

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

**COMMISSION AGENDA**

**Item No.** 6c

**ACTION ITEM**

**Date of Meeting** May 22, 2012

**DATE:** May 10, 2012

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

**FROM:** David Soike, Director, Aviation Facilities and Capital Program  
Wayne Grotheer, Director, Aviation Project Management Group

**SUBJECT:** C60 – C61 Baggage Handling System Modifications Project at Seattle-Tacoma International Airport (CIP #C800168)

**Amount of This Request:** \$1,789,000

**Source of Funds:** Airport Development Fund, TSA Grant, Future Revenue Bonds

**Est. State & Local Taxes:** N/A

**Est. Jobs Created:** N/A

**Total Project Cost:** \$10,969,000

**ACTION REQUESTED:**

Request Commission authorization (1) to authorize the use of Port Construction Services (PCS) crews in support of design development; and (2) for the Chief Executive Officer to authorize full design for the C60 - C61 BHS Modifications project. The total amount of this request is \$1,789,000 and the total projected program cost is \$10,969,000.

**SYNOPSIS:**

This project benefits airline passengers by increasing baggage handling capacity by renovating the Airport's oldest operating baggage systems that transport over 3 million bags per year and approximately 35 percent of all bags at the southern portion of the Airport. C60 – C61 was being assembled as part of the Concourse A construction when the events of September 11, 2001, occurred. As a result, the bag screening capability of C60 – C61 was dramatically and rapidly increased; however, the project was not fully completed due to contractual issues and has been operating successfully in an interim condition ever since.

Airport staff and TSA staff have been working cooperatively to refine the scope of this project and have determined it wise to reduce an earlier larger scope to ensure that certain scope elements will not have to be upgraded again in just a few years as the Airport and TSA consider further planned improvements to increase security while reducing operational cost. The reductions in scope lower the budget significantly and include waiting to consolidate Checked Baggage Resolution Areas (CBRA) staffed by the TSA, and postponement of approximately 1,300 lineal feet of reinsertion and infeed conveyor systems. The remaining scope of work totals \$10,969,000. Airport staff have been working with the TSA headquarters staff and have a verbal

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understanding that existing remaining unutilized federal funds earlier granted to the Airport baggage security systems will be eligible for use on this project. This understanding cannot be finalized until design is far enough along to allow the TSA to verify its requirements are met. When design is at 30-percent completion, the TSA would have sufficient information to consider recommitting to the use of all or a portion of the remaining \$7.8 million grant proceeds from earlier security projects for the Airport.

The first element of this authorization provides necessary budget for PCS crews to be available to assist the project team with a complete inventory of Port owned conveyor equipment. This equipment was purchased as part of the original project but never installed due to the interim conditions. PCS will complete an asbestos survey of the project site.

The second element of this authorization allows for outside consultants and in-house staff to collaborate to fully design the system in joint cooperation with the TSA in preparation for public bidding by the Port.

### **BACKGROUND:**

The C60 and C61 BHSs were originally designed and installed as part of the South Terminal Expansion Program (STEP). Prior to completion, the contractor relationship was terminated and the two systems have been operating in an interim condition. The final completion of the project was intended to install an additional baggage make-up device (called C60-MK1), combine the C60 and C61 CBRA's into a common location, and place a third explosive detection system (EDS) machine on the overhead steel mezzanine in line with two other existing machines on the C61 system. C61 now operates with the third machine on the bagwell floor in the area designated for the C60-MK1 device as part of the interim configuration.

TSA has conducted a system analysis of the systems to determine how best to resolve many of the baggage tracking issues and system malfunctions that have resulted from the interim condition.

After a meeting held with TSA Headquarters representatives on March 4, 2010, it was agreed that several alternatives would be developed and reviewed with a goal of resolving the issues that have been detrimental to the two systems. The team developed four alternatives and came to an agreement with the TSA to build a new C61 CBRA at the south end of the bagwell, reroute the feed conveyors, and add reintroduction conveyors to both CBRA areas. The Airport would replace both the C60 and C61 obsolete computer and programmable logic controller (PLC) equipment, combine their functionality in one new computer system, and make the TSA recommended mechanical improvements to both systems.

At this point in the project, the TSA has verbally agreed to reimburse the Port for security improvements up to \$7.8 million remaining in the TSA grant and to pay 90 percent of all eligible costs. The final agreed upon number will not be determined until a 30-percent design is completed.

Following more recent discussions with TSA, we were notified of TSA's interest in a national recapitalization and optimization plan for all baggage screening operations. This plan will deploy the newest technology for baggage screening but may require further modifications to

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existing baggage systems. This deployment and associated modifications will be included in separate future Commission authorization requests.

As a result, the Airport team came to the conclusion that the project should not complete the full scope of the project as previously defined with the TSA. Staff have removed elements of the project that would not be prudent based on the TSA recapitalization plan but will address issues TSA and the Airport deemed necessary in the near term. This ultimately decreased the scope and budget to approximately \$10.9 million.

### **PROJECT JUSTIFICATION:**

The work planned under this project represents a critical component in providing improved operational baggage in-line screening at the south end of the Airport.

#### **Project Objectives:**

Provide more baggage make-up capacity for airlines.

Improve baggage tracking capability to benefit security and customer service.

Combine search rooms to optimize TSA staffing levels.

Improve efficiency and through-put of the baggage system to benefit the Airport by being able to efficiently serve a growing number of passengers.

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

#### ***Scope of Work Reductions and/or Deferrals until future Projects:***

Delete C-61 CBRA.

Delete 1,300 lineal feet of conveyor related to C-60 CBRA.

Modifications to the feed belts to EDS machines.

#### ***Scope of Work Remaining in the Project:***

Modify existing C61 CBRA room by expanding into existing C60 CBRA space and to comply with TSA Planning Guidelines and Design Standards and tie into existing C61 system.

Modify existing C60 CBRA room to accommodate new C61 CBRA layout.

Install new re-insertion lines from C61 CBRA room.

Install new C60 MK1 make-up unit at bagroom level.

Install one new EDS machine on mezzanine and reroute associated conveyor.

Replace one EDS machine on the mezzanine with the current floor machine.

Fix tracking issues in various locations around the C60 and C61 systems.

Replace the C60 and C61 computer and PLC systems with a new combined system in one location.

Modify steep conveyor inclines and declines.

PCS complete asbestos survey and inventory equipment.

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### ***Schedule:***

Authorize Design	May 2012
Begin Design	June 2012
Complete Design	March 2013
Authorize Construction Contract	April 2013
Advertise Construction	April 2013
Construction Start	June 2013
Project Completion	April 2014

### **FINANCIAL IMPLICATIONS:**

<b><u>Budget/Authorization Summary:</u></b>	<b><u>Capital</u></b>	<b><u>Expense</u></b>	<b><u>Total Project</u></b>
Original Budget	\$10,799,000	\$0	\$10,799,000
Revised Budget	\$10,969,000	\$0	\$10,969,000
Previous Authorizations	\$ 0	\$0	\$ 0
Current request for authorization	\$ 1,789,000	\$0	\$ 1,789,000
Total Authorizations, including this request	\$ 1,789,000	\$0	\$ 1,789,000
Remaining budget to be authorized	\$ 9,180,000	\$0	\$ 9,180,000

The budget has been reduced due to changes to scope and project refinements.

<b><u>Project Cost Breakdown:</u></b>	<b><u>This Request</u></b>	<b><u>Total Project</u></b>
Construction Costs	\$ 0	\$ 7,247,000
Port furnished equipment	\$ 0	\$ 0
Sales tax	\$ 0	\$ 684,000
Outside professional services	\$1,304,000	\$ 1,304,000
Aviation PMG and other soft costs	\$ 485,000	\$ 1,734,000
<b>Total</b>	<b>\$1,789,000</b>	<b>\$10,969,000</b>

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

This project was included in the 2012-2016 capital budget and plan of finance as a business plan prospective project, CIP #C800168. The source of funds for this project will be the Airport Development Fund, a TSA grant, and future revenue bonds. TSA funds may include \$7.8 million of available unused grants for earlier security projects at the Airport.

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### **Financial Analysis and Summary**

<b><i>CIP Category</i></b>	Renewal/Enhancement
<b>Project Type</b>	Security
<b>Risk adjusted Discount rate</b>	N/A
<b>Key risk factors</b>	N/A
<b>Project cost for analysis</b>	\$10,969,000
<b>Business Unit (BU)</b>	Terminal
<b>Effect on business performance</b>	NOI after depreciation will increase
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	CPE will increase by \$.02 in 2015. However, no change to business plan forecast as this project was included.

### **STRATEGIC OBJECTIVES:**

This project promotes the Port's strategic goals to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions." It contributes to accommodating the Port's Century Agenda Goal to "Double the number of international flights and destinations."

### **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 baggage systems. This reduces the potential environmental impact of major new construction.

### **BUSINESS PLAN OBJECTIVES:**

The anticipated growth in domestic and international enplanements will require additional capacity in baggage processing. This 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 baggage systems by improving the efficient use of the existing systems. Long-term vitality of the Airport benefits the regional economy, the local environment and nearby communities.

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

**Alternative 1** – Do nothing. This would not address the TSA requirements and request for improving baggage system performance and would not increase the capacity of baggage make-up necessary for future growth and airline realignment. This is not the recommended alternative.

**Alternative 2** – Proceed with the recent larger plan estimated at \$26 million and address all the TSA and Port concerns. This would potentially include expenditures that would be removed or discarded within the next five years. This is not the recommended alternative.

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**Alternative 3** – Perform the modifications indicated above, install the baggage make-up device (MK1) as originally planned, and complete the programming necessary to improve tracking and baggage system performance. **This is the recommended alternative.**

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

C60-C61 Baggage Handling PowerPoint presentation.

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

None.