

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5e

Date of Meeting April 5, 2011

DATE: March 25, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director Airport Operations
Wayne Grotheer, Director, Aviation Project Management

SUBJECT: Common Use Expansion Podiums at Seattle-Tacoma International Airport.
(CIP# C800276)

Amount of This Request: \$425,000

Source of Funds: Airport Development Fund

State and Local Taxes Paid: \$33,000

Total Estimated Cost: \$3,018,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to procure new Common Use Podiums for Gates S1, S6, S7, S8 and S9 located at the South Satellite of the Seattle-Tacoma International Airport (Airport) and utilize Port crews to demolish the existing podiums and install the new podiums. This authorization is for \$425,000 out of a total project cost of \$3,018,000.

SYNOPSIS:

Seattle-Tacoma International Airport has undertaken a major program to install "Common Use" equipment at several locations in the Airport that may be used interchangeably by participating airlines as a productivity and cost-savings measure. "Common Use" equipment allows the Airport to handle more passengers and support future growth within the current terminal footprint without major capital investment. Typical "Common Use" equipment includes common gate areas and ticket counters. This project will replace Delta Air Lines (Delta) proprietary check-in counters, boarding podiums and boarding gate reader stands at the South Satellite Gates S6, S7, S8 and S9 and boarding gate reader stands at Gate S1. The scope also includes demolition of four existing check-in counters and four existing boarding gate podiums. This authorization will provide for the purchase of new podiums to meet Port of Seattle (POS) standards. The demolition of existing podiums and installation of the new podiums will be completed by Port Construction Services Crews. A future request will seek authorization to advertise for a construction contract to install the infrastructure and common use equipment for the new podiums. This request to replace proprietary podiums with POS podiums now, before

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the follow on equipment project, originated from Delta. This will enable Delta to have this work complete closer to when its new club opens.

BACKGROUND:

As a productivity and cost-savings program, the Airport has installed “Common Use” equipment, such as common gate areas and ticket counters, at several locations in the terminal that can be used interchangeably by participating airlines. By creating a flexible, common-use environment, more airlines are able to use the existing facilities without major capital investment, which helps hold down their costs. The Airport is further able to handle more passengers and support future growth within the current terminal footprint.

In August 2009, Port Commissioners authorized the procurement of both a designer and design work for this project to install common use equipment in the South Satellite at the Airport. At that time, the project schedule indicated completion by the end of 2011. Delta has since requested that the new Port standard podiums be installed at the Delta leased gates sooner to more closely coincide with the opening of the new Delta Sky Club in summer 2011. The existing Delta casework no longer suits its needs. Delta will install its proprietary equipment in the Port casework, including new Gate Information Displays (GIDS), until this project installs common use equipment as construction is completed at a later date.

PROJECT JUSTIFICATION:

The purpose of this project is to replace proprietary check-in counters, boarding podiums and boarding gate reader stands at Delta’s South Satellite Gates S6, S7, S8 and S9. We will also be purchasing two boarding gate reader stands for Gate S1, which will complete all the casework purchases by this project. It will be more cost effective to purchase the casework for Gate S1 when we purchase the casework for the other gates even though it is not part of Delta’s request.

Project Objectives:

Update gate podium and check-in counter facilities at Delta leased gates to meet current Port standards. Reduce airline expenses through more efficient use of resources necessary to manage boarding and check-in processes.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

At the completion of this project Gates S-1, S-6, S-7, S-8, S-9 will be newly equipped with Port standard gate check-in counters, boarding podiums and boarding gate reader stands.

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Schedule:

- Commission Authorization April 2011
- Purchase casework May 2011
- Construction begin July 2011
- Construction complete August 2011
- Request to authorize remaining work August 2011

FINANCIAL IMPLICATION:

Budget/Authorization Summary:

Original Budget	\$3,018,000
Budget Increase	\$0
Revised Budget	\$3,018,000
Previous Authorizations	\$506,000
Current request for authorization	\$425,000
Total Authorizations, including this request	\$931,000
Remaining budget to be authorized	\$2,087,000

Project Cost Breakdown:

This Request

Total Project

	<u>This Request</u>	<u>Total Project</u>
Construction Costs	\$87,000	\$1,574,000
Port furnished equipment	\$259,000	\$563,000
Sales tax	\$33,000	\$210,000
Outside professional services	\$0	\$221,000
Aviation PMG and other soft costs	\$46,000	\$450,000
Total	\$425,000	\$3,018,000

Budget Status and Source of Funds:

This project is included in the 2011-2015 capital budget and plan of finance as a committed project, CIP #C800276. The funding source will be the Airport Development Fund.

Financial Analysis and Summary:

<i>CIP Category</i>	New/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A

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Key risk factors	N/A
Project cost for analysis	\$3,018,000
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.02 by 2013. However, no change to business plan forecast as this project was included. The asbestos abatement costs, depending on the timing will cause a short-term increase in CPE by \$.01-\$.04 in 2011 and 2012. Asbestos abatement costs are included in the annual operating budget.

ENVIRONMENT AND SUSTAINABILITY:

New podiums will allow Delta to utilize its latest technology for passenger processing and notifications, improving passenger processes by using new Delta equipment not supported by its existing casework.

STRATEGIC OBJECTIVES:

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 the tools and equipment to increase on-time performance. Flexible gate and ticket counters will improve the Airport's asset base since more airlines will be able to use existing facilities for their operations. Since deregulation, air carriers are continually vying for increased market share, which drives constant change in their facilities requirements. By creating a flexible, common-use environment, carriers and the Airport will spend fewer capital dollars recreating facilities as market conditions change. More carriers are able to share the same gate facilities, including communications hardware, without constant redesign and construction dollars spent to customize the operating environment to their specific proprietary needs. This also helps increase total Airport through-put rates, in a finite sized terminal, as passenger volumes increase.

TRIPLE BOTTOM LINE SUMMARY:

This project standardizes gate check-in amenities. This gives the airlines opportunities to operate their boarding and check-in operations more efficiently with updated technology, assisting in achieving economic, social, and environmental success.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

ALTERNATIVE 1: Require Delta to update the casework and reimburse them for the costs. This option was proposed to Delta, and declined by Delta.

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ALTERNATIVE 2: Do nothing. This alternative would yield inconsistent casework furniture in the Satellite and would not accommodate new Delta equipment.

ALTERNATIVE 3: The Port will provide the Port standard casework at the South Satellite, to optimize continuity throughout the SSAT and to accommodate growth and operations by all carriers that use these facilities. Installing the Port standard podiums ahead of time will provide a cost effective way for Delta to install their proprietary equipment. **This is the recommended action.**

PREVIOUS COMMISSION ACTION OR BRIEFING:

August 25, 2009, Port Commissioners authorized the procurement of a designer, design work, and procurement of some equipment for this project to install common use equipment in the South Satellite at the Airport.

August 3, 2010, Port Commissioners authorized the professional services Indefinite Delivery Indefinite Quantity (IDIQ) contract for airport ticket counter, gate podium and other passenger processing casework and infrastructure design services.

January 25, 2011, Port Commissioners authorized to move forward with design, advertisement and execution of a major construction contract for the Concourse D Common Use Expansion Project.