

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 8c

Date of Meeting March 5, 2009

DATE: February 25, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director Airport Operations
Nick Harrison, Senior Manager Airport Operations

SUBJECT: Authorizing the Chief Executive Officer to Transfer Ownership of Security Equipment from the Port of Seattle to the Transportation Security Administration

ACTION REQUESTED

Resolution No. 3612. Second Reading and Final Passage. Declaring surplus and no longer needed for Port District purposes certain personal property used in passenger screening at Seattle-Tacoma International Airport, including eight (8) x-ray machines, seven (7) explosive trace detection machines and seventeen (17) walk-through metal detectors (collectively "Property"); and authorizing the Chief Executive Officer to execute all documents necessary for transfer of the Property to the Transportation Security Administration (TSA) for adequate consideration, including payment of one dollar per unit of equipment and the assumption of costs and liabilities associated with maintaining and disposing of the Property.

SYNOPSIS

Airport Operations requests the transfer to the TSA of some aging checkpoint security equipment with a current book value of approximately \$100,000. This equipment is used around the clock at passenger security checkpoints at Seattle-Tacoma International Airport (Airport). The transfer relieves the Port of the costs of owning and disposing of this equipment, and will allow the TSA to continue to perform maintenance on the equipment. Although owned by the Port, the equipment has been previously maintained by the TSA for the Airport. A new Agreement between the TSA and its maintenance subcontractor restricts the subcontractor to maintaining only equipment owned by the TSA. The TSA has proposed that ownership of the equipment, purchased in 2002 by Port of Seattle, should be transferred to the TSA to allow continued use and maintenance of the equipment without disrupting the operation of the passenger checkpoints.

Port of Seattle staff recommends that the equipment be transferred to the TSA at a nominal cost of one dollar (\$1) per unit. In the future, the TSA will own and operate all passenger

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checkpoint equipment and will be required to upgrade the equipment to meet the latest TSA standards. It is unlikely that the Port would be able to find a buyer for this aging equipment. The Port would ultimately bear the disposal costs if the equipment is not transferred to the TSA. This transfer benefits both the Port and the TSA and reflects the ongoing cooperative relationship between the two agencies.

Under state law, a port district may sell and convey real or personal property valued at more than \$10,000 when the Port Commission has, by resolution, declared that the property is no longer needed for district purposes (RCW 53.08.090). If the Commission agrees with Port staff's recommendation to transfer this equipment to the TSA as a result of its review of the surrounding facts and circumstances, the Commission has the power under RCW 53.08.090 to pass a resolution authorizing the transfer.

BACKGROUND

In May 2002, to meet the needs of the expanded passenger security checkpoints, the Port of Seattle purchased the equipment listed in the table under the Financial Analysis paragraph (page 4). All equipment was purchased under CIP C101806, Project ID # 101899. The original combined purchase price for the equipment was \$694,555. The value of this equipment is typically depreciated over a seven-year period, placing the current value at approximately \$100,000.

At the time of purchase, operation of the checkpoints was the responsibility of air carriers and equipment was provided by the Port of Seattle.

Later in 2002, the TSA was created. The TSA assumed responsibility for operating the checkpoints as well as providing and maintaining all checkpoint equipment.

Recently the TSA notified the Port of Seattle that under the TSA's new contract for maintenance of security checkpoint equipment, its subcontractor will only perform maintenance on equipment owned by the TSA.

If the equipment is not transferred to the TSA, the Port will have to engage a company to perform maintenance on these machines separately from those owned by the TSA. In 2009, the TSA plans to replace all checkpoint equipment under their national "Checkpoint Evolution" program. If this equipment is not transferred to the TSA prior to its replacement, the Port will bear the cost of its removal and disposal.

LEGAL AUTHORITY

Under state law, a port district may sell and convey any of its real or personal property valued at more than \$10,000 when the Port Commission has, by resolution, declared the property to be no longer needed for district purposes (RCW 53.08.090). The equipment that is the subject of this memo is "personal property" with a current book value of approximately \$100,000. Port staff request that the Commission review the facts and circumstances set forth below to

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determine whether the equipment is no longer needed for port district purposes. If the Commission agrees with staff that the equipment is no longer needed for port district purposes, the Commission has the power under RCW 53.08.090 to pass the recommended resolution surplusing the equipment.

With regard to the request to authorize the transfer of the equipment to the TSA at a nominal payment of one dollar per unit, if the Commission agrees with staff that the equipment is surplus, staff will negotiate a contract with the TSA to provide adequate consideration for the transfer in addition to the nominal payment. Under Washington common law, the courts are likely to defer to the Commission's determination that consideration is adequate. Under RCW 39.33.010, the Port "may sell, transfer, exchange, lease or otherwise dispose of any property, real or personal,...to the state or any municipality or any political subdivision thereof, or the federal government, on such terms and conditions as may be mutually agreed upon...." Here, staff can negotiate a contract that imposes obligations on the TSA that have value to the Port. As noted below, the proposed contract would, upon completion of sale, require the TSA to assume the cost and liabilities associated with maintaining the equipment during its useful life and disposing of it at the end of its useful life. Such terms would provide the basis for the Commission's determination that the consideration is adequate.

PROJECT DESCRIPTION AND JUSTIFICATION

- The equipment is near the end of its useful life, and it is recommended that it be sold to the TSA.
- It is unrealistic to expect that a buyer could be found for any of this equipment.
- The equipment contains toxic materials that need to be handled in compliance with environmental regulations upon disposal. This would add to the Port's cost if the Port were required to dispose of it when it is replaced in 2009.
- The TSA will provide replacement equipment at its cost when necessary in the future. Such equipment will meet the newest TSA standards.

PROJECT SCOPE OF WORK AND SCHEDULE

Port staff will negotiate a contract that would transfer the equipment to the TSA in exchange for a nominal payment of one dollar per item on terms that impose certain obligations on the TSA. The proposed contract will, upon completion of sale, require the TSA to assume the cost and liabilities associated with maintaining the equipment during its useful life and disposing of it at the end of its useful life.

STRATEGIC OBJECTIVES

This cooperative agreement with the TSA ensures airport vitality by saving costs while also ensuring the Airport continues to be a leader in security by ensuring proper maintenance of equipment and eventual replacement by TSA with new equipment to maximize efficiency and security for travelers.

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BUSINESS PLAN OBJECTIVES

- Transferring this equipment to the TSA removes future costs for the Port by removing the responsibility for disposal of the equipment when it is replaced next year.
- Having TSA assume ownership of the equipment results in a reduced total cost of operation of security checkpoints that is lower than any of the alternatives considered. TSA's ownership, maintenance and disposition, in the future, of all equipment brings all responsibility under one agency and results in economies of scale.

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FINANCIAL ANALYSIS

<u>Equipment</u>	<u>Model No.</u>	<u>Serial Number</u>	<u>Purchase Price</u>	<u>Net Book Value at 12/2008</u>	
Ion Track Instruments Itemizer	P-0007004-006	3024873171	\$ 36,286	\$ 5,184	
		3024873174	\$ 36,286	\$ 5,184	
		3024873190	\$ 36,286	\$ 5,184	
		3024873193	\$ 36,286	\$ 5,184	
		3024873197	\$ 36,286	\$ 5,184	
		3024873198	\$ 36,286	\$ 5,184	
		3024873206	\$ 36,286	\$ 5,184	
		total		\$254,002	\$36,288
Rapiscan X-Ray Machine	520B TRX	7021701	\$ 40,220	\$ 5,746	
		7021702	\$ 40,220	\$ 5,746	
		7021703	\$ 40,220	\$ 5,746	
		7021704	\$ 40,220	\$ 5,746	
		7021705	\$ 40,220	\$ 5,746	
		7021706	\$ 40,220	\$ 5,746	
		7021707	\$ 40,220	\$ 5,746	
		7021708	\$ 40,220	\$ 5,746	
		total		\$321,760	\$45,968
Ceia Walk Through Metal Detectors	02PN10	20106042083	\$ 6,868	\$ 981	
		20106042173	\$ 6,868	\$ 981	
		20106042182	\$ 6,868	\$ 981	
		20106042127	\$ 6,868	\$ 981	
		20106042209	\$ 6,868	\$ 981	
		20106042208	\$ 6,868	\$ 981	
		20106042180	\$ 6,868	\$ 981	
		20106042192	\$ 6,868	\$ 981	
		20104062205	\$ 6,868	\$ 981	
		20106042207	\$ 6,868	\$ 981	
		(wide units)	20106042065	\$ 7,159	\$ 1,023
		(wide units)	20106042075	\$ 7,159	\$ 1,023
		(wide units)	20106042164	\$ 7,159	\$ 1,023
		(wide units)	20106042094	\$ 7,159	\$ 1,023
		(wide units)	20106042184	\$ 7,159	\$ 1,023
		(wide units)	20106042076	\$ 7,159	\$ 1,023
(wide units)	20106042081	\$ 7,159	\$ 1,023		
total		\$118,793	\$16,971		
grand total		\$694,555	\$99,227		

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Financial Implications

The Port will recognize non-operating expense of \$99,200 to write off the undepreciated value of the assets.

ALTERNATIVES CONSIDERED

- The Port could maintain ownership of the equipment, and request the TSA's approval to continue checkpoint operations on this equipment while it is not owned by the TSA. Port would have to assume responsibility for maintenance of equipment. Later this year when the TSA provides all new equipment for the checkpoints, the Port would bear the cost of disposal of this equipment. A separate contract would not be economical and disposing of the equipment would cost more than its estimated value. This alternative is not recommended.
- Do nothing. If no action is taken, there will be no maintenance contract in effect to repair the equipment when it breaks down. The TSA may refuse to operate equipment on which regular maintenance is not being performed. The Port will have to bear the cost of disposing of the equipment when it is replaced next year. Disposal would cost more than its estimated value. This alternative is not recommended.
- Surplus the equipment and transfer ownership to the TSA with the condition that TSA will be responsible for maintenance of the equipment and disposal of the equipment at the end of its useful life. This alternative is recommended.

TRIPLE BOTTOM LINE

This action minimizes life cycle costs for the Airport and will ultimately improve passenger processing for business and community travelers.

DELEGATION OF AUTHORITY

While the law permits the Commission to delegate its authority to the Chief Executive Officer to sell or convey property valued at \$10,000 or less, for property valued at greater than \$10,000, the Commission must first determine the property surplus. See discussion in Legal Authority above.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

Purchase of the equipment was approved by Commission on February 28, 2002.