

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5b

ACTION ITEM

Date of Meeting March 27, 2012

DATE: March 16, 2012

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Passenger Loading Bridge Replacement Project – Airline Realignment (C800467)

Amount of This Request: \$1,570,000 **Source of Funds:** Existing revenue bonds

Est. State and Local Taxes: \$99,000 **Est. Construction Jobs Generated:** 13

Total Project Cost: \$14,850,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to: (1) execute a contract to purchase one new passenger loading bridge (PLB) for Gate B1; (2) execute contracts to purchase proprietary and long-lead components required to refurbish one PLB at Gate B11; and (3) advertise and execute one major works construction contract to install one new PLB at Gate B1 and to refurbish one PLB at Gate B11 for the amount of \$1,570,000.

SYNOPSIS:

The Commission has been briefed on the Terminal Realignment program several times. This project represents the continuation of the one-time realignment of air carrier operations that is taking place at the Airport over the next two years and was included in the 2012-2016 capital budget and plan of finance.

Due to this realignment effort, two airlines are scheduled to begin operations at gates on Concourse B where there is either not currently an existing PLB (Gate B1) or where there is a PLB that is currently owned and maintained by another airline (Gate B11). This project will install a new PLB at Gate B1 where one does not currently exist. It will also purchase and refurbish the 23 year old, airline-owned PLB at Gate B11 thereby bringing it up to current code and Airport PLB standard.

A previous request in the amount of \$6,700,000 for the first phase of this work was approved by the Commission on February 22, 2011, and included PLB design services, the purchase of new PLBs, and the advertisement and execution of one major works contract to replace, refurbish and relocate PLBs at Concourse D in support of the first stage of the overall airline gate reallocation effort.

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This request includes the Passenger Loading Bridge – Airline Realignment scope of work located on Concourse B. The total cost of the Passenger Loading Bridge – Airline Realignment project at Seattle-Tacoma International Airport (Airport) is \$14,850,000.

This PLB installation and refurbishment construction procurement documents will require 6% participation by small contractors and suppliers (SCS) as identified by the Office of Social Responsibility.

BACKGROUND:

The previous authorization associated with this CIP requested approval for the PLB replacement, refurbishment and relocation work at Concourse D. This project continues the next phase of PLB Replacement – Airline Realignment work for the two affected gates at Concourse B. It further advances the Airport's objective to standardize on John Bean Technologies AeroTech/Jetway PLBs and components.

Approval for subsequent realignment PLB work at the North Satellite will be requested from the Commission at a later time.

PROJECT JUSTIFICATION:

The work planned under this authorization represents the next phase in a time-critical sequence supporting the broader airline realignment effort while also providing improved operational flexibility and efficiency at the Airport.

PROJECT STATEMENT AND OBJECTIVES:

Project Statement:

In order to accommodate the airlines to be relocated under this phase of the airline realignment effort, one new PLB will be installed at Gate B1 where there is not currently an existing PLB. In addition, one PLB at Gate B11 that was manufactured in 1989 and is currently owned by Continental / United Airlines will be purchased by the Airport and refurbished to extend its operational life for up to 20 more years. This PLB has been evaluated by Aviation Maintenance and determined to be a good candidate for refurbishment as opposed to replacement. Given the current economic climate, the refurbishment of PLBs becomes a more attractive option than outright replacement since a PLB can be refurbished for approximately half the price of one PLB replacement.

Project Objectives:

- This project advances the Airport's goal of standardizing airport owned PLBs for a common use environment.
- The refurbishment of PLBs that have reached the end of their service life will result in decreased maintenance costs while extending the useful life of the PLBs and thereby allowing the Airport to more cost effectively provide upgraded equipment at more gates.
- Refurbishing PLBs instead of replacing them keeps approximately 20 tons of demolition debris per refurbished PLB out of the waste stream.

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PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

This scope of work will take place at Concourse B and includes:

- The design for the work at Gate B1 and B11 to be accomplished using an existing indefinite delivery, indefinite quantity (IDIQ) service agreement for PLB design services.
- The purchase of one new PLB to be provided as owner furnished equipment for installation at Gate B1 by a major works contractor.
- Coordination between the PLB design consultant and John Bean Technologies AeroTech to develop a list of proprietary long-lead components to be purchased by the Port for the PLB refurbishment at Gate B11. These items will be provided to a major works contractor as owner-furnished equipment. Nonproprietary long-lead equipment and components associated with the refurbishment at Gate B11 will be furnished and installed by a major works contractor.
- Installation, testing and commissioning by a major works contractor of one new PLB and associated equipment and components at Gate B1, to include installation of a new PLB foundation along with architectural, electrical, data, mechanical and infrastructure upgrades as necessary to meet new PLB standards and current code requirements.
- Renew / replace primary PLB systems, equipment, components and finishes at Gate B11 in order to meet new PLB standards and current code requirements.
- New PLB and PLB component purchases will utilize an existing competition waiver allowing for sole source procurement of these items directly from the manufacturer.

Schedule:

<u>Activity</u>	<u>Dates</u>
Design	February 2012 - May 2012
Authorize Advertisement	March 2012
Advertise Bid Package	June 2012
Award and Execute Bid Package	July 2012 - August 2012
Work Start	September 2012
Work Completed	February 2013

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

	<u>Capital</u>	<u>Expense</u>	<u>Total Project</u>
Original Budget	\$14,850,000	\$0	\$14,850,000
Current Budget	\$14,850,000	\$0	\$14,850,000
Budget Increases	\$0	\$0	\$0
Revised Budget	\$14,850,000	\$0	\$14,850,000
Previous authorizations for this CIP	\$6,700,000	\$0	\$6,700,000
Current request for authorization	\$1,570,000	\$0	\$1,570,000

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Total authorizations including this request	\$8,270,000	\$0	\$8,270,000
Remaining Budget to be authorized	\$6,580,000	\$0	\$6,580,000

Project Cost Breakdown	<u>This Request</u>	<u>Total Project</u>
Construction	\$1,125,000	\$10,897,000
Construction Management	\$54,000	\$518,000
Design	\$0	\$750,000
Project Management	\$54,000	\$518,000
Administrative Soft Costs	\$238,000	\$1,159,000
State and Local Taxes (estimated)	\$99,000	\$1,008,000
Total	\$1,570,000	\$14,850,000

Budget Status and Source of Funds

This project was included in the 2012-16 capital budget and plan of finance within CIP #C800467, Passenger Loading Bridge Replacement – Airline Realignment with a budget of \$14,850,000. The funding sources will include existing 2010 revenue bonds and future revenue bonds.

Financial Analysis Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$14,850,000
Business Unit (BU)	Terminal – Airline Equipment
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.10 by 2014, but no change to the business plan forecast as this project was included. The airlines will realize lower operating and maintenance costs.

Lifecycle Cost and Savings

Annual operating and maintenance costs have been calculated by Aviation Maintenance at approximately \$12,600 per PLB per year or a total of \$25,200 for the first year plus an estimated 3% inflation escalation thereafter. These values include labor and materials, and are estimated based upon actual costs from 2011 for similar newer Port-owned passenger loading bridges. The labor portion of the operating and maintenance costs for these two bridges may not reach the level indicated above because maintenance may not add staff when these two bridges are activated. Through multiple elements of the Airline Realignment Project, seven passenger loading bridges will be added to the list of PLB assets maintained by the Port by early 2013. As workload is increased with the addition of these assets, staffing additions will eventually be required. Through the utilization of continuous process improvement efforts, the addition of staff

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may be able to be delayed for at least a portion if not all of these PLB assets. The additional Airport costs are offset by the lower operating and maintenance costs realized by the airlines. The airlines will save operational costs because they are no longer paying to maintain the PLB assets. Rather they are shifting the maintenance costs to the Airport and they ultimately pay for the PLB maintenance through Airport rates and charges. The Airport will efficiently centralize the work to optimize the overall costs and will continue to pursue continuous process improvements to improve efficiency. **STRATEGIC OBJECTIVES:**

- By providing improved PLBs, this project supports the Port's strategic objectives to: Ensure Airport vitality by providing airlines with reliable and efficient gate services.
- Lead the U.S. airport industry in environmental innovation and minimize the Airport's environmental impacts.

ENVIRONMENTAL SUSTAINABILITY:

This project will install new equipment at one gate and refurbish the existing PLB at one gate to replace aging, less energy efficient equipment. Refurbishing PLBs instead of replacing them prevents up to 20 tons of demolition debris per bridge from entering the waste stream. New and refurbished PLBs employ the use of advanced electronics, materials and finishes that provide enhanced energy efficiency and improved air quality through:

- Installation of EnergyStar compliant equipment/components where applicable.
- Use of up to 30% pre-consumer recycled content in PLB flooring.
- Use of repurposed rubber from used aircraft tires for PLB control cab drive wheel assemblies.
- Use of No/Low VOC paints, adhesives and finishes wherever possible.
- Use of LED light fixture lamps in place of fluorescent lamps.
- Provision for increased passive ventilation in newly manufactured PLBs over older models.

BUSINESS PLAN OBJECTIVES:

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

Installation of new PLBs and the refurbishment of aging PLBs will provide reliable, high quality facilities for passengers and airlines. This translates into reduced overall maintenance costs, increased operational reliability and deferred future capital expenditures.

The Passenger Loading Bridge Replacement Project – Airline Realignment supports the Airport's Strategies and Objectives, namely:

- 'Ensure Airport and Seaport Viability' and 'Be a Catalyst for Regional Transportation Solutions' by providing the airlines with greater facility flexibility. Flexible gate operations will allow for greater and more efficient utilization of the Airport's existing resources.

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- ‘Operating a world class airport’ by managing our assets to minimize the long term cost of ownership.

TRIPLE BOTTOM LINE:

This project demonstrates environmental sustainability by replacing outdated, inefficient and unreliable PLBs and refurbishing viable existing PLBs. This will allow the Port to provide our tenants and the general public with the updated, dependable and more efficient equipment that they need to support and grow their business. The resulting improvement to the Port’s PLB inventory will promote net operating income through ongoing gate leases to airlines with a corresponding decrease in maintenance and capital expenditures.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative #1: Replace one PLB and refurbish one PLB at Concourse B in support of the ongoing airline realignment effort. Installation of a new PLB at Gate B1 where no PLB currently exists will provide greater flexibility of gate operations and allow for better and more efficient utilization of the Airport’s existing facilities. Refurbishing the aging PLB at Gate B11 is a cost effective alternative to outright replacement, will provide a like new appearance accompanied by approximately 20 years of additional service life. **This is the preferred alternative.**

Alternative #2: Continue to operate existing PLBs at Concourse B in their current configuration. Frontier Airlines is scheduled to be assigned to gate B1 in the realignment. Without a new PLB added to Gate B1, their operation cannot be accommodated. The PLB at gate B11 is currently owned and maintained by United/Continental. They will be relocated to Concourse A with the realignment and thus have no interest in owning and maintaining the B11 PLB. Hawaiian Airlines will be utilizing gate B11 after the realignment. Delaying the refurbishment of the PLB at Gate B11 will result in ever increasing maintenance costs, gate downtime and the risk of total PLB failure. When a PLB fails the affected gate position cannot be used to its fullest potential until repaired or replaced, both at considerable cost to the Port and significant impact to airline operations. This in turn would result in lost revenue, reduced ability to accommodate flights and would negatively impact major tenants by forcing airlines to possibly ground load passengers. This is not the preferred alternative.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On January 24, 2012, the Port Commission received a briefing on the Airport Realignment Program.

On January 24, 2012, the Port Commission authorized construction of Exterior Gate Improvements – Airline Realignment (C800472) in the amount of \$2,613,000.

On January 24, 2012, the Port Commission authorized design for CUSE at Ticket Counter/Gates & Seating (C800473) in the amount of \$484,000.

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On December 6, 2011, the Port Commission authorized construction of Baggage Handling System (BHS) Improvements – C22 BHS Connection to C1/C1-MK1 Replacement (C800382) at the Airport in the amount of \$3,604,000.

On December 6, 2011, the Port Commission authorized design of the Miscellaneous Building Improvements – Airline Realignment (C800475) at the Airport in the amount of \$1,721,000.

On December 6, 2011, the Port Commission authorized design of the Airline Tenant Improvements – Airline Realignment (expense) at the Airport in the amount of \$3,776,000.

On November 22, 2011, the Port Commission was provided with a verbal preliminary briefing of December 6, 2011, items with a diagram.

On September 27, 2011, the Port Commission authorized execution of an IDIQ contract for Airline Realignment Tenant Improvements and Ticket Counter Design services totaling \$10,000,000.

On September 12, 2011, the Port Commission received a summary briefing on the Airport Realignment Program at the Airport.

On June 14, 2011, the Port Commission authorized design of the Exterior Gate Improvements – Airline Realignment project (C800472) at the Airport in the amount of \$499,000.

On June 14, 2011, the Port Commission authorized design of the Airport Signage – Airline Realignment project (C800474) at the Airport in the amount of \$238,000.

On March 1, 2011, the Port Commission authorized design and some construction of the Baggage Handling System (BHS) Improvements - C22 BHS connection to C1/C1-MK1 Replacement /TC3 Replacement (C800382) in the amount of \$1,731,000.

On February 22, 2011, the Commission was briefed on the Passenger Loading Bridge Replacement – Airline Realignment Project (C800467). The first phase of this project was authorized by the Commission on this date and included providing PLB design services, the purchase new PLBs, as well as the advertisement and execution of one major works contract to replace, refurbish and relocate PLBs at Concourse D in support of the first stage of the overall airline gate reallocation effort.

On February 22, 2011, the Port Commission was shown a summary listing of realignment projects and authorized Planning for Terminal Realignment in the amount of \$713,000.

On January 25, 2011, the Commission was briefed on several projects, including this one, that are part of the overall airline realignment program and which required a single Commission authorization in order to meet the realignment schedule. The first part of the realignment program was authorized by the Commission on this date under the Concourse D Common Use Expansion Project (C800455).

On September 28, 2010, the Port Commission was given a summary briefing of the upcoming 2011 capital improvement plan that included the airline realignment program elements.

On July 9, 2010, the Commission was notified that the CEO would enter into a 5 year sole source contract with JBT AeroTech for the procurement of PLBs and PLB components. The Airport is

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standardizing on a single type of PLB. The justification memorandum attached to the July 9, 2010 notification outlined the benefits of the sole source contract that includes less spares inventory, interoperability of parts, not voiding warranties, standardizing training and generally lowering operating costs.

On June 8, 2010, the Port Commission authorized execution of an IDIQ contract for the Terminal Development Strategy Campus Planning Services IDIQ in the amount of \$1,300,000.