

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

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

**Item No.** 4f  
**Date of Meeting** May 24, 2016

**DATE:** May 18, 2016  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** Ralph Graves, Senior Director, Capital Development  
Mike Tasker, Senior Manager, Aviation Facilities & Infrastructure  
Dwight Rives, Director, Port Construction Services  
**SUBJECT:** Air Cargo 4 HVAC Upgrade Project at Seattle-Tacoma International Airport  
(WP 105074; CIP #C800017)

<b>Amount of This Request:</b>	\$310,000	<b>Source of Funds:</b>	Airport Development Fund
<b>Est. Total Project Cost:</b>	\$308,276		
<b>Est. State and Local Taxes:</b>	\$19,046		

**ACTION REQUESTED**

Request Commission ratification of the Air Cargo 4 HVAC Upgrade, Work Project (WP) 105074, as an authorized project with a budget total of \$310,000.

**SYNOPSIS**

The Air Cargo 4 HVAC Project had a cost overrun from \$290,000 to \$308,276. This amount exceeds the project budget of \$290,000 and the \$300,000 threshold for Commission authorization. This is primarily due to two factors:

1. The Aviation Facilities and Infrastructure (F&I) engineer who was originally managing this project departed the Port. Due to a misunderstanding over who would assume project management duties, budget and actual cost for design, bidding and construction were not subsequently monitored at the project level.
2. Port Construction Service (PCS) budget was adjusted to account for additional construction costs required to complete the project, but the sales tax on the small works contract utilized to perform the project was not accounted for when tracking total project cost.

In order to prevent this issue in the future, F&I and PCS will coordinate a formal project handoff and reassign project roles and responsibilities. We will also account for sales tax on construction contracts in our project budgets and cost tracking.

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### **BACKGROUND**

In September 2015, staff undertook a small capital project to provide new HVAC units for the Air Cargo 4 Building. The building is used mostly by Port Aviation Maintenance, although there are other Port offices located there. The existing units were failing and the second floor was particularly uncomfortable.

Project roles were defined as follows: F&I would act as sponsor, perform the engineering design, and manage the project. PCS would execute the small works contract, provide construction management services, and utilize Port crews to remove ceilings and perform selective demolition in the work areas. The project budget was established at \$275,000 (i.e., \$260,000 for PCS and \$15,000 for F&I). Of the total PCS project budget, \$200,000 was designated for an outside mechanical contractor to install the new units. The remaining \$60,000 was designated for a PCS Construction Manager (PCS CM) to provide construction management services, and for the PCS crew to perform selective demolition.

The lowest qualified bid for the small works contract came in at \$197,700 not including Washington State sales tax (WSST). PCS crews worked well with the Mechanical Contractor, and there were no significant problems with the contract. A change order was required for natural gas regulators and for an electrical disconnect, not specified in the original design, for \$2,787, bringing the new contract total to \$200,487 without WSST.

During the construction phase, the F&I engineer that was originally managing this project was hired away from the Port. PCS and F&I each assumed that the other would assume the project management role. As a result, budget and the actual costs for design, bidding and construction were not monitored at the project level.

During permit inspection, the Building Department directed PCS to seal off some openings that might allow dangerous spread of exhaust fumes from the garage area of the building. At the time PCS started the repairs, not all costs had been identified, and it appeared that PCS costs would be within the existing budget. The PCS CM felt it was in the best interest of the project to start on these required repairs, with the intent of tracking the costs, and requesting additional funds if necessary.

At this time, PCS was informed by the CPO Contract Administrator for the small works mechanical contract (SW-0318452) that Project 105074 was showing as over budget. Analysis by the PCS CM and the CPO Contract Administrator determined that previous costs showing in PeopleSoft from earlier phases of the project, along with the unaccounted sales tax, increased the total project cost to \$308,276. This amount exceeds the authorized project budget of \$290,000 and the \$300,000 threshold for Commission authorization.

The current cost summary for Work Project 105074 is as follows:

- Design and bid work prior to PCS starting the project: \$38,430.96

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- Current estimated PCS costs including tax on contract and stated overruns: \$269,844.95
- Total projected actual project costs: \$308,275.91

## **FINANCIAL IMPLICATIONS**

<i>Budget/Authorization Summary</i>	Capital	Expense	Total Project
Original Budget	\$290,000	\$0	\$290,000
Previous Authorizations	\$0	\$0	\$0
Current request for authorization	\$310,000	\$0	\$310,000
Total Authorizations, including this request	\$310,000	\$0	\$310,000
Remaining budget to be authorized	\$310,000	\$0	\$310,000
Total Estimated Project Cost	\$308,276	\$0	\$308,276

<i>Project Cost Breakdown</i>	This Request	Total Project
Project Specific Small Works Contract SW-0318452	\$219,533.26	\$219,533.26
PCS provided work under WP 105074	\$50,311.69	\$50,311.69
F&I design & bid cost prior to PCS starting project	\$38,430.96	\$38,430.96
Total	\$308,275.91	\$308,275.91

## ***Small Works Contract Information***

Contract Award Date	November 11, 2015
Original Period of Performance	November 11, 2015 – January 30, 2016
Previous Contract Extensions	106 Working Days
Contract Extension this authorization	0 Days
Current Contract Completion Date	May 15, 2016
Original Contract Amount	\$197,700.00
Previous Change Orders Executed	\$2,787.00
Current Contract Amount	\$200,487.00
Sales Tax	\$19,046.26
Total Contract	\$219,533.26

This work project rolls up under the Aviation Small Jobs CIP (C800017). The funding source is the Airport Development Fund.

## **ATTACHMENTS TO THIS REQUEST**

- None.

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- None.