



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8f

ACTION ITEM

Date of Meeting October 24, 2023

DATE: October 13, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Eileen Francisco, Director Aviation Project Management
Keri Stephens, Director Aviation Facilities and Capital Programs

SUBJECT: Baggage Claim 15 & 16 Replacement Project Construction Authorization (CIP #801127)

Amount of this request: \$10,658,000

Total estimated project cost: \$14,325,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) advertise, award, and execute a major construction contract for the Baggage Claim 15 & 16 Replacement project at Seattle-Tacoma International Airport; (2) use Port crews to assist in the completion of the work; and (3) include a Project Labor Agreement (PLA) for the project. The amount requested under this authorization is \$10,658,000 for a total authorization of \$14,325,000.

EXECUTIVE SUMMARY

Baggage claims 15 and 16 are the oldest claim devices which were originally installed in 1975-1985 and rebuilt in 1998. The useful life for a flat plate device is 15 years and multiple components are showing signs of needing replacement. The existing devices also have had increasing maintenance and reliability issues. The intent of this project is to replace the existing devices with slope plate devices to be consistent with the rest of the baggage claim and improve reliability.

JUSTIFICATION

The existing baggage claim 15 & 16 are flat plate devices and are well beyond their useful life of 15 years. They are both outdated, multiple components are showing signs of needing replacement, and require customized parts for repairs. Replacement parts for these devices are not readily available due to the age and have a 2–3-week lead time for fabrication. If the Maintenance shop does not have the parts on hand or there are too many part failures, then the claim device will be unavailable until the parts are received. Unexpected claim outages due to failure are a direct impact to both Airline operations and the travelling passenger experience. New devices are quieter and have better aesthetics while also being more energy efficient with improved controls.

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This project will also solve a safety concern in the bag well by installing the new claim input belts closer to the existing wall to allow for a wider tug driving lane. This creates space for the airline employees to drop off baggage onto the claim device input belt.

An additional benefit of the project is 1,000 square feet of tenant space build out in the bag claim area that will meet our tenant business needs.

Diversity in Contracting

There will be a five percent Women and Minority Business Enterprise (WMBE) aspirational goal for this project.

DETAILS

The project will replace the existing baggage claim 15 & 16 with updated slope plate devices. This includes all feed conveyor, fire security doors, and controls. The project will also build out 1,000 square feet of move in ready tenant lease space. Total project costs are estimated to be \$14,325,000 with \$3,667,000 previously authorized for the design phase and current request of \$10,685,000 for the construction phase.

Scope of Work

The scope of work will include the following:

- (1) Design and replace baggage claims 15 & 16 with new slope plate devices.
- (2) Modify existing HVAC to allow for conveyor right of way.
- (3) Patch wall penetrations for existing baggage claim 15 & 16 devices (4 locations).
- (4) Reconfigure feed conveyor to transport baggage from above.
- (5) Improve bag well tug traffic safety by moving the drop off belt closer to the wall for both claims, creating a wider drive lane; and
- (6) Create new tenant lease space for future tenants.

Schedule

Construction on Baggage Claim 15 & 16 cannot begin until current North Main Terminal Redevelopment Project is complete in the north baggage claim area, currently scheduled for Q3 2024. In addition, current long lead times for conveyor equipment result in early procurement in order to have all equipment on site before construction begins. The construction of the claim devices will be sequences such that only one claim device is out of service at a time to minimize impacts to operations and passenger experience.

Activity

Advertise for Construction Bids	2024 Quarter 1
Procure Long Lead Items	2024 Quarter 2
Construction start	2024 Quarter 4
In-use date	2025 Quarter 3

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Cost Breakdown	This Request	Total Project
Design	\$0	\$3,667,000
Construction	\$10,658,000	\$10,658,000
Total	\$10,658,000	\$14,325,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not proceed with this project.

Cost Implications: Approximately \$1,500,000

Pros:

- (1) Lowest cost alternative.
- (2) No construction in the bag claim area and no impact to claim capacity.

Cons:

- (1) Equipment condition will continue to be a concern with an increasing risk of failure.
- (2) Increased risk over time of equipment failure which impacts Airline operations and travelling passenger experience.
- (3) No improvement to bag well operation safety conditions.
- (4) Does not add tenant lease space.
- (5) The cost for soft cost, design and notebook development would need to be expensed.

This is not the recommended alternative.

Alternative 2 – Replace claims 15 & 16.

Cost Implications: \$14,325,000

Pros:

- (1) Replaces the oldest baggage claim devices to reduce maintainability and increase reliability.
- (2) Increases tug traffic safety in the bag well.
- (3) Creates more tenant lease space.

Cons:

- (1) Impact to operations while replacing.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$11,000,000	\$0	\$11,000,000
Budget increase	\$3,325,000	\$0	\$3,325,000
Revised estimate	\$14,325,000	\$0	\$14,325,000
AUTHORIZATION			
Previous authorizations	\$3,667,000	\$0	\$3,667,000
Current request for authorization	\$10,658,000	\$0	\$10,658,000
Total authorizations, including this request	\$14,325,000	\$0	\$14,325,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

This project, CIP C801127, was included in the 2023-2027 capital budget and plan of finance with a budget of \$14,325,000. The funding sources will be the Airport Development Fund (ADF) and revenue bonds. This project received Majority-In-Interest (MII) approval from the airlines on August 24, 2022.

Financial Analysis and Summary

Project cost for analysis	\$14,325,000
Business Unit (BU)	Baggage
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase due to inclusion of capital (and operating) costs in airline rate base.
IRR/NPV (if relevant)	N/A
CPE Impact	\$.05 in 2026

Future Revenues and Expenses (Total cost of ownership)

With both claim devices being well beyond their 15-year useful life span and existing maintainability concerns, there would be no long-term savings by going with the alternative option and not proceeding with the project. The systems also run the risk of complete failure due to age which would result in Airline operations and passenger experience impacts.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

September 27, 2022 – The Commission authorized the Executive Director to design and prepare construction documents for the Baggage Claim 15 & 16 Replacement Project in the amount of \$3,667,000. At that time, the total estimated project cost was \$14,325,000.