

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b

Date of Meeting February 22, 2011

DATE: February 11, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director Airport Operations
Wayne Grotheer, Director, Aviation Capital Improvement Programs

SUBJECT: Passenger Loading Bridge Replacement Project – Airline Realignment (C800467)

Amount of This Request: \$6,700,000

Source of Funds: Airport Development Fund

State and Local Taxes Paid: \$420,000

Jobs Created: 13

Total Estimated Cost of Project: \$14,850,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to:

- (1) Proceed with design for the installation or refurbishment of approximately fifteen Passenger Loading Bridges (PLBs) to be located at Concourse B, Concourse D and the North Satellite;
- (2) Purchase existing airline-owned PLBs when refurbishment rather than replacement is appropriate or as negotiated with the airline;
- (3) Execute contracts to purchase up to five new PLBs with a future option to purchase approximately ten additional PLBs; and
- (4) Advertise and execute one major construction contract to replace and/or refurbish up to five existing PLBs located on Concourse D at Gates D1 through D5.

The amount of this request is \$6,700,000. The total cost of the Passenger Loading Bridge Replacement – Airline Realignment project at Seattle-Tacoma International Airport (Airport) is \$14,850,000. This request seeks a single Commission authorization to move forward with design, advertisement, and execution of a major construction contract for Gates D1 through D5 only. The execution of the remaining work will return for future authorizations.

SYNOPSIS:

This project is part of the one-time realignment of air carrier operations that will take place at the Airport over the next several years. The air carriers involved in this realignment program are

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pursuing an aggressive schedule in which they propose to occupy gates on Concourse D by early 2012. Due to this realignment, a number of airlines are scheduled to relocate operations to gates with PLBs that are currently owned and maintained by another airline. This project would replace airline-owned PLBs with Port-owned PLBs, simplifying operational and maintenance concerns.

In order to facilitate this relocation schedule, the new PLB work at Concourse D needs to be expedited. We therefore request a single authorization at this time for the advertisement and execution of a major construction contract for new PLBs for Gates D1 through D5 only. Because they are not under the same time constraints, we will return to the Commission to request authorization to advertise and execute the remaining PLB major construction contract for the replacement and refurbishment work on Concourse B, Concourse D (Gates D7, D8 and D10) and the North Satellite after the completion of design.

BACKGROUND:

In the current Signatory Lease and Operating Agreement there is provision for a One-Time Airline Reallocation allowing the Airport to reassign airline operations areas for better utilization of the existing facility. The Airport has issued a notice of intent to exercise the One-Time Airline Reallocation to support airline consolidation, maximize operational efficiency, and meet the Port and airlines' mutual interest in deferring significant capital expansion costs.

A consequence of the reallocation is that several airlines will be relocating their gate operations to gates with PLBs that are currently owned and maintained by other airlines. For example, American Airlines, Frontier Airlines, and JetBlue Airways are slated to use gates with PLBs presently owned by Alaska Airlines.

Decisions related to which bridges should be replaced versus purchased and refurbished will be made following detailed mechanical inspections. This authorization request seeks a single Commission approval action for a time critical portion of the project, the replacement of five PLBs on Concourse D at Gates D1-D5, that will expedite completion of this portion of the project ahead of the relocation of new airlines to this concourse. The design of non-time critical PLBs elsewhere on Concourse D, Concourse B, and the North Satellite are within this authorization, however the advertisement and construction work for these bridges will return to Commission to seek authorization at a later date.

The airport currently has a total of 74 PLBs. The Airport currently owns 52. 48 of the 52 PLB's are manufactured or supported by one manufacturer named John Bean Technologies (JBT) Corporation. The airport is standardizing on JBT bridges over time to lower operating costs, maintain warranties, minimize parts inventory, streamline training of Airport maintenance staff, and simplify operator training for both airline employees and their contracted ramp workers. As a result any replacement PLB's will be procured from JBT. The Commission was notified of this sole source procurement strategy on July 9th 2010. The current contract with JBT for

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procurement will be in place through 2015. Obtaining option pricing for up to 15 bridges will ensure good pricing from JBT. In addition the construction work associated with the removal of old bridges, and the installation of new bridges will be publicly bid to ensure both opportunity for local contractors and good competitive pricing for the Airport.

PROJECT JUSTIFICATION:

The majority of work planned under this authorization represents a time critical component in supporting the broader airline relocation effort while also providing improved operational efficiency throughout the airport.

Project Objectives:

- Support the timely relocation of airlines
- Enable the Airport to gain more flexibility to maximize the use of each gate
- Extend the service life of eligible PLBs for several more years through refurbishment of major components and systems to increase reliability and reduce maintenance costs
- Reduce the possibility of a carrier being assigned to a gate with a PLB owned by another airline
- Advance the Port's goal of standardizing Port-provided amenities at all gates

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The scope of work for this project includes the replacement or refurbishment of up to 15 PLBs. This includes the replacement of existing foundations where necessary. Prior to determining replacement versus refurbishment, a condition survey will be prepared by an independent contractor. Refurbishment scope of work will include renewal and replacement of primary systems, equipment, components and finishes in order to extend their useful life. Purchase of the airline owned PLBs is included, as appropriate for the corresponding work. Design will be completed using an existing previously authorized Indefinite Delivery Indefinite Quantity service agreement for Passenger Loading Bridge Design Services. PLB procurement will utilize the existing competition waiver allowing for sole source procurement from the manufacturer.

Schedule:

Bid Package #1 – Concourse D Gates D1-D5

Design	MAR-MAY 2011
Advertise Bid Package	MAY-JUL 2011
Award Bid Package	JUL-AUG 2011
Work Start	OCT 2011
Work Complete	APR 2012

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Bid Package #2 – Concourse B, N Satellite, and remaining Concourse D Gates

Design	JUN-SEP 2011
Authorize Advertisement	OCT 2011
Advertise Bid Package	NOV-DEC 2011
Award Bid Package	JAN 2012
Work Start	FEB 2012
Work Complete	SEP 2013

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Budget	\$14,850,000
Revised Budget	\$14,850,000
Previous Authorizations	\$0
Current request for authorization	\$6,700,000
Total Authorizations, including this request	\$6,700,000
Remaining budget to be authorized	\$8,150,000

Project Cost Breakdown:

	<u>This Authorization</u>	<u>Future Total Project</u>
Construction Costs	\$2,325,000	\$6,344,000
Port furnished equipment and installation	\$2,215,000	\$4,662,000
Sales tax	\$420,000	\$1,008,000
Outside professional services	\$750,000	\$750,000
Aviation PMG and other soft costs	\$990,000	\$2,086,000
Total	\$6,700,000	\$14,850,000

Budget Status and Source of Funds:

This project is included in the 2011-2015 capital budget and plan of finance as a business plan prospective project within CIP #C800411, Terminal Realignment. The scope and budget for this project has been transferred to a new CIP, CIP # C800467, for project management tracking purposes. The funding source will be the Airport Development Fund and/or existing 2010 bond proceeds.

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Financial Analysis and Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$14,850,000
Business Unit (BU)	Terminal – Airline Equipment
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.11 by 2014, but no change to the business plan forecast as this project was included. The airlines will realize lower operating and maintenance costs.

Lifecycle Cost and Savings:

Annual operating and maintenance costs have been calculated by Aviation Maintenance at \$33,046 per PLB per year or a total of \$495,685 for the first year plus an estimated 3% inflation escalation thereafter. Based upon actual costs for 2010 and budgeted costs for 2011 and beyond, additional future full time equivalent (FTE) staff members will be required to maintain the added PLBs and the future FTE's are included within the cost identified above. The additional Airport costs offset the lower operating and maintenance costs realized by the airlines. The Airport will efficiently centralize the work to optimize the overall costs, and will report the CPE cost shift when communicating with the airlines.

ENVIRONMENT AND SUSTAINABILITY:

The new and refurbished PLBs will reduce the amount of man hours necessary for maintaining and repairing PLBs that have reached or exceeded their optimum design life. The project will facilitate greater utilization of gates throughout the Airport, thus reducing the potential need for, and the environmental impact of, major new and costly construction to increase the total number of gates and associated holdrooms over time.

STRATEGIC OBJECTIVES:

The Passenger Loading Bridge Replacement Project – Airline Realignment supports two of the Port's Strategies and Objectives, notably:

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This project promotes the Port's strategic goals to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions" by providing the airlines with greater facility flexibility. Flexible gate operations will allow for greater and more efficient utilization of the Airport's existing facilities.

Air carriers have continually vied for increased market share since the passage of the Airline Deregulation Act of 1978, thereby driving nearly constant change in their facility requirements. Creating a flexible, common-use environment allows carriers and the Airport to spend fewer capital dollars remodeling facilities as market conditions change. More carriers are able to share the same facilities without continual redesign and construction to customize the operating environment to their specific proprietary needs. This also increases total Airport through-put rates, within the existing terminal footprint, as passenger volumes continue to increase.

BUSINESS PLAN OBJECTIVES:

The aeronautical business strategy aims to strike a right balance between meeting the needs of our airline customers and the traveling public through cost-effective means. Minimizing new facilities construction requirements by making new operational improvements with up-to-date equipment and technology helps to minimize costs to the airlines. The use of technology and thoughtful long-term planning are key elements of the strategy.

TRIPLE BOTTOM LINE SUMMARY:

This project supports the Airport's initiative to standardize PLB equipment and provides the flexibility the Airport needs to assign gates and to operate more efficiently. The traveling community will also benefit from increased airline availability to modern, functional gate equipment.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

ALTERNATIVE 1: Replace or refurbish up to 15 PLBs as described in order to optimize gate flexibility, alleviate conflict between ownership and user, accommodate growth, and add further Port-owned PLBs into the inventory. Provide a single authorization to design, advertise and award replacement or refurbishment of the PLBs at Gates D1-D5. We will return to the Commission to request authorization to advertise and award the remaining PLB work on Concourse B, Concourse D and the North Satellite Terminal after design has been completed and per the scheduled provided. **This is the recommended action.**

ALTERNATIVE 2: Do nothing: Leave the PLBs as-is and require airlines to negotiate new ownership, or remove, and/or purchase PLBs for preferential gates. This would require negotiation agreements with the airlines and would continue to complicate future moves. This action is not recommended.

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OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Graphic - Airline Realignment Project Loading Bridge Purchase / Refurbishment Scenario 2
(revised) dated 12/02/2010

PREVIOUS COMMISSION ACTION:

On July 9th, 2010, the Commission was notified that the CEO would enter into a 5 year sole source contract with JBT Corporation for PLB procurements, parts, and equipment. The airport is standardizing on a single type of PLB. The justification memorandum attached to the July 9th notification outlined the benefits of the sole source contract that includes less inventory, interoperability of parts, not voiding warranties, standardizing training, and generally lowering operating costs.

On January 25, 2011, the Commission was briefed on several projects, including this one, that are part of the overall airline realignment program and which will require a single Commission authorization in order to meet the realignment schedule. The first part of the realignment program was authorized by the Commission on this date under the Concourse D Common Use Expansion Project (C800455).