

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 29, 2011

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BACKGROUND & PROJECT SCOPE OF WORK:

Completion of the SOA project at the RCF is required per the Consolidated Rental Car Facility Lease Agreement between the Port and the rental car companies operating at the Airport. The project is designed to accommodate three (3) Small Operators in the new RCF. During the design of the RCF, it was not known how many Small Operators or how large of an area would be required to accommodate the Small Operators. It was decided during the General Contractor/Construction Manager (GC/CM) negotiations with Turner Construction that certain portions of the SOA project integral to the construction of the building would be included in their contract. The remaining scope consisting of installing kiosks for the SOA staff, electrical/data communications infrastructure to support SOA operations, infrastructure for SOA signage, and other related infrastructure systems to support SOA operations, is the subject of this memorandum. This work was left to be designed and constructed by the Port to allow flexibility in accommodating up to three future Small Operators. Since construction has been underway on the RCF, the Port's Business Development Department now has a better understanding that there will be two Small Operators in the facility. The RCF design team is currently in the process of developing the final design of the SOA project in accordance with the RCF lease agreement for three (3) Small Operators. Since the build-out for the Small Operators represents costs that would typically be paid by the tenant, the Port will fund these costs with the ADF (rather than Customer Facility Charge revenues) and will establish and collect rent from the Small Operators to recover these costs.

PROJECT STATEMENT/OBJECTIVES:

Project Statement:

Provide rental car operations space for up to three (3) Small Operators at the RCF.

Project Objectives:

- Provide an effective and economical operational area for Small Operators.
- Provide for a sustainable environment for Small Operators to maintain competitiveness and be successful.
- Provide a level playing field for new Small Operator entrants

STRATEGIC OBJECTIVES:

This project supports the Port's strategy to:

“Ensure Airport Vitality”

“Be a Catalyst for Regional Transportation Solutions,” and to

“Exhibit Environmental Stewardship Through Our Actions.”

The SOA project is part of the RCF program, which provides a long-term transportation solution for the region and supports the Port's Small Business initiatives by supporting a variety of rental car operators at the Airport. As part of the Aviation Division's demonstration project for sustainable design, the design team also considered the total cost of ownership as part of significant design decisions for the this project.

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FINANCIAL IMPLICATIONS:

The following is an estimated cost breakdown for the SOA Project.

Project Cost Breakdown

Construction Costs	\$294,100
Sales Tax	\$27,940
Outside Professional Services	\$35,300
Port Costs	\$32,200
Total	\$389,540

Budget/Authorization Summary

The following budget and authorization summary is for the RCF program and includes RCF Design (CIP # C102167), RCF Construction (CIP # C100266), and Rental Car Buses (CIP # C800032). This summary does not include the RCF Property Acquisition (CIP # C101110). The SOA project elements associated with this request for authorization are included within the Consolidated Rental Car Facility budget noted below.

Description	Current Revised Budget	Current Authorization	Requested Authorization	Total Revised Authorization
Cons. Rental Car Facility	\$350,772,000	\$350,772,000	\$0	\$350,772,000
Bus Maintenance. Facility	\$26,382,000	\$28,282,000	\$0	\$28,282,000
Off-Site Road Imp.	\$16,313,000	\$19,542,000	\$0	\$19,542,000
Main Terminal Imp.	\$3,383,000	\$3,383,000	\$0	\$3,383,000
Rental Car Bus Purchase	\$12,415,731	\$16,000,000	\$0	\$16,000,000
Program Sub-Total	\$409,265,731	\$415,097,746	\$0	\$417,979,000
Unallocated Contingency	\$10,040,269	\$0	\$0	\$0
Program Total	\$419,306,000	\$415,097,746	\$0	\$417,979,000
Remaining Budget to be Authorized				\$1,327,000

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The following budget and authorization summary is for the entire RCF program.

Original Budget	\$412,320,000
Budget Increases	\$6,986,000
Revised Budget	\$419,306,000
Previous Authorizations	\$417,979,000
Current request for Authorization	\$0
Total Authorizations, including this request	\$417,979,000
Remaining Budget to be Authorized	\$1,327,000

Source of Funds

The RCF construction project (CIP # C100266) is included in the 2011-2015 capital budget and plan of finance as a committed project. The source of funds for the RCF project, as identified in the plan of finance, includes CFC revenues, existing revenue bond proceeds, and the ADF.

This current authorization request is for the SOA project elements that will be funded with the ADF.

Financial Analysis Summary

The SOA project supports the operations at the RCF. The requested action does not reflect an increase in the budget for the RCF project and therefore does not change the overall financial analysis for the RCF program as presented to the Commission on June 30, 2009 and as reported in monthly progress briefings to date. The following information is provided for reference purposes.

The RCF program is categorized as a Revenue/Capacity Growth project. This project represents a business expansion of our existing rental car operations.

CIP Category	Revenue/Capacity Growth
Project Type	Business Expansion
Risk adjusted Discount Rate	See below
Key risk factors	See below
Project cost for analysis	\$419,306,000
Business Unit (BU)	Operations, Landside – Rental Cars
Effect on Business Performance	See below
IRR/NPV	N/A, see below
CPE Impact	Less than \$0.01 in 2012

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As a cost recovery project, traditional financial analysis measures such as net present value (NPV) and internal rate of return (IRR) are not meaningful. The CFC is set and adjusted as needed to cover the costs paid by CFC's (including debt service). The current CFC is \$5.00 per transaction day. As earlier briefed to the Commission, it is anticipated that the CFC will need to increase to accommodate the anticipated CFC funded costs (bond requirements and consolidated busing) by the startup of rental car operations in early 2012. Assuming the total project costs identified above, and current assumptions for rental car transaction days, the CFC will increase to \$6.05 per transaction day at the startup of rental car operations.

The costs for the improvements to the SOA are anticipated to be recovered through a rent surcharge to the Small Operators.

SUSTAINABILITY AND LIFE CYCLE COSTS:

The project is under the same conditions as the main RCF and has the same sustainability and lifecycle costs. The annual cost of maintaining this additional space will not have a significant budgetary impact.

ECONOMIC IMPACTS:

The RCF program provides a long-term solution for rental car company operations at the Airport enabling the region to continue to receive the economic benefit of the Airport rental car market.

ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS:

An environmental review effort was completed for the RCF program in 2004 that met State and Federal environmental review requirements. No adverse environmental or community impacts were identified and this project is part of the overall RCF program.

TRIPLE BOTTOM LINE SUMMARY:

The RCF SOA project, as part of the RCF program, will provide a long-term solution for Small Operators at the Airport enabling the region to continue to receive the economic benefit of the Airport rental car market. The RCF program will improve the level of customer service for rental car customers at the Airport, and the local community will benefit with transportation improvements included in the program.

PROJECT SCHEDULE:

The following is a list of key milestone dates for the SOA project.

Bid Advertisement	June, 2011
Construction Start	October, 2011
Construction Complete	December, 2011

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ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

Bid as a Major Contract – Under this alternative, the SOA project will be bid as a major construction project and completed as part of the RCF program. The completion of this project will provide the necessary facilities and operations for Small Operators required as part of the business plan and which is essential to the overall success of the RCF operation. **This is the recommended alternative.**

Do-Nothing – Under this alternative, the project would not be completed as part of the RCF program and the Port would not meet its lease/concession obligations to the Small Operators. This will put at risk the successful operation of the RCF and significantly decrease customer service and the Port's ability to meet its strategic objectives. This is not the recommended alternative.

Bid as a Small Works – Under this alternative, this project will be bid and constructed under the small works program. Due to staff concerns that the current estimate is near the upper threshold of the small works requirements, the Port would be at risk for complying with State small works regulations and Port policies and procedures and put the RCF schedule at risk. This is not the recommended alternative.

Turner Bids Project – Under this alternative, the project will be bid out under the GC/CM contract with Turner Construction. Staff determined that given Turner's current workload and that construction is entering the critical phases of completion by the end of the 2011, the Port would be better served to bid this project. The concern was adding this work to Turner's scope might potentially add additional costs or schedule impacts to the project. This is not the recommended alternative.

Small Operators Construct Area – Under this alternative, the individual small operator companies would be responsible for building out the space allocated to them. Per the Port lease with the Rental Car industry, the Port is required to do the work and to be paid back through small operator improvement rent. This enables the Port to own the improvement and provide maximum flexibility as the small operators come and go. This is not the recommended alternative.