

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6a

Date of Meeting January 25, 2011

DATE: January 18, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: David Soike, Director, Aviation Facilities and Capital Program
Wayne Grotheer, Director, Aviation Project Management Group
Michael Ehl, Director, Airport Operations
Elizabeth Leavitt, Director, Aviation Planning & Environmental Services

SUBJECT: FIS (Federal Inspection Services) Mid-Term Improvements Phase 1 at Seattle-Tacoma International Airport (CIP # C800426).

Amount of This Request: \$475,000 **Source of Funds:** Airport Development Fund

State and Local Sales Tax Paid: \$0 **Jobs Created:** N/A

Estimated Maximum Value of Value of Design Contract: \$3,500,000

Total Assessment Project Cost: \$31,700,000

ACTION REQUESTED:

Request Commission authorization to: 1) proceed with the Federal Inspection Service (FIS) Mid-Term Improvements Phase 1 project (CIP C-#800426) for planning and pre-design work in the amount of \$475,000 for this project; and 2) execute a contract for design work related to the FIS Mid-Term Phase 1 Improvement project for an estimated cost of \$3,500,000. No funding is associated with this element of the request. The total estimated project cost for this entire project is \$31,700,000.

SYNOPSIS:

The Airport's forty-year-old FIS facility has been strained beyond capacity with the increase in international traffic occurring during peak periods. This increase in international traffic, important to the region's economy and the airlines serving the Airport, has resulted in crowding and waiting conditions unacceptable for a world class international gateway. The Airport is developing improvements to the FIS in order to better accommodate international passengers and better promote future international flights to this region. This authorization covers necessary planning and pre-design work for this FIS project in order to prepare a basis of design that will

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inform a future project design team of project scope and programming elements and allow for an efficient and cost effective design development process. In order to perform the pre-design effort, a service directive to a previously executed terminal development strategy campus planning services IDIQ will be executed in the amount of \$385,000, with an additional \$90,000 in Port project management and soft costs, bringing the total request to \$475,000.00.

Another element of this authorization will allow execution of a project specific Service Agreement for design services for the FIS Improvements Phase 1 project. A competitive process will be used to select the best qualified entity to perform these design services. The estimated not-to-exceed cost for the contract is \$3,500,000. This authorization will only authorize the execution of the contract. Service Directives for design work will be issued authorizing the consultant to perform a specified scope of work only after staff has received authorization and funding for the project in accordance with Port policies and procedures.

BACKGROUND:

The FIS facility at the Airport has been located at the South Satellite since its construction in the early 1970's. It is located within the building and provides a means to maintain separation between international arriving passengers and other travelers until the international arriving passengers have cleared the customs and immigration screening processes. The facility was expanded once in the mid-1980s but today it is too small for the volume of international traffic arriving at peak times. Growth in international passengers using the FIS at Sea-Tac increased by approximately 8.8% over 2009, and is expected to continue to grow. In order to accommodate this growth, which is important to the region's economy, facility improvements are necessary.

PROJECT JUSTIFICATION:

This project will provide critically needed additional capacity for international arriving flights and necessary asset renewal for the Airport's 40 year old FIS facility. The FIS facility operation is currently over capacity even when all scheduled flights arrive on time. When flights are off schedule resulting in overlapping flight arrivals, congestion is extreme, and from time to time results in two conditions which are costly and unacceptable to airlines: (1) lack of space to queue waiting passengers results in their being held on-board the inbound aircraft which can delay the outbound service; and (2) prolonged wait and process times cause connecting passengers to miss their domestic flight out of Sea-Tac. Additional international arrivals during the peak will only exacerbate this situation.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The first phase of this project will make targeted improvements to several capacity pinchpoints in the FIS facility: primary immigration inspection, baggage claim, secondary customs/agriculture inspection, and security checkpoint screening. A second phase will be necessary in

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the future, which will include passenger flow down stream of the first phase projects, and may include improvements to the STS trains and other improvements. Separate Commission authorization will be sought for FIS Mid Term Phase 2 improvements.

Basic structural changes on the primary inspection level of the FIS facility, such as a floor opening infill, will create space for additional passenger queuing and more booths for Customs and Border Protection (CBP) officers. The expanded floor space on this level will also accommodate CBP offices displaced by the project when increased baggage claim capacity is added. It also provides access to an additional emergency exit for improved lifesafety.

The number of baggage claim devices on the lower level of the FIS facility will be increased from 4 to 6. Other improvements on this level include a revised layout that will improve passenger flow through secondary customs/agriculture inspection and security checkpoint screening. While improvements to the STS train system are not included in the design and construction scope at this time, detailed planning under the this design contract will assess the timing for this project and impacts to passengers connecting to other flights.

Schedule:

The project schedule is as follows:

- Commission Authorization to Start Pre-Design January 2011
- Procure designer start February 2011
- Pre-Design complete June 2011
- Design start October 2011
- Design complete April 2012
- Bid advertisement April 2012
- Construction start July 2012
- Construction complete May 2013

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Budget	\$21,100,000
Budget Increase (Decrease)	\$10,600,000
Revised Budget	\$31,700,000
Previous Authorizations	0
Current request for authorization	\$475,000
Total Authorizations, including this request	\$475,000
Remaining budget to be authorized	\$31,225,000

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<u>Project Cost Breakdown</u>	<u>This Request</u>	<u>Total Project</u>
Construction costs	0	\$21,500,000
Sales tax	0	\$ 2,000,000
Outside professional services	\$385,000	\$ 3,300,000
Aviation PMG and other soft costs	\$ 90,000	\$ 4,900,000
Total	\$475,000	\$31,700,000

Budget Status and Source of Funds

This project was included in the 2011-15 capital budget as a business plan prospective project (CIP # C800426) with a budget of \$21.1 million. The budget increase will be transferred from the Aeronautical New Projects CIP (C800152), thus resulting in no net change in the Aviation five-year capital budget. The funding source for pre-design and design will be the Airport Development Fund. Construction will be funded by either the Airport Development Fund or existing revenue bonds and future revenue bonds as outlined in the plan of finance. A portion of the planning work, not eligible for capital funding, was included in the 2011 operating budget.

Financial Analysis

<i>CIP Category</i>	Revenue/Capacity Growth
Project Type	Business Expansion
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$31,700,000
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will increase.
IRR/NPV	N/A
CPE Impact	Increase CPE by \$0.17 in 2014, but no change compared to business plan forecast as this project was included.

Lifecycle Cost and Savings:

The lifecycle cost and savings of this project will be determined as an element of design.

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ENVIRONMENT AND SUSTAINABILITY:

This project will contribute to environmental sustainability by reducing the need to hold passengers on aircraft, minimizing air emissions and energy use. Opportunities for sustainable design elements will be explored in this project.

STRATEGIC OBJECTIVES:

The project ensures Airport vitality by providing enhanced capacity and asset renewal in our FIS facility, which benefits our passengers and airline partners.

TRIPLE BOTTOM LINE SUMMARY:

This project will provide tangible benefits to the FIS facility for arriving international passengers and our airline partners. It will increase capacity to meet immediate and anticipated needs. It will enhance passenger experience. It will extend the life of the existing facility through some renewal of aging assets. It will provide economic benefits to the regional economy and to our airline partners by minimizing the need to hold passengers on aircraft and the costly situation of passengers missing connecting flights.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1 (Mid-Term Improvements/Phase 1)

Make mid-term improvements to existing facility that will provide capacity to meet immediate needs. These improvements can be implemented more quickly and economically than a larger facility that provides capacity to meet long-term needs. This approach optimizes the capacity of our existing footprint for FIS at the South Satellite and is viewed by our airline partners as the best practical solution at this time. **This is the recommended alternative.**

Alternative 2 (Long-Term Improvements)

Make larger capital investments to our FIS with a new and substantially larger facility that will provide capacity over a longer time horizon. These improvements would cost substantially more than the mid-term approach and do not have the support of our airline partners at this time. This approach would take substantially longer to implement than Alternative 1, forcing us to operate with the current capacity constraints for a longer period of time and possibly limiting our ability to attract new international air service. Long-term improvements, which include an expansion of the FIS at the south satellite, or a second FIS facility will be needed in the future, but is not justified at this time. This is not the recommended alternative.

Alternative 3 (Do Nothing)

Do nothing results on continued operation with the current capacity constraints and limits our ability to adequately serve our existing traffic and to attract new international air service. This is not the recommended alternative.

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OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On June 8, 2010, the Commission authorized execution of an IDIQ (Indefinite Delivery Indefinite Quantity) Service Agreement for Terminal Development Strategy Campus Planning Services, which included planning for improvements to our FIS facility. The maximum value of this IDIQ Service Agreement was authorized at \$1,300,000.

On 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 which included a briefing on FIS.