



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6c

ACTION ITEM

Date of Meeting January 9, 2018

DATE: December 31, 2017
TO: Dave Soike, Interim Executive Director
FROM: Michael Ehl, Director Airport Operations
Wayne Grotheer, Director Aviation Project Management Group
SUBJECT: Zone 3 Common Use Ticket Counter Conversion Project (CIP #C800925)

Amount of this request: \$1,650,000
Total estimated project cost: \$1,700,000

ACTION REQUESTED

Request a single Commission authorization for the Executive Director to: (1) proceed with design and construction of the Zone 3 Common Use Ticket Counter project at Seattle-Tacoma International Airport; (2) execute a contract to purchase common use equipment; and (3) use Port crews to complete the project. This single authorization is for a total cost of \$1,700,000.

EXECUTIVE SUMMARY

This project responds to the continued growth in Airport traffic and airline operations. It improves the efficiency and flexibility of the ticket lobby, and thus improves the passenger experience at the Airport. This project is necessary to provide additional common use ticket counters for new airline entrants that have announced the start of service to Seattle beginning the summer of 2018. There is currently not enough capacity at the current common use ticket counters to accommodate these new airlines as these counters are fully subscribed at peak times.

The project adds common use ticketing capacity in the Zone 3 Ticket Lobby between Delta Air Lines and Southwest Airlines creating 10 new common use ticket counter positions. It also adds 8 Common Use Self Service (CUSS) kiosks in the lobby area. Zone 3 is located adjacent to the passenger security checkpoint that provides the most direct access to international departure gates. Virgin America, Inc., through the merger with Alaska Airlines, will be vacating the space in April 2018.

This single authorization request will allow the project team to proceed quickly as this project has been deemed a "hot project." Airline operations are impacted by the current lack of ticket counter capacity that this project will address.

Meeting Date: January 9, 2018

JUSTIFICATION

This project supports the Century Agenda Goal to advance this region as a leading tourism destination and business gateway: make Sea-Tac Airport the West Coast “Gateway of Choice” for international travel and double the number of international flights and destinations.

DETAILS

This project will add common use ticketing capacity in the Zone 3 Ticket Lobby between Delta Air Lines and Southwest Airlines creating 10 new common use ticket counter positions. It also adds up to 8 Common Use Self Service (CUSS) kiosks in the lobby area. Total project costs are estimated to be \$1,700,000. Recurring hardware license and maintenance costs will be budgeted within the Aviation Maintenance department’s operating budget.

Scope of Work

This project adds ticketing capacity in Zone 3 by creating 10 new common use ticket counter positions and adding 8 CUSS kiosks.

- (1) Repurpose 6 existing Virgin America ticket counter positions for common use
- (2) Add 4 ticket counter positions in Zone 3
- (3) Add 6 new bag scales to replace previous proprietary scales
- (4) Purchase and install Common Use (CUSE) ticket counter equipment, including bag scales and overhead display monitors required for 10 positions
- (5) Purchase and install 8 Common Use Self Service (CUSS) kiosks

Schedule

Activity

Design start	2018 Quarter 1
Construction start	2018 Quarter 1
In-use date	2018 Quarter 3

Cost Breakdown

	This Request	Total Project
Design	\$276,000	\$276,000
Procurement	\$722,000	\$722,000
Construction	\$701,000	\$701,000
Total	\$1,700,000	\$1,700,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Lease the vacated Virgin America ticket counters to another airline

Cost Implications: \$0

Pros:

- (1) This is the least expensive option.

Meeting Date: January 9, 2018

Cons:

- (1) This option does not provide the common use capacity needed to support new entrant carriers.

This is not the recommended alternative.

Alternative 2 – Replicate the adjacent Delta Air Lines flow-through ticket counter “islands” by building out a third check-in island as a Port sponsored capital project using the vacated Virgin America ticket counters along with the next door vacant former airline ticket office space to create 17 flow-through passenger check-in positions (8 common use positions, 9 common use kiosks).

Cost Implications: \$4,300,000

Pros:

- (1) Additional common use check-in counters for new entrants would be established.
- (2) Passenger queueing and circulation in Zone 3 would see improvement.

Cons:

- (1) This alternative will not meet the timeline required for new entrants in summer of 2018.
- (2) This alternative would cost more than Alternative 3.

This is not the recommended alternative.

Alternative 3 –Convert Virgin America’s existing check-in counters to 10 common use positions. Purchase and install 8 CUSS kiosks.

Cost Implications: \$1,700,000

Pros:

- (1) Allows flexibility with 10 common use positions which can be configured to meet airline needs on-demand.
- (2) Can be constructed to meet summer deadline for new entrant carriers.

Cons:

- (1) Location of construction area will have some impact on Delta operations; will require coordination with Delta to mitigate impacts.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

Capital

Expense

Total

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$1,700,000	\$0	\$1,700,000
AUTHORIZATION			

Meeting Date: January 9, 2018

Previous authorizations	\$50,000	\$0	\$50,000
Current request for authorization	\$1,650,000	\$0	\$1,650,000
Total authorizations, including this request	\$1,700,000	\$0	\$1,700,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

The Zone 3 Common Use Ticket Counter Conversion (CIP# C800925) was not included in the 2018-2022 capital budget and plan of Finance. The budget was transferred from the Aeronautical Allowance (CIP #C800753), resulting in no net change to the capital budget. The funding source for this project will be future revenue bonds.

Financial Analysis and Summary

Project cost for analysis	\$1,700,000
Business Unit (BU)	Terminal Building
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase
IRR/NPV (if relevant)	N/A
CPE Impact	Less than \$0.01 in 2018

Future Revenues and Expenses (Total cost of ownership)

The space will continue to be used as ticket counter space. The capital cost of this project will be incorporated into the airline rate base and recovered through terminal rents and common use fees.

ATTACHMENTS TO THIS REQUEST

Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None