

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

**COMMISSION AGENDA**

Item No. 5e

**ACTION ITEM**

Date of Meeting June 26, 2012

**DATE:** June 19, 2012

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

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

**SUBJECT:** Airline Realignment Project: Exterior Gate Improvements – Fuel Hydrants (CIP #C800472)

**Amount of This Request:** \$400,000

**Source of Funds:** Airport Development Fund

**Est. State and Local Taxes:** \$38,000

**Est. Jobs Generated:** 41

**Total Project Cost:** \$4,064,000

**ACTION REQUESTED:**

Request Commission authorization for: 1) additional budget authorization of \$400,000, and 2) approval of project scope change to add two additional fuel hydrant pits as part of the airline realignment program.

**SYNOPSIS:**

The ongoing airline negotiations over the 2012 Exterior Gates and Airfield Improvements Projects resulted in a request for two additional fuel hydrant pits and the relocation of three previously planned fuel hydrant pits located at Concourse A. These changes will allow greater flexibility for tenants being relocated to Concourse A and helps the Airport serve a growing number of passengers and airlines. The estimated cost for these changes is \$400,000. The Exterior Gates Improvements – Airline Realignment project has been combined with other projects into a single construction contract. The Port will procure the two additional fuel hydrants via a change order to a competitively bid purchase of the original 12 fuel hydrants. Installation of the additional fuel hydrant pits will be added to the construction contract by change order with most of the work performed by a specialty firm for fuels systems. Small business requirements are being achieved via other work. The effect on the project phasing and duration has not been determined. There is the potential for an extension to the contract duration, but project completion would still occur in 2012. This project was included in the 2012 – 2016 capital budget and plan of finance, and funds to cover the additional cost are being transferred from another CIP, resulting in no net change to the Aviation capital budget.

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### **BACKGROUND:**

The Airline Realignment program will require a number of modifications associated with the airlines that will relocate their gates, to effectively operate in their new locations. The airline realignment is driven by airline mergers and the consolidation needs of Alaska Airlines which necessitates the repositioning of airlines to different concourses and gates, hold rooms, and ticketing positions throughout the Airport.

### **FINANCIAL IMPLICATIONS:**

#### **C800472 - Exterior Gate Improvements (Airline Realignment)**

<b><i>Budget/Authorization Summary:</i></b>	Capital	Expense	Total Project
Original Budget	\$2,650,000	\$0	\$2,650,000
Previous budget increases	\$1,014,000		\$1,014,000
Current budget increase	\$400,000		\$400,000
Revised budget	\$4,064,000		\$4,064,000
Previous Authorizations	\$3,664,000	\$0	\$3,664,000
Current request for authorization	\$400,000	\$0	\$400,000
Total Authorizations, including this request	\$4,064,000	\$0	\$4,064,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$4,064,000	\$0	\$4,064,000

The Exterior Gate Improvements Project is one of four capital improvement projects in the Airfield and Exterior Gates Improvement Projects.

<b><i>Project Cost Breakdown (total project amount shown)</i></b>	
Design	\$182,000
Site Work	\$2,863,000
CM/PMG/Soft Costs	\$758,000
WA State Sales Taxes	\$261,000
Total	\$4,064,000

#### ***Budget Status and Source of Funds:***

This project is included in the 2012 – 2016 capital budget and plan of finance under CIP # C800472 Exterior Gate Improvements project. The budget increase of \$400,000 will be transferred from the CIP C800411, Terminal Realignment, a business plan prospective project, resulting in no net change to the Aviation capital budget. The funding source will be the Airport Development Fund.

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

<b>CIP Category</b>	New/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>	\$400,000 (incremental amount)
<b>Business Unit (BU)</b>	Airfield
<b>Effect on business performance</b>	NOI after depreciation will increase
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	Budget will be transferred from the existing budget for the airline realignment and therefore the CPE costs have already been accounted for.

### **STRATEGIC OBJECTIVES:**

The Exterior Gate Improvements project supports two of the Port's Strategies and Objectives. Notably, this project promotes the Port's business strategies to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions" by providing the airlines with the facilities and equipment to maintain performance. With numerous airlines relocating to other gate and ticket counter locations, there are modifications that must be addressed for the airlines to effectively operate in their new locations. The relocations will yield a more balanced facility, increasing throughput rates in a finite-sized terminal. There are a number of projects, which are directly tied to this One-Time Reallocation (Airline Realignments) program, that are in concert with Alaska Air Group's Master Plan to consolidate their gate operations onto the North Satellite and Concourse C.

### **ENVIRONMENTAL SUSTAINABILITY:**

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources. Realignment will allow more effective use of terminal facilities and this enables efficient operation for airlines at new locations. More sustainable operations of the Airport are expected to generate lower lifecycle costs of the needed investments.

### **BUSINESS PLAN OBJECTIVES:**

This project supports the Airport's goal to operate a world-class international airport by anticipating and meeting the needs of our tenants, passengers, and the region's economy. A number of airlines are projected to relocate operations. This will result in airline relocations to different gates. This project will make necessary modifications to the gates to accommodate the airline moves. Failure to make these proposed changes could negatively impact airline operations, passenger convenience and customer service.

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

This project will increase the long-term ability of the Airport to serve a growing number of passengers and airlines. Long-term vitality of the Airport benefits the regional economy, the local environment, and nearby communities.

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

**Alternative #1: Alter Configuration and Add Two Fuel Hydrant Pits on Concourse A** - The new configuration will allow hydrant fueling for various aircraft configurations on Concourse A. The Port will be providing greater flexibility for future changes to airline fleet mixes. **This is the recommended alternative.**

**Alternative #2: Maintain Current Fuel Hydrant Pit Locations and Number:** The current configuration would require the use of fuel trucks at a number of Concourse A gates and not meet the needs of the airlines. The use of trucks is an increased safety risk and an increase in the use of diesel fuel. This alternative is not recommended.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

On April 24, 2012, the Port Commission authorized Airline Realignment Tenant Improvements in the amount of \$225,000 for regulated materials management.

On April 10, 2012, the Port Commission authorized additional budget to enter into a construction contract for airfield improvements including Exterior Gate Improvements – Airline Realignment (C800472)

On March 27, 2012, the Port Commission authorized design and construction of gate B1 and B11 jet bridges as elements of Passenger Loading Bridge Replacement Project- Airline Realignment (C800467) in the amount of \$1,570,000

On January 24, 2012, the Port Commission received a briefing on the Airport Realignment Program.

On January 24, 2012, the Port Commission authorized construction of Exterior Gate Improvements – Airline Realignment (C800472) in the amount of \$2,613,000.

On January 24, 2012, the Port Commission authorized design for CUSE at Ticket Counter/Gates & Seating (C800473) in the amount of \$484,000.

On December 6, 2011, the Port Commission authorized construction of Baggage Handling System (BHS) Improvements – C22 BHS Connection to C1/C1-MK1 Replacement (C800382) at the Airport in the amount of \$3,604,000.

On December 6, 2011, the Port Commission authorized design of the Miscellaneous Building Improvements – Airline Realignment (C800475) at the Airport in the amount of \$1,721,000.

On December 6, 2011, the Port Commission authorized design of the Airline Tenant Improvements – Airline Realignment (expense) at the Airport in the amount of \$3,776,000.

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On November 22, 2011, the Port Commission was provided with a verbal preliminary briefing of December 6, 2011, items with a diagram.

On September 27, 2011, the Port Commission authorized execution of an IDIQ contract for Airline Realignment Tenant Improvements and Ticket Counter Design services totaling \$10,000,000.

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

On June 14, 2011, the Port Commission authorized design of the Exterior Gate Improvements – Airline Realignment project (C800472) at the 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 the 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 authorized the first phase of the Passenger Loading Bridge Replacement – Airline Realignment Project (C800467) including design, purchase, and execution to replace, refurbish and relocate PLBs at Concourse D.

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.

On January 25, 2011, the Port Commission was briefed on several projects that are part of the overall airline realignment program and which required a single Commission authorization in order to meet the realignment schedule. The first part of the realignment program was authorized by the Commission on this date under the Concourse D Common Use Expansion Project (C800455).

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 July 9, 2010, the Port Commission was notified that the CEO would enter into a 5 year sole source contract with JBT AeroTech for the procurement of PLBs and PLB components.

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.