



DEPARTMENT OF AVIATION

Development Issues for the Love Field Modernization Program

June 11, 2007

Briefing to the Council Finance, Audit and Accountability
Committee





Purpose of Briefing

- Love Field Modernization Program (LFMP)
 - Background and Issues
- People Mover
 - Project coordination
- Rates & Charges Study
 - Capital funding
- Schedule Milestones



The Wright Amendment Reform Act of 2006

- Airline gate capacity to be reduced to 20 gates
- Airline lease agreements to include options to 2028
- Airline through-ticketing permitted upon enactment (10/13/06)
- Full repeal of the Wright Amendment phased out in 8 years, (10/13/14)

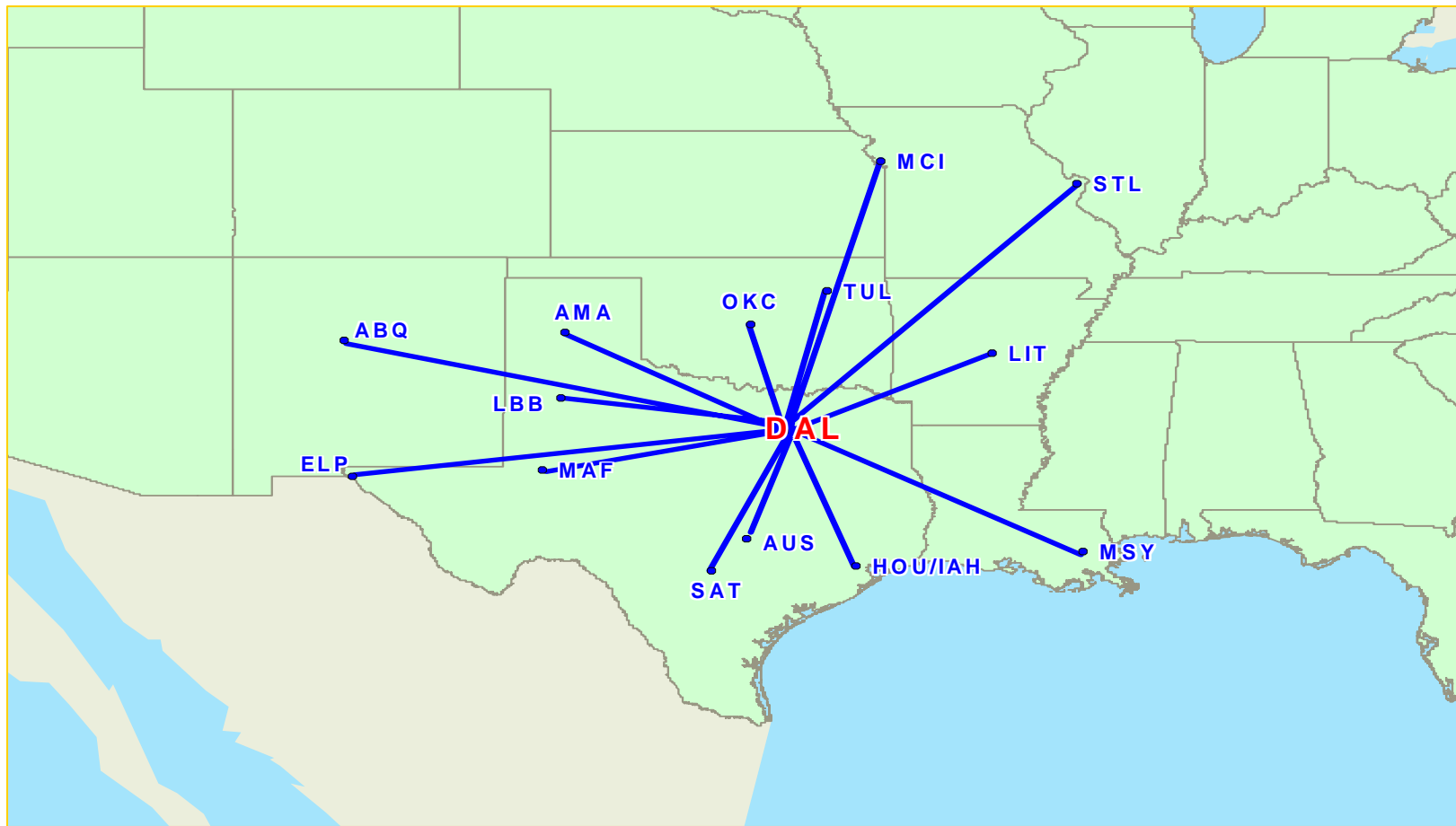


Post Reform Act Developments

- Pre-Act route system included 14 non-stop destinations from Love Field.
- Post-Act (4Q06) Southwest added 3 new destinations from Love Field using through-ticketing capability.

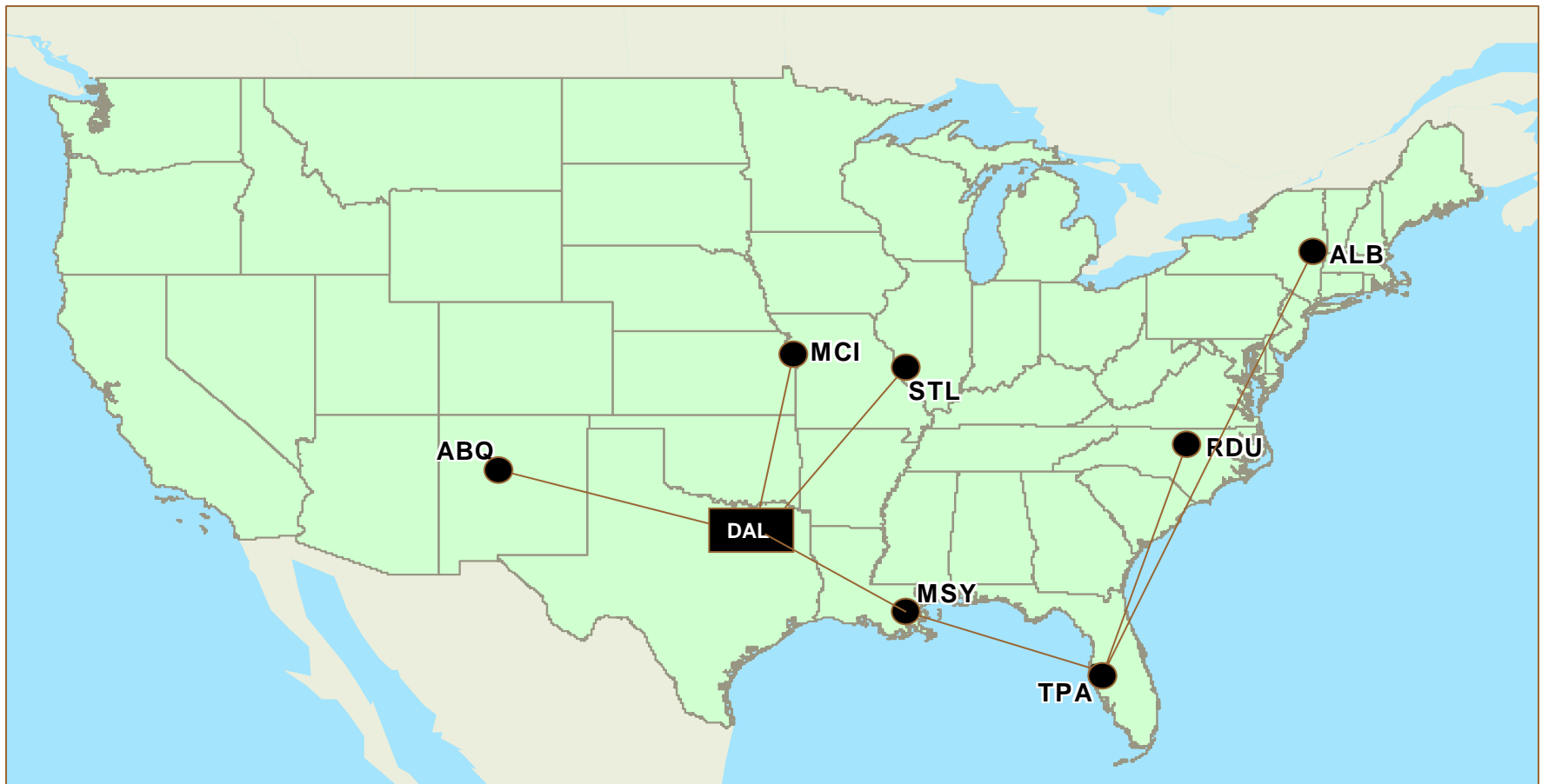
PRE-ACT

July 2006 Schedule –Southwest/American/Continental
14 Destinations



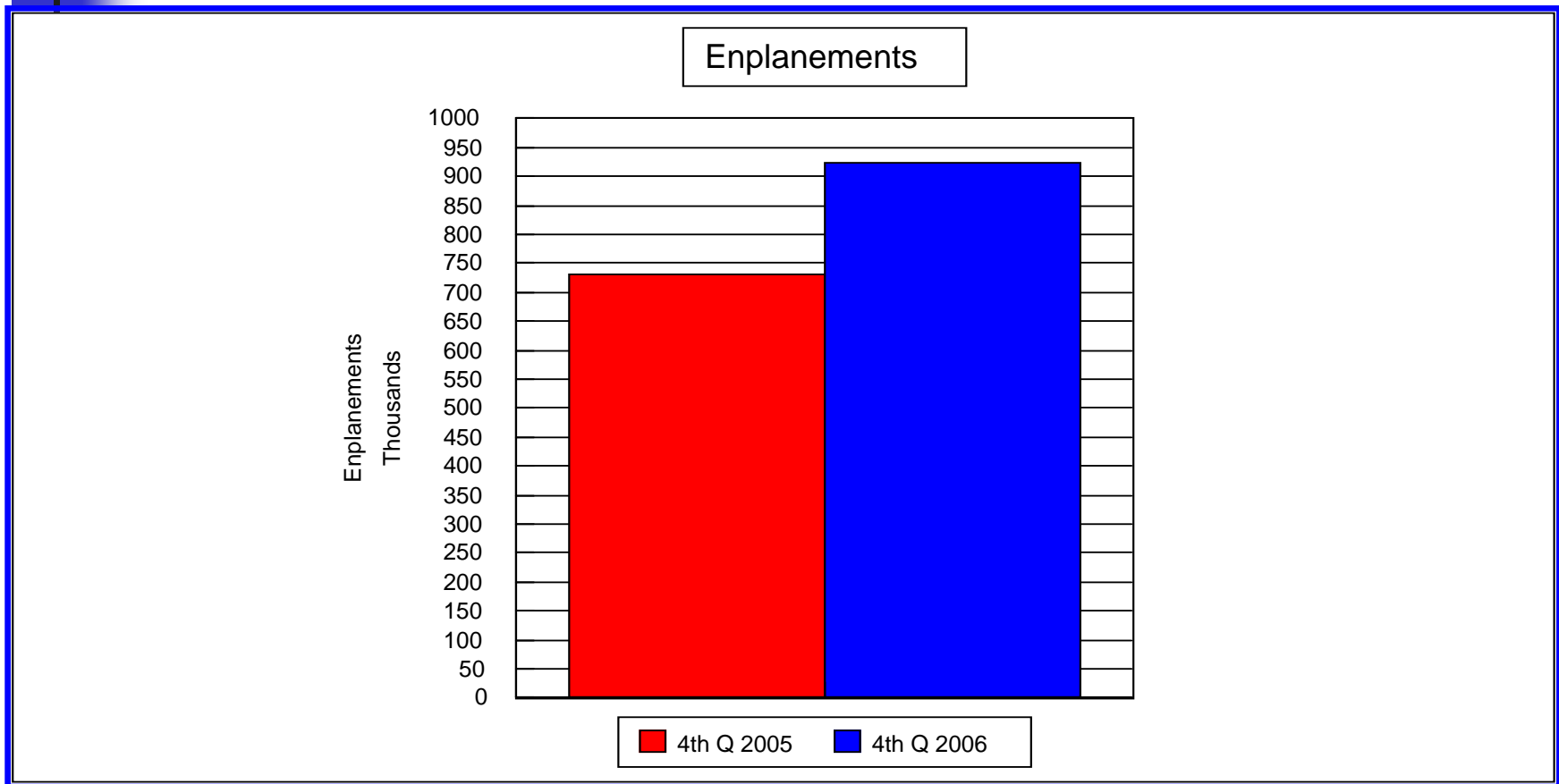
POST-ACT

New Destination, 1-Stop: Tampa; Raleigh-Durham; Albany
Existing Destination, add'l service: Albuquerque; Kansas City; St. Louis; New Orleans



Immediate Results of the Act

Enplanements Increased 28% in 4Q06 vs 4Q05

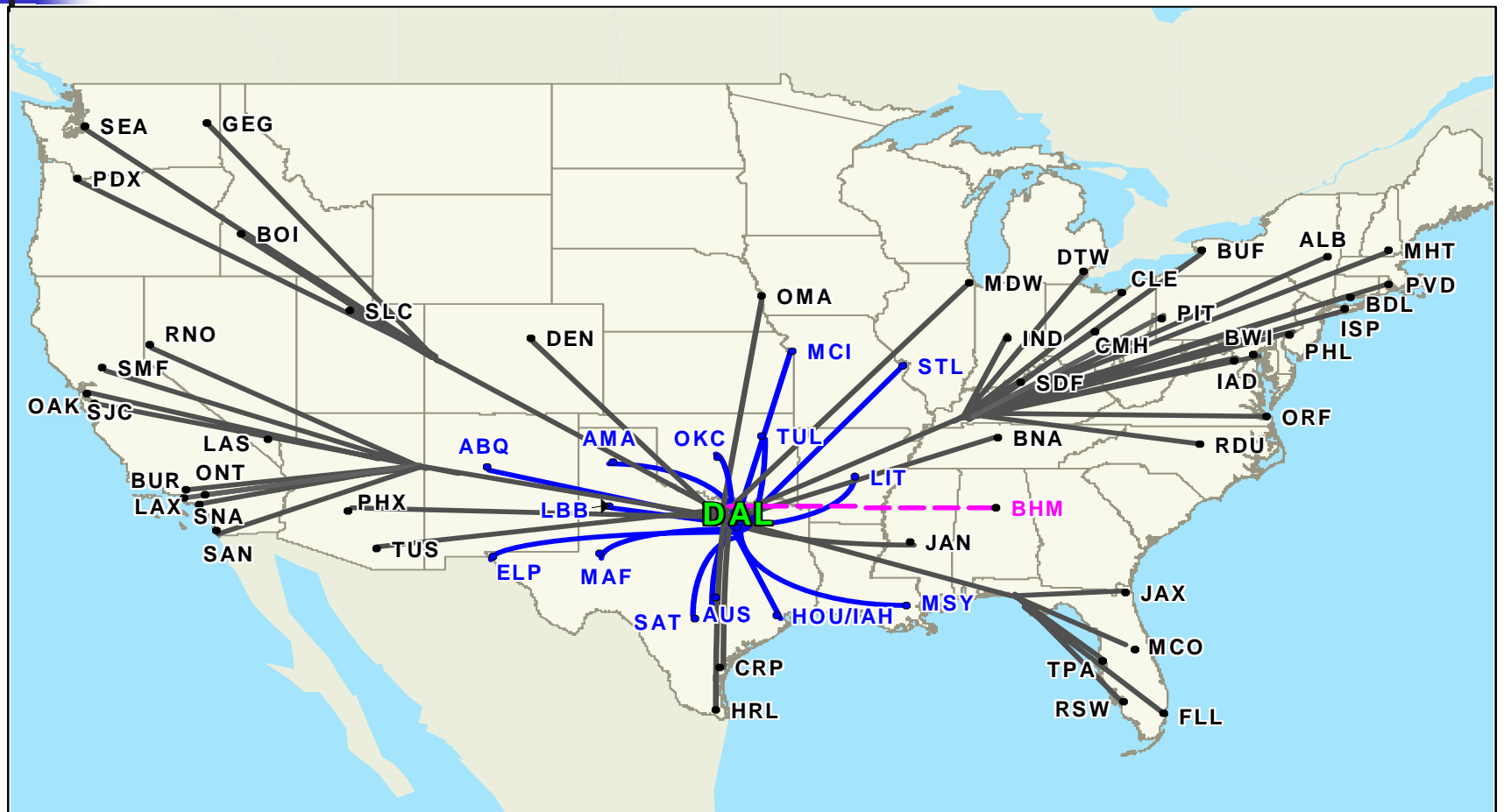




Projected Results of the Act

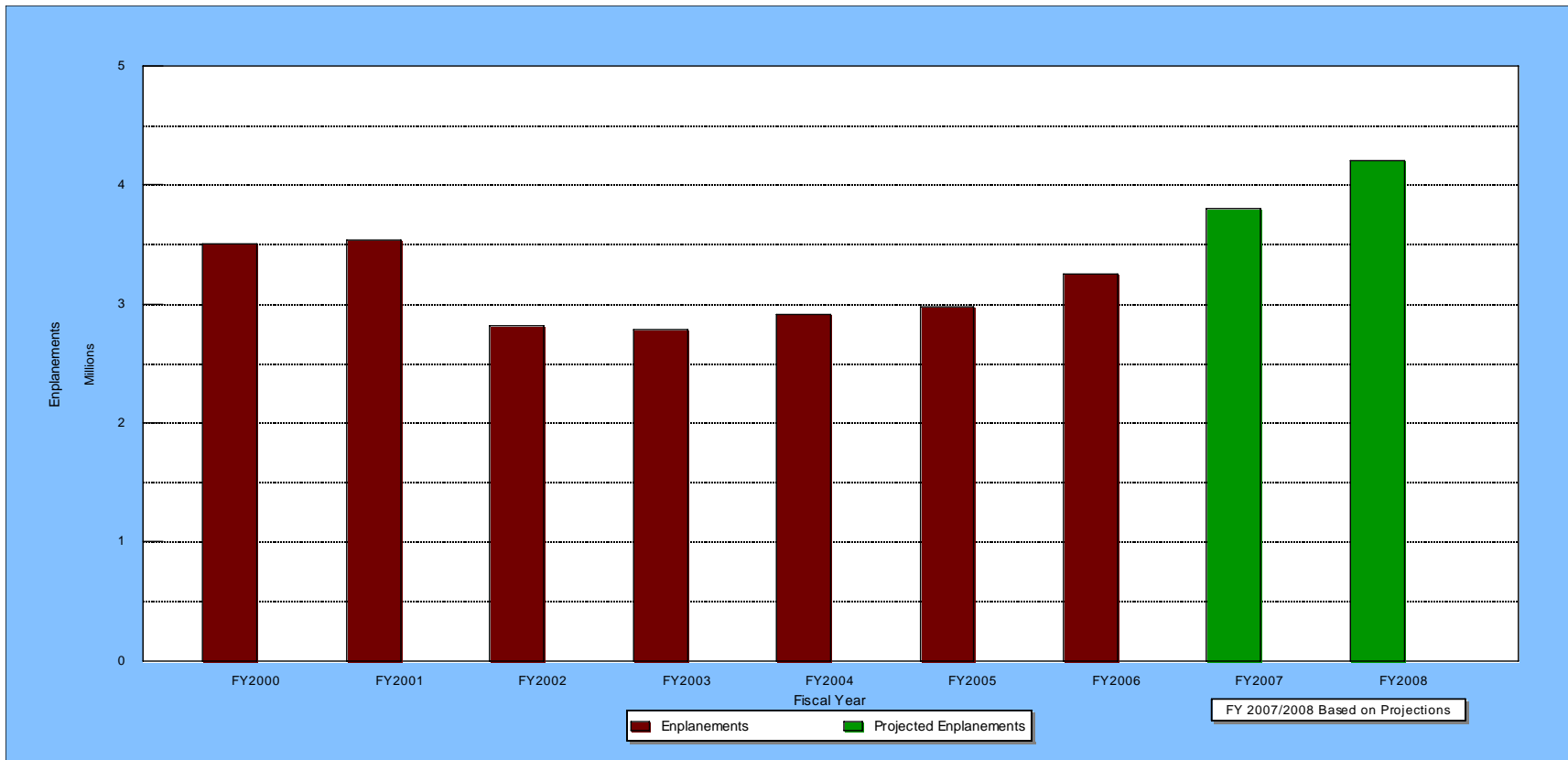
- Southwest announced 41 new cities with through-ticketing starting in March, 2007.
- Airport-wide enplanements projected to increase by 1,000,000 by March 2008. FY 2008 total expected to exceed 4,000,000 enplanements.

Southwest Route System from Love Field March, 2007



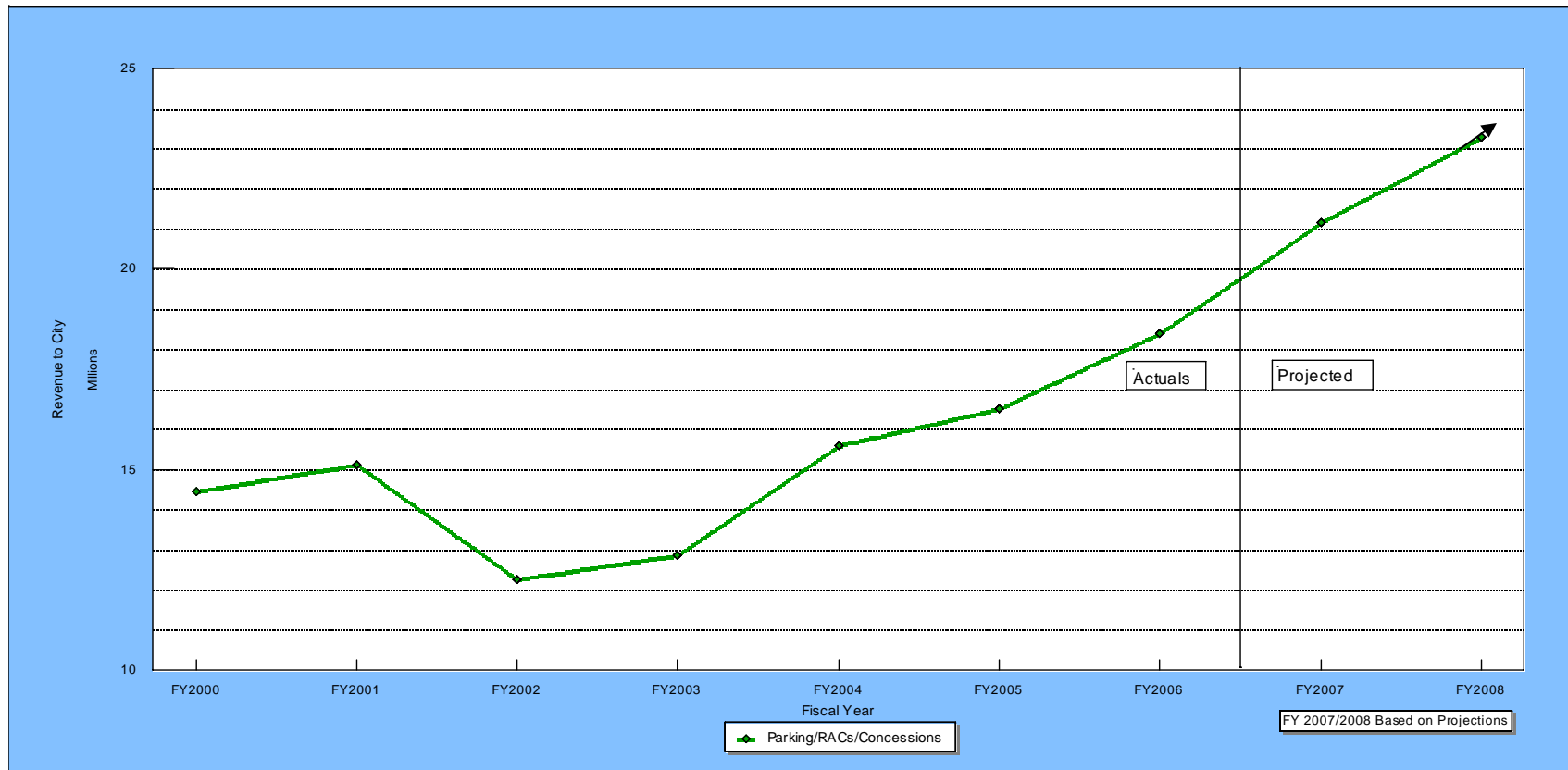
Projected Effects on Enplanements

This year will mark the recovery of enplanements from the effects of 9/11

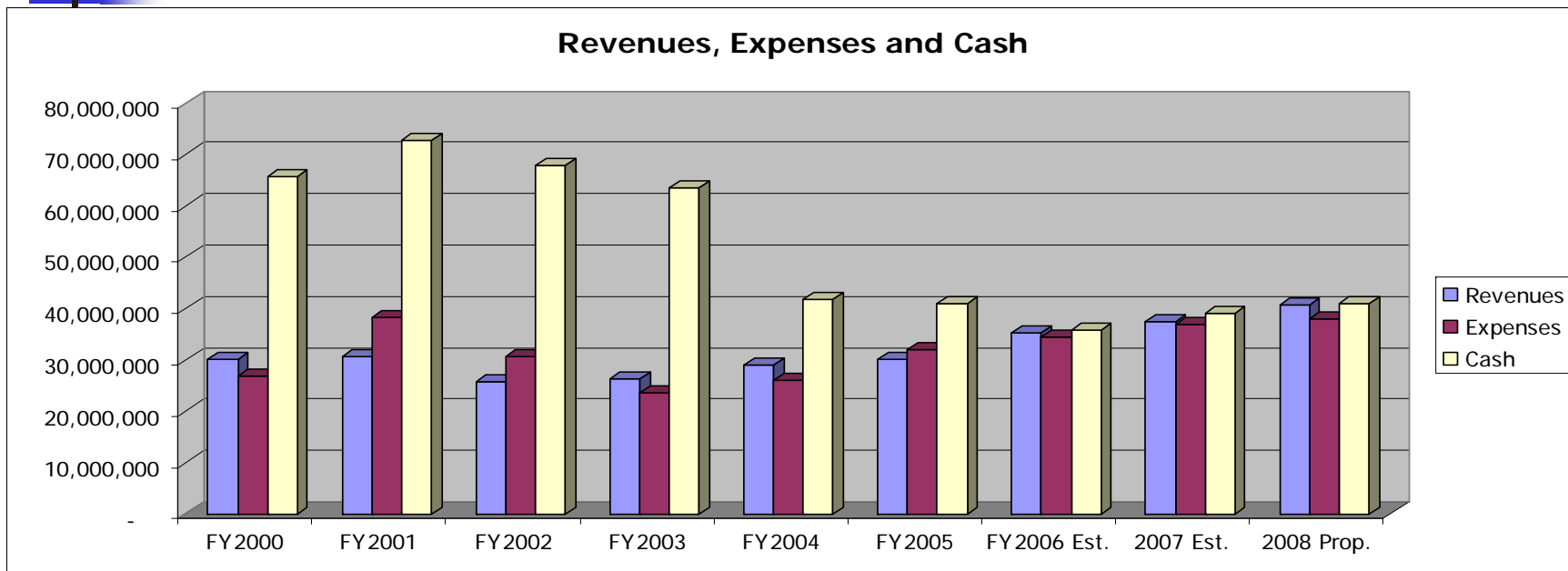


Actual/Projected Effect on Parking/Car Rental/Concession Revenue

These are the revenues most closely tied to enplanements



Historical and Projected Cash Balances



Notes:

Total **Revenues** include all Operating Fund revenue sources including concessions, rental, landing fees etc.

Total **Expenses** include all direct operating fund expenses plus capital transfers and debt service obligations.

Total **Cash** includes Operating Fund, Reserves, Debt service and Capital Improvement Fund and Balances

FY 06, 07 and 08 expected to contribute over \$4 million to Cash Balance.



Capital Improvements

- LFMP (Love Field Modernization Program)
 - Reduction of airline gate capacity from 32 gates to 20.
 - Accommodate passenger growth to planned levels.
 - Meet schedule specified in Act for phase out of Wright Amendment .
- People Mover
 - Connecting Terminal to new DART Station.



Capital Funding and Feasibility

- Estimated Capital Requirement:

LFMP	(estimated)	\$150-200 mil
People Mover	(estimated)	<u>\$150 mil</u>
Total Capital	(estimated)	\$300-350 mil



Capital Funding and Feasibility

■ Anticipated Funding:

People Mover Requirement (est.)	\$150 m
Regional Transp. Council grant	(\$60 m)
DART Contribution	<u>(\$20 m)</u>
People Mover Net Requirement (est.)	\$ 70 m
LFMP	\$200 m
FAA Grant Funding (est.)	<u>(\$50 m)</u>
LFMP Net Requirement (est.)	<u>\$150 m</u>

Total Net Requirement (est.) \$220 m

NOTE: Airfield Safety/Security CIP funded through Capital Improvement Fund and FAA grants



Capital Funding and Feasibility

- **Net Funding Requirement: \$220 m**

- **Sources of Funding:**
 - Bonded Debt
 - Serviced by Airline Rates & Charges, annual PFC (Passenger Facility Charge) collections
 - Accumulated PFC Revenues

- **Project Feasibility:**
 - Master planning effort will include consultation with Rates & Charges Study consultant to recommend financing strategy.



PFC Funding as Part of a Financing Strategy

- Typical sources of airport capital funding and their uses:
 - **Airport operating reserves** – use for any airport purpose.
 - **FAA AIP Entitlement grants** – eligible public, non-revenue generating infrastructure.
 - **FAA AIP Discretionary grants** – same as entitlements, but competitive and based on project merit and FAA priority.
 - **Revenue bonds** – any specified capital improvement, preferably with a revenue stream to fund debt service.
 - **PFC funds** – eligible projects, used on a “pay-as-you-go” basis (collections spent directly on capital projects) or “leveraged” where PFC revenue is used to pay debt service on bonds.
- Financing Strategy:
 - Each of the 5 funding sources has its own set of restrictions and limitations. A financing **strategy must match the funding source with the appropriate use of funds** in order to optimize funding for the **lowest project cost**. The option of using PFC funds will enable the greatest flexibility in devising an optimal strategy.



PFC Funding and the Effect on FAA Entitlement Grants

- PFCs can be approved at levels of \$3.00 and \$4.50 per enplaned passenger. The Bush Administration has proposed increasing the level to \$6.00 in FY 2008.
- FAA Entitlement Grants are reduced by 50% for \$3.00 PFCs, and by 75% for \$4.50 PFCs. The proposed \$6.00 PFC would eliminate FAA Entitlement Grants, however, FAA Discretionary Grants would remain available.

Comparison of Annual Capital Funding Potential at various PFC Authorization Levels

PFC LEVEL	ENPLANEMENT LEVEL 3 Million	ENPLANEMENT LEVEL 4 Million
No PFC	\$0	\$0
Entitlement Funds	\$3,015,000	\$3,515,000
Total Funds	\$3,015,000	\$3,515,000
\$3.00 PFC	\$9,000,000	\$12,000,000
Entitlement Funds (Reduced 50%)	\$1,507,500	\$1,757,500
Total Funds	\$10,507,500	\$13,757,500
\$4.50 PFC	\$13,500,000	\$18,000,000
Entitlement Funds (Reduced 75%)	\$753,750	\$878,750
Total Funds	\$14,253,750	\$18,878,750
Proposed FY 2008 (\$6.00 PFC)	\$18,000,000	\$24,000,000
Entitlement Funds	\$0	\$0
Total Funds	\$18,000,000	\$24,000,000



The Process of Developing the Capital Improvements

- \$350 million of LFMP and People Mover Improvements
 - Requires determination of size and operational criteria for the development of conceptual designs
 - Requires master planning for locating various terminal area functions



The Process of Developing the Capital Improvements

■ Resources and Opportunities:

- We recognized and acted on a provision of the PFC regulation:
 - Recover project costs back to 1990 – approx \$30 million of local funds spent
 - Will **provide working capital** to carry out capital improvements, allowing for favorable timing of debt issue
 - PFC application **was added to scope of work** of Rates & Charges Study
- The 2005 Terminal Area Redevelopment Program Study *TARPS*
 - Work suspended during 2005, preserving contract funding
 - Scope of services includes elements needed to accomplish master planning for LFMP
 - **Administrative Action taken to amend contract** to complete study under new conditions of Post-Wright Amendment at no additional cost.



The Process of Developing the Capital Improvements

- Resources and Opportunities (cont.)
 - Southwest Airlines commissioned terminal planning effort:
 - Corgan Associates, Inc., working since November 2006, has developed a set of conceptual options
 - Staff is negotiating with Southwest to coordinate work with the TARPS project to advance the schedule of the project
 - **Corgan to revise concepts as needed, under direction of TARPS consultant, Gresham Smith and Partners, to conform to planning criteria developed in TARPS project.**
 - FAA consulted and concurs with approach to expedite process toward design and programming phase
 - Southwest cost for Corgan services not eligible for FAA grant funding



The Process of Developing the Capital Improvements

- Action Taken:
- Amended 2005 TARPS study, to update program requirements to Post-Wright Amendment conditions.
 - Objective: project master planning process to coordinate with the People Mover project feasibility consultant, and to identify environmental issues, develop spatial requirements and consider conceptual alternatives for the LFMP. Will provide the basis for design development and programming for the LFMP.
 - No additional cost to the contract.
 - Schedule: underway, with completion Aug 2007



The Process of Developing the Capital Improvements

- Action Proposed:
- Conduct Rates and Charges Study with additional task to apply for Passenger Facility Charge (PFC)
 - Objective 1: Develop a cost-recovery methodology for assessing terminal rental rates and landing fees.
 - Objective 2: Carry out funding analysis and application process for initial PFC authorization.

The Process of Developing the Capital Improvements

- Rates and Charges Study Award of Consultant Contract:
 - Proposed Award to Unison-Maximus, Inc.
 - 5 Member Selection Committee recommend award of contract to Unison-Maximus, Inc. based on following:
 - Consultant's expertise in airport rates and charges studies and analyses
 - Consultant's capabilities, resources, and responsiveness to Project
 - Firm's approach to the Project
 - Firm's workplan to address Project scope of services
 - Consultant's commitment and staffing capacity to complete Project within City's timeframe
 - DBE compliance
 - Cost to City – Not to Exceed \$239,600. After grant and PFC reimbursement, approximately \$82,077.
- Anticipated Schedule of Completion





The Process of Developing the Capital Improvements

- Rates and Charges Study Schedule for Completion:
 - Council Approval – June 13, 2007
 - Preliminary Airline Rate Analysis and Methodology – August 2007
 - Prepare and submit PFC Application – September 2007
 - Recommendations for new Rate Structure – October 2007
 - PFC Collections – February 2008



The Process of Developing the Capital Improvements

- Action Proposed:
- People Mover Project Feasibility Study
 - Objective: Establish project concept, capital and operating budgets and schedule.

People Mover Conceptual Route





People Mover Feasibility Study

Scope of Work

- The following scope of work will investigate various alternatives to determine the best value approach for developing the project:
 - Transportation Systems / Technologies
 - Civil / Site and Utilities
 - Station Design
 - Tunnel Design – Tunneling
 - Environmental Survey
 - Geo Technical Testing
 - Transportation Engineering / Survey
 - Mechanical/Electrical/Plumbing Engineering
 - Coordination with Airport Terminal Area Planning / Capital Funding
 - Project Costs / Schedules
 - Conceptual Drawings



The Process of Developing the Capital Improvements

- People Mover Development Schedule for Design & Construction:
 - Design Award – September 2008
 - Construction Award – October 2010
 - Complete Construction – Est. 2 to 4 years



The Process of Developing the Capital Improvements

- People Mover Development Schedule:
 - Three candidates interviewed in a **qualifications-based** selection process.
 - The selection committee evaluation of the consultants concluded Lea+Elliott, Inc. the most qualified for the following reasons.
 - Overall understanding of the Project
 - Firm's approach to the Project
 - Organization of team
 - Clarity of Proposal
 - Good Faith Effort Plan compliance
 - Prior experience of firm and sub-consultants on similar projects.
 - Cost - \$749,396 (Funded 75% by FAA grant. City local share - \$187,349)



The Process of Developing the Capital Improvements

- Action Underway:
- LFMP design and programming services RFQ for consultant selection pursuant to TARPS Update and Master Planning product.
 - Objective: Determine appropriate approach to project development; consult with Rates and Charges consultant on project feasibility and financing; develop design documents.
 - Schedule: City Council approval for consultant award in Oct. 2007.

The Process of Developing the Capital Improvements

- Summary of Early Milestones:
 - Award Rates & Charges Study – 6/13/07 Council Agenda
 - People Mover Project Feasibility Study award recommend – 6/13/07 Council Agenda
 - Airline Rates & Charges recommendations – August 2007
 - TARPS Study master planning completion – August 2007
 - LFMP design/programming contract award recommend – October 2007
 - FAA authorization to impose PFC – December 2007

- Anticipated schedule beyond master planning efforts:

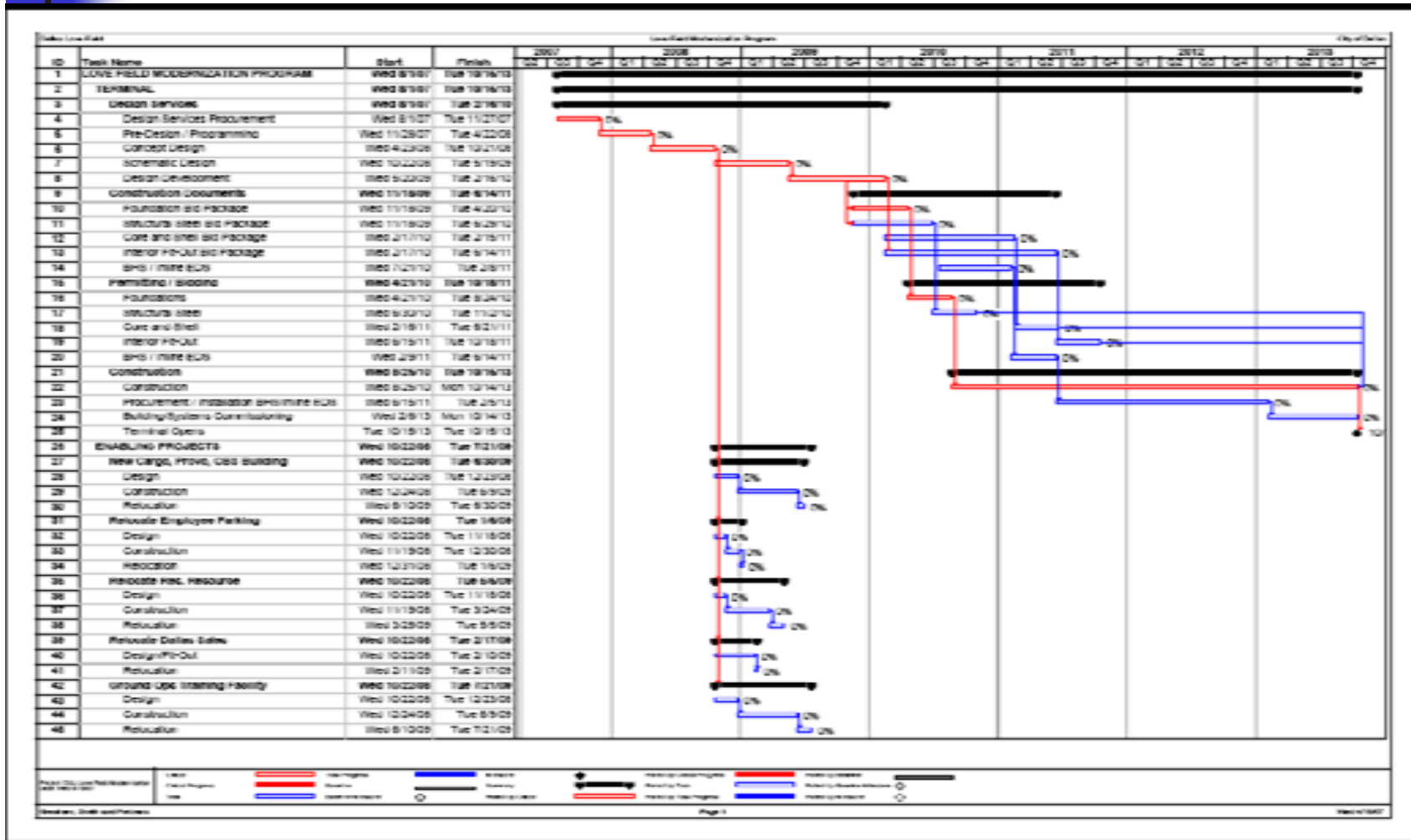


Estimated LFMP Project Schedule

Key Milestones:

Start Construction 3Q10

Complete Construction 4Q13





Proposed Terminal Concession Policy

- **Challenge:** Current concessions will expire during the period of construction.
 - Current terminal concession agreements expire in 2011.
 - LFMP to be constructed 2010 – 2013.
- **Objective:** Plan new concession space to open concurrently with new facilities, and phasing out existing concession space.
- **Proposed Policy:**
 - Offer to extend current agreements to date coinciding with completion of construction, with Concessionaire holding City harmless against any adverse effect of construction on enplanement levels.
 - Concessionaire may upgrade at its own risk with no liability to the City for depreciating/amortizing cost.
 - RFP for concessions in new facilities to be conducted at least 3 years prior to completion of construction.
 - New concessions will open and existing agreements will terminate with opening of new facilities.



Proposed Terminal Concession Policy

■ Concession Program Development

- Determine demand, opportunities, goals
 - Concept, branding, product and merchandise mix
 - Revenue potential

- Determine appropriate business model
 - Master concession agreement
 - Concessionaire partners with local & national brands
 - Individual concession agreements
 - Each concession is a franchisee or brand

- Issues of exclusivity and term



Staff Proposed Recommendations

1. Award Rates and Charges Study to Unison-Maximus, Inc.
2. Award People Mover Feasibility Study to Lea + Elliott, Inc.
3. Endorse the proposed Concession Policy as a means of accommodating terminal concessions and services to passengers during the 5-year construction phase of the LFMP.



Questions and Answers

Development Issues for the Love Field Modernization Program