

Memorandum

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CITY SECRETARY
DALLAS, TEXAS



CITY OF DALLAS

DATE February 19, 2010

TO Transportation and Environment Committee Members: Linda L. Koop (Chair), Sheffie Kadane (Vice Chair), Jerry Allen, Tennell Atkins, Carolyn R. Davis, Angela Hunt, Delia Jasso, Pauline Medrano, Ron Natinsky, Vonciel Jones Hill

SUBJECT Transportation and Environment Committee Meeting Agenda

Monday, February 22, 2010 at 2:00 – 4:00 p.m.
City Hall, 1500 Marilla, Room 6ES
Dallas, TX 75201

1. **Approval of Minutes for the February 8, 2010 Meeting**
(Action / 5 Minutes)
2. **DFW International Airport Board Interviews:
Robert Hsueh and Bernice Washington**
(Action / 45 Minutes)
3. **Love Field Concession Plan**
Dan Weber, Director, Aviation
(Action / 30 Minutes)

A handwritten signature in cursive script, appearing to read 'Linda L. Koop'.

Linda L. Koop, Chair
Transportation and Environment Committee

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest Turner, Assistant City Manager
David Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Budget and Management Services
Edward Scott, Director, Controller's Office
Rick Galceran, P.E., Director, Public Works and Transportation
Theresa O'Donnell, Director, Sustainable Development and Construction
Helena Stevens-Thompson, Assistant to the City Manager – Council Office

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. Contemplated or pending litigation, or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. The purchase, exchange lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
3. A contract for a prospective gift or donation to the City, if the deliberation is an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
4. Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
5. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.
6. Deliberations regarding economic development negotiations. Section 551.087 of the Texas Open Meetings Act.

TRANSPORTATION AND ENVIRONMENT COMMITTEE MEETING RECORD

The Transportation and Environment Committee (TEC) meetings are recorded. Agenda materials and audiotapes may be reviewed/copied by contacting the Public Works and Transportation TEC Staff Coordinator at 214.670.4545.

Meeting Date: February 8, 2010 **Start Time:** 2:03 p.m. **Adjournment:** 3:50 p.m.

Committee Members Present:

Linda L. Koop (Chair), Sheffie Kadane (Vice Chair), Jerry Allen, Tennell Atkins, Angela Hunt, Delia Jasso, Ron Natinsky, and Vonciel Jones Hill

Committee Members Absent:

Carolyn R. Davis and Pauline Medrano

Other Council Members Present:

None

City Executive Staff Present:

Jill A. Jordan, Assistant City Manager

TRANSPORTATION AND ENVIRONMENT COMMITTEE AGENDA

1. **Approval of Minutes for January 25, 2010**

Action Taken/Committee Recommendation:

Motion was made to approve the minutes for the January 25, 2010 meeting subject to corrections. No corrections were suggested and the minutes were approved as submitted.

Made by: Kadane

Seconded by: Atkins

Passed unanimously

Ms. Koop introduced Katherine Spires, a student at Dallas Baptist University, who is serving as an intern for Mr. Atkins.

2. **Green Energy from McCommas Bluff Landfill**

Presenter: Ron Smith, Assistant Director, Sanitation Services

Mr. Smith briefed the Committee on the City's program to reclaim gas produced by the McCommas Bluff Landfill.

Action Taken/Committee Recommendation:

Ms. Koop mentioned that plans were underway for the Committee to tour the McCommas Bluff Landfill and Southside Wastewater Treatment Plant.

Ms. Koop asked if it was possible for landfill gas to fuel natural gas vehicles. Mr. Smith stated that once the gas is cleaned and put in a pipeline it is just like natural gas supplied at a fueling station. She also asked staff to develop additional information for the Committee on the revenues that will be generated over the remaining life of the gas processing contract.

Mr. Atkins asked about the estimated life of the landfill. Mr. Smith stated that the projected life of the landfill is 47 more years.

Mr. Kadane asked who owns the gas processing plant, and why does the City only receive 12 percent of the royalties. Mr. Smith stated that Dallas Clean Energy owns 70 percent of the plant and Cambrian Energy owns 30 percent. The City receives 12.5 percent of the lessee's gross revenues from gas sales because that is the amount negotiated in the 1994 contract.

Ms. Hunt asked if these revenues could be captured for the general fund. Ms. Jordan indicated that the revenues already offset the general fund. Ms. Hunt asked staff to provide additional information on projected revenues, and indicated that she was looking forward to the negotiations for the lease renewals.

Mr. Natinsky asked when the City plans to begin negotiations for a new lease agreement. Mr. Smith indicated that talks are already underway for a lease renewal or extension.

Mr. Natinsky asked how many tires are used in one of the biotech cells. Mr. Smith stated that 2.5 million shredded tires are used for one cell.

No action was taken on this item.

3. Green Energy Recovery – Southside Wastewater Treatment Plant

Presenters: Jody Puckett, Director, Dallas Water Utilities and Richard Wagner, Program Manager, Dallas Water Utilities

Ms. Puckett briefed the Committee on the Green Energy Recovery project at the Southside Wastewater Treatment Plant.

Action Taken/Committee Recommendation:

Ms. Koop asked how companies currently dispose of grease. Mr. Wagner indicated that the most common way to dispose of grease is to take it to a disposal facility -- the liquids go into the wastewater system and solids go in the landfill.

Ms. Koop noted on slide 6 of the presentation that if you generate electricity you can sell energy credits. She asked if there were any other programs where the City can generate energy credits to be sold and how the price is determined. She asked staff to provide more information on how this process might work. Mr. Allen agreed with Ms. Koop and also requested additional information on the renewable energy credits and "cap and trade" process.

Mr. Natinsky asked how grease would be transported, and what would the incentive be for someone to use our facility. Ms. Puckett explained that grease traps are pumped into

large trucks to be transported, however, one issue not resolved is how to generate traffic to the City facility. She indicated that there would not be a requirement to transport grease to our facility, but the grease would have to be taken to a licensed operator. Ms. Jasso agreed with Mr. Natinsky that we should have some type of incentive program for small businesses.

Mr. Atkins asked how the public was being informed about grease disposal. Ms. Puckett described the "Cease the Grease" program.

No action was taken on this item.

4. Cost Recovery – Traffic Signs

Presenters: Beth Ramirez, Assistant Director, Public Works and Transportation

Ms. Ramirez presented a briefing on the issue of cost recovery related to crime watch traffic signs. She outlined three options and requested policy direction from the Committee.

Action Taken/Committee Recommendation:

Ms. Jasso asked if neighborhoods would be allowed under Option 3 to obtain ten free signs of each type. Ms. Ramirez answered that a neighborhood could only get a total of ten free signs under Option 3, but that the ten signs could be any combination of the three types. Ms. Jasso indicated that she could support Options 3.

Mr. Kadane suggested that neighborhoods are helping the Dallas Police Department through their crime watch efforts and should not be charged for these signs. He indicated that he did not agree with charging a \$50 processing fee and did not support the \$40 fee for signs under the full cost recovery option.

Ms. Hunt stated that she supported option 3 because the signs provide a benefit to both the neighborhood and the City in general.

Ms. Jasso asked if there was an opportunity for one neighborhood to share their allocation of free signs with another neighborhood. Ms. Ramirez stated that it might be possible for neighborhoods to share signs.

The Committee asked Mr. Ed Fox, past chair of the City of Dallas VIP program, to explain his concerns about the cost of the signs. Mr. Fox stated it is tough getting volunteers from a neighborhood to participate in a Crime Watch and/or VIP program; additional costs associated with the signs just adds to that difficulty. Mr. Fox also stated that the number of signs needed varies greatly depending on the configuration of a neighborhood. One neighborhood may only need a few signs because it has a limited number of entrances, while another neighborhood may have a grid layout with many entrances requiring many signs.

Mr. Natinsky asked how the full cost recovery option would generate a revenue surplus of \$6,650. Ms. Jordan explained that the \$6,650 “surplus” is just the amount that would be collected above this year’s budgeted amount which did not assume full cost recovery.

Mr. Natinsky indicated that this program should be transferred and budgeted through the Dallas Police Department, and suggested that the Police Department determine the number of signs needed for each neighborhood.

A motion was made to approve Option 3 (partial cost recovery – neighborhood pays a \$50 processing cost, nothing for the first ten signs, and \$40 for each additional sign) to encourage participation in the crime prevention program, and to forward it to the full Council for consideration.

Made by: Hill

Seconded by: Atkins

Passes – 5 in favor
and 3 opposed

Linda L. Koop, Chair
Transportation and Environment Committee

DRAFT

Memorandum



CITY OF DALLAS

DATE February 19, 2010

TO Members of the Transportation and Environment Committee:
Linda L. Koop (Chair), Sheffie Kadane (Vice Chair), Jerry Allen, Tennell Adkins, Carolyn R. Davis, Angela Hunt, Delia Jasso, Pauline Medrano, Ron Natinsky, Vonciel Jones Hill

SUBJECT DFW Airport Board Interviews

Applications for the applicants being interviewed for the DFW Board will be emailed to you on Friday, February 19, 2010. Please note that the applications contain personal information and should be properly disposed of after the meeting.

Please contact me if you need additional information.

A handwritten signature in cursive script, reading "Jill A. Jordan".

Jill A. Jordan, P.E.
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
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TO Members of the Transportation and Environment Committee: Linda Koop, Chair; Sheffie Kadane, Vice-Chair; Jerry R. Allen; Tennell Atkins; Carolyn R. Davis; Vonciel Jones Hill; Angela Hunt; Delia D. Jasso; Pauline Medrano; Ron Natinsky

SUBJECT Love Field Concession Plan

Attached is the briefing entitled, "Love Field Concession Plan" that will be presented to you on February 22, 2010.

Please contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez', with a large, sweeping flourish extending upwards and to the left.

A.C. González
Assistant City Manager

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
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Jeanne Chipperfield, Director, Office of Financial Services
Edward Scott, Director, Controller's Office
Helena Stevens-Thompson, Assistant to the City Manager - Council Office
Daniel T. Weber, Director, Department of Aviation

Love Field Concession Plan

Briefing to
Transportation & Environment Committee

Department of Aviation
February 22, 2010

Briefing Objectives

- Present recommendation regarding Love Field Concession Contracts
 - Food & Beverage
 - Retail
 - Based on revised Concession Plan and term sheets agreed to by the parties
- Review Next Steps

Negotiation Objectives

- Enhance customer experience
- Generate more revenue for the Airport (and contractors)
- Recognize Incumbents' past contributions
- Create competitive contracting environment for additional opportunities
- Continue MWBE efforts

Results

- For the Customer
 - Improved facilities from capital investment
 - Improved customer service/convenience
 - More space allocated, more concessions
 - Increased number of places to purchase bottled water
 - Wider range of choices
 - Product selection, brands, price points, ease, health
 - Price protection through enforcement of street pricing policy

Results



- For Airport: Increased Revenue
 - Consultants' Pro formas project that the combination of:
 - Expanded space allowing more offerings
 - Expanded concepts appealing to broader customer base
 - Optimum locations reaching more customers
 - Popular merchandise mix encouraging greater sales
 - Expanded points of sale
 - Will double gross sales for the concessionaires and rental revenue for the City, on only 58% more space in 2015 versus 2008
 - Increasing concessionaire revenue per square foot of capital investment
 - Increasing Airport revenue to support LFMP debt service
 - Gross revenue per enplaned passenger
 - 2008 \$3.48 Food & Beverage, \$1.60 Retail
 - 2015 \$7.59 Food & Beverage \$3.27 Retail

Results

- For concessionaires: Recognition of past work
 - Roughly same space provided in new terminal as before
 - Opportunity to compete for additional space
 - Start new lease with set industry standard rents; subject to change to match their RFP response, if successful
 - Space build out phased as traffic warrants
 - Longer term to amortize capital investment

Results



- For other concessionaires: More opportunities
 - Open competition for an attractive package for both concession types
 - Overall Concession Plan developed to ensure RFP packages are economically viable and attractive to other proposers
- For MWBE's: More opportunities
 - Current concessionaires participation
 - Food & Beverage – 99% through direct ownership
 - Retail – 40% through joint ventures
 - New proposals
 - FAA approved DBE goal for all concessions is 23.5%
 - RFP packages expand the market for new DBE & MWBE opportunities
 - Concession Plan business strategy enables DBE, MWBE to establish businesses which are complementary to others in terminal, rather than in direct competition

Underlying Plan Strategy

- Capitalize on terminal expansion (the LFMP)
 - Approximately doubles today's concession space
 - Can develop modern, efficient and passenger-friendly terminal
 - Can enhance customer service and airport revenue potential
- Recognize Incumbent concessionaires
 - Served Love Field since 1996
 - Provided high level of service in good times and bad times
 - Earned a place in the new facility
- Create competitive environment
 - While incumbents will have similar amount of space in new facility, remaining new space will be awarded thru competitive process

Methodology

- **Used Concession Consultant**

- Unison Consulting, Inc. – Airport Consulting Firm Founded in 1989
 - Airport's consultant since 2007
 - 40+ Airport clients in US and Canada
 - Broad Experience in all aspects of airport concessions consulting
- Role was to:
 - Provide national perspective on business model, rent structure, etc
 - Verify cost and expense projections
 - Insure space and brand distribution was viable and attractive with concepts that are complementary rather than directly competitive
- They:
 - Provided national benchmarking data
 - Analyzed revenue per enplanement data for opportunities
 - Provided best practices information
 - Reviewed pro's and con's of competitive process in our situation

Methodology

- Worked with current concessionaires to address concerns, such as:
 - Allocated space relative to demand
 - Passenger traffic meeting projections (major event or recession)
 - Capital cost risk of over-building concessions
 - Merchandise and operating cost of lower than estimated demand

Available Concession Spaces

- Total concession space under earlier Schematic Design drawings plans: 51,238 SF
 - Food & Bev: 35,595 SF (20,588 incumbent + 15,007 RFP)
 - Retail: 15,643 SF (7,183 incumbent + 8,460 RFP)
- Space build-out strategy
 - Start up space allocation was reevaluated and determined in need of adjustment
 - Phase in approach was developed
 - Enplanement levels are to be used as triggers, rather than fixed projections
 - Exact space dimensions are subject to being revised as terminal plans are further developed

Concession Spaces: Adjusted and Phased



Passenger Enplanements	Food & Bev SF	Retail SF	Total SF
5.26 M (Opening)	31,271	11,812	43,083
5.75 M (Phase II)	4,923	814	5,737
6.26 M (Phase III)	2,861	2,027	4,888
Total SF	39,005	14,653	53,708

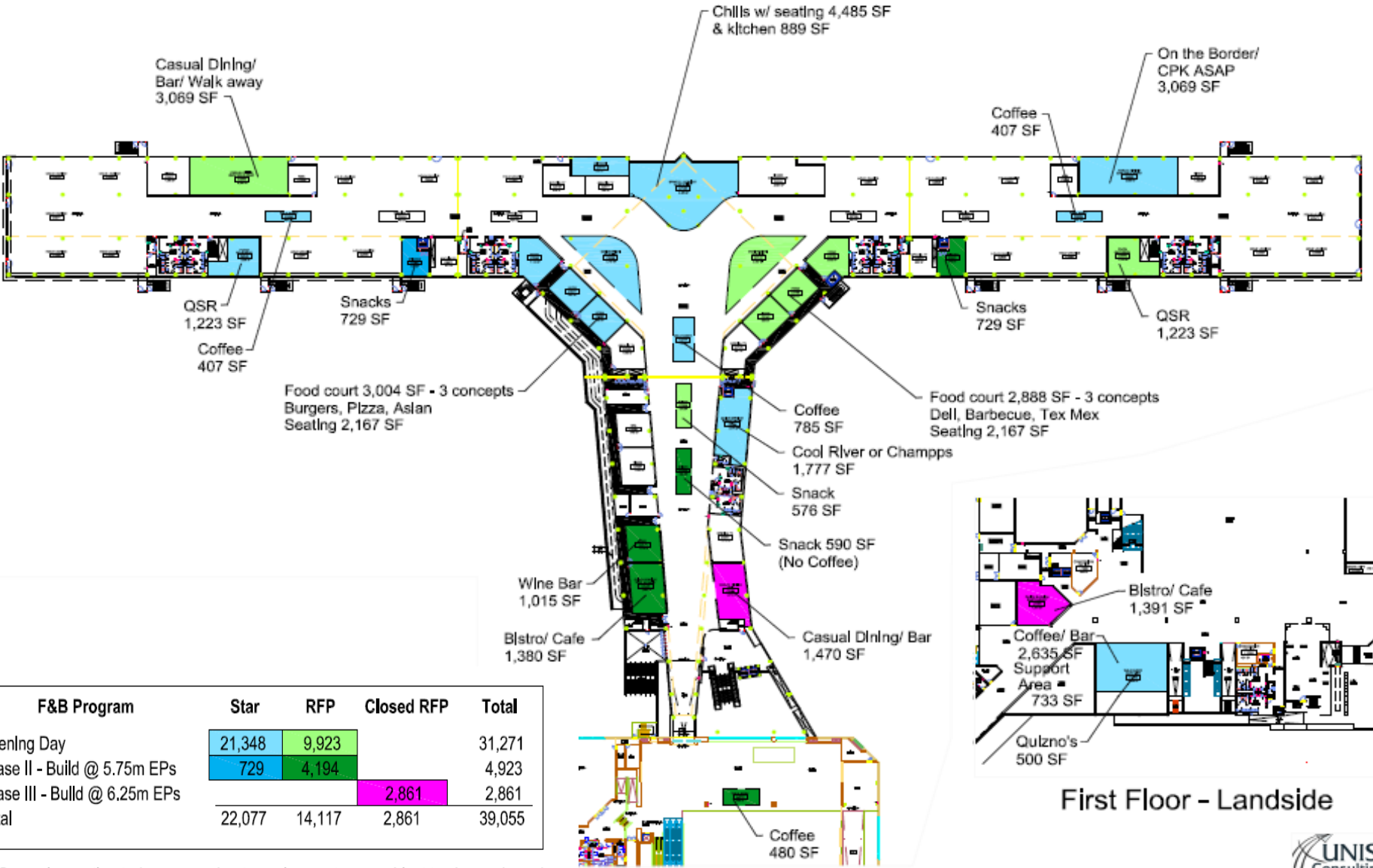
Food and Beverage Plan

- **Space development**

– Opening – 5.26 M enplanements	31,271 SF
• Dallas Love Field Joint Venture (DLFJV)	21,348 SF
• RFP package awardee* (incl Phase II)	9,923 SF
– Phase II – 5.75 M enplanements	4,923 SF
• DLFJV	729 SF
• Second concessionaire*, if successful	4,194 SF
– Phase III – 6.25 M enplanements	2,861 SF
• Closed RFP between 2 existing Food/Bev concessionaires	

* Same entity

Food & Beverage Plan



F&B Program	Star	RFP	Closed RFP	Total
Opening Day	21,348	9,923		31,271
Phase II - Build @ 5.75m EPs	729	4,194		4,923
Phase III - Build @ 6.25m EPs			2,861	2,861
Total	22,077	14,117	2,861	39,055

First Floor - Landside

*All Scenarios, estimated areas, and gate assignments are subject to change based on final terminal design plans.

Merchandise concepts may not be changed without prior written approval of City.

Food and Beverage Plan

- Lease term
 - Current Lease amendment
 - Extend 2011 termination date to new date coinciding with commencement date of new lease
 - New Lease - Transition Term
 - Begins after first location opens in new terminal and ends at completion of terminal construction
 - New Lease – Primary Term & Option
 - 12 years, effective upon completion of all 20 gates in new concourse and lobby concession areas
 - One 3-year option at City's discretion
- Capital requirements
 - Minimum \$400 per square foot
 - Mid-term refurbishment at year 6 of \$75 per square foot

Food and Beverage Plan

- **Rental Fees**

- Current lease amendment

- Upon closure of first location in existing terminal (for construction), Minimum Annual Guarantee (MAG) is waived

Food and Beverage Plan

- New DLFJV lease commencing at opening of first facility in new terminal
 - Minimum Annual Guarantee (MAG)
 - First year – \$0.59 per enplaned passenger
 - Successive years, 90% of prior year actual rent, but not less than yr 1
 - Rent
 - 12% of branded food & non-alcoholic beverage gross sales
 - 13% of non-branded food gross sales
 - 15% of alcoholic beverage gross sales
 - **If DLFJV is awarded RFP package, All locations subject to RFP proposed rates**

Retail Plan



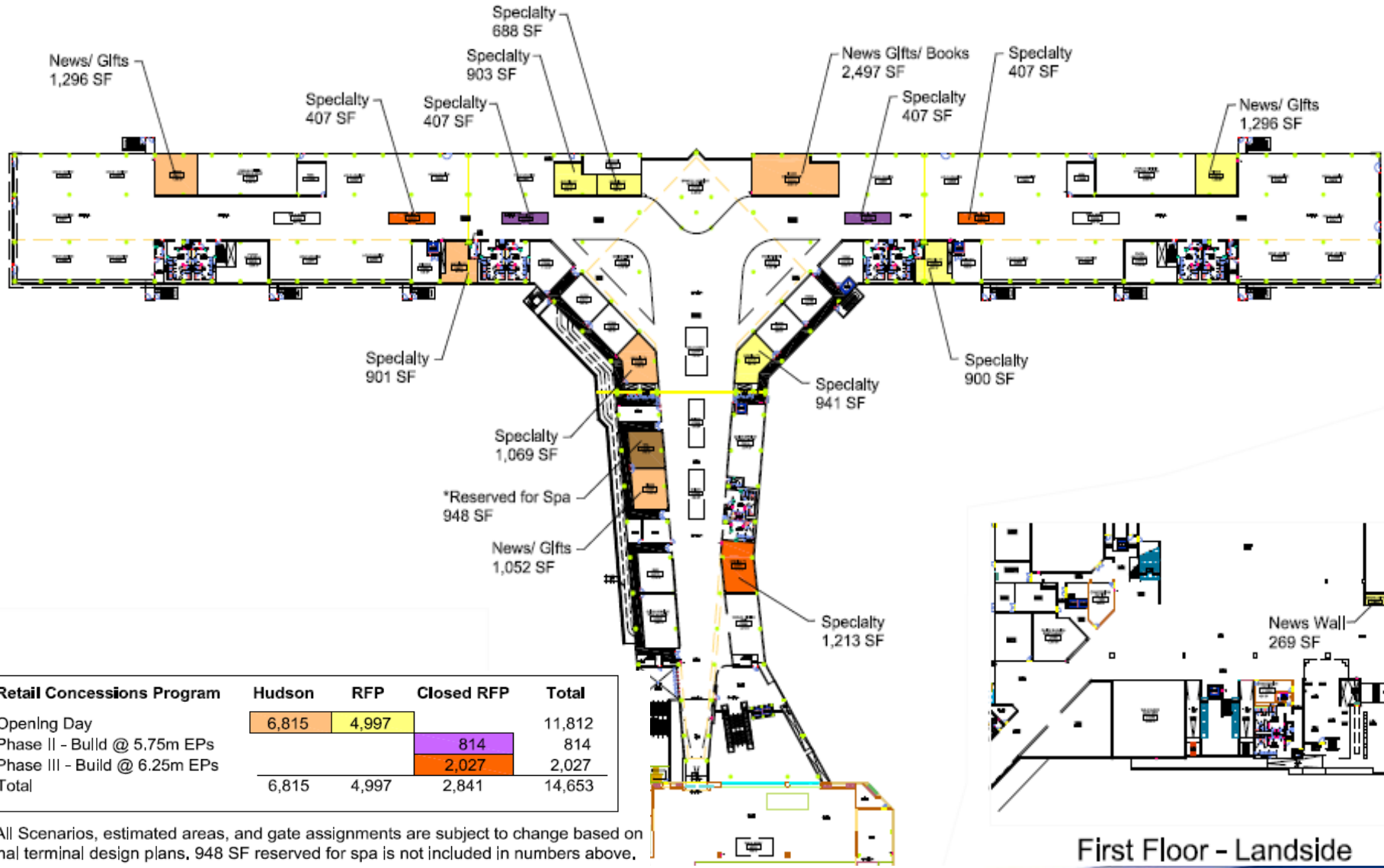
- **Space development**

- Opening – 5.26 M enplanements **11,812 SF**
 - Hudson Retail – Dallas JV (Hudson) 6,815 SF
 - RFP package awardee 4,997 SF

- Phase II – 5.75 M enplanements **814 SF**
 - Closed RFP between 2 existing Retail concessionaires

- Phase III – 6.25 M enplanements **2,027 SF**
 - Closed RFP between 2 existing Retail concessionaires

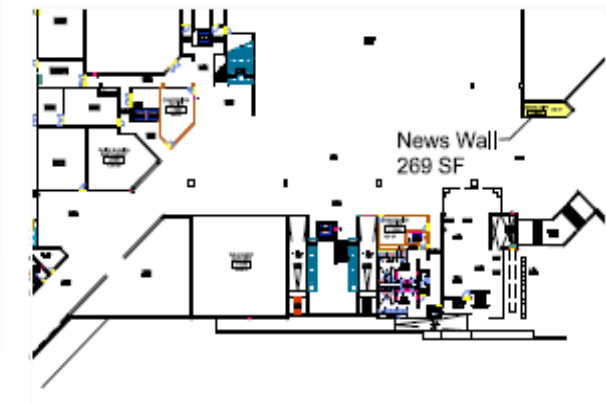
Retail Concessions Plan



Retail Concessions Program	Hudson	RFP	Closed RFP	Total
Opening Day	6,815	4,997		11,812
Phase II - Build @ 5.75m EPs			814	814
Phase III - Build @ 6.25m EPs			2,027	2,027
Total	6,815	4,997	2,841	14,653

*All Scenarios, estimated areas, and gate assignments are subject to change based on final terminal design plans, 948 SF reserved for spa is not included in numbers above.

Merchandise concepts may not be changed without prior written approval of City.



First Floor - Landside

Retail Plan

- Lease term
 - Current Lease amendment
 - Extend 2011 termination date to new date coinciding with commencement date of new lease
 - New Lease - Transition Term
 - Begins after first location opens in new terminal and ends at completion of terminal construction
 - New Lease – Primary Term & Option
 - 12 years, effective upon completion of all 20 gates in new concourse and lobby concession areas
 - One 3-year option at City's discretion
- Capital requirements
 - Minimum \$350 per square foot
 - Mid-term refurbishment at year 6 of \$65 per sq foot

Retail Plan

- Rental Fees
 - Current lease amendment
 - Upon closure of first location in existing terminal (for construction) Minimum Annual Guarantee (MAG) is waived

Retail Plan

– New Hudson lease

- Commences at opening of first facility in new terminal
- Minimum Annual Guarantee (MAG)
 - First year – \$0.21 per enplaned passenger
 - Successive years, 90% of prior year actual rent, but not less than yr 1
- Rent
 - 16% of news/gift gross sales
 - 14% of specialty retail gross sales
 - **If Hudson awarded RFP package, All locations subject to RFP proposed rates**

Opening Day Pro Forma



2015 Projection*	Square Feet	Projected Sales	Revenue to City
Food & Beverages	31,271 SF	\$39,955,972	\$4,980,924
Retail Concessions	11,812 SF	\$17,189,060	\$2,578,364
2015 Projected Total	43,083 SF	\$57,145,031	\$7,559,288

2008 Actual F & B and Retail Total	27,177 SF	\$22,140,055	\$3,375,884
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*Projections are shown in 2015 dollars.

All scenarios and estimates areas are subject to change based on final terminal design plan.

Other Provisions

- The following provisions apply to:
 - Both incumbents
 - Any other successful bidder(s) on RFP's referenced above

Bottled Water Provision

- Bottled water historically a Food & Beverage-only product
- Recent trends are to allow water sales at Retail concessions also
 - Restrictions of liquids at security check points increased demand in concourses
 - Provides better customer service
 - Expanded points of sale increases overall revenues

Bottled Water Provision

- Opening water sales to Retail entails:
 - Protection to incumbent F&B from cannibalization
 - Sales baseline establishes amount at which bottles sold either cannibalizes DLFJV sales or constitutes incremental sales (sales per enplanement factor established using last 3 year data)
 - Retail concessionaires compensate DLFJV at \$1.47 per bottle, if sales fall below baseline
 - Retail concessionaires compensate DLFJV at \$.62 per bottle for incremental sales in excess of baseline amount
 - All sales of both Retail and both Food & Bev concessionaires contribute to the attainment of baseline quantities of sales
 - Ability for Retailers to gain revenue from incremental sales
 - Retailers can establish their water price point

Other Provisions

- Street Pricing
 - Concessionaires must provide survey data annually, showing their prices are within the following percent of similar local prices
 - Food Beverage
 - 10% on branded full serve/casual dining
 - 15% on quick serve/walk-away operations
 - 20% on non-branded items
 - Retail
 - The posted price on pre-priced merchandise
 - 10% on all other merchandise
- Storage rental – not to exceed \$40 per square foot
- Marketing fees – not to exceed 1% of gross sales
- Receiving dock – to be determined & agreed to

Who Benefits?



Program Benefits:	Who benefits?		
	Passengers	City of Dallas	Existing Operators
New concession space is nearly double old program	✓	✓	✓
91% of concession space is located airside	✓	✓	✓
Majority of program exposed to ALL passengers	✓	✓	✓
Merchandise plan provides variety, convenience, and enhanced customer satisfaction	✓	✓	✓
Fair rent and lease strategy facilitate concessionaire success	✓	✓	✓
Multiple operator strategy allows increased variety, options, and competition	✓	✓	
Existing operators are guaranteed fair and equitable space			✓
Existing operators may propose on additional RFP packages			✓
RFP process provides opportunities for DBE and local operators	✓	✓	
Concession sales and revenue potential are increased		✓	✓

Recommendation & Next Steps



- Recommendation
 - Authorize City Manager to execute amendments to current concession agreements and new agreements for space in LFMP terminal
- Next Steps
 - April 28 City Council Agenda