

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6c

Date of Meeting March 1, 2011

DATE: February 22, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: Design and construction of Baggage Handling System (BHS) improvements -
C22 BHS connection to C1 / C1-MK1 Replacement / TC3 Replacement
(CIP # C800382)

Amount of This Request: \$1,731,000

Source of Funds: Airport Development Fund

State and Local Taxes Paid: \$43,000

Jobs Created: 10 (Total Project)

Total Estimated Cost: \$5,335,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to: (1) proceed with design for the C22 connection to C1 Baggage Handling System (BHS), C1 make up device 1 (C1-MK1) replacement and Ticket Counter 3 (TC3) conveyor replacement for Phase 1 and Phase 2; (2) purchase conveyor equipment for Phase 1; and (3) authorize the use of Port Crews to complete Phase 1 at the Seattle-Tacoma International Airport.

The amount of this request is \$1,731,000. The total cost of the C22 BHS connection to C1 / C1-MK1 Replacement / TC3 Replacement project at Seattle-Tacoma International Airport (Airport) is \$5,335,000. This request seeks a single Commission authorization to move forward with design of the entire project, and construction of Phase 1 by Port Construction Services.

The construction contract required for Phase 2 of the project will be authorized separately by the Commission after completion of the design.

SYNOPSIS:

This authorization is one of many that are necessary for the one-time realignment of air carrier operations that will take place at the Airport over the next few years. The realignment was driven by the merger of two different sets of major carriers and the consolidation needs for

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Alaska Airlines which necessitated the repositioning gating, holdroom, and ticketing positions throughout the Airport. The air carriers involved in the realignment program are pursuing an aggressive schedule in which they propose to complete the moves of the initial set of carriers rapidly in order to occupy gates on Concourse D by early 2012. Other moves on Concourses A and B would occur by early 2013. Follow-on work on Concourse C and the North Satellite may take another year or longer to complete.

Due to this realignment a number of airlines are scheduled to relocate their ticket counter operations. Baggage infrastructure must also be reconfigured to support the new ticketing operations. There are over 9 different and complex baggage systems in the airport and each has subsystems each with an alpha-numeric name. Today's project authorization request includes the design, procurement, and site construction work associated with reconfiguring subsystems that serve ticket counters in the center of the Airport ticketing lobby. Specifically this project authorization has four parts: replace the ticket counter conveyors and declines that currently make up the TC3, reroute the conveyors of the C-22 system and connect it to the C-1 baggage screening system, replace the existing C1-MK1 device in the bagwell, and install a new odd size baggage conveyor system down to the bagwell for those airlines in the central section of the main terminal. Phase 1, which is time critical to begin the first airline relocations, replaces the TC3 conveyor and outbound conveyor that currently feeds the C1 baggage system and demolishes an existing abandoned conveyor section. Although not in use at the present, this section of conveyor will be used as part of the pending airline relocation initiative. After the Continental relocation off C-22 ticket counters, Phase 2 of this project would replace the C22 ticket counter conveyors and reroute and replace the outbound C22 conveyor in the bagwell to a conveyor that feeds into the C1 baggage system pre-screening. It also replaces the C1-MK1 baggage make-up device in preparation for daily use as a result of the airline relocation initiative and provides a Central Terminal odd size conveyor feeding down to the C22 area. By connecting the C22 ticket counters to the C-1 baggage screening facility, the TSA can remove the old manually operated Explosive Detection Sensing (EDS) machines and redirect staff to more important functions.

Port Construction Services crews and small works contractors will demolish the old existing TC3 conveyors and install the new pre-purchased conveyors. We will be using the current baggage handling systems (BHS) Indefinite Delivery Indefinite Quantity (IDIQ) consultant contract to design the entire project.

In order to facilitate the airline relocation schedule the Phase 1 work needs to be expedited. Staff therefore requests a single authorization at this time for execution of design, equipment purchase, and site construction work associated with Phase 1. The Phase 2 work is not under the same time constraints, therefore staff will return to the Commission to request authorization to advertise and execute any construction contracts for Phase 2 work after the completion of design.

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BACKGROUND:

In the current Signatory Lease and Operating Agreement (SLOA), there is provision for a One-Time Airline Reallocation allowing the Airport to reassign airline operations areas for better utilization of the existing facility. The Airport has issued a notice of intent to exercise the One-Time Airline Reallocation to support airline consolidation, maximize operational efficiency, and meet the Port and airlines' mutual interest in deferring significant capital expansion costs.

A major consequence of the reallocation is that several airlines will be relocating their ticket counter operations to locations that are currently used by other airlines.

This request seeks a single Commission approval action for authorization for a time critical portion of the project, that is, the reroute and replacement of the ticket counter conveyors and declines that currently make up the TC3 location adjacent to the C22 ticket counter Phase 1. We need to expedite completion of this portion of the project ahead of the relocation of affected airlines.

PROJECT JUSTIFICATION:

The work planned under this project represents a critical component in supporting the broader airline relocation effort while also providing improved operational efficiency throughout the airport.

Project Objectives:

- Support the timely relocation of airlines
- Enable the Airport to gain more flexibility to maximize the use of Ticket Counters
- Minimize the cost to the Port of maintaining conveyors which have exceeded their operational lives.
- Reduce the cost to airlines as they relocate within the existing terminal facilities
- Provide 'like for like' facilities for airlines being relocated to new ticket counters.
- Eliminate the two existing C-22 EDS baggage screening machines that are manually operated allowing the TSA to utilize staff more efficiently.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

Phase 1:

Replace the ticket counter conveyors and declines that currently make up the TC3 location adjacent to the C22 ticket counter. The TC3 section feeds the C1 baggage system. Although not in use at the present, this section of conveyor will be used as part of the pending airline relocation initiative. Design will be completed using an existing IDIQ for Baggage Handling System Design Services.

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Phase 2:

Reroute the current C22 conveyor in the bagwell after the merge point of the C22-Curbside and C22-Ticket Counter belts, to a conveyor that feeds into the C1 BHS pre-screening. Demolish a section of abandoned conveyor adjacent to the C22 conveyor. Replace the C1-MK1 baggage make-up device in preparation for daily use as a result of the airline relocation initiative. Provide a Central Ticket Counter odd size conveyor feed down to the C22 bag screening area.

Schedule:

Phase 1 – TC3 Ticket Counter

Design Phase 1	March-May 2011
Purchase Conveyor Equipment	May-July 2011
Phase 1 Work Start	July 2011
Phase 1 Work Complete	December 2011

Phase 2 – C1-MK1, C22 BHS to C1, and Central Oddsize

Design for Phase 2	May-September 2011
Authorize Advertisement for Phase 2	August 2011
Advertise Bid Phase 2	September-October 2011
Award Bid Package 2	November-December 2011
Phase 2 Work Start	December 2012
Phase 2 Work Complete	May 2013

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Budget	\$5,335,000
Revised Budget	\$5,335,000
Previous Authorizations	\$0
Current request for authorization	\$1,731,000
Total Authorizations, including this request	\$1,731,000
Remaining budget to be authorized	\$3,604,000

Project Cost Breakdown:

	<u>This Project</u>	<u>Total Project</u>
Construction Costs	\$841,000	\$3,598,000
Sales tax	\$43,000	\$337,000
Outside professional services	\$540,000	\$540,000
Aviation PMG and other soft costs	\$307,000	\$860,000
Total	\$1,731,000	\$5,335,000

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Budget Status and Source of Funds:

This project is included in the 2011-2015 capital budget and plan of finance as a business plan prospective project within CIP #C800411, Terminal Realignment. The scope and budget for this project has been transferred to a new CIP, CIP # C800382. The funding source will be the Airport Development Fund and/or existing 2010 bond proceeds.

Financial Analysis and Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$5,335,000
Business Unit (BU)	Terminal – Airline Equipment
Effect on business performance	NOI after debt service will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$0.03 by 2013, but no change to business plan forecast as this project was included.

Lifecycle Cost and Savings:

Based on current information, annual operating and maintenance costs will not change. This will be further analyzed after the design is complete.

ENVIRONMENT AND SUSTAINABILITY:

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources. The project will facilitate greater utilization of the C1 Baggage systems which is the most current and up to date baggage system at the Airport thus reducing the potential environmental impact of major new construction.

STRATEGIC OBJECTIVES:

This project promotes the Port's strategic goals to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions" by providing the airlines with greater facility flexibility. Flexible operations will allow for greater and more efficient utilization of the Airport's existing facilities.

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Air carriers have continually vied for increased market share since the passage of the Airline Deregulation Act of 1978 thereby driving nearly constant change in their facility requirements. Creating a flexible, common-use environment allows carriers and the Airport to spend fewer capital dollars remodeling facilities as market conditions change. More carriers are able to share the same facilities without continual redesign and construction to customize the operating environment to their specific proprietary needs. This also increases total Airport through-put rates, in a finite sized terminal, as passenger volumes continue to increase.

BUSINESS PLAN OBJECTIVES:

The Aeronautical business strategy aims to strike a right balance between meeting the needs of our airline customers and the traveling public through cost effective means. Minimizing new construction by making new operational improvements with up-to-date equipment and technology helps to minimize costs to the airlines. The use of technology and thoughtful long-term planning are key elements of the strategy.

TRIPLE BOTTOM LINE SUMMARY:

This project saves the Port the cost of continuing to maintain and repair obsolete conveyor equipment, maintains the drive by the Port to standardize conveyor equipment and provides the flexibility the Airport needs to operate more efficiently. The traveling community will also benefit from increased airline availability to modern, functional baggage equipment.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

ALTERNATIVE 1: Proceed with design for the C22 connection to C1 BHS, C1-MKI replacement, TC3 conveyor replacement, purchase conveyor equipment, and authorize the use of Port crews to complete Phase 1. This request seeks a single Commission authorization to move forward with design of Phase 1 and Phase 2, and Phase 1 construction. We will return to the Commission to request authorization to advertise and award the remaining Phase 2 work. **This is the recommended action.**

ALTERNATIVE 2: Do nothing: Leaving the baggage systems as-is will further complicate several already complex operational arrangements, negatively impact implementation of the airline relocation effort, and will negatively impact daily baggage operations for many carriers and the travelling public throughout the Airport. This action is not recommended.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Map – Phase 1 & Phase 2 work area.

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PREVIOUS COMMISSION ACTION:

On January 25, 2010, Port Commission was briefed on the Airline Realignment Program as part of the request for authorization for the Concourse D Common Use project.