

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6a

Date of Meeting February 1, 2011

DATE: January 21, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Wayne Grotheer, Director, Aviation Project Management Group
David Soike, Director, Aviation Facilities and Capital Program

SUBJECT: Renewal and Replacement of 42 Escalators and 2 New Escalators project at Seattle-Tacoma International Airport (CIP#C800237).

Amount of This Request: \$51,817,000

Source of Funds: Airport Development Fund and existing Revenue Bond Proceeds

Total Project Budget: \$55,000,000

Job Created: 80

Sales Tax Paid: \$3,819,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to execute a contract with the selected Design-Build team and construct the Renewal/Replacement of forty-two (42) Escalators and 2 New Escalators project (CIP # C800237) at Seattle-Tacoma International Airport (Airport). The amount of this request is \$51,817,000. The total cost of the project is estimated to be \$55,000,000.

SYNOPSIS:

This memorandum requests approval to execute a contract and proceed with the replacement of forty-two (42) existing escalators in the Main Terminal, Concourse B, and the South Satellite, and installation of two new escalators in the South Satellite. These existing escalators are critical infrastructure essential to the operation of Seattle-Tacoma International Airport and have reached the end of their useful service life.

BACKGROUND:

The escalators included in this project have been in daily use since their installation in the early 1970's and have reached the end of their useful service life. Several of the escalators have failed over the past few years causing passenger disruptions and requiring costly emergency repairs. In an effort to lessen the impact of further failures, a significantly higher level of repairs and maintenance has been necessary, resulting in increased maintenance expenses.

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The Commission previously authorized the use of the “Design-Build” contracting method in accordance with RCW 39.10.280 and 300-330. The project was approved by the legislatively-mandated Capital Projects Advisory Review Board, Project Review Committee on February 2, 2010. This contracting method promotes competition and innovation necessary to address the complex construction methodologies and scheduling issues in this project, in order to minimize disruptions to the traveling public and airport operations while maximizing schedule performance. This approach allows the Port to evaluate and select the design-builder based on technical qualifications/approach and price, using a specifically defined set of evaluation criteria. The award is based upon the highest scored proposal as determined by the Port.

The Port publicly advertised an RFQ on May 21, 2010. Four of the six firms responding to the RFQ were deemed qualified to submit an RFP. The Port issued the RFP on July 16, 2010 and proposals were received on September 9, 2010. Interviews were conducted on October 16 and 17, 2010. The Port received four best and final offers on December 10, 2010. The technical scores for the four finalists were tightly grouped, with a total variance of just 6.5% from highest to lowest. The successful firm, Turner Construction Company, had both the highest technical score and the lowest price.

The successful firm will perform the final design, manufacturing and installation in accordance with the RFP requirements. As required by RCW 39.10.330, honorarium payments will be provided to the three finalists submitting best and final proposals that are not awarded the contract. The honorarium amount is \$25,000.

PROJECT DESCRIPTION/SCOPE OF WORK:

Project Statement:

This project will replace 42 existing escalators that have reached the end of their useful life, and include the installation of 2 new escalators at the South Satellite by December 2013 for \$55,000,000. The design life of the new escalators is 25 – 30 years. The new escalators will meet all current escalator code requirements. The airlines have approved this project.

Project Objectives:

- Remove and replace the 42 existing escalators in an accelerated manner with the least amount of disruption to Airport operations as possible.
- Install 2 new escalators in the South Satellite to improve operational performance and reliability, and address future passenger growth.
- Include heavy-duty escalator components for improved reliability and overall longevity.
- Increase the energy efficiency of the escalators.

STRATEGIC OBJECTIVES:

Ensure Airport and Seaport Vitality

The project provides enhanced reliability and performance for critical vertical transportation in significant areas of the Airport, which facilitates use of the Airport by the traveling public.

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Exhibit Environmental Stewardship through Our Actions

This project is consistent with the Port's goal of improving the long term sustainability of its facilities and operations. This project supports and encourages Airport environmental initiatives. This project has a generally positive effect on the environment to the extent that the new escalators will have more efficient drive motors and features that adjust the power demand and speed of the escalators based on load and usage.

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

Original Budget	\$55,000,000
Budget Increase	\$0
Revised Budget	\$55,000,000
Previous Authorizations	\$3,183,000
Current request for authorization	\$51,817,000
Total Authorizations, including this request	\$55,000,000
Remaining budget to be authorized	\$0

<u>Project Cost Breakdown</u>	<u>This Request</u>	<u>Total Project</u>
Construction costs	\$41,384,000	\$41,384,000
Port furnished equipment	\$0	\$0
Sales tax	\$3,819,000	\$3,819,000
Outside professional services	\$894,000	\$1,344,000
Art Program	\$233,000	\$233,000
Aviation PMG and other soft costs	\$3,287,000	\$6,020,000
Program Reserve	\$2,200,000	\$2,200,000
Total	\$51,817,000	\$55,000,000

Given the nature of the design-build process being used for the escalator project, the accelerated schedule, and the difficulty of integrating artwork into the specification criteria for the escalator units, the Port will establish a separate work project for the art. The Art Oversight Committee will be defining and executing an art plan for this project.

Source of Funds

This project (CIP # C800237) was included in the 2011-15 capital budget and plan of finance as a committed project with a budget of \$55.0 million. The funding source will be the Airport Development Fund and existing revenue bonds.

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Financial Analysis

CIP Category	Renewal/Enhancement
Project Type	Infrastructure Upgrade
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$55,000,000
Business Unit (BU)	Terminal
Effect on business performance	Increase NOI after depreciation
IRR/NPV	N/A
CPE Impact	CPE will increase incrementally through 2014 at which point approximately \$.21 will have been added to CPE; however, this project was already included in the business plan forecast so there is no change.

ECONOMIC IMPACTS:

The Airport will provide a higher level of service to the traveling public, while reducing escalator repair costs an estimated \$250,000 annually.

ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS:

The new escalators will be 20% more energy efficient than the existing escalators.

TRIPLE BOTTOM LINE SUMMARY:

This project will reduce the overall maintenance costs by reducing the high costs of emergency repairs. This effort reduces the Airport's exposure to liability by replacing the escalators that are beyond their useful life. Ensuring that the Airport's vertical transportation system is safe and reliable promotes efficient Airport operations that benefit the traveling public, while improved energy efficiency benefits the environment.

PROJECT SCHEDULE:

- Request for Commission Authorization to Award February 2011
- Notice to Proceed for final design and construction March 2011
- Installation Complete September 2013

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

Alternative 1: Proceed with the execution of a "Design-Build" contract with Turner Construction Company, authorizing the contractor to complete the design and construct the project. This approach renews and upgrades the aging escalators at the Airport, improving passenger flow through the reduction of service outages. **This is the recommended alternative.**

Alternative 2: Cancel the procurement. Pay the honorarium to all four proposers and continue the repair and maintenance of the existing escalators. This is a reactive approach that disrupts

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passenger flows throughout the facility and is not cost effective. This is not the recommended alternative.

PREVIOUS COMMISSION ACTION:

On June 22, 2010, the Commission authorized the issuance of a Request for Proposals under the Design-Build contracting procedure.

On May 4, 2010, the Commission tabled a request to issue an RFP pending further information concerning the need for revenue bond financing for this project.

On April 13, 2010, the Commission authorized the advertisement of the RFQ under the Design-Build contracting procedure, and the application of a PLA. The project scope was changed to include a second new escalator in the South Satellite.

On September 22, 2009, the Commission was briefed on the Airport's "Facility Functionality and Readiness", which included a discussion of the escalators and elevators.

On July 22, 2008, the Commission authorized \$3,183,000 to prepare the performance specifications and preliminary design for the Renew/Replace 42 Escalators and 1 New Escalator project at Seattle-Tacoma International Airport.