COUNCIL CHAMBER

151545

August 26, 2015

WHEREAS, the Dallas/Fort Worth International Airport ("the Airport") serves the aviation needs of the owner cities of Dallas and Fort Worth; and

WHEREAS, the Dallas/Fort Worth International Airport Board ("the Board") presented the FY 2016 Proposed Budget to the City Council of the City of Dallas for its approval in accordance with the Contract and Agreement between the cities of Dallas and Fort Worth, dated April 15, 1968, as amended, which established the Board as the operating Board of Directors for the Airport;

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Council hereby approves the Dallas/Fort Worth International Airport Board's FY 2016 Proposed Budget, attached hereto as **Exhibit A**.

SECTION 2. That the approvals and authorization contained in this resolution are further conditioned upon similar approvals by the City Council of the City of Fort Worth.

SECTION 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

APPROVED BY
CITY COUNCIL

AUG 2 6 2015

City Secretary

151545

DALLAS/FORT WORTH
INTERNATIONAL AIRPORT

Exhibit A

FY 2016 PROPOSED BUDGET

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

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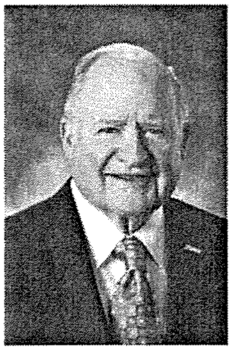
DFW's Vision Statement

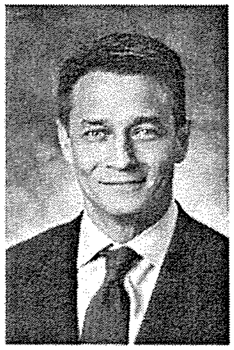
"DFW International Airport - Connecting the World"

Board of Directors

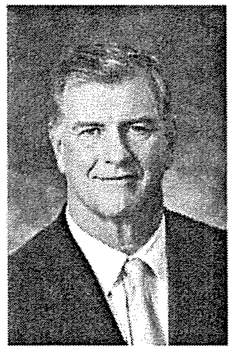
Lillie M. Biggins
Board Chair
Fort Worth



Sam Coats
Vice Chair
Dallas

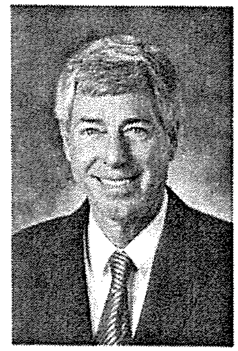


Francisco Hernandez
Secretary
Fort Worth



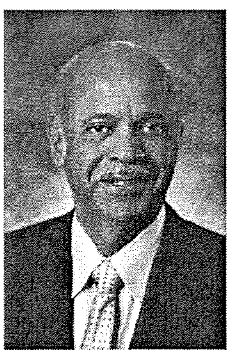
Mayor
Mike Rawlings
Dallas

Mayor
Betsy Price
Fort Worth



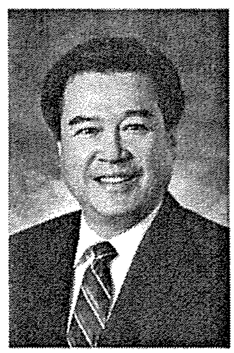
William Meadows
Fort Worth

Regina Montoya
Dallas



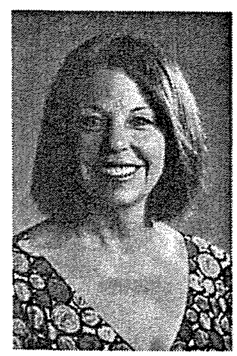
Curtis E. Ransom
Dallas

Bridget Moreno Lopez
Dallas



William Tsao
Dallas

Bernice J. Washington
Dallas



Council Member
Darlene Freed
Grapevine

DFW's Mission Statement

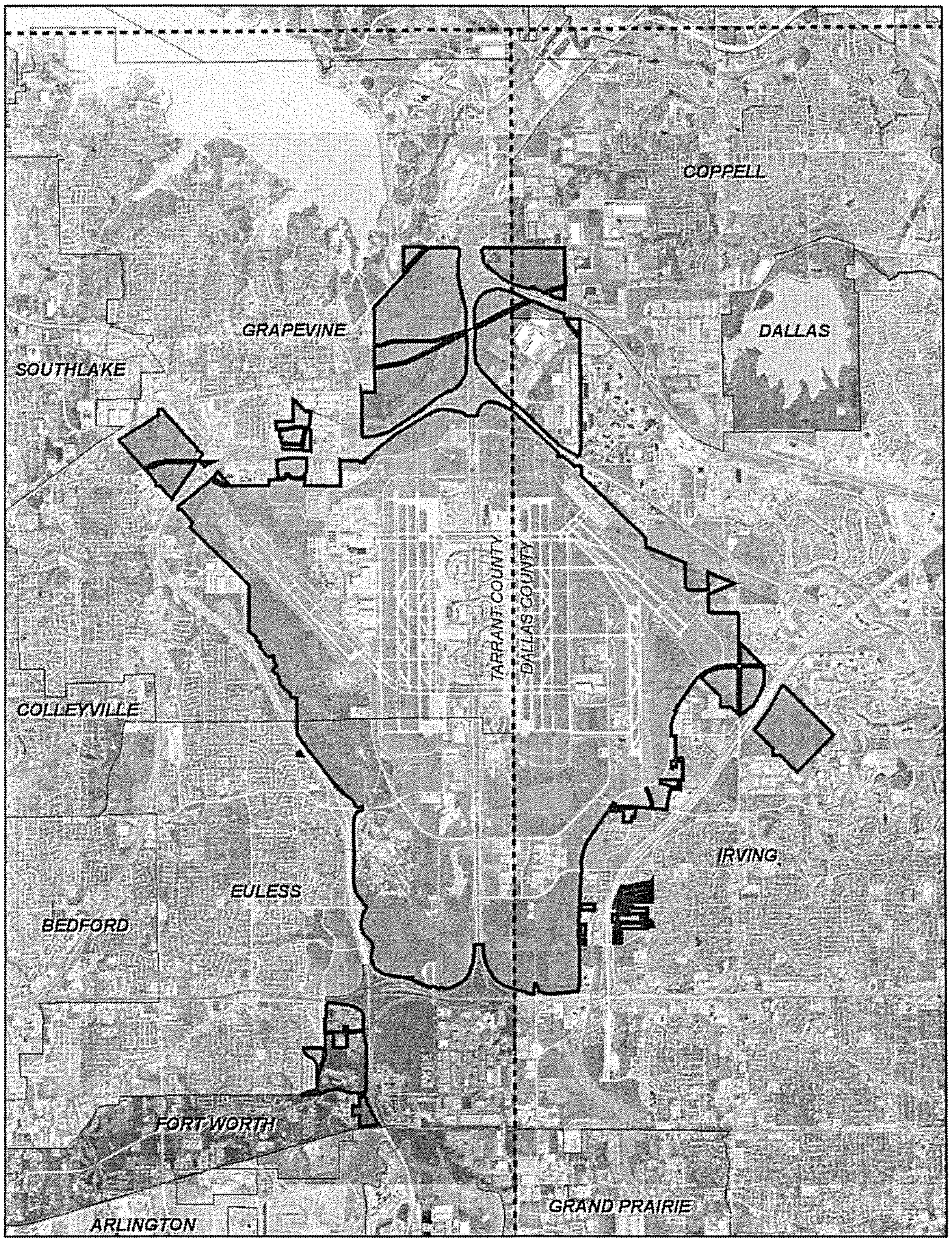
DFW International Airport will provide
our customers outstanding facilities and services,
expanding global access and economic benefits to those we serve.

DFW's Primary Business Goal

Grow the core business of domestic and international passenger
and cargo airline service.

Airport Background

The Dallas/Fort Worth International Airport (the "Airport" or "DFW") was created by a "Contract and Agreement" between the cities of Dallas, Texas, and Fort Worth, Texas ("the 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/GIS Group

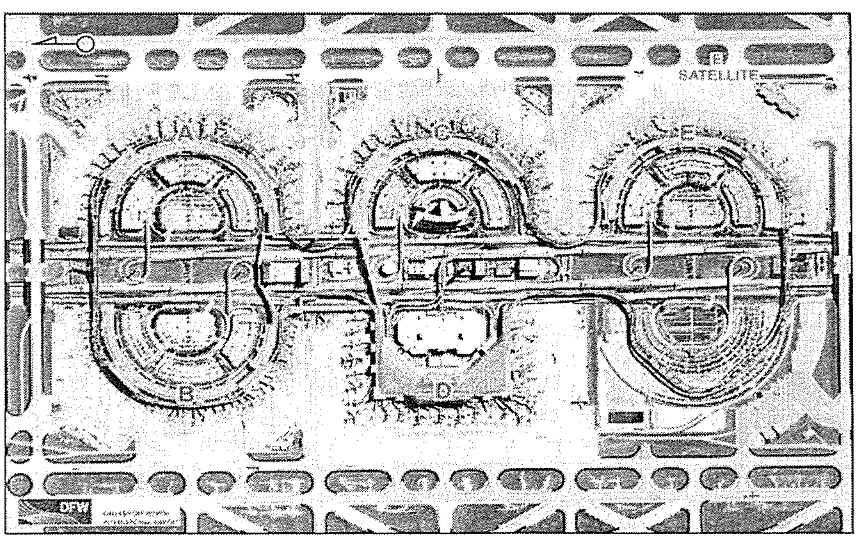
DFW is a located within a four-hour flight time of 98% of the U.S. population and currently ranks third among the world's busiest airports in terms of operations and ninth in terms of passengers. Its central location is the focal point of one of the nation's largest intermodal hubs, connecting air, rail, and interstate highway systems. DFW currently operates daily passenger flights to 204 destinations worldwide, including 149 nonstop domestic destinations and 55 nonstop international destinations. There are 27 passenger carriers and 17 cargo carriers serving DFW. The Airport is recognized as a premier inland cargo hub, served by major international cargo carriers. According to a study conducted by The University of Texas in Denton (UNT), DFW is the primary economic engine for North Texas, driving $31.6 billion of economic impact, supporting 143,000 jobs, and generating $9.4 billion in payroll annually.

DFW Infrastructure

Airfield – DFW's 7 runways provide one of the largest airfield capacities in the United States; 5 runways are configured as north/south parallels and 2 diagonals. Four of DFW's runways are 13,400 feet in length. DFW is focused on the future and continues to work to support next generation aircraft such as the Airbus A380 and the Boeing 747-8F. Per FAA benchmark studies, the Airport's designated hourly capacity arrival/departure flow is approximately 170 aircraft operations per hour under reduced instrument flight rule (IFR) weather conditions and approximately 226-264 aircraft operations per hour under optimum visual flight rule (VFR) weather conditions, a condition that prevails approximately 92% of the time.

Terminals – DFW has 5 terminals (A, B, C, D, and E) totaling 6.3 million square feet of building space, including 174 aircraft boarding gates (10 of the gates are newly constructed regional jet gates at Terminal B), 373 ticketing positions with supporting self-service kiosks, and 15 security checkpoints. As of June 30, 2015, 17 of the gates were closed for renovation as part of the Terminal Renewal and Improvement Program (TRIP). Collectively, the airlines averaged 6.7 turns per active gate for the first six months of FY 2015.

DFW Terminal Complex



American Airlines operates domestic service and international departures in Terminals A and C, and both domestic and international service in Terminal D. Envoy Aviation Group f/k/a American Eagle ("Envoy") operates domestic and international service in Terminals B and D.

All other domestic flights and certain Canadian pre-cleared flights operate from Terminal E. All international flights requiring U. S. Customs and Immigration clearance operate from DFW's Terminals D and B. Terminal D has 2.2 million square feet and 27 gates. All terminal gate leases expire September 30, 2020 per the terms of the Airline Lease and Use Agreement which became effective on October 1, 2010. DFW's Federal Inspection Service (FIS) facilities are located in Terminal D. The Airport's FIS facility is approximately 406,000 square feet with 36 inspection booths, 54 automated passport control kiosks, and 8 baggage carousels.

DFW is responsible for all of the janitorial and facility maintenance in Terminals B, D and E, and baggage maintenance in Terminals B and E. Most of the maintenance and janitorial functions are contracted out to third parties. Costs associated with maintenance of these facilities are included in DFW's operating budget. American Airlines is responsible for the majority of the facilities maintenance, custodial services, and all of the jet bridge and baggage maintenance in Terminals A and C. In Terminal D, American Airlines maintain their preferentially leased jet bridges and the entire baggage system for the terminal. The cost of these maintenance activities are paid directly by American Airlines and not included in DFW's budget or financial statements.

Transit System – DFW's people mover system (Skylink) transports passengers and employees between terminals on the secure side. DFW operates 16 to 24 fully automated cars on Skylink during normal operations. Skylink cars circle the 5 terminals in 2 directions, and trains arrive an average of every 2 minutes at each terminal. There are 2 Skylink stations in each terminal. The average customer ride is about 5 minutes. DFW also uses buses to transport passengers and employees between terminals on the non-secure side, as well as to the Grand Hyatt Hotel, parking lots and the Rental Car Center (RAC). DFW uses 29 buses to shuttle passengers between the terminals and Grand Hyatt (Terminal Link); 62 buses between remote and express parking lots and the terminals; 5 buses for various DFW activities and service between the Trinity Railway Express CenterPoint station and the terminals; 32 buses between employee parking lots and the terminals; and 54 buses between the terminals and the RAC.

Airport Operations Center/Emergency Operations Center (AOC/EOC) – The Airport Operations Center/Emergency Operations Center (AOC/EOC) and DPS 911 Dispatch Center serves as a single point of contact to centralize communications for DFW's passengers, guests, tenants, employees, and contractors, with an emphasis on Communication, Collaboration and Coordination (C3). This includes the 9-1-1 call management of police, fire and emergency medical response teams and 3-1-1 non-emergency services. The AOC/EOC/911 facility is the fusion and coordination center that provides Executive Management and aviation stakeholders with the situational awareness needed to efficiently and quickly manage Airport Board resources and partner with aviation stakeholders when responding not only to routine/daily infrastructure deficiencies, but also irregular operations and emergency incidents. The combined facility handles an average of 32,969 calls per month and generates an average of 3,621 work orders per month.

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 "102 Revenue and Expense Fund" (102 Fund). Gross Revenues are defined as all Airport revenues and receipts except: bond proceeds; Passenger Facility Charge (PFC) proceeds used to fund capital projects (rather than for debt service); interest earned on unspent bonds; proceeds in the Capital Accounts; grant proceeds used to fund capital projects; and sale of land or mineral rights, including natural gas royalties.

Strategic Plan

DFW's executive team continues to focus on key priorities for the organization. These priorities support the Strategic Plan and have a multi-year time horizon and connect the long term plan (Strategic Plan) with our annual goal setting process. Below are some highlights of those priorities:

Customer Experience

- Further strengthen customer-centric culture
- Segment customer needs and preferences with focus on premium/international
- Improve passenger facilitation
- Leverage technology

Airline Partnerships/Relationships

- Focus on airline partnerships to include all air carriers
- Make progress on strategic opportunities (i.e. TRIP, major MII votes, and terminal expansion)
- Many "touch points" with tactical, operational, and business relationship elements
- Achieve strong financial results

Connect the World Initiatives

- Launch Connect The World initiative aligning regional stakeholders
- Establish framework and governance structure

The Strategic Plan is a critical document that includes DFW's Vision and Mission Statements and identifies the critical strategies to achieve DFW's Primary Business Goal of growing the core business of domestic and international passenger and cargo airline service. DFW takes a balanced approach to its Strategic Plan. Management focuses its Key Drivers/Results of being cost competitive, satisfying the customer, and achieving operational excellence, through engaged employees. A copy of DFW's full Strategic Plan is available at www.dfwairport.com. A schematic of the DFW Strategic Plan follows:

Airline Use Agreement Rate Model

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

Operating Revenue and Expense Fund (the "102 Fund)

Airline Cost Centers		DFW Cost Centers
Airfield	**Terminal**	**DFW**
<u>Expenses</u> Direct Costs DPS and Overhead Allocations Debt Service (net of PFCs)	<u>Expenses</u> Direct Costs DPS and Overhead Allocations Debt Service (net of PFCs)	<u>DFW Revenues (Business Units)</u> Parking, Concessions, RAC, Commercial Development, Employee Transp., Taxis, Utilities, and Interest Income
<u>Less: Misc Airfield Revenues</u> General Aviation Fueling Facility Lease	<u>Less: Misc. Terminal Rentals</u> Federal Inspection Fees Turn Fees; TSA Rentals Concessions Reimbursements	<u>Less: Expenses</u> Direct Costs DPS and Overhead Allocations Debt Service (net of PFCs)
<u>+/- Transfers/Adjustments</u> - Lower Threshold Adjustment + Upper Threshold Adjustment +/- True-Up Adjustment	<u>+/- Transfers/Adjustments</u> + DFW Terminal Contribution + Annual Capital Transfer +/- True-Up Adjustment	<u>- Transfers/Other</u> - Skylink Costs - DFW Terminal Contribution
Net Cost = Landing Fees (KPI)	Net Cost = Terminal Rentals (KPI)	KPI = DFW Cost Center Net Revenues
Airline Cost & Airline Cost per Enplanement (KPI)		+/- Threshold Adjustments +/- True-Up Adjustment
		Net Revenues to the DFW Capital Account (KPI)

Capital Accounts (Capital Improvement Fund)

Joint Capital Account	Coverage Account	DFW Capital Account
+ Natural Gas Royalties + Sale of Land Proceeds - Annual Capital Transfer to the Terminal Cost Center	Funded from existing coverage, plus coverage from New Debt Service from all three cost centers as debt service increases	Funded annually from DFW CC. Contributions must be higher than "Lower Threshold" and cannot exceed the "Upper Threshold."

<u>Airline Cost Centers</u> – 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 (DPS) and overhead costs, plus debt service, net of Passenger Facility Charges (PFCs), to each cost center; then, subtracts ancillary revenues generated in these cost centers; and credits or charges certain transfers and/or adjustments (see True-Up Adjustments below). The budgeted landing fee rate is determined by dividing the net cost of the airfield by estimated landed weights. The budgeted average terminal rental rate is determined by dividing the net cost of the terminal cost center divided by leasable square footage. The Use Agreement requires the Airport to charge an equalized terminal rental rate for all 5 terminals.

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

DFW Cost Center – All non-airline business units, plus interest income, are included in the DFW Cost Center. The DFW Cost Center is also responsible for all costs associated with the Skylink people mover system. The net revenues from this cost center are transferred to the DFW Capital Account providing the net revenues are not lower than the Lower Threshold or not higher than the Upper Threshold. If either of these occur, then a Threshold or True-Up Adjustment is required. One of DFW's most important KPIs is Net Revenues from the DFW Cost Center. This KPI measures the net revenues generated by DFW's non-airline business units, after adjusting for the cost of Skylink, and drives the amount of cash flow that can be transferred to the DFW Capital Account each year.

Joint Capital Account - Funds in the Joint Capital Account (JCA) 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. Per the terms of the Use Agreement, an Annual Capital Transfer (described below) is made from the JCA to the Terminal Cost Center to lower airline cost through FY 2017.

Coverage Account – The Airport established the Coverage Account as part of the new Use Agreement in order to implement rolling coverage. Each year, the Coverage Account is rolled into the 102 Fund as a source of revenue, and then transferred back into the Coverage Account as excess revenue at the end of the year. The Coverage Account must equal 25% of aggregate debt service each year. If new debt is issued, each cost center must generate the incremental coverage required to fund 25% of the new debt service. These incremental coverage amounts are collected in the 102 Fund through rates and charges during the fiscal year.

DFW Capital Account – This is DFW's discretionary account and is funded primarily from the Net Revenues of the DFW Cost Center, 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 a Lower Threshold and an Upper Threshold for Net Revenues from the DFW Cost Center to limit the amount transferred annually to the DFW Capital Account. If DFW Cost Center Net Revenues are budgeted to be less than the Lower Threshold ($43.1 million in FY 2016), an incremental charge (i.e., a Lower Threshold Adjustment) is collected through landing fees in an amount sufficient to achieve the Lower Threshold amount. Conversely, if DFW Cost Center Net Revenues are budgeted to be greater than the Upper Threshold ($64.6 million in FY 2016), then 75% of the excess is credited to the Airfield Cost Center as an Upper Threshold Adjustment. This reduces budgeted landing fees. The remaining 25% may be retained in the DFW Cost Center and transferred to the DFW Capital Account at the end of the fiscal year. The benefit of the Lower Threshold Adjustment is that it guarantees that DFW will have a minimum level of cash to transfer to the DFW Capital Account so that DFW can replace assets on a timely basis. Conversely, the Upper Threshold limits the Airport's ability to generate significantly more net revenues and serves to reduce airlines' costs as non-airline revenues increase. It also places a limit on DFW's ability to significantly increase its coverage ratios. 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 the terminals. Any difference becomes a True-Up Adjustment and is either charged or credited to that cost center in the next fiscal year. The True-Up Adjustments for the Airline Cost Centers are applied back to that cost center the following year beginning in January. DFW Cost Center True-Up Adjustments are applied against landing fees beginning in the following January.

Annual Capital Transfer – Per the terms of the Use Agreement, an annual transfer is made from the Joint Capital Account to the Terminal Cost Center to reduce the cost of the terminals to the airlines for a period of 7 years. This transfer was $28 million in FY 2011 (first year of the new Use Agreement) and will be $8 million in FY 2016. The transfer will be reduced by $4 million each year through FY 2017 when it will be eliminated.

DFW Terminal Contribution – Per the terms of the Use Agreement, an annual transfer is made from the DFW Cost Center to the Terminal Cost Center to pay for DFW's share of common use and leasable, but unleased space, in Terminals D and E. This amount is $4.1 million in FY 2016.

DFW's Fund Structure

Although DFW uses the word "fund" to describe the designation of the source and prospective use of proceeds, DFW is an Enterprise Fund and does not utilize traditional fund accounting commonly used by government organizations. The table below summarizes the primary funds used by DFW:

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

DFW's financial statements are issued in conformance with Generally Accepted Accounting Principles (GAAP) and include all of DFW's funds, whereas the Annual Budget focuses on revenues and expenses included in the 102 Fund. DFW manages its day-to-day operations primarily through the 102 Fund in accordance with the Controlling Documents.

Basis of Budgeting

The 102 Fund Budget is commonly called the Operating Budget, but contains elements that are not expenses under GAAP such as debt service, reserve requirements, and certain expenditures that may be capitalized under GAAP.

Capital expenditures are funded through the issuance of Joint Revenue Bonds, grants, PFCs, or through the DFW or Joint Capital Accounts. From a process standpoint, the Board of Directors approves the Operating Revenue and Expense budget. The Board reviews the capital budget as part of the Annual Budget process and the Financial Plan process. The Board approves contracts associated with capital projects.

FY 2016 Budget Comparisons to Other Periods

FY 2015 Outlook – DFW employs continuous forecasting techniques to project revenues and expenses for the full 12 months of the fiscal year (called the Outlook). Most of the tables and charts in this budget document include FY 2015 Outlook comparisons to provide the best basis for comparison (rather than comparing to the FY 2015 Budget). The detailed Outlook in this Budget Book was developed in a bottoms-up process such that every account was reforecast. This was completed in May 2015.

Financial Plan – DFW issued its first 10-year Financial Plan in December 2010 and this plan is updated annually with the latest update in March 2015. This Plan was the basis for the negotiation of the Use Agreement with the airlines and has been linked to DFW's Strategic Plan to establish long-term goals for the KPIs shown in yellow in the DFW Business Model discussed above (Airline Cost, CPE, and Net Revenues from DFW Cost Center). Management's long term goal is to achieve or exceed the targets for these KPIs since this was the basis for the Airline Use Agreement. Accordingly, comparisons to the current Financial Plan for Fiscal Year 2016 are included in this Budget Book. A copy of the 2015 Financial Plan is available at www.dfwairport.com.

Presentation of Amounts and Prior Years Actuals – The FY 2016 Budget is presented in tables and charts that are rounded to millions and thousands. Some columns and charts may not appear to add-up or foot due to rounding differences. Certain prior year amounts have been reclassified to reflect the FY 2016 presentation.

Budget Schedule

DFW's fiscal year begins October 1. The FY 2016 Expense Budget was compiled by the various DFW departments in May and then reviewed and modified by management in May and June. Presentations were made to representatives of the Signatory Airlines on May 22, and June 10, 2015, with follow up information provided. A preview of the FY 2016 Budget will be presented to the Finance Committee on June 30, 2015. The final recommended Budget will be presented to and approved by the Board on July 02, 2015. The FY 2016 Budget must be submitted to the City Managers of Dallas and Fort Worth by August 15, 2015, with approval of the two City Councils by September 30, 2015.

FY 2016 Key Performance Indicators

The table below compares the Key Performance Indicators (KPIs) of the FY 2015 Outlook, the FY 2016 estimates contained in the FY 2015 Financial Plan (called the FY 2016 Financial Plan), and the FY 2016 Budget. Each KPI is discussed further below.

Key Performance Indicators	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs. FY15OL	FY16B vs. FY16FP
Total 102 Expenditure Budget (Ms)	$717.5	$812.4	$791.7	$74.2	($20.7)
Airline Costs (Ms)	$301.4	$386.6	$351.4	$50.1	($35.2)
Airline Cost Per Enplanement (CPE)	$8.71	$11.17	$10.32	$1.61	($0.85)
DFW Cost Center Net Revenues (Ms)	$110.4	$102.9	$107.8	($2.5)	$4.9
Total Passengers (Ms)	63.5	65.3	64.4	0.9	(0.9)
Total Landed Weights (Bs)	40.7	40.9	41.7	1.0	0.8

FY 2016 Budget Comparisons and Walkforward

The table below compares the Annual 102 Fund Budget for the FY 2015 Outlook, the FY 2016 Financial Plan, and the FY 2016 Budget. The Budget is comprised of operating expenses and debt service. The FY 2016 Budget is $791.7 million, a $74.2 million (10.3%) increase over the FY 2015 Outlook, but $20.7 million (2.5%) less than projected for FY 2016 in the latest Financial Plan. Consistent with prior years, the Budget request also includes an amount of contingency outside the rate base. This contingency may only be accessed with Board approval. The major increases in the FY 2016 Budget as compared to the FY 2015 Outlook result from debt service related to the Terminal Renewal and Improvement Program and an incremental $13.3 million for strategic priorities. Excluding these two items, the FY 2016 budget is increasing only 2.0%.

Annual Budget (Millions)	FY15 Budget	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs FY15OL	FY16B vs FY16FP
Operating Expenses	$391.4	$393.8	$411.7	$421.8	$28.0	$10.1
Gross Debt Service	333.3	323.7	400.7	370.0	46.2	(30.7)
Total 102 Fund Expenditures	$724.7	$717.5	$812.4	$791.7	$74.2	($20.7)
Contingency O/S Rate Base				10.0		
Total Budget w/ Contingency				$801.7		

During the budget process, the planned activity for FY 2016 is reviewed and aligned with DFW's overall Strategic Plan. Following are some assumptions that were used in preparing the FY 2016 Budget.

Grow the Core Business Total passenger traffic is budgeted to be 64.4 million (a record), a 0.9 million (1.4%) increase over the FY 2015 Outlook. This compares to a projected 2.5%

increase in the Financial Plan. This growth is slightly lower than recent years' growth of 2 to 3 percent due to American Airlines announcement that they will be restraining capacity growth. DFW expects a 1.3%, 1.1% and 2.0% increase in originating, destination and connecting passengers, respectively, compared to the FY 2015 Outlook. International passengers are budgeted to increase to 3.3 million, 0.1 million (3.8%) over the FY 2015 Outlook. DFW continues to pursue expanded service to international destinations.

Landed weights are also increasing year over year primarily due to American Airlines replacing older, lighter MD80 aircraft with newer, heavier Boeing 737-800 airplanes.

Strategic Priorities DFW continues efforts to address strategic priorities and improve the overall customer experience both from a passenger and airline perspective. An incremental $13.3 million ($10.6 million plus the 25% operating reserve) of service and security enhancements has been budgeted including: $5.4 million for customer service and custodial enhancements to improve the customer experience in the terminals; $2.3 million for information technology security and disaster recovery efforts, $1.5 million for public safety costs to increase security presence in the terminals and curbside and ensure compliance with TSA regulations; $1.4 million for AA rebanking costs primarily related to additional busing and fuel costs. DFW has decided to change its accounting practice for Passenger Facility Charges (PFCs), to allow an additional $15 million of PFCs to be used to reduce net debt service (see further discussion on page 15).

Cost Competiveness Management seeks to reduce costs and identify efficiencies each year. The FY 2016 Budget reflects cost efficiencies of $6.3 million that includes $2.2 million for one-time costs incurred in FY 2015 that is not included in the FY 2016 Budget. In addition, there is $1.0 million in savings associated with winter storm costs and $0.6 million associated with lower utility costs from locking in lower rates. Other savings of $1.6 million include reduced facility maintenance and conveyance contracts, baggage handling contracts, other professional services, computer supplies and badging supplies. There is also savings associated with defined benefit contributions of $0.9 million.

Terminal Renewal and Improvement Program (TRIP) The TRIP began in FY 2011 and has phased construction through FY 2021. For FY 2016, 3 renovated sections of 3 terminals, along with associated parking garages, will open at various times during the fiscal year. At the same time, other sections will be closed to start construction. This requires DFW to make significant efforts to maintain customer service and constrains DFW's ability to grow terminal parking and concessions revenues. This phased approach also requires additional maintenance and technology support efforts. As renovated sections of terminals and garages open, DFW begins to pay debt service on the facilities ($46.2 million more in FY 2016 than in FY 2015); however debt service is $30.7 million lower than the Financial Plan as the result of delayed openings.

The following table summarizes the major changes in operating expense between the FY 2015 Outlook, the FY 2016 Financial Plan, and the FY 2016 Budget (detailed by the DFW Cost Center and the Airline Cost Centers). Operating expenses increased $28.0 million (7.1%) from the FY 2015 Outlook, of which, $16.1 million relates to the Airline Cost Centers and $11.9 million relates to the DFW Cost Center.

Explanations of the changes in the walkforward are discussed in the Operating Expenses section.

Operating Expenses (in millions)	Total	DFW	Airline
FY 2015 Outlook	$393.8	$150.6	$243.2
Merit & salary annualization	5.2	2.4	2.8
Strategic priorities	10.6	3.1	7.5
Fixed contract increases	6.3	2.8	3.5
Other contract increases	4.6	1.8	2.8
Other increases	1.7	0.7	1.0
Operating expense increases	28.5	10.8	17.6
Contingency & Reserves			
Restore contingency	3.5	1.2	2.3
Adjust operating reserve	2.4	0.8	1.6
Total contingency & reserves	5.9	2.0	3.8
Net increases before cost reductions	34.3	12.8	21.4
Cost reductions	(6.3)	(0.9)	(5.3)
Net Increase	28.0	11.9	16.1
FY 2016 Expense Budget	$421.8	$162.5	$259.3

102 Fund Exposures

Revenues - The FY 2016 Budget includes several exposure items that could result in DFW not obtaining its revenue budget targets. The total revenue exposure for FY 2016 is estimated at $4.7 million.

Revenues (in millions)	
Concessions Advertising Not Under Contract	$2.2
Concessions Food and Retail Revenue	1.0
Parking Revenues	1.0
Rental Car Revenues	0.5
Total Revenue Exposures	4.7

The FY 2016 budget includes $2.2 million of advertising revenues that are not currently under contract. If these contracts do not materialize, DFW will be challenged to achieve its concessions revenue budget. AA adjusted its flight schedule in late March 2015, resulting in shorter connection times for passengers. This is known as a "rebanking" of flight schedules. The FY 2016 concessions budget has already been reduced 6% to account for the impact of rebanking; however, management has only had a few months to determine the actual impact of rebanking. If rebanking has a larger impact, up to $1 million of additional exposure could exist. Parking revenues budget carries an exposure of $1.0 million due to limited parking capacity due to TRIP construction. Rental car revenues have an estimated exposure of $0.5 million from possible changes in the rental car pricing that is not under DFW control.

Expenses - From an expense standpoint, the largest unknown relates to the cost of winter storms. Over the past two years DFW has had to overcome significant costs in excess of the budgeted amounts. The budget includes $3.5 million of CEO contingency (included in the rate base) and a $10 million Board controlled contingency (outside of the rate base) to mitigate operating expense exposure.

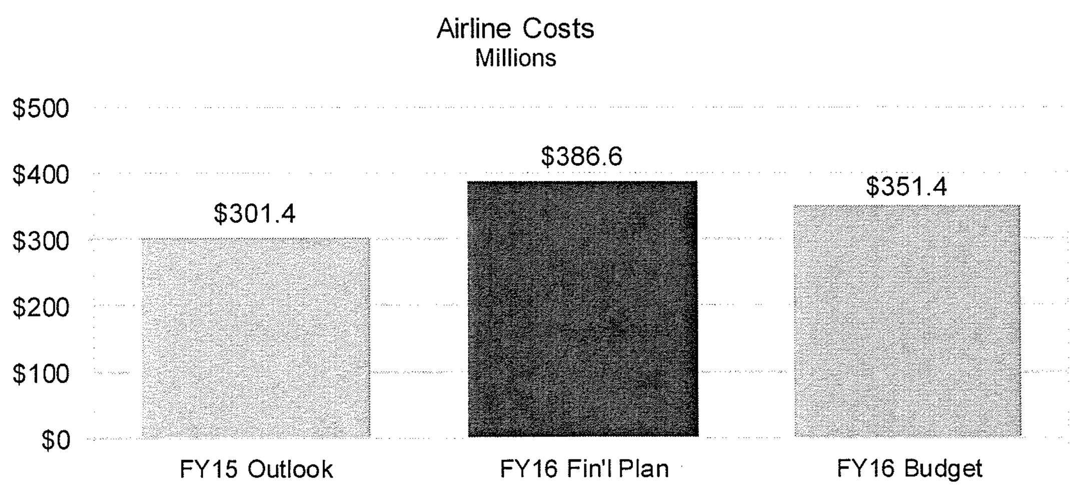
Change in Budget Practices

Capitalized Interest - In the past, debt service was charged to the rate base beginning on the actual date of beneficial occupancy of capital projects. If beneficial occupancy was delayed from what was budgeted, then DFW would increase borrowing to fund the additional capitalized interest and defer the start of debt service charged to the rate base. This normally resulted in significant positive variances to the debt service budget due to schedule slippage. Beginning in FY 2016, DFW will modify this practice and will charge debt service to the rate base on the budgeted date of beneficial occupancy. This will allow DFW to reduce the need to issue additional debt and eliminate most of the debt service budget variances in the future.

Passenger Facility Charges (PFCs) - DFW collects a $4.50 PFC from revenue enplaned passengers. DFW committed as part of the Use Agreement negotiations to use PFCs to offset debt service to achieve a prescribed level of net debt service through FY 2020. Past budgets have reflected this practice. Recently, PFC collections have exceeded the Financial Plan estimates. These excess collections have been maintained in a PFC reserve fund. During FY 2015, management determined that the level of PFCs in the reserve fund was more than necessary and that a two month PFC reserve was sufficient. This change in practice resulted in an additional $10 million of PFCs to be used to offset debt service in FY 2015 (reflected in the Outlook) and $15 million of additional PFC collections to flow into the FY 2016 Budget. These incremental funds were not assumed in the FY 2015 Budget or the FY 2015 Financial Plan. Beginning in FY 2016, DFW will transfer the budgeted amount of PFCs to reduce debt service each year rather than the actual amount. At year end, DFW will true-up the two-month reserve and let the difference flow through the following year's budget.

Airline Cost

Airline cost represents the fees paid to DFW by the passenger and air cargo carriers, primarily for landing fees and terminal rents. Cost per enplanement (discussed below) is based solely on passenger airline cost. The FY 2016 Airline Cost Budget is $351.4 million, $50.1 million (16.6%) higher than the FY 2015 Outlook, and $35.2 million (9.1%) less (better) than the FY 2016 Financial Plan. The reduction from the Financial Plan is primarily due to lower net debt service costs that were anticipated in the Financial Plan, primarily the utilization of increased PFCs.



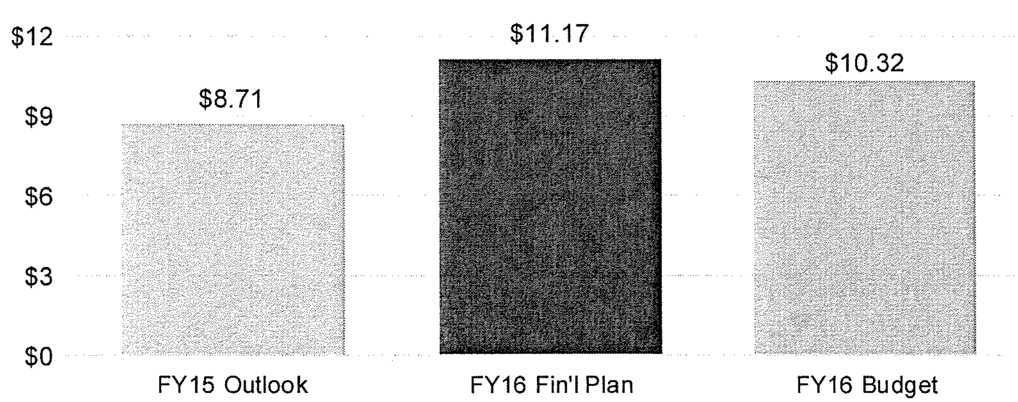
Following is a walkforward of airline cost from the FY 2015 Outlook to the FY 2016 Budget. Approximately 66.5% of the increase is related to debt service and fixed Use Agreement items. Variances are explained in the Airlince Cost Centers section.

Airline Cost Walkforward	Millions
FY 2015 Outlook	$301.4
Debt & Use Agreement Items	
Increased Debt Service (net of PFCs)	28.9
Lower Joint Capital Contribution	4.0
Increased Threshold Adjustment	(0.4)
Total Debt and Use Agreement	32.5
Net Operating Expenses	
Increased Operating Costs, net	16.0
Lower Transfer from DFW Cost Center	1.7
Other	(0.2)
Total Net Operating Expenses	17.5
Total Increase	50.1
FY 2016 Budget	$351.4

Passenger Airline Cost per Enplanement (CPE)

CPE Trending at DFW – CPE is defined as total passenger airline cost (i.e., revenue paid to DFW) divided by the number of enplaned passengers. CPE is a common measure used by the airline industry. The denominator, enplaned passengers, is used because it is a key revenue/cost driver for the airlines. However, this is not the case for an airport. Airport costs are based on the cost to operate and maintain its facilities and runways. Notwithstanding this issue, DFW (and the industry) use this indicator as a performance measure.

Airline Cost per Enplanement

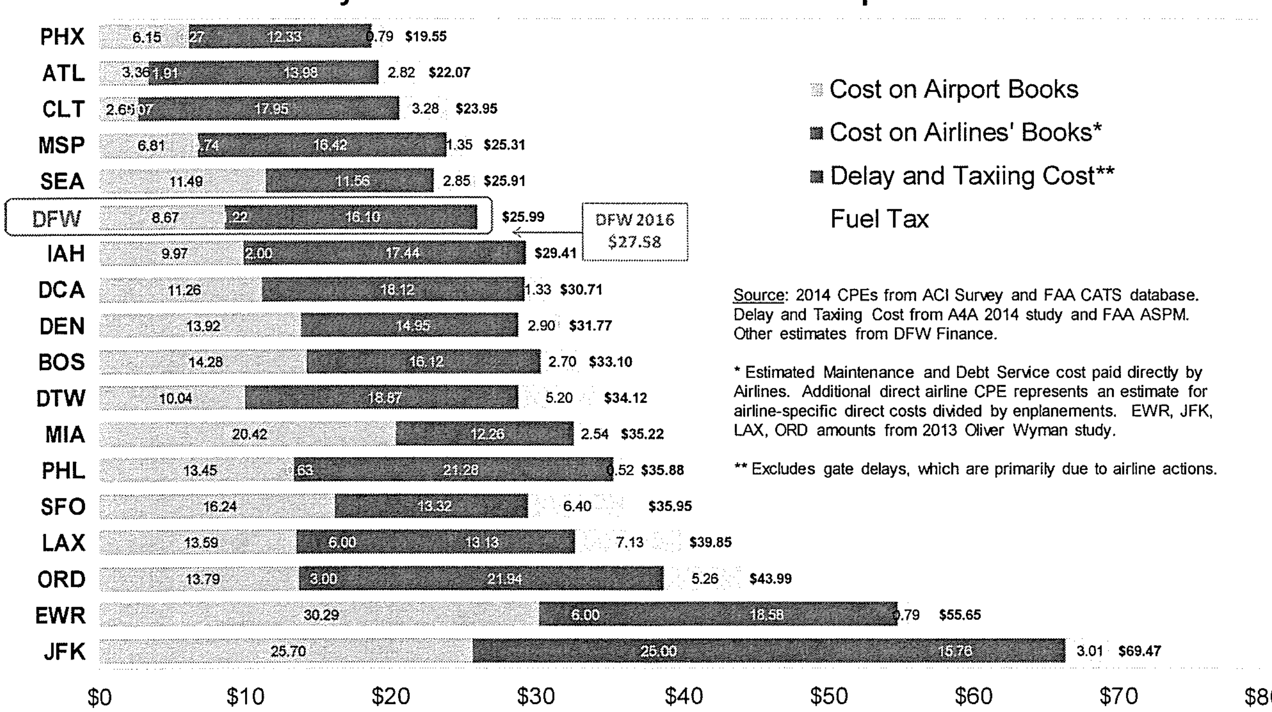


The FY 2016 CPE of $10.32 represents an increase of $1.61 (18.5%) from the FY 2015 Outlook. From the walkforward above, the increase is driven primarily by debt service and fixed Use Agreement adjustments. The FY 2016 CPE of $10.32 is $0.85 (7.6%) less (better) than the 2016 Financial Plan primarily due to lower net debt service.

CPE Benchmarked to Other Airports – DFW's goal is to have a competitive CPE. The following chart benchmarks DFW's fully loaded CPE with the fully loaded CPE projections for DFW's competitive set of 17 large U.S. hub airports using the latest data available from ACI surveys from FY 2014. Fully loaded cost is the most meaningful comparison because it includes most of the costs incurred by airlines to operate at an airport, including what they pay the airport (light blue), what they pay directly for terminal maintenance and terminal debt service (dark blue), an estimate of what costs the airlines incur for delay and taxiing (red), and an estimate for fuel taxes (yellow).

DFW's cost structure is projected to continue to increase through the completion of TRIP due to higher debt services costs. The chart highlights that DFW's FY 2015 results were the sixth lowest CPE and remains in the first third for large hub airports. DFW is well-positioned from a cost standpoint compared to AA's hubs.

Fully Loaded C.P.E. - DFW 2015 vs Competitive Set 2014



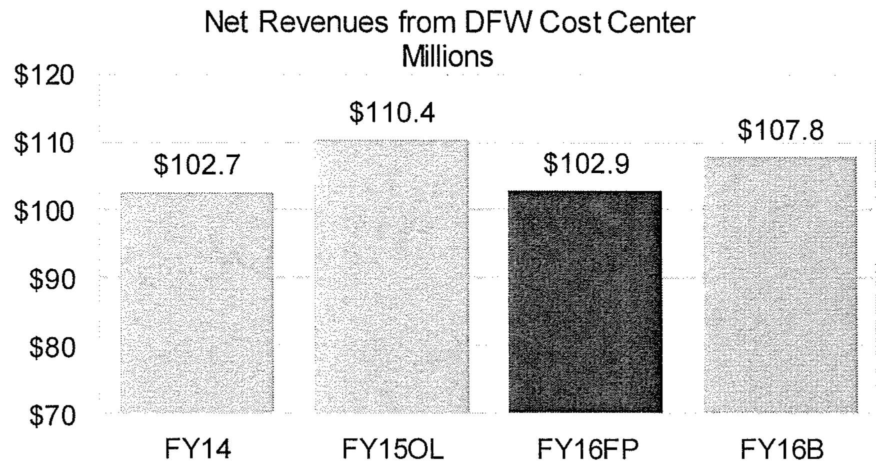
Source: 2014 CPEs from ACI Survey and FAA CATS database. Delay and Taxiing Cost from A4A 2014 study and FAA ASPM. Other estimates from DFW Finance.

* Estimated Maintenance and Debt Service cost paid directly by Airlines. Additional direct airline CPE represents an estimate for airline-specific direct costs divided by enplanements. EWR, JFK, LAX, ORD amounts from 2013 Oliver Wyman study.

** Excludes gate delays, which are primarily due to airline actions.

Net Revenues from DFW Cost Center

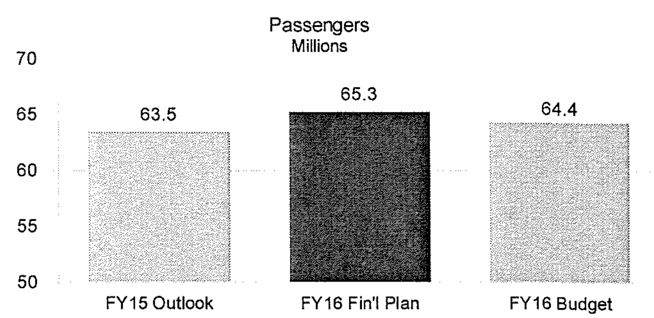
The following chart compares net revenues from the DFW Cost Center. The FY 2016 net revenues budget is $107.8 million, a $2.5 million (2.3%) decrease from the FY 2015 Outlook and $4.9 million (4.8%) better thant the Financial Plan. The decrease from the FY 2015 Outlook is primarily attributable to increased O&M and debt service expenses offset by higher revenues. See the DFW Cost Center section for more detail.



Passengers

The FY 2016 Budget for passengers is 64.4 million, a 0.9 million (1.4%) increase over the FY 2015 Outlook primarily due to connecting traffic. This will be a record number of passengers for DFW. The budget of 64.4 million is 0.9 million (1.4%) lower than the Financial Plan primarily due to the recent announcement by American Airlines that they planned to constrain the future growth of capacity which will reduce passenger growth.

Passenger statistics can be divided into several categories as shown in the following table. Originating passengers begin their trip at DFW. Destination passengers live elsewhere and fly to DFW for work or pleasure. People who travel through DFW to get to their final destination are connecting passengers. Enplanements represent all passengers boarding a plane at DFW.



				Increase (Decrease)	
Passengers (Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	FY16B vs FY15OL	FY16B vs. FY16FP
Originating	13.9	14.3	14.0	0.2	(0.3)
Destination	12.9	13.3	13.0	0.1	(0.3)
Connecting	36.7	37.7	37.3	0.6	(0.3)
Total Passengers	63.5	65.3	64.4	0.9	(0.9)
Enplanements	31.7	32.6	32.1	0.4	(0.5)

Changes in these passenger metrics are important because they are the key revenue drivers for parking (originating passengers), concessions (enplanements), and rental car (destination passengers) revenues. See further discussion in the DFW Cost Center section.

Revenues Overview

The table below summarizes 102 Fund revenues by cost center and compares the FY 2015 Outlook, the FY 2016 Financial Plan, and the FY 2016 Budget.

Millions	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs. FY15OL	Increase (Decrease) FY16B vs. FY16FP
Revenues					
Airfield Cost Center	$142.0	$157.0	$149.9	$7.9	($7.1)
Terminal Cost Center	230.1	287.9	267.2	37.1	(20.7)
DFW Cost Center	310.6	328.8	327.9	17.3	(0.9)
PFCs/CFCs/Other	145.3	141.6	154.8	9.5	13.2
Total Revenues	$827.9	$915.3	$899.8	$71.9	($15.5)

FY 2016 airfield and terminal cost center revenues are higher than the FY 2015 Outlook primarily due to increased landing fees and terminal rentals necessary to recover higher debt service and operating expenses attributable to these cost centers. However, the revenues are lower than the Financial Plan due to lower debt service than assumed in the Plan.

FY 2016 DFW Cost Center revenues are higher than the FY 2015 Outlook primarily due to higher parking, concessions, and employee transportation revenues. Parking revenues increased $7.2 million from the FY 2015 Outlook and reflect a full year impact of $1 increase for TollTag transactions between 0 - 30 minutes, $1 increase for 2 - 4 hour parking in the central terminal area, $2 increase for TollTag customers for full day parking in the central terminal area, and $2 increase for valet customers. Concessions revenue increased $2.6 million from the FY 2015 Outlook due to the net impact of increasing enplanements and the opening of new concessions. See the DFW Cost Center section for a detail overview of these revenues.

Passenger Facility Charges (PFCs) are collected from revenue enplaned passengers and are used to offset debt service from debt issued prior to TRIP. Customer Facility Charges (CFCs) are collected from rental car customers based on the number of transaction days and are used to pay for debt service on the rental car facility. Other Revenues relate to funds transferred from the Public Facility Improvement Corporation (PFIC) to pay for debt service associated with the Grand Hyatt Hotel. These revenues are higher than the FY 2015 Outlook and the Financial Plan primarily due to increased PFCs and the change in practice to allow more PFCs to flow through to the rate base. See the discussion of this practice change on page 15.

Capital Programs and Debt Financing

DFW has 2 capital accounts, the Joint Capital Account which normally requires both DFW and airline approval to access funds, and the DFW Capital Account which DFW may use at its sole discretion. The Joint Capital Account receives funds from natural gas royalties, grants, debt proceeds, and interest income on the available cash balances. The DFW Capital Account is funded from net revenues from the DFW Cost Center, grants, debt proceeds (for commercial development) and interest income.

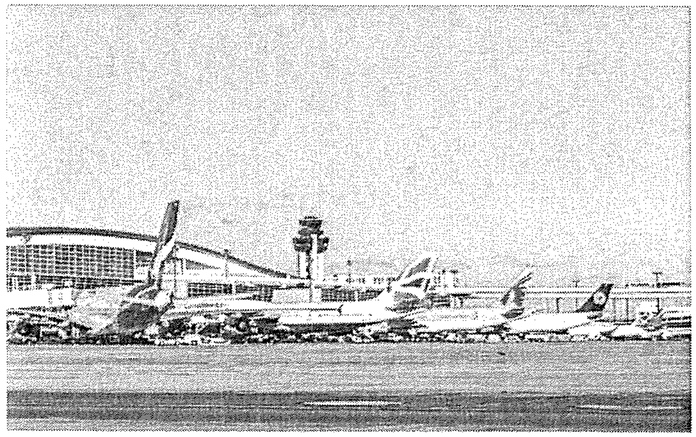
The largest component of DFW's capital program is the Terminal Renewal and Improvement Program (TRIP) in the Joint Capital Account. The TRIP program is currently budgeted at $2.7 billion over the next 6 years. This revised program cost now includes airline Majority-in-Interest (MII) approval for an additional $647 million "*re-baseline*" initiative to accommodate cost and schedule pressures experienced in the early phases of the TRIP program. This increase was approved by the airlines in the Summer of 2014. The TRIP "*re-baseline*" is discussed in more detail in the "Capital Budget" section. As of June 2015, DFW has awarded $1.6 billion in contracts for TRIP. Also included in the Joint Capital Account is $762 million of various other projects which DFW has received airline MII approval. Additionally, DFW has a large number of capital projects currently underway and funded from the DFW Capital Account. DFW's capital program is discussed in more detail in the Capital section and in the Financial Plan.

DFW has borrowed sufficient funds to complete Terminals A and E and the first two phases of Terminal B. The next expected bond issue will be in the late summer of FY 2016 for the remainder of Terminal B and the initial phase of Terminal C.

The FY 2016 Budget reflects an updated TRIP schedule resulting in relatively minor changes to in-service dates of terminal sections from the Financial Plan. As explained in other sections in the Budget Book, an updated TRIP schedule is expected to result in less debt service for FY 2016 than was estimated for FY 2016 in the Financial Plan.

<u>Natural Gas Revenues</u> – The Use Agreement requires natural gas royalties to be deposited into the Joint Capital Account. Estimated natural gas royalty revenues for FY 2016 are $5.2 million, which is approximately $1.0 million below DFW's forecast for FY 2015.

Airline Cost Centers



There are two airline cost centers, the airfield and the terminal. The airlines pay DFW landing fees to cover the net cost of the airfield and terminal rents to cover the net cost to operate and maintain the terminals. Federal Aviation Administration (FAA) regulations prohibit an airport from making a profit on aviation activities. Consequently, the landing fees and terminal rentals must be set to cover the anticipated net cost to provide the services only. 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 cost), then the Airport provides a credit or adds an incremental charge in the following fiscal year to settle the difference. DFW anticipated a better than budget performance in FY 2015. Accordingly, the FY 2015 Outlook includes a current year rate reduction of $12.3 million and a $5.2 million true-up credit.

Airfield Cost Center

The table below compares the FY 2015 Outlook, the FY 2016 estimates contained in the FY 2015 Financial Plan (called the FY 2016 Financial Plan in the tables), and the FY 2016 Budget for the Airfield Cost Center. Note that revenues equal expenses in this cost center in all periods. Revenue variances to the FY 2015 Outlook are explained below. See the Operating Expenses section for expenditure variances.

				Increase (Decrease)	
Airfield CC (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	FY16B vs. FY15OL	FY16B vs. FY16FP
Revenues					
Landing Fees	$97.5	$119.4	$106.6	$9.1	($12.9)
Transfer from DFW CC	34.1	27.0	32.5	(1.6)	5.4
Other	10.4	10.6	10.8	0.4	0.2
Total Revenues	142.0	157.0	149.9	7.9	(7.2)
Expenditures					
Operating Expenses	77.2	77.6	80.4	3.2	2.8
Net Debt Service	64.7	79.4	69.4	4.7	(9.9)
Total Expenditures	142.0	157.0	149.9	7.9	(7.1)
Net Airfield Revenue	$0.0	$0.0	$0.0	$0.0	$0.0

The Airfield is a residual cost center with landing fees as the balancer. The following table compares Airfield Cost Center revenues and expenditures for the FY 2015 Outlook, the Financial Plan, and the FY 2016 Budget showing the landing fee revenues necessary to cover budgeted net airfield costs.

Airfield CC (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs. FY15OL	Increase (Decrease) FY16B vs. FY16FP
Expenditures					
Operating Expenses	$77.2	$77.6	$80.4	$3.2	$2.8
Net Debt Service	64.7	79.4	69.4	4.7	(9.9)
Total Expenditures	142.0	157.0	149.9	7.9	(7.1)
Revenues					
Aircraft Parking	0.1	0.2	0.1	0.0	(0.0)
Corporate Aviation	2.1	1.9	2.3	0.1	0.4
Fuel Facility	5.6	5.8	5.6	0.0	(0.1)
DPS	2.6	2.7	2.9	0.3	0.1
Other	(0.1)	0.0	(0.1)	0.0	(0.1)
Transfer from DFW Cost Center	34.1	27.0	32.5	(1.6)	5.4
Revenues before Landing Fees	44.5	37.5	43.3	(1.2)	5.8
Landing Fees	$97.5	$119.4	$106.6	$9.1	($12.9)

Landing Fee Revenues

The FY 2016 landing fees budget is $106.6 million, an increase of $9.1 million (9.3%) from the FY 2015 Outlook primarily due to the increases in operating expenses and debt service charged to the airfield and a decrease in the transfer from the DFW Cost Center. Landing Fees are $12.9 million (10.8%) less than the Financial Plan due to lower debt service.

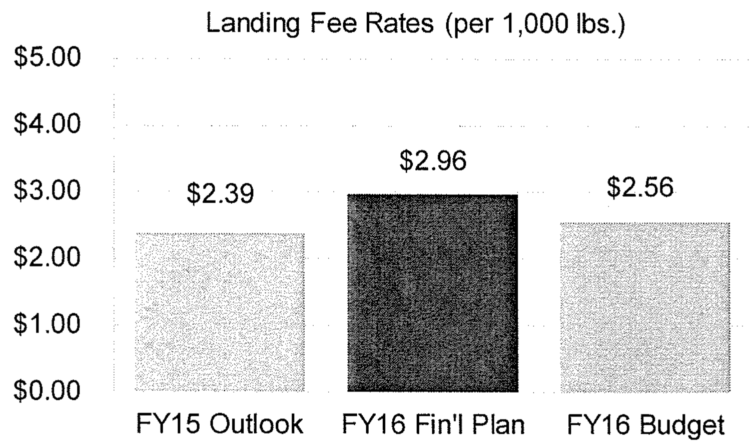
Other Airfield Revenues

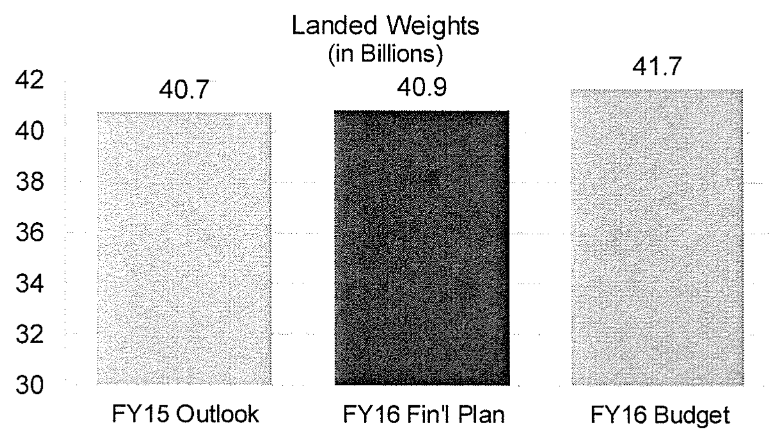
Other airfield revenues include threshold adjustments transferred from the DFW Cost Center, Corporate Aviation (CA) fees, DPS revenues, and airline consortium rent for lease of the fuel farm. The airlines have formed a fuel consortium to operate and maintain the fuel farm. See the DFW Cost Center section for variance explanations.

Landing Fees and Landed Weights

The following charts compare landing fees and landed weights for the FY 2015 Outlook, the FY 2016 Financial Plan, and the FY 2016 Budget. The landing fee rate is assessed per 1,000 pounds of maximum approved landed weight for each specific aircraft as certified by the FAA. Changes in landed weights will not affect total landing fees because DFW must charge the airlines collectively for the cost to operate the airfield. Thus, an increase in landed weights will lower the average landing fee rate, and a decrease in landed weights will cause the landing fee rate to increase.

Signatory landing fees are budgeted at $2.56 in FY 2016, a $0.17 (7.1%) increase from the FY 2015 Outlook. This will generate sufficient revenue to pay for budgeted airfield costs. Landing fees are lower than the FY 2016 Financial Plan by $0.40 (13.5%) primarily due to lower net debt service and higher landed weights.





Cargo

DFW is recognized by the industry as one of the top cargo airports in the world. 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. More than 50 million consumers can be reached by truck within 24 hours and reached via truck within 48 hours or less. Approximately 8.2% of all landing fees are budgeted to come from cargo aircraft for the FY 2016 Budget.

Terminal Cost Center

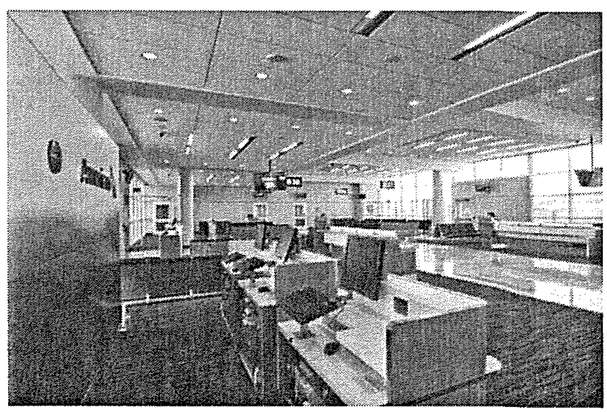
The table below compares the FY 2015 Outlook, the FY2016 Financial Plan, and the FY 2016 Budget for the Terminal Cost Center. Note that revenues equal expenses in this cost center in all periods. Revenue variances between the FY 2016 Budget and the FY 2015 Outlook are explained below. See the Operating Expense section for expenditure variations.

				Increase (Decrease)	
Terminal CC (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	FY16B vs. FY15OL	FY16B vs. FY16FP
Revenues					
Operating Revenue					
Terminal Leases	$161.1	$219.9	$196.5	$35.4	($23.4)
FIS Fees	21.7	22.6	22.4	0.7	(0.2)
Turn Fees & Office Rents	20.9	22.9	25.8	4.9	2.9
Other	14.3	14.5	14.5	0.2	0.0
Total Operating Revenue	218.1	279.9	259.2	41.1	(20.7)
Transfers					
DFW Terminal Contribution	4.2	8.4	4.1	(0.1)	(4.2)
Joint Capital Transfer	12.0	8.0	8.0	(4.0)	0.0
Total Transfers	16.2	16.4	12.1	(4.1)	(4.2)
Total Revenues	234.3	296.3	271.4	37.0	(24.9)
Expenditures					
Operating Expenses	166.0	177.4	178.8	12.8	1.4
Net Debt Service	68.3	118.9	92.5	24.2	(26.4)
Total Expenditures	234.3	296.3	271.4	37.0	(24.9)
Net Terminal Revenue	$0.0	$0.0	$0.0	$0.0	$0.0

The Terminal is a residual cost center with terminal leases as the balancer. The table on the following page compares Terminal Cost Center revenues and expenditures for the FY 2015 Outlook, the FY 2016 Financial Plan, and the FY 2016 Budget showing the terminal lease revenues necessary to cover budgeted net terminal costs.

Terminal CC (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs. FY15OL	Increase (Decrease) FY16B vs. FY16FP
Expenditures					
Operating Expenses	$166.0	$177.4	$178.8	$12.8	$1.4
Net Debt Service	68.3	118.9	92.5	24.2	(26.4)
Total Expenditures	234.3	296.3	271.4	37.0	(24.9)
Revenues					
Operating Revenue					
FIS Fees	21.7	22.6	22.4	0.7	(0.2)
Turn Fees & Office Rents	20.9	22.9	25.8	4.9	2.9
Other	14.3	14.5	14.5	0.2	0.0
Operating Revenues	57.0	60.0	62.7	5.7	2.7
Transfers					
DFW Terminal Contribution	4.2	8.4	4.1	(0.1)	(4.2)
Joint Capital Transfer	12.0	8.0	8.0	(4.0)	0.0
Total Transfers	16.2	16.4	12.1	(4.1)	(4.2)
Revenues before Leases	73.2	76.4	74.9	1.6	(1.6)
Terminal Leases Needed	$161.1	$219.9	$196.5	$35.4	($23.4)

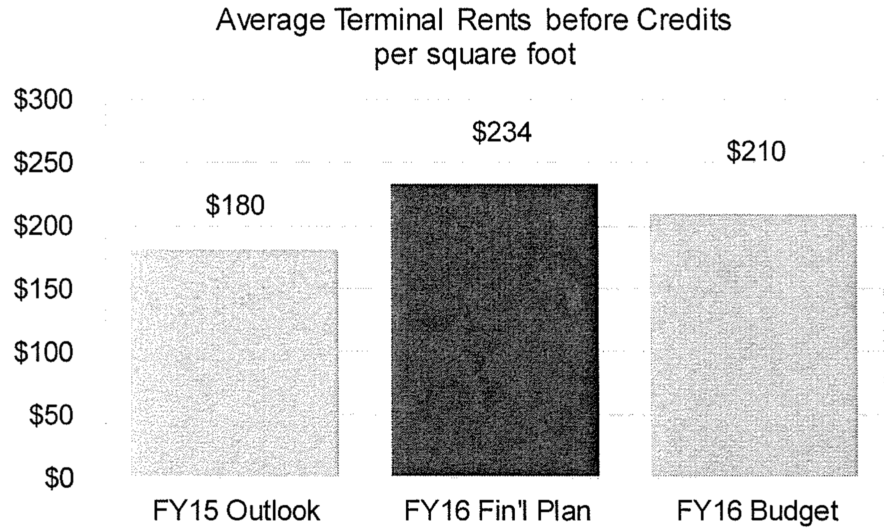
Terminal Leases



The FY 2016 Terminal Lease budget is $196.5 million, a $35.4 million (22.0%) increase from the FY 2015 Outlook due primarily to increases in net debt service charged to the terminals, operating costs, and a reduced Joint Capital Transfer. Terminal lease fees are charged to airlines based on the direct and allocated costs to operate the terminals. Total terminal operations and maintenance cost, including HVAC and other utilities for all 5 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 and C. These costs are added into the numerator of this formula to get the fully loaded average rate. American Airlines receives rent credit for their costs. The amount of the rent credit was negotiated as part of the Use Agreement ($38.7 million in FY 2016).

Average Terminal Rents before Credits

The following chart compares average terminal rents before credits for the FY 2015 Outlook, the FY 2016 Financial Plan, and the FY 2016 Budget. The increase in the FY 2016 Budget compared to the FY 2015 Outlook is due to increases in net debt service charged to the terminals, increases in operating costs, and a reduction of $4 million in the transfer credit from the Joint Capital Account compared to FY 2015 as described in the Use Agreement.



Federal Inspection Services (FIS) Fees

Costs are allocated to the FIS based on its percent share of terminal square footage. The FIS budget for FY 2016 is $22.4 million, a $0.6 million (2.8%) increase from the FY 2015 Outlook. The FY 2016 rate is based upon terminal costs reduced by new debt service in the Terminal Cost Center. The rate for FIS per international passenger clearing customs at DFW is expected to be $6.78, compared to a rate of $6.78 in the Financial Plan. DFW expects 3.3 million International FIS passengers in FY 2016 compared to 3.1 million in FY 2015. FIS passengers do not include arriving passengers from a limited number of countries in which passengers clear U. S. Customs in the departing country (e.g., Canada).

Turn Fees and Office Rents

The turn fees and office rents budget for FY 2016 is $25.8 million, a $4.9 million (23.4%) increase from the FY 2015 Outlook. The significant increase is the result of increased air service being provided by foreign flag international carriers. 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 current Use Agreement, turn fee rates were initially set at the rates existing at the end of the prior Use Agreement. Annually thereafter, turn fee rates must change at the same percentage as terminal lease rates.

Other Terminal Revenues

The other terminal revenues budget for FY 2016 is $14.5 million, a $0.2 million (1.4%) increase from the FY 2015 Outlook. Other terminal revenues include TSA rents, concessions O & M reimbursements, catering fees, and allocable miscellaneous DPS revenues. Concessionaires are required to reimburse the Airport (for Terminals B, D and E) and American Airlines (for Terminals A and C) for the allocated maintenance cost per square foot of the terminals.

Transfers - Joint Capital Account Transfer

Per the terms of the Use Agreement, an annual transfer is made from the Joint Capital Account to the Terminal Cost Center to subsidize terminal rates. The annual transfer was $28 million in FY 2011 and is reduced by $4 million each year until it is phased-out completely in FY 2018. Accordingly, the FY 2016 amount is $8 million.

Transfers - DFW Terminal Contribution

Per the terms of the Use Agreement, DFW pays for a portion of the terminal cost. This amount is 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 and by reducing costs in the terminals. The DFW terminal contribution is $4.1 million, a $0.1 million (2.4%) decrease from the FY 2015 Outlook and $4.2 million (50.0%) decrease from the Financial Plan primarily due to lower common use turn volume and rate assumptions used in the Financial Plan.

Summary of Airline Costs

The following table compares the summary of airline costs for the FY 2015 Outlook, the FY 2016 Financial Plan, and the FY 2016 Budget. Payments to the airlines for the Air Service Incentive Program (ASIP) are made from the DFW Capital Account and are accounted as rebates to the airlines. Accordingly, these payments are shown as a reduction of airline cost.

				Increase (Decrease)	
Airline Revenue/Costs (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	FY16B vs. FY15OL	FY16B vs. FY16FP
Landing Fees	$97.5	$119.4	$106.6	$9.1	($12.8)
Terminal Leases	161.1	219.9	196.5	35.4	(23.4)
FIS Fees	21.7	22.6	22.4	0.7	(0.2)
Turn Fees & Terminal Office Rents	20.9	22.9	25.8	4.9	2.9
Aircraft Parking	0.1	1.8	0.1	0.0	(1.6)
Sub-total Airline Revenue/Cost	301.4	386.6	351.4	50.1	(35.2)
Less: ASIP	(16.4)	(12.4)	(11.0)	5.4	1.5
Total Airline Cost/Revenue post ASIP	$285.0	$374.2	$340.5	$55.5	($33.7)

Cost Per Enplanement (CPE) Calculation

The following table shows the passenger airline cost per enplanement calculation and compares the CPE for the FY 2015 Outlook, the FY 2016 Financial Plan, and the FY 2016 Budget. This KPI only includes passenger-related airline revenues (i.e., costs) and excludes cargo and general aviation revenues.

Cost Per Enplanement (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs. FY15OL	FY16B vs. FY16FP
Passenger Airline Enplanements(1)	31.7	32.6	32.1	0.4	(0.5)
Passenger Airline Cost per Enplanement					
Airline Cost/Revenue	$302.1	$386.6	$351.4	$49.3	($35.2)
Less: Cargo and GA Landing Fees	(9.3)	(9.6)	(9.0)	0.3	0.6
Sub-total PAX Airline Revenue	292.8	377.0	342.4	49.7	(34.6)
Less ASIP - Passenger Airlines	(16.4)	(12.4)	(11.0)	5.4	1.5
Total PAX Airline Revenue post ASIP	276.4	364.6	331.5	55.1	(33.1)
Cost per Enplanement (CPE)(2)	$8.71	$11.17	$10.32	$1.61	($0.85)

1 General Aviation enplanements are excluded from CPE calculation

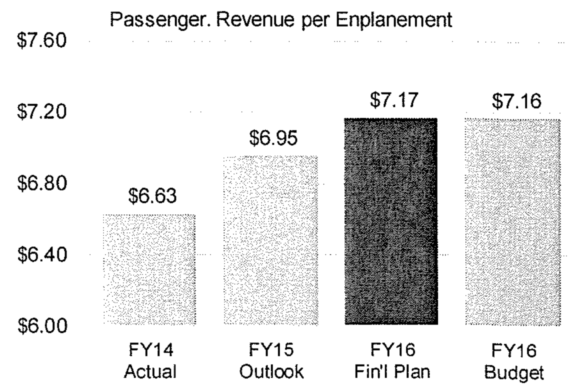
2 Actual rates, not in millions

DFW Cost Center Revenues and Expenses

The table below compares the FY 2015 Outlook, the FY 2016 estimates contained in the FY 2015 Financial Plan (called the FY 2016 Financial Plan in the tables), and the FY 2016 Budget for the DFW Cost Center. Net revenues from the DFW Cost Center are transferred to the DFW Capital Account at the end of the fiscal year. For FY 2016, 75% of net revenues in excess of $64.6 million are transferred to the Airfield Cost Center as a "threshold adjustment." Revenue variances are discussed in the rest of this section. Expenditure variances are covered in the Operating Expenses section.

DFW Cost Center (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs. FY15OL	Increase (Decrease) FY16B vs. FY16FP
Revenues					
Revenue Management Revenues					
Parking	$135.9	$142.1	$143.2	$7.2	$1.0
Concessions	68.8	75.0	71.4	2.6	(3.5)
Rental Car (RAC)	31.3	33.8	32.5	1.2	(1.2)
Commercial Development	37.3	39.4	39.4	2.2	0.1
Total Revenue Mgmt Revs	273.3	290.2	286.6	13.2	(3.6)
Employee Transportation	16.0	14.4	18.4	2.3	4.0
Taxis and Limos	9.3	9.4	9.5	0.2	0.1
Utilities & Miscellaneous	6.8	6.9	6.8	0.0	(0.1)
DPS	1.3	1.4	1.4	0.1	0.1
Interest Income	3.8	6.6	5.2	1.4	(1.4)
Total Revenues	310.6	328.8	327.9	17.3	(0.9)
Expenditures					
Operating Expenses	118.5	122.5	129.9	11.5	7.4
Net Debt Service	39.9	53.5	47.0	7.0	(6.6)
Total Expenditures and Debt Service	158.4	176.1	176.9	18.5	0.8
Gross Margin - DFW Cost Center	152.2	152.7	151.0	(1.2)	(1.7)
Less: Terminal Contributions	4.2	8.4	4.1	(0.1)	(4.2)
Less: Skylink	37.6	41.4	39.0	1.4	(2.4)
DFW Cost Center Net Revenues	$110.4	$102.9	$107.8	($2.5)	$4.9
Allocation of DFW CC Net Revenues					
Transfer to Airfield Cost Center	$34.1	$27.0	$32.5	($1.6)	$5.4
Transfer to the DFW Capital Account	76.3	75.9	75.4	(0.9)	(0.5)
Total	$110.4	$102.9	$107.8	($2.5)	$4.9

Passenger Revenues



DFW Cost Center has 4 business units that strive to maximize net revenues (parking, concessions, rental car center, and commercial development). Passenger Revenue per Enplanement measures passenger related revenues from business units that operate to make a profit (i.e. parking, concessions, rental car) but excludes revenue from other business units that are priced to break even (such as employee transportation, ground transportation and non-terminal utilities, and commercial development that is not correlated to passengers. The chart to the right compares Passenger Revenue per Enplanement. The FY 2016 Budget is $0.21 higher than the FY 2015 Outlook because of parking rate increases and growth in Concession revenues. The FY 2016 Budget remains flat to the Financial Plan. More information is included in the business unit write-ups that follow.

Parking Business Unit

Background – The Parking Business Unit (PBU) is DFW's most significant source of non-airline revenue. Customers are charged parking fees based on the length of stay and the parking facility used. The table below highlights DFW's parking products, spaces and parking rates.

DFW Parking Space and Rate Summary

Parking Products	Pre TRIP Renovation Spaces	Spaces Opened / (Closed)	End-of-Year Spaces	Post TRIP Renovation Spaces	FY 2016 Daily Parking Rate[1]
Terminal Lots					$22 all day parking
A (3 structures)	4,914	2,662	7,576	7,576	
B (3 structures)	3,524	(860)	2,664	3,524	
C (4 structures)	5,781	-	5,781	5,781	
D (1 structure)	7,796	-	7,796	7,796	
E (3 structures)	4,050	(444)	3,606	5,685	
Infield (uncovered)	2,449	(1,202)	1,247	1,605	
Total Terminals	28,514	156	28,670	31,967	
Express Lots	8,466	-	8,466	8,466	$11 uncovered; $13 covered
Remote Lots	4,871	-	4,871	4,871	$9 uncovered
Intra-day	n/a	n/a	n/a	n/a	$7 to $9 (up to 6 hours)
Valet	n/a	n/a	n/a	n/a	$29 (uses existing parking facilities)
Meeter-Greeter	n/a	n/a	n/a	n/a	$3 (30 minutes-2 hours)
Pass-throughs/Drop-off	n/a	n/a	n/a	n/a	$2 (0-30 minutes)
Total Public Spaces	41,851	156	42,007	45,304	
Employee Parking	8,784	-	8,784	8,784	

(1) Includes sales tax.

The Airport is unique from an airport parking perspective because the Airport has parking plazas on the north and south ends of International Parkway (i.e., the entrances to the Airport), so that all customers and visitors must go through the plazas to access the Airport. In addition, many patrons drive through the Airport while traveling from north to south or south to north. These patrons pay a $2 pass-through/drop-off fee for the first 30 minutes. Intra-Day fees graduate to $9 with daily rates beginning at 6 hours. Any stay over 6 hours is considered one full day.

DFW collects a privilege fee of 10% (of sales) from off-airport parking and valet providers. The Airport contracts directly with a third party to provide a DFW branded valet service.

The chart below shows the Proposed Vehicle Parking Fees for FY 2016.

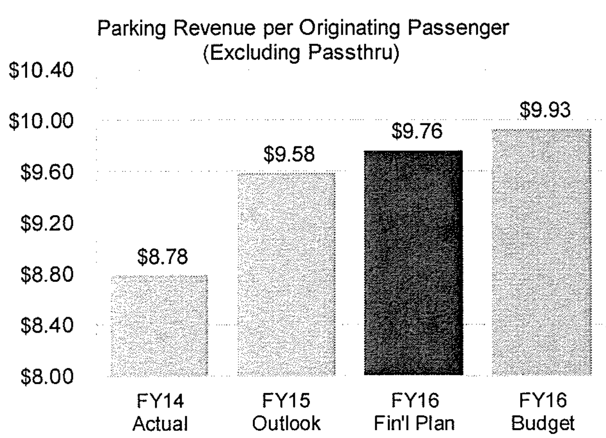
Proposed Vehicle Parking Fees(1)

Duration	Terminal	Express Covered	Express Uncovered	Remote
0 min - 30 min	$2	$2	$2	$1
30 min - 2 hours	$3	$2	$2	$1
2 - 4 hours	$7	$3	$3	$2
4 - 6 hours	$9	$4	$4	$3
6 - 24 hours	$22	$13	$11	$9

(1) All Parking fees, excluding valet parking, include sales tax. The sales tax is based on applicable tax jurisdiction.

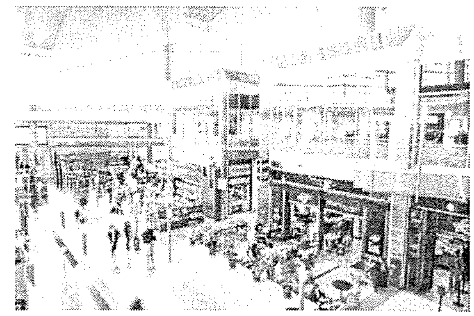
FY 2016 Budget – The FY 2016 parking revenue budget is $143.2 million, a $7.2 million (5.3%) increase from the FY 2015 Outlook. This reflects a full year impact of $1 increase for TollTag transactions between 0 - 30 minutes, $1 increase for 2 - 4 hour parking in the central terminal area, $2 increase for tolltag customers for full day parking in the central terminal area, and $2 increase for valet customers. The proposed rate increases are expected to generate incremental revenues of $4.8 million. The FY 2016 Budget is $1.0 million (0.7%) higher than the Financial Plan projection due to rate increase. The FY 2016 Budget has an exposure of $1 million due to limited parking capacity due to TRIP construction.

Section C of the Terminal A opened in June 2015, completing the last phase of the new Terminal A garage. A new section of Terminal E garage (section B) is expected to open in December 2015. In addition, passengers parking in Terminal D will experience a full year of a new Parking Guidance System (PGS).



Parking Revenue per Originating Passenger
The primary drivers for parking revenues are originating passengers, parking prices, and average length of stay. The goal is to maximize revenue per originating passenger. The increases in parking revenue per originating passenger for the FY 2016 Budget versus the FY 2015 Outlook and the Financial Plan are due to rate increases.

Concessions Business Unit

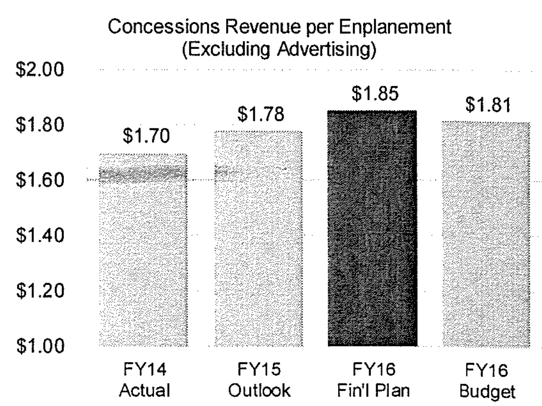


Background – Terminal concessions primarily consist of food and beverage, retail and duty free, advertising, and various customer services/amenities. Concessions agreements generally are for a term of 5 to 10 years and include a Minimum Annual Guarantee (MAG) and percentage rent. As of May 31, 2015, the Airport had 238 total locations and 174 packages. Approximately 91% of packages are currently paying percentage rent. Concessions revenues also include contracts for sponsorships, advertising, and communications services which generally have periodic or one-time payments that may be amortized over the life of the contract. Concessions' goal is to optimize retail, services, and food and beverage options for customers to increase revenue per enplanement; and to grow new revenue streams from sponsorships, communications, and advertising not tied directly to enplanements.

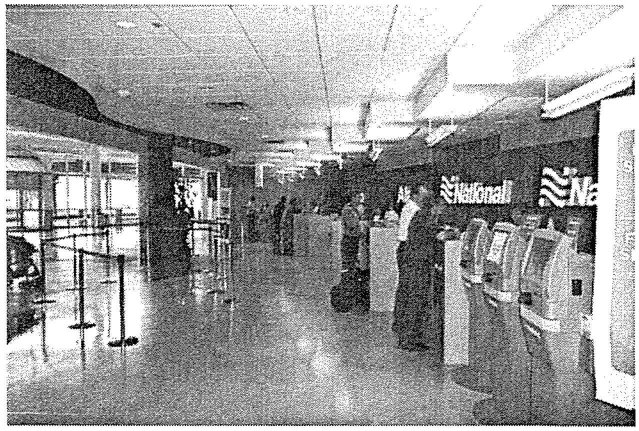
Concession offerings have continued to evolve to better align with customer preferences through the TRIP and Terminal D Master Plan efforts. In December 2014, DFW released Request For Proposal (RFP) for 20 packages to include 34 locations in Terminal B, D, and E. They are currently being reviewed for award. Concessions plan to release RFPs annually through the next 4 years which will include amenities, customer services, retail, and food & beverage.

FY 2016 Budget – The FY 2016 concessions budget is $71.4 million, a $2.6 million (3.8%) increase from the FY 2015 Outlook due to the net impact of increasing enplanements and the opening of new concessions. Terminal A TRIP is scheduled to be completed in June 2016. DFW concession openings and closings in Terminal B and E due to TRIP and new concepts in Terminal D will result in a net of six incremental new locations opening. In March 2015, AA instituted a new approach to its scheduling of flights at DFW consistent with its strategy at other major hub airports. The result of this change, referred to as "rebanking", will be less time between connecting flights. The FY 2016 Budget includes a $1.5 million (6%) reduction in concession percent rent as a result of passengers having less time to shop at concession locations. It is estimated that concessions revenue has an additional exposure of $1 million due to rebanking. Also, concessions revenue has an exposure of $2.2 million due to an assumption that advertising contracts will be renewed in FY 2016.

Concessions Revenue per Enplanement – This is the Concession Business Unit's most significant KPI because it measures the amount of revenue earned by DFW from terminal concessions per enplaned passengers. This is also a standard metric used by the airport industry. The $0.03 increase in concessions revenue per enplanement in FY 2016 as compared to the FY 2015 Outlook is primarily related to the opening of new concessions in Terminal A, B and E that will provide new concession offerings to passengers. Revenue per enplanement is lower than the Financial Plan because of estimated impact of rebanking.



Rental Car Center (RAC) Business Unit

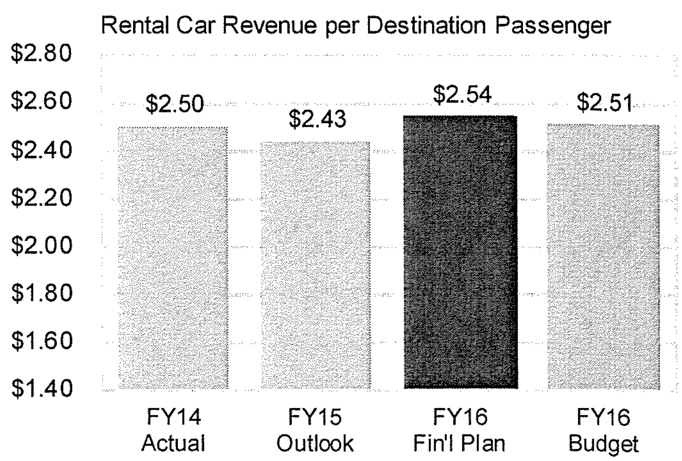


Background – The RAC covers 155 acres and includes a common building with individual counters and back office space for each rental car company. The facility also includes a parking garage for ready and return car spaces, a bus maintenance facility, overflow surface parking areas and individual rental company service sites including car wash racks, maintenance bays and fueling systems. The Airport collects ground lease, percentage rent (10% of sales), and O&M expenses from the rental car companies. The ground lease rate increases 3% each year. There are 8 rental car companies with 12 brands operating from the RAC, providing a total available inventory of approximately 25,000 cars. The largest 3 rental car companies and their market share are Enterprise/Vanguard (33%), Avis/Budget (29%), and Hertz (24%). There are no major off–airport rental car operations competing with the Airport.

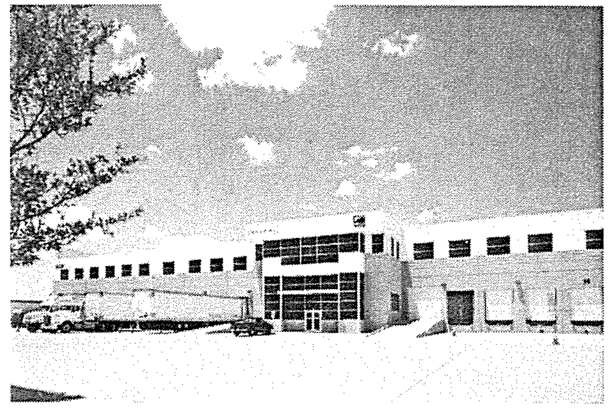
DFW management has very little control over rental car company activities. It assists the RAC companies where possible and maintains the RAC facility to high standards. Most RAC patrons are business travelers. RAC sales and DFW revenues tend to follow the economy. DFW revenues can rise or fall based 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.

FY 2016 Budget – The FY 2016 rental car revenue budget is $32.5 million, a $1.2 million (3.9%) increase from the FY 2015 Outlook due to increases in average daily rate projected for FY 2016. The FY 2016 Budget is $1.2 million (3.7%) lower than the projection in the FY 2016 Financial Plan due to a lower number of transaction days. All other factors are assumed to stay constant with the FY 2015 Outlook because management has no control over these factors. There is an estimated $0.5 million of exposure due to rental car rate risk.

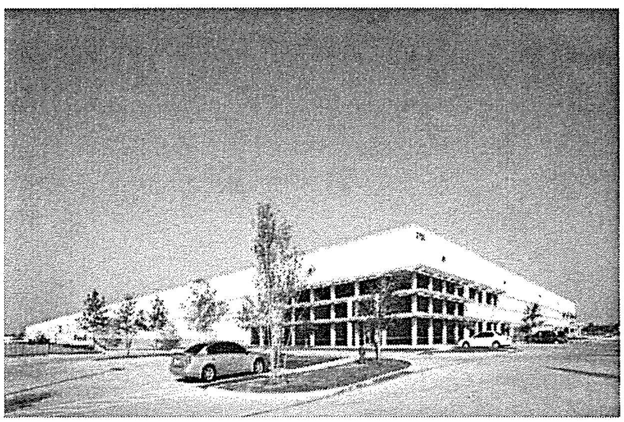
RAC Revenues per Destination Passenger This KPI measures the amount of percentage rent paid by the rental car companies to DFW divided by destination passengers (i.e., passengers from other cities that fly to DFW for business or pleasure). The FY 2016 Budget for RAC revenues per destination passenger is projected to be 3.3% higher than the FY 2015 Outlook primarily due to estimated volume increase and new tenant revenues to be received in FY 2016.



Commercial Development Business Unit



Background – The Airport has a total land mass of 17,207 acres. As of June 5, 2015, 2,116 acres have been commercially developed. Management estimates that approximately 4,177 acres of additional land is available for future development. A commercial development land use plan has been completed and approved by the Board. Management also had a consultant prepare a detailed feasibility study of the full cost and benefits of the different development areas identified in the land use plan. The Airport focuses primarily on developing land that has airport synergy such as logistics and warehousing.



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

DFW Airport has relocated its administration and other business offices to the new global headquarters at Southgate Plaza. The three-story, 154,000-square foot building is at the south end of the Airport adjacent to International Parkway near the Rental Car Center. In addition to the headquarters building, Southgate Plaza is a 32-acre mixed-use development that will include a 137-room Hyatt Place Hotel, a restaurant development of Einstein Bros Bagels and a 6,000-square foot United States Postal Service facility, as well as other retail, office and restaurant spaces.

The key drivers for commercial development revenues are acres developed and the average ground rental rate. Approximately 64% of the ground lease revenue is based on negotiated rates and 36% 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 with inflation and will be $26,897 in FY 2016.

FY 2016 Budget – The FY 2016 commercial development revenue budget is $39.4 million, a $2.2 million (5.8%) increase from the FY 2015 Outlook. FY 2016 reflects an increase of $1.3 million in new ground lease rents and $0.9 million from existing contracted leases.

Other DFW Revenues and Expenses

The fees charged in this category are established to recover costs (except interest income). Certain categories like taxi fees are regulated such that DFW is supposed to charge break even prices. Due to the new cost allocation methodologies contained in the Use Agreement, a few of these cost centers are not fully recovering their costs. Where there are significant differences, management has elected to manage to a break-even over a number of years to keep price increases reasonable. There are no year-end reconciliations or true-ups in these cost centers.

Employee Transportation – DFW charges fees for employees to access the transportation system that takes employees from the employee parking lots to the terminals. For most employees, the employer (airlines, concessionaires) pays these fees for their employees. The FY 2016 Budget is $18.4 million, a $2.3 million (14.5%) increase from the FY 2015 Outlook and $4.0 million (27.5%) increase from the Financial Plan primarily due to rate increases to cover incremental employee busing costs related to AA rebanking and shifts in cost center allocations pursuant to the Use Agreement.

Taxi, Limo and Shuttle Fees – These fees are paid by taxis, limos, shuttles and other shared-ride transportation companies that require airport access to drop-off and pick-up passengers. In 2015, DFW changed its rules to permit Transportation Network Companies (such as Uber and Lyft) to operate at DFW. Such companies will be subject to fees similar to rates charged to taxis. The FY 2016 Budget is $9.5 million, a $0.2 million (1.9%) increase from the FY 2015 Outlook and $0.1 million (1.4%) increase from the Financial Plan due to anticipated growth in ground transportation, especially limousine service.

Utilities & Miscellaneous – This revenue category represents fees charged to non-airline users of utilities, HVAC, trash removal, water, and certain permit and accounting fees. Utility charges to users are based on the cost to provide the services. The FY 2016 Budget is $6.8 million, flat from the FY 2015 Outlook.

DPS Revenues – The department of public Safety (DPS) receives reimbursements from the TSA for certain services, and for badging and fire training services. The FY 2016 Budget is $6.9 million, a $0.7 million (11.2%) increase from the FY 2015 Outlook primarily due to increased badge renewal fee and fire training center revenues. DPS revenues are allocated to the cost centers on the same basis as DPS expenses, so only $1.4 million is shown in the DFW Cost Center.

Interest Income – Interest income includes interest earned on investments from the Operating Revenue and Expense Fund, the three-month Operating Reserve, and Debt Service Reserve Fund, and the Rolling Coverage Account. The FY 2016 interest income budget is $5.2 million, a $1.4 million (35.4%) increase from the FY 2015 Outlook due higher interest rates and higher reserve balances. The FY 2016 Budget is a $1.4 million (21.3%) decrease from the Financial Plan due to lower interest rates (1.0% in the Financial Plan versus 0.78% in the Budget).

Skylink – Expenses related to Skylink are covered in the DFW Cost Center so that bonds related to Skylink can remain non-AMT. The FY 2016 Budget is $22.2 million, a $0.5 million (2.1%) decrease from the FY 2015 Outlook primarily due to bridge inspections that occur in alternating years.

Terminal Contributions – Per the terms of the Use Agreement, DFW pays terminal cost based on common use space and its share of vacant leasable space. The FY 2016 Budget is $4.1 million, a $0.1 million (2.4%) decrease from the FY 2015 Outlook.

FY 2016 Expense Budget by Major Cost Driver

The FY 2016 Budget is $791.7 million, an increase of $74.2 million (10.3%) from the FY 2015 Outlook and an increase from the FY 2015 Budget of $67.0 million (9.2%). However, the Budget is under the Financial Plan projection for FY 2016 by $20.7 million (2.5%).

Annual Budget (Millions)	FY15 Budget	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs FY15OL	Increase (Decrease) FY16B vs FY16FP
Operating Expenses	$391.4	$393.8	$411.7	$421.8	$28.0	$10.1
Gross Debt Service	333.3	323.7	400.7	370.0	46.2	(30.7)
Total 102 Fund Expenditures	$724.7	$717.5	$812.4	$791.7	$74.2	($20.7)
Contingency O/S Rate Base				10.0		
Total Budget w/ Contingency				$801.7		

Operating Expense Budget Walkforward

The following table is a walkforward between the FY 2015 Outlook and the FY 2016 Budget:

Operating Expenses (in millions)	Total	DFW	Airline
FY 2015 Outlook	$393.8	$150.6	$243.2
Merit & salary annualization	5.2	2.4	2.8
Strategic priorities	10.6	3.1	7.5
Fixed contract increases	6.3	2.8	3.5
Other contract increases	4.6	1.8	2.8
Other increases	1.7	0.7	1.0
Operating expense increases	28.5	10.8	17.6
Contingency & Reserves			
Restore contingency	3.5	1.2	2.3
Adjust operating reserve	2.4	0.8	1.6
Total contingency & reserves	5.9	2.0	3.8
Net increases before cost reductions	34.3	12.8	21.4
Cost reductions	(6.3)	(0.9)	(5.3)
Net Increase	28.0	11.9	16.1
FY 2016 Expense Budget	$421.8	$162.5	$259.3

Detailed Operating Expense Budget Walkforward

	Budget Category (in millions)	Total	DFW	Airline
	FY 2015 Outlook	$393.8	$150.6	$243.2
A	Merit & salary annualization	5.2	2.4	2.8
B	Strategic Priorities			
	Customer service/custodial enhancements	5.3	0.8	4.5
	ITS security & disaster recovery	2.3	0.9	1.4
	DPS security	1.5	0.3	1.2
	Rebanking	1.4	1.1	0.3
	Fire Training Research Center revenue growth	0.2	0.0	0.2
	Total Strategic Priorities	10.6	3.1	7.5
C	Fixed contract increases			
	Healthcare	0.9	0.4	0.5
	Defined contribution pension & OPEB	1.1	0.4	0.7
	Facility maintenance	1.5	0.5	0.9
	Information technology fixed contracts	1.4	0.8	0.5
	Busing (non employee)	0.2	0.2	0.0
	Fuels	1.1	0.3	0.7
	Insurance premiums	0.1	0.1	0.0
	Total Fixed Increases	6.3	2.8	3.5
D	Other contract increases			
	Asset Management projects	2.8	0.8	1.9
	Marketing	0.6	0.5	0.1
	Information technology contracts (non-security relate	0.5	0.2	0.3
	Other contracts	0.7	0.3	0.4
	Total Other contract increases	4.6	1.8	2.8
E	Other			
	Business development, travel, and training	0.6	0.2	0.3
	Other miscellaneous	0.5	0.3	0.2
	Other new headcount	0.6	0.2	0.4
	Total Other increases	1.7	0.7	1.0
	Operating Expense Increases	28.5	10.8	17.6
	Contingency & reserves			
F	Restore contingency	3.5	1.2	2.3
G	Adjust operating reserve	2.4	0.8	1.6
	Total contingency & reserves	5.9	2.0	3.8
	Net increases before cost reductions	34.3	12.8	21.4
H	Cost reductions			
	Other savings	(1.6)	0.1	(1.7)
	FY 2015 one-time projects	(2.2)	(0.4)	(1.9)
	Utilities	(0.6)	(0.3)	(0.3)
	Defined benefit pension	(0.9)	(0.3)	(0.6)
	Winter weather	(1.0)	(0.1)	(0.9)
	Total Cost reductions	(6.3)	(0.9)	(5.3)
	Net increase	28.0	11.9	16.1
	FY 2016 Budget	$421.8	$162.5	$259.3

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

A. Merit & Salary Annualization **$5.2 million**

This amount represents the cost impact of a 3.5% merit pool for nine months in FY 2016 (beginning the first pay period in January); the annualization of last year's merit increase (for the first quarter of the fiscal year); 3.5% DPS STEP table increase, annualization of last year's vacant positions hired in FY 2015, net of changes in vacancy factor. The change in vacancy factor is based on experience in FY 2015 and the impact of the deferral of vacant positions.

B. Strategic Priorities **$10.6 million**

New strategic priorities included in the FY 2016 Budget are focused on improving the overall customer experience for both, passengers and airlines; security; and revenue growth. These priorities include:

- Customer service/custodial enhancements ($5.3 million) which include continuing and expanded floor care initiatives; continuing enhanced custodial approach for terminals to improve customer service, and annualization of new facilities maintenance contracts awarded in FY 2015. New personnel have been added to increase cleaning in parking garages, add a customer engagement team to utilize social media to engage customers, and a corporate aviation lead to maintain customer service levels to support a 42% increase in service.

- ITS security & disaster recovery ($2.3 million) in response to continued compliance, audit, and best practices. The incremental increase funds incremental security services for network segmentation, perimeter intrusion security, system patching, and upgrades. It includes funding for a second data center which goes live in September 2015 and allows full redundancy of critical systems. It includes new software for disaster recovery, business continuity, and PCI compliance. Seven net new positions support these efforts and to complete ITS reorganization.

- DPS security ($1.5 million) to support desired service levels, provide increased uniformed presence at the terminals and curbside including TRIP related security, ensures adequate training of existing security personnel, and supports new and continually evolving TSA security requirements including changes to badging and background check procedures. Thirty-four new positions are being added to support this initiative, which include 26 new security positions, 6 new police officers, and 2 new access control positions.

- Rebanking ($1.4 million) to support American Airlines (AA) schedule shifts which began in March 2015 as part of a new strategy to allow them to more efficiently use its aircraft. AA has added approximately 1,000 new employees at DFW to service this new schedule. This required DFW to add additional employee busing routes resulting in incremental bus contract and fuel costs increases. Rebanking also required incremental Customs & Border Protection overtime during peak times.

- Fire Training Research Center (FTRC) revenue growth ($0.2 million) increases which include four new civilian positions that will support the continued growth of the FTRC. These positions will be hired beginning in April 2016 and will allow firefighting staff to focus on content development and delivery. The incremental revenue included in the FY 2016 Budget is $0.2 million and expected to be $0.8 million in FY 2017.

C. Fixed Contract Increases **$6.3 million**

Contract increases in this category are related to contracts whose cost escalation is specifically defined within the contract, tied to the Consumer Price Index, or those actuarially determined. Contracts within this category include:

- Healthcare ($0.9 million) includes costs for medical benefits, long and short term disability, and life insurance and represents a 5.0% increase over prior year costs. These costs have increased due to medical inflation but remain quite low.

- Defined contribution pension & OPEB ($1.1 million) is related to current employees who were hired after September 30, 2010 and other post-employment benefits (OPEB). The FY 2016 Budget assumes a 6% contribution which increased 2% over the FY 2015 assumption of 4% based upon increased employee contributions. OPEB increases are actuarially determined for DFW each year.

- Facility maintenance contracts ($1.5 million) include contracts related to terminal facility maintenance, Skylink facilities and operations, landscaping, rodent and pest control, and testing of passenger boarding bridges.

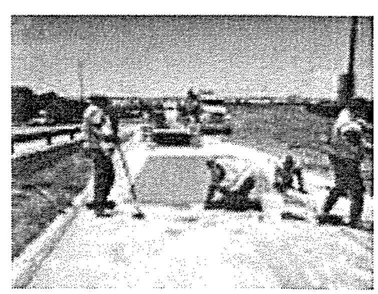
- Information technology fixed contracts ($1.4 million) include contracts for hardware and software maintenance, public address/voice evacuation system maintenance, and CCTV maintenance. Internet service contracts were moved from this category in FY 2016 to Utilities.

- Fuels contracts ($1.1 million) are increasing due to CNG/propane projected rate increases of 8 cents per diesel gallon equivalent (DGE) and a CNG fuel tax credit received in FY 2015 that is not included in the FY 2016 Budget since this program expired.

D. Other Contract Increases **$4.6 million**

Other contract increases are related to those contracts without contractually specified fixed rate increases and are variable in nature based on volume or scope. These type of contract increases include:

- Asset Management projects ($2.8 million) increases in the FY 2016 Budget include pavement and road repairs, storm sewer maintenance, energy and facility systems, and UPS batteries. There are also one-time projects for Terminals B & E passenger boarding bridges rehab, Terminal D hold room renovations, DPS Station 2 refurbishment, Terminal E Satellite refresh, compressor overhaul, and other small projects.



- Marketing ($0.6 million) increases are driven by promotional campaigns for Parking and customer engagement programs; updating the mobile app for GPS turn-by-turn navigation, and non-capitalized rebranding.

- Information technology contract ($0.5 million) increases for expansion of fiber optic cable network throughout DFW facilities.

- Other contracts ($0.7 million) increases for a variety of contracts such as planning studies and projects and outside legal services.

E. Other **$1.7 million**

This category reflects increases for operating expenses not included in other categories and primarily include:

- Business development, travel, and training ($0.6 million) increases to reinstate business development, staff travel, and training to FY 2015 budget levels.

- Other miscellaneous ($0.5) includes increases for Airport Development department services for other Board departments and commercial development/cargo/land use studies.

- Other new headcount ($0.6 million) increases for eight new positions that have been added for two positions in the new Global Strategy Division, a Human Resources Recruiter, an Employee Relations Manager, an AOC Communications Specialist, an Energy, Transportation, and Asset Management Designer, and two Environmental Operations Analysts.

F. Restore CEO Contingency **$3.5 million**

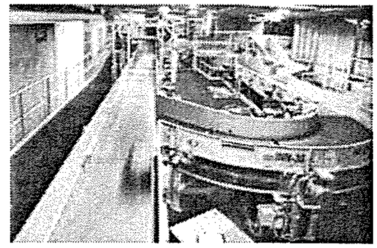
DFW budgets have historically contained a CEO contingency. Over the past nine years it has ranged from $7.5 million to $1.75 million. The CEO contingency is included in the rate base and may be used by the CEO without Board approval. It is recommended that the CEO contingency be $3.5 million in FY 2016. Over the past several years, DFW has experienced extreme abnormal weather which was not included in the budget. This increase will allow for the support of incremental winter weather operations by the airlines.

G. Adjust Operating Reserve **$2.4 million**

DFW is required to have a 90-day cash reserve for operating expenses. The budget in FY 2016 reflects a $2.4 million increase in the Operating Reserve because of budgeted expense changes. In FY 2016, the actual reserve needs to be increased by $6.9 million due to a net cost increase of $28.0 million. In a budget to budget comparison, the resulting Operating Reserve increase is $2.4 million.

H. Cost Reductions **($6.3) million**

Cost reductions related to FY 2015 abnormal winter weather, reduced utility rates, non-recurring expenses, and various other savings have been removed from the FY 2016 Budget.



- Other savings ($1.6 million) are from a variety of projects, contracts, and services that are being reduced in the FY 2016 Budget which includes reductions in facility maintenance contracts, conveyance contracts, Terminal B and E baggage handling system contracts, other professional services contracts, computer supplies, badging supplies, and ITS spares and consumables, and various other small savings.

- FY 2015 one-time projects ($2.2 million) were eliminated from the FY 2016 Budget. These projects were completed in FY 2015 and are non-recurring.

- Utility savings ($0.6 million) are primarily due to lower rates associated with partnering with American Airlines to solicit electric service as a combined entity with these rates being locked in through February 2017; and gas savings primarily due to lower rates with these rates being locked in through September 2016.

- Defined benefit pension contribution ($0.9 million) savings are primarily due to better performance on investments.

- Winter weather reductions ($1.0 million) have been taken due to the abnormally severe winter weather that the DFW Metroplex experienced during FY 2015. The impact was increased expenses for deicing, foul weather equipment, and supplies above budget level expenses for average winter weather. The FY 2016 Budget reflects costs for average winter weather of $1.8 million for deicing contract and supplies.

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Operating Budget by Category

The tables below compare the FY 2015 Outlook with the FY 2016 Budget by expense category. Variance explanations by major cost driver follow in the walkforward.

Operating Budget (in Millions	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs. FY15OL	FY16B vs. FY16 F Plan
Salaries & Wages	$126.1	$129.3	$133.7	$7.6	$4.4
Benefits	61.0	64.3	63.8	2.8	(0.5)
Contract Services	143.4	147.3	153.7	10.3	6.3
Utilities	26.4	27.6	26.2	(0.2)	(1.4)
Equipment & Supplies	17.4	17.9	16.7	(0.7)	(1.2)
Insurance	5.3	6.2	5.4	0.1	(0.8)
Fuels	3.6	5.1	5.0	1.4	(0.2)
General, Admin & Other	6.1	6.9	6.9	0.8	0.0
Contingency	0.0	2.0	3.5	3.5	1.5
Subtotal	389.3	406.7	414.9	25.6	8.2
Operating Reserve	4.5	5.0	6.9	2.4	1.9
Total Budget	$393.8	$411.7	$421.8	$28.0	$10.1

	Budget Walkforward (millions)	Sals	Bens	Conts	Util	Supp	Ins	Fuels	G & A	Cont	Op Res	Total
	FY 2015 Outlook	$126.1	$61.0	$143.4	$26.4	$17.4	$5.3	$3.6	$6.1	$0.0	$4.5	$393.8
	Expense Increases											
A	Merit & salary annualization	4.9	0.2									5.2
B	Strategic Priorities											
	Customer service/custodial enhancements	0.3	0.4	4.6								5.3
	ITS security & disaster recovery	0.7	0.3	1.3								2.3
	DPS security	1.1	0.4									1.5
	Fire Training Research Center revenue growth	0.2	0.0									0.2
	Rebanking			1.1				0.3				1.4
C	Fixed Contract Increases											
	Healthcare		0.9									0.9
	Defined contribution pension & OPEB		1.1									1.1
	Facility maintenance			1.5								1.5
	Information technology fixed contracts			1.4								1.4
	Busing (non employee)			0.2								0.2
	Fuels							1.1				1.1
	Insurance premiums						0.1					0.1
D	Other contract increases											
	Marketing			0.6								0.6
	Information technology contracts			0.5								0.5
	Asset Management projects			2.8								2.8
	Other contracts			0.7								0.7
E	Other											
	Business development, travel, and training								0.6			0.6
	Other miscellaneous				0.4				0.2			0.5
	Other new headcount	0.5	0.2									0.6
F	Restore Contingency									3.5		3.5
G	Adjust Operating Reserve										2.4	2.4
	Net Increases before Cost Reductions	7.6	3.7	14.5	0.4	0.0	0.1	1.4	0.8	3.5	2.4	34.3
H	Cost Reductions											
	Other savings			(1.6)								(1.6)
	FY 2015 one-time projects			(2.2)								(2.2)
	Utilities				(0.6)							(0.6)
	Defined benefit pension		(0.9)									(0.9)
	Winter Weather			(0.2)		(0.8)						(1.0)
	Total Cost Reductions	0.0	(0.9)	(4.0)	(0.6)	(0.8)	0.0	0.0	0.0	0.0	0.0	(6.3)
	Net Increase	7.6	2.8	10.4	(0.2)	(0.8)	0.1	1.4	0.8	3.5	2.4	28.0
	FY 2016 proposed budget	$133.7	$63.8	$153.7	$26.2	$16.7	$5.4	$5.0	$6.9	$3.5	$6.9	$421.8

Salaries and Wages

The FY 2016 salaries and wages budget is $133.7 million, a $7.6 million (6.0%) increase from the FY 2015 Outlook of $126.1 million due to a 3.5% merit pool ($2.7 million), DPS STEP table increase of 3.5% ($0.9 million), 60 new positions ($3.1 million), annualization of FY 2015 merit increase ($0.8 million), and overtime ($0.1 million). This year 61 currently vacant positions were deferred for three months. New position dates of hire were staggered based upon Human Resources review and/or operational need.

Benefits

The FY 2016 benefits budget is $63.8 million, a $2.8 million (4.6%) increase from the FY 2015 Outlook of $61.0 million. This is the result of matching and voluntary retirement increases ($1.0 million), OPEB increases ($.0.3 million), DPS retirement increases ($0.2 million), health care increases ($1.4 million); accounting adjustments ($0.4 million), and social security and other net increases ($0.6 million), net of decreased defined benefit pension contributions ($1.1 million).

Contract Services

The FY 2016 contract services budget is $153.7 million, a $10.3 million (7.2%) increase from the FY 2015 Outlook of $143.4 million due to increases in facility maintenance contracts ($1.1 million) such as landscaping, rodent pest control, Terminals B & D facility maintenance contracts, exercising of passenger boarding bridges, and Skylink facilities operations and maintenance; customer service and custodial enhancements increases ($4.6 million) for best in class custodial service, terrazzo floor rejuvenation, and terminal clean team; busing increases ($0.2 million) for terminal link, remote, and express busing; ITS security and disaster recovery efforts ($1.3 million); AA rebanking related employee transportation and CBP reimbursement increases ($1.1 million); marketing contract increases ($0.6 million); computer contracts increases ($1.9 million); Asset Management projects increases ($0.7 million) such as pavement repairs, foam injection, storm sewer maintenance, energy & facility systems, UPS batteries and other one-time projects; and other contract increases ($0.9 million) for planning, outside legal, non-ITS consulting, and governmental relations contracts. These increases are partially offset by cost reductions related to the winter weather ($0.2 million), other savings reductions ($1.2 million) such as conveyances, Terminals B and E baggage handling system, noise compatibility, ITS consulting, airfield paint removal, and NCAA one-time expenses; additional various contract savings ($0.7 million) related to equipment maintenance, professional services, community events, one-time projects, and reclassification of internet contract to utilities.

Utilities

The FY 2016 utilities budget is $26.2 million, a $0.2 million (0.8%) decrease from the FY 2015 Outlook of $26.4 million due to decreases in electricity ($0.5 million); and gas ($0.3 million) offset by increases in water and sewer ($0.2 million); and communications costs ($0.4 million) due to the reclassification of internet contract from contract services to utilities.

Equipment and Supplies

The FY 2016 equipment and supplies budget is $16.7 million, a $0.7 million (3.9%) decrease from the FY 2015 Outlook of $17.4 million primarily due to cost reductions related to the winter storm ($0.9 million) for deicing, winter weather supplies and equipment; badging supplies decrease ($0.2 million), and computer licenses, software, and supplies decrease ($0.2 million). These savings are reduced by increases in general supplies, computer parts, spares, and consumables, uniforms, and other supplies ($0.5 million).

Insurance

The FY 2016 insurance budget is $5.4 million, a $0.1 million (2.8%) increase from the FY 2015 Outlook of $5.3 million primarily due to increased premiums based on claims experience and the value of DFW's assets, due to TRIP improvements and the new parking garages.

Fuels

The FY 2016 fuels budget is $5.0 million, a $1.4 million (38.9%) increase from the FY 2015 Outlook of $3.6 million primarily due to CNG/propane projected rate increases of 8 cents per DGE ($0.2 million), increased employee transportation busing routes due to American Airlines rebanking ($0.3 million), and an FY 15 CNG fuel tax credit not assumed in the FY 2016 Budget since this credit expired on December 31, 2014 ($0.9 million).

General and Administrative (G&A)

The FY 2016 general and administrative budget is $6.9 million, a $0.8 million (13.0%) increase from the FY 2015 Outlook of $6.1 million due to increases in travel ($0.3 million), business development travel ($0.4 million), staff training ($0.1 million); and other increases ($0.2 million) such as board sponsorships and memberships, employee recognition, and postage. These increases are reduced by savings of ($0.2 million) related to other fingerprinting and miscellaneous administrative expenses.

Contingency

The FY 2016 Budget includes $3.5 million of contingency inside the rate base to be spent at the CEO's discretion for projects and unforeseen events that come up during the fiscal year. The FY 2015 Budget included $2.0 million for contingency, however, over the last nine years it has ranged from $7.5 million to $1.75 million. During the last few years, DFW has experienced extreme abnormal weather which was not included in the budget. This increase will allow for the support of incremental winter weather operations by the airlines.

Operating Reserve

DFW is required to have a 90-day cash reserve for operating expenses. The FY 2016 operating reserve budget of $6.9 million is the amount necessary to fund the reserve.

Contingency Outside of Rate Base

Beginning in FY 2010, DFW began to add contingency outside of the rate base to the budget. This is done so that the airlines do not have to pay for the contingency during the year in the rate base, but provides management with flexibility should costs rise unexpectedly and an incentive to budget costs more accurately. This allows management to make investments in the DFW cost center or to pursue marketing initiatives if incremental revenues are generated. Management must obtain Board of Directors' approval prior to using this contingency. Contingency outside the rate base is recommended to be $10.0 million for FY 2016, consistent with the FY 2015 Budget.

Net Debt Service Budget

The FY 2016 net debt service budget is $215.3 million, a $36.9 million (20.7%) increase from the FY 2015 Outlook and a $43.8 million (16.9%) decrease from the FY 2016 Financial Plan as shown in the table below.

Debt Service (in Millions)	FY15 Outlook	FY16 Fin'l Plan	FY16 Budget	Increase (Decrease) FY16B vs. FY15OL	Increase (Decrease) FY16B vs. FY16FP
Debt Service and Coverage					
Existing Debt Service	$228.9	$243.3	$242.0	$13.2	($1.2)
New Debt Service[1]	73.4	132.2	103.8	30.4	(28.4)
PFIC Related Debt Service[2]	18.1	18.3	18.3	0.1	(0.0)
DFWCA Debt Service[3]	3.5	7.0	5.9	2.4	(1.1)
Less Interest Income	(0.1)	0.0	0.0	0.1	0.0
Gross Debt Service and Coverage	$323.7	$400.7	$370.0	$46.2	($30.7)
Offsets to Debt Service					
PFCs for Pre-TRIP Debt Service	$123.7	$116.2	$130.4	$6.8	$14.2
PFIC Transfers[2]	18.1	18.3	18.3	0.2	(0.0)
DFWCA Transfers[3]	3.5	7.0	5.9	2.4	(1.1)
Total Offsets	145.3	141.5	154.6	9.3	13.1
Net Debt Service Paid by Rate Base	$178.4	$259.2	$215.3	$36.9	($43.8)

[1]Shown net of Capitalized Interest

[2]RAC and Grand Hyatt Hotel

[3]Consolidated Headquarters and Terminal E Garage

The Net Debt Service increase of $36.9 million over the FY 2015 Outlook is primarily due to the increase in New Debt Service. Existing Debt Service is scheduled to gradually increase through FY 2017 as agreed upon in the Use Agreement.

DFW reviewed its Passenger Facility Charge (PFC) reserve balance and determined it would be possible to increase PFC application to offset for eligible debt service by $10 million in the FY 2015 Outlook and $15 million for the FY 2016 Budget. The additional $15 million of FY 2016 PFCs reduced the rate base which offsets increased expenses related to strategic priorities. See page 15 for more information.

The increase in New Debt Service is a result of completion of terminal projects in FY 2015 and FY 2016. New Debt Service is not PFC eligible.

Public Facility Improvement Corporation (PFIC) debt service relates to debt associated with the RAC and Grand Hyatt Hotel. This debt service is funded from the PFIC so that the debt service does not impact the rate base. Similarly, DFW Capital Account Debt Service is related to the consolidated headquarters. This is funded with transfers from the DFW Capital Account so it does not impact the rate base.

Positions

The table below summarizes the total number of operating and capital positions assumed in the FY 2016 Budget. Operating positions are paid out of the 102 Fund. Salaries and benefits of capital positions are capitalized and paid from the capital accounts. A summary of positions by department is included at the end of the Department section.

Positions	FY15 Budget	FY16 Changes	FY16 Budget
Operating	1,818	54	1,872
Capital	106	6	112
Total	1,924	60	1,984

Sixty total net new positions have been added for FY 2016, 54 positions are 102 funded and six positions are capital funded. This is comprised of sixty-nine new positions, reduction of one existing positions, and reduction of eight ITS positions through attrition during FY 2016. The positions are detailed in the table below. The additional positions in Environmental Affairs and one of the positions in Energy, Transportation and Asset Management are replacing long term board temporary staff with permanent positions.

Department	Number	Position
Customer Service	1	Customer Engagement Team Manager
Customer Service	3	Customer Engagement Team Specialist
ETAM	2	Garage Infrastructure Techs
ETAM	1	Lead Garage Tech
Operations	1	Corporate Aviation Lead
Public Safety	1	Fire Training Center Business Development Manager
Public Safety	1	Fire Training Center Production AV Tech Specialist
Public Safety	1	Fire Training Center Propane Technical Specialist
Finance	1	Fire Training Center Accountant
Total Strategic Initiatives positions	12	
ITS	1	AVP Technology Security
ITS	1	Security Analyst
ITS	1	Senior Security Engineer
ITS	1	Manager of Security Engineering
ITS	4	ITS Consultants
ITS	2	Program Managers
ITS	2	Project Managers
ITS	1	Portfolio Manager
ITS	1	Data Scientist
ITS	1	Report Writer
ITS	(8)	Positions to be eliminated in FY16 through attrition
Total ITS	7	
Public Safety	6	Police Officers
Public Safety	18	Security Services Guards (6 positions TRIP funded)
Public Safety	3	Security Supervisors
Public Safety	2	Security Services Trainers
Public Safety	3	Security Services Compliance
Public Safety	1	Access Control Office Assistant Manager
Public Safety	1	Access Control Office Administrative Assistant
Total DPS Security	34	
ETAM	1	Designer
Executive Office	1	VP of Int'l Marketing/Public Affairs/Govt. Relations
Executive Office	1	Administrative assistant for VP of Int'l Marketing/PA/GR
Human Resources	1	Recruiter
Human Resources	1	Employee Relations Manager
Operations	1	AOC Communications Specialist
Environment Affairs	2	Environmental Operations Analyst
Total Other positions	8	
Corporate Communications	(1)	Eliminated FY16 position
Total net new positions	60	

Department Overview and Walkforwards

DFW is organized into Divisions, which are comprised of Departments. Each Division page includes a summary of the Division's major functions and a walkforward of the FY 2016 Budget by major cost driver. The table below is a budget comparison by Department, in thousands.

	FY15 Outlook	FY16 Budget	Increase (Decrease) FY16B vs FY15OL	
Energy, Transportation & Asset Mgmt.	$131,901	$138,663	$6,761	5.1%
Public Safety	65,894	68,758	2,864	4.3%
Operations	11,644	11,932	288	2.5%
Environmental Affairs Department	5,227	5,388	161	3.1%
Operations	214,665	224,740	10,075	4.7%
Parking	50,023	51,400	1,377	2.8%
Concessions	3,285	3,326	42	1.3%
Customer Services Department	14,777	15,644	868	5.9%
Marketing Services Department	7,456	7,821	365	4.9%
Revenue Management	75,541	78,192	2,651	3.5%
Human Resources	7,050	7,573	523	7.4%
Procurement & Mat'l Mgmnt	4,470	4,549	80	1.8%
Business Diversity & Development	1,313	1,382	69	5.2%
Risk Management	7,841	7,821	(19)	(0.2%)
Corporate Communications	4,399	4,306	(92)	(2.1%)
Administration & Diversity	25,072	25,632	560	2.2%
Information Technology	40,389	44,109	3,720	9.2%
Finance	6,517	6,750	233	3.6%
Treasury	1,274	1,213	(62)	(4.9%)
Aviation Real Estate	1,430	1,413	(17)	(1.2%)
CFO/Airline Business & Technology	49,611	53,485	3,874	7.8%
International Marketing/Public Affairs	2,986	3,476	489	16.4%
Governmental Relations	1,041	1,204	163	15.7%
Air Service Development	2,182	2,188	6	0.3%
Global Strategy & Development	6,209	6,868	659	10.6%
Commercial Development	2,013	2,408	396	19.7%
Planning Department	1,967	2,941	974	49.5%
Airport Development and Engineering	2,940	3,111	171	5.8%
Airport Development Division	6,920	8,460	1,540	22.3%
Legal	2,550	2,842	292	11.4%
Audit Services	2,539	2,578	39	1.5%
Executive Office	4,894	5,087	193	3.9%
Contingency	0	3,500	3,500	n/a
Non Departmental	5,795	10,397	4,602	79.4%
Total Operating Expenses	$393,796	$421,781	$27,985	7.1%

Expense Budget Walkforward

	Budget Category (in millions)	Total	DFW	Airline
	FY 2015 Outlook	$393.8	$150.6	$243.2
A	Merit & salary annualization	5.2	2.4	2.8
B	Strategic Priorities			
	Customer service/custodial enhancements	5.3	0.8	4.5
	ITS security & disaster recovery	2.3	0.9	1.4
	DPS security	1.5	0.3	1.2
	Rebanking	1.4	1.1	0.3
	Fire Training Research Center revenue growth	0.2	0.0	0.2
	Total Strategic Priorities	10.6	3.1	7.5
C	Fixed contract increases			
	Healthcare	0.9	0.4	0.5
	Defined contribution pension & OPEB	1.1	0.4	0.7
	Facility maintenance	1.5	0.5	0.9
	Information technology fixed contracts	1.4	0.8	0.5
	Busing (non employee)	0.2	0.2	0.0
	Fuels	1.1	0.3	0.7
	Insurance premiums	0.1	0.1	0.0
	Total Fixed Increases	6.3	2.8	3.5
D	Other contract increases			
	Asset Management projects	2.8	0.8	1.9
	Marketing	0.6	0.5	0.1
	Information technology contracts (non-security relate	0.5	0.2	0.3
	Other contracts	0.7	0.3	0.4
	Total Other contract increases	4.6	1.8	2.8
E	Other			
	Business development, travel, and training	0.6	0.2	0.3
	Other miscellaneous	0.5	0.3	0.2
	Other new headcount	0.6	0.2	0.4
	Total Other increases	1.7	0.7	1.0
	Operating Expense Increases	28.5	10.8	17.6
	Contingency & reserves			
F	Restore contingency	3.5	1.2	2.3
G	Adjust operating reserve	2.4	0.8	1.6
	Total contingency & reserves	5.9	2.0	3.8
	Net increases before cost reductions	34.3	12.8	21.4
H	Cost reductions			
	Other savings	(1.6)	0.1	(1.7)
	FY 2015 one-time projects	(2.2)	(0.4)	(1.9)
	Utilities	(0.6)	(0.3)	(0.3)
	Defined benefit pension	(0.9)	(0.3)	(0.6)
	Winter weather	(1.0)	(0.1)	(0.9)
	Total Cost reductions	(6.3)	(0.9)	(5.3)
	Net increase	28.0	11.9	16.1
	FY 2016 Budget	$421.8	$162.5	$259.3

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

Operations Division

Energy, Transportation and Asset Management (ETAM)

ETAM manages DFW's physical infrastructure assets and services to include energy management, thermal energy production and distribution, potable water and sanitary sewer system operation, pretreatment plant operation, spent aircraft deicing fluid collection, storage system operation, Skylink system operation and vehicle fleet maintenance. Services include facilities maintenance, custodial services and commissioning/retro-commissioning of physical assets, infrastructure/facility management, solid waste management, and customer support.

Public Safety (DPS)

It is the mission of the DFW Airport Department of Public Safety to provide the highest level of professional services to the Airport community through efficient planning, mitigation, response, and recovery from natural and manmade events that threaten lives, critical assets, or business continuity.

Operations

Airport Operations is responsible for managing airside and landside operations, ground transportation, Corporate Aviation and technical training. Airport Operations ensures the continuous availability of aviation support services and facilities for efficient and safe operations.

Environmental Affairs

Environmental Affairs implements comprehensive environmental compliance programs throughout DFW Airport, which includes support of the National Environmental Policy Act and the Federal Aviation Administration; regulatory and technical guidance to DFW departments, tenants, and contractors engaging in activities subject to environmental laws, regulations, rules, and enforcement agency policy; and management of a performance-based Environmental Management System and 21 core compliance programs as well as the Noise Compatibility Office.

Budget Comparison and Walkforward

Operations Division
(in thousands)

	FY15 Outlook	FY16 Budget
Asset Management	$131,901	$138,663
Public Safety	65,894	68,758
Operations	11,644	11,932
Environmental Affairs	5,227	5,388
Total Operations Division	$214,665	$224,740
Salaries & Wages	$67,685	$71,170
Benefits	32,785	34,238
Contract Services	73,144	78,250
Equipment & Supplies	16,248	16,884
Insurance	0	0
Utilities	23,610	23,012
Administrative	1,193	1,187
Total Operations Division	$214,665	$224,740

Walkforward from FY 2015 Outlook		Reference
FY 2015 Outlook	$214,665	
Salaries and Wages	3,484	A, B, E
Benefits	1,454	B, C, E, H
Contract Services	5,105	B, C, D, H
Equipment & Supplies	636	C, E, H
Utilities	(599)	H
Administrative	(6)	H
Total Proposed FY 2016 Budget	$224,740	

Revenue Management Division

Parking Operations

Parking Operations consists of Operations, Customer Relations, Ground Transportation Service, and Busing. Parking Operations is responsible for parking products, pricing, service delivery and reporting, handling customer feedback, monitoring electronic parking transactions, billing, and providing transportation services to DFW Remote Lots, Trinity Railway Express, Terminal Link, Express Parking and the Employee Shuttle.

Concessions

The Concessions Department is responsible for the management and administration of all passenger-related concessions and associated revenues within the airport terminals, Rental Car Center (RAC), telecommunications, and selected airport properties outside the terminals.

Customer Service Department

The Customer Service Department oversees the Ambassador Volunteer Program and Terminal Management. All areas of Customer Service focus on meeting public demands, safety, security, and guest relations to allow for improved satisfaction and operational efficiency.

Marketing Services Department

Marketing Services is responsible for developing and executing DFW's trade and consumer marketing plans in order to drive increased revenues and new airline business and for ensuring that a consistent brand image is portrayed to every one of DFW's audiences.

Budget Comparison and Walkforward

Revenue Management Division

(in thousands)

	FY15 Outlook	BY16 Budget
Parking	$50,023	$51,400
Concessions	3,285	3,326
Customer Service	14,777	15,644
Marketing Services	7,456	7,821
Total Revenue Mgmt Division	$75,541	$78,192

	FY15 Outlook	BY16 Budget
Salaries & Wages	$20,259	$20,447
Benefits	11,188	11,469
Contract Services	41,930	44,107
Equipment & Supplies	1,627	1,674
Utilities	2	4
Administrative	534	491
Total Revenue Mgmt Division	$75,541	$78,192

Walkforward from FY 2015 Outlook		Reference
FY 2015 Outlook	$75,541	
Salaries & Wages	188	A, B
Benefits	281	B, C, H
Contract Services	2,177	B, C, D,
Equipment & Supplies	48	E
Utilities	1	E
Administrative	(43)	H
Total FY 2016 Proposed Budget	$78,192	

Administration and Diversity Division

Business Diversity and Development

The Business Diversity & Development Department (BDDD) is responsible for administering the Board's Disadvantaged, Small, and Minority/Women-owned Business Enterprise Programs. BDDD has the overall responsibility to administer, monitor and enforce the DBE, SBE, M/WBE, ACDBE policies, standards and procedures.

Human Resources

Human Resources' (HR) primary functions are to develop and implement programs to enhance the effectiveness of the workforce. HR is responsible for consulting and advising management on employee relations issues, including employee corrective action, complaints, and grievances; assisting employees with concerns; and developing and administering policies and procedures to ensure compliance with federal and state regulations. HR also has responsibility for coordinating the recruitment and staffing activities of DFW. HR also manages and provides strategic direction for DFW Airport's internal communication and diversity programs. HR is responsible for writing and managing the content, messaging, and distribution of all employee communications, in order to educate employees on key DFW Airport initiatives, and create communication vehicles to inform staff of business news and recognize the efforts of DFW Airport employees.

Procurement & Materials Management

Procurement & Materials Management (PMM) provides DFW-wide centralized procurement, materials management, and reprographic services. PMM manages professional services contracts/procurements and P-card program, and prepares Official Board Actions (OBAs) for Board meetings. The Central Warehouse provides central receipt, financial and physical management of inventory, management of excess and obsolete property, and provides DFW-wide mail service. Print Services provides centralized reproduction, printing, and binding services for departments within the Airport.

Risk Management

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

Corporate Communications

The Corporate Communications Department is responsible for elevating the reputation of DFW Airport. In this role, the Department will provide DFW Airport's collective voice through communications, outreach, engagement and collaboration to support the Airport in achieving its primary business goal. The Department is responsible for delivering impactful and results-oriented communications and creating advocacy among the audiences it serves.

Corporate Communications consists of worldwide day-to-day media relations, community engagement, business communications, Board and Owner City relations, and internal communications.

The objectives include enhancing external and internal communications to foster good will, favorably position DFW, proactively advance the Airport's image, and enable an engaged workforce, broadening stakeholder advocacy and support for the Airport's vision through outreach and engagement, and supporting the achievement of business goals through alignment of communications and relationship building.

Budget Comparison and Walkforward

Administration and Diversity Division

(in thousands)

	FY15 Outlook	FY16 Budget
Human Resources	$7,050	$7,573
Procurement & Materials Mgt	4,470	4,549
Business Diversity & Development	1,313	1,382
Risk Mgt	7,841	7,821
Corporate Communications	4,399	4,306
Total Admin & Diversity Division	$25,072	$25,632

Salaries & Wages	$8,550	$9,236
Benefits	4,965	4,936
Contract Services	3,490	3,314
Equipment & Supplies	542	617
Insurance	5,271	5,417
Utilities	0	0
Administrative	2,253	2,111
Total Admin & Diversity Division	$25,072	$25,632

Walkforward from FY 2015 Outlook		Reference
FY 2015 Outlook	$25,072	
Salaries and Wages	687	A, E
Benefits	(29)	C, E, H
Contract Services	(177)	H
Equipment & Supplies	75	E
Insurance	146	C
Administrative	(142)	H
Total FY 2016 Proposed Budget	$25,632	

CFO/Airline Business and Technology Division

Information Technology

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

ITS is currently divided into 8 functional sections:

- The Technology Lab is responsible for future innovation and the research, development, and piloting of new technologies at the Airport.
- Customer Support manages the Help Desk, Field Technicians, and the frontline ITS Business Consultants.
- IT Programs is responsible for long running technology programs like Disaster Recovery, Asset Management, and Training.
- The IT Project Management Office manages new initiatives and projects to a successful completion.
- Development and Delivery is responsible for the software development and implementation of executive decision support systems, records management, CADD/GIS, web development, and the implementation of work-flow technologies.
- Enterprise Systems is responsible for the support and maintenance of the entire DFW Software Portfolio.
- Infrastructure Operations is responsible for the maintenance and administration of the voice and data communications infrastructure, desktop and server computing environments, databases, storage, and Terminal systems.

Finance

Finance is comprised of 3 groups: Accounting, Financial Planning, and Capital Planning & Accounting. Accounting is responsible for financial reporting, general ledger accounting, internal controls, revenue collections, accounts payable, accounts receivable, payroll, and fixed assets. Financial Planning is responsible for developing and monitoring DFW's Operating Budget and Outlook for revenues and expenses. This group is also responsible for establishing DFW's rates, fees and charges, and performing departmental financial analysis. In addition, Financial Planning analyzes DFW's business units to determine profitability, implementation of activity based costing, project analysis, process improvement and management methodologies for proper allocations of revenues and expenses. Capital Planning and Accounting is responsible for developing and monitoring DFW's Capital Budget and forecast. In 2014, the construction accounting and reporting function (6 positions) was transferred from Airport Development and Engineering to Finance.

Treasury/Cash Management

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

Aviation Real Estate

Aviation Real Estate serves as the liaison between the Airport and the tenants of all passenger terminals and aviation-related facilities, including air cargo and hangars. Through permits and leases, Aviation Real Estate manages the contractual relationship with the tenants. The department is also responsible for aviation facilities' strategic planning, with the goal of maximizing efficiency within the terminals and other aviation facilities.

Budget Comparison and Walkforward

CFO/Airline Business & Technology

(in thousands)

	FY15 Outlook	FY16 Budget
ITS	$40,389	$44,109
Finance	6,517	6,750
Treasury	1,274	1,213
Aviation Real Estate	1,430	1,413
Total CFO Division	$49,611	$53,485
Salaries & Wages	$18,223	$20,186
Benefits	8,404	8,783
Contract Services	17,196	18,471
Equipment & Supplies	2,613	2,384
Utilities	2,796	3,194
Administrative	378	467
Total CFO Division	$49,611	$53,485

Walkforward from FY 2015 Outlook		Reference
FY 2015 Outlook	$49,611	
Salaries and Wages	1,962	A, B,
Benefits	379	B, C, H
Contract Services	1,275	B, C, D, H
Equipment & Supplies	(230)	H
Utilities	398	E
Administrative	89	E
Total FY 2016 Proposed Budget	$53,485	

Global Strategy and Development

International Marketing Services/Public Affairs

International Marketing Services/Public Relations Department is responsible for developing and executing DFW's trade and consumer international marketing and international media relations in order to drive increased revenues and new airline business and for ensuring that a consistent brand image is portrayed to every one of DFW's international audiences. This Department is responsible for international media responsiveness and the department also leads special international events planning and dignitary visits.

Governmental Relations

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

Air Service Development

Air Service Development is responsible for developing and implementing both the comprehensive air service strategy as well as the marketing programs designed to attract new entrants, domestic and international carriers to DFW. In addition, Air Service Development encourages existing DFW carriers to both enter into new markets as well as to increase service in markets which are already served. Increases in air service either through new entrant carriers, or via existing carriers provide substantial economic benefit for the Dallas/Fort Worth Metroplex.

Air Service Development focuses on both domestic and international passenger and cargo airlines, respectively. This department is responsible for formulating strategic plans that include targeting top target markets and airlines, monitoring airline business trends, targeting potential airline services, and presenting business case presentations for target airlines to review. Through the business case presentations, Air Service Development promotes DFW by highlighting its numerous advantages and world-class facilities, and provides analytical demonstrations of the viability of the DFW market for new airlines and new service.

Budget Comparison and Walkforward

Global Strategy & Development
(in thousands)

	FY15 Outlook	FY16 Budget
International Marketing/Public Affairs	$2,986	$3,476
Governmental Relations	1,041	1,204
Air Service Development	2,182	2,188
Total Global Strategy Division	$6,209	$6,868
Salaries & Wages	$1,566	$1,782
Benefits	503	576
Contract Services	2,789	3,002
Equipment & Supplies	32	37
Insurance	0	0
Utilities	0	0
Administrative	1,319	1,471
Total Global Strategy Division	$6,209	$6,868

Walkforward from FY 2015 Outlook		Reference
FY 2015 Outlook	$6,209	
Salaries and Wages	216	A, E
Benefits	73	C, E, H
Contract Services	213	D
Equipment & Supplies	4	E
Administrative	152	E
Total FY 2016 Proposed Budget	$6,868	

Airport Development Division

Commercial Development

The Commercial Development Department plans, develops, markets and leases aviation-related industrial/warehouse, cargo/distribution facilities, mixed-use office, retail and hospitality spaces and available land at DFW. Commercial Development also evaluates and implements business opportunities that diversify DFW's revenue stream such as the exploration and production of natural gas, the Bear Creek Golf Course, management of Foreign Trade Zones and negotiations of ROW for highway, utilities and passenger rail. The Commercial Development Department plans, develops, markets and leases airline hangars, air-cargo and logistics facilities, hotels, gas/convenience stores, and commercially available land at DFW. Commercial Development also evaluates and implements business opportunities that diversify DFW's revenue stream.

Planning

Planning is responsible for directing and coordinating the overall planning activities of DFW including facilities, airfield, and transportation/roadway planning, and for directing DFW's signage program.

Airport Development and Engineering (ADE)

Airport Development and Engineering (ADE) has overall responsibility for the efficient, economical design and construction of capital facility developments and major rehabilitation projects at DFW. Airport Development and Engineering (ADE) also provides technical support services and/or personnel to other departments at DFW as needed in fulfilling DFW's mission. With the exception of uncapitalized projects and Code Compliance activities related to 3rd party permits, all costs are funded by the capital funds (3XX funds), not the 102 fund.

Budget Comparison and Walkforward

Airport Development Division
(in thousands)

	FY15 Outlook	FY16 Budget
Commercial Development Department	$2,013	$2,408
Planning Department	1,967	2,941
Airport Development Department	2,940	3,111
Total Airport Development Division	$6,920	$8,460
Salaries & Wages	$2,889	$3,269
Benefits	1,219	1,399
Contract Services	2,664	3,558
Equipment & Supplies	21	31
Insurance	0	0
Utilities	0	0
Administrative	128	204
Total Airport Development Division	$6,920	$8,460

Walkforward from FY 2015 Outlook		Reference
FY 2015 Outlook	$6,920	
Salaries and Wages	380	A
Benefits	181	C, H
Contract Services	894	D
Equipment & Supplies	10	E
Administrative	76	E
Total FY 2016 Proposed Budget	$8,460	

Legal

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

Budget Comparison and Walkforward

Legal
(in thousands)

	FY15 Outlook	FY16 Budget
Salaries & Wages	$228	$223
Benefits	126	126
Contract Services	2,164	2,455
Equipment & Supplies	6	7
Insurance	0	0
Utilities	0	0
Administrative	26	31
Total Legal	$2,550	$2,842

Walkforward from 2015 Outlook		Reference
FY 2015 Outlook	$2,550	
Salaries & Wages	(5)	A
Benefits	(0)	C, H
Contract Services	291	E
Administrative	5	E
Total FY 2016 Proposed Budget	$2,842	

Audit Services

The Department of Audit Services is an independent appraisal function that reviews and evaluates DFW activities as a service to the Board of Directors and management. The Department of Audit Services reports directly to the Board of Directors through the Finance/Audit Committee. The Department performs work contributing to the safeguarding of assets; economical and efficient use of resources; accomplishment of established objectives and goals; compliance with laws, regulations, and DFW policies; and the reliability and integrity of information used by decision-makers.

Budget Comparison and Walkforward

Audit Services
(in thousands)

	FY15 Outlook	FY16 Budget
Salaries & Wages	$1,511	$1,517
Benefits	632	672
Contract Services	333	320
Equipment & Supplies	16	21
Insurance	0	0
Utilities	0	0
Administrative	46	48
Total Audit Services	$2,539	$2,578

Walkforward from 2015 Outlook		Reference
FY 2015 Outlook	$2,539	
Salaries & Wages	5	A
Benefits	40	C, H
Contract Services	(13)	D, H
Equipment & Supplies	5	E
Administrative	2	E
Total FY 2016 Proposed Budget	$2,578	

Executive Office

The Chief Executive Officer, as the chief administrator and executive officer of the DFW Airport Board, recommends policies to the Board of Directors for the planning, constructing, maintaining, operating and regulating of DFW. The Chief Executive Officer, along with the Executive Staff (6 Executive Vice Presidents and support staff), oversees the implementation of adopted policies and is responsible for conducting monthly and special meetings with the Board of Directors. This budget also includes salaries and wages of support staff for the CEO and Executive Staff.

Budget Comparison and Walkforward

Executive Office
(in thousands)

	FY15 Outlook	FY16 Budget
Salaries & Wages	$2,728	$2,864
Benefits	1,104	1,154
Contract Services	426	201
Equipment & Supplies	22	20
Insurance	0	0
Utilities	0	0
Administrative	615	4,349
Total Executive Office	$4,894	$8,587

Walkforward from 2015 Outlook		Reference
FY 2015 Outlook	$4,894	
Salaries & Wages	136	A
Benefits	49	C, H
Contract Services	(224)	H
Equipment & Supplies	(2)	H
Administrative	3,734	E, F
Total FY 2016 Proposed Budget	$8,587	

Airport Non-Departmental

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

Budget Comparison and Walkforward

DFW Non-Departmental
(in thousands)

	FY15 Outlook	FY16 Budget
Salaries & Wages	$2,481	$3,033
Benefits	99	467
Contract Services	(729)	0
Equipment & Supplies	(161)	0
Insurance	0	0
Utilities	0	0
Administrative	(401)	23
Operating Reserve	4,505	6,874
Total Non-Departmental	$5,795	$10,397

Walkforward from 2015 Outlook		Reference
FY 2015 Outlook	$5,795	
Salaries & Wages	552	Payroll accrual, longevity, and other Outlook adjustments
Benefits	368	Benefit adjustmens made in Outlook and LHD over/under
Contract Services	729	Prior year soil remediation credit
Equipment & Supplies	161	Outlook adjustments
Administrative	423	Outlook adjustments
Operating Reserve	2,369	Operating Reserve requirement increase
Total FY 2016 Proposed Budget	$10,397	

Position Walkforward

Division/Department/Section	FY15 Adjusted Budget	Transfers	Changes	FY 16 Budget
Operations				
Energy, Transportation & Asset Mgmt.	313		4	317
Public Safety	562		37	599
Airport Operations	120		2	122
Environmental Affairs	28		2	30
Total Operations	1,023	0	45	1,068
Revenue Management				
Customer Service	47		4	51
Marketing Services	16	(1)		15
Parking Operations	298			298
Concessions	24			24
Total Revenue Management	385	(1)	4	388
Administration & Diversity				
Human Resources	32	5	2	39
Procurement & Materials Mgmt	40			40
Risk Management	18	(6)		12
Business Development & Diversity	9			9
Corporate Communications	22		(1)	21
Total Admin & Diversity	121	(1)	1	121
CFO, Airline Business and Technology				
Aviation Real Estate	8			8
Finance	61.5		1	62.5
Treasury Management	8			8
Information Technology Services	150	1	7	158
Total Finance & ITS	228	1	8	237
Global Strategy & Development				
International Marketing/Public Affairs	5	2		7
Governmental Relations	2			2
Air Service Development	9			9
Total Global Strategy & Development	16	2	0	18
Airport Development Division				
Airport Development	91	(1)		90
Commercial Development	15			15
Planning	14	1		15
Total Airport Development Division	120	0	0	120
Legal	3.5			3.5
Audit Services	15			15
Executive Office	13	(1)	2	14
Total DFW	1,924	0	60	1,984

Capital Budget

DFW has 2 capital accounts in its Construction and Improvement Fund: the DFW Capital Account and the Joint Capital Account. The DFW Capital Account is DFW's discretionary account. It may be used for any legal purpose and does not require airline approval. DFW uses this fund for renewals and replacements and other discretionary projects. Funding for the DFW Capital Account is transferred from the net revenues from the DFW Cost Center, interest income, grants, and bond proceeds for commercial development projects.

The Joint Capital Account requires airline approval for money to be spent. Since the FY 2011 Use Agreement, DFW has received airline approval for $2.7 billion of bond funding for the Terminal Renewal and Improvement Program (TRIP), which includes $797 million of additional approved scope and budget increases beyond the original $1.92 billion program budget. Included in this increase was $647 million of TRIP "*re-baseline*" scope and cost additions which are discussed in more detail in the paragraph below. Additionally, $762 million of non-TRIP project approvals, including $220 million for other "pre-approved" projects related to Airfield, Roadway/Rail, Utilities, Parking, and various other projects, $128 million for terminal gate expansion projects, $197.6 million for a new parking garage at Terminal A, and various other projects, for a total of $3.48 billion of approved projects (see table for details on following page – "*MII Approvals Since New Use Agreement*"). Funding for this account comes from bond proceeds, natural gas royalties, sale of land proceeds, grants, and interest income. The Use Agreement provides for a Joint Capital Account Transfer of $8 million in FY 2016 to the Terminal Cost Center to subsidize terminal rentals.

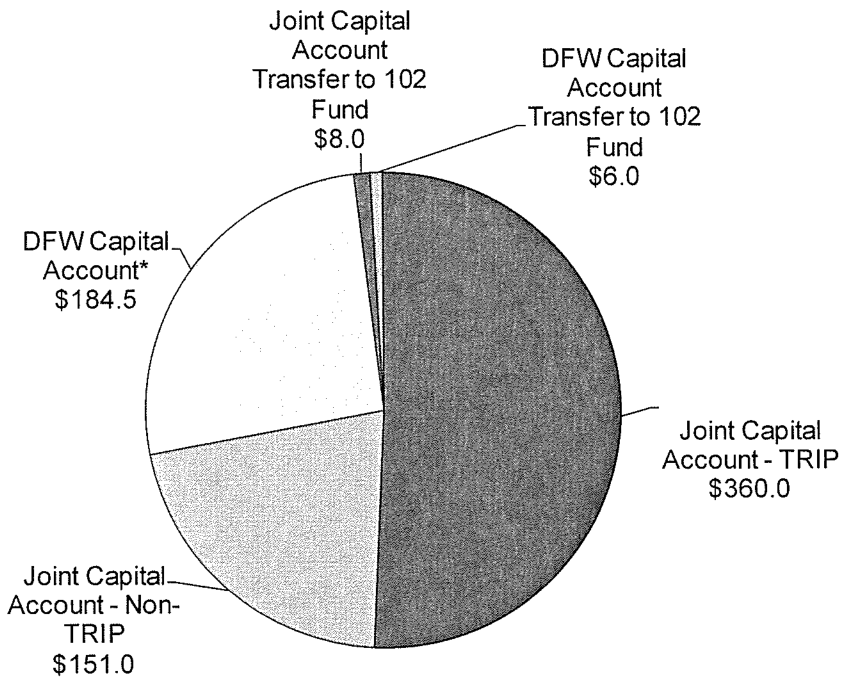
During FY 2015, the TRIP program underwent a $647 million "*re-baseline*" initiative in light of cost and schedule pressures experienced on the initial phases of the program. The re-baseline activities entailed a comprehensive evaluation of both a lessons-learned on already completed TRIP terminal sections, as well as extensive stakeholder reviews of go-forward scope and cost reforecasting. Included in this re-baseline was $263 million of new scope as follows: 1) Airline request to add $100 million of incremental schedule and cost impacts of a scope addition involving the build back of the "high Terminal C gates" (gates C35-C39) currently planned to be demolished as part of TRIP, 2) $163 million of various other required new scope which was jointly agreed upon by both the airlines and DFW Airport. These incremental costs are included in the following table and charts.

Since the TRIP schedule impacts the annual debt service expense and revenue budgets, the FY 2016 expense budget was adjusted in anticipation of relatively minor slides in the opening dates of the remaining terminal sections scheduled to be completed during FY 2016. These anticipated delays resulted in slightly less FY 2016 TRIP debt service and terminal concessions revenue than was previously estimated for FY 2016 in the FY 2015 Financial Plan.

Projected Capital – Uses of Cash by Capital Account

DFW projects to spend approximately $709.6 million on capital expenditures in FY 2016 as summarized in the following chart.

FY 2016 Projected Capital Expenditures ($709.6M)



**$84.9M is debt financed for Commercial Development and other projects.*

The following table summarizes total projected capital expenditures for projects to be in progress during FY 2016.

			Active Projects in FY 2016				
Capital Budget (Millions)	Actual FY 2014	Forecast FY 2015	Prior Years	Projected FY 2016	Future Years*	Total Budget	
DFW Capital Account	$143.0	$220.0	$51.1	$184.5	$135.9	$371.6	
Joint Capital Acccount							
TRIP	247.0	344.0	1,060.0	360.0	1,303.0	2,723.0	**
Non-TRIP	178.0	197.0	119.8	151.0	314.8	585.6	
Transfers to 102	16.0	15.0	103.0	14.0	40.0	112.0	
Total Capital	$584.0	$776.0	$1,333.9	$709.6	$1,793.8	$3,792.2	

*Future years repersents spend through FY2020 for all projects except TRIP which is FY2021.

** Includes $4.7M of projects pending MII approval

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

DFW Airport MII Approvals Since New Use Agreement Dated Oct 1, 2010

Item#	Project Name	TRIP ($'s in Millions)	Non-TRIP ($'s in Millions)	Total ($'s in Millions)
	MII Approvals In New Use Agreement:			
1	TRIP (base scope - escalated)	$1,922.0		$1,922.0
2	$220M Pre-Approved Capital Projects		220.0	220.0
3	Term D South Extension (4 add'l gates)		80.0	80.0
4	Term D North Extension (B/D Connector - B1, B2, B3)		10.0	10.0
5	Term B North Stinger (10 new gates) add'l MII approval		0.0	0.0
	Total Use Agreement MII Approved Projects	1,922.0	310.0	2,232.0
	MII Approvals Subsequent to New Use Agreement:			
6	TRIP (cost/scope increase to base - Term B BHS)	17.5		$17.5
7	TRIP Programming & Schematic Design Cost (excluded from TRIP budget)		32.0	32.0
8	TRIP: Terminal A, B, C, & E Window Replacement	40.0		40.0
9	Funding of Design costs for add'l Add/Alt projects		2.0	2.0
10	TRIP: Natural Gas Lines (Term B, C, & E only)	3.9		3.9
11	N. Express Covered Parking Expansion (1,000 spaces) Ph 1 *		14.0	14.0
12	Term D North Extension (B/D Connector - B1, B2, B3) Budget Increase		11.0	11.0
13	Less: $20M taken from Term D South Ext (Item #3) for B-North Stinger		(20.0)	(20.0)
14	Term B North Stinger (10 new gates) add'l MII approval		40.0	40.0
15	Aircraft Operation Area (AOA) Snow/Ice Removal Equipment		9.5	9.5
16	Skylink Bond Issuance		1.0	1.0
17	Terminal A Parking Garage Reconstruction (All sections)		176.7	176.7
18	1W/5E Employee Parking *		0.0	0.0
19	D-South Expansion: D15/16 A-380 Jetbridge (Design Only)		0.5	0.5
20	FY11 ADE Overhead (JCA cash funded)		2.7	2.7
21	FY11 Natural Gas Reimbusables (JCA cash funded)		1.7	1.7
22	FY12 ADE Overhead (JCA cash funded)		2.7	2.7
23	FY12 Natural Gas Reimbusables (JCA cash funded)		1.5	1.5
24	FY13 - FY20 Natural Gas Reimbursables (annual NTE $1.4M) (JCA cash funded)		11.2	11.2
25	TRIP: Terminal Electric Vault Replacement	9.2		9.2
26	Snow & Ice Facility Modifications (old USPS facility)		0.9	0.9
27	N.Express Public Covered Parking Expansion (phase 2)		5.5	5.5
28	TRIP Annual Transition Costs (NTE $2M/yr through 2017)	14.0		14.0
29	TRIP: Terminal A Concession Loading Dock	4.0		4.0
30	D Hardstand Equip for International Ops		1.9	1.9
31	Central Terminal Area (CTA) Strategy Study (Phase 1 & 2)		2.0	2.0
32	FY13 - FY20 ADE Overhead ($3.5M annual NTE through FY20)		28.0	28.0
33	DPS Station #1 Rehab/Expansion (partial design only)		1.0	1.0
34	TRIP: Reimb TRIP Contingency for Term A & B (AA's AOF/Next Gen)	11.2		11.2
35	Automated Passport Control (APC) Phase 1 for U.S. Citizens		1.7	1.7
36	TRIP: AA Terminal (A, B, & C) Branding/Cust Service elements	14.0		14.0
37	Design B/D Sterile Corridor Extension (from B4 - ~B9)		2.8	2.8
38	TRIP: AA Reimb for TRIP Self-Perform Work (assumes new scope)	5.5		5.5
39	Design - Term E Roadway Improvements		2.9	2.9
40	TRIP Contracting Capacity - Terminal A		0.0	0.0
41	Terminal A Parking Garage - Additional funds to item #17		20.9	20.9
42	Project Re-allocation between Categories $220M Pre-approved & Taxiway "L"		0.0	0.0
43	D-South Expansion: D15/16 A-380 Jetbridge (construction, design approved in #19)		3.8	3.8
44	TRIP - Terminal A Concessions Storage	2.3		2.3
45	TRIP - Passenger Information Centers (ph 1: 1st 7 of 21 locations)	1.2		1.2
46	Terminal E Roadway Improvements (construction only, design approved in #39)		30.5	30.5
47	TRIP - Budget Increase (A, B, E & C, w/$100M C-high gate buildback)	640.0		640.0
48	TRIP - Concessions Storage Areas (Term B, E, and C)	6.1		6.1
49	TRIP: Enhanced Security Checkpoint (11 locations)	0.8		0.8
50	TRIP: Curbside Signage (upper+lower lvl) Term A Design Only	0.3		0.3
51	TRIP: Curbside Lighting (LED)-Lower Lvl (A, B, C, & E Design Only)	0.1		0.1
52	Winter Weather: Airside Deicing Equipment (3 snow blowers @ $735K ea)		2.2	2.2
54	Access Control Mgt System Automation (Badging Office in Term D)		3.0	3.0
55	DPS Station #1 (remaining design + construction). Partial design approved in #33.		24.8	24.8
56	TRIP: Term A Pax Tunnel between section B & A/C Connector	21.0		21.0
57	D-South Expansion: F Ramp Expansion (net of grants)		16.5	16.5
58	D-South Expansion: D5 Bus Gate for Hardstand Operations		3.2	3.2
59	TRIP - Concessions Loading Dock @ Term E-North	5.2		5.2
60	Taxiway "Y" Bridge Strengthening for ADG VI (A-380) (net of grants)		4.6	4.6
61	"T" Rail Station @ Terminal B (Design drip-funding)		4.0	4.0
62	FY15 Hardstand Equipment		0.8	0.8
	MII APPROVALS SINCE NEW USE AGREEMENT	**796.5**	**452.1**	**1,248.5**
	TOTAL MII APPROVALS INCLUDING NEW USE AGREEMENT PROJECTS	**$2,718.5**	**$762.1**	**$3,480.5**

The following table shows cash flow projections, gross of grant reimbursements, for the DFW capital projects. New projects (projects not included in FY 2015 capex spend) are highlighted in blue and are subject to change.

DFW CAPITAL ACCOUNT (In Millions) Project Name	Prior Years	FY16	Future Years
Term E Parking Garage (section B)	14.3	58.3	4.0
Air Service Incentive Plan (ASIP)	16.3	11.0	32.1
Passport Park - DFW (Ph I)	0.0	8.2	8.4
Rehab Airfield Pavements FY14	0.3	7.6	15.3
Other Discretionary (Annual)	0.0	7.1	130.0
Terminal "D" Annual Capital Renewal	1.1	5.8	55.9
Rehabilitate Airfield Pavements FY13	10.5	5.5	0.0
TSA Checked Bag Resolution Area (CBRA)	0.0	4.5	22.5
SH 161 Mixed Use (East of 161)	0.0	3.9	3.9
Coppell Freeway Commercial DD#3	0.0	3.3	3.3
NW Logistics (Ph II)	0.0	3.1	2.0
Term E Parking Garage (section C)	1.6	3.0	46.5
Rehabilitate Airfield Lighting Systems FY16 - FY20	0.0	3.0	18.0
Replace Express Vans	1.4	2.8	10.4
Rehabilitate Airfield Lighting Systems FY15	2.6	2.7	0.0
ITS Sys Ops Refresh	0.0	2.5	2.5
Logistics Center III, IV, V	0.0	2.1	0.0
Walnut Hill Industrial (Ph I)	1.5	2.0	3.0
AOC AV Equip Refresh	0.0	1.7	0.8
PCS PCI-compliant Credit Card Reader changeout	0.1	1.6	0.7
Replace General Purpose Vehicles	0.2	1.6	6.0
Business Reporting/Business Intelligence System	0.7	1.5	0.3
Replace Heavy Equipment	3.3	1.5	5.4
Rehabilitate Storm Water Treatment Plant	0.4	1.5	4.6
EVIDS Head-End Sys Replacement	0.0	1.4	5.6
EVIDS Content Mgt/Digital Messaging	1.2	1.2	2.4
Replace Computer-Aided Dispatch (CAD)/Records Mgt Sys (RMS)	1.6	1.2	1.4
IT Term Sys group Reloc from S.Tower to Term B	1.1	1.2	0.0
Rapid Intervention Vehicles (RIV)	0.0	1.2	0.0
Relocate ACO Term B	0.3	1.2	0.3
AOC Telecom	0.0	1.1	0.6
Term D Bag Makeup Unit Renewal	0.0	1.1	2.4
Skylink Renewal Program	3.3	1.0	8.2
Bear Creek - DFW (Ph I)	0.0	1.0	0.0
Projects <1M	**34.8**	**27.1**	**91.9**
TOTAL DFW CAPITAL ACCOUNT	51.1	184.5	135.9
ADD: TRANSFER TO 102 (Debt Service for Airport Headquarters and Terminal E Garage)	3.0	6.0	36.0
TOTAL USES OF DFW CAPITAL ACCOUNT	$54.1	$190.5	$171.9

The following projects will be funded from the Joint Capital Account during FY 2016. Spend amounts are gross of grant reimbursements. New projects (projects not included in FY 2015 capex spend) are highlighted in blue and are subject to change.

JOINT CAPITAL ACCOUNT (In Millions) Project Name	Prior Years	FY16	Future Years
Terminal Renewal and Improvement Program (TRIP)	$1,060.0	$360.0	$1,303.0
TOTAL JOINT CAPITAL ACCOUNT (TRIP)	1,060.0	360.0	1,303.0
Non-TRIP:			
Airside Deicing Equip Expansion: Snow Removal FY15/16	0.1	27.7	0.0
"T" Rail Station @ Terminal B	1.3	18.4	31.4
T/W "Lima" Reconstruction*	28.4	17.4	5.3
D-South Expansion: F Ramp Expansion*	0.3	15.0	35.7
DPS Station #1 Reconstruction/Expansion*	2.2	14.1	9.4
D-South Expansion: Customs Egress / Int'l Bag Claim Expansion	0.0	5.7	7.0
ITS Radio System Expansion*	7.2	5.1	1.4
Taxiway "Y" Bridge Strengthening (A380) Construction*	0.4	4.6	8.2
Term E - Concessions Loading Docks*	0.0	4.1	1.2
Rehabilitate Landside Roads & Bridges Ph 4*	0.6	3.6	3.7
Airside Deicing Facilities Expansion: Maint/Storage	0.0	3.4	9.6
D-South Expansion: Term D ATO Optimization	0.0	3.1	2.0
Landside Deicing Equip Expansion: Snow Removal	0.0	2.8	0.0
Rehab & Reconfigure Water Pump Stations*	0.3	2.3	3.9
D-South Expansion: D5 Bus Gate*	1.2	2.1	0.0
Term E-Satellite Relife	0.0	2.0	4.0
Term E Roadway Improvements *	31.5	2.0	0.0
Rehab E. Side Plant Chillers *	0.0	1.9	1.5
D-South Expansion: Gate expansion	0.0	1.8	155.9
Rehabilitate Deicing System Large Storage Areas*	0.4	1.8	5.4
Airside Deicing Infrastructure Expansion: Connect NE Holdpad	0.0	1.4	3.9
FY16 Hardstand Equipment	0.0	1.4	0.0
Access Control Mgt Sys*	0.0	1.0	2.0
Projects <1M	**47.3**	**8.6**	**2.0**
* MII Approved Projects			
TOTAL JOINT CAPITAL ACCOUNT (NON-TRIP)	119.8	151.0	314.8
TOTAL JOINT CAPITAL ACCOUNT	1,179.8	511.0	1,617.8
ADD: USE AGREEMENT CAPITAL TRANSFER TO 102	100.0	8.0	4.0
TOTAL USES OF JOINT CAPITAL ACCOUNT	1,279.8	519.0	1,621.8
TOTAL USES OF JOINT + DFW CAPITAL ACCOUNT	$1,333.9	$709.6	$1,793.8

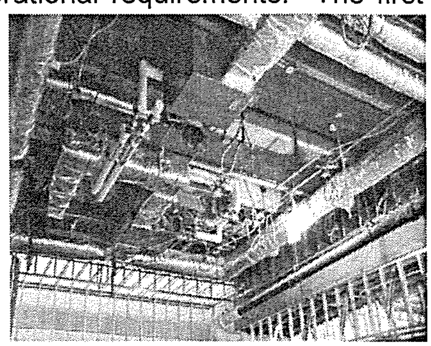
Capital Project Approval Process

In FY 2010, DFW management developed a 10-year capital plan as the basis for negotiating the Use Agreement. The FY 2016 projects from the list on the prior page were derived from that plan. Most of the new projects are officially in a "planning status." When the project manager is ready to initiate the project, a detailed capital worksheet is prepared including alternatives, and presented to the Capital Committee for review and approval. CEO approval is required for projects equal to or greater than $750,000. Projects on this list may be modified or eliminated if planning assumptions on costs and benefits do not materialize upon more detailed analysis. It is possible that new projects may arise during the fiscal year due to the dynamic nature of an airport. This "just-in-time" capital planning process provides flexibility to manage the process most effectively. From a process standpoint, the Board of Directors does not approve an overall capital budget. Instead, the Board reviews projects to be funded with bond proceeds before the bonds are sold and reviews individual capital projects as contracts for those projects are brought to the Board for approval.

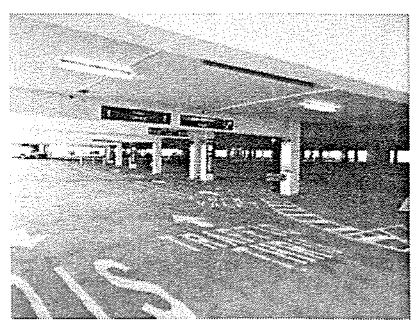
Major Capital Project Descriptions

There are several major capital initiatives in the FY 2016 Capital Budget including:

- Terminal Renewal and Improvement Program (TRIP) – As DFW's domestic terminals approach end of useful life, a major rehabilitation/ redevelopment program is underway for Terminals A, B, C and E. The current approved budget is $2.7 billion. Each TRIP terminal contains 3 sections, which are being reconstructed 1 terminal section at a time to maintain sufficient gate capacity to meet airline operational requirements. The first terminal section, Terminal A – Section A, was completed in March 2013 with 3 additional terminal sections in Terminals A, B, and E completed and opened in FY 2015. The last section of Terminal A - Section C, will be completed in the summer FY 2016, along with the second section of Terminal B and E during FY 2016. Total program completion is scheduled for early Spring FY 2021 with completion of the last section of Terminal C. Approximately $360 million is anticipated to be spent during FY 2016.

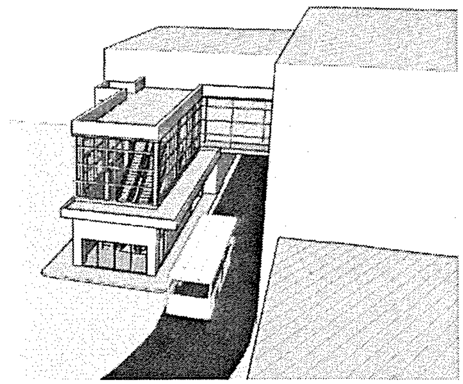


- Parking Expansion – Parking capacity at Terminal A will be expanded by approximately 54% through the reconstruction of a new more efficient parking garage with approximately 7,576 spaces to replace the prior 4,914 space parking garage and implement roadway improvements. This garage is being constructed in 3 phases, lasting approximately 1 year per phase. Section A/phase 1 of this new parking garage, along with the associated roadway improvements opened in March 2013. Section B/phase 2 opened in May 2014. The final section C/phase 3 opened in June of 2015 (shown in picture to right). Also, a reconstruction of Terminal E – section B and C is planned which will increase total Terminal E Garage parking spaces from 4,050 to 5,672, or a 40% increase in capacity, as well as improve the associated roadways to alleviate traffic congestion in front of Terminal E. The roadways associated with the Terminal E parking

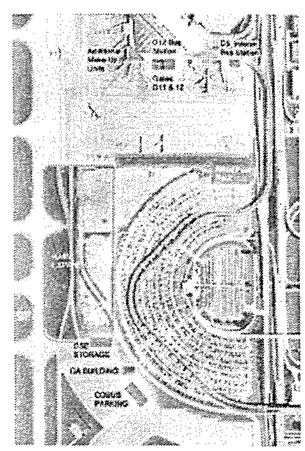


garage were completed in early Summer FY 2015, with full completion of the last parking garage section scheduled for Winter FY 2016. Approximately $63 million is anticipated to be spent during FY 2016 on these new parking projects.

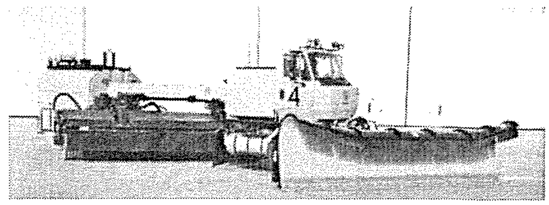
- Terminal Gate and Terminal D Passenger Processing Capacity Expansion – Additional gate capacity is planned in D-South to meet increased forecasted gate demand. Projects include Programming and Schematic Design (PSD) for future potential gate expansion south of Terminal D which was pre-approved in the Use Agreement. Forecasted gate demands and the eventual gate expansion are currently being analyzed as part of a holistic Central Terminal Area study to identify the timing, configuration, and location of future gate expansion. Current and near-term forecasted international flights are also requiring interim hardstand operations until additional contact gates can be constructed. This growth will drive expansion of passenger processing capacity in Terminal D, to include ticket counters and Security Screening Checkpoint (SSCP) expansion, as well as construction of an additional bus gate at D5 (shown in picture to right) to accommodate increased hardstand operations. Approximately $13 million is anticipated to be spent during FY 2016.



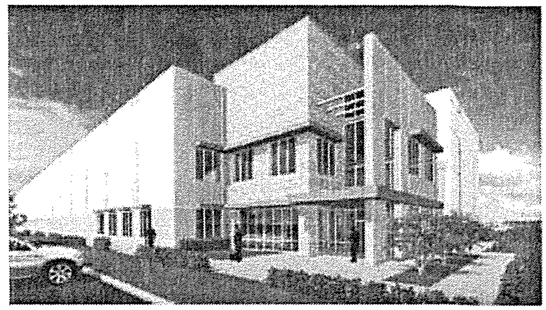
- Airfield Reconstruction and Expansion – As part of DFW's ongoing airfield pavements rehabilitation program, a $51 million project ($15.3 million net of AIP grants) for reconstruction of Taxiway "L" is underway to reconstruct a major east side taxiway which has reached the end of useful life. Design is complete using 75% AIP grant funding and construction is underway with completion anticipated in Spring of FY 2017. Approximately $17.4 million ($5.2 million net of grants) is anticipated to be spent during FY 2016. Additionally, a $51 million expansion of the Terminal D - South aircraft ramp adjacent to the west of the future Terminal "F" is programmed with 75% AIP grant funding (shown in picture to right). This expansion is required to meet current and future demand for additional aircraft parking positions for hardstand operations, primarily for international flights at Terminal D, which cannot be accommodated on a terminal contact gate due to current gate capacity constraints. Approximately $15 million is anticipated to be spent in FY 2016, $5.1M net of grants. FY 2016 will also include a $14 million airfield project to strengthen Taxiway "Y" bridge, one of the north crossover taxiways for aircraft movements over International Parkway to cross between the west and east side of DFW Airport. This is needed to accommodate the increasing use of heavier Aircraft Design Group (ADG) VI aircraft, i.e., A-380 and 747-800, which exceeds the current load bearing capacity of current cross taxiway bridges. Approximately $4.6M is anticipated to be spent in FY 2016, $1.8 million net of grants.



- Expand Winter Weather Deicing Capacity – DFW is currently working with the airlines to obtain MII approval to fund the expansion of deicing capacity in 3 major areas: 1) Purchase of additional airside and landside snow removal equipment to remove snow and ice on DFW's large expanse of airfield pavements, 2) Expansion of facilities to maintain and store the numerous pieces of large airfield equipment, 3) Expansion of infrastructure to store and treat Spend Aircraft Deicing Fluid (SADF). These 3 major deicing capacity expansion areas will enable DFW to ensure airfield capacity will meet airline operational demand during winter storm events as well as perform gate deicing at Terminal D. Approximately $35.8 million is anticipated to be spent in FY 2016.



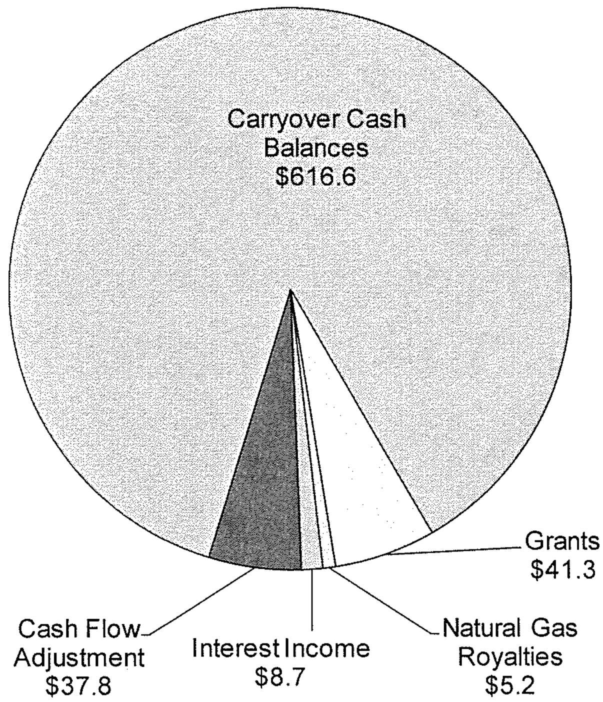
- Commercial Development and Other – Several locations are planned for Commercial Development, including various developments at Passport Park (shown in picture to right) in southeast quadrant of DFW, Walnut Hill Industrial, Coppell Industrial, Bear Creek and others. Additionally, construction will continue into FY 2016 on Southgate development to complete the US Post Office, and 3 restaurants. Also, future development is planned for 3 sites off Royal Lane between SH114/SH635 for warehouse, distribution, office and assembly facilities. Approximately $24.6 million is anticipated to be spent during FY 2016.



Capital Projects - Sources of Cash

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

FY 2016 Capital Sources of Cash ($709.6M)



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

Airport Capital Funds Walkforward
(In Millions)

Capital Walkforward	Joint Capital	DFW Capital	Total
Beginning Cash (10/1/15)	$1,655.6	$193.6	$1,849.2
Sources of Funds:			
Grants	24.8	16.5	41.3
Debt	-	-	-
Natural Gas Royalties	5.2	-	5.2
Interest Income	8.7	0.3	8.7
Cash Flow Adjustment	37.8	-	37.8
Total Sources	76.5	16.5	93.0
Less:			
Capital Uses	(511.0)	(184.5)	(695.6)
DFW Capital Account Transfer to 102	.0	(6.0)	(6.0)
Joint Capital Account Transfer to 102	(8.0)	-	(8.0)
Total Uses	(519.0)	(190.5)	(709.6)
Total Ending Cash Balance	1,213.1	19.6	1,232.6
Add: Cash From DFW Cost Center *	.0	76.4	76.4
Ending Cash (9/30/16)	$1,213.1	$96.0	$1,309.0

** FY15 O&M DFW Cost Center Outlook to be received in DFW Capital Acct in first Quarter FY16*