



Department of Aviation

Discussion of Proposed Passenger Facility Charge

October 8, 2007

Briefing to the Transportation and Environment Committee





Today's Briefing

- Love Field Modernization Program, Other Capital Improvement Program Needs
- Progress Update on Rates & Charges Study
- Passenger Facility Charge Analysis
- Next Steps
- Recommendation

Wright Amendment Reform Act of 2006

- Phases out Wright Amendment restrictions over 8 yrs:
 - Permit airline through-ticketing upon enactment (10/13/06)
 - Full repeal of Wright Amendment in 8 years (10/13/14)

- Redevelop / modernize DAL terminal facilities
 - Love Field Modernization Program (LFMP)
 - Reduce number of airline gates from 32 to 20 (WN =16, AA = 2, CO = 2)
 - \$200 million budget cap / if higher, requires Southwest consent

- Other Capital Improvements
 - People Mover (PM) project - \$150 mil budget, anticipates using PFC funding
 - On-going program of infrastructure, safety, security improvements - \$34M to fund 25% local share of \$135M CIP through 2016

Total Capital Need

\$384 million

Implementing Actions: Planning Phase



- Terminal Area Redevelopment Plan Study (TARPS) is our “roadmap”, providing LFMP planning efforts. Underway since May, 2007. Briefing with recommendations scheduled for November 26, 2007.
- Rates & Charges Study, underway since June 13, 2007 includes six tasks relating to cost recovery, revenue enhancements, and program financing, including the application for PFC. Full briefing with recommendations October 22, 2007.
- People Mover (PM) Feasibility Study underway since June 13, 2007. Progress update scheduled November 26, 2007.
- Interim Concession Plan Recommendation. Briefing scheduled for November 26, 2007



Progress Update: Rates & Charges Study

■ Six Tasks:

1. Airline Rates & Charges Analysis – Cost Recovery
2. Review of Leases and Contracts – Best Practices, Revenue
3. Benchmarking Analysis – Performance Tracking
4. Reserve Fund Analysis – Appropriate Levels
5. Financial Analysis of Capital Needs – Love Field Modernization Program (LFMP) / People Mover (PM)
6. Passenger Facility Charge – Application to Impose & Use



Financial Considerations

- Airport system facing major capital needs:
 - \$384M by 2016, less \$130M (est) contributions from various sources = \$254M net requirement.
- Balance need to issue debt with desire to keep interest expense and airline costs reasonable
 - Implement *PFC program* to provide working capital for short life-cycle “soft costs”, such as design and construction management (up to 15% - \$50+ million).
 - FAA regulations prohibit charging airlines for facilities before they are placed in service (pre-funding).
 - Interest accrued in advance of beneficial occupancy will be capitalized.
- Allocate PFC Resources to PM
 - Pending recommendations of PM Feasibility Study



Overview of PFC Strategy

- Near-Term Strategy
 - Put PFC in place as soon as possible to:
 - Recover prior investment in PFC-eligible projects (\$29.1M) to use as equity funding in LFMP design phase
 - Fund certain near-term CIP projects (\$10.1M)

- Long-Term Strategy
 - Plan 2nd PFC application for LFMP and PM *design development* (12-18 months)
 - Plan 3rd PFC application for LFMP and PM *construction* (including leveraging)

- Initial PFC Application (PFC # 1) statutory process (see Appendix C)
 - Earliest possible PFC effective date is February 1, 2008
 - Notification letter sent to airlines August 20, 2007
 - Airline consultation meeting held September 20, 2007
 - Formal PFC application now in preparation – submission to FAA by October 29, 2007 for approval on December 29, 2007 for charge effective date of February 1, 2008
 - Requires City Council resolution – October 10, 2007 Addendum Agenda



PFC Application #1

- Two types of projects (see Appendix A):
 - \$10.1 million of *near-term projects* on Capital Improvement Program (CIP)
 - \$29.1 million of *completed projects* dating back to 1990
- Most projects will be, or have been funded 75% by FAA Airport Improvement Program (AIP) grants. PFC will be used largely to fund or reimburse the City's local 25% share.
- PFC collection period almost four years to 2011 (about \$1M per month) (see Appendix B)
- Future PFC applications (associated with LFMP and PM) will be the subject to future Council actions

Passenger Facility Charge (PFC)



- Federally authorized, local charge enacted by the Aviation Safety and Capacity Expansion Act of 1990, to provide an additional source of funding for airport capital needs not met by FAA grant funding.
- Eligible projects are determined by FAA to enhance safety, security or capacity, mitigate noise or noise impacts, or enhance airline competition.
- Applications are project-specific. When funding of approved projects is complete, authority to collect PFCs expires unless a new application with new projects has been approved.
- Initially authorized charges of \$1.00, \$2.00 or \$3.00 per enplaned (boarded) passenger, with a maximum of 2 PFC charges per one-way itinerary. Current legislation allows \$4.00 and \$4.50 PFCs.



Passenger Facility Charge (Continued...)

- \$3.00 PFC reduces FAA entitlement grants (about \$6 mil annual) 50%. \$4.50 PFC reduces grants 75%. We are requesting a \$3.00 PFC. 50% reduction starts in FY2009.
- Airlines collect PFCs with ticket purchase, and remit directly to airport (money does not go through Washington).
- PFC regulations allow airports to use PFCs to recapture prior capital investments made since November 2, 1990.
- Regulation allows PFC to be charged at the first 2 airports on a one way travel itinerary that a passenger enplanes (boards) a flight i.e., the originating and connecting flights. Applies each way round trip.
- Memphis, Omaha, Houston Bush Intercontinental and DAL are the only Large or Medium Hub airports that have not implemented a PFC. Passengers are already paying for other airports' capital improvements.



Next Steps

- Full Rates & Charges Study Briefing and Recommendations on October 22, 2007
- Love Field Modernization Program Briefing and recommendations on November 26, 2007
- Interim Concession Plan Recommendation on November 26, 2007
- People Mover Feasibility Study Update November 26, 2007



Recommendation

- Support approval of resolution authorizing the application to FAA to impose and collect a \$3.00 PFC on the October 10, 2007 City Council Addendum Agenda.



Questions and Answers

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Appendix

- A: PFC # 1 Proposed Projects
- B: Sources & Uses of PFC Funds
- C: PFC Process and Timetable

**Appendix A
Proposed PFC Projects**

No.	Title	Project Cost	Other Sources	PFC PAYGO
	<u>New Projects</u>			
1.01	Storm Water Outflow Controls System	\$ 2,408,714	\$ 1,806,535	\$ 602,179
1.02	Runway Safety Area Enhancements	\$ 12,482,280	\$ 9,361,710	\$ 3,120,570
1.03	New Field Maintenance Facility	\$ 3,000,000	\$ -	\$ 3,000,000
1.04	Rehabilitate Taxiways C and K	\$ 7,750,000	\$ 5,812,500	\$ 1,937,500
1.05	Security Controls Enhancement (Perimeter Fence)	\$ 2,000,000	\$ 1,500,000	\$ 500,000
1.06	Acquire 3,000 Gallon Replacement ARFF Vehicle	\$ 1,000,000	\$ 750,000	\$ 250,000
1.07	Perimeter Road Rehabilitation	\$ 2,667,000	\$ 2,000,000	\$ 667,000
	Sub-Totals - New Projects	\$ 31,307,994	\$ 21,230,745	\$10,077,249
	<u>Completed Projects</u>			
1.08	Rehabilitate Runways	\$ 13,327,816	\$ 9,753,504	\$ 3,574,312
1.09	Rehabilitate and Rehabilitate Taxiways B, C and N	\$ 5,360,237	\$ 4,027,682	\$ 1,332,555
1.10	Update Runway Lighting	\$ 7,414,845	\$ 5,057,517	\$ 2,357,328
1.11	Rehabilitate East and West Concourse Aprons	\$ 7,622,246	\$ 5,975,712	\$ 1,646,534
1.12	Rehabilitate Terminal	\$ 47,610,038	\$ 36,466,482	\$11,143,556
1.13	Enhance Security	\$ 9,543,522	\$ 7,016,879	\$ 2,526,643
1.14	Rehabilitate Service Road	\$ 1,660,464	\$ 1,192,000	\$ 468,464
1.15	Noise Mitigation	\$ 6,229,205	\$ 4,315,727	\$ 1,913,478
1.16	Conduct Planning Studies	\$ 2,708,992	\$ 2,031,744	\$ 677,248
1.17	Acquire Safety Equipment	\$ 753,133	\$ 595,975	\$ 157,158
1.18	Rehabilitation Access Road	\$ 7,359,280	\$ 4,057,000	\$ 3,302,280
	Sub-Totals - Completed Projects	\$109,589,778	\$ 80,490,222	\$29,099,556
	Totals - All Projects	\$140,897,772	\$ 101,720,967	\$39,176,805

Table V-5
Dallas Love Field Airport
Sources and Uses of PFC Funds - \$3.00 PFC
For Fiscal Years 2008-2011

	<i>Fiscal Years Ending September 30</i>				Total
	2008	2009	2010	2011	2008-2011
PFC Beginning Balance	\$0	\$0	\$0	\$0	\$0
<u>PFC Sources :</u>					
Enplaned Passengers (1)	3,912,000	4,068,000	4,231,000	4,400,000	16,611,000
FY 2008 Adjusted Enplanements (2)	1,956,000				1,956,000
FY 2011 Adjusted Enplanements (3)				4,014,461	4,014,461
Eligible Enplaned Passengers (4) 95.0%	1,858,200	3,864,600	4,019,450	3,813,738	13,555,988
PFC Collection Rate \$3.00	\$5,574,600	\$11,593,800	\$12,058,350	\$11,441,213	\$40,667,963
Less : Airline Collection Fee \$0.11	(204,402)	(425,106)	(442,140)	(419,511)	(1,491,159)
PFC Revenues	\$5,370,198	\$11,168,694	\$11,616,210	\$11,021,702	\$39,176,804
Total Sources	\$5,370,198	\$11,168,694	\$11,616,210	\$11,021,702	\$39,176,804
<u>PFC Uses :</u>					
PFC Expenditures - Proposed CIP Projects (5)	\$5,370,198	\$4,707,051	\$0	\$0	\$10,077,249
PFC Expenditures - Historical PFC Projects (6)		\$6,461,643	\$11,616,210	\$11,021,702	29,099,555
Total	\$5,370,198	\$11,168,694	\$11,616,210	\$11,021,702	\$39,176,804
PFC Ending Balance in PFC Fund (7)	\$0	\$0	\$0	\$0	\$0

- (1) Source: Table 3
- (2) Assumes that a PFC application is approved by December 31, 2007 with receipt of PFC revenues beginning on April 1, 2008.
- (3) Assumes the PFC collections will be completed by September 1, 2011.
- (4) Ineligible traffic includes passengers on exempt carriers (which is any class of carrier that constitutes less than 1% of annually enplaned passengers, frequent flyer passengers, and passengers on the third segment of a trip) and is estimated to be approximately 5.0%.
- (5) Based upon projected collections with a \$3.00 PFC, approximately \$1.85 million of FY 2007 expenditures are reimbursed in FY 2008 and approximately \$1.09 million of FY 2008 expenditures are reimbursed in FY 2009.
- (6) Assumes DAL is reimbursed for eligible historical PFC expenditures as PFC funds are available.
- (7) With a \$3.00 PFC it is projected that \$39.2 million will be collected by September 1, 2011.

PFC Process and Timetable

Step #	Activity	Completion Date	Time Allowed
1	Send Consultation Letter to Airlines	8/20/07	7 work days
2	Send Consultation Package to Signatory Passenger Airlines and Publish a Public Notice	9/14/07	16 work days
3	Airline Consultation Meeting with Airlines	9/20/07	30-45 days after notice letter (1)
4	Airline Certifications due following Consultation Meeting	10/20/07	30 days after meeting (1)
5	Prepare and Submit Application to FAA	10/29/07	6 work days
6	Application Approved by FAA	12/29/07	60 days (2)
7	Airport Notifies Airlines of FAA Approval	12/31/07	1 work day
8	Charge Effective Date for PFC Collections	2/1/08	30 days (1)

(1) Statutory periods based upon current federal law and FAA procedures, which are subject to change.

(2) A new application with no airline disagreement may be approved within 60 days based upon close coordination with the FAA. The statutory amount of time is 120 days.