

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5b

ACTION ITEM

Date of Meeting April 24, 2012

DATE: April 13, 2012

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Passenger Loading Bridges at Seattle-Tacoma International Airport (C800105)

Amount of This Request: \$656,000

Source of Funds: Existing revenue bonds

Est. State and Local Taxes: \$42,000

Est. Construction Jobs Generated: 6

Total Project Cost: \$6,000,000 (no change from original)

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to: (1) expand the scope of work to cover refurbishment of one passenger loading bridge (PLB) to be installed at Gate S8; (2) prepare design documents; (3) authorize Port Construction Services (PCS) to self-perform work; and (4) advertise and execute one major works construction contract to refurbish one Port-of-Seattle-owned PLB formerly located at Gate S10 and reinstall it at Gate S8. No new funding is required to complete this refurbishment.

SYNOPSIS:

This request will refurbish a Port owned PLB currently in storage and replace the PLB at Gate S8 owned by Delta Air Lines. Gate S8 recently experienced catastrophic failure and was out of service for eight days while awaiting replacement parts. International, wide-body flights needed to be reassigned to other gates while S8 was inoperative at considerable inconvenience to the Airport and various airlines. Due to its age, configuration and current mechanical condition, the existing Delta-Air-Lines-owned PLB at Gate S8 is not considered to be a candidate for refurbishment by the manufacturer (John Bean Technologies - JBT AeroTech/Jetway).

This request is part of the Airport's plan to standardize PLBs for a common use environment and will complete the PLB work that has taken place under Capital Improvement Project (CIP) C800105 since it was initially authorized by the Commission in July 2007 to include the purchase and replacement of up to six PLBs. Under this CIP, seven PLBs have been replaced and one existing PLB has been relocated to a new gate. PLB component purchases will utilize an existing competition waiver allowing for sole source procurement of these items. Approximately \$680,000 of previously authorized funding remains despite this expanded scope.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 13, 2012

Page 2 of 6

This project is included in the 2012-2016 Capital Budget and Plan of Finance within CIP #C800105.

Staff has determined that these remaining funds will be sufficient to refurbish the Port-owned PLB that was removed from Gate S10 in December 2011. After refurbishment, this bridge will be installed at Gate S8 to replace the existing PLB currently owned by Delta Air Lines. The existing PLB at Gate S8 was manufactured and installed in 1971 and its operational condition continues to deteriorate.

Delta Air Lines' corporate management has formally notified Aviation Operations of their willingness to remove and dispose of their PLB at Gate S8 if the Port will replace it with this refurbished bridge.

BACKGROUND:

The primary objectives of CIP C800105 were twofold; to purchase and replace aging airline-owned loading bridges and to replace Port-owned loading bridges that were deemed to be at the end of their operational lives.

After it was removed from the South Satellite in December 2011, the former S10 PLB and associated components were preserved to protect them from the elements and are currently being stored at an unused Port-owned parking facility south of the Airport. The intent is to refurbish the PLB at this location, thus minimizing operational impacts at the South Satellite, and then install it at Gate S8 after the existing PLB is removed and disposed of by Delta Air Lines.

Since 2008, this CIP has been responsible for replacing PLBs at Gates B5, B12, N7, S1, S2, S5, and S10 as well as relocating the PLB formerly located at Gate C3 to Gate B3.

PROJECT JUSTIFICATION:

The work planned under this authorization supports the overall initiative by the Port to own and maintain all PLBs in a common use environment while also providing improved operational flexibility and efficiency at the Airport.

Project Objectives:

- This project advances the Airport's goal of standardizing airport-owned PLBs for a common use environment.
- The refurbishment of PLBs that have reached the end of their service life will result in decreased maintenance costs while extending the useful life of the PLBs and thereby allowing the Airport to more cost effectively provide upgraded equipment at more gates.
- Refurbishing PLBs instead of replacing them diverts approximately 20 tons of demolition debris per refurbished PLB from the waste stream.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

This scope of work will take place in the parking area formerly used for the South Terminal Expansion Project and at the South Satellite and includes:

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 13, 2012

Page 3 of 6

- The design for the PLB refurbishment work and installation at Gate S8 will be accomplished using an existing indefinite delivery, indefinite quantity (IDIQ) service agreement for PLB design services.
- Self-performed work by PCS to include modifications to the existing PLB foundation deemed necessary by the designer to bring it into compliance with current code requirements.
- Coordination between the PLB design consultant and John Bean Technologies AeroTech / Jetway to develop a list of both proprietary and nonproprietary PLB components to be purchased and installed by the major works contractor for the PLB refurbishment.
- Installation, testing and commissioning by a major works contractor of one refurbished PLB and associated equipment and components at Gate S8 along with any architectural, electrical, data, mechanical and infrastructure upgrades that may be necessary to meet new PLB standards and current code requirements.
- PLB component purchases will utilize an existing competition waiver allowing for sole source procurement of these items.

Schedule:

<u>Activity</u>	<u>Dates</u>
Authorize Advertisement	April 2012
Design	May 2012 - July 2012
Advertise Bid Package	July 2012
Award and Execute Bid Package	July 2012 - August 2012
Work Start	September 2012
Work Completed	December 2012

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

	<u>Capital</u>	<u>Expense</u>	<u>Total Project</u>
Original Budget	\$6,000,000	\$0	\$6,000,000
Current Budget	\$6,000,000	\$0	\$6,000,000
Budget Increases	\$0	\$0	\$0
Revised Budget	\$6,000,000	\$0	\$6,000,000
Previous authorizations for this CIP	\$6,000,000	\$0	\$6,000,000
Current request for authorization	\$656,000	\$0	\$0
Total authorizations including this request	\$6,000,000	\$0	\$6,000,000
Remaining Budget to be authorized	\$6,000,000	\$0	\$6,000,000

Project Cost Breakdown

	<u>This Request</u>	<u>Total Project</u>
Construction	\$418,000	\$1,626,000
Owner Furnished Equipment	\$0	\$2,110,000
Construction Management	\$25,000	\$280,000
Design	\$25,000	\$315,000
Project Management	\$25,000	\$285,000

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 13, 2012

Page 4 of 6

Administrative Soft Costs	\$121,000	\$1,014,000
State and Local Taxes (estimated)	\$42,000	\$370,000
Total	\$656,000	\$6,000,000

Budget Status and Source of Funds

This project is included in the 2012-2016 Capital Budget and Plan of Finance within CIP #C800105, Passenger Loading Bridges at Seattle-Tacoma International Airport with a budget of \$6,000,000. This request does not increase the original authorization.

Financial Analysis Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$656,000
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.01 in 2012, but no change to business plan forecast as this project was included.

Lifecycle Cost and Savings

Annual operating and maintenance costs have been calculated by Aviation Maintenance at approximately \$12,600 per PLB per year plus an estimated 3% annual inflation escalation thereafter. These values include labor and materials and are estimated based upon actual costs from 2011 for similar newer Port-owned passenger loading bridges. The labor portion of the operating and maintenance costs for this bridge may not reach the level indicated above because maintenance may not add staff when this bridge is added to the Port inventory.

Several passenger loading bridges will be added to the list of PLB assets maintained by the Port by early 2013. As workload increases with the addition of these assets, staffing additions will eventually be required. Through the utilization of continuous process improvement efforts, the addition of staff may be able to be delayed for at least a portion if not all of these new PLB assets.

STRATEGIC OBJECTIVES:

- By providing improved PLBs, this project supports the Port's strategic objective to Ensure Airport Vitality by providing airlines with reliable and efficient gate services.
- Lead the U.S. airport industry in environmental innovation and minimize the Airport's environmental impacts.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 13, 2012

Page 5 of 6

ENVIRONMENTAL SUSTAINABILITY:

This project will refurbish and reinstall a surplus PLB at one gate to replace aging, less energy efficient equipment. Refurbishing PLBs instead of replacing them diverts up to 20 tons of demolition debris per bridge from entering the waste stream. Refurbished PLBs employ the use of advanced electronics, materials and finishes that provide enhanced energy efficiency and improved air quality through:

- Installation of EnergyStar compliant equipment/components where applicable.
- Use of up to 30% pre-consumer recycled content in PLB flooring.
- Use of repurposed rubber from used aircraft tires for PLB control cab drive wheel assemblies.
- Use of No/Low VOC paints, adhesives and finishes wherever possible.
- Use of LED light fixture lamps in place of fluorescent lamps.

BUSINESS PLAN OBJECTIVES:

The aeronautical business strategy aims to strike a right balance between meeting the needs of airline customers and the traveling public through cost-effective means. Minimizing new facilities construction requirements by making new operational improvements with up-to-date equipment and technology helps to minimize cost to the airlines. The use of technology and thoughtful long-term planning are key elements to this strategy.

Refurbishment of aging PLBs will provide reliable, high quality facilities for passengers and airlines at low cost to the Port. This translates into reduced overall maintenance repair costs, increased operational reliability and lower capital expenditures.

This PLB project at the Airport project supports the Airport's Strategic Goal of operating a world class airport by managing our assets to minimize the long-term cost of ownership.

TRIPLE BOTTOM LINE SUMMARY:

This project demonstrates environmental sustainability by replacing outdated, inefficient and unreliable PLBs and refurbishing viable existing PLBs. This will allow the Port to provide our tenants and the general public with the updated, dependable and more efficient equipment that they need to support and grow their business. The resulting improvement to the Port's PLB inventory will promote net operating income through ongoing gate leases to airlines with a corresponding decrease in maintenance and capital expenditures.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative #1: Refurbish the surplus, former S10 PLB and use it to replace the 41-year-old, airline-owned PLB at Gate S8. Replacing the aging PLB at Gate S8 with a newly refurbished bridge is a cost effective alternative to outright replacement, will provide a like new appearance accompanied by approximately 20 years of additional service life. **This is the preferred alternative.**

Alternative #2: Continue to operate the existing PLB at Gate S8 and leave the former S10 bridge in storage as-is. The existing 41-year-old Delta-Air-Lines-owned PLB at Gate S8 recently experienced catastrophic failure and was out of service for eight days while awaiting

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 13, 2012

Page 6 of 6

replacement parts. When a PLB fails the affected gate position cannot be used to its fullest potential until repaired, typically at substantial cost and significantly impact to airline operations. This is especially true at the South Satellite where gates like S8 that are configured to accommodate international, wide-body flights are in high demand. Should this PLB fail again, this in turn would result in lost revenue, reduced ability to accommodate international, wide-body flights and would negatively affect major tenants by forcing them to relocate operations or ground load passengers. This is not the preferred alternative.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On July 12, 2010, the Port Commission authorized the expenditure of \$1,663,000 to design purchase and install two passenger loading bridges and associated equipment.

On October 14, 2008, the Port Commission authorized the expenditure of \$1,917,000 to design, purchase and install two passenger loading bridges and associated equipment.

On July 24, 2007, the Port Commission authorized the expenditure of \$2,420,000 to design, purchase and install three passenger loading bridges and associated equipment.