

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5c

ACTION ITEM

Date of Meeting November 27, 2012

DATE: November 15, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Ralph Graves, Managing Director, Capital Development
Janice Zahn, Assistant Engineering Director

SUBJECT: Centralized Pre-Conditioned Air Project at Seattle-Tacoma International Airport
MC-0316677

Amount of This Request: \$1,100,000 **Total Project Cost:** \$47,225,000

Source of Funds: Project Contingency and Airport Development Fund

Est. State and Local Taxes: \$3,035,141.13* **Total Contract Cost:** \$36,545,930

ACTION REQUESTED:

Request Commission approval of an additional \$1,100,000 to replenish construction contingency due to disputed costs and authorization for the Chief Executive Officer to issue Change Order No. 121 for Contract MC-0316677, Centralized Pre-Conditioned Air (PC Air) Project at Seattle-Tacoma International Airport, in the amount of \$344,558 to resolve the remaining disputed costs related to Change Order No. 113 for changes to the routing of PC Air piping at Concourse D.

SYNOPSIS:

On September 13, 2010, the Port executed a construction contract for PC Air to Lydig Construction. During construction, the contractor identified many obstructions to the pipe routing for Concourse D that were not addressed within the contract documents. In previous Commission action, Change Order No. 113 was issued for the undisputed amount of \$776,910 of the contractor's proposed costs of \$1,345,160. Negotiations have since resolved the remaining costs related to this work for an additional \$344,558. A change order is required to compensate the contractor for additional costs related to previously issued Change Order No. 113. This will bring the increase to date over the original contract cost to \$5,687,275.15, or 19%.

The construction contingency will be used to pay for this change order. The additional \$1,100,000 funding is needed to replenish the contingency and to pay for approximately \$800,000 of change orders (including Change Order No. 121) being issued to resolve \$1.5 million in disputed costs. There are still over \$2 million in disputed costs that remain to be

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resolved. Staff intends to return to Commission as required for additional authorization as those disputes are resolved.

Cost Trend	Disputed Amounts	Final Cost of Dispute
CO #106 Disputed Costs Resolution - North Satellite Utility Tunnel Pipe Size Upgrade	\$ 51,496.00	\$ 36,023.00
CO #113 Disputed Costs Resolution – Concourse D	\$ 568,250.00	\$ 344,558.00
CO #119 Disputed Costs Resolution - North Satellite Utility Tunnel Access	\$ 411,288.00	\$ 175,379.00
Pipe Insulation Application	\$ 470,337.00	\$ 237,340.00
	\$ 1,501,371.00	\$ 793,300.00

BACKGROUND:

The PC Air project will allow flight crews to turn off aircraft auxiliary engines and plug in to the Airport infrastructure to receive both heated and cooled air. This will lower costs to the airlines while producing significant environmental benefits by reducing the release of tens of thousands of tons of carbon dioxide (CO₂) emissions each year. This project is a cost-effective way to aid the airlines while improving the quality of the environment. The airlines have approved funding for this project, most of which will now be covered by the Federal Aviation Administration (FAA) Voluntary Airport Low Emission (VALE) grant. The VALE grant is contingent on completing the work within three years of grant approval.

Lydig Construction was the low bidder with contract execution on September 13, 2010. The original contract amount was \$27,013,400.00 with a contract completion date of December 12, 2012. The current contract completion date is January 17, 2013.

When completed, this project will save the airlines an estimated \$13 million per year in jet fuel savings. The payback period for the Port's share of project costs is in the two-year range.

CHANGE ORDER DESCRIPTION:

The following information relates to the pending change order scope and cost:

Change Order No. 121

Scope of work: Adjustment to the value of unilaterally issued Change Order No. 113. Concourse D Mechanical HVAC piping shop drawing review revisions including added structural, roofing, and fireproofing for the amount of \$344,558.

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The change order resolves the remaining cost dispute related to the performance of the work related to the Concourse D pipe re-routing; total cost of Change Order Nos. 113 and 121 combined is \$1,121,468.

JUSTIFICATION:

Subsequent to the execution of the construction contract, it was discovered that the designed routing did not include enough information for the contractor to properly bid the work. This included interferences where the pipe was to be installed along with missing building details. Working collaboratively with the contractor, Port staff and the design consultant agreed upon a new routing that simplified the installation of the pipe. However, omissions in the design regarding building expansion joints required the addition of numerous pipe expansion joints and associated appurtenances that were not in the original bid documents. This routing constitutes the lowest cost and impact option to the project to complete pipe routing to D Concourse, which eventually feeds the North Satellite as well.

CONTRACT INFORMATION:

The following information relates to the contract and competitive award:

Contract award date:	September 13, 2010
Original period of performance:	September 13, 2010 – December 12, 2012
Previous contract extensions:	37 Working Days
Contract extension this change order:	0 Days*
Current Contract Completion Date:	January 17, 2013

FINANCIAL INFORMATION:

Original contract amount:	\$27,013,400.00
Previous Change Orders Executed:	\$4,858,433.00
<u>Current contract amount</u>	<u>\$31,871,833.00</u>
This request, Change Order No. 121	\$344,558.00
 Subtotal Construction Costs	 \$32,216,391.00
<u>Anticipated sales tax @ 9.5%</u>	<u>\$3,060,557.15</u>
Revised Contract Amount	\$35,276,948.15

*As there are multiple issues affecting the completion of the work, additional time may be granted by separate change order after an analysis of whether this specific issue impacted the project critical path and delayed the construction schedule.

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FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

	Capital	Expense	Total Project
Original Budget	\$40,600,000	\$0	\$ 40,600,000
Previous Budget Increase	\$ 2,935,000	\$590,000	\$ 3,525,000
Current Budget Increase	\$2,000,000	\$0	\$2,000,000
Revised Budget	\$45,535,000	\$590,000	\$ 46,125,000
Previous Authorizations	\$43,535,000	\$590,000	\$ 44,125,000
Current request for Authorization	\$ 1,100,000	\$0	\$ 1,100,000
Total Authorizations, including this request	\$46,635,000	\$590,000	\$ 47,225,000
Remaining Budget to be Authorized	\$0	\$0	\$ 0

Project Cost Breakdown:

	This Request	Total Project
Construction Costs	\$1,004,566	\$36,545,930
Sales Tax	\$95,434	\$3,217,827
Outside Professional Services	\$0	\$3,559,000
Project Management & other Soft Costs	\$0	\$4,069,000
Environmental Remediation Liability		\$590,000
Total	\$1,100,000	\$47,225,000

Budget Status and Source of Funds

This project (CIP #C800238) is included in the 2012-2016 capital budget and plan of finance with a budget of \$43.5 million. The budget increase of \$1,100,000 will be transferred from CIP #C102166, Aeronautical Renewal & Replacement Allowance, thus there is no change to the 2012-2016 capital budget. The funding plan is predicated upon the Port receiving \$21.2 million in VALE program grants, with the remaining costs funded with Airport Development Fund, and 2010 revenue bonds. This project was reviewed by the airline representatives and approved through a Majority-In-Interest vote in June 2008.

Financial Analysis and Summary:

CIP Category	New/Enhancement
Project Type	Infrastructure
Risk adjusted Discount rate	10%
Key risk factors	Realizations of savings due to lower jet fuel usage
Project cost for analysis	\$ 24,912,679 (Excludes VALE grant funded portion)
Business Unit (BU)	Terminal cost Center
Effect on business performance	NOI after depreciation will decrease due to recognizing depreciation on the full cost yet recovering capital costs for the non-VALE funded portion only.
IRR/NPV	NPV range of net savings to airlines: \$5 million to \$30 million. (calculated in 2010)
CPE Impact	CPE will increase by \$.16 in 2013; however, this cost will more than offset by decreased airline operating costs. This project was included in the business plan forecast.

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OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On October 2, 2012, the Commission authorized a budget increase of \$2,000,000 to cover additional costs related to construction, design support, and Port Construction Services and Port Maintenance support for the project. Additionally, the Commission authorized the execution of Change Order 119 in the amount of \$509,013 for additional costs related to the North Satellite Tunnel pipe routing

On September 27, 2011, the Commission authorized a budget increase \$3,525,000 to cover additional costs to the construction budget, outside professional services and PMG soft costs. Total project funding authorization increased to \$44,125,000.

On September 11, 2012 the Commission authorized execution of Change Order 113 in the amount of \$776,910 for changes to the pipe routing at D Concourse. Total project funding authorization remained at \$44,125,000.

On May 24, 2011, the Commission authorized execution of a \$400,000 amendment to the professional service agreement with Stantec Consulting. Total project funding authorization remained at \$40,600,000.

On May 11, 2010, the Commission authorized staff to advertise for bids, apply a Project Labor Agreement (PLA), and authorize Port Construction Services to perform pre-construction work, including moving tenants, for Phase I and Phase II of the PC Air Project (CIP # C800238) at the Airport and execute a construction contract. This authorization was for \$36,830,000. The estimated total project cost is \$40,600,000.

On January 13, 2009, the Commission authorized procurement and execution of service agreements with consultants to perform design, prepare contract documents, and perform contract administration for the Pre-Conditioned Air project at Seattle-Tacoma International Airport in the amount of \$3,770,000.