

To the Mayor and Members of the City Council**August 29, 2023**

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**SUBJECT: FY2024 DFW INTERNATIONAL AIRPORT BUDGET**

Dallas Fort Worth International Airport (DFW) is requesting that the Owner Cities of Dallas and Fort Worth approve its fiscal year (FY) 2024 Budget. The 1968 Contract and Agreement between the Cities of Dallas and Fort Worth requires that both Owner Cities approve DFW's annual budget. As a reminder, the City of Fort Worth does not pay for any of the costs of DFW Airport and has no liability for repayment of the Airport's debt obligations. This document summarizes the major components of the DFW Airport's FY24 Budget. The FY 24 Budget Book accompanies the resolution scheduled for council consideration at the September 12 City Council Meeting.

Summary

The FY24 Budget demonstrates DFW's resiliency and continued strong growth with record passengers, non-airline revenues, and net revenues to the DFW capital account. It also reflects the current economic reality of inflation and a tight labor market in almost all areas. The FY24 Budget is based on the terms of the new Use Agreement which impacts cost allocations and how rates and charges are established. Also, DFW used its remaining \$100 million of Federal Relief Proceeds (FRPs) in FY23 so there are no FRPs left to offset airline payments to DFW in FY24.

Since the negotiated new Use Agreement dictated a new business model and there were no more FRPs to subsidize airline cost, management's focus during budget development was to ensure that the total cost per enplanement (CPE) in FY24 was as close to, or lower than, the amount negotiated with the airlines. The following table compares airline cost and CPE as negotiated as part of the Use Agreement (i.e., the Financial Plan) for FY24 and the FY24 Budget. It also shows that management's budget goal to reduce CPE was attained.

	Financial Plan	FY24 Budget	Variance	
			\$	%
Airline Cost (Ms)	\$607.9	\$613.3	\$5.4	0.9%
Cost per Enplanement	\$14.72	\$14.68	-\$0.04	-0.3%

DFW continued growth is due primarily to increased air service provided by American Airlines.

- Passengers are budgeted at a record 81.6 million in FY24, a 2.6 million (3.2%) increase over the FY23 Outlook and 11.4% higher than FY19.
- Non-airline revenues are budgeted at a record \$520.4 million in FY24, a \$20.2 million (4.0%) increase over the FY23 Outlook and 30.3% higher than FY19.
- Non-airline net revenues (i.e., profits) are budgeted at \$229.9 million in FY24, a \$13.1 million (5.4%) decrease from the FY23 Outlook and 50.9% higher than FY19. The decrease is due primarily to the terms of the new Use Agreement.

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- Net Revenues transferred to the DFW capital account in FY24 are budgeted at a record \$120.7 million.

The FY24 Expenditure Budget is \$1.243 billion, a \$78.6 million (6.7%) increase from the FY23 Outlook.

- The FY24 Operating Expenditure Budget is \$672.4 million, a \$48.7 million (7.8%) increase from the FY23 Outlook due primarily to costs related to increased passengers, fixed contract increases, inflation in service contracts, parts, utilities, and technology investments.
- The FY24 Debt Service Budget is \$570.8 million, a \$29.9 million (5.5%) increase from the FY23 Outlook primarily due to the issuance of new debt in FY23 and FY24.
- Airline cost and airline cost per enplanement (CPE) are budgeted to increase by \$139.3 million (29.4%) and \$2.81 million (23.7%) from the FY23 Outlook, respectively, largely because \$100 million of FRPs were used in FY23 to reduce airline costs. Without FRPs, airline costs and CPE would have increased by 6.8% and 1.9%, respectively.

The DFW Board of Directors approved the FY 2024 budget in the amount of \$1.243 billion on August 10, 2024. The FY24 Budget request from the Cities of Fort Worth and Dallas is the approval of a \$1.253 billion budget that includes \$10 million of contingency outside the airline rate base. This contingency may only be used if approved by the DFW Board of Directors. The use of contingency outside the rate base has been requested by DFW and approved by the Cities for over a decade.

<u>Annual Expenditures (in Millions)</u>	<u>FY24 Budget</u>
Operating expenses	\$672.4
Gross debt service	570.8
Total expenditures budget within rate base	<u>\$1,243.2</u>
Board contingency outside rate base	<u>10.0</u>
Total budget with contingency	<u><u>\$1,253.2</u></u>

If Council Members have additional questions, please call Chris Poinsatte, DFW’s Chief Financial Officer, at 469.358.3678.

David Cooke
City Manager