

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	6b
Date of Meeting	January 28, 2014

DATE: January 21, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Michael Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group
SUBJECT: Federal Inspection Services (FIS) Short Term Improvements project at Seattle-Tacoma International Airport (CIP #C800426)

Amount of This Request:	\$563,000	Source of Funds:	Airport Development Funds and
Est. Total Project Cost:	\$1,704,000		Environmental Remediation Liability Expense
Est. State and Local Taxes:	\$77,700		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to increase the project authorization of the FIS Short Term Improvements project at Seattle-Tacoma International Airport in the amount of \$563,000 for higher estimated project costs in addition to the previously authorized \$1,141,000 and to perform an Environmental Remediation Liability (ERL) project in the amount of \$93,000 for a total project authorization of \$1,704,000.

SYNOPSIS

This request increases authorization for a project to operationally improve the 40 year old south satellite international arrivals facility until the brand new Concourse A arrivals facility can be constructed. This authorization is necessary to maintain, as smooth as possible, operations for the thousands of passengers who arrive each day. Several new international flights have created a crunch of new passengers in the old and small facilities. This project will install queuing stations throughout long holding corridors, construct walls and improve way finding signage, install public address systems, and add some seating. These improvements are intended to minimize peak-time holding of passengers on-board aircraft after long international flights.

This \$1,704,000 project is modest in scope and cost compared to the much larger \$37 million project that was considered earlier that would have fully renovated the south satellite for an interim period allowing a delay in constructing the new concourse A arrivals facility. The scope of improvements has been minimized to fill the gap period while the Concourse A facility is rapidly built. This additional \$563,000 authorization accounts for underestimated Port soft costs

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and increased direct construction costs identified after 90% design was complete. It also includes authorization for regulated materials remediation capital and liability expense costs (asbestos, lead paint, etc.), plus costs to accelerate the project completion date by three months. Completing the work before the summer peak travel period may require second and weekend shifts among other acceleration actions.

BACKGROUND

The Airport's existing and aging international arrivals facility or FIS is currently located largely below ground in the South Satellite. It was originally designed for a much lower level of passenger processing activity that existed in the early 1970s when the facility was built. It has not been significantly updated since. Today, international air service into the Airport continues to grow in both passenger volume and in the number of routes served. Up to half of the Airport's international flights arrive during the highly congested peak period between 11:00 a.m. and 1:00 p.m., with a total often wide-body flights during this period.

International flight activity is forecasted to further increase during this peak period and the FIS will be unable to accommodate the increased loads. In 2011, 56 flights had to hold passengers, either on board the arriving aircraft or in the international corridor area, immediately after disembarking. In 2012, 101 flights were held, and in 2013, 378 flights were held. This caused delays ranging from 5 to 60 minutes before passengers were allowed to enter the FIS passport control area. Most holds occur in the international corridor and some hold-on-boards ultimately cause delays to departing international flights. In all cases, holding passengers causes a significant inconvenience for travelers anxious to disembark after a flight that may have been 10, 12 or even 14 hours in duration. Holding can also cause passengers to miss their connecting domestic flights departing from Sea-Tac. Airport Operations expects that hold-on-board times will continue to increase due to new daily Delta Air Lines service and increased service by other carriers. The new International Arrivals Facility is currently targeted for completion in mid-2018, but modest improvements to the existing FIS facility are necessary now to improve throughput, passenger experience and create a more comfortable environment to hold passengers in the international corridor during peak periods or irregular operations.

PROJECT JUSTIFICATION AND DETAILS

In late 2013 the project team was asked to accelerate this project by three months for a June 2014 completion, prior to the start of the busy summer season. Design documents were in the final stages of completion at the time of the request. The project team and stakeholders determined that the best way to accomplish this goal was to retain the project scope on the FIS Baggage Claim level of the facility as a major contract construction project, but that the International Corridor level permanent stanchions and leaning rail, plus the public address system up on the Primary Inspection level could be accomplished faster if performed by Port Construction Services. The design team began revising the design documents to split up the scope and construction authorization was granted by the Port Commission on December 10, 2013, based on 90% design estimates.

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The project team now knows that the 90% estimate did not include sufficient direct construction costs and soft costs, coverage for night work or regulated materials remediation capital or expense costs, nor did it include additional design fees to create two separate design packages. The final estimate developed just prior to bid advertisement captures these costs and also includes additional construction contingency. This final estimate is the basis of this request for additional authorization.

Project Objectives

The project includes minor facility improvements at the FIS international corridor, passport control and baggage claim levels of the South Satellite to increase throughput and improve conditions for waiting passengers.

Major Contract Scope of Work

Improvements to way-finding and passenger traffic control in the bag claim level of the FIS at the secondary inspections exit to the TSA checkpoint and the Satellite Transit System. Improvements include new and revised exit path guide walls with exiting graphics, a new ceiling soffit and lighting additions along the exit path.

Small Works Scope of Work

- Installation of fixed-to-floor stanchions throughout the international corridor;
- Installation of a new public address system in the international corridor and an upgrade of the existing public address system in the passport control area;
- Addition of minimal seating or a leaning rail in the international corridor for waiting passengers.

Schedule

Begin Design	3 rd Qtr 2012
Begin Construction	1 st Qtr 2014
Small Works Construction Completion	1 st Qtr 2014
Major Contract Construction Completion	2 nd Qtr 2014
Project Close Out Completion	4 th Qtr 2014

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FINANCIAL IMPLICATIONS

<i>Budget/Authorization Summary</i>	Capital	Expense	Total Project
Original Budget	\$31,700,000	\$0	\$0
Previous Budget Decrease	(\$30,559,000)	\$0	(\$30,559,000)
Current Budget Increase	\$470,000	\$93,000	\$563,000
Revised Budget	\$1,611,000	\$93,000	\$1,704,000
Previous Authorizations	\$1,141,000	\$0	\$1,141,000
Current request for authorization	\$470,000	\$93,000	\$563,000
Total Authorizations, including this request	\$1,611,000	\$93,000	\$1,704,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$1,611,000	\$93,000	\$1,704,000

<i>Project Cost Breakdown</i>	This Request	Previous Authorization	Total Project
Construction	\$362,500	\$631,500	\$994,000
Construction Management	\$85,400	\$75,300	\$160,700
Design	\$49,200	\$225,800	\$275,000
Project Management	\$45,500	\$142,500	\$188,000
Permitting	\$2,300	\$6,300	\$8,600
State & Local Taxes (estimated)	\$18,100	\$59,600	\$77,700
Total	\$563,000	\$1,141,000	\$1,704,000

As originally envisioned, this project would have expanded the capacity of the existing FIS in order to bridge the gap until a new international arrivals facility could be built at some time in the future. Because the Airport's new International Arrivals Facility will be completed more quickly than first anticipated, the need to expand the existing FIS has diminished. Therefore, the scope of this project has been reduced to include only elements deemed absolutely necessary to expand throughput of the existing facility while the new facility is built. Previous authorizations included approval of design fees on a scale for a larger (\$37 million) project that will not be necessary for this much smaller project.

Budget Status and Source of Funds

The Federal Inspection Services (FIS) Short Term Improvements CIP #C800426 was included in the 2014-2018 capital budget and plan of finance with a budget of \$1,141,000. A budget increase of \$563,000 is necessary due to refined cost estimates. The budget increase will be transferred from the Aeronautical Allowance CIP #C800404 resulting in no net change to the Airport capital budget. The additional expense costs were not included in the 2014 operating budget, but the Airport will strive to absorb these costs with savings in other areas. The funding source for this project is the Airport Development Fund.

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Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$1,704,000
Business Unit (BU)	Federal Inspection Services (FIS) Cost Center
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.02 in 2015. All costs will be recovered through increased FIS rate paid by airlines using FIS facility.

Lifecycle Cost and Savings

The improvements will be amortized over a relatively short period (approximately five years) reflecting a 2018 completion date for a new International Arrivals Facility (IAF). These improvements will not result in any significant changes to ongoing maintenance costs.

STRATEGIES AND OBJECTIVES

This request supports the Port's Century Agenda objective to advance the region as a leading tourism destination and business gateway. Specifically, providing these services for arriving international passengers is vital to making Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel and supports the goal to double the number of international flights and destinations.

TRIPLE BOTTOM LINE

Economic Development

Improvements to the Airport's existing FIS facilities make it easier for the Airport's international carriers to add flights and increase service to and from international destinations.

Environmental Responsibility

This project will foster environmental stability by maximizing use of the existing Port FIS asset and will utilize low energy demand electronics equipment where feasible and available.

Community Benefits

This project benefits the community by improving the passenger experience for local travelers arriving in the U.S. at Sea-Tac International Airport.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Invest \$37.7 million or more in a mid-term solution that addresses significant baggage carousel capacity, major queuing revisions and associated Customs and Border

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Protection office reconfigurations. The airlines have strongly indicated they are not in favor of supporting this investment at this time. This is not the recommended alternative.

Alternative 2) – Do nothing while building the new International Arrivals Facility. Do not provide modest improvements in the existing FIS facility. Passenger throughput would continue to degrade as our international carriers add more flights. More passengers would miss connecting flights as they are held for longer periods on aircraft or in the international corridor during peak travel periods. This is not the recommended alternative.

Alternative 3) – Make relatively modest investments in short-term improvements that improve way-finding, reduce uncontrolled congestion, and improve the comfort level for international passengers arriving at congested peak travel times. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- December 10, 2013 – Authorization to advertise a major contract for the FIS Short Term Improvements project
- November 5, 2013 – Automated Passport Control (APC) Kiosks project authorization
- July 23, 2013 – Sea-Tac International Airport International Arrivals Facility (IAF) Preliminary Authorization for \$3,500,000.
- July 9, 2013 – Sea-Tac International Airport IAF Briefing.
- July 9, 2013 – Alternative Public Works Contracting Briefing.
- April 9, 2013 – Sea-Tac International Airport IAF Briefing.
- July 24, 2012 – Authorization of Short Term FIS Improvements design for \$284,000.
- June 26, 2012 – Airport Terminal Development Challenges at Seattle-Tacoma International Airport.
- June 14, 2011 – International Air Service Growth and Future Facility.
- January 25, 2011 – Authorization of planning, pre-design work and execution of a design contract for the FIS Mid-Term Improvements Phase 1 for \$475,000.
- February 2, 2010 – Briefing on South Satellite Passenger Growth and Facility Considerations, Delta's Proposed Airline Lounge and Other Possible Future Aviation Projects.