

Memorandum



CITY OF DALLAS

DATE October 24, 2008

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

SUBJECT "Love Field Modernization Program Development Agreement" Briefing

Attached is the briefing entitled, "Love Field Modernization Program Development Agreement" that will be presented to you on October 27, 2008.

Please contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'Ramón F. Míguez'.

Ramón F. Míguez, P.E.
Assistant City Manager

Attachment

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, Judiciary
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest Turner, Interim Assistant City Manager
David 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
Dan Weber, Director, Department of Aviation

Love Field Modernization Program Development Agreement

Briefing to the Transportation
and Environment Committee

Department of Aviation
October 27, 2008

Purpose

- Review the proposed Program Development Agreement (PDA) between:
 - City of Dallas (**City**),
 - Southwest Airlines Co. (**SWA**),
 - Love Field Airport Modernization Corp. (**LFAMC**)
- Negotiated *pursuant to the Term Sheet* approved June 25 by City Council for the Love Field Modernization Program.

The Term Sheet, Reviewed

- Approved by City Council June 25, 2008
 - **Established the Scope of the LFMP (project assignments);**
 - **Established the Preliminary Budget for the LFMP;**
 - Approved an agreement to reimburse SWA for LFMP related expenses incurred in advance of bond issuance (**Inducement Agreement**);
 - Authorized negotiation of an Amended and Restated Lease of Terminal Building Premises (**Airport Use & Lease Agreement**);
 - **Authorized negotiation of a Program Development Agreement;**
 - Authorized the negotiation of a **Ground Lease for Cargo Facilities.**
- Accompanied by Council actions;
 - Approving Terminal Design Concept Option “C”;
 - Approving the TARPS (Terminal Area Redevelopment Program Study) as the Master Plan for the LFMP;
 - **Creating a Local Government Corporation, the LFAMC.**

Term Sheet – LFMP Budget



- Preliminary Budget:
 - Based on Concept Design Option “C” Planning Cost.
 - Approved in Term Sheet - \$519 million.
- Final Budget:
 - To be developed upon completion of the Design Development Phase (Apr 2009)
 - If increased from Preliminary, will be presented to City Council for approval.

Term Sheet – LFMP Scope

- LFMP divided into individual project groupings:

SWA Projects

Relocations

Terminal Building

Airline Equipment & Finishes

Enabling Construction and
Relocation

City Projects

Airfield lighting vault relocations

Central utility plant upgrades

Road and curbside projects

Central Receiving Facility

Joint Projects

Apron & Hydrant Fuel system

Term Sheet – LFAMC Funding

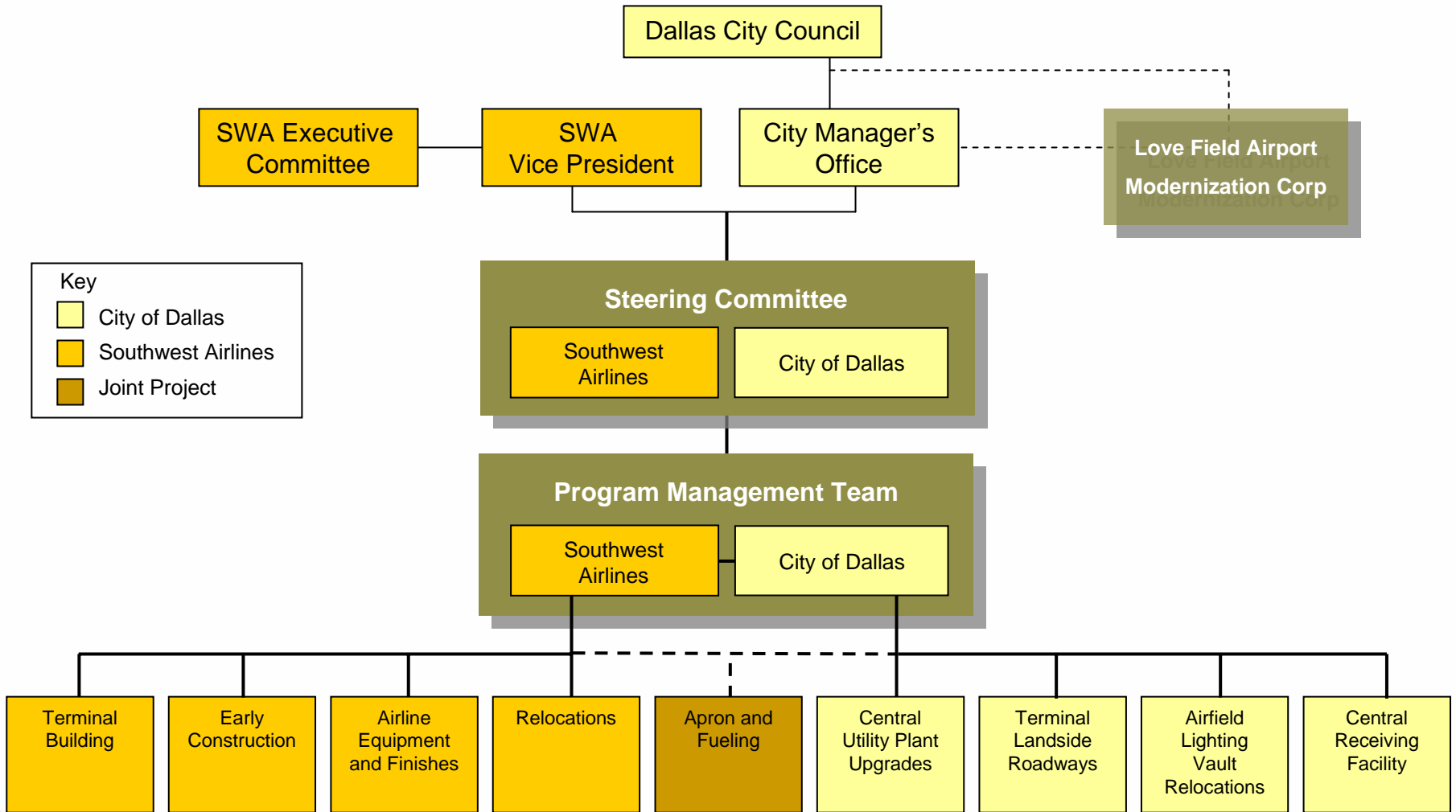


- LFAMC issues bonds on behalf of City, using SWA corporate credit, to finance LFMP improvements pursuant to an Indenture of Trust with a bond trustee.
- LFAMC enters into a **Facilities Agreement** with Southwest (SWA). **SWA pledges to pay all debt service on special facility bonds.**
- City generates revenues to pay all airport system costs, **including LFMP debt service**, through Airport Use & Lease Agreement and other leases and contracts.
- To avoid paying twice, SWA is reimbursed through a **Revenue Credit Agreement** (with City) for debt service paid to City by SWA and *all* airlines in form of terminal space rent.
- Certain PFC revenue to be pledged (estimated at \$10 million per year) to bond trustee to pay portion of debt service.

PDA Summary

- Incorporates LFMP Scope, Budget, Funding approved in Term Sheet.
- Establishes SWA management of Development Program while the City retains substantial oversight.
- Key decisions (within parameters of Council-approved budget & concept) made by “Steering Committee” in which City & SWA have equal votes.
- Implementation via “Program Management Team”, consisting of SWA & City representatives.
- For some projects on which the City will seek FAA grant funding, SWA will act as agent for City in developing the project:
 - Apron and Fuel System (SWA as agent)
 - Roadways and Airfield Electrical Vaults (City to undertake directly)

LFMP Organizational Chart



Key

- City of Dallas
- Southwest Airlines
- Joint Project

Program Control

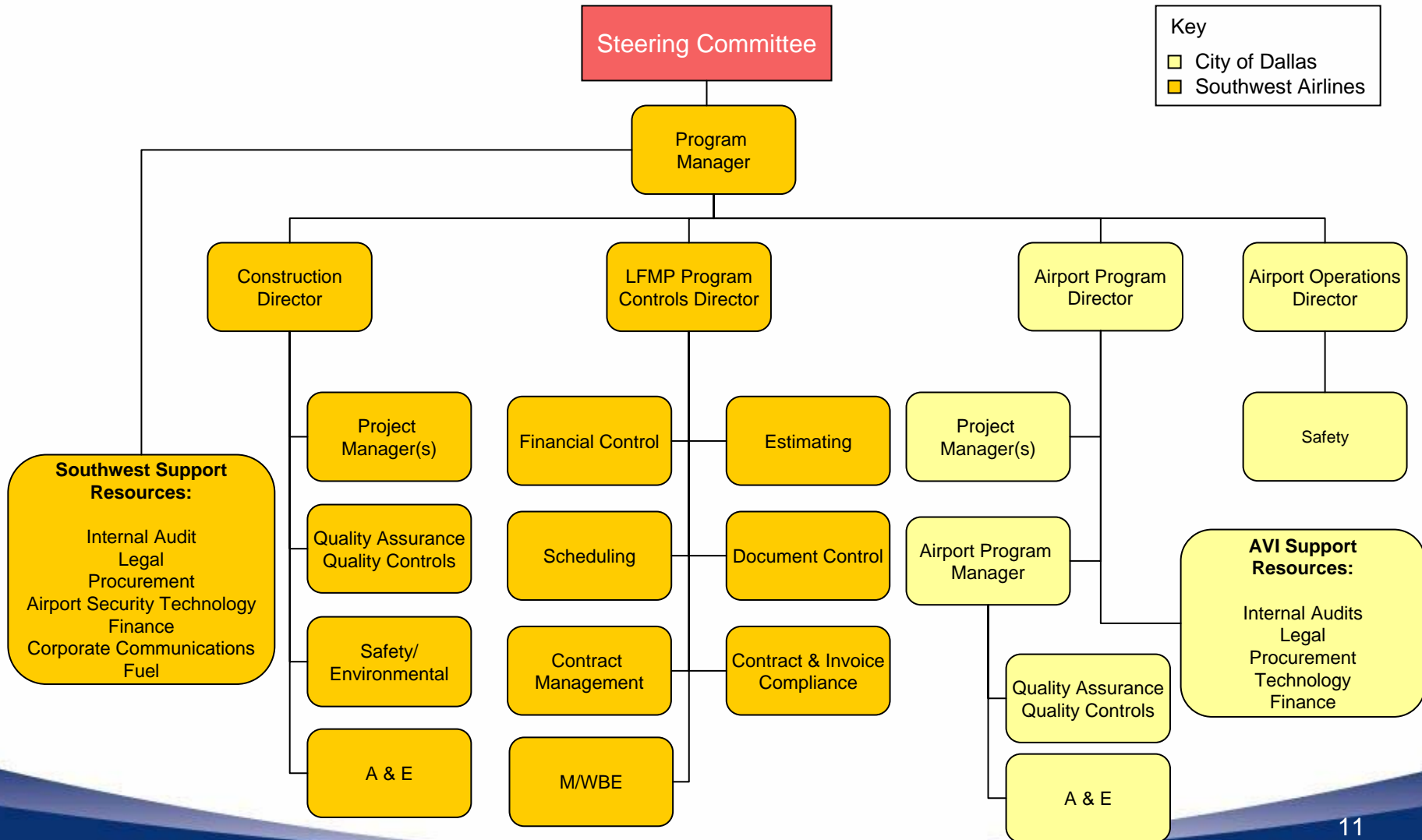
- City Council
 - Approves LFMP concept, scope and budget.
 - Approves any future proposed changes to above.
 - Approves bond issuance by LFAMC.

Program Control...

- **Steering Committee**

- General oversight, major decision making on matters affecting scope, schedule, budget.
 - Review & approve **Program Definition Manual (PDM)**, developed by Program Management Team;
 - Review & approve **Program Procedures Manual**, developed by Program Management Team;
 - Review & approve **recommendations and changes** presented by Program Management Team;
 - Provide periodic **status updates** to City Council and SWA Leadership, other stakeholders.

Program Management Team Organizational Chart



Program Control...

- Program Management Team
 - Day-to-day management of LFMP in accordance with PDA, Program Definition Manual and Program Procedures Manual.
 - Establish clear lines of responsibility and communication among members of PMT;
 - Establish and manage Program Control Systems:
 - » Contracting, scheduling, coordinating, cost management of individual projects making up the LFMP, cash flow & funding / financing requirements;
 - Conduct technical design reviews, value engineering;
 - Audit compliance with PDM, codes, regulations, funding requirements.

Design



- SWA will have primary responsibility for architectural and engineering design of the SWA projects.
- City will have primary responsibility for architectural and engineering design of City projects.
- For FAA Grant-funded projects, City will select design professionals, and SWA will contract the service as City agent.

Construction

- Construction contract procurement:
 - City projects – in accordance with City procedures;
 - SWA projects – in accordance with SWA procedures:
 - Procurement by either public advertisement of bids, or negotiating with pre-qualified contractors.
 - Apron & Fuel System Projects:
 - City will bid construction, and SWA will contract the construction as City agent.

Finance Plans

- Sources and uses of funds (diagramed next page).
 - Federal Grants –
 - FAA Airport Improvement Program (AIP);
 - Transportation Security Administration (TSA) grants;
 - Passenger Facility Charge (PFC) revenues;
 - Bond proceeds;
 - SWA cash resources;
 - Department of Aviation Capital Fund resources;
 - Other sources of funding which might be identified.

Preliminary Program Funding

SUMMARY OF LFMP PROGRAM FUNDING
Dallas Love Field

Project	PROGRAM COSTS	PROGRAM FUNDING						Net Project Costs Financed
		Southwest Funding	AIP Funding	TSA Funding	PAYGO PFC Resources	City (DOA) Equity Funding		
Southwest Enabling Projects	\$23,350,000	\$23,350,000	\$0	\$0	\$0	\$0	\$0	
Relocations	560,000	0	0	0	0	0	560,000	
Demolitions	19,892,000	0	0	0	0	0	19,892,000	
Airfield Lighting Vaults	3,001,000	0	0	0	0	3,001,000	0	
Terminal Building	307,578,000	0	0	20,000,000	0	0	287,578,000	
Central Plant Expansion	15,134,000	0	0	0	0	0	15,134,000	
Apron Reconstruction (including Water Main)	85,071,000	0	62,856,750	0	22,214,250	0	0	
Fuel System	40,431,000	0	30,323,250	0	10,107,750	0	0	
Roadway Infrastructure	10,214,000	0	0	0	0	10,214,000	0	
Remote Central Receiving Facility	14,509,000	0	0	0	0	14,509,000	0	
	<u>\$519,740,000</u>	<u>\$23,350,000</u>	<u>\$93,180,000</u>	<u>\$20,000,000</u>	<u>\$32,322,000</u>	<u>\$27,724,000</u>	<u>\$323,164,000</u>	

Source of Project Cost data: Corgan Associates and Hill & Wilkinson, March 18, 2008.

Other Provisions

- Business Inclusion and Development Plan (W/MBE).
- FAA Disadvantaged Business Enterprise Program.
- LEED Silver Certification requirements to be incorporated in all design contracts.
- Public Art Program.
- Title to all work and tangible personal property will pass to the City.

Program Development Agreement



- PDA approved by LFAMC Board of Directors Oct 21.
 - President Ryan Evans
 - Vice President Dan Weber
 - Sec/Treasurer Dave Cook

Summary, Recommendations Next Steps



- Summary:
 - PDA negotiated pursuant to Council approved Term Sheet.
 - Establishes LFMP: Scope, Budget, Funding, Management Organization, Program Control, Design & Construction Processes, Finance Plan.
- Recommendation:
 - Authorize City Manager to enter into Love Field Modernization Program Development Agreement with LFAMC and SWA.
- Next Step:
 - City Council approval Nov 10 agenda.