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COMMISSION

AGENDA MEMORANDUM Item No. 8G

ACTION ITEM Date of Meeting January 24th, 2023

DATE: December 6th, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Mike Tasker, AVM Director

Eric Schaefer, AVM Senior Manager

Daniel Alter, AVM Manager

SUBJECT: Increase Authorization for Airfield Snow Equipment Replacement CIP 801227

Amount of this request: \$3,000,000.00

Total estimated project cost: \$11,620,000.00

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) increase project budget by \$3,000,000 and (2) execute contracts to purchase four (4) additional pieces of snow removal equipment to project 106225 under CIP 801227. This request increases the project 106225 from \$8,620,000 to \$11,620,000.

EXECUTIVE SUMMARY

If approved the increased scope would replace four additional pieces of snow removal equipment (SRE) that are model year 2008. This SRE was initially scheduled for replacement in 2025. Approving this request would allow replacement to arrive in 2024 while utilizing all AIP entitlement funding available. This approval would increase procurement from (11) to (15) pieces of SRE and increase the cost from \$8,620,000 to \$11,620,000. AIP entitlement funds would contribute up to \$4M towards the total project cost of up to \$11,620,000 for SRE. Utilizing AIP entitlement funds would reduce the Port's total expenditure from \$8,620,000 to \$7,620,000.

Currently, (SRE) replacement is approved for \$8,620,000 to procure eleven (11) pieces of snow removal equipment under CIP 801227. The Airport's SRE renewal and replacement plan includes the acquisition of (11) assets in 2022 and four (4) replacement snow brooms in 2025. Since initial authorization, the Airport has identified sufficient Airport Improvement Program (AIP) entitlement grants to pay the local share of the 2022 and 2025 acquisitions. To receive a grant, the Airport will be required to submit all technical specifications, procurement documents, and the bid outcome to the FAA prior to a grant offer. This request accelerates the

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SRE renewal and replacement plan so that the 2022 and 2025 acquisitions may be procured simultaneously.

JUSTIFICATION

Approving this request would utilize AIP funds and allow us to replace existing equipment one year earlier by replacing (4) broom systems for the snow removal team.

AIP entitlement funds are currently unallocated due to Covid delays around other projects around the airport. Previous planned AIP entitlement funds need to be allocated to match up with what was submitted on our plan.

The equipment being replaced are model year 2008 and should be replaced due to age and productivity of the machines. If approved the MB brooms replaced would be over 16 years old. These procurements would allow the Port to utilize AIP entitlement funds, which can cover up to 75% of the acquisition cost which will be up to \$4,065,000.

All equipment will run on renewable diesel which follows the Fleet Sustainability guidelines and aligns the port to meet Century Agenda goals related to emissions standards while minimizing total cost of ownership.

Diversity in Contracting

Due to the limited availability of WMBE businesses able to support this procurement, no WMBE goal has been established. However, the Diversity in Contracting department along with the project team will continue to outreach and notify firms of this procurement opportunity.

DETAILS

If authorized this increases the project to add four (4) snow brooms and \$3,000,000.

Schedule

Activity

Commission authorization 2023 Quarter 1
Procurement 2023 Quarter 2
Equipment Arrives 2024 Quarter 2
In-use date 2024 Quarter 3

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do Not Increase Authorization

Cost Implications: No change.

Pros:

- (1) No change to the capital budget.
- (2) Could still utilize \$1,700,000 AIP entitlement funds.

Cons:

- (1) Would not maximize use of AIP entitlement funds on ageing equipment that is near end of life. There's a risk that the Port will return these entitlement funds to the FAA.
- (2) More snow equipment would be requested in 2023, requiring another authorization and procurement.
- (3) More revenue bond issuance would be needed to procure equipment.

This is not the recommended alternative.

Alternative 2 – Increase procurement authorization by two (2) pieces of snow removal equipment and \$1,500,000.

Pros:

- (1) Two (2) pieces of snow removal equipment would be procured a year ahead of replacement plan allowing for improved equipment earlier replacement of broom.
- (2) Could utilize \$2,900,000 AIP entitlement funds.

Cons:

- (1) Would not maximize use of AIP entitlement funds on ageing equipment that is near end of life. There's a risk that the Port will return these entitlement funds to the FAA.
- (2) More revenue bond issuance would be needed to procure equipment.

This is not the recommended alternative.

Alternative 3 – Increase procurement authorization by four (4) pieces of snow removal equipment and \$3,000,000.

Cost Implications: Increased project spend of \$3,000,000 to increase possible spending from \$8,620,000 to \$11,620,000. With this change AIP entitlement funds could cover up to \$4,065,000.

Pros:

- (1) Four (4) pieces of snow removal equipment would be procured a year ahead of replacement plan allowing for improved equipment earlier replacement of broom.
- (2) Airline rate base decreased by \$2,400,000.
- (3) Procuring equipment one year ahead of schedule will save inflation cost increases estimated at 6%.

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Cons:

- (1) Procuring (4) broom systems a year ahead of schedule may require the equipment to be replaced a year earlier when needed.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate \$8,620,000 \$0 \$8,620,000

Current change \$3,000,000 \$0 \$3,000,000

Revised estimate \$11,620,000 \$0 \$11,620,000

AUTHORIZATION

Previous authorizations \$8,620,000 \$0 \$8,620,000
Current request for authorization \$3,000,000 \$0 \$3,000,000
Total authorizations, including this request \$11,620,000 \$0 \$11,620,000
Remaining amount to be authorized \$0 \$0 \$0

Annual Budget Status and Source of Funds

This project, CIP 801227, was included in the 2023-2027 capital budget and plan of finance with a budget of \$8,620,000. A budget increase of \$3,000,000 was transferred from the from the Aeronautical Allowance CIP C800753 resulting in no net change to the Airport capital budget. The funding sources would be grants, airport development fund and revenue bond. The Airport Improvement Plan entitlement grant funding is estimated at \$4,065,000.

Aviation Maintenance does not anticipate any significant increase in operating expense because of this procurement. The total number of pieces of equipment will be like the existing fleet.

Financial Analysis and Summary

Project cost for analysis \$11,620,000 (rate base cost of \$7,555,000)

Business Unit (BU) Airfield Movement Area

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 \$.05 in 2024

ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

March 8th, 2022 – The Commission authorized Airfield Snow Equipment Replacement CIP 801227

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