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COMMISSION

AGENDA MEMORANDUM Item No. 8h

ACTION ITEM Date of Meeting January 10, 2023

DATE: December 22, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Eileen Francisco, Interim Aviation Chief Development Officer

SUBJECT: Terminal Solid Waste Project Irregular Bid (CIP #800945)

Amount of this request: \$2,104,000

Total estimated project cost: \$14,680,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to 1) increase the project budget for the Airport Terminal Solid Waste Project in the amount of \$2,104,000; and (2) award and execute an irregular bid for Major Construction Contract MC-0320945. This request is for \$2,104,000 for a revised total estimated project cost of \$14,680,000.

EXECUTIVE SUMMARY

This request is to authorize the award and execution of an irregular bid and increase the budget by \$2,104,000.

The Terminal Solid Waste Project was advertised as a Major Construction contract which received only one qualified bid which was greater than 19% of the engineer's estimate. After interviewing several non-bidding plan holders, it is unlikely that repackaging and rebidding the project will yield different results.

Solid Waste throughput and capacity are essential for Airport operations, passenger comfort, worker safety, and overall sanitation. Significant pre-pandemic passenger volumes at the Airport have resulted in a 60% increase to terminal waste (garbage, recycling, and compost) volumes with an additional 50% increase in volumes forecasted over the next 10 years. The current solid waste infrastructure is exceeding design capacity and needs to be expanded to meet current and future demands. This project directly supports the Airport's Environmental Action Plan goal to divert 60 percent of waste from landfills by ensuring enough throughput capacity is available for composting and recycling volumes.

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JUSTIFICATION

This action ensures adequate solid waste infrastructure is in place to meet operational, passenger comfort, pest control, and worker safety needs. Solid waste generation is directly proportional to the number of passengers utilizing the Airport and the Airport's Dining and Retail services. Prepandemic terminal solid waste generation (2010 to 2019) grew by 45 percent from 5,500 to 8,000 tons annually. The current facilities are at capacity and require attention. The project requirements are based on the Airport's Solid Waste Management Plan and the 2016 and 2020 Solid Waste Growth Forecast and Capacity Studies.

The Central Terminal core solid waste refuse collection and processing areas were constructed in 2003. The space provided two-stream operations for garbage and recycling only. Composting operations began in 2006 and are handled by movable bins. The limited space in the current facility limits the ability for operational solutions to manage solid waste levels, which results in overflow of solid waste and unsanitary conditions. Overflowing waste is often blown onto the ramp creating foreign object debris, a serious safety hazard to aircraft engines. Additionally, when solid waste compactors are full tenants are more likely to incorrectly throw waste in other containers, contaminating them and eliminating their ability to be properly recycled. This project will build the required additional space and infrastructure to meet future demands for solid waste, including recycling and composting, while remaining compliant with federal code and sanitation guidelines.

This project directly supports the Port's Century Agenda goal to be the greenest and most energy efficient Port in North America by expanding compost and recycling capacity, which enables the airport to meet its solid waste diversion goals. The Airport's composting and food donation programs help fight climate change by reducing greenhouse gas emissions associated with food waste. Project improvements will help ensure the Airport can properly manage increasing

amounts of food waste and compostable packaging sorted by our passengers and tenants so it can be sent to local composting facilities. In addition to supporting the Port's 60% waste diversion goal, upgrading the Airport's compost capacity helps our facilities support Washington State and National Environmental Protection Agency food waste reduction goals (50% reduction by 2030). New, high-capacity compactors and access-control and monitoring systems in this project will improve operational efficiency while reducing cross-contamination of waste streams and improving measuring and monitoring of waste data.

Diversity in Contracting

For the design phase, the consultant committed to a 20% Woman and Minority Business Enterprise (WMBE) utilization and is currently achieving 37.5%. The construction phase of the project has a WMBE aspirational goal of 12%, the apparent low bidder committed to 13% WMBE utilization.

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DETAILS

The Terminal Solid Waste project is essential work to right-size the facility infrastructure to accommodate the growth in the Airport and subsequent increase in solid waste volumes. The project accommodates passenger and terminal growth through 2036, aligns with Century Agenda and Environmental diversion goals and satisfies numerous regulatory requirements.

Scope of Work

The Terminal Solid Waste project will construct dedicated refuse collection space and associated utilities at the North and South Ramp areas of the Central Terminal. The project will install sanitation stations at waste collection areas across the Airport and make repairs to the current Central Terminal collection areas to improve drainage, general sanitation, and worker safety.

Schedule

Activity

Construction start 2023 Quarter 1

In-use date 2024 Quarter 1

Cost Breakdown This Request Total Project

Design \$0 \$2,000,000

Construction \$2,104,000 \$12,680,000

Total \$2,104,000 \$14,680,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

The Airport considered multiple alternatives in the project formation phase. This alternative was selected for addressing future waste demand while limiting footprint and providing tenant/airline access to solid waste disposal. The status quo option is not viable as it will not meet waste disposal needs. Redesign or repackaging of the project is unlikely to create savings at a future date.

Alternative 1 – Proceed with construction of the Solid Waste Project awarding the irregular bid.

Cost Implications: Capital \$14,480,000, Expense \$200,000

Pros:

- (1) Provides capacity to meet the projected 15-year solid waste volumes; provides overflow capacity/flexibility to mitigate increased peak volumes, missed waste pickups, daily haul downtime and equipment breakdowns.
- (2) Allows Airport to meet environmental sustainability waste diversion goal through increased recycling and composting throughput capability.
- (3) Improves Airport refuse area sanitation conditions.

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Cons:

- (1) Requires Gate B1 to close for approximately 8 months.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate \$6,200,000 \$200,000 \$6,400,000
Previous changes – net \$6,176,000 \$0 \$6,176,000
Current change \$2,104,000 \$0 \$2,104,000
Revised estimate \$14,480,000 \$200,000 \$14,680,000

AUTHORIZATION

Previous authorizations \$12,376,000 \$200,000 \$12,576,000
Current request for authorization \$2,104,000 \$0 \$2,104,000
Total authorizations, including this request \$14,480,000 \$200,000 \$14,680,000
Remaining amount to be authorized \$0 \$0 \$0

Annual Budget Status and Source of Funds

This project, CIP C800945, was included in the 2023-2027 capital budget and plan of finance with a budget of \$12,376,000. A budget increase of \$2,104,000 was transferred from the Aeronautical Reserve CIP (C800753) resulting in zero net change to the Aviation capital budget. The \$200,000 of expense is to cover required tenant equipment relocation and be in the operating budget. The funding source will be the Airport Development Fund (ADF), existing revenue bonds and future revenue bonds.

Financial Analysis and Summary

Project cost for analysis \$14,680,000
Business Unit (BU) Terminal Building
Effect on business performance NOI after depreciation will increase due to inclusion of (NOI after depreciation) capital (and operating) costs in airline rate base
IRR/NPV (if relevant) N/A
CPE Impact \$0.04 in 2025

Future Revenues and Expenses (Total cost of ownership)

The recommended solution is expected to yield a 10-year cost avoidance of \$9,600,000 to the solid waste program. Avoidance is based on reduced tipping fees and costs to mitigate waste overages. Additional compactor equipment operations and maintenance costs will be \$45,000 annually.

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ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

April 12, 2022 – The Commission authorized the Executive Director advertise and award a major public works contract. At that time the total estimated project Cost was \$12,576,000.

April 14, 2020 – The Commission authorized the Executive Director to advertise and execute a project specific design contract. Staff anticipated a project cost increase.

October 8, 2019 – The Commission authorized the Executive Director to design and prepare construction documents for Terminals Solid Waste Project. At that time the total estimated project cost was \$6,400,000.

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