

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4c
Date of Meeting April 14, 2015

DATE: April 6, 2015
TO: Ted Fick, Chief Executive Officer
FROM: David Soike, Director, Aviation Facilities and Capital Program
Wayne Grotheer, Director, Aviation Project Management Group
SUBJECT: C60-C61 Baggage Handling Systems Modifications Project at Seattle-Tacoma International Airport (CIP #C800168)

Amount of This Request:	\$0	Source of Funds:	Airport Development
Est. Total Project Cost:	\$11,864,825		Fund and future revenue bonds
Est. State and Local Taxes:	\$722,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to:

- (1) Adjust the scope of work for the C60-C61 Baggage Handling System (BHS) Modification project to include design and construction necessary for installation of an additional Explosive Detection System (EDS) machine, the addition of tag readers, and enhanced reporting;
- (2) Authorize the use of Port crews in support of the project.

SYNOPSIS

This authorization adds scope items to meet airline capacity needs and requests, however the project has progressed very well so far such that added budget authorization is unnecessary.

The existing C60-C61 BHS project is 97 percent complete and it implemented upgrades to the baggage handling conveyor system, increased baggage make-up capacity to allow more airline baggage tugs be loaded simultaneously, and updated the computerized control system.

Several airlines such as Delta Air Lines, Virgin America, US Airways, and United Airlines utilize the system and are appreciative of the improvements. Delta Air Lines is the largest user of this system and has requested additional work on the C60-C61 BHS. The requested scope increase would add one EDS machine to increase screening throughput capacity that is necessary to meet the airline's growing summer peak loads. The added EDS machine would help meet the growing baggage volume, and it would help all the airline users in turn by improving throughput

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 6, 2015

Page 2 of 6

to help ensure that checked bags are properly screened and make it to the planes of all the respective airline users in a timely manner.

The Port has reached an agreement with Transportation Security Administration (TSA) such that they will provide the additional EDS machine and the required certification of the machine in order for it to begin operation. This will be provided at TSA cost and is not included within this authorization request.

The added scope of work requested includes additional tag readers that will be added to the overall conveyor system for improved baggage tracking and additional computer reporting features.

The added scope of work is approximately \$1,227,120; however; this request does not require additional funding. The overall \$11,864,825 authorized project budget has enough savings to cover this added scope that is similar to work completed earlier in the project. After completion of this added scope of work to meet airline needs, the projects forecasts that remaining savings may total \$779,834 as detailed in the later financial section.

BACKGROUND

The C60-C61 BHS serves the Airport's Concourse A and South Satellite. It is the Airport's oldest outbound individual baggage system and is the second busiest airport system in that it transports over three million bags per year.

The recently completed C60-C61 BHS project has increased baggage make-up capacity for the airlines and improved reliability. The completed project has also performed two other improvements: first it updated the Automatic Tag Readers (ATRs) that read baggage tags used to track and direct bags through the system, and second it provided a new and improved computerized baggage controls and reporting system. The additional scope being added as part of this request is similar in that it will increase the number of ATR's and provides added improvement to the computerized controls and reporting system.

During construction of the C60-C61 BHS project, Delta Air Lines established Seattle as a new international hub which has increased numbers of wide body aircraft and therefore added high demand baggage peaks of international transfer bags that require additional EDS screening. Due to Delta's flight increases, the C60-C61 system requires the additional EDS machine to be inserted into the system for added screening capacity. This added capacity aids all airline users of the system, not just Delta.

PROJECT JUSTIFICATION AND DETAILS

Due to Delta's summer flight increases, the additional scope to add a new EDS is required to meet baggage screening demands. The current conveyor systems configuration and controls will require modifications to accommodate the new EDS machine. The additional tag readers and enhanced reporting will increase tracking and reporting functionality for the system that will

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 6, 2015

Page 3 of 6

benefit the Port and multiple airlines. The improved computerized controls will enable the EDS to operate at full capacity.

Project Objectives

- The addition of the EDS machine and associated computer controls is a critical component to our existing system to meet the airlines' increasing demand for screening capacity in time for the summer peak.
- The addition of tag readers at the oversize screening process will improve tracking and reporting.

Scope of Work

The additional scope of work would include the following:

- Design to modify the existing conveyor for the EDS machine, phasing and design support through construction and testing. The design would be performed through an existing design contract.
- Port crews and small works contracts will perform systems modifications and assistance through system testing.
- Port crews and small works contracts will perform, purchase and install the tag readers.
- TSA will provide the EDS machine and certification of the machine.
- Modifications to the controls and enhanced reporting will be contracted directly.

Schedule

The goal of the project is to implement and complete design and construction of the EDS machine prior to the summer peak, June 15, 2015, or as soon thereafter as possible. Implementation of the EDS machine addition is pending TSA delivery of provided equipment.

The installation of the tag readers and enhanced reporting is expected to be completed in the fourth quarter of 2015.

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$10,969,000	\$0	\$10,969,000
Budget Increase (10/2013)	\$895,825	\$0	\$895,825
Revised Budget (11/2013)	\$11,864,825	\$0	\$11,864,825
Project Savings (2014)	(\$1,000,000)	\$0	(\$1,000,000)
Current Budget Increase	\$220,166	\$0	\$220,166
Revised Budget	11,084,991	\$0	\$11,084,991
Previous Authorizations	\$11,864,825	\$0	\$11,864,825
Current request for Authorization	\$0	\$0	\$0
Total Authorizations, including this request	\$11,864,825	\$0	\$11,864,825

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 6, 2015

Page 4 of 6

Remaining budget to be Authorized	\$0	\$0	\$0
Estimated Project Savings	\$779,834	\$0	\$779,834
Total Estimated Project Cost	\$11,084,991	\$0	\$11,084,991

Project Cost Breakdown

	This Request	Total Project
Design	\$0	\$2,052,966
Construction	\$0	\$8,310,025
State & Local Taxes (estimated)	\$0	\$722,000
Total	\$0	\$11,084,991

Budget Status and Source of Funds

The current project is approximately 97% complete and is anticipated to be completed by the end of April 2015. The project received a favorable low bid and was executed with minimal change orders leaving the current budget with capacity to incorporate the added scope; therefore this additional project scope will not require additional funds.

The project gave back \$1,000,000 for a revised project budget of \$10,864,825. The estimated cost at completion (EAC) of the current scope is \$9,857,871. The estimated cost of the added scope is \$1,227,120. The total estimated project cost at completion is \$11,084,991 and estimated total project savings of \$779,834.

The funding source for this additional scope will be the Airport Development Fund and/or revenue bonds to be issued in 2015.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Security
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$1,227,120 (new scope)
Business Unit (BU)	Terminal – Baggage Equipment
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	\$.01 in 2016

Lifecycle Cost and Savings

The renovations will increase screening capacity and increase availability, but will not appreciably decrease the number of preventative maintenance activities performed on the systems.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 6, 2015

Page 5 of 6

STRATEGIES AND OBJECTIVES

This project promotes the Port's Century Agenda objectives to make Sea-Tac Airport the West Coast "Gateway of Choice" for international travel, meet the region's air transportation needs at Seattle-Tacoma International Airport for the next 25 years, and encourage the cost-effective expansion of domestic and international passenger and cargo services.

TRIPLE BOTTOM LINE

Economic Development

This project will increase the screening capacity of the existing system to serve Airlines' future growth. This project improves the efficiency of the existing systems.

Environmental Responsibility

This project demonstrates environmental sustainability by improving existing Port assets to better utilize existing resources.

Community Benefits

This project will help enable airline activity to grow at the airport, and that helps increase vitality across neighboring communities.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Maintain status quo.

Cost: \$0

Pro: The Port would delay cost expenditures for design and construction, thereby enabling the budget to be used for other purposes.

Con: Without adding the EDS machine the Port will not meet the Airlines' operational needs and will have insufficient screening capacity to meet summer peak bag loads causing some travelers' bags to be delayed to later flights.

Alternative 2) – Proceed with design and installation of the additional EDS machine and added tag readers.

Cost: \$1,227,120

Pro: This option will help meet airlines' growth and customer service needs. This option would also reduce operational impacts during future summer peak travel seasons, however the work will cause disruption during portions of this 2015 season.

Con: The immediate operational impacts to all airlines operating on the C60-C61 system would be a shutdown to an operating floor level make-up device for approximately four weeks to enable delivery and installation of the EDS machine in the mezzanine space above the make-up device.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 6, 2015

Page 6 of 6

The recommendation is to pursue Alternative 2 to meet airline growth needs.

ATTACHMENTS TO THIS REQUEST

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- May 22, 2012 – C60-C61 Baggage Handling Systems Modifications Authorization for Design
- November 5, 2013 – C60-C61 Baggage Handling Systems Modifications Authorization for Construction