

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 5d

**Date of Meeting** December 6, 2011

**DATE:** November 28, 2011

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** David Soike, Director, Aviation Facilities and Capital Program  
Wayne Grotheer, Director, Aviation Project Management Group

**SUBJECT:** Airline Realignment – Construction of Baggage Handling System (BHS) improvements – C22 BHS Connection to C1 / C1-MK1 Replacement (CIP # C800382)

**Amount of This Request:** \$3,604,000

**Source of Funds:** Airport Development Fund

**State and Local Taxes Paid:** \$294,000

**Jobs Created:** 15 (Total Project)

**Total Estimated Cost:** \$5,335,000

**ACTION REQUESTED:**

Request Port Commission authorization for the Chief Executive Officer to (1) advertise and execute a major construction contract and (2) authorize Port Construction Services (PCS) to perform Regulated Material Management (RMM) design and monitoring for the C22 connection to C1 Baggage Handling System (BHS), C1 make up device 1 (C1-MK1) replacement at Seattle-Tacoma International Airport. The amount of this request is \$3,604,000. The total cost of the C22 BHS connection to C1 / C1-MK1 Replacement / TC3 Replacement project is \$5,335,000. The currently estimated capital cost of the airline realignment is \$38 – 42 million, and the total overall estimated total capital and expense cost is \$58 – 72 million.

**SYNOPSIS:**

This authorization is one of many that are necessary for the one-time realignment of air carrier operations that will take place at the Airport in coming years. The realignment was driven by the merger of major carriers and the consolidation needs of Alaska Airlines necessitating the repositioning of aircraft, gate holdrooms, and ticketing positions throughout the Airport. The air carriers involved in the realignment program are pursuing an aggressive schedule in which they propose to complete the moves of the initial set of carriers rapidly in order to occupy gates on Concourse D by early 2012. Other moves on Concourses A and B would occur by early 2013. Follow-on work on Concourse C and the North Satellite will take longer to complete.

Due to this realignment, a number of airlines are scheduled to relocate their ticket counter operations. Baggage infrastructure must also be reconfigured to support the new ticketing operations. Today's project authorization request includes the procurement and site construction work associated with reconfiguring subsystems (identified herein alpha numerically) that serve

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

November 28, 2011

Page 2 of 6

ticket counters in the center of the Airport ticketing lobby. Specifically this project authorization is to reroute the conveyors of the C22 system and connect it to the C1 baggage screening system, replace the existing C1-MK1 device in the bagwell, and install a new odd size baggage conveyor system down to the bagwell for those airlines in the central section of the main terminal. After Continental Airlines relocates off the ticket counters served by the C22 system, the project will replace the C22 ticket counter conveyors and reroute and replace the outbound C22 conveyor in the bagwell to a conveyor that feeds into the C1 baggage system pre-screening. It also replaces the C1-MK1 baggage make-up device in preparation for daily use as a result of the airline relocation initiative and provides a Central Terminal odd size conveyor feeding down to the C22 area. By connecting the C22 ticket counters to the C-1 baggage screening facility, the Transportation Security Administration (TSA) will leave the old manually operated baggage screening machines as a backup system.

### **BACKGROUND:**

With ongoing 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. The reallocation will require a number of modifications associated with the airlines which will relocate their gate and ticket counter operations, to effectively operate in their new locations. The realignment was driven by the merger of major carriers and the consolidation needs of Alaska Airlines necessitating the repositioning aircraft, gate holdrooms, and ticketing positions throughout the Airport. The following airlines are relocating their gates and/or ticket counters from their existing to new locations under the provisions of the One-Time Reallocation: Frontier, Jet Blue, Air Tran, Virgin America, Hawaiian, American and United Airlines.

### **PROJECT JUSTIFICATION:**

The work planned under this project represents a 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.
- Removal of regulated materials as required.
- Enable the Airport to gain more flexibility to maximize the use of Ticket Counters.
- Minimize the cost to the Port of maintaining conveyors which have exceeded their operational lives.
- Reduce the cost to airlines as they relocate within the existing terminal facilities.
- Provide 'like for like' facilities for airlines being relocated to new ticket counters.
- Leave in place the two existing C22 baggage screening machines that are manually operated allowing the TSA to utilize the system as a backup.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

November 28, 2011

Page 3 of 6

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

#### ***Scope of Work:***

Reroute the current C22 conveyor in the bagwell after the merge point of the C22-Curbside and C22-Ticket Counter belts, to a conveyor that feeds into the C1 BHS pre-screening. Replace the C1-MK1 baggage make-up device in preparation for daily use as a result of the airline relocation initiative. Provide a Central Ticket Counter odd size conveyor feed down to the C22 bag screening area.

#### ***Schedule:***

Design	May-November 2011
Authorize Advertisement for Construction	December 2011
Advertise Bid	December-March 2011
Award Bid	April 2011
Start Construction	May 2012
Complete Construction	May 2013

### **FINANCIAL IMPLICATIONS:**

#### **Budget/Authorization Summary:**

Original Budget	\$5,335,000
Revised Budget	\$5,335,000
Previous Authorizations	\$1,731,000
Current request for authorization	\$3,604,000
Total Authorizations, including this request	\$5,335,000
Remaining budget to be authorized	\$ 0

#### **Project Cost Breakdown:**

#### **This Request**

#### **Total Project**

<b><u>Project Cost Breakdown:</u></b>	<b><u>This Request</u></b>	<b><u>Total Project</u></b>
Construction Costs	\$2,672,000	\$3,513,000
Sales tax	\$ 294,000	\$ 337,000
Outside professional services	\$ 0	\$ 540,000
Construction Cost (RMM) Expense	\$ 85,000	\$ 85,000
Aviation PMG and other soft costs	\$ 553,000	\$ 860,000
<b>Total</b>	<b>\$3,604,000</b>	<b>\$5,335,000</b>

#### **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 # C800382. The funding source will be the Airport Development Fund and existing 2010 bond proceeds.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

November 28, 2011

Page 4 of 6

### **Financial Analysis and Summary:**

<b>CIP Category</b>	Renewal/Enhancement
<b>Project Type</b>	Renewal & Replacement
<b>Risk adjusted Discount rate</b>	N/A
<b>Key risk factors</b>	N/A
<b>Project cost for analysis</b>	\$5,335,000
<b>Business Unit (BU)</b>	Terminal – Airline Equipment
<b>Effect on business performance</b>	NOI after debt service will increase
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	CPE will increase by \$0.03 by 2013, but no change to business plan forecast as this project was included.

### **Lifecycle Cost and Savings:**

Based on current information, annual operating and maintenance costs will not change.

### **ENVIRONMENT AND SUSTAINABILITY:**

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources. The project will facilitate greater utilization of the C1 Baggage system which is the most current and up to date baggage system at the Airport, thus reducing the potential environmental impact of requiring airline contractors to transport bags farther with fossil fuel tugs and carts.

### **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 greater facility flexibility. Flexible 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, in a finite sized terminal, 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

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

November 28, 2011

Page 5 of 6

construction 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. Aviation's business strategies strike a balance between providing high quality customer service while minimizing the growth of airline cost per enplaned passenger. Realigning locations of carrier operations enable them to provide good service, while re-directing existing baggage systems enable the Airport to cost-effectively better utilize the modern C-1 system while adding make-up facilities to enable growth of airline operations in the southern portion of the Airport.

### **TRIPLE BOTTOM LINE SUMMARY:**

This project saves the Port the cost of continuing to maintain and repair obsolete conveyor equipment, maintains the drive by the Port to standardize conveyor equipment and provides the flexibility the Airport needs to operate more efficiently. The traveling community will also benefit from increased airline availability to modern, functional baggage equipment.

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

ALTERNATIVE 1: Proceed with bid and award of a major construction contract for this work. **This is the recommended alternative.**

ALTERNATIVE 2: Do nothing: Leaving the baggage systems as-is will further complicate several already complex operational arrangements, negatively impact implementation of the airline relocation effort, and will negatively impact daily baggage operations for many carriers and the travelling public throughout the Airport. This action is not recommended.

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

Attachment A: November 22, 2011, oral prebrief visual aid slide, diagram map and artist renderings of project site.

### **PREVIOUS COMMISSION ACTION:**

On September 12, 2011, the Port Commission received a summary briefing on the Airport Realignment Program at Seattle-Tacoma International Airport.

On June 14, 2011, the Port Commission authorized design of the Exterior Gate Improvements-Airline Realignment project (C800472) at Seattle-Tacoma International Airport in the amount of \$499,000.

On June 14, 2011, the Port Commission authorized design of the Airport Signage-Airline Realignment project (C800474) at Seattle-Tacoma International Airport in the amount of \$238,000.

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.

On February 22, 2011, the Port Commission was shown a summary listing of realignment projects and authorized Planning for Terminal Realignment in the amount of \$713,000.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

November 28, 2011

Page 6 of 6

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

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 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 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.