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# Financial Report Response to COVID-19

April 9, 2020

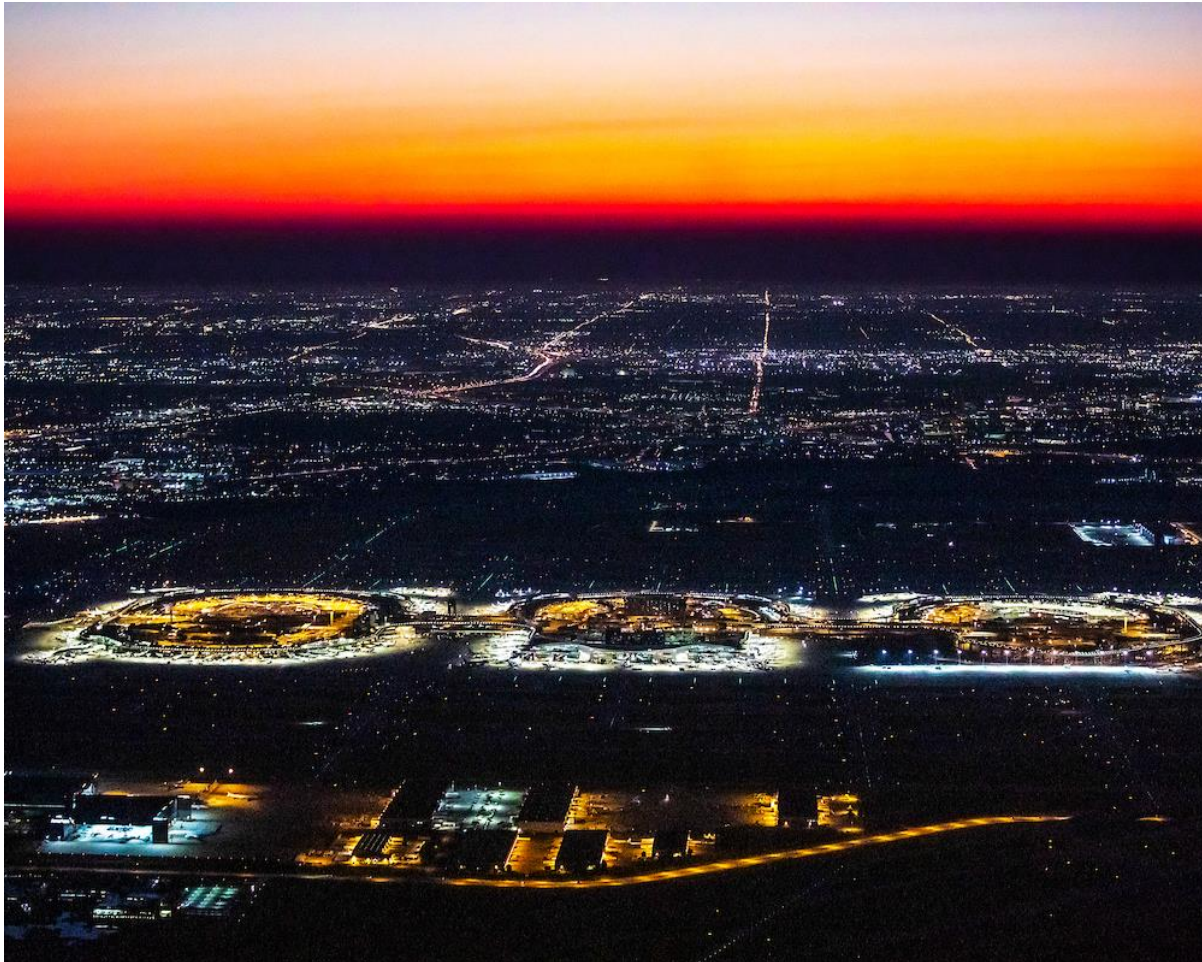
# DFW's Response to COVID-19

Operating Fund Budget Reductions - \$65 million to \$75 million

- Identified approximately \$40 million to \$50 million of operating expense reductions, approximately 15% to 19% of operating budget for last six months of FY20
  - Hiring freeze of non-essential positions
  - Suspending non-mission critical activities
- Depending on market conditions, bond refundings anticipated for this summer will be structured to achieve approximately \$25 million in reduced debt service payments for FY20
  - Lower borrowing costs
  - Retain a portion of the accrued interest for the refunded bonds (deferred payment)
- Cost reductions could cover approximately 29% to 43% of total lost airline and DFWCC revenues



# DFW's Response to COVID-19



## Capital Program

- Suspend approximately \$100 million of non-mission critical capital projects

## Use Agreement

- Recommend extending by one year (May OBA)
- AA has consented to extension

# Actions to Help Business Partners

DFW has used its strong cash position to take immediate action for interim financial relief for airlines, concessionaires and RACs.

Three OBAs that ratify actions taken in March:

- **Action Item #11 (Airlines)** – deferral of collection of April and May terminal rents, landing fees and other variable charges until July, August and September
  - Estimated cash flow impact of \$60 million to \$80 million
- **Action Item #16 (Concessionaires and RACs)** – Allow percent rent in place of minimum annual guarantee (MAG)
  - One-time reduction in DFW revenues of \$45 million to \$55 million due to percent rent and less passengers
- **Action Item #18 (Concessionaires and RACs)** – deferral of collection of April and May operating and maintenance expenses until July, August and September
  - Estimated cash flow impact of approximately \$1.8 million

May OBA to provide further relief to tenants for similar deferral of office/storage rents with estimated cash flow impact of about \$450,000



# Actions to Enhance Liquidity, if Necessary



Two OBAs to provide options to enhance DFW liquidity, if needed

- *Action Item #9 – Amendment to 57<sup>th</sup> Supplemental Bond Ordinance*
  - Board approved 57<sup>th</sup> in March
  - Modified Ordinance allows DFW to restructure principal, if necessary
  - With CARES Act, deferring principal is less likely, but prefer to have flexibility
  - Management would notify the Board prior to using this option
- *Action Item #10 – Reimbursement resolution*
  - Allows DFW to reimburse cash expenditures from DFW Capital Account and Joint Capital Account up to \$250 million with debt issued in FY 2021
  - Timeframe for reimbursement - February 8 to September 30, 2020
  - Board would be asked to approve an OBA for new debt if management chose to reimburse

# Summary

Too early to determine the full impact of COVID-19, but will have significant impact on DFW operations, passengers and revenues

Management has taken immediate action to:

- Reduce costs - \$75 million planned
- Suspend non-mission critical capital projects – approximately \$100 million
- Help business partners through deferrals of amounts billed in April and May

CARES Act will provide additional financial assistance and flexibility

DFW is in a strong financial position from a liquidity perspective to weather the negative impact in FY 2020

Additional OBAs provide options to increase financial flexibility, if needed

