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# Please silence all electronics at this time

The meeting will begin soon.



# Retirement/Investment Committee

March 1, 2022

Investment Performance Review  
Period Ending December 31, 2021

## **Dallas / Ft. Worth International Airport**

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# Dallas / Fort Worth International Airport

	Total	Pension	OPEB
Balance 1/1/2021	\$863.4	\$ 829.1	\$ 34.3
Contributions	40.2	39.7	0.6
Distributions	(58.7)	(57.3)	(1.4)
Fees and Expenses	(8.3)	(8.3)	(0.0)
Income	17.8	16.7	1.1
Asset Appreciation	<u>111.9</u>	<u>107.9</u>	<u>4.0</u>
Balance 12/31/2021	<u><u>\$966.4</u></u>	<u><u>\$ 927.8</u></u>	<u><u>\$ 38.7</u></u>

## Executive Summary - Portfolio Performance vs Goals

- **Goal #1 - Gross returns should exceed the benchmark portfolio for the five-year period**
  - Achieved – 10.7% return versus fund policy benchmark of 10.1%
- **Goal #2 – Return, net of fees, should exceed the actuarially required return of 7.25% for the five-year period**
  - Achieved – Net return of 9.9%
- **Goal #3 - Be in the top 50% compared to the peer median universe for the five-year period**
  - Not Achieved – Peer universe rank was 62<sup>nd</sup> percentile

# Dallas / Fort Worth International Airport

	<u>Quarter</u>	<u>Year-To- Date</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>Inception*</u>
<b>Total Fund Net</b>	3.0%	14.6%	14.6%	12.7%	9.9%	9.4%
<b>Benchmark</b>	2.8%	12.6%	12.6%	13.4%	10.1%	9.2%

\* AndCo Consulting Inception 7/2010

- **The Total Plan net returns outperformed the benchmark since inception.**
- **For the quarter, overall returns were positive but mixed, with positive returns in Equities, Real Estate, and Real Assets offsetting a slight decline in Fixed Income.**
- **The portfolio's 2021 return was driven by strong performance in Public and Private Equity, Non-Core Fixed Income, and Real Estate.**
- **The private equity allocation continues to drive long-term relative outperformance with a return of 18.0% 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%	23.9%
International/Global Equity	12.5%	27.5%	17.5%	18.2%
Core Fixed Income	7.5%	17.5%	12.5%	13.0%
Non-Core Fixed Income	10.0%	20.0%	15.0%	11.5%
Cash Equivalents	0.0%	5.0%	2.5%	4.9%
Real Estate*	5.0%	15.0%	10.0%	9.1%
Private Equity*	7.5%	17.5%	12.5%	12.0%
Real Assets & Master Limited Partnerships*	5.0%	15.0%	10.0%	7.4%
Totals			<u>100%</u>	<u>100%</u>

\*The total allocation to "Alternative Investments" is 28.5%, 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.

**Asset Allocation & Performance**  
**Trailing Returns - Net of Fees**  
As of December 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)	927,757,341	100.0	2.99	14.64	14.64	12.73	9.85	9.05	7.01	06/01/2005
Total Fund Policy			2.84	12.64	12.64	13.44	10.07	8.91	6.67	
Pension Fund (Net) from AndCo inception	927,757,341	100.0	2.99	14.64	14.64	12.73	9.85	9.05	9.40	07/01/2010
Total Fund Policy			2.84	12.64	12.64	13.44	10.07	8.91	9.17	
Total Equity Composite	390,821,906	42.1	5.66	17.79	17.79	20.25	14.36	12.44	11.64	12/01/2009
Total Equity Policy			5.80	17.33	17.33	20.07	14.26	12.84	11.92	
Total Domestic Equity Composite	222,098,752		8.27	23.68	23.68	24.10	17.11	14.91	14.1	12/01/2009
Total Domestic Equity Policy	23.9		9.28	25.66	25.66	25.79	17.97	16.30	15.46	
Total International/Global Equity Composite	168,723,154	18.2		10.89	10.89	15.70	11.14	8.8	7.5	01/01/2010
Total International Policy	2.47		1.88	8.29	8.29	13.70	10.12	7.78	6.93	
Total Fixed Income Composite	227,405,136	24.5	-	3.2	3.2	5.8	5.3	4.7	5.0	01/01/2010
Total Fixed Policy	0.01		-0.01	-1.19	-1.19	4.66	3.46	2.70	3.36	
Total Core Fixed Income Composite	121,024,937	13.0	-0.19	-1.70	-1.70	4.18	3.01	2.46	3.22	01/01/2010
Total Domestic Fixed Policy			0.01	-1.55	-1.55	4.79	3.54	2.74	3.39	
Total Non-Core Fixed Income Composite	106,380,199	11.5		8.9	8.9	7.8	8.0	8.8	7.7	09/01/2011
Blmbg. U.S. Universal Index	0.19		-0.03	-1.10	-1.10	2.15	3.84	0.31	3.37	
Total Real Estate Composite	84,101,455	9.1	4.82	24.72	24.72	8.5	8.26	9.73	10.14	04/01/2011
NCREIF Fund Index-ODCE (EW)			7.70	22.99	22.99	9.84	9.11	10.64	10.98	
Total Real Assets & MLPs Composite	68,295,377	7.4	3.51	18.82	18.82	5.99	2.78	2.38	2.72	03/01/2011
50% Blmbg. Agg/ 50% Alerian MLP			0.41	18.17	18.17	6.69	2.43	2.54	3.02	
Total Private Equity Managers	111,652,016	12.0	-	22.50	22.50	13.55	12.01	9.4	17.9	07/01/2010
Cambridge Associates Private Equity Index	0.03		0.00	24.50	24.50	19.82	17.47	15.20	15.53	
Cash Accounts Composite *	45,481,452	4.9	0.01	0.06	0.06	0.80	N/A	N/A	1.0	08/01/2017
** R&D Account only	43,605,581	4.7							3	

Returns are expressed as % and annualized for periods greater than 1 year. The MVs reflected are based on the most recently available data, including capital statements where available, +/- any capital calls and / or distributions. Green marks indicate >+1% difference from BM, yellow marks indicate <-1% difference from BM - this only applies to 5+ years for closed end funds.

Managers shown in orange indicate managers on watchlist, and any deviance from BM highlighted. Fees and expenses paid from the investment's capital balance are not reported.

\*Cash composite includes R&D, and cash from private funds. \*\*R&D line is included in cash composite. Realized and unrealized gains are not reported as this information is not generally available.





**Asset Allocation & Performance**  
**Trailing Returns - Gross of Fees**  
**As of December 31, 2021**

Asset Allocation & Performance	Allocation		Performance(%)							
	Market	%	QTR	YTD	1 YR	3 YR	5 YR	10 YR	Inception	Inception
	Value \$									Date
Pension Fund (Gross)	927,757,341	100.0	3.1 (85)	15.45 (26)	15.45 (26)	13.63 (80)	10.71 (62)	9.88 (44)	7.7 (45)	06/01/2005
Total Fund Policy			2.84 (88)	12.64 (64)	12.64 (64)	13.44 (83)	10.07 (79)	8.91 (76)	6.67 (90)	
Pension Fund (Gross) from AndCo inception	927,757,341	100.0	3.11 (85)	15.45 (26)	15.45 (26)	13.63 (80)	10.71 (62)	9.88 (44)	10.19 (33)	07/01/2010
Total Fund Policy			2.84 (88)	12.64 (64)	12.64 (64)	13.44 (83)	10.07 (79)	8.91 (76)	9.17 (72)	
Total Equity Composite	390,821,906	42.1	5.78	18.27	18.27	20.77	14.82	12.93	12.15	12/01/2009
Total Equity Policy			5.80	17.33	17.33	20.07	14.26	12.84	11.92	
Total Domestic Equity Composite	222,098,752	23.9	8.4 (42)	24.28 (57)	24.28 (57)	24.69 (49)	17.66 (41)	15.45 (54)	14.67 (55)	12/01/2009
Total Domestic Equity Policy			9.28 (32)	25.66 (51)	25.66 (51)	25.79 (40)	17.97 (41)	16.30 (41)	15.46 (41)	
Total International/Global Equity Composi	168,723,154	18.2		11.24 (56)	11.24 (56)	16.14 (45)	11.50 (42)	9.2 (54)	7.9 (39)	01/01/201
Total International Policy	2.55 (65)		1.88 (80)	8.29 (78)	8.29 (78)	13.70 (70)	10.12 (64)	7.78 (92)	5.93 (97)	
Total Fixed Income Composite	227,405,136	24.5	0.0 (19)	4.1 (1)	4.1 (1)	6.7 (5)	6.2 (3)	5.5 (1)	5.6 (2)	01/01/2010
Total Fixed Policy			-0.01 (39)	6.19 (47)	6.19 (47)	6.66 (94)	4.46 (97)	2.70 (99)	3.36 (100)	
Total Core Fixed Income Composite	121,024,937	13.0	-0.13 (73)	-1.42 (62)	-1.42 (62)	4.50 (95)	3.33 (97)	2.80 (98)	3.56 (97)	01/01/2010
Total Domestic Fixed Policy			0.01 (34)	-1.55 (69)	-1.55 (69)	4.79 (92)	3.54 (95)	2.74 (99)	3.39 (99)	
Total Non-Core Fixed Income Managers	106,380,199	11.5		10.63	10.63	9.4	9.5	10.03	8.8	09/01/201
Blmbg. U.S. Universal Index	0.30		-0.03	-1.10	-1.10	2.15	3.84	3.31	3.37	1
Total Real Estate Managers	84,101,455	9.1	4.93 (93)	26.46 (11)	26.46 (11)	10.19 (49)	9.65 (42)	11.29 (42)	11.62 (41)	04/01/2011
NCREIF Fund Index-ODCE (EW)			7.70 (36)	22.99 (44)	22.99 (44)	9.84 (54)	9.11 (54)	10.64 (62)	10.98 (62)	
Total Real Assets & MLPs Managers	68,295,377	7.4	3.67	19.58	19.58	6.55	3.25	2.71	3.02	03/01/2011
50% Blmbg. Agg/ 50% Alerian MLP			0.41	18.17	18.17	6.69	2.43	2.54	3.02	
Total Private Equity Managers	111,652,016	12.0	0.15	23.88	23.88	15.36	13.89	12.48	21.2	07/01/201
Cambridge Associates Private Equity Index			0.00	24.50	24.50	19.82	17.47	15.20	15.53	0
Cash Accounts Composite *	45,481,452	4.9	0.01	0.06	0.06	0.80	N/A	N/A	1.0	08/01/201
	43,605,581	4.7							3	7

\*\* R&D Account only. Returns are expressed as % and annualized for periods greater than 1 year. The MVs reflected are based on the most recently available data, including capital statements where available +/-

any capital calls and / or distributions. Green marks indicate >+1% difference from BM, yellow marks indicate <-1% difference from BM - this only applies to 5+ years for closed end funds.

Managers shown in orange indicate managers on watchlist, and any deviance from BM highlighted. Fees and expenses paid from the investment's capital balance are not reported.

\*Cash composite includes R&D, and cash from private funds. \*\*R&D line is included in cash composite. Realized and unrealized gains are not reported as this information is not generally available.



# DFW Manager Watch List

## Open-end Strategies

Manager	Asset Class	Market Value 12/31/2021	Date Added	Reason	Next Steps
<b>Invesco</b> <ul style="list-style-type: none"> <li>Core Real Estate</li> </ul>	Real Estate	\$12,058,777	06/30/2020	<b>Performance</b> <ul style="list-style-type: none"> <li>Total return ranks in the bottom half of the peer group over the trailing 5-year period.</li> <li>Total return (gross) trails the benchmark over the trailing 5-year period.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to monitor.</li> </ul>
<b>Westwood</b> <ul style="list-style-type: none"> <li>All Cap Value</li> </ul>	Domestic Equity	\$37,439,742	12/31/2020	<b>Performance</b> <ul style="list-style-type: none"> <li>Total return ranks in the bottom half of the peer group over the trailing 5-year period.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to monitor</li> </ul>
<b>Barrow Hanley</b> <ul style="list-style-type: none"> <li>Large Cap Value</li> </ul>	Domestic Equity	\$38,525,087	3/31/2021	<b>Performance</b> <ul style="list-style-type: none"> <li>Total return previously ranked in the bottom half of the peer group over the trailing 5-year period.</li> <li>Performance has improved and now ranks in the top half of the peer group over the trailing 5-year period.</li> </ul>	<ul style="list-style-type: none"> <li>Remove from Watch List</li> </ul>

# 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

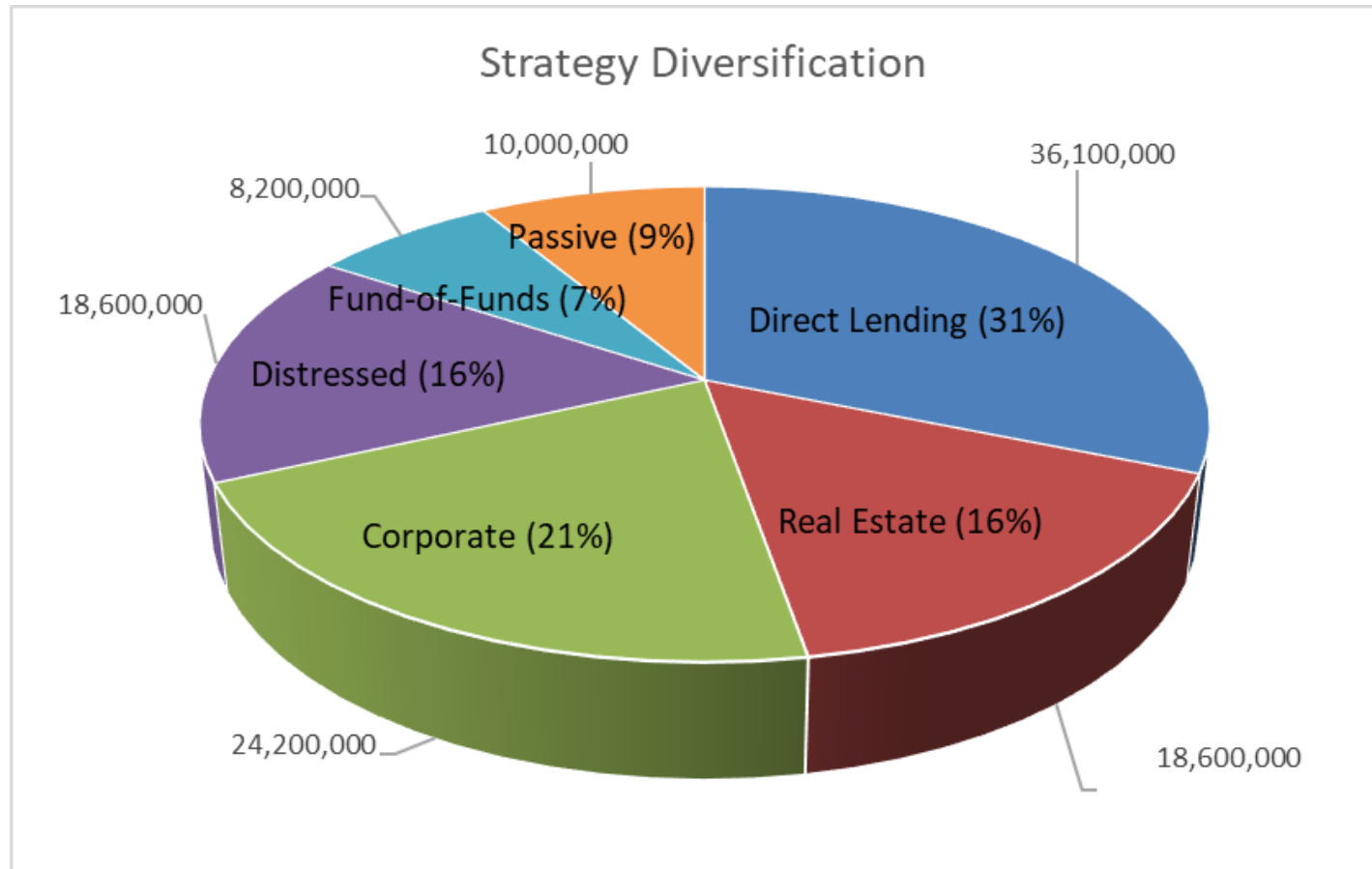
### Primary Criteria:

- 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.

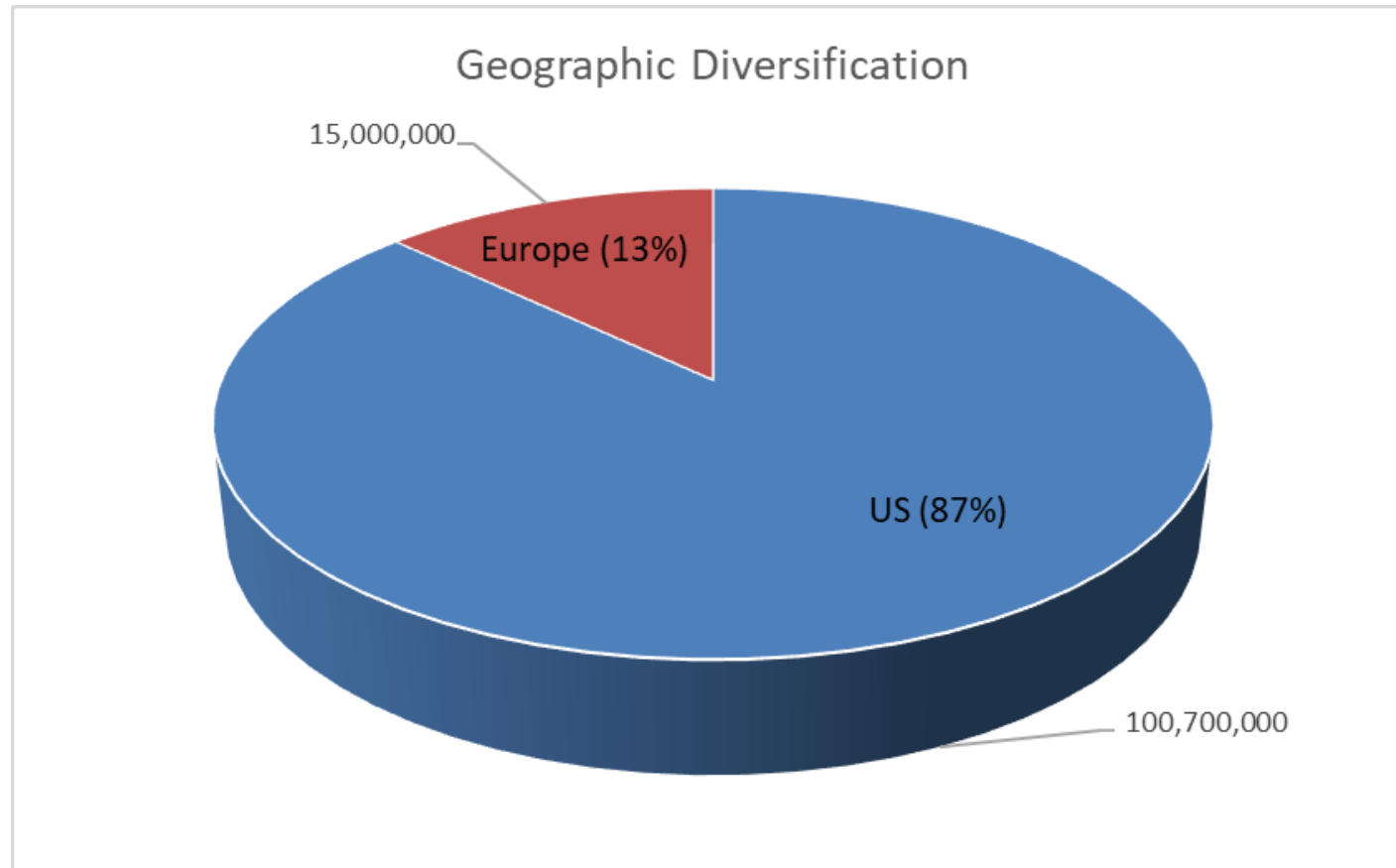
### Secondary Criteria:

- 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.

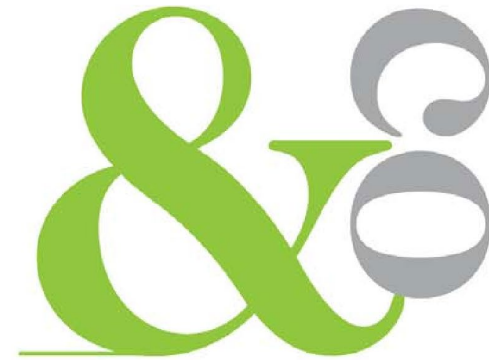
# Non-Core Fixed Income Review



## Non-Core Fixed Income Review



**Clients first.**



CHICAGO | CLEVELAND | DALLAS | DETROIT | ORLANDO | PITTSBURGH | RENO

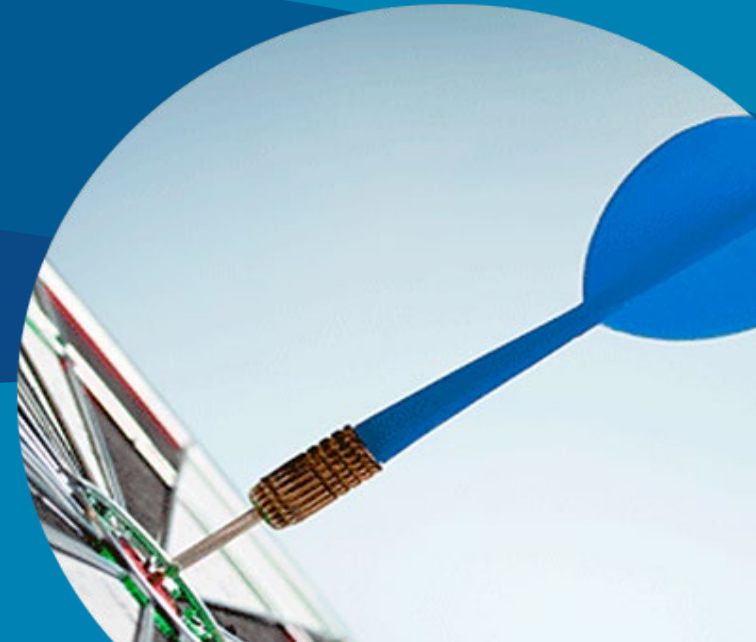
**AndCo Consulting** | (844) 44-ANDCO | *AndCoConsulting.com*





# Retirement Plans for DFW International Airport

Actuarial Experience Investigation  
Through December 31, 2020  
Retirement Committee – March 1, 2022





# Purpose of Experience Study

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- An Experience Study is a review of the assumptions and methods used by the actuary
  - DFW has an experience study prepared every five years
    - Last one prepared in 2016 for the period ending December 31, 2015
  - Five-year interval considered reasonable
    - GFOA recommends at least once every five years
    - Texas law now requires public plans to perform a study at least every five years
  - This study covers the five-year period ending December 31, 2020
    - For some assumptions longer periods may be used

# What is Reviewed?

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- Economic assumptions
  - Price inflation (CPI)
  - Investment return
  - Salary increases (for individuals)
  - Payroll growth rate (for DPS plan as a whole)
- Demographic assumptions
  - Mortality (Active and Post-Retirement)
  - Disability
  - Retirement
  - Other terminations
  - Other miscellaneous assumptions

# What is Reviewed?

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- Actuarial Methods
  - Actuarial Cost Method
  - Asset Smoothing Method
- Funding Policy

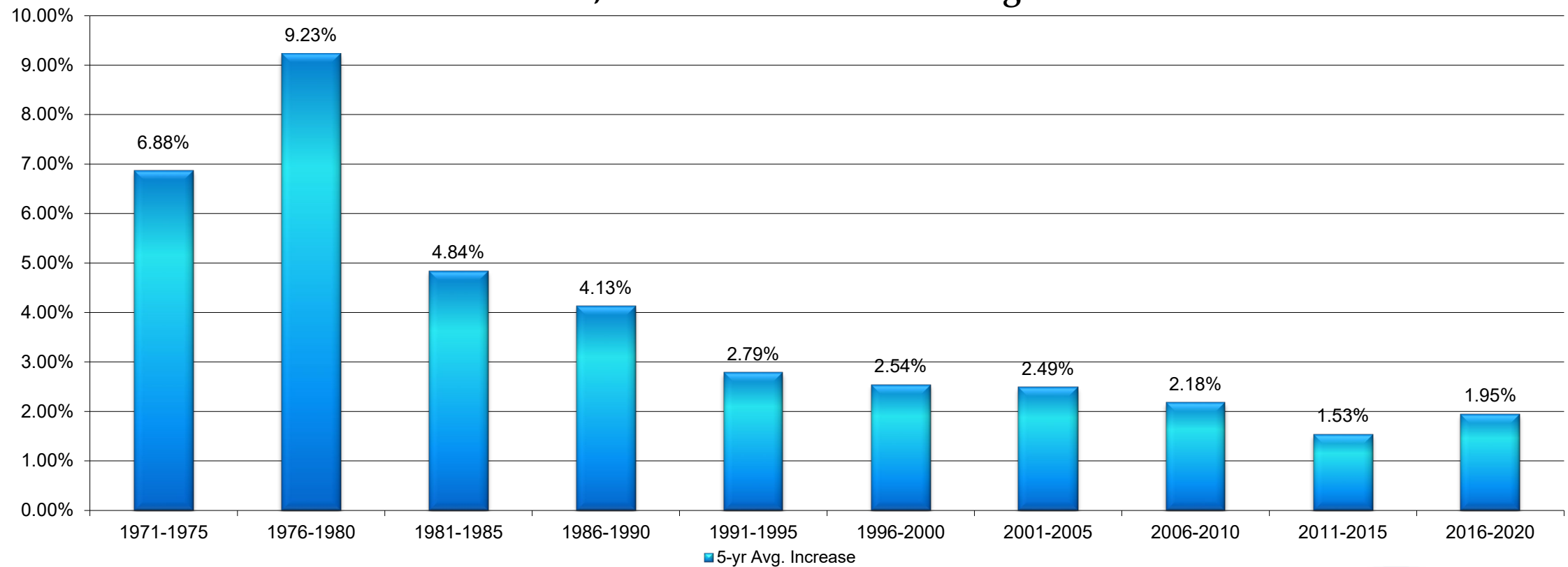
# Significant Recommendations

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- Recommend decrease in inflation assumption from 2.75% to 2.50%
  - Impacts investment return, salary increase, COLA assumptions
- Recommend decrease in investment return assumption from 7.25% to 7.00%
  - Reflecting change in inflation, no change to real rate of return
  - Recommend a similar decrease in OPEB assumption from 6.75% to 6.50%
- Recommend decrease in COLA assumption from 2.75% to 2.50%
  - Still a conservative assumption due to 3.00% maximum COLA
- Recommend adoption of new mortality tables
  - New tables developed for the public sector (PUB-2010 tables)

# Inflation

**Average Annual Inflation  
CPI-U, Five-Calendar-Year Averages**



# Inflation

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- Observation:
  - Social Security Administration forecast: 2.4% (2021 Report - intermediate assumption)
  - 20-year constant Treasuries / 20-year TIPS (August 2021): 2.43%
  - Average of Investment Consultants: 2.19%
  - Average inflation for last 5, 10, 15, 20, 25 and 30 years is 2.25% or less
- Both recent historical data (last 30 years) and forward looking predictors suggest lower inflation
- Recommend decrease in inflation assumption from 2.75% to 2.50%

# Investment Return Assumption

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- Capital market assumptions (CMA) expectations have continued to decline
  - Driven primarily by a decline in interest rates
- Expected nominal return with 2.50% inflation is 6.53%
  - However, 2021 expectations are significantly lower because of the sharp drop in interest rates at the end of 2020
  - Looking at the last 3 years of CMA the nominal return expectations have been 7.47%, 6.90%, and 6.53% respectively with an average of 6.97%

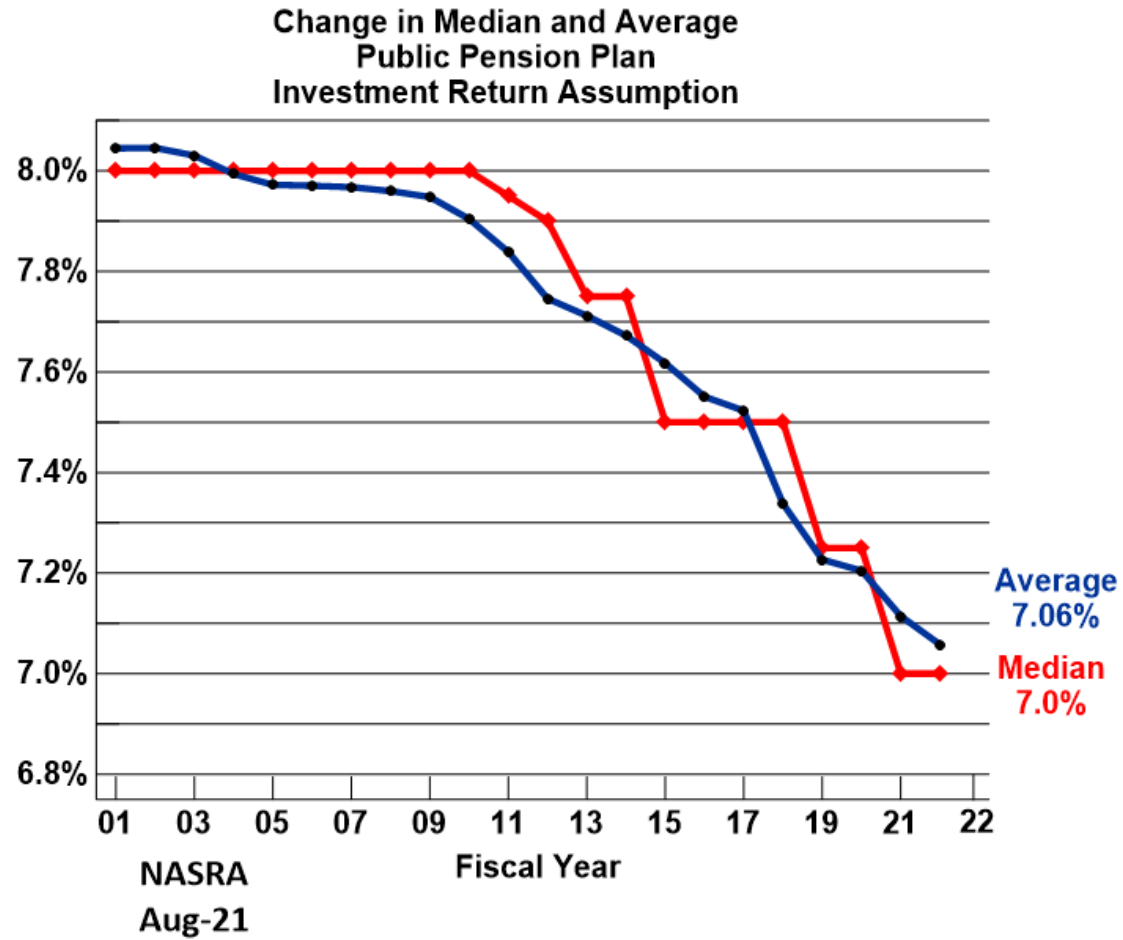
# Investment Return Assumption

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- However, those are one year expectations and do not account for volatility
- The 10-year geometric mean using the 2021 10-year CMA is only 5.85%
  - Using the longer term horizon (20-30 years) CMA expectations produces a geometric mean of 6.92%



# Investment Return Assumption – National Trends



# Investment Return Assumption

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- We believe the investment return assumption should be more “sticky” than the changes in the CMA seem to imply
- We are recommending caution at reacting too much towards results of the 2021 CMA
- Therefore, we are recommending a 0.25% decrease in the investment return assumption from 7.25% to 7.00%
  - Reflects the decrease in the inflation assumption
  - If the Board wishes to reflect more of the current CMA then a decrease to 6.75% would also be reasonable

# Post-Retirement Mortality

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- In 2019, the Society of Actuaries issued morality tables based solely on public sector retirement plans' data
  - Pub-2010 Public Retirement Plan Mortality Tables
  - There are over 90 mortality tables created, adjusting for items such as gender, employee type, income, etc.
- We are recommending the adoption of these tables
- As discussed on the next slide, these tables are designed to be used with generational mortality improvement projections

# Mortality Improvement

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- We currently use mortality improvement scale BB
- We are recommending moving to a more recently published improvement scale (MP-2020)
  - This table is a two-dimension table based on calendar year
  - We are recommending the use of the ultimate improvement rates of this table

# Life Expectancies

## Current Mortality Assumption – Projected Life Expectancy for an Age 65 Retiree in Years

Group	Year of Retirement				
	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>
Male	21.2	21.7	22.3	22.8	23.3
Female	23.3	23.8	24.2	24.7	25.1

## Proposed Mortality Assumption – Projected Life Expectancy for an Age 65 Retiree in Years

Group	Year of Retirement				
	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>
Male (General)	21.6	22.0	22.4	22.7	23.1
Female (General)	24.0	24.4	24.7	25.0	25.4
Male (DPS)	21.2	21.6	22.0	22.3	22.7
Female (DPS)	23.1	23.5	23.8	24.2	24.5

# Cost Impact Pension Plans – January 1, 2021\*

General Employees Plan			
Item	Current Assumptions	Proposed Assumptions	Change
Total Normal Cost Rate	\$7.8 million	\$7.9 million	\$0.1 million
Unfunded Actuarial Accrued Liability	\$71.9 million	\$84.0 million	\$12.1 million
Funded Ratio	88.9%	87.2%	-1.7%
Funding Policy Contribution	\$16.8 million	\$18.1 million	\$1.3 million

DPS Employees Plan			
Item	Current Assumptions	Proposed Assumptions	Change
Total Normal Cost Rate	\$5.4 million	\$5.5 million	\$0.1 million
Unfunded Actuarial Accrued Liability	\$41.9 million	\$44.4 million	\$2.5 million
Funded Ratio	84.6%	83.9%	-0.7%
Funding Policy Contribution	\$9.5 million	\$9.7 million	\$0.2 million

\*These numbers do not reflect impact of retirement incentive



# Cost Impact OPEB Plan – January 1, 2021\*

Item	Current Assumption	Proposed Assumption	Change
Total Normal Cost Rate	\$1.5 million	\$1.5 million	\$0.0 million
Unfunded Actuarial Accrued Liability	-\$6.2 million	-\$5.8 million	\$0.4 million
Funded Ratio	124.7%	122.7%	-2.0%
Funding Policy Contribution	\$1.0 million	\$1.0 million	\$0.0 million

\*These numbers do not reflect impact of retirement incentive



# Summary of Recommended Changes – Employees' Plan

Assumption	Assumption Type Major / Minor	Current	Proposed	Potential Liability/ Contribution Impact (in general)
Expense Assumption	Minor	Fixed Dollar Increased at 2.75%	Adjusted Fixed Dollar Increased at 3.75%	No liability impact/increase in contributions
Inflation	Major	2.75%	2.50%	Impacts other assumptions
Investment Return	Major	7.25%	7.00%	Increase in liabilities & contribution
Individual Salary Increase	Major	Average increase of 4.29%	Average increase of 4.06%	Decrease in liabilities & contribution
Cost of Living Adjustment	Major	2.75%	2.50%	Decrease in liabilities & contribution
Total Payroll Growth	Minor	Not Applicable	Not Applicable	No impact, plan is closed to new employees
Healthy Post-Retirement Mortality	Major	RP-2014 table (Blue Collar) for males and females with generational mortality projection with scale BB	PUB2010(G) table for males and females with generational mortality projection with MP-2020 (Ultimate)	Increase in liabilities & contribution
Disabled Mortality	Minor	Healthy morality with 3 year age set forward, and minimum 3% rates	Healthy morality with 3 year age set forward, and minimum 3% rates	Increase in liabilities & contribution
Retirement Rates	Major	Age based rates	Higher normal retirement for males, lower early retirement for females	Offsetting impacts
Termination Rates	Major	Select and ultimate rates	Select and ultimate rates; increase some rates	Decrease in liabilities & contribution
Disability Rates	Minor	TMRS rates of disability	Updated TMRS rates of disability	Small increase in liabilities and contribution
Combined	--	--	--	Increase in liabilities and contribution



# Summary of Recommended Changes – DPS Plan

Assumption	Assumption Type Major / Minor	Current	Proposed	Potential Liability/ Contribution Impact (in general)
Expense Assumption	Minor	Fixed Dollar Increased at 2.75%	Adjusted Fixed Dollar Increased at 3.75%	No liability impact/increase in contributions
Inflation	Major	2.75%	2.50%	Impacts other assumptions
Investment Return	Major	7.25%	7.00% or 6.75%	Increase in liabilities & contribution
Individual Salary Increase	Major	Average increase of 5.11%	Some changes, average increase of 4.74%	Decrease in liabilities & contribution
Cost of Living Adjustment	Major	2.75%	2.50%	Decrease in liabilities & contribution
Total Payroll Growth	Minor	3.75%	3.50%	No change in liabilities; increase in employer contribution percentage
Healthy Post-Retirement Mortality	Major	RP-2014 table (Blue Collar) for males and females with generational mortality projection with scale BB	PUB2010(S) table for males and females with generational mortality projection with MP-2020 (Ultimate)	Life expectancies are very similar, no material impact on liabilities and contribution
Disabled Mortality	Minor	Healthy morality with 3 year age set forward, and minimum 3% rates	Healthy morality with 3 year age set forward, and minimum 3% rates	Life expectancies are very similar, no material impact on liabilities and contribution
Retirement Rates	Major	Age based rates	Higher rates for ages under 55	Increase in liabilities & contribution
Termination Rates	Major	Select and ultimate rates	Select and ultimate rates; increase rates for svc 1-5 decrease for svc 7-8	Decrease in liabilities & contribution
Disability Rates	Minor	TMRS rates of disability	Updated TMRS rates of disability	Small increase in liabilities and contribution
Combined	--	--	--	Increase in liabilities and contribution

# Summary of Recommended Changes – OPEB Plan

Assumption	Assumption Type Major / Minor	Current	Proposed	Potential Liability/ Contribution Impact (in general)
Pension Plan Demographic Assumptions	Major	See prior pages	See prior pages for changes	Increase in liabilities & contribution
Investment Return	Major	6.75%	6.50%	Increase in liabilities & contribution
Medical Trend Inflation	Major	Initial trend of 7.2% decreasing to an ultimate rate of 4.5%	Overall decrease in trend assumption with ultimate rate of 4.25%	Decrease in liabilities & contribution
Election Percentage	Major	Varies based on years of service	Experience shows possible decrease in experience. However, with window occurring assumption was left unchanged for conservatism	N/A
Combined	--	--	--	Decrease in liabilities and contribution



# 4. Asset Management Agreement with Machine Investment Group

## PURPOSE:

Authorize to enter into an Asset Management Agreement with Machine Investment Group for their Machine Fund I in a commitment amount of \$7.5 million.

## DESCRIPTION:

Target return of 1.7% net IRR.

Management fee of 1.5% on all invested capital. Incentive fee of 20%.

Funding from existing real estate funds.

**\$7,500,000**

COMMITMENT  
AMOUNT

**Retirement Funds**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION

# 5. Asset Management Agreement with Deerpath Capital

## PURPOSE:

Authorize to enter into an Asset Management Agreement with Deerpath Capital for their Deerpath Fund VI, in a commitment amount of \$10 million.

## DESCRIPTION:

Target return of 12% net IRR.

Management fee of 1% on invested capital. Incentive fee of 15%.

Funding from existing non-core credit funds.

**\$10,000,000**

COMMITMENT  
AMOUNT

**Retirement Funds**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION

# 6. Asset Management Agreement with Veritas Capital Fund Management

## PURPOSE:

Authorize to enter into an Asset Management Agreement with Veritas Capital Fund Management for their Veritas Capital Fund VII, in a commitment amount of \$10 million.

## DESCRIPTION:

Target return of 20% net IRR.

Management fee of 1.75% on committed capital, falls to 1.5% on invested capital. Incentive fee of 25%.

Funding from existing private equity funds.

**\$10,000,000**

COMMITMENT  
AMOUNT

**Retirement Funds**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION

# 7. Asset Management Agreement with Brookfield Asset Management

## PURPOSE:

Authorize to enter into an Asset Management Agreement with Brookfield Asset Management for their Brookfield Super Core Infrastructure Partners for an additional \$5 million.

## DESCRIPTION:

Target return of 8% net IRR.

Management fee of .75% on all invested capital. Incentive fee of 5%.

Funding from liquidated Seamax strategy.

**\$5,000,000**

ACTION  
AMOUNT

**Retirement Funds**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION

# 8. Asset Management Agreement with Nordic Capital

## PURPOSE:

Authorize to enter into an Asset Management Agreement with Nordic Capital for their Nordic Fund XI, in a commitment amount of EUR 10 Million (~ \$11 million USD).

## DESCRIPTION:

Target return of 16% net IRR.

Management fee of 1.5% on capital. Incentive fee of 20%.

Funding from existing private equity funds.

**\$11,000,000**

COMMITMENT  
AMOUNT

**Retirement Funds**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION







# Operations Committee

March 1, 2022



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



## 22. Delegation of Authority to Determine Alternate Contracting Method – 19<sup>th</sup> Street Cargo Development

### PURPOSE:

Determine which solicitation method, other than competitive bidding, provides the best value for the Airport to procure construction services for the 19<sup>th</sup> Street Cargo Development using a method authorized under the Texas Government Code.

### DESCRIPTION:

Chapter 2269, Subchapter 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)

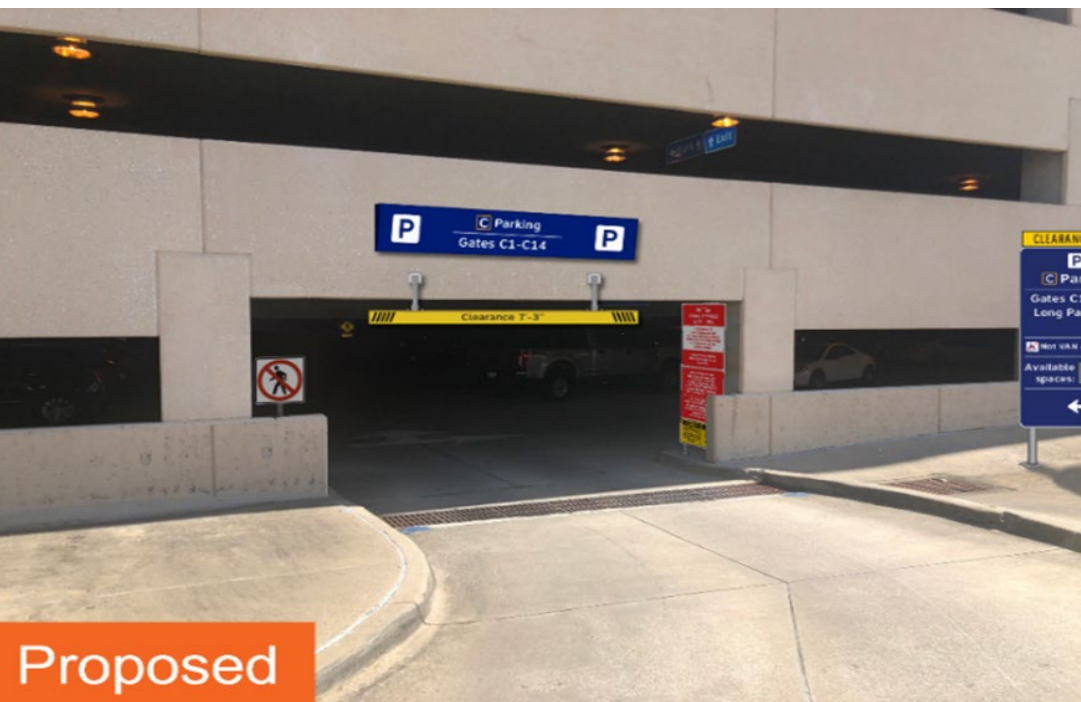
**N/A**

D/S/M/WBE  
PARTICIPATION





Existing



Proposed

## 23. Overhead Vertical Height Clearance Sign Enhancements

### PURPOSE:

Authorization to execute Contract No. 9500765, with Synergy Signs & Services, LLC, of Fort Worth, TX.

### DESCRIPTION:

Removal and installation of overhead clearance signage, garage warning signage, directional and general notification for height clearance signage for the main entrance into the Airport along International Parkway and each individual terminal garage entry location.

Sign improvements will consolidate signage and provide clarity about height clearances and help minimize damage to the parking structure and vehicles.

<b>\$546,100</b>	<b>DFW Capital Acct</b>	<b>40%</b>
ACTION AMOUNT	FUNDING SOURCE(S)	D/S/M/WBE PARTICIPATION



## 24. Air Operation Area (AOA) Gate Replacement Phase 2

### PURPOSE:

Authorization to execute Contract No. 9500770, with EAS Contracting LP, of Princeton, TX.

### DESCRIPTION:

Removal of seven existing AOA gates and grab nets or wedge barriers and replace with new sliding gates on v-tracks and crash barrier arms that are more reliable and maintainable.

Will also provide for a new gate controller system and associated infrastructure as required at each gate location.



**\$2,373,869 DFW Capital Acct 20%**

ACTION  
AMOUNT

FUNDING  
SOURCE(S)

D/S/M/WBE  
PARTICIPATION





# 25. Runway 18R-36L Rehabilitation

## PURPOSE:

Authorization to ratify an increase to Contract No. 9500698, with Austin Bridge & Road, LP, of Irving, Texas.

## DESCRIPTION:

Final adjustments have been determined on actual quantities installed, resulting in an increase to the contract.

The increase is also due to acceleration of the contract to recover lost time due to multiple factors. This resulted in recovering delays and opening the runway 21 days ahead of schedule.

This closes out the Contract for a final savings from initial award of \$4,914,538.09.

**\$3,503,000**

ACTION  
AMOUNT

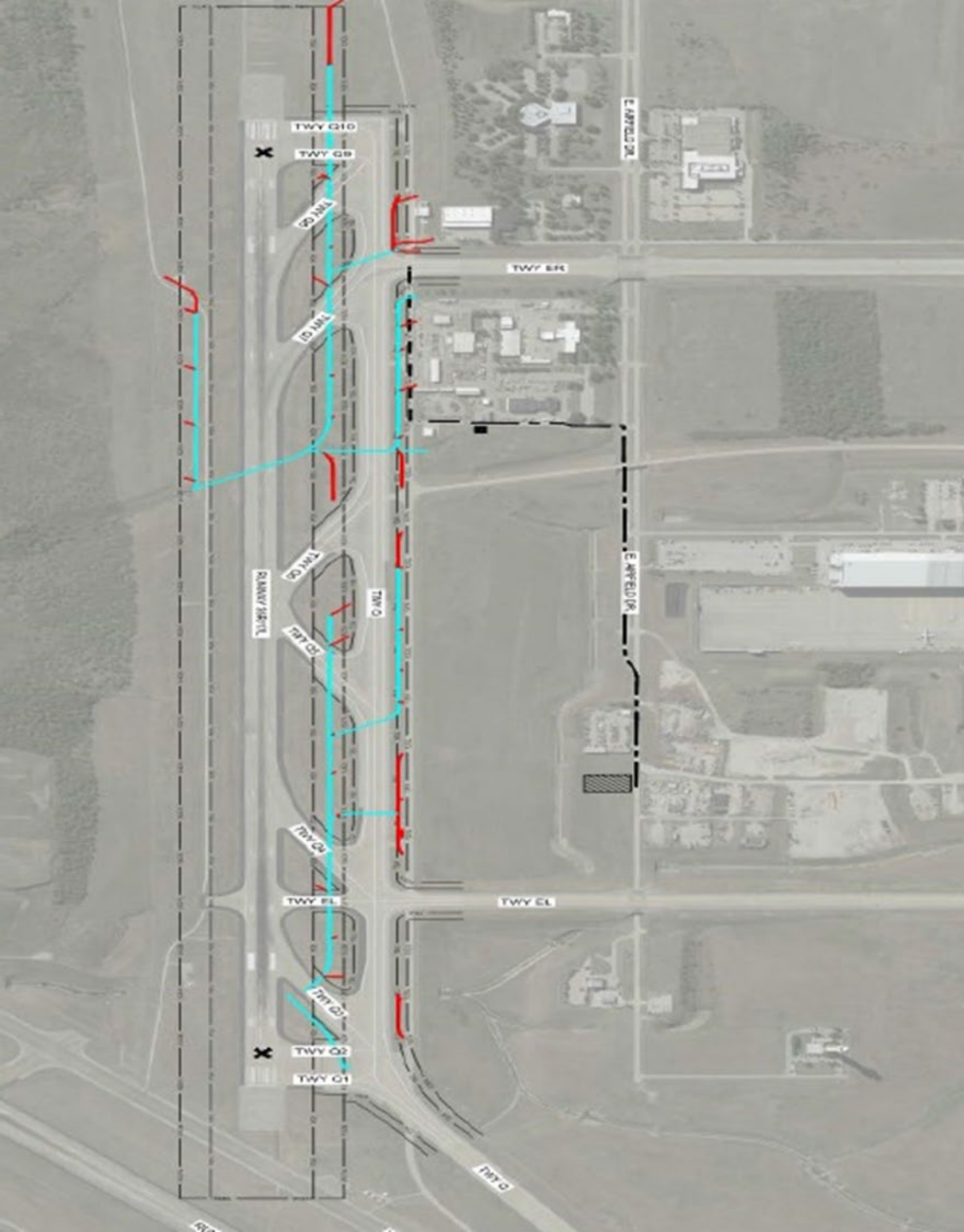
**Joint Capital Acct**

FUNDING  
SOURCE(S)

**20%**

D/S/M/WBE  
PARTICIPATION





# 26. Rehabilitate Runway 17L-35R Storm Drainpipes

## PURPOSE:

Execute Contract No. 9500775, with Ragle, Inc., of North Richland Hills, TX.

## DESCRIPTION:

This project will address failures of the stormwater piping at multiple sites along 17L-35R. The failed pipes will be lined with Centrifugally Cast Concrete Pipe. The pipe failures are due to age as well as soil movement from heavy rains.

This project will also include the replacement of some failed stormwater laterals utilizing open cut excavation.

Finally, this project will address the remediation of seven collapsed soil sites.

**\$15,441,978 Joint Capital Acct 10%**

ACTION  
AMOUNT

FUNDING  
SOURCE(S)

D/S/M/WBE  
PARTICIPATION





# 27. Skylink Automatic Train Control (ATC) Replacement

## PURPOSE:

Ratify a decrease to Contract No. 7006752, with Alstom Group, of Pittsburgh, PA.

## DESCRIPTION:

Reduce the original 2019 Skylink contract by \$600,000, re-baseline schedule, and introduce interim milestones to ensure control over delivery of the project.

Alstom will meet scheduled milestones, provide additional system resources and parts to ensure the reliability of the system until the full ATC upgrade of this system is complete.

Alstom will attend regularly scheduled meetings with Airport Leadership and will provide 24/7 technical support for system operations.

**(\$600,000)**

ACTION  
AMOUNT

**Joint Capital Acct**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION





## 28. Joint Sealant Material

### PURPOSE:

Execute Contract No. 7007177, with The Willamette Valley Company LLC, of Eugene, OR.

### DESCRIPTION:

Replaces an existing contract that has been in place for five years.

This Contract is to supply Joint Sealant Material for the Airport's Pavements, Grounds and Markings department to use for the repair of pavement and runways throughout the Airport.

This material will seal cracks in concrete reducing water penetration, which causes corrosion of re-bar, soil erosion and freeze/thaw damage to extend the life of the pavement, and seal structural expansion joints.

**\$481,450**

ACTION  
AMOUNT

**Operating Fund**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION



# 29. Supply of Herbicides

PURPOSE:

Execute Contract No. 7007178, with Harrell’s LLC, of Lakeland, FL.

DESCRIPTION:

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

This Contract will provide herbicides for the Airport’s Grounds department for the control of weeds, principally on the airfield.

The herbicides target specific plants on or near the airfield that have been identified as seed producing. These seed producing plants attract birds increasing the risk of bird strikes.

The application of herbicides also reduces the frequency of weed eating and mowing, resulting in labor savings.

Asset Management in consultation with Environmental Affairs will ensure compliance with all environmental laws.

\$736,607	Operating Fund	N/A
ACTION AMOUNT	FUNDING SOURCE(S)	D/S/M/WBE PARTICIPATION



## 30. Purchase New Fleet Vehicles

### PURPOSE:

Ratify Purchase Order 278470, with Caldwell Country Chevrolet, of Caldwell, Texas.

### DESCRIPTION:

This purchase of replacement vehicles is for the Airport's Department of Public Safety for use in the performance of job functions.

Programed replacement of Airport fleet vehicles that have met the criteria established in the Airport's Fleet Vehicle Policy and Procedures (accumulated mileage, condition, life cycle costs, etc.) and are assessed for replacement by the Vehicle Maintenance Shop.

All vehicles fully comply with the Airport's Clean Fleet Vehicle Policy.

Replaced vehicles will be declared surplus and sold at public auction.

**\$3,133,581**

ACTION  
AMOUNT

**DFW Capital Acct**

FUNDING  
SOURCE(S)

**N/A%**

D/S/M/WBE  
PARTICIPATION





## 31. Indefinite Delivery of Retro-Commissioning and Infrastructure Condition Assessments

### PURPOSE:

Execute Contract No. 8500397, with MPO / Matador JV, of Grapevine, TX.

### DESCRIPTION:

This Contract will provide professional engineering services to support the commissioning of existing facilities and/or infrastructure (retro-commissioning) as well as their periodic condition assessments for developing upgrades, renewals or replacement projects.

In support of effective management, operation, repair and renewal of the Airport's infrastructure asset portfolio on a continuing basis.

Services are authorized and funded on an as-needed basis through individual Delivery Orders, which allows Airport staff to rapidly respond to program/project delivery requirements.

**\$5,000,000**

ACTION  
AMOUNT

**Various**

FUNDING  
SOURCE(S)

**30%**

D/S/M/WBE  
PARTICIPATION

---

# Finance/Audit Committee

March 1, 2022



# KPIs and Financial Report

Four months ending January 31, 2022 - Unaudited

# Key Performance Indicator Scorecard

Four months ending January 31, 2022 – Unaudited

(\$ in millions)

Key Performance Indicator	Year-To-Date					FY 2022	
	FY 2021 Actuals	FY 2022 Actuals	FY 2022 Budget	Actuals vs. Budget Increase/(Decrease)			Annual Budget
DFWCC Total Revenues before FRP	\$78.3	\$132.3	\$115.4	\$16.9	14.6%	<div></div>	\$370.5
Total Expenditure Budget	\$304.0	\$325.9	\$333.3	(\$7.4)	(2.2%)	<div></div>	\$1,036.4
Application of Federal Relief Proceeds	\$31.3	\$13.0	\$37.5	(\$24.5)	(65.4%)	<div></div>	\$112.4
Total Passengers (Ms)	13.8	22.6	20.3	2.3	11.1%	<div></div>	67.2
Total Landed Weights (Bs)	11.7	15.1	14.2	0.9	6.3%	<div></div>	44.6
Results Status Bar	<div></div>	Improved/Constant Worse					

# DFW Cost Center

Four months ending January 31, 2022 - Unaudited

(in millions)	Year-To-Date					FY 2022
	FY 2021 Actuals	FY2022 Actuals	FY 2022 Budget	Actuals vs. Budget Increase/(Decrease)		Annual Budget
Revenues						
Parking	\$23.4	\$54.9	\$43.3	\$11.6	26.7%	\$145.1
Concessions	17.1	31.2	30.1	1.1	3.6%	95.1
Rental Car	7.6	13.1	10.6	2.6	24.4%	33.4
Commercial Development	19.6	21.8	21.5	0.3	1.3%	64.4
Other Revenues	10.6	11.4	10.0	1.4	13.5%	32.5
Total Revenues before FRP	78.3	132.3	115.4	16.9	14.6%	370.5
DFW CC Expenditures						
Operating Expenditures	35.1	42.5	44.1	(1.6)	(3.7%)	141.2
Debt Service, net	20.4	16.5	17.7	(1.2)	(6.8%)	50.8
Total Expenditures	55.5	59.0	61.8	(2.8)	(4.6%)	192.0
Gross Margin - DFW Cost Center	22.8	73.3	53.6	19.7	36.7%	178.5
Less Transfers and Skylink						
DFW Terminal Contribution	0.9	0.9	0.9	0.0	0.0%	2.8
Skylink Costs	14.9	15.9	18.3	(2.4)	(13.1%)	53.7
Net Revenues before FRP	6.9	56.5	34.4	22.1	64.3%	122.0
Federal Relief Proceeds (FRP)	24.2	0.0	13.7	(13.7)	(100.0%)	41.1
Net Revenues	\$31.1	\$56.5	\$48.1	\$8.4	17.5%	\$163.1



# Airfield and Terminal Cost Centers

Four months ending January 31, 2022 - Unaudited

(in millions)	Year-To-Date				FY 2022	
	FY 2021 Actuals	FY2022 Actuals	FY 2022 Budget	Actuals vs. Budget Increase/(Decrease)	Annual Budget	
Revenues						
Landing Fees	\$25.9	\$33.7	\$31.7	\$2.0	6.2%	\$99.4
Other Airfield	4.0	4.9	3.9	1.0	26.3%	12.0
Transfer from DFW Cost Center	23.3	28.8	22.5	6.3	28.1%	67.5
Total Airfield Revenue	53.2	67.4	58.1	9.3	16.0%	178.8
Terminal Leases	110.6	108.0	107.8	0.2	0.1%	326.7
FIS Fees	3.5	6.9	4.9	1.9	39.6%	17.4
Turn Fees	3.7	6.9	6.4	0.5	7.5%	22.4
Other Terminal	5.3	8.0	6.9	1.1	15.6%	21.7
Total Terminal Revenues	123.2	129.7	126.0	3.7	2.9%	388.2
DFW Terminal Contributions	0.9	0.9	0.9	0.0	0.0%	2.8
Total Revenues before FRP	177.4	198.0	185.0	13.0	7.0%	569.9
Expenditures						
Operating Expenditures	103.1	114.9	117.9	(3.0)	(2.6%)	376.5
Debt Service, net	91.2	84.0	88.5	(4.5)	(5.1%)	264.6
Total Expenditures	194.3	198.9	206.4	(7.5)	(3.6%)	641.2
Net Income/(Loss) before FRP	(16.9)	(0.9)	(21.3)	20.5	(96.0%)	(71.3)
Federal Relief Proceeds (FRP)	7.1	13.0	23.8	(10.8)	(45.5%)	71.3
Net Income/(Loss)	(\$9.8)	\$12.1	\$2.4	\$9.7	399.5%	\$0.0

# Operating Fund – Total Expenditures

Four months ending January 31, 2022 - Unaudited

(in millions)	Year-To-Date				FY 2022	
	FY 2021 Actuals	FY2022 Actuals	FY 2022 Budget	Actuals vs. Budget Increase/(Decrease)		Annual Budget
Operating Expenditures						
Salaries and Wages	\$54.0	\$52.3	\$52.5	(\$0.2)	(0.3%)	\$164.9
Benefits	23.0	24.2	24.5	(0.3)	(1.4%)	72.6
Facility Maintenance Contracts	25.3	27.2	29.8	(2.6)	(8.7%)	104.6
Other Contract Services	29.2	34.9	37.5	(2.5)	(6.8%)	132.4
Utilities	8.4	9.4	9.2	0.3	2.7%	28.4
Equipment and Other Supplies	4.6	5.3	5.8	(0.6)	(9.7%)	21.0
Insurance	2.6	3.6	3.8	(0.3)	(7.1%)	12.1
Fuels	0.6	1.1	0.8	0.2	25.3%	2.6
General, Administrative, and Other	1.0	1.4	2.2	(0.8)	(37.3%)	15.7
Change in Operating Reserves	2.2	12.6	12.6	(0.0)	(0.0%)	12.6
Total Operating Expenditures	150.8	171.9	178.7	(6.8)	(3.8%)	566.9
Debt Service, gross	153.2	153.9	154.6	(0.6)	(0.4%)	469.5
Total Operating Fund Expenditures	\$304.0	\$325.9	\$333.3	(\$7.4)	(2.2%)	\$1,036.4





**Dallas Fort Worth International Airport**  
Results of the FY 2021 Audits



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February 16, 2022

The Finance/Audit Committee of Dallas Fort Worth International Airport  
2400 Aviation Drive  
Euless, Texas 75261

Dear Members of the Finance/Audit Committee:

We have performed an audit of the financial statements of Dallas Fort Worth International Airport ("DFW Airport" or "Airport") as of and for the year ended September 30, 2021 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and have issued our report thereon dated February 16, 2022.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Airport is responsible.

This report is intended solely for the information and use of management, the Finance/Audit Committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte & Touche LLP*

cc: DFW Airport Management

# Agenda

<b>Executive Summary</b>	<b>4</b>
<b>Engagement Team</b>	<b>5</b>
<b>Single Audit &amp; Passenger Facility Charges Reports</b>	<b>6</b>
<b>Significant Upcoming Accounting Pronouncements</b>	<b>7</b>
<b>Required Communications Dashboard</b>	<b>8</b>
▫ <b>Appendix A - Required Communications</b>	<b>10</b>
▫ <b>Appendix B - Management Representation Letters</b>	<b>19</b>



# Executive Summary



## Audit summary

Audits	Results	Date of Report
Financial Statement Audit	Unmodified Opinions	February 16, 2022
Internal Control Over Financial Reporting and on Compliance and Other Matters	No reportable findings	February 16, 2022
Single Audit Report	Compliance – Unmodified Opinion Controls – No reportable findings	February 16, 2022
Passenger Facility Charges Report	Compliance – Unmodified opinion Controls – 1 significant deficiency	February 16, 2022



## FY 2021 Highlights



### **CARES Grant Funding**

*Expended \$148M in CARES grant funding for debt service and recognized the related revenue*



### **CRRSAA Grant Funding**

*Expended \$8M in CRRSAA grant funding for financial relief of in-terminal concessionaires, on-airport rental car companies and parking operations*



### **Internal Audit Usage**

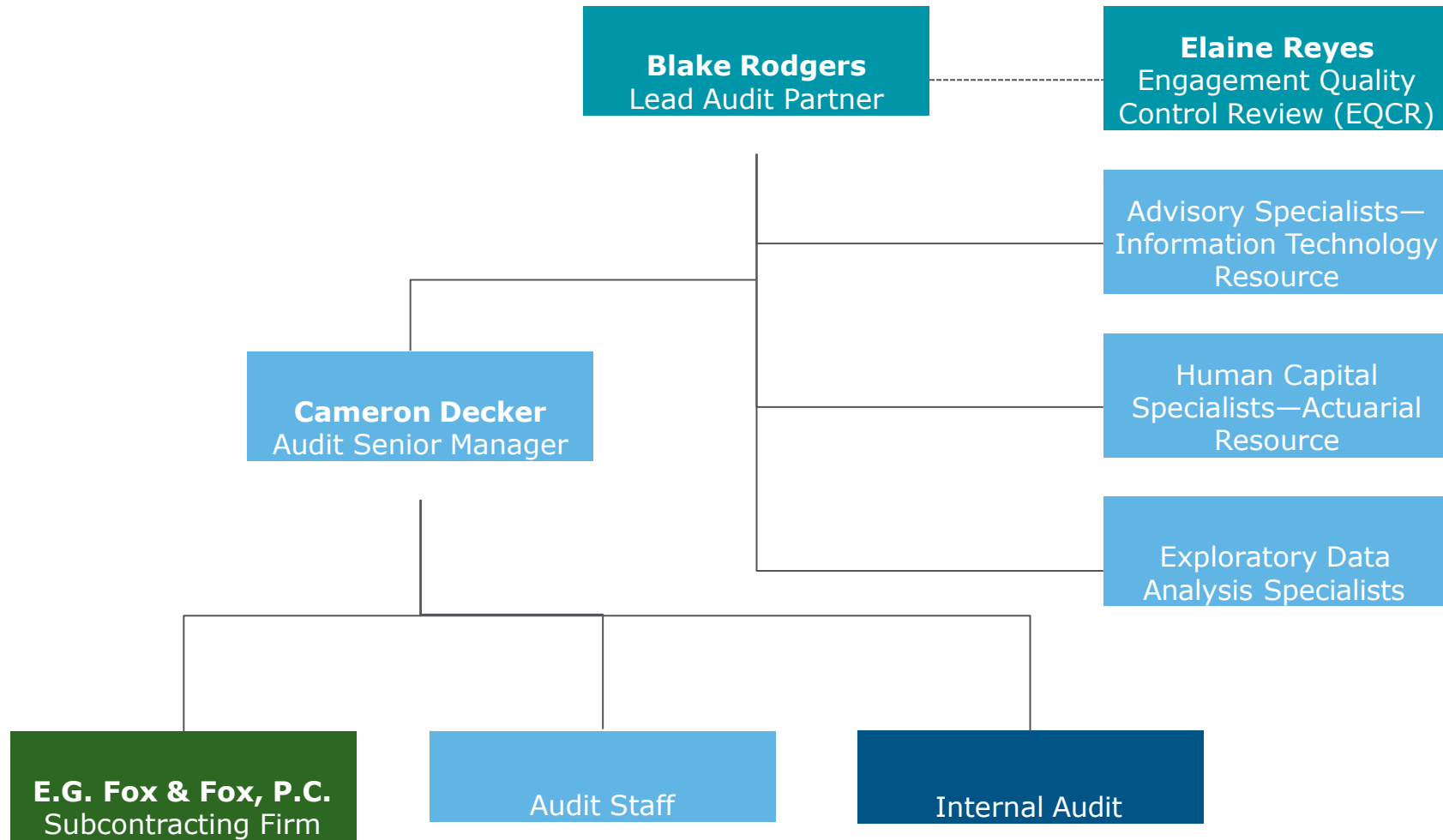
*We utilized Internal Audit's expertise in providing approximately 349 hours of audit assistance.*



## Significant risks considered

- Management override of controls

# Engagement Team





# Single Audit & Passenger Facility Charges Reports

## Single Audit

- Total grants expended in FY 2021 were \$230 million vs \$177 million expended in FY 2020.
- The Airport qualified as a low risk auditee.
- Unmodified opinion—Airport complied with all direct and material requirements.
- Major program summary and results:

Major Program	Expenditures	Material Non-Compliance Findings	Material Weakness in Controls	Significant Deficiency in Controls
Airport Improvement Program (included \$156M of federal pandemic relief)	\$229M	None	None	None reported

## Passenger Facility Charges

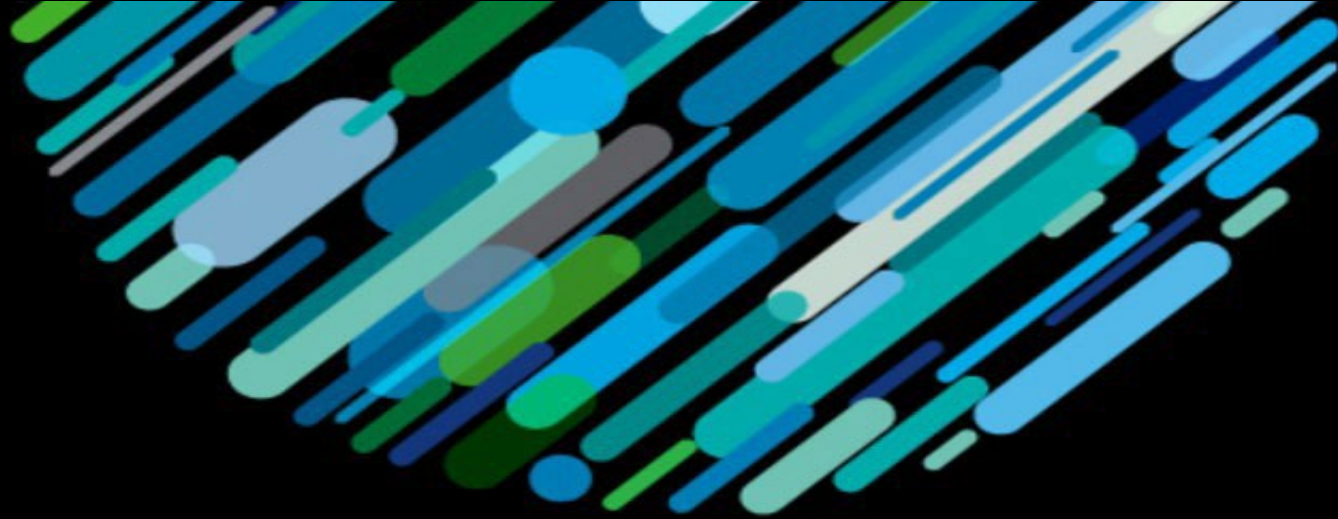
- Airport recognized revenues from PFCs of \$110 million during the year.
- PFC funds were used to pay for debt service during FY 2021.
- Total amount used to pay for debt service from PFC funds was \$107 million.
- Unmodified opinion—Airport complied with all direct and material requirements.
- No material weaknesses identified, and one significant deficiency reported in controls over compliance.

# Significant Upcoming Accounting Pronouncements

<b>GASB Standard</b>	<b>Implementation Date</b>	<b>DFW Fiscal Year</b>
GASB Statement No. 87: Leases	Effective for fiscal years beginning after June 15, 2021	FY 2022
GASB Statement No. 89: Accounting for Interest Cost Incurred before the End of a Construction Period	Effective for reporting periods beginning after December 15, 2020	FY 2022
GASB Statement No. 96: Subscription-Based Information Technology Arrangements	Effective for fiscal years beginning after June 15, 2022	FY 2023

# Required Communications Dashboard

<div><div><div>●</div><div>Matters to discuss</div></div><div><div>●</div><div>Other matters</div></div></div>		Audit results
Our Responsibility under Generally Accepted Auditing Standards		●
Significant Accounting Policies		●
Accounting Estimates		●
Uncorrected Misstatements		●
Material Corrected Misstatements		●
Disagreements with Management		●
Significant Difficulties Encountered in Performing the Audit		●
Management's Representations		●



# Appendices



# Appendix A

## **Required Communications**

# Appendix A

## Required Communications

Our Responsibility under Generally Accepted Auditing Standards	Significant Accounting Policies	Accounting Estimates	Uncorrected Misstatements	Material Corrected Misstatements
Disagreements with Management	Significant Difficulties Encountered in Performing the Audit	Management's Representations		

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (the "Auditing Standards") has been described in our engagement letter dated September 20, 2021. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Airport's basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as whole, for the year ended September 30, 2021, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects, and perform specified procedures on the required supplementary information. Our responsibilities under the Auditing Standards include forming and expressing an opinion about whether the basic financial statements that have been prepared by management with the oversight of the Finance/Audit Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Finance/Audit Committee of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Airport's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of DFW Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DFW Airport's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

# Appendix A

## Required Communications

Our Responsibility under Generally Accepted Auditing Standards	<b>Significant Accounting Policies</b>	<a href="#">Accounting Estimates</a>	Uncorrected Misstatements	Material Corrected Misstatements
Disagreements with Management	Significant Difficulties Encountered in Performing the Audit	Management's Representations		

The Airport's significant accounting policies are set forth in Note 1 to the Airport's 2021 financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended September 30, 2021.

We have evaluated the significant qualitative aspects of the Airport's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

# Appendix A

## Required Communications

Our Responsibility under Generally Accepted Auditing Standards	Significant Accounting Policies	Accounting Estimates	Uncorrected Misstatements	Material Corrected Misstatements
Disagreements with Management	Significant Difficulties Encountered in Performing the Audit	Management’s Representations		

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Our assessment of the significant qualitative aspects of the Airport’s particularly sensitive accounting estimates follows:

### Overview

#### Pension

The measurement of the Airport’s net pension liability and related costs for employees is subject to numerous actuarial assumptions, including, but not limited to, the discount rate, expected return on plan assets, and mortality tables.

As it relates to the net pension liability, annually the Airport engages a third-party actuarial firm to assist in measuring the costs and obligations and performs procedures to evaluate the results.

### Qualitative Assessment

We involved Deloitte actuarial specialists to assess the reasonableness of the methodologies used and selected assumptions. Further, we performed detailed procedures to test the completeness and accuracy of the demographic data provided to the third-party actuarial firm for the pension plans. Based on the procedures performed, the methodology and the underlying assumptions of the pension liability and the reported balances appear reasonable in the context of the financial statements taken as a whole.



# Appendix A

## Required Communications

Our Responsibility under Generally Accepted Auditing Standards	Significant Accounting Policies	Accounting Estimates	<b>Uncorrected Misstatements</b>	Material Corrected Misstatements
Disagreements with Management	Significant Difficulties Encountered in Performing the Audit	Management's Representations		

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Below is a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole (amounts in thousands).

- Factual overstatement of net pension liabilities of \$19,685 and pension expense of \$3,937 and factual understatement of deferred inflows of resources of \$15,748

# Appendix A

## Required Communications

Our Responsibility under Generally Accepted Auditing Standards	Significant Accounting Policies	Accounting Estimates	Uncorrected Misstatements	<b>Material Corrected Misstatements</b>
Disagreements with Management	Significant Difficulties Encountered in Performing the Audit	Management's Representations		

There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

# Appendix A

## Required Communications

Our Responsibility under Generally Accepted Auditing Standards	Significant Accounting Policies	Accounting Estimates	Uncorrected Misstatements	Material Corrected Misstatements
<b>Disagreements with Management</b>	Significant Difficulties Encountered in Performing the Audit	Management's Representations		

We have not had any disagreements with management related to matters that are material to Airport's 2021 financial statements.

# Appendix A

## Other Required Communications

Our Responsibility under Generally Accepted Auditing Standards	Significant Accounting Policies	Accounting Estimates	Uncorrected Misstatements	Material Corrected Misstatements
Disagreements with Management	<b>Significant Difficulties Encountered in Performing the Audit</b>	Management's Representations		

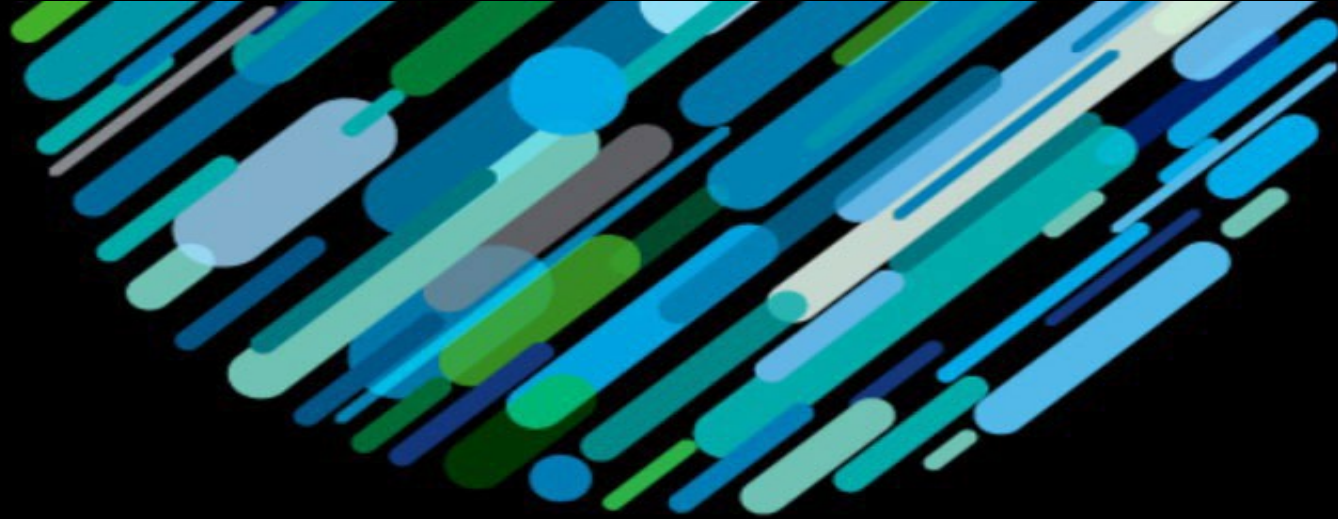
In our judgment, we received the full cooperation of the Airport's management and staff and had unrestricted access to senior management in the performance of our audit.

# Appendix A

## Required Communications

Our Responsibility under Generally Accepted Auditing Standards	Significant Accounting Policies	Accounting Estimates	Uncorrected Misstatements	Material Corrected Misstatements
Disagreements with Management	Significant Difficulties Encountered in Performing the Audit	<b>Management's Representations</b>		

We have made specific inquiries of the Airport’s management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations the Airport is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix B, a copy of the representation letters we obtained from management.



# Appendix B

## **Management Representation Letters**



Professional Services means audit, tax, consulting, and advisory.

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# 40. Quarterly Contract Renewal Ratifications

## PURPOSE:

Ratify three Contract increases and extensions for Quarterly Contract Renewals.

## DESCRIPTION:

Due to inclement weather and the cancellation of the Airport's February 3, 2022, Board Meeting, these Contracts required ratification to ensure the Airport maintained continuity of services.

8005350 – Power Talk

7007023 – Uniform Rental Services

7006743 – Tire Repair and Parts Service for Large Vehicles and Heavy Equipment

**\$71,733**

ACTION  
AMOUNT

**Operating Fund    Contract Compliance**

FUNDING  
SOURCE(S)

D/S/M/WBE  
PARTICIPATION



# 41. Interlocal Purchasing Agreements with the Cities of Dallas and Fort Worth

PURPOSE:

Authorization for the extension of interlocal purchasing agreements with the City of Dallas and the City of Fort Worth.

DESCRIPTION:

- To pursue cooperative purchasing and interlocal agreements.
- To maximize efficiencies between the Board and the City of Dallas and the City of Fort Worth.
- To continue established best practices of the Procurement and Materials Management Department.

\$0	N/A	N/A
ACTION AMOUNT	FUNDING SOURCE(S)	D/S/M/WBE PARTICIPATION



## 42. Excess Workers' Compensation Insurance

### PURPOSE:

Ratify the procurement of Excess Workers' Compensation Insurance for the policy year effective March 1, 2022.

### DESCRIPTION:

Coverage will protect the Board from paying high dollar workers' compensation and employee work-related liability claims. Once the cost of the claim exceeds the retention threshold, the excess insurance policy offers additional monies towards claim payments.

Retention: \$900,000



**\$326,764**

ACTION  
AMOUNT

**Operating Fund**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION





## 43. All-Risk Property Insurance

### PURPOSE:

Ratify the binding and procurement of an insurance policy for All-Risk Property Insurance for the policy year effective March 1, 2022.

### DESCRIPTION:

Coverage will protect the Board from paying high dollar property claims that result from inadvertent perils.

DFW Airport is contractually required to carry insurance based on Master Bond Ordinance

Coverage Limit: \$2 Billion

Deductible: \$250,000

**\$9,961,099**

ACTION  
AMOUNT

Operating Fund  
PFIC

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION





## 44. Ratification of Execution of Fuel System Operator

### PURPOSE:

To maintain the integrity and reliability of fueling operations at DFW Airport, the Dallas-Fort Worth Fuel Company, LLC selected a new Fuel System Operator, who took over February 9, 2022, and are seeking the Board's approval as provided in their Fuel System Lease Agreement.

### DESCRIPTION:

This action would ratify and approve the execution of the Dallas-Fort Worth Fuel Company, LLC's request for approval of Operator agreement approving their selection of Aircraft Service International, Inc. d/b/a Menzies Aviation as the new Fuel System Operator.

**\$0**

ACTION  
AMOUNT

**N/A**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION

# 45. Reimbursement Agreement with American Airlines, Inc. (AA) – Terminal C – AA Support Space Relocations – Design Phase

## PURPOSE:

Ratify and approve a Reimbursement Agreement with AA for the design phase of the relocation of AA support space for the Terminal C renovations project in an amount not to exceed \$1,461,553.05.

## DESCRIPTION:

The Central Terminal Area Expansion, Terminals A and C Programs has multiple components, some to be managed by AA under multiple reimbursement agreements and some by DFW.

- AA will manage the design and construction for the relocation of AA support spaces in Terminal C.
- DFW will manage the design and construction of the Terminal A and C expansion and Terminal C renovations projects.

DFW and AA agree that sharing the management of the work will allow for the fastest delivery of the new gates which are critical for AA's operations.

**\$1,461,553**

ACTION  
AMOUNT

**Joint Capital Acct**

FUNDING  
SOURCE(S)

**31%**

D/S/M/WBE  
PARTICIPATION



## 46. Reimbursement Agreement with American Airlines, Inc. (AA) – Baggage Handling System Installation and Integration Project – Design Phase, Terminal A and C Expansion

### PURPOSE:

Ratify and approve a Reimbursement Agreement with AA for the design phase of the baggage handling system (BHS) installation and integration project for the Terminal A and C Expansion project in an amount not to exceed \$7,026,334.92.

### DESCRIPTION:

The Central Terminal Area Expansion, Terminals A and C Programs has multiple components, some to be managed by AA under multiple reimbursement agreements and some by DFW.

- AA will manage the design, installation, and integration of the baggage handling system for the Terminal A and C Expansion project.
- DFW will manage the design and construction of the Terminal A and C expansion, and Terminal C renovations, projects:

AA has intimate knowledge of the Terminal A and C BHS systems due to their operations and maintenance of the terminals.

This project will require close coordination with affected stakeholders to minimize conflicts and improve project delivery which can be more efficiently implemented by AA for their leased gates.

**\$7,026,335**

ACTION  
AMOUNT

**Joint Capital**

FUNDING  
SOURCE(S)

**31%**

D/S/M/WBE  
PARTICIPATION

# 47. Approve the form of the Preliminary Official Statement for the 2022A Bond Issuance

PURPOSE:

Approve the form of the Preliminary Official Statements, in connection with the sale of the DFW Airport Joint Revenue Bonds issued under the 60<sup>th</sup> Supplemental Bond Ordinance.

DESCRIPTION:

Cities approved the 60<sup>th</sup> Supplemental bond ordinance authorizing issuances of bonds in an amount not to exceed \$2.4 billion. The remaining authorization of \$1.188 billion is anticipated to be issued in early April 2022. Intended for the proceeds is to fund the Airport’s Capital Improvement Plan. Help protect the Airport against continued rising interest and the related expenses.

\$0

ACTION  
AMOUNT

N/A

FUNDING  
SOURCE(S)

N/A

D/S/M/WBE  
PARTICIPATION

# 48. Sixty-Third Supplemental Bond Ordinance

PURPOSE:

Approve the Sixty-Third Supplemental Bond Ordinance and request its passage by the City Councils of Dallas and Fort Worth and authorizing the Authorized Officer to take other necessary actions.

DESCRIPTION:

Provide for the issuance of multiple series of bonds, not to exceed \$3.65 billion over a period of one year.

Purpose will be to refund Series 2013B, 2013E, 2014A, 2014D, and 2014E bonds, Subordinate Lien Drawdown Bonds and Series Commercial Paper Notes.

Total estimated savings is in excess of \$179 million.

Additional potential refunding candidates included in resolution are Series 2013D, 2013F, 2013G and 2014C bonds.

This will allow DFW to opportunistically issue new money bonds and lock in interest rates.

\$0

ACTION  
AMOUNT

N/A

FUNDING  
SOURCE(S)

N/A

D/S/M/WBE  
PARTICIPATION



# 49. Sixty-Fourth Supplemental Bond Ordinance

PURPOSE:

Approve the Sixty-Fourth Supplemental Bond Ordinance and request its passage by the City Councils of Dallas and Fort Worth and authorizing the Authorized Officer to take other necessary actions.

DESCRIPTION:

Annual request per the debt policy.

Section 8.2.2.7 - “Annually, the Airport will request standby authorization from the Owner Cities to issue refunding bonds in an amount sufficient to refund all anticipated outstanding self-liquidity VRDs” (Variable Rate Debt, which includes commercial paper).

Provide for issuance of multiple series of bonds in an amount not to exceed \$750 million over a one-year period.

\$0

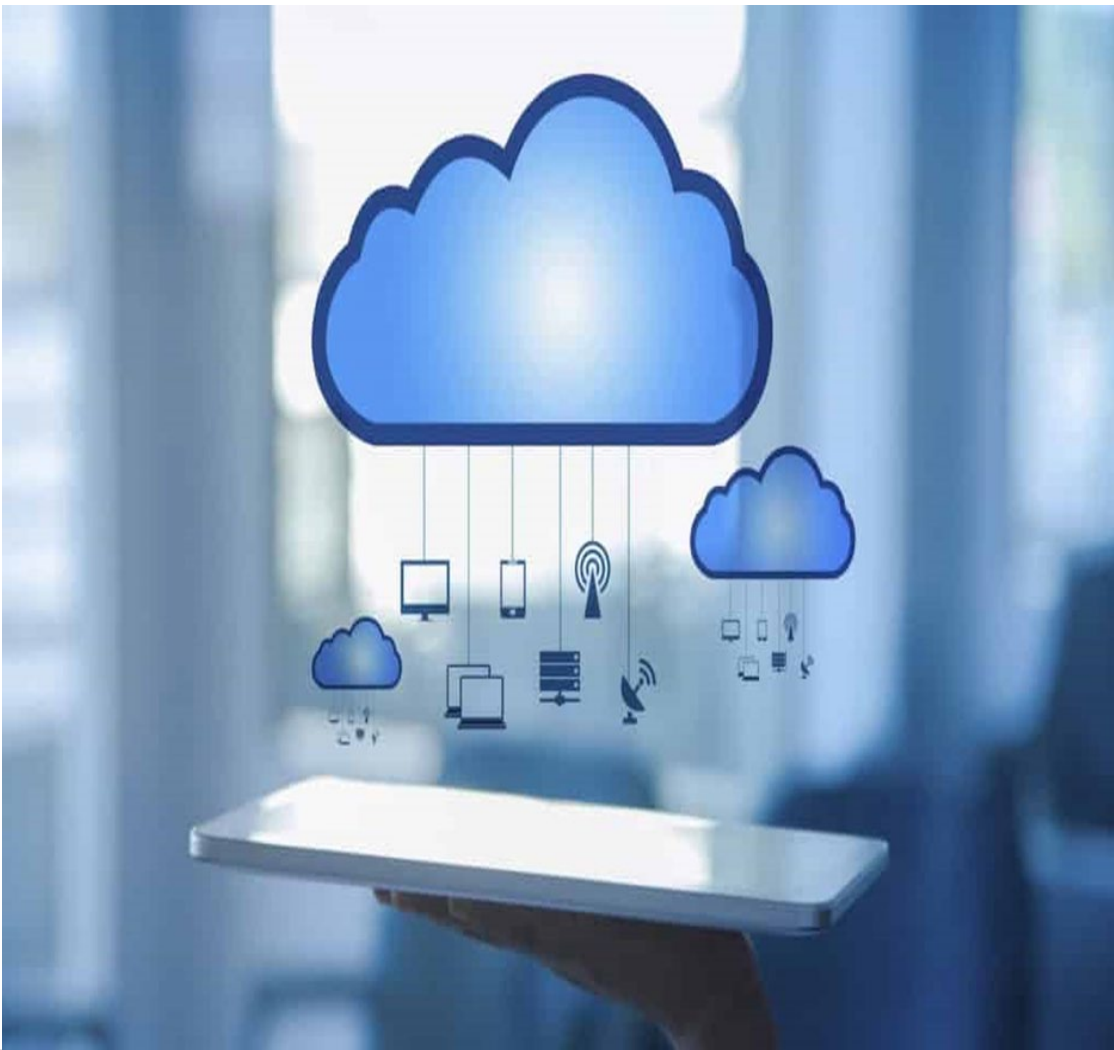
ACTION  
AMOUNT

N/A

FUNDING  
SOURCE(S)

N/A

D/S/M/WBE  
PARTICIPATION



## 50. Oracle Cloud Services

### PURPOSE:

Award a Contract for implementation of Oracle Cloud Services in support of the Airport's Technology program.

### DESCRIPTION:

This action provides for implementation services related to the Fusion Enterprise Resource Planning (ERP) system.

The current Financial ERP system is nearing the end of useful life and will no longer be supported as of December 31, 2023.

Reduces the number of manual processes and improves staff efficiency.

Further cost savings and process improvements will be achieved by eliminating several legacy applications.

**\$6,395,000 Joint Capital Acct. N/A**

ACTION  
AMOUNT

FUNDING  
SOURCE(S)

D/S/M/WBE  
PARTICIPATION



# Concessions / Commercial Development Committee

March 1, 2022



## 57. Reset Minimum Annual Guarantee

### PURPOSE:

Reset the Minimum Annual Guarantee (MAG) for all current Concession Leases in Terminal D.

### DESCRIPTION:

Reset the MAG, effective April 1, 2022, to the original MAG or the most recent MAG, whichever is less.

As a result of this action, the MAG will be adjusted for 44 locations.

This will not include TRG Duty Free, Lenlyn Ltd. and TFP1, LLC contracts which have already been modified.

Increased pressure on International traffic has slowed the recovery of Terminal D.

**\$0**

ACTION  
AMOUNT

**N/A**

FUNDING  
SOURCE(S)

**N/A**

D/S/M/WBE  
PARTICIPATION

# 58. Remote Parking Busing Operation Services

PURPOSE:

Ratify the execution of Contract No. 7007159 for Shuttle Bus Staffing Operations in support of the Airport's Transportation Business Unit.

DESCRIPTION:

This contract will provide bus transportation services for Airport customers who use the Remote Parking Lot(s) to park their vehicles. The operators will travel constant, dedicated routes, picking up and dropping off travelers at designated stops in the parking lots and at specified terminal locations. This new contract is to re-open the remote lots that closed in March 2020 for cost savings measures at the start of the pandemic.

This Contract will also provide turn-key operation and maintenance services for buses. Bus maintenance services will include all preventative and corrective maintenance required to keep the entire fleet of buses operating in optimum condition. Maintenance will also include exterior and interior cleaning to maintain proper physical appearance at all times.

**\$10,996,321**

ACTION  
AMOUNT

**Operating Fund**

FUNDING  
SOURCE(S)

**25%**

D/S/M/WBE  
PARTICIPATION

# 59. 19th Street Cargo Redevelopment Project

PURPOSE:

Designation of the proposed 19<sup>th</sup> Street Cargo Redevelopment Project as a "Public Facility" and an "Approved Airport Project" by the Board and the owner cities will allow the Public Facility Improvement Corporation (PFIC) to move forward with developing detailed plans for construction of the 19th Street Cargo Redevelopment Project.

DESCRIPTION:

The Articles of Incorporation for the PFIC provide that it was created for the purpose of financing, planning, constructing, equipping, owning, renovating, repairing, improving, maintaining and/or operating one or more facilities within the boundaries of the airport.

The Articles further state that such facilities must be for the comfort and accommodation of air travelers or be beneficial to the operation or economic development of the Airport and must be approved by the Board and each of the owner cities.

The Board is being requested to designate the proposed 19th Street Cargo Redevelopment project as an authorized PFIC project.

The Board is requesting that the owner cities approve designation of the proposed 19th Street Cargo Redevelopment Project as an authorized PFIC project.

N/A

ACTION  
AMOUNT

N/A

FUNDING  
SOURCE(S)

N/A

D/S/M/WBE  
PARTICIPATION





# 60. – 62. Reimbursable agreements with Federal Aviation Administration and reimbursable agreements with Weber Gruene DFW 1 LLC

## PURPOSE:

Execute three separate reimbursable agreements with FAA, and three similar agreements concurrently with Weber Gruene DFW 1 LLC (Tenant) to provide funding to the Airport Board

## DESCRIPTION:

The Tenant development of three buildings will impact FAA facilities and equipment located on the Airport, and thus FAA reimbursable related activities are necessary to further the project and mitigate impacts.

Separate agreements are required due to different scopes and mitigations

FAA reimbursable agreements and companion reimbursable agreements with Tenant

- FAA Procurement of Runway 35R MK20A 20-Element Localizer Conversion Kit in support of Weber Gruene Commercial Development at Dallas Fort Worth International Airport (*not to exceed \$282,051.23*)
- Support for the Runway 35R Localizer Conversion from a 14-Element Antenna Array to a 20-Element Antenna Array and its Impacts on FAA Facilities and Services (*not to exceed \$103,680*)
- Support for the Optimization of the Runway 35R Glideslope and its Impacts on FAA Facilities and Services (*not to exceed \$152,007.91*)

All costs associated are funded by Tenant and will be received prior to execution of FAA reimbursable agreements

\$537,739

ACTION  
AMOUNT

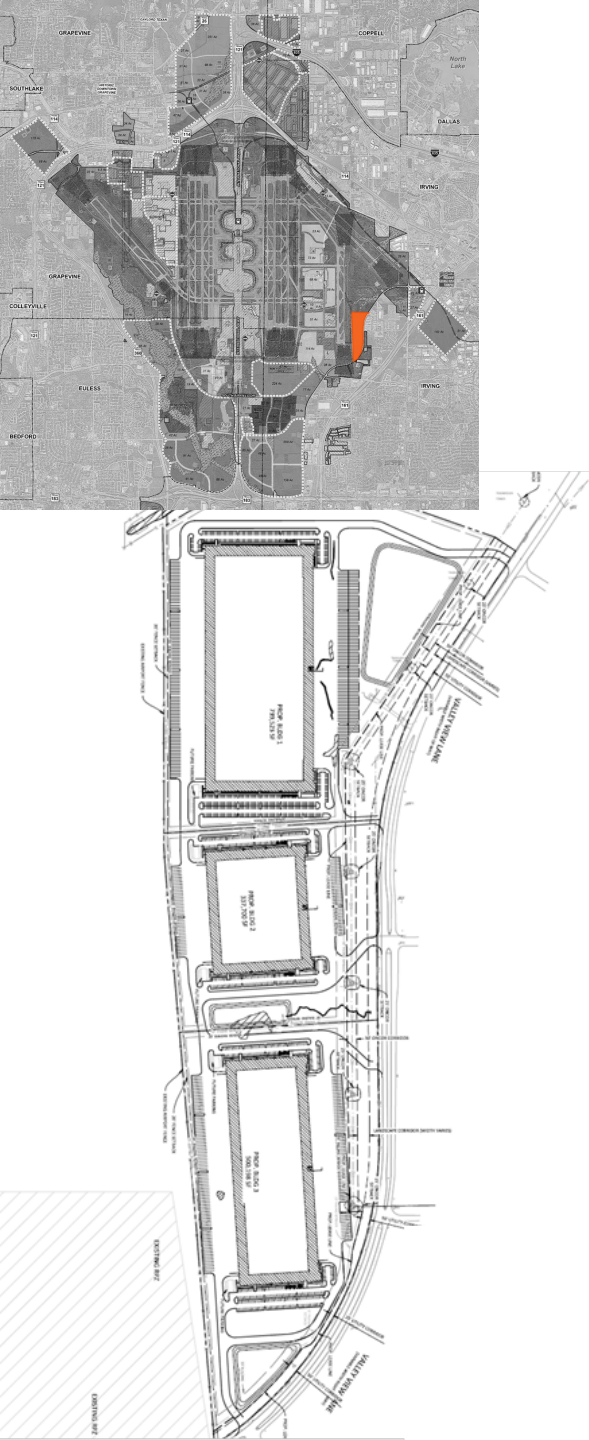
N/A

FUNDING  
SOURCE(S)

32%

D/S/M/WBE  
PARTICIPATION





# 63. Amendment of Resolutions for Lease agreements with Weber Gruene DFW 1 LLC, Weber Gruene DFW 2 LLC, Weber Gruene DFW 3 LLC, and a reimbursement agreement with Weber Gruene DFW 1 LLC

## PURPOSE:

Amend previous Board Resolutions to allow for termination rights in three separate lease agreements with Weber Gruene DFW 1, 2, 3 LLC, and the associated reimbursement agreement with Weber Gruene DFW 1 LLC

## DESCRIPTION:

The development of three buildings will impact FAA facilities and equipment located on the Airport, and thus FAA final flight checks are necessary to determine final impacts after mitigations are complete.

Requesting Board Resolutions #2020-08-174,#2020-08-175,#2020-08-176, and #2020-08-177 be amended to allow for termination of leases and no reimbursement of Board infrastructure if FAA mitigations determine that the land to be developed cannot be used for its intended purpose.

\$0

ACTION  
AMOUNT

N/A

FUNDING  
SOURCE(S)

N/A

D/S/M/WBE  
PARTICIPATION

# Reimbursable agreements with Federal Aviation Administration and reimbursable agreements with Weber Gruene DFW 1 LLC

