

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. _____ 6a

Date of Meeting _____ March 31, 2009

DATE: March 6, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director Airport Operations
Robert F. Riley, Director, Aviation Capital Improvement Program
Richard Ottele, General Manager, Aviation Facilities and Infrastructure

SUBJECT: Request authorization to construct five sites and install two compactors at each site for the Trash Handling & Recycling System at Seattle-Tacoma International Airport at an estimated project cost of \$1,612,000.

ACTION REQUESTED

Request Port Commission authorization for the Chief Executive Officer to advertise for construction bids for five of the six sites of the Trash Handling & Recycling System project at Seattle-Tacoma International Airport (Airport).

Request Port Commission to increase project authorization in the amount of \$724,000 bringing the total authorization to date to \$1,476,000.

SYNOPSIS

This memorandum requests authorization for construction and the approval to advertise for construction bids for the Trash Handling & Recycling System project. This project provides one trash and one recycle compactor at each site for a total of five sites at designated locations on the airfield ramp area. A sixth installation site is being determined and authorization for that will be requested later, if necessary. The Commission previously authorized \$752,000 to complete design and pre-purchase compactors on April 22, 2008. This authorization for construction will increase the project authorization by \$724,000 for a total project authorization of \$1,476,000. The airlines support this project.

BACKGROUND

Several air carriers at the Airport have started recycling of off-aircraft waste, aimed at reducing landfill waste. They see this as one way of demonstrating their environmental commitment. Recent studies of off-aircraft waste indicate as much as forty percent of the waste stream can be recycled. Industry-wide, airlines and airports are working to divert these recyclables from landfill disposal in an effort to reduce negative impacts on the environment and reduce waste

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disposal costs. Examination of the Airport's ramp facilities and operations has identified opportunities to support airline recycling efforts as well as to reduce threats to airfield operations from Foreign Object Damage (FOD) and bird-strike hazards that result from open top dumpsters.

The project will also reduce vehicular congestion resulting from numerous trash and recycle haul trucks. Each airline currently manages its own waste stream, using various containers, which are maintained and serviced through separate contracts. Unlike the passenger terminal, the airfield ramp areas are not utilizing a centralized waste management and recycling system. This project will extend the Airport's award-winning trash and recycling program to the airfield ramp areas, and support the Port's commitment to becoming the cleanest, greenest port in the United States.

At this time, five locations are designed and ready for installation. The overall project intends to have six locations; however the site for the sixth pair of compactors has not been determined due to airline relocations and other factors. The recommended action is to proceed immediately with the portion of the project that is ready, so the Port and airlines can realize the environmental and economic benefit as soon as possible. The last site will be brought forward for Commission authorization when the location is settled and the design is completed.

PROJECT DESCRIPTION/SCOPE OF WORK

Project Statement:

The purpose of this project is to centralize trash handling and recycling on the airfield, encourage and extend recycling opportunities to airlines, and reduce the negative effects of the existing trash handling methods. The Airport will install, operate, and maintain large-capacity trash and recycling compactors at five convenient locations throughout the airfield ramp areas. Compactor sites selected to achieve optimal use by the airlines and their ramp service personnel are at Concourses A, B, D, North Satellite, and South Satellite, with one site yet to be determined.

Each site will be equipped with the following:

- A pair of self-contained 30 yard compactors, including one trash compactor and one recycling compactor.
- Electrical service to power compactor hydraulic system and local control system for each compactor.
- Automatic monitoring systems that will sense the pressure within each compactor and alert the hauler when the compactor is near capacity, optimizing hauling frequency and thereby minimizing truck traffic in the aircraft areas.
- Electronic key systems, which will record usage by each tenant, airline, or concessionaire.

The operation and maintenance costs of these compactors will be recovered by charging use-based fees. Each user will be charged a per-toss fee for use of the trash compactor, while a toss in the recycling compactor will be free. This system of charging costs to users was established within the terminal to create an incentive to recycle while recovering costs, and has been a

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cornerstone of our successful recycling program. Airlines that are currently paying for independent recycling services will be able to eliminate those costs, and recognize a net overall savings.

Project Objectives:

- Improve the recycling program at the Airport.
- Reduce the airlines' trash handling costs.
- Reduce vehicle traffic on the airfield.
- Ensure no impacts to flight operations on the airfield ramp area during the development and construction of each site.

Scope of Work:

- Develop infrastructure to accommodate the installation and operation for five compactor sites on the airfield ramp area. See the attached site plan. Infrastructure development will, at a minimum, include:
 - 1) Site preparation for installation of bollards, steel plates and anchoring system.
 - 2) Installation of electrical power and control systems.
 - 3) Installation of communication system.
 - 4) Re-stripping driveways and parking areas.
 - 5) Installation of signage.
 - 6) Commissioning of each set of compactors.
 - 7) Training to Airport and airline staff.
 - 8) Closeout of completed project.

STRATEGIC OBJECTIVES

The Trash Handling and Recycling Program supports several of the Port's Strategies and Objectives, notably:

Ensure Airport and Seaport Vitality

This project will provide a lower cost and a more efficient trash and recycling system for Airport tenants. In contrast to current manually operated open-top dumpsters, the closed compactors with automatic doors will prevent birds from extracting FOD items and scattering them across the ramp, reducing the risk of ingestion into aircraft engines. Available ramp space will be increased, by replacing numerous small capacity waste collection units with fewer, strategically located large capacity units.

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Exhibit Environmental Stewardship through Our Actions

This project is in alignment with the Port's goal of becoming the cleanest, greenest and most energy-efficient port in the United States. By increasing the amount of recyclable material diverted from the waste stream, the Port will be helping to reduce the amount of material delivered to regional landfills. Air emissions and fuel consumption will also be reduced as a result of decreased ramp and public arterial traffic. This project supports and encourages airline environmental initiatives.

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

Original Budget	\$1,526,000
Budget Increase	\$86,000
Revised Budget	\$1,612,000
Previous Authorizations	\$752,000
Current request for authorization	\$724,000
Total Authorizations, including this request	\$1,476,000
Remaining budget to be authorized	\$136,000

Project Cost Breakdown

This Request

Total Project

	<u>This Request</u>	<u>Total Project</u>
Construction costs	\$557,000	\$640,000
Port furnished equipment	\$0	\$405,000
Sales tax	\$0	\$93,000
Outside professional services	\$0	\$229,000
Aviation PMG and other soft costs	\$167,000	\$245,000
Total	\$724,000	\$1,612,000

Source of Funds

This project is included in the 2009-2013 capital budget and plan of finance as CIP #C800020. The funding source will be the Airport Development Fund.

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Financial Analysis

CIP Category	New/Enhancement
Project Type	Infrastructure Renewal/Replacement
Risk adjusted Discount rate	7.5%
Key risk factors	Realization of savings due to recycling.
Project cost for analysis	\$1,612,000
Business Unit (BU)	Utilities
Effect on business performance	NOI after depreciation will increase due to cost recovery of capital and operating costs in the utility tariff.
IRR/NPV	8.3% / \$187,329 IRR/NPV is based on 6 compactor locations, all associated costs and full participation from Airline partners.
CPE Impact	Project will not affect CPE

ECONOMIC IMPACTS

From a financial analysis perspective, the positive net present value for this project is based on viewing the Airport and airlines together. The Port will incur increased Operation and Maintenance (O & M) costs of about \$350,000 per year. These O & M costs are the expenses related to trash disposal and represent a savings of nearly \$250,000 per year over what the airlines are currently paying. From a financial statement perspective, the Airport will charge the airlines usage fees sufficient to recover the operating and capital costs, resulting in an increased net operating income.

ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS

There are significant recycling benefits to installing a centralized waste handling and recycling system on the airfield. Airlines participating in an incentive based recycling program will reduce the amount of waste sent to regional landfills, while helping to reduce traffic via more efficient compactor hauls. Reductions in traffic will also result in lower fuel consumption, air emissions and vehicular congestion in neighboring communities.

TRIPLE BOTTOM LINE SUMMARY

This project is expected to help reduce the overall operating costs of the airlines and promote recycling efforts. Reduced ramp vehicular traffic servicing existing waste collection units will result in increased ramp safety, decreased air emissions, and decreased fuel consumption. This will also help reduce vehicular traffic on neighboring public streets and highways.

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Environmental benefits include reduced waste sent to landfills, cleaner air, and improved airfield safety by reducing bird attractants and reducing FOD.

PROJECT SCHEDULE

- | | |
|---|------------------|
| • Commission Authorization to Start Design | April 2008 |
| • Start Design | May 2008 |
| • Pre-purchase Compactors | July 2008 |
| • Commission Authorization to Bid and Increase Budget | March 2009 |
| • Bid Advertisement | April 2009 |
| • Commission Authorization to Award (if necessary) | May 2009 |
| • Construction Start | July 2009 |
| • Construction Complete at Five Locations | December 2009 |
| • Sixth Location Complete | To be determined |

PREVIOUS COMMISSION ACTION

Initial Commission review of the project occurred on January 15, 2008. The project was deferred until the project approval moratorium was provisionally lifted in March 2008.

The Commission authorized \$752,000 on April 22, 2008 to complete purchase of twelve trash handling compactors and the design for six sites. At that time, the total estimated project cost was \$1,612,000. The five sites to be developed at this time and are located at Concourses A, B, D, North Satellite, and South Satellite.