

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	6f
Date of Meeting	March 8, 2016

DATE: February 19, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Ralph Graves, Senior Director, Capital Development
Wayne Grotheer, Director, Aviation Project Management Group
SUBJECT: Baggage Optimization Design Service Agreement

Amount of This Request: \$6,000,000-
contract
amendment only
Est. Total Contract Cost: \$18,000,000

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to amend the Baggage Optimization Design Services contract, P-00317641, to increase the contract value by \$6,000,000 for a new not to exceed value of \$18,000,000. No new funding is associated with this request.

SYNOPSIS

The Commission authorized \$20,000,000 for design of the Baggage Optimization Project. A Service Agreement was issued to the design consultant at a not-to-exceed amount of \$12,000,000 to complete the 100% design required for Transportation Security Administration (TSA) review. At that time the Port did not allocate all budgeted money into the contract, as a cost control mechanism. We now need to increase the Service Agreement by \$6,000,000 to finish design efforts per the original plan. This increase is not due to project scope or cost growth. Specifically the consultant will split the design into four bid packages so the Port can bid and construct the overall program in phases. The remaining \$2,000,000 previously authorized by Commission has covered soft-costs to-date.

Commission authorization for construction and design support through construction will be requested in 2nd Quarter of 2016.

BACKGROUND

The Port of Seattle executed a project specific contract with BNP Associates Inc. on January 27, 2014, for Baggage Design services for a not-to-exceed contract value of \$12,000,000. 100% design documents have been completed and submitted to TSA and this work has cost nearly the full \$12,000,000 contract value. Various contracting options, for the construction

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phase of the project, have been examined and breaking the project into multiple phases has been determined to be the best approach. Phasing the project increases bidder competition by reducing the amount of bonding capacity required by contractors, reducing the retainage held from those contractors, gives the Port an opportunity to apply lessons learned from earlier phases to improve future phases, and gives the Port the opportunity to specify new technology in future phases. The design work required to break the comprehensive package into phases will require an increase to the existing Service Agreement.

Action requested does not require a budget increase; rather it is a design contract amendment within the current Commission authorized budget. This action is necessary because the Port did not fully fund the current contract P-00317641. Resolution 3628 requires commission authorization of amendments over \$300,000 and increases to the contract value of more than 50 percent of the original contract require Commission notification. This request is for commission authorization and notification of both conditions. This memorandum will be placed on file for public inspection at the Port's bid desk.

PROJECT DETAILS

Scope of Work

Finalize design efforts.

Schedule

Commission Authorization to increase contract value	1 st Qtr 2016
Complete Design Phase 1	2 nd Qtr 2016
Commission Authorization for Construction Phase 1	2 nd Qtr 2016
Construction Phase 1 Complete	3 rd Qtr 2019

FINANCIAL IMPLICATIONS

The current Baggage Optimization project budget is sufficient to cover the increase to the Service Agreement.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Status Quo – Suspend design effort and not proceed with this project.

Cost Estimate: \$0

Pros:

- No additional capital expenditure

Cons:

- Airport is left with aging baggage system that cannot keep up with current passenger volumes and anticipated growth.
- Current design would be expensed at a cost of approximately \$14,000,000
- Airport will not receive the benefits of the new baggage system.

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- Defaulting on Other Transaction Agreement (OTA) with TSA.

This is not the recommended alternative.

Alternative 2) – Request only enough authorization to increase the Service Agreement to complete phase 1 bid package.

Cost Estimate: \$2,000,000

Pros:

- Commits less money to design effort.

Cons:

- Requires future commission actions for subsequent contract value increases.

This is not the recommended alternative.

Alternative 3) – Request authorization to increase the value of SA P-00317641 by \$6,000,000 to complete multiple bid packages.

Cost Estimate: \$6,000,000

Pros:

- Requires only one Commission action to amend the Service Agreement. Subsequent Service Directives will authorize additional work within the contract value authorized by the Commission.

Cons:

- None

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- June 23, 2015 – Checked Baggage Optimization Project Briefing
- September 10, 2013 – The Commission authorized the execution of an Other Transaction Agreement (OTA) with TSA for reimbursable costs for design; construction, and to authorize \$15 million to continue from 30% to 100% design; and execute a consultant service agreement for program management support services.
- August 20, 2013 – Response to questions from Commissioners asked during August 6, 2013 Commission Meeting.
- August 6, 2013 – The Commission was briefed on the near-term and long-term challenges related to handling checked baggage at the Airport.

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- January 22, 2013 – The Commission authorized \$5 million for staff to begin design through 30%, and to enter into an agreement to allow reimbursement from the federal government to the Port for eligible elements of the 30% design effort.
- January 8, 2013 – Baggage Systems Briefing.
- August 14, 2012 – Baggage system recapitalization/optimization was noted in the 2013 business plan and capital briefing as a significant capital project not included in 2013-17 capital program.
- August 7, 2012 – Baggage system recapitalization/optimization was referenced as one of the drivers for the need to develop an Airport Sustainability Master Plan.
- June 26, 2012 – The Airport’s baggage systems were discussed during a briefing on terminal development challenges.
- May 10, 2012 – TSA’s interest in a national recapitalization/optimization plan for all baggage screening operations was referenced in a design authorization request for the C60-C61 Baggage Handling System Modifications Project.