



Commissioners

Bob Edwards
Chair and President
Lawrence T. Molloy
Alec Fiskien
Patricia Davis
Paige Miller

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M.R. Dinsmore
Chief Executive Officer

An audio of the meeting proceedings and meeting materials are available on the Port of Seattle web site - <http://www.portseattle.org/about/organization/commission.shtml>

**APPROVED MINUTES
COMMISSION SPECIAL MEETING JULY 26, 2005**

The Port of Seattle Commission met in a special meeting at 12:00 p.m., Tuesday, July 26, 2005 in the International Conference Center, Airport Office Building, Seattle-Tacoma International Airport, Seattle, WA. Commissioners Davis, Edwards, Fiskien, and Miller were present. Commissioner Molloy was absent.

1. CALL TO ORDER

The special meeting was called to order at 2:05 p.m. by Alec Fiskien, Secretary.

2. EXECUTIVE SESSION

The meeting was immediately recessed to an executive session for approximately thirty-five minutes to discuss legal risk and potential litigation matters, and reconvened to public session.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

Commissioner Davis moved approval of the proposed minutes of the special meeting of June 28, 2005, without reading into the record. **Motion unanimously carried.**

4. SPECIAL ORDER OF BUSINESS

None.

5. UNANIMOUS CONSENT CALENDAR

None.

6. POLICY AND STAFF BRIEFING

a. CAPITAL PROJECTS STATUS REPORT

Presenter: Mark Reis, Managing Director, Aviation Division.

Presentation Documents: Mr. Reis' Commission Agenda-Policy and Staff Briefing Memorandum dated July 19, 2005 and computer slide presentation entitled, "Potential Project Deferrals, Aviation Capital Improvement Program (CIP), July 26, 2005".

As reported in the presentation document, the Port has a multi-billion dollar capital program that is approved by the Port Commission each year as part of its annual budget cycle. The Aviation Division's capital program is driven largely by the needs of the airlines that serve Seattle-Tacoma International Airport (STIA; Airport). The potential loss of passenger traffic from STIA affects the demand that is a significant driver for the capital program. Potential revenue reductions from the proposed loss of passenger traffic hinder the ability to continue the capital program as previously planned and scheduled.

A summary of topics reviewed by staff and Commission/staff discussion is as follows:

- CONTENTS
- BACKGROUND

Mr. Reis provided background information with respect to the July 28, 2005 announcement by Southwest Airlines about their negotiating with King County for a potential relocation of their air service from Seattle-Tacoma International Airport to Boeing Field. He reviewed Southwest Airline's current market share at STIA, and their proposal to grow their operations should they relocate.

Commissioners Davis, Miller and Edwards and Mr. Reis discussed the number of Southwest Airlines operations at STIA; the indication by the Alaska Air Group that in order for them to compete they would need to consider moving some of their operations to Boeing Field; and, load factors.

Mr. Reis advised that because of the current uncertainty on the issue, it was incumbent for staff to list the projects within the Airport capital program that may potentially need to be deferred or put on 'hold'. He stated that at this time staff is not ready for a Commission decision on any of these projects, but is suggesting these are the kinds of projects that the Commission would have to consider deferring if the situation continues into the future.

In response to Commissioners, Mr. Reis referenced the capital investment that has been made at the Airport over the last decade, the projected cost per enplanement (CPE) in 2009, and Commission and Executive direction in the early 1990's, and since, with respect to a focus on reducing the CPE; the process for airline approval of projects and

**PORT COMMISSION MINUTES OF THE REGULAR MEETING
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capital spending at the Airport and airline representation in that process, frequency of meetings, etc.; on-site Airline Technical Representative who is the daily liaison for the airlines with Port staff; Southwest Airlines participation in the capital spending review and airline lease negotiations; history of the Basic Airline Lease Agreement, its expiration and two-year extension due to the events of September 11, 2001; new two-year airline lease, which expires in 2005 agreed to by the Port and the airlines; airline Majority In Interest vote requirement in both leases with respect to capital spending; and that there are no lease restrictions preventing an airline from relocating to another airport.

- **CURRENT BUDGET PROJECTIONS**
- **COST PER ENPLANEMENT REDUCTION EFFORTS**

Commissioner Fiskien requested a breakdown of the Debt Service Coverage element of the CPE Buildup.

Commissioner Edwards and Mr. Reis discussed the process for communicating to the airlines about changes to the capital spending plan.

Commissioners Davis and Miller and Mr. Reis discussed the proposed CPE for Southwest Airlines in 2009; that is, \$9.66 in 2005 dollars.

Commissioner Fiskien and Mr. Reis discussed the 2009 Debt Service Coverage forecast as it relates to the CPE, efforts to increase non-airline revenue, and the new tentative lease agreement with the airlines that does not anticipate charging airlines debt service coverage.

Responding to Commissioner Davis, Mr. Reis distributed a one-page chart entitled, "Positive Correlation between Southwest Market Share and Fares (Source: US Department of Transportation OD1A Database)" and reviewed Southwest's yield and market share at various airports in 2004. He stated that the chart indicates places where Southwest Airlines has higher market share, they also have higher fares. Mr. Reis also discussed the yield for Southwest Airlines at STIA, noting it is lower as compared to other airports in their system.

Commissioner Davis suggested the implications of Southwest Airlines moving from STIA also include transportation and noise factors. Ms. Davis noted the Port has been reducing noise contours, buying homes, and insulating homes to reduce the noise impact. She questioned why transportation and noise impacts are not being talked about with respect to the Southwest Airlines issue.

Responding to Commissioner Edwards, Mr. Reis confirmed that comparing costs to the airlines at STIA with its peer airports around the country, the Airport CPE is in the mid-range of the comparison.

- **CRITERIA FOR PROJECT EVALUATION**
 - **MISSION CRITICAL**

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- COST REDUCTION
- GRANT OPPORTUNITY
- REVENUE INCREASE
- REGULATORY REQUIREMENT
- SECURITY
- IMMEDIATE OPERATIONAL NEEDS
- CONSTRUCTION STATUS

- **RECOMMENDATION: PROCEED**

In response to Commissioner Fiskien about the Third Runway project, Mr. Reis advised all capital projects were included in the assessment of the capital improvement program with respect to the analysis to proceed, defer, or hold. He stated the bad weather problem and its impact on Airport operations was one of the reasons for recommending the Third Runway project proceed.

- **RECOMMENDATION: REDUCE SPENDING**

Mr. Reis advised that during this period of uncertainty the total dollar amount of potentially deferred capital spending, outlined in the presentation document, is \$560-600 million. He confirmed, however, that if there is a sizable reduction of activity at STIA, staff would return to the Commission with a larger list of specific recommendations.

- **RECOMMENDATION: HOLD**

Mr. Reis advised the 'hold' would be over the next several months, stating, however, that when staff returns in the Fall (September) to the Commission with the proposed 2006 budget, if the uncertainty remains, Commission decision on deferring for one year would be needed. He advised that staff would have extensive discussions with the airlines before presenting the operating or capital budget to the Commission.

- *North Expressway Relocation*

Responding to Commissioner Miller, Mr. Reis advised that if there is a substantial decrease in the number of passengers flying into STIA, the North Expressway relocation would not be needed on the same conditions as originally planned. He stated it is staff's recommendation that it be acknowledged that the North Expressway would not be built for purposes of Airport traffic and would be additional costs to airlines already penalized by Southwest Airlines leaving STIA. Mr. Reis stated that design efforts now underway would not be deferred and would continue at full pace.

Commissioner Fiskien stated that if it is staff's recommendation to defer the North Expressway project, he would want a review of the other station options for Sound Transit that were considered at the time of the original project analysis. Mr. Fiskien expressed his view the project made sense in the context of the Comprehensive Development Plan (Plan); but if that Plan is not done, there would need to be a detail look

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at the other options. Mr. Reis advised that Sound Transit representatives, as well as Aviation Planning staff, would be brought in for that review.

Mr. Reis discussed Southwest Airlines and the percentage of the Seattle market in 2009, as it relates to load factors, in analyzing the capital spending plan.

- ***Rental Car Facility***

Mr. Reis confirmed that if the Rental Car Facility project is placed on 'hold', the rental car companies would be instructed to not collect the new Customer Facility Charge.

Mr. Reis summarized, at the request of Commissioner Miller, the impacts/risks to STIA that the time taken to study the proposal would have, including deferral of projects unnecessarily and customer impacts; impact on light rail to the Airport and the public investment the Port makes on behalf of the public and the airlines; private sector investment on Airport concessions or off airport parking and questions they have on whether to make investment or hold-off/short-term loss; and the impact on STIA negotiations with carriers for service, particularly international carriers, because of the lead time or advance work a carrier must have for a new route/STIA disadvantage to capture that market.

Responding to Commissioners Fisker and Edwards, Mr. Reis provided a history of the discussions, and attempted discussions, with Southwest Airlines since the rumors about Southwest Airlines and Boeing Field talks were first learned, and discussions with Southwest Airlines about the estimated 2009 cost per enplanement and on-going efforts to further decrease airline costs.

Commissioner Miller stated that while she understands the business model Southwest Airlines uses as a way to make money for their company, she does not understand why this region would agree that the move is a good idea. Ms. Miller stated the costs at Sea-Tac need to be paid by someone. She noted negative impacts that would be caused by Southwest Airlines relocating include impact to light rail at STIA, noise mitigation costs, split of Transportation Security Administration staff between the two airports, and additional costs for roadway improvements. Commissioner Miller stated that in her view that while the relocation may be a benefit to Southwest Airlines, there is no benefit to the region.

Following discussion, Commissioner Davis requested information about the legal obligations of airports relating to class of customer; that is, commercial, general aviation, cargo, etc.

7. MARINE ITEMS

a. **Request was presented for authorization for the Seaport Managing Director to terminate Lease No. L STD BDV 549 between the Port of Seattle and TRC Environmental Solutions Inc. (TRC) at Terminal 10.**

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Presenter: Larry St. Clair, Seaport Business Development.

Request Document: Mr. St. Clair's Commission Agenda Memorandum dated July 6, 2005.

As reported in the request document, on July 8, 2003, the Commission authorized a 31-month lease with TRC Environmental Solutions, Inc. at Terminal 10 (T10) for an approximate five acre site. TRC was acting as the in-water cleanup agent for the previous owner of the property, Lockheed Martin (Lockheed). Port staff had been involved in discussions with Lockheed since May 2002 to complete a plan for this in-water cleanup.

Lockheed proposed at the time that Lockheed pay the Port \$1.5 million in order to allow TRC access to the site for the cleanup and to compensate the Port for the demolition of the existing timber piers and wharves. In addition, Port staff requested, and the Commission authorized, \$300,000 for deepening of the berth area at the pierhead line from 20' to 24' by TRC, and the filling of a T10 shipway to create more upland acreage.

TRC has now completed the in-water cleanup, the deepening of the berth area, and the filling of the shipway. TRC has vacated the site, and now wants to terminate their lease. The original lease assumed an imputed value of \$.075/square foot per month in order to compute the leasehold excise tax due Washington State. This figure was used as it was originally named in the access agreement signed by the Port and Lockheed at the time of the purchase and sales agreement signed in April 1997. TRC pays this leasehold tax in the amount of \$2,097.51 per month. It is this on-going leasehold excise tax obligation that TRC wishes to avoid.

TRC and/or Lockheed are not making any claims at this time against the original payment of \$1.5 million to the Port, or to change the terms of our agreements. Therefore, this action would have no financial effect on the Port.

Authorization to proceed with termination could allow for revenue to be made from the property during the next six months through other tenants.

Commissioner Fiskien moved approval of Item 7a. **Motion unanimously carried.**

b. Request was presented for authorization to increase the authorized amount for Terminal 86 grain elevator conveyance modification by \$150,000, from \$1,550,000 to \$1,700,000.

Presenters: Michael Burke, Director, Cargo and Cruise Services, and Dakota Chamberlain, Manager, Seaport Project Management.

Request Document: Messrs. Burke and Chamberlain's Commission Agenda Memorandum dated May 10, 2005.

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As reported in the request document, in August 2001, Dreyfus requested that the Port make modifications to the elevator to be on-line for the arrival of the Fall 2002 harvest. At that time, they provided design documents, an estimate of construction of \$667,000, and a proposed budget of \$987,500. These documents were the basis of the original authorization request.

On January 22, 2002, the Commission approved a request for project-wide authorization for \$1,000,000 to construct modifications to the Terminal 86 grain elevator. These modifications are to allow bulk products to be elevated directly from the receiving scales to the shipping scales, eliminating movement into the bins and one elevation of the product. This streamlining of product handling expedites the shipping process, results in some electrical savings, and reduces the "breakage" (or downgrading in value) of the product. This modification primarily benefits the handling of corn and soybeans, which make up 100% of our market and are the commodities most susceptible to breakage.

This mechanical modification to the elevator allows Terminal 86 to maintain operational competitiveness with other elevators in Washington State that already have this capability. By keeping Terminal 86 competitive with other elevators, this improvement will help protect the Port's market share and revenue from the facility.

The project was advertised for bids on April 29, 2002 with a bid opening date of May 14, 2002. Only one bid was received and opened, that being from Dix Corporation for \$875,836.00.

To facilitate Dreyfus's request that the project be completed and on-line for the arrival of the Fall 2002 harvest, the Port planned, at that time, to pre-purchase critical long-lead items. The estimated cost of these items was \$330,000, making the total cost of construction \$1,205,836 (\$875,836+\$330,000) and a total estimated budget of \$1,560,287 (\$560,287 above the approved authorization). In consultation with Dreyfus, the Port reviewed the Contractor's bid, comparing it with the project budget and the Dreyfus consultant estimate, Dreyfus confirmed confidence in their estimate.

On February 25, 2003, the Commission authorized Port staff to reject the sole bid and re-advertise for bids and award a major construction contract for the Terminal 86 grain elevator conveyance modifications.

Port staff, working with Dreyfus and their engineering-consulting firms, restructured the project work and bid documents to encourage more participation from the contracting community. In the initial bid request a limited advertisement period and compressed construction schedule was required, which impacted the ability of the contractors to bid and complete the work. This was done to facilitate the tenant's desire to complete the work before the Fall 2002 harvest. The bid documents were restructured to include revised bidding and construction schedules as well as a reduction of the contracted work to reflect additional demolition work to be completed by Dreyfus prior to award of the major construction contract, with a goal of reducing the costs of the project. The revised

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bid documents allowed a 43-day advertising period and a 115-day construction period. The original bid documents included a 15-day period of advertisement and a 45-day construction period. Information provided by Dreyfus and their consultants indicated that construction costs would be \$884,500. Prior to bid opening, Port staff completed an independent estimate of construction costs of \$991,000.

The project was re-advertised for bids on March 28, 2003 with a bid opening date of May 9, 2003. Sealed bids were received and opened on May 9, 2003 and four bids were received. On June 2, 2003, the Port received a letter from the apparent low bidder requesting release from the project due to a gross error in their bid. On June 5, 2003, the Port responded and allowed the contractor to withdraw their bid.

On July 8, 2003, the Commission authorized Port staff to award the contract as bid and increased the authorization by \$550,000, from \$1,000,000 to \$1,550,000. The contract was awarded on July 23, 2003 and the Notice to Proceed (NTP) was issued on April 5, 2004. The tenant requested that no work be completed within the October to April shipping window. The NTP was delayed to accommodate this request. The contractor mobilized on June 14, 2004 and was on site until November 17, 2004. Critical items needed to complete the construction, specifically the tie in to the dust collection system and cutover to the new electrical system could not be completed without a facility shutdown. A shutdown of the facility is scheduled for 21 days beginning on July 10, 2005.

A shutdown of the facility was scheduled for July/August 2004. This opportunity was missed because critical contractor submittals had not been completed. Negotiations with the tenant identified the next opportunity as July/August 2005. In the interim, the contractor has been on site and completed work that did not require a shutdown, the current estimate is that the project is 85 percent complete.

During this extended project time we continued to incur costs for staff, outside services, and overhead as we worked with the customer and contractor, completed additional inspections to support the work shutdown, and managed the project over an extended period.

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

Previous Authorizations	\$1,550,000.00
Current request for authorization	\$150,000.00
Total Authorizations, including this request	\$1,700,000.00
Remaining budget to be authorized	0

Project Cost Breakdown

Construction costs	\$1,219,775.00
Sales tax	\$108,560.00

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Outside professional services	\$95,630.00
Other	\$276,035.00
Total	\$1,700,000.00

Source of Funds

The project is a committed capital project, CIP 101690. The funding source is the tax levy.

Commissioner Davis moved approval of Item 7b. **Motion unanimously carried.**

c. **Request was presented for project-wide authorization for the Deputy Managing Director, Seaport Division; Chief Engineer, Engineering Services; Director, Seaport Portfolio Management and Capital Development; Manager, Seaport Project Management; Director, Health Environmental and Risk Services; Manager, Procurement Services; and the Project Manager to execute contracts for outside professional services, prepare and submit permit documents, prepare final plans and specifications, pre-purchase materials, advertise and award major and small works contracts for fender replacement at Pier 91 in the amount of \$2,969,000.**

Presenters: Tino Salud, Manager, Cruise Services, and Ticson Mach, Seaport Project Manager.

Request Document: Messrs. Salud and Mach's Commission Agenda Memorandum dated July 26, 2005.

SCOPE OF WORK

The project will replace damaged creosote piling, fender system components, and walkway portions. Approximately one hundred (100) existing creosote-treated fender piling protecting the concrete piling supported pier structure at Terminal 91 are damaged and require replacement. This project includes design, permitting, and construction of the steel fender system located on Pier 91 West Berths H, I, and J.

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

Previous Commission Authorizations	\$0
Current request for authorization	\$2,969,000
Total Authorizations, including this request	\$2,969,000
Remaining budget to be authorized	None anticipated at this time.

Project Cost Breakdown

Construction Cost	\$2,320,000
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Environmental Review and Permit Applications	\$20,000
Design, Salaries and Overhead Costs *	\$418,000
Sales Tax	\$206,000
Other	\$5,000
Total	\$2,969,000

* Included in the Design, Salaries and Overhead Costs is current spending of less than \$100,000, which was approved for preliminary work under delegation of authority within the Seaport.

Source of Funds

The capital costs associated with the Berths H, I, and J Fender Replacement will be funded from C102478. This project is part of the committed Plan of Finance at an estimated cost of \$3,000,000 per year for harbor wide fender work. The source of funds for this CIP is the tax levy.

Commissioners Davis and Miller and staff discussed the design life of the fender pilings.

Commissioner Fiskien moved approval of Item 7c. **Motion unanimously carried.**

8. AVIATION ITEMS

None.

9. GENERAL BUSINESS

None.

2. EXECUTIVE SESSION

The meeting was then recessed to executive session for approximately 30 minutes to discuss litigation matters.

11. ADJOURNMENT

The special meeting was reconvened and immediately adjourned at 5:00 p.m.

(A digital audio recording of the meeting is available on the Port's website.)

Secretary

News



Port of Seattle Commission

Patricia Davis

Bob Edwards

Alec Fisker

Paige Miller

Lawrence T. Molloy

Chief Executive Officer

M.R. Dinsmore

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Port Commission

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Meeting, Agenda and

Mailing List Information

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Port of Seattle:

Creating Economic

Vitality Here

Business Strategies

for 2003-2007:

- Ensure Airport and Seaport Vitality
- Develop New Business and Economic Opportunities for the Region and the Port
- Enhance Public Understanding and Support of the Port's Role in the Region
- Be a Catalyst for Regional Transportation Solutions
- Be a Leader in Transportation Security
- Exhibit Environmental Stewardship through Our Actions
- Be a High Performance Organization

MEETING NOTICE

RELEASE: Immediate

DATE: July 22, 2005

CONTACT: Mick Shultz
(206) 728-3091

NOTICE

SEATTLE -- The Port of Seattle Commission will convene a special meeting at 2:00 on Tuesday, July 26, 2005 in the International Auditorium, Mezzanine Level South, Seattle-Tacoma International Airport, Seattle, WA. The special meeting will immediately recess to an executive session to discuss potential litigation and legal risk matters. **The special meeting will reconvene to open public session at 2:30 p.m.** An agenda begins on the reverse side. (This special meeting **replaces** the July 26, 2005 Commission regular meeting which would normally have been held at 12:00 p.m. in the International Auditorium, Mezzanine Level South, Seattle-Tacoma International Airport, Seattle, WA.)

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**Port of Seattle
Commission**

Patricia Davis
Bob Edwards
Alec Fisker
Paige Miller
Lawrence T. Molloy

Chief Executive Officer

M. R. Dinsmore

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Port of Seattle:
*Creating Economic
Vitality Here*

**Business Strategies
for 2003-2007:**

- Ensure Airport and Seaport Vitality
- Develop New Business and Economic Opportunities for the Region and the Port
- Enhance Public Understanding and Support of the Port's Role in the Region
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COMMISSION SPECIAL MEETING AGENDA

Port of Seattle

Seattle-Tacoma International Airport
Airport Office Building
International Auditorium
Mezzanine Level South
Seattle, WA 98158

SPECIAL MEETING

Date: Tuesday, July 26, 2005 at Seattle-Tacoma International Airport

ORDER OF BUSINESS

- | | |
|-----------|---|
| 2:00 p.m. | 1. Call to Order
Recess to: |
| | 2. Executive Session* |
| 2:30 p.m. | Call to Order or reconvene to Open Public Session |
| | 3. Approval of Minutes |
| | 4. Special Order of Business |
| | 5. Unanimous Consent Calendar** |
| | 6. Policy and Staff Briefing |
| | 7. Marine Items |
| | 8. Aviation Items |
| | 9. General Business |
| | 10. New Business |
| | 11. Adjournment |

1. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

2. EXECUTIVE SESSION - Pursuant to RCW 42.30.110, if necessary.

3. APPROVAL OF MINUTES

Minutes of special meeting July 12, 2005.

4. SPECIAL ORDER OF BUSINESS

5. UNANIMOUS CONSENT CALENDAR

6. POLICY AND STAFF BRIEFING

- a. Capital Projects Status Report. (Memo enclosed.)

7. MARINE ITEMS

- a. Authorization to terminate Lease No. L STD BDV 549 with TRC Environmental Solutions, Inc. at Terminal 10. (Memo enclosed.)

* An Executive Session may be held at any time after 1:00 p.m., if necessary.

** Unless otherwise requested by a Port Commissioner, all items under the Unanimous Consent Calendar will be considered a single item.

*** Cellular telephones and pagers should be off or on vibrate mode during the Public Session.

7. MARINE ITEMS continued

- b. Authorization to increase the authorized amount for Terminal 86 grain elevator conveyance modification by \$150,000, from \$1,550,000 to \$1,700,000. (Memo enclosed.)
- c. Project-wide authorization for fender replacement at Pier 91 in the amount of \$2,969,000. (Memo enclosed.)

8. AVIATION ITEMS

9. GENERAL BUSINESS

10. NEW BUSINESS

11. ADJOURNMENT

PUBLIC TESTIMONY PROCEDURES

- 1. Any person wishing to speak at a Port Commission meeting must register on a sign-up sheet and identify the specific agenda item to which he/she will speak before the agenda item commences.
- 2. The Commission does not take public testimony for non-action agenda items such as "Policy and Staff Briefings" or Work Session presentations.
- 3. An individual may testify on an agenda item for up to three minutes. Organization representatives may testify for up to five minutes.
- 4. Any person wishing to speak on a topic not appearing on an agenda may sign up to speak under "New Business". All testimony provided under "New Business" is limited to three minutes.
- 5. In the interests of time, the Commission Chair may limit the number of persons speaking on any topic or may limit testimony to those having new information or material to present.
- 6. The Commission Chair may alter the time allotments for testimony to ensure that more speakers have an opportunity to be heard.
- 7. The identity of each testifier will be noted in the meeting minutes. An individual or organization representative may have the text of his/her remarks appended to the Commission minutes by submitting a written text at, or before, the meeting. The appended written text will be preserved permanently.
- 8. All testimony is tape-recorded. Recording tapes are retained in Port files for a period of 3 years and are available upon written request for transcription or duplication during their respective 3-year retention period. A charge is assessed for tape transcription or duplication.
- 9. The Commission does not engage in discussion or debate with testifiers during commission meetings. Questions and requests for information or documents may be addressed to Port staff or to individual Commissioners outside of Commission meetings.



PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA – POLICY & STAFF BRIEFING

Item No.	6a
Date of Meeting	July 26, 2005

DATE: July 19, 2005

TO: M. R. Dinsmore, Chief Executive Officer

FROM: Mark M. Reis, Managing Director, Aviation



SUBJECT: Capital Projects Status Report

BACKGROUND

The Port of Seattle has a multi-billion dollar capital program that is approved by the Port Commission each year as part of its annual budget cycle. The Aviation Division's capital program is driven largely by the needs of the airlines that serve Seattle-Tacoma International Airport (STIA). The potential loss of passenger traffic from STIA affects the demand that is a significant driver for the capital program. Potential revenue reductions from the proposed loss of passenger traffic hinder the ability to continue the capital program as previously planned and scheduled.

The Policy and Staff briefing will identify the challenges and the actions staff is taking with regard to the capital program as a result of this period of uncertainty.



ITEM NO. 6a Supp

DATE OF
MEETING 7/26/05

POTENTIAL PROJECT DEFERRALS AVIATION CAPITAL IMPROVEMENT PROGRAM (CIP)

July 26, 2005



CONTENTS

- Capital Program Background
- Current Budget Projections
- CPE Reduction Efforts
- Criteria
- Staff recommendations:
 - Projects to continue
 - Projects with reduced spending
 - Projects 'to hold' pending annual budget process



BACKGROUND

- In 1999, Commission approved a \$2.6 billion Phase One CIP
 - Planning continued on additional projects for which staff did not then have firm budget estimates in June 1999
- Since 2001, many adjustments have been made due to dynamic airline situation
- 1999-2008 capital spending: ~\$4.1 billion

CURRENT BUDGET PROJECTIONS

PHASE ONE

	<u>1999 Budget</u>	<u>Scope Reductions</u>	<u>2005 Adjusted Budget</u>	<u>2005 Forecast</u>	<u>Uncommitted Contingency</u>
Third Runway	\$773		-	-	
All Other	<u>\$1,836</u>	(\$13)	\$1,823	\$1,814	\$9
Total Phase I	\$2,609				

CPE REDUCTION EFFORTS

	2009 Forecast		
<i>Year of Forecast</i>	2003	2005	Change
Total Airline Costs (\$000s)	<u>402,822</u>	<u>232,249</u>	<u>(170,573)</u>
CPE Buildup			
Aeronautical O&M	\$10.36	\$8.53	(\$1.84)
Equity amortization	1.30	0.30	(0.99)
Debt service	12.13	7.80	(4.33)
Debt service coverage	2.99	-	(2.99)
Port share of terminal	(1.69)	(1.70)	(0.02)
Other	-	(0.78)	(0.78)
CPE	<u>\$25.09</u>	<u>\$14.15</u>	<u>(\$10.95)</u>



CRITERIA for PROJECT EVALUATION

- Mission critical
- Cost reduction
- Grant opportunity
- Revenue increase
- Regulatory requirement
- Security
- Immediate operational needs
- Construction status



RECOMMENDATION: PROCEED

- Runway
- Stormwater
- Baggage Security
- S. 160th St. Loop
- Noise Program
- CDP Environmental
- Emergency Transformers
- Consolidated Maintenance Storage

RECOMMENDATION: REDUCE SPENDING

<u>Project</u>	<u>To Complete(\$million)</u>		<u>Notes</u>
	<u>Was</u>	<u>Now</u>	
ARFF Station Update	5	2.5	Remodel select areas - staffing levels, operational needs,
Fire Pad/Mock-up	6.3	0.8	Defer Pad, buy moveable mock-up
Aircraft Parking	12	1.5	Defer C#7 pad, proceed with C#2 pad enlargement
Energy Conservation	5.4	4.2	IRR: 8%; savings to airlines exceed costs; \$1.2 million state grant

RECOMMENDATION: REDUCE SPENDING

<u>Project</u>	<u>To Complete(\$million)</u>		<u>Notes</u>
	<u>Was</u>	<u>Now</u>	
Elevator Upgrades	4	2	Defer garage elevators; proceed with main terminal freight elevator
Common use terminal equipment	3.2	2	Anticipated allowance of \$500k/yr
Renewal/replacement/ new projects	140	100	Allowance of \$25 million/yr; to be refined through budgeting cycle

RECOMMENDATION: HOLD

<u>Project</u>	<u>To Complete(\$million)</u>	<u>Notes</u>
North Expressway relocation	85	Continue with design. Consider deferral if uncertainty remains at budget submittal to Commission
Noise: Burien North ATZ	28	FAA reimbursement uncertainty
Rental Car Facility	230	Slow design. Uncertain demand. Consider for deferral if uncertainty remains at budget submittal to Commission.
Parking Stall Count	1.2	Uncertain demand. Re-evaluate uncertainty when bids expire.

RECOMMENDATION: HOLD

<u>Project</u>	<u>To Complete(\$million)</u>	<u>Notes</u>
Noise: SeaTac South ATZ 17		FAA reimbursement uncertainty
Noise: T&C Mobile Home Parks	20	WSDOT/FAA funding uncertainty
Elec Power Centers, Feeders	11	Completes power system redundancy
Voice Paging System	12	
Airport Maintenance Facility	42	Driven by aircraft parking needs
Gateway Sea Tac "FIS"	13	
No. Satellite Seismic	10	

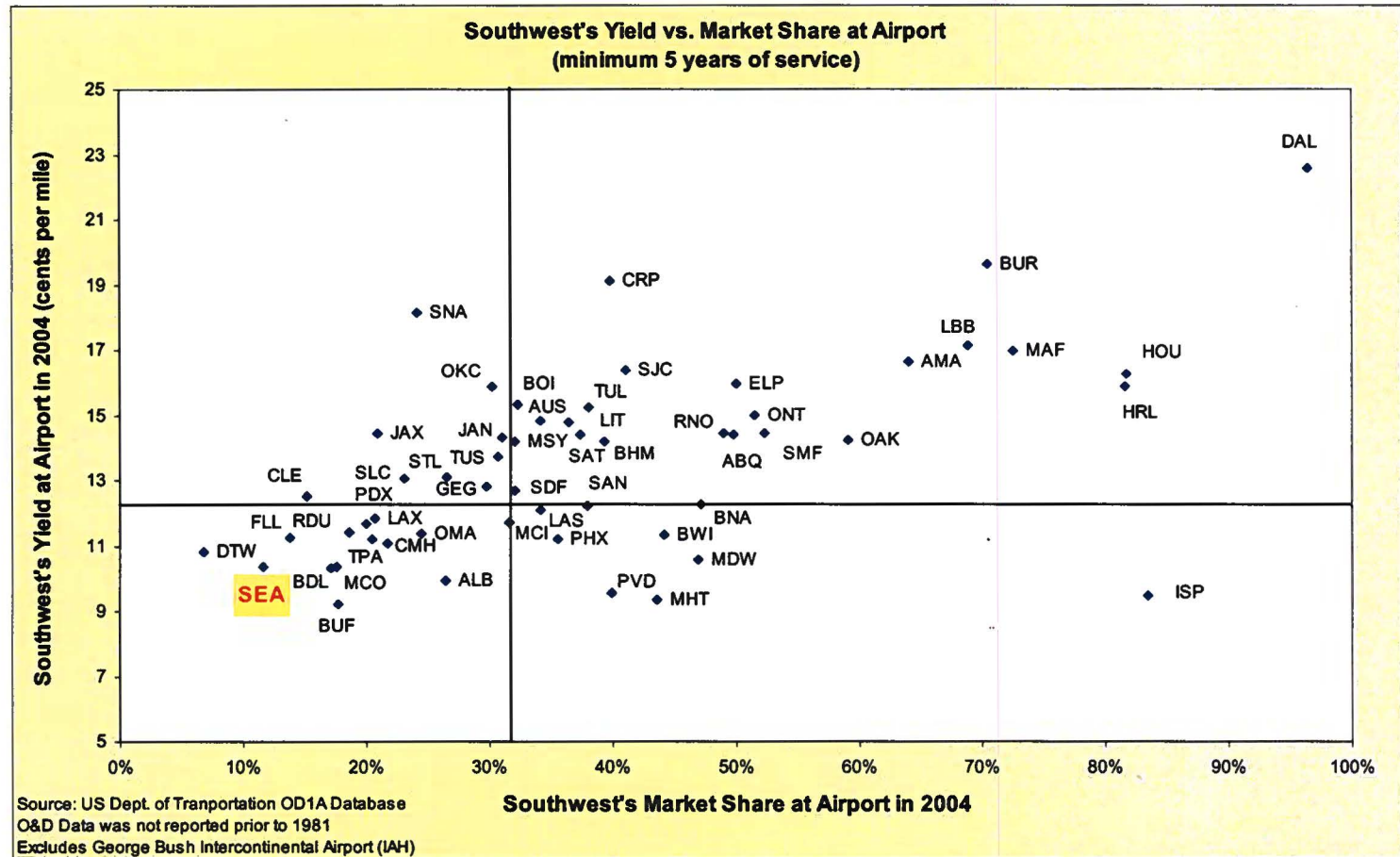


RECOMMENDATION: HOLD

<u>Project</u>	<u>To Complete(\$million)</u>	<u>Notes</u>
Garage Maint./Tunnel Seismic	10.5	
Restrooms "Phase 4"	10	Delayed from 2004
Terminal Smoke Management System	6	
35 Other Projects	83.5	

Positive Correlation between Southwest Market Share and Fares

- In markets where Southwest has a higher market share, it has higher airfares



ITEM NO. 6a Supp-2

DATE OF
MEETING 7/26/05



Airport Codes

<u>Airport Code</u>	<u>Airport</u>	<u>Airport Code</u>	<u>Airport</u>
ABQ	Albuquerque International Sunport Airport	LIT	Little Rock National Airport
ALB	Albany International Airport	MAF	Midland International Airport
AMA	Amarillo International Airport	MCI	Kansas City International Airport
AUS	Austin-Bergstrom International Airport	MCO	Orlando International Airport
BDL	Bradley International Airport	MDW	Chicago Midway International Airport
BHM	Birmingham International Airport	MHT	Manchester Airport
BNA	Nashville International Airport	MSY	Louis Armstrong New Orleans International Airport
BOI	Boise Airport	OAK	Oakland International Airport
BUF	Buffalo Niagara International Airport	OKC	Oklahoma City Airport
BUR	Burbank Bob Hope Airport	OMA	Omaha Eppley Airfield
BWI	Baltimore/Washington International Airport	ONT	Ontario International Airport (Ca.)
CLE	Cleveland Hopkins International Airport	ORF	Norfolk International Airport
CMH	Port Columbus International Airport	PBI	Palm Beach International Airport
CRP	Corpus Christi International Airport	PDX	Portland International Airport
DAL	Dallas Love Field Airport	PHL	Philadelphia International Airport
DEN	Denver International Airport	PHX	Phoenix/Sky Harbor International Airport
DET	Detroit City Airport	PVD	Providence International Airport
DFW	Dallas/Fort Worth International Airport	RDU	Raleigh/Durham International Airport
DTW	Detroit Metro Airport	RNO	Reno/Tahoe International Airport
ELP	El Paso International Airport	SAC	Sacramento Executive Airport
FLL	Fort Lauderdale Hollywood International Airport	SAN	San Diego International Airport
GEG	Spokane International Airport	SAT	San Antonio International Airport
HOU	Houston Hobby International Airport	SDF	Louisville International Airport
HRL	Harlingen/Valley International Airport	SEA	Seattle-Tacoma International Airport
IAH	Houston George Bush Intercontinental Airport	SFO	San Francisco International Airport
IND	Indianapolis International Airport	SJC	San Jose International Airport
ISP	Long Island Islip Macarthur Airport	SLC	Salt Lake City International Airport
JAC	Jackson Hole Airport	SMF	Sacramento International Airport
JAN	Jackson Municipal Airport (Miss.)	SNA	John Wayne Airport (Ca.)
JAX	Jacksonville International Airport	STL	St Louis International Airport

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 7a

Date of Meeting July 26, 2005

DATE: July 6, 2005

TO: M. R. Dinsmore, Chief Executive Officer

FROM: Larry St. Clair – Seaport Business Development 

SUBJECT: Request for Port Commission Authorization for the Seaport Managing Director to terminate Lease No. L STD BDV 549 between the Port of Seattle and TRC Environmental Solutions Inc (TRC) at Terminal 10.

BACKGROUND

On July 8, 2003, the Port of Seattle Commission authorized a 31-month lease with TRC Environmental Solutions, Inc. at Terminal 10 (T10) for an approximate five acre site. TRC was acting as the in-water cleanup agent for the previous owner of the property, Lockheed Martin (Lockheed). Port staff had been involved in discussions with Lockheed since May 2002 to complete a plan for this in-water cleanup.

Lockheed proposed at the time that Lockheed pay the Port of Seattle \$1.5 million in order to allow TRC access to the site for the cleanup and to compensate the Port for the demolition of the existing timber piers and wharves. In addition, Port staff requested, and the Commission authorized \$300,000 for deepening of the berth area at the pierhead line from 20' to 24' by TRC, and the filling of a T10 shipway to create more upland acreage.

TRC has now completed the in-water cleanup, the deepening of the berth area, and the filling of the shipway. TRC has vacated the site, and now wants to terminate their lease. The original lease assumed an imputed value of \$.075/square foot per month in order to compute the leasehold excise tax due Washington State. This figure was used as it was originally named in the access agreement signed by the Port and Lockheed at the time of the purchase and sales agreement signed in April 1997. TRC pays this leasehold tax in the amount of \$2,097.51 per month. It is this on-going leasehold excise tax obligation that TRC wishes to avoid.

TRC and/or Lockheed are not making any claims at this time against the original payment of \$1.5 million to the Port of Seattle, or to change the terms of our agreements. Therefore, this action would have no financial effect on the Port.

Authorization to proceed with termination could allow for revenue to be made from the property during the next six months through other tenants.

COMMISSION AGENDA

M. R. Dinsmore, Chief Executive Officer

July 19, 2005

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PREVIOUS COMMISSION ACTION

July 24, 1996 – Authorization to execute a purchase and sale agreement providing for the acquisition of certain real properties located at 2900 16th Avenue South and adoption of an Official Declaration of Intent to Reimburse Capital Expenditures with Bond Proceeds for Acquisition of Lockheed Yard 1 Property.

July 8, 2003 – Authorization for the Seaport Managing Director to execute a 31-month term lease with TRC, and to contract with TRC for \$300,000 in property improvements at Terminal 10.

REQUESTED ACTION

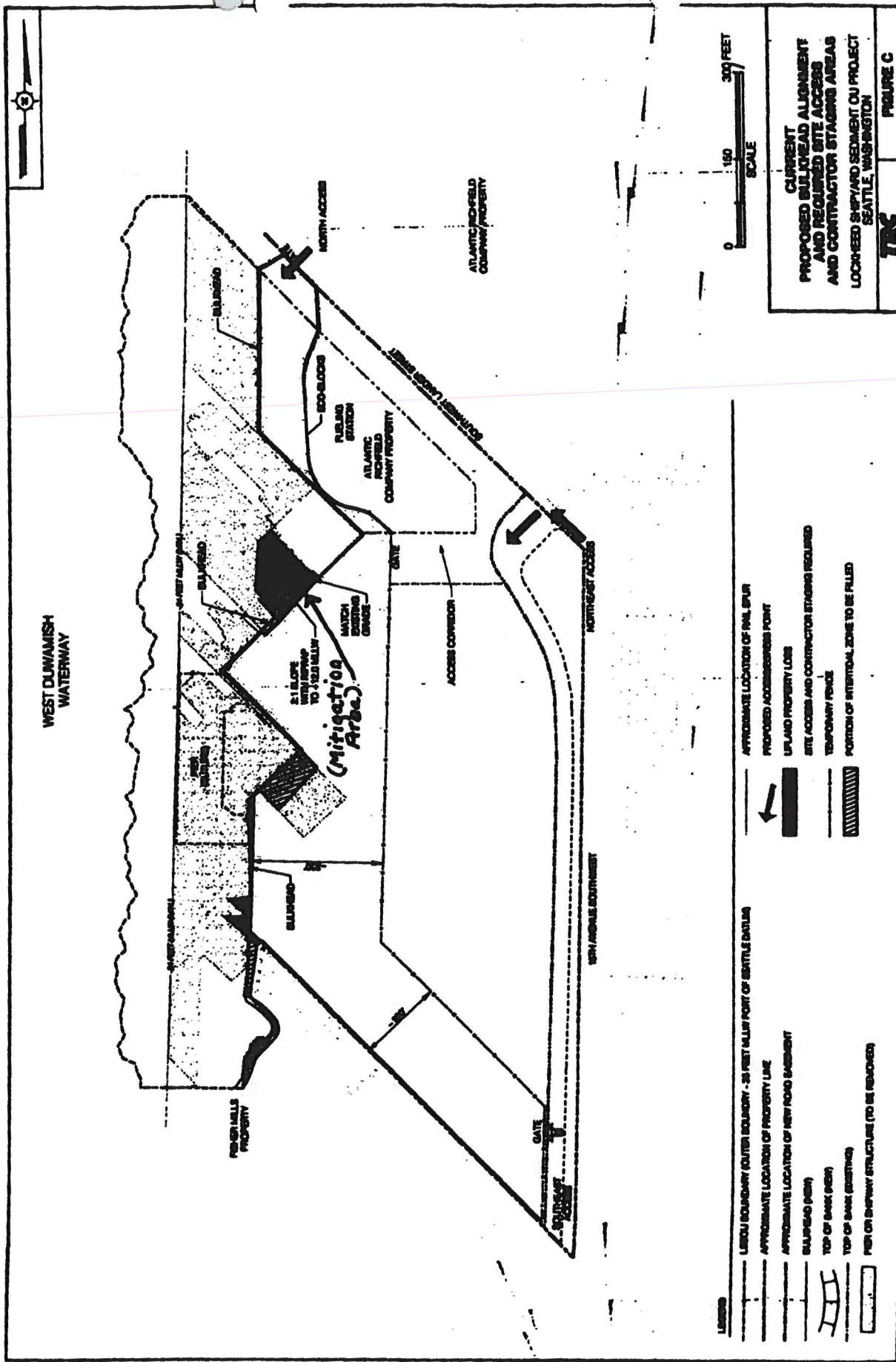
Authorization for the Seaport Managing Director to terminate Lease No. L STD BDV 549 between the Port of Seattle and TRC Environmental Solutions Inc (TRC) at Terminal 10

TRC →





.....



**CURRENT
PROPOSED BULWARK ALIGNMENT
AND REQUIRED SITE ACCESS
AND CONTRACTOR STAGING AREAS
LOCKHEED SHIPYARD SEDIMENT OIL PROJECT
SEATTLE, WASHINGTON**

TBC **FIGURE C**

EXHIBIT B



PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.

7b

Date of Meeting

July 26, 2005

DATE: May 10, 2005

TO: M. R. Dinsmore, Chief Executive Officer

FROM: Michael Burke, Director Cargo and Cruise Services
Dakota Chamberlain, Manager Seaport Project Management

MEB
Dakota

SUBJECT: Request for Port Commission authorization to increase the authorized amount for Terminal 86 grain elevator conveyance modification by \$150,000, from \$1,550,000 to \$1,700,000.

STRATEGIC OBJECTIVES

This project supports the Port's strategy to "Ensure Airport and Seaport Vitality" by maintaining the viability and productivity of the T86 Grain Terminal. The proposed modification will streamline product handling and will expedite the shipping process.

BACKGROUND

In 1971, the Port constructed the grain terminal facility at Terminal 86. Since that time this facility has generated significant income for the Port with minimal additional investment required on our part. In general, the facility is still in good operating condition but the current improvement is needed to keep it competitive with other grain terminals. Through April, grain volumes through Terminal 86 are up 40% over 2004 and revenue is up 67% over 2004 levels. Louis Dreyfus Corporation (Dreyfus) is our tenant and the current operator of Terminal 86.

In August 2001, Dreyfus requested that the Port make modifications to the elevator to be on-line for the arrival of the Fall 2002 harvest. At that time, they provided design documents, an estimate of construction of \$667,000, and a proposed budget of \$987,500. These documents were the basis of the original authorization request. On January 22, 2002, the Commission approved a request for project wide authorization for \$1,000,000 to construct modifications to the Terminal 86 grain elevator. These modifications are to allow bulk products to be elevated directly from the receiving scales to the shipping scales, eliminating movement into the bins and one elevation of the product. This streamlining of product handling expedites the shipping process, results in some electrical savings, and reduces the "breakage" (or downgrading in value) of the product. This modification primarily benefits the handling of corn and soybeans, which make up 100% of our market and are the commodities most susceptible to breakage. This mechanical modification to the elevator allows Terminal 86 to maintain operational competitiveness with other elevators in Washington State that already have this capability. By

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M. R. Dinsmore, Chief Executive Officer

May 10, 2005

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keeping Terminal 86 competitive with other elevators, this improvement will help protect the Port's market share and revenue from the facility.

The project was advertised for bids on April 29, 2002 with a bid opening date of May 14, 2002. Only one bid was received and opened, that being from Dix Corporation for \$875,836.00.

To facilitate Dreyfus's request that the project be completed and on-line for the arrival of the Fall 2002 harvest, the Port planned, at that time, to pre-purchase critical long-lead items. The estimated cost of these items was \$330,000, making the total cost of construction \$1,205,836 (\$875,836+\$330,000) and a total estimated budget of \$1,560,287 (\$560,287 above the approved authorization). In consultation with Dreyfus, the Port reviewed the Contractor's bid, comparing it with the project budget and the Dreyfus consultant estimate; Dreyfus confirmed confidence in their estimate.

On February 25, 2003, the Commission authorized Port staff to reject the sole bid and re-advertise for bids and award a major construction contract for the Terminal 86 grain elevator conveyance modifications.

Port staff, working with Dreyfus and their engineering-consulting firms, restructured the project work and bid documents to encourage more participation from the contracting community. In the initial bid request a limited advertisement period and compressed construction schedule was required, which impacted the ability of the contractors to bid and complete the work. This was done to facilitate the tenant's desire to complete the work before the Fall 2002 harvest. The bid documents were restructured to include revised bidding and construction schedules as well as a reduction of the contracted work to reflect additional demolition work to be completed by Dreyfus prior to award of the major construction contract, with a goal of reducing the costs of the project. The revised bid documents allowed a 43-day advertising period and a 115-day construction period. The original bid documents included a 15-day period of advertisement and a 45-day construction period. Information provided by Dreyfus and their consultants indicated that construction costs would be \$884,500. Prior to bid opening, Port staff completed an independent estimate of construction costs of \$991,000.

The project was re-advertised for bids on March 28, 2003 with a bid opening date of May 9, 2003. Sealed bids were received and opened on May 9, 2003 and four bids were received. On June 2, 2003, the Port received a letter from the apparent low bidder requesting release from the project due to a gross error in their bid. On June 5, 2003, the Port responded and allowed the contractor to withdraw their bid.

On July 8, 2003, the Commission authorized Port staff to award the contract as bid and increased the authorization by \$550,000, from \$1,000,000 to \$1,550,000. The contract was awarded on July 23, 2003 and the Notice to Proceed (NTP) was issued on April 5, 2004. The tenant requested that no work be completed within the October to April shipping window. The NTP was delayed to accommodate this request. The contractor mobilized on June 14, 2004 and was on site until November 17, 2004. Critical items needed to complete the construction, specifically

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M. R. Dinsmore, Chief Executive Officer

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the tie in to the dust collection system and cutover to the new electrical system could not be completed without a facility shutdown. A shutdown of the facility is scheduled for 21 days beginning on July 10, 2005.

A shutdown of the facility was scheduled for July/August 2004. This opportunity was missed because critical contractor submittals had not been completed. Negotiations with the tenant identified the next opportunity as July/August 2005. In the interim, the contractor has been on site and completed work that did not require a shutdown, the current estimate is that the project is 85 percent complete.

During this extended project time we continued to incur costs for staff, outside services, and overhead as we worked with the customer and contractor, completed additional inspections to support the work shutdown, and managed the project over an extended period.

PREVIOUS COMMISSION ACTION

On January 12, 2002 the Commission authorized \$1,000,000.

On February 25, 2003 the Commission rejected the sole bid and directed staff to re-advertise for bids and award a major construction contract.

On July 8, 2003 the Commission authorized an increase of \$550,000; increasing the project authorization to \$1,550,000.

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION

1. Do not approve the additional authorization and terminate the project, allowing the grain elevator to continue operating in the current configuration. This would place the Port of Seattle in a competitive disadvantage in handling grains like corn and soybeans which are susceptible to breakage from handling.
2. Request additional funding and complete the modifications to the grain elevator conveyance system. This is the preferred alternative.

PROJECT DESCRIPTION/SCOPE OF WORK

Project Statement: Install conveyance modifications at the Terminal 86 Grain Elevator.

Project Objectives:

- Improve terminal operations by streamlining product handling and expediting the shipping process.
- Reduce the "breakage" (or downgrading) of the product.
- Maintain operational competitiveness with other West Coast elevators.

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Scope of Work: Installation of conveyance modifications at Terminal 86 for product handling which will allow bulk products to be elevated directly from the receiving scales to the shipping scales, thus eliminating movement into bins and one elevation of product. This modification would primarily benefit handling corn and soybeans, which are the commodities most susceptible to breakage.

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

Previous Authorizations	\$1,550,000.00
Current request for authorization	\$150,000.00
Total Authorizations, including this request	\$1,700,000.00
Remaining budget to be authorized	0

Project Cost Breakdown

Construction costs	\$1,219,775.00
Sales tax	\$108,560.00
Outside professional services	\$95,630.00
Other	\$276,035.00
Total	\$1,700,000.00

Source of Funds

The project is a committed capital project, CIP 101690. The funding source is the tax levy.

Financial Analysis

No incremental revenue is created by this proposal. Accordingly, IRR/NPV is not applicable to analyzing the increased costs of the project.

CIP Category	Renewal/Enhancement
Project Type	Infrastructure Upgrades
Risk adjusted Discount rate	NA
Key risk factors	NA
Project cost for analysis	\$1,700,000
Business Unit (BU)	Cargo Cruise: Docks
Effect on business performance	No incremental revenue from the project. Total project will add approximately \$85K per year to depreciation expense. NOI after Depreciation for the Docks business unit is expected to be approximately negative \$(2.5)

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	million per year.
IRR/NPV	NA/\$(1,700,000)
CPE Impact	

In September 2004, the Port and Louis Dreyfus entered a new lease amendment reducing revenue to the Port in times of down grain markets and increases revenue in times of up grain markets. With near record volume in 2004, the new agreement resulted in approximately \$400K more in revenue to Port than would have been billed under the prior agreement. Thus far, 2005 is proving to be an even stronger year. Through April, grain volumes through Terminal 86 are up 40% over 2004 and revenue is up \$777K or 67% over 2004 levels. Also through April, revenues at Terminal 86 are \$745K favorable to the 2005 Budget.

ECONOMIC IMPACTS

No net new operating jobs are created by this proposal. However, current (2003) jobs impacts of grain operations are as follows:

JOBS	PERSONAL INCOME
Direct: 323	\$17,869,000
Induced: 206	\$17,530,000
Indirect: 242	\$9,238,000
Total: 771	\$44,638,000
BUSINESS REVENUE	\$128,792,000
POS REVENUE	\$2,578,000
LOCAL PURCHASES	\$22,533,000
STATE & LOCAL TAXES	\$4,419,000

ENVIRONMENTAL/COMMUNITY BENEFITS

This request for Commission authorization refers to activities necessary for installation of two bulk conveyors as a modification of existing conveyor systems at the Terminal 86 grain shipping facility.

SEPA review of the Terminal 86 conveyor modifications consisted of a SEPA exemption memorandum prepared March 29, 2001. Reviewing the proposed action and indicating that the conveyor system improvements are consistent with the Port's SEPA ordinance and State SEPA rules, as an exempted action provided for in WAC 197-11-8, (3), repair, remodeling, and maintenance activities. The conveyor system modifications did not require work within the

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shoreline designation and no shoreline or master use permit authorization was required. Building permit approval from the City of Seattle was received in April 2002.

Summary of environmental/community benefits:

- **Land:** Project improves the efficiency of grain product transshipment activities at the grain terminal, making direct transfer of grain products between delivery areas and marine vessels at the site. This allows for more flexible scheduling of arriving product streams, accomplishing more efficient use of land and marine-based transportation equipment. No expansion of use or change in capacity.
- **Air:** The conveyor system modifications obviate the need for "double-handling" of grain cargo, significantly reducing breakage of fragile grain products and reducing potential dust emissions. Conveyor system modifications are fully enclosed and linked with existing dust control equipment.
- **Water:** No change, all modifications within footprint of existing grain elevator structures and located more than 200 feet from shoreline.
- **Habitat:** No change.
- **Energy and natural resources:** Increased efficiency of cargo operations avoids energy requirements associated with "double-handling" of cargo and allows for modest energy savings.
- **Human factors:** No expansion of uses and activities at Terminal 86 and no increase in height or elevation of existing structure.

TRIPLE BOTTOM LINE SUMMARY

- **Financial:** No incremental revenue is created by this proposal.
- **Economic:** No net new operating jobs are created by this proposal.
- **Environmental:** Potential reduction in dust emissions and a modest energy savings.

PROJECT SCHEDULE

This project is scheduled to be complete on September 30, 2005.

REQUESTED ACTION

Request for Port Commission Authorization to increase the authorized amount for Terminal 86 grain elevator conveyance modification by \$150,000, from \$1,550,000 to \$1,700,000.

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.	7c
Date of Meeting	July 26, 2005

DATE: July 26, 2005

TO: M. R. Dinsmore, Chief Executive Officer

FROM: Tino Salud, Manager, Cruise Services 
Ticson Mach, Seaport Project Manager 

SUBJECT: Request for Commission project-wide authorization for the Deputy Managing Director, Seaport Division; Chief Engineer, Engineering Services; Director, Seaport Portfolio Management & Capital Development; Manager, Seaport Project Management; Director, Health Environmental and Risk Services; Manager, Procurement Services; and the Project Manager to execute contracts for outside professional services, prepare and submit permit documents, prepare final plans and specifications, pre-purchase materials, advertise and award major and small works contracts for fender replacement at Pier 91 in the amount of \$2,969,000.

BACKGROUND

Acquisition and development of Terminal 91 (then called Smith Cove Terminal) was one of the first projects undertaken by the newly formed Port of Seattle in 1911. Terminal 91 (T91) continues to be a center of Port activity supporting marine and marine related businesses.

Starting in 1990, Commission authorized improvements to Piers 90 and 91. The concrete apron at Berths H, I, & J (previously referred as Berths H & I) was completed in 1993, and the timber fender system was completed in 1994. The design life for the timber fender system is 10-years.

PREVIOUS COMMISSION ACTIONS

The Commission authorized \$26,275,000 in October 1990 for demolition of the existing timber apron, and construction of new concrete apron at Berths 4 & 6 (1,000 linear feet), and Berths H, & I (1,000 linear feet).

PROJECT DESCRIPTION/SCOPE OF WORK

In addition to the deterioration due to normal wear and tear, the fender system and walkway appear to be damaged by vessel impact and scraping along the western edge of the pier. The project will replace damaged creosote piling, fender system components, and walkway portions. Approximately one hundred (100) existing creosote-treated fender piling protecting the concrete piling supported pier structure at Terminal 91 are damaged and require replacement. This

COMMISSION AGENDA

M. R. Dinsmore, Chief Executive Officer

July 26, 2005

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project includes design, permitting, and construction of the steel fender system located on Pier 91 West Berths H, I, and J.

STRATEGIC OBJECTIVES

This project supports the Port's strategies to "Ensure Airport and Seaport Vitality" and to "Develop New Economic Opportunities for the Region and the Port." These upgrades will allow the Port to maintain existing customers and to support future growth and development of marine and marine related business at T91.

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION

Alternative 1: Do Nothing. The existing fender system, which includes timber fender piles and walkway is damaged. The concrete pier structure is in good shape, but with the existing fender system, the concrete structure is at risk for damages by vessels, the damaged structure could damage vessels, and there is risk of injury to individuals due to the damage on the fender system.

Alternative 2: Replace approximately 100 broken timber fender piles with steel fender piles. The fender piles protect the concrete pier structure at T-91, and provide a berthing area to continue to serve our existing customers. The cost of this option is about \$2,969,000. **This is the recommended option.**

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

Previous Commission Authorizations	\$0
Current request for authorization	\$2,969,000
Total Authorizations, including this request	\$2,969,000
Remaining budget to be authorized	None anticipated at this time.

Project Cost Breakdown

Construction Cost	\$2,320,000
Environmental Review and Permit Applications	\$20,000
Design, Salaries and Overhead Costs *	\$418,000
Sales Tax	\$206,000
Other	\$5,000
Total	\$2,969,000

* Included in the Design, Salaries and Overhead Costs is current spending of less than \$100,000, which was approved for preliminary work under delegation of authority within the Seaport.

COMMISSION AGENDA

M. R. Dinsmore, Chief Executive Officer

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Source of Funds

The capital costs associated with the Berths H, I, & J Fender Replacement will be funded from C102478. This project is part of the committed Plan of Finance at an estimated cost of \$3,000,000 per year for harbor wide fender work. The source of funds for this CIP is the tax levy.

Financial Analysis Summary

CIP Category	Renewal/Enhancement	
Project Type	Renewal and Replacement	
Risk adjusted Discount rate	8.5%	
Project cost for analysis	\$2,969,000	
Business Unit (BU)	Docks	
Effect on business performance	Fender rehabilitation will preserve some existing revenue from the berthing, on and off-loading, and servicing of vessels at berths H, I and J. Depreciation expense will increase resulting in a net decrease in NOI after Depreciation of \$60,000 per year.	
IRR/NPV	NPV \$(1.0 Million)	IRR 6.0%

ECONOMIC IMPACTS

Although this project by itself will not generate incremental economic benefits, it will enable the full and complete use of facilities that do generate large economic benefits. Almost 90% of the activity at Piers 90 and 91 in 2004 was fishing related. The 2003 Economic Impact Study shows that fishing and related activities at T-91 generated 3,061 direct jobs earning \$209 million in wages and salaries, 2,208 induced jobs and 475 indirect jobs. Local business received \$480 million of revenue from the purchases by the fishing fleet at T-91 and retail sales, and state and local governments received \$42.7 million in tax revenue.

ENVIRONMENTAL/COMMUNITY BENEFITS

The project was determined to be categorically exempt from SEPA as repair and maintenance. A Shoreline Exemption request has been filed with the City of Seattle. Replacing the damaged creosote timber piling with steel piling will enhance water quality and fisheries habitat in the area. The project includes the removal of approximately 100 existing creosote timber piling and their replacement with 100 new piles made of more environmentally benign materials (steel). The new design also allows much more light penetration which encourages fish passage beneath the dock.

COMMISSION AGENDA

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Overall environmental impact:

- Land—No change.
- Air—Slight negative impact during pile extraction and pile driving.
- Water—Slight improvement due to removal of creosote-treated wood piles.
- Habitat—Slight improvement due to removal of creosote-treated wood piles.
- Energy and natural resources—No change.
- Human factors— Slight negative impact due to noise during pile driving.

T91 is located between the Queen Anne and Magnolia Communities. Representatives of these two communities form the Neighbors Advisory Committee (NAC). The Port works with the NAC to ensure that we are meeting the conditions of our longstanding agreement with these communities and to ensure that the impacts from our improvements and operations are appropriately mitigated. The Port staff continues to keep NAC apprised of the proposed improvements. No community impacts are anticipated in the Design and Permitting Phase. The community impacts during construction will consist primarily of construction noise, pile driving using vibratory hammer and traffic.

TRIPLE BOTTOM LINE SUMMARY

This development will contribute to the ongoing favorable economic impacts and community benefits of the Terminal 91 facility.

PROJECT SCHEDULE:

60% design has been completed and the final design and permitting of the proposed project will be finalized immediately following Commission approval. It is anticipated that construction will occur in the last quarter of 2005 and first quarter of 2006.

REQUESTED ACTION

Request for Commission project-wide authorization as provided for in Resolution No. 3181, as Amended, Sections IV A.2 and V for the Deputy Managing Director, Seaport Division; Chief Engineer, Engineering Services; Director, Seaport Portfolio Management & Capital Development; Manager, Seaport Project Management; Director, Health Environmental and Risk Services; Manager, Procurement Services; and the Project Manager to execute contracts for outside professional services, prepare and submit permit documents, prepare final plans and specifications, pre-purchase materials, advertise and award major and small works contracts for fender replacement at Pier 91 in the amount of \$2,969,000.