

# Memorandum



CITY OF DALLAS

DATE October 10, 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 People Mover Connector – Financial Analysis & Recommendations

Attached is the briefing entitled, "Dallas Love Field – People Mover Connector – Financial Analysis & Recommendations" that will be presented to you on October 13, 2008.

Please contact me if you need additional information.

A handwritten signature in black ink that reads "Ramón F. Míguez". The signature is fluid and cursive.

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  
David O. Brown, 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

# Dallas Love Field People Mover Connector Financial Analysis & Recommendations (Part 2 of 2)

Briefing to the Transportation  
and Environment Committee

Department of Aviation  
October 13, 2008

# Purpose

- Review September 22:
  - Part 1, Feasibility Study Findings, Recommendations.
  
- Today:
  - Part 2: Financial Analysis and Recommendations

# Part 1 Findings, Recommendations

- People Mover demand is based on the following:
  - Commuting Employees 418 daily riders
  - Air Travelers 1,230 daily riders
  - Southwest Airlines Employee Shuttle 500 daily riders
  - Total Demand Potential 2,148 daily riders
  
- Additional opportunities arising from installation of People Mover:
  - Relocation of Car Rental Service Facilities from Terminal Area to a new **Consolidated Car Rental Facility** co-located with People Mover DART station.
  - **Employee parking** could also be co-located.
  - Co-locations estimated to **increase daily ridership** by 5,000, bringing total demand **to 7,150 daily** and about **2,000,000 annually**.

# Part 1 Findings, Recommendations (Cont'd)



- People Mover Planning Level Costs:

– 2010 Capital	\$330,000,000
– 2010 Annual System O&M	\$ 4,000,000
– 2010 Annual Facilities O&M	\$ 824,000

- Project Schedule, Design to Commissioning – 72 months

- Funding Sources & Potential:

– DART	\$ 20,000,000
– Regional Transportation Commission	\$ 60,000,000
– Passenger Facility Charge (2010-2028)	<u>\$562,000,000</u>
– Total Potential Funding	\$642,000,000

# Part 1 Findings, Recommendations (Cont'd)



- The **Study concluded** the People Mover **Project is Feasible**:
  - **Capital** resources **exceed** Planning Level **Costs**;
  - The APM concept delivers an **excellent Level of Service**;
  - Recent trends of increased DART ridership;
  - Air quality improvements.
- The **Study *did not*** analyze all Dallas Airport System capital programs and **develop a financial strategy** to support all programs.
- The **Airport Rates & Charges Study** has developed **financial strategies for all** existing and potential **development programs**:
  - LFMP;
  - People Mover;
  - Rolling Capital Improvement Program.

# Part 2 – Financial Analysis

- **Critical Issue # 1:**

- City has committed to develop **Love Field Modernization Program (LFMP)**

- Concept Option C, approved by City Council, and currently in Schematic Design
    - Cost-Recovery Airline Rate Model approved by City Council (adjusts rates to cover costs)
    - Preliminary Budget - \$520 million
    - Preliminary Financial Plan
 

– Southwest Funded	\$ 23 M
– FAA Grant Funded	\$ 64 M
– TSA Grant Funded	\$ 20 M
– PFC Pay-Go Funded	\$ 61 M
– AVI Funded	\$ 28 M
– Bond Funded	<u>\$324 M</u>
– Preliminary Budget	\$520 M

- Bond Debt Service Funding
 

– Annual Requirement (2016)	\$28 M
– Less annual PFC revenues pledged	<u>(\$10 M)</u>
– Net to be recovered – Airline Rate Base	\$18 M

- Resulting Terminal Rental Rate (projected annual per square foot) - \$49.

# Part 2 – Financial Analysis

- Critical Issue # 2:
  - The **People Mover** has no tenants and **little revenue** potential.
    - It's costs must be paid by other sources:
      - DART, RTC and AVI contributions reduce net capital cost to = \$243 M
      - Debt Service requirement would approximate \$20 million of the projected \$20 – \$25 million annual PFC revenue stream during FY 2015 – FY 2020 (at current federal PFC limit of \$4.50).
        - » Will remove \$10 M PFC contribution from LFMP debt payment, thereby increasing airline square foot rental rate
      - Operating and Maintenance Costs, estimated at \$6 M by 2015.
        - » Potential cost sharing with DART
        - » Balance added to airline rate base
  - Alternative approaches are necessary for a sound business case.

## Part 2 – Financial Analysis

### - Alternative approach to *financing* the People Mover

- Shift capital cost of People Mover Terminal Station (\$43 M), from People Mover project to LFMP, reducing the People Mover Net Capital Cost to about \$200 M.



- Retain integrity of LFMP Financing Plan by maintaining the \$10 M PFC pledge to debt service.
- Annual People Mover Debt Service requirement estimated at \$15M.
- These are planning estimates and cannot be substantiated until project design development is underway.

# Part 2 – Financial Analysis

- Cost impacts:
  - Capital: Resulting **Impact on LFMP** Financing Plan (\$43 M added to project)
    - Airline terminal rental rate (projected annual per square foot) increase from \$49 to \$80.
  - O&M: **Additional Impact:** People Mover Operation & Maintenance Cost
    - Estimated \$6 M annually by 2015

<b>Cost impact to LFMP</b>			
	LFMP Current	LFMP with \$43M APM Cost	LFMP + \$43M APM + O&M
Bonded Debt Amount	\$324M	\$367M	\$367M Capital \$6M O&M
Terminal Rent per sq. ft.	\$49 / SF	\$80 / SF	\$105 / SF

# Part 2 – Financial Analysis

- Summary:
  - A Strategy to Fund and Finance the LFMP *and* the People Mover, **under these circumstances:**
    - Would consume nearly all PFC revenue for life of bonds;
    - Would limit capital improvement capabilities of the Dallas Airport System to rehabilitation and replacement of equipment, facilities and infrastructure only, and no new development.
    - Would place significant financial burden on airlines and other users of Love Field.
  - Staff is pursuing lower cost alternatives.

# Part 2 – Financial Analysis

- Other Considerations:
  - Terminal Area Access
    - **Dependant on Cedar Springs Rd** – emergency road closure would cut off access to terminal.
    - **Alternate** means of **access** is desirable & **prudent**.
  - DART Light Rail Connection
    - **Intra-modal opportunities** keep focus of alternate Terminal access point at DART Station.
    - Bus Connection as an **interim approach** would **preserve future potential** of the People Mover recommended in Feasibility Study.
  - Consolidated Car Rental Facility (CONRAC)
    - Development of a CONRAC in conjunction with DART Love Field Station brings 2 opportunities:
      - Create a **new revenue stream** and funding source to contribute to capital and O&M cost.
      - Create new aeronautical **development opportunities** on vacated land in Terminal Area.
    - Additional Benefits:
      - Reduce traffic **congestion** and increase **air quality** by removing 138,000 shuttle bus trips.

# Part 2 – Financial Analysis

- Recommendations:
  - Investigate **alternative connection** of Love Field Airline Terminal to DART Love Field Station.
  - **Investigate** development of a **Consolidated Car Rental Facility** near the DART Love Field Station
    - Enhance future potential of viable and effective connector project.
    - Provide safety and air quality enhancements to the Terminal Area.
    - Introduce new aeronautical development opportunities.
    - Potential for co-locating employee parking to free up capacity in terminal area for increased public parking needs.
- Next Steps:
  - Committee will be updated in January