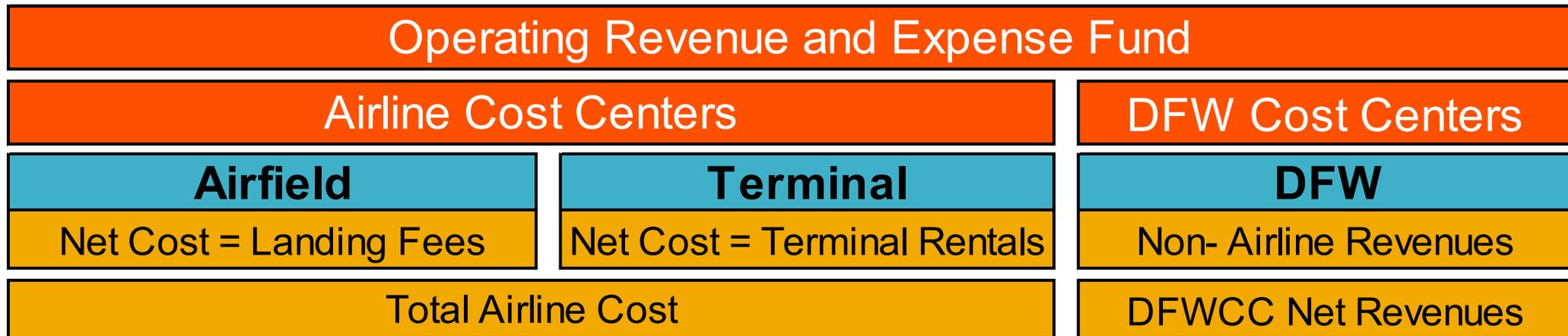
- 4<sup>th</sup> in global flights
- 15<sup>th</sup> in global passengers
- 164 Gates
- 7 Runways
- 190 Domestic Destinations, 63 International
- \$37 Billion Annual Economic Impact

72.4 Million  
passengers in 2019



# DFW's Hybrid Use Agreement Model

Airfield and terminal cost centers are “residual.” DFW retains profits from non-airline revenues up to the “Upper Threshold,” then shares 75% with the airlines to reduce landing fees.



# FY 2020 Budget Overview

## Key Themes

Lowest increase in Airline Cost since 2011 (2.3%); all airline KPIs improving for first time

- Lower cost per enplanement (down \$0.28)
- Lower landing fees (down \$0.22)
- Lower terminal rentals (down \$3)

Record passenger forecast of 75.7M (4.6% increase)

Record DFW Cost Center net revenues of \$164M; increase of \$18.3M (12.6%)

Modest increase in expenditure budget; up 2.3% (\$23.1 million)

- Assumes DFW takes-over Terminals A & C custodial work from AA; without this budget up 1.4%
- Funds strategic priorities for Customer Experience, Safe and Secure, and Operational Excellence (\$9.1 million)
- Lower net debt service (savings of \$10.1 million; 3.0%)

# Expenditure Budget

FY 2020 Budget is \$1.032 billion, a \$23.1 million (2.3%) increase from FY 2019 Outlook; 1.4% excluding Terminals A & C custodial.

Operating expense increases relate to:

- Terminals A & C custodial
- Strategic priorities
- Fixed contract increases, salary annualization and merit pool

Management identified \$15.5 million of cost reductions and budget savings (3.1% of Outlook)



Annual Budget (Millions)	FY20 Budget	FY20B v FY19B		FY20B v FY19OL	
		Inc (Dec) Amount	%	Inc (Dec) Amount	%
Operating Expenses	\$529.3	\$28.6	5.7%	\$32.3	6.5%
Gross Debt Service	502.8	(9.4)	(1.8%)	(9.2)	(1.8%)
Total Expenditures Budget	\$1,032.0	\$19.2	1.9%	\$23.1	2.3%

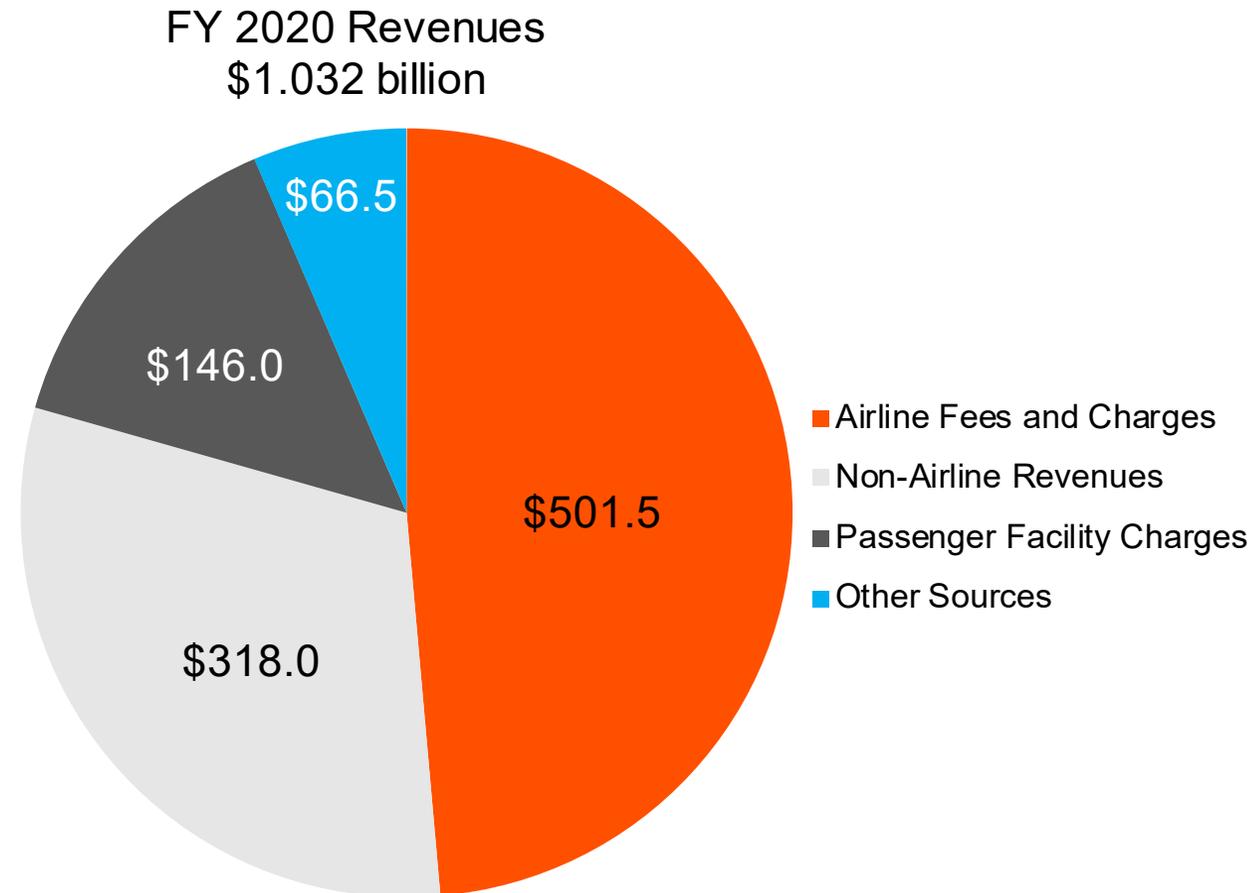
# FY 2020 Budget Walkforward from FY 2019 Outlook

Funding Terminals A & C custodial, strategic priorities, fixed contract increases, salary annualization and merit pool account for 96.9% of the budget increase.

<u>Operating Expenses (in Millions)</u>	<u>Total</u>
FY 2019 Outlook	\$497.0
Cost savings and budget reductions	(15.5)
Strategic Priorities	
A & C Custodial Transfer	7.5
Customer Experience	3.3
Safe and Secure	3.3
Operational Excellence	2.5
Salary/Benefits annualization and merit pool	14.7
Contract increases	7.2
Restore budgets	5.6
Other increases	3.7
Net increase	<u>32.3</u>
FY 2020 Budget	<u><u>\$529.3</u></u>

# FY 2020 Revenues

48.6% of the \$1.032 billion Expenditure Budget is funded by airlines, with the balance coming from the non-airline sources.



# DFW Cost Center Revenues

FY 2020 Revenues are \$411.5M, a \$15.7M (4.0%) increase, and a new record.



Budget Category (in Millions)	FY19 Outlook	FY20 Budget	Increase (Decrease)	
			Amount	Percent
<b>Revenues</b>				
Parking	\$178.0	\$181.4	\$3.4	1.9%
Concessions	78.0	83.1	5.1	6.5%
Concessions - Advertising	14.3	14.6	0.3	2.4%
Rental Car (RAC)	33.6	33.3	(0.3)	(0.9%)
Commercial Development	50.1	55.3	5.2	10.5%
Miscellaneous	41.9	43.8	1.9	4.6%
<b>Total Revenues</b>	<b>\$395.8</b>	<b>\$411.5</b>	<b>\$15.7</b>	<b>4.0%</b>

# Airline Cost (Revenue to DFW)

The airlines pay landing fees and terminal rentals to DFW based on the cost to operate the airfield and terminals (including debt service).

DFW remains cost competitive versus other large hub airports and compares favorably with AA's other large hub airports

- FY 2020 Budget is the lowest increase in Airline Cost (2.3%) since 2011
- CPE, landing fee and terminal rates have all collectively decreased for the first time compared to the prior year



Key Performance Indicator	FY19 Outlook	FY20 Budget	Increase (Decrease)	
			Amount	Percent
Airline Costs (Ms)	\$490.1	\$501.5	\$11.4	2.3%
Airline Cost Per Enplanement (CPE)	\$13.24	\$12.96	(\$0.28)	(2.1%)
Landing Fee	\$2.45	\$2.23	(\$0.22)	(9.0%)
Terminal Rents	\$310	\$307	(\$3.15)	(1.0%)

# FY 2020 Budget Approval

Request approval of FY 2020 Budget of \$1.042 billion, including \$10 million of contingency outside of rates. This contingency may only be used with Board approval.

Annual Budget (Millions)	FY19	FY19	FY20	Increase (Decrease)	
	Budget	Outlook	Budget	Amount	Percent
Operating Expenses	\$500.7	\$497.0	\$529.3	\$32.3	6.5%
Gross Debt Service	512.2	511.9	502.8	(9.2)	(1.8%)
Total Expenditures Budget	<u>\$1,012.9</u>	<u>\$1,009.0</u>	\$1,032.0	<u>\$23.1</u>	<u>2.3%</u>
Contingency O/S Rate Base			<u>10.0</u>		
Total Budget w/Contingency			<u><u>\$1,042.0</u></u>		

# Tax Sharing to Owner Cities

Host Cities Euless, 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

Host Cities paid \$14.1 million in FY18

- Dallas - \$7.6 million
- Fort Worth - \$6.5 million

Owner Cities received \$0.8 million (5.6%) increase from prior year



# Next Steps

Fort Worth City Council Work Session Briefing

August 27, 2019

Dallas City Council Consideration

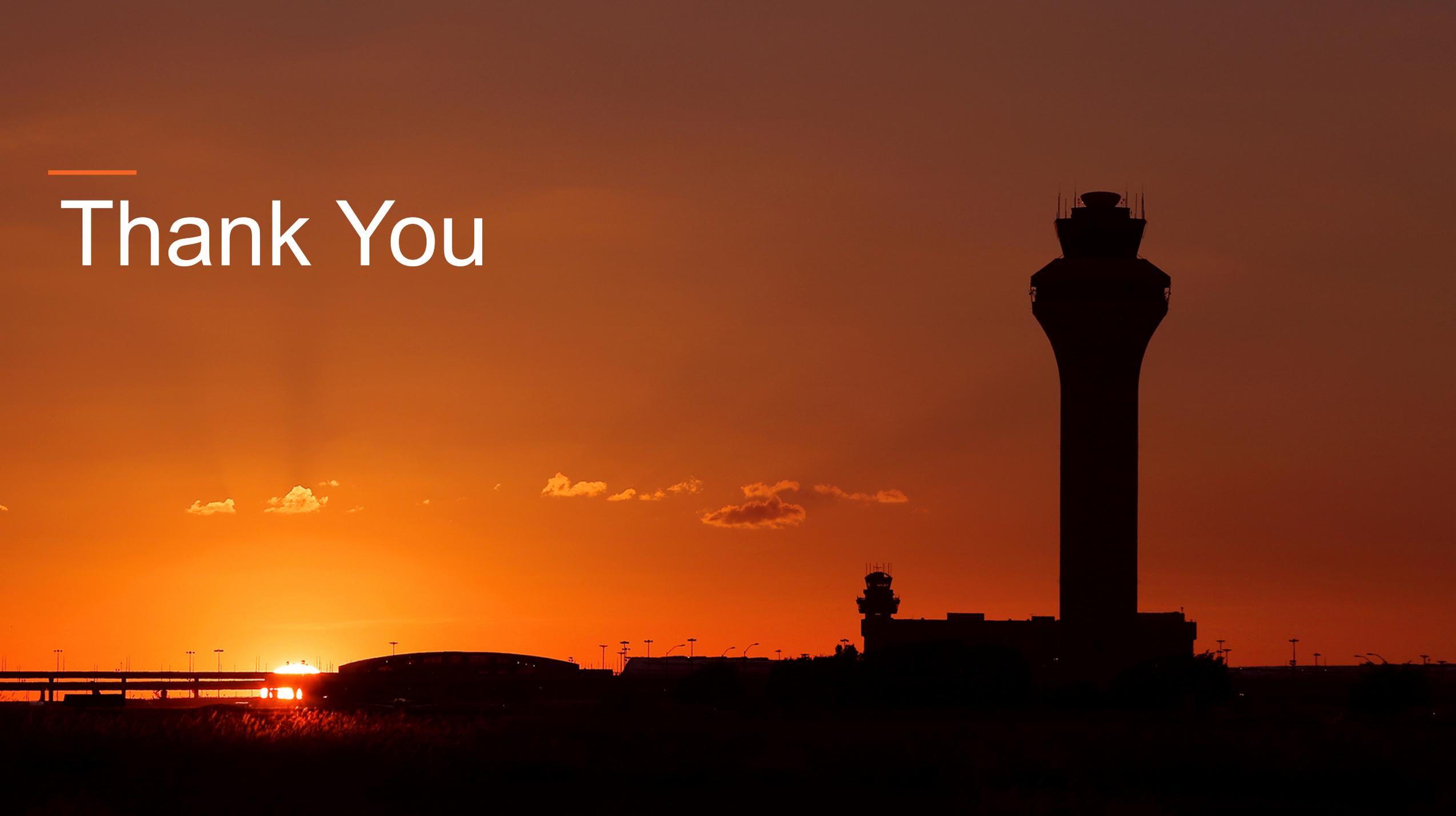
August 28, 2019

Fort Worth City Council Consideration

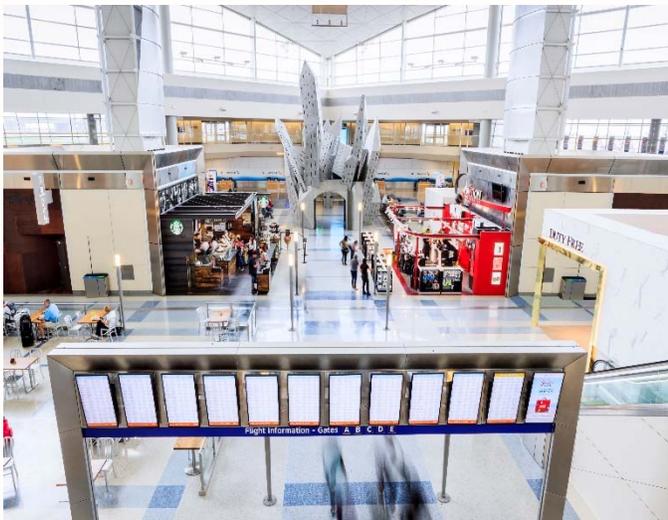
September 10, 2019

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Thank You



# FY 2020 Proposed Budget





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# Board of Directors



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**Betsy Price**  
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**Vernon Evans**  
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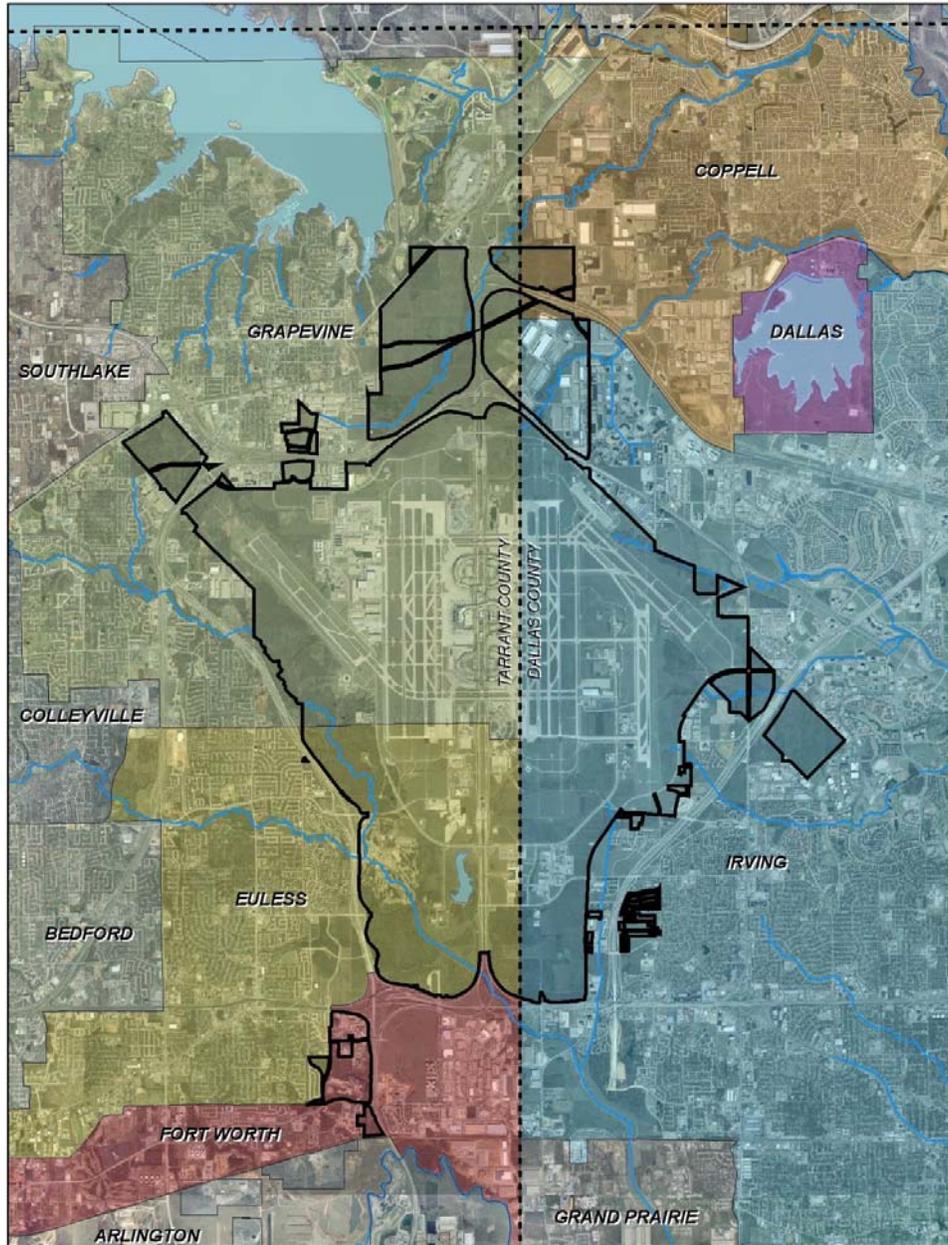
**Darlene Freed**  
Mayor Pro Tem  
Grapevine

**DFW'S Vision Statement**  
Travel. Transformed.

**DFW'S Mission Statement**  
We provide an exceptional Airport experience for our customers and connect our community to the world.

### Airport Background

Dallas Fort Worth International Airport (Airport or DFW) was created by a Contract and Agreement between the cities of Dallas, Texas, and Fort Worth, Texas (Cities) on April 15, 1968, for the purpose of developing and operating an airport as a joint venture between the Cities. Although owned by Dallas and Fort Worth, DFW is located within the boundaries of the Cities of Grapevine, Coppell, Irving, Euless and Fort Worth; and within Dallas and Tarrant Counties.



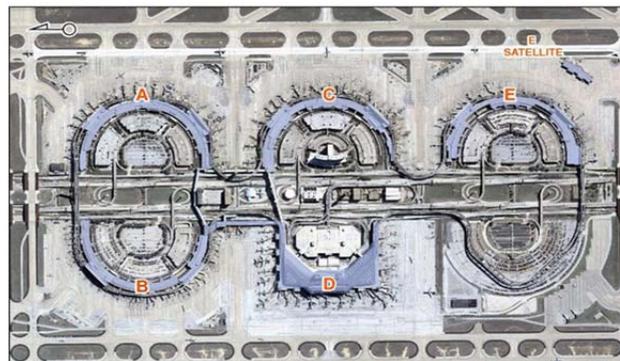
Source: DFW Airport Information Technology Services

DFW property consists of 26.9 square miles (or 17,183 acres) making it one of the largest land mass airports in the world. In 2019, DFW earned the prestigious Airport of the Year award from Air Transport World. DFW is located within a four-hour flight time of 98% of the U.S. population, and currently ranks fourth among the world's busiest airports in terms of operations and 15<sup>th</sup> in terms of global passengers. Its central location is the focal point of one of the nation's largest intermodal hubs, connecting air, rail, and interstate highway systems. As of July 1, 2019, DFW currently operates daily passenger flights to 253 destinations worldwide, including 190 nonstop domestic destinations and 63 nonstop international destinations. There are 23 passenger carriers and 22 cargo carriers serving DFW. The Airport is the economic engine for North Texas. According to a 2016 study, DFW drives \$37 billion in annual economic activity, supporting approximately 60,000 on-airport employees, 228,000 local jobs, and an annual payroll of \$12.5 billion.

### DFW Infrastructure

**Terminals** - The Airport has five terminals (A, B, C, D, and E) totaling 6.3 million square feet of building space, including 164 aircraft boarding gates, approximately 361 ticketing positions, including supporting self-service kiosks and 15 security checkpoints, with four including TSA expedited screening for domestic passengers. Collectively, the airlines averaged seven turns per active gate in FY 2018.

### DFW Terminal Complex



American Airlines (AA) operates domestic service in Terminals A, B and C, and D. All of American's international arrivals are in Terminal D. Their international departures are primarily in Terminal D, with a handful operated from Terminals A and C. American Eagle operates domestic service in Terminals B, D and E, with international service in Terminals B and D. All other airline domestic flights operate from Terminal E (with a few seasonal flights in Terminal D). The other airline international arrivals and most departures operate from the Airport's International Terminal D, with a few international departures in Terminal E.

Terminal D has 2.2 million square feet and 26 gates. Seventeen of the gates are preferentially leased to AA, and the remaining 9 gates are common use. The preferential gate lease expires on September 30, 2020, concurrent with the Airline Use Agreements. The Airport's Customs and Border Protection (CBP) facilities are located in Terminal D. The Airport's CBP facility is approximately 406,000 square feet with 49 inspection booths, 20 Global Entry kiosks with facial recognition biometrics, and 85 Automated Passport Control (APC) kiosks. The CBP facility has the capacity to handle approximately 2,800 international customers per hour, and customers can retrieve their luggage from any one of eight bag carousels.

The Airport is responsible for all the custodial services in Terminals B, D and E, and has budgeted to transition control from American of Terminals A and C in FY 2020. American is responsible for facilities maintenance in Terminals A and C, and the Terminal E Satellite. Additionally, American handles Terminal D baggage maintenance, American's leased boarding bridges in Terminal D, and six boarding bridges in Terminal B. The Airport handles the facilities maintenance for the balance of Terminals B, D, and E, and outsources most of the maintenance and janitorial functions to third parties. The costs associated with the Airport's maintenance of these facilities are included in the Airport's operating budget. The costs of maintenance activities paid directly by American Airlines are not included in the Airport's operating budget or financial statements.

**Airfield** – DFW has seven runways with significant airfield capacity that can accommodate simultaneous takeoffs and landings. Five runways are configured as north/south parallels with two diagonals. Four of DFW's runways are 13,400 feet in length. DFW's infrastructure is capable of supporting aircraft such as the Airbus A380 and the Boeing 747-8F. Per FAA benchmark studies, the Airport's designated hourly capacity arrival/departure flow is approximately 170 aircraft operations per hour under instrument flight rule (IFR) weather conditions and approximately 226-264 aircraft operations per hour under optimum visual flight rule (VFR) weather conditions, a condition that prevails approximately 78% of the time.

**Airport Operations Center** – The Airport Operations Center (AOC) serves as a single point of contact to centralize communications for DFW's passengers, guests, tenants, employees, and contractors, with an emphasis on Communication, Collaboration and Coordination (C<sup>3</sup>). The AOC is the communication and coordination center that provides DFW staff, airport tenants and aviation stakeholders with the situational awareness needed to efficiently and quickly manage airport resources. The AOC facilitates coordination among stakeholders when responding to routine/daily infrastructure deficiencies, irregular operations and emergency incidents. The combined facility handles approximately 26,000 calls per month and generates approximately 3,200 work orders per month.

**DPS Tactical Communications / Emergency Operations Center** - The Department of Public Safety (DPS) Tactical Communications team includes the DPS Dispatch Center and the Master Control Room. The DPS Dispatch Center serves as a single point of contact for emergency communications for DFW's passengers, guests, tenants, contractors and employees through 9-1-1 and non-emergency calls for assistance from police, fire, and emergency medical response teams. The Master Control Room provides 24/7 video surveillance monitoring to ensure the safety and security of the airport community. The Emergency Operations Center is the coordination center that provides DFW Board staff, Airport tenants and aviation stakeholders with the situational awareness needed to efficiently and effectively manage airport resources during any disruption of critical airport service and situations that require large-scale emergency response.



On June 21, 2019 the Airport opened a new DPS headquarters which will be the home to more than 600 employees. The new headquarters marks the first time in the Airport's history that leaders from Police, Fire and Special Services are working together under one roof, which will allow for greater collaboration and a more integrated response to emergencies.

**Automated People Mover (APM) and Transportation System** – The Skylink APM system began service in 2005 and carries an average of approximately 129,000 passengers and employees each day (47 million annually) between DFW’s five terminals. Skylink trains are on the secure side of the terminals and travel in concentric loops in both directions. There are two Skylink stations in each terminal and trains average two minutes headways. The typical customer ride duration is less than eight minutes. Skylink operates around-the clock with 16 two-car trains.

DFW uses 21 buses to shuttle passengers between the terminals and Grand Hyatt (Terminal Link); 42 buses between express parking lots and terminals, 16 buses between remote parking lots and terminals, 32 between employee lots and terminals, and 5 buses for various DFW activities.

### **DFW Controlling Documents**

In addition to the Contract and Agreement between the Cities, DFW is governed by several other key documents, including the Master Bond Ordinance and the Use Agreements between DFW and the Signatory Airlines. Collectively, these agreements are called the Controlling Documents.

The Controlling Documents define how DFW manages its business affairs. 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 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 bonds; proceeds in the Capital Accounts; grant proceeds used to fund capital projects; and sale of land or mineral rights, including natural gas royalties.

### **Strategic Plan**

DFW’s executive team rolled out the organization’s current Strategic Plan in FY 2017. The structure of the plan is shown in the next page.

A copy of DFW’s Strategic Plan is available at [www.dfwairport.com](http://www.dfwairport.com).

## Vision

Travel. Transformed.



## Mission

We provide an exceptional Airport experience for our customers and connect our community to the world.

## Key Results

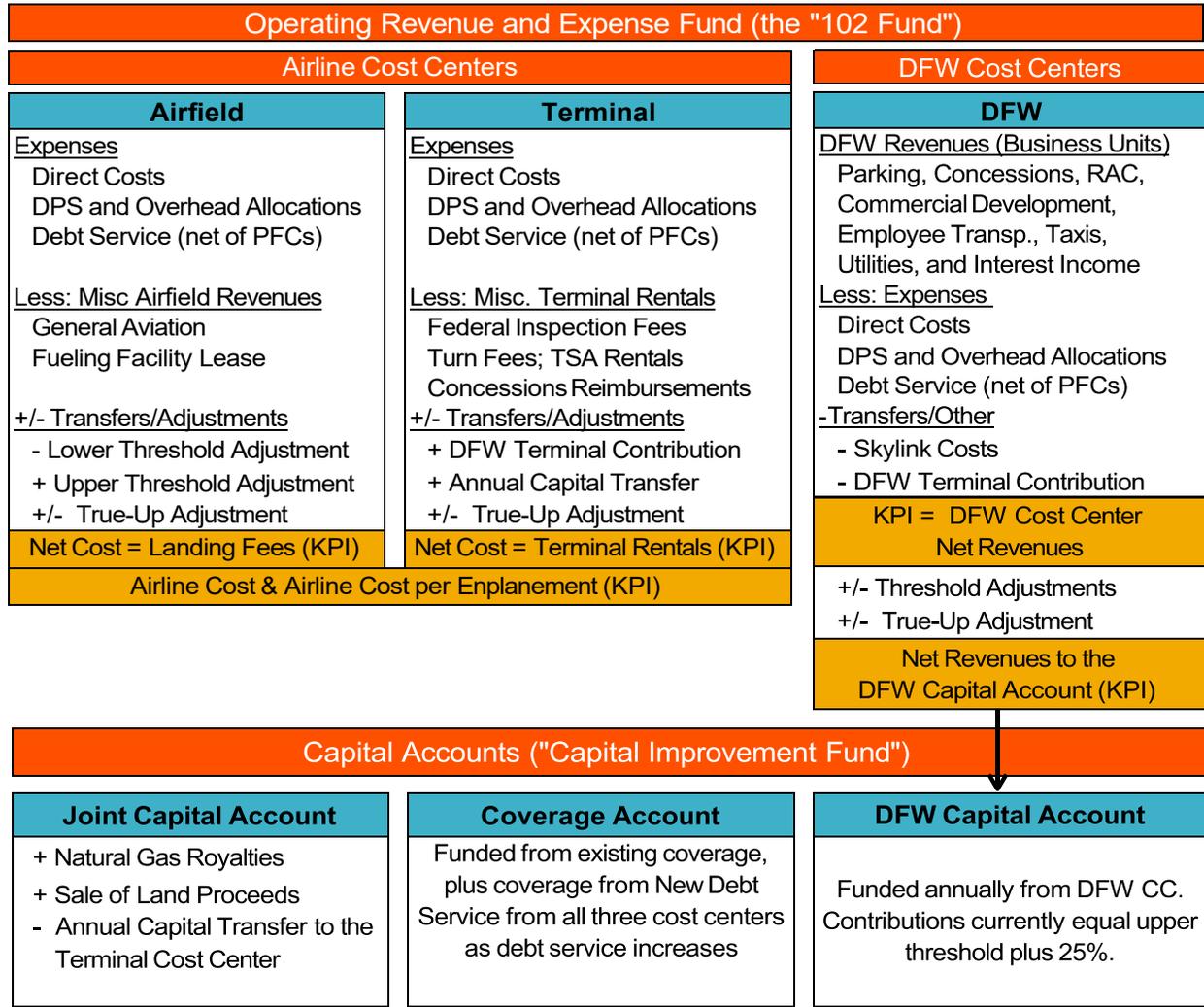


## Beliefs



### Airline Use Agreement Rate Model

The Airline Use Agreement is a hybrid model, whereby the Signatory Airlines pay landing fees and terminal rentals based on the net cost to provide those services, and DFW retains a portion of the net revenues from non-airline business units (e.g., parking) in the DFW Cost Center (DFWCC). The following chart summarizes the Airline Use Agreement rate model.



**Airline Cost Centers** – The Airline Cost Centers are cost recovery in nature, such that the amount charged to the airlines equals the cost to provide services, after certain adjustments. Landing fees and terminal rental rates are based on the net cost to operate and maintain the airfield and terminals, respectively. DFW charges the direct operating and maintenance costs for the airfield and terminals, plus allocated Department of Public Safety and overhead costs, plus debt service net of Passenger Facility Charges (PFCs) to each cost center. DFW then subtracts ancillary revenues generated in these cost centers and credits or charges certain transfers and/or adjustments (see True-Up Adjustments below). The budgeted landing fee rate is determined by dividing the net cost of the airfield by projected landed weights. The budgeted average terminal rental rate is determined by dividing the net cost of the terminal cost center

divided by leasable square footage. The Use Agreement requires the Airport to charge an equalized terminal rental rate for all five terminals.

The amount paid by the airlines for landing fees and terminal rent fees less airline incentive payments for new service equals airline cost, which is an airport industry Key Performance Indicator (KPI). Another common industry KPI is passenger airline cost per enplaned passenger (CPE). This KPI for passenger airlines is calculated by dividing the amount paid by passenger airlines for landing fees and terminal rent fees (i.e., collectively, airline cost) by the number of enplanements.

**DFW Cost Center** – All non-airline business units, plus interest income, are included in the DFW Cost Center. The DFW Cost Center also pays all costs associated with the Skylink people mover system. The net revenues from this cost center are transferred to the DFW Capital Account and currently equal the “upper threshold” plus 25%. One of DFW’s most important KPIs is DFW Cost Center Net Revenue. This KPI measures the profitability (i.e., net revenues) generated by the Airport’s non-airline business units, after adjusting for the cost of Skylink and drives the contribution of discretionary capital to the DFW Capital Account.

**Joint Capital Account** – Funds in the Joint Capital Account (JCA) generally require DFW and airline approval before money can be spent. The JCA is funded from the proceeds from natural gas royalties and the sale of land, plus interest income on the account. Supplemental funding for projects paid from the JCA comes from grants and the issuance of debt.

**Coverage Account** – The Airport established the Coverage Account as part of the current Use Agreement in order to implement “rolling coverage.” Each year, the Coverage Account is rolled into the 102 Fund as a source of revenue, and then transferred back into the Coverage Account as excess revenue at the end of the year. The Coverage Account must equal 25% of aggregate debt service each year. If new debt is issued, rates are established to generate the incremental coverage required to fund 25% of the new debt service, except if commercial paper is issued, then the coverage amount is 10%.

**DFW Capital Account** – This is DFW’s discretionary account and is funded primarily from the DFWCC Net Revenues plus interest income. Supplemental funding for projects paid from the DFW Capital Account comes from grants and the issuance of debt. Funds in this account may be used for any legal purpose without airline approval.

**Threshold Adjustments** – The Use Agreement established Lower and Upper Thresholds for DFWCC Net Revenues. If DFWCC Net Revenues are budgeted to be less than the Lower Threshold (\$45.6 million in FY 2019), an incremental charge (i.e., a Lower Threshold Adjustment) is collected through landing fees in an amount sufficient to achieve the Lower Threshold amount. Although clearly not needed given current levels of net revenues, the theoretical benefit of the Lower Threshold Adjustment guarantees that DFW will have a minimum level of cash to transfer to the DFW Capital Account to replace assets on a timely basis. If DFWCC Net Revenues are budgeted to be greater than the Upper Threshold (\$70.0 million in FY 2019), then 75% of the excess is credited to the Airfield Cost Center as an Upper Threshold Adjustment. This reduces budgeted landing fees. The remaining 25% is transferred to the DFW Capital Account at the end of the fiscal year. Sharing net revenues over the Upper Threshold sharing provides sufficient funds for capital replacement but also provides funds to lower landing fees. The Threshold Amounts are adjusted annually for inflation.

**True-Up Adjustments** – At the end of each fiscal year, DFW performs a reconciliation or true-up, such that revenues collected equal the actual net cost to operate and maintain the airfield and terminals. Any difference becomes a True-Up Adjustment, which is either charged or credited to the appropriate cost center in the next fiscal year beginning in the second quarter of such fiscal year.

**DFW Terminal Contribution** – Per the terms of the Use Agreement, an annual transfer is made from the DFW Cost Center to the Terminal Cost Center to pay for DFW’s share of common use and leasable but unleased space in Terminals D and E. This amount is \$2.8 million in FY 2020.

**DFW’s 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 table below summarizes the primary funds used by DFW:

Number	Fund Description	Primary Use
101	Fixed Assets and Long Term Debt	Capital Assets/Bonds
102	Operating Revenues and Expenses	Operations
252	Passenger Facility Charges (PFC)	Collections/Debt Service
320s/330s	Joint Capital Account and Bond Funds	Capital/Bond Proceeds
340s	DFW Capital Accounts and Bond Funds	Capital/Bond Proceeds
500-600s	Debt Service and Sinking Funds	Principal and Interest
907/910/914	Public Facility Improvement Corporation (PFIC)	Rental Car Facility/Grand Hyatt and Hyatt Place Hotels

DFW’s financial statements are issued in conformance with Generally Accepted Accounting Principles (GAAP) and include all of DFW’s funds, whereas the Annual Budget 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.

**Passenger Facility Improvement Corporation (PFIC)**

DFW has a PFIC which owns and operates the Grand Hyatt Hotel in Terminal D and the Hyatt Place Hotel in Southgate Plaza, as well as the Rental Car Facility and rental car bus transportation services. In October 2018, the PFIC took over operations of the Verizon office complex located in the west section of the Airport. This complex, now known as DFW Campus West, will be leased to other tenants in the future. Revenues, expenses, and capital projects of the PFIC are not included in this budget. These businesses are specifically excluded from the airline rate base per the Use Agreement. DFW has issued bonds to finance the construction of the Grand Hyatt Hotel and Rental Car Facility. Each business transfers funds in an amount equal to the debt service so that there is no impact on the airline rate base.

**Basis of Budgeting**

The Operating Revenue and Expense Fund budget is commonly called the Operating Budget but contains elements that are not expenses under GAAP such as debt service, reserve requirements, and certain expenditures that may be capitalized under GAAP.

Capital expenditures are funded through Joint Revenue Bonds, grants, PFCs, or cash in the DFW or Joint Capital Accounts. From a process standpoint, the Board of Directors approves the Operating Budget. The Board reviews the capital budget as part of the Annual Budget process but does not approve a capital budget.

**FY 2020 Budget Comparisons to Other Periods**

**FY 2019 Budget** – During FY 2019, the Board approved the use of \$4.5 million of contingency budgeted outside of the rate base. The FY 2019 Budget as adjusted by contingency is summarized in the following table. Any reference to the FY 2019 Budget in this budget document relates to the FY 2019 Budget, as adjusted for the use of approved contingency.

	Millions
FY 2019 Approved Budget	\$ 496.2
Approved Changes	
DPS Expanded Security Measures	4.5
FY 2019 Budget with approved contingency	<u>\$ 500.7</u>

**FY 2019 Outlook** – DFW employs continuous forecasting techniques to project revenues and expenses for the full 12 months of the fiscal year, which is called the Outlook. Most of the tables and charts in this budget document include FY 2019 Outlook comparisons to provide the best basis for comparison, rather than comparing to the FY 2019 Budget. The detailed Outlook in this Budget Book was developed in a process such that every account was reforecast. This was completed in March 2019.

**Presentation of Amounts and Prior Years Actuals** – The FY 2020 Budget is presented in tables and charts that are rounded to millions and thousands. Some columns and charts may not appear to add-up or foot due to rounding differences. Certain prior year amounts have been reclassified to reflect the FY 2020 presentation.

**Budget Schedule**

DFW’s fiscal year begins October 1. The FY 2020 Expense Budget was compiled by the various DFW departments in June and reviewed and modified by management in June and July. Presentations were made to representatives of the Signatory Airlines on June 21, 2019 with follow up information provided on July 16, 2019. A preview of the FY 2020 Budget was presented to the Finance Committee on May 28, 2019. The final recommended Budget was presented to and approved by the Board on August 1, 2019. The FY 2020 Budget must be submitted to the City Managers of Dallas and Fort Worth by August 15, 2019, with approval of the two City Councils by September 30, 2019.



## FY 2020 Key Performance Indicators

The table below compares the Key Performance Indicators (KPIs) of the FY 2019 Outlook and the FY 2020 Budget.

Key Performance Indicators	FY19 Outlook	FY20 Budget	Increase (Decrease)	
			Amount	Percent
Total Passengers (Ms)	72.4	75.7	3.4	4.6%
Total Landed Weights (Lbs in Bs)	45.7	48.9	3.1	6.9%
Total 102 Expenditure Budget (Ms)	\$1,009.0	\$1,032.0	\$23.1	2.3%*
DFW Cost Center Net Revenues (Ms)	\$145.6	\$164.0	\$18.3	12.6%
Amount to DFW Capital Account (Ms)	\$87.5	\$93.5	\$6.0	6.8%
Airline Costs (Ms)	\$490.1	\$501.5	\$11.4	2.3%
Airline Cost Per Enplanement	\$13.24	\$12.96	(\$0.28)	(2.1%)

\* 1.4% excluding impact of transferring custodial responsibilities from AA to DFW.

The major changes in the FY 2020 Budget as compared to the FY 2019 Outlook can be summarized by the following points:

1. Passengers – Total passenger traffic is budgeted at 75.7 million, a 3.4 million (4.6%) increase and a record number of passengers. The budget reflects a full year of American Airlines (AA) operating peak service of more than 900 daily operations which began in June 2019. The increase in passengers positively impacts non-airline revenues and Airline Cost Per Enplanement (CPE).
2. DFW to take-over Terminals A & C custodial services from AA – The FY 2020 Budget includes \$9.4 million in incremental funding (\$7.5 million for services, plus 25% operating reserve) for DFW to assume custodial operations for Terminals A & C from AA. Although DFW's budget will be increased, the net cost to AA is about the same since they were paying for this service directly. It is expected that DFW management of custodial services in all five terminals will have a positive impact on the Airport's customer experience and cleanliness metrics.
3. Funding strategic priorities with minimal budget increase – The total budget increase is 2.3% (1.4% if the new A & C custodial services are excluded). Although this is the lowest increase in budget since FY 2011, the budget still includes \$11.4 million for strategic priorities (Safe and Secure, Customer Experience and Operational Excellence) and \$21.9 million for cost annualization and fixed contract increases. This was offset by \$15.5 million of management-identified cost savings and a net \$9.2 million decrease in debt service, primarily from refunding bond savings and reductions in debt service coverage requirements.
4. DFW Cost Center net revenues – Net revenues from non-airline businesses are budgeted to increase \$18.3 million (12.6%) from the FY 2019 Outlook due to growth of all business units except rental car. This will benefit (i.e., lower) landing fees and CPE and put a record \$93.5 million into the DFW capital account.
5. Airline Cost Per Enplanement (CPE) – DFW is projecting a decrease in CPE of \$0.28 to \$12.96.

## Passengers

DFW projects a record number of passengers in FY 2020. The FY 2020 Budget for passengers is 75.7 million, an increase of 3.4 million (4.6%) over the FY 2019 Outlook. The growth in passengers is primarily due to the annualization of the growth of AA's new service at DFW in FY 2019. AA leased the Terminal E satellite and grew operations from 830 peak flights a day in FY 2018 to over 900 peak flights in June 2019.

Originating passengers begin their trip at DFW. Destination passengers live elsewhere and fly to DFW for business or leisure. People who travel through DFW to get to their final destination are connecting passengers. Enplanements represent all passengers boarding a plane at DFW. Changes in these passenger metrics are important because they are the key revenue drivers for parking (originating passengers), concessions (enplanements) and rental car (destination passengers) revenues. See further detailed explanations in the DFW Cost Center section.

Passengers (Millions)	FY19	FY20	Increase (Decrease)	
	Outlook	Budget	Amount	Percent
Origination	16.9	17.4	0.5	3.1%
Destination	13.3	13.6	0.3	2.0%
Connecting	42.2	44.7	2.6	6.1%
<b>Total Passengers</b>	<b>72.4</b>	<b>75.7</b>	<b>3.4</b>	<b>4.6%</b>
Enplanements	36.2	37.8	1.6	4.5%

International passengers are budgeted to increase to 9.7 million, 0.5 million (5.7%) over the FY 2019 Outlook. Landed weights are budgeted to increase 6.9% year over year primarily due to American Airlines' increase in operations and its use of new heavier airplanes.

## FY 2020 Budget Comparisons and Walkforward

The table below compares the Expenditure Budget for the FY 2019 Budget, FY 2019 Outlook and the FY 2020 Budget. The budget consists of operating expenses and debt service. The FY 2020 Budget is \$1.032 billion, a \$19.2 million (1.9%) increase over the FY 2019 Budget and a \$23.1 million (2.3%) increase over the FY 2019 Outlook. Excluding the impact of transferring custodial responsibilities from AA to DFW, the increase is \$13.7 million (1.4%) from the FY 2019 Outlook. The total budget request for the Cities of Dallas and Fort Worth includes \$10 million of contingency outside of the rate base. This contingency may only be accessed with Board approval.

Annual Budget (in Millions)	FY19	FY19	FY20	FY20B v FY19B		FY20B v FY19OL	
	Budget	Outlook	Budget	Inc (Dec)	Percent	Inc (Dec)	Percent
Operating Expenses	\$500.7	\$497.0	\$529.3	\$28.6	5.7%	\$32.3	6.5%
Gross Debt Service	512.2	511.9	502.8	(9.4)	(1.8%)	(9.2)	(1.8%)
<b>Total 102 Expenditures Budget</b>	<b>\$1,012.9</b>	<b>\$1,009.0</b>	<b>\$1,032.0</b>	<b>\$19.2</b>	<b>1.9%</b>	<b>\$23.1</b>	<b>2.3%</b>
Contingency O/S Rate Base			10.0				
<b>Total Budget w/Contingency</b>			<b>\$1,042.0</b>				

Without the transfer of Terminals A & C custodial costs from AA, the operating expense budget increase would be 4.7% and 4.6%, respectively, compared to FY2019 Budget and FY2019 Outlook. Debt service is lower due to the assumed savings from the FY 2019 Refunding Bonds and changes in debt service coverage requirements. Following are some assumptions that were used in preparing the FY 2020 Budget.

**DFW to Assume Custodial Services in Terminals A & C** – The budget invests an incremental \$9.4 million (\$7.5 million plus a 25% operating reserve) in costs for custodial operations in Terminals A & C. DFW is assuming these custodial responsibilities from AA. Note that this will not result in a cost increase to AA since they were paying for these services directly in FY 2019. This will allow better management of the total custodial operations and is expected to improve the overall customer experience.

**Strategic Priorities** – The budget includes \$11.4 million (\$9.1 million plus the 25% operating reserve) for strategic priorities, specifically for the key results of Safe and Secure, Customer Experience and Operational Excellence. An incremental \$3.3 million has been added for Safe and Secure to increase security presence, improve security screening, and enhance the fire alarm system. Customer Experience priorities include an additional \$3.3 million for custodial increases related to passenger growth and terminal contracts, as well as technology related to checkpoint wait times and bus tracking. Operational Excellence has increased by \$2.5 million to provide funds for the Integrated Operations Center and developing innovation testing and a digital strategy.

**Budget Savings and Cost Reductions** – The budget process included identifying cost savings by division with a target reduction of 3%. The total budget savings identified in the FY 2020 budget is \$15.5 million, 3.1% of the FY 2019 Outlook. Cost and budget reductions resulted from reductions in contract labor, renegotiation of maintenance contracts, scope changes that will not impact service levels, reductions in technology consulting, software maintenance, overtime, and discontinuance of FY 2019 one-time projects.

**Expense Walkforward** – The following table summarizes the major changes in operating expense between the FY 2019 Outlook and the FY 2020 Budget. Operating expenses increased \$32.3 million (5.5%) from the FY 2019 Outlook. Explanations of the changes in the walkforward are addressed in the Operating Expenses section.

Operating Expenses (in Millions)	Total
FY 2019 Outlook	\$497.0
Cost savings and budget reductions	(15.5)
Strategic Priorities	
A & C Custodial Transfer	7.5
Customer Experience	3.3
Safe and Secure	3.3
Operational Excellence	2.5
Salary/Benefits annualization and merit pool	14.7
Contract increases	7.2
Restore budgets	5.6
Other increases	3.7
Net increase	32.3
FY 2020 Budget	<u>\$ 529.3</u>

### Airline Cost

Airline cost represents the fees paid to DFW by the passenger and air cargo carriers, primarily for landing fees and terminal rents. Cost per enplanement (explained below) is based solely on passenger airline cost. The FY 2020 Airline Cost Budget is \$501.5 million, \$11.4 million (2.3%) higher than the FY 2019 Outlook. If the A & C custodial costs are excluded, the increase would be \$2.0 million (0.4%) over the FY 2019 Outlook, the lowest increase in airline cost since FY 2011. Following is a walkforward of airline cost from the FY 2019 Outlook to the FY 2020 Budget. Variances are explained in the Airline Cost Centers section.

Change in Airline Cost - \$11.4 Million



### Passenger Airline Cost Per Enplanement

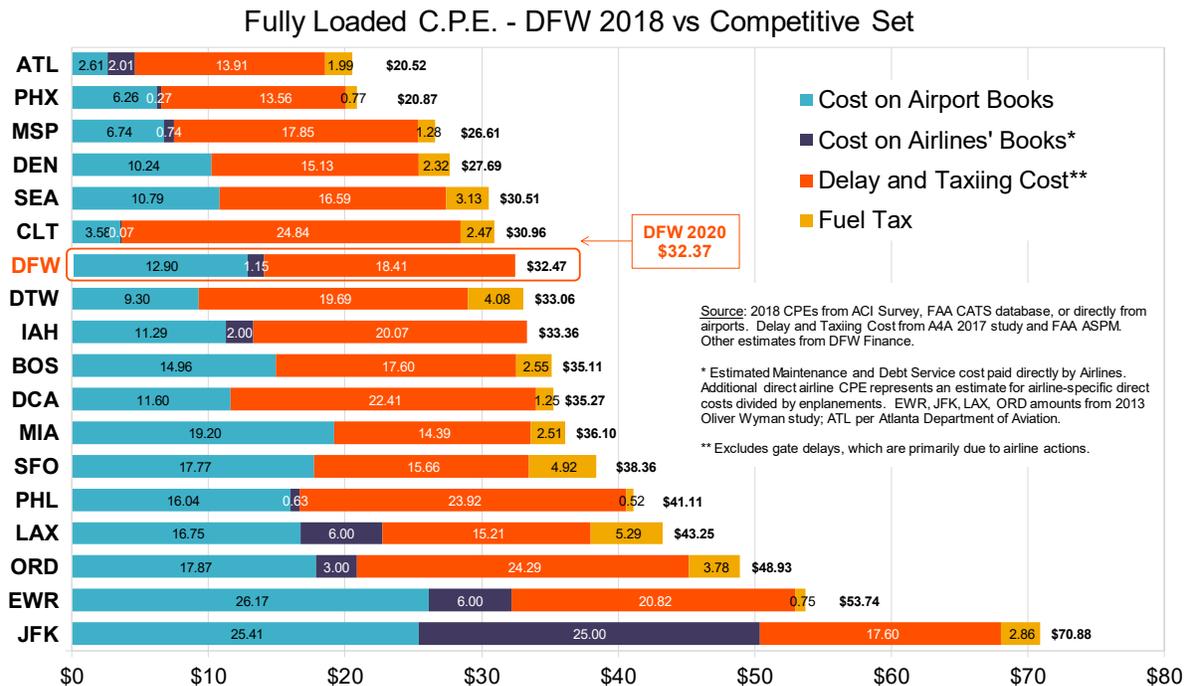
**Cost Per Enplanement** – CPE is the total passenger airline revenue (cost to the airlines) paid to DFW divided by the number of enplaned passengers. CPE is a standard metric used by the airline industry. Enplaned passengers is the denominator because it is a key revenue/cost driver for the airlines; however, this is not the case for an airport. Airport costs are driven by the cost to operate and maintain its facilities and runways. Notwithstanding this issue, DFW (and the industry) use this indicator as a cost performance metric. CPE is budgeted to decrease 2.3% because passengers are projected to grow faster (4.6%) than airline costs (2.3% increase).

Airline Cost per Enplanement



**CPE Benchmarked to Other Airports** – DFW’s strategic goal is to have a competitive CPE. The following chart benchmarks DFW’s fully loaded CPE with the fully loaded CPE projections for DFW’s competitive set of 17 large U.S. hub airports using the latest data available from Airports Council International (ACI) surveys from FY 2018. Fully loaded cost is the most meaningful comparison because it includes most of the costs incurred by airlines to operate at an airport, including what they pay the airport (blue), what they pay directly for terminal maintenance and terminal debt service (purple), an estimate of what costs the airlines incur for delay and taxiing (orange) and an estimate for fuel taxes (yellow).

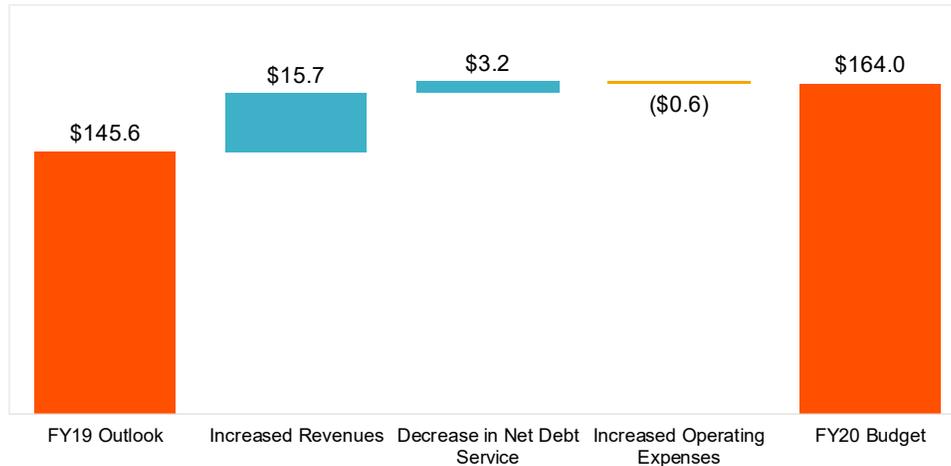
The graph on the following page illustrates that DFW is competitive from a cost standpoint compared to AA’s other major hubs.



### DFW Cost Center Net Revenues

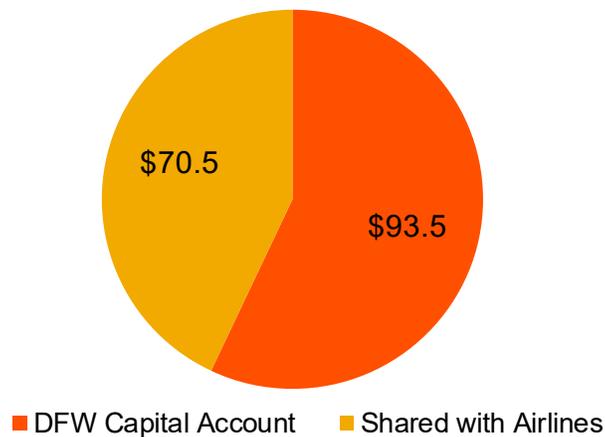
The following chart is a walkforward of DFW Cost Center (DFWCC) net revenues. The FY 2020 net revenues budget is \$164.0 million, an \$18.3 million (12.6%) increase from the FY 2019 Outlook. This represents the profit from non-airline businesses, such as parking, concessions, rental car and commercial development.

Change in DFW Net Revenues - \$18.3 Million



The following chart highlights the portion of DFWCC net revenues that are shared with the airlines to reduce landing fees and the amount transferred to the DFW Capital Account. The Use Agreement requires DFW to share 75% of revenues over the “upper threshold” of \$70.0 million (in FY 2020) with the airlines.

Net Revenues from DFW Cost Center (Millions)



In addition to the \$70.5 million, the Use Agreement requires a terminal contribution from the DFW Cost Center to reduce terminal rates. The terminal contribution for FY 2020 is \$2.8 million. The combined amount of \$73.4 million reduces landing fees and terminal rates. The \$73.4 million share to the airlines in FY 2020 is an increase of \$12.4 million compared to the FY 2019 Outlook.

**Revenues Overview**

The table below summarizes revenues by cost center and compares the FY 2019 Outlook and the FY 2020 Budget.

Millions	FY19	FY20	Increase (Decrease)	
	Outlook	Budget	Amount	Percent
<b>Revenues</b>				
Airfield Cost Center	\$182.7	\$191.8	\$9.1	5.0%
Terminal Cost Center	398.9	414.6	15.8	3.9%
DFW Cost Center	395.8	411.5	15.7	4.0%
PFCs and Other	177.2	178.1	0.9	0.5%
<b>Total Revenues</b>	<b>\$1,154.6</b>	<b>\$1,196.0</b>	<b>\$41.4</b>	<b>3.6%</b>

FY 2020 Airfield Cost Center revenues increased \$9.1 million (5%) due to increased operating expenses reduced by higher DFWCC net revenues. FY 2020 Terminal Cost Center revenues increased \$15.8 million (3.9%) primarily due to increased terminal rentals necessary to recover operating expenses including the Terminals A & C custodial transfer. FY 2020 DFWCC revenues increased \$15.7 million (4.0%) primarily due to higher parking, concessions, and commercial development revenues. See Airline Cost Centers and DFW Cost Center sections for further explanations.

A \$4.50 Passenger Facility Charge (PFC) is collected from most enplaned revenue passengers and is used to pay for debt service. Other Revenues relate to transfers from the Public Facility Improvement Corporation (PFIC) to pay debt service associated with the Grand Hyatt Hotel and rental car facility, plus transfers from the DFW Capital Account to pay for debt service associated with the Terminal E garage and DFW’s headquarters facility.

**Revenue and Expense Budget Exposures**

**Revenue Exposures** – The FY 2020 revenue budget includes an estimated \$6.3 million of exposure items that could result in DFW not attaining its revenue budget targets.

Revenue Budget Exposures (in Millions)	
Rental car revenues	\$3.0
Department of Public Safety (DPS) revenues	1.3
Parking revenues	1.0
Interest income	1.0
<b>Total revenue exposures</b>	<b>\$6.3</b>

There is revenue exposure for rental cars due to declines in average rental rates resulting from the competitive impact of Transportation Network Companies (TNC) and other ride sharing services. If rental car companies are unable to maintain pricing at current levels, percentage rent paid to DFW will decrease. The Department of Public Safety’s revenue budget includes \$1.3 million for a federal reimbursement program for law enforcement officers. There is no certainty that Congress will continue to fund this program. Parking revenues are at risk if TNCs continue to increase and parking utilization falls since average revenue per passenger is less for

TNCs. The interest income budget assumes that interest rates remain at current levels. If the Federal Reserve implements rate reductions, interest income may not achieve the budget.

**Expense Exposures** – The FY 2020 Budget includes incremental expenses for Terminals A & C custodial costs previously incurred by AA, additional security, and other custodial and strategic objectives. The incremental increases are largely based on cost estimates that are currently known and passenger growth projections. However, if passenger growth is greater than expected or if cost estimates increase due to rates, there is exposure for incremental cost. There are other related cost exposures such as weather, inflation, regulatory, security and other items.

Because these exposures could result in cost increases, particularly with an increased focus on customer experience for Terminals A & C, the CEO Contingency has been increased by \$2.0 million to \$6.0 million. The CEO contingency has been at \$4.0 million for the past few years and has been as high as \$7.5 million. The budget includes an additional \$10 million of Board-controlled contingency (outside of the rate base) to mitigate additional operating expense exposures or to fund new strategic priorities that arise during the fiscal year, especially if non-airline revenues are higher than projected.

### Airline Cost Centers

There are two airline cost centers, the Airfield and the Terminal. The airlines pay DFW landing fees to cover the net cost of the airfield and terminal rents to cover the net cost to operate and maintain the terminals. At the end of each fiscal year, DFW performs a reconciliation or true-up, of actual costs paid and revenues received. If there is a variance (i.e., if revenues collected exceed or are lower than the actual costs), then the Airport provides a credit or adds an incremental charge in the following fiscal year to settle the difference.



### Airline Cost Walkforward

The following table is a walkforward of airline cost between the FY 2019 Outlook and the FY 2020 Budget.

Airline Cost Walkforward (in Millions)	Total
FY 2019 Adjusted Outlook	\$490.1
Debt and Use Agreement Items	
Debt Service (net of PFCs)	(6.8)
Threshold Adjustment	1.4
Total Debt and Use Agreement	(5.4)
Net Operating Expenses	
Airline Cost Center O & M	31.6
Transfer from DFW Cost Center	(12.4)
Terminal Contribution	(0.0)
Other Non-Airline Revenues	(2.4)
Total Net Operating Expenses	16.8
Total Increase	11.4
FY 2020 Budget	501.5

### Summary of Airline Cost

The following table compares the summary of airline costs for the FY 2019 Outlook and the FY 2020 Budget. The 2.3% increase is the lowest airline cost increase since FY 2011 before DFW started TRIP.

Airline Revenue/Costs (in Millions)	FY19	FY 20	Increase (Decrease)	
	Outlook	Budget	Amount	Percent
Landing Fees	\$112.2	\$108.7	(\$3.6)	(3.2%)
Terminal Leases	317.9	331.9	14.0	4.4%
FIS Fees	26.5	27.6	1.1	4.1%
Turn Fees & Terminal Office Rents	32.8	32.7	(0.1)	(0.2%)
Aircraft Parking	0.6	0.7	0.0	1.1%
<b>Total Airline Revenue/Cost</b>	<b>\$490.1</b>	<b>\$501.5</b>	<b>\$11.4</b>	<b>2.3%</b>

### Airfield Cost Center

The table below compares the FY 2019 Outlook and the FY 2020 Budget for the Airfield Cost Center. Note that revenues equal expenses in this cost center in both periods. Revenue variances to the FY 2019 Outlook are explained below. See the Operating Expenses section for expenditure variances.

Airfield CC (in Millions)	FY 19	FY 20	Increase (Decrease)	
	Outlook	Budget	Amount	Percent
<b>Revenues</b>				
Landing Fees	\$112.2	\$108.7	(\$3.6)	(3.2%)
Transfer from DFWCC	58.1	70.5	12.4	21.3%
Other	12.4	12.7	0.3	2.1%
<b>Total Revenues</b>	<b>182.7</b>	<b>191.8</b>	<b>9.1</b>	<b>5.0%</b>
<b>Expenditures</b>				
Operating Expenses	99.8	109.2	9.4	9.4%
Net Debt Service	82.9	82.6	(0.3)	(0.4%)
<b>Total Expenditures</b>	<b>182.7</b>	<b>191.8</b>	<b>9.1</b>	<b>5.0%</b>
<b>Net Airfield Revenue</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>n/a</b>

### Landing Fee Revenues

The FY 2020 landing fees budget is \$108.7 million, a decrease of \$3.6 million (3.2%) from the FY 2019 Outlook due to the increase in the revenue sharing from the DFW Cost Center (\$12.4 million) net of an increase in total expenditures charged to the airfield (\$9.1 million). The increase in airfield operating cost is the result of increased operations headcount for airfield safety management, DPS headcount increase for Airport security, and new costs associated

with the integrated operations center and the Airport's innovation initiative. Airfield costs are also impacted by an allocation of fixed increases for annualization, merit and other costs.

### Other Airfield Revenues

The Airfield is a residual cost center with landing fees as the balancer. The following table compares Airfield Cost Center revenues and expenditures for the FY 2019 Outlook and the FY 2020 Budget showing the landing fee revenues necessary to cover budgeted net airfield costs.

Airfield CC (in Millions)	FY19 Outlook	FY20 Budget	Increase (Decrease)	
			Amount	Percent
<b>Expenditures</b>				
Operating Expenses	\$99.8	\$109.2	\$9.4	9.4%
Net Debt Service	82.9	82.6	(0.3)	(0.4%)
<b>Total Expenditures</b>	<b>182.7</b>	<b>191.8</b>	<b>9.1</b>	<b>5.0%</b>
<b>Revenues</b>				
Aircraft Parking	0.6	0.7	0.0	1.1%
Corporate Aviation	2.7	2.8	0.1	4.5%
Fuel Facility Ground Lease	5.7	5.7	0.0	0.0%
DPS	3.5	3.6	0.1	1.7%
Other	(0.2)	(0.1)	0.1	(37.6%)
Transfer from DFW Cost Center	58.1	70.5	12.4	21.3%
<b>Revenues before Landing Fees</b>	<b>70.5</b>	<b>83.1</b>	<b>12.6</b>	<b>17.9%</b>
<b>Landing Fees</b>	<b>\$112.2</b>	<b>\$108.7</b>	<b>(3.6)</b>	<b>(3.2%)</b>

Other airfield revenues include fees for aircraft parking, landing and other fees for the use of DFW's corporate aviation facility, ground lease payments for the fuel farm that is operated for the airlines by a third party, and an allocation of DPS revenues.

### Landing Fees and Landed Weights

The following charts compare landing fees and landed weights for the FY 2019 Outlook and the FY 2020 Budget. The landing fee rate is assessed per 1,000 pounds of maximum approved landed weight for each specific aircraft as certified by the FAA. Changes in landed weights will not affect total landing fee revenues because DFW must charge the airlines collectively for the cost to operate the airfield. Thus, an increase in landed weights will lower the average landing fee rate and a decrease in landed weights will cause the landing fee rate to increase.

Signatory landing fees are budgeted at \$2.23 in FY 2020, a \$0.22 (9.0%) decrease from the blended rate of \$2.45 for the FY 2019 Outlook. Per the Use Agreement, non-signatory airlines are assessed a rate that is 25% greater than signatory airlines. Non-signatory landed weights are only 0.5% of total weights in FY 2020.

Landed weights are budgeted for 48.9 billion in FY 2020, a 3.2 billion (6.9%) increase over the FY 2019 Outlook. The increase is primarily driven by AA's increase in daily operations and a larger aircraft mix.



**Cargo**

DFW Airport is increasingly recognized as an outstanding cargo gateway, providing direct access to the fast-growing Sunbelt region and acting as an attractive connecting point for cargo flowing between Asia and Latin America. The Airport’s prime location allows assorted cargo to reach millions of U.S. customers by road, while also reaching several continents by plane in a matter of hours. From DFW, 98% of the continental U.S. population can be reached via truck within 48 hours. Approximately 9.7% of all landing fees are budgeted to come from cargo aircraft for the FY 2020 Budget.



DFW continues to grow its cargo business, with projections to achieve 952,000 tons of cargo in FY 2019 (+4.5% YOY), and 987,000 tons in FY 2020 (+3.6% YOY). DFW has outsized exposure to Asia, and the continuing trade disputes are an ongoing risk to our ability to grow cargo volumes.

FY	Cargo Tonnage		
	(US tons)	Change	Percent
2018	911,000		
2019	952,357	41,357	4.5%
2020	986,743	34,386	3.6%

**Terminal Cost Center**

The table below compares the FY 2019 Outlook and the FY 2020 Budget for the Terminal Cost Center. Note that revenues equal expenses in this cost center in both periods. Revenue variances between the FY 2020 Budget and the FY 2019 Outlook are explained below. See the Operating Expense section for expenditure variations.

Terminal CC (in Millions)	FY19 Outlook	FY20 Budget	Increase (Decrease)	
			Amount	Percent
<b>Revenues</b>				
Operating Revenue				
Terminal Leases	\$317.9	\$331.9	\$14.0	4.4%
FIS Fees	26.5	27.6	1.1	4.1%
Turn Fees & Office Rents	32.8	32.7	(0.1)	(0.2%)
Other	21.6	22.4	0.8	3.6%
Total Operating Revenue	398.9	414.6	15.8	3.9%
DFW Terminal Contribution	2.8	2.8	0.0	0.3%
<b>Total Revenues</b>	<b>401.7</b>	<b>417.5</b>	<b>15.8</b>	<b>3.9%</b>
<b>Expenditures</b>				
Operating Expenses	217.2	239.4	22.3	10.3%
Net Debt Service	184.6	178.0	(6.5)	(3.5%)
Total Expenditures	401.7	417.5	15.8	3.9%
<b>Net Terminal Revenue</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>n/a</b>

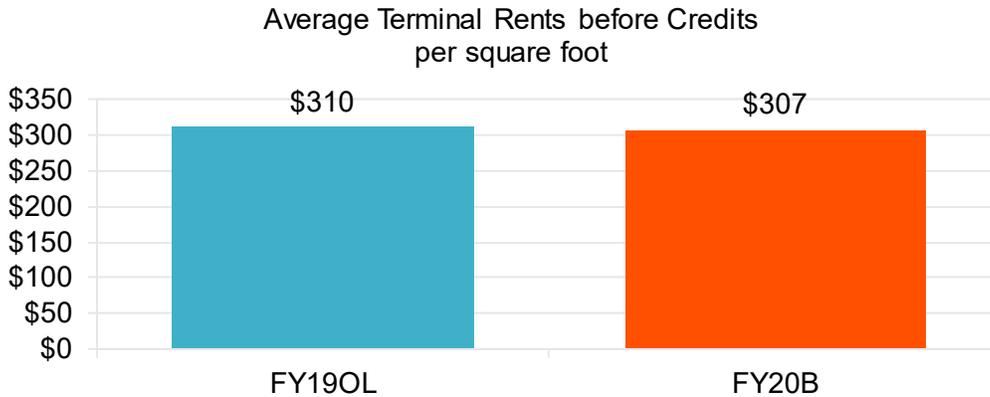
The FY 2020 Terminal Lease budget is \$331.9 million, a \$14.0 million (4.4%) increase from the FY 2019 Outlook due primarily to higher operating costs charged to the terminals partially offset by a decrease in net debt service. Operating expenses increased \$22.3 (10.3%) million due primarily to the transfer of custodial responsibility from AA to DFW (\$9.4 million). The remaining increase is due to other custodial increases for customer experience and a portion of DPS headcount increase for airport security, an increase in the integrated operations center and innovation initiatives, and an allocation of salary and contract annualization, merit and other costs. The decrease in debt service is primarily due to savings from the Series 2019A Refunding bonds and a change in coverage needs for FY 2020, partially offset by incremental debt service and coverage to interim finance the FY 2020 Capital Program.

Total terminal operations, maintenance and debt service costs, including utilities for the five terminals, are divided by leasable square feet to calculate an average lease rate per square foot. American Airlines pays directly for the maintenance costs of Terminals A, C, and E Satellite and six jet bridges in Terminal B. These costs are added into the numerator of this formula to derive the fully loaded average rate. American Airlines receives a rent credit for their costs. This credit of \$37.6 million was reduced by \$7.2 million in FY 2020 due to the transfer of custodial responsibility.



**Average Terminal Rents before Credits**

Total terminal leased square footage increased in FY 2020 to 1.204 million square feet from 1.157 million square feet in FY 2019 due to American Airlines leasing the Terminal E satellite facility. This caused terminal rental rates to fall from \$310 per square foot to \$307 per square foot, despite a \$14 million increase in net terminal expenses. The following chart compares average terminal rents before credits for the FY 2019 Outlook and the FY 2020 Budget.



**Federal Inspection Services (FIS) Fees**

Costs are allocated to the FIS based on its percent share of terminal square footage. The FIS budget for FY 2020 is \$27.6 million, a \$1.1 million (4.1%) increase from the FY 2019 Outlook. The FY 2020 rate is based upon terminal costs excluding new debt service. The rate for FIS per international passenger clearing customs at DFW is budgeted at \$6.30 for FY 2020 compared to \$6.61 for the FY 2019 Outlook, a decrease of \$0.31 (4.7%). DFW expects 4.4 million International FIS passengers in FY 2020 compared to 4.1 million in FY 2019. FIS passengers do not include arriving passengers from countries where passengers clear U. S. Customs in that country (e.g., Canada).

**Turn Fees and Office Rents**

Turn fees are paid by airlines for common use gates in Terminals D and E in lieu of permanently renting space. Per the terms of the Use Agreement, turn fee rates must change at the same percentage as terminal lease rates. The turn fees budget for FY 2020 is \$28.7 million, a \$0.2 million (0.5%) decrease from the FY 2019 Outlook.

**Other Terminal Revenues**

Other terminal revenues include TSA rents, concessions O & M reimbursements, catering fees and allocable miscellaneous DPS revenues. Concessionaires are required to reimburse the Airport (for Terminals B, D and E) and American Airlines (for Terminals A and C) for the allocated maintenance cost per square foot of the terminals.

**Transfers - DFW Terminal Contribution**

Per the terms of the Use Agreement, DFW pays for a portion of the terminal cost based on DFW's proportionate share of expenses for common use and vacant space in the terminals. From a cost center standpoint, this contribution is shown as a source of cash in the Terminal Cost Center and a use of cash for the DFW Cost Center. DFW can reduce its contribution to

the Terminal Cost Center by leasing more space to other airlines or tenants, increasing common use turn fees, and by reducing costs in the terminals. The DFW terminal contribution is \$2.8 million, which is flat to the FY 2019 Outlook.

### Cost Per Enplanement (CPE) Calculation

The following table shows the passenger airline cost per enplanement calculation and compares the CPE for the FY 2019 Outlook and the FY 2020 Budget. This KPI only includes passenger-related airline revenues (i.e., costs) and excludes cargo and general aviation revenues.

Cost Per Enplanement (in Millions)	FY19	FY20	Increase (Decrease)	
	Outlook	Budget	Amount	Percent
Enplanements <sup>(1)</sup>	36.2	37.8	1.6	4.5%
Passenger Airline Cost per Enplanement				
Airline Cost/Revenue	\$490.1	\$501.5	\$11.4	2.3%
Less: Cargo	(11.6)	(10.9)	0.7	(6.4%)
Total PAX Airline Revenue	478.5	490.7	12.2	2.5%
Cost per Enplanement (CPE) <sup>(2)</sup>	\$13.24	\$12.96	(\$0.28)	(2.1%)

<sup>1</sup> Corporate Aviation enplanements are excluded from CPE calculation

<sup>2</sup> Actual rates, not in millions



### DFW Cost Center

The table below compares the FY 2019 Outlook and the FY 2020 Budget for the DFW Cost Center. Revenue variances are explained in the rest of this section. Expenditure variances are covered in the Operating Expenses section.

DFW Cost Center Net Revenues are increasing \$18.3 million (12.6%) in FY 2020. This net revenue is shared between the airfield cost center and the DFW Capital Account. To lower landing fees, 75% of net revenues in excess of the “upper threshold” of \$70.0 million are transferred to the airfield cost. The remaining net revenues of \$93.5 million are transferred to the DFW Capital Account.

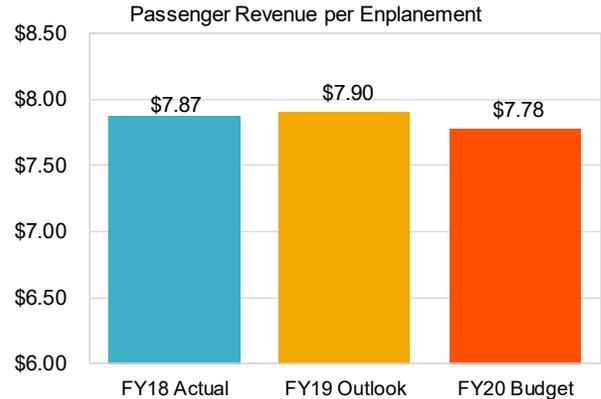
DFW Cost Center (in Millions)	FY19 Outlook	FY20 Budget	Increase (Decrease)	
			Amount	Percent
<b>Revenues</b>				
Parking	\$178.0	\$181.4	\$3.4	1.9%
Concessions	78.0	83.1	5.1	6.5%
Advertising	14.3	14.6	0.3	2.4%
Rental Car (RAC)	33.6	33.3	(0.3)	(0.9%)
Commercial Development	50.1	55.3	5.2	10.5%
Subtotal	353.9	367.7	13.8	3.9%
Employee Transportation	16.9	18.4	1.4	8.4%
Utilities & Miscellaneous	8.8	8.7	(0.1)	(1.4%)
DPS	1.6	1.6	(0.0)	(1.5%)
Interest Income	14.5	15.1	0.6	4.5%
<b>Total Revenues</b>	<b>395.8</b>	<b>411.5</b>	<b>15.7</b>	<b>4.0%</b>
<b>Expenditures</b>				
Operating Expenses	143.5	146.9	3.4	2.3%
Net Debt Service	61.9	58.9	(3.0)	(4.8%)
<b>Total Expenditures and Debt Service</b>	<b>205.4</b>	<b>205.8</b>	<b>0.4</b>	<b>0.2%</b>
<b>Gross Margin - DFW Cost Center</b>	<b>190.4</b>	<b>205.7</b>	<b>15.4</b>	<b>8.1%</b>
Less: Terminal Contribution	2.8	2.8	0.0	0.3%
Less: Skylink	41.9	38.9	(3.0)	(7.2%)
<b>DFW Cost Center Net Revenues</b>	<b>\$145.6</b>	<b>\$164.0</b>	<b>\$18.3</b>	<b>12.6%</b>
Transfer to Airfield Cost Center*	58.1	70.5	12.4	21.3%
Amount to DFW Capital Account	87.5	93.5	6.0	6.8%
<b>Allocation of DFWCC Net Revenues</b>	<b>\$145.6</b>	<b>\$164.0</b>	<b>\$18.3</b>	<b>12.6%</b>

\* Threshold Adjustment

### Passenger Revenues per Enplanement

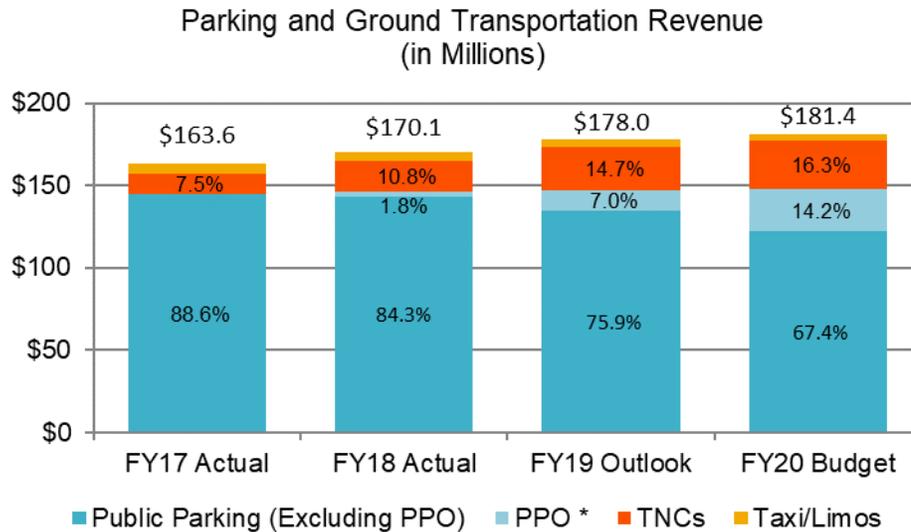
DFW Cost Center has four business units that focus on growing net revenues (parking, concessions, rental car, and commercial development).

Passenger revenue per enplanement measures passenger related revenues from parking, concessions, and RAC. The FY 2020 Budget is lower than FY 2019 Outlook due to an increased mix of connecting passengers and slower revenue growth in parking due to a higher mix of transportation network companies (TNC or TNCs) and in rental car due to competitive pricing power.



### Parking

Parking revenues include ground transportation revenues. To get to the Airport, originating passengers have the choice to park at the Airport, get dropped off, take a taxi/limo, or use a TNC. The following table shows the composition of parking and ground transportation revenues.

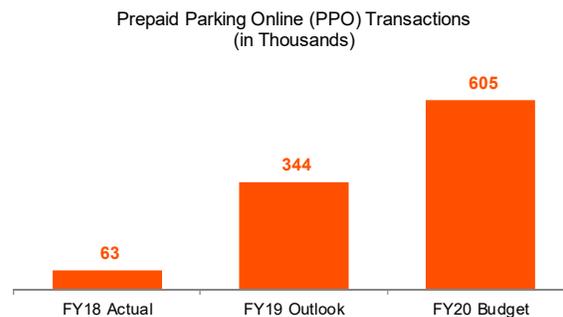


\* Prepaid Parking Online

**Parking Background** – Parking is DFW’s largest source of non-airline revenue. Customers are charged parking fees based on the length of stay and the parking product used. Pass-through charges are increasing by \$2 in FY 2020. No increase in parking rates are assumed in FY 2020. The table on the following page highlights DFW’s parking products and parking rates. Ground transportation fees are paid by taxis, limos, TNCs and other shared-ride transportation companies that require airport access to drop-off and pick-up passengers. DFW also collects a privilege fee of 12% (of sales) from off-airport parking and valet providers beginning in FY 2019. The Airport contracts directly with a third party to provide a DFW branded valet service.

DFW Parking Rate Summary		
Parking Product	Rate	Description
Terminal	\$24	all day parking
Express Lots	\$12 / \$15	uncovered / covered
Remote	\$10	uncovered
Intra-day	\$9 - \$10	up to 6 hours
Valet	\$31 + tax	uses existing parking facilities
Meeter-Greeter	\$3	30 minutes-2 hours
Drop-Off	\$2	8-30 minutes
Pass-Throughs	\$6	0-8 minutes
Taxi, Limos	\$4	up to 2 hours
TNCs	\$5	up to 2 hours

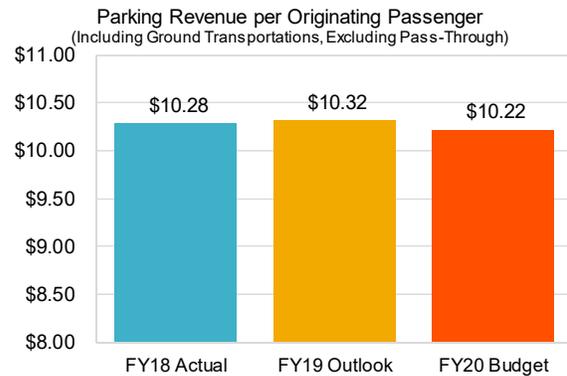
DFW launched its Prepaid Parking Online (PPO) parking option in April 2018 to maintain the competitiveness of Airport parking in light of the rapid growth of TNCs, and to provide customers with an attractive, competitively priced option in the market. PPO offers customers variable prices so that DFW can optimize available capacity and maximize revenues, especially during off-peak periods. Customer adoption of PPO has been stronger than originally anticipated and is expected to grow further in FY 2020 through dynamic pricing and yield management techniques. At the end of FY 2020 it is expected that 26% of parking transactions will be online, up from just 3% at the end of FY 2018 and 15% at the end of FY 2019. The FY 2020 PPO budget is estimated at 604,000 online transactions and \$27.8 million in gross revenue.



**FY 2020 Budget** – The FY 2020 parking revenue budget is \$181.4 million, an increase of \$3.4 million (1.9%) from the FY 2019 Outlook due primarily to the growth of TNCs and the full year impact of \$2 increase for pass-through customers under eight minutes.

**Parking Revenue per Originating Passenger**

The primary drivers for parking revenues are originating passengers, parking prices, and average length of stay. The goal is to maximize net revenue per originating passenger. The decrease in parking revenue per originating passenger for the FY 2020 Budget versus the FY 2019 Outlook is due to change of parking product mix due to competitive impact from TNCs.



**Concessions**

**Background** – Terminal concessions consist of food and beverage, retail and duty free, advertising, and various customer services and amenities. Concessions agreements consist of leases or contracts that generally range from five to 10 years and include a minimum annual guarantee and percentage rent. Concessions also issues short term permits for kiosks and storage locations.



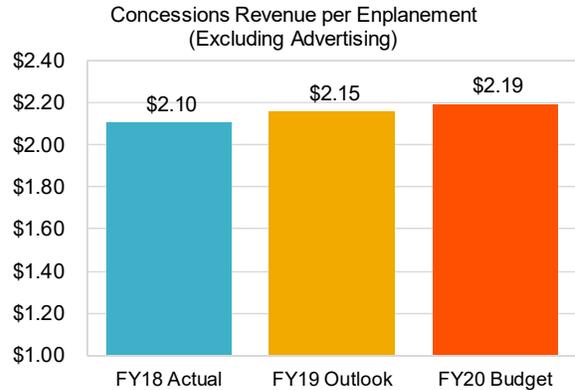
As of June 30, 2019, the Airport had 249 total locations. Concessions revenues also include contracts for sponsorships, advertising and communications services, which generally have periodic or one-time payments that may be amortized over the life of the contract. Concessions’ goal is to optimize retail, services, and food and beverage options for customers to increase revenue per enplanement; and to grow new revenue streams from sponsorships, communications and advertising not tied directly to enplanements.

Concessions continues to enhance its offerings to better align with customer preferences as the first locations renovated during the TRIP begin to expire. Concessions plans to release Requests for Proposals (RFPs) in 2019 and 2020, which will include retail, food and beverage, and services, to ensure new offerings and a proper mixture of products to passengers.

**FY 2020 Budget** – The FY 2020 concessions budget is \$97.7 million, a \$5.4 million (5.9%) increase from the FY 2019 Outlook due to new food and beverage concepts, and an increase in enplanements. Construction of new concession concepts and airline terminal utilization may impact FY 2020 revenues.

**Concessions Revenue per Enplanement –**

This KPI measures the amount of revenue earned by DFW from terminal concessions per enplaned passengers and is a standard metric used by the airport industry. The increase in concessions revenue per enplanement in FY 2020 as compared to the FY 2019 Outlook is primarily due to new food and beverage, and the growth of passenger services such as lounges, vending and pre-check services.



**Rental Car Center (RAC)**

**Background** – The RAC covers 155 acres and includes a common building with individual counters and back office space for each rental car company. The facility includes a parking garage for ready and return car spaces, a bus maintenance facility, overflow surface parking areas and individual rental company service sites including car wash racks, maintenance bays and fueling systems. The Airport collects ground lease and percentage rent (10% of sales) from the rental car companies. The ground lease rate increases 3% each year. The RAC holds five rental car companies with 13 brands, providing a total inventory of approximately 25,000 cars.

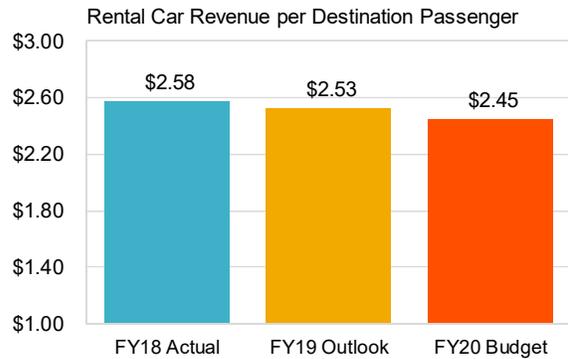


DFW management has very little control over rental car company activities. RAC sales and DFW revenues tend to follow the economy. RAC revenues can rise or fall based on the number of DFW destination passengers, the percentage of destination passengers renting cars, the average stay per renter, and the average daily price charged for the cars. New rental car alternatives, such as TNCs and ride and car sharing services have become a competitive challenge for the rental car companies across the US.

**FY 2020 Budget** – The FY 2020 rental car revenue budget is \$33.3 million, a \$0.3 million (0.9%) decrease from the FY 2019 Outlook due to the net impact of destination passenger growth and lower average rates. All other factors are assumed to stay constant with the FY 2019 Outlook. The lower average rate is built on the assumption that there will be continued competition with TNCs and other ride sharing services. The FY 2020 revenue budget may not be attained if average rates drop further than anticipated.

**RAC Revenues per Destination Passenger**

This KPI measures the percentage rent paid by the rental car companies to DFW divided by destination passengers. The FY 2020 Budget for RAC revenues per destination passenger is projected to be lower than the FY 2019 Outlook primarily due to a lower daily rate assumption and other market factors due primarily to the competitive impact from TNCs and off-airport shared ride options.



**Commercial Development**

**Background** – The Airport has a total land mass of 17,183 acres. As of May 15, 2019, 2,646 acres have been commercially developed. Management estimates that approximately 2,404 acres of additional land is available for future development. A commercial development land use plan has been completed and approved by the Board. The Airport focuses primarily on developing land that has airport synergy, such as logistics and warehousing.



Commercial development revenues include ground leases, foreign trade zone tariff and facility rents generated from non-terminal Airport facilities, and property and surface use fees primarily from natural gas drilling. Multi-year lease agreements are negotiated with tenants on a square-foot or acre basis. Some facilities, such as the Hyatt Regency Hotel and Bear Creek Golf Course, also have percentage rent components.

Industrial space demand has been consistent in the northern part of the Airport specifically in the Coppell Industrial, International Commerce Park and Northwest Logistics areas. Current construction in mixed-use developments close to Grapevine’s Main Street and Highway 114 includes automobile dealerships. The Airport has commenced development and is increasingly focused on the southern region in response to market driven space demand, particularly the Passport Park, Bear Creek and Walnut Hill areas.

The key drivers for commercial development revenues are acres developed and the average ground rental rate. Approximately 73% of the ground lease revenue is based on negotiated rates and 27% on the airport services ground rental rate which are primarily older leases that have airfield access. The airport services ground rental rate per acre changes annually with inflation and will be \$29,167 in FY 2020.

**FY 2020 Budget** – The FY 2020 commercial development revenue budget is \$55.3 million, a \$5.2 million (10.5%) increase from the FY 2019 Outlook. FY 2020 reflects an increase of \$4.8

million in new ground lease rents (254 acres developed in FY 2019, plus additional 322 acres to be developed in FY 2020) and \$0.4 million from existing contracted leases. New ground leases represent significant logistics development in the southern section of the Airport.

### Other DFW Revenues and Expenses

The fees charged in this category are established to recover costs (except interest income).

**Employee Transportation** – DFW charges fees for employees to access the transportation system that takes employees from the employee parking lots to the terminals. For most employees, the employer (airlines, concessionaires) pays these fees for their employees. The FY 2020 Budget is \$18.4 million, a \$1.4 million (8.4%) increase from the FY 2019 Outlook due to a \$1 rate increase to cover incremental employee busing cost.

**Utilities & Miscellaneous** – This revenue category represents fees charged to non-airline users of utilities, HVAC, trash removal, water, and certain permit and accounting fees. Utility charges to users are based on the cost to provide the services. The FY 2020 Budget is \$8.7 million, a \$0.1 million (1.4%) decrease from the FY 2019 Outlook primarily due to lower permit fees and HVAC partially offset by trash rate increases.

**DPS Revenues** – DPS receives federal reimbursements from the TSA for Law Enforcement Officer (LEO) plus fees for badging, fire training and other services. The FY 2020 Budget is \$8.0 million which is flat to the FY 2019 Outlook. The FY 2020 budget assumes that congress will continue to fund the LEO program at \$1.3 million for DFW.

**Interest Income** – Interest income includes interest earned on investments from the Operating Revenue and Expense Fund, the three-month Operating Reserve, and Debt Service Reserve Fund and the Rolling Coverage Account. The FY 2020 interest income budget is \$15.1 million, a \$0.6 million (4.5%) increase from the FY 2019 Outlook due to higher average short-term interest rates and higher reserve balances. This budget may not be achieved if the Federal Reserve reduces rates through the end of FY 2020.

**Terminal Contributions** – Per the terms of the Use Agreement, DFW pays terminal costs based on common use space and its share of vacant leasable space. The FY 2020 Budget is \$2.8 million, flat to the FY 2019 Outlook.

**Skylink** – Expenses related to Skylink are covered in the DFW Cost Center per the Use Agreement. The FY 2020 Budget is \$38.9 million, a \$3.0 million (7.2%) decrease from the FY 2019 Outlook primarily due to lower legal expense, lower expenses for bridge inspections that occur in alternating years, and lower debt service expense due to savings resulting from the 2019A Refunding Bonds.





### FY 2020 Expenditure Budget

The FY 2020 Budget is \$1 billion, an increase of \$19.2 million (1.9%) from the FY 2019 Budget and an increase of \$23.1 million (2.3%) from the FY 2019 Outlook.

Annual Budget (in Millions)	FY19 Budget	FY19 Outlook	FY20 Budget	FY20B v FY19B		FY20B v FY19OL	
				Inc (Dec) Amount	Inc (Dec) Percent	Inc (Dec) Amount	Inc (Dec) Percent
Operating Expenses	\$500.7	\$497.0	\$529.3	\$28.6	5.7%	\$32.3	6.5%
Gross Debt Service	512.2	511.9	502.8	(9.4)	(1.8%)	(9.2)	(1.8%)
Total 102 Expenditures Budget*	\$1,012.9	\$1,009.0	\$1,032.0	\$19.2	1.9%	\$23.1	2.3%*
Contingency O/S Rate Base			10.0				
Total Budget w/Contingency			\$1,042.0				

\*1.4% increase excluding cost of transferring custodial responsibilities from AA to DFW

### Operating Expense Budget Walkforward

The following tables are walkforwards between the FY 2019 Outlook and the FY 2020 Budget:

Operating Expenses (in Millions)	Total	DFW	Airline
FY 2019 Outlook	\$497.0	\$180.0	\$317.0
Cost savings and budget reductions	(15.5)	(5.0)	(10.6)
Strategic Priorities			
A & C Custodial Transfer	7.5	0.0	7.5
Customer Experience	3.3	0.8	2.5
Safe and Secure	3.3	0.7	2.5
Operational Excellence	2.5	0.8	1.7
Salary/Benefits annualization and merit pool	14.7	3.2	11.6
Contract increases	7.2	1.7	5.5
Restore budgets	5.6	1.8	3.8
Other increases	3.7	(3.3)	7.1
Net increase	32.3	0.6	31.6
FY 2020 Budget	\$529.3	\$180.7	\$348.6

**Detailed Operating Expense Budget Walkforward**

Budget Category (in Millions)		Total	DFW	Airline
FY 2019 Outlook		\$497.0	\$180.0	\$317.0
A.	Cost savings and budget reductions	(15.5)	(5.0)	(10.6)
Strategic Priorities				
B.	A & C Custodial Transfer	7.5	0.0	7.5
C.	Customer Experience			
	Custodial	2.3	0.5	1.8
	Technology	1.0	0.3	0.7
	Total customer experience	3.3	0.8	2.5
D.	Safe and secure			
	DPS Annualization	1.4	0.3	1.1
	Technology	0.9	0.3	0.7
	New Positions	0.5	0.1	0.4
	Dock and Check Point Screening	0.4	0.1	0.3
	Total safe and secure	3.3	0.7	2.5
E.	Operational Excellence			
	Innovation	1.4	0.4	0.9
	Integrated Operations Center	1.2	0.4	0.8
	Total operational excellence	2.5	0.8	1.7
F.	Salary/Benefits annualization and merit pool			
	Salary/Benefits annualization	7.8	1.4	6.3
	Salary increases	3.6	0.8	2.8
	Other	3.3	0.9	2.4
	Total salary/benefits annualization and merit pool	14.7	3.2	11.6
G.	Contract increases			
	Fixed			
	Technology	1.8	0.6	1.2
	Healthcare	1.2	0.0	1.1
	Facility maintenance	1.1	0.1	1.1
	Bussing	0.3	0.3	0.0
	Insurance premiums	0.1	(0.0)	0.2
	Scope			
	Asset Management	1.5	0.5	1.0
	Utilities	1.1	0.3	0.9
	Total contract increases	7.2	1.7	5.5
H.	Restore budgets			
	CEO contingency	5.6	1.8	3.8
	Total restore budgets	5.6	1.8	3.8
I.	Other increases	3.7	(3.3)	7.1
	Net increase	32.3	0.6	31.6
	FY 2020 Budget	\$529.3	\$180.7	\$348.6

Note: The reference letters in the previous table are cross-referenced to the variance explanations in the Expense Comparison by Summary Account explained further in this section.

**A. Cost Savings and Budget Reductions****(\$15.5) million**

Management set a goal to identify cost savings that would reduce the increase to the FY 2020 budget by at least 3% as part of this year's budget process. Each division achieved their 3% target for a total reduction of \$15.5 million. Some of the more significant reductions are shown below:

- Asset maintenance (\$3.8 million) – primarily renegotiation and reductions in scope of maintenance contracts without impacting service levels.
- Technology (\$2.6 million) – primarily reductions in contract labor/staff augmentation and reduction in hardware and software maintenance.
- DPS reductions (\$2.5 million) – primarily reductions in overtime based on changes to staffing, scheduling and management; and reductions in supplies.
- Parking (\$1.8 million) – primarily reductions in contract labor, most of which related to the completion of the curbside reallocation project.
- One-time contracts/projects (\$2.2 million) – reduction of one-time program cost incurred in FY 2019, not recurring in FY 2020 by various departments.
- Other (\$2.4 million) – Miscellaneous cost reductions throughout the organization.

**B. Terminals A & C Custodial Transfer****\$7.5 million**

The responsibility for Terminal A & C custodial services is being assumed by DFW beginning in FY 2020. This service was previously provided by a contractor through American Airlines. AA received a rent credit for these services. The AA rent credit is being reduced by \$7.2 million since DFW is taking over these services. Management believes that this transfer should ensure a more consistent customer experience in all terminals and hopefully lead to higher customer satisfaction scores without higher costs for AA.

**C. Customer Experience****\$3.3 million**

The budget reflects the Airport's continued emphasis to invest in strategic priorities. The customer experience investments include increases in custodial contracts (\$2.3 million) primarily due to rate increases for hourly wages and more passengers; and technology enhancements (\$1.0 million) related to TSA screening lane wait time displays, a bus tracking and announcement system, and smart bathroom solution to notify customers of availability and to monitor for cleanliness standards. Management believes these investments will continue to keep DFW near the top of its competitive set for customer survey scores.

**D. Safe and Secure**

**\$3.3 million**

Another important strategic priority is safe and secure. The Department of Public Safety budget includes annualization of salaries and benefits (\$1.4 million) for new positions filled in FY 2019, six new officers to provide increased security presence in the terminals plus three additional positions in canine patrol (\$0.5 million) and increases in employee check point and vendor dock screening due to contract rate increases (\$0.4 million). The budget also includes the addition of biometric exit technology to comply with government mandated CBP processes and provide one-step boarding verification (\$0.3 million) and annualization of the fire alarm contract (\$0.6 million).



**E. Operational Excellence**

**\$2.5 million**

An additional strategic priority is operational excellence. The airport has created the Innovation and Transformation team to spearhead and complete strategic projects that will support and expand the Airport’s operational excellence (\$1.4 million). DFW continues to develop an Integrated Operations Center (IOC) that will house staff from all areas of the Airport and stakeholders. The IOC will create a proactive, integrated team focused on situational awareness and operational impacts to customers. The IOC is scheduled to open in FY 2021. The FY 2020 costs are focused on the digital strategy for the IOC database and organizational assessment assistance. No new positions are being added in FY 2020.

**F. Salary and benefits annualization and merit pool**

**\$14.7 million**

In FY 2019, management intentionally held numerous positions open to reduce costs. The FY 2020 Budget assumes that these positions will be filled; although the assumed hire dates have been staggered throughout the fiscal year. Salary and benefits annualization accounts for \$7.8 million of this increase. The budget also includes a 3.0% merit pool for non - DPS, a 3.5% merit pool for DPS, the annualization of last year’s merit increase (for the first quarter of the fiscal year), a 3.5% DPS STEP table increase (\$2.9 million), and DPS tenure step progression (\$0.7 million). Other increases of \$3.3 million relate to restoration of healthcare savings for FY2019 primarily from stop-loss reimbursement. Salary and wage increases are budgeted for nine months (beginning the first pay period in January).



**G. Contract increases**

**\$7.2 million**

Contract increases in this category are fixed in nature due to annualization of partial year contracts from FY 2019, contracts with cost escalation, and airline requests for new services and increased scope.

- Technology (\$1.8 million) includes incremental full-year impact of new contracts and first year maintenance contracts on various new software systems placed in service.
- Healthcare costs are projected to increase 4.4% in FY 2020 reflecting an increase of cost per employee of 3.6% and the cost of additional staff. The budget has been increased \$1.2 million for medical costs, long and short-term disability, life insurance plus the amount necessary to cover health costs for positions hired in FY 2020.
- Facility maintenance contracts (\$1.1 million) include annualization of contracts related to conveyances, passenger boarding bridges, and other facility maintenance contracts
- Asset Management (\$1.5 million) includes increased scope for UPS battery maintenance, digital signage, structural inspections, street striping, and power washing.
- Utilities (\$1.1 million) increase primarily due to increased volume of solid waste hauling, sanitary sewer and communications.

#### H. Restore Budgets

**\$5.6 million**

This category reflects increases for operating expenses being restored to FY 2019 Budget levels in the following areas:

- Restore CEO contingency (\$5.6 million). CEO contingency is included in the rate base and may be used by the CEO at his discretion. Total requested contingency for FY 2020 is \$6 million up from \$4 million in FY 2019. Some of the anticipated needs are outlined in the Executive Summary section. Over the past five years the CEO has needed to use the majority of available contingency. Budgeted CEO contingency has historically ranged from \$1.75 million to \$7.5 million. This increase should reduce the need to use the Board's contingency.

#### I. Other increases

**\$3.7 million**

Other increases over \$250,000 include:

- New positions (\$0.6 million) include the salaries and benefits for two Sr. Innovation Consultants, an Environmental Analyst, two Corporate Aviation Representatives, a Corporate Aviation Supervisor, five Assistant Airfield Operations Officers, and an Airfield Operations Officer.
- Professional services (\$0.4 million) primarily in research and analytics, concessions, and customer experience.
- Supplies (\$0.4 million) primarily in computer supplies.
- Other, net (\$2.1 million) includes minor increases in signage, fuels, travel, fingerprinting, uniforms, and other contract service.
- Operating reserve (\$0.2 million) is the incremental amount required over FY 2019 to maintain a 90-day cash reserve for operating expenses. The total Operating Reserve for FY 2020 is \$7.1 million.

### Operating Budget by Category

The table below compares the FY 2019 Outlook with the FY 2020 Budget by expense category. Variance explanations by major cost driver follow in the walkforward.

Annual Budget (in Millions)	FY19 Outlook	FY20 Budget	Increase (Decrease)	
			Amount	Percent
Salaries & Wages	\$158.6	\$168.0	\$9.4	5.9%
Benefits	70.9	78.2	7.3	10.3%
Contract Services	197.1	204.7	7.6	3.8%
Utilities	26.0	27.2	1.1	4.4%
Equipment & Supplies	18.9	20.0	1.0	5.5%
Insurance	5.8	5.6	(0.2)	(2.7%)
Fuels	4.0	4.2	0.2	6.1%
General, Admin & Other	8.3	8.3	(0.0)	(0.5%)
Contingency	0.5	6.0	5.6	0.0%
Subtotal	490.2	522.2	32.0	6.1%
Change in Operating Reserve	6.8	7.1	0.2	3.3%
Total Budget	\$497.0	\$529.3	\$32.3	6.1%

#### Salaries and Wages

The FY 2020 salaries and wages budget is \$168.0 million, a \$9.4 million (5.9%) increase from the FY 2019 Outlook of \$158.6 million due to annualization of unfilled positions planned to be hired, three months of the FY 2019 merit (\$6.3 million), a 3.0% merit pool and a 3.5% DPS STEP table increase (\$3.0 million), DPS tenure STEP progression (\$0.7 million), and 23 new positions (\$1.0 million), and an overtime reduction (\$1.6 million). The hiring of new and vacant positions has been staggered throughout FY 2020 based upon operational needs and strategic priority.



#### Benefits

The FY 2020 benefits budget is \$78.2 million, a \$7.3 million (10.3%) increase from the FY 2019 Outlook of \$70.9 million. This is primarily the result of annualization of benefits for unfilled and new positions to be hired in FY 2020 (\$2.7 million), increases in healthcare costs (\$1.1 million), benefits for new positions (\$0.3 million), restoration of outlook savings in 2019 (\$3.3 million), and an offset by a reduction in contribution to the defined benefit retirement plans (\$0.3 million savings). Healthcare costs are budgeted based on an actuarial determined rate per employee.

### Contract Services

The FY 2020 contract services budget is \$207.7 million, a \$7.6 million (5.9%) increase from the FY 2019 Outlook of \$197.1 million due to increases in customer experience for the transfer of Terminals A and C custodial, other custodial contracts, and other customer experience improvements (\$8.5 million); increases in computer systems, fixed and variable contracts for hardware, software and maintenance (\$3.7 million); increases in innovation consulting (\$1.1 million); and one-time costs for the integrated operations center (\$0.8 million). These increases are



offset by savings in contract labor for parking and customer experience (\$3.6 million), ITS consulting (\$2.5 million), and landside portion of snow removal contract (\$0.4 million).

### Utilities

The FY 2020 utilities budget is \$27.2 million, a \$1.1 million (4.4%) increase from the FY 2019 Outlook of \$26.0 million. Increases in solid waste (\$0.6 million), sanitary sewer (\$0.3 million), communications (\$0.2 million), and water (\$0.1 million) were offset by slight decreases in electricity and natural gas (\$0.1 million). DFW locked in favorable electricity rates in 2017 through February FY 2020.

### Equipment and Supplies

The FY 2020 equipment and supplies budget is \$20.0 million, a \$1.0 million (5.5%) increase from the FY 2019 Outlook of \$18.9 million primarily due to an increase in janitorial supplies (\$0.9 million), computer purchases and supplies (\$0.6 million) and reverse osmosis filters (\$0.2 million). These increases were partially offset by decreases related to baggage handling system parts (\$0.3 million), parking miscellaneous supplies (\$0.2 million) and winter weather supplies (\$0.2 million).

### Insurance

The FY 2020 insurance budget is \$5.6 million, a \$0.2 million (2.7%) decrease from the FY 2019 Outlook of \$5.8 million primarily due to decreased claims.

### Fuels

The FY 2020 fuels budget is \$4.2 million, a \$0.2 million (6.1%) increase from the FY 2019 Outlook of \$4.0 million due to an increase in gas engine fleet from finalization of CNG fleet replacement.

### General and Administrative (G&A)

The FY 2020 general and administrative budget is \$8.3 million, a \$38 thousand (0.5%) decrease from the FY 2019 Outlook of \$8.3 million.

**Contingency**

The FY 2020 Budget includes \$6.0 million of contingency inside the rate base to be spent at the CEO's discretion for projects and unforeseen events that come up during the fiscal year. The FY 2019 Budget included \$4.0 million for contingency.

**Operating Reserve**

DFW is required to have a 90-day cash reserve for operating expenses. The FY 2020 Change in Operating Reserve budget of \$7.1 million is the amount necessary to fund the reserve. This is a \$0.2 million increase from the FY 2019 Outlook.

**Contingency Outside of Rate Base**

Beginning in FY 2010, DFW began to add contingency outside of the rate base to the budget. This is done so that the airlines do not have to pay for the contingency during the year in the rate base, but provides management with flexibility should costs rise unexpectedly and as an incentive to budget costs more accurately. This also allows management to make investments if incremental revenues are generated. Management must obtain Board of Directors' approval prior to using this contingency. Contingency outside the rate base is recommended to be \$10 million for FY 2020, consistent with the prior years.

**Net Debt Service Budget**

The FY 2020 Net Debt Service budget is \$324.7 million, a \$10.1 million (3.0%) decrease from FY 2019 as shown in the table below. The decrease in debt service is primarily due to projected savings from the Series 2019A Refunding bonds (\$9.5 million) and a reduction in required incremental coverage (\$5.6 million). The interest costs and incremental coverage created by the Commercial Paper program will be used to interim fund a portion of DFW’s FY 2020 capital program.

Debt Service (in Millions)	FY19 Outlook	FY20 Budget	Increase (Decrease)	
			Amount	Percent
Bond Funded Debt Service <sup>1</sup>	481.4	466.3	(15.1)	(3.1%)
Commercial Paper	0.0	4.7	4.7	n/a
PFIC Related Debt Service <sup>2</sup>	18.8	19.9	1.1	5.6%
DFW Capital Acct Debt Service <sup>3</sup>	12.0	12.2	0.3	2.2%
Less: Interest Income	(0.2)	(0.3)	(0.1)	23.6%
Gross Debt Service and Coverage	512.0	502.8	(9.2)	(1.8%)
Offsets to Debt Service				
PFCs for Existing Debt Service	145.9	146.0	0.1	0.1%
PFIC Transfers <sup>2</sup>	19.4	19.9	0.5	2.5%
DFW Capital Acct Transfers <sup>3</sup>	12.0	12.2	0.3	2.2%
Total Offsets	177.2	178.1	0.9	0.5%
Net Debt Service Paid by Rate Base	\$334.8	\$324.7	(\$10.1)	(3.0%)

<sup>1</sup> Shown net of Capitalized Interest  
<sup>2</sup> Public Facility Improvement Corp for RAC, Grand Hyatt, and Hyatt Place Infrastructure  
<sup>3</sup> AHQ and Terminal E Garage

Passenger Facility Charges are collected from revenue enplaned passengers and are used to offset debt service from debt issued prior to TRIP.

Public Facility Improvement Corporation debt service relates to debt associated with the RAC and Grand Hyatt Hotel. This debt service is transferred into the 102 Fund from the PFIC. Similarly, the debt service related to the DFW headquarters building and Terminal E garage is funded with transfers from the DFW Capital Account.

The table below shows the categories of the \$10.1 million Net Debt Service decrease by major cost center.

Net Debt Service Variance (in Millions)	Cost Centers				Total
	DFW	Airline		Total	
		Airfield	Terminal		
Bond Funded Debt Service	(2.6)	(0.2)	(11.1)	(11.4)	(14.0)
Commercial Paper	0.0	0.0	4.6	4.7	4.7
PFCs	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)
DFW Capital Account Transfers	(0.6)	-	-	-	(0.6)
Total Debt Service Variance	(\$3.3)	(\$0.3)	(\$6.5)	(\$6.8)	(\$10.1)

### Positions

The table below summarizes the total number of operating and capital positions assumed in the FY 2020 Budget. Operating positions are paid out of the 102 Fund. Salaries and benefits of capital positions are capitalized and paid from the capital accounts. In FY 2019 DPS added 40 positions to support expanded security measures, Innovation added five positions, Procurement added three positions offset by a reduction of two positions in Finance and Human Resources added one position.

	FY 2019 Budget	FY 2019 Changes	FY 2019 Adjusted Budget	FY 2020 New positions	FY 2020 Budget
Operating	2,085	49	2,134	6	2,140
Capital	111	0	111	3	114
<b>Total</b>	<b>2,196</b>	<b>49</b>	<b>2,245</b>	<b>9</b>	<b>2,254</b>

Nine new positions have been added for FY 2020, three are funded in the Fund 102 Operations Expense Budget.

### Position Summary by Division

Division	Headcount Walk		
	FY19	FY20	
	Adjusted Budget	Changes	Budget
Administration & Diversity	167	(1)	166
Finance and Information Technology	240	(6)	234
Revenue Management	468	1	469
Operations	888	24	912
Global Strategy & Development	18	1	19
Infrastructure and Development	427	(11)	416
Innovation and Transformation	5	2	7
Legal	3	0	3
Audit Services	15	(1)	14
Executive Office	14	0	14
<b>Total DFW</b>	<b>2,245</b>	<b>9</b>	<b>2,254</b>

## Department Overview and Walkforwards

DFW is organized into divisions, which are comprised of departments. Each division page includes a summary of the division's major functions and a walkforward of the FY 2020 Budget by major cost driver. The table below is a budget comparison to outlook by department, in thousands.

### Expense Budget Walkforward

	FY19 Outlook	FY20 Budget	Increase (Decrease) FY20B vs FY19O	
Energy, Transportation & Asset Mgmt.	\$126,347	\$128,114	\$1,767	1.4%
Planning Department	5,973	6,233	260	4.4%
Design, Code, & Construction	4,925	5,469	545	11.1%
Commercial Development	2,462	2,000	(462)	(18.8%)
<b>Infrastructure and Development</b>	139,707	141,817	\$2,110	1.5%
Public Safety	92,124	96,647	4,523	4.9%
Operations	12,680	13,458	778	6.1%
Environmental Affairs	8,638	9,406	768	8.9%
Integrated Operations Center	1,689	2,517	828	n/a
<b>Operations</b>	115,130	122,028	6,898	6.0%
Parking	58,081	57,491	(590)	(1.0%)
Customer Experience	48,840	57,101	8,261	16.9%
Concessions	3,387	3,534	147	4.3%
<b>Revenue Management</b>	110,308	118,125	7,818	7.1%
Information Technology	57,254	59,595	2,340	4.1%
Finance	6,726	6,900	174	2.6%
Treasury/Cash Management	1,340	1,463	123	9.2%
Aviation Real Estate	1,515	1,581	66	4.3%
<b>Finance &amp; Technology</b>	66,836	69,539	2,703	4.0%
Business Diversity and Development	1,872	1,631	(241)	(12.9%)
Communications and Marketing	14,548	14,511	(36)	(0.3%)
Human Resources	8,216	8,791	575	7.0%
Procurement & Materials Management	5,061	5,452	391	7.7%
Risk Management	8,534	8,385	(149)	(1.7%)
<b>Administration and Diversity</b>	38,230	38,770	540	1.4%
Research & Analytics	1,352	1,677	325	24.1%
Airline Relations	1,046	926	(119)	(11.4%)
Government Relations	661	680	20	3.0%
Cargo Business Development	694	865	170	24.5%
<b>Global Strategy &amp; Development</b>	3,753	4,149	396	10.6%
<b>Innovation and Transformation</b>	1,923	3,749	1,825	94.9%
Non-Departmental	9,183	13,353	4,170	45.4%
Contingency	450	6,000	5,550	1,233.3%
Executive Office	5,855	5,909	54	0.9%
Audit Services	2,758	2,852	94	3.4%
Legal	2,887	2,994	107	3.7%
<b>Total Operating Expenses</b>	\$497,020	\$529,285	32,264	6.5%

Budget Category (in Millions)	Total	DFW	Airline
FY 2019 Outlook	\$497.0	\$180.0	\$317.0
A. Cost savings and budget reductions	(15.5)	(5.0)	(10.6)
Strategic Priorities			
B. A & C Custodial Transfer	7.5	0.0	7.5
C. Customer Experience			
Custodial	2.3	0.5	1.8
Technology	1.0	0.3	0.7
Total customer experience	3.3	0.8	2.5
D. Safe and secure			
DPS Annualization	1.4	0.3	1.1
Technology	0.9	0.3	0.7
New Positions	0.5	0.1	0.4
Dock and Check Point Screening	0.4	0.1	0.3
Total safe and secure	3.3	0.7	2.5
E. Operational Excellence			
Innovation	1.4	0.4	0.9
Integrated Operations Center	1.2	0.4	0.8
Total operational excellence	2.5	0.8	1.7
F. Salary/Benefits annualization and merit pool			
Salary/Benefits annualization	7.8	1.4	6.3
Salary increases	3.6	0.8	2.8
Other	3.3	0.9	2.4
Total salary/benefits annualization and merit pool	14.7	3.2	11.6
G. Contract increases			
Fixed			
Technology	1.8	0.6	1.2
Healthcare	1.2	0.0	1.1
Facility maintenance	1.1	0.1	1.1
Bussing	0.3	0.3	0.0
Insurance premiums	0.1	(0.0)	0.2
Scope			
Asset Management	1.5	0.5	1.0
Utilities	1.1	0.3	0.9
Total contract increases	7.2	1.7	5.5
H. Restore budgets			
CEO contingency	5.6	1.8	3.8
Total restore budgets	3.6	1.1	2.4
I. Other increases	3.7	(3.3)	7.1
Net increase	32.3	0.6	31.6
FY 2020 Budget	\$529.3	\$180.7	\$348.6

Note: The reference letters in the previous table are cross-referenced to the variance explanations in the following budget comparison and walkforward tables in this section.

## **Infrastructure and Development Division**

### **Energy, Transportation and Asset Management (ETAM)**

ETAM manages the maintenance, repair and renewal of DFW's infrastructure asset portfolio including energy and utility systems, passenger terminals, facilities, airfield, public works, and vehicle fleet, as well as the operation, maintenance, repair and renewal of the Skylink APM.

### **Planning**

The Planning Department is responsible for guiding the development and growth of DFW Airport through strategic, holistic and proactive analysis developed in collaboration with Airport stakeholders. Planning's primary focus areas include long-range master planning and tactical/implementation planning for terminal facilities, airfield, landside, land use and wayfinding signage.

### **Design, Code and Construction (DCC)**

Design, Code and Construction (DCC) has overall responsibility for the efficient and economical delivery of design and construction of capital and O&M funded developments, improvements, and major rehabilitation projects at DFW. DCC also provides technical support services and/or personnel to other departments as needed to fulfill DFW's Strategic Objectives and Initiatives. With the exception of noncapitalizable projects and Code Compliance activities related to third-party building permits, all costs are funded by capital funds.

### **Commercial Development**

The Commercial Development Department plans, develops, markets and leases aviation-related industrial/warehouse, cargo/distribution facilities, mixed-use office, retail and hospitality spaces and available land at DFW. Commercial Development is responsible for investment analysis, development, cashflow management, operations and maintenance of the Airport's hotel assets that include the Grand Hyatt and Hyatt Place. Commercial Development also evaluates and implements business opportunities that diversify DFW's revenue stream such as the exploration and production of natural gas, the Bear Creek Golf Course, management of Foreign Trade Zones and negotiations of right of ways for highway, utilities and passenger rail.

**Budget Comparison and Walkforward**

<b>Infrastructure and Development</b>		
(in thousands)		
	FY19 Outlook	FY20 Budget
Energy, Transportation & Asset Mgmt.	\$126,347	\$128,114
Planning Department	5,973	6,233
Design, Code, and Construction	4,925	5,469
Commercial Development	2,462	2,000
<b>Total Infrastructure and Development Division</b>	<b>\$139,707</b>	<b>\$141,817</b>
Salaries & Wages	\$23,813	\$24,594
Benefits	11,214	11,746
Contract Services	70,673	70,724
Equipment & Supplies	11,238	11,500
Insurance	0	0
Utilities	22,151	22,497
Administrative	618	757
<b>Total Infrastructure and Development Division</b>	<b>\$139,707</b>	<b>\$141,817</b>
Walkforward from FY 2019 Outlook		<b>Reference</b>
FY 2019 Outlook	\$139,707	
Salaries and Wages	781	F
Benefits	532	A, F, G
Contract Services	50	A, G
Equipment & Supplies	261	A, G
Utilities	345	G, I
Administrative	139	I
<b>Total FY 2020 Proposed Budget</b>	<b>\$141,817</b>	

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## **Operations Division**

### **Public Safety (DPS)**

It is the mission of the Department of Public Safety to provide the highest level of professional services to the Airport community through efficient planning, mitigation, response, and recovery from natural and manmade events that threaten lives, critical assets, or business continuity. Public Safety carries out this mission through three divisions of Police, Fire, Security, and Emergency Management.

### **Operations**

The Operations Department is responsible for ensuring compliance with Federal Aviation Regulation Part 139 – Airport Safety and Certification. The department manages daily airfield operations, airfield construction safety programs, the DFW Wildlife Management Program, and provides technical and simulated driver's training programs. The department also manages the Airport Operations Center, Corporate Aviation operations, and provides ramp control services at Terminals D and E. The Airport Operations Department partners on a daily basis with local FAA air traffic control facilities and with air carrier tenants in efforts to maximize Airport efficiency.

### **Environmental Affairs**

DFW has committed to achieving environmental excellence by embedding the principles of sustainability throughout the corporate culture of the organization and by establishing environmental compliance as a priority in achieving sustainable economic growth. Environmental Affairs implements a comprehensive environmental program by providing regulatory and technical guidance to DFW departments, tenants, and contractors, which ensures that airport activities and operations are conducted in a manner that conforms to various environmental laws, policies and requirements regulated by the Environmental Protection Agency, the Texas Commission on Environmental Quality, the Texas State Department of Health, the Federal Aviation Administration, and local governments. The comprehensive Environmental Management System covers five major programs (Water Resources, Waste, Environmental Planning & Development, Environmental Design & Construction, and Sustainability) that house a subset of 21 core, compliance-based programs.

### **Integrated Operations Center**

The Integrated Operations Center (IOC) is a strategic initiative outlined in the 2016-2020 Strategic Plan. The IOC will house staff from all areas of the Airport and stakeholders. The IOC will create a seamless, integrated team that is proactive, response-driven and drives continual process improvement. The IOC will place planning, monitoring, executing and reviewing functions together in an integrated fashion for comprehensive situational awareness, predictive and proactive responses, and enhanced customer experiences. Representatives from Operations, AOC, Customer Experience, ETAM, Environmental, Emergency Management, Transportation Business Unit, Communications and Marketing, Tactical Communications, Information Technology Services, TSA and other stakeholders will be located in the IOC. The IOC is planned to be open during FY 2021.

**Budget Comparison and Walkforward**

<b>Operations Division</b>		
<b>(in thousands)</b>		
	<b>FY19 Outlook</b>	<b>FY20 Budget</b>
Public Safety	\$92,124	\$96,647
Operations	12,680	13,458
Environmental Affairs	8,638	9,406
Integrated Operations Center	1,689	2,517
<b>Total Operations Division</b>	<b>\$115,130</b>	<b>\$122,028</b>
Salaries & Wages	\$65,310	\$68,894
Benefits	30,174	32,848
Contract Services	12,559	12,881
Equipment & Supplies	3,793	3,562
Insurance	0	0
Utilities	2,043	2,606
Administrative	1,252	1,237
<b>Total Operations Division</b>	<b>\$115,130</b>	<b>\$122,028</b>
Walkforward from FY 2019 Outlook		<b>Reference</b>
FY 2019 Outlook	\$115,130	
Salaries and Wages	3,584	D, E, G
Benefits	2,673	A, D, E, F, G
Contract Services	322	A, D, E, I
Equipment & Supplies	(230)	E, I
Utilities	564	A, G
Administrative	(15)	E, I
<b>Total Proposed FY 2020 Budget</b>	<b>\$122,028</b>	

## Customer Experience and Revenue Management Division

### Parking Operations

Parking Business Unit (PBU) consists of Operations, Customer Relations, Ground Transportation Service, and Busing. PBU is responsible for parking products, service delivery and reporting, and monitoring electronic parking transactions. PBU also provides transportation services to DFW Remote Lots, Terminal Link, Express Parking and the Employee Shuttle, as well as Support Level 1 efforts during emergency operations.

### Customer Experience

Customer Experience manages the day-to-day operation within the terminals by working to *Master the Basics*. The department also leverages customer insights, trends and analytics in order to *Shape the Future* for DFW's customers. The department consists of the following sections:

- Terminal Experience – The largest section of the department consists of frontline staff and their management responsible for the daily operation of the terminals. This operation includes management of the custodial function and fostering positive relations with other agencies operating within the terminal such as airlines, TSA/CBP, and concessionaire employees
- Customer Programs – This section of the department advocates, plans for, and implements broader initiatives to serve the customer experience. The Ambassador Program, Lost and Found services, as well as the Meet & Greet program reside in this section
- Insights, Analytics and Standards – The data-driven side of the customer experience is housed in this section. Customer insights and observational studies help DFW's leadership to make strategic decisions about programs that address the needs of our customers. This section also provides daily passenger forecasts to predict upcoming challenges so that they can be addressed in advance
- The Experience Hub – This 24/7 customer-focused operational center keeps watch over the experiences that customers have within the terminal, monitors for forecasted pain points, and deploys assistance to mitigate any potential negative situation

### Concessions

Concessions provides the public with high quality goods and services that are competitively priced, conveniently located, and reflect the needs and desires of the traveling public. The goal is to exceed customer expectations while maximizing revenue for DFW. This includes all of the passenger-related concessions and associated revenues within the airport terminals, Rental Car Center, telecommunications, and selected properties outside the terminals.

### Budget Comparison and Walkforward

<b>Customer Experience and Revenue Management Division</b>		
(in thousands)		
	FY19 Outlook	BY20 Budget
Parking	\$58,081	\$57,491
Customer Experience	48,840	57,101
Concessions	3,387	3,534
Total Customer Exp and Rev Mgmt. Division	<u>\$110,308</u>	<u>\$118,125</u>
Salaries & Wages	\$25,444	\$26,531
Benefits	13,806	14,582
Contract Services	65,926	71,323
Equipment & Supplies	4,466	4,985
Utilities	0	0
Administrative	666	703
Total Customer Exp and Rev Mgmt. Division	<u>\$110,308</u>	<u>\$118,125</u>
Walkforward from FY 2019 Outlook		Reference
FY 2019 Outlook	\$110,308	
Salaries & Wages	1,088	F
Benefits	776	A, F, G
Contract Services	5,397	A, B, C, G, I
Equipment & Supplies	519	A, B, I
Utilities	0	
Administrative	38	I
Total FY 2020 Proposed Budget	<u>\$118,125</u>	

## Finance and Technology Division

### Information Technology

Information Technology Services (ITS) is responsible for supporting the technical needs of the Airport community by providing reliable systems, proactively responding to issues, and implementing a wide range of viable technologies that represent meaningful choices in terms of cost and functionality.

ITS is currently divided into five functional sections:

- The IT Project Management Office manages new initiatives and projects to a successful completion as well as the relationship with ITS customers
- Development and Delivery is responsible for the software development and implementation of executive decision support systems, CADD/GIS, web development, and the implementation of work-flow technologies
- Enterprise Systems is responsible for the support and maintenance of the entire DFW software portfolio
- Infrastructure Operations is responsible for the maintenance and administration of the voice and data communications infrastructure, desktop and server computing environments, databases, storage, and Terminal systems
- Technology Security is responsible for the management and compliance of DFW's security programs, records management, the analysis, management, and monitoring of the perimeter security devices. The group also is responsible for the Solutions Desk and field staff providing end-device support to customers and long-running technology programs, including disaster recovery, asset management and training

### Finance

Finance is comprised of three groups: Accounting, Financial Planning, and Capital Planning & Accounting. Accounting is responsible for financial reporting, general ledger accounting, internal controls, revenue collections, accounts payable, accounts receivable, payroll, and fixed assets. The Accounting group also staffs a call center to interact with customers on parking-related transactions. Financial Planning is responsible for developing and monitoring DFW's Operating Budget and Outlook for revenues and expenses. This group is also responsible for establishing DFW's rates, fees and charges, and performing departmental financial analysis. In addition, Financial Planning 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. Capital Planning and Accounting are responsible for developing and monitoring DFW's Capital Budget and forecast.

### Treasury Management

Treasury Management is responsible for providing strategic financial management for the Airport. This includes overseeing debt issuance/management, cash management, banking relations, DFW investments, retirement fund investments, grants, and PFC administration.

**Aviation Real Estate**

Aviation Real Estate (ARE) oversees and manages the contractual relationship and serves as the liaison between the Board, the Airlines and other tenants of passenger terminals and aviation-related facilities, including air cargo and hangars. ARE negotiates and drafts permits, leases, and other documents for aviation real estate property. The department is intricately involved in the development and implementation of the Board’s Capital Improvement Program, and performs financial, operational, statistical, and business analysis related to terminal operations and aviation. ARE is responsible for aviation facilities’ strategic planning, with the goal of maximizing efficiency within the terminals and other aviation facilities.

**Budget Comparison and Walkforward**

<b>Finance &amp; Technology</b> (in thousands)		
	FY19 Outlook	FY20 Budget
Information Technology	\$57,254	\$59,595
Finance	6,726	6,900
Treasury/Cash Management	1,340	1,463
Aviation Real Estate	1,515	1,581
Total CFO Division	<u>\$66,836</u>	<u>\$69,539</u>
Salaries & Wages	\$20,985	\$21,001
Benefits	9,020	9,444
Contract Services	31,572	32,857
Equipment & Supplies	2,579	3,335
Utilities	1,851	2,079
Administrative	829	822
Total Finance & Technology Division	<u>\$66,836</u>	<u>\$69,539</u>
Walkforward from FY 2019 Outlook		<u>Reference</u>
FY 2019 Outlook	\$66,836	
Salaries and Wages	17	F
Benefits	423	A, F, G
Contract Services	1,285	A, C, D, E, G
Equipment & Supplies	756	A, C, D, G, I
Utilities	228	I
Administrative	(7)	G
Total FY 2020 Proposed Budget	<u>\$69,539</u>	

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## Administration and Diversity Division

### Communications and Marketing

The Communications and Marketing Department is responsible for promoting and protecting the global brand and reputation of DFW, increasing awareness for DFW's products, services and aviation infrastructure. The Department provides DFW's singular, collective voice through communications, outreach, marketing and digital services, all of which support the Airport's strategic plan.

The Department is responsible for delivering impactful and results-oriented marketing and communications strategies that connect with multiple audiences, including customers, employees, communities, stakeholders and the commercial aviation industry. Innovative digital solutions include, but are not limited to, DFW's website, mobile app, in-terminal touch screens and social media channels.

Communication and Marketing consists of crisis communications, domestic and international media relations, global marketing, social media, community engagement, Board and Owner city relations, and internal communications.

### Risk Management

Risk Management identifies, analyzes and evaluates exposures, develops and implements loss prevention measures that reduce costs, and ensures compliance with applicable laws and regulations and DFW Board Policies. Areas of general administration include incident and claims management, safety training, management of self-funded and insured claims programs involving property and casualty liability, general liability, errors and omissions, employment liability, fiduciary/fidelity exposures, contractual review/interpretation, breach of contract, auto liability, driver safety, and workers' compensation liability.

### Human Resources

The Human Resources (HR) Department at DFW partners with line managers to identify, hire, train, and provide ongoing coaching and support to the employees. Specific functional areas of focus for HR include talent acquisition, talent development, diversity and inclusion, employee records and information, employee relations, compensation, benefits, and employee health and wellness. The department supports these functions through policy development and revision as appropriate, extensive training (online and in-person), and through one-on-one coaching with leaders as appropriate.

### Procurement & Materials Management

Procurement and Materials Management (PMM) provides collaborative and efficient centralized purchasing, contracting, print and logistics for materials management services that maximizes customer satisfaction and minimizes total cost, in accordance with board policies and applicable laws. The procurement function includes the procurement and contracting of all the goods, services and construction projects for the Airport.

The department provides a centralized purchasing and contract administration for operations including maintenance, design and construction of capital and overhead funded developments,

improvements, and rehabilitation projects. PMM manages the purchasing card (P-Card) program and prepares Official Board Actions for Board meetings. Materials management includes the logistics for the Airport’s central warehouse, providing a central receipt, financial and physical management of inventory and the disposition of excess and obsolete property. PMM also manages the Airport’s print services shop, with a centralized, reproduction, print, and binding services for all departments and provides distribution of airport wide mail services.

**Business Diversity and Development**

The Business Diversity & Development Department (BDDD) is responsible for administering the Board’s Title VI, Disadvantaged, Small, Minority, and Women-owned Business Enterprise Programs. BDDD has the overall responsibility to administer, monitor and enforce the policies and procedures associated with the Programs and engage the diverse business community with Airport contracting opportunities.

**Budget Comparison and Walkforward**

<b>Administration and Diversity Division</b>		
(in thousands)		
	FY19 Outlook	FY20 Budget
Business Diversity and Development	1,872	1,631
Communications and Marketing	14,548	14,511
Human Resources	8,216	8,791
Procurement & Materials Management	5,061	5,452
Risk Management	8,534	8,385
<b>Total Admin &amp; Diversity Division</b>	<b>\$38,230</b>	<b>\$38,770</b>
Salaries & Wages	\$11,793	\$12,919
Benefits	5,722	6,157
Contract Services	10,907	10,108
Equipment & Supplies	616	598
Insurance	5,759	5,602
Utilities	-	-
Administrative	3,433	3,387
<b>Total Administration &amp; Diversity Division</b>	<b>\$38,230</b>	<b>\$38,770</b>
Walkforward from FY 2019 Outlook		Reference
FY 2019 Outlook	\$38,230	
Salaries and Wages	1,126	F
Benefits	435	A, F, G
Contract Services	(799)	G, I
Equipment & Supplies	(19)	I
Insurance	(156)	I
Administrative	(46)	I
<b>Total FY 2020 Proposed Budget</b>	<b>\$38,770</b>	

**Innovation and Transformation**

The Innovation Department is responsible for identifying, assessing and driving collaborative development of new solutions and business models to support the Airport’s strategic objectives. The team’s strategic point of view, disciplined approach to innovation management, and focused application of design-centered thinking, will increase DFW’s potential for profitable growth, competitive advantage, and improved customer experiences. The Innovation team is a dedicated group that partners cross-functionally with core business units to derisk new ideas and evaluate existing and emerging technologies as a means to solving critical business issues for the enterprise not only for today, but more importantly, as it looks to the future. Applying agile research, quick concept testing, rapid prototyping, and smart piloting with Airport stakeholders across initiatives will yield stronger outcomes and bigger wins for the Airport. In addition, the Innovation Department is responsible for championing a culture of innovation, enhancing employee engagement, and education initiatives that inspire innovative thinking and nurture innovators across the enterprise.

**Budget Comparison and Walkforward**

<b>Innovation and Transformation</b> (in thousands)		
	FY19 Outlook	FY20 Budget
Salaries & Wages	\$331	\$905
Benefits	121	264
Contract Services	1,291	2,373
Equipment & Supplies	127	117
Administrative	54	91
<b>Total Executive Office</b>	<b>\$1,923</b>	<b>\$3,749</b>
Walkforward from FY 2019 Outlook		Reference
FY 2019 Outlook	\$1,923	
Salaries & Wages	574	E, F, I
Benefits	142	A, E, F, G
Contract Services	1,082	E, I
Equipment & Supplies	(11)	E, I
Administrative	37	E, I
<b>Total FY 2020 Proposed Budget</b>	<b>\$3,749</b>	

## **Global Strategy and Development Division**

### **Research and Analytics**

The Research and Analytics group seeks to grow DFW's global brand through a targeted focus on KPIs, powered by advanced research and analytics. The group is responsible for providing actionable intelligence to support internal and external customers. This includes supporting the growth of new air service by developing sophisticated quantitative and qualitative business cases to pitch new air service to target airlines. In addition, the group is responsible for managing the new Parking Yield Management system to optimize occupancy and maximize revenues. The group also serves as an internal data and analytics resource for the enterprise.

### **Airline Relations**

Airline Relations works to create an airport business environment where airline partners stay, succeed, and grow. The primary business goal is to position DFW as the airport of choice for passenger and cargo services. The Airline Relations group has two essential purposes: Retention, which focuses on the growth of existing carriers and New Business that focuses on developing new airline business. Airline Relations strengthens relationships with the airlines' Network, Sales, and Commercial departments and formulates strategies to increase airline services.

### **Government Relations**

Government Relations provides strategic expertise to Airport staff and Board members related to state and federal governmental issues. The group also serves as a point of contact for congressional and legislative representatives and staff, as well as state and federal agencies. The work involves monitoring and interpreting legislative and regulatory action at all levels, keeping executive staff informed of impacts to the Airport and/or the aviation industry, and leading the DFW's educational and advocacy advocates to state and federal government entities.

### **Cargo Business Development**

The Cargo group oversees and coordinates DFW's multi-departmental effort to develop and execute the Airport's cargo and logistics strategy. This group seeks to shift the Airport's cargo business development efforts from a historical focus on airlines that supply cargo capacity, and instead concentrate DFW's efforts on persuading key decision makers among freight forwarders, logistics companies, customs brokers, and shippers who can drive cargo traffic itself to and through the Airport (i.e., a *demand side* business development approach).

**Budget Comparison and Walkforward**

<b>Global Strategy &amp; Development</b>		
(in thousands)		
	FY19 Outlook	FY20 Budget
Research & Analytics	1,352	1,677
Airline Relations	1,046	926
Government Relations	661	680
Cargo Business Development	694	865
Total Global Strategy Division	\$3,753	\$4,149
Salaries & Wages	\$1,570	\$1,937
Benefits	490	570
Contract Services	984	1,120
Equipment & Supplies	54	60
Insurance	0	0
Utilities	0	0
Administrative	654	462
Total Global Strategy Division	\$3,753	\$4,149
Walkforward from FY 2019 Outlook		Reference
FY 2019 Outlook	\$3,753	
Salaries and Wages	366	F
Benefits	80	A, F, G
Contract Services	136	A, I
Equipment & Supplies	6	I
Administrative	(192)	I
Total FY 2020 Proposed Budget	\$4,149	

**Legal**

The Legal Department is responsible for providing advice and counsel to the Airport Board and staff and for overseeing the prosecution and defense of litigation involving DFW Airport. Legal Department attorneys are provided by the Dallas and Fort Worth City Attorney’s Offices, in accordance with the 1968 Contract and Agreement.

**Budget Comparison and Walkforward**

<b>Legal</b> (in thousands)		
	FY19 Outlook	FY20 Budget
Salaries & Wages	\$226	\$223
Benefits	122	128
Contract Services	2,475	2,614
Equipment & Supplies	6	6
Insurance	0	0
Utilities	0	0
Administrative	57	23
<b>Total Legal</b>	<b>\$2,887</b>	<b>\$2,994</b>
Walkforward from FY 2019 Outlook		Reference
FY 2019 Outlook	\$2,887	
Salaries & Wages	(3)	F
Benefits	6	A, F, G
Contract Services	138	I
Administrative	(34)	I
<b>Total FY 2020 Proposed Budget</b>	<b>\$2,994</b>	

**Audit Services**

Audit Services assists the Board of Directors and management by independently reviewing programs and activities and providing recommendations and advice as appropriate. The department works to influence positive change related to achieving the Board’s goals and objectives. Audit Services uses resources efficiently and effectively, to comply with laws and regulations, safeguard assets, provide relevant and reliable information to decision makers, and protect the Board’s brand and reputation.

**Budget Comparison and Walkforward**

<b>Audit Services</b> (in thousands)		
	FY19 Outlook	FY20 Budget
Salaries & Wages	\$1,614	1,624
Benefits	719	760
Contract Services	352	379
Equipment & Supplies	20	32
Insurance	0	0
Utilities	0	0
Administrative	53	57
<b>Total Audit Services</b>	<b>\$2,758</b>	<b>\$2,852</b>
<b>Walkforward from FY 2019 Outlook</b>		
		<b>Reference</b>
FY 2019 Outlook	\$2,758	
Salaries & Wages	11	F
Benefits	40	A, F, G
Contract Services	27	I
Equipment & Supplies	13	I
Administrative	4	I
<b>Total FY 2020 Proposed Budget</b>	<b>\$2,852</b>	

**Executive Office**

The Chief Executive Officer (CEO), 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 CEO, along with the Executive Staff (seven executive vice presidents and support staff), oversees the implementation of adopted policies and is responsible for conducting monthly and special meetings with the Board of Directors. This budget also includes salaries and wages of support staff for the CEO and Executive Staff and the CEO Contingency.

**Budget Comparison and Walkforward**

<b>Executive Office</b> (in thousands)		
	FY19 Outlook	FY20 Budget
Salaries & Wages	\$3,452	\$3,577
Benefits	1,273	1,259
Contract Services	384	300
Equipment & Supplies	27	16
Administrative	719	757
CEO Contingency	450	6,000
<b>Total Executive Office</b>	<b>\$6,305</b>	<b>\$11,909</b>
<b>Walkforward from FY 2019 Outlook</b>		
		<b>Reference</b>
FY 2019 Outlook	\$6,305	
Salaries & Wages	124	F, I
Benefits	(14)	A, F, G
Contract Services	(83)	I
Equipment & Supplies	(11)	A, I
Administrative	38	I
CEO Contingency	5,550	H
<b>Total FY 2020 Proposed Budget</b>	<b>\$11,909</b>	

**Airport Non-Departmental**

The Airport Non-Departmental budget reflects the change in operating reserve, payroll accruals, incentive compensation, Affordable Health Care Act fees, supplemental retirement costs, and any other expenses that are recognized Board wide, rather than at a departmental level. These include high level Outlook adjustments, medical insurance claims stop loss reimbursement, and medical claim overruns.

In the 2019 Outlook, top level reductions were made for anticipated salary and benefit savings due to anticipated vacancies over and above those vacancies estimated at the department level. Savings related to lower medical costs from lower claim experience is reflected in the Non-Departmental section. The total of these adjustments for the 2019 Outlook is \$3.5 million.

**Budget Comparison and Walkforward**

<b>Airport Non-Departmental</b>		
(in thousands)		
	FY19 Outlook	FY20 Budget
Salaries & Wages	\$4,093	\$5,813
Benefits	(1,747)	470
Contract Services	(1)	(1)
Operating Reserve	6,848	7,080
<b>Total Non-Departmental</b>	<b>\$9,183</b>	<b>\$13,353</b>
Walkforward from FY 2019 Outlook		Reference
FY 2019 Outlook	\$9,183	
Salaries & Wages	1,720	Salary adjustments made in Outlook, Management Incentive/Excellence awards and Supplemental Non-Exempt Merit
Benefits	2,217	Benefit adjustments made in Outlook and LHD over/under
Contract Services	0	
Equipment & Supplies	0	
Administrative	0	
Operating Reserve	233	Operating Reserve requirement increase
<b>Total FY 2020 Proposed Budget</b>	<b>\$13,353</b>	



## Capital Budget

DFW has two capital accounts in its Construction and Improvement Fund: DFW Capital Account, and Joint Capital Account (JCA).

The DFW Capital Account is DFW's discretionary account. It may be used for any legal purpose and does not require airline approval. DFW uses this fund for renewals and replacements and other discretionary projects. Funding for the DFW Capital Account is from the DFW Cost Center net revenues, interest income, grants and bond proceeds primarily for commercial development projects. DFW has numerous capital projects currently underway and funded from the DFW Capital Account. (See detailed pages that follow.)

The JCA generally requires airline approval for capital projects and are typically funded through the sale of bonds and interim commercial paper financing, plus natural gas royalties, sale of land proceeds, grants and interest income.

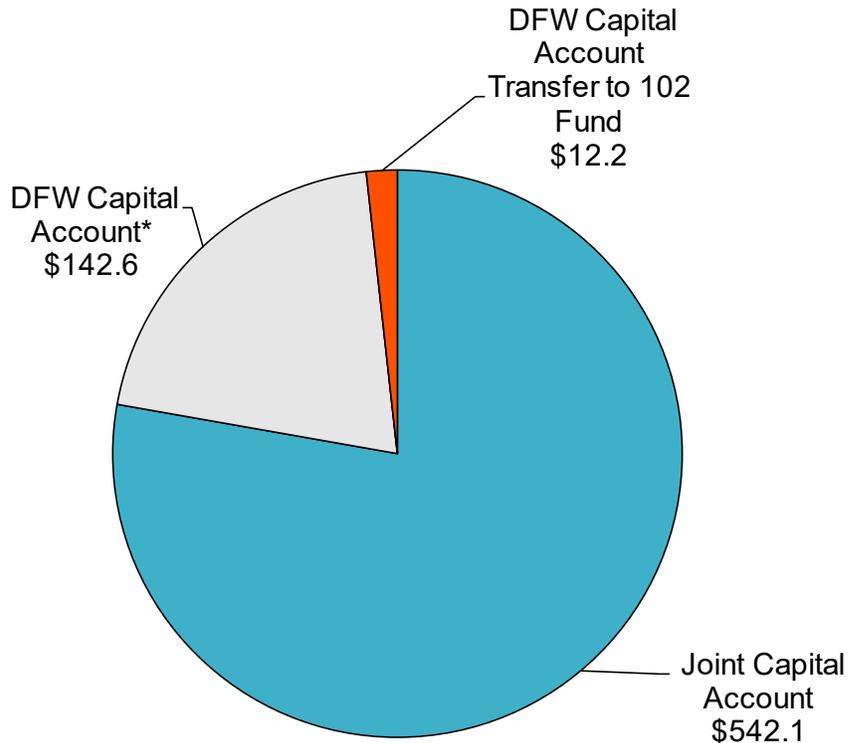
Infrastructure renewal is currently DFW's largest active capital program and is at various stages of planning, design and construction. This program involves renewal of aging critical airside and landside infrastructure. Since DFW Airport is the third largest airport in the world in terms of land mass, with 17,183 acres, there is a significant amount of infrastructure to maintain. Much of the airfield, landside, utilities and other infrastructure were constructed when the Airport opened in 1975 and is now approaching end of useful life. This program is discussed in more detail in the *Major Capital Project Descriptions* section.



**Projected Capital – Uses of Cash by Capital Account**

DFW projects to spend approximately \$697 million on capital expenditures in FY 2020 as summarized in the following chart.

FY 2020 Projected Capital Expenditures (\$697M)



\* Includes \$14.4M debt financed for Commercial Development, excludes contingency

The following table summarizes projected capital expenditures for projects to be in progress during FY 2020.

Capital Budget (Millions)	Active Projects in FY 2020			
	Prior Years	Projected FY 2020	Future Years	Total Budget
DFW Capital Account	\$157.7	\$142.6	\$289.9	\$590.2
Joint Capital Account	623.5	542.1	999.2	2,164.8
Transfers to 102 *	152.6	12.2	0.0	164.8
<b>Total Capital</b>	<b>\$933.8</b>	<b>\$697.0</b>	<b>\$1,289.1</b>	<b>\$2,919.8</b>

\* Debt service for Airport Headquarters (including coverage) & E Parking Garage

## Capital Project Approval Process

DFW has a financial plan that includes a long-term Capital Plan. In FY 2010, DFW management developed a 10-year capital plan as the basis for negotiating the Use Agreement. The majority of those projects have already been completed. In preparation for the upcoming Use Agreement effective FY 2021 – FY 2030, an updated Capital Plan is being negotiated with the airlines. There are new projects originating from this Capital Plan, which are officially in a planning status. When a project manager is ready to initiate one of the projects from the Capital Plan, a detailed capital worksheet is prepared including alternatives, and presented to the Capital Committee for review and approval. CEO approval is required for projects equal to or greater than \$1 million. Projects on this list may be modified or eliminated if planning assumptions on costs and benefits do not materialize upon more detailed analysis. It is possible that new projects may arise during the fiscal year due to the dynamic nature of an airport. From a process standpoint, the Board of Directors does not approve an overall capital budget. Instead, the Board generally reviews projects to be funded with bond proceeds before the bonds are sold and reviews individual capital projects as contracts for those projects are brought to the Board for approval.

## Major Capital Project Descriptions

There are several major capital initiatives in the FY 2020 Capital Budget including:

**Airfield Reconstruction and Expansion** – As part of a larger airport wide infrastructure renewal program, DFW is reconstructing end-of-life airfield infrastructure. Airline Majority-in-Interest (MII) approval, which requires approval from 50% or more of the Signatory Airlines, was received for \$289.3 million to reconstruct east airfield projects, including runway 17C and related airfield projects. FAA Airport Improvement Program (AIP) grants are programmed for these projects with reimbursement of 75% of eligible costs. A total of approximately \$108 million in combined Entitlement and Discretionary AIP grants are programmed for 17C and related projects. Construction for the first phase of runway 17C was completed during FY 2019, with subsequent phases continuing into FY 2020. Additionally, DFW continues to expand the End-Around-Taxiways (EAT) as part of an airfield safety and capacity program to minimize runway incursions and increase runway capacity to meet future demands. Airline MII approval has been granted for \$14 million for design of both the southwest and northeast EAT, as well as \$104 million for construction of the northeast EAT. DFW Airport has applied for and been awarded an FAA Letter of Intent (LOI) totaling \$135 million for the combined northeast and southwest EAT. Additionally, DFW has programmed an another \$45 million in FAA Entitlement grants, for a combined grant offset of \$180 million. The northeast EAT is currently under construction with phases continuing into FY 2020. The southeast EAT is currently in design. Similar to Runway 17C on the east side of the airport, runway 18R on the west airfield also requires reconstruction due to end of useful life. DFW received airline MII approval and started design. DFW also has various other airfield rehabilitation projects planned for FY 2020, including airfield lighting system replacements on runway 18L, ARFF road improvements on runway 18R, and various other airfield improvement



projects. Approximately \$144.5 million is anticipated to be spent on various airfield projects during FY 2020 (excluding grants).

**Terminals** – Terminal F – Phase 1 (D-South Stinger). Construction recently started on a four-gate terminal addition, which extends south of the existing Terminal D. This project will accommodate four swing gates, for domestic and international flights, with two widebody or four narrowbody aircraft. These additional gates are planned to be ready in Spring 2021.



For future planned terminal gate expansion, DFW, in partnership with the airlines, recently announced a \$3 - \$3.5 billion plan that includes a new Terminal F (in addition to Phase 1 above) and a major renovation of Terminal C, similar to what was originally planned in the prior Terminal Renovation & Improvement Program (TRIP). Airline approval of the final plan is currently being negotiated. No construction spend for the subsequent phases of Terminal F is included in the FY 2020 capital budget. However, as a precursor to this terminal expansion, a number of enabling projects are included. Airline MII approval is currently in process for some of these enabling projects. Other terminal projects involve improvements in existing Terminals E and B, renewal/replacement of end-of-life Passenger Boarding Bridges (PBB) and associated components for PBB's in all terminals, roofing and waterproofing of various terminal roofs that have reached end of useful life, baggage handling system renewals, and replacement of terminal autodocking systems for aircraft parking guidance. Approximately \$194.9 million is anticipated to be spent on various terminal projects during FY 2020.

**Landside Roads, Bridges, and Rail** – The landside infrastructure is also planned for major renewal and reconstruction as much of this infrastructure approaches end of life. The need for reconstruction of this infrastructure has been validated by various condition assessments. A number of roads and bridges are in various stages of programming, design, and construction. Approximately \$67.4 million is estimated to be spent for roads and bridges reconstruction during FY 2020.



**Commercial Development and Other Facilities**

Commercial development at DFW is at a historic high with a significant number of new developments currently under way. DFW is funding the infrastructure to support several new planned development sites, including more than 350 acres in Passport Park East located in southeast quadrant of DFW, Walnut Hill Industrial, Coppell Industrial, Northwest Logistics along Mustang Drive, and several other developments. Approximately \$14.4 million is anticipated to be spent on Commercial Development during FY 2020.



**Safety and Security** – DFW Airport is currently working on a solicitation for an airport wide Security Master Plan (MSP). This holistic approach to airport security will provide guidance and insight into recommendations for future capital investments regarding airport security. This master plan is anticipated to take two years to complete. Meanwhile, there are some immediate-need security projects, such as Employee Screening for entry into the terminals, additional vehicles and equipment in support of DPS headcount increases, and various other safety and security initiatives. Approximately \$24.5 million is anticipated to be spent on Safety and Security initiatives in FY 2020.

**Customer Experience**

Numerous initiatives are currently underway to focus on a primary DFW goal of improving the customer experience. One of the major customer experience initiatives is a future planned Integrated Operations Center (IOC), which is aligned with DFW's key strategic objective of providing a world class, end-to-end customer experience. The IOC is a replacement and expansion of the current Airport



DFW | exp

Operations Center (AOC) and Emergency Operations Center (EOC). DFW received airline MII approval for \$27.5 million for this IOC project. Some other customer experience enhancement initiatives include construction of a new premium DFW VIP lounge in International Terminal D, renewal and enhancements to airport wide wayfinding signage, and construction of nursing rooms in Terminals C and D. Approximately \$45.8 million is anticipated to be spent on customer experience initiatives in FY 2020.

**Other** – Other major planned projects include renewal of the Skylink Automated Train Control (ATC) system and related components, which have reached end of useful life. Additionally, design and construction of a Snow/Ice Equipment Storage facility to house the numerous airfield snow/ice vehicles is scheduled to begin in FY 2020. Airline MII approvals has been granted for these projects. Approximately \$16.2 million is anticipated to be spent on these initiatives during FY 2020.



The table below summarizes the airline MII approvals that DFW Airport has received thus far, including those projects in the new Use Agreement.

<b>DFW Airport MII Approvals Since Use Agreement Oct 1, 2010</b>			
	\$'s in Millions		
	TRIP	Non-TRIP	Total
<b><u>MII Approvals In 2010 Use Agreement:</u></b>			
TRIP (base scope - escalated)	\$1,922.0		\$1,922.0
Non-TRIP		310.0	310.0
<b>MII APPROVALS INCLUDED IN 2010 USE AGREEMENT</b>	<b>\$1,922.0</b>	<b>\$310.0</b>	<b>\$2,232.0</b>
<b><u>MII Approvals Subsequent to 2010 Use Agreement:</u></b>			
MII Approvals FY 2011		\$60.9	\$60.9
MII Approvals FY 2012	\$61.4	234.4	295.8
MII Approvals FY 2013	38.4	52.1	90.6
MII Approvals FY 2014	670.3	63.2	733.5
MII Approvals FY 2015	26.3	94.0	120.3
MII Approvals FY 2016		164.6	164.6
MII Approvals FY 2017		411.4	411.4
MII Approvals FY 2018		233.8	233.8
MII Approvals FY 2019 *		235.4	235.4
<b>MII APPROVALS AFTER 2010 USE AGREEMENT</b>	<b>\$796.5</b>	<b>\$1,549.8</b>	<b>\$2,346.2</b>
<b>TOTAL MII APPROVALS SINCE 2010 USE AGREEMENT</b>	<b>\$2,718.5</b>	<b>\$1,859.8</b>	<b>\$4,578.2</b>

\* Includes outstanding MII request from June 28, 2019 for \$73.3M

The following projects will be funded from the DFW Capital Account during FY 2020. Spend amounts are gross of grant reimbursements.

<b>DFW CAPITAL ACCOUNT (In Millions)</b>	Prior Years	FY20	Future Years
Project Name			
Passport Business Park East	\$32.2	\$6.4	\$4.2
Replace Main West Side Sanitary Sewer Line (Ph 2)	\$.1	4.5	5.0
IT Network Sys: Annual Technology Purchase	Annual	4.1	36.9
Term B&E PBB Replacement (B9B/B26 & E31/E34)	\$.9	3.8	1.1
Replace Express Vans	Annual	3.8	17.3
Term D Roadway and Sidewalks Expansion Joints	\$.4	3.5	8.3
161 East Business Park (Logistics Center 8,9,10,11)	\$.0	3.4	1.5
Walnut Hill Industrial	\$.6	3.3	1.4
Runway 18R ARFF Road Improvements	\$.0	3.3	.0
DPS Vehicle Replacement	Annual	3.3	4.0
Replace Employee Buses	Annual	3.1	28.9
Term D VIP Lounge	1.4	3.1	1.5
Relocate ACO Badging D to Term B	1.4	3.0	2.4
Airport Facilities Development & Programming (Term Expansion)	9.2	3.0	.6
International Parkway Signage Program	.5	2.8	2.8
Glade Rd Reconstruction	1.1	2.8	2.5
Integrated Ops Ctr (IOC)	.0	2.8	2.8
Reconfigure NE Quadrant Electrical Duct bank	1.0	2.7	1.9
Term D UPS Replacements	.7	2.6	2.1
Air Service Incentive Plan (ASIP) & Marketing Rebates	48.6	2.5	12.3
Integrated Ops Ctr (IOC) - ITS	.2	2.4	2.2
Integrated Ops Ctr (IOC) - Design	.3	2.4	1.4
Term Upper Level Roadway Re-Coating (Term A only)	1.1	2.3	.8
Replace Terminal Link Vans	Annual	2.2	12.0
Replace Heavy Equipment	Annual	2.2	8.7
Term A, B, C, & E: Skylink ramp level emergency exit doors	1.7	2.1	.9
Hardening of Assets and Attenuators Replacement	.3	2.1	1.2
LED Ramp Lighting Improvements	3.7	2.0	1.4
Term D Board-Owned PBB Rehab	.3	1.9	4.5
Structural Fire Truck Replacement	2.5	1.8	6.5
SSCP Wait Time	3.0	1.6	.8
DPS Bomb Squad Robot Replacement	.0	1.6	.0
Term D Crossunder #4 (AOA Access Ramp)	.9	1.6	1.1
Northwest Logistics Ph II (Mustang Park 1 & 2 - Prologis)	.0	1.5	.1
Corporate Aviation - HVAC modifications	.6	1.5	.6
Glade Rd - Utility Relocations	.2	1.5	1.3
East West Connector (Design)	1.3	1.3	.9
Passport Business Park East (Dallas County) Ph I	7.2	1.3	.0
Rehab Landside Storm Sewer	.2	1.3	1.3
HPI: Project Life Cycle Mgt (PLM)	2.6	1.2	2.7
SE Quadrant Sanitary Sewer Line Relocation and Enlargement	.4	1.2	.6
Walnut Hill Industrial (DFW Commerce Center Ph III)	.0	1.1	.1
FedEx Ramp & Expand Truck Ops Area	.0	1.0	.0
High Mast Light Pole Replace-Non-Critical	.2	1.0	2.2
<b>Projects &lt;1M</b>	<b>32.9</b>	<b>34.4</b>	<b>101.2</b>
<b>TOTAL DFW CAPITAL ACCOUNT</b>	<b>\$157.7</b>	<b>\$142.6</b>	<b>\$289.9</b>
<b>ADD: TRANSFER TO 102 (Debt Svc for AHQ and Term E Garage)</b>	<b>46.3</b>	<b>12.2</b>	<b>.0</b>
<b>TOTAL USES OF DFW CAPITAL ACCOUNT</b>	<b>\$204.0</b>	<b>\$154.9</b>	<b>\$289.9</b>

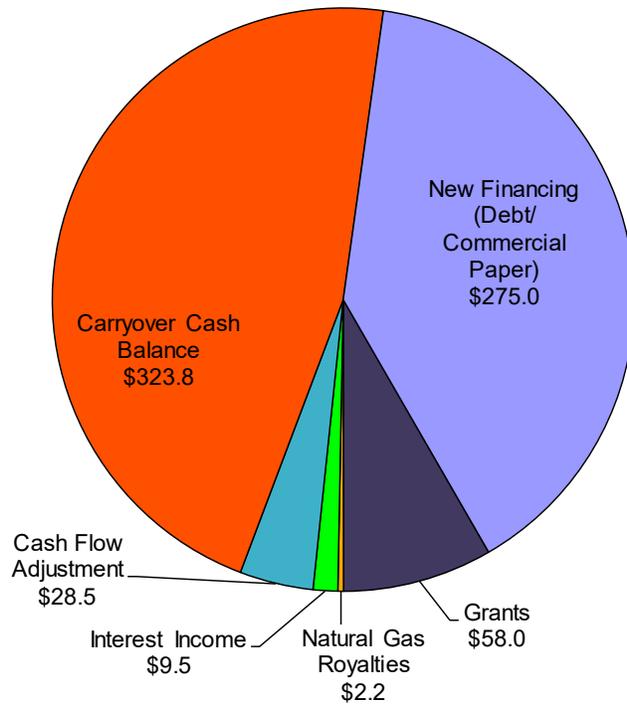
The following projects will be funded from the Joint Capital Account during FY 2020. Spend amounts are gross of grant reimbursements.

<b>JOINT CAPITAL ACCOUNT (In Millions)</b>	Prior		Future
Project Name	Years	FY20	Years
Terminal F Phase 1	\$21.9	\$123.8	\$48.6
East Airfield Rehabilitation Projects-Taxiway M South	7.0	34.6	7.8
NE EAT Pkg III - Glycol Facilities Relocation	2.1	34.2	35.6
Taxiway F Rehab	.0	21.7	6.1
Term C High Gates Code & Operation Conformance Construction	.0	17.5	32.5
Integrated Ops Ctr (IOC)	4.4	15.2	2.7
Runway 18R-36L Rehabilitation	6.1	14.3	129.6
Rehab Landside Roads/Bridges Ph 4A	1.2	13.3	2.4
Terminal A & C BHS Controls Replacement (AA Reimb)	.0	12.5	13.0
Term F Enabling: Realignment of the Skylink	.0	12.5	6.2
Relocation of Fuel Rack (AA Reimb)	.3	11.1	2.0
Term F Enabling: CUP Design (assumed AMT bonds even though CC=40)	.0	11.0	2.2
SW Campus Roads A, B, C with Utilities Ph. 1B	.8	10.8	8.6
Integrated Ops Ctr (IOC) - Facility Safety	.0	9.1	2.6
Ph. 1 High Mast Light Pole Replace-Non-Critical	.2	8.4	6.4
Term F Enabling: PDD	.0	8.0	4.0
Rehab 31st 32nd 33rd & Const Rd	.7	7.8	1.4
Terminal E Satellite Refurbishment (AA Reimb)	25.7	6.4	.0
Skylink ATC Hardware & Software Replacement	.0	5.8	29.2
Snow and Ice Equipment Storage Facility	35.6	5.8	10.7
NE EAT Pkg II - Taxiway Papa Realignment	.7	5.6	65.1
Runway 18R ARFF Road Improvements	.1	5.5	1.0
Terminal B - AA Improvements (AA Reimb)	19.0	5.0	.0
Term F Enabling: NEPA	.0	5.0	1.0
Terminal C High Gates PBB Replacement (AA Reimb)	1.6	4.9	.0
Term E - 2 New Passenger Boarding Bridges (AA Reimb)	.0	4.9	3.1
South Airfield Drive Capacity Improvements & Bridge	2.6	4.9	70.1
Term B & E Loading Bridge Equipment Replacement	.3	4.9	.0
NE EAT Pkg I - East Air Freight Taxiway	43.2	4.7	.0
Integrated Ops Ctr (IOC) - ITS	2.2	4.5	4.5
Term A Roofing	.0	4.4	18.7
International Parkway Signage Program	.0	4.3	1.8
TRIP-AA-IT Reimbursement (AA Reimb)	5.1	4.1	4.9
Replace Airfield Sign Panels	.0	4.1	4.3
Runway 13L-31R & Taxiway R Pavement & Elec Rehab	.1	4.1	1.2
Replace Fire Alarm System	3.5	3.9	11.6
Southwest End Around Taxiway (Design)	5.3	3.7	.0
Term B & E Loading Bridge Equipment Replacement	.7	3.7	.1
Situational Awareness/PSIM	1.2	3.5	2.3
Term F Enabling: Airspace Modernization	.0	3.4	.7
Rehab Landside Roads/Bridges Ph 4D	.4	3.3	.6
TRIP-Restore TRIP Parking Lot	.1	3.3	.4
E/W Potable Water Pump Stations Rehab (Construction)	2.0	3.2	13.6
East/West Connector Road	.0	3.1	39.9
TRIP-Curbside Signage Reallocation-Ph. III Holistic Curbside Signage	.7	3.0	.1
Term A, B, C, D: TSA Recapitalization (MII Exemption)	.0	2.9	34.0
Landside Rehabilitation Projects	2.7	2.8	.5
Skylink Stations A, B, C, and E HVAC Control Sys Replacment	.0	2.7	1.7
Term D BHS Makeup Unit Replacement (AA Reimb)	.0	2.7	4.9
East Airfield Rehabilitation Projects-Rwy 17C/35C	133.6	2.7	.0
DPS HQ Facility	54.3	2.5	.0
Biometric Facial Recognition Exit for CBP	.1	2.4	.0
Term F Enabling: Demo F Site inclusive of Skylink-Design	.0	2.3	1.2
Taxiway G Rehabilitation	.0	2.2	2.3
<b>Projects &lt;2M</b>	<b>238.0</b>	<b>30.7</b>	<b>358.1</b>
<b>TOTAL JOINT CAPITAL ACCOUNT</b>	<b>\$623.5</b>	<b>\$542.1</b>	<b>\$999.2</b>
<b>TOTAL DFW CAPITAL ACCOUNT</b>	<b>\$310.3</b>	<b>\$154.9</b>	<b>\$289.9</b>
<b>TOTAL USES OF JOINT + DFW CAPITAL ACCOUNT</b>	<b>\$933.8</b>	<b>\$697.0</b>	<b>\$1,289.1</b>

**Capital Projects - Sources of Cash**

DFW's capital programs are funded from a variety of sources as shown in the following chart.

FY 2020 Capital Sources of Cash (\$697M)



The following table highlights the walkforward of DFW's capital funds.

Capital Walkforward	Joint Capital	DFW Capital	Total
Beginning Cash (10/1/19)	\$456.0	\$92.2	\$548.2
Sources of Funds:			
Grants	57.3	.7	58.0
New Financing (Debt/Commercial Paper)	260.0	15.0	275.0
Natural Gas Royalties	2.2	-	2.2
Interest Income	7.9	1.6	9.5
Cash Flow Adjustment/Transfers *	63.8	73.2	137.0
<b>Total Sources</b>	<b>\$391.1</b>	<b>\$90.5</b>	<b>\$481.6</b>
Less:			
Capital Uses	(542.1)	(142.6)	(684.8)
DFW Capital Account Transfer to 102	-	(12.2)	(12.2)
<b>Total Uses</b>	<b>(542.1)</b>	<b>(154.9)</b>	<b>(697.0)</b>
Total Ending Cash Balance	304.9	27.9	332.9
Add: Cash From DFW Cost Center	-	87.5	87.5
<b>Ending Cash (9/30/20)</b>	<b>\$304.9</b>	<b>\$115.4</b>	<b>\$420.4</b>

\* Includes \$44.6M funds transfer from JCA to DFWCA for TW "L" reimbursement

**DALLAS FORT WORTH INTERNATIONAL AIRPORT BOARD  
OFFICIAL BOARD ACTION/RESOLUTION**

<b>Date</b> 08/01/2019	<b>Committee</b> Finance/Audit	<b>Subject</b> Approval of the FY 2020 Operation Revenue and Expense Fund Budget	<b>Resolution #</b> 2019-08-175
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**Action**

That the Airport Board approve the FY 2020 Operation Revenue and Expense Fund Budget (Fund 102).

**Description**

- Approve the FY 2020 Operation Revenue and Expense Fund Budget (Fund 102) in the amount of \$1,042.0 Million (consisting of \$529.3 Million of operating expenses, \$502.8 Million of debt service and coverage, and \$10.0 Million of contingency).
- The use of contingency requires Board Approval. The OBA to request approval of the use of contingency will include the current estimated impact on rates, fees, and charges, if any.
- Total Airline Cost is budgeted at \$501.5 Million.
- Fiscal Year 2020 commences on October 1, 2019 and ends on September 30, 2019.

**Justification**

- Section 8J of the Contract and Agreement between the Cities of Dallas and Fort Worth requires the DFW Airport Board to approve the annual expenditures of the Airport (as included in the Operating Revenue and Expense Fund) and forward the approved budget to the Owner Cities by August 15, 2019 with approval by the Owner Cities by September 30, 2019.

	FY19 Budget	FY19 Outlook	FY20 Budget	Increase FY20B vs FY19B	Decrease FY20B vs BY19OL
Annual Budget (millions)					
Operating Expenses	\$500.7	\$497.0	\$529.3	\$28.6	\$32.3
Gross Debt Service	<u>\$512.2</u>	<u>\$511.9</u>	<u>\$502.8</u>	(\$9.4)	(\$9.2)
<b>Total 102 Fund Expenditures</b>	<b><u>\$1,012.9</u></b>	<b><u>\$1,009.0</u></b>	<b><u>\$1,032.0</u></b>	<b><u>\$19.2</u></b>	<b><u>\$23.1</u></b>
Contingency O/S Rate Base			\$10.0		
<b>Total Budget w/Contingency</b>			<b><u>\$1,042.0</u></b>		

**D/S/M/WBE Information**

- N/A - Not subject to the goal per the Board's SBE Policy due to the nature of the procurement (Budget).

Contract #	Agreement #	Purchase Order #	Action Amount	Revised Amount
			\$0	\$0

For Information contact	Fund	Project #	External Funding Source	Amount
Chris Poinatte 3-5210	Operating Fund			\$0

**Additional Information**

Additional Attachments: **N**

**BE IT RESOLVED BY THE DALLAS FORT WORTH INTERNATIONAL AIRPORT BOARD**

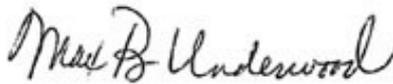
That the Airport Board approve the FY 2020 Operation Revenue and Expense Fund Budget (Fund 102).

**Approved as to Form by**



Rodriguez, Elaine  
Legal Counsel  
Jul 18, 2019 3:13 pm

**Approved as to Funding by**



Underwood, Max  
Vice President Finance  
Finance  
Jul 18, 2019 12:52 pm

**Approved as to M/WBE by**



Burks Lee, Tamela  
Vice President Business Diversity  
and Development  
Business Diversity and  
Development  
Jul 18, 2019 2:16 pm

**SIGNATURE REQUIRED FOR APPROVAL**

**Approved by**



Department Head  
Finance  
Jul 18, 2019 12:50 pm



**Chief Executive Officer**

Aug 1, 2019 1:52 pm

Date