



**COMMISSION
AGENDA MEMORANDUM**

Item No. 7a

BRIEFING ITEM

Date of Meeting September 26, 2017

DATE: August 21, 2017

TO: Dave Soike, Interim Executive Director

FROM: Jeffrey Brown, Director AV Facilities and Capital Program
Wendy Reiter, Director, Aviation Security and Emergency Preparedness
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: Baggage Optimization Project Update

EXECUTIVE SUMMARY

The Baggage Optimization project replaces six individual baggage screening systems with a centralized system that optimizes the operation and functionality of the checked baggage system. The purpose of this project is to optimize the baggage system to achieve the maximum outbound baggage capacity within the current airport footprint. The project increases screening capacity for greater baggage volumes, increases flexibility to allow bags to be checked in from any ticket counter and be conveyed to any makeup device, meets a minimum-connect-time goal, and increases energy efficiency. Meeting travelers' baggage needs will significantly contribute to increased customer service. The project is currently scoped to accommodate 60 Million Annual Passengers (MAP), and will be implemented through three phases of construction.

PROJECT UPDATE

Phase One

Notice to Proceed was issued to the Phase 1 prime Contractor, PCL Construction Services Inc., on May 26, 2017, and construction is currently underway. Thus far the majority of the work has been concentrated on demolition within the Central Terminal (CT) area; accomplishments include:

- (1) Demolition of existing conveyor, CMU wall, and curb in the CT
- (2) Asphalt removal and excavation in preparation for the CT ramp level building extension
- (3) Utility relocations within the CT
- (4) Installation of shoring for elevator pits on CT basement and ramp levels
- (5) Demolition of existing tenant space on Concourse B ramp level

Upcoming critical elements include demolition of the CT ramp between basement and ramp levels, and acceptance of baggage handling system (BHS) submittals and shop drawings.

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As work progresses on-going stakeholder coordination will be essential; particularly with other projects, Aviation Maintenance, and airport tenants.

The Contractor has been maintaining two work shifts, Monday – Thursday. As of July 2017, 4,062 work hours have been reported, with a weekly average of 11.4 workers on-site.

Contracting requirements (status as of July 2017)

| <u>Program</u> | <u>Requirement/Goal</u> | <u>To-Date</u> |
|-------------------------------------|-------------------------|---|
| Small Business Enterprise (SBE) | 15% of total contract | Initial reporting period has yet to occur |
| Small Contractors & Suppliers (SCS) | 5% of SBE | Initial reporting period has yet to occur |
| Apprenticeship | 15 % of total hours | 11% |

To facilitate Phase 1 construction, several pre-work elements were completed earlier this year by Port Construction Services (PCS) crews and small works electrical contractors. Work included installation of a new makeup unit for Horizon, demolition of the old Horizon makeup unit, and creation of a new North odd-size screening area for TSA.

Phase Two

The Port of Seattle is currently in negotiations with the Baggage Optimization design consultant on the Service Directive to develop the Bid Document Design for Phase 2. The Consultant will separate the Phase 2 design from the Comprehensive 100% design package while incorporating the capacity increase scope additions to bring the new baggage system to a capacity of 60 MAP.

SCHEDULE AND BUDGET

The Baggage Optimization project will be implemented in three construction phases. Previous authorization of the 60 MAP final system design capacity will be incorporated into Phases 2 and 3, adding 14 months to the overall project schedule, and added a net budget increase of \$126M.

Schedule

Phase 1 is one month behind schedule, as the Phase 1 contract execution was one month late (based on baseline schedule set in April 2015). A delay to conveyor equipment manufacturing has created a risk of not meeting the Port-wide goal of completing 20% of the Baggage Optimization Phase 1 contract by the end of 2017. Phase 1 NTP was issued on May, 26 2017. Phase 1 Substantial Completion is still anticipated in 2019 Quarter 3. The project team is working with the Contractor to possibly make up the month delay in project schedule during Phase 1 construction.

The overall project is currently scheduled for Phase 3 (the final phase) to obtain Substantial Completion in 2025 Quarter 2.

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Activity

| | |
|----------------------------|----------------|
| Phase 1 Construction Start | 2017 Quarter 2 |
| Phase 3 Construction End | 2025 Quarter 2 |

Budget

The Baggage Optimization project is on budget as currently scoped.

The budget summary for the project to date is as follows:

| | |
|---|---------------|
| Total Project Budget | \$445,050,000 |
| Total TSA Contribution | \$93,220,422 |
| Total Commission Authorization to Date | \$136,312,200 |
| Amount Spent to Date (as of 8/15/17) | \$22,727,874 |
| TSA Reimbursement to Date (as of 8/15/17) | \$5,834,580 |

ADDITIONAL BACKGROUND

The Baggage Optimization project was scoped in 2012 to accommodate 45 MAP with an expandable design to accommodate future growth. At the time, growth forecasts were flat and predicted that 45 MAP would be adequate through 2027. The decision was made to proceed in building an expandable 45 MAP system with the expectation that an expansion would occur in the future in time to accommodate growth up to the 60 MAP level. Due to unprecedented growth at the airport, the 45 MAP threshold was met in 2016, over ten years earlier than anticipated. In June 2017, Commission authorized the project to incorporate a capacity expansion of the Baggage Optimization project in order for the new outbound baggage system to accommodate 60 MAP.

ATTACHMENTS TO THIS BRIEFING

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- June 27, 2017 – Commission authorization to (1) authorize additional design and project management funds to expand the capacity to 60 million annual passengers (MAP); (2) use Port crews and small works contracts to perform additional construction work; and (3) amend Service Agreement P-00317641 to add \$10,160,000
- October 25, 2016 – Baggage Quarter 4 Briefing
- July 12, 2016 – Commission authorization to advertise and execute a contract for construction Phase 1
- June 28, 2016– Baggage Program Briefing
- May 17, 2016 – Checked Baggage Optimization Project Briefing
- March 8, 2016 – Commission authorization for the Chief Executive Officer to amend the Baggage Optimization Design Services contract
- June 23, 2015 – Checked Baggage Optimization Project Briefing

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- 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
- 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