

Memorandum



CITY OF DALLAS

DATE August 13, 2010

TO Members of the Economic Development Committee: Ron Natinsky, Chair; Tennell Atkins, Vice-Chair; Jerry R. Allen; Dwaine R. Caraway; Sheffie Kadane; Linda Koop; Ann Margolin; Steve Salazar

SUBJECT U.S. Customs Service for General Aviation Aircraft at Love Field

Attached is the briefing entitled "U.S. Customs Service for General Aviation Aircraft at Love Field" that will be presented to you on August 16, 2010.

Please contact me if you need additional information.


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
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Helena Stevens-Thompson, Assistant to the City Manager - Council Office
Daniel T. Weber, Director, Department of Aviation

U. S. Customs Service for General Aviation Aircraft at Love Field

Briefing for the
Economic Development Committee

Department of Aviation
August 16, 2010



Objectives

- Discuss general aviation international arrivals at Love Field, and U. S. Customs & Border Protection (CBP) issues
- Discuss proposed upgrade of services through CBP “User Fee Airport” designation of Love Field
- Recommendations & Next Steps

Contractual and Legislative Restrictions for Love Field



- 5-Party Agreement to Repeal the Wright Amendment
 - Article I, Section 2 states: “The Parties agree that non-stop international commercial passenger service to and from the Dallas-Ft. Worth area shall be limited exclusively to DFW International Airport (“DFW airport”). The Cities shall work jointly to encourage all such flights into DFW airport.”
- Wright Amendment Reform Act of 2006
 - The act codifies the intent of the 5-Party Agreement with regard to non-stop international commercial passenger service to the DFW area
- International general aviation operations at Love Field are not prohibited

CBP Classes of Airports of Entry



- U.S. Customs & Border Protection (CBP) is an agency of the Dept of Homeland Security, & regulates and controls entry to the U.S.
 - Provides international inspection services at 3 classes of airports
- 1. International Airports
 - Designated by Customs for entry and clearance of all international aircraft without the necessity of prior permission.
 - Includes approx 58 airports located on U.S. borders
- 2. Landing Rights Airports
 - International aircraft must obtain prior permission from Customs to land
 - Includes many interior commercial airports such as DFW
- 3. User Fee Airports
 - Airports which pay cost of receiving Customs service
 - Approx 46 airports including Addison, Alliance, McKinney, Midland and Sugar Land in Texas

CBP Services at Love Field Today



- Love Field does not qualify as an International or a Landing Rights airport
 - CBP has historically provided inspection services to Love Field users on a reservation basis as a courtesy
 - CBP staff not assigned to Love Field & presents operational challenges
 - Must respond from other airports on case-by-case basis
 - Last minute schedule changes present challenges to service
 - Improvements to existing courtesy service not possible under current situation
 - Lack of updated facilities
 - Pressures to serve other CBP designated airports first
- CBP's only option for continued service at Love Field
 - City must apply for User Fee Airport designation

CBP Facilities at Love Field Today



- Existing facilities provided by Landmark Aviation
 - Facilities are pre-9/11/01 terrorist attack era
 - Do not meet current CBP facility requirements
 - Use of private FBO (Fixed Base Operator) facility places other FBOs at a competitive disadvantage
 - City-provided facility would serve as a neutral site
- CBP consideration of User Fee designation requires a facility which meets current standards

Stakeholders Request User Fee Airport Designation



- Letter signed by 6 of 7 FBOs expressing the “...overwhelming interest of the collective FBOs...to access [CBP] through one central convenient and non-biased location on the airport”
- Letters from 2 corporate flight departments supporting a “fee for service” operation to upgrade Customs clearance services
- Discussions with the leadership of the Love Field Pilots Association, urging the User Fee Airport designation

Application Process Initiated

- In consideration of
 - Near-unanimous local demand
 - CBP's inability to upgrade services to better meet demand
 - Opportunity of Super Bowl international traffic potential
- Staff initiated an expedited application process

User Fee Airport Requirements, Process & Status



- CBP requirements
 - Letter of support from Governor
 - STATUS: Governor's letter sent 7/8/10
 - Memorandum of Agreement (MOA) to reimburse CBP for all costs associated with services
 - STATUS: Request to CBP for MOA sent 6/8/10
 - Provide turn-key passenger processing facilities meeting CBP design standards
 - STATUS: Design/build firm selection completed by PWT 7/26/10
 - Complete an Agriculture Compliance Agreement (ACA) with FBOs and garbage haulers for handling international garbage
 - STATUS: Included with MOA process
- Process
 - Notice of Proposed Rule Making, publish in Federal Register, 60-day comment period
 - STATUS: Regional CBP Port Director request

Budget

- Facility capital improvements

Design fees	\$ 45,313
Project expenses	\$ 60,585
Construction	\$687,325
Contingency	<u>\$206,778</u>
Total Capital Cost	\$1,000,000

- Capital amortization (4%, 20 yrs) \$ 73,000
- Annual CBP fees, AVI O&M \$250,000
- Estimated initial annual costs \$323,000

Funding Sources

- Capital improvements
 - Aviation Capital Fund 131
- Annual CBP fees, AVI O&M
 - Aviation Operating Fund 130
 - Airline rates & charges impact
 - No impact – expenses and revenues will occur in the general aviation “Other buildings & areas” cost center

International Arrivals Fees

- Preliminary estimates for cost recovery fees

– Annual costs to recover	\$323,000
– Recent average annual Int'l Arrivals	600
– Required amount per arrival	\$538.33

- Preliminary Fee Schedule^{**}:

TRANSPORT CATEGORY >100,000 lbs*	\$750
LARGE TURBINE: 40,000 – 100,000 lbs*	\$500
MEDIUM TURBINE: 12,500 – 40,000 lbs*	\$400
LIGHT TURBINE < 12,500 lbs*	\$250
TWIN ENGINE RECIP PROPELLER	\$100
SINGLE ENGINE RECIP PROPELLER	\$ 75

* aircraft certificated maximum takeoff gross weight

** based on current information and subject to change

Annual Adjustment of Fee

- Objectives of Int'l Arrivals Fee
 - Recover costs of Airport User Fee designation
 - Remain competitive with other airports
- Annual adjustments
 - Revenues generated from fees will vary, based on
 - CBP cost requirements year to year
 - Traffic volumes
 - Fee adjustments needed to match costs with demand
 - Minimize risk of financial loss to City
 - Encourage use of Love Field for int'l arrivals
- Propose annual fee schedule adjustment
 - As needed to achieve objectives above

Location



Design Requirements



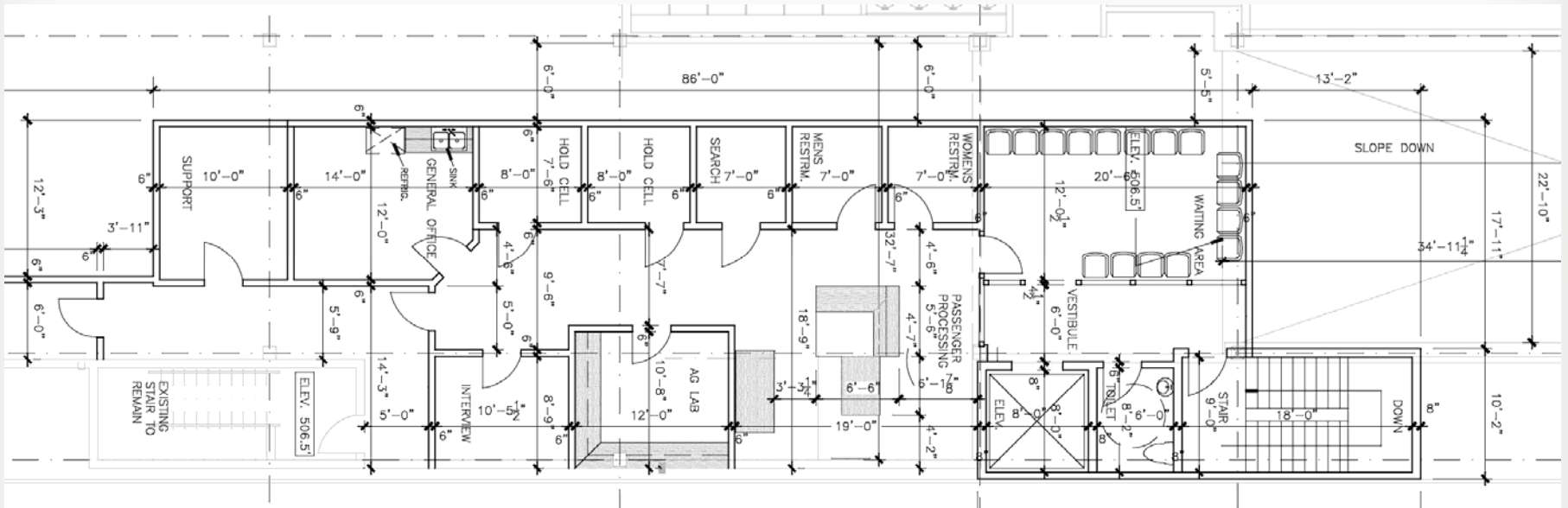
U.S. Customs and Border Protection
Securing America's Borders

CBP Program Requirements

- Aircraft Parking
- Minimum 2,832 sq-ft
 - Passenger Waiting Area
 - Passenger Screening Area
 - Quarantine Inspection Laboratory
 - Interview Room
 - Hold Room
 - Administrative Spaces
 - Passenger Egress to Curb



Conceptual Layout



Cost & Contracting



Design To Construction Cost: \$ 750,000
Contingencies: \$ 250,000
Total Project Budget: \$1,000,000

Renovation Through Design / Build Contractor

- RFP Submitted to 3 Shortlisted Companies
- Design / Builder Requirements
 - General Contracting
 - Architectural
 - MEP Engineering
 - Structural Engineering
 - Civil Engineering

Schedule



Remaining Milestones

- 07/23/2010 – RFP Submission (3 Shortlisted Companies)
- 07/30/2010 – Enter Negotiations
- 09/8/2010 – Dallas City Council Consideration
- 01/15/2011 – Substantial Completion
- 02/06/2011 – Super Bowl Sunday

Recommendation & Next Steps

- Recommendation
 1. Authorize City Manager to complete:
 - Memorandum of Agreement for User Fee designation of Love Field, & Agriculture Compliance Agreement, with CBP
 - Amount not to exceed \$250,000
 2. Award contract for design-build services for facility capital improvements
 3. Approve ordinance for International Arrivals Fee Schedule, calculated annually on full cost recovery basis
- Next Steps
 - Sept 8 City Council agenda – recommendations 1 & 2
 - Oct 26 City Council agenda – recommendation 3

Appendix

Timeline of Key Events



- **Oct 2007** – Landmark Aviation advised they are unable to upgrade their facilities to the new CBP standards
- **Jan 2008** – CBP informed staff current services are unsustainable without User Fee Airport designation and appropriate facility
 - No City facilities available at that time
 - Future facility programmed as part of LFMP for completion in 2014
- **Aug 2009** – stakeholders express growing urgency for improved CBP services
 - FBOs, Love Field Pilots Assoc, corporate flight departments
 - Explored alternative approaches to LFMP to provide facility on faster schedule
- **June 2010** – presented CBP Port Director with proposal to construct facility in former Legend Airline terminal
 - Initiated process of applying for User Fee Airport designation
- **July 8, 2010** – Governor issued letter of support to CBP
- **July 28, 2010** – Public Works & Transportation selected a design/build firm to deliver new CBP facility in former Legend Terminal
- **Aug 3, 2010** – briefed FBOs on proposed facility and cost recovery fee
- **Aug 4, 2010** – briefed Love Field Pilots Assoc & corporate tenant representatives
- **Aug 11, 2010** – follow up meeting with FBOs