

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.** 6b  
**Date of Meeting** May 13, 2014

**DATE:** May 5, 2014  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Michael Ehl, Director, Airport Operations  
Wayne Grotheer, Director, Aviation Project Management  
**SUBJECT:** International Window Wall Ticket Counters for Seattle-Tacoma International Airport (C800490)

<b>Amount of This Request:</b>	\$826,000	<b>Source of Funds:</b>	Airport Development Fund and Existing Revenue Bonds
<b>Est. Total Project Cost:</b>	\$5,636,000		
<b>Est. State and Local Taxes:</b>	\$304,000		

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to: (1) increase the budget for the International Window Wall Ticket Counters project (C800490) by \$826,000 for increased design and construction costs, bringing its total cost to \$5,636,000; and (2) issue a change order for this same project's construction contract, MC-0317526, to extend the contract duration by up to 75 days to complete changed work on the project. The total amount of this request is \$826,000, of an estimated total project cost of \$5,636,000.

**SYNOPSIS**

The International Window Wall Ticket Counters project has suffered cost growth in both construction and design. Construction cost growth can be traced to design quality issues, safety changes, and schedule delays. Design cost growth includes responding to construction issues and design of a self-bag drop system. The additional contract time of up to 75 days is needed to reconcile the construction schedule impacts that resulted from the design changes. This request will be sufficient to close out the project.

**COST GROWTH**

Despite the design and construction challenges, the International Window Wall Ticket Counters project opened to the public on February 18, 2014. It is operating with four international airlines using it regularly: ANA, Hainan Airlines, Emirates, and EVA Air. The project met its goal of providing additional check-in capability to allow greater capacity for both existing and future international carriers, making provisions for a future self-service bag drop system and extending the flexibility of the C60/C61 baggage systems.

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This project construction contract was composed of two CIPs. CIP C800382 provided baggage connectivity between the C60 and C61 baggage systems and did not suffer cost growth. C800490 provided new ticket counters and baggage belt and requires additional budget to complete it.

The added construction costs of \$384,000 can be attributed as follows:

- Design quality issues account for approximately .....65%
- Safety related changes account for approximately .....13%
- Varying site conditions account for approximately .....6%
- All other changes account for approximately .....16%

The added design costs of \$436,000 can be attributed as follows:

- Project design changes account for approximately .....10%
- Added construction support accounts for approximately .....20%
- Re-design of the baggage belt to prepare it for a future self-service bag drop system (included in the project scope) accounts for approximately ....15%
- Design for a self-service bag drop system purchase and installation (not included in the project scope) accounts for approximately .....55%

## **HISTORY**

On December 11, 2012, the Port Commission authorized advertisement and construction of the International Window Wall Ticket Counters project. The total amount requested for CIP C800490 was \$4,810,000. Contract MC-0317526 executed with the successful bidder, PCL Construction Services, Inc., was in the amount of \$3,431,700.00. This represented a savings of over \$600,000 compared to the engineer's estimate. Construction started in May 2013.

During construction, issues surfaced that were not adequately addressed in the contract documents. For instance, elements of the design needed changing to conform to energy code requirements. The amount of insulation was not sufficient. Another example was, as the contractor removed the baggage claim ceiling in order to place new structural steel components for the floor above, it was found that a significant amount of existing electrical service was an obstruction in the work area, making access to the site for the new steel extremely difficult. The structural steel was re-designed to be simpler and require less effort to install. As the structural steel took a long time to produce for the contractor, this extended the project construction schedule.

The contractor has submitted numerous requests for additional compensation due to changes during construction on this contract. For instance, adding insulation to meet the energy code provisions required some of the exterior walls to become larger. This had a knock-on effect of requiring the building metal cladding to be re-sized and re-ordered. The baggage system motor control panel required changes to its construction in the field as its required components could not fit within it. In order to provide a safe working environment for ongoing maintenance, the design was changed to a new larger single panel in a different location rather than two separately located panels. The existing structure of the building entrance vestibules did not match expectations. This varying site condition required changes to the design in the field as well.

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Further, the contractor has submitted a request for additional time and delay costs as well. Port staff is evaluating each of these requests and has executed change orders for some. Staff anticipates additional change orders to be negotiated and executed along with resolution of the delay issue all within this revised budget amount.

As a result of these construction difficulties, the construction contract has required several time extensions totaling 109 days to date. Staff is currently negotiating with the contractor another time extension of up to 75 additional days to complete change order work that requires a long-lead ordering period. The exact number of days needed will be dependent on the supplier's delivery schedule, which staff is confirming. Once the negotiation of the change is complete, staff will need to execute a change order for the actual number of additional days needed.

The design contract for this project experienced significant cost increases as well. Some increases were due to design changes to the project, such as re-design of the baggage belt to prepare it for a future self-service bag drop system and providing a new communications room. During construction, additional costs were incurred under this design services contract to respond to the construction issues that arose.

Because of the low bids and the resulting savings to the project, and before the full magnitude of the construction cost impacts were known, the project team sought to reallocate the savings and prematurely pursued the full design and purchase of a baggage self-service drop system for this end of the airport ticket lobby. This included design for this system in this project site as well as an adjacent ticket lobby that was determined to be optimal for this service. The complete design of this system and its procurement at either location were both out of the authorized scope of and funding for this project. Therefore, the design work for this system has stopped and no baggage self-drop system will be purchased or installed as part of this project. Port staff will be able to utilize the designs completed to date in a future project at a later date, subject to future consideration by the Commission.

Included in this additional funding request is \$260,000 worth of work that is necessary to complete the project but has not yet been undertaken. This work includes project scope elements that still need to be completed per the original scope, and project scope additions deemed necessary to improve the safety and security performance of this project. Original scope items are completion and installation of new flight information displays and changes to the ticket counter lighting. Potential project scope additions are: access control treatment of the baggage belt door, installation of lighting in the bag well, and cord covers for overhead power cords. If this authorization request is approved, then this work would be undertaken and completed. If this authorization request is not approved, then this work would not be completed as a part of this project. Some elements could be completed using other means, such as through separate small projects or using operating budget funds.

## **PROJECT JUSTIFICATION AND DETAILS**

The installation of 14 ticket counter positions and bag drop conveyor along the wall opposite the international ticket counters is complete and operational. This request is for additional funding to complete and close out the project.

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### ***Project Objectives***

- Complete the remaining work of the International Window Wall Ticket Counters project.
- Conclude the contracts with PCL Construction Services, Inc. and OAC Services, Inc.

## **FINANCIAL IMPLICATIONS**

The total estimated cost for this project is \$5,636,000 as shown below:

<b><i>Budget/Authorization Summary</i></b>	<b>Capital</b>	<b>Expense</b>	<b>Total Project</b>
Original Budget	\$4,025,000	\$0	\$4,025,000
Previous budget increase	\$785,000	\$0	\$785,000
Current budget increase	\$826,000	\$0	\$826,000
Revised budget	\$5,636,000	\$0	\$5,636,000
Previous Authorizations	\$4,810,000	\$0	\$4,810,000
Current request for authorization	\$826,000	\$0	\$826,000
Total Authorizations, including this request	\$5,636,000	\$0	\$5,636,000

<b><i>Project Cost Breakdown</i></b>	<b>This Request</b>	<b>Total Project</b>
Design	\$436,000	\$1,410,000
Construction	\$384,000	\$3,922,000
Sales Tax	\$6,000	\$304,000
Total	\$826,000	\$5,636,000

### ***Budget Status and Source of Funds***

This project, CIP #800490, is included in the 2014-2018 capital budget and plan finance. The source of funds for this project includes existing revenue bonds and the Airport Development Fund. The budget increase will be transferred from the Aeronautical Allowance CIP (C800404) resulting in no net change to the Airport capital budget.

### ***Financial Analysis and Summary***

<b>CIP Category</b>	Renewal/Enhancement
<b>Project Type</b>	Customer Service
<b>Risk adjusted discount rate</b>	N/A
<b>Key risk factors</b>	N/A
<b>Project cost for analysis</b>	5,636,000
<b>Business Unit (BU)</b>	Terminal
<b>Effect on business performance</b>	NOI after depreciation will increase
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	CPE will increase by \$.02 in 2015. However, no change to business plan forecast as this project was included.

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### **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1)** – Authorize funds to cover work completed but not yet paid, which exceeds authorization, and complete none of the \$260,000 of further work (either in or out of current approved scope) for this project left to be completed but not yet undertaken. This alternative would reduce customer service by not providing flight information displays, and reduce security by not providing access control treatment to the baggage door. Safety items like lighting could be completed using other means. With this alternative, the request for authorization would be reduced to \$566,000 and a total estimated project cost of \$5,376,000. This is not the recommended alternative.

**Alternative 2)** – Authorize funds to cover work completed but not yet paid, which exceeds authorization, and complete only the items of further work which are in the current approved scope to be completed but not yet undertaken. This alternative would maintain customer service by providing flight information displays, but reduce security by not providing access control treatment to the baggage door. Safety items like lighting could be completed using other means. With this alternative, the request for authorization would be reduced to \$729,000 and a total estimated project cost of \$5,539,000. This is not the recommended alternative.

**Alternative 3)** – Authorize completion of the International Window Wall Ticket Counters project as requested including additional scope items and cover expenditures that have exceeded authorization. This will result in a complete project that maintains customer service by providing flight information displays, improves security by providing access control treatment to the baggage door, and improves safety by improving baggage lighting. **This is the recommended alternative.**

### **ATTACHMENTS TO THIS REQUEST**

- Photos of Project

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- December 11, 2012, the Port Commission authorized the increase of scope and budget for the International Window Wall Ticket Counters (C800490), the increase of scope and budget for Baggage System Renovation – Airline Realignment (C800382) and to advertise and execute a construction contract for the International Window Wall Ticket Counters project and to use Port Crews for the amount of \$5,246,000.
- April 10, 2012, the Port Commission authorized the design for the International Window Wall Ticket Counters project in the amount of \$1,575,000
- December 6, 2011, the Port Commission authorized construction of the Baggage Handling System (BHS) improvements – C22 BHS Connection to C1/ C1-Mk1 Replacement (CIP#C800382) in the amount of \$3,604,000.
- September 27, 2011, the Port Commission authorized execution of an IDIQ contract for Airline Realignment Tenant Improvements and Ticket Counter Design Services totaling \$10,000,000.

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- March 1, 2011, the Port Commission Authorized design and some construction of the Baggage Handling System (BHS) Improvements – C22BHS connection to C1/C1-MK1 Replacement/TC3 Replacement (C800382) in the amount of \$1,731,000.