

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

<b>Item No.</b>	6c
<b>Date of Meeting</b>	May 13, 2014

**DATE:** May 5, 2014  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Michael Ehl, Director, Airport Operations  
James Jennings, Manager, Aviation Properties  
Wayne Grotheer, Director, Aviation Project Management  
**SUBJECT:** Airline Realignment Tenant Improvement Program - Reimbursement for Alaska Airlines for Seattle-Tacoma International Airport

**Amount of This Request:** \$0      **Source of Funds:** Airport Development Fund  
**Total Project Cost:** \$1,025,000

**ACTION REQUESTED**

Request Commission authorization to expand the scope of the authorization for the tenant reimbursement to Alaska Airlines associated with the airline realignment tenant improvement program to include eligible project scope and costs. No additional budget is required for this project.

**SYNOPSIS**

In September 2012, the Port Commission authorized a reimbursement for Alaska Airlines' tenant improvements related to Airline Realignment. Alaska has completed those tenant improvements. A review of the Airline Realignment Agreement with Alaska indicated that necessary improvements to the North Satellite parking locations for the Alaska regional aircraft could be completed by Alaska and the costs reimbursed by the Port and funded as a part of Airline Realignment. However, a review of the September 2012 Commission authorization concluded a need to seek this additional authorization because there was no reference to any work at the North Satellite. This work is not part of the NorthSTAR program.

**BACKGROUND**

With recent airline consolidation and the goal to maximize utilization of existing facilities, the Airport exercised the One-Time Reallocation provision in the previous Signatory Lease and Operating Agreement. The reallocation required a number of modifications associated with the airlines, which relocated their gate and ticket counter operations to effectively operate in their new locations. The realignment was driven by the merger of major carriers and the consolidation needs for Alaska Air Group that necessitated the repositioning of gates, holdrooms, and ticketing positions throughout the Airport. The majority of the moves were completed by April 2013.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

May 5, 2014

Page 2 of 4

In September 2012, the Port Commission authorized an Airline Realignment memorandum of agreement (MOA) with Alaska Airlines to reimburse Alaska Airlines for tenant improvement work related to the Airline Realignment in the amount of \$834,000, out of a total project cost estimated at \$1,179,000. Alaska has completed those tenant improvements and been reimbursed \$793,112.81.

However, in the final implementation planning and phasing of the Airline Realignment moves, it was clear that Alaska was going to need to operate Alaska regional aircraft from the North Satellite in order to facilitate the phasing of United's move off the North Satellite. With this change, Alaska required revisions to the aircraft ground electrical power system at the proposed aircraft parking positions. Alaska has completed the work for a cost of \$156,395.57. This work was performed under the Airline Realignment MOA with Alaska, and is eligible for reimbursement under that MOA, but prior to final reimbursement, staff realized the previous Commission Authorization made no mention of work at the North Satellite.

### **PROJECT JUSTIFICATION AND DETAILS**

The work completed under this project represented a critical component in supporting the broader airline relocation effort while also providing improved operational efficiency throughout the Airport.

#### ***Project Objectives***

This project:

- Supported the timely relocation of airlines in Airline Relocation Tenant Improvement Program.
- Provided necessary ground electrical power for Alaska regional aircraft at the North Satellite.

#### ***Scope of Work***

Install electrical service across the Airport ramp to power five aircraft ground power units and three 480V rectifier carts.

#### ***Schedule***

Construction (by Alaska) was completed in the third quarter of 2013.

### **FINANCIAL IMPLICATIONS**

#### ***Budget/Authorization Summary***

	Capital	Expense	Total Project
Original Budget	\$0	\$1,179,000	\$1,179,000
Budget reduction		-\$154,000	-\$154,000
Revised budget		\$1,025,000	\$1,025,000
Previous Authorizations	\$0	\$1,179,000	\$1,179,000
Current request for authorization	\$0	\$0	\$0

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

May 5, 2014

Page 3 of 4

Total Authorizations, including this request	\$0	\$1,179,000	\$1,179,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Project Cost	\$0	\$1,025,000	\$1,025,000

### ***Budget Status and Source of Funds***

The costs associated with this project are operating costs. The costs associated with this requested scope addition were accrued as operating costs in 2013. As such, the costs have been incorporated into airline rates and charges and will be recovered through the 2013 settlement of airline terminal rents. The total direct reimbursement to Alaska Airlines under this agreement will be \$949,508.38. The final project cost, including this reimbursement to Alaska Airlines, is \$1,025,000, representing budget savings of \$154,000.

### **STRATEGIES AND OBJECTIVES**

This project promotes the Port's Century Agenda objective of "Meeting the region's air transportation needs at Sea-Tac Airport" by realigning Airport users with Airport resources and improving operational efficiencies throughout the Airport.

### **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1)** – Do not expand the scope of the reimbursement to Alaska Airlines. Do not reimburse Alaska Airlines for this electrical work associated with the relocation of their regional aircraft to the North Satellite. Because Alaska's regional operation had this amenity in their prior location, it would contradict the "like for like" principle agreed with all the airlines impacted as part of Airline Realignment. Without this ground power amenity, regional aircraft would have to run their APU systems which would have negative financial and environmental implications. This is not the recommended alternative.

**Alternative 2)** – Expand the scope of the reimbursement to Alaska Airlines and reimburse them for the electrical work associated with the relocation of their regional aircraft to the North Satellite. This is consistent with the "like for like" principle agreed with all the airlines impacted by Airline Realignment. This alternative additionally provides both financial and environmental benefits. **This is the recommended alternative.**

### **ATTACHMENTS TO THIS REQUEST**

- None.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- September 11, 2012 – the Port Commission authorized Tenant Improvement Reimbursement for Alaska Airlines in the amount of \$1,179,000.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

May 5, 2014

Page 4 of 4

### **Other Airline Realignment related actions and briefings occurred on the following dates:**

- March 26, 2013
- March 12, 2013
- December 11, 2012
- December 4, 2012
- November 13, 2012
- October 2, 2012
- July 10, 2012
- June 26, 2012
- June 26, 2012
- April 24, 2012
- April 10, 2012
- March 27, 2012
- January 24, 2012
- December 6, 2011
- November 22, 2011
- September 12, 2011
- June 14, 2011
- March 1, 2011
- February 22, 2011
- January 25, 2011
- September 29, 2010
- July 9, 2010
- June 8, 2010