



Dallas/Fort Worth International Airport

FY 2009 Budget Presentation to Cities of
Dallas and Fort Worth

August and September 2008

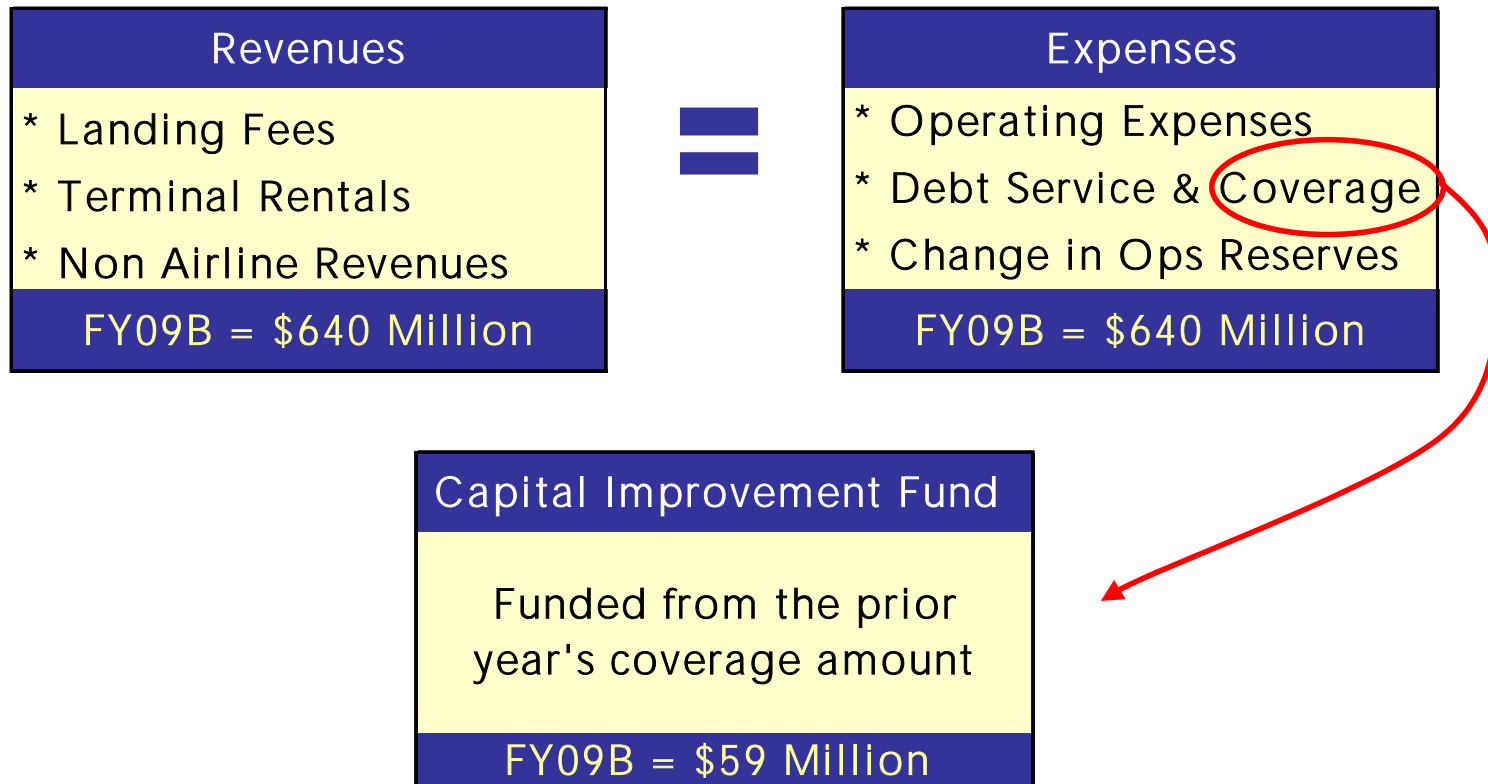


Agenda

- Background
- FY 2009 Expense and Debt Service Budget
- FY 2009 Non-Airline and Airline Revenues
- Comparison to Other Airports
- Summary

Background - Residual Airport

Revenues must equal expense because DFW is a residual airport



Background – Residual Airport

Landing fees are the balancer so that revenues equal expenses.

Total Expenses		Non-Airline Revs		Terminal Fees		Landing Fees
<ul style="list-style-type: none"> * Ops expenses * Maintenance * Airport Services * Ops reserves (25%) * Debt service * Coverage (25%) 	minus	<ul style="list-style-type: none"> Operating Revenues * Parking * Rental Car * Ground rents Other Revenues * CIF Transfers * PFCs 	minus	<ul style="list-style-type: none"> * Terminal A * Terminal B * Terminal C * Terminal D * Terminal E * HVAC/FIS/Turn Fees - Concessions Revs 	equals	<p style="text-align: center;"><u>Net Expenses</u> Landed Weights FY09 Rate \$4.60</p>
FY09B = \$640M		FY09B = \$414M		FY09B = \$59M		FY09B = \$167M
100%		65%		9%		26%



Background - Budget Overview

Despite decrease in operations DFW has been able to minimize the impact on its budget and airlines costs

- Expense budget - DFW has offset \$23M of cost increases with \$23M of cost savings to keep the expense budget flat at \$640M
- Non-airline revenues - The reduction in passengers and lower interest rates has resulted in a \$12M decrease in non-airline revenues
- To offset the impact on the airlines DFW:
 - Added a \$10M capital transfer from DFW Discretionary Account which results in only a \$2M increase in airline costs for FY 2009
 - Will implement a split landing fee rate
 - \$4.37 for first six months
 - \$4.83 for last six months
 - Will attempt to find \$12 million of savings to further reduce landing fees in second half of year
- If total savings goal is achieved, total airline cost will be \$10 million less than in FY 2008



Background – Operations

DFW projects loss of airline operations, landed weights, and passengers due to industry situation, economy an increase in fuel costs

	FY08 Budget	FY 09 Budget	Change	Perc. Change
Passengers (Ms)	57.7	54.1	(3.6)	-6.2%
Operations (Ks)	686.0	630.0	(56.0)	-8.2%
Landed Weights (Bs)	38.5	36.6	(1.9)	-4.9%



FY 2009 Expense and Debt Service Budget

Despite significant fixed increases in the FY 2009 Budget, Management has identified offsetting savings to keep the FY 2009 Budget at last year's level of \$640 million.

<u>(in millions)</u>	<u>FY 2008</u> <u>Budget</u>	<u>FY 2009</u> <u>Budget</u>	<u>Inc</u> <u>(Dec)</u>
Salaries	\$103.9	\$107.7	\$3.8
Benefits	50.1	50.0	(0.1)
Contract Services	111.9	112.6	0.6
Supplies	15.5	17.4	1.9
Insurance	5.2	4.4	(0.8)
Utilities	36.8	41.8	5.0
General & Admin.	5.8	5.5	(0.3)
Contingency	6.6	5.0	(1.6)
Operating Reserve	3.4	0.0	(3.4)
Debt Service	301.0	296.0	(5.0)
Total	<u>\$640.2</u>	<u>\$640.2</u>	<u>\$0.0</u>



FY 2009 Expense and Debt Service Budget Increases

Walkforward of cost increases

<u>Cost Increases</u>	<u>(in millions)</u>
Utility & fuel cost increases	\$8.0
Contract increases	3.1
Security & fire increase (22 positions, net)	0.9
Debt service	5.0
FY 2009 merit (3.8%, effective 1/1/09)	3.4
Annualization of salaries & benefits	1.3
Supplies for Terminal D baggage system	0.4
Workers comp - to FY08 actual levels	0.3
Overtime - to FY08 actual levels	0.3
Other	0.9
Total Cost Increases	<u><u>\$23.6</u></u>



FY 2009 Expense and Debt Service Budget Reductions

Management has been able to offset budget increase with \$23.6M of savings

<u>Cost Savings</u>	<u>(in millions)</u>
Debt refunding	(\$10.0)
Operating Reserve requirement reduction	(3.4)
DFW purchases of its own gas (cap)	(2.2)
Vacancies & deferrals	(1.7)
Contract savings	(1.9)
Contingency reduction	(1.6)
Medical cost savings	(0.7)
Property insurance	(0.7)
G & A savings	(0.4)
Other savings (yet to be identified)	(1.0)
Total Budget Reductions	<u><u>(\$23.6)</u></u>

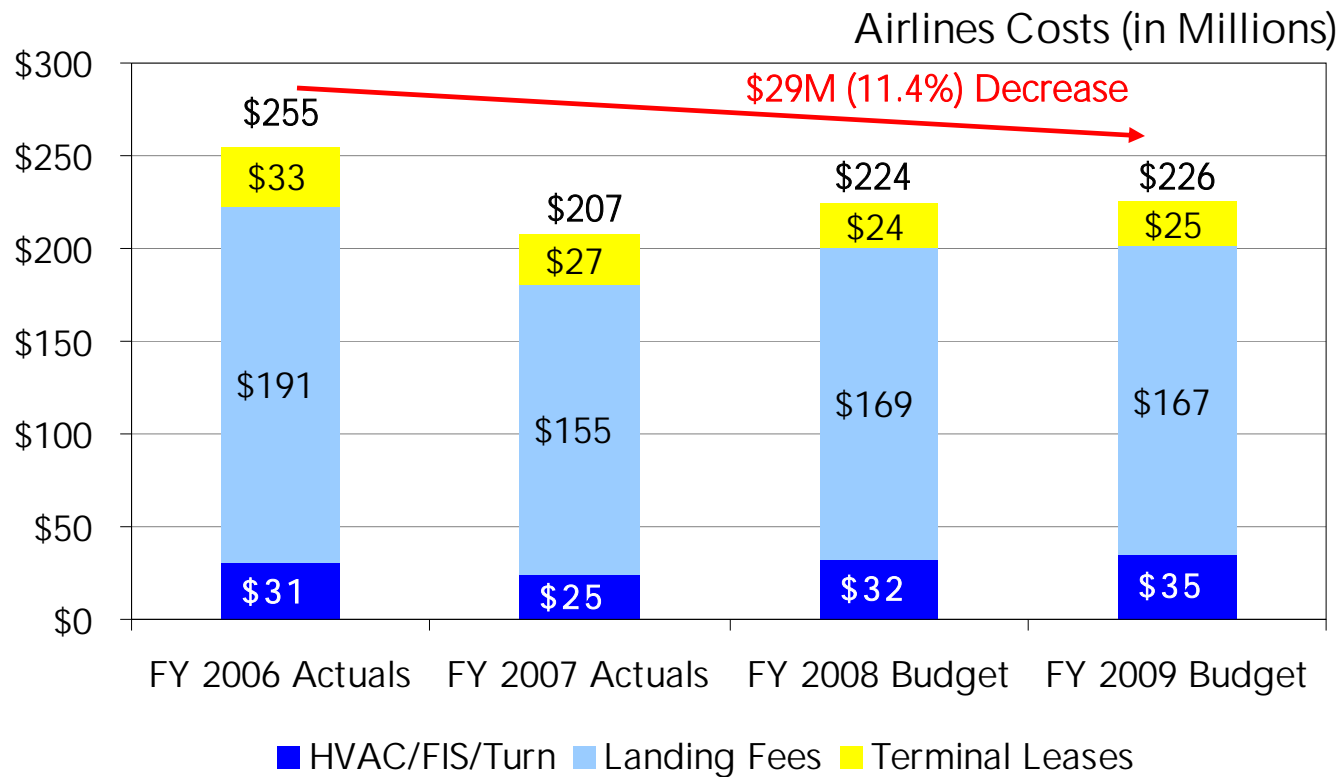


FY 2009 Non-Airline Revenue Budget

<u>(in millions)</u>	<u>FY2008</u>	<u>FY2009</u>	<u>Inc</u>	
	<u>Budget</u>	<u>Budget</u>	<u>(Dec)</u>	<u>%</u>
Non-Airline Operating Revenue				
Parking	\$107.8	\$99.6	(\$8.2)	-7.6%
Concessions	47.4	46.1	(1.3)	-2.7%
Rental Car Facility-Percent Rent	27.5	22.8	(4.7)	-17.0%
Rental Car Facility-Ground Rent	3.5	3.8	0.3	8.4%
Commercial Development	24.8	29.3	4.5	17.9%
General Aviation and Fuel Farm	8.3	7.3	(1.0)	-12.4%
Employee Transportation	8.5	8.3	(0.1)	-1.3%
Taxi, Limo & Shuttle Fees	6.7	6.7	0.0	0.0%
Non-Airline Trash & Water	5.7	5.8	0.1	2.4%
Other Revenue	10.8	11.3	0.5	4.2%
Total Non-Airline Ops Revenue	\$251.1	\$241.2	(\$10.0)	-4.0%
Non Operating Revenue				
Passenger Facility Charges (PFCs)	\$119.9	\$123.7	\$3.8	3.2%
Interest Income	16.8	9.6	(7.2)	-42.8%
Reimbursements from Other Funds	14.6	25.6	11.0	75.9%
777 Program	14.0	14.0	0.0	0.0%
Total Non Operating Revenue	165.3	172.9	7.7	4.6%
Total Non-Airline Revenues	\$416.4	\$414.1	(\$2.3)	-0.6%

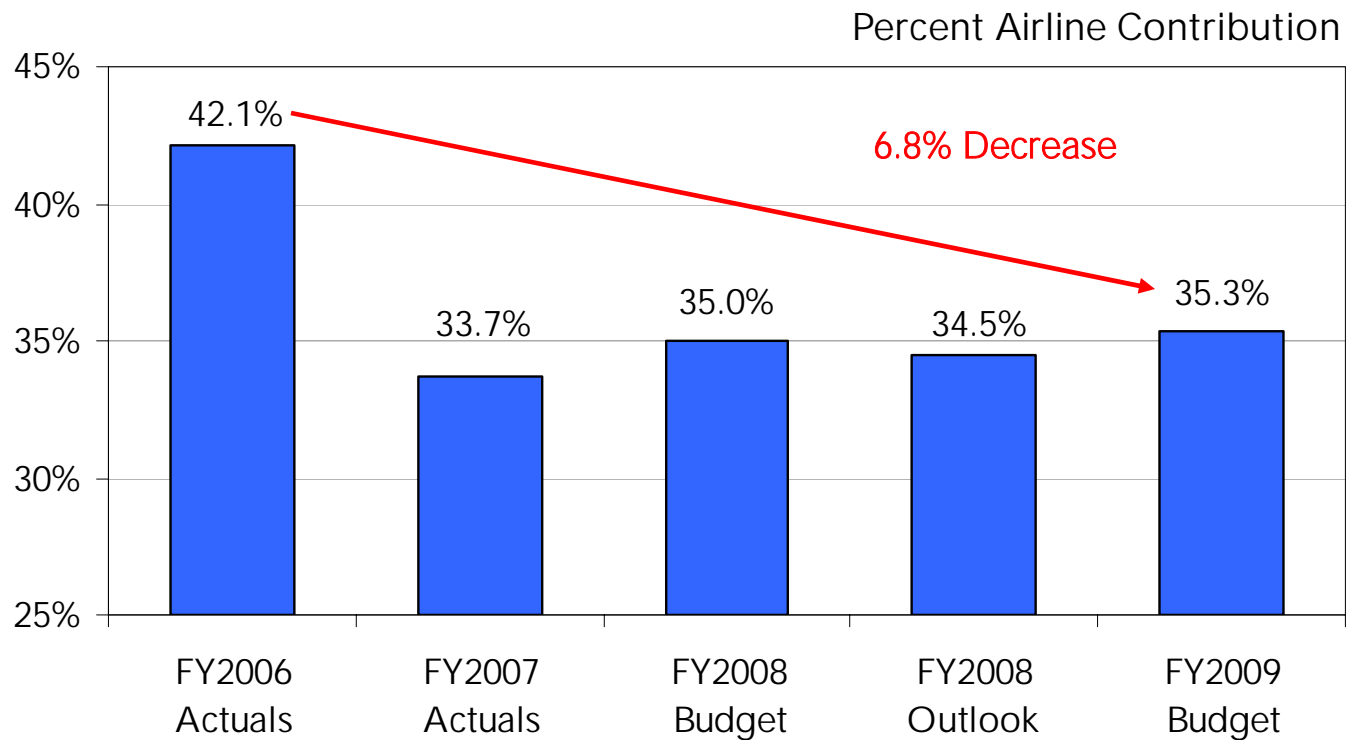
FY 2009 Airline Revenue Budget

Total Airline payments have been reduced \$29M (11.4%) since FY 2006 despite 7% decrease in landed weights and 10% decrease in passengers



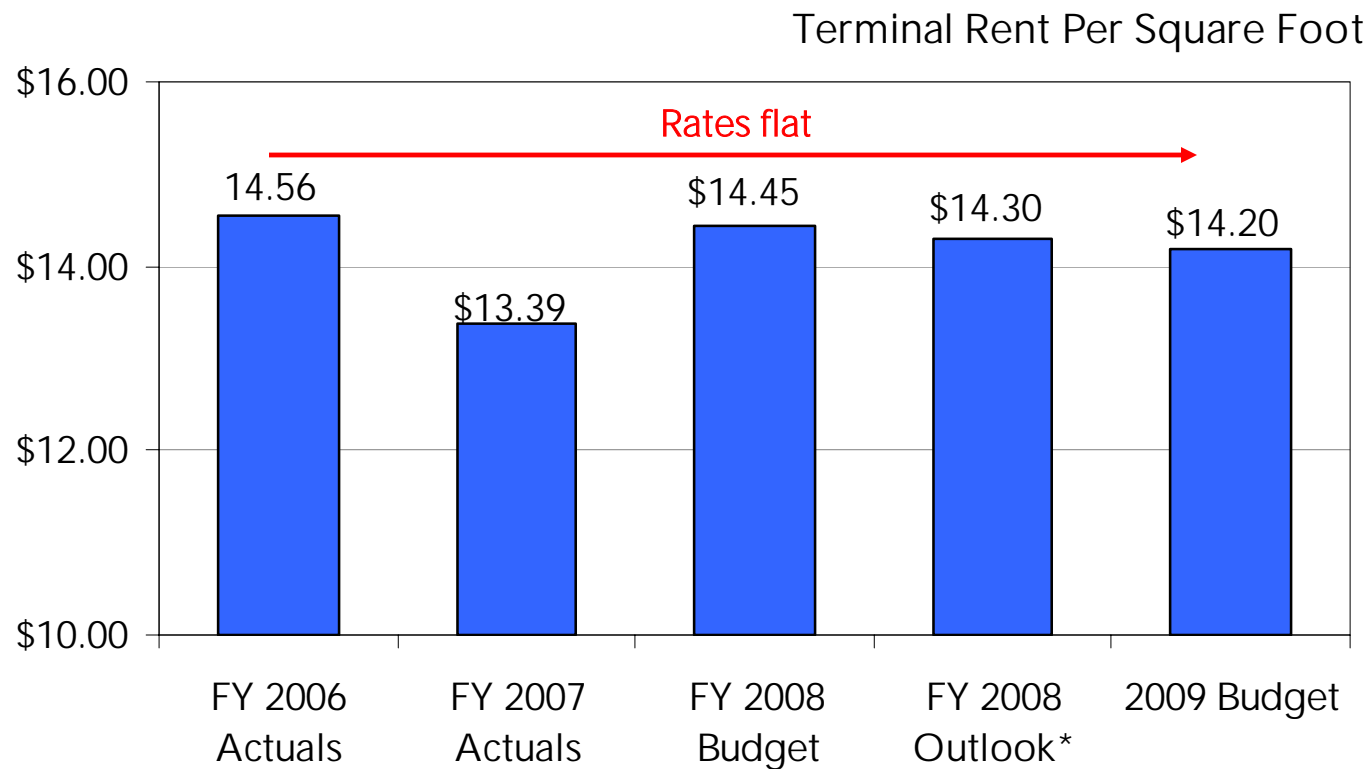
FY 2009 Airline Revenue Budget

...and Airlines are paying a lower percentage of DFW's total budget than in FY 2006



FY 2009 Airline Revenue Budget

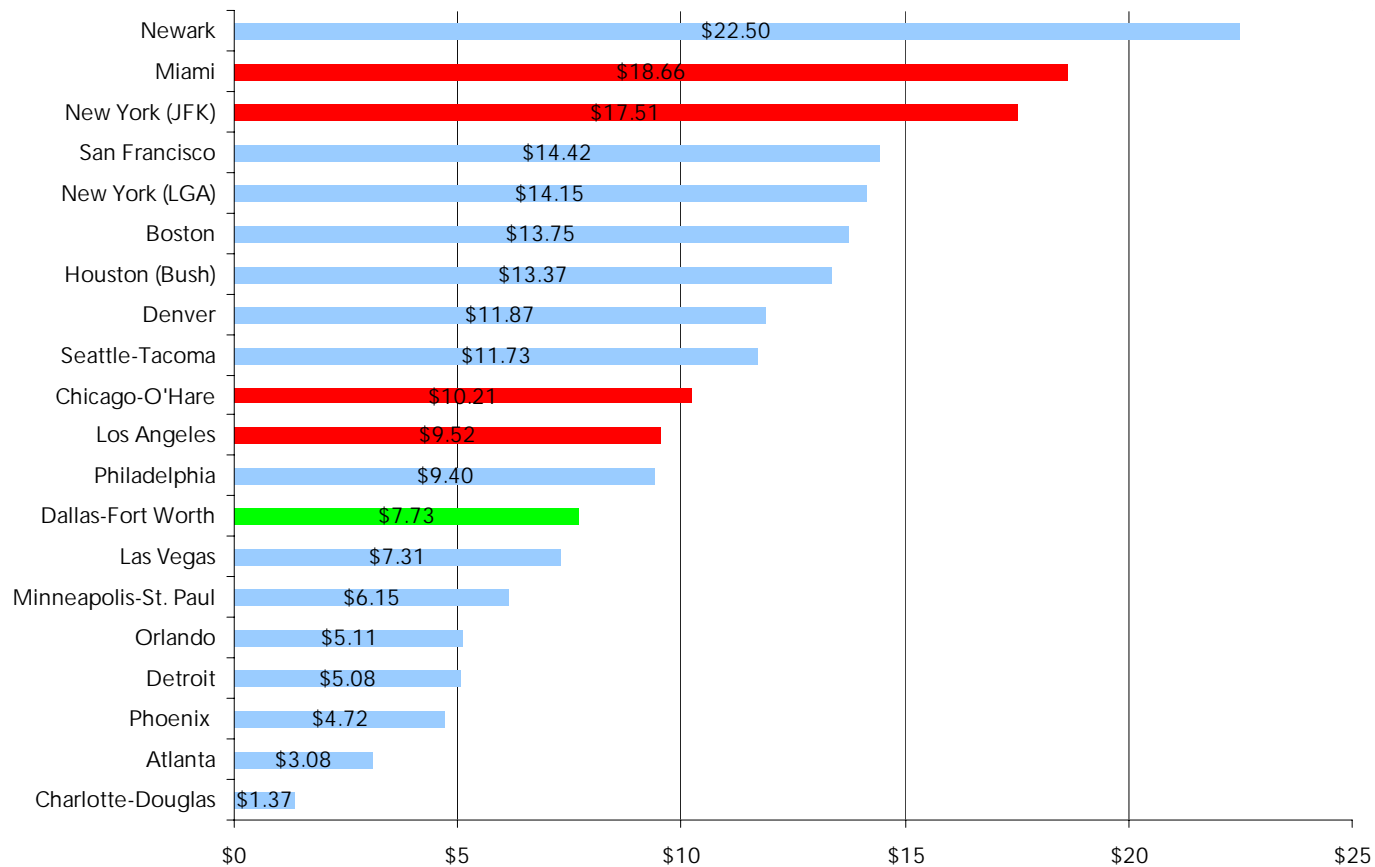
DFW has been able to hold average terminal rental rates at under \$14.50 over the past four years, the lowest terminal rentals in the country



* Pre-settlement

DFW Comparisons to Other Airports – Cost Per Enplanement

Cost per Enplaned Passenger Comparison - DFW FY2009 = \$7.73

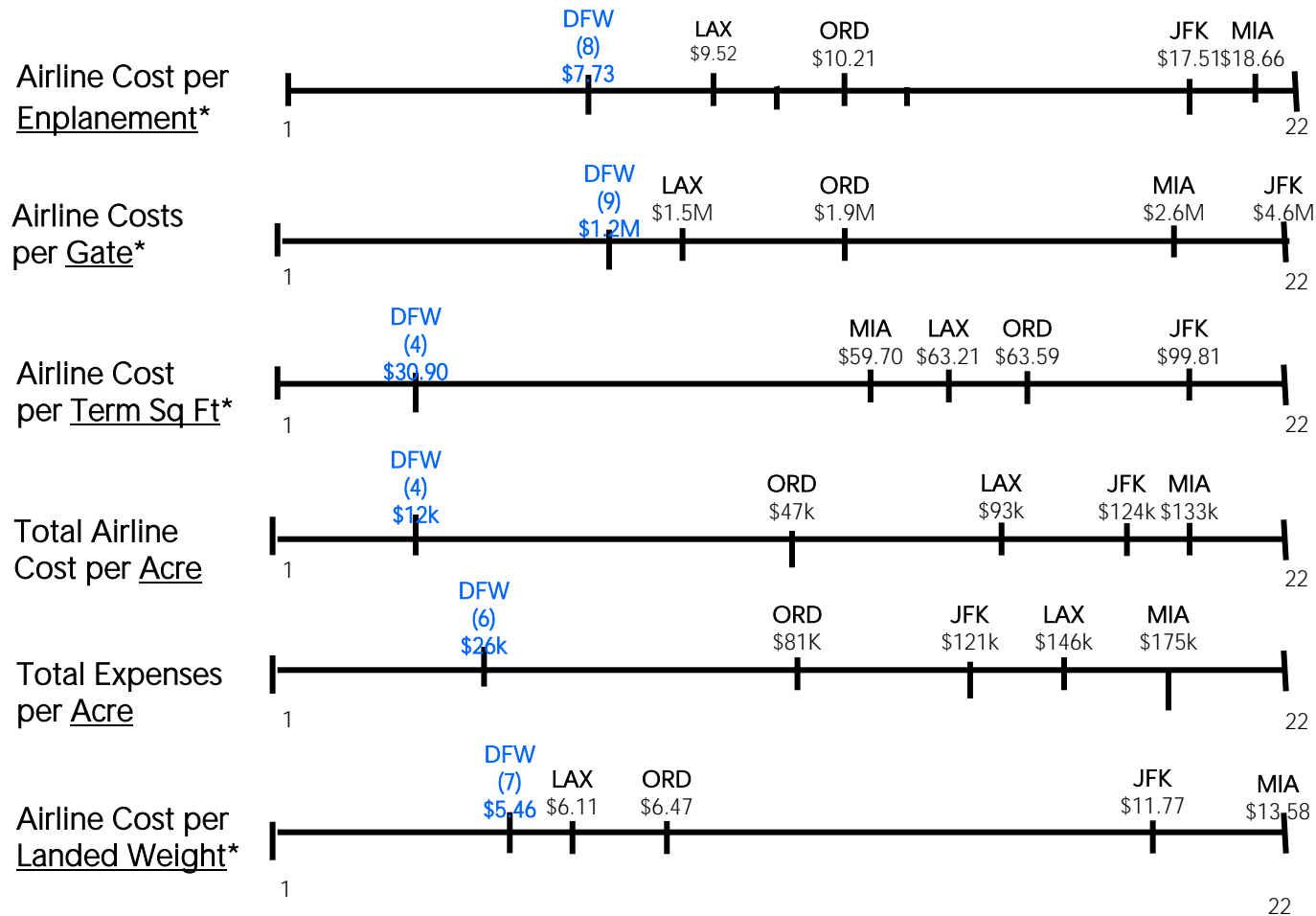


Source: 2007 CPE's from ACI Survey and Jacobs Consulting.
2007 enplanements adjusted for change in OAG seat volumes from Nov. 2007 to Nov. 2008 adjusted for 2% economic factor.



DFW Comparison to Other Airports - AA Hubs

DFW is AA's lowest cost hub and one of best of largest 22 airports



* Passenger Airline Cost



Summary

- DFW has been able to offset \$23M of cost increases with \$23M of cost savings to keep the budget flat at \$640M.
- DFW is committing a maximum of \$10M to reduce airline costs
- DFW will implement a split landing fee rate
 - \$4.37 for first six months
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