

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA – POLICY & STAFF BRIEFING

Item No.	6c
Date of Meeting	June 24, 2003

DATE: June 24, 2003

TO: M. R. Dinsmore, Chief Executive Officer

FROM: David Soike, Director, Capital Improvement Program
John Rothnie, Program Leader, Third Runway

SUBJECT: Third Runway Project Budget Update

BUSINESS STRATEGIES for 2003-2007

The Third Runway project supports two of the Port of Seattle's Business Strategies in that it both helps to first, Ensure Airport and Seaport Vitality and second, Develops New Economic Opportunities for the Region and the Port by reducing congestion during poor weather operations that will enable airlines to operate safely and efficiently thereby reducing costs for their travelers.

BACKGROUND

It has been four years since the budget for the Third Runway Project was last presented to the Port of Seattle Commission. During those four years, progress has been made in construction despite delays that have impacted the project allowing only five million cubic yards of fill material to be imported out of a projected 17.5 million cubic yards required to construct the third runway embankment. In addition, nearly 500 properties have been acquired and Taxiway "C" has been constructed. The umbrella federal permit governing the remainder of the work has been issued (three years later than anticipated), including key state environmental approvals within that federal permit. However, the environmental permitting processes have taken much longer than expected, and environmental requirements have increased dramatically. There have been subsequent appeals and litigation regarding the environmental permits. Certain aspects of the environmental permit requirements were more stringent than on earlier projects, and the testing methods to identify acceptable fill material were not the accustomed tests. Following analysis of the severe impacts that the testing methods for fill imposed upon the Runway Project, the Port introduced legislation to enforce the state standard and accepted testing criteria for fill material. The legislation ratifying the state standard became law this spring.

Litigation is still pending in State and Federal courts, and because the outcomes are unknown, there is still uncertainty about what the final environmental costs will be. Therefore, estimates have been prepared that bracket the range of costs that may be required

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to complete the runway and open it for flight operations. Cost ranges are appropriate since it is not possible to clearly see four or five years ahead to accurately predict final costs. The costs ranges were prepared using information that is available today and using certain assumptions regarding testing methods of fill criteria.

PREVIOUS COMMISSION ACTION/REVIEW

On June 22, 1999, the Commission gave authorization to increase the project budget by \$186,000,000 from \$587,362,000, authorized in May 1997, to \$773,362,000. At that time, it was estimated permitting would be finalized by December 1999 and the project would be complete by Fall 2006.

SCOPE OF WORK

Accomplishments to Date:

- Acquired 497 parcels of property
- 5 million cubic yards of fill on-site
- Constructed Taxiway “C”
- Relocated radar equipment
- Relocated airfield facilities

Future work includes the following:

- Relocate Miller Creek and East 154th/156th Way
- Construct embankment and retaining wall
- Excavate to prepare runway site
- Complete environmental mitigation projects
- Build stormwater detention
- Build surface detection radar equipment
- Construct runway and connections to Taxiway “C”
- Construct navigational aids

FINANCIAL IMPLICATIONS

As of the end of 2002, \$361 million had been expended towards completion of the project leaving \$412 million remaining within the existing authorization. Forecasted estimates currently indicate the range of total cost for all work to be between \$1,108 million and \$1,153 million, assuming embankment work resumes in 2004 and progresses steadily toward a runway completion at the end of 2008. This range of costs considers a number of risks and assumptions. A primary assumption is that the next construction contract be advertised for bid in late summer or early fall to allow the embankment fill material to be tested to assure potential sources positively meet environmental standards.

If the advertisement is delayed, construction would be delayed another year. Although litigation and associated permitting issues are difficult to predict, the cost to complete the runway would rise as a result of escalation, potential added mitigation, and risk. The estimated total range of costs to complete the runway at the end of 2009 is between \$1,139 million and \$1,184 million.

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It is clear that if the project is further delayed beyond 2009, and if regulatory requirements continue to increase, then costs would likely continue to rise beyond the range identified for 2009.

Assuming advertisement for bids does occur in the coming months for a 2008 completion, the current forecasted range-of-costs are \$1,108 million to \$1,153 million which equates to a necessary budget increase of \$335 million to \$380 million. The figure of \$356 million falls near the midpoint within the projected range. To simplify multiple comparisons associated with each end of the range, this single estimating figure will be used to represent changes that have occurred over the last four years.

Components of the \$356 million estimate are noted below:

- Costs of delay -- \$55 million
- Additional environmental permit requirements -- \$151 million
- Market conditions -- \$20 million
- Project scope additions -- \$55 million
- Costs that were underestimated earlier in the project -- \$32 million
- FAA requirements -- \$10 million
- Program contingency -- \$33 million

COMMUNITY/CUSTOMER/ORGANIZATION IMPACTS

An efficient airport is a critical element in maintaining a healthy economy. The Third Runway is one of the region's most critical transportation projects and must be built as planned to accommodate demand during poor weather conditions. It was first called for in 1993 by the Puget Sound Regional Council, the agency responsible for regional transportation planning, to help fill the transportation needs of a growing regional population. The Third Runway will help keep the airport operating efficiently by allowing landings on two runways at the same time in all but the worst weather, reducing delays that cost airlines and travelers millions of dollars annually. Despite the current downturn in the air travel industry, Sea-Tac International Airport ("Sea-Tac") continues to need the Third Runway. Aircraft continue to be delayed at Sea-Tac where they must use a single runway for landings 160 days a year. Sea-Tac remains near its "practical capacity" of 380,000 annual operations. (Practical capacity is the point where delays become increasingly significant.) This is the same level we experienced in 1997, when—following a decade of planning—the Federal Aviation Administration gave final approval for the Port to build the runway.

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NEXT STEPS

Staff is proceeding with design to ready bid packages for advertisement in late summer or early fall of this year. The Commission will be notified prior to advertisement should any regulatory changes occur during that time.