

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 5c
Date of Meeting June 4, 2013

DATE: May 28, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Russ Read, Seaport Security Program Manager
Catherine Chu, Capital Project Manager, Seaport Project Management
SUBJECT: X-Ray Equipment for Seaport Cruise Operations at Pier 66 and Terminal 91
(CIP #800432)

Amount of This Request:	\$360,000	Source of Funds:	General Fund
Est. State and Local Taxes:	\$27,123	Est. Jobs Created:	N/A
Est. Total Project Cost:	\$360,000		

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to: (1) change the scope of the project to include the purchase of five tunnel x-ray machines; and (2) purchase and install up to a total of five large tunnel x-ray machines for the cruise terminals at Pier 66 and Terminal 91 for a total amount not to exceed \$360,000, of which \$236,520 may be eligible for reimbursement by the federal government through the fiscal year 2009 Department of Homeland Security Seaport Security Grant program, with a required Port of Seattle funding match of \$123,480.

SYNOPSIS:

This request is the result of a change in scope to a previously authorized project. This new project to purchase up to five x-ray machines to screen baggage at the cruise terminals replaces the operation and maintenance portion of a previously authorized Seaport Security Grant Program. If the Department of Homeland Security does not approve the Port's request to amend the grant agreement for this change in scope, staff would not proceed with this project without additional reviews and approvals by the Commission.

BACKGROUND:

As part of its efforts to increase security and reduce risk at the nation's strategic and economically important seaports, the Department of Homeland Security (DHS) established the Port Security Grant Program (PSGP) in fiscal year 2002. Since 2002, the Port of Seattle has received over \$20,000,000 in grant funding to improve its security program. Projects to build infrastructure and install security cameras throughout the Seaport division, mostly funded by DHS grants under the fiscal year 2006 and fiscal year 2007 grants, were recently completed.

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On November 8, 2011, the Port Commission approved a project under PSGP fiscal year 2009 and fiscal year 2010 to (1) purchase eight to ten police vehicles, a police dive van, and a mobile incident command vehicle; and (2) provide systems maintenance and perform project management to carry out the fiscal year 2009 and fiscal year 2010 PSGP for a total cost of \$2,146,843 with \$1,757,199 eligible for grant reimbursement. The police vehicles, dive van and mobile incident command vehicle have since been procured. Total cost to date is \$1,507,505, with a balance of \$639,338 in authorized funds remaining. Of those remaining funds, there is \$236,520 of unobligated grant funds to fund Port of Seattle Information and Communications Technology (ICT) operations and systems maintenance (O&M). The Port has applied to DHS for a modification to the grant agreement to allow the Port to use that remaining grant funding to purchase up to five large tunnel x-ray machines for the cruise terminals at Pier 66 and Terminal 91. It is anticipated DHS will approve the modification with sufficient time to procure the equipment within the constraints of the grant requirements.

Since this is a change of scope from the original project authorized by the Commission on November 11, 2011, this request is treating the project to purchase x-ray machines as a stand-alone new project for a total of \$360,000. The original project budget approved by the Commission on November 8, 2011, will be reduced by \$360,000 accordingly.

PROJECT JUSTIFICATION:

Project Objectives:

- Ensure the Port's cruise terminals have adequate security screening equipment
- Comply with procurement policies and procedures
- Comply with DHS grant requirements
- Minimize financial impact to the Port

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

This request includes all costs (both grant-funded and Port-funded) to procure and install up to five large tunnel x-ray machines.

Schedule:

The procurement process will begin following DHS approval for grant modification and Port Commission approval, and is expected to be completed by the end of 2013.

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FINANCIAL IMPLICATIONS:

<i>Budget/Authorization Summary:</i>	Capital	Expense	Total Project
Original Budget	\$0	\$0	\$0
Previous Authorizations	\$0	\$0	\$0
Current request for authorization	\$360,000	\$0	\$360,000
Total Authorizations, including this request	\$360,000	\$0	\$360,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$360,000	\$0	\$360,000

<i>Project Cost Breakdown:</i>	This Request	Total Project
Equipment Purchase	\$285,500	\$285,500
Port Soft Costs	\$47,377	\$47,377
State & Local Taxes (estimated)	\$27,123	\$27,123
Total Request	\$360,000	\$360,000
Total Expected DHS Reimbursement	\$236,520	\$236,520
Total Expected Cost to Port	\$123,480	\$123,480

Budget Status and Source of Funds:

This project will be paid for from the general fund. Fiscal year 2009 DHS security grants will be used to cover 75% of the direct costs of the machines (\$236,520). The Port will be responsible for 25% of that cost plus all internal overhead and administrative costs (\$123,480).

Financial Analysis and Summary:

CIP Category	Renewal and Enhancement
Project Type	Renewal and Replacement
Risk adjusted discount rate	NA
Key risk factors	Grant funding is not approved. X-Ray machines cost more than expected.
Project cost for analysis	\$360,000
Business Unit (BU)	Cruise and Maritime Operations
Effect on business performance	There are no incremental revenues as a result of this project. This project will allow the Port to replace 12-year-old x-ray machines at a post-grant cost of \$123,480. Annual depreciation of \$36,000 will occur for 10 years.
IRR/NPV	NA

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Lifecycle Cost and Savings:

The x-ray machines to be purchased have an expected usable lifetime of approximately 10 years. By utilizing Port of Seattle funding to match the federal grant funding the Port will save up to \$236,520.

STRATEGIC OBJECTIVES:

This project supports the Port's strategy to "advance this region as a leading tourism destination and business gateway" through enhancing safety by providing needed security equipment for the cruise operations.

BUSINESS PLAN OBJECTIVES:

- Provide a safe and secure environment for cruise vessel passengers, staff and the public.
- Maintain compliance with U.S. Coast Guard Regulations for screening of passenger baggage as required under Title 33, Code of Federal Regulations Part 105.290.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternatives to procuring new x-ray machines include:

- Refurbish the existing x-ray machines that are two years beyond their useful life expectancy for an unknown cost and unknown probability of continued functionality. This is not the recommended alternative.
- Purchase up to five additional x-ray machines with available federal grant co-funding. The option ensures on-going secure and efficient operation at the cruise terminals at minimal cost to the Port. **This is the recommended alternative.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- November 8, 2011 – Port Commission approved seaport security grant program: multiple security grant authorizations (CIP #800432 and CIP #800433), for a total of \$2,146,843.