

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

**COMMISSION AGENDA**

Item No. 5e

**ACTION ITEM**

Date of Meeting April 10, 2012

**DATE:** April 4, 2012

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

**FROM:** Ralph Graves, Director, Capital Development Division

**SUBJECT:** Authorization of additional budget and authority to enter into a construction contract for airfield improvements. The various elements of work include:

Airfield Pavement Replacement (CIP #C102573), Runway 16 Center/34 Center (16C/34C) Panel Replacement (CIP #C800112), Exterior Gate Improvements – Airline Realignment (CIP #C800472), and Snow Dump Pavement Expansion (Small Jobs CIP #C800017 WP 104647)

**Amount of This Request:** \$1,467,000

**Source of Funds:** Existing Revenue Bond and Airport Development Funds

**Est. State and Local Taxes:** \$691,000

**Est. Jobs Created:** 41

**Est. Total Project Cost:** \$10,500,000

**ACTION REQUESTED:**

Request Commission authorization for: 1) additional budget authorization of \$1,467,000 because the bids exceeded the Engineer's Estimate by greater than 10 percent; and 2) the Chief Executive Officer to execute a contract in the amount of \$6,553,964 with the low responsive and responsible bidder for the 2012 Exterior Gates and Airfield Improvement Projects. This request increases the budget authorization by \$1,467,000 as a result of the higher than expected bids for a total project cost of \$10,500,000.

**SYNOPSIS:**

On March 8, 2012, the Port of Seattle bid the 2012 Exterior Gates and Airfield Improvement Projects. The engineer's estimate was \$5,329,782. On March 8, 2012 the Port of Seattle received 3 bids ranging from \$6,553,964 to \$9,316,487, see table below. Bids were greater than ten percent over the engineer's estimate; therefore, in accordance with Resolution No. 3605, as amended, staff is seeking Commission approval to execute this contract.

Contractor	Bid	% over Engineer's Estimate
Gary Merlino Construction	<b>\$6,553,964.00</b>	23.0%
MJ Hughes Construction	\$6,943,376.00	30.3%
Macro-Z Technology	\$9,316,487.00	74.8%

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Staff analyzed the engineer's estimate of \$5,329,782 and found the following items were not priced appropriately for the estimate.

- The cost of delivery and placement of concrete and crushed aggregate increased due to rising fuel prices. The estimate was completed well before the latest rises.
- The difference in Safety and Mobilization costs reflect the contractors' concern about the large number of phases and strict schedule for the work. There are approximately three dozen phases of work which include a runway, taxiway, and multiple areas around the Terminal.
- The high cost of the fuel pit installation reflects the contractors' concern about the geographical separation of the twelve fuel pits as well as the discontinuous installation phases.
- The fuel system component prices were affected by fuel prices and small component quantity when compared to previous fuel contracts.
- The two lowest bidders were within \$390,000 of each other, which appears representative of the competitive value of the work according to the marketplace.

Based on the reasons stated above, Port staff believes the low bid represents a fair and reasonable price.

Moving forward with this project will ensure the various elements of work can be accomplished during the dry summer season within the secure airfield area. Having one contractor coordinate all of the work minimizes coordination aspects and disruptions to ongoing aircraft operations. A project labor agreement will be used on this project to help ensure the work is completed before the end of the dry weather season.

### **BACKGROUND:**

Starting in 2009, Airport staff conducted a visual survey of pavement on the airfield, to determine which pavement needed replacing, and in what priority. Work in 2012 will focus on replacing deteriorated panels on both non-runway areas and Runway 16C/34C. Pavement joint seals will also be replaced, to take advantage of the already closed areas.

Many of the concrete pavements that are currently failing were originally installed as early as 1969 with an expected service life of 20 years. Typical degradation of the concrete is occurring. The concrete and joint seal work must occur in phases to minimize impacts to airline operations.

The airfield pavement replacement is part of a multi-year program to replace some of the worst pavement and joint seal on the airfield in non-runway areas. The project will generally replace the most critical pavement first, but will include other pavement sections when it makes sense. The criticality and order of the pavement replacement may change over time, based on pavement deterioration, operational impacts, and available funding.

The Airline Realignment program will require a number of modifications associated with the airlines that will relocate their gates, to effectively operate in their new locations. The airline realignment is driven by airline mergers and the consolidation needs of Alaska Airlines which necessitates the repositioning of gates, holdrooms, and ticketing positions throughout the Airport.

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### **FINANCIAL IMPLICATIONS:**

CIP	Previous Authorization	Authorization Change	Revised Authorization
C800112 Runway 16C/34C Slab Replacement	\$5,650,000	\$0	\$5,650,000
C102573 Airfield Pavement Replacement (multi-year authorization)	\$11,422,085	\$915,000	\$12,337,085
C800472 Exterior Gate Improvements	<u>\$3,112,000</u>	<u>\$552,000</u>	<u>\$3,664,000</u>
Total	\$20,184,085	<b>\$1,467,000</b>	\$21,651,085

Combined Contract/Project Cost Breakdown	This Request	Total Project
Construction	\$1,327,000	\$7,447,000
Construction Management	\$217,000	\$1,523,000
Design	-\$149,000	\$445,000
Project Management	-\$86,000	\$389,000
Permitting	-\$4,000	\$5,000
State & Local Taxes (estimated)	\$162,000	\$691,000
Total	<b>\$1,467,000</b>	<b>\$10,500,000</b>

#### ***Budget Status and Source of Funds:***

All projects are included in the 2012 – 2016 capital budget and plan of finance.

The airfield panel replacement project, CIP # C102573, is part of a multi-year program to replace deteriorated pavement panels. The funding source will be existing revenue, and future, bond proceeds.

The funding source for the replacement of panels on Runway 16C/34C, CIP # C800112, will be the Airport Development Fund.

The funding source for the Exterior Gate Improvements project, CIP # C800472, will be the Airport Development Fund and existing and/or future revenue bonds. The budget increase of \$552,000 will be covered by a transfer from CIP C800411, Terminal Realignment, resulting in no net change to the total airport capital budget.

Previous authorizations for Runway 16C/34C are adequate to still cover the project cost and no additional funds are being requested.

Snow Dump Pavement is a small jobs capital project and is included with the major capital projects for coordination purposes. It has a total cost of less than \$300,000 and funds were previously authorized under the small jobs capital program.

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### ***Financial Analysis and Summary:***

<b>CIP Category</b>	New/Enhancement
<b>Project Type</b>	Renewal & replacement
<b>Risk adjusted discount rate</b>	N/A
<b>Key risk factors</b>	N/A
<b>Project cost for analysis</b>	\$1,467,000 (incremental amount)
<b>Business Unit (BU)</b>	Airfield
<b>Effect on business performance</b>	NOI after depreciation will occur
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	By 2013, the combined effect of these projects will increase CPE by less than \$0.01.

### **STRATEGIC OBJECTIVES:**

#### **Exterior Gate Improvements**

The Exterior Gate Improvements supports two of the Port's Strategies and Objectives. Notably, this project promotes the Port's strategic goals to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions" by providing the airlines with the facilities and equipment to maintain performance. With numerous airlines relocating to other gate and ticket counter locations, there are modifications that must be addressed for the airlines to effectively operate in their new locations. The relocations will yield a more balanced facility, increasing through-put rates in a finite sized terminal. There are a number of projects, which are directly tied to this One-Time Reallocation (Airline Realignments) program, that are in concert with Alaska Air Group's Master Plan to consolidate their gate operations onto the North Satellite and Concourse C.

**Runway 16C/34C Panel Replacement and Airfield Pavement Replacement** These projects support the Port's strategy to "Ensure Airport Vitality" by maintaining a safe operating environment as well as maximizing asset utilization.

### **ENVIRONMENTAL SUSTAINABILITY:**

These projects demonstrate environmental sustainability by improving existing Port assets and better utilizing existing resources. Realignment will allow more effective use of terminal facilities and this enables efficient operation for airlines at new locations. More sustainable operations of the Airport are expected to generate lower lifecycle costs of the needed investments.

### **BUSINESS PLAN OBJECTIVES:**

#### **Exterior Gate Improvements**

A number of airlines are projected to relocate operations. This will result in airline relocations to different gates. This project will make necessary modifications to the gates to accommodate the airline moves. Failure to make these proposed changes could negatively impact airline operations and customer relations.

#### **Runway 16C/34C Panel Replacement and Airfield Pavement Replacement**

These projects support the Aviation Strategic Goals in the Business Plan Objectives: operating a world-class international airport by ensuring safe and secure operations, meeting the needs of tenants,

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passengers and the region's economy and managing Port assets to minimize the long-term total cost of ownership.

### **TRIPLE BOTTOM LINE SUMMARY:**

#### Exterior Gate Improvements

This project will increase the long-term ability of the Airport to serve a growing number of passengers and airlines. Long-term vitality of the Airport benefits the regional economy, the local environment, and nearby communities.

#### Runway 16C/34C Panel Replacement and Airfield Pavement Replacement

Replacement of concrete pavement panels and joint sealant are a financially responsible way to insure continued access to the gate areas for the airline tenants and continued gate availability for the traveling public.

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

Award Contract: Based upon our technical analysis of the factors which affected the bid prices and the consistency of high bids across all the bidders, Port staff believes this bid price from Gary Merlino Construction is fair and reasonable. Staff recommends the Commission authorize for contract award.

Re-bid the contract: This alternative is not recommended.

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

#### **C102573 – Airfield Pavement Replacement**

- On January 24, 2012, the Commission authorized \$4,707,000 and for Chief Executive Officer to advertise and execute a construction contract that included Apron Pavement Replacement, Exterior Gate Improvements, Runway 16C/34C Panel Replacement, and South Snow Dump Pavement Expansion
- On July 26, 2011, the Commission authorized \$465,000 and for the Chief Executive Officer to complete the design and perform any advance work in support of the 2012 Pavement and Joint Replacement and Sealant Project for non-runway concrete pavement panels, joint seal replacement, spall repair, and associated or temporary facilities, such as striping, lighting, etc., on the Aircraft Operations Area. On March 1, 2011, the Commission authorized \$6,235,000 and for the Chief Executive Officer to advertise and execute a construction contract that included slot drain, pavement, and joint seal replacement at the South Satellite and perform installation of temporary common use podiums and minor removal of hazardous materials through Port Construction Services.
- On August 10, 2010, the Commission authorized \$394,000 and for the Chief Executive Officer to direct staff to: 1) proceed with project management, design, environmental support, and preparation of 100 percent design level construction documents for the replacement of slot drains, pavement and joint seal at the South Satellite at Seattle-Tacoma International Airport; 2) execute and award outside professional service agreements; 3) pre-purchase common-use gate equipment; and 4) allow Port Construction Services to self-perform, advertise for bids, and execute and award small works construction contracts for common use equipment installation.

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### **C800112 – Runway 16C-34C Slab Replacement**

- On July 26, 2011, the Commission authorized the Chief Executive Officer to modify the Scope of Work for the Runway 16C/34C Surface Panel Replacement project by extending the project period through the end of 2012, and approval of the use of \$200,000 of the previously authorized funds to prepare design documents for surface panel replacement construction contract to be advertised and constructed in 2012.
- On February 9, 2010, the Commission authorized \$5,650,000 for the design, advertisement, and award of a construction contract for the 2010 Airfield Improvement Projects – Contract 1, consisting of panel replacements on Runway 16C/34C.