To the Mayor and Members of the City Council

September 6, 2022

SUBJECT: FY2023 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) 2023 Budget. The 1968 Contract and Agreement between the Cities of Dallas and Fort Worth require that both Owner Cities approve the annual budget. As a reminder, the City of Fort Worth does not contribute any expenses to the operations of the DFW Airport. This document summarizes the major components of the DFW Airport's FY23 Budget. Attached is a presentation that provides historical context to the budget and shows comparisons to FY19 (pre-COVID), FY20, and FY21 actuals and the outlook or forecast for FY22. In addition, Council Members have received the DFW Airport's FY23 Annual Budget Book, which contains more detail.

Summary

DFW's FY23 budget reflects a full recovery from the COVID-19 pandemic from a passenger and revenue standpoint.

The major themes for this year's budget are as follows:

- DFW continues to recover more quickly than other large-hub airports worldwide, primarily due to the increased air service provided by American Airlines.
    - Passengers are budgeted at a record 78.3 million in FY23, a 6.8 million (9.5%) increase over the FY22 Outlook and 6.8% higher than FY19.
    - The DFW Cost Center comprises non-airline businesses such as parking, concessions, rental car, and commercial development. DFW Cost Center revenues are budgeted at a record $476.5 million, a $52.8 million (12.5%) increase over the FY22 Outlook and 19.3% more than FY19.
    - DFW Cost Center net revenues (i.e., profits) are budgeted at a record $206.7 million, a $26.8 million (14.9%) increase over the FY22 Outlook and 35.6% more than FY19.
    - Per the terms of the Use Agreement, DFW budgets to share a record $95.2 million with the airlines to reduce landing fees and deposit a record $111.4 million into the DFW discretionary capital account.
- The FY23 Expenditure Budget is $1.173 billion, a $133.4 million (12.8%) increase from the FY22 Outlook.
    - The FY23 Operating Expenditure Budget is $618.4 million, a $54.6 million (9.7%) increase from the FY22 Outlook due primarily to costs related to increased passengers, fixed contract increases already approved by the Board, inflation in service contracts, parts, and fuel; and investments in digital technology.

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  - The debt service budget is $554.8 million, a $78.7 million (16.5%) increase from the FY22 Outlook primarily due to the issuance of $1.3 billion of new debt in April and July 2022 to finance DFW's capital programs, partially offset by savings from past refundings.

- The FY23 Budget assumes that DFW's remaining Federal Relief Proceeds of approximately $214 million will be used to pay for the inflationary cost increases associated with DFW's major capital programs rather than subsidizing the airline rate base.

- Airline cost represents the amount paid to DFW primarily for landing fees and terminal rents. Airline cost and airline cost per enplanement (CPE) are budgeted to increase by $120.1 million (25.3%) and $1.92 (14.7%) from the FY22 Outlook, respectively, due to higher costs described above and the use of Federal Relief Proceeds for capital projects rather than applied to the operating budget. The increased airline cost will result in higher terminal rates. Landing fees are budgeted to decrease due to higher transfers from the DFW Cost Center discussed above.

The DFW Board of Directors approved the FY 2023 budget in the amount of $1.173 billion on August 2, 2022. The FY23 Budget request from the Cities of Fort Worth and Dallas is the approval of a $1.183 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.

Annual Expenditure (in Millions)	FY23 Budget
Operating expenditures	$ 618.4
Gross debt	554.8
Total expenditure budget within rate base	$ 1,173.3
Board contingency outside rate base	10.0
Total budget with contingency	$ 1,183.3

If Council Members have additional questions, please call Abel Palacios, DFW's Vice President of Finance at (972) 973-5445.

David Cooke
City Manager

FY23 Budget Overview*

DFW has fully recovered from COVID-19.

FY23 passenger budget – 78.3 million
- 9.5% increase
- Record high

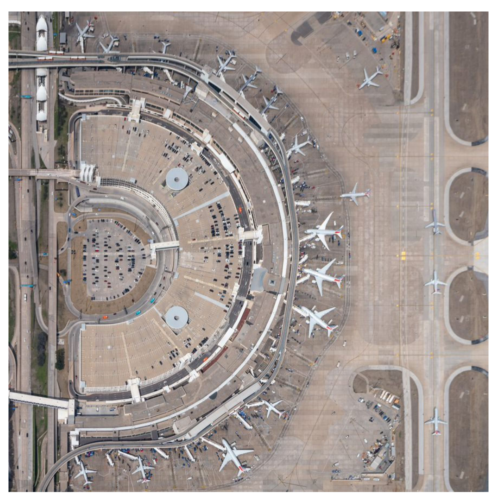
DFW cost center revenues – $476.5 million
- 12.5% increase ($52.8 million)
- Record high

FY23 expenditure budget - $1.173 billion
- 12.8% increase – total budget
- 9.7% increase – operating budget
- 16.5% increase – debt service budget

No Federal Relief Proceeds included in FY23 budget

Airline cost (airline revenue to DFW) – $595.4 million
- 25.3% increase ($120.1 million)

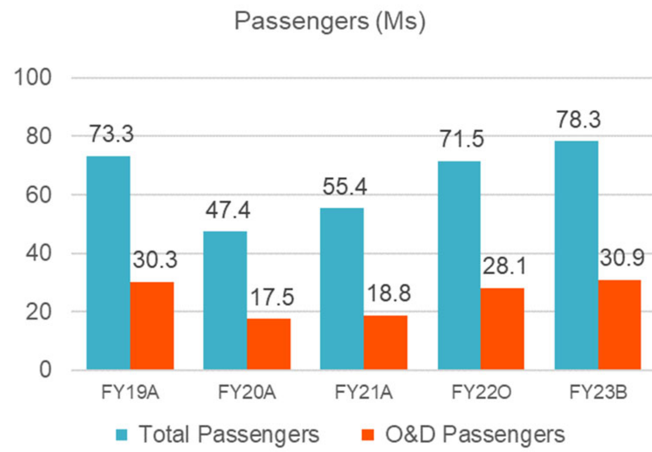
Cost per enplanement (CPE) – $14.99
- 14.7% increase ($1.92)



* All comparisons in this presentation are to the FY22 Outlook, unless stated otherwise

Record Passengers

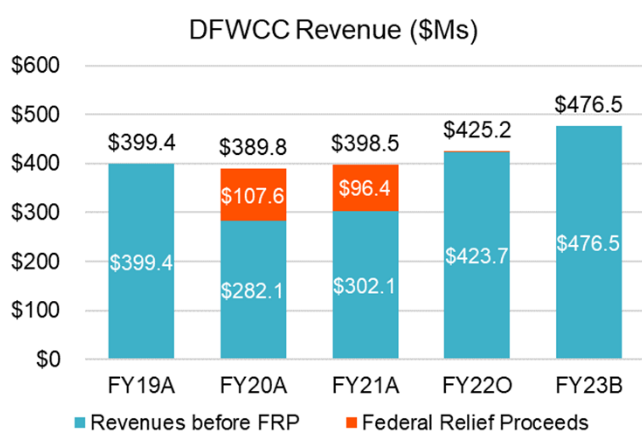
FY23 passenger budget is 78.3 million, a 9.5% increase over the FY22 Outlook and 6.8% more than FY19 actual (pre-pandemic).



DFW

Record DFW Cost Center Revenues

FY23 budget is $476.5 million, $51.3 million (12.1%) higher than the FY22 Outlook; and $77.1 million (19.3%) higher than FY19. All business units are showing revenue growth from FY19 and FY22 Outlook.



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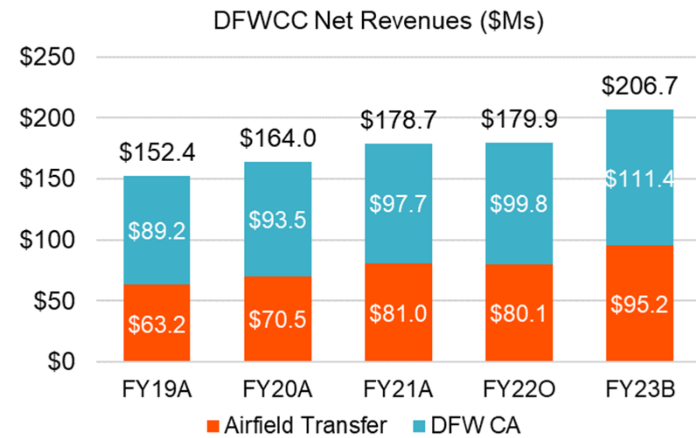
Record DFW Cost Center Net Revenues

DFW shares 75% of net revenues over the Upper Threshold with the airlines to reduce landing fees..



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Expenditure Budget

FY23 Budget is $1.17 billion, a $133.4 million (12.8%) increase from FY22 Outlook.

Operating expense budget reflects cost increases primarily related to:

- More passengers/related services
- Inflation/wage pressure driven cost increases
- Technology/digital investments

Debt service budget increase due primarily to issuance of $1.3 billion of new money debt in April 2022

Annual Expenditure (in Millions)	FY22 Outlook	FY 23 Budget	FY22 vs FY23 Inc/(Dec) $	FY22 vs FY23 Inc/(Dec) %
Operating expenditures	$ 563.8	$ 618.4	$ 54.6	9.7%
Gross debt	476.1	554.8	78.7	16.5%
Total expenditure budget within rate base	$ 1,039.9	$ 1,173.3	$ 133.4	12.8%
Board contingency outside rate base	10.0	10.0		
Total budget with contingency	$ 1,049.9	$ 1,183.3		

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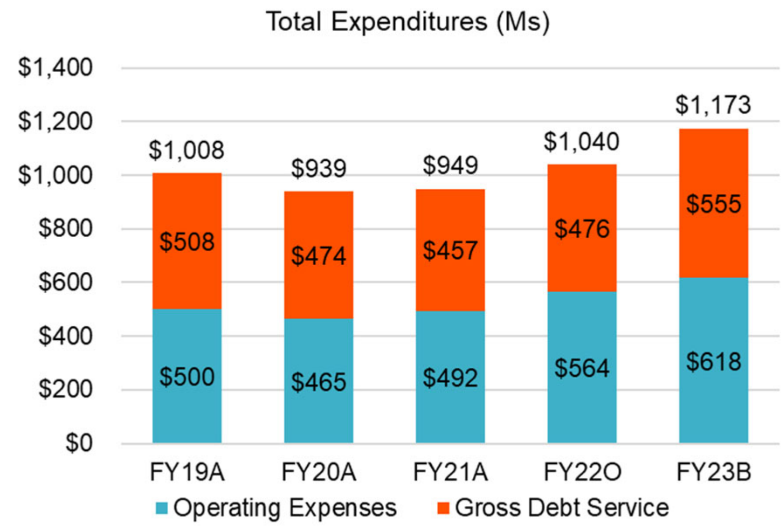
Expenditure Budget

The FY23 Budget is 16.4% higher than FY19 (3.9% CAGR). Increases in operating costs and the issuance of new debt are offset by savings from refundings over the last several years.



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Operating Expense Budget Walkforward

FY22 Outlook to FY23 Budget Walkforward

Operating Expenses (in Millions)	Total
FY22 Outlook	$563.8
Budget reductions	(10.9)
Employee related increases	19.0
Fixed contract increases	15.6
Customer related increases	10.7
Inflationary increases	7.9
Restore CEO contingency/other	7.2
Digital and technology investments	4.9
Operating reserve adjustments	0.2
Net increase	54.6
FY23 Budget	$618.4

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Airline Cost (Revenue to DFW) Walkforward

Higher airline cost is due primarily to increased debt service costs and the removal of Federal relief proceeds from the budget.

Airline Cost Walkforward (in Millions)	Total	CPE [1]
FY22 Outlook	$475.3	$13.07
Debt & Use Agreement Items		
Increase in Debt Service	55.5	
Increase in PFC	(5.6)	
Threshold Adjustment	6.6	
Total Debt and Use Agreement	56.5	
Net Operating Expenses		
Federal Relief Proceeds Reduction	50.4	
Airline Cost Centers O&M	35.5	
Transfer from DFW Cost Center	(18.9)	
Other Non-Airline Revenues	(3.4)	
Total Net Operating Expenses	63.6	
Total Increases	120.1	
FY23 Budget	$595.4	$14.99

(1) Actual rate, not in millions

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DFW

Request Budget Approval - $1.183B

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Tax Sharing to Owner Cities

Euless, Irving, Coppell, and Grapevine (south of HWY 114) have tax sharing arrangements with DFW and the Owner Cities.

Revenues split between "Host City" ($1/3^{rd}$) and Owner Cities ($2/3^{rd}$)

- Split between Dallas and Fort Worth is based upon $7/11^{th}$ and $4/11^{th}$ ownership, except for Rental Car Center taxes which are shared equally

Host Cities paid $15.1 million in FY21:

- Dallas - $8.3 million
- Fort Worth - $6.8 million
- Owner Cities received total of $3.9 million (25.9%) increase from prior year.
- Taxes from rental car facility in Euless increased 54.7% from prior year.

DFW

DFW DALLAS FORT WORTH INTERNATIONAL AIRPORT

FY 2023 Proposed Budget

Finance Department
P.O. Box 619428
DFW Airport, Texas 75261-9428

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DALLAS
FORT WORTH
INTERNATIONAL
AIRPORT

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Dallas

Rick Stopfer
Mayor
Irving

DFW'S Vision Statement

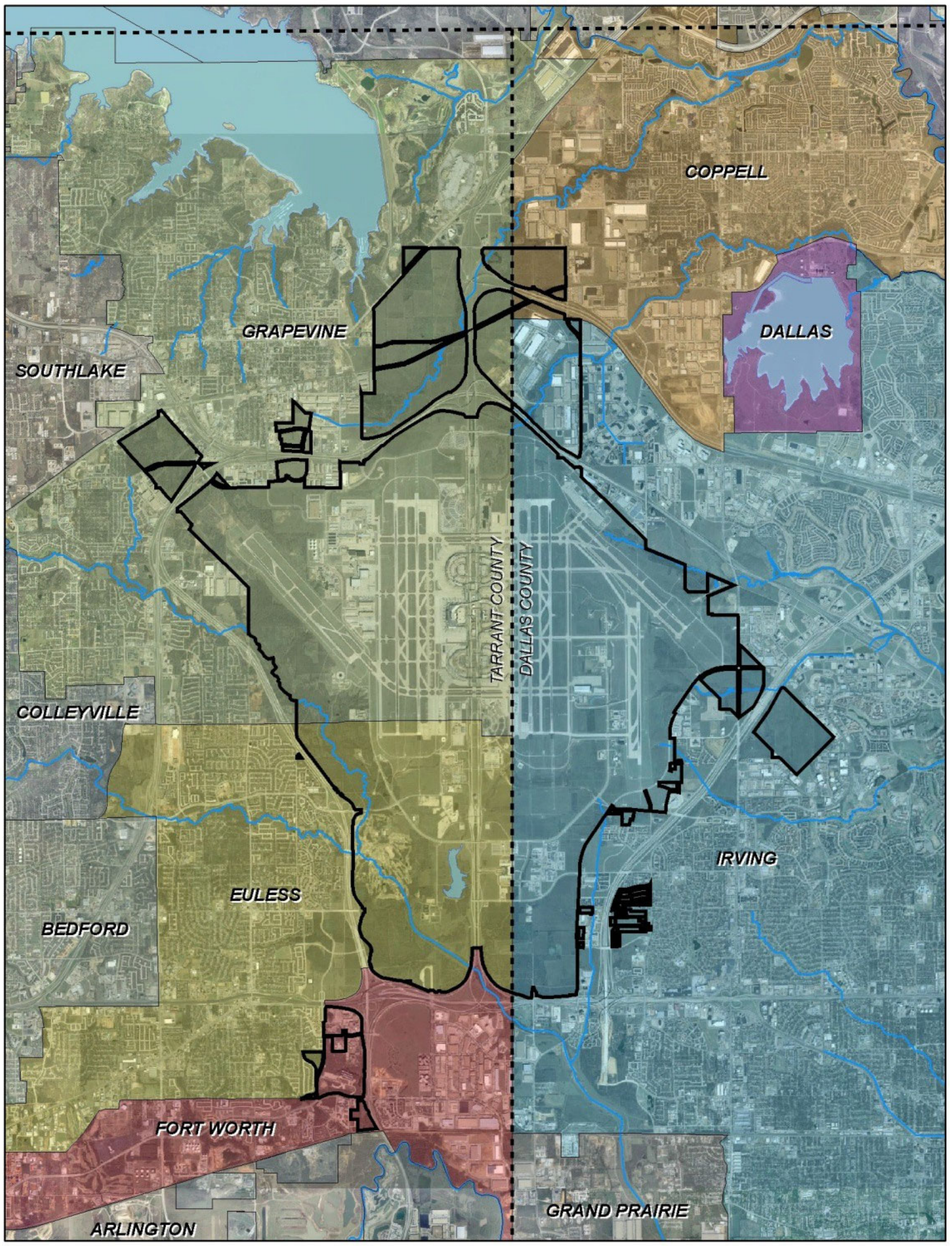
Travel. Transformed.

DFW'S Mission Statement

We discover new ways to care for our customers, inspire our employees, and strengthen our communities to create an exceptional Airport experience. Every Day.

Airport Background

The Dallas Fort Worth International Airport Board (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.

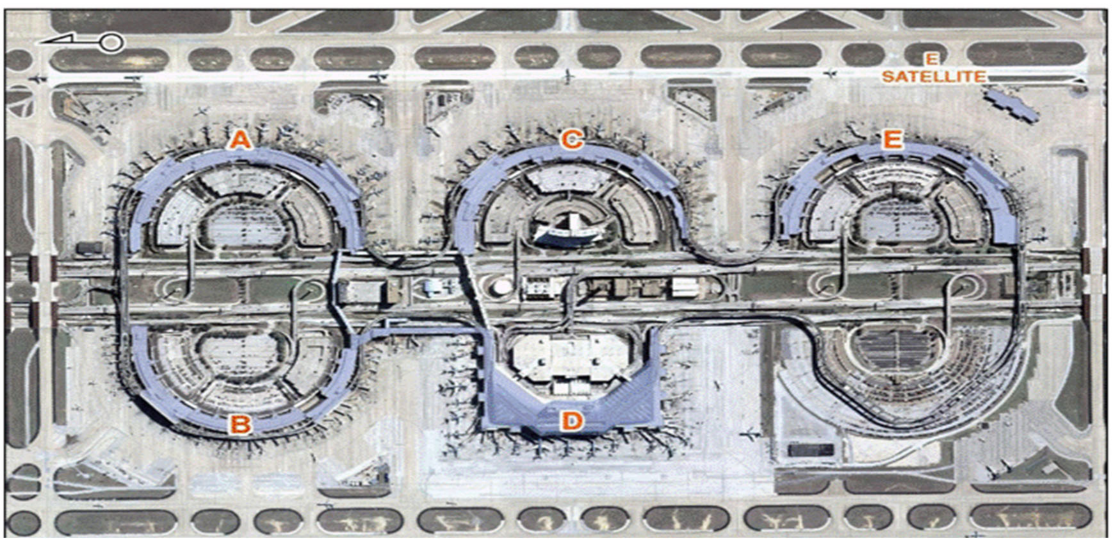


Source: DFW Airport Information Technology Services

DFW consists of 26.9 square miles (17,183 acres), one of the largest land mass airports in the world. Celebrating nearly 50 years of operations, DFW is the most connected Airport worldwide, ranking as the second largest airport based on passengers and the third largest airport based on operations. 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. Home to about 3,000 high-tech firms and the grantee/operator of Foreign Trade Zone No. 39, DFW is known as the major economic generator for North Texas powering a $534.8 billion economy, according to the North Texas Commission (NTC). As of July 6, 2022, DFW operated daily passenger flights to 265 destinations worldwide, including 194 nonstop domestic destinations and 71 nonstop international destinations.

DFW Infrastructure

Terminals - The Airport has five terminals (A, B, C, D and E) totaling 6.3 million square feet of building space, with 170 aircraft boarding gates, approximately 361 ticketing positions, including self-service kiosks and 15 security checkpoints, four of which have Transportation Security Administration (TSA) expedited screening for domestic passengers. The Airport recently opened the newly reconstructed High-C Gates in Terminal C (Gates 35C-39C).



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 2.36 million square feet and 30 gates. Seventeen gates are preferentially leased to American Airlines. The remaining 13 gates are common use. The preferential gate lease currently expired on September 30, 2021, as part of the Airline Lease and Use Agreement, but the Airlines and the Airport have agreed to extend the current agreement on a month-to-month basis while negotiations for a new agreement continue.

The Airport's U.S. Customs and Border Protection (CBP) facilities are in Terminal D. This facility has the capacity to handle approximately 2,800 international customers per hour and customers can retrieve their luggage from any one of eight bag carousels.

The Airport is responsible for the custodial services in Terminals B, D and E, and assumed custodial services in public areas of Terminals A and C in FY20. American Airlines is responsible for facilities maintenance in Terminals A and C, and the Terminal E satellite. Additionally, American Airlines handles Terminal D baggage maintenance, the airline'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 is one of the highest capacity airports in the world with seven runways: two diagonal runways and five north/south parallel runways. Four of the Airport's parallel runways are 13,400 feet in length. The Airport has the capacity to land, park and gate the A380, currently the largest passenger airliner in the world. The Airport's designated hourly capacity arrival/departure flow is approximately 170 aircraft operations per hour under reduced instrument flight conditions and approximately 226 to 264 aircraft operations per hour under optimum visual flight conditions, a condition that prevails approximately 94% of the time.

Integrated Operations Center (IOC) – The new Integrated Operations Center provides "360-degree situational awareness" of all Airport operations with a common, complete operating picture from both customer and operator perspectives. Presently, Team IOC is forecasted to have over 400,000 engagements (phone calls, emails, text messages, application requests, etc.) in 2022. Data shows the IOC trending beyond prepandemic numbers, but with the renewed focus on teamwork and customer centric response, along with technology improvements, the call abandonment rates are trending less than 5% on average. The IOC averaged an inquiry every 60 seconds or less.

Skylink Automated People Mover (APM) – The Skylink APM system carries 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-minute headways. 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 transferred from a Capital Account, grant proceeds used to fund capital projects, and any 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 FY22. The structure of the plan is shown below. DFW's Strategic Plan is available at:
https://www.dfwairport.com/business/about/strategicplan/

OUR VISION

Travel. Transformed.

OUR MISSION

We discover new ways to care for our customers, inspire our employees, and strengthen our communities to create an exceptional Airport experience. Every Day.

OUR KEY RESULTS

OUR APPROACH

OUR BELIEFS

You're Important

Everyone's Welcome

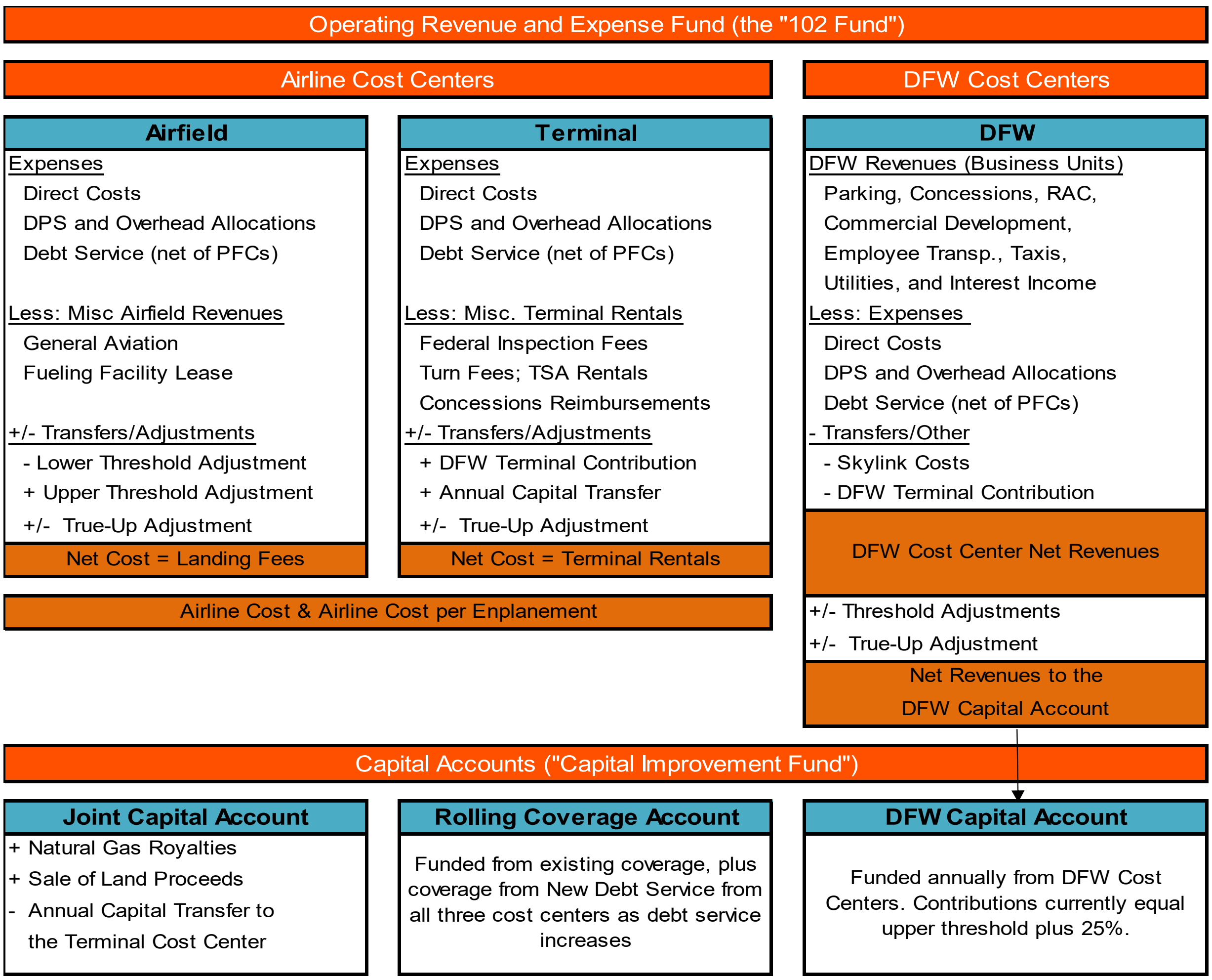
Collaborating Wins

Striving for Excellence

Trust is Everything

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). DFW is currently negotiating a new use agreement with the Airlines. The following chart summarizes the Airline Use Agreement rate model that has been extended on a month-to-month basis.



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 administrative costs, plus debt service (net of 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 rates for all five terminals. The amount paid by the airlines for landing fees and terminal rent fees 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 (DFWCC) – All non-airline business units, plus interest income, are included in the DFWCC. The DFWCC pays all costs associated with the Skylink APM system. One of DFW's most important KPIs is DFWCC 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 (DFWCA). DFW shares 75% of the DFWCC net revenues over the "upper threshold" with the airlines to reduce landing fees and transfers the remainder into the DFWCA.

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 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 DFWCC net revenues. If DFWCC net revenues are budgeted to be less than the lower threshold ($52.0 million in FY23), 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. DFW has never had to use the lower threshold adjustment. If DFWCC net revenues are budgeted to be greater than the upper threshold ($79.7 million in FY23), then 75% of the excess is credited to the Airfield Cost Center as an upper threshold adjustment. This reduces budgeted landing fees. The remaining net revenues are transferred into the DFWCA. The retention of net revenues in the DFWCA provides funds for capital replacement. 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.

DFW Terminal Contribution – Per the terms of the Use Agreement, an annual transfer is made from the DFWCC to the Terminal Cost Center to pay for DFW's share of common use and leasable, but unleased space in Terminals D and E ($0 in FY23).

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 DFW's primary funds.

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
907/910s	Public Facility Improvement Corporation (PFIC)	RAC/Hotels/Campus West/19th Street Cargo

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 (RAC) 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 excluded from the airline rate base and are not part of 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 other 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.

FY23 Budget Comparisons to Other Periods

FY22 Outlook – The Board approves a total annual budget each year that consists of operating expenditures and debt service. Management has authority to move money between budget categories. The FY22 budget included contingency fund outside the rate base that required Board approval ($10 million). During FY22, DFW utilized $10 million of Board-approved contingency to fund incremental debt service costs from the issuance of new debt in FY22.

Presentation of Amounts and Prior Years Actuals – The FY23 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 FY23 presentation.

Budget Schedule

DFW's fiscal year begins October 1. The FY23 Expenditure 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 20, 2022, with follow-up information provided a few weeks later on July 19, 2022. The proposed FY23 Budget is presented to the Finance/Audit Committee and the DFW Board on August 2 and 4, 2022, respectively. On August 4, 2022, the DFW Board approves the submission of the budget to the City Managers of Dallas and Fort Worth. The Board approves the budget on September 1, 2022. The two City Councils then approve the budget by September 30, 2022.

Executive Summary - FY23 Budget

DFW has fully recovered from COVID-19. This is evidenced by the FY23 Budget which projects record passengers, non-airline revenues and non-airline net revenues, significantly better than the FY22 Outlook and FY19 actual results (prepandemic). The major themes of DFW's FY23 Budget follow:

- DFW continues to recover more quickly than other large-hub airports around the world primarily due to increased air service provided by American Airlines.
    - Passengers are budgeted at a record 78.3 million in FY23, a 6.8 million (9.5%) increase over the FY22 Outlook and 6.8% higher than FY19.
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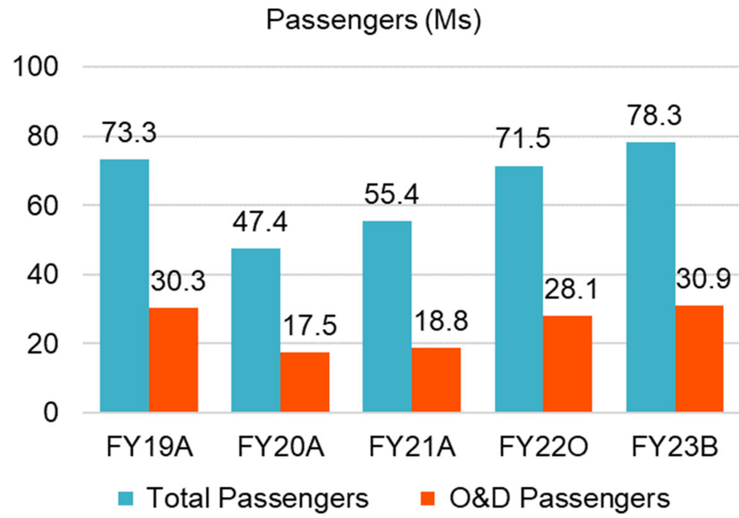
- The FY23 Budget currently includes the assumption that the remaining FRPs of approximately $213.8 million will be used to fund the inflationary cost increases associated with DFW's major capital programs, rather than rate relief.

- Airline cost and cost per enplanement (CPE) are budgeted to increase $120.1 million (25.3%) and $1.92 (14.7%) from the FY22 Outlook, respectively, due to higher costs described above and the use of FRPs for capital projects rather than applied to the rate base as in past three years. The increased airline cost will result in higher terminal rates. Landing fees are budgeted to decrease due to higher DFWCC transfers.
    - The Airport plans to keep terminal-related airline rates flat in the first quarter of FY23 with FY22 and then increase rates beginning January 1, 2023. If DFW and the airlines can achieve firm agreed-upon terms for a new Use Agreement in the first quarter of FY23, DFW may utilize some of the available FRPs to offset the increase in rates and charges.

Passengers, Operations and Landed Weights

The following chart compares total passengers and originating and destination (O&D) passengers for FY19 Actual, FY20 Actual, FY21 Actual, FY22 Outlook and FY23 Budget. The FY23 passenger budget is 78.3 million, a 6.8 million (9.5%) increase over the FY22 Outlook of 71.5 million and 6.8% more than FY19 million due primarily to increased service by American Airlines.



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 final 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' strategy to utilize DFW's hub heavily, connecting passengers are budgeted to recover about the same rate as originating or destination passengers.

	FY19 Actual	FY22 Outlook	FY23 Budget	FY23 vs FY22 Amount	FY23 vs FY22 Percent
Passengers (Millions)					
Origination	17.0	15.9	17.4	1.5	9.8%
Destination	13.2	12.2	13.4	1.2	10.2%
Connecting	43.0	43.4	47.5	4.0	9.3%
Total Passengers	73.3	71.5	78.3	6.8	9.5%
Enplanements	36.6	35.7	39.2	3.4	9.6%
FIS Deplaned	4.2	4.5	4.5	(0.0)	(0.9%)
Landed Weights (Billions)	46.8	45.9	48.6	2.7	5.9%
Operations (Thousands)	700	670	672	2.3	0.3%

FY23 landed weights and operations are projected to be 5.9% and 0.3% higher than the FY22 Outlook, respectively. FY23 landed weights are projected to be 4% above FY19, while operations are projected to remain 4% below FY19 due to upgauging of aircraft (i.e., more seats per plane) from regional jets to narrow body aircraft. Operations remain lower due to pilot shortages.

FY 2023 Budget Comparison

The table below compares the Expenditure Budget between the FY22 Outlook and the FY23 Budget. The FY23 Expenditure Budget (within the rate base) is $1.173 billion, a $133.4 million (12.8%) increase from the FY22 Outlook. The total expenditure budget within the rate base is used to calculate airline rates and charges (e.g., landing fees and terminal rental rates) per the terms of the Use Agreement.

Annual Expenditures (in Millions)	FY22 Outlook	FY23 Budget	FY23 vs FY22 Increase (Decrease) Amount	FY23 vs FY22 Increase (Decrease) Percent
Operating expenses	$563.8	$618.4	$54.6	9.7%
Gross debt service	476.1	554.8	78.7	16.5%
Total expenditures budget within rate base	$1,039.9	$1,173.3	$133.4	12.8%
Board contingency outside rate base	10.0	10.0		
Total budget with contingency	$1,049.9	$1,183.3		

The Airport has historically requested $10 million of Board contingency as part of its budget request from the Owner Cities. This contingency can only be used with approval of the DFW Board of Directors, which includes the mayors of Dallas and Fort Worth. This contingency has been used in the past when non-airline revenues are significantly higher than budget and when large unexpected expenses are required such as a new DHS security requirement or when the Airport desires to make an incremental contribution to its pension plans.

Operating Expense Budget Walkforward

The following table summarizes the major changes in operating expenses between the FY22 Outlook and the FY23 Budget. The major drivers of the FY23 Budget increase are inflation, wage pressures and the increase in passengers. See the Expenditure Section for more detailed discussion of this walkforward.

FY22 Outlook to FY23 Budget

Operating Expenses (in Millions)	Total
FY22 Outlook	$563.8
Budget reductions	(10.9)
Employee related increases	19.0
Customer related increases	10.7
Fixed contract increases	15.6
Digital and technology investments	4.9
Inflationary increases	7.9
Other increases	7.2
Operating reserve adjustments	0.2
Net increase	54.6
FY23 Budget	$ 618.4

Revenues Overview

The following table summarizes revenues by cost center for the FY19 Actual, FY22 Outlook and the FY23 Budget. Refer to the Airline Cost Centers and DFW Cost Center sections for more detail on revenues.

Millions	FY19 Actual	FY22 Outlook	FY23 Budget	FY23 vs FY22 Amount	FY23 vs FY22 Percent
Revenues					
Airfield Cost Center	$184.1	$188.6	$200.9	$12.3	6.5%
Terminal Cost Center	402.8	405.2	528.8	123.6	30.5%
DFW Cost Center*	332.9	340.7	381.4	40.7	11.9%
PFCs and Other	177.1	153.2	173.8	20.6	13.5%
Federal Relief Proceeds**	0.0	66.6	0.0	(66.6)	-100.0%
Total Revenues	$1,096.9	$1,154.4	$1,284.9	$130.5	11.3%

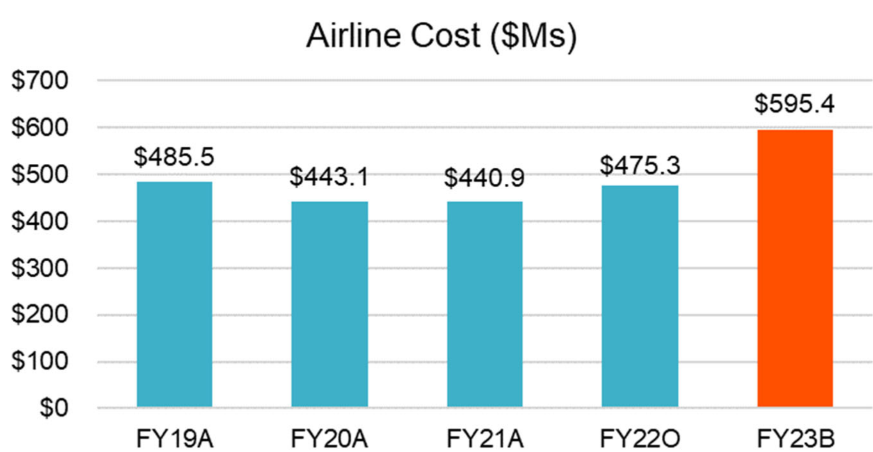
*Excludes transfer from DFWCC and Terminal Contribution

** Excludes $30.7 million of FRP for concessionaires.

DFW collects a $4.50 PFC from most enplaned revenue passengers to pay for eligible debt service. This revenue stream is used as an offset to debt service. Other revenues relate to transfers from the PFIC to pay debt service associated with the Grand Hyatt hotel, plus transfers from the DFW Capital Account to pay for debt service associated with the Terminal E garage and DFW's headquarters.

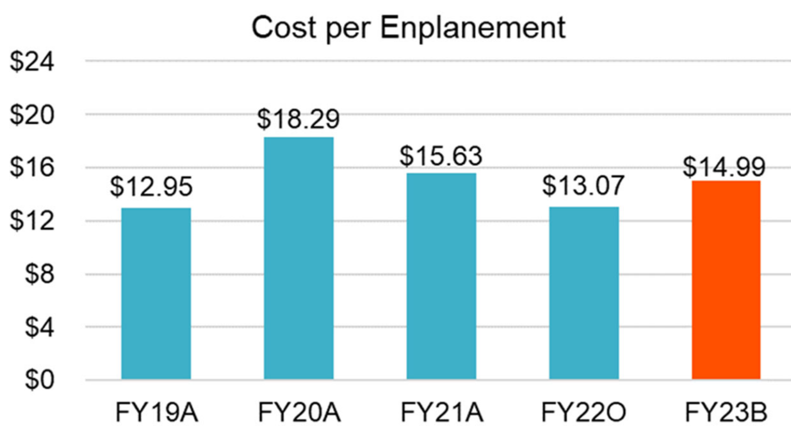
Airline Cost

Airline cost represents the fees paid to DFW by the passenger and air cargo carriers, primarily for landing fees and terminal rents. The FY23 Airline Cost Budget is $595.4 million, $120.1 million (25.3%) higher than the FY22 Outlook due to the net impact of higher costs, less FRPs and higher DFWCC net revenues. The following chart compares airline cost for FY19 to FY21 Actuals, FY22 Outlook and the FY23 Budget. DFW has been able to keep airline cost relatively flat through the pandemic due to the use of FRPs, which are not being applied to the rate base in the FY23 Budget.



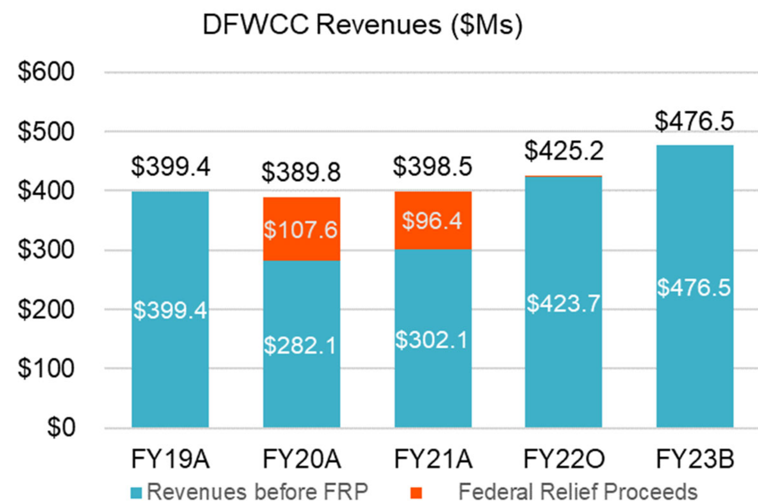
Passenger Airline Cost Per Enplanement

CPE represents total passenger airline revenue (cost to the airlines) paid to DFW divided by the number of enplaned passengers. It excludes cargo landing fees. CPE is a standard airline industry metric. Enplaned passengers (the denominator) are a key revenue/cost driver for the airlines; however, not 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 operating expense are fixed based on its experience with COVID-19. Debt service is highly fixed unless the Airport has refundings available in the fiscal year which could allow for some debt restructuring. Notwithstanding, the industry uses this indicator as a cost performance metric. CPE is budgeted to increase 14.7% in FY23 because airline costs are projected to grow faster (25.3%) than the increase in passenger traffic (9.5%).

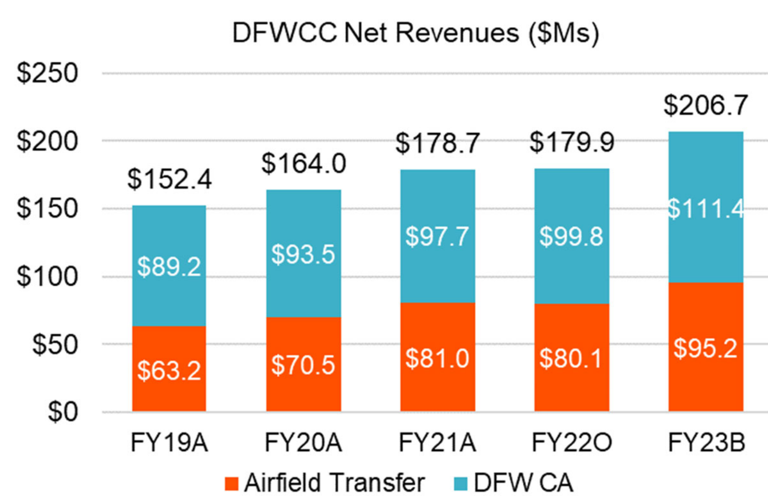


DFW Cost Center Revenues and Net Revenues

The following chart compares DFW Cost Center (DFWCC) revenues for the periods FY19 to FY21 Actuals, FY22 Outlook and FY23 Budget. Non-airline revenues achieved record levels in FY23, $77.1 million (19.3%) higher than FY19 and $52.8 million (12.5%) higher than the FY22 Outlook due to increased passenger-related revenues, annualization of parking rate increases in FY22, higher rental car rates, more commercial development acres under lease and higher interest income due to higher rates. See more detail in the DFWCC 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 for the periods FY19 to FY21 Actuals, FY22 Outlook and FY23 Budget. DFWCC Net Revenues are budgeted at $206.7 million in FY23, $26.8 million higher than in FY22. DFW has used Federal Relief Proceeds to keep net revenues and revenues transferred to the DFW Capital Account relatively flat during pandemic but will not need any in FY23. The Use Agreement requires DFW to share 75% of revenues over the “upper threshold” ($79.7 million in FY23) with the airlines.



Available Federal Relief Proceeds (FRPs)

The U.S. government passed three FRP packages into law to provide financial assistance for airports: the Coronavirus Aid, Relief, and Economic Security Act (CARES) in March 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in December 2020, and the American Rescue Plan Act of 2021 (ARPA) in March 2021. DFW’s share of these FRP packages totals $611.2 million as shown in the table on the following page. DFW currently projects to have $213.8 million outstanding at the end of FY22.

The FY23 Budget currently includes the assumption that the remaining FRPs will be used to pay for the inflationary cost increases of the Central Terminal Area Expansion Program or other capital projects. If DFW and the airlines can achieve firm agreed-upon terms to a new Use Agreement in the first quarter of FY23, DFW may utilize some of the available FRPs to offset the increase in rates and charges.

Federal Relief Proceeds (FRPs) Summary
$ Millions

	Debt Service	Con-cessions	Total
Federal Relief Awarded			
CARES	$299.2	$0.0	$299.2
CRRSA	52.6	7.7	60.3
ARPA	221.1	30.7	251.8
Total Federal Relief Awarded	572.9	38.3	611.2
FRP Utilization through FY22 Budget			
FY20 Actual	144.1	0.0	144.1
FY21 Actual	148.4	7.7	156.1
FY22 Outlook	66.6	30.7	97.3
Total Uses thourgh FY22 Budget	359.1	38.3	397.4
FRPs Available	$213.8	$0.0	$213.8

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Airline Cost Centers

There are two airline cost centers, the airfield and the terminal. The airlines pay landing fees to cover the net cost of the airfield and terminal rents to cover the net cost of 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).

Airline Cost Walkforward

The following table is a walkforward of airline cost from the FY22 Outlook to the FY23 Budget. To explain the table, an increase in a non-airline revenue, like PFCs, is shown as a negative number because airlines will pay lower fees due to the growth of this revenue (i.e., decrease airline cost). Similarly, a reduction in a revenue source, like FRPs, will increase airline costs.

Airline Cost Walkforward (in Millions)	Total
FY 2022 Outlook	$475.3
Debt & use agreement items	
Increase in debt service	55.5
Increase in threshold adjustment	6.6
Increase in passenger facility charges	(5.6)
Total Debt and Use Agreement	56.5
Net operating expenses changes	
Lower Federal Relief Proceeds	50.4
Increase in operating expenses	35.5
Increased DFWCC transfer	(18.9)
Increased other non-airline revenues	(3.4)
Total net operating expenses	63.6
Total increases	120.1
FY 2023 Budget	$595.4

Summary of Airline Cost

The following table summarizes airline costs included in FY19 Actual, FY22 Outlook and FY23 Budget. Landing fees are lower due to higher DFWCC sharing, while terminal costs are higher primarily due to higher costs and the removal of FRPs from the budget in FY23.

Airline Revenue/Costs (in Millions)	FY19 Actual	FY22 Outlook	FY23 Budget	23 vs 22 Inc (Dec) Amount	23 vs 22 Inc (Dec) Percent
Landing Fees	107.8	93.9	91.0	($2.9)	(3.1%)
Terminal Leases	315.8	327.3	420.8	93.5	28.6%
FIS Fees	28.0	26.1	34.7	8.6	32.8%
Turn Fees & Terminal Office Rent	33.2	27.2	48.3	21.1	77.4%
Aircraft Parking	0.7	0.7	0.7	(0.0)	(6.2%)
Total Airline Revenue/Cost	$485.5	$475.3	$595.4	$120.1	25.3%

Airfield Cost Center

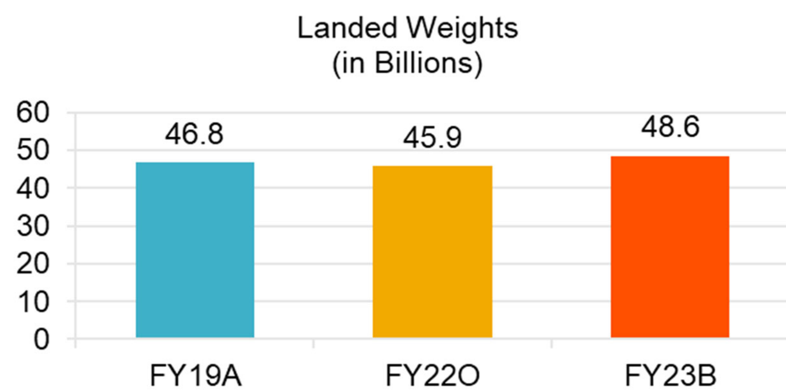
The table below compares the FY19 Actual, FY22 Outlook and FY23 Budget for the Airfield Cost Center. This is a residual cost center, so revenues equal expenses with landing fees as the balancer. The remaining balance of net airfield revenue in FY19 of $10.5 million was before settlement and would be applied as a reduction in the following year's landing fees. Note that FRPs were not needed in FY22 or FY23 due to the amount of DFWCC revenue sharing. See further discussion below.

Airfield CC (in Millions)	FY19 Actual	FY22 Outlook	FY23 Budget	23 vs 22 Inc (Dec) Amount	23 vs 22 Inc (Dec) Percent
Revenues					
Landing Fees	$118.4	$93.9	$91.0	($2.9)	(3.1%)
Transfer from DFWCC	63.2	80.1	95.2	15.2	18.9%
Federal Relief Proceeds	0.0	0.0	0.0	0.0	0.0%
Other	13.0	14.6	14.6	0.0	0.2%
Total Revenues	194.6	188.6	200.9	12.3	6.5%
Expenditures					
Operating Expenses	102.5	118.0	115.4	(2.6)	(2.2%)
Net Debt Service	81.5	70.7	85.5	14.8	21.0%
Total Expenditures	184.1	188.6	200.9	12.3	6.5%
Net Airfield Revenue	$10.5	$0.0	$0.0	$0.0	0.0%

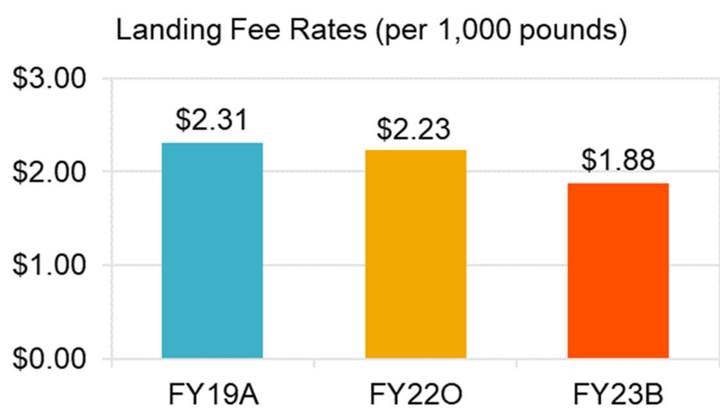
Calculation of Landing Fees – The following table shows the calculation of landing fees for the three periods. The Use Agreement requires DFW to share revenues from the DFW Cost Center to lower landing fees. Other airfield revenues include fees for aircraft parking, landing and other fees for the use of DFW's corporate aviation facility, ground lease payments for the fuel farm (operated for the airlines by a third party), and an allocation of Department of Public Safety (DPS) revenues. The FY23 landing fees budget is $91.0 million, a decrease of $2.9 million (3.1%) from the FY22 Outlook because transfers from the DFW Cost Center are greater than net cost increases.

	FY19	FY22	FY23	23 vs 22 Inc (Dec)	
Airfield CC (in Millions)	Actual	Outlook	Budget	Amount	Percent
Expenditures					
Operating Expenses	$102.5	$118.0	$115.4	(2.6)	(2.2%)
Net Debt Service	81.5	70.7	85.5	14.8	21.0%
Total Expenditures	184.1	188.6	200.9	12.3	6.5%
Revenues					
Transfer from DFW Cost Center	63.2	80.1	95.2	15.2	18.9%
Federal Relief Proceeds	0.0	0.0	0.0	0.0	0.0%
Aircraft Parking	0.7	0.7	0.7	(0.0)	(6.2%)
Corporate Aviation	2.5	3.7	3.7	(0.1)	(1.6%)
Fuel Facility Ground Lease	6.0	6.5	7.1	0.6	9.0%
DPS	3.9	3.7	3.3	(0.4)	(11.4%)
Trueup activity	(10.5)	0.0	0.0	0.0	0.0%
Other	(0.0)	(0.1)	(0.1)	(0.0)	16.9%
Revenues before Landing Fees	65.7	94.7	109.9	15.2	16.0%
Landing Fees	$118.4	$93.9	$91.0	(2.9)	(3.1%)

Landed Weights – Landed weights are budgeted at 48.6 billion tons in FY23, a 2.7 billion (5.9%) increase from the FY22 Outlook. The increase is primarily due to the recovery and the use of heavier aircraft (i.e., narrow body aircraft versus regional jets) and wide body aircraft with more seats.



Landing Fee Rates – 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.



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 FY23B.

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 9.4% of DFW's budgeted landing fees in FY23.

A strong performance in the second half of FY21 carried over with strong demand for global air freight into the first half of FY22 resulting in a 3.2% increase in cargo tonnage year over year. There was unexpected drop in demand in the second half of FY22 due to Covid lockdowns in China, which impacted production as well as crew schedules and global inflation. DFW projects a drop of about 6% of cargo tonnage for the second half of FY22 resulting in a net 3.3% decline in tonnage. DFW projects FY23 cargo tonnage to be flat to FY22 due to a decrease in consumer demand caused by inflation, high interest rates and geopolitical uncertainty.

Cargo Tonnage (US Tons in 000s)			
FY	Tonnage	Change	Percent
2020	888	0	-
2021	984	96	10.8%
2022 OL	952	(32)	(3.3%)
2023 B	950	(2)	(0.2%)

Terminal Cost Center

The table below compares the FY19 Actual, FY22 Outlook and FY23 Budget for the Terminal Cost Center. Since this is a residual cost center, revenues equal expenses. The $2.3 million variance for FY19 Actual resulted in a true-up credit the following year. Revenue variances between the FY23 Budget and the FY22 Outlook are explained below.

Terminal CC (in Millions)	FY19 Actual	FY22 Outlook	FY23 Budget	23 vs 22 Inc (Dec) Amount	23 vs 22 Inc (Dec) Percent
Revenues					
Operating Revenue					
Terminal Leases	$318.1	$327.3	$420.8	$93.5	28.6%
FIS Fees	28.0	26.1	34.7	8.6	32.8%
Turn Fees & Office Rents	33.2	27.2	48.3	21.1	77.4%
Other	22.5	21.8	25.0	3.3	15.0%
Federal Relief Proceeds	0.0	50.4	0.0	(50.4)	(100.0%)
Total Operating Revenue	401.7	452.7	528.8	76.0	16.8%
DFW Terminal Contribution	3.3	2.8	0.0	(2.8)	(100.0%)
Total Revenues	405.0	455.6	528.8	73.2	18.1%
Expenditures					
Operating Expenses	219.7	258.8	297.0	38.1	14.7%
Net Debt Service	183.0	196.7	231.8	35.1	17.8%
Total Expenditures	402.8	455.6	528.8	73.2	16.1%
Net Terminal Revenue	$2.3	$0.0	$0.0	$0.0	0.0%

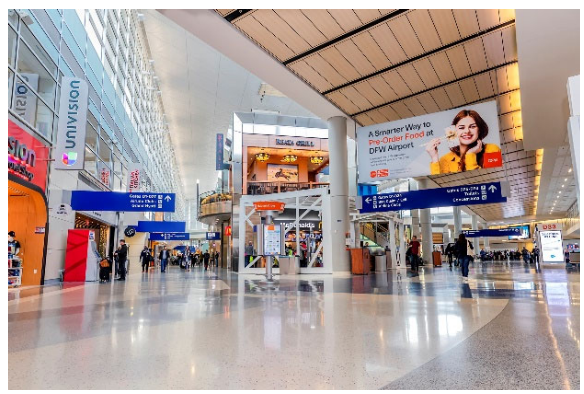
Terminal Leases – The FY23 terminal lease budget is $93.5 million (28.6%) higher than the FY22 Outlook, primarily due to increases in operating expenses and net debt service and zero FRPs being applied to offset the cost increases.

Federal Inspection Services (FIS) Fees – Costs are allocated to the FIS based on its percent share of terminal square footage. The FIS budget in FY23 is $34.7 million, $8.6 million (32.8%) higher than the FY22 Outlook. The rate for FIS per international passenger clearing customs at DFW is budgeted at $6.30 for the first quarter of FY23, then increase to $8.11 starting January 1, 2023, and for the remainder of FY23. 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 fee revenue budget for FY23 is $48.3 million, a $21.1 million increase from the FY22 Outlook. The turn fee rates are the same as the FY22 budgeted rates for the first quarter of FY23, then increase 32.2% starting January 1, 2023, and for the remainder for FY23.

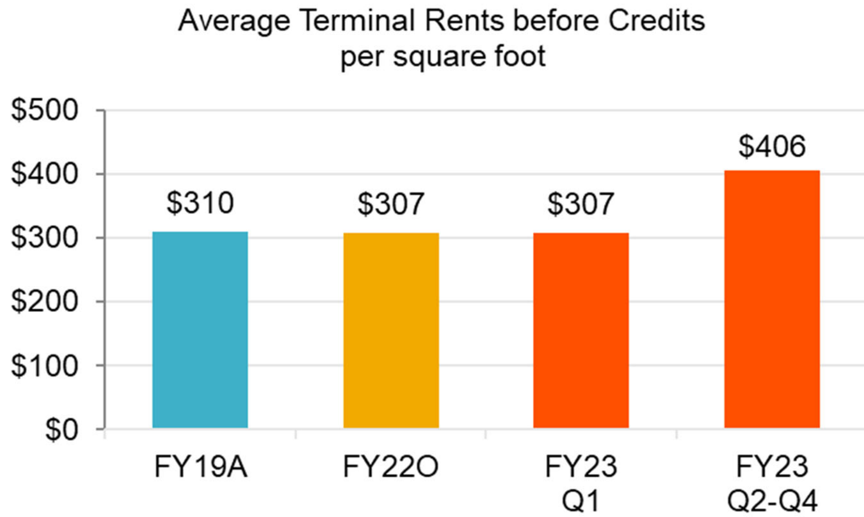
Other Terminal Revenues – Other terminal revenues include TSA rents, concessions operations and maintenance (O&M) reimbursements, catering fees and allocable miscellaneous DPS revenues. Concessionaires are required to reimburse the Airport (for Terminals B, D and E) and American Airlines (for Terminals A and C) for the allocated maintenance cost per square foot. Other terminal revenues are $3.3 million (15%) higher than the FY22 Outlook, due primarily to higher concessions O&M reimbursement driven by higher maintenance costs and an increase in concessions terminal square footage. Other increases include catering fees, which are driven by an increase in international passengers and DPS revenues.

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. No terminal contribution is needed in the FY23 Budget.



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 FY23 is $44.9 million.

Total terminal leased square footage in FY23 remained relatively flat to FY22 Outlook at 1.222 million square feet. Terminal rental rate is budgeted at $307 per square foot for the first quarter of FY23, then increase to $406 starting January 1, 2023, and for the remainder of FY23. The following chart compares average terminal rents before credits for the FY19 Actuals, FY22 Outlook and FY23 Budget.



CPE Calculation

The following table shows the passenger airline cost per enplanement calculation and compares the CPE for the FY19 Actual, FY22 Outlook and FY23 Budget. This KPI only includes passenger-related airline revenues (i.e., costs) and excludes cargo and general aviation revenues. CPE increases since costs rise faster than enplanements.

Cost Per Enplanement (in Millions)	FY19 Actual	FY22 Outlook	FY23 Budget	23 vs 22 Inc (Dec) Amount	23 vs 22 Inc (Dec) Percent
Enplanements [1]	36.6	35.7	39.1	3.4	9.6%
Passenger Airline CPE					
Airline Cost/Revenue	$485.5	$475.3	$595.4	$120.1	25.3%
Less: Cargo	(11.2)	(8.7)	(8.6)	0.1	(1.5%)
Total PAX Airline Revenue	474.4	466.6	586.8	120.3	25.8%
Cost per Enplanement (CPE) [2]	$12.95	$13.07	$14.99	$1.92	14.7%

[1] Corporate Aviation enplanements are excluded from CPE calculation

[2] Actual rates, not in millions

DFW Cost Center

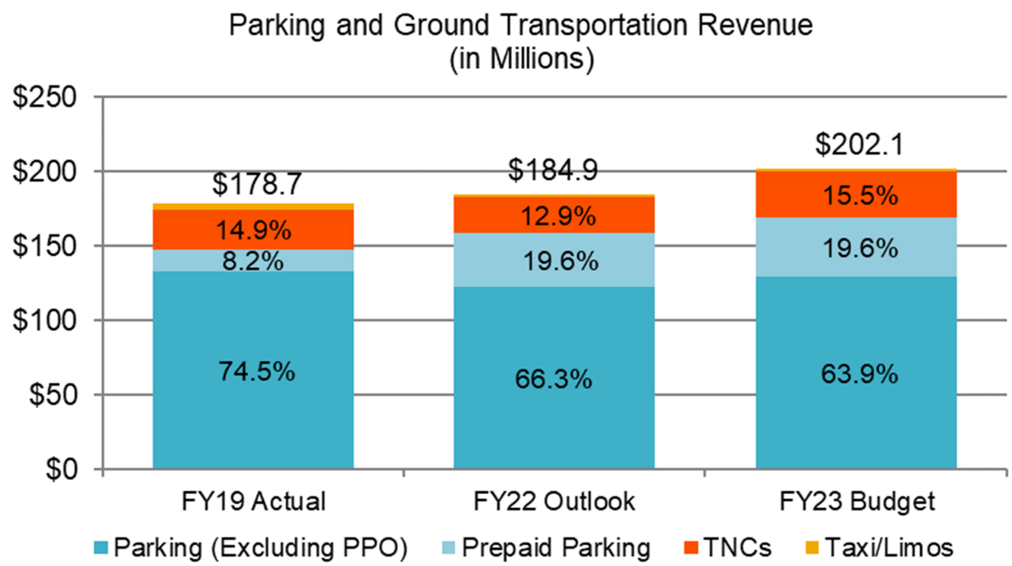
The table below compares the FY19 Actual, FY22 Outlook and FY23 Budget for the DFWCC. The FY23 Budget does not include any FRPs as discussed in the Executive Summary. Not shown in this table are $30.7 million of FRP shared with concessionaires during FY22 through billing credits. DFW transfers 75% of net revenues in excess of the “upper threshold” ($95.2 million in FY23) with the Airfield Cost Center to reduce landing fees. This is called the threshold adjustment.

DFW Cost Center (in Millions)	FY19 Actual	FY22 Outlook	FY23 Budget	23 vs 22 Inc (Dec) Amount	23 vs 22 Inc (Dec) Percent
Revenues					
Parking	$178.7	$184.9	$202.1	$17.2	9.3%
Concessions	94.2	98.9	108.2	9.3	9.4%
Rental Car (RAC)	33.5	40.1	47.5	7.4	18.4%
Commercial Development	49.7	64.8	71.7	6.9	10.6%
Subtotal	356.1	388.7	429.5	40.8	10.5%
Employee Transportation	17.5	16.6	21.8	5.2	31.4%
Utilities & Miscellaneous	8.9	11.5	11.7	0.2	2.0%
DPS	1.8	1.7	1.5	(0.2)	(10.1%)
Interest Income	15.1	5.2	12.0	6.8	129.5%
Subtotal (Before FRP)	399.4	423.7	476.5	52.8	12.5%
Federal Relief Proceeds	0.0	1.6	0.0	(1.6)	(100.0%)
Total Revenues	399.4	425.2	476.5	51.3	12.1%
Expenditures					
Operating Expenses	139.8	140.4	155.0	14.7	10.5%
Net Debt Service	61.0	51.3	57.8	6.5	12.7%
Total Expenditures and Debt Service	200.8	191.6	212.8	21.2	11.1%
Gross Margin - DFW Cost Center	198.6	233.6	263.7	30.1	12.9%
Less: Terminal Contribution	3.3	2.8	0.0	(2.8)	(100.0%)
Less: Skylink	42.9	50.9	57.0	6.1	12.0%
DFW Cost Center Net Revenues	$152.4	$179.9	$206.7	$26.8	14.9%
Transfer to Airfield Cost Center	63.2	80.1	95.2	15.2	18.9%
Amount to DFW Capital Account	89.2	99.8	111.4	11.6	11.7%
Allocation of DFWCC Net Revenues	$152.4	$179.9	$206.7	$26.8	14.9%

DFW Cost Center has four business units that focus on increasing net revenues (Parking, Concessions and Advertising, Rental Car Center and Commercial Development). The other business units generally use cost-based pricing, except interest income.

Parking and Ground Transportation Revenue

The following chart shows the composition of Parking and Ground Transportation revenues by parking product including prepaid parking online (PPO) for FY19 Actual, FY22 Outlook and FY23 Budget. Ground Transportation 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). PPO continues to grow as a percentage of parking revenues.



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. The following table highlights parking products and parking rates.

DFW Parking Rate Summary

Parking Product	Rate	Description
Terminal	$27	all day parking
Express Lots	$15 / $18	uncovered / covered
Remote	$12	uncovered
Intra-day	$9 - $10	up to 6 hours
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	$6	up to 2 hours

PPO discounted pricing can vary depending on length of stay, advance purchase, and trip purpose (business vs. leisure). 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. The

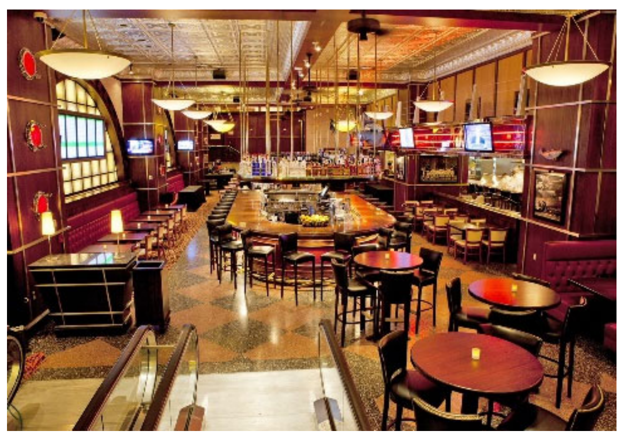
Remote South lot reopened in May 2022 and the Remote North lot is scheduled to open in fall of 2023.

FY23 Budget – The FY23 parking revenue budget is $202.1 million, an increase of $17.2 million (9.3%) from the FY22 Outlook due primarily to the annualization of FY22 rate changes, the growth of originating passengers due to a strong local economy, and advanced pricing and yield management tactics related to PPO.

The FY23 parking budget does not assume any rate increases; however, the annualization of FY22 rate increases are providing more revenue in FY23. The FY22 rate increases included a $1 TNC rate increase, a $3 Express lot increase, and $2 Remote lot increase in May 2022 when the lots reopened. Express and Remote increases had not been made for many years.

PPO will continue to be marketed as a low-cost, safe and convenient parking option in FY23; however, given the closure of one of the Terminal C parking garages and the heavy utilization of Terminal D, PPO sales will be limited during certain peak travel periods in FY23. DFW will continue to invest in the application of new tools and technologies to help in understanding various customer segments and developing targeted pricing strategies. Future plans for PPO may include premium nested lots for elite customers, loyalty programs, dynamic pricing, bundling and cross-selling opportunities.

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 5 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 June 30, 2022, the Airport had 215 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.

FY23 Budget – The FY23 concessions and advertising budgets total $108.2 million, a $9.3 million (9.4%) increase from the FY22 Outlook due primarily to a 9.5% increase in passenger enplanements and the planned opening of about 10 new locations.

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 leases and percentage rents (10% of sales) from rental car companies. The ground lease rate increases 3% each year. The Airport has agreements with six rental car companies representing 12 brands, providing a total inventory of approximately 25,000 cars.

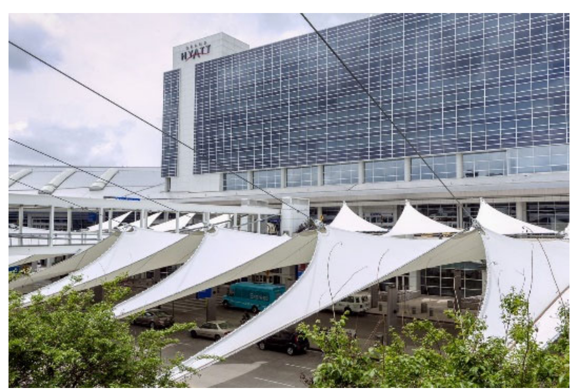
DFW management has very little control over rental car company activities. RAC sales and DFW revenues tend to follow the economy. RAC revenues can rise or fall based on the number of DFW destination passengers, the percentage of destination passengers renting cars, the average stay per renter and the average daily price charged for the cars.

Before the pandemic, rental car companies experienced significant competition from TNCs. This trend reversed during the pandemic as customers preferred driving rental cars. The rental car companies also reduced their fleet inventories during the pandemic, resulting in fewer rental cars available with increasing demand. Thus, significant price increases from average per day rates in the $40s to $50s prepandemic to rates ranging from $65 to $80 per day since the pandemic.

FY23 Budget – The FY23 rental car revenue budget is $47.5 million, a $7.4 million (18.4%) increase from the FY22 Outlook due to expected continuation of higher daily rates and higher destination passengers. The FY23 Budget is based on the assumption that percent rent is retained for the full fiscal year.

Commercial Development

Background – The Airport has a total land mass of 17,183 acres. As of May 31, 2022, DFW's commercially developed areas total 3,204 acres. Management estimates that approximately 2,725 acres of additional land is available for future development. DFW 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. Multiyear 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 77% of the ground lease revenue is based on negotiated rates, 23% is based 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 $33,202 in FY23.

FY23 Budget – The FY23 Commercial Development revenue budget is $71.7 million, a $6.9 million (10.6%) increase from the FY22 Outlook. FY23 reflects an increase of $2.6 million in new ground lease rents (64 acres developed in FY22, plus an additional 171 acres to be developed in FY23), and a $2.5 million due to lease rate increases. Many of the new ground leases are located in the logistics developments in the southern part 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 employee parking lots to the terminals. For most employees, the employer (e.g., airlines, concessionaires) pays these fees. The FY23 Budget is $21.8 million, a $5.2 million (31.4%) increase from the FY22 Outlook, due to increase in the number of employees and a $16 rate increase, effective January 1, 2023, to cover incremental operating costs that were previously covered by FRP. The increased operating costs are related to higher bus contract costs due to increases in entry wages and fuel costs.

Utilities & Miscellaneous – This revenue category represents fees charged to non-airline users of utilities, heating ventilation and air conditioning, trash removal, water and certain permit and accounting fees. Utility charges to users are based on the cost to provide the services. The FY23 Budget is $11.7 million, a $0.2 million (2.0%) increase from the FY22 Outlook primarily due to rate increases.

DPS Revenues – The FY23 Budget is $1.5 million, a $0.2 million (10.1%) decrease from the FY22 Outlook due to the shift in allocation percentage between the DFW Cost Center and Airline Cost Centers. DPS also receives federal reimbursements from the TSA for Law Enforcement Officers, plus fees for badging, fire training and other services, budgeted at $1.3 million in FY22.

Interest Income – Interest income includes interest earned on investments from the Operating Revenue and Expense Fund, three-month Operating Reserve, Debt Service Reserve Fund and Rolling Coverage Account. The FY23 interest income budget is $12.0 million, a $6.8 million (129.5%) increase from the FY22 Budget due primarily to higher projected interest rates.

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 FY23 Budget is $0, a decrease of $2.8 million from FY22 Outlook.

Skylink – Expenses and debt service related to Skylink are recovered in the DFW Cost Center per the Use Agreement. The FY23 Budget is $57.0 million, a $6.1 million (12.0%) increase from the FY22 Outlook primarily related to a new maintenance contract that has higher costs due to the age of Skylink.

FY23 Expenditure Budget

The FY23 Budget is $1.173 billion, an increase of $133.4 million (12.8%) from the FY22 Outlook.

Annual Expenditure (in Millions)	FY19 Actual	FY22 Outlook	FY23 Budget	23 vs 22 Inc (Dec) Amount	Percent
Operating Expenses	$499.6	$563.8	$618.4	$54.6	9.7%
Gross Debt Service	508.0	476.1	554.8	78.7	16.5%
Total Expenditures Budget within rate base	$1,007.7	$1,039.9	$1,173.3	$133.4	12.8%

Operating Expense Budget Walkforward

The following table is a walkforward between the FY22 Outlook and the FY23 Budget. The reference letters in the previous table are cross-referenced to the variance explanations that follow.

Budget Walkforward (millions)

		Total	DFW	Airline
	FY22 Outlook	$563.8	$187.0	$376.8
A.	Budget reductions	(10.9)	(2.1)	(8.8)
B.	Employee related increases	19.0	4.4	14.6
C.	Customer related increases	10.7	7.2	3.5
D.	Fixed contract increases	15.6	5.6	10.0
E.	Digital and technology investments	4.9	1.5	3.4
F.	Inflationary increases	7.9	3.5	4.4
G.	Other increases	7.2	(0.7)	8.0
H.	Operating reserve adjustments	0.2	(0.2)	0.5
	Net increase	54.6	19.1	35.5
	FY23 Budget	$618.4	$206.1	$412.4

A. Budget reductions **($10.9) million**

The FY23 Budget reflects a $4.0 million reduction for non-recurring winter weather related expenditures that occurred in FY22 and are included in the FY22 Outlook. Consistent with past years, DFW has removed all costs related to winter weather from the budget. If winter weather occurs, it will be handled with contingency. Other reductions include the charging of certain DCC costs to the capital account ($3.4 million), converting the access control sytem contract to in-house staff ($1.6 million – see offsetting cost increase below), increased usage in accrued vacation, which reduces costs in FY23 ($1.3 million) and contract labor reductions related to custodial strike teams ($0.7 million).

B. Employee related increases **$19.0 million**

The FY23 Budget includes a 5% merit pool, annualization of FY22 merit increases, DPS step increases from last year, and recommended modfications to the incentive compensation program ($4.9 million). Also assumed is a reduction in the vacancy rate from over 20% in FY22 to 13% in the FY23. This results in $3.6 million of additional employee costs in FY23. In addition, this will increase pension and health care costs. Other increases result from an increased actuarially required pension/other postemployment benefit contributions due to the retirement incentive plan offered last year ($3.3 million), health care costs ($3.2 million), annualization of the FY22 midyear hourly rate increases that were effecitve July 1, 2022 ($2.3 million), and 24 new positions ($1.7 million). These new positions exclude the 12 incremental Customer Experience (CX) positions and eight incremental ITS positions described below in other sections.

C. Customer related increases **$10.7 million**

Passenger levels are projected to increase 9.5% compared to FY22 Outlook. Accordingly, certain service levels need to be increased to cover the needs of passengers.

- Busing costs are increasing by $5.7 million from the FY22 Outlook due to reopening of the Remote North lot in May 2022 ($2.1 million) and increases in hourly rates for bus drivers and service level for Express ($1.8 million), Terminal Link ($0.9 million) and Employee ($0.9 million).
- Wheelchair and Customs assistance services costs are increasing by $2.6 million compared to the FY22 Outlook due to a new contract.
- One of the Terminal C parking garages will be torn down during FY23 as construction of the Central Terminal Area Expansion Program begins. The budget includes $1.1 million of incremental contract labor to help customers find parking spots in the other Terminal C garages and Terminal D.
- Marketing and advertising programs are increasing $0.7 million to promote revenue growth for PPO and Concessions.
- Personnel costs are increasing $0.6 million to add 11 new Airport Customer Expereinces Specialists (ACES) and one new international manger effective March 1, 2023. The ACES will help keep the terminals clean and responding to customer needs. They are also responsible for continually auditing terminal environment against standards. The international manager will focus on reducing customs queues during peak times.

D. Fixed Contract increases **$15.6 million**

This category relates primarily to annualized fixed contract increases from contracts approved by the Board in FY22.

- New facility maintenance contracts for terminal facility maintenance ($3.5 million), baggage handling ($1.2 million) and passenger boarding bridge maintenance ($0.7 million).
- A new Skylink maintenance contract, effective February 2022, that has a $3.2 million annual increase primarily due to aging Skylink infrastruture.
- Maintenance contract increases of $2.0 million includes bolt torquing for airfield lighting ($0.4 million), airfield paint removal ($0.4 million), storm sewer/open channel maintenance ($0.3 million), roofing/waterproofing/ventahood cleaning ($0.4 million), runway rubber removal ($0.2 million).
- Expected increases to property casualty insurance premiums based on higher asset replacement values ($1.9 million). This estimated cost increase was provided by DFW's insurance broker.
- Infrastructure and facilities assessments were added back into the FY23 Budget. Most assessments were eliminated from the budget during the pandemic ($1.1 million).
- Other contract increases including lanscaping ($1.0 million), employee checkpoint screening ($0.5 million) and ramp cleaning ($0.4 million).

E. Digital/Technology **$4.9 million**

This category relates to cost increases associated with DFW's commitment to implementing its Digital Strategy and 5-year ITS Strategic Plan. Most of these increases relate to annualization of contracts awarded in FY22 and contracts that have fixed annual cost increases. Since most new technology investments are cloud-based, they are charged to the operating budget. In the past, these costs were not cloud-based and were capitalized.

- Technology contract increases and upgrades of ($2.6 million) for cloud services including Oracle Fusion, digital twin, business intelligence software, the new badging system and the terminal visual display system. Also included in this section are incremental cyber security investments (Dark Trace safe breach platform, Palo Alto firewall support, anitvirus and scanning tools).
- Addition of eight ITS staff and funding for parts and supplies for access control system maintenance ($1.4 million). This insourcing will result in a net savings $0.2 million in FY23 and an estimated $4.3 million over the next five years as the access control system is replaced.
- Professional services / staff augmentation in support of new systems development, cybersecurity projects, and technical support for hard to fill positions ($0.9 million).

F. Inflationary increases **$7.9 million**

This category relates to cost increases impacted by the currently high-inflation environment which is averaging 9% in the Dallas-Fort Worth metropolitan area. There is exposure in this area as some commodity prices are rising much faster than the Consumer Price Index.

- Parts and materials, janitorial supplies, uniform and badging supplies, computer and other non-capital equipment ($4.3 million).
- Increases in fuel prices for Compressed Natural Gas (CNG) and other fuels ($2.0 million).
- Increases in utilities for electricity, gas, water, waste services and internet/telephone services ($1.6 million).

G. Other increases **$7.2 million**

- Restore CEO Contingency inside the rate base ($4.7 million increase) – CEO Contingency is included in the rate base and may be used by the CEO at his discretion.
- Employee staff training $1.3 million, which was significantly reduced during the pandemic.
- Other net ($1.2 million) includes increases in uniforms, general supplies and other professional services.

H. Operating Reserve **$0.2 million**

DFW's Bond Ordinances and Use Agreement require the Airport to maintain a 90-day operating reserve and $0.2 million is the amount necessary to achieve that requirement for FY23.

Operating Budget by Category

The table below compares the FY22 Outlook with the FY23 Budget by expense category. Variance explanations by major cost driver follow in the walkforward. All categories are higher year over year.

	FY19	FY22	FY23	23 vs 22 Inc (Dec)	
Operating Expense (in Millions)	Actual	Outlook	Budget	Amount	Percent
Salaries & Wages	$157.4	$160.2	$171.0	$10.9	6.8%
Benefits	76.4	71.2	79.1	7.9	11.1%
Facility Maintenance Contracts	75.5	102.4	113.7	11.3	11.0%
Other Contract Services	119.6	138.0	150.1	12.1	8.8%
Utilities	26.5	29.5	30.9	1.5	4.9%
Equipment and Other Supplies	20.7	23.6	24.7	1.1	4.8%
Insurance	5.5	12.1	14.1	2.0	16.5%
Fuels	3.7	3.2	5.1	1.9	58.1%
General, Administrative and Other	7.4	7.9	8.9	1.0	12.8%
CEO Contingency	-	3.3	8.0	4.7	144.3%
Subtotal	492.8	551.2	605.6	54.4	9.9%
Change in Operating Reserve	6.8	12.6	12.8	0.2	1.7%
Total Expense	$499.6	$563.8	$618.4	$54.6	9.7%

Salaries and Wages

The FY23 salaries and wages budget is $171.0 million, a $10.9 million (6.8%) increase from the FY22 Outlook of $160.2 million due to the reduced vacancy rate ($3.6 million), FY22 midyear hourly rate increase ($2.3 million), overtime increase ($0.6 million) partially offset by an increase in vacation usage (-$1.3 million). The hiring of new and vacant positions has been staggered throughout FY23 based on operational needs and strategic priority ($1.7 million). A 5% merit pool is planned in the FY23 Budget, along with DPS step increases and annualization of the FY22 merit increase ($4.0 million).

Benefits

The FY23 benefits budget is $79.1 million, a $7.9 million (11.1%) increase from the FY22 Outlook of $71.2 million due to an increase in health care costs. The increases are based on additional budgeted positions, a 1.4% increased rate per employee ($2.8 million) and an increase in actuarially required defined benefit plan/OPEB contributions ($2.1 million). Other increases include payroll taxes and employee retirement savings match due to more positions in the budget ($3.0 million).

Contract Services

The FY23 contract services budget is $263.8 million, a $23.4 million (9.7%) increase from the FY22 Outlook of $240.4 million due to increases in busing ($5.7 million), facility maintenance ($3.5 million), Skylink ($3.2 million), digital/technology ($3.3 million), wheelchair assistance ($2.6 million), baggage handling system ($1.2 million), contract labor for parking Terminal C construction ($1.1 million), airfield paint removal, runway rubber removal and bolt torquing airfield lighting ($1.1M), storm water and roofing maintenance ($0.9 million), conveyances ($0.7 million), marketing programs for parking and concessions ($0.7 million), employee checkpoint ($0.5 million), ramp cleaning ($0.4 million), offset by charging certain Design, Code and Construction (DCC) services to the capital account ($3.4 million).

Utilities

The FY23 utilities budget is $30.9 million, a $1.5 million (4.9%) increase from the FY22 Outlook of $29.5 million. The increase is due to higher rates and usage of gas ($1.4 million), water ($0.2 million), solid waste ($0.2 million), electricity ($0.1 million), offset by reductions in telephone and internet services ($0.4 million).

Equipment and Supplies

The FY23 equipment and supplies budget is $24.7 million, a $1.1 million (4.8%) increase from the FY22 Outlook of $23.6 million primarily driven by inflation.

Insurance

The FY23 insurance budget is $14.1 million, a $2.0 million (16.5%) increase from the FY22 Outlook of $12.1 million primarily due to a rate increase in property insurance premiums.

Fuels

The FY23 fuels budget is $5.1 million, a $1.9 million (58.1%) increase from the FY22 Outlook of $3.2 million due to inflation and increased usage of CNG and other fuels.

General and Administrative

The FY23 general and administrative expenses budget is $8.9 million, a $1.0 million (12.8%) increase from the FY22 Outlook of $7.9 million due to increases in employee related training.

CEO Contingency

The FY23 Budget includes $8.0 million of CEO contingency inside the rate base to be spent at the CEO's discretion for projects and unforeseen events during the fiscal year such as winter weather. The $4.7 million is the amount necessary to restore CEO contingency to $8 million.

Operating Reserve

DFW is required to have a 90-day cash reserve for operating expenses. The FY23 change in operating reserve budget of $12.8 million is the amount necessary to fund the reserve. This is a $0.2 million increase from the FY22 Outlook.

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Department Overview

DFW is organized into divisions, which are comprised of departments. The table below is a comparison of FY19 Actual, FY22 Outlook and FY23 Budget by department and division.

(in Millions)	2019 Actuals	FY22 Outlook	FY23 Budget	23 vs 22 Inc (Dec) Amount	Percent
Department of Public Safety	$91.3	$93.7	$97.2	$3.5	3.7%
Airport Operations Department	12.5	9.7	10.7	1.0	10.3%
Integrated Operations Center	2.0	8.2	8.2	0.1	0.8%
Environmental Affairs Department	8.7	10.0	12.0	2.0	20.4%
Operations	114.5	121.5	128.1	6.6	5.4%
Parking Department	57.3	55.8	63.1	7.3	13.0%
Concessions Department	3.4	3.4	3.5	0.1	4.3%
Customer Experience Department	49.5	67.5	72.0	4.5	6.7%
Revenue Management and CX	110.2	126.7	138.6	12.0	9.4%
Business Diversity & Development	1.8	1.8	1.9	0.2	11.1%
Communications and Marketing	12.6	12.1	13.0	0.9	7.1%
Human Resources Department	8.3	10.1	11.3	1.3	12.5%
Risk Management	7.9	14.8	17.2	2.4	16.2%
Administration and Diversity	30.5	38.8	43.5	4.7	12.2%
Information Technology Services Dept.	56.8	68.0	73.2	5.2	7.7%
Aviation Real Estate	1.4	1.6	1.3	(0.3)	-18.5%
Treasury Management	1.3	1.4	1.7	0.3	18.9%
Finance Department	6.8	6.9	7.1	0.2	3.3%
Procurement & Materials Mgmt. Dept.	5.1	5.0	5.7	0.7	14.1%
Finance and ITS	71.5	82.9	89.0	6.1	7.4%
Government Relations	0.6	0.8	0.9	0.1	10.4%
Research & Analytics	1.2	2.1	2.7	0.6	29.2%
Airline Relations	1.0	1.3	1.2	(0.1)	-8.2%
Cargo Business Development	0.8	1.0	1.1	0.2	19.9%
Global Strategy & Development	3.6	5.1	5.9	0.8	15.2%
Innovation	1.7	3.7	3.8	0.1	1.5%
Commercial Development	2.3	2.5	2.4	(0.2)	-7.2%
Energy, Transport., and Asset Mgmt. Dept.	127.0	140.7	157.4	16.7	11.9%
Planning Department	6.6	6.9	7.2	0.2	3.5%
Controls and Analytics	0.0	0.3	0.7	0.4	134.9%
Design, Code & Construction Department	5.0	5.7	2.3	(3.4)	-59.9%
Infrastucture and Development	140.9	156.1	169.9	13.8	8.8%
Legal Department	3.0	2.8	3.0	0.2	5.6%
Audit Services Department	2.7	2.7	2.9	0.3	10.7%
Executive Office	5.5	6.0	6.2	0.2	3.5%
Non-Departmental	15.5	14.3	19.6	5.3	36.7%
Contingency	0.0	3.3	8.0	4.7	144.3%
Operating Reserve	6.8	12.6	12.8	0.2	1.6%
Total Operating Expenses	$499.6	$563.8	$618.4	$54.6	9.7%

Net Debt Service Budget

The FY23 Net Debt Service Budget is $381.1 million, a $58.1 million (18.0%) increase from the FY22 Outlook as shown in the table below:

Debt Service (in Millions)	FY22 Outlook	FY23 Budget	23 vs 22 Inc (Dec) Amount	23 vs 22 Inc (Dec) Percent
Gross Debt Service and Coverage				
Bond Debt Service	$460.7	$521.4	$60.6	13.2%
Commercial Paper	0.7	6.1	5.4	743.5%
PFIC Related Bond Debt Service[1]	2.6	5.3	2.6	99.9%
DFW Capital Acct Bond Debt Service[2]	12.0	12.4	0.4	3.4%
AA Facility Debt Service	-	9.7	9.7	100.0%
Gross Debt Service and Coverage	$ 476.1	$ 554.8	$ 78.7	16.5%
Offsets to Debt Service				
PFCs for Existing Debt Service	(138.5)	(146.4)	7.9	5.7%
PFIC Transfers[1]	(2.6)	(5.3)	2.6	99.9%
DFW Capital Acct Transfers[2]	(12.0)	(12.4)	0.4	3.4%
AA Facility Debt Service	-	(9.7)	9.7	100.0%
Total Offsets	$(153.2)	$(173.8)	$20.6	13.4%
Net Debt Service Paid by Rate Base	$ 322.9	$ 381.1	$ 58.1	18.0%

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

[2]Airport Headquarters and Terminal-E Garage

Debt Service has increased for FY23, attributable to the issuance of approximately $1.3 billion of combined new money and commercial paper refundings issued in FY22 for DFW's capital programs. Additionally, increased interest rates contribute to higher Commercial Paper debt service. Net debt service is higher in FY23, a result of higher gross debt service, but partially offset by higher PFC's Charges due to increased passengers and higher transfers from the PFIC.

PFCs are currently being collected by the airlines under the authority of Application 11-10-C-00-DFW from revenue enplaned passengers (about 88% of all passengers). These funds are used by the Airport to pay debt service on FAA-approved projects primarily for Terminal D and Skylink. PFIC debt service relates to debt associated with the 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 $58.1 million Net Debt Service increase by cost center.

	Cost Centers			
		Airline		
Net Debt Service Variance (in Millions)	DFW	Airfield	Terminal	Total
Bond Debt Service and Commercial Paper	10.5	19.6	35.9	66.0
PFCs	2.3	4.7	0.9	7.9
Total Debt Service Variance	8.2	14.8	35.1	58.1

Positions

The following table shows positions by division from the FY22 Outlook plus an addition of 44 positions. The total FY23 budgeted salary and benefit increase for these positions is approximately $3.1 million.

Division	FY22 Outlook	Changes	FY 23 Budget
Operations	942	6	948
Revenue Management	459	12	471
Infrastructure and Development	405	1	406
Finance, Procurement and Technology	313	14	327
Administration and DEI	106	6	112
Global Strategy and Development	23	3	26
Executive Office	14	1	15
Audit Services	13	-	13
Innovation	7	1	8
Legal	3	-	3
Total DFW	2,285	44	2,329

Of the 44 new positions, 12 are for Customer Experience in the terminals and eight are for ITS to bring maintenance of the access control system in house. A total of nine new positions have been added in Procurement and Materials Management (3), Finance (2), Treasury (1), Business Diversity and Development (2), Design, Code and Construction (1) and Controls and Analytics (1) to support the growth of DFW's capital programs in the coming years. The remaining positions were added in Human Resources (2), Communications and Marketing (2), Innovation (1), Environmental Affairs (2), Department of Public Safety (3), Airfield Operations (1) and Global Strategy and Development (3) to support increased administrative and training requirements.

Capital Budget

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

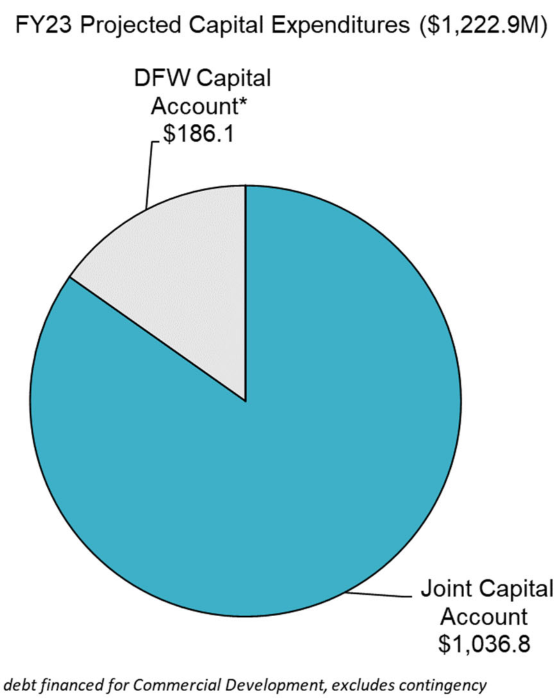
The DFWCA is the Airport's discretionary account. It may be used for any legal purpose and does not require airline approval. DFW uses this fund for renewals and replacements and other discretionary projects. Funding for the DFWCA comes from the DFW Cost Center net revenues, interest income, grants and 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, which 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. DFW Airport is the third largest airport in the world in terms of land mass with 17,183 acres, which includes a significant amount of infrastructure to maintain. Much of the airfield, landside, utilities and other infrastructure were constructed in 1970s. 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 $1,222.9 million on capital expenditures in FY23 as summarized in the following chart.



The following table summarizes projected capital expenditures for projects to be in progress during FY23.

	Active Projects in FY 2023			
Capital Budget (Millions)	Prior Years	Projected FY 2023	Future Years	Total Budget
DFW Capital Account	$246.6	$186.1	$192.1	$624.8
Joint Capital Acccount	927.7	1,036.8	2,638.1	4,602.7
Total Capital	$1,174.3	$1,222.9	$2,830.2	$5,227.4

Capital Project Approval Process

DFW has a financial plan that includes the long-term Capital Plan. In preparation for the upcoming Use Agreement, effective FY23 – FY32, 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 Council 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. New projects may arise during the fiscal year due to the dynamic nature of an airport. From a process standpoint, the Board of

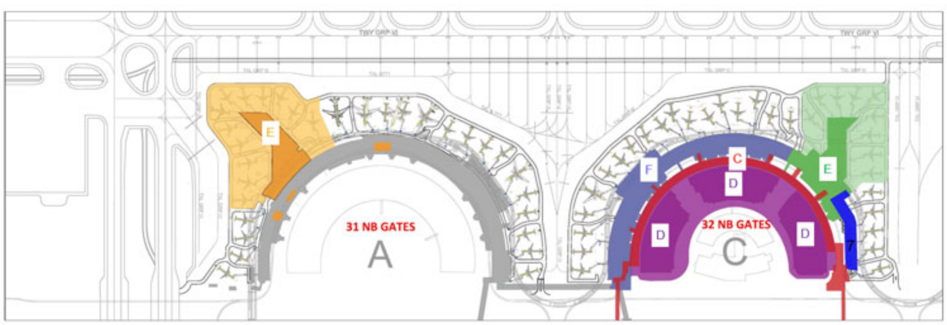
Directors does not approve an overall capital budget. Instead, the Board reviews individual capital projects as contracts for those projects are brought to the Board for approval and reviews projects in total as bonds are issued.

Capital Project – Major Projects and Programs

The Airport has approximately 334 approved capital projects currently underway with a total budget of $4.78 billion. Of this amount, $1.35 billion has been spent, $589 million is committed, and $3.42 billion is unspent and uncommitted.

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

- $2.3 billion for Terminal C renewal and expansion and related projects. Terminal C will undergo similar renovations and improvements as Terminals A, B and E that were completed in 2018. Renovations and improvements will include redesigned check-in areas, larger security checkpoints, expanded concessions spaces, improved lighting and flooring, new HVAC and electrical systems, expansion and upgrading of main utility services, and baggage handling systems. Additionally, related airfield ramp and facilities relocations and improvements will be made. This program also includes nine incremental gates on two new piers to be added to Terminal A and C (see diagram below). The Terminal C parking garage and associated roadways will also be improved and expanded. This program is currently in design and is projected to reach substantial completion in the fall of 2027. Approximately $544.7 million is forecasted to be spent during FY23. DFW is currently in discussions with the airlines to potentially add scope and the cost of inflation to this program. Those additions, however, have not yet been finalized.



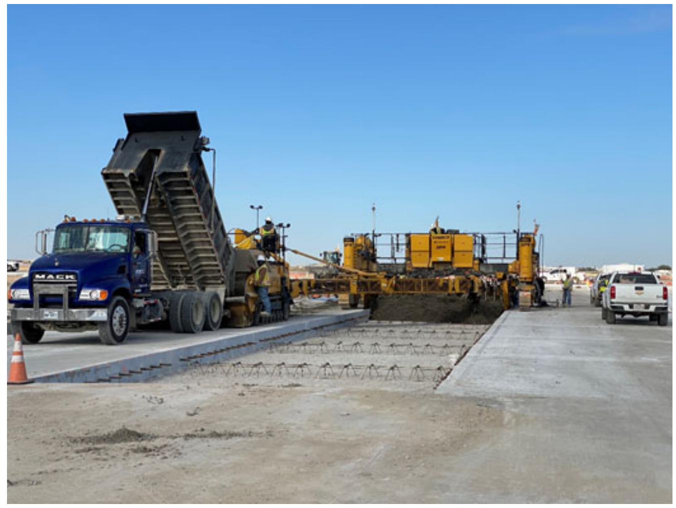
C. - Utility Corridor
D. - Terminal C Garages and Roadways
E. – Terminal C & A Expansion (Piers and Renovation)
F. – Terminal C Renovations (Continued Design Development)

- $170 million to construct a Zero Carbon Electric Central Utility Plant (eCUP) to restore and improve capacity, redundancy, and resiliency and support future terminal growth. The eCUP will be powered by 100% renewable electricity and replace DFW's aging natural gas heating system, positioning DFW to achieve its target of net-zero carbon emissions by 2030. The airlines have approved funding for design, which is now complete. Approximately $16 million is forecasted to be spent during FY23. DFW was awarded $40 million of grants thus far to offset the project cost and additional grants are being pursued.

- $305 million (gross of $101 million in TSA grants) for Baggage Handling System (BHS) renewals and improvements in all five terminals. An amount of $138 million will be for TSA grant-eligible BHS and terminal modifications to accommodate the TSA's latest baggage

Explosive Detection System equipment. This project will be offset by an anticipated TSA grant of $101 million. Also included are $36 million in Terminal D BHS Optimization improvements, which are not grant eligible. This multiyear effort should be completed over the next three to five years.

- Runway 17R is DFW's primary departure runway on the east side. Condition assessments indicated the need for major rehabilitation. Design is complete with substantial completion of construction expected in Spring 2025. The total project cost, including both the 17R runway and the associated hold pads, will be $273 million. Approximately $28 million is forecasted to be spent during FY23. DFW is anticipating FAA grants totaling approximately 75% of eligible construction to offset this cost. The airlines have approved $15 million for design.



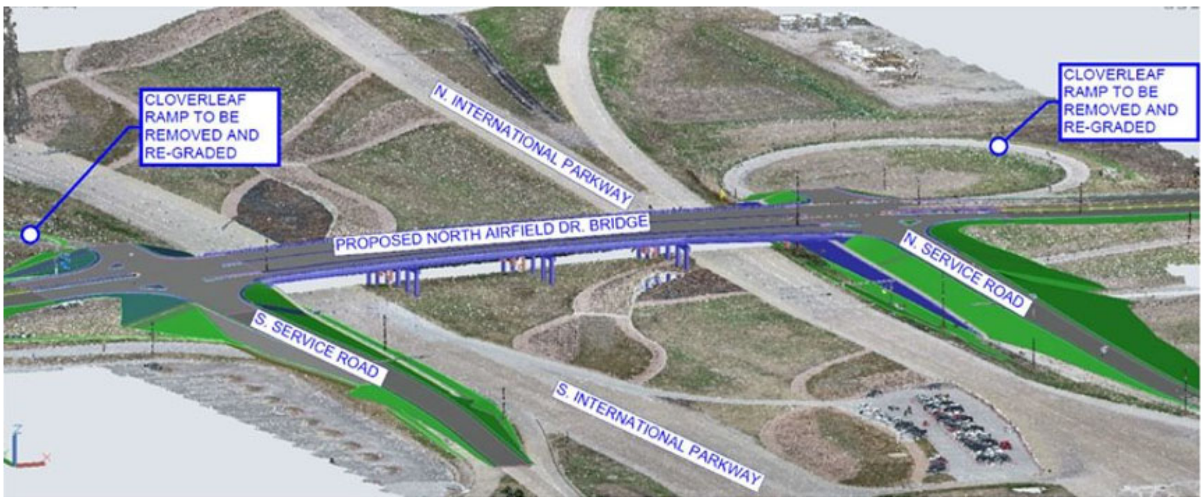
- $101.3 million for consolidation of DFW's four existing end of life Aircraft Rescue Fire Fighting (ARFF) stations into two locations. Design is nearly complete with construction estimated to be substantially complete by Fall/Winter 2025. The Airport is expecting at least $45.9 million in grant funds to offset this project cost. The airlines have approved funding for this project.

The Airport has also developed a long-term Infrastructure Capital Program (ICP) to improve and maintain DFW's runways, bridges, roads and utilities through 2035. The phasing and implementation of the ICP will be based on asset evaluations that are completed by the Airport on a regular basis. The Airport is currently negotiating with the signatory airlines to include a portion of these projects as part of the next Use Agreement.

Other Programs

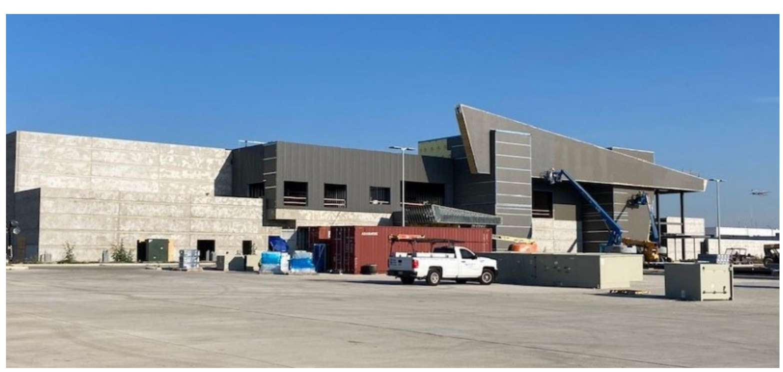
Landside Roads, Bridges and Rail

Landside infrastructure is part of the ICP program discussed above, which includes infrastructure renewal of roads and bridges that were validated by condition assessments to require reconstruction. A number of roads and bridges are in various stages of programming, design, and construction. The International Parkway Modernization Program is the largest component in this category and is budgeted at $180.9 million to demolish existing left-hand exit flyover bridges from the main entry roadway and replace them with right-hand exits for a more intuitive and safer roadway configuration. Also included in this program is replacement of end-of-life North Airfield Drive bridge and associated intersection roads, and the replacement of high pole lights along International Parkway. Approximately $55.8 million is estimated to be spent for reconstruction of roads and bridges during FY23.



Commercial Development and Other Facilities

Commercial Development, including eCommerce warehousing and distribution facilities, continues to grow to meet demand. Other Commercial Development includes the continuation of on-airport American Airlines facilities, including the Parts Distribution Center ($99 million) and the new Flight Kitchen ($106 million), which DFW will finance. American Airlines will reimburse through rents that include a 200-basis point premium over DFW’s cost of debt. This premium will flow into the DFWCA and will not be shared with the airlines. Approximately $83.9 million is anticipated to be spent on various Commercial Development projects during FY23.



Safety and Security

DFW Airport is in the final stages of an airport wide Security Master Plan. This holistic approach will provide guidance and recommendations for future DFW security capital investments. For FY23, security projects include an enterprise-wide replacement of DFW's Automated Access Control System and employee screening for entry into the terminals. Other capital expenditures for safety and security include Physical Security Information Management System (PSIM) for situational awareness and incident management. Various other safety and security initiatives are also included, such as a reconstruction of sub-surface storm sewer due to collapsed soil sites, air purification enhancements to various facility HVAC systems to mitigate COVID-19 transmission, and additional vehicles and equipment in support of increased number of DPS employees. Approximately $42.8 million is anticipated to be spent on Safety and Security initiatives in FY23.

Customer Experience

Various initiatives are currently underway to support the strategic DFW goal of creating an exceptional customer experience to align with the strategic plan. One of the major customer experience initiatives involves expansion and renovation of terminal restrooms to include smart capabilities and better accommodate forecasted growth. The Airport will also implement touchless solutions, biometric facial recognition and a customer relationship management (CRM) system. Approximately $18 million is anticipated to be spent on customer experience initiatives in FY23.

The following projects will be funded from the DFW Capital Account during FY23. Capital spending amounts are gross of grant reimbursements.

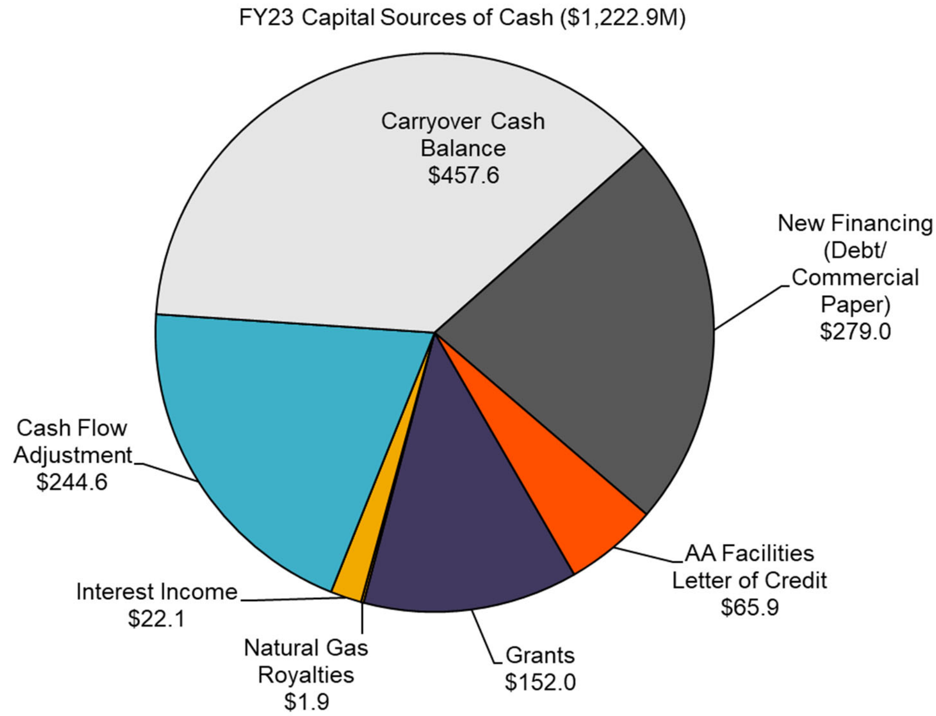
DFW CAPITAL ACCOUNT (In Millions) Project Name	Prior Years	FY23	Future Years
AA Flight Kitchen (AA Reimb)	58.8	46.2	1.3
AA Parts Distribution Facility (AA Reimb)	78.7	19.6	.4
Weber Gruene DFW 1 LLC (Valley View Ln)	1.0	8.1	.0
Replace 25 Employee Buses	.0	6.9	.0
Replace Express Vans	.0	5.3	.0
Replace Remote Buses	.0	4.8	4.4
121 Mustang Business Park (Industrial) (150 acres) Ph II DD#11	.0	3.6	10.7
Air Service Incentive Program (ASIP)	Annual	3.0	N/A
Fire Svcs: FY22 Structural Fire Truck Replacement	.0	2.9	.0
Glade Rd Reconstruction (Reimb to TXDOT)	3.8	2.5	.4
IT Term Sys: CCTV head-end Refresh/Expansion	.0	2.4	.0
Customer Relationship Management (CRM) Ph 1	.0	2.2	2.2
FY 22 Infrastructure Engineering Evaluations (studies)	2.2	2.2	.0
Rehab Sewer Mains at Hackberry Creek	2.1	1.9	.0
Fumigation Center Relocation (West Cargo)	.0	1.9	3.6
Facility and Campus Information Standardization (Digital Twin)	.5	1.8	4.3
Integrated Ops Ctr (IOC) - ITS General Systems (Back-up AOC site)	1.3	1.8	2.5
FY21 DPS Front Line Vehicle Replacement	1.4	1.7	.7
Integrated Ops Ctr (IOC) - ITS General Systems	1.6	1.7	1.5
Term D: Millwork and Phenolic Panel Replacement	.9	1.6	.3
Campus LAN Modernization	.4	1.5	3.1
PAVE Microphone Station Upgrade	.0	1.4	.7
Founders Plaza Ph I (12 acres East of Texan Trail)	.1	1.4	.0
Enterprise Sensor Platform	.0	1.3	2.7
19th Street Cargo 10% Design Drip Funding (DFWCA)	1.1	1.3	1.1
NW Logistics (34 acres) DD#4	.0	1.3	2.5
IT Term Sys: EVIDS Content Mgt/Digital Signage Sys	3.0	1.2	.6
Automated Taxi Queue	.4	1.1	.7
Data360 FY22	.5	1.1	.4
Terminal D Systems Rehab	4.3	1.1	1.2
IT Network Sys: Annual Technology Purchase	9.6	1.1	1.1
Identity and Access Management	.7	1.1	.3
PSIM Integrations	.3	1.0	1.7
Reconfigure Stormwater at Various Locations (Design)	.3	1.0	.8
Term A, B, C, D, & E UPS Replacement	.9	1.0	.5
Video Analytics	.3	1.0	1.8
Modernize Conveyance Monitoring System	.3	1.0	1.8
5G Deployment	.0	1.0	1.0
General Purpose Vehicles	Annual	1.0	N/A
Rehab/Replace AOA Perimeter Security Access Gates	7.5	1.0	1.9
Replace Special Ops Buses	.0	1.0	.0
EDL Program FY 22	.4	1.0	.6
Elevator Replacement at CUP & FTRC	.2	1.0	.1
FY21 AFOPS and Parking Vehicle Replacement Plan	.5	1.0	.0
Projects <1M	**63.6**	**36.8**	**135.1**
TOTAL DFW CAPITAL ACCOUNT	**$246.6**	**$186.1**	**$192.1**
ADD: TRANSFER TO 102 (Debt Svc for AHQ and Term E Garage)	.0	.0	.0
TOTAL USES OF DFW CAPITAL ACCOUNT	**$246.6**	**$186.1**	**$192.1**

The following projects will be funded from the Joint Capital Account during FY23. Capital spending amounts are gross of grant reimbursements.

JOINT CAPITAL ACCOUNT (In Millions) Project Name	Prior Years	FY23	Future Years
CTA Expansion: Term C Renovations Ph 1	19.8	113.2	137.0
CTA Expansion: Pier A	12.4	110.3	182.2
CTA Expansion: Pier C	12.9	109.5	135.7
CTA Expansion: Term C Garage/Roadway - South	10.4	45.1	83.1
CTA Expansion: AA Scope - BHS	4.9	34.0	79.1
CTX Recap (Construction) Term D: Allocable	12.4	33.6	31.5
CTA Expansion: Airfield Lighting Vault Relocation	9.1	31.9	54.1
CTA Expansion: Airfield Ramp Efficiency	12.1	31.6	11.7
Runway 17R & Hold Pads Reconstruction (Construction)	.0	28.0	229.9
Term C High Gate Reconstruction (Construction: High Gates Fit Out)	41.9	25.1	8.6
CTA Expansion: Project Management Office (PMO)	8.6	24.7	1.2
CTA Expansion: Terminal C Utility Corridor	7.2	23.7	50.6
Int'l Pkwy Modernization - Flyover Bridge Conversion to Right-hand exits T	14.9	21.8	82.7
Rehabilitation & Improvements Employee Lot 5E (ph 1 - reconstruct existin	.9	19.5	7.1
Collapsed Soil Sites (Ph 2) (MII Exempt)	9.4	19.3	1.0
Term F: Design Criteria Pkg	.6	17.1	9.9
Airfield Remediation (Design and Construction)	2.5	16.1	31.4
Central Utility Plant (eCUP) (Design refresh + Construction)	.0	16.0	154.0
Term C High Gate Reconstruction (Board)	113.7	15.5	4.3
SW End Around Taxiway (EAT) Inner Loop & T/W E Extension	13.1	14.4	152.1
Int'l Pkwy Modernization - N.Airfield Bridge/Intersection Reconstruction	.1	10.3	20.9
Term E Satellite Conveyances (AA reimb)	.4	10.2	5.4
Skylink Auto Train Control (ATC) Replacement	24.1	9.9	1.0
Term A, B, C, and E Waterproofing	8.4	8.8	1.2
CTA Expansion: Term C Garage/Roadway - Central (section B renovations	4.1	8.2	46.6
Employee Screening Portal & Associated Equip (MII Exemption)	2.1	8.0	9.8
CTX Recap (Construction) Term D: Optimization Non-Allocable	1.7	7.5	26.0
Automated Access Control Sys (AACS) - DCC RAACS (MII Exempt)	2.0	7.4	54.8
Int'l Pkwy Modernization Program - High Pole Lighting Replacement (Phase	1.6	7.1	18.9
Term D: Add'l Bag Makeup Unit (MU6) (AA reimb)	.3	7.0	3.7
Rehab West Potable Water Pump Stations (equip, facility, civil) Constructi	2.0	6.7	11.6
Rehab Open Storm Channels FY16/17	.9	6.3	1.8
Term D Dry Sprinkler Systems Replacement	.5	5.9	5.2
1E Cargo Rd Reconstruction (AA reimb)	1.9	5.7	.1
BHS Improvements AA - Terminal A (AA reimb)	2.0	5.6	38.4
SW Campus: Consolidated Heavy Equip (Snow/Ice) Storage Ph 1	1.1	5.5	9.9
Term D - South: Phase 1 (formerly "Term F - Ph 1")	200.6	5.1	1.9
Energy Plaza Water Condenser	7.7	4.9	1.5
Future Devlp: Master Planner/Master Architechtural Svcs	6.5	4.8	14.5
Replace Terminal D Parking Garage Lights (LED)	.8	4.8	2.7
Holistic Airside Restroom Program (HARP) Ph 1 (B19 & E34)	.3	4.5	4.5
CTA Expansion: Term C Garage/Roadway - North (section A renovations)	3.1	4.4	51.5
Projects <4M	**348.8**	**138.1**	**859.6**
TOTAL JOINT CAPITAL ACCOUNT	**$927.7**	**$1,036.8**	**$2,638.1**
TOTAL DFW CAPITAL ACCOUNT	**$246.6**	**$186.1**	**$192.1**
TOTAL USES OF JOINT + DFW CAPITAL ACCOUNT	**$1,174.3**	**$1,222.9**	**$2,830.2**

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. Consistent with prior years, the Cash Flow Adjustment is equal to 20% of the total capital budget, which historically is not spent during the fiscal year due to timing of cash flows.

Airport Capital Funds Walkforward
(In Millions)

Capital Walkforward	Joint Capital	DFW Capital	Total
Beginning Cash (10/1/22)	$1,243.8	$97.4	$1,341.2
Sources of Funds:			
Grants	139.9	12.1	152.0
New Financing (Commercial Paper)	261.3	17.7	279.0
AA Facilities Letter of Credit	.0	65.9	65.9
Natural Gas Royalties	1.9	-	1.9
Interest Income	20.8	1.3	22.1
Cash Flow Adjustment/Transfers	207.4	37.2	244.6
Total Sources	$631.2	$134.2	$765.4
Less:			
Capital Uses	(1,036.8)	(186.1)	(1,222.9)
DFW Capital Account Transfer to 102	-	.0	.0
Total Uses	(1,036.8)	(186.1)	(1,222.9)
Ending Cash Balance	838.2	45.5	883.6
Add: Cash From DFW Cost Center	-	111.4	111.4
Total Ending Cash (9/30/23)	$838.2	$156.9	$995.1