

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6c

ACTION ITEM

Date of Meeting May 3, 2011

DATE: April 25, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Lindsay Pulsifer, General Manager, Marine Maintenance
Rees Robinson, Project Manager, Marine Maintenance

SUBJECT: Request for Funding Increase for the Terminal 91 Cruise Terminal Restroom Expansion
(Project #104448, CIP C800311)

Amount of This Request: \$110,000

Source of Funds: General Fund

Total Project Cost: \$370,000

State and Local Taxes Paid: \$6,100

ACTION REQUESTED:

Request Commission authorization for additional funding to complete the in-progress construction of the Terminal 91 Smith Cove Cruise Terminal Restroom Expansion project at an additional cost of \$110,000 for a total project cost of \$370,000. This is a capital project funded in the 2010 Seaport Small Project CIP C800311. Additional funds for the project are available due to under-spending in the 2011 Seaport Small Project CIP C800358. Marine Maintenance crews are performing the work.

SYNOPSIS:

The Smith Cove Cruise Terminal (SCCT) was built with only two unisex toilet rooms available for passenger use in the front lobby area of the terminal. The access to these restrooms is from the outside of the terminal. After the 2010 cruise season, the construction of additional restrooms in the front lobby became a priority because of the lengthy lines that had formed outside the restrooms during the first two seasons that SCCT was open. Additional restrooms, with internal access, are required to improve customer satisfaction and provide necessary restroom capacity for the number of passengers using SCCT.

The authorized budget for the restroom expansion project was \$260,000. The project is over budget because the consultant underestimated material and labor costs, the project drawings were of low quality and, due to the changes in allocation methods, allocated overhead is over \$100,000. It was also assumed that a contractor would do the work, but it was impossible to bid out the contract in time to finish the restrooms before the opening of the cruise season on May 7, 2011. Port staff are requesting \$110,000 to finish the in-progress project.

ADDITIONAL BACKGROUND:

During the 2010 capital planning process, construction of additional restrooms in the front lobby of the Cruise Terminal became a priority because of the lengthy lines that had formed outside of the restrooms during the first two seasons that SCCT was open, and a restroom expansion project was proposed to be

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included in the Seaport Small Project CIP. During the fourth quarter of 2010, the project was scoped, and funding became available in the 2010 Small Project CIP due to cancelled and delayed projects.

Preliminary design work evaluated alternatives for increasing restroom capacity while minimizing disruption to the terminal. The selected alternative retains the existing front lobby restrooms with access from outside the building. New restrooms are built around the existing restrooms with access from inside the building.

The preferred alternative was finalized in January 2011. The authorized project budget of \$260,000 was determined based on a construction cost estimate prepared by a consultant assuming a contractor would do the work. The building permit was obtained on February 3. Construction work requires a minimum of eight weeks assuming all materials are purchased and available. Cruise ships begin arriving at the Smith Cove Cruise Terminal on May 7, 2011.

Schedule constraints did not allow sufficient time to put the project out to bid. During acquisition planning, it was decided that Marine Maintenance crews would do the work with support from Port Construction Services.

Despite construction challenges, the Restroom Expansion Project has remained on schedule. However, the project is over budget.

PROJECT JUSTIFICATION:

The project is over budget due to a combination of the following factors:

- The authorized project cost was based on a consultant's construction cost estimate calculated at the end of the preliminary design phase. At that time, we were assuming a contractor would be performing the work.
- Based on material costs only, the consultant grossly under-estimated costs. The consultant's total estimated material cost was approximately \$30,000. Actual material costs, including sales taxes, are expected to be approximately \$70,000. It is likely that the consultant's estimated labor costs would also have been low if we had used a contractor.
- The project drawings were of low quality. Marine Maintenance crews spent a lot of time rectifying drawing errors and omissions. Examples include, but are not limited to: inadequate space allotted in the plumbing walls; incorrect ADA dimensions; misrepresented vents and sprinkler systems; and, specified plumbing fixtures not corresponding to the plumbing infrastructure. If these drawings had gone out to bid, the resulting change orders would have resulted in an even greater project cost.
- The Marine Maintenance 2011 burden rate has had a large impact on the budget. Over \$100,000 will be charged to the project in allocated overhead.

PROJECT SCHEDULE:

The new restrooms are nearing completion. The restrooms are expected to be operational before May 7, 2011.

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FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

Original Budget	\$260,000
Previous Authorizations	\$260,000
Current request for authorization	\$110,000
Total Authorizations, including this request	\$370,000
Remaining budget to be authorized	\$0
Total Estimated Project Cost	\$370,000

Project Cost Breakdown

Material	\$64,400
Taxes	\$6,100
Labor	\$130,000
Project Management / POS Staff	\$27,500
Overhead	\$107,000
Design	\$33,000
Permitting	\$2,000
Total	\$370,000

Source of Funds:

The Seaport 2010 Small Project CIP C800311 and the Seaport 2011 Small Project CIP C800358 were included in the 2011 Plan of Finance as Committed projects. The SCCT restroom project was identified as a planned project under the Seaport 2010 Small Project CIP C800311.

The additional \$110,000 required to fund this project is available within the Seaport 2011 Small Project CIP C800358 due to planned Small Capital projects which have been deferred.

Financial Analysis and Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	No risk factors identified, project is essentially complete.
Project cost for analysis	\$370,000
Business Unit (BU)	Cruise Services
Effect on business performance	This asset will not generate any incremental revenue.

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	<p>However, it will improve the customer experience for cruise passengers traveling through the Smith Cove Cruise Terminal. Customer satisfaction with their embark/disembark experience is a key factor in creating and retaining repeat cruise customers.</p> <p>The incremental increase to depreciation expense resulting from this \$110,000 funding request is \$5,500/year. Total depreciation expense from this project is estimated at \$18,500/year, based on a 20 year asset life. NOI after Depreciation for this facility will decrease by the associated depreciation expense from this project.</p> <table border="1" data-bbox="633 756 1429 903"><thead><tr><th><u>NOI (in \$000's)</u></th><th><u>Year 1</u></th><th><u>Year 2</u></th><th><u>Year 3</u></th><th><u>Year 4</u></th><th><u>Year 5</u></th></tr></thead><tbody><tr><td>NOI</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td></tr><tr><td>Depreciation</td><td>(\$19)</td><td>(\$19)</td><td>(\$19)</td><td>(\$19)</td><td>(\$19)</td></tr><tr><td>NOI After Depreciation</td><td>(\$19)</td><td>(\$19)</td><td>(\$19)</td><td>(\$19)</td><td>(\$19)</td></tr></tbody></table>	<u>NOI (in \$000's)</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	NOI	\$0	\$0	\$0	\$0	\$0	Depreciation	(\$19)	(\$19)	(\$19)	(\$19)	(\$19)	NOI After Depreciation	(\$19)	(\$19)	(\$19)	(\$19)	(\$19)
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IRR/NPV	N/A																								

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

Alternative 1: Stop construction of restrooms until the budget over-run is determined and full project authorization is obtained. This project is on a fast track. Spending is occurring predominately over the two months of March and April. It wasn't evident until April that the project would be overbudget, and not until mid-April that the small capital project limit of \$300,000 would be exceeded. If work were stopped until Commission authorization was obtained, the restrooms would not be finished before the first cruise ship call on May 7. Our cruise agents, operators and customers would have been disappointed and inconvenienced. Once authorization was obtained, construction would have had to proceed in stops and starts as required by the cruise schedule, adding significantly more cost to the project. This is not the chosen alternative.

Alternative 2: Maintain the construction schedule while capturing and forecasting remaining project costs. Once total project cost is determined, obtain appropriate authorization as soon as possible. This alternative allows the restrooms to be finished on schedule. The \$300,000 small capital project limit will be exceeded before Commission authorization is obtained.required. The Marine Maintenance General Manager directed that work continue while authorizations are acquired. **This is the recommended alternative.**

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

None.