

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5c

Date of Meeting October 11, 2011

DATE: September 30, 2011

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Loading Bridges Utilities Gate Improvements (CIP # C800019)

Amount of This Request: \$6,144,000

Source of Funds: Airport Development Fund
& 2010 Revenue Bonds

State and Local Taxes Paid: \$769,000

Jobs Created: 21

Total Estimated Cost of Project: \$12,883,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to advertise and execute a major construction contract for the Loading Bridges Utilities Gate Improvements project at Seattle-Tacoma International Airport (Airport) in the amount of \$6,144,000 of the previously authorized \$12,883,000.

SYNOPSIS:

Currently, there are thirty-one (31) Port-controlled common use gates on Concourses A, B, C, and D and the North and South Satellites. These gates vary in the amenities provided despite the fact that the airlines are paying the same lease rate regardless of the amenities provided. This project would bring all thirty-one Port-controlled gates up to the same standard, including 400Hz ground power and potable water. This project has been coordinated with the air carriers involved in the realignment program and with future aircraft requirements. This project also replaces outdated airline-owned 400Hz Motor Generators with Port-owned 400Hz Motor Generators, simplifying operational and maintenance concerns.

BACKGROUND:

The current Signatory Lease and Operating Agreement allows for a One-Time Airline Reallocation which grants the Airport the ability to reassign airline operations areas for better utilization of the existing facility. The Airport has issued a notice of intent to exercise the One-Time Airline Reallocation provision of the lease. Although this project is not related to that effort, it has been coordinated to support airline consolidation, maximize operational efficiency,

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 30, 2011

Page 2 of 5

and meet the Airport and airlines' mutual interests in deferring significant capital expansion costs.

PROJECT JUSTIFICATION:

The majority of work planned under this authorization represents a time 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
- Enable the Airport to gain more flexibility to maximize the use of each gate
- Extend the service life of each eligible gate for several more years through refurbishment of major components and systems to increase reliability and reduce maintenance costs
- Reduce the possibility of a carrier being assigned to gates without the same amenities as its current gates.
- Advance the Airport's goal of standardizing Airport-provided amenities at all gates

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The scope of work for this project includes the replacement or refurbishment of equipment and systems at up to 31 gates. This includes the replacement of existing equipment where necessary. Purchase of airline owned 400Hz Motor Generators for this project as previously authorized by the Commission on June 14th, 2011. Design and procurement of equipment was authorized by the Commission on June 14, 2011.

Schedule:

Design	May – October 2011
Advertise for Equipment Purchase	October 2011
Advertise Construction Bid Package	November 2011
Award Equipment Purchase Contract	January 2012
Award Construction Contract Bid Package	April 2012
Construction Start	June 2012
Construction Complete	October 2013

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Budget	\$9,385,000
Revised Budget	\$12,883,000
Previous Authorizations	12,883,000
Current request for authorization	\$0
Total Authorizations, including this request	\$12,883,000
Remaining budget to be authorized	\$0

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 30, 2011

Page 3 of 5

Project Cost Breakdown:

This Authorization:

Construction costs	\$6,144,000
Port furnished equipment and installation	\$3,763,000
Sales tax	\$769,000
Outside professional services	\$857,000
Aviation PMG and other soft costs	\$1,350,000
Total	\$12,883,000

Budget Status and Source of Funds:

This project is included in the 2011-2015 capital budget and plan of finance within CIP #C800019. The funding source will be the Airport Development Fund and existing 2010 bond proceeds.

Financial Analysis and Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$12,883,000
Business Unit (BU)	Terminal – Airline Equipment
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.09 by 2014, but no change to the business plan forecast as this project was included. The airlines will realize lower operating and maintenance costs.

Lifecycle Cost and Savings:

The additional annual operating and maintenance costs associated with this project have been calculated by Aviation Maintenance at approximately \$10,000 per gate per year or a total of \$310,000 for the first year plus an estimated 3% inflation escalation thereafter. Based upon actual costs for 2010 and budgeted costs for 2011 and beyond, additional future full time equivalent (FTE) staff members will be required to maintain the added gates utility systems and the future FTE's are included within the cost identified above.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 30, 2011

Page 4 of 5

ENVIRONMENT AND SUSTAINABILITY:

The new and refurbished Gate Utilities will reduce the amount of man hours necessary for maintaining and repairing the gates that have reached or exceeded their optimum design life. The project will facilitate greater utilization of gates throughout the Airport, thus reducing the potential need for, and the environmental impact of, major new and costly construction to increase the total number of gates and associated hold rooms over time.

STRATEGIC OBJECTIVES:

The Loading Bridges Utilities Gate Improvements 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 greater facility flexibility. Flexible gate operations will allow for greater and more efficient utilization of the Airport's existing facilities.

The airline industry remains a very dynamic environment with ever-changing requirements. Creating a flexible, common-use airport environment allows carriers and the Airport to spend fewer capital dollars customizing facilities as market conditions change. Carriers are able to share the same facilities without continual redesign and construction tailored to their specific proprietary needs. This also increases total Airport through-put rates, within the existing terminal footprint, as passenger volumes continue to increase.

BUSINESS PLAN OBJECTIVES:

This action supports three Airport business strategies. This authorization minimizes future cost per enplanement charges by lowering overall maintenance costs, while also increasing capacity of the terminal complex by enabling multiple airlines to use a common gate bridge that has equivalent utilities found at other gates. In addition, having 400Hz at each gate will enable pilots to turn off the aircraft auxiliary engine that will no longer exhaust fumes if the aircraft is plugged into the 400Hz system.

TRIPLE BOTTOM LINE SUMMARY:

This project supports the Airport's initiative to standardize equipment and provides the flexibility the Airport needs to assign gates and to operate more efficiently. The traveling community will also benefit from increased airline availability to modern, functional gate equipment.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

ALTERNATIVE 1: Replace the utilities at up to 31 gates as described in order to optimize gate flexibility, alleviate conflict between ownership and user, accommodate growth, and add further Port-controlled gates into the inventory. **This is the recommended action.**

ALTERNATIVE 2: Do nothing: This would perpetuate the disparity in user charges across Port-controlled gates and is a lost opportunity to reduce emissions and reduce facility flexibility. This action is not recommended.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 30, 2011

Page 5 of 5

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTION:

On December 10, 2002, the Commission authorized \$2,614,000 (CIP 102102) to replace and upgrade the 400Hz system at the North Satellite.

On June 4th, 2007, the Commission authorization \$9,385,000 (CIP 800019) to replace the 400Hz Ground Power systems at South Satellite and B Concourse and upgrade 29 Gates with 400Hz equipment and Potable Water Cabinets.

In 2008 this project along with several others was suspended due to financial and other economic concerns.

On June 14, 2011, the Commission authorized \$12,883,000 (CIP 800019) to replace the 400Hz Ground Power systems at South Satellite and B Concourse and upgrade 31 Gates with 400Hz equipment and Potable Water Cabinets.