

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6d
Date of Meeting June 7, 2011

DATE: May 27, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Fred Chou, Capital Construction Project Manager, Capital Development
Dwight Rives, Director, Port Construction Services, Capital Development

SUBJECT: Request for Funding Increase for the Terminal 91 Roadway Pavement Project
CIP #C800343

Amount of This Request: \$87,000

Source of Funds: General Fund

Total Project Cost: \$982,000

Total Est. State and Local Taxes: \$39,000

ACTION REQUESTED:

Request Commission authorization for additional funding in the amount of \$87,000 for the construction of the Terminal 91 Roadway Pavement Project for a total project authorization of \$982,000.

SYNOPSIS:

Paragraph 4.2.3.3 of Resolution 3605, as amended, requires additional Commission authorization if it becomes apparent at any time that a project cannot be completed within the authorized amount. For the reasons described below, the work has been completed and will exceed the current authorization.

The pavement at two key roadway intersections and the adjacent roadway segments at Terminal 91 had exceeded its service life and was at risk of additional failure. On September 28, 2010, Commission authorized \$757,000 for the construction phase of the project, bringing the total authorization to \$895,000. Construction started in November 2010, and continued through April 2011, with a significant amount of asphalt paving work performed during the months of March and April. During the course of construction within several large work areas, where existing pavement was designed to be ground to a 2" depth and an overlay applied, the condition of the asphalt was determined to be structurally unsound and that a full 4" depth replacement was needed. To ensure proper stormwater surface drainage over existing paved surfaces, additional pavement replacement was required beyond original design project boundaries. Consequently, the in-place asphalt tonnage was significantly more than what was initially estimated. Furthermore, due to the record

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 27, 2011

Page 2 of 4

setting unseasonable weather conditions this spring, it was necessary to compress the paving work to be done within conditions favorable to paving, resulting in shorter work windows and requiring over-time hours to complete the work before opening of the cruise season. Both the unfavorable wet weather and the need for overtime hours were not originally assumed in the project estimate. These conditions all contributed to the additional construction costs.

These contributing factors can be mitigated by better controls and earlier communication of potential cost overruns. Staff is currently working on deployment of a project delivery system that will help define and manage all project costs. It will allow for the identification of all commitments, which will be tracked to actual as reported through the Port's financial systems. It will also include tools to identify trends, and to forecast budgets. When deployed our new controls system should reduce the potential for unforecasted cost overruns.

Construction is now complete and intersections/roadways are in use -- completed before the start of the 2011 cruise season as scheduled. However, an additional \$87,000 is necessary to cover these unforeseen costs.

BACKGROUND AND JUSTIFICATION:

Roadway pavement at Terminal 91 adjacent to the east and west main terminal entrances and main traffic intersections were in poor condition with a significant amount of surface breakage, settlement, cracks and areas of pavement failure. This in turn created issues such as surface water ponding and roadway operation/safety concerns. The pavement needed to be replaced before additional pavement failures occurred and to enhance terminal roadway operation and safety.

Staff obtained design funding approval on December 15, 2009 and construction funding approval on September 28, 2010. A total of \$895,000 was authorized by the Commission. Construction started November, 2010 and the team coordinated closely with the Terminal 91 Water Main Replacement Project team, Terminal Operations and our tenants to minimize disruptions to their operations.

A significant amount of asphalt paving work occurred in March and April 2011. During the course of construction within several large work areas, where existing pavement was designed to be ground to a 2" depth and an overlay applied, the condition of the asphalt was determined to be structurally unsound and that a full 4" depth replacement was needed. The affected areas were significantly more than what was assumed during design. Also, in order to match grade of existing paving and to ensure proper drainage, additional pavement replacement was required beyond original design. Furthermore, weather conditions limited our ability to work and over-time hours were required to meet the construction completion date. These items contributed to the additional construction costs. Construction is now complete and roadways are in use.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 27, 2011

Page 3 of 4

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Budget	\$ 0
Previous Authorizations	\$895,000
Current request for authorization	\$ 87,000
Total Authorizations, including this request	\$982,000
Remaining budget to be authorized	\$ 0
Total Estimated Project Cost	\$982,000

Project Cost Breakdown:

Construction	\$763,000
Soft Costs	\$180,000
State & Local Taxes (estimated)	\$ 39,000
Total	\$982,000

Source of Funds:

This project was included in the 2011 Plan of Finance under Committed CIP# C800343, T91 Roadway Pavement. The additional \$87,000 which is required to fund this project is available due to project deferrals on other 2011 Plan of Finance Committed projects, such as the Terminal 18 Pile Cap Improvements Project. This project will be funded from the general fund.

Financial Analysis Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal/Enhancement
Risk adjusted Discount rate	7.0%
Key risk factors	No remaining risk factors identified, construction is complete.
Project cost for analysis	\$982,000
Business Unit (BU)	Seaport Industrial Properties
Effect on business performance	No incremental revenue or operating expense is anticipated to be generated as a result of this Project. The incremental increase to depreciation expense resulting from this \$87,000 funding request is \$3,500/year. Total depreciation expense from this project is estimated at \$56,000/year, based on the specific assets identified in the final asset plan, and will reduce to \$27,000/yr after 10 years as the assets with longer useful lives continue to depreciate.
IRR/NPV	N/A

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 27, 2011

Page 4 of 4

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Do not authorize additional funding. Without the additional funding, staff will not be able to pay the remaining obligations. For this reason, Alternative 1 is not recommended.

Alternative 2: Authorize additional funds needed to complete and close the project. Though projected final construction costs are higher due to additional materials and labor, they added values to the pavement performance, user satisfaction, and extended asset life. **This is the recommended alternative.**

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On December 15, 2009, Commission approved design funding of \$138,000 for the T-91 Roadway Pavement Project.

On September 28, 2010, Commission approved construction funding of \$757,000 for the T-91 Roadway Pavement Project, bringing the total authorized amount of the project to \$895,000.