

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No.	7a
Date of Meeting	August 20, 2013

DATE: August 14, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Dave Soike, Director, Aviation Facilities and Capital Program
Wendy Reiter, Director, Aviation Security & Emergency Preparedness
SUBJECT: Follow-up on the Baggage Optimization Program at the Airport C800612

SYNOPSIS

This briefing has been prepared to respond to questions arising from the earlier briefing on August 6, 2013, and to provide a status update on the project. Responses to Commissioners' questions addressed in this memo focus on the following subject areas:

- Airline Involvement and Support
- Cost Per Enplaned Passenger (CPE) Impact
- Full Design before Bidding
- Schedule

RESPONSES

The following are responses to questions from Commissioners on August 6, 2013.

What is the current state of airline involvement and support?

The Airline Airport Affairs Committee (AAAC) was briefed on the optimization project and alternatives at a meeting on May 15, 2013. Following that briefing, operations staff from multiple airlines have participated in several design team meetings to date including May 29, June 26, July 10, July 24, and August 7. Further, the airlines – via the AAAC – received a second shorter briefing on optimization on August 8 as part of the Signatory Lease and Operating Agreement (SLOA) discussions. During that meeting, the AAAC indicated they would agree to \$40 million as an initial pre-approved project amount within SLOA for optimization to carry the project ahead with analysis, phasing, and design through the first part of 2015. This timing will allow the airlines to be able to receive more design information and to have a Majority-in-Interest vote on the full project in early 2014 as they have traditionally done on other large projects. In addition, the AAAC noted that they may name a consultant representative to participate in the full design process on their behalf.

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What is the relative Cost per Enplaned Passenger (CPE) impact compared to the other two large projects being initiated - International Arrivals Facility (IAF) and Alaska's NorthSTAR project?

The relative CPE impact is shown in the following table:

Project CPE Impacts

Project	2014	2015	2016	2017	2018	2019	2023
IAF CPE	0.00	0.00	0.00	0.18	0.18	0.17	0.19
NorthSTAR CPE	0.00	0.05	0.39	0.73	0.87	1.00	0.92
Bag Optim. CPE	0.00	0.05	0.05	0.34	0.33	0.64	0.88

* each column represents cumulative CPE impact in dollars

The IAF CPE impact is lessened by the use of available passenger facility charge revenues to aid in funding the project. While funding arrangements may vary by year, in general, both Alaska's NorthSTAR project and the baggage optimization would be funded primarily by debt and the Airport Development Fund. The impact of Transportation Security Administration (TSA) reimbursement funding for baggage optimization will reduce the optimization CPE impacts by approximately 30%, and that reduction is included above. As stated below, the total amount of TSA funding is not yet confirmed. The amount of TSA funding will be known in approximately a week's time.

IAF and NorthSTAR are included in our current capital budget forecast; however, Baggage Optimization would be a new project. Therefore, the CPE impact related to Baggage Optimization would be additional, but already budgeted allowances for future projects may be able to cover a significant portion of the CPE impacts depending upon other future capital project decisions. This will be noted in the business plan presentation for Aviation.

Will full design, or partial design, be used for bidding the optimization projects?

The TSA funding agreement allows ample time for full 100% designs to be completed. This overall optimization project will involve multiple phased projects and each project will be fully 100% designed before being put out for bid. Full design will help prevent cost growth issues during construction as occurred a decade ago when the first explosive detection baggage systems were initially installed very soon after September 11, 2001.

More recent baggage projects have also been fully designed and have been delivered on schedule and under budget. Various other baggage projects that are not related to optimization are on the design drawing boards now and all will be completed to 100% design. These other baggage projects (such as NorthSTAR, C-60/61, passenger bag claim carousels, etc.) will have to be completed to meet current airline needs while

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optimization is simultaneously moving forward over the next decade. Typical of all projects, and as needs arise, each baggage project will request Commission approval for design and construction.

What is the TSA funding process and timing?

The TSA will contribute between \$50 million and \$100 million of the estimated \$286 million – \$317 million optimization project. The exact amount has not been announced as of the preparation of this memo but will be available in time for the August 20 briefing.

As a result of continuing federal budget pressures, TSA staff has noted that this is likely the last year for the opportunity to lock-in continuing multi-year funding over the life of the TSA optimization investment. Consequently, if the Airport does not enter into an agreement this fiscal year with the TSA, then the Airport would have to compete for more limited resources in each future year against the continuing needs of other airports and the TSA's own baggage equipment purchasing and operating needs.

The near-term necessary approval steps are as follows:

1. The TSA is expected to provide to the Port their funding level offer on or about August 16, 2013. This funding would not be newly requested funding, but rather is from their existing appropriations.
2. The Airport validates and negotiates changes, as necessary, during the week of August 19.
3. If the TSA funding level is found to be appropriate, then Airport staff returns to Commission on September 10 to request approval of the funding agreement with the TSA and to request continuing design funds for 2014.
4. If the Commission approves the request on September 10, the Airport would execute the agreement as soon as September 11.
5. The TSA would then provide a 5-day informational notification through their congressional liaison process to provide awareness to members of Congress as to how they have committed to spend the already appropriated TSA funds.
6. The TSA would countersign the agreement with the Airport after the 5-day notification period and provide the Port signature copies.

ATTACHMENTS TO THIS BRIEFING

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 6, 2013 – The Commission was briefed on the near-term and long-term challenges related to handling checked baggage at the Airport.
- January 22, 2013 – The Commission authorized \$5 million for staff to begin design, to take design to 30%, and to enter into an agreement to allow

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reimbursement from the federal government to the Port for eligible elements of the 30% design work.

- January 8, 2013 – Baggage systems briefing.
- August 14, 2012 – Baggage system recapitalization/optimization was noted in the 2013 business plan and capital briefing as a significant capital project not included in 2013-17 capital program.
- August 7, 2012 – Baggage system recapitalization/optimization was referenced as one of the drivers for the need to develop an Airport Sustainability Master Plan.
- June 26, 2012 – The Airport’s baggage systems were discussed during a briefing on terminal development challenges.
- May 10, 2012 – TSA’s interest in a national recapitalization/optimization plan for all baggage screening operations was referenced in a design authorization request for the C60 – C61 Baggage Handling System Modifications Project.