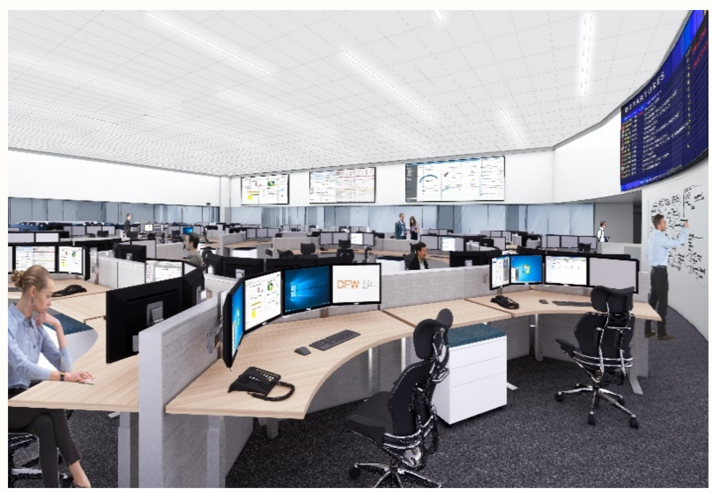
DALLAS
FORT WORTH
INTERNATIONAL
AIRPORT

FY 2021 Proposed Budget



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DFW DALLAS FORT WORTH INTERNATIONAL AIRPORT

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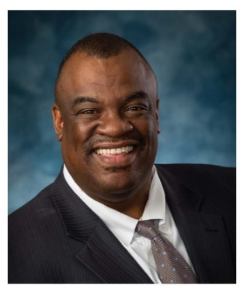

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DFW'S Vision Statement

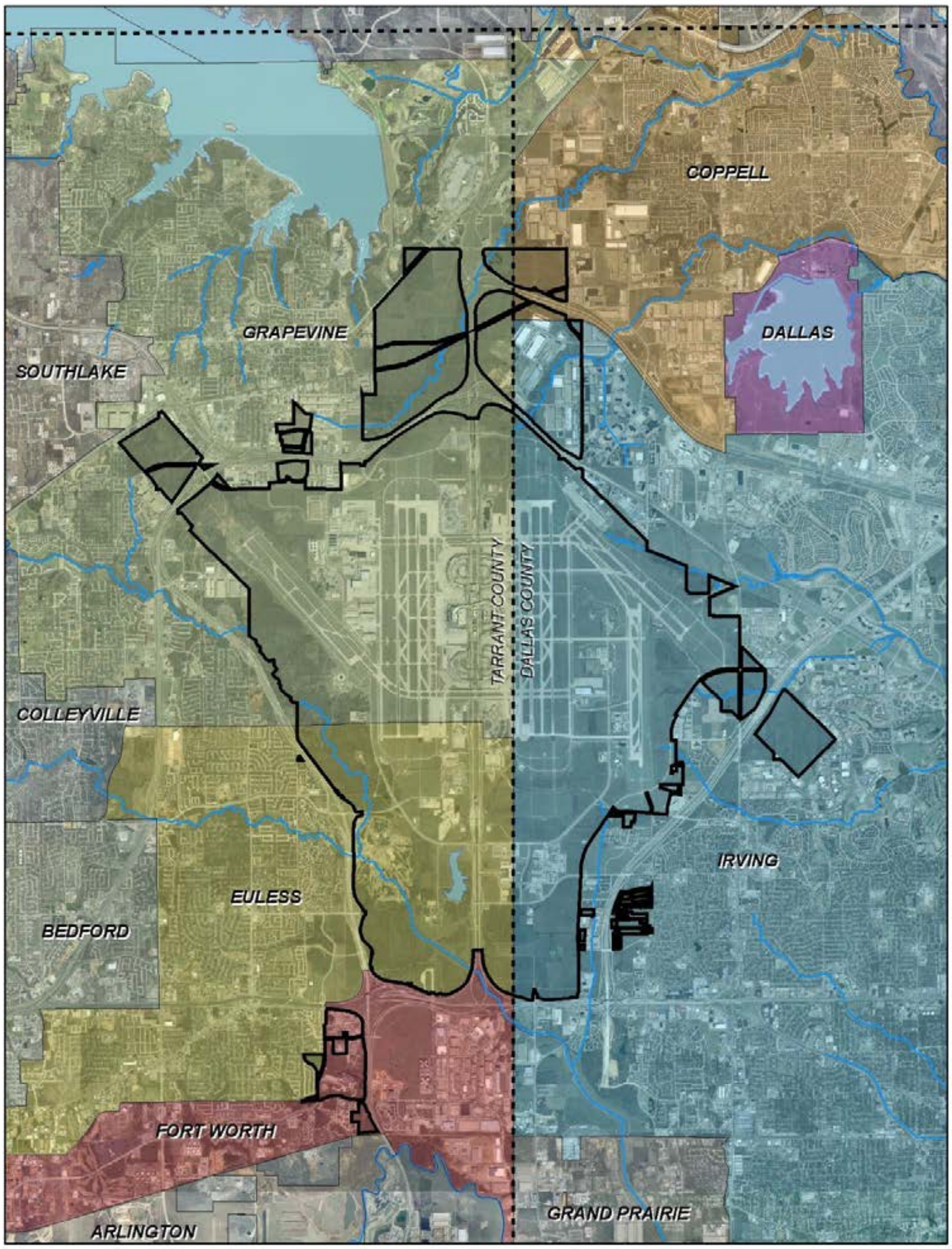
Travel. Transformed.

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.

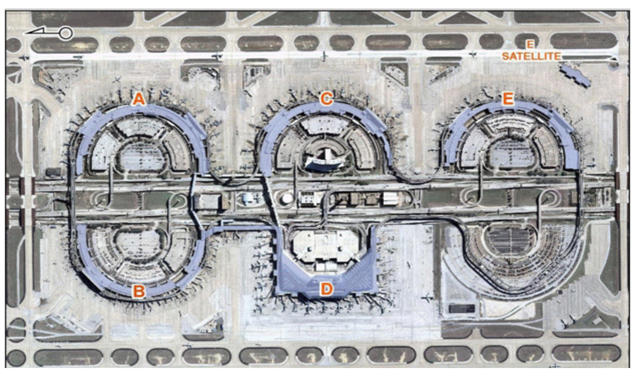


Source: DFW Airport Information Technology Services

DFW consists of 26.9 square miles (or 17,183 acres), one of the largest land mass airports in the world. In 2019, DFW was named Airport of the Year by Air Transport World, recognizing the Airport's innovation in providing a world-class customer experience, global leadership in sustainability, cost effective and efficient operations, excellent partnership with the airlines, and collaboration with local communities to further develop the economic benefits of aviation in the Dallas Fort Worth region. For calendar year 2019, DFW ranked 10th in the world for passengers and third in the world for operations according to Airports Council International. DFW is located within a four-hour flight time of 98% of the U.S. population, and its central location is the focal point of one of the nation's largest intermodal hubs, connecting air, rail, and interstate highway systems. The Airport serves as a major economic generator for North Texas powering a $613 billion economy. As of February 29, 2020, before the COVID-19 pandemic, DFW operated daily passenger flights to 259 destinations worldwide, including 192 nonstop domestic destinations and 67 nonstop international destinations. The pandemic resulted in significant temporary reductions in service. Per DFW's Preliminary Official Statement for its 2020A tax exempt bond refunding, all but one domestic destination and four international destinations were scheduled to be reinstated by December 31, 2020.

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, four of which have TSA expedited screening for domestic passengers. In FY19, the airlines averaged seven turns per active gate. The Airport is currently constructing four new international gates south of Terminal D. The gates will be completed by the summer of 2021 and will be utilized by American Airlines (American) and other airlines. Early in 2020, the Airport closed the four southernmost gates in Terminal C and will demolish and rebuild the gates by the summer of 2022.



DFW Terminal Complex

American Airlines operates mainline domestic service in Terminals A, B, C and D. All of American's international arrivals are in Terminal D. Their international departures are primarily in Terminal D, with several operated from Terminals A and C. American Eagle operates regional domestic service in Terminals B, D and E. Their international arrivals are in Terminal D with international departures in Terminals B, D and E. All other airline domestic flights operate from Terminal E, except for Sun Country and a few seasonal flights in Terminal D. Except for pre-cleared international flights, airline international arrivals and most departures operate from Terminal D, with a few international departures in Terminal E.

Terminal D has 2.2 million square feet and 26 gates. Seventeen gates are preferentially leased to

American and the remaining nine gates are common use. The preferential gate lease expires on September 30, 2021, as part of the Airline Lease and Use Agreement. The Airport's U.S. Customs and Border Protection (CBP) facilities are in Terminal D. The CBP facility is approximately 406,000 square feet with 4 inspection booths and 27 inspection podiums, 20 Global Entry kiosks with facial recognition biometrics, and 82 Automated Passport Control 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.

In FY21, the Airport expects CBP will install facial comparison with biometrics (known as Air Entry) for primary processing of arriving international passengers at each of the inspection podiums. CBP is also expected to pilot and install automated electronic self-service barriers (eGates) for Global Entry. This change will involve the removal of the Global Entry kiosks, replacing them with eGates equipped with facial recognition and border control software.

The Airport is responsible for the custodial services in Terminals B, D and E, and has assumed custodial services in public areas of Terminals A and C in FY20. American is responsible for facilities maintenance in Terminals A and C, and 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 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 DFW'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 northwest/southeast diagonal runways. Four of DFW's runways are 13,400 feet in length which support long-haul international departures. DFW's infrastructure is capable of supporting the largest commercial aircraft currently in operation such as the Airbus A380 and the Boeing 747-8F. Per Federal Aviation Administration (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.

Integrated Operations Center – A new 40,000 square-foot Integrated Operations Center (IOC) facility will begin operations in FY21. The IOC will combine functions of the Airport Operations Center and Emergency Operations Center and will also incorporate operational team members from Customer Experience, Energy Transportation Asset Management (ETAM), Environmental, Transportation Business Unit, Communications and Marketing, Tactical Communications, Information Technology Services, Transportation Security Administration (TSA) and other stakeholders. By combining planning, monitoring, executing and reviewing functions together, in one location, the IOC will provide comprehensive situational awareness, predictive and proactive responses, and will enhance the customer experience. The IOC will serve as a single contact point to centralize communications for DFW's passengers, guests, tenants, employees, and contractors. The IOC will be the coordination center that provides 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. The team will track, on average, 36,000 maintenance and custodial work orders per year and address approximately 25,000 phone calls per month.

<u>Skylink Automated People Mover (APM)</u> – The Skylink APM system began service in 2005 and historically carries an average of approximately 129,000 passengers and employees each day (47 million annually prior to the COVID-19 pandemic) 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 normally operates around-the clock with 16 two-car trains.

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 and revenues of the Public Facility Improvement Corporation (PFIC).

Strategic Plan

DFW Airport adopted the organization's current Strategic Plan in FY17. The structure of the plan is shown below. DFW's Strategic Plan is available at www.dfwairport.com.

Vision

Travel. Transformed.

Mission

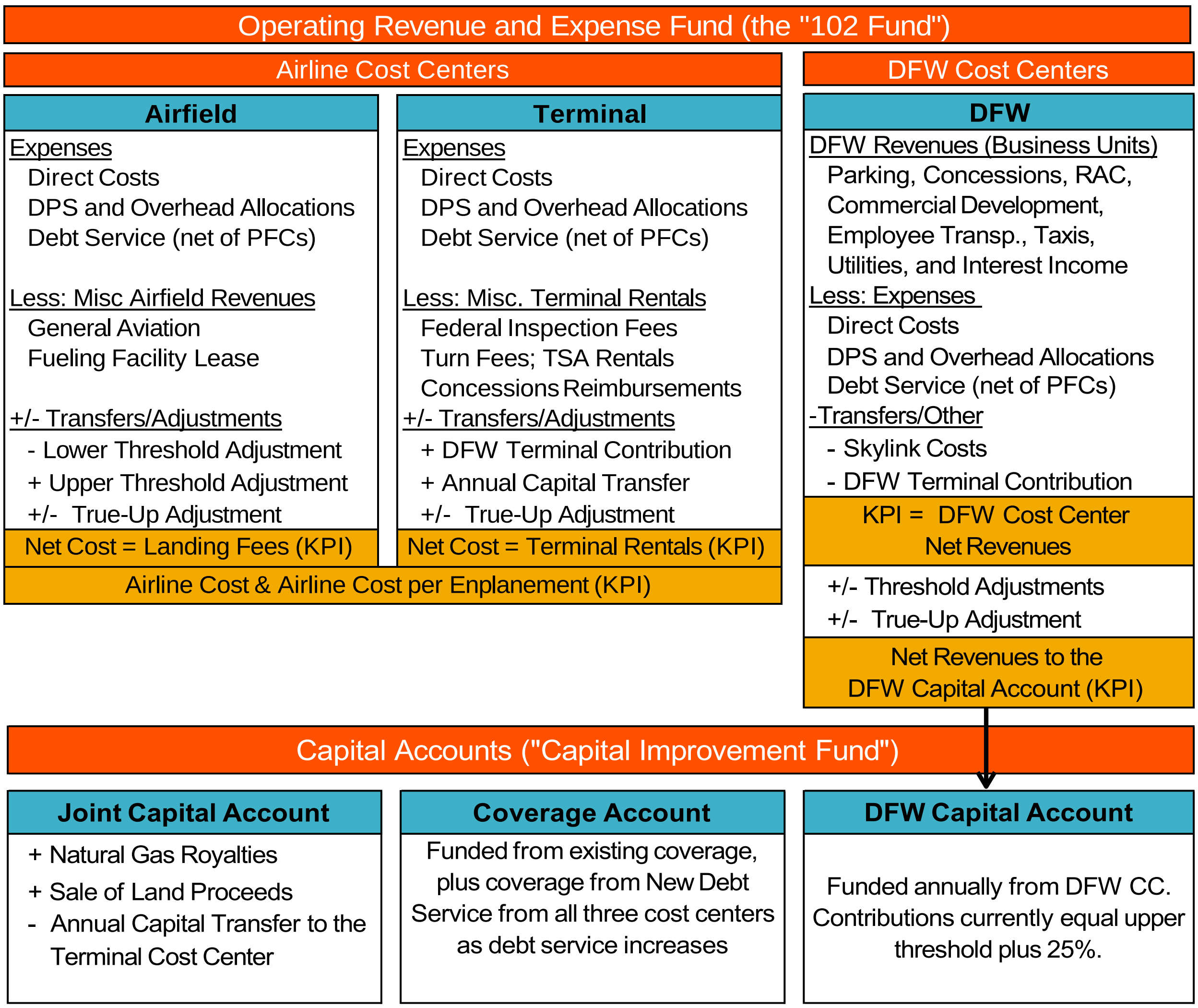
We provide an exceptional Airport experience for our customers and connect our community to the world.

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 costs to provide those services. 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 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 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," an airport industry Key Performance Indicator (KPI). Another common industry KPI is passenger airline cost per enplaned passenger (CPE). This KPI is calculated by dividing airline cost by the number of enplanements.

DFW Cost Center (CC) – 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, driving 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 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 DFW CC Net Revenues. If DFW CC Net Revenues are budgeted to be less than the Lower Threshold ($46.1 million in FY21), an incremental charge (i.e., a Lower Threshold Adjustment) is collected through landing fees in an amount sufficient to achieve the Lower Threshold amount. 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 DFW CC Net Revenues are budgeted to be greater than the Upper Threshold ($70.7 million in FY21), 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 provides sufficient funds for capital replacement and 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.

<u>DFW Terminal Contribution</u> – 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 FY21.

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 following table 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 DFW's funds, whereas the Annual Budget focuses on revenues and expenses included in the 102 Fund only. 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 assumed 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 document. These businesses are specifically excluded from the airline rate base per the Use Agreement. DFW issued bonds to refinance the bonds issued by the PFIC for the construction of the Grand Hyatt Hotel and Rental Car Facility. The PFIC 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.

FY21 Budget Comparisons to Other Periods

FY20 Budget – The Board approves a total annual budget each year that consists of operating expenditures and debt service. Management has authority to move money between the categories. The budget also includes an amount of contingency outside the rate base that is controlled by the Board. Management must get Board approval to use these funds. Near the end of FY19, DFW refunded bonds that resulted in debt service savings. Management reallocated $4.9 million of the savings from the debt service category to the operating expenditure category, resulting in FY20 Operating Expense Budget increasing from $529.2 million to $534.1 million. A corresponding reduction was made to the FY20 Debt Service Budget. These adjusted amounts are used for comparison purposes in the FY21 Budget Book.

FY20 Outlook – DFW employs continuous forecasting techniques to project revenues for the full 12 months of the fiscal year, which is called the Outlook. Most of the revenue tables and charts in this budget document include comparisons to the FY20 Outlook primarily to highlight the impact of the COVID-19 pandemic and the use of CARES Act funds on total revenues. During the COVID-19 crisis, management lowered expenses by $53 million and debt service by $25 million in FY20 from the original budget. This budget book compares expenses to the original FY20 Budget rather than Outlook to provide readers a full accounting of the changes made between fiscal years.

Presentation of Amounts and Prior Years Actuals – The FY21 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 FY21 presentation.

Budget Schedule

DFW's fiscal year begins October 1. The FY21 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 26, 2020, with follow-up information provided on July 13, 2020. The final recommended Budget was presented to and approved by the Finance/Audit Committee of the Board on August 4, 2020, and the full Board on August 6, 2020. The FY20 Budget must be submitted to the City Managers of Dallas and Fort Worth by August 15, 2020, with approval of the two City Councils by September 30, 2020.

Executive Summary - FY21 Budget

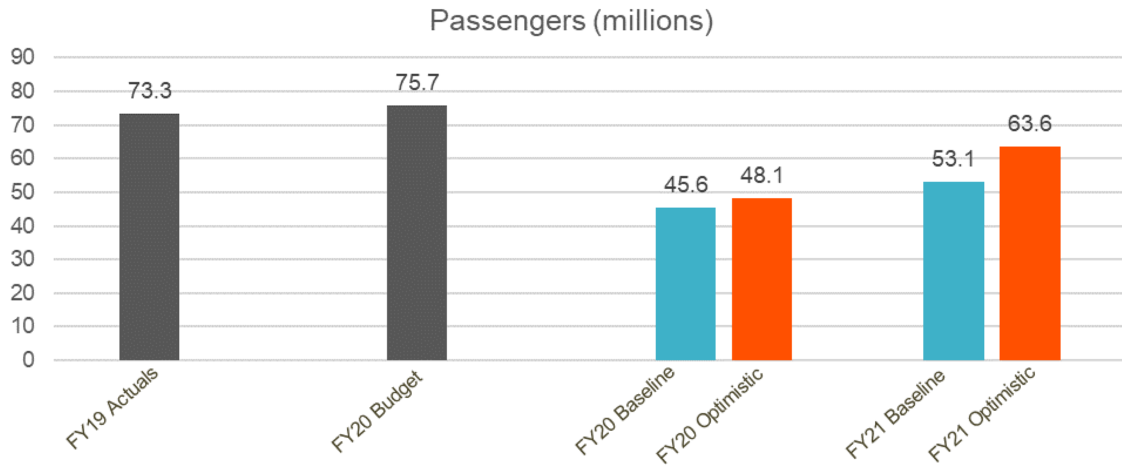
COVID-19 has had a material impact on DFW's aircraft operations, passenger volumes, revenues and costs beginning in March 2020 and will continue to have a major impact in FY21. Most variance explanations for the FY21 Budget will be directly due to the impact of COVID-19 and/or the addition of CARES Act funds applied to the various cost centers. The major themes for DFW's FY21 Budget follow.

- DFW has recovered, and expects to continue to recover, faster from COVID-19 than other US airports from an operations and passenger standpoint.
  - Passengers are budgeted at 53.1 million, a 7.5 million (16.5%) increase over the passenger projection for FY20 of 45.6 million primarily due to American Airlines' announced strategy to extensively utilize DFW, its largest connecting hub.
- Management has reduced the FY21 Expenditure Budget by $68.7 million.
  - Management identified $57.2 million (10.7%) of expense budget reductions before adding back certain fixed cost increases and funding for strategic priorities. The total FY21 Operating Expense Budget is $495.2 million, a $39.0 million (7.3%) reduction from the FY20 Budget.
  - The debt service budget is $468.2 million, $29.7 million (6.0%) lower than the FY20 Budget primarily due to savings achieved from the July 2020 refundings.
- DFW has attained its publicly stated goal to keep FY21 landing fees and terminal rental rates flat to the FY20 Budget by reducing costs and utilizing CARES Act proceeds.
- Cost per Enplanement (CPE) is budgeted at $17.28, a $2.22 (11.4%) reduction from the projection for FY20 of $19.50.
- DFW Cost Center Net Revenues are budgeted at $164 million. Of this amount, $70 million is budgeted to be shared with the airlines and the remaining $94 million will be transferred to the DFW Capital Account. These amounts are flat to the FY20 Budget due to the reduction in costs and the utilization of CARES Act funds.

Passengers, Operations and Landed Weights

In May 2020, DFW developed a conservative baseline passenger forecast and a more optimistic passenger forecast for FY20 and FY21 as shown in the chart on the following page. The primary difference between the two forecasts is the potential timing of a COVID-19 vaccine. The baseline forecast assumes that a vaccine is available for widespread use late in calendar year 2021 compared to the more optimistic forecast which assumes a vaccine is available in early calendar year 2021.

The FY20 Outlook and FY21 Budget were developed from the baseline passenger forecast, which projects DFW returning to FY19 passenger levels in September 2022 (i.e., month over month, September 2021 compared to September 2019). The optimistic forecast assumes DFW reaches FY19 levels in September 2021. The Airport projects that domestic air travel will return faster than international air travel.



Originating passengers begin their trip at DFW. Destination passengers live elsewhere and fly to DFW for business or leisure. Passengers who travel through DFW to get to their destination are connecting passengers. Enplanements represent all passengers boarding a plane. 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. Given American Airlines' announced strategy to utilize its DFW hub heavily, management has budgeted connecting passengers to increase faster than originating or destination passengers.

	FY20	FY20	FY21	FY21 B vs FY20 OL	
	Budget	Outlook	Budget	Amount	Percent
Passengers (Millions)					
Origination	17.4	9.8	11.1	1.3	12.7%
Destination	13.6	8.0	8.9	0.9	11.8%
Connecting	44.7	27.8	33.1	5.3	19.1%
Total Passengers	75.7	45.6	53.1	7.5	16.5%
Enplanements (Millions)	37.8	22.8	26.5	3.7	16.4%
Landed Weights (Billions)	48.9	35.6	42.0	6.4	18.0%
Operations (Thousands)	728	545	647	102	18.7%

Landed weights and operations are budgeted to increase 18% and 18.7% respectively in FY21, as the economy begins to recover from the effects of COVID-19.

FY 2021 Budget Comparison

The table below compares the FY20 and FY21 Expenditure Budgets. The FY21 Expenditure Budget within the rate base is $963.4 million (6.7%) less than the FY20 Budget. The total budget within the rate base consists of budgeted operating expenses and gross debt service. Per the terms of the Use Agreement, these costs are used to calculate airline rates and charges (e.g., landing fees and terminal rental rates).

			FY21B v FY20B Inc (Dec)	
Annual Budget (in Millions)	FY20 Budget	FY21 Budget	Amount	Percent
Operating Expenses	$534.1	$495.2	($39.0)	(7.3%)
Gross Debt Service	497.9	468.2	(29.7)	(6.0%)
Total Expenditures Budget within rate base	$1,032.0	$963.4	($68.7)	(6.7%)
Passenger Driven Contingency outside rate base	-	8.0		
Board Contingency outside rate base	10.0	10.0		
Total Budget w/Contingency	$1,042.0	$981.4		

The FY21 Budget includes a request for $8 million of passenger driven contingency outside the rate base and $10 million of Board Contingency outside the rate base. The Airport has historically requested $10 million of Board controlled contingency when requesting approvals from the Owner Cities. This contingency can only be used with the Board of Directors' approval. This contingency has been used in the past when large unexpected expenses are required, such as a new DHS security requirement; or when non-airline revenues are significantly higher than budget, or when the Airport desires to make an incremental contribution to its pension plans.

The request for passenger driven contingency outside the rate base has been included for the first time in FY21 due to the significant uncertainty regarding the timing of the Airport's recovery from COVID-19. If passengers recover more quickly than budgeted, DFW will most likely need to add back services related to the incremental flights and passengers (e.g., busing, terminal cleaning, wheelchair service, CBP overtime). Each of these budgets were reduced in FY21. The Budget Walkforward below identifies $14 million of passenger/airline service-related reductions. A higher number of passengers would also result in higher non-airline revenues, which would allow the Airport to incur the incremental costs without increasing airline rates and charges. Management will first utilize CEO contingency within the rate base and notify the Board if it needs to use the passenger driven contingency outside the rate base.

Operating Expense Budget Walkforward

The table on the following page summarizes the major changes in operating expenses between the FY20 Budget and the FY21 Budget. Management identified $57.2 million (10.7%) of savings and budget reductions as part of the FY21 budget process before adding back certain fixed cost increases and funding for certain strategic priorities. This results in a net reduction of operating expenses of $39.0 million (7.3%) from the FY20 Budget. This budget reflects management's recommendation to defer hiring most open positions, to only refill critical positions as vacated, to not include a merit or general pay raise, to eliminate nearly all discretionary spending, and to reduce variable passenger related costs related to items such as busing, maintenance of closed facilities and contract labor supporting passenger activity. Additional explanations of the changes in the Walkforward are addressed in the Operating Expenses section.

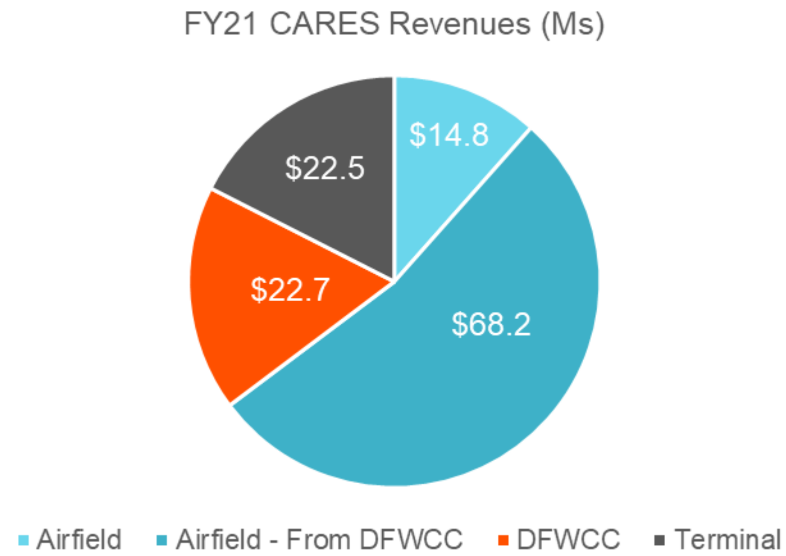
Budget Walkforward (millions)	Amount
FY 2020 Budget	$534.1
Cost Savings and Budget Reductions	
Contract labor and services	(15.4)
Passenger/airline service reductions	(14.0)
Salaries and benefits	(8.9)
Asset management, fuels and facilities	(6.2)
Other savings	(6.9)
Reduce operating reserve	(5.8)
Total Cost Savings and Budget Reductions	(57.2)
Cost Increases	
Strategic Priorities	
Custodial and cleaning	3.0
Integrated Operations Center (IOC) staffing	2.3
Fixed increases:	
Property Insurance premiums	2.8
Technology	2.1
Skylink maintenance	1.4
Baggage handling and other maintenance	1.3
Restore CEO Contingency in rate base	5.1
Other, net	0.3
Net Decrease in Budget	(39.0)
FY 2021 Budget	$495.2

CARES Act

DFW was granted $299.2 million as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. Management estimated that projected airline and passenger net revenues for FY20 would be approximately $170 million less than the FY20 Budget. This left approximately $129 million for future use. Management has included $128.3 million of CARES Act funds in the FY21 Budget which is sufficient to achieve the Airport's stated goal to keep airline rates and charges and the transfer to the DFW Capital Account the same as the FY20 Budget.

CARES Act funds are considered a Gross Revenue of the Airport from a bond ordinance standpoint and a miscellaneous revenue from a Use Agreement perspective. The Airport will apply for and utilize CARES grant funds to reimburse itself for debt service in estimated amounts necessary to offset lower net revenues in each cost center.

The pie chart on the following page highlights the application of CARES Act funds to DFW's three cost centers. Note that the chart breaks-out the amount from the DFW Cost Center that is shared with the airlines to reduce landing fees and what is transferred to the DFW Capital Account. See more information in the Airline Cost section.



Revenues Overview

The following table summarizes revenues by cost center and other sources including CARES Act revenues. It compares the FY20 Budget, FY20 Outlook and the FY21 Budget. Please refer to the Airline Cost Center and DFW Cost Center sections for more detail on revenues. The changes in all revenue categories is correlated with the impact of COVID-19 on passenger and airline activities.

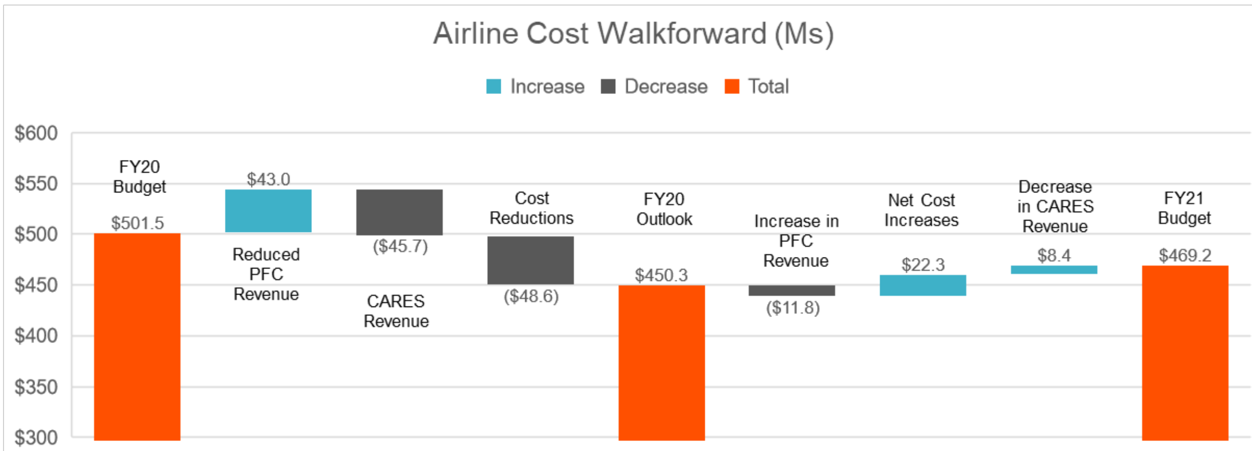
	FY20	FY20	FY21	FY21B vs FY20OL	
Millions	Budget	Outlook	Budget	Amount	Percent
Revenues					
Airfield Cost Center	$191.8	$163.8	$174.2	$10.4	6.3%
Terminal Cost Center	417.5	392.3	395.5	3.2	0.8%
DFW Cost Center**	338.2	200.4	221.6	21.2	10.6%
PFCs and Other	178.1	121.7	137.8	16.1	13.2%
Cares Act Revenues	-	170.0	128.3	(41.7)	-24.5%
Total Revenues	$1,125.5	$1,048.2	$1,057.4	$9.2	0.9%

**Excludes transfer from DFWCC and Terminal Contribution

DFW collects a $4.50 Passenger Facility Charge (PFC) from most enplaned revenue passengers. This revenue is used as an offset to 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.

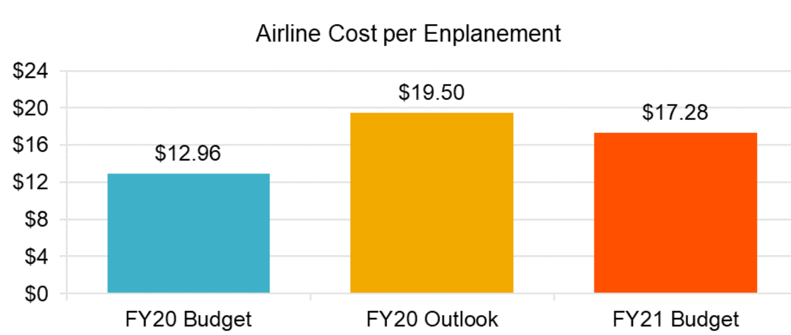
Airline Cost

Airline cost represents the fees paid to DFW by the passenger and air cargo carriers, primarily for landing fees and terminal rents. The FY21 Airline Cost Budget is $469.2 million, $18.9 million (4.2%) higher than the FY20 Outlook, but $32.3 million (6.4%) less than the FY20 Budget. The following chart is a "waterflow analysis" of airline cost between the FY20 Budget and the FY21 Budget. It should be noted that although airline cost increases 4.2% from FY20 Outlook to FY21 Budget, the landing fee rate and terminal rental rates remain constant because of increased landed weights and terminal common use gate utilization by the airlines.



Passenger Airline Cost Per Enplanement

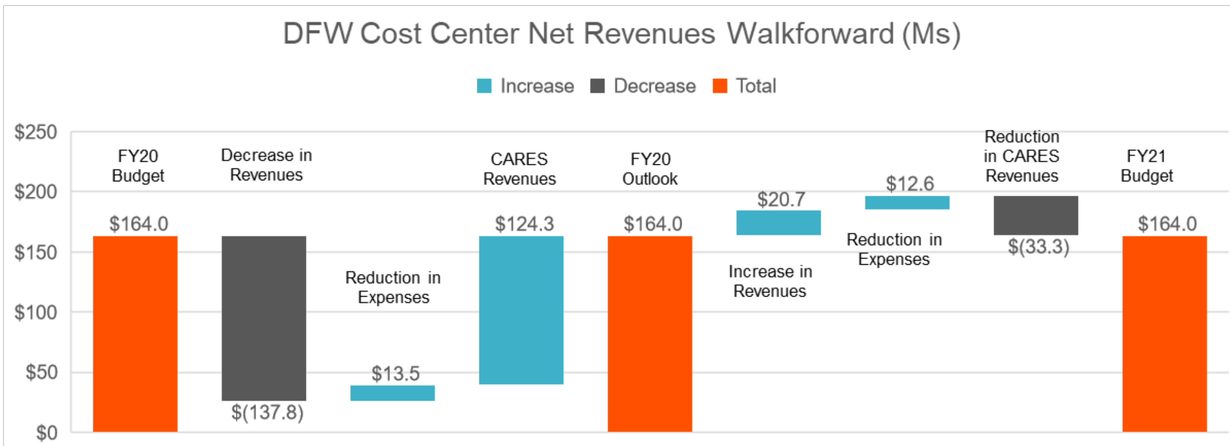
<u>Cost Per Enplanement</u> – CPE represents total passenger airline revenue (cost to the airlines) paid to DFW divided by the number of enplaned passengers. Cost per enplanement excludes cargo landing fees. CPE is a standard metric used by the airline industry. Enplaned passengers (the denominator) are a key revenue/cost driver for the airlines; however, this is not the case for airports. Airport costs are primarily fixed and are directly related to the operation and maintenance of airport's terminals, facilities and runways. DFW estimates that approximately 80-85% of its costs are fixed. Notwithstanding this issue, the industry uses this indicator as a cost performance metric. CPE is budgeted to decrease 11.4% because passengers are projected to grow faster (20.1%) than the increase in passenger airline cost (3.2%).



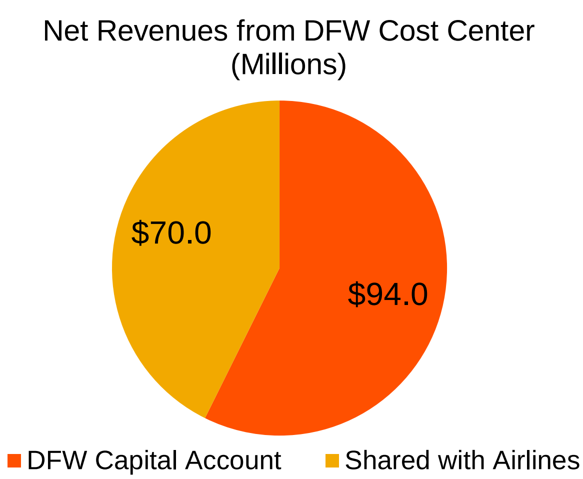
The budget book normally includes a benchmark comparison of DFW to other large hubs with the latest available data (which would have been FY 2019). Given COVID-19's impact, DFW does not have comparative information with other airports. Management expects that DFW's CPE will return to FY20 Budget levels after the industry recovers from the pandemic and passenger levels return to budgeted FY20 levels. Since DFW has recovered more quickly than other airports, it is reasonable to conclude the DFW's CPE will compare favorably to other large hub airports during the COVID-19 pandemic timeframe.

DFW Cost Center Net Revenues

The following chart is a waterfall analysis of DFW Cost Center (DFWCC) net revenues. This represents the profit from non-airline businesses, such as parking, concessions, rental car and commercial development. The FY20 Budget, FY20 Outlook and FY21 Budget all reflect net revenues of $164 million primarily due to cost reductions and the application of CARES Act proceeds in both fiscal years. See more discussion of variances in the DFW Cost Center section.



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" ($70.0 million in FY21) with the airlines. The Use Agreement also requires a terminal contribution from the DFW Cost Center to the terminal cost center for vacant space in the terminals. The terminal contribution for FY21 is $2.8 million, resulting in the total amount of budgeted net revenues shared with the airlines equaling $72.8 million.



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 (called a true-up adjustment). Or, if costs are higher than collections, DFW will charge the airlines a true-up adjustment the following fiscal year. This will occur in FY21. The Airport lowered terminal rents by approximately 30% in the last quarter of FY20 to help the airlines through the COVID-19 crisis. This action is expected to result in approximately a $30 million shortfall in FY20. This will be collected through a true-up adjustment in April through September 2021. The $30 million shortfall will be recorded as a receivable on DFW's financial statements at fiscal year-end.

Airline Cost Walkforward

The following table is a Walkforward of airline cost from the FY20 Budget to the FY20 Outlook to the FY21 Budget. To explain the table, a decrease in a non-airline revenue (like PFCs) is shown as a positive number because it requires the airlines to pay higher fees (i.e., increase airline cost). On the other hand, the addition of CARES revenue reduces airline costs.

Airline Cost Walkforward (in Millions)	Amount
FY 2020 Budget	$501.5
Decrease in PFCs	43.0
Increase in CARES revenue	(45.7)
Net cost reductions	(48.6)
FY 2020 Adjusted Outlook	$450.3
Increase in PFCs	(11.8)
Decrease in CARES revenue	8.4
Net cost increases	22.3
FY 2021 Budget	$469.2

Summary of Airline Cost

The following table summarizes airline costs included in the FY20 Budget, FY20 Outlook and FY21 Budget. The FY21 Budget increased 4.2% due to higher net cost (see next page). However, landing fee rates and terminal rental rates have remained constant due to higher utilization of these services by the airlines.

Airline Revenue/Costs (in Millions)	FY20 Budget	FY20 Outlook	FY 21 Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Landing Fees	$108.7	$81.8	$93.5	$11.7	14.2%
Terminal Leases	331.9	331.9	331.8	(0.1)	(0.0%)
FIS Fees	27.6	17.4	15.3	(2.1)	(11.8%)
Turn Fees & Terminal Office Rents	32.7	18.4	27.9	9.5	51.4%
Aircraft Parking	0.7	0.7	0.6	(0.1)	(13.4%)
Total Airline Revenue/Cost	$501.5	$450.3	$469.2	$18.9	4.2%

Airfield Cost Center

The table below compares the FY20 Budget, FY20 Outlook and FY21 Budget for the Airfield Cost Center. This is a residual cost center, so revenues equal expenses in all three periods with landing fees as the balancer. See further discussion below.

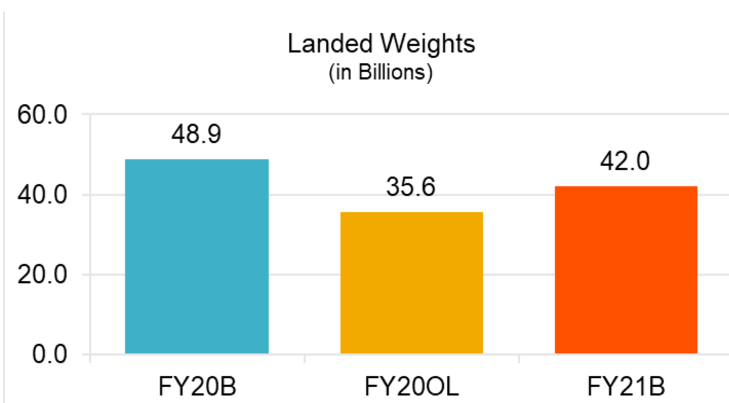
Airfield CC (in Millions)	FY20 Budget	FY20 Outlook	FY21 Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Revenues					
Landing Fees	$108.7	$81.8	$93.5	$11.7	14.2%
Transfer from DFWCC	70.5	70.5	70.0	(0.5)	(0.7%)
CARES Act Revenue	0.0	44.8	14.8	(30.0)	(66.9%)
Other	12.7	11.5	10.7	(0.8)	(6.8%)
Total Revenues	191.8	208.7	189.0	(19.7)	(9.4%)
Expenditures					
Operating Expenses	109.2	101.2	105.1	3.9	3.8%
Net Debt Service	82.6	107.4	83.9	(23.5)	(21.9%)
Total Expenditures	191.8	208.7	189.0	(19.7)	(9.4%)
Net Airfield Revenue	$0.0	$0.0	$0.0	$0.0	n/m

Calculation of Landing Fees – The FY21 landing fees budget is $93.5 million, an increase of $11.7 million (14.2%) from the FY20 Outlook primarily due to increased net costs (i.e. lower CARES Act revenues compared to lower costs). The following table shows the calculation of landing fees for the three periods.

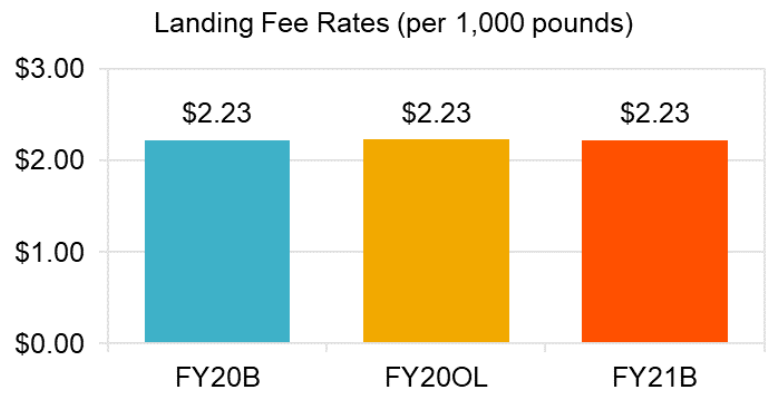
Airfield CC (in Millions)	FY20 Budget	FY20 Outlook	FY21 Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Expenditures					
Operating Expenses	$109.2	$101.2	$105.1	$3.9	3.8%
Net Debt Service	82.6	107.4	83.9	(23.5)	(21.9%)
Total Expenditures	191.8	208.7	189.0	(19.7)	(9.4%)
Revenues					
Transfer from DFW Cost Center	70.5	70.5	70.0	(0.5)	(0.7%)
CARES Act Revenue	0.0	44.8	14.8	(30.0)	(66.9%)
Aircraft Parking	0.7	0.7	0.6	(0.1)	(13.4%)
Corporate Aviation	2.8	1.9	1.3	(0.5)	(27.5%)
Fuel Facility Ground Lease	5.7	5.9	6.2	0.3	5.6%
DPS	3.6	3.3	3.0	(0.3)	(8.7%)
Other	(0.1)	(0.1)	(0.3)	(0.2)	173.6%
Revenues before Landing Fees	83.1	126.8	95.5	(31.3)	(24.7%)
Landing Fees	$108.7	$81.8	$93.5	$11.7	14.2%

The Use Agreement requires DFW to share revenues from the DFW Cost Center to lower landing fees. Other airfield revenues include CARES Act proceeds, fees for aircraft parking, landing and other fees for the use of DFW's corporate aviation facility, ground lease payments for the fuel farm (operated for the airlines by a third party), and an allocation of Department of Public Safety (DPS) revenues. Although $30 million less than the FY20 Outlook, DFW utilized the appropriate amount of CARES Act funds to keep landing fees flat at $2.23 (see below).

Landed Weights – Landed weights are budgeted for 42.0 billion in FY21, a 6.4 billion (15.3%) increase from the FY20 Outlook. The increase is primarily due to an expected recovery in flights from COVID-19.



Landing Fees – 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. However, the Airport applied CARES Act proceeds in amounts necessary to keep landing fees the same in all three periods as shown below.



Per the Use Agreement, non-signatory airlines are assessed a rate that is 25% greater than signatory airlines. Non-signatory landed weights are only 0.4% of total weights in FY21.

Cargo

DFW Airport is increasingly being recognized as an attractive cargo gateway, providing direct access to the fast-growing Sunbelt region and acting as a superior 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. Cargo represents 11.3% of DFW's budgeted landing fees in FY21.

The COVID-19 pandemic has impacted cargo operations, but not as severely as passenger airline activity. After several years of sustained growth in cargo, the Airport projects 810,000 tons of cargo in FY21, a 3.0% reduction from FY20 Outlook. DFW projects that FY20 cargo tons will be down 14.1% from FY19 due to the pandemic. However, DFW will have outperformed the global cargo market which is projected to be down 18%. Uncertainty will continue in the global logistics market in FY21; however, DFW believes it is well positioned to outperform the global market due to recent investments in growing verticals including e-commerce, perishables, and pharmaceuticals.

Cargo Tonnage (in 000s)			
FY	Cargo Tonnage (US tons)	Change	Percent
2018	911	-	-
2019	972	61	6.7%
2020 OL	835	(137)	(14.1%)
2021 B	810	(25)	(3.0%)

Terminal Cost Center

The table below compares the FY20 Budget, FY20 Outlook and FY21 Budget for the Terminal Cost Center. Since this is a residual cost center, revenues equal expenses in all three periods. Revenue variances between the FY21 Budget and the FY20 Outlook are explained below.

Terminal CC (in Millions)	FY20 Budget	FY20 Outlook	FY21 Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Revenues					
Operating Revenue					
Terminal Leases	$331.9	$331.9	$331.8	(0.1)	(0.0%)
FIS Fees	27.6	17.4	15.3	(2.1)	(11.8%)
Turn Fees & Office Rents	32.7	18.4	27.9	9.5	51.4%
Other	22.4	20.9	17.6	(3.3)	(15.9%)
Misc CARES Act Revenue	0.0	0.8	22.5	21.6	N/M
Total Operating Revenue	414.6	389.5	415.2	25.7	6.6%
Transfers					
DFW Terminal Contribution	2.8	2.8	2.8	0.0	0.0%
Total Transfers	2.8	2.8	2.8	0.0	0.0%
Total Revenues	417.5	392.3	418.0	25.7	6.5%
Expenditures					
Operating Expenses	239.4	222.7	233.3	10.5	4.7%
Net Debt Service	178.0	169.6	184.7	15.1	8.9%
Total Expenditures	417.5	392.3	418.0	25.7	6.5%
Net Terminal Revenue	$0.0	$0.0	$0.0	0.0	n/m

Terminal Leases – The FY21 Terminal Lease budget remains flat primarily due to increases in operating expenses and net debt service offset by increases in turn fees and office rents with the balancer of $22.5 million in CARES revenue.

Federal Inspection Services (FIS) Fees – Costs are allocated to the FIS based on its percent share of terminal square footage. The FIS budget in FY21 is $15.3 million, $2.1 million (11.8%) less than the FY20 Outlook. The FY21 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 FY21 and is flat to the FY20 Outlook. FIS passengers do not include arriving passengers from countries where passengers clear U.S. Customs in that country (e.g., Canada).

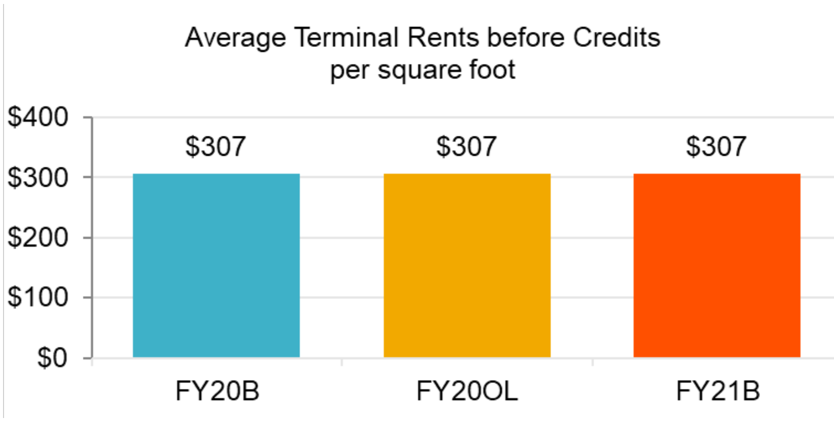
Turn Fees and Office Rents – Turn fees are paid by airlines for common use gates in Terminals D and E in lieu of permanently renting space. Per the terms of the Use Agreement, turn fee rates must change at the same percentage as terminal lease rates. The turn fees budget for FY21 is $27.9 million, a $9.5 million (51.4%) increase from the FY20 Outlook, primarily due to some expected recovery of travel related to turn fees.

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.

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 in FY21 is $2.8 million, which is flat to the FY20 Outlook.

Average Terminal Rents before Credits – 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. The credit in FY21 is $37.6 million.

Total terminal leased square footage in FY21 remained flat to FY20 at 1.204 million square feet. Terminal rental rates remained flat at $307 per square foot. The following chart compares average terminal rents before credits for the FY20 Budget, FY20 Outlook and FY21 Budget.



Cost Per Enplanement (CPE) Calculation

The following table shows the passenger airline cost per enplanement calculation and compares the CPE for the FY20 Budget, FY20 Outlook and FY21 Budget. This KPI only includes passenger-related airline revenues (i.e., costs) and excludes cargo and general aviation revenues. The decrease in CPE is because enplanements are growing faster than airline cost.

Cost Per Enplanement (in Millions)	FY20 Budget	FY20 Outlook	FY21 Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Enplanements [1]	37.8	22.8	26.5	3.7	16.4%
Passenger Airline Cost per Enplanement					
Airline Cost/Revenue	$501.5	$450.3	$469.2	$18.9	4.2%
Less: Cargo	(10.9)	(5.8)	(10.6)	(4.8)	81.5%
Total PAX Airline Revenue	490.7	444.4	458.6	14.2	3.2%
Cost per Enplanement (CPE) [2]	$12.96	$19.50	$17.28	($2.23)	(11.4%)

[1] Corporate Aviation enplanements are excluded from CPE calculation

[2] Actual rates, not in millions

DFW Cost Center

The table below compares the FY20 Budget, FY20 Outlook and the FY21 Budget for the DFW Cost Center. Note, total net revenues for the FY20 Budget, FY20 Outlook, and FY21 Budget equal $164 million. Management has applied CARES Act funds in both the FY20 Outlook and FY21 Budget to pay for debt service in an amount necessary to offset the lost net revenues in this cost center in each period. This allows DFW to keep its share of the DFW Cost Center net revenues transferred to the DFW Capital Account and the amount shared with the Airfield to reduce landing fees flat over these periods. DFW transfers 75% of net revenues in excess of the “upper threshold” ($70.0 million in FY21) with the airfield cost center to reduce landing fees. The $0.5 million sharing difference is attributed to the change in the upper threshold due to inflation.

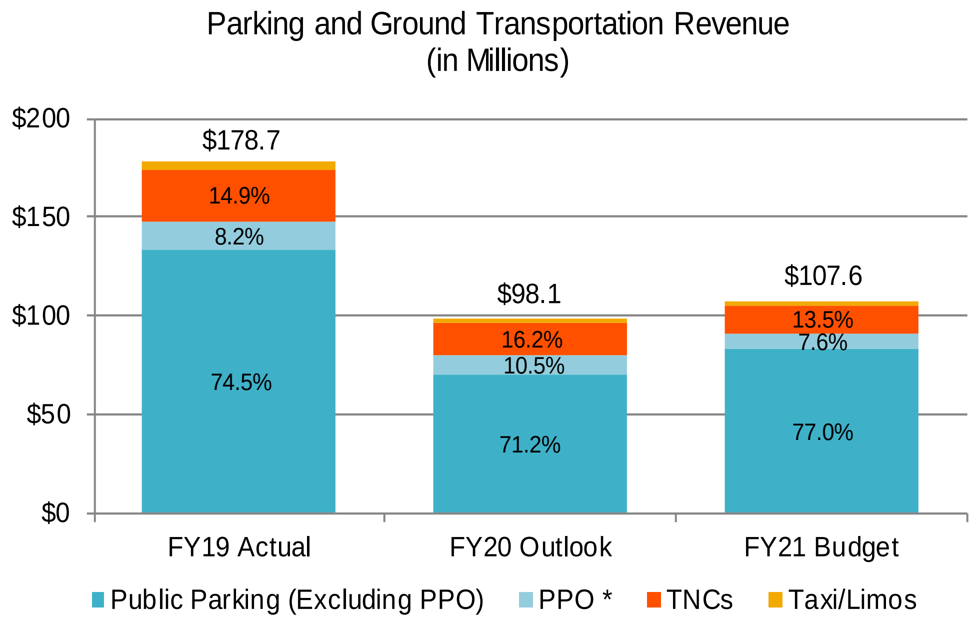
	FY20	FY20	FY21	Increase (Decrease)	
DFW Cost Center (in Millions)	Budget	Outlook	Budget	Amount	Percent
Revenues					
Parking	$181.4	$98.1	$107.6	$9.4	9.6%
Concessions	83.1	46.6	58.7	12.1	26.0%
Advertising	14.6	10.4	11.1	0.7	6.7%
Rental Car (RAC)	33.3	21.8	25.1	3.3	14.9%
Commercial Development	55.3	55.3	57.4	2.1	3.8%
Subtotal	367.7	232.3	259.9	27.6	11.9%
Employee Transportation	18.4	17.2	15.8	(1.4)	(8.2%)
Utilities & Miscellaneous	8.7	10.9	9.1	(1.8)	(16.2%)
DPS	1.6	1.5	1.4	(0.1)	(7.8%)
Interest Income	15.1	11.8	8.2	(3.6)	(30.3%)
CARES Act Revenue	0.0	124.3	91.0	(33.3)	(26.8%)
Total Revenues	411.5	398.0	385.4	(12.6)	(3.2%)
Expenditures					
Operating Expenses	146.9	123.1	118.6	(4.5)	(3.7%)
Net Debt Service	58.6	66.8	56.1	(10.7)	(16.0%)
Total Expenditures and Debt Service	205.4	189.9	174.7	(15.2)	(8.0%)
Gross Margin - DFW Cost Center	206.1	208.1	210.7	2.6	1.2%
Less: Terminal Contribution	2.8	2.8	2.8	0.0	0.0%
Less: Skylink	39.3	41.3	43.9	2.6	6.2%
DFW Cost Center Net Revenues	$164.0	$164.0	$164.0	($0.0)	(0.0%)
Transfer to Airfield Cost Center*	70.5	70.5	70.0	(0.5)	(0.7%)
Amount to DFW Capital Account	93.5	93.5	94.0	0.5	0.6%
Allocation of DFWCC Net Revenues	$164.0	$164.0	$164.0	($0.0)	(0.0%)

* Threshold Adjustment

DFW Cost Center has four business units that focus on growing net revenues (parking, concessions, rental car, and commercial development). The other business units generally use cost-based pricing (except interest income).

Parking

The following table shows the composition of parking and ground transportation revenues for FY19 Actual, FY20 Outlook and FY21 Budget. Ground Transportation (GT) and parking are combined because passengers have the choice to park at the Airport, get dropped off, take a taxi/limo, or use a Transportation Network Company (TNC). The impact of the COVID-19 pandemic is reflected in the decrease in revenues in FY20 and the partial recovery in FY21.



* 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. Management is not proposing an increase in parking rates for FY21. The following table highlights parking products and parking rates before the COVID-19 pandemic.

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

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. The Airport contracts directly with a third party to provide a DFW branded valet service. DFW has five terminal parking garages, two Express lots and two Remote lots.

FY21 Budget – The FY21 parking revenue budget is $107.6 million, an increase of $9.4 million (9.6%) from the FY20 Outlook due primarily to the expected recovery from the COVID-19 crisis.

Before the COVID-19 pandemic, DFW's Parking/GT business was on track to achieve FY20 revenue goals, with the Prepaid Parking Online (PPO) business continuing to grow strongly and providing a competitive low-cost on-airport parking option to customers. However, with demand and revenues falling sharply since the pandemic hit, there has been an increased focus on costs. Given the historically low demand, surface lot profitability was analyzed and the decision was made to shut down both Remote lots as well as Express South, keeping only a reduced operation at Express North open which can easily accommodate current overall surface lot demand. Customers driving up to the closed surface lots are now redirected to Express North, with a rack rate that has been reduced to a flat daily rate of $10 (from $15 for covered and $12 for uncovered), to ensure DFW captures as many Remote lot customers as possible (typically paying a daily rate of $10).

This has allowed DFW to significantly reduce busing/operational costs for the surface lots. Current base demand projections are that the Express North will consistently hit full capacity only next spring, with some earlier peaks during holiday periods. Given there is projected to still be ample capacity in the terminals though FY21 even if demand returns at a much faster rate than anticipated, these overflow drive-up customers will be redirected to terminal garages for the same reduced rate of $10. Express South and Remote customers will thus benefit from a better terminal product at the same price. This also gives DFW the opportunity to introduce and market terminal parking through PPO for future trip.

Overall, PPO will continue to be marketed aggressively as a low-cost, safe, and convenient parking option in FY21 and into the future, with even more focus on understanding various customer segments and developing targeted pricing strategies. Future plans for PPO include premium nested lots for elite customers, loyalty programs, dynamic pricing, bundling and cross-selling opportunities among other things.

Concessions

Background – Terminal concessions consist of food and beverage, retail and duty free, advertising, and various customer services and amenities. Concessions agreements normally consist of leases or contracts that generally range from five to 10 years and are based on percentage rent subject to a minimum annual guarantee. Concessions also issues short term permits for kiosks and storage locations. As of February 29, 2020 (before the COVID-19 pandemic), the Airport had 239 total locations.

Concessions revenues also include contracts for sponsorships, advertising and communications services, which generally have periodic or one-time payments that may be recognized throughout the contract year. 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.

FY21 Budget – The FY21 concessions budget is $69.8 million, a $12.8 million (22.4%) increase from the FY20 Outlook due to the expected partial recovery from the impact of COVID-19. The impact of COVID-19 on concessions is multi-layered, with reductions in seating capacities at dining locations, restrictions in alcohol service and the loss of most international travel for the largest Duty Free operation in North America. Once these impacts became apparent, the Airport elected to convert almost all of its concessionaires from minimum annual guarantees (MAGs) to percentage rent only for the period March 2020 through September 2020. The FY21 Budget assumes that percentage rent will remain in place for the full fiscal year to be conservative; however, the Board of Directors has only authorized it through March 31, 2021 at this time. The Airport also allowed concession locations to close. At the low point in April 2020, DFW had only 75 concessions locations open. Management has developed a plan to reopen locations as passenger demand returns. The FY21 Budget is built on the assumption that approximately 88% of concessions locations will reopen by the end of FY21.

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 that feature 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 Airport has agreements with five rental car companies representing 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 U.S. The Airport now requires these non-traditional companies to have an Airport permit, which mitigates, but does not replace, the revenue impact on traditional rentals. Other potential impacts on RAC revenue include the bankruptcy filings of two rental car companies as a result of the pandemic, which could result in a reduction in their future operations. The Airport will develop a plan in 2021 to determine opportunities for the changing industry.

FY21 Budget – The FY21 rental car revenue budget is $25.1 million, a $3.3 million (14.9%) increase from the FY20 Outlook due to the expected partial recovery from the impact of COVID-19. Consistent with its in-terminal concessions relief, DFW quickly provided financial relief for the rental car companies by allowing them to pay percent rent (versus minimum annual guarantees) for the period March 2020 through September 2020. In July, the Airport Board extended this relief through March 31, 2021. Again, to be conservative, the FY21 Budget is based on the assumption that present rent is retained through the full fiscal year.

Commercial Development

Background – The Airport has a total land mass of 17,183 acres. As of July 13, 2020, 2,912 acres have been commercially developed. Management estimates that approximately 2,138 acres of additional land is available for future development. 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.

The key drivers for commercial development revenues are acres developed and the average ground rental rate. Approximately 74% of the ground lease revenue is based on negotiated rates and 26% 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 $29,459 in FY21.

FY21 Budget – The FY21 commercial development revenue budget is $57.4 million, a $2.1 million (3.8%) increase from the FY20 Outlook. FY21 reflects an increase of $4.3 million in new ground lease rents (262 acres developed in FY20, plus additional 272 acres to be developed in FY21), offset by $2.2 million of lost percent rent at the Hyatt Regency due to the impact of COVID-19. 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 generally 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 FY21 Budget is $15.8 million, a $1.4 million (8.2%) decrease from the FY20 Outlook due to a $2 rate decrease to reflect reduced employee busing cost resulting from the impact of COVID-19. The Airport is allowing some employees to park in the terminal garages during the recovery period to allow for more social distancing on buses. This is expected to last through FY21.

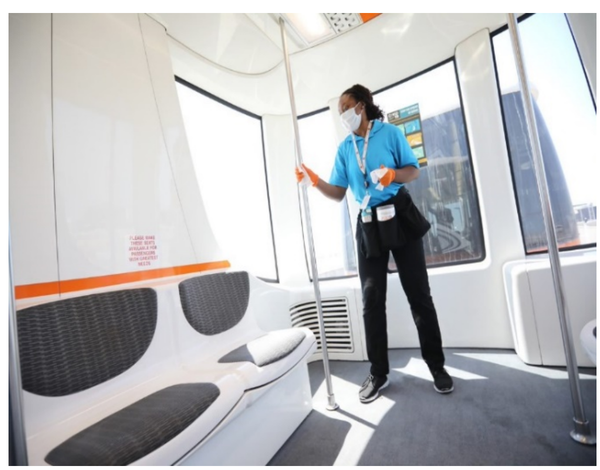
Utilities & Miscellaneous – This revenue category represents fees charged to non-airline users of utilities, HVAC, trash removal, water, and certain permit and accounting fees. Utility charges to users are based on the cost to provide the services. The FY21 Budget is $9.1 million, a $1.7 million (15.9%) decrease from the FY20 Outlook primarily due to lower permit fees and water consumption.

DPS Revenues – DPS receives federal reimbursements from the TSA for Law Enforcement Officer (LEO) plus fees for badging, fire training and other services. The FY21 Budget is $1.4 million, a $0.1 million (7.8%) decrease from the FY20 Outlook due to a decrease in badging fees partially offset by an increase in on-campus training. The majority of this budget is related to the LEO program at $1.3 million.

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 FY21 interest income budget is $8.2 million, a $3.6 million (30.3%) decrease from the FY20 Outlook due to net impact of lower average short-term interest rates and higher reserve balances.

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 FY21 Budget is $2.8 million, flat to the FY20 Outlook.

Skylink – Expenses related to Skylink are covered in the DFW Cost Center per the Use Agreement. The FY21 Budget is $43.9 million, a $2.6 million (6.2%) increase from the FY20 Outlook primarily due to higher expenses for bridge inspections that occur in alternating years, higher custodial and indirect cost partially offset by lower debt service expense due to savings resulting from the 2019A Refunding Bonds.



FY21 Expenditure Budget

The FY21 Budget is $963.4 million, a decrease of $68.7 million (6.7%) from the FY20 Budget.

Annual Budget (in Millions)	FY20 Budget	FY21 Budget	FY21B v FY20B Inc (Dec) Amount	FY21B v FY20B Inc (Dec) Percent
Operating Expenses	$534.1	$495.2	($39.0)	(7.3%)
Gross Debt Service	497.9	468.2	(29.7)	(6.0%)
Total Expenditures Budget within rate base	$1,032.0	$963.4	($68.7)	(6.7%)
Passenger Driven Contingency outside rate base	-	8.0		
Board Contingency outside rate base	10.0	10.0		
Total Budget w/Contingency	$1,042.0	$981.4		

Operating Expense Budget Walkforward

The following table is a walkforward between the FY20 Budget and the FY21 Budget. 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.

	Budget Walkforward (millions)	Total	DFW	Airline
	FY 2020 Budget	$534.1	$182.8	$351.4
	Cost Savings and Budget Reductions			
A.	Contract labor and services	(15.4)	(6.4)	(9.0)
B.	Passenger/airline service reductions	(14.0)	(12.1)	(1.9)
C.	Salaries and benefits	(8.9)	(2.5)	(6.3)
D.	Asset management, fuels and facilities	(6.2)	(3.2)	(3.0)
E.	Other savings	(6.9)	(3.2)	(3.7)
F.	Reduce operating reserve	(5.8)	(1.5)	(4.3)
	Total Cost Savings and Budget Reductions	(57.2)	(28.9)	(28.3)
G.	Cost Increases			
	Custodial and cleaning	3.0	1.6	1.4
	Property Insurance premiums	2.8	0.8	2.0
	Integrated Operations Center (IOC) staffing	2.3	0.3	2.0
	Technology	2.1	1.3	0.8
	Skylink maintenance	1.4	1.4	0.0
	Baggage handling and other maintenance	1.3	0.1	1.1
	Restore CEO Contingency in the rate base	5.1	1.5	3.6
	Other, net	0.3	(4.1)	4.4
	Net Decrease in Budget	(39.0)	(26.0)	(13.0)
	FY 2021 Budget	$495.2	$156.8	$338.4

Cost Savings and Budget Reductions

In response to the impact of COVID-19 on DFW's aircraft operations, passenger volumes, and revenues, management has identified a significant number of cost savings and budget reductions while maintaining a safe and secure environment, operational excellence and superior customer experience. This budget reflects management's recommendation to defer hiring most open positions, to refill critical positions only as vacated, to not include a merit or general pay raise, to significantly reduce discretionary spending, and to reduce variable passenger related costs related to items such as busing, maintenance of closed facilities and contract labor supporting passenger activity. Some of the more significant reductions are highlighted below.

A. Contract labor and services **($15.4) million**

- Contract labor ($5.6 million) – reduced levels of contract labor in Parking ($2.7 million), ITS (2.1 million) and DPS/Operations ($0.7 million).
- Marketing services ($1.6 million) – reduced Terminal Support ($0.6 million), Global Strategy ($0.4 million) and DPS recruiting ($0.3 million).
- Professional services ($2.5 million) –Innovation/Technology ($0.8 million), Concessions consultation studies ($0.5 million) and Parking ($0.1 million)
- Consulting and lobbying contracts ($1.8 million) – IOC ($1.6 million), Executive Office ($0.2 million) and Environmental Affairs ($0.1 million).
- Technology ($1.5 million) – identified contract savings from terminal displays and common use terminal systems, Honeywell systems, and computers and supplies.
- Planning ($1.4 million) – reduced general planning consulting expenses.
- Other Contracts ($0.9 million) – marketing banner program on hold, reduced consulting, analytics, local public relations and community programs.

B. Passenger/airline service **($14.0) million**

Savings from shutdown and reduced operations for remote, express and terminal link buses ($8.2 million), parking yield management marketing ($2.3 million), reduced lost and found services ($0.9 million), Customs and Border Protection overtime ($0.7 million), curbside management ($0.7 million), Terminals A and C ramp ($0.6 million) and wheelchair assistance ($0.6 million).

C. Salaries and benefits **($8.9) million**

In the FY21 Budget, management intentionally held numerous positions open, resulting in savings from a reduction in funded positions, partially offset by a lower vacancy factor in FY21 ($4.4 million). Additional savings include health care savings on a per employee rate ($2.3 million), workers compensation reserves ($1.0 million), defined contribution pension and OPEB ($0.9 million), 457 matching estimate ($0.7 million), incentive compensation ($0.5 million) and lower overtime ($0.5 million). These savings are offset by three months of the FY20 merit ($1.2 million) and an increased vacation accrual ($0.2 million).

D. Asset management, fuels and facilities **($6.2) million**

Reduced utilities ($1.1 million), fuels ($1.0 million), vent-a-hood cleaning ($0.8 million), parking and computer supplies ($0.8 million), storm sewer, SEAMS and fuel separator ($0.6 million) and winter weather/facility systems ($0.6 million).

E. Other savings **($6.9) million**

Reduced general and administrative for travel and training ($3.6 million), reduction of one-time program cost incurred in FY20, not recurring in FY21 by various departments ($1.8 million), and supplies/other ($1.5 million).

F. Reduced Operating Reserve **($5.8) million**

DFW is required to have a 90-day cash reserve for operating expenses. The FY21 Change in Operating Reserve budget of $2.2 million is the amount necessary to fund the reserve. This is a $5.8 million decrease from the FY20 Budget.

G. Cost Increases **$18.2 million**

The budget reflects $18.2 million in cost increases that are primarily fixed due to annualization of partial year contracts from FY20, contracts with cost escalation or areas of new or increased scope. These increases are detailed below.

- Custodial and cleaning ($3.0 million) – primarily contract labor and supplies to support enhanced cleaning related to COVID-19 in the terminals, public areas and board facilities.
- Property and casualty premiums ($2.8 million) – primarily due to previous large claims and increases in covered assets.
- IOC Staffing ($2.3 million) – in conjunction with the opening of the newly developed IOC, the FY21 Budget includes nine months funding of 13 vacant positions ($1.2 million), 5 new positions ($0.3 million), reclassification of 34 positions ($0.3 million) and contract labor backfill for 8 positions transferred from ETAM to the IOC ($0.5 million).

- Technology ($2.1 million) – primarily software licenses and maintenance (Appian, Microsoft, ACMS and Zetron).
- Skylink Maintenance ($1.4 million) – contract reduction renegotiation assumed in FY20 were temporary and cannot be repeated in FY21, thus the add back.
- Baggage handling and other maintenance ($1.3 million) – primarily Terminal D baggage handling system ($0.7 million), facility maintenance for the Department of Public Safety headquarters and the IOC ($0.5 million).

- Restore CEO contingency in the rate base ($5.1 million) – CEO contingency is included in the rate base and may be used by the CEO at his discretion. Total requested contingency for FY21 is $8 million up from $6 million in FY20. Over the past five years the CEO has needed to use the majority of available contingency for a variety of needs including new security regulations and unplanned contract cost increases. The increase in contingency within the rate based is due to the high uncertainty of the passenger and airline recovery from COVID-19. CEO contingency has historically ranged from $1.75 million to $7.5 million.

- Other, net ($0.3 million) – The $4 million shift between the DFW Cost Center and the Airline Cost Center is due to the distribution of direct costs that will also shift indirect costs. In the FY21 Budget, this distribution reduced DFW and increased airline costs.

Operating Budget by Category

The table below compares the FY20 Budget with the FY21 Budget by expense category. Variance explanations by major cost driver follow in the walkforward. All categories are lower year over year except for Insurance and replenishment of CEO Contingency in the rate base.

	FY20	FY21	Increase (Decrease)	
Annual Budget (in Millions)	Budget	Budget	$	%
Salaries & Wages	$168.0	$166.3	($1.7)	(1.0%)
Benefits	79.4	74.4	(5.0)	(6.3%)
Contract Services	208.7	182.4	(26.3)	(12.6%)
Utilities	27.2	26.1	(1.1)	(4.0%)
Equipment & Supplies	20.0	17.9	(2.1)	(10.5%)
Insurance	7.2	9.9	2.8	38.4%
Fuels	4.2	3.2	(1.0)	(23.5%)
General, Admin & Other	8.5	4.7	(3.8)	(44.9%)
Contingency	2.9	8.0	5.1	177.0%
Subtotal	526.1	492.9	(33.1)	(6.3%)
Change in Operating Reserve	8.1	2.2	(5.8)	(72.3%)
Total Budget	$534.1	$495.2	($39.0)	(7.3%)

Salaries and Wages

The FY21 salaries and wages budget is $166.3 million, a $1.7 million (1.0%) decrease from the FY20 Budget of $168.0 million due to deferral of unfilled positions ($3.7 million), incentive compensation ($0.5 million), over time reduction ($0.5 million), offset by IOC staffing ($1.4 million), three months of the FY 2020 merit ($1.2 million), and increased vacation accrual ($0.2 million). The hiring of new and vacant positions has been staggered throughout FY21 based upon operational needs and strategic priority. A vacancy factor of 2% has been applied and is reflected in unfilled position savings. No salary increases are planned in the FY21 budget.

Benefits

The FY21 benefits budget is $74.4 million, a $5.0 million (6.3%) decrease from the FY20 Budget of $79.4 million. This is primarily the result of decreases in healthcare costs ($2.3 million), workers compensation reserves ($1.0 million), a reduction in contribution to the defined benefit retirement plans due to higher funding levels ($0.9 million), deferring unfilled positions in FY21 ($0.7 million), and reduction of 457 match estimate ($0.7 million) offset by benefits for IOC staffing ($0.4 million). Healthcare costs are budgeted based on an actuarial determined rate per employee.

Contract Services

The FY21 contract services budget is $182.4 million, a $26.3 million (12.6%) decrease from the FY20 Budget of $208.7 million due to decreases in busing ($8.0 million), marketing ($3.9 million), contract labor ($3.4 million), other professional services ($2.5 million), ITS consulting ($2.1 million), passenger services ($2.0 million), one-time costs ($1.8 million), other consulting ($1.8 million), planning ($1.3 million) and other ($1.4 million). These decreases are offset by increases in computer systems, fixed and variable contracts for hardware, software and maintenance ($2.1 million).

Utilities

The FY21 utilities budget is $26.1 million, a $1.1 million (4.0%) decrease from the FY20 Budget of $27.2 million. Decreases in solid waste ($0.6 million), electricity ($0.4 million) and water ($0.3 million) were offset by slight increases in sanitary sewer and impact fees ($0.2 million).

Equipment and Supplies

The FY21 equipment and supplies budget is $17.9 million, a $2.1 million (10.5%) decrease from the FY20 Budget of $20.0 million, primarily due to a decrease in computer purchases and supplies ($1.5 million), winter weather supplies ($0.3 million), reverse osmosis filters ($0.2 million), uniforms ($0.2 million) and general supplies ($0.2 million). These increases were partially offset by increases related to janitorial supplies ($0.3 million).

Insurance

The FY21 insurance budget is $9.9 million, a $2.8 million (38.4%) increase from the FY20 Budget of $7.2 million primarily due to a projected increase property and casualty rates based on increased assets to be covered and a recent history of major claims by DFW.

Fuels

The FY21 fuels budget is $3.2 million, a $1.0 million (23.5%) decrease from the FY20 Budget of $4.2 million due to decreased usage of CNG and other fuels.

General and Administrative (G&A)

The FY21 general and administrative budget is $4.7 million, a $3.8 million (44.9%) decrease from the FY20 Budget of $8.5 million due to decreases in business development ($1.5 million), travel ($1.1 million), training ($0.8 million) and other ($0.4 million). The FY21 budget included a 75% reduction in travel and training compared to the FY20 budget.

Contingency

The FY21 Budget includes $8.0 million of contingency inside the rate base to be spent at the CEO's discretion for projects and unforeseen events during the fiscal year. The FY20 Budget included $6.0 million for contingency. The CEO has historically used the majority of his contingency. In the past the contingency budget has been as high as $7.5 million

Operating Reserve

DFW is required to have a 90-day cash reserve for operating expenses. The FY21 Change in Operating Reserve budget of $2.2 million is the amount necessary to fund the reserve. This is a $5.8 million decrease from the FY20 Budget.

Passenger Driven and Board Contingency Outside of Rate Base

Beginning in FY10, 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. Board Contingency outside the rate base is recommended to be $10 million for FY21, consistent with the prior years.

The budget also includes a request of up to $8 million of passenger driven contingency outside the rate base for the first time due to the significant uncertainties in FY21. If passengers recover more quickly than budgeted, DFW will most likely need to add back services related to the incremental flights and passengers (e.g., busing, terminal cleaning, wheelchair service, CBP overtime). The Expense Walkforward table identifies $14 million of passenger and airline service related items. There are many other reductions that are service related but in other reduction categories such as fuel for buses. However, a higher number of passengers should also result in higher non-airline revenues, which would allow the Airport to incur the incremental costs without increasing airline rates and charges. Management will first utilize CEO contingency within the rate base and notify the Board if it needs to use the passenger driven contingency outside the rate base.

Net Debt Service Budget

The FY21 Net Debt Service budget is $330.4 million, a $10.6 million (3.3%) increase from the FY20 budget as shown in the table below:

Debt Service (in Millions)	FY20 Budget	FY21 Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Bond Debt Service	$ 461.4	$ 434.7	$ (26.7)	-5.8%
Commercial Paper	4.7	1.8	(2.9)	-61.2%
PFIC Related Bond Debt Service[1]	19.9	19.7	(0.1)	-0.7%
DFW Capital Acct Bond Debt Service[2]	12.2	12.1	(0.1)	-0.9%
Less: Interest Income	(0.3)	(0.2)	0.1	0.0%
Gross Debt Service and Coverage	$ 497.9	$ 468.2	(29.7)	-6.0%
Offsets to Debt Service				
PFCs for Existing Debt Service	$ (146.0)	$ (106.0)	40.0	-27.4%
PFIC Transfers[1]	(19.9)	(19.7)	0.1	-0.7%
DFW Capital Acct Transfers[2]	(12.2)	(12.1)	0.1	-0.9%
Total Offsets	$ (178.1)	$ (137.8)	40.3	-22.6%
Net Debt Service Paid by Rate Base	$ 319.8	$ 330.4	$ 10.6	3.3%

[1]Public Facility Improvement Corp for RAC, Grand Hyatt and Hyatt Place Infrastructure

[2]Airport Headquarters and Terminal-E Garage

Despite a gross debt service reduction of $26.7 million compared to the FY20 Budget, during FY20, PFCs applied to debt service were sharply reduced compared to the budget amount due to the impact of COVID-19 on the number of revenue passengers at DFW. Airport management partially offset this impact using funds from the CARES Act. In FY21, the Airport expects to apply $106 million of PFCs to Debt Service based on the Airport's current passenger projections, a $40.0 million reduction from what was anticipated in the FY20 Budget.

Passenger Facility Charges are currently being collected by the airlines under the authority of Application 11-10-C-00-DFW from revenue enplaned passengers and remitted to DFW. These monies are used by the Airport to pay debt service on certain projects approved by the FAA, namely, the construction of Terminal D and Skylink.

The FY21 Budget assumes the issuance of approximately $350 million of Commercial Paper to provide interim funding for a portion of DFW's FY21 capital program.

PFIC debt service relates to debt associated with the RAC and Grand Hyatt Hotel. This debt service is transferred into the Interest and Sinking Funds 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 following table shows the breakout of the $10.6 million Net Debt Service increase by cost center:

Net Debt Service Variance (in Millions)	Cost Centers				Total
		Airline			
	DFW	Airfield	Terminal	Total	
Bond Debt Service and Commercial Paper	(12.9)	(21.3)	4.7	(16.6)	(29.5)
PFCs	11.6	24.0	4.4	28.4	40.0
Total Debt Service Variance	(1.3)	2.7	9.1	11.8	10.6

Positions

The table below summarizes the total number of operating and capital positions assumed in the FY21 Budget. Operating positions are paid out of the 102 Fund. Salaries and benefits of capital positions are capitalized and paid from the capital accounts. Five new positions have been added for FY21 and are funded in the Fund 102 Operations Expense Budget.

	FY20 Budget	FY20 Changes	FY20 Adjusted Budget	FY21 New positions	FY21 Budget
Operating	2,141	15	2,156	5	2,161
Capital	114	0	114	0	114
Total	2,255	15	2,270	5	2,275

The following table shows positions by division. Of the 174 current vacancies and unbudgeted positions, 52 are included as filled in the FY21 Budget. The FY21 Budget assumes a 2% vacancy factor.

Division	FY20	Changes	FY21 Budget
Administration & Diversity	171	0	171
CFO, Airline Business and Technology	237	0	237
Revenue Management	480	0	480
Operations	914	13	927
Global Strategy & Development	21	0	21
Infrastructure and Development	419	(8)	411
Innovation	9	0	9
Legal	3	0	3
Audit Services	14	0	14
Executive Office	2	0	2
Total DFW	2,270	5	2,275

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 FY21 Budget by major cost driver. The table below is a budget comparison to the FY20 Budget by department, in thousands.

Expense Budget Walkforward

	FY20 Budget	FY21 Budget	Increase (Decrease) FY21 B vs FY20 B	
Energy, Transportation & Asset Mgmt.	$127,172	$124,014	($3,157)	(2.5%)
Planning Department	8,796	5,561	(3,235)	(36.8%)
Design, Code, & Construction	5,469	5,300	(169)	(3.1%)
Commercial Development	2,000	1,621	(380)	(19.0%)
Infrastructure and Development	143,437	136,496	(6,941)	(4.8%)
Public Safety	96,647	94,937	(1,711)	(1.8%)
Operations	13,458	12,326	(1,132)	(8.4%)
Environmental Affairs	9,406	8,517	(888)	(9.4%)
Integrated Operations Center	3,657	2,330	(1,327)	(36.3%)
Operations	123,168	118,110	(5,059)	(4.1%)
Parking	57,491	44,984	(12,507)	(21.8%)
Customer Experience	57,101	56,171	(930)	(1.6%)
Concessions	3,914	3,419	(495)	(12.6%)
Revenue Management	118,505	104,573	(13,932)	(11.8%)
Information Technology	60,305	57,690	(2,614)	(4.3%)
Finance	6,900	6,679	(222)	(3.2%)
Treasury/Cash Management	1,463	1,324	(140)	(9.5%)
Aviation Real Estate	1,581	1,510	(71)	(4.5%)
Finance & Technology	70,249	67,202	(3,047)	(4.3%)
Business Diversity and Development	1,741	1,724	(17)	(1.0%)
Communications and Marketing	14,776	8,924	(5,853)	(39.6%)
Human Resources	8,866	7,996	(870)	(9.8%)
Procurement & Materials Management	5,452	5,494	42	0.8%
Risk Management	11,085	12,625	1,541	13.9%
Administration and Diversity	41,920	36,764	(5,157)	(12.3%)
Research & Analytics	1,677	1,269	(408)	(24.3%)
Airline Relations	926	998	72	7.8%
Government Relations	680	671	(9)	(1.4%)
Cargo Business Development	865	753	(112)	(13.0%)
Global Strategy & Development	4,149	3,691	(458)	(11.0%)
Innovation	3,749	2,863	(886)	(23.6%)
Non-Departmental	14,325	6,763	(7,562)	(52.8%)
Contingency	2,888	8,000	5,112	177.0%
Executive Office	5,909	5,295	(614)	(10.4%)
Audit Services	2,852	2,556	(296)	(10.4%)
Legal	2,994	2,868	(125)	(4.2%)
Total Operating Expenses	$534,145	$495,182	($38,962)	(7.3%)

	Budget Walkforward (millions)	Total	DFW	Airline
	FY 2020 Budget	$534.1	$182.8	$351.4
	Cost Savings and Budget Reductions			
A.	Contract labor and services	(15.4)	(6.4)	(9.0)
B.	Passenger/airline service reductions	(14.0)	(12.1)	(1.9)
C.	Salaries and benefits	(8.9)	(2.5)	(6.3)
D.	Asset management, fuels and facilities	(6.2)	(3.2)	(3.0)
E.	Other savings	(6.9)	(3.2)	(3.7)
F.	Reduce operating reserve	(5.8)	(1.5)	(4.3)
	Total Cost Savings and Budget Reductions	(57.2)	(28.9)	(28.3)
G.	Cost Increases			
	Custodial and cleaning	3.0	1.6	1.4
	Property Insurance premiums	2.8	0.8	2.0
	Integrated Operations Center (IOC) staffing	2.3	0.3	2.0
	Technology	2.1	1.3	0.8
	Skylink maintenance	1.4	1.4	0.0
	Baggage handling and other maintenance	1.3	0.1	1.1
	Restore CEO Contingency in the rate base	5.1	1.5	3.6
	Other, net	0.3	(4.1)	4.4
	Net Decrease in Budget	(39.0)	(26.0)	(13.0)
	FY 2021 Budget	$495.2	$156.8	$338.4

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

Infrastructure and Development
(in thousands)

	FY20 Budget	FY21 Budget
Energy, Transportation & Asset Mgmt.	$127,172	$124,014
Planning Department	8,796	5,561
Design, Code, and Construction	5,469	5,300
Commercial Development	2,000	1,621
Total Infrastructure and Development Division	$143,437	$136,496
Salaries & Wages	$24,594	$23,501
Benefits	11,746	10,589
Contract Services	72,344	69,231
Equipment & Supplies	11,500	10,778
Utilities	22,497	22,050
Administrative	757	347
Total Infrastructure and Development Division	$143,437	$136,496

Walkforward from FY20 Budget		Reference
FY20 Budget	$143,437	
Salaries and Wages	(1,093)	C
Benefits	(1,157)	C
Contract Services	(3,113)	D, E, G
Equipment & Supplies	(721)	D, E
Utilities	(447)	D, E
Administrative	(410)	E
Total FY21 Proposed Budget	$136,496	

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.

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 Airport is at the forefront of integrating environmental standards into decision-making and daily operations. As the Airport grows and evolves, the Environmental Affairs team leads the prioritization of sound sustainability principles as part of the Airport's operations and culture. This includes evaluating Airport projects by looking at the project's economic viability, operational efficiency, impact on natural resources and social responsibility. The team also aligns the Airport's initiatives with and tracks progress to the United Nations Sustainable Development Goals. In addition, Environmental Affairs provides 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.

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 open during FY21.

Budget Comparison and Walkforward

Operations Division
(in thousands)

	FY20 Budget	FY21 Budget
Public Safety	$96,647	$94,937
Operations	13,458	12,326
Environmental Affairs	9,406	8,517
Integrated Operations Center	3,657	2,330
Total Operations Division	$123,168	$118,110
Salaries & Wages	$68,894	$69,760
Benefits	32,848	32,271
Contract Services	14,021	10,371
Equipment & Supplies	3,562	2,915
Utilities	2,606	2,029
Administrative	1,237	764
Total Operations Division	$123,168	$118,110

Walkforward from FY20 Budget		Reference
FY20 Budget	$123,168	
Salaries and Wages	866	C, G
Benefits	(577)	C, G
Contract Services	(3,650)	A, E
Equipment & Supplies	(647)	D, E
Utilities	(578)	D
Administrative	(473)	E
Total FY21 Proposed Budget	$118,110	

Customer Experience and Revenue Management Division

Transportation/Parking Operations

Transportation Business Unit (TBU) consists of Parking and Curbside Operations, Business Management, and Busing. TBU is responsible for transportation and parking products, service delivery and reporting, and monitoring electronic parking transactions. TBU also provides transportation services to DFW Remote Lots, Terminal Link, Express Parking and the Employee Shuttle, as well as provides Valet oversight, Hardstand operations and Level 1 support efforts during emergency operations.

Customer Experience

Customer Experience manages the day-to-day operation within the terminals by working to ensure the ongoing realization of our mission. The department also leverages customer insights, trends and analytics in order to realize our vision 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, the Airport Customer Experience Specialists, the ambassadors throughout the terminals, providing terminal subject matter expertise, coordination and review of all customer focused terminal projects and program implementations, and ongoing operational support of 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 Customer Experience Hub – This 24/7 customer-focused operational center keeps watch over the experiences 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 department includes all 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

Customer Experience and Revenue Management Division
(in thousands)

	FY20 Budget	FY21 Budget
Parking	$57,491	$44,984
Customer Experience	57,101	56,171
Concessions	3,914	3,419
Total Customer Exp and Rev Mgmt. Division	$118,505	$104,573
Salaries & Wages	$26,531	$25,902
Benefits	14,582	13,360
Contract Services	71,703	60,229
Equipment & Supplies	4,985	4,853
Insurance	-	-
Utilities	-	-
Administrative	703	229
Total Customer Exp and Rev Mgmt. Division	$118,505	$104,573

Walkforward from FY20 Budget		Reference
FY20 Budget	$118,505	
Salaries & Wages	(629)	C
Benefits	(1,222)	C
Contract Services	(11,474)	A, B, E
Equipment & Supplies	(133)	D, E
Administrative	(474)	E
Total FY21 Proposed Budget	$104,573	

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:

- Application Development and Delivery is responsible for the Project Management Office as well as software development and implementation of executive decision support systems, web development, quality assurance testing and the implementation of work-flow technologies.
- Enterprise Systems is responsible for the support and maintenance of the entire DFW software portfolio, CADD/GIS, system engineering and terminal systems.
- Infrastructure Operations is responsible for the maintenance and administration of the voice and data communications infrastructure, desktop and server computing environments, databases, and storage.
- 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. and long-running technology programs, including disaster recovery.
- Customer Support is responsible for the Solutions Desk and field staff providing end-device support to customers, 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

Finance & Technology
(in thousands)

	FY20 Budget	FY21 Budget
Information Technology	$60,305	$57,690
Finance	6,900	6,679
Treasury/Cash Management	1,463	1,324
Aviation Real Estate	1,581	1,510
Total CFO Division	$70,249	$67,202
Salaries & Wages	$21,001	$22,141
Benefits	9,444	9,061
Contract Services	33,567	31,864
Equipment & Supplies	3,335	1,940
Utilities	2,079	2,014
Administrative	822	183
Total Finance & Technology Division	$70,249	$67,202
Walkforward from FY20 Budget		Reference
FY20 Budget	$70,249	
Salaries and Wages	1,139	C
Benefits	(383)	C
Contract Services	(1,703)	A, E, G
Equipment & Supplies	(1,395)	D, E
Utilities	(66)	D
Administrative	(639)	E
Total FY21 Proposed Budget	$67,202	

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.

Communications and Marketing consists of crisis communications, domestic and international media relations, global marketing, digital platforms including dfwairport.com and the DFW app, social media, community engagement, Board and Owner city relations, and internal communications.

Risk Management

Risk Management is responsible for the Enterprise Risk Management program, which includes DFW's R/OCIP (Rolling Owner-Controlled Insurance Program) for large-scale construction projects; Integrated Absence Management (iAM); Organizational Resiliency Framework, Property and Casualty insurance program; and the Integrated Safety Management System (iSMS). Through these programs, DFW Risk Management promotes and builds a Safe & Secure culture by identifying and analyzing risks and opportunities, collaborating with internal and external business partners the development and implementation of services and solutions that optimize opportunities while mitigating risks.

Key areas of focus include the evaluation of exposures and loss prevention measures that reduce costs while ensuring 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 FAA's Title VI and Disadvantaged programs, Small, Minority, and Women-owned Business Enterprise Programs. BDDD has the overall responsibility to administer, monitor and enforce the policies, procedures, and regulations associated with the Programs and engage the diverse business community with Airport contracting opportunities.

Budget Comparison and Walkforward

Administration and Diversity Division
(in thousands)

	FY20 Budget	FY21 Budget
Business Diversity and Development	$1,741	$1,724
Communications and Marketing	14,776	8,924
Human Resources	8,866	7,996
Procurement & Materials Management	5,452	5,494
Risk Management	11,085	12,625
Total Admin & Diversity Division	$41,920	$36,764
Salaries & Wages	$12,919	$12,738
Benefits	7,284	5,902
Contract Services	10,293	5,282
Equipment & Supplies	598	473
Insurance	7,175	9,929
Administrative	3,652	2,440
Total Administration & Diversity Division	$41,920	$36,764

Walkforward from FY20 Budget		Reference
FY20 Budget	$41,920	
Salaries and Wages	(180)	C
Benefits	(1,382)	C
Contract Services	(5,011)	A, E
Equipment & Supplies	(125)	E
Insurance	2,753	G
Administrative	(1,212)	E
Total FY21 Proposed Budget	$36,764	

Innovation

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

Innovation
(in thousands)

	FY20 Budget	FY21 Budget
Salaries & Wages	$905	$965
Benefits	264	258
Contract Services	2,373	1,555
Equipment & Supplies	117	57
Administrative	91	29
Total Innovation	$3,749	$2,863

Walkforward from FY20 Budget		Reference
FY20 Budget	$3,749	
Salaries & Wages	60	C
Benefits	(6)	C
Contract Services	(818)	A, E
Equipment & Supplies	(60)	E
Administrative	(62)	E
Total FY21 Proposed Budget	$2,863	

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

Global Strategy & Development
(in thousands)

	FY20 Budget	FY21 Budget
Research & Analytics	$1,677	$1,269
Airline Relations	926	998
Government Relations	680	671
Cargo Business Development	865	753
Total Global Strategy Division	$4,149	$3,691
Salaries & Wages	$1,937	$1,878
Benefits	570	503
Contract Services	1,120	883
Equipment & Supplies	60	55
Administrative	462	372
Total Global Strategy Division	$4,149	$3,691

Walkforward from FY20 Budget		Reference
FY20 Budget	$4,149	
Salaries and Wages	(59)	C
Benefits	(67)	C
Contract Services	(237)	A, E
Equipment & Supplies	(5)	E
Administrative	(90)	E
Total FY21 Proposed Budget	$3,691	

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

Legal
(in thousands)

	FY20 Budget	FY21 Budget
Salaries & Wages	$223	$236
Benefits	128	129
Contract Services	2,614	2,491
Equipment & Supplies	6	4
Insurance	0	0
Utilities	0	0
Administrative	23	8
Total Legal	$2,994	$2,868

Walkforward from FY20 Budget		Reference
FY20 Budget	$2,994	
Salaries & Wages	13	C
Benefits	1	C
Contract Services	(122)	A, E
Administrative	(15)	E
Total FY21 Proposed Budget	$2,868	

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

Audit Services
(in thousands)

	FY20 Budget	FY21 Budget
Salaries & Wages	$1,624	$1,446
Benefits	760	662
Contract Services	379	379
Equipment & Supplies	32	32
Administrative	57	38
Total Audit Services	$2,851	$2,556

Walkforward from FY20 Budget		Reference
FY20 Budget	$2,851	
Salaries & Wages	(179)	C
Benefits	(98)	C
Administrative	(19)	E
Total FY21 Proposed Budget	$2,556	

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

Executive Office
(in thousands)

	FY20 Budget	FY21 Budget
Salaries & Wages	$3,577	$3,647
Benefits	1,259	1,230
Contract Services	300	101
Equipment & Supplies	16	9
Administrative	757	307
CEO Contingency	2,888	8,000
Total Executive Office	$8,797	$13,295

Walkforward from FY20 Budget		Reference
FY20 Budget	$8,797	
Salaries & Wages	71	C
Benefits	(29)	C
Contract Services	(199)	A, E
Equipment & Supplies	(7)	E
Administrative	(450)	E
CEO Contingency	5,112	G
Total FY21 Proposed Budget	$13,295	

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 Budget or Outlook adjustments, medical insurance claims stop loss reimbursement, and medical claim overruns.

In the Budget, 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.

Budget Comparison and Walkforward

Airport Non-Departmental
(in thousands)

	FY20 Budget	FY21 Budget
Salaries & Wages	$5,813	$4,127
Benefits	470	410
Contract Services	(1)	4
Administrative	(10)	(10)
Operating Reserve	8,052	2,232
Total Non-Departmental	$14,325	$6,763

Walkforward from FY20 Budget		Reference
FY20 Budget	$14,325	
Salaries & Wages	(1,686)	C
Benefits	(61)	C
Contract Services	5	A, E
Operating Reserve	(5,820)	G
Total FY21 Proposed Budget	$6,763	

Capital Budget

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

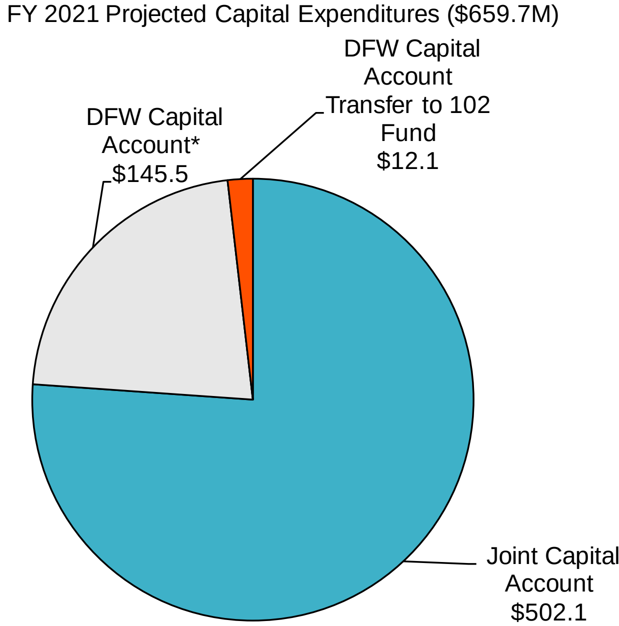
The DFWCA is the Airport's discretionary account. It may be used for any legal purpose and does not require airline approval. DFW uses this fund for renewals and replacements and other discretionary projects. Funding for the DFWCA comes from the DFW Cost Center net revenues, interest income, grants and bond proceeds primarily for commercial development projects. DFW has numerous capital projects currently underway and funded from the DFWCA (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, 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 $659.7 million on capital expenditures in FY21 as summarized in the following chart.



** Includes $13.3M debt financed for Commercial Development, excludes contingency*

The following table summarizes projected capital expenditures for projects to be in progress during FY21.

	Active Projects in FY 2021			
Capital Budget (Millions)	Prior Years	Projected FY 2021	Future Years	Total Budget
DFW Capital Account	$152.6	$145.5	$87.1	$385.1
Joint Capital Acccount	409.1	502.1	1,036.7	1,947.9
Transfers to 102 *	152.6	12.1	0.0	164.7
Total Capital	$714.3	$659.7	$1,123.7	$2,497.7

* 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 preparation for the upcoming Use Agreement effective FY22 – FY31, 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 do 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.

Capital Project – Major Projects and Programs

The Airport has approximately 257 approved capital projects currently underway with a total budget of $2.36 billion. Of this amount, $561 million has been spent, $694 million is committed, and $1.1 billion is unspent and uncommitted. These projects are planned to be completed through FY25. DFW management has placed approximately $100 million of these capital projects on hold as part of its response to COVID-19 but these projects are still included in the budget. DFW currently projects that it will issue approximately $200 million Subordinate Lien Commercial Paper in FY20 and issue approximately $350 million in both FY21 and FY22 to partially fund these projects on an interim basis. It is likely that the commercial paper will be taken out with long term bonds as part of future year refundings. The remainder is expected to be funded with cash and grant proceeds.

Some of the more significant projects continuing to move forward are summarized below:

- $225 million to $250 million for planning, design, demolition and rebuilding of gates 33 to 39 in Terminal C (commonly called the High C Gates). These gates were built on temporary structures that have reached the end of their useful life. DFW and American Airlines agreed to take this action while flight activity is reduced. A cost range is provided because this is a preliminary order of magnitude estimate. The project is expected to reach substantial completion in the summer of 2022.

- $207 million for Terminal D South Extension to provide 4 additional gates (4 narrow-body or 2 wide-body aircraft) to meet growing international gate demand. This project is expected to be substantially complete by March 2021.

- $183 million for baggage system replacement and renewals in all five terminals. This is a multiyear effort that should be completed over the next three to five years.

- $150 million for reconstruction of runway 18R, the Airport's second most utilized arrival runway. Substantial completion is expected in March 2021.

- $112 million for the construction of a northeast perimeter taxiway being constructed in three phases. Substantial completion of the entire project is expected by December 2021.

- $50 million for reconstruction of runway 17C/taxiway M South. Substantial completion is expected to be November 2020.

On May 20, 2019, the Airport and American Airlines announced plans to develop a sixth terminal. The plans call for the Airport to invest approximately $3.0 to $3.5 billion in terminal improvements, including the construction of Terminal F with up to 24 gates and enhancements to Terminal C similar to the Terminal Renewal and Improvement Program (TRIP) enhancements made to Terminals A, B and E and completed in 2018. Those renovations included redesigned check-in areas, larger security checkpoints, expanded concession spaces, improved lighting and flooring, new HVAC and electrical systems and an upgraded parking garage. Due to COVID-19, the Airport and American Airlines agreed to suspend any work on Terminal F, except for planning and design of Central Utility plant upgrade and an airspace study. The parties also agreed to initiate the High C gate replacement discussed above and to complete design for refurbishment of 35% of the gates (other than the High C gates) in Terminal C (Terminal C TRIP) by this fall.

The final scope, cost and timing of Terminal C TRIP and Terminal F is not currently determinable. These decisions may be made as part of the Use Agreement negotiations or they could extend beyond September 30, 2021, which is the expiration date of the current Use Agreement. The parties desire to have a better understanding of future expected operations and passenger levels post COVID-19 before making decisions. It is possible that a future Terminal F could be built in phases over a much longer timeframe than originally planned or deferred for a number of years. A decision on Terminal C TRIP may be made after the parties review the cost estimates from the 35% design of Terminal C this fall. However, this decision could also be suspended pending Use Agreement negotiations. Accordingly, the Airport cannot provide information at this time on the cost, schedule or funding of these projects.

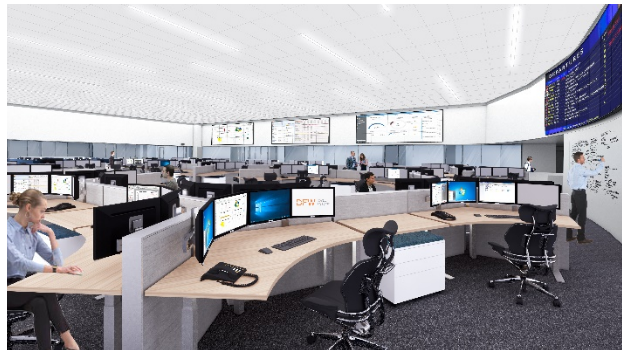
The Airport has also developed a 10 to 15-year Infrastructure Capital Program (ICP) to improve and maintain DFW's runways, bridges, roads and utilities through 2035. The estimated cost of this program is approximately $2.5 billion and is separate from the currently approved capital projects discussed above. The phasing and implementation of the ICP will be based on asset assessments that are completed by the Airport on a regular ongoing basis. DFW currently projects there will not be significant expenditures of these ICP projects through Fiscal Year 2022. The Airport is currently negotiating with the Signatory Airlines projects that may be pre-approved as part of the next Use Agreement and the amount of these projects that will be financed with cash and additional debt in the future. Accordingly, the Airport cannot determine the amount of cash and debt financing required for the ICP at this time.

Other Programs

Landside Roads, Bridges, and Rail – Landside infrastructure is part of the ICP program discussed above. The projects are 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. Included in this effort is demolition of existing end of life left-hand exit flyover bridges from the main entry roadway, providing access to all passenger terminals and replacing with right-hand exits for a more intuitive and safer roadway configuration. Also, the Terminal D roadway is currently under construction to replace all upper and lower level roadway and sideway expansion joints and partial replacement of the upper roadway topper slab. Approximately $64.1 million is estimated to be spent for roads and bridges reconstruction during FY21.

Commercial Development and Other Facilities – Commercial development at DFW continues at a robust pace with a number of new developments currently under way. DFW is funding the infrastructure to support several new planned development sites, including a 107-acre development on the east side of DFW to accommodate office/warehouse/distribution facilities totaling approximately 1.6 million square feet. Approximately $12.1 million is anticipated to be spent on Commercial Development during FY21.

Safety and Security – DFW Airport is currently conducting an airport wide Security Master Plan (SMP) which is anticipated to be complete by the end of FY21. This holistic approach to airport security will provide guidance and recommendations for future airport security capital investments. For FY21, security projects include Employee Screening for entry into the terminals, terminal curbside barriers, and design funding for expansion of DFW's K9 and Explosive Ordnance Disposal (EOD) facility to increase capacity to meet current and future demands. Other capital spend for safety and security involves replacement of the Automated Access Control System (AACS), replacement of Fire Alarm System, Physical Security Information Management System (PSIM) for situational awareness and incident management, reconstruction of sub-surface storm sewer which have resulted in collapsed soil sites, Air Purification enhancements to terminal HVAC systems to mitigate COVID-19 transmission, additional vehicles and equipment in support of DPS headcount increases, and various other safety and security initiatives. Approximately $48.8 million is anticipated to be spent on Safety and Security initiatives in FY21.



Customer Experience/IOC – Numerous initiatives are currently underway to support on a primary DFW goal of improving the customer experience. One of the major customer experience initiatives anticipated to go into service during FY21 is an Integrated Operations Center (IOC), which aligns 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 Operations Center (AOC) and Emergency Operations Center (EOC). DFW received airline approval for $27.5 million for this IOC project. Other customer experience enhancement initiatives are planned in the terminals and include gate hold room area enhancements which will encompass digital displays, lighting, and interactive elements. Additionally, Smart Restroom Technology and touchless technology, biometric facial recognition technology, renewal and enhancements to airport wide wayfinding signage, and construction of nursing rooms in Terminals C and D. Approximately $34.8 million is anticipated to be spent on customer experience initiatives in FY21.

The table below summarizes the airline MII approvals that DFW Airport has received since the beginning of the current Use Agreement.

DFW Airport MII Approvals Since Use Agreement Oct 1, 2010

	$'s in Millions		
	TRIP	Non-TRIP	Total
MII Approvals In 2010 Use Agreement:			
TRIP (base scope - escalated)	$1,922.0		$1,922.0
Non-TRIP		310.0	310.0
Total MII Approvals in Use Agreement	$1,922.0	$310.0	$2,232.0
MII Approvals Subsequent to 2010 Use Agreement:			
2011		$60.9	$60.9
2012	$61.4	234.4	295.8
2013	38.4	52.1	90.6
2014	670.3	63.2	733.5
2015	26.3	94.0	120.3
2016		164.6	164.6
2017		411.4	411.4
2018		233.8	233.8
2019		363.4	363.4
2020		436.8	436.8
MII Aapprovals post Use Agreement	$796.5	$2,114.5	$2,911.0
Total MII Approvals	$2,718.5	$2,424.5	$5,143.0

* Includes outstanding MII request from June 30, 2020 for $148.8M

The following projects will be funded from the DFW Capital Account during FY21. Spend amounts are gross of grant reimbursements.

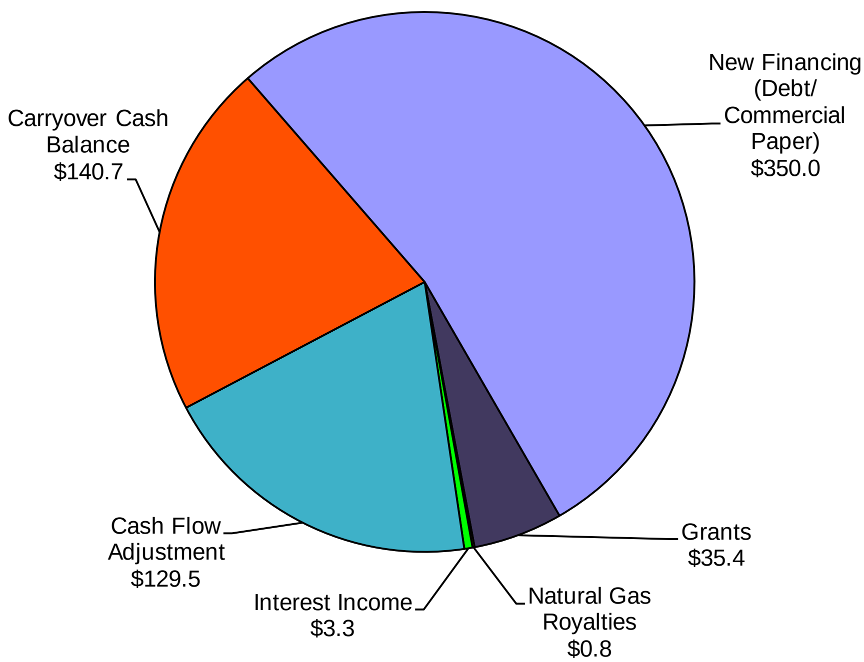
DFW CAPITAL ACCOUNT (In Millions) Project Name	Prior Years	FY21	Future Years
Air Service Incentive Program (ASIP)	Annual	$12.0	N/A
Term A29 & C28 Skylink Restroom Expansion	$.9	$6.9	$.8
Rehab/Replace AOA Perimeter Security Access Gates	$4.2	$6.3	$.0
Rehab Airfield Pavements FY15-Taxiway F	$21.5	$6.3	$.0
IT Network Sys: Annual Technology Purchase	Annual	$5.3	N/A
Sanitary Sewer: Replace Main West Side Sanitary Sewer Line (Ph 2)	$5.3	$4.6	$.0
Weber Gruene DFW 1 LLC (Valley View Ln)	$.0	$4.2	$4.9
International Parkway Signage Program	$1.5	$4.0	$.5
Integrated Ops Ctr (IOC) - Facility	$6.7	$3.9	$.1
Replace Employee Buses	$.0	$3.4	$22.2
Integrated Ops Ctr (IOC) - ITS General Systems	$1.0	$3.1	$.7
Airport Facilities Development & Programming (Terminal Expansion)	$9.3	$3.0	$.5
Terminal D Systems Rehab (Construction)	$1.1	$2.8	$.0
Term B&E PBB Replacement (B9B/B26 & E31/E34)	$2.9	$2.8	$.1
COVID-19 Terminal Readiness (ph 2+) Air Purification	$.0	$2.5	TBD
Rehab Landside Storm Sewer	$1.2	$2.3	$.0
FY19 DPS Vehicle Replacement	$.8	$2.1	$.7
Retaining Wall SB Svc Rd by Term D Crossunder #4 (AOA Access Ramp)	$1.1	$2.0	$.0
Glade Rd - Utility Relocations	$.6	$2.0	$.4
Smart Restroom Technology (all terminals)	$2.4	$2.0	$.6
Cabot Stream Realty Commercial Development	$.0	$1.8	$.3
East West Connector (design)	$1.7	$1.8	$.0
SW Campus - Road "A, B, C" Phase 1b Road & Utilities	$.9	$1.8	$.1
Rental Car Dr Electrical Duct Bank Expansion	$.2	$1.8	$.0
Term D: Gate Area of Future - Digital Experience	$.4	$1.7	$.4
Ph. 1 High Mast Light Pole Replace-Non-Critical	$1.5	$1.6	$.2
Replace General Purpose Vehicles	Annual	$1.6	N/A
Term D Annual Capital Renewal: (planning reserve)	Annual	$1.5	N/A
Replace Noise Monitoring Equip	$1.0	$1.5	$.0
Reconfigure NE Quadrant Electrical Duct bank	$4.2	$1.5	$.0
Runway 18R ARFF Road Improvements	$2.0	$1.3	$.0
Parking Control System Upgrade	$.4	$1.3	$.8
Skylink Renewal Program - Skylink Car Overhaul	$11.0	$1.3	$.3
Integrated Ops Ctr (IOC) - ITS General Systems (Back-up AOC site)	$.4	$1.2	$.0
Term D UPS Replacements	$4.2	$1.2	$.0
Term A, B, C, D, & E UPS Replacement	$.1	$1.2	$.0
121 West Business Park (Industrial) Ph I	$.0	$1.2	$13.6
IT Appl Development: HPI: Bus Relationship Mgt (BRM) 18 Month Plan	$.0	$1.2	$2.3
IT Term Sys: eMuse/CUSS/CUTE (Arinc) Refresh	$.3	$1.1	$.5
Walnut Hill Industrial: LPC Venture I, LLC	$.0	$1.1	$3.6
ARFF Station Consolidation (Programming & Schematic Design)	$.6	$1.1	$.3
Southwest End Around Taxiway (Remaining design)	$1.1	$1.1	$2.4
Term A, B, C, & E: Skylink ramp level emergency exit door (40)	$3.5	$1.1	$.1
Enterprise Data Library (EDL) Integrated Operations Ph 1	$2.7	$1.0	$.0
Enterprise Data Library (EDL) FY20/21 (Planning Reserve)	$1.6	$1.0	$.0
FedEx Ramp & Expand Truck Ops Area Pvt	$.0	$1.0	$.0
COVID-19 Board Readiness/Return to Work (ph 2+)	$.0	$1.0	$.0
IT Planning Reserve (Planning Reserve)	Annual	$1.0	N/A
Future Safety/Security Projects (planning reserve)	Annual	$1.0	N/A
Projects <1M	**54.3**	**26.0**	**30.3**
TOTAL DFW CAPITAL ACCOUNT	$152.6	$145.5	$87.1
ADD: TRANSFER TO 102 (Debt Svc for AHQ and Term E Garage)	152.6	12.1	.0
TOTAL USES OF DFW CAPITAL ACCOUNT	$305.2	$157.6	$87.1

The following projects will be funded from the Joint Capital Account during FY21. Spend amounts are gross of grant reimbursements.

JOINT CAPITAL ACCOUNT (In Millions) Project Name	Prior Years	FY21	Future Years
Terminal D South Extension	$90.8	$110.3	$6.4
Runway 18R Reconstruction	31.3	71.1	47.7
Term C High Gate Reconstruction	1.0	39.0	175.4
NE End Around Taxiway (EAT) Design/Construction (pkg 2)	2.4	25.8	29.1
Runway 17C - T/W "M" South	28.0	21.5	.0
NE End Around Taxiway (EAT) Design/Construction (pkg 3)	43.8	14.4	.0
Term D Roadway and Sidewalks Expansion Joints	11.6	11.9	3.5
Runway 17R Reconstruction	.0	11.3	163.8
SW Campus - Road "A, B, C" Phase 1b Road & Utilities	11.1	9.0	.0
Term C: TRIP (Heavy) 35% Design Refresh	.3	8.4	1.4
Term E Main Add 2 RJ Gates (E35A & E38A)	1.4	7.5	.0
Integrated Operations Center (IOC) - Facility Safety (EOC)	4.9	6.8	.0
Term D: Add'l Bag Makeup Unit (MU6) (AA reimb)	.1	6.4	4.4
Airfield Sign Panel Replacement (MII exemption)	1.5	6.3	.5
BHS Improvements AA - Terminal A (AA reimb)	.5	6.1	31.2
Integrated Operations Center (IOC)	16.3	6.0	.0
BHS Improvements AA - Terminal C (AA reimb)	.0	5.9	33.2
Physical Security Information Mgt Sys (PSIM) (MII Exempt)	1.2	5.8	.0
Replace/Expand Automated Access Control Sys (AACS) (MII Exempt)	1.6	5.7	28.7
BHS Improvements AA - Terminal D (AA reimb)	.4	5.3	27.0
East/West Connector Rd (Rental Car Dr -> Harwood)	.0	4.9	27.5
Integrated Operations Center (IOC) - ITS	6.0	4.6	.5
Flyover Bridge Conversion to Right-hand exits Term A & B	2.2	4.5	42.6
Term A & C BHS Controls Replacement (AA reimb)	3.2	4.1	18.2
Collapsed Soil Sites (Ph 1)	4.4	4.0	.0
Supplemental Central Utility Plant (Design)	.1	4.0	9.2
18R ARFF Rd	4.7	3.9	1.2
Rehab E/W Potable Water Pump Stations (Design Only)	1.6	3.9	14.4
Rehab 31st, 32nd,33rd, and SW Construction road	5.7	3.8	.4
18L Lighting Rehab	.0	3.1	1.1
Collapsed Soil Sites (Ph 2) (MII Exempt)	.0	3.0	26.6
FY19 E-COBUS Fleet	1.1	3.0	.0
N.Airfield Bridge/Clover Leaf Reconstruction(MII Exemption)	1.8	2.8	20.7
Skylink Auto Train Control (ATC) Replacement	7.5	2.8	24.7
Airspace and Airport Surface Capacity Optimization	.7	2.7	.6
Runway 18R ALSF Lighting (Installation/construction)	.0	2.6	5.0
Skylink Guideway Concrete Spalling/Drainage/Metal Rod Removal (Ph 1) (	4.2	2.4	6.3
Sanitary Sewer: Rehab Sewer Mains at Hackberry Creek	.0	2.4	1.1
Rehabilitate Landside Roads & Bridges Ph 4a ($220M)	3.7	2.3	13.8
Rehabilitate Landside Roads & Bridges Ph 4d	1.0	2.2	1.1
BHS Improvements AA - Terminal B (AA reimb)	.1	2.2	3.7
BHS Improvements DFW	.0	2.2	12.1
Honeywell Fire Alarm End Device Replacements-Terminals	6.3	2.2	5.4
18R/SW Perimeter Taxiway (ALSF Lighting Purchase)	.0	2.1	.0
Term A, B, C, E, E-Satellite, and D-Stinger Autodock/Safegate	4.4	2.1	3.5
Projects <2M	**$102.1**	**39.8**	**244.6**
TOTAL JOINT CAPITAL ACCOUNT	$409.1	$502.1	$1,036.7
TOTAL DFW CAPITAL ACCOUNT	$305.2	$157.6	$87.1
TOTAL USES OF JOINT + DFW CAPITAL ACCOUNT	$714.3	$659.7	$1,123.7

Capital Projects - Sources of Cash

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



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

Airport Capital Funds Walkforward
(In Millions)

Capital Walkforward	Joint Capital	DFW Capital	Total
Beginning Cash (10/1/20)	$438.6	$86.5	$525.1
Sources of Funds:			
Grants	35.0	.5	35.4
New Financing (Commercial Paper)	327.1	22.9	350.0
Natural Gas Royalties	.8	-	.8
Interest Income	2.2	1.0	3.3
Cash Flow Adjustment/Transfers *	72.6	56.9	129.5
Total Sources	$437.7	$81.3	$519.0
Less:			
Capital Uses	(502.1)	(145.5)	(647.6)
DFW Capital Account Transfer to 102	-	(12.1)	(12.1)
Total Uses	(502.1)	(157.6)	(659.7)
Ending Cash Balance	374.2	10.2	384.4
Add: Cash From DFW Cost Center	-	93.5	93.5
Total Ending Cash (9/30/21)	$374.2	$103.7	$477.9

* Includes $27.8M funds transfer from JCA to DFWCA for T/W "F" reimbursement