

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.	<u>5f</u>
Date of Meeting	<u>June 14, 2011</u>

DATE: June 3, 2011

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Exterior Gate Improvements – Airline Realignment (CIP # C800472)

Amount of This Request: \$499,000 **Source of Funds:** Airport Development Fund
and/or existing bond proceeds

State and Local Taxes Paid: \$0 **Total Project Cost:** \$2,650,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to authorize design of the Exterior Gate Improvements – Airline Realignment in the amount of 499,000 at Seattle-Tacoma International Airport (Airport). This authorization is for \$499,000 out of a total project estimated cost of \$2,650,000.

SYNOPSIS:

This authorization is one of many that have already been approved by the airlines and is necessary for the one-time realignment of air carrier operations that will take place at the Airport over the next few years. The realignment was driven by the merger of two different sets of major carriers and the consolidation needs for Alaska Airlines which necessitated the repositioning of gating, holdroom, and ticketing positions throughout the Airport. The air carriers are pursuing an aggressive schedule in which we complete the first relocation this year, followed by four (4) airline relocations in 2012, and three (3) additional relocations in 2013 prior to Alaska Air Group’s renovation of the North Satellite and Concourse C. The total estimated capital costs for the realignment program is \$30-\$35 million. The associated tenant relocation reimbursements and expense costs are estimated at \$20-\$25 million. In addition, there are a series of linked projects estimated at \$70 million. See Attachment A for a listing of the projects.

Due to this realignment, a number of airlines are scheduled to relocate aircraft gate operations. Aircraft gate parking positions must be reconfigured to support these new operations. This will require new exterior gate improvements including new aircraft fueling pits and new aircraft

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docking guidance systems. These improvements will enable these airlines to maintain similar operations at their new gate locations as at their current locations. Design will be accomplished in-house by the Port of Seattle Engineering Department.

BACKGROUND:

With on-going airline consolidation interests and a goal to maximize utilization of our existing facilities, the Airport has issued intent to exercise the One-Time Reallocation provision in the current Signatory Lease & Operating Agreement (SLOA). The reallocation will require a number of modifications associated with the airlines that will relocate their gates and ticket counter operations, to effectively operate in their new locations. It is the intent that a relocated airline will be functionally equal in its new location, compared to its existing operation.

PROJECT JUSTIFICATION:

As airlines relocate gate operations on Concourses A, B and D, many of the aircraft parking positions on the ramp must be adjusted due to differences in aircraft size/type. When this occurs, certain fuel pits will be out of alignment with the new aircraft parking positions. Installing new fuel pits allows the aircraft to be fueled using the hydrant system rather than fuel trucks, maintaining the increased ramp safety achieved when the hydrant system was installed and minimizing fuel truck emissions.

American Airlines currently utilizes an automated aircraft docking system (Safedock) on gates from which they operate on Concourse A. They have requested that this system be provided at their relocated gates on Concourse D. Automated docking systems allow for free flow to the gate and detect if a parking position is blocked between the docking system and the expected nose position of the aircraft. This improves efficiency and ramp safety, reflecting cost savings to the airlines.

PROJECT STATEMENT AND OBJECTIVES:

Project Statement:

Install new fuel pits at selected gates on Concourses A, B, and D. Install three (3) new Safedock aircraft docking systems on Concourse D.

Project Objectives:

As airlines are relocated, this project will improve utilization of Airport facilities with the least amount of disturbance giving the Airport the optimum flexibility for aircraft parking.

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PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

Construct new fuel pits to accommodate revised aircraft gate layouts on Concourses A, B, and D. Fuel pits must be located to align with the projected aircraft fleet mix for each gate. Install new Safedock aircraft docking systems at three gates on Concourse D to accommodate the move of American Airlines.

Schedule:

Commission Authorization Design	June	2011
Begin Design (In-house)	July	2011
Commission Authorization Construction	December	2011
Construction begin	March	2012
Construction complete	July	2012

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

Original Budget	\$2,650,000
Budget Increase	\$0
Revised Budget	\$0
Previous Authorizations	\$0
Current request for authorization	\$499,000
Total Authorizations, including this request	\$499,000
Remaining budget to be authorized	\$2,151,000

<u>Project Cost Breakdown</u>	<u>This Request</u>	<u>Total Project</u>
Construction Costs	\$0	\$1,513,000
Port furnished equipment	\$0	\$224,000
Sales tax	\$0	\$141,000
Design services	\$258,000	\$258,000
Aviation PMG and other soft costs	\$241,000	\$514,000
Total	\$499,000	\$2,650,000

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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 #C800472. The funding source will be the Airport Development Fund and/or existing bond proceeds.

Financial Analysis

<i>CIP Category</i>	New/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$2,650,000
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 2012. However, no change to business plan forecast as this project was included.

ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:

A number of airlines are projected to relocate operations. This will result in airline relocations to different gates. This project will make necessary modifications to the gates to accommodate the airline moves. Failure to make these proposed changes could negatively impact airline operations and customer relations.

STRATEGIC OBJECTIVES:

The Exterior Gate Improvements supports two of the Port's Strategies and Objectives, notably:

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 facilities and equipment to maintain performance. With numerous airlines relocating to other gate and ticket counter locations, there are modifications that must be addressed for the airlines to effectively operate in their new locations. The relocations will yield a more balanced facility, increasing through-put rates in a finite sized terminal. There are a number of projects, which are directly tied to this One-Time Reallocation (Airline Realignment) program, that are in concert with Alaska Air Group's Master Plan to consolidate their gate operations onto the North Satellite and Concourse C.

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TRIPLE BOTTOM LINE SUMMARY:

This project will increase the long-term ability of the Airport to serve a growing number of passengers and airlines. Long-term vitality of the Airport benefits the regional economy, the local environment, and nearby communities.

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

ALTERNATIVE 1: Have the Port install new fuel pits and new Safedock aircraft docking system as described to facilitate airline relocations and provide for the best utilization of airport gate resources. This alternative minimizes costs by completing work through a single entity.

This is the recommended action.

ALTERNATIVE 2: Require individual airlines to install new fuel pits and new Safedock aircraft docking system in their leased gates and have the Port install new fuel pits in common use gates. This alternative would increase costs by completing work through multiple entities. This is not the recommended action.

ALTERNATIVE 3: Do nothing. This alternative would complicate the realignment program by limiting the kind of aircraft that can be parked and fueled efficiently at the subject gates. It would require additional fuel trucks on the ramp thereby increasing traffic and congestion, posing increased safety risks. This is not the recommended action.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Attachment A: Airline Realignment Project List.

PREVIOUS COMMISSION ACTIONS/BRIEFINGS:

On June 8, 2010, the Port Commission authorized execution of an IDIQ contract for the Terminal Development Strategy Campus Planning Services IDIQ in the amount of \$1,300,000.

On September 28, 2010, the Port Commission was given a summary briefing of the upcoming 2011 Capital Improvement Plan that included the airline realignment program elements.

On January 25, 2011, the Port Commission was given an overview of the airline realignment and authorized design and construction of the Concourse D Common Use Expansion Project (C800455) in the amount of \$4,250,000. Commission was also briefed on the Airline Realignment Program as part of this item.

On February 22, 2011, the Port Commission authorized Planning for Terminal Realignment in the amount of \$713,000.

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On February 22, 2011, the Port Commission was shown a listing of realignment projects and authorized design and some construction for the Passenger Loading Bridge Replacement Project - Airline Realignment (C800467) in the amount of \$6,700,000.

On March 1, 2011, the Port Commission authorized design and some construction of the Baggage Handling System (BHS) Improvements - C22 BHS connection to C1/C1-MK1 Replacement /TC3 Replacement (C800382) in the amount of \$1,731,000.