

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6c

ACTION ITEM

Date of Meeting October 11, 2016

DATE: September 30, 2016

TO: Ted Fick, Chief Executive Officer

FROM: Ralph Graves, Senior Director, Capital Development
David Brush, IAF Program Leader

SUBJECT: International Arrivals Facility (IAF) Authorization to Accelerate Phase 2 Execution (CIP #C800583)

Amount of this request: \$11,000,000

Total estimated project cost: \$660,365,000

ACTION REQUESTED

Request Commission authorization to add all of the balance of the IAF Phase 2 scope to the current Phase 1 project. The total estimated cost of this added scope is \$11,000,000, which will increase the total budget for IAF from \$649,365,000 to \$660,365,000. Also request Commission authorization for the Chief Executive Officer to execute needed contract amendments and change orders as required to execute this scope.

SYNOPSIS

The Port contracted a Design-Build team, Clark/SOM, to design and construct a new IAF at the Seattle-Tacoma International Airport using an alternative project delivery method, Progressive Design Build. This request adds the balance of the building infrastructure and equipment required for the facility to accommodate a peak hour passenger processing capacity of 2,600 in order to meet existing year over year record growth, anticipated future growth and to take advantage of cost efficiencies of the current contract. These facilities were earlier anticipated and need to be initiated now to be available for operational use in 2020.

During the April 26 briefing, staff presented to the Commission that as international traffic at the Airport continues to grow at a record pace and as the Airport continues to engage in conversations with new international entrant carriers, there is a clear need to provide more international capable gates than are currently planned as part of Phase I of the IAF project. During the early programming of the IAF, planners discussed the timing associated with maximizing the number of international wide-body gates, but deferred scalable program components – e.g., two out of the total 20 programmed international gates and two out of the total seven programmed bag claims - to a future date based on the more moderate traffic growth known at that time.

On July 12, Commission approved staff's proposal to convert the Phase 2 Concourse A gates to international wide-body "swing gates" capable of handling both domestic and international

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arriving aircraft and passengers, while the IAF is still in its schematic design phase. Commission also directed that staff reconsider the phasing strategy for execution of the IAF program and return with a recommendation on whether to accelerate the remainder of the Phase 2 scope of work by executing it using the current contract as part of Phase 1.

Staff has confirmed that the cost to incorporate this work is \$11,000,000 and requests authorization to increase the total IAF cost from \$649,365,000 to \$660,365,000 to add execution of the entirety of Phase 2 to the current design-build contract.

No airline majority-in-interest (MII) approval is required in support of this action in accordance with the current Signatory Lease and Operating Agreement (SLOA III).

PROJECT JUSTIFICATION AND DETAILS

The IAF Program was planned to accommodate a peak hour passenger processing capacity of 2,600 and to provide a maximum number of FIS connected gates on SSAT and Concourse A. Implementation of the program was divided into two phases based on projected future passenger and service requirements. This request addresses a change in program execution strategy to accommodate the dramatic growth the Airport is experiencing today compared to the 2015 growth forecast used in planning the program by adding the remainder of Phase 2 scope (see July 12, 2016, Commission agenda item 4i.) to the current Phase 1 contract for execution.

Project Objectives

This initiative provides the opportunity, in advance of negotiation of the Guaranteed Maximum Price (GMP), to enhance the IAF program as follows:

- Address risk of the Airport's continuing rapid growth outstripping the IAF's Phase 1 passenger processing capacity – the original planning projections on which the IAF program was based did not anticipate the actual year over year growth experienced in 2015 and 2016.
- Take advantage of cost efficiencies by adding the execution of the balance of the Phase 2 scope using the current contract.

Scope of Work

The remaining scope of work currently programmed as IAF Phase 2 is comprised of the following:

- additional controls and feed lines to support the two claim devices (Carousels 6 and 7)
- all work associated with systems and equipment required to support the two claim devices (e.g., Baggage Information Display Systems (BIDS), signage, striping, protection, security and access control, etc.)
- forty additional automated passport control (APC) kiosks at automated primary
- eleven additional Document Verification Officer (DVO) podia in the IAF arrivals hall

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- all associated indirect and soft costs (e.g., design, general conditions, overhead and profit, Washington State sales tax, and Port staff costs)

Schedule

Activity

Negotiate Guaranteed Maximum Price (GMP)	2016 Quarter 4
Additional processing capacity available for operational use	2020 Quarter 2

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total
Original budget	\$608,365,000	\$0	\$608,365,000
Previous Changes	\$41,000,000	\$0	\$41,000,000
Current Change	\$11,000,000	\$0	\$11,000,000
Previous authorizations	\$341,000,000	\$0	\$341,000,000
Current request for authorization	\$11,000,000	\$0	\$11,000,000
Total authorizations, including this request	\$352,000,000	\$0	\$352,000,000
Remaining budget to be authorized	\$308,365,000	\$0	\$308,365,000

Budget Status and Source of Funds

This project was included in the 2016 – 2020 capital budget and plan of finance with a budget of \$608,365,000. As presented to the Commission on July 12, 2016, the funding plan includes \$200 million of cash (Airport Development Fund), \$100 million of Passengers Facility Charges (PFCs) and \$349 million of future revenue bonds. This action will increase total program cost from \$649,365,000 to \$660,365,000. The additional costs will be funded with future revenue bonds.

Financial Analysis and Summary

The costs of the IAF will be recovered from the airlines through a charge on the use of the facility. Consistent with previous funding plans, the Port's goal is to maintain a competitive Federal Inspection Services (FIS) rate compared to peer airports. Sufficient PFCs will be used to pay ongoing revenue bond debt service to manage the FIS rate base, and thus the FIS rate.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Accept *status quo* - Maintain current project phasing and execute Phase 2 as a separate project in the future.

Cost Implications:

Pros:

- (1) Maintains current plan of finance assumptions

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- (2) Provides opportunity for the SAMP to consider and proscribe solution

Cons:

- (1) Misses the opportunity to leverage the efficiencies of the current Phase 1 contract
- (2) Risks curtailing current airport growth by capping the facility's passenger processing volume at 1,900
- (3) Risks incurring a cost premium to add this scope after the GMP is executed

This is not the recommended alternative.

Alternative 2 – Accelerate a portion of the Phase 2 scope of work but maintain scalable approach – advance 1 of 2 bag claims, no additional APC kiosks or DVO podia.

Cost Implications: \$8,000,000

Pros:

- (1) Reduces cost commitment
- (2) Provides opportunity for the SAMP to consider and proscribe solution

Cons:

- (1) Partially addresses risk that growth will outstrip design capacity but does not eliminate Phase 2 construction and associated future impact to operations

This is not the recommended alternative.

Alternative 3 – Authorize adding all of the balance of IAF Phase 2 scope to the current Phase 1 project.

Cost Implications: \$11,000,000

Pros:

- (1) Addresses the need for additional processing capacity by the quickest and most efficient means available the Port of Seattle
- (2) Approving this change prior to the commencement of the negotiation of the GMP in November, will allow the IAF team to incorporate the work within the GMP.

Cons:

- (1) Changes current plan of finance assumptions
- (2) Risks overbuilding the planned facility if current airport growth ceases and actual passenger per peak hour rate subsides to less than 1,900

This is the recommended alternative.

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ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

September 27, 2016 – The Commission was briefed on IAF Reconsidering Phasing and Project Update

September 13, 2016 – The Commission authorized IAF FAA Reimbursement Agreement

July 12, 2016 – The Commission authorized IAF to Add Phase 2 Scope to Meet Continuing Rapid Growth

June 28, 2016 – The Commission was briefed on Two Additional International Aircraft Gates at International Arrivals Facility (IAF) to Meet Continuing Rapid Growth briefing.

May 17, 2016 – The Commission was briefed on Plan of Finance Update.

April 26, 2016 – The Commission was briefed on IAF 1Q2016 Update.

February 9, 2016 - The Commission was briefed on IAF 4Q2015 Update.

December 8, 2015 – IAF Guaranteed Maximum Price (GMP) Development Period Authorization (presented in combination with NSAT authorization request).

November 10, 2015 – The Commission was briefed on IAF Update.

August 11, 2015 – The Commission lead a Special Meeting, Roundtable with Airline Representatives.

July 28, 2015 – The Commission lead an IAF Forum.

July 14, 2015 – The Commission lead an IAF Forum.

June 23, 2015 – The Commission authorized Execution of the IAF Design-Build Contract.

May 26, 2015 – The Commission approved IAF Preliminary Funding Plan Motion.

April 28, 2015 – The Commission authorized a Service Agreement for Commissioning Services.

April 28, 2015 – The Commission authorized Execution of a Lease Agreement with SEATAC VENTURES 2010 LLC for International Arrivals Facility (IAF) Program Management Office Space near Sea-Tac International Airport.

February 24, 2015 – The Commission authorized a Service Agreement for IAF Consultant Program Leader.

January 27, 2015 – The Commission was briefed on IAF Funding Plan.

January 27, 2015 – The Commission approved IAF RFP Advertisement.

January 13, 2015 – The Commission was briefed on IAF Update.

December 2, 2014 – The Commission was briefed on IAF Scope and Budget Update.

October 28, 2014 – The Commission was briefed on IAF 3Q2014 Update.

August 19, 2014 – The Commission was briefed on IAF 2Q2014 Update.

August 5, 2014 – The Commission authorized IAF RFQ Advertisement.

July 22, 2014 – The Commission was briefed on IAF Progress.

June 10, 2014 – The Commission was briefed on IAF 1Q2014 Update.

May 6, 2014 – The Commission was briefed on IAF Project Delivery.

April 22, 2014 – The Commission was briefed on Capital Program.

March 11, 2014 – The Commission authorized IAF Master Planning.

February 25, 2014 – The Commission was briefed on IAF Program.

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November 19, 2013 – The Commission authorized IAF Construction Management, testing and inspection; surveying and locating and safety service agreements.

July 23, 2013 – The Commission authorized IAF Project & Program Support; and Price Factor Design-build Methodology.

July 9, 2013 – The Commission was briefed on Sea-Tac Airport International Arrivals Facility.

July 9, 2013 – The Commission was briefed on Alternative Public Works Contracting.

April 9, 2013 – The Commission was briefed on Sea-Tac Airport International Arrivals Facility.

June 26, 2012 – The Commission was briefed on Airport Terminal Development Challenges at Seattle-Tacoma International Airport.

June 14, 2011 – The Commission was briefed on International Air Service Growth and Future Facility.

February 2, 2010 – The Commission was briefed on South Satellite Passenger Growth and Facility Considerations, Delta's Proposed Airline Lounge and Other Possible Future Aviation Projects.