

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5c

Date of Meeting December 6, 2011

DATE: November 28, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director, Airport Operations
Peter Garlock, Chief Information Officer
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: South Satellite Common-Use Infrastructure Expansion at Seattle-Tacoma International Airport (CIP C800276).

Amount of This Request: \$2,403,500

Source of Funds: Airport Development Fund

State and Local Taxes Paid: \$109,500

Jobs Created: 25

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to advertise and execute a major construction contract and provide installation of computer hardware by Port staff for the South Satellite Common-Use Infrastructure Expansion project at Seattle-Tacoma International Airport (Airport), for \$2,403,500 out of a total projected program cost of \$2,909,500.

SYNOPSIS:

The Airport has installed “common-use” infrastructure and equipment at several locations in the terminal, such as most international gate areas and ticket counters, that can be used interchangeably by participating airlines as a productivity and cost-savings program. A flexible, common-use environment allows more airlines to use existing terminal facilities without reoccurring capital investment. The Airport is further able to handle more passengers and support future growth within the current terminal footprint. This project brings common-use equipment and infrastructure to gates at the South Satellite (SSAT).

This project will install the Airport’s new common-use infrastructure at nine SSAT gates preferentially leased by Delta Air Lines, and installs Port standard casework at gates S1, S7, S8 and S9, plus repositions gate podiums closer to passenger loading bridge doors. The original scope of this project also included conversion of up to fourteen ticket counter positions to common-use and installation of common-use computer equipment at three Concourse A gates. That work has since been accomplished by other projects or deemed unnecessary in light of future airline realignment work. The budget has been adjusted downward by \$608,500 to reflect this reduced scope.

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BACKGROUND:

Delta Air Lines' (DL) consolidation of its flight operations at the SSAT has created efficiencies for its growing international operations because the Federal Inspection Service (FIS) area is also located at the SSAT. DL has also recently constructed a new VIP lounge for their passengers on the roof of the South Satellite. The Port supports the DL consolidation, but this has driven the need for installation of common-use infrastructure and equipment at four additional SSAT gates. DL has preferentially leased nine mid and wide-body gates, but four of these still need to be available for use by other international carriers, when the capacity (and access to the FIS) has been exceeded at the Port-owned gates (S10, S11, S12, S15 and S16).

The Port and the carriers are interested in creating additional operational efficiencies at the gates in an ongoing effort to reduce airline operating costs. The project repositions podiums and back screens to locations closer to the passenger loading bridge doors to support this goal. The carriers can more effectively manage the boarding of a flight with gate agents that can perform multiple tasks from a single workstation near the bridge door.

PROJECT JUSTIFICATION:

The purpose of this project is to facilitate an expansion of the Airport's common use environment through a program of Port sponsored projects that will support operations, bring gate podiums and ticket counters to Port standards and provide common use infrastructure.

Project Objectives:

- Increase utilization of existing SSAT gates while avoiding incremental major capital investment.
- Support future international carrier growth.
- Allow operations to be handled without delays to arrivals and departures when current capacity is exceeded.
- Update the gate podium facilities to match current Airport standards already in place at most SSAT gates.
- Increase efficiencies at gates by relocating podiums closer to the boarding doors.
- Expand a passenger processing system that maximizes flexibility, meets operational needs and reduces airline costs.
- 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 SSAT gates will be newly equipped with the following:

Gates S-1, S-7, S-8, S-9

- New Port standard gate podium casework and backstand monitors repositioned closer to boarding doors
- Common use equipment and infrastructure
- Updated task lighting and signs

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Gates S-2, S-3, S-4, S-5 and S-6,

- Existing Port standard casework repositioned closer to boarding gate doors
- Updated task lighting and signs

Schedule:

Began Design 3rd Qtr 2009

Begin Construction 1st Qtr 2012

Project Completion 3rd Qtr 2012

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Capital:

Expense:

Total:

Original Budget	\$3,018,000	\$500,000	\$3,518,000
Budget Decrease	(\$437,000)	(\$171,500)	(\$608,500)
Revised Budget	\$2,581,000	\$328,500	\$2,909,500
Previous Authorizations	\$506,000	\$0	\$506,000
Current request for authorization	\$2,075,000	\$328,500	\$2,403,500
Total Authorizations, including this request	\$2,581,000	\$328,500	\$2,909,500
Remaining budget to be authorized	\$0	\$0	\$0

Project Cost Breakdown – RMM Expense

This Request

Total Project

Construction costs (RMM)	\$300,000	\$300,000
Sales tax (RMM)	\$ 28,500	\$ 28,500
Total	\$328,500	\$328,500

Project Cost Breakdown - Capital

This Request

Total Project

Construction Costs	\$1,064,000	\$1,064,000
Port furnished equipment and installation	\$465,000	\$600,000
Sales tax	\$81,000	\$94,000
Outside professional services	\$78,000	\$255,000
Aviation PMG and other soft costs	\$387,000	\$568,000
Total:	\$2,075,000	\$2,581,000
Totals Capital and Expense:	\$2,403,500	\$2,909,500

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Budget Status and Source of Funds:

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

Financial Analysis and Summary:

CIP Category	New/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$2,581,000
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. Asbestos abatement costs, depending on the timing will cause a short term increase in CPE by \$.02 in 2012.

Lifecycle Cost and Savings:

Operation and Maintenance expenses by Aviation Maintenance are anticipated to increase by \$30,000 annually.

It is also anticipated that the implementation of this project will involve asbestos abatement. The current estimate is \$300,000. The asbestos abatement costs will be charged to expense (as an environmental remediation liability project) in the year the triggering event occurs.

ENVIRONMENT AND SUSTAINABILITY:

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources thus reducing the potential environmental impact of new gate construction.

STRATEGIC OBJECTIVES:

The South Satellite Common Use Expansion project 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 tools and equipment to achieve on-time performance. Flexible infrastructure at gates will improve the Airport's asset base since more airlines will be able to use existing facilities for their operations.

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Creating a flexible common-use environment allows carriers and the Airport to spend fewer capital dollars recreating facilities as operational conditions change. Carriers are able to share the same ticket counter and gate facilities, including passenger processing hardware, without spending on redesign and construction to customize the operating environment for a single airline's needs. This helps increase total Airport through-put rates, in the existing footprint of the terminal, as passenger volumes increase.

BUSINESS PLAN OBJECTIVES:

Installation of common-use infrastructure and equipment will facilitate greater utilization of SSAT international gates. This project will improve customer service and provide a means to serve airlines in a less expensive way (than expanding the SSAT building envelope) which minimizes the growth of cost per enplaned passenger. As future international growth occurs this will create significant economic benefits in Seattle and the greater Puget Sound area.

TRIPLE BOTTOM LINE SUMMARY:

This project standardizes gate amenities and gives the airlines opportunities to operate their gate operations more efficiently.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

1. The **recommended action** is for the Port to provide a common-use environment at the South Satellite, utilizing the latest technology, to optimize flexibility to accommodate growth and irregular operations by all carriers that use these facilities.
2. Delta Air Lines could retain proprietary communications technology only at the SSAT gates without addition of common use gates, resulting in a less flexible gating environment. This will not allow other carriers to benefit from the flexibility of the common use environment for growth or support irregular operations.
3. Expansion of the SSAT building to provide additional gates could be implemented immediately, at high capital cost, to create adequate facilities to handle the irregular operations and future growth of DL and other international carriers. It is expected that this option would have little carrier support at this time.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTION:

August 25, 2009 - Common Use Expansion Design Authorization