

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5a

ACTION ITEM

Date of Meeting November 8, 2011

DATE: October 27, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Rees Robinson, Project Manager, Marine Maintenance

SUBJECT: Request for Funding Increase for the P69 Cooling Tower Replacement (Project #104505, CIP C800359)

Amount of This Request: \$65,000

Source of Funds: Tax Levy

Total Project Cost: \$340,000

State and Local Taxes Paid: \$18,300

No. of Jobs Created: 6

ACTION REQUESTED:

Request Commission authorization for the Pier 69 Cooling Tower Replacement Project and for additional funding to complete construction of the project at an additional cost of \$65,000 for a total project cost of \$340,000. Additional funds for the project (Project #104505, CIP #C800359) are available due to under-spending in other Real Estate projects.

SYNOPSIS:

The existing P69 cooling tower was installed during the building renovation in 1992. The cooling tower is at the end of a typical service life of twenty years for a cooling tower. Additionally, the cooling tower is on the roof of P69, placing it in a corrosive marine environment. This potentially reduces its expected life.

The project is currently budgeted in the 2011 Real Estate Small Project CIP C800359. The authorized budget for the cooling tower replacement project is \$275,000. The authorized project cost was estimated prior to engineering design and was based on a rough order of magnitude construction cost determined in 2007. Subsequently, in-house engineering completed design, and the contractor was given construction documents to provide an estimate for the work. The project cannot be completed within the authorized budget. Port staff are requesting an additional \$65,000 to complete the project.

ADDITIONAL BACKGROUND:

Performance of the cooling tower is essential to building operations. The tower serves all of the chillers that provide cooling to the P69 building. Replacement of the P69 Cooling Tower has been identified as a future small capital project since 2007.

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Cooling tower replacement was included as a planned project in the Real Estate 2010 Small Project CIP C800305. Since work did not begin on the project until 2011, the project moved to the Real Estate 2011 Small Project CIP C800359.

During acquisition planning for this project, we decided to use in-house engineering for design and to use an HVAC on-call small construction contract with Port electrician support for installation. Design is complete and the on-call HVAC construction contract has been executed.

The original project budget was based on a rough order of magnitude construction cost estimate of \$118,000. The preliminary estimate was provided by the chiller maintenance service provider in 2007, prior to any preliminary design. Following design completion, Port engineers provided a construction cost estimate of \$189,000. The contractor's not-to-exceed cost estimate for their portion of the work is \$192,000.

PROJECT JUSTIFICATION:

The P69 cooling tower is at the end of its service life. If it is not replaced before the spring of 2012, the Port runs the risk of not being able to cool the building. The inability to cool the building would result in unacceptable indoor air quality as well as damage to data center and electrical service equipment.

PROJECT SCHEDULE:

Port Engineering has completed design. Construction is expected to occur in the first quarter of 2012.

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

Previous Authorizations	\$275,000
Current request for authorization	\$65,000
Total Authorizations, including this request	\$340,000
Remaining budget to be authorized	\$0
Total Estimated Project Cost	\$340,000

Project Cost Breakdown

Construction (including in-house labor)	\$200,200
Taxes	\$18,300
Construction Contingency	\$22,000
Project Management & Other Soft Costs	\$34,500
Design and Permitting	\$65,000
Total	\$340,000

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Source of Funds:

This project was included in the 2011 Plan of Finance under the Real Estate 2011 Small Project CIP C800359 in the amount of \$275,000. The additional \$65,000 which is required to fund this project is available due to lower than anticipated spending on other 2011 Plan of Finance committed projects such as Real Estate technology projects.

This project will be funded by the Tax Levy.

Financial Analysis and Summary:

CIP Category	Renewal/Enhancement																												
Project Type	Renewal & Replacement																												
Risk adjusted Discount rate	N/A																												
Key risk factors	<ul style="list-style-type: none"> • Material costs are subject to price fluctuations. • Project schedule could be delayed due to project complexity, weather, or the need to minimize tenant disruptions. 																												
Project cost for analysis	\$340,000																												
Business Unit (BU)	Facilities Management																												
Effect on business performance	<p>This project will not generate any incremental revenue.</p> <p>Total depreciation expense from this project is estimated at \$17,000 per year based on a twenty year asset life. The allocation of actual project costs to specific assets will be finalized near the end of the project, estimated to be the end of the first quarter in 2012. Net Operating Income after Depreciation for this facility will decrease by the associated depreciation expense of this project.</p> <table border="1"> <thead> <tr> <th>NOI (in \$000's)</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</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>(\$13)</td> <td>(\$17)</td> <td>(\$17)</td> <td>(\$17)</td> <td>(\$17)</td> </tr> <tr> <td>NOI After Depreciation</td> <td>(\$13)</td> <td>(\$17)</td> <td>(\$17)</td> <td>(\$17)</td> <td>(\$17)</td> </tr> </tbody> </table>					NOI (in \$000's)	2012	2013	2014	2015	2016	NOI	\$0	\$0	\$0	\$0	\$0	Depreciation	(\$13)	(\$17)	(\$17)	(\$17)	(\$17)	NOI After Depreciation	(\$13)	(\$17)	(\$17)	(\$17)	(\$17)
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ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

Alternative 1: Do not replace the cooling tower. The cooling tower will eventually break down causing unacceptable indoor air quality as well as damage to data center and electrical service equipment. This is not the recommended alternative.

Alternative 2: Continue with the planned P69 Cooling Tower Replacement Project. Authorization of an additional \$65,000 for a total project authorization of \$340,000 will allow replacement of the cooling tower before the next warm weather season. **This is the recommended alternative.**

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

None.