

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5b

Date of Meeting October 25, 2011

DATE: October 19, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: David Soike, Director, Aviation Facilities and Capital Program

SUBJECT: Amendment to a Professional Services Agreement (P-00315985) for Additional Budget to Support Airline Technical Representative Activities

Amount of This Request: \$0

Source of Funds: Airport Development Fund

State and Local Taxes Paid: Not applicable

Jobs Created: Not Applicable

Total Contract Value: \$1,950,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to execute an amendment to the Seattle-Tacoma International Airport (Airport) Airline Technical Representative (ATR) contract in the amount of \$350,000.

SYNOPSIS:

The purpose of this amendment is to add \$350,000 to the ATR contract, which will raise the total contract value to \$1,950,000. No new budget is sought to fund this amendment as funding will be included in the capital projects or annually authorized operating budgets. The amendment will allow the ATR to continue to perform work well into 2012 related to large airline realignment projects that are necessary due to airline mergers and consolidations, perform work to improve the Federal Inspections Services facilities to improve the international passenger arrival area, and for other projects that were not anticipated in 2009 when the contract was originally executed. A new ATR contract will be advertised and publicly competed during 2012 to replace the existing contract. If additional funding of \$350,000 is not provided through this amendment, the current ATR contract will expire in early 2012 because the initial funding authorization of \$1.6 million will be exhausted. This will negatively impact the ongoing capital projects at the Airport in 2012.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 19, 2011

Page 2 of 4

BACKGROUND:

ATR functions have been useful at large airports such as Washington DC, Miami, Atlanta, Chicago, Detroit, and Denver. This function has also been employed at Sea-Tac to successfully facilitate implementation of Airport capital programs by ensuring timely involvement by the airlines. In addition, the ATR coalesces the independent, and often competitive, views of the over two dozen airlines that operate at the Airport into a unified position that our Airport staff can respond to in an effective manner in order to keep projects moving forward to ultimately benefit all airlines and our region overall.

AMENDMENT JUSTIFICATION:

The ATR contract value was established at \$1,600,000 in 2009 based on assumptions made about the work over two and one-half years ago, before industry mergers and consolidations occurred that created unexpected workload for the ATR and resulted in the major new capital projects at the Airport that are underway at this time and will continue through 2012. The earlier forecasts of the tasks and estimates of time did not consider the significant additional time necessary for these projects, such as the \$150-\$175 million Airline Realignment; the \$20-40 million of ticketing renovations; the \$200-400 million Federal Inspection Services Improvements to occur in the South Satellite and possibly Concourse A; and the \$30-50 million Electrified Ground Service Equipment program. All of these projects require substantial intra-airline coordination performed by the ATR and will benefit from continued continuity of the ATR personnel during the ongoing formulation and design period.

On March 4, 2009, the Port executed the current ATR consultant contract following a competitive process. According to the initiating commission memo dated February 24, 2009, the contract time was established to match the time frame until the new Statutory Lease and Operating Agreement (SLOA) is negotiated and executed with all the airlines in late 2012 (to take effect in 2013). While the ATR will not be paid by the Airport to support the expense portion of supporting airlines during the lease negotiations, it will be used by the Port to validate capital planning for the next 5-7 years of the expected lease period. Planned capital spending during this period could exceed \$750 million dollars. Changing ATR firms too early in 2012 could cause disruptions to the delivery of current large projects that the airlines have asked be delivered in a rapid manner, and could cause disruptions and delays in current projects and in planning the future capital program necessary to be incorporated into SLOA. Delays can increase costs and even a 5 percent cost increase could run into the tens of millions of dollars. Maintaining the continuity with the existing ATR well into 2012 will help assure cooperation among airlines remains effective during this important time. This amendment will provide sufficient funding to maintain continuity as the large new projects at the Airport are formed and solidified to get design underway. Based upon anticipated spend rates for the ATR, this amendment will allow ample time for the Airport to publicly compete a new ATR contract to be initiated in the latter half of 2012.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 19, 2011

Page 3 of 4

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

No separate budget is being sought within this authorization request. The necessary budget has already been, or will be, sought within various capital project budgets or within annual operating budget requests.

Source of Funds:

Source of funds is the Airport Development Fund that will be tracked to the various project capital programs.

CPE Impact:

Impact on CPE is negligible, near zero, for this authorization. Forecasted CPE impacts are reported within the various capital authorization and annual budget requests that are presented to Commission.

ENVIRONMENT AND SUSTAINABILITY:

The project reviews that the ATR performs include LEED and other sustainability efforts to ensure the projects are as 'green' as they practically can be.

STRATEGIC OBJECTIVES:

This action supports "Ensuring Airport Vitality" in that it provides the most responsive alternative to the airlines desire to move capital improvement projects forward in a timely and efficient manner. If the airlines can receive project improvements rapidly, then they are better able to maintain their positive business activities that support employment, traveler needs, and help the Airport to thrive.

BUSINESS PLAN OBJECTIVES:

This action supports the Airport's business strategy to provide world class facilities that have the necessary capacity when airline business demands it, and the strategy to maintain as low as possible a CPE without sacrificing overall Airport needs. A low CPE is facilitated by the ATR's and Port staff's efforts to seek operational solutions before capital improvement solutions are solidified. This practice most often results in a mix of lower project costs and instituting the latest thinking in operational practices.

TRIPLE BOTTOM LINE SUMMARY:

This action supports the community by providing the Airport with adequate and modern capacity to serve the various airline customers, which in turn supports jobs and a stable economy. The work of the ATR helps to insert green practices into project designs, and it supports the Airport's desire to be responsive to both its business customers and travelers.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Extend the current ATR contract by \$350,000. This responds to unforeseen budget challenge created by three industry mergers of some of the largest domestic airlines. It

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 19, 2011

Page 4 of 4

would be responsive to local airlines which are consolidating their operations. This alternative would maintain the current familiarity with the programs, ensure continuity, and enable the contract to be re-competed after the program has been adequately formulated. **This is the recommended alternative.**

Alternative 2: Do not add money to the current ATR contract and let it expire in early 2012 when funds are exhausted and move forward to compete a new contract as soon as possible. This would necessitate a large learning curve for the new firm which would perform the work, and would slow down the huge and complex capital program being planned, phased, and designed at this time. The airlines would not favor this alternative, as it would disrupt continuity and may drive up costs due to delay. This is not the recommended alternative.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None

PREVIOUS COMMISSION ACTION:

On February 24, 2009, the Commission authorized the ATR contract for a four year period through December 2012 and an estimated budget of \$1,600,000.