

DFW Airport Board of Directors Committee Meetings

Tuesday, June 1, 2021 12:30 p.m.

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The meeting will begin shortly.
Thank you for joining us today!



Retirement/Investment Committee

June 1, 2021

Investment Performance Review
Period Ending March 31, 2021

Dallas / Ft. Worth International Airport



Dallas / Fort Worth International Airport

Total Portfolio Walkforward in \$Millions

	Total	Pension	OPEB
Balance 12/31/2020	\$853.8	\$ 819.5	\$ 34.3
Contributions	\$ 0.6	\$ 0.6	\$ -
Distributions	\$ (10.5)	\$ (10.0)	\$ (0.5)
Fees and Expenses	\$ (1.5)	\$ (1.5)	\$ (0.0)
Income	\$ 3.6	\$ 3.4	\$ 0.1
Asset Appreciation	\$ 15.7	\$ 15.1	\$ 0.6
Balance 3/31/2021	<u>\$861.7</u>	<u>\$ 827.1</u>	<u>\$ 34.6</u>

Dallas / Fort Worth International Airport

Executive Summary - Portfolio Performance vs Goals

- **Goal #1 - Gross returns should exceed the benchmark portfolio for the five-year period**
 - Achieved – 9.6% return versus fund policy benchmark of 8.9%
- **Goal #2 – Return, net of fees, should exceed the actuarially required return of 7.25% for the five-year period**
 - Achieved – Net return of 8.77%
 - Last quarter, five-year net return was 8.20%
- **Goal #3 - Be in the top 50% compared to the peer median universe for the five-year period**
 - Not Achieved – Peer universe rank was 66th percentile
 - The Policy Index ranked in the 86th percentile
 - Last quarter, five-year peer rank was 73rd percentile

Dallas / Fort Worth International Airport

Portfolio Performance Summary (General Comments)

	Quarter	Year-To- Date	1 Year	3 Years	5 Years	Inception*
Total Fund Net	2.2%	2.2%	24.9%	7.0%	8.8%	8.8%
Benchmark	2.1%	2.1%	28.2%	8.9%	8.9%	8.7%

* AndCo Consulting Inception 7/2010

- **The Total Plan net returns slightly outperform the benchmark since inception.**
- **The portfolio's returns for shorter periods were impacted by weakness in Private Equity, primarily driven by Lonestar.**
- **For the quarter, the portfolio's public equity allocation continued to perform strongly on an absolute basis with a return of 4.5%.**
- **The private equity allocation drove long-term relative outperformance with a return of 16% since inception.**

Dallas / Ft. Worth International Airport

Asset Allocation Summary

	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>	<u>Current</u>
Domestic Equity	15.0%	25.0%	20.0%	24.0%
International/Global Equity	12.5%	27.5%	17.5%	19.1%
Core Fixed Income	7.5%	17.5%	12.5%	13.8%
Non-Core Fixed Income	10.0%	20.0%	15.0%	11.5%
Cash Equivalents	0.0%	5.0%	2.5%	2.8%
Real Estate*	5.0%	15.0%	10.0%	9.0%
Private Equity*	7.5%	17.5%	12.5%	11.6%
Real Assets & Master Limited Partnerships*	5.0%	15.0%	10.0%	8.1%
Totals			<u>100%</u>	<u>100%</u>

*The total allocation to "Alternative Investments" is 29%, within the policy limit of 40%.

Please note: **Green** font signifies the allocation is within policy limit, **red** font signifies allocation is outside of the limit.

DFW Manager Watch List Criteria

Criteria for Open-end Strategies

Primary Criteria:

- Total return (gross of fees) must meet or exceed the benchmark return over trailing 5-year period.
- Total return (gross of fees) must rank in the top half of the peer group over the trailing 5-year period.
- Style drift from original mandate.
- Performance dispersion from composite.
- Turnover of personnel determined to be key to management of firm, execution of strategy or service of relationship.

Secondary Criteria:

- Four or more consecutive quarters where total return (gross of fees) fails to exceed the benchmark.
- Investment process change including a change to the stated benchmark.
- Investigation of firm by the SEC or other regulatory body.
- Asset flows deemed to be significant into or out of the firm or strategy.
- Merger or sale of firm.
- Change in fee outside of competitive range.
- Failure to adhere to parameters established within the IPS or IMA regarding the management of the portfolio.

Criteria for Closed-end Strategies

Primary Criteria:

- Total return must rank in the top half of the peer group over the trailing 10-year period.
- Turnover of personnel determined to be key to management of firm, execution of strategy or service of relationship.

Secondary Criteria:

- Investigation of firm by the SEC or other regulatory body.
- Asset flows deemed to be significant into or out of the firm.
- Merger or sale of firm.
- Total return must rank in the top half of the peer group over the trailing 5-year period.

DFW Manager Watch List

Open-end Strategies

Manager	Asset Class	Market Value (3/31/2020)	Date Added	Reason	Next Steps
JP Morgan Chase <ul style="list-style-type: none"> JPM Alerian ETN (AMJ) 	Real Assets & MLPs	\$4,763,752	12/31/2019	Performance <ul style="list-style-type: none"> Total return (gross) trails the benchmark over the trailing 5-year period. 	<ul style="list-style-type: none"> Continue to monitor.
Invesco <ul style="list-style-type: none"> Core Real Estate 	Real Estate	\$10,182,446	06/30/2020	Performance <ul style="list-style-type: none"> Total return ranks in the bottom half of the peer group over the trailing 5-year period. Total return (gross) trails the benchmark over the trailing 5-year period. 	<ul style="list-style-type: none"> Continue to monitor.
Westwood <ul style="list-style-type: none"> All Cap Value 	Domestic Equity	\$33,330,003	12/31/2020	Performance <ul style="list-style-type: none"> Total return ranks in the bottom half of the peer group over the trailing 5-year period. 	<ul style="list-style-type: none"> Continue to monitor.
Barrow Hanley <ul style="list-style-type: none"> Large Cap Value 	Domestic Equity	\$33,093,925	3/31/2021	Performance <ul style="list-style-type: none"> Total return ranks in the bottom half of the peer group over the trailing 5-year period. 	<ul style="list-style-type: none"> Continue to monitor.

Asset Allocation & Performance
Trailing Returns - Net of Fees
As of March 31, 2021

Asset Allocation & Performance	Allocation		Performance(%)							
	Market Value \$	%	QTR	YTD	1 YR	3 YR	5 YR	10 YR	Inception	Inception Date
Pension Fund (Net)	827,110,001	100.0	2.19	2.19	24.90	7.01	8.77	7.35	6.50	06/01/2005
Total Fund Policy			2.07	2.07	28.19	8.90	8.92	7.32	6.26	
Pension Fund (Net) from AndCo inception	827,110,001	100.0	2.19	2.19	24.90	7.01	8.77	7.35	8.79	07/01/2010
Total Fund Policy			2.07	2.07	28.19	8.90	8.92	7.32	8.73	
Total Equity Composite	357,037,143	43.2	4.54	4.54	55.76	11.84	13.41	10.01	11.27	12/01/2009
Total Equity Policy			5.06	5.06	56.67	12.37	13.80	10.55	11.66	
Total Domestic Equity Composite	198,650,816	24.0	5.81	5.81	58.83	15.89	15.67	12.34	13.54	12/01/2009
Total Domestic Equity Policy			6.35	6.35	62.53	17.12	16.64	13.79	14.86	
Total International/Global Equity Composite	158,386,327	19.1	2.99	2.99	51.97	7.10	10.67	6.78	7.33	01/01/2010
Total International Policy			3.60	3.60	50.03	7.02	10.28	5.41	5.92	
Total Fixed Income Composite	209,846,910	25.4	-0.94	-0.94	7.03	5.03	5.02	4.78	4.90	01/01/2010
Total Fixed Policy			-2.93	-2.93	1.78	4.50	3.02	3.07	3.42	
Total Core Fixed Income Composite	114,498,571	13.8	-2.97	-2.97	3.03	4.24	2.65	3.00	3.32	01/01/2010
Total Domestic Fixed Policy			-3.38	-3.38	0.71	4.65	3.08	3.10	3.45	
Total Non-Core Fixed Income Composite	95,348,339	11.5	1.23	1.23	11.53	6.01	7.80	N/A	7.33	09/01/2011
Blmbg. Barc. U.S. Universal Index			-3.05	-3.05	2.95	4.86	3.59	3.77	3.42	
Total Real Estate Composite	74,166,463	9.0	1.77	1.77	-0.81	1.95	5.45	8.71	8.71	04/01/2011
NCREIF Fund Index-ODCE (EW)			2.25	2.25	2.91	5.29	6.52	9.81	9.81	
Total Real Assets & MLPs Composite	67,282,200	8.1	4.73	4.73	21.55	1.55	4.43	1.68	1.58	03/01/2011
50% Blmbg. Barc. Agg/ 50% Alerian MLP			8.80	8.80	47.54	3.94	2.90	2.45	2.41	
Total Private Equity Managers	95,917,453	11.6	-0.21	-0.21	7.42	3.29	7.53	8.79	16.30	07/01/2010
Cambridge Associates Private Equity Index			0.00	0.00	22.32	10.42	13.20	12.31	13.36	
Cash Accounts Composite *	22,859,832	2.8	0.00	0.00	0.03	1.25	N/A	N/A	1.23	08/01/2017
** R&D Account only	22,674,862	2.7								

Returns for periods of greater than one year are annualized. Returns are expressed as %.

*Cash accounts composite includes R&D, and cash from private funds. ** R&D line is included in the cash accounts composite.

Green marks indicate >+1.% difference from BM, yellow marks indicate <-1.% difference from BM. Only applies to 5+years for closed end funds.

Managers shown in orange indicate managers on watchlist, any deviance from BM highlighted.



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AndCo uses time-weighted calculations which are founded on standards recommended by the CFA Institute. The calculations and values shown are based on information that is received from custodians. AndCo analyzes transactions as indicated on the custodian statements and reviews the custodial market values of the portfolio. As a result, this provides AndCo with a reasonable basis that the investment information presented is free from material misstatement. This methodology of evaluating and measuring performance provides AndCo with a practical foundation for our observations and recommendations. Nothing came to our attention that would cause AndCo to believe that the information presented is significantly misstated.

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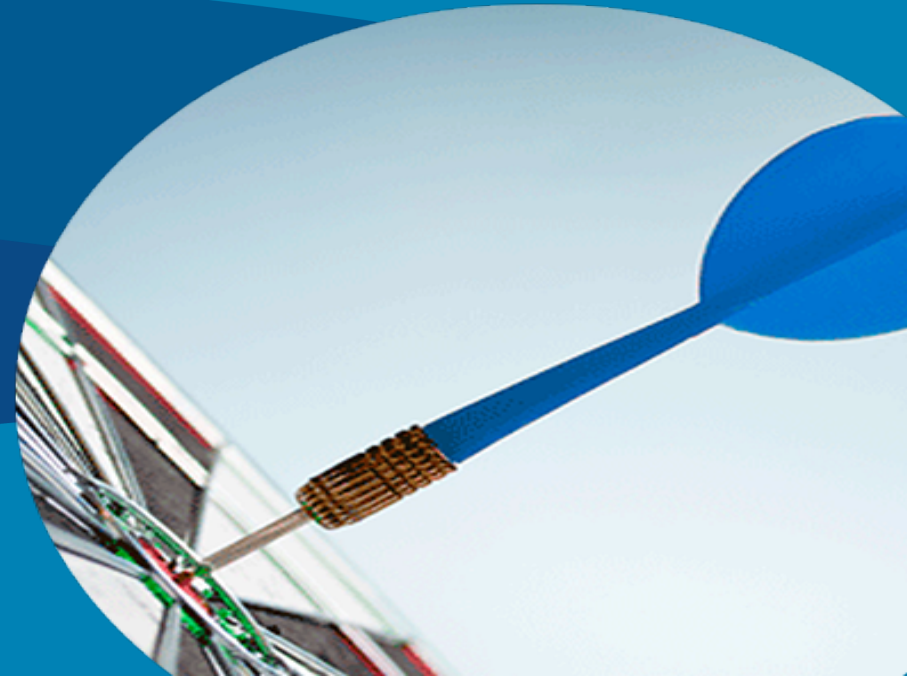
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DFW International Airport

Summary of January 1, 2021
Actuarial Valuations
June 1, 2021



Actuarial Valuations

- Prepared annually each year as of January 1st,
 - Using generally accepted actuarial principles and practices and compliant with the Actuarial Standards of Practice
- Purposes:
 - Measure the actuarial liabilities of the DFW Pension and OPEB Plans
 - Determine actuarial required contributions necessary to meet Board's funding objectives
 - Provide other information for external financial reporting
 - Explain changes in actuarial condition of the plans
 - Track changes over time
- **The retirement incentive program is not reflected in any of the numbers that follow. This will be addressed in 2022.**

Highlights (Pension Plans)

- Pension Plans investment performance was lower than expected actuarial assumptions
 - Actual market return of 6.5%
 - Expected 7.25%
 - 2020 shortfall of investment income \$4.9 million
 - Compared to \$35.6 million excess in 2019
 - Most plans that measure on a calendar year basis earned between 5% and 13% in 2020
 - Airport's investment philosophy with pension trust assets lowers volatility (in other words higher lows and lower highs)
- As of January 1, 2021 the pension plans had \$808 million combined in assets (market value)

Highlights (Pension Plans)

- Valuations use smoothed value of assets (Actuarial Value)
 - \$4.9 million shortfall in investment income in 2020
 - Offset by \$8.8 million of prior years' remaining deferred investment excess
 - \$3.9 million in net investment excess to be recognized in this and future valuations
- Actuarial value of assets increased \$1.6 million
- Both Pension Plans experienced liability gains, totaling \$19.5 million
 - Lower than expected salary increases for both groups were 65% of gains
 - Most of the remaining gain was due to the Cost-of-Living Adjustment for retirees being less than assumed

Funding Cost Summary Information for Pension Plans

(\$ in millions)

<u>Cost Item</u>	January 1, 2020			January 1, 2021			<u>Combined Change</u>
	<u>EE Plan</u>	<u>DPS Plan</u>	<u>Combined</u>	<u>EE Plan</u>	<u>DPS Plan</u>	<u>Combined</u>	
Actuarial Assets	\$543.6	\$212.9	\$756.4	\$574.0	\$231.1	\$805.1	\$48.7
Unfunded Liability	\$89.7	\$49.1	\$138.9	\$71.9	\$41.9	\$113.8	-\$25.0
Funded Ratio	85.8%	81.2%	84.5%	88.9%	84.6%	87.6%	3.1%
Funding Requirement	\$19.1	\$10.0	\$29.0	\$16.8	\$9.5	\$26.3	-\$2.7
Amortization period in years			15	13.9*	13.9*		

*Weighted average amortization period

Highlights (OPEB Plan)

- On a funding basis, the OPEB Plan is funded at 124.7%
 - Assets exceed liabilities by \$6.2 million
 - Good claims experience
 - Return on assets was 12.4%
- Annual recommended contribution decreased 15%
 - Approximately \$0.2 million

OPEB Funding Results

(\$ in millions)			
Valuation Date	Jan. 1, 2020	Jan. 1, 2021	Change
Actuarial Value of Assets	\$28.7	\$31.3	\$2.6
Unfunded Accrued Liability	-\$3.6	-\$6.2	-\$2.6
Funded Ratio	114.3%	124.7%	10.4%
Funding Requirement	\$1.17	\$1.00	-\$0.17
Amortization Period	17 years	16 years	

Benchmarking

- DFW's funded ratios are above average for Texas public sector plans
 - General Employees Plan is 88.9%
 - DPS Employees Plan is 84.6%
- The average funded ratio for Texas public sector plans is 77%
- For the 41 plans with at least \$100 million in assets, only 5 have a shorter amortization period of the unfunded liability than the DFW plans

Closing

- Assuming current assumptions and funding policies, the following are expected for the pension plans:
 - The unfunded liabilities are projected to decline
 - The funded ratios are expected to improve
 - The weighted amortization period for amortizing the unfunded liabilities are expected to decrease

Closing

- The required contributions for the General Employees and DPS plans for the next fiscal year are about \$2.7 million less than this fiscal year
 - Due to actuarial gains on investments and liabilities
- Required OPEB contribution is about \$0.2 million less than last year
 - Due to investment and liability gains
- Combined, the Pension and OPEB Plans' Net Unfunded Liabilities decreased by almost \$28 million this year

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation reports issued on May 11, 2021. This presentation should not be relied on for any purpose other than the purpose described in the valuation and financial reports.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.

4. Asset Management Agreement with Centerbridge Partners

PURPOSE:

Authorize Asset Management Agreement with Centerbridge Partners for their Centerbridge Partners Real Estate Fund II, in a commitment amount of \$7.5 million

DESCRIPTION:

- Real Estate
- Expected gross return of 15% to 18% net IRR and 1.8x multiple on invested capital
- Management fee of 1.4% on committed capital, 1.25% on invested capital. Performance fee of 20% after an 8% hurdle.
- Funding will come from existing real estate funds.

\$7.5 million

ACTION
AMOUNT

Retirement Funds

FUNDING
SOURCE(S)

N/A

D/S/M/WBE
PARTICIPATION

5. Asset Management Agreement with Strategic Value Partners

PURPOSE:

Authorize Asset Management Agreement with Strategic Value Partners for their Strategic Value Special Situations V, in a commitment amount of \$10 million.

DESCRIPTION:

- Non-core Fixed Income
- Expected gross return of 15% net multiple of 1.8x
- Management fee of 1.75% during the investment period. Performance Fee of 20% after an 8% hurdle.
- Funding will come from existing credit funds and the annual sponsor contribution

\$10 million

ACTION
AMOUNT

Retirement Funds

FUNDING
SOURCE(S)

N/A

D/S/M/WBE
PARTICIPATION

6. Asset Management Agreement with Monroe Capital Partners

PURPOSE:

Authorize Asset Management Agreement with Monroe Capital Partners for their Monroe Capital Private Credit Fund IV, in a commitment amount of \$10 million

DESCRIPTION:

- Non-core Fixed Income
- Expected gross return of 9% to 12% net equity multiple of 1.5x
- Management fee of 1.5% on invested capital, possibly lowering to 1.25% on invested capital after the investment period ends. Performance Fee of 17.5% after a 6% hurdle.
- Funding will come from existing credit funds and the annual sponsor contribution

\$10 million

ACTION
AMOUNT

Retirement Funds

FUNDING
SOURCE(S)

N/A

D/S/M/WBE
PARTICIPATION



Operations Committee

June 1, 2021



11. Emergency Rescue Apparatus

PURPOSE:

Authorize execution of Purchase Order No. 278063, with Siddons Martin Emergency Group, LLC, of Denton, Texas.

DESCRIPTION:

Purchase two (2) Fire Trucks that have reached the criteria for replacement which is based upon: 10 years old; 75,000 miles; maintenance exceeds 25% of residual value; or annual downtime exceeds 600 hours.

Purchase a 2007 Oshkosh Stryker 3000 to replace current training apparatus for the Fire Training Research Center based upon: 10 years old; 75,000 miles; maintenance exceeds 25% of residual value; or annual downtime exceeds 600 hours.

\$2,978,531

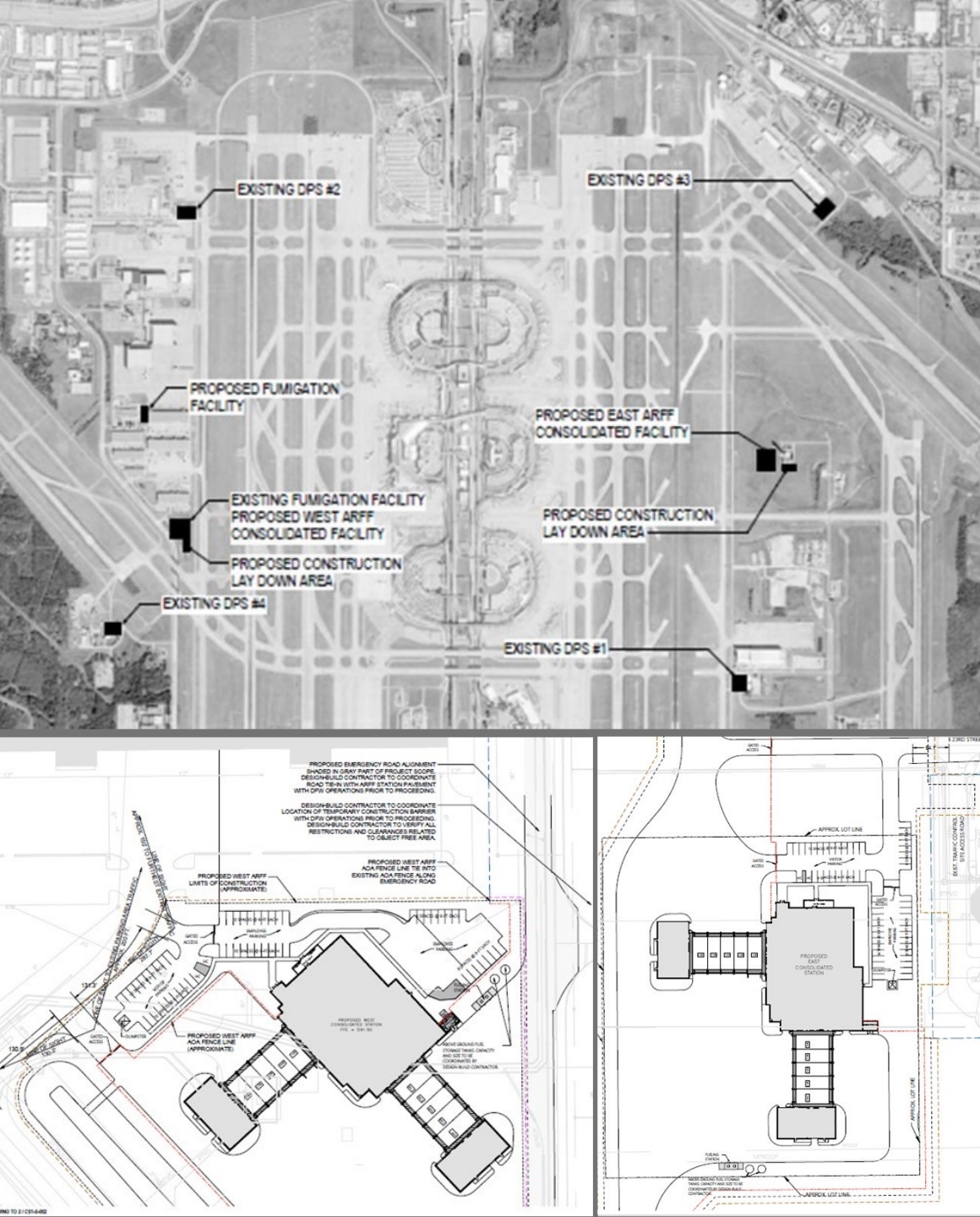
ACTION
AMOUNT

DFW Capital

FUNDING
SOURCE(S)

N/A

D/S/M/WBE
PARTICIPATION



12. Aircraft Rescue and Fire Fighting Station Consolidation

PURPOSE:

Delegates authority to CEO or his designee to determine which solicitation method, other than competitive bidding, provides the best value for the Board to procure construction services for Aircraft Rescue and Fire Fighting Station Consolidation using a method authorized under the Texas Government Code.

DESCRIPTION:

Chapter 2269, Section B of the Texas Government Code authorizes the Board to consider procuring a construction Contract using an alternative project delivery method, other than competitive bidding, that is available under the statute and may provide a better value.

This Action satisfies the delegation and notice requirements of the law.

\$0

ACTION
AMOUNT

N/A

FUNDING
SOURCE(S)

0%

D/S/M/WBE
PARTICIPATION

An aerial photograph of the Dallas/Fort Worth International Airport (DFW) cargo buildings at dusk. The sky is a deep blue, and the airport's lights are visible in the background. The cargo buildings are large, modern structures with flat roofs and numerous skylights. The main terminal building is visible in the distance, illuminated by its own lights.

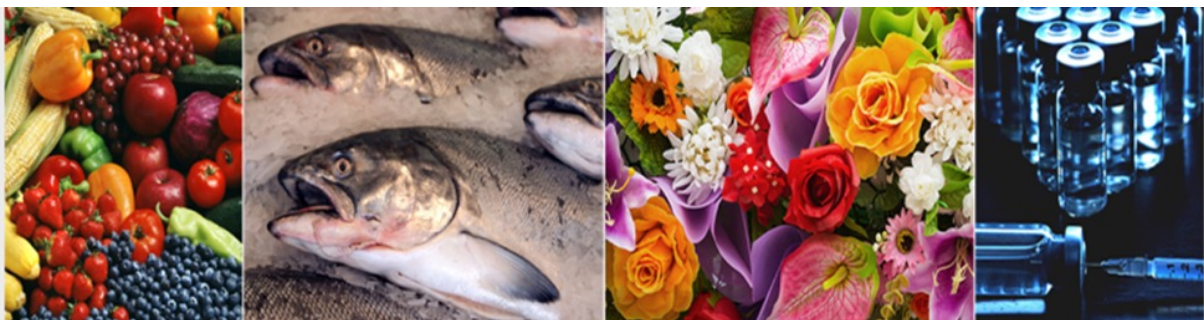
Demolition of Northwest Air Cargo Buildings

John Ackerman- Executive Vice President Global Strategy and Development



DFW Cargo business goals

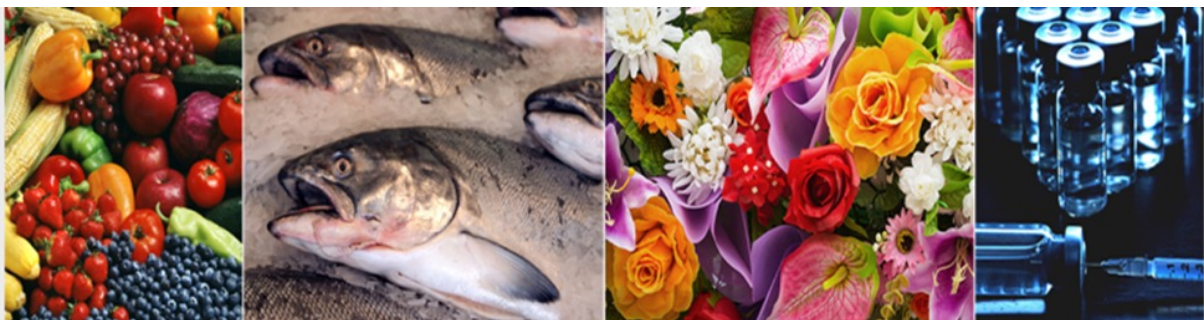
- Develop infrastructure to support international e-commerce
- Promote DFW Cargo cloud to transform cargo to a digital process
- Expand pharma and perishable capabilities
- Develop cargo facilities and infrastructure for the future
- Establish DFW as the preferred cargo gateway connecting Asia and Latin America
- Strengthen DFW's position in the Mexico/US trans-border market
- Grow charter business





DFW Cargo business goals

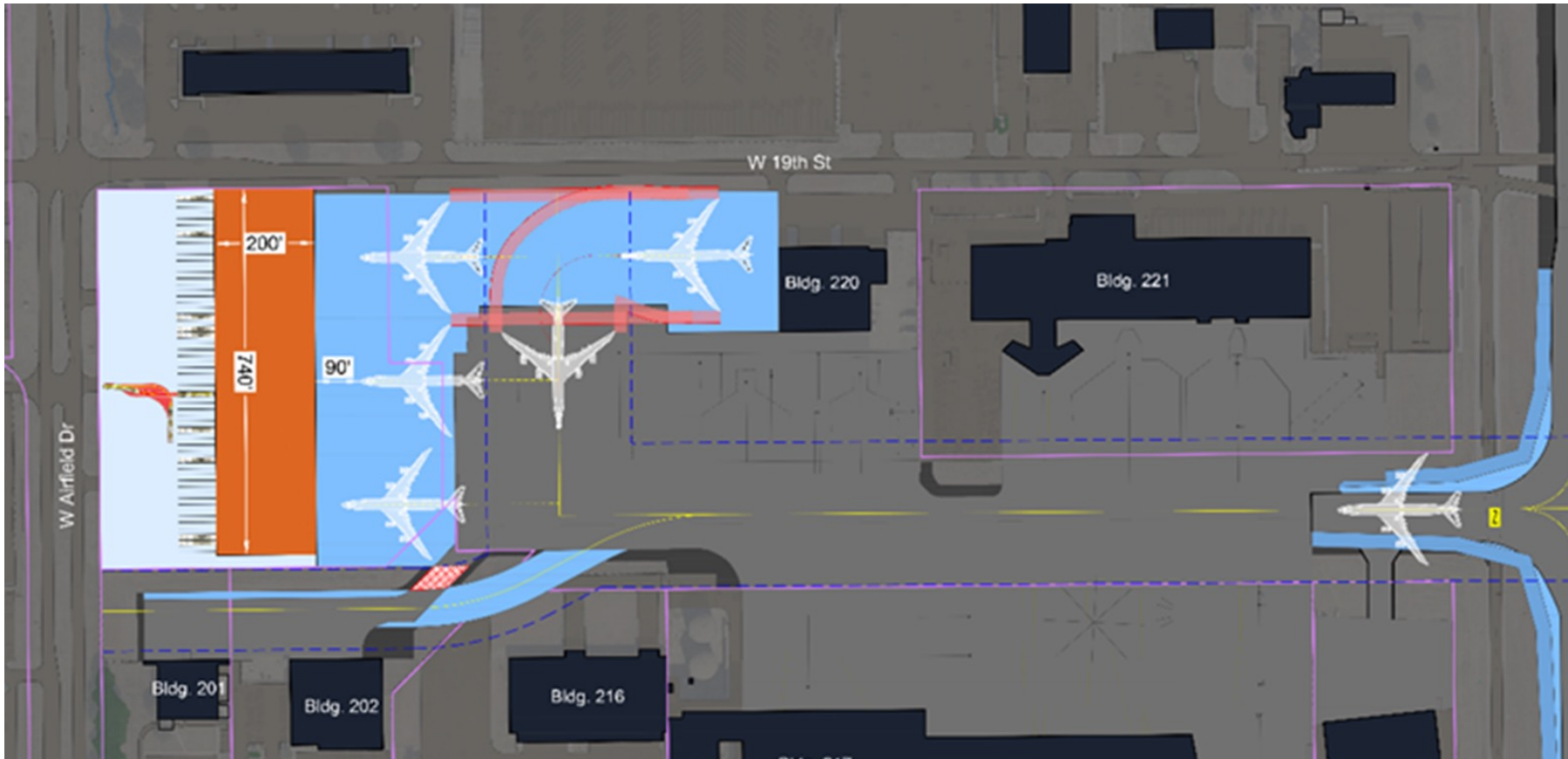
- Develop infrastructure to support international e-commerce
- Promote DFW Cargo cloud to transform cargo to a digital process
- Expand pharma and perishable capabilities
- **Develop cargo facilities and infrastructure for the future**
- Establish DFW as the preferred cargo gateway connecting Asia and Latin America
- Strengthen DFW's position in the Mexico/US trans-border market
- Grow charter business



Existing - Northwest Air Cargo Facilities



19th Street cargo redevelopment opportunity



Phase 1

- 3 aircraft parking positions
 - 148,000 square feet



Existing Evergreen and ABCD buildings showing existing AOA water filled barriers at location of the required temporary AOA Boundary



Aeroterm Buildings A,B,C,D

13. Demolition of Northwest Air Cargo Buildings

PURPOSE:

Authorize execution of Contract No. 9500743, with Veit & Company, Inc., of Rogers, Minnesota.

DESCRIPTION:

The Contract scope includes demolition of utilities and buildings at the Evergreen cargo building and four (4) Aeroterm buildings to prepare the site for future redevelopment opportunities.

Complete demolition of the five (5) buildings will include foundations and surrounding pavements from the Air Operations Area (AOA) to the west and north limits of the site.

\$3,109,361
ACTION
AMOUNT

DFW Capital
FUNDING
SOURCE(S)

38%
D/S/M/WBE
PARTICIPATION





14. Energy Plaza Condenser Water System Rehabilitation

PURPOSE:

Authorize execution of Contract No. 9500702, with Manhattan Construction Company, of Dallas, Texas.

DESCRIPTION:

This project will rehabilitate the Energy Plaza Condenser Water system, which is an essential component of the cooling system serving the Central Terminal Area including all passenger terminals.

The scope includes structural and mechanical repairs to original Airport utility infrastructure components, as well as safety improvements.

The project supports modernization of the Energy Plaza facility with new efficient and sustainable technologies, which will extend the useful service life and reduce operating and maintenance costs.

\$12,043,713

ACTION
AMOUNT

Joint Capital

FUNDING
SOURCE(S)

68%

D/S/M/WBE
PARTICIPATION



15. Conveyance Inspection Services

PURPOSE:

Authorize execution of Contract No. 7007048, with ATIS Elevator Inspections, LLC, of St. Louis, Missouri.

DESCRIPTION:

Replaces an existing Contract that has been in place for six (6) years.

The State of Texas requires annual inspections of elevators, escalators and moving sidewalks.

This Contract will provide conveyance inspection services for 368 conveyance units in the passenger terminals, Skylink Stations, and other Board facilities.

\$489,940

ACTION
AMOUNT

Operating Fund 10% Goal

FUNDING
SOURCE(S)

D/S/M/WBE
PARTICIPATION



16. Pest Management Services

PURPOSE:

Authorize execution of Contract No.7007021, with Prime Pest Management, of Carrollton, Texas.

DESCRIPTION:

Replaces an existing Contract that has been in place for five (5) years.

Provides pest management services in all Airport Managed buildings including Terminals, Airport and DPS Headquarters, Integrated Operations Center, Rental Car Center and Livewell.

The Contract provides for both routine scheduled maintenance and for ad-hoc responses to address specific issues, such as bees.

A total of 97 buildings with 6,750,388 square feet will receive scheduled maintenance. Another 151 structures will receive as needed services.

\$1,761,422 Operating Fund 13% Goal

ACTION
AMOUNT

FUNDING
SOURCE(S)

D/S/M/WBE
PARTICIPATION



17. Skylink Operations and Maintenance

PURPOSE:

Authorize execution of Contract No. 7007022, with Alstom Group (formerly Bombardier), of Pittsburgh, Pennsylvania.

DESCRIPTION:

Replaces an existing Contract that has been in place for ten (10) years.

This Contract will continue to facilitate optimal operation and maintenance of the entire Skylink System through a fully staffed and trained Operation and Maintenance work force.

The Contract will also continue to improve the operational efficiency of the Skylink System by renewing critical subsystems as they reach the end of their designed life. These items will be presented to the Board for approval in the future.

Provides inter-terminal connectivity enhancing the customer experience.

\$226,186,733

ACTION
AMOUNT

Various

FUNDING
SOURCE(S)

20% Goal

D/S/M/WBE
PARTICIPATION

Concessions/ Commercial Development Committee

June 1, 2021



21. Revise the Entity and Re-concept Rio Mambo Located in Terminal D

PURPOSE:

Revise the entity of Lease No. 009775 and re-concept Rio Mambo located in Terminal D to Whataburger, a Texas-based brand, to appeal to a wider mix of passengers.

DESCRIPTION:

The entity will be changed from Air Star/LTX Marquis DFW, LLC to Air Star-JavaStar, LLC. Concessionaire will re-concept Rio Mambo in Terminal D12 to a Whataburger. The Whataburger menu will feature breakfast items, hamburgers, chicken, fries, desserts, beverages, shakes and other Whataburger brand items.



N/A

ACTION
AMOUNT

N/A

FUNDING
SOURCE(S)

30% Goal

D/S/M/WBE
PARTICIPATION



22. Luggage Cart Operations

PURPOSE:

Execute contract No. 7007063 for the installation, maintenance, operation and management of the luggage cart operations throughout the terminals, parking garages, and Rental Car Facility with APS USA LLC, of Miami, Florida for an initial five-year term in an amount not to exceed \$4,777,600.00 with options to renew for six additional one-year periods. Reject bids for solicitation 7007067 for rental or purchase options in favor of full-service Contract.

DESCRIPTION:

APS USA LLC will provide maintenance, operation, and management of the luggage cart operations through the terminals, parking garages, and Rental Car Facility. This consists of 56 dispensing and return units for an average of 2500 carts around the property.

\$4,777,600

ACTION
AMOUNT

Operating Fund

FUNDING
SOURCE(S)

**15% Goal
25% commitment
D/S/M/WBE
PARTICIPATION**

Finance/Audit Committee

June 1, 2021



KPIs and Financial Report – FY 2021

Seven months ending April 30, 2021 – Unaudited

Key Performance Indicator Scorecard

Seven months ending April 30, 2021 – Unaudited

(\$ in millions)

Key Performance Indicator	Year-To-Date					FY 2021	
	FY 2020 Actuals	FY 2021 Actuals	FY 2021 Budget	Actuals vs. Budget Increase/(Decrease)			Annual Budget
Application of CARES Proceeds	\$0.0	\$69.6	\$70.0	(\$0.4)	(0.5%)	<div></div>	\$128.3
Total Expenditure Budget	\$574.2	\$534.3	\$547.4	(\$13.1)	(2.4%)	<div></div>	\$963.4
Total Passengers (Ms)	33.93	25.60	25.34	0.25	1.0%	<div></div>	53.1
Total Landed Weights (Bs)	24.4	20.6	21.4	(0.8)	(3.7%)	<div></div>	42.0
Results Status Bar	<div><div></div> Improved/Constant</div> <div><div></div> Worse</div>						

Application of CARES Proceeds

Seven months ending April 30, 2021 – Unaudited

	Year-to-Date (\$ in millions)			
	April Actuals	April Budget	Actuals vs. Budget Favorable/(Unfavor)	
DFWCC Revenues*	\$144.1	\$148.4	(\$4.3)	(2.9%)
Airfield & Terminal Revenues*	312.6	321.4	(8.8)	(2.7%)
Total Revenues *	456.8	469.9	(13.1)	(2.8%)
Total Expenditures	534.3	547.4	13.1	2.4%
Passenger Facility Charges	47.8	47.5	0.4	0.8%
Net Variance			<u><u>\$0.4</u></u>	

* Excludes CARES revenues

DFW Cost Center

Seven months ending April 30, 2021 – Unaudited

	Year-To-Date					FY 2021
	FY 2020 Actuals	FY2021 Actuals	FY 2021 Budget	Actuals vs. Budget Increase/(Decrease)		Annual Budget
Revenues						
Parking	\$80.1	\$45.6	\$47.9	(\$2.2)	(4.7%)	\$107.6
Concessions	44.8	31.7	35.0	(3.3)	(9.4%)	69.8
Rental Car	16.8	15.3	12.9	2.4	18.8%	25.1
Commercial Development	31.5	34.4	33.4	1.0	3.0%	57.4
Other Revenues	26.5	17.2	19.3	(2.2)	(11.3%)	34.5
Total Revenues before CARES	199.6	144.1	148.4	(4.3)	(2.9%)	294.4
DFW CC Expenditures						
Operating Expenditures	79.2	61.6	65.0	(3.5)	(5.3%)	119.6
Debt Service, net	38.4	35.7	36.7	(1.0)	(2.6%)	55.3
Total Expenditures	117.7	97.3	101.7	(4.4)	(4.4%)	175.0
Gross Margin - DFW Cost Center	81.9	46.8	46.7	0.1	0.3%	119.4
Less Transfers and Skylink						
DFW Terminal Contribution	1.6	1.7	1.7	0.0	0.0%	2.8
Skylink Costs	23.6	25.5	25.6	(0.1)	(0.5%)	43.6
Net Revenues before CARES	56.7	19.6	19.4	0.2	1.3%	73.0
CARES Revenues	0.0	49.4	49.6	(0.2)	(0.0)	91.0
Net Revenues	\$56.7	\$69.0	\$69.0	\$0.0	0.0%	\$164.0

Airfield and Terminal Cost Centers

Seven months ending April 30, 2021 – Unaudited

	Year-To-Date				FY 2021	
	FY 2020 Actuals	FY2021 Actuals	FY 2021 Budget	Actuals vs. Budget Increase/(Decrease)		Annual Budget
Revenues						
Landing Fees	\$55.6	\$45.9	\$47.5	(\$1.6)	(3.5%)	\$93.5
Other Airfield	6.1	7.4	6.8	0.6	8.3%	10.7
Transfer from DFW Cost Center	11.9	40.8	40.8	(0.0)	(0.0%)	70.0
Total Airfield Revenue	73.6	94.1	95.1	(1.1)	(1.1%)	174.2
Terminal Leases	193.6	192.7	193.6	(0.9)	(0.5%)	331.8
FIS Fees	11.7	6.7	6.7	(0.1)	(1.2%)	15.3
Turn Fees	12.3	7.1	12.7	(5.7)	(44.6%)	24.7
Other Terminal	14.3	10.5	11.6	(1.1)	(9.3%)	20.8
Total Terminal Revenues	232.0	216.9	224.6	(7.7)	(3.4%)	392.7
DFW Terminal Contributions	1.6	1.7	1.7	0.0	0.0%	2.8
Total Revenues before CARES	307.3	312.6	321.4	(8.8)	(2.7%)	569.7
Expenditures						
Operating Expenditures	187.9	184.0	187.1	(3.1)	(1.7%)	338.4
Debt Service, net	158.8	161.0	166.8	(5.8)	(3.5%)	268.7
Total Expenditures	346.7	345.0	354.0	(8.9)	(2.5%)	607.0
Net Income/(Loss) before CARES	(39.4)	(32.4)	(32.5)	0.1	(0.4%)	(37.3)
CARES Revenues	0.0	20.2	20.4	(0.1)	(0.6%)	37.3
Net Income/(Loss)	(\$39.4)	(\$12.2)	(\$12.2)	(\$0.0)	0.0%	(\$0.0)

Operating Fund – Total Expenditures

Seven months ending April 30, 2021 – Unaudited

	Year-To-Date					FY 2021
	FY 2020 Actuals	FY2021 Actuals	FY 2021 Budget	Actuals vs. Budget Increase/(Decrease)		Annual Budget
Operating Expenditures						
Salaries and Wages	\$94.4	\$92.2	\$93.9	(\$1.7)	(1.8%)	\$166.3
Benefits	41.8	40.5	42.8	(2.3)	(5.4%)	74.4
Facility Maintenance Contracts	45.4	45.9	48.1	(2.2)	(4.6%)	86.2
Other Contract Services	61.1	53.9	54.1	(0.2)	(0.4%)	96.4
Utilities	16.1	15.0	13.5	1.5	11.0%	26.1
Equipment and Other Supplies	11.0	9.2	9.7	(0.5)	(5.2%)	17.9
Insurance	3.5	5.0	5.2	(0.2)	(4.6%)	10.0
Fuels	1.9	1.2	1.6	(0.4)	(24.2%)	3.2
General, Administrative, and Other	3.5	2.0	2.7	(0.7)	(25.4%)	12.4
Change in Operating Reserves	8.1	2.2	2.2	0.0	0.0%	2.2
Total Operating Expenditures	286.7	267.2	273.9	(6.7)	(2.5%)	495.2
Debt Service, gross	287.5	267.1	273.5	(6.4)	(2.3%)	468.2
Total Operating Fund Expenditures	\$574.2	\$534.3	\$547.4	(\$13.1)	(2.4%)	\$963.4

An aerial photograph of the DFW International Airport at dusk. The main terminal building is illuminated, and its long, straight roofline stretches across the foreground. The sky is a deep blue, and city lights are visible in the distance.

FY22 Budget Process Preview

Finance Committee

June 1, 2021



Overview

Overall Goals

Passenger Summary

FY22 Target

Expenditure Assumptions

Remaining Schedule

Overall Goals

Have reasonable Expenditure Budget increase using FY19 Actuals as the basis

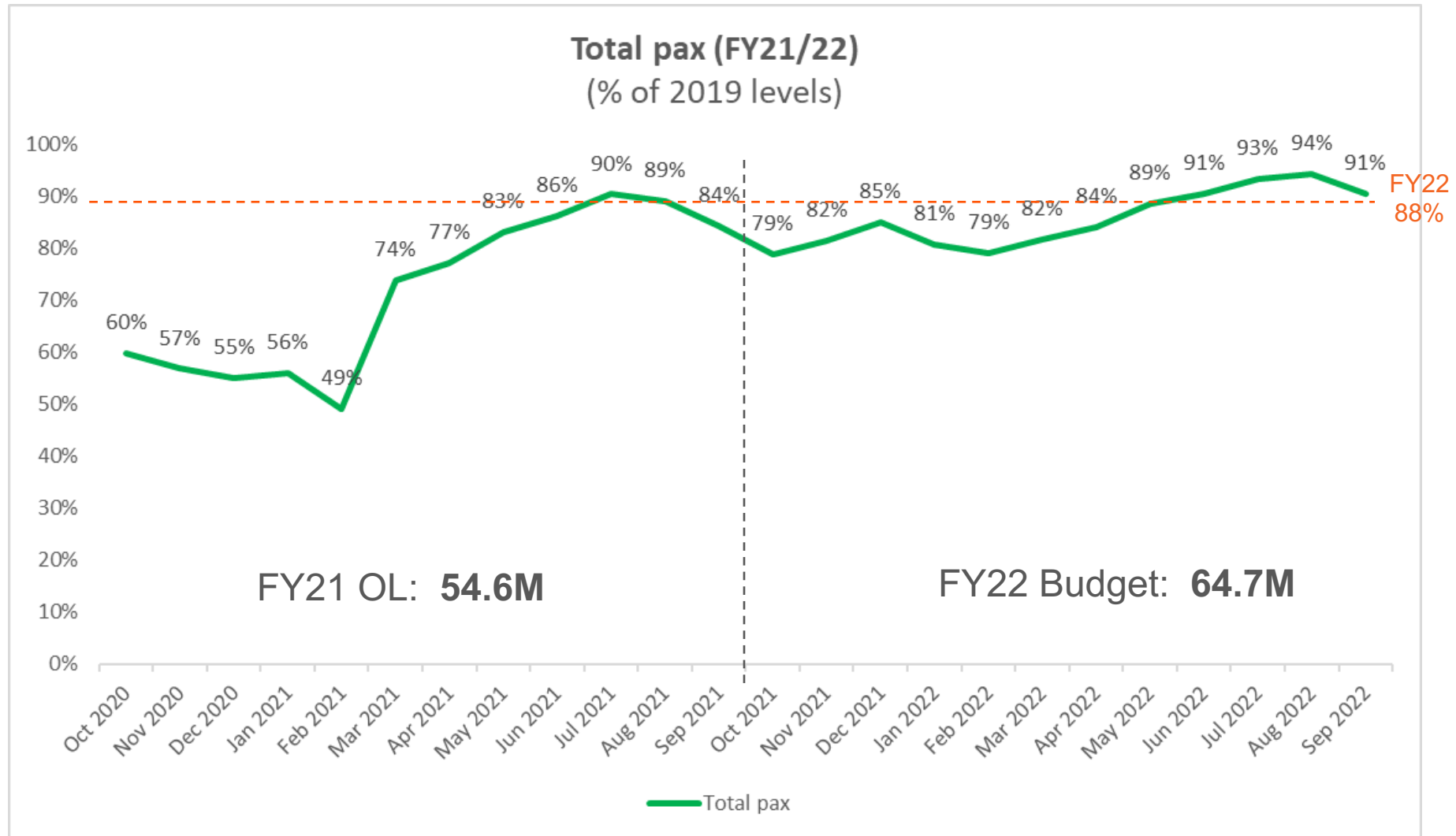
Utilize Federal Relief Proceeds as necessary to cover DFW Cost Center shortfalls and to achieve new Use Agreement goals

- Currently estimate between \$280M and \$300M of Relief Proceeds will be available

Remain flexible with airline rates and charges revenue assumptions due to Use Agreement negotiations



Total traffic projected to approach 88.3% of FY19*



Passenger Summary

This passenger forecast mix is expected to result in lower DFWCC revenues of approximately \$60-\$70 million from FY 2019 actuals. Federal Relief Proceeds will offset this shortfall.

	FY22	FY21	YOY	FY19	FY22 v 19
Total pax	64.7	54.6	18.4%	73.3	-11.7%
OD pax	22.1	17.6	25.5%	30.3	-27.0%
Cnx pax	42.6	37.0	15.0%	43.0	-1.0%
Intl pax	5.7	4.8	17.9%	9.4	-39.7%
Dom pax	59.0	49.8	18.4%	63.9	-7.6%
Cnx pax %	65.8%	67.8%		59%	
Intl pax %	8.8%	8.8%		13%	

FY22 OPEX Budget Base Target

COVID has caused DFW to take a different approach to budgets this year.

Bottom-up Approach:

- Base year - FY19 actuals, since FY22 will more closely resemble a “normal” year
- Add escalation adjustment
- Less an adjustment since passengers are 12% lower than FY19
- Add fixed cost increases for new facilities and other (e.g., IOC, D South)
- Adjust for permanent savings identified in the FY20 Budget Process

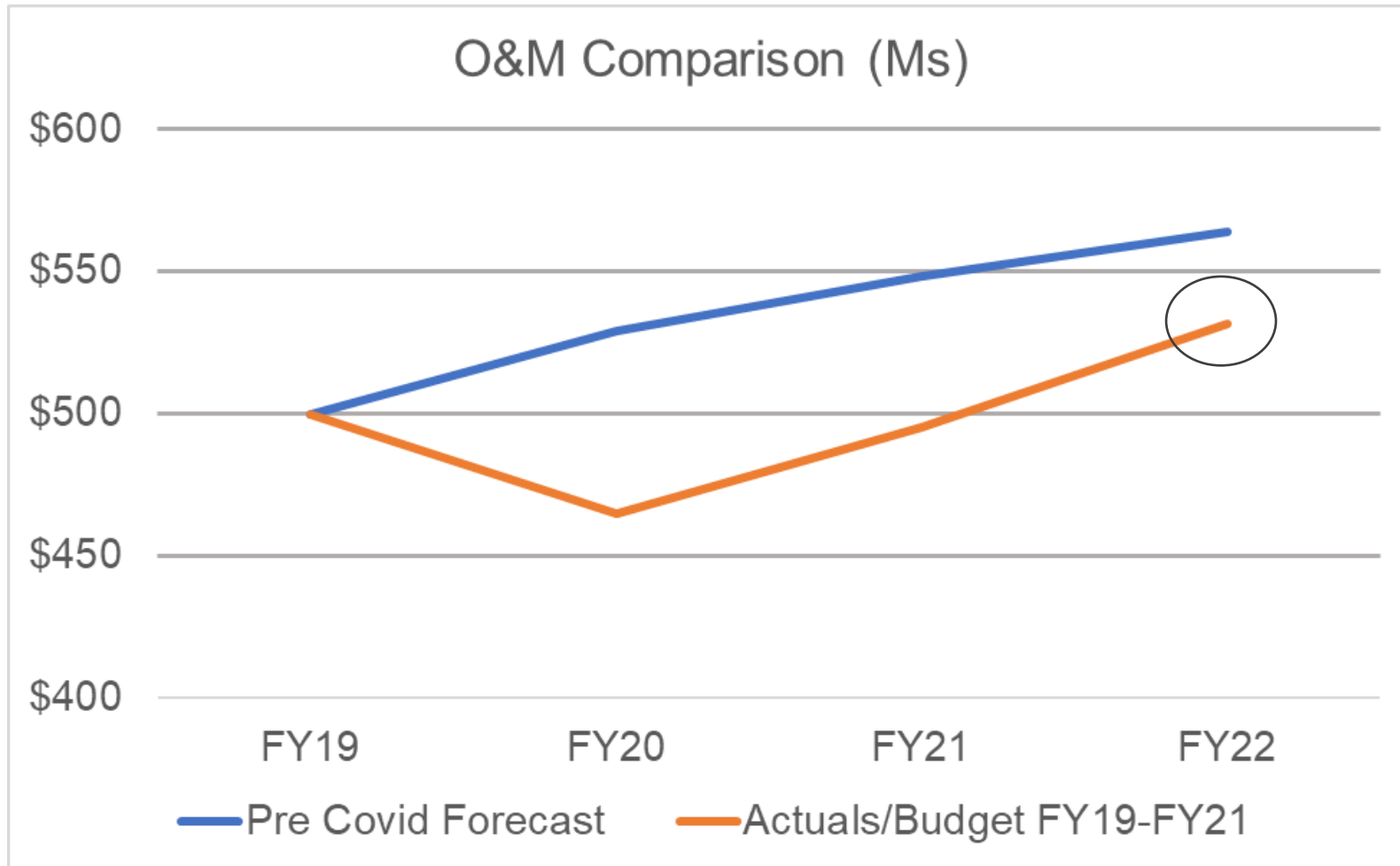
Top-down Approach:

- Compare FY22 budget target with pre-COVID projections for reasonableness



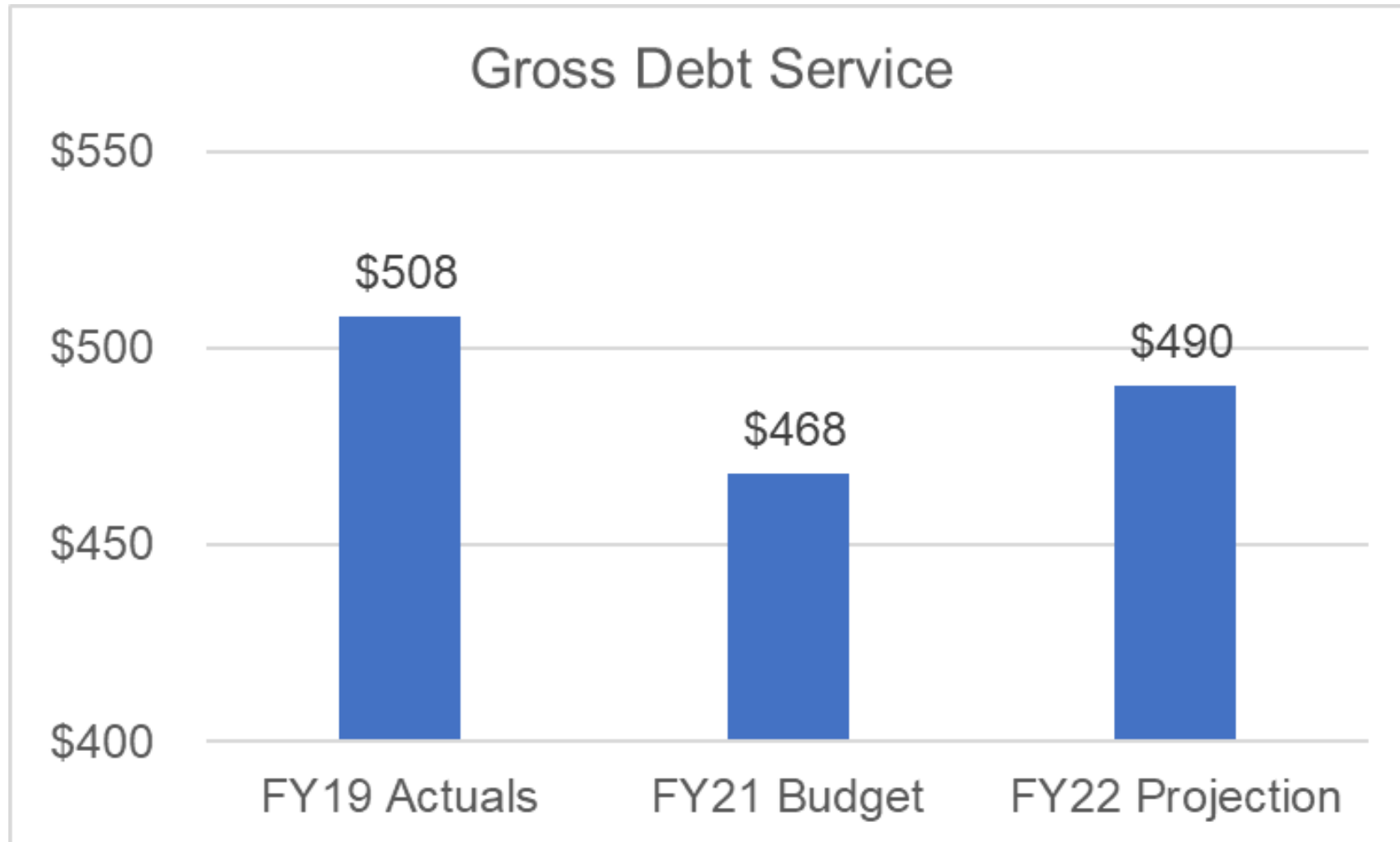
FY22 Base Budget, Before New Investments

Final OPEX budget recommendation to be somewhere in the range of the circle.



Debt Service Budget

Projected debt service for FY22 is lower than FY19 due to past refundings.



FY22 Budget Process

Different process in FY22 due to Use Agreement negotiations

- Budget Book will only contain expenditures, DFW Cost Center revenues and total airline revenue
- Budget comparisons will be to FY19 Actuals
- Airline rates and charges will be presented in September for approval

Schedule:

June/July

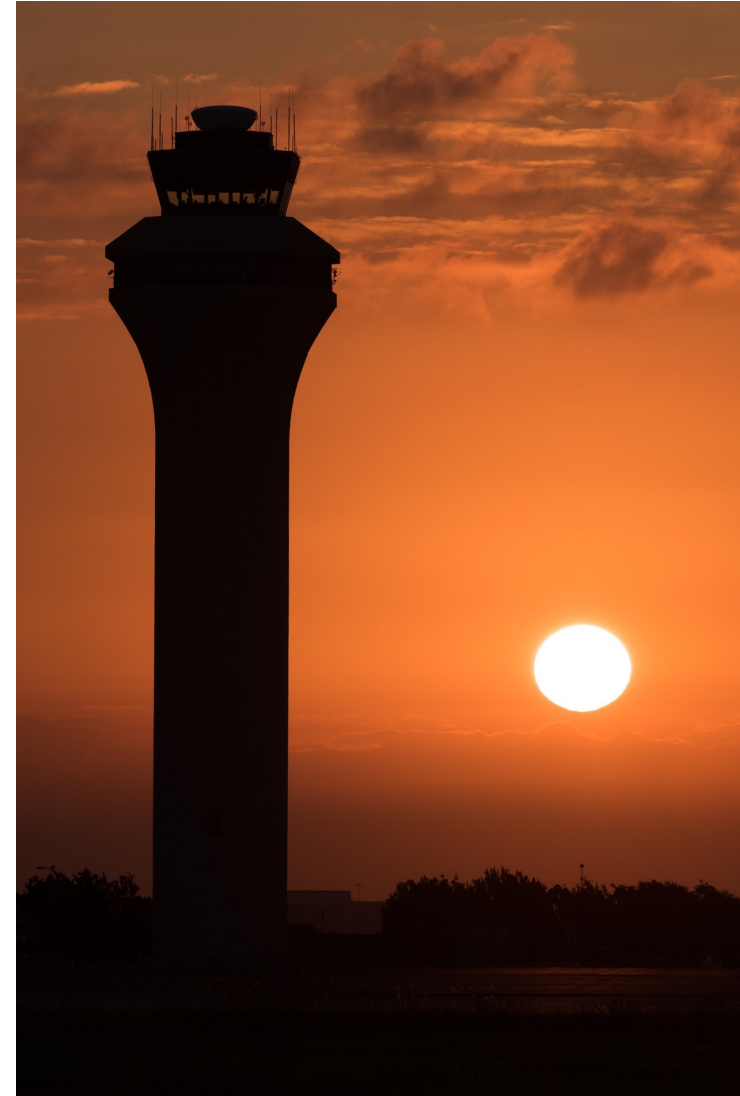
- Management to develop budget
- Budget book sent to Board (week before Committee meeting)

August 4-6

- Finance Committee and Board review and approval of Expenditure Budget

August 31 - September 2

- Finance Committee and Board review and approval of Rates and Charges





32. American Airlines - Reimbursement Agreement – Construction and Installation of Terminals A & C Pre-Conditioned Air Units

PURPOSE:

Approve a Reimbursement Agreement with American for the construction and installation of Terminals A & C pre-conditioned air (PCA) units in an amount not to exceed \$5,500,000.00

DESCRIPTION:

This project includes:

- Installation of thirty-four 45-ton PCA air handling units and new pantograph for Terminal A and C bridges
- Construction to reconfigure all existing air handling unit utilities in Terminals A & C and to upgrade Terminal C power feed for three jet bridges in Terminal C and upgrade to existing utilities for all Terminal C bridges

PCA units are critical to aircraft operations and are performing below expected level, resulting in hot aircraft and excessive APU fuel burn for aircraft at the gate.

Project implementation can be more efficiently planned and completed by AA as the impacts and limited use of certain gates and terminal facilities will require close coordination with multiple AA teams.

\$5,500,000

ACTION
AMOUNT

Joint Capital

FUNDING
SOURCE(S)

71.6%

D/S/M/WBE
PARTICIPATION



33. American Airlines - Reimbursement Agreement – Construction of the Fit-Out for Terminal C High Gates

PURPOSE:

Approve a Reimbursement Agreement with American for the construction of the fit-out for the Terminal C high gates in an amount not to exceed \$28,627,314.00

DESCRIPTION:

This project has multiple components, some managed by AA under multiple reimbursements and some by DFW

- DFW managed the demolition of existing facility, and the design and construction of the base building (shell and core) for the new five-gate concourse
- AA managed the design and construction of the enabling projects required to relocate AA and other employee groups that were housed in the existing structure.
- AA is managing the design and construction of the fit-out components (including, but not limited to, floors, ceilings, wall and window coverings, furniture, signage, and AA operations space) of the new facility

The design portion of the fit-out in the amount of \$1,500,000 for the Terminal C High gates was previously approved by Board action in September 2020

\$28,627,314

ACTION
AMOUNT

Joint Capital

FUNDING
SOURCE(S)

34.8%

D/S/M/WBE
PARTICIPATION

34. Electronic Solicitations Rules for Airport Procurements

PURPOSE:

Electronic submissions for Airport procurement solicitations will increase competition, reduce costs associated with the solicitation process, and streamline the procurement of goods and services.

DESCRIPTION:

Chapter 252 of the Texas Local Government Code authorizes municipalities to receive competitive bids and proposals through electronic submission if the governing body adopts rules to ensure the identification, security and confidentiality of electronic bids and proposals, and to ensure that they remain unopened until the proper time.

The proposed rules in Exhibit A will satisfy the State requirement.

N/A

ACTION
AMOUNT

N/A

FUNDING
SOURCE(S)

N/A

D/S/M/WBE
PARTICIPATION

35. 2021 Winter Weather Event Emergency Purchases

PURPOSE:

Ratify purchases for the Airport's response to the February 2021 Winter Weather Event.

DESCRIPTION:

The purchases were made to address emergency purchases of goods and services, equipment and facility repairs, snow removal, and other areas of concern created by the event in accordance with applicable Federal, State and Local laws, ordinances, rules, regulations and protocols.

\$6,615,611.00

ACTION
AMOUNT

Various

FUNDING
SOURCE(S)

N/A

D/S/M/WBE
PARTICIPATION

36. Services to Migrate Enterprise Data Warehouse to a cloud-based Data Warehouse

PURPOSE:

- Award Contract 8005410 with Armeta Analytics, Inc., of Dallas, Texas.

DESCRIPTION:

- This Action will provide for the movement of the Airport’s on-premise data warehouse to a high-performance cloud solution and supports continued investment in a Data Analytics Platform recommended to support our Digital Strategy
- The migration enables more data-centric decisions based on insights derived from historic and near real-time operational data



\$545,000

ACTION
AMOUNT

Capital

FUNDING
SOURCE(S)

N/A

D/S/M/WBE
PARTICIPATION

37. Content Management System Digital Experience Gate Area of the Future



PURPOSE:

- Increase Contract 8005340 with Synect, LLC, of Redmond, Washington in support of the Airport's Digital Strategy.

DESCRIPTION:

- Initial scope to implement new software part of Terminal D South.
- Increase will bring that customer-centric software to Terminal C High Gates project and proposed curbside displays.
- It will also include multilingual digital communication with passengers at international arrivals and TSA checkpoints
- As digital assets and touchpoints continue to expand throughout the Airport, the Airport will standardize future content needs wit this new system.

\$997,135

ACTION
AMOUNT

Capital

FUNDING
SOURCE(S)

N/A

D/S/M/WBE
PARTICIPATION

The Airport Board is now in Closed Session

We will resume shortly. Thank you for your patience.



39. 2021 Cyber and Technology E&O Liability Insurance

PURPOSE:

Authorize the Airport’s Risk Management Department to bind coverage for the Cyber Liability (incl. Technology Errors & Omissions) insurance policy effective May 3, 2020.

DESCRIPTION:

Coverage will protect the board from paying high dollar insurance claims that result from cyber and software-related perils.



\$318,150	Operating Fund	N/A
ACTION AMOUNT	FUNDING SOURCE(S)	D/S/M/WBE PARTICIPATION