

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 6d

**Date of Meeting** November 8, 2011

**DATE:** October 27, 2011

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Arif Ghose, Senior Manager Seaport Security  
Kate Deaver, Capital Project Manager III

**SUBJECT:** The Transportation Worker Identification Credential Infrastructure and Implementation Project (CIP #C800165).

**Amount of This Request:** \$299,400

**No. Workers Employed:** 7

**Source of Funds:** Seaport Security Grant Round 7 and General Fund

**Total Capital Project Cost:** \$2,582,490

**ACTION REQUESTED:**

Request Commission authorization for the Chief Executive Officer to (1) execute a contract with the low responsive and responsible bidder for the Transportation Worker Identification Credential (TWIC) infrastructure and implementation at Terminal 91 and (2) expend additional funding to complete the project. The amount of the additional funding request is \$299,400, bringing the total authorized amount of this project to \$2,582,490.

**SYNOPSIS:**

Since 2002, the Port of Seattle has received over \$20,500,000 in grant funding from the Department of Homeland Security (DHS) to increase security at the nation's strategic and economically important seaports. This project provides for the automation of gates and the integration of TWIC readers into the Port's security system to facilitate automated access to restricted areas of Terminal 91 and enhances the Port's ability to comply with Title 33, Code of Federal Regulations, Parts 101.514 and 105.255. Although current regulations do not require automation of the gates and readers, Port security staff believe, based on indications from the U.S. Coast Guard, that this will become a requirement in the future. Thus it is necessary for the Port to proceed with this project to maintain compliance with current and future DHS security regulations, specifically those enumerated in Title 33, Code of Federal Regulations, Parts 101 and 105. Failure to comply with these regulations would result in the Port's ineligibility to receive certain Maritime Transportation Security Act (MTSA) regulated vessels, and would preclude business at Terminal 91.

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The DHS Port Security Grant Program Fiscal Year 2007 Grant (Round 7) was accepted by the Commission in November 2007. The Commission has previously authorized a total of \$2,283,090 for in-house design work; the TWIC card reader infrastructure; the software design, integration and configuration of the TWIC card system; construction of the necessary infrastructure; and cameras. The additional funding of \$299,400 being requested today is required because the two lowest bids exceeded the Engineer's Estimate of \$680,814 by roughly 17 to 24 percent. After reviewing the bids, Port staff determined the Engineer's Estimate had not accurately priced several factors, including an anomaly to the current construction bidding climate, the amount of paperwork and reporting associated with security grant projects, limited access to the site and potential bidding restrictions that would potentially increase the cost of the project. Therefore, in accordance with Resolution No. 3605, Port staff is seeking Commission approval to execute this contract. Of the \$299,400 currently requested, \$225,002 will be eligible for 75 percent reimbursement (\$168,752) by the Round 7 grant and the remaining \$130,648 will be paid for by the Port.

### **ADDITIONAL BACKGROUND:**

On August 19, 2011, the Port bid the TWIC Implementation Round 7 Power and Telecommunications Infrastructure as a Major Public Works Contract. The Engineer's Estimate was \$680,814. On September 20, 2011, the Port of Seattle (Port) received three bids ranging from \$794,560 to \$1,156,711 (see table below).

<u>Contractor</u>	<u>Bid</u>
Elcon Corporation	\$794,560.00
The Dutton Electric Company	\$842,349.00
Valley Electric Company	\$1,156,711.00

Staff analyzed the Engineers Estimate of \$680,814 and found the following items either were not priced appropriately for the final scope or were not accounted for in the final estimate:

- The contractor's overhead and profit was estimated at only 10 percent based on the assumption that the current poor economic conditions would result in contractors willing to significantly reduce their profit and overhead costs in order to get the work. This assumption was proven false when, after the bids were received, the project estimator contacted several electrical and communications companies that had not submitted bids. The overall consensus was that some of the smaller electrical contractors had already gone out of business and that those that were still in business were all very busy bidding other projects.
- Grant projects require significantly more paperwork and reporting than normal Public Works projects. These additional costs to the contractor may not have been adequately considered in the Engineer's Estimate.

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- Some of the areas where the contractor will be working will have limited access and potential scheduling restrictions. The bidders may have perceived this as a risk that was not considered in the estimate.

Since the two lowest bidders were within 5.6 percent of each other, their bids appear to be representative of the current marketplace, and all three bids were above the Estimate. Therefore, Port staff believes the low bid represents a fair and reasonable price.

During the analysis of the bid and estimates, the entire project budget was re-examined and was found to be insufficient to complete the project. Additional funding is requested for the following:

<b>Reason Additional Funding Needed</b>	<b>Additional Funding Needed</b>	<b>Grant Eligible</b>	<b>Grant 75%</b>	<b>POS 25%</b>	<b>Grant Ineligible</b>	<b>Total Port Costs</b>
Higher than estimated contractor costs	\$113,746	\$113,746	\$85,310	\$28,437	\$0	\$28,437
Construction costs including tax and contingency associated with revised project estimate	\$33,314	\$33,314	\$24,986	\$8,329	\$0	\$8,329
Construction management soft costs that were previously not requested including inspector fees, Contract Admin, and Survey work.	\$140,938	\$77,942	\$58,456	\$19,484	\$62,996	\$82,480
Port monitoring and grant reporting costs that were not addressed in the original estimate.	\$11,402				\$11,402	\$11,402
<b>Total Additional Request</b>	<b>\$299,400</b>	\$225,002	<b>\$168,752</b>	\$56,250	\$74,398	<b>\$130,648</b>

Of the \$299,400 currently requested, \$225,002 will be eligible for 75% reimbursement (\$168,752) by the Round 7 Grant and the remaining \$130,648 will be paid for by the Port.

### **PROJECT JUSTIFICATION:**

It is necessary for the Port to proceed with this project to maintain compliance with current and future DHS security regulations, specifically those enumerated in Title 33, Code of Federal Regulations, Parts 101 and 105. Failure to comply with these regulations would result in the Port's ineligibility to receive certain Maritime Transportation Security Act (MTSA) regulated vessels, and would preclude business at Terminal 91.

### **PROJECT STATEMENT AND OBJECTIVES:**

#### ***Project Statement:***

This project will complete the construction and implementation of the TWIC infrastructure by April 2012.

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### ***Project Objectives:***

- This project will provide automated access to the Port's controlled TWIC restricted areas.
- This project will keep impacts to ongoing operations at the Facility to a minimum.
- This project will utilize grant funding and Port funding in the most economical manner.
- Project will be completed within budget
- Project will be completed within grant allowable timeframe.

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

#### ***Scope of Work:***

The scope of this project includes all aspects of construction, including trenching, cabling, equipment installation, software integration, to automate the TWIC facility requirements.

#### ***Schedule:***

	<b>Start</b>	<b>Finish</b>
Bid Document Prep	April 1, 2011	May 1, 2011
Bid Period (bid, submittals and award)	August 1, 2011	December 1, 2011
Construction	December 2011	April 2012
ICT Integration	February 2012	April 2012

### **FINANCIAL IMPLICATIONS:**

#### **Budget/Authorization Summary**

Previous Authorizations	\$2,283,090
Current request for additional authorization	\$299,400
Total Authorizations, including this request	\$2,582,490
Total Estimated Project Cost	\$2,582,490

#### **CIP Cost Breakdown with Grant Funding**

<b>Grant</b>	<b>Project</b>	<b>Total Cost</b>	<b>DHS Funding 75%</b>	<b>Port Match 25%</b>	<b>Ineligible Costs</b>	<b>Total Port Costs</b>	<b>Port Cost as a % of Proj</b>
Round 7 Current Request	TWIC Infrastructure and Implementation Construction	\$299,400	\$168,752	\$56,250	\$74,398	\$130,648	44%
Previous Request	T-91 TWIC Infrastructure Design and TWIC Enrollment Projects	\$2,283,090	\$1,221,000	\$407,000	\$655,090	\$1,062,090	47%

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Round 7 Total	TWIC Infrastructure and Implementation	\$2,582,490	\$1,389,752	\$463,250	\$729,488	\$1,192,738	46%
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### **Source of Funds**

The funds for this capital project were partially included under committed CIP #C800165, Seaport Security Grant Round 7 in the 2011 Plan of Finance. The amount not included, approximately \$1,075,000, will be available due to expected cost savings in other committed 2011 Plan of Finance projects (e.g. #C 800121 - T18 S. End Fendering). The POS cost portion of these projects will be funded from the General Fund.

### **Financial Analysis Summary:**

<b>CIP Category</b>	Compliance
<b>Project Type</b>	Health, Safety and Security
<b>Risk adjusted Discount rate</b>	N/A
<b>Key risk factors</b>	Key risk factors include potential cost overruns due to project complexity or unidentified additional changes needed
<b>Project cost for analysis</b>	\$2,582,490 total project ; \$299,400 this request
<b>Business Unit (BU)</b>	Seaport Security
<b>Effect on business performance</b>	Additional annual depreciation of \$59,880 for 5 years for this request.
<b>IRR/NPV</b>	NPV: (\$299,400) this request

### **ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:**

Proceeding with this project is in compliance with Federal Security Regulations, allows the Port to maintain operations necessary for the cruise and other TWIC regulated areas at Terminal 91 for which the Port is responsible.

### **STRATEGIC OBJECTIVES:**

This project supports the Port's strategy to "Ensure Airport and Seaport Vitality" through enhancing safety by providing an additional level of security for Seattle waterfront operations.

### **ENVIRONMENTAL SUSTAINABILITY AND COMMUNITY BENEFITS:**

- The original project included extensive trenching for the installation of the infrastructure for electrical and telecommunications. During design, wireless connectivity for the readers and cameras was proposed and the trenching for the telecommunications installation was greatly reduced. As a result, the risk of disturbing contaminated ground soil is minimized.
- If contaminated material is found, it will be removed and replaced with "clean" fill.

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### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

- Alternative #1. Complete the construction for the automation of the TWIC regulated areas at Terminal 91. This alternative allows the Port to maintain compliance with the current and future federal regulations and reduces the cost of Port operations by limiting or eliminating the need for manned guard gates at the TWIC-regulated areas. **This is the recommended alternative.**
- Alternative #2. Do not move forward with the construction for the TWIC areas. This alternative would require that guards remain at all TWIC areas when they are in operation and would not meet the future TWIC requirements. This is not the recommended alternative.
- Alternative #3. Delay construction until automation is required at the TWIC areas. Grant funding would not be available at a later date so the full cost of construction would fall to the Port. Additionally, the Federal Security requirements can change with very little notice and the Port may be required to expedite the construction process to meet a short deadline resulting in even greater costs. This alternative is not the recommended alternative.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

- On November 20, 2007, the Commission authorized the acceptance, use and disbursement of Round 7 Grant Funding.
- On July 7, 2009, the Commission authorized funding for design, TWIC integration and configuration, and perform interagency training and exercises.
- On April 12, 2011, the Commission authorized funding to advertise for construction bids, award and execute the contract, and construct the final phase of the Transportation Worker Identification Credential infrastructure and implementation at Terminal 91.