

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 5d
Date of Meeting February 25, 2014

DATE: February 18, 2014

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Federal Inspection Services (FIS) Short Term Improvements project at Seattle-Tacoma International Airport (CIP #C800426)

Amount of This Request:	\$208,000	Source of Funds:	Airport Development Fund
Total Authorized Project Cost Including this Request:	\$1,912,000		
Est. State and Local Taxes:	\$90,700		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to 1) increase the budget for the FIS Short Term Improvements project by \$208,000 and 2) execute a major public works construction contract with the low responsible bidder, notwithstanding the low bid exceeding the engineer's estimate by more than 10 percent. The new authorized total project cost will be \$1,912,000.

SYNOPSIS

The Commission authorized advertisement for bids for the FIS Short Term Improvements project on December 10, 2013 and recently authorized an increase to this project's budget on January 28, 2014 to account for higher than anticipated project costs identified late in design. However, when the five contractor bids received were opened on January 29, 2014, the lowest responsible bid, from Skanska USA, exceeded the engineer's estimate by nearly 20%. This represents a bid irregularity requiring further Commission action prior to contract award in accordance with Section 4.2.3.4 of Resolution No. 3605, as amended by Resolution No. 3628. The additional authorization of \$208,000 represents the difference between the engineer's estimate and the lowest bid, plus sales tax, construction contingency amounts, and added staff costs.

Port staff has carefully reviewed the project scope in light of these increased costs and has determined that this project remains critical to effective management of international air operations until the new International Arrivals Facility is built in 2018. Recent installation of Automated Passport Control kiosks have increased throughput for Customs Declaration

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processing, but this has moved the bottleneck down to the FIS exit. The Airport's current Federal Inspection Services (FIS) facility will still exceed capacity in Summer 2014. The wayfinding walls, queue management and public address system installed as part of this project will help mitigate some capacity issues by moving passengers more efficiently as they exit the facility.

BACKGROUND

On July 24, 2012 the Port of Seattle Commission authorized design of the FIS Short Term Improvements project with a total budget of \$1,041,000. On December 10, 2013 the Commission authorized construction and a revised total budget of \$1,141,000. Budget changes between these two actions were the result of scope revisions and updated estimates based on design progression. On January 10, 2014 the project was advertised for construction bids based on a 90% design estimate in an effort to accelerate the project for a pre-Summer rush completion. A pre-bid meeting and site tour was held on January 16, 2014 with several prime contractors in attendance. On January 28, 2014 the Commission authorized an additional \$563,000 for additional direct construction costs and soft costs identified in the final estimate received while bid documents were being prepared.

Five construction bids were received and opened on January 29, 2014 with Skanska USA identified as the apparent lowest responsive bidder with a bid of \$614,000. The Port's engineer's estimate for the project was \$513,000. The difference between the engineer's estimate and the low bidder exceeds 10%, necessitating this Commission authorization request. The remaining four bids received ranged from \$711,000 to \$860,000. Adding sales tax and construction contingency to the difference between the engineer's estimate and the low bidder plus associated project management and construction management soft costs brings the request to \$208,000.

Port estimating staff have reviewed the engineer's estimate and identified some factors that may have contributed to the bid difference, including, but not limited to, underestimated costs for: 1) demolition work in a confined, below-grade area of the South Satellite, 2) custom wall panel fabrication, and 3) contractor mobilization and de-mobilization associated with closing up and protecting the work area after each shift since the work occurs in an active area of the airport. In light of the number of bids received (five bids represents a significant response from the construction "marketplace") and the range of their prices, Port staff believes the bid price received from Skanska USA to be fair and reasonable. Staff also considered whether any scope could be deleted or if all bids should be rejected, but has determined that all scope will be critical to effective management of international air operations starting in Summer 2014 and that the bids received accurately reflect the cost of the work.

PROJECT JUSTIFICATION AND DETAILS

The Port Commission recently authorized additional funds for project costs that were not adequately represented in the construction authorization approved by the Commission in December 2013. Now that construction bids have been received the project team now believes that our January 28, 2014 request did not include sufficient direct construction costs for

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demolition work, custom wall panels or daily contractor mobilization and de-mobilization. The lowest responsive bid received by Skanska USA is the basis of this request for additional authorization.

Project Objectives

The project scope has not changed since it was advertised for bid and includes minor facility improvements at the FIS international corridor, passport control and baggage claim levels of the South Satellite to increase throughput and improve conditions for waiting passengers.

Major Contract Scope of Work

Improvements to way-finding and passenger traffic control in the bag claim level of the FIS at the secondary inspections exit to the TSA checkpoint and the Satellite Transit System. Improvements include new and revised exit path guide walls with exiting graphics, a new ceiling soffit and lighting additions along the exit path.

Small Works Scope of Work

Installation of fixed-to-floor stanchions throughout the international corridor;
Installation of a new public address system in the international corridor and an upgrade of the existing public address system in the passport control area;
Addition of minimal seating or a leaning rail in the international corridor for waiting passengers.

Schedule

Begin Design	3rd Qtr 2012
Begin Construction	1st Qtr 2014
Small Works Construction Completion	2nd Qtr 2014
Major Contract Construction Completion	3rd Qtr 2014
Project Close Out Completion	1st Qtr 2015

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$31,700,000	\$0	\$31,700,000
Previous Budget Decrease	(\$30,559,000)	\$0	(\$30,559,000)
Previous Budget Increase	\$470,000	\$93,000	\$563,000
Current Budget Increase	\$208,000	\$0	\$208,000
Revised Budget	\$1,819,000	\$93,000	\$1,912,000
Previous Authorizations	\$1,611,000	\$93,000	\$1,704,000
Current request for authorization	\$208,000	\$0	\$208,000
Total Authorizations, including this request	\$1,819,000	\$93,000	\$1,912,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$1,819,000	\$93,000	\$1,912,000

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Project Cost Breakdown

	This Request	Previous Authorization	Total Project
Construction	\$146,000	\$994,000	\$1,140,000
Construction Management	\$30,000	\$160,700	\$190,700
Design	\$0	\$275,000	\$275,000
Project Management	\$19,000	\$188,000	\$207,000
Permitting	\$0	\$8,600	\$8,600
State & Local Taxes (estimated)	\$13,000	\$77,700	\$90,700
Total	\$208,000	\$1,704,000	\$1,912,000

As originally envisioned, this project would have expanded the capacity of the existing FIS in order to bridge the gap until a new international arrivals facility could be built at some time in the future. Because the Airport's new International Arrivals Facility will be completed more quickly than first anticipated, the need to expand the existing FIS has diminished. Therefore, the scope of this project has been reduced to include only elements deemed absolutely necessary to expand throughput of the existing facility while the new facility is built. Previous authorizations included approval of design fees on a scale for a larger (\$37 million) project that will not be necessary for this much smaller project.

Budget Status and Source of Funds

The FIS Short Term Improvements CIP #C800426 was included in the 2014-2018 capital budget and plan of finance with a budget of \$1,141,000. A budget increase of \$208,000 (in addition to the previously approved increase of \$470,000) is necessary due to higher than anticipated construction bids for major contract work. The budget increase will be transferred from the Aeronautical Allowance CIP #C800404 resulting in no net change to the Airport capital budget. The funding source for this project is the Airport Development Fund.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$1,912,000
Business Unit (BU)	Federal Inspection Services (FIS) Cost Center
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.03 in 2015. All costs will be recovered through increased FIS rate paid by airlines using FIS facility.

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Lifecycle Cost and Savings

The improvements will be amortized over a relatively short period (four years) reflecting a 2018 completion date for a new International Arrivals Facility (IAF). These improvements will not result in any significant changes to ongoing maintenance costs.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Re-bid the project as currently scoped. Port staff’s analysis of the engineer’s estimate and the five bids received indicate that it’s likely we’d receive similar high bids if the project was advertised for bid for a second time. Re-bidding the project would also further delay completion beyond the end of the busy 2014 summer season. This is not the recommended alternative.

Alternative 2) – Reduce project scope to meet previously authorized budget. Project staff reviewed all aspects of the project scope after the high bids were received and determined that, although there were a few scope areas where efficiencies could be gained, the project as currently scoped represents the minimum improvements needed to facilitate efficient international air operations until the new IAF can be built. The team will carefully monitor budgets and soft costs as work progresses. This is not the recommended alternative.

Alternative 3) – Authorize an additional \$208,000 and award the major construction contract to Skanska USA, the lowest responsible bidder. This alternative preserves all necessary project scope and best facilitates the project schedule. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- January 28, 2014 – Additional authorization and \$563,000 in funding for the FIS Short Term Improvements project.
- December 10, 2013 – Authorization to advertise a major contract for the FIS Short Term Improvements project
- November 5, 2013 – Automated Passport Control (APC) Kiosks project authorization
- July 23, 2013 – Sea-Tac International Airport International Arrivals Facility (IAF) Preliminary Authorization for \$3,500,000.
- July 9, 2013 – Sea-Tac International Airport IAF Briefing.
- July 9, 2013 – Alternative Public Works Contracting Briefing.
- April 9, 2013 – Sea-Tac International Airport IAF Briefing.
- July 24, 2012 – Authorization of Short Term FIS Improvements design for \$284,000.
- June 26, 2012 – Airport Terminal Development Challenges at Seattle-Tacoma International Airport.
- June 14, 2011 – International Air Service Growth and Future Facility.

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- January 25, 2011 – Authorization of planning, pre-design work and execution of a design contract for the FIS Mid-Term Improvements Phase 1 for \$475,000.
- February 2, 2010 – Briefing on South Satellite Passenger Growth and Facility Considerations, Delta's Proposed Airline Lounge and Other Possible Future Aviation Projects.