

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

**COMMISSION AGENDA**

**Item No.** 6f

**Date of Meeting** December 15, 2009

**DATE:** November 16, 2009

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Phil Lutes, Deputy Managing Director, Seaport  
Joe McWilliams, Managing Director, Real Estate & Property  
Management,  
Ticson Mach, Capital Project Manager, Seaport Project Management

**SUBJECT:** Water & Sewer Meter Upgrade

**Amount of this Request: \$373,000**  
**General Fund**

**Source of Funds: Seaport**

**ACTION REQUESTED**

Request Commission authorization to prepare design and construction for the Water and Sewer Meter Upgrade in the amount of \$373,000.

**SYNOPSIS**

The Seaport and Real Estate Divisions request approval for the design and construction of Water and Sewer Meter Upgrades in the amount of \$373,000. The upgrade of the sub-meters is needed to meet and be compatible with the Seattle Public Utilities (SPU) Automated Meter Reading (AMR) system. If these sub-meters are not upgraded, the Port will be required to pay higher commercial sewer charges.

**PROJECT DESCRIPTION AND JUSTIFICATION**

SPU policy includes a provision for commercial customer sub-meters that measure water used exclusively for irrigation, delivery of water to ships, evaporation and water used in manufactured goods and commodities – water that does not go into the sewer system. The provision allows the Port or its tenants to pay for all water consumed, but only the sewer usage based on the readings from the sub-meters. The Port has numerous sub-meters throughout the Seaport and Real Estate properties in order to capture the correct sewage discharge; however, the sub-meters do not meet current SPU guidelines.

SPU revised its Sewer Sub-meter Program requirements as of January 2006. One of the revisions obliges property owners to install sub-meters that meet current SPU Automated Meter Reading (AMR) technology. AMR is the technology that uses radio frequency

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(RF) to collect consumption water meter between the meter and handheld device, and transferring that data to a central database for billing, troubleshooting, and analyzing. SPU notified the Port in late 2008 that unless sub-meters are upgraded to meet the current standard, the sewer charge will be calculated as the same volume as the water consumed. This is a significant financial impact to the Port and tenants, since the cost of sewer is approximately two and half times of water. As a result, Port Maintenance estimates that the water and sewer bill could increase from 10% to over 100% depending upon location.

On February 29, 2009, SPU issued time extensions to the Port for continuing to read the old style meters. The new billing method was effective as of June 1, 2009 for all TWIC areas and December 1, 2009 for non-TWIC areas.

Included in this authorization are some sub-meters for which Port tenants pay the utility bills. As shown in the financial analysis below, this work will be reimbursed to the Port by the tenants. Approximately two thirds of the work is the Port's responsibility and one third is tenant reimbursable.

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

- Overall project scope is to prepare design and to complete construction for the upgrade of all sub-meters throughout the Seaport and Real Estate properties to be compatible with the AMR technology.
- This action will enable the Port and tenants to continue to pay for only the actual sewer usage.
- Properties will begin construction as design is completed, so in some instances construction will begin ahead of overall project design completion.
- Project Schedule:

Commission Authorization	December 15, 2009
100% Design Completed (all locations)	April 17, 2010
Construction Complete	December 11, 2010

### **STRATEGIC OBJECTIVES:**

This project supports the Port's strategies to "Ensure Airport and Seaport Vitality" and "Exhibit Environmental Stewardship through our Actions" by:

- Maintaining financial performance.
- Assuring regulatory compliance.
- Providing safe and easy access for SPU meter reader, as required by SPU policy, and eliminate the periodic trips to each physical location to read a meter.

### **BUSINESS PLAN OBJECTIVES:**

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The purpose of the project is to maintain the use of sub-meters in order to capture and pay for the actual sewage used.

### **FINANCIAL ANALYSIS:**

Previous Authorizations (Planning CIP)	\$0
Current request for authorization	\$373,000
Total Authorizations, including this request	\$373,000
Remaining estimated budget to be authorized	\$0

### **Estimated Project Cost Breakdown**

Design	\$128,000
Project Management	\$34,000
Permitting	\$5,000
Overhead	\$20,000
Construction	\$186,000
Total Estimated Project Cost	\$373,000

### **Source of Funds**

The Water and Sewer Upgrade project is an expense project. This project was included in the 2010 Operating Budget in the amount of \$230,000. However, delayed timing will result in an unfavorable operating expense variance in 2010 of approximately \$143,000. It is currently expected that this will be offset by tenant reimbursements and favorable expense variances in other areas. The project will be funded by the General Fund.

### **Financial Analysis Summary**

CIP Category	Renewal/Enhancement
Project Type	Infrastructure Upgrade
Risk adjusted Discount rate	N/A
Key risk factors	1) The increase in sewer costs that would result if the Port does meet the requirements of the Sewer Sub-meter Program are uncertain. Preliminary estimates were based on 2008 consumption and rates provided by SPU and Project Management. 2) Delaying the installation of AMR technology will result in higher commercial sewer charges. 3) Meter upgrade costs have been estimated and could potentially fluctuate as meters are identified and assessed. 4) SPU reserves the right to approve any additional deduct meters identified by the Port.
Project cost for analysis	\$373,000

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Business Unit (BU)	Portfolio Management Group; Real Estate Development & Planning; Containers & Support Properties; Cruise & Industrial Properties
Effect on business performance	<p>The installation of the Automated Meter Reading technology <u>avoids an increase in sewer charges</u> or eliminates current sewer charges that would result from the revision in the SPU Sub-meter Program.</p> <p>The true amount of the savings is difficult to determine due to variations in usage, identification of appropriate meters, and the benefits associated with the Port versus Port tenants. However, based on information provided by Project Management and SPU, the potential benefit to the Port could be as much as \$1,000,000 per year. Using the same information, the potential benefit to Port tenants could be as much as \$850,000 per year. The estimated costs to install the AMR's are \$250,000 for the Port and \$123,000 for Port tenants.</p> <p>Due to delayed timing, the cost of the project will create an unfavorable operating expense variance in 2010 of approximately \$143,000. Tenant reimbursements, which will be reflected in revenue, are estimated to offset \$123,000 of this variance.</p>
IRR/NPV	N/A

### **SUSTAINABILITY AND LIFE CYCLE COSTS:**

- Value Engineering will be incorporated as part of the design to ensure the best solution for the upgrade, including but not limited to cost, product selection, and maintenance.

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

- **Do Nothing:** Not upgrading the sub-meters would mean not meeting the requirements of SPU Sewer Sub-meter Program. The calculation for sewer usage will be solely based on water consumption. Port Maintenance estimates that the water and sewer bill could increase from 10% to over 100% depending on location.
- **Upgrade sub-meters to AMR technology:** Proceeding with the design and bid package for the requested action would enable the Port to minimize further financial burden on the divisions and tenants due to non-compliant sub-meters.

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

None