

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4b
Date of Meeting August 23, 2016

DATE: August 15, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Michael Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group
SUBJECT: Zone 5 Ticket Lobby Reconfiguration (CIP #C800824)

Amount of This Request: \$1,466,000 **Source of Funds:** Airport Development Fund
Est. Total Project Cost: \$1,781,000

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to authorize the remaining budget of \$1,466,000 and proceed with construction with the use of Port crews to construct the Zone 5 Ticket Lobby Reconfiguration project. The total estimated cost of this project is \$1,781,000.

SYNOPSIS

The project is necessary to provide additional capacity at common-use ticket counters for new airline entrants that have either announced the start of service to Seattle or are anticipated to introduce new service in the near future. This work is intended to be accomplished with a combination of Port crews and small works contracts.

BACKGROUND

When this project was presented to the Commission on February 9, 2016 for design authorization, the intent was to construct new common-use ticket counters along the outer window wall along with a new baggage input belt connected into the existing baggage system. Since then, American Airlines has approached Port staff with a proposal to relocate their customer self-service kiosks to the window wall and move their ticket counters to make room for Port common-use counters. This proposal was agreeable to both American Airlines and the Port. This option became the basis for design and will allow the counters to open six months ahead of the original schedule.

PROJECT JUSTIFICATION AND DETAILS

At peak time, existing common-use ticket counters are fully occupied by existing airlines. Because of the lack of ticket counter capacity at peak time, a new airline entrant is not able to be accommodated. For example, Spirit Airlines, starting service in March 2016, has agreed to

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temporarily schedule flights during off-peak times and use existing common use-ticket counters. Also, to ensure compliance with FAA grant requirements of economic nondiscrimination with all airlines, this project will provide additional common-use ticket counters that can be utilized by multiple airlines.

This project supports the Aviation Division Strategy 1.2: Operate a world-class international airport by anticipating and meeting needs of tenants, passengers, and the region's economy; specifically, Objective 1 to plan, design and construct interim facilities to accommodate exceptional growth and Objective 8 to increase productivity of existing terminal facilities.

Project Objectives

- Provide additional capacity at common-use ticket counters to meet new airline demand.
- Accommodate new entrants with limited impacts on related infrastructure and services such as the baggage system.

Scope of Work

This project will add new airline common use ticket counters in the centrally located "Zone 5" section of the ticket lobby. The project will include the relocation of existing airline customer self-service kiosks and airline ticket counters, the installation of common-use counters, and the installation of common-use self-service kiosks.

Schedule

Issue Notice to Proceed:
Construction Complete

3rd Qtr. 2016
4th Qtr. 2016

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$1,770,000	\$11,000	\$1,781,000
Budget Adjustments	(\$15,000)	\$15,000	\$0
Revised Budget	\$1,755,000	\$26,000	\$1,781,000
Previous Authorizations	\$324,000	\$11,000	\$335,000
Current request for Authorization	\$1,431,000	\$15,000	\$1,446,000
Total Authorizations, including this request	\$1,755,000	\$26,000	\$1,781,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$1,755,000	\$26,000	\$1,781,000

Project Cost Breakdown

	This Request	Total Project
Design Phase		\$315,000
Construction Phase	\$1,446,000	\$1,376,000
Sales Tax	\$0	\$90,000
Total	\$1,446,000	\$1,781,000

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Budget Status and Source of Funds

This project (CIP #C800824) was not included in the 2016-2020 capital budget and plan of finance. A net budget transfer of \$1,755,000 was transferred from C800404 Aeronautical Allowance resulting in no net change the Airport's capital budget. The funding source for this project will include the Airport Development Fund.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Infrastructure Upgrade
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$1,781,000
Business Unit (BU)	Terminal Building
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	\$0.01 increase in 2018

Lifecycle Cost and Savings

The major assets associated with this project will result from the installation of new common-use ticket counters, associated ticket counter computer equipment and kiosks. Aviation Maintenance anticipates there will be little increase to maintenance costs.

STRATEGIES AND OBJECTIVES

This project supports the Port's Century Agenda objectives of making Sea-Tac Airport the West Coast 'Gateway of Choice' for international and domestic travel and of meeting the region's air transportation needs at the Airport for the next 25 years by providing critically needed passenger common-use ticket counters with passenger processing equipment and common-use kiosks. By investing in our current facilities, this project encourages the cost-effective expansion of passenger traffic.

This project through the use of Port crews and Small Works scope items will provide opportunities for small business utilization within the construction phases.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Maintain the status quo: Require new entrant to operate only during off-peak times using existing ticket counters and baggage systems.

Cost Estimate: \$0

Pros:

- This alternative does not require capital investment.

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Cons:

- This option restricts the ability for the Airport to grow and conflicts with the Aviation Division's strategic goal to meet the needs of our tenants, passengers, and the region's economy.
- This restriction could be interpreted as a violation of the FAA Grant Assurance requiring economic nondiscrimination. (FAA Grant Assurance No. 22A; Economic Nondiscrimination.)

This is not the recommended alternative.

Alternative 2 – Construct the project as originally scoped to install ticket counters along the window wall.

Cost Estimate: \$1,781,000

Pros:

- This alternative would deliver necessary ticket counters to accommodate new airlines at Sea-Tac Airport.

Cons:

- The option requires relocation of American Airlines customer self-service kiosks from the window wall into their existing ticketing lobby.
- The addition of window wall counters in Zone 5 double loads ticket processing without the benefit of a pushback counter or flow-through ticket counter (as is the case elsewhere we installed window wall counters).
- This option would delay the schedule and open the counters in the summer busy season, which is undesirable for operations..

This is not the recommended alternative.

Alternative 3 – Construct the project using Port Crews and small works construction contracts.

Cost Estimate: \$1,781,000

Pros:

- This location provides enough space for seven ticket counter positions and six CUSS kiosks in a timeframe that will be most beneficial to new carriers at Sea-Tac Airport.
- This option was proposed by American Airlines.
- This option will have the counters installed ahead of the original schedule and prior to the summer busy season by six months.

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Cons:

- This option requires the relocation of American Airlines customer service kiosks and ticket counters.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- February 9, 2016 – Commission approved design and use of Port crews for enabling work.