

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 5c
Date of Meeting May 14, 2013

DATE: May 6, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Wayne Grotheer, Director, Aviation Project Management Group
SUBJECT: Additional Authorization: Common Use Lounge Remodel project CIP C800203

Amount of This Request: \$3,903
Source of Funds: Airport Development Fund
Est. Total Project Cost: \$1,064,943

ACTION REQUESTED:

Request Commission ratification of \$3,903 for costs already incurred in excess of current authorization to reconcile final costs for the Common Use Lounge Remodel project at the Seattle-Tacoma International Airport.

SYNOPSIS:

The Port accelerated the remodel of the former Delta Air Lines lounge on concourse level of the South Satellite in late 2011 to accommodate a March 1, 2012, opening of a new Common Use Lounge that would be ready for occupancy when Emirates Airline started service in March 2012. The project team met the ambitious schedule deadline. Additional costs for acceleration were included in the previous request to advertise and award the major construction contract; however, funds included in that authorization request fell just short of actual costs once the capital project was completely closed out. This request reconciles the final project costs with Commission budget authorization.

BACKGROUND:

The Common Use Lounge Remodel capital project was already underway and design was nearly complete in late 2011 when the project team was asked to accelerate the work so that the new lounge would be open and ready for business by March 1, 2012, when Emirates Airline was scheduled to start service. The original construction completion date was in July 2012 so the project team worked quickly to identify which aspects of the project could be accelerated to remove over four months from the schedule. Port staff determined that our design consultants would need to work overtime to meet our new schedule, plus additional Port staff hours would be needed to support the 24-hour per day construction schedule the accelerated project allowed. Estimated additional costs for these services were included in the budget with the request for Commission authorization to advertise and award the major capital contract. The project was

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successfully completed by March 1, 2012, and the resulting lounge product has been well received by our international travelers and airlines that utilize it. Unfortunately, the Port's final estimates for the accelerated project were slightly underestimated. As a result, final close out costs in early 2013 pushed the project just over the Commission authorized amount for the overall project.

We have examined the causes for this budget exceedance and believe it is a combination of the following factors:

- End of year financial closeout and other financial and project management priorities were such that financial aspects of this project were not being reviewed monthly, per normal procedures, by the project manager and cost engineer starting late in 2012, nine months after the facility went into use.
- While a risk of budget exceedance was noted in late 2012, we did not expect this to happen. The updated estimates of project completion costs provided at that time by staff in other departments still working on the project proved to be too low.
- In the continuing effort to improve the accuracy of our budget estimates, we run a higher risk of cost overruns as we adjust budgets during the life of the project to be as close to expected final costs as possible. By returning project savings earlier, reducing project contingencies and similar actions, we help to better manage the overall finances of the capital improvement program but do increase this risk accordingly.

We will review these circumstances with Aviation Project Management staff and with other department directors in Capital Development Division to raise awareness of the importance of budget tracking and accurate estimating as projects near closeout. We are also examining staffing needs in the project controls area given increasing project management workload and reporting requirements.

FINANCIAL IMPLICATIONS:

	<i>Capital</i>	<i>Expense</i>	<i>Total</i>
Original Budget	\$1,061,000	\$0	\$1,061,000
Budget Increase	\$3,903	0	\$3,903
Revised Budget	\$1,064,903	0	\$1,064,943
Previous Authorization	\$1,061,000	0	\$1,061,000
Current request for authorization	\$3,903	0	\$3,903
Total Authorizations	\$1,064,903	0	\$1,064,903

This project was included in the 2011-2015 Capital Budget and Plan of Finance. The budget increase of \$3,903 will be transferred from C800404 Aeronautical Allowance. The funding source is the Airport Development Fund.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- None.

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- October 11, 2011 – Commission authorization for advertisement and award of a major contract for the Common Use Lounge project for \$740,675.
- March 1, 2011 – Commission authorization of design and furnishings procurement for the Common Use Lounge for \$320,325.