

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5a

Date of Meeting March 6, 2012

DATE: February 24, 2012

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Gate Aircraft Utilities Improvements Project (CIP # C800019)

Amount of This Request: \$328,000 (Expense) **Source of Funds:** Airport Development Fund

State and Local Taxes Paid: \$736,000 **Jobs Created:** 21

Total Estimated Cost of Project: \$13,211,000 (including expense)

ACTION REQUESTED:

Request Commission approval of \$328,000 expense funds for regulated materials management (RMM) and training for the Seattle-Tacoma International Airport (Airport) Gate Aircraft Utilities Improvements Project (#C800019), which were not included in the original authorization request. This request completes the necessary Commission authorization for the expense funds needed for this project.

SYNOPSIS:

On June 14, 2011, the Commission authorized an increase of \$3,498,000 to the project's capital budget for a new total project capital budget of \$12,883,000. Although the Commission memo indicated a total budget of \$13,211,000, including expense funds for Regulated Materials Management (RMM), the formal request for authorization of the expense funds was not included.

Currently there are 31 Airport-owned gates on Concourses B and C, and the North and South Satellites that do not have full aircraft utility capabilities. There are varying amenities at these gates, including 400 Hz ground power supply and potable water. Airlines pay the same lease rate regardless of the amenities provided. This project would bring the 31 "utility deficient" Port-owned gates up to the same standard, including 400 Hz power and potable water. This project has been coordinated with the air carriers involved in the realignment program and includes future aircraft requirements. This project would replace three outdated airline-owned

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400 Hz motor generator sets with Port-owned 400 Hz motor generator sets, simplifying operational and maintenance concerns.

FINANCIAL IMPLICATIONS:

<u>Budget/Authorization Summary:</u>	Capital	Expense	Total
Original Budget	\$9,385,000		\$9,385,000
Budget increase	\$3,498,000	\$328,000	\$3,826,000
Revised Budget	\$12,883,000	\$328,000	\$13,211,000
Previous Authorizations	\$12,883,000		\$12,883,000
Current request for authorization		\$328,000	\$328,000
Total Authorizations, including this request	\$12,883,000	\$328,000	\$13,211,000
Remaining budget to be authorized	\$0	\$0	\$0

Project Cost Breakdown:

Construction Costs	\$6,144,000
Port prepurchased equipment	\$3,332,000
Sales tax	\$736,000
Outside professional services	\$1,096,000
Port soft costs	\$1,575,000
RMM/Training - expense	\$328,000
Total	\$13,211,000

Budget Status and Source of Funds:

This project is included in the 2012-2016 capital budget and plan of finance within CIP #C800019 with a budget of \$12,883,000. The funding source will be the existing 2010 revenue bonds. The expense costs are included in the approved 2012 operating budget. The Airport Development Fund is the funding source for the operating costs.

Financial Analysis and Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A

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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 2013, but no change to the business plan forecast as this project was included. The additional operating costs associated with regulated materials and training are incorporated into the 2012 budget, and will add approximately \$.02 to CPE. This project will allow the airlines to realize lower operating and maintenance costs.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On June 14, 2011, the Commission approved an additional \$3,498,000 in capital funds for a new project total of \$12,883,000.

On June 4, 2007, the Commission approved a project-wide authorization of \$9,385,000 (CIP #C800018) to replace the 400Hz systems at the South Satellite and Concourse B and to upgrade the 29 deficient gates with 400 Hz equipment and potable water cabinets.