

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5a

ACTION ITEM

Date of Meeting July 10, 2012

DATE: June 27, 2012

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Airline Realignment – Common Use System Emulation (CUSE) at Ticket Counters, Gates and Seating (CIP #C800473)

Amount of This Request: \$1,887,000 **Source of Funds:** Airport Development Fund

Est. State and Local Taxes: \$100,000 **Est. Jobs Created:** 37

Est. Total Project Cost: \$2,371,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to: (1) execute contracts to buy Common Use System Emulation (CUSE) computer hardware, podium casework, and holdroom seating; and (2) utilize Port crews for construction of the Airline Realignment – CUSE at Ticket Counters, Gates and Seating project at Seattle-Tacoma International Airport. This authorization is for \$1,887,000 of a total project cost of \$2,371,000.

SYNOPSIS:

This request provides construction for CUSE and is necessary for the one-time realignment of air carrier operations in 2012-2013 that has been requested by the airlines located at the Airport. Construction will be completed by Port crews in conjunction with small works contractors. Gates B9 and B11 are currently proprietary gates that are scheduled to be reassigned as Port gates and need to be converted to a common-use system with the latest processing equipment and technology. Gate B1 is not currently equipped as a gate and will also be converted to a common-use gate as part of this project. Gates will receive casework and computer hardware equipment. Carpeting will be provided as needed where gate podium casework is removed and new passenger seating will be provided at the common-use gates. In addition, existing ticket counter positions in the main terminal will be reconfigured to accommodate additional CUSE positions. Electrical and communications infrastructure will be provided to support the common-use systems. This project was included in the 2012-2016 capital budget and plan of finance.

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BACKGROUND:

As a productivity and cost-savings program, the Airport has installed CUSE equipment, such as common gate areas and ticket counters, at several locations in the terminal that can be used interchangeably by participating airlines. By creating a flexible, common-use environment, more airlines are able to use the existing facilities without major capital investment, which helps hold down their costs. Installation of CUSE equipment also enables the Airport to handle more passengers and support future growth within the current terminal footprint. As part of Airline Realignment, once an airline leaves a gate that has airline-specific passenger processing equipment, this project would replace that equipment with CUSE, thus allowing that gate to be used by other airlines.

With ongoing airline consolidation interests and a goal to maximize utilization of our existing facilities, the Airport is exercising the One-Time Reallocation provision in the current Signatory Lease & Operating Agreement. The reallocation will require a number of modifications associated with the airlines that will relocate their gate and ticket counter operations to effectively operate in their new locations. The realignment was driven by the merger of major carriers and the consolidation needs of Alaska Airlines necessitating the repositioning of aircraft gate holdrooms and ticketing positions throughout the Airport. The following airlines are relocating their gates and/or ticket counters from their existing to new locations under the provisions of the One-Time Reallocation: Air Tran, Alaska, American, Frontier, Hawaiian, JetBlue, United Airlines and Virgin America.

PROJECT JUSTIFICATION:

Project Objective:

This project will accommodate the airline relocations by providing common-use passenger processing and seating at selected gates and ticket counters in the Airport terminal and reduce airline expenses through more efficient use of resources necessary to manage boarding and check-in processes.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

This request includes the following elements for Gates B1, B9 and B11 at Concourse B and ticketing zones 2 and 5 as shown on Attachment A:

- CUSE at Gate Positions
- CUSE at Ticketing Counter Positions
- CUSE communication and electrical infrastructure
- Seating for gate lobbies

Schedule:

Commission Authorization for Construction	July 2012
Procure Casework, Hardware & Seating	July 2012
Construction Start	August 2012
Construction Complete	January 2013

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FINANCIAL IMPLICATIONS:

<i>Budget/Authorization Summary:</i>	Capital	Expense	Total Project
Original Budget	\$2,371,000	\$0	\$2,371,000
Previous Authorizations	\$484,000	\$0	\$484,000
Current request for authorization	\$1,887,000	\$0	\$1,887,000
Total Authorizations, including this request	\$2,371,000	\$0	\$2,371,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$2,371,000	\$0	\$2,371,000

<i>Project Cost Breakdown:</i>	This Request	Total Project
Construction	\$1,559,000	\$1,559,000
Construction Management	\$187,000	\$187,000
Design	\$0	\$281,000
Project Management & Other Soft Cost	\$25,000	\$228,000
Permitting	\$16,000	\$16,000
State & Local Taxes (estimated)	\$100,000	\$100,000
Total	\$1,887,000	\$2,371,000

Budget Status and Source of Funds:

This project is included in the 2012-2016 Capital Budget and Plan of Finance as a committed project within CIP # C800473, CUSE at Ticket Counters/Gates & Seating – Airline Realignment. The funding source will be the Airport Development Fund.

Financial Analysis and Summary:

<i>CIP Category</i>	New/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$2,371,000
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 \$.01 in 2013, but no change to business plan forecast as this project was included.

Lifecycle Costs and Savings:

Port Information & Communication Technology (ICT) and Aviation Maintenance will not incur any significant O&M increases associated with this project.

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STRATEGIC OBJECTIVES:

This project promotes the Port's business objectives to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions" by realigning Airport users with Airport resources and improving operational efficiencies throughout the Airport. It also supports the Century Agenda goal of positioning Puget Sound as a premier international logistics hub.

ENVIRONMENTAL SUSTAINABILITY:

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources. This common-use equipment will facilitate greater utilization of the ticket counters and Concourse B gates. This reduces the potential environmental impact of major new construction.

BUSINESS PLAN OBJECTIVES:

This project supports the Airport's strategic goal of operating a world-class international airport by anticipating and meeting the needs of our tenants and passengers and by managing our assets to minimize the long-term total cost of ownership by improving efficiencies.

TRIPLE BOTTOM LINE SUMMARY:

This project is being performed at the request of our customer airlines. It will benefit the Airport, the traveling public, and the environment through consolidating airlines and efficient operations.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Construct common-use passenger processing and provide seating in the terminal to support the airline realignment program. Work includes casework, computer hardware, electrical and communications infrastructure, carpet patching and seating for the terminal. **This is the recommended alternative.**

Alternative 2: Do nothing. This alternative would cause the gates and ticket counters to be vacant until another airline installs proprietary equipment. This is not the recommended alternative.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

CUSE at Ticket Counter/Gates and Seating Map – Attachment A

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

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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 of Common Use System Emulation (CUSE) at Ticket Counter/Gates & Seating as part of the Airline Realignment at Seattle-Tacoma International Airport 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 Seattle-Tacoma International Airport in the amount of \$3,604,000.

On December 6, 2011, the Port Commission authorized design of the Miscellaneous Building Improvements-Airline Realignment project (C800475) at Seattle-Tacoma International 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 Seattle-Tacoma International Airport in the amount of \$3,776,000.

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 Seattle-Tacoma International Airport.

On June 14, 2011, the Port Commission authorized design of the Exterior Gate Improvements-Airline Realignment project (C800472) at Seattle-Tacoma International 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 Seattle-Tacoma International 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 was shown a summary listing of realignment projects and authorized Planning for Terminal Realignment in the amount of \$713,000.

On February 22, 2011, the Port Commission authorized design and some construction for the Passenger Loading Bridge Replacement Project - Airline Realignment (C800467) in the amount of \$6,700,000.

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On January 25, 2011, the Port Commission was given an overview of the airline realignment and authorized design and construction of the Concourse D Common Use Expansion Project (C800455) in the amount of \$4,250,000. Commission was also briefed on the Airline Realignment Program as part of this item.

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 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.