

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6a

ACTION ITEM

Date of Meeting October 2, 2012

DATE: September 14, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: Passenger Loading Bridge Replacement Project – Airline Realignment Request to Rebid Concourse B Scope of Work (CIP #C800467)

Amount of This Request: \$1,570,000 **Source of Funds:** Existing and future revenue bonds

Est. State and Local Taxes: \$99,000 **Est. Construction Jobs Generated:** 13

Total Project Cost: \$14,850,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to re-advertise and execute one construction contract to install one new Passenger Loading Bridge (PLB) at Gate B1 and to refurbish one PLB at Gate B11. The total estimated cost for this phase of the project is \$1,570,000.

SYNOPSIS:

On March 27, 2012, the Commission authorized advertisement of a construction contract to install one PLB at Gate B1 and to refurbish one PLB at Gate B11. The engineer's cost estimate for this work was \$393,349. The estimate was based on data from previous projects of similar scope and was validated by the Port's in-house estimating staff.

When bids were received on July 24, 2012, the proposals from the only two bidders came in at \$781,530 and \$776,776, which were 98% and 97% higher than the engineer's cost estimate. These high bids are characterized as a bid irregularity requiring further Commission action in accordance with Section 4.2.3.4 of Resolution 3605, as amended. After analysis, staff decided to reject all bids and recommend to the Port Commission that the Port re-advertise this procurement with revised contracting requirements, including the elimination of the small contractor and supplier (SCS) participation requirement.

The current airline realignment schedule will not be affected by this rebid provided the work can be completed by March 8, 2013. Staff has reworked the procurement and construction schedules and is confident that this date can be achieved.

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BACKGROUND:

In the original procurement, Small Contractors and Suppliers participation requirement of 6% was established for this project. While the Port's goal is to encourage small business participation in our projects, staff believes that the subcontracting strategies of both bidders, coupled with the current market conditions, put a single SCS firm in a non-competitive and advantageous position. Staff further believes that this situation made it difficult for other bidders to participate and was the primary cause for the high bids received.

In the original bid package, the work at B1 was scheduled to be completed before the work at B11 began in order to coincide with other work taking place at Concourse B. This consecutive phasing may also have contributed to the bid overrun.

Staff is confident that the engineer's cost estimate is sound and is not recommending any changes. The Office of Social Responsibility has agreed to remove the SCS requirement. Further, the work at B1 and B11 will now be phased to take place at the same time.

PROJECT JUSTIFICATION:

The work planned under this authorization represents the next phase in a time-critical sequence supporting the broader airline realignment effort while also providing improved operational flexibility and efficiency at the Airport.

PROJECT STATEMENT AND OBJECTIVES:

Project Statement:

In order to accommodate airlines relocating to Concourse B as part of the airline realignment, install one new PLB at Gate B1 and refurbish one PLB at Gate B11 to extend its operational life. The B11 PLB has been evaluated by Aviation Maintenance and determined to be a good candidate for refurbishment as opposed to replacement. Where feasible, the refurbishment of PLBs is a more attractive option than outright replacement since the cost of refurbishment is approximately half the cost of a new PLB.

Project Objectives:

- This project advances the Airport's goal of standardizing Airport-owned PLBs for a common use environment.
- The refurbishment of PLBs that have reached the end of their service life will result in decreased maintenance costs while extending the useful life of the PLBs and thereby allowing the Airport to more cost effectively provide upgraded equipment at more gates.
- Refurbishing PLBs instead of replacing them keeps approximately 20 tons of demolition debris per bridge out of the waste stream.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

This scope of work will take place at Concourse B and includes the following:

- Design – completed.

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- Provide one new PLB as owner-furnished equipment for installation at Gate B1 by a major works contractor.
- Proprietary and long-lead components have been purchased by the Port for the PLB refurbishment at Gate B11. These items will be provided to the major works contractor as owner-furnished equipment. Nonproprietary long-lead equipment and components associated with the refurbishment at Gate B11 will be furnished and installed by a major works contractor.
- Installation, testing, and commissioning by a major works contractor of one new PLB and associated equipment and components at Gate B1, to include installation of a new PLB foundation along with architectural, electrical, data, mechanical, and infrastructure upgrades as necessary to meet new PLB standards and current code requirements.
- Renew / replace primary PLB systems, equipment, components and finishes at Gate B11 in order to meet new PLB standards and current code requirements.
- New PLB and PLB component purchases utilized an existing competition waiver allowing for sole source procurement of these items directly from the manufacturer.

Schedule:

<u>Activity</u>	<u>Dates</u>
Bids Rejected	August 17, 2012
Authorize Advertisement	October 2, 2012
Advertise Bid Package	October 4, 2012
Receive Bids	October 30, 2012
Award and Execute Bid Package	November 30, 2012
Construction Work Start	January 28, 2013
Construction Work Completed	March 8, 2013

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary	<u>Capital</u>	<u>Expense</u>	<u>Total Project</u>
Original Budget	\$14,850,000	\$0	\$14,850,000
Current Budget	\$14,850,000	\$0	\$14,850,000
Budget Increases	\$0	\$0	\$0
Revised Budget	\$14,850,000	\$0	\$14,850,000
Previous authorizations for this CIP	\$6,700,000	\$0	\$6,700,000
Current request for authorization	\$1,570,000	\$0	\$1,570,000
Total authorizations including this request	\$8,270,000	\$0	\$8,270,000
Remaining Budget to be authorized	\$6,580,000	\$0	\$6,580,000

Project Cost Breakdown	<u>This Request</u>	<u>Total Project</u>
Construction	\$1,125,000	\$10,897,000
Construction Management	\$54,000	\$518,000
Design	\$0	\$750,000
Project Management	\$54,000	\$518,000
Administrative Soft Costs	\$238,000	\$1,159,000

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State and Local Taxes (estimated)	\$99,000	\$1,008,000
Total	\$1,570,000	\$14,850,000

Budget Status and Source of Funds:

This project was included in the 2012-16 capital budget and plan of finance within CIP #C800467, Passenger Loading Bridge Replacement – Airline Realignment with a budget of \$14,850,000. The funding sources will include existing 2010 revenue bonds and future revenue bonds.

Financial Analysis Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$14,850,000
Business Unit (BU)	Terminal – Airline Equipment
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.10 by 2014, but no change to the business plan forecast as this project was included. The airlines will realize lower operating and maintenance costs.

Lifecycle Cost and Savings:

Annual operating and maintenance costs have been calculated by Aviation Maintenance at approximately \$12,600 per PLB per year or a total of \$25,200 for the first year plus an estimated 3% inflation escalation thereafter.

STRATEGIC OBJECTIVES:

By providing improved PLBs, this project supports the Port's strategic objectives to:

- Ensure Airport vitality by providing airlines with reliable and efficient gate services.
- Lead the U.S. airport industry in environmental innovation and minimize the Airport's environmental impacts.

ENVIRONMENTAL SUSTAINABILITY:

This project will install new equipment at one gate and refurbish the existing PLB at one gate to replace aging, less energy efficient equipment. Refurbishing PLBs instead of replacing them prevents up to 20 tons of demolition debris per bridge from entering the waste stream. New and refurbished PLBs employ the use of advanced electronics, materials and finishes that provide enhanced energy efficiency and improved air quality through:

- Installation of EnergyStar compliant equipment/components where applicable.
- Use of up to 30% pre-consumer recycled content in PLB flooring.

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- Use of repurposed rubber from used aircraft tires for PLB control cab drive wheel assemblies.
- Use of No/Low VOC (Volatile Organic Compound) paints, adhesives and finishes wherever possible.
- Use of LED light fixture lamps in place of fluorescent lamps.
- Provision for increased passive ventilation in newly manufactured PLBs over older models.

BUSINESS PLAN OBJECTIVES:

The Passenger Loading Bridge Replacement Project – Airline Realignment supports the Airport’s strategy to operate a world class airport by managing our assets to minimize the long term cost of ownership. Additionally, Airport owned PLBs enable flexible gate operations that will allow for greater and more efficient utilization of the Airport’s existing resources.

TRIPLE BOTTOM LINE:

The improvement to the Port’s PLB inventory resulting from this project will promote net operating income through new and ongoing gate leases to airlines, with a corresponding decrease in maintenance expenditures.

This project will allow the Port to deliver a significant benefit to the traveling public while providing tenant airlines with the updated and more dependable facilities needed to support and grow their businesses.

This project also demonstrates the Port’s commitment to environmental sustainability by replacing outdated, inefficient and unreliable PLBs and refurbishing viable existing PLBs.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative #1: Continue with the installation of the new PLB at Gate B1 and delete the refurbishment of the PLB at Gate B11 from the scope of work and defer it until a later date. This option is not consistent with the Port’s goal of providing relocated airlines with like-for-like equipment. This alternative is not recommended.

Alternative #2: Delete the work at both B1 and B11 and postpone until a later date. This option will not provide a new gate or a suitable PLB for airlines relocating to Concourse B. This alternative is not recommended.

Alternative #1: Modify and rebid the scope of work as described above. This option will allow the airline realignment schedule to be maintained. **This is the preferred alternative.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On July 10, 2012, the Port Commission authorized Airline Realignment Tenant Improvements in the amount of \$4,243,400 to advertise and execute a construction contract and use of Port Crews for Airline Tenant Improvements – Airline Realignment.

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On July 10, 2012, the Port Commission authorized CUSE construction at ticket counters and gates, and seating in the amount of \$1,887,000.

On June 26, 2012, the Port Commission was provided an update briefing with the NorthSTAR budget restructuring.

On June 26, 2012, the Port Commission authorized additional budget of \$400,000 to add two fuel pits (C800472).

On April 24, 2012, the Port Commission authorized Airline Realignment Tenant Improvements in the amount of \$225,000 for regulated materials management.

On April 10, 2012, the Port Commission authorized additional budget to enter into a construction contract for airfield improvements including Exterior Gate Improvements – Airline Realignment (C800472)

On March 27, 2012, the Port Commission authorized design and construction of gate B1 and B11 jet bridges as elements of Passenger Loading Bridge Replacement Project- Airline Realignment (C800467) in the amount of \$1,570,000

On January 24, 2012, the Port Commission received a briefing on the Airport Realignment Program.

On January 24, 2012, the Port Commission authorized construction of Exterior Gate Improvements – Airline Realignment (C800472) in the amount of \$2,613,000.

On January 24, 2012, the Port Commission authorized design for CUSE at Ticket Counter/Gates & Seating (C800473) in the amount of \$484,000.

On December 6, 2011, the Port Commission authorized construction of Baggage Handling System (BHS) Improvements – C22 BHS Connection to C1/C1-MK1 Replacement (C800382) at the Airport in the amount of \$3,604,000.

On December 6, 2011, the Port Commission authorized design of the Miscellaneous Building Improvements – Airline Realignment (C800475) at the Airport in the amount of \$1,721,000.

On December 6, 2011, the Port Commission authorized design of the Airline Tenant Improvements – Airline Realignment (expense) at the Airport in the amount of \$3,776,000.

On November 22, 2011, the Port Commission was provided with a verbal preliminary briefing of December 6, 2011, items with a diagram.

On September 27, 2011, the Port Commission authorized execution of an IDIQ contract for Airline Realignment Tenant Improvements and Ticket Counter Design services totaling \$10,000,000.

On September 12, 2011, the Port Commission received a summary briefing on the Airport Realignment Program at the Airport.

On June 14, 2011, the Port Commission authorized design of the Exterior Gate Improvements – Airline Realignment project (C800472) at the Airport in the amount of \$499,000.

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On June 14, 2011, the Port Commission authorized design of the Airport Signage – Airline Realignment project (C800474) at the Airport in the amount of \$238,000.

On March 1, 2011, the Port Commission authorized design and some construction of the Baggage Handling System (BHS) Improvements - C22 BHS connection to C1/C1-MK1 Replacement /TC3 Replacement (C800382) in the amount of \$1,731,000.

On February 22, 2011, the Port Commission authorized the first phase of the Passenger Loading Bridge Replacement – Airline Realignment Project (C800467) including design, purchase, and execution to replace, refurbish and relocate PLBs at Concourse D.

On February 22, 2011, the Port Commission was shown a summary listing of realignment projects and authorized Planning for Terminal Realignment in the amount of \$713,000.

On January 25, 2011, the Port Commission was briefed on several projects that are part of the overall airline realignment program and which required a single Commission authorization in order to meet the realignment schedule. The first part of the realignment program was authorized by the Commission on this date under the Concourse D Common Use Expansion Project (C800455).

On September 28, 2010, the Port Commission was given a summary briefing of the upcoming 2011 capital improvement plan that included the airline realignment program elements.

On July 9, 2010, the Port Commission was notified that the CEO would enter into a 5 year sole source contract with JBT AeroTech for the procurement of PLBs and PLB components.

On June 8, 2010, the Port Commission authorized execution of an IDIQ contract for the Terminal Development Strategy Campus Planning Services IDIQ in the amount of \$1,300,000.