

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5f

ACTION ITEM

Date of Meeting December 11, 2012

DATE: December 3, 2012

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: International Window Wall Ticket Counters for Seattle-Tacoma International Airport (C800490) and Baggage System Renovation – Airline Realignment (AR) (C800382).

Amount of This Request: \$5,246,000

Source of Funds: Airport Development Fund, existing revenue bonds, and future revenue bonds

Est. State & Local Taxes: \$ 759,000

Est. Jobs Created: 76

Total Project Cost: \$11,656,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to: (1) increase scope and budget for International Window Wall Ticket Counters (C899490) by \$785,000 for changed location of bag belt and to add self-service bag drop system; (2) increase scope and budget for Baggage System Renovation – Airline Realignment (C800382) by \$2,011,000 to add connections to both the C60 and C61 baggage systems; (3) advertise and execute a construction contract for the International Ticket Lobby Window Wall Ticket Counters and Bag Belt project at Seattle-Tacoma International Airport; and (4) utilize Port crews. The total amount of this request is \$5,246,000. The total projected cost for both projects is \$11,656,000.

SYNOPSIS:

Growth in international passenger traffic and the ramifications of the Airline Realignment initiative, wherein several airlines are relocating or revising their passenger processing activities, has led to a relative shortage of ticketing facilities at the Airport. This project will increase the long-term ability of the Airport to serve a growing number of passengers and airlines by adding 14 ticket counter positions and a bag drop conveyor along the window wall opposite the international ticket counters (Zone 1). After examining different options for queuing and best use of space, it was determined to expand the terminal footprint by locating the bag belt outside the existing terminal wall. This adds much-needed queuing space for both new and existing check-in counters. The window wall will be pushed out to accommodate installation of the new baggage belt. The additional check-in capability allows greater capacity for both existing and future international carriers without having to expand into check-in areas traditionally used by

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domestic carriers. This project was approved by a majority-in-interest vote of the airlines in March 2012.

There were two additions to the original scope. One was to look at the addition of self-service bag drop system and the other was to add a connection between the new International Window Wall Ticket counters to both the C60 and C61 baggage systems. During design it was determined that now was the best time to incorporate these additions into the project.

In support of the Airport's strategic goals, the International Window Wall baggage take-away belt will be designed to enable the future installation of a self-service bag drop system. Completing this now will also add to the future flexibility of the lobby. No self-service bag drop equipment will be installed at this time, but the new belt will be designed so that this equipment can be added without reconstruction when the Airport is ready to move forward with this service.

As conceived, the International Window Wall project conveys baggage to the C60 system. There bags are loaded into containers or on carts before being transported to departing aircraft. With the movement of United Airlines to Zone 2, which also conveys baggage to the C60 system, Port staff determined that this would overload the system during peak times. The existing 30 check-in positions at the international ticket counters feed the C61 system, which is better suited than C60 for accommodating containerized wide-body flights that operate most international routes. In this project, we have added the modification that would provide a connection between the C60 and C61 systems. This will allow maximum flexibility in the use of the two baggage systems and avoid as long as possible the high cost of terminal building expansion as the number of international carriers increases.

Both projects were included in the 2013 – 2017 capital budget and plan of finance.

BACKGROUND:

The Airport continues to search for efficiencies in order to maximize utilization of existing terminal facilities and avoid costly expansion programs. With the proposed ticket counter modifications in the south end of the main terminal, the Airport will gain efficiencies through additional passenger processing areas by reallocating space and reconfiguring ticket counter layouts and associated airline offices. A recent example elsewhere in the terminal was Alaska Airlines' Two-Step check-in and baggage drop modifications, including flow-through ticket counters.

New international flights and enplanement growth will lead to increased ticket lobby congestion in the south end of the terminal. Queue lines encroach into the circulation space, making passage through the terminal difficult. With the increased number of check-in positions, international carriers can expedite the check-in process and reduce queues.

PROJECT JUSTIFICATION:

The work planned under this project represents a critical component in providing improved operational efficiency throughout the Airport.

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Project Objectives:

Add 14 ticket counter positions and bag drop conveyor along the window wall opposite the international ticket counters, allow provisions for future bag drop, and connect bag belt C60 to C61.

Project objectives include:

- Making ticket counter positions common use.
- Increasing available ticket counter positions for growing number of international carriers.
- Increasing flexibility in bag belt systems for international carriers.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The work consists of design and construction of new window wall ticket counters and baggage conveyors at the international ticket lobby.

Schedule:

Begin Design	April 2012
Commission Authorization	December 2012
Advertise Construction Contract	January 2013
Begin Construction	February 2013
Activate Ticket Counters	September 2013
Project Completion	December 2013

FINANCIAL IMPLICATIONS:

The total estimated cost for both projects is \$11,571,000, and is divided between CIP nos. C800382 and C800490 as shown below:

Baggage System Renovation – Airline Realignment:

<u>Budget/Authorization Summary C800382:</u>	<u>Capital</u>	<u>Expense</u>	<u>Total Project</u>
Original Budget	\$5,250,000	\$85,000	\$5,335,000
Budget savings	-\$500,000		-\$500,000
Budget (Decrease)/Increase	\$2,011,000	\$0	\$2,011,000
Revised Budget	\$6,761,000	\$85,000	\$6,846,000
Previous Authorizations	\$5,250,000	\$85,000	\$5,335,000
Authorization adjustment for budget savings	-\$500,000		-\$500,000
Current request for authorization	\$2,011,000	\$0	\$2,011,000
Total Authorizations, including this request	\$6,761,000	\$85,000	\$6,846,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$6,761,000	\$85,000	\$6,846,000

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<i>Project Cost Breakdown:</i>	This Request	Total Project
Construction	\$1,309,000	\$4,407,000
Construction Management	\$170,000	\$170,000
Design	\$262,000	\$802,000
Project Management	\$136,000	\$996,000
Permitting	\$10,000	\$10,000
State & Local Taxes (estimated)	\$124,000	\$461,000
Total	\$2,011,000	\$6,846,000

Financial Analysis

<i>CIP Category</i>	Renewal/Enhancement
Project Type	Customer Service
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$6,761,000
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.03 in 2014. However, no change to business plan forecast as this project was included.

Budget Status and Source of Funds:

This project, CIP #800382, is included in the 2013-2017 capital budget and plan of finance. The source of funds for this project will be existing revenue bonds.

International Window Wall Ticket Counters:

<u>Budget/Authorization Summary C800490:</u>	<u>Capital</u>	<u>Expense</u>	<u>Total Project</u>
Original Budget	\$4,025,000	\$0	\$4,025,000
Budget (Decrease)/Increase	\$785,000	\$0	\$785,000
Revised Budget	\$4,810,000	\$0	\$4,810,000
Previous Authorizations	\$1,575,000	\$0	\$1,575,000
Current request for authorization	\$3,235,000	\$0	\$3,235,000
Total Authorizations, including this request	\$4,810,000	\$0	\$4,810,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$4,810,000	\$0	\$4,810,000

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<i>Project Cost Breakdown:</i>	This Request	Total Project
Construction	\$2,387,000	\$3,132,000
Construction Management	\$406,000	\$406,000
Design	\$102,000	\$626,000
Project Management	\$17,000	\$323,000
Permitting	\$25,000	\$25,000
State & Local Taxes (estimated)	\$298,000	\$298,000
Total	\$3,235,000	\$4,810,000

Financial Analysis

<i>CIP Category</i>	Renewal/Enhancement
Project Type	Customer Service
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$4,810,000
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.02 in 2014. However, no change to business plan forecast as this project was included.

Budget Status and Source of Funds:

This project, CIP #800490, is included in the 2013-2017 capital budget and plan of finance. The source of funds for this project will be the Airport Development Fund and future bond proceeds. As presented in the plan of finance, the Airport plans to issue revenue bonds in 2013 or 2014 to fund a number of projects in the 2013 – 2017 capital budget.

STRATEGIC OBJECTIVES:

This project promotes the Port's Century Agenda objective of meeting the region's air transportation needs at Sea-Tac Airport for the next 25 years by adding capacity and flexibility within the existing terminal space.

ENVIRONMENTAL SUSTAINABILITY:

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources. This project will facilitate greater utilization of the Main Terminal ticket lobby. This reduces the potential environmental impact of major new construction.

BUSINESS PLAN OBJECTIVES:

The anticipated growth in international enplanements will require additional capacity in passenger processing. These new ticket counter positions, adding the potential of bag drop

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locations and the connection of C60 to C61 bag belt, located in the international ticket counter zone, supports the Aviation Division's strategic goal of anticipating and meeting the needs of our tenants, passengers, and the region's economy.

TRIPLE BOTTOM LINE SUMMARY:

This project will increase the long-term ability of the Airport to serve a growing number of both passengers and airlines. This project will reduce future potential costs by eliminating the need to provide new terminal space by improving the efficient use of space in the ticket lobby and will improve the passenger experience by reducing queuing and speeding up the check-in process. Long-term vitality of the Airport benefits the regional economy, the local environment, and nearby communities.

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

Alternative 1: Construct 14 ticket counter positions and a bag drop conveyor along the window wall opposite the international ticket counters within the existing lobby and not push out the wall. It was evident through passenger flow modeling that this would reduce queuing and add to congestion within the check-in lobby. This is not the recommended alternative.

Alternative 2: Do nothing and wait until the new flights arrive and build new counters and the bag drop conveyor at that time. This would mean that the need for additional ticket counters and bag drop could not be met for approximately 15 months due to design and construction. This is not the recommended alternative.

Alternative 3: Construct 14 ticket counter positions and a bag drop conveyor along the window wall opposite the international ticket counters. This will involve the pushing out the exterior window wall to run the bag belt and allow for more queuing space and the connection of bag belt C60 to C61. This would meet the anticipated needs for passenger queuing and bag service for additional international flights. **This is the recommended alternative.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Diagram of project area.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On April 10, 2012, the Port Commission authorized the design for the International Ticket Lobby Window Wall in the amount of \$1,575,000.

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

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 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.