Memorandum

DATE         September 11, 2009

TO           Members of the Transportation and Environment Committee: Linda Koop, Chair; Sheffie Kadane, Vice-Chair; Jerry R. Allen; Tennell Atkins; Carolyn R. Davis; Voncisel Jones Hill; Angela Hunt; Delia Jasso; Pauline Medrano; Ron Natinsky

SUBJECT     Love Field Modernization Program – Bond Financing Preparations

Attached is the briefing entitled, "Love Field Modernization Program—Bond Financing Preparations" that will be presented to you on September 15, 2009.

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
David K. Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Budget and Management Services
Edward Scott, Director, Controller’s Office
Helena Stevens-Thompson, Assistant to the City Manager - Council Office
Daniel T. Weber, Director, Department of Aviation

"Dallas, The City That Works: Diverse, Vibrant And Progressive."
Love Field Modernization Program
Bond Financing Preparations

Briefing to the
Transportation and Environment Committee

Department of Aviation
September 15, 2009
Briefing Objectives

• Love Field Modernization Program (LFMP) General Status Update

• Review & Update Funding/Financing Plan for Proposed Bond Sale in Dec 09 – Feb 10 Time Frame

• Next Steps & Recommendation
LFMP General Update

- LFMP Major Objectives
  - Update Love Field facilities
  - Collaborate with Southwest Airlines to develop program

- Project overview
  - Terminal Facilities
    - 20 gates in a single 455,000 SF concourse
    - 887,000 SF overall terminal size
    - Concession space to approximately double in size
    - Improve passenger experience, processing, walking distances
  - Apron & Fuel System
    - Improved aircraft circulation efficiency
  - Terminal Roadway
    - Improved capacity and efficiency
LFMP General Update

- This briefing does NOT include:
  - People Mover connector to DART Green Line (Love Field Station)
    - Currently in Schematic Design Phase for Automated People Mover (APM)
      - Based on $250M budget option briefed Dec 2008
      - Anticipated funding – Passenger Facility Charge (PFC), Airport Revenues (airline rate base)
    - Update briefing based on Schematic Design in Dec 2009
  - Rolling CIP (Capital Improvement Program)
    - On-going program of upgrades, rehabs, reconstructions of various runway, taxiway, apron pavements and other facilities at all 3 AVI facilities
    - Major capital equipment acquisitions, replacements
    - Potential upgrade of Cedar Springs-Mockingbird intersection (2001 Master Plan recommendation)
    - Potential Consolidated Car Rental (CONRAC) facility
    - Potential employee / remote public parking facility
    - Briefings as needed
Near-Term Activities

- North Concourse Demolition Oct/Nov
- East Satellite Bldg (ESB) Nearly Complete
- General Use Bldg. (GUB) Nearly Complete
- Cargo Facility Demolition March 2010
- Ticket Wing Demolition March 2010
New Facilities Design Progress

- Apron & Fuel System Design 20% complete
- Terminal Design Development @ 60%
- Terminal Roadway Design 15% complete
Upcoming Milestones

– Construction Manager Pre-construction Report – Sept 2009
  • Input on construction Cost, Phasing and Schedule for Design Team consideration

  • Update Budget, Schedule, Scope
    – Any material changes to budget, schedule or scope, as presented in approved Term Sheet, require City Council approval
Other Program Aspirations

• Business Inclusion & Development (BID) Plan
  – Objectives
    • Involve M/WBE firms through outreach efforts
    • Assist M/WBE firms in bidding requirements
    • Encourage growth & development of M/WBE firms
  – Managed for the LFMP by K Strategies, coordinating with BDPS
  – Current Initiatives
    • Outreach single point of contact
    • Educational Outreach Workshops & Vendor Training Classes
    • One-on-one support to vendors
    • Resource database of area M/WBEs & DBEs
    • Assist with M/WBE & DBE certification process
    • M/WEB & DBE website management
    • Newsletters
Other Program Aspirations

- Other planned Initiatives
  - Insurance assistance programs (CCIP)
  - Bonding assistance programs (Subguard)
  - Financial assistance (investigating bridge financing opportunities with local banks)

- BID (M/WBE) Participation through approx 9% of budget

<table>
<thead>
<tr>
<th>M/W/DBE Contracts</th>
<th>Prime Contracts</th>
<th>M/W/DBE Contracts</th>
<th>M/W/DBE Goals</th>
<th>M/W/DBE % Achieved</th>
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<tr>
<td>Architecture &amp; Design</td>
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Other Program Aspirations

• LEED Silver Certification
  – Registered LEED-NC Version 2.2 April 21, 2009
  – Preliminary estimated point total – 69
    • Silver certificate requires 33-38 points
  – Independent Commissioning Agent selected
Funding/Financing Plan

• Objectives
  – Provide sufficient funding for terminal improvements
  – Create multiple funding sources
  – Share risks with airport partners

• Love Field Airport Modernization Corporation (LFAMC) Local Government Corporation
  – Created by City Council June 2008
  – Enables Southwest to manage LFMP
  – Provides financing using Southwest credit
Funding/Financing Plan

• Funding Strategy – 4 Elements
  – Maximize federal grants
  – PFC to match grants and supplement debt service requirements
  – Aviation Capital Fund supported by revenues from airline rates & charges
  – Finance remaining program cost with Special Facility Bonds
    • Issued by LFAMC, with City Council approval
    • Southwest contractually obligated to pay all debt service
## Preliminary Program Funding

### SUMMARY OF LFMP PROGRAM FUNDING

**Dallas Love Field**

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<th>Project</th>
<th>PROGRAM COSTS</th>
<th>PROGRAM FUNDING</th>
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<td>Remote Central Receiving Facility</td>
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### Status:

- Airline Rates & Charges implemented with Use & Lease Agreement – **approved Dec 2008**
- FAA AIP Grant – Letter of Intent (LOI) Application – **filed Apr 2009**
- PFC Application 3 – $32 M project funding & up to $10 M annual debt service – **filed Jun 2009**
- TSA Grant application – $20M – **filed Jul 2009**
- Special Facility Bonds – agreements and documents negotiation underway
Funding/Financing Plan

• Special Facility Bonds
  – Issued by LFAMC, approved by City Council
  – Backed 100% by Southwest Airlines credit
  – PFC contributions to debt service paid directly to Trustee
  – Southwest pays 100% of net debt service to Trustee
  – City reimburses Southwest for debt service paid by Southwest
    • Sources for reimbursement: rent, concessions, debt service component of airport rates & charges
OVERVIEW OF LGC STRUCTURE AND LFMP IMPLEMENTATION
Dallas Love Field Airport
June 18, 2006

FAA
LGC
SWA

City Council
LGF

Special Facilities Lease
(lease financing)

Trust Indenture
Transfer of LFMP grants

Revenue Credit Agreement
Pay debt service out of PFCs
and negotiated portion of concession revenues

Trust

LFMP Contractors

City / Aviation Dept

Bondholders

Concession Operators
Concession Agreements

Other Airport Revenues

Terminal and landing fees
Use and Lease Agreements

All DAL Airlines

DAS
DALLAS AIRPORT SYSTEM
Funding/Financing Structure

• Agreements Supporting Special Facility Bonds

– Special Facilities Agreement
  • Parties: City – LFAMC – Southwest
  • Southwest agrees to:
    • Construct Facilities in accordance with Program Development Agreement approved by Council Nov 2008
    • Make Facilities Payments to Trustee to fund 100% of net debt service after applying available PFC revenues throughout term of bond
  • City agrees to:
    • Authorize bond issue on Southwest credit
    • Own & operate facilities

• LFAMC issues the bonds
Funding/Financing Structure

– **Revenue Credit Agreement**
  - Parties: City – Southwest
  - Provides for transfer from Aviation Fund **to Southwest**
    - Debt service paid by others through rent payments
    - Other Aviation Fund revenues applied to debt service as defined in Use & Lease Agreement approved by Council Dec 2008
  - Provides for transfer **to Trustee**
    - Grant & PFC funds applied to LFMP construction
    - PFC funds authorized for debt service
Funding/Financing Structure

- **Trust Indenture**
  - Parties: LFAMC – Trustee
  - Addresses:
    - transfer of bond proceeds to Trustee
    - payment of LFMP contractors
    - debt service payments received
    - payment of bondholders

- **Guaranty**
  - Parties: Southwest - Trustee
  - Trustee recourse in event of default by Southwest under Special Facilities Agreement
Funding/Financing Structure

- Actions for Issuance of Special Facility Bonds
  - LFAMC Bond Resolution
    - Board consideration in Oct/Nov 2009
  - City Council Resolution Approving the Bond Sale
    - Council consideration in Oct/Nov 2009
Funding/Financing Structure

• Preparations for Proposed Bond Sale
  – Preliminary Official Statement
    • Prepared by Financing Team
    • Requires Airport Bond Feasibility Study
      – Critical for Dec 09 – Feb 10 Bond Sale
      – Unison Consulting Group
        » Conducted Airport Rates & Charges Study
        » Developed LFMP Funding/Financing Plan
        » Prepared Benefit-Cost Analysis & financial analyses in support of FAA grant and PFC applications for LFMP
Funding/Financing Structure

• Airport Bond Feasibility Study
  • Scope of Services
    – Economic and Air Traffic Analysis
      » Demographic and Economic Profile
      » Historical Air Traffic Analysis
      » Air Traffic Projections
    – Comparison & analysis of airline service at comparable airports
      » Service trends
      » Passenger yield trends
    – Capital Programs
    – Revenue & Financial Analysis / Stress Tests
  • Fee – based on time & materials, not to exceed $150,000
Next Steps & Recommendation

• Preparations for Bond Issue during Dec ’09 - Feb ’10 period
  – Complete development of Special Facilities Agreement, Revenue Credit Agreement, Trust Indenture & Guaranty for Council consideration in Oct 2009
  – Present Council Resolution Approving Bond Sale & LFAMC Bond Resolution for consideration in Oct/Nov 2009

• Recommendation
  – Authorize City Manager to execute supplemental agreement with Unison Consulting Group to conduct Bond Feasibility Study – Sept 23 City Council Agenda