

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4a
Date of Meeting August 23, 2016

DATE: August 15, 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)

Amount of This Request:	\$15,000	Source of Funds:	Airport Development Fund
Est. Total Project Cost:	\$325,000		
Est. State and Local Taxes:	\$19,046		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to increase the Project budget for the Air Cargo 4 Building HVAC Upgrade Project (WP 105074) by \$15,000 for an authorized project budget total of \$325,000.

SYNOPSIS

The Air Cargo 4 HVAC Upgrade Project (WP 105074) added 4 new heating, ventilating and air conditioning (HVAC) units to serve the offices on the second floor of the Air Cargo 4 Building. The Commission previously authorized an increase of the Project budget from \$290,000 to \$310,000. After further review of costs to complete the Project, the budget should have been increased to \$325,000. The reasons for this \$15,000 budget increase are:

- The estimate by Port Construction Services (PCS) for the previously authorized budget increase incorrectly used the encumbered Purchase Order amount in PeopleSoft and not the executed Contract amount. The Purchase Order had been partially entered due to the budget having insufficient funds. As a result, the approved May 24, 2016 budget increase was not sufficient to fund the full amount of the Contract.
- Construction Safety incorrectly charged labor hours to the Project over several weeks. This resulted in a variance estimated at (\$6,500), of which \$5,000 has been corrected. However, allocated overhead will still impact the Project.

As a result, a budget increase of \$8,000 plus \$7,000 contingency is requested to cover actual costs for the Project.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

August 15, 2016

Page 2 of 3

Timeline and future process improvements:

- 11/11/2015 Contract SW-0318452 Executed
- 3/22/2016 Attempt to issue a PO for the contract – PeopleSoft would not issue PO due to a budget error.
- 3/22/2016 Purchase Order 0000276879 was written for \$180,000 (this is less than the executed Contract amount), so the contractor could receive payment on invoice #01.

In order to prevent this issue in the future we will do the following:

- Verify encumbered costs in PeopleSoft and reconcile to expected costs in the Project Management Information System (PMIS).
- Consult Central Procurement Office to review and confirm budget requests are sufficient to cover Change Order costs on Purchase Orders.

BACKGROUND

A project budget of \$310,000 for the Air Cargo 4 HVAC Project (WP 105074) was requested and authorized by the Port of Seattle Commission at the May 24, 2016 Meeting. At the time of the request, Aviation Facilities and Infrastructure (F&I) and Port Construction Services (PCS) believed that \$310,000 would cover all costs to complete the Project.

After a detailed review of project costs, it was determined that actual costs to complete the project exceeded the \$310,000 budget. The reasons for this cost overrun are detailed below:

Contractor Purchase Order - \$6,500

Due to PCS using the encumbrance on the existing Purchase Order instead of using the executed Contract amount in the estimate to complete, an insufficient dollar amount was used to establish the project budget authorized by Commission on May 24, 2016. The Project did not request enough budget to update the Purchase Order to the contractual dollar amount. At this time, \$6,500 remains to be paid to the Contractor to close out the last partially paid invoice.

Unanticipated Wage Costs - \$1,500

Following installation of the HVAC equipment, Operations & Maintenance Training was conducted for the Aviation Maintenance Operating Engineers that will service the equipment. The Engineers incorrectly charged their labor hours to the project, resulting in a small variance. In addition, Port Construction Safety incorrectly charged labor hours to the Project over several weeks. This resulted in a variance estimated at (\$6,500), of which \$5,000 has been corrected. However, Overhead will still impact the project.

Closeout and Contingency - \$7,000

An additional amount is requested to cover any salary and administration costs associated with closing out the project, as well as providing a buffer for future Allocated Overhead and unanticipated costs to complete the Project.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

August 15, 2016

Page 3 of 3

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$290,000	\$0	\$290,000
Previous Authorizations	\$310,000	\$0	\$310,000
Current request for authorization	\$15,000	\$0	\$15,000
Total Authorizations, including this request	\$325,000	\$0	\$325,000
Total Estimated Project Cost	\$318,000	\$0	\$318,000

ATTACHMENTS TO THIS REQUEST

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- May 24, 2016: Commission authorized a Project budget of \$310,000 for WP 105074.