

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6a</u>
Date of Meeting	<u>February 10, 2015</u>

DATE: February 3, 2015
TO: Ted Fick, Chief Executive Officer
FROM: David Amble, Seaport Asset Manager
Catherine Chu, Capital Project Manager
SUBJECT: Terminal 18 Berth Maintenance Dredging (Seaport Expense);
Major Construction On-call Contract for Dredging and Piling Repairs and
Removals (Seaport Expense)

Amount of This Request:	\$1,000,000	Source of Funds:	General Fund
Est. Total Project Cost:	\$2,095,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to:

(1) Direct staff to develop design documents, conduct sediment testing and environmental review, obtain permits, and prepare construction documents for the Terminal 18 (T-18) Maintenance Dredging Project for an estimated cost of \$750,000 out of a total project cost estimate of \$2,095,000.

(2) Advertise for bids and execute a major construction on-call contract for future dredging and pile repair and removal projects for an estimated initial cost of \$250,000. The proposed contract duration and not-to-exceed value are three years and \$4,000,000.

SYNOPSIS

The purpose of this project is to restore the depths of vessel berths at T-18 to their designed depths to ensure that T-18 remains accessible to deep-draft cargo vessels currently in service. The terminal lease obligates the Port to maintain the berths at the designed depths. Maintenance dredging at T-18 has been an on-going need due to natural sedimentation and prop wash. This request is for authorization to proceed with design, environmental studies and permitting, and to proceed with an on-call major construction dredging and pile repair/removal contract.

The on-call contract is designed to be ready for T-18 maintenance dredging construction when the design is completed and permits are received. The contract is also designed to be responsive to other small to medium dredging and pile repair/removal construction needs harbor-wide.

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The total value of this combined request is \$1,000,000 bringing the total authorized amount to \$1,145,000. Future construction projects using this contract, including T-18, will require additional project authorizations pursuant to Commission Resolution 3605.

BACKGROUND

Maintenance dredging is part of the Port's asset management program and staff expects that it will continue on a routine basis for the foreseeable future due to the greater frequency of deep-draft vessels calling at the Port. Recent projects include maintenance dredging at T-46 (2004), T-30 (2006), T-91 (2006), T-18 (2008), and T-5 (2010, 2012, and 2013). The current budget plan includes funds for maintenance dredging at T-18 and T-91 later in 2015. Design and permitting for T-91 maintenance dredging is already underway and the Commission has previously authorized T-91 for construction, which is currently scheduled for late 2015/early 2016. The Port continues to study the cause of sedimentation, including vessel operations and sediment transportation from upstream of the Duwamish River.

The Port has been seeking opportunities to improve the efficiency and effectiveness of project delivery. Since maintenance dredging and pile repair/removal projects are recurring, the Port sought and received a long-term programmatic maintenance dredging permit for the West Waterway (T-5 berths), and the Port is pursuing another one that covers all of the terminals along the East Waterway, including T-18, T-25, T-30, and T-46. In addition, the Port has been successful in using indefinite delivery, indefinite quantity (IDIQ) contracts for dredging design and environmental services, and plans on continuing this process.

On-call construction contracts can be much more efficient for multiple repetitive projects. For each major construction contract, it takes many months to prepare bid documents, advertise for bids, and execute the contract. An on-call contract would combine much of the up-front contracting-related time for multiple projects. Proceeding with the on-call contract now provides the Port ample time to prepare contract documents, and to advertise and execute the contract. In addition, contractors will have sufficient time to ask questions and prepare bids. Once an on-call contract is in place, executing a task order for each project should take weeks, but not months, making the Port more responsive to changing business needs and an often unpredictable permitting environment.

PROJECT JUSTIFICATION AND DETAILS

The proposed project would restore berths at T-18 to their designed depths to maintain and grow the Port's container business and fulfill the Port's lease obligation to the terminal operator at T-18.

Project Objectives:

- Maintain designed depth of -50 feet (Mean Lower Low Water) at T-18 and pursue permitting for additional water depth, as advance maintenance if feasible;

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- Acquire all necessary and required permits from appropriate agencies prior to start of construction;
- Comply with all conditions stipulated by permit authorizations; and
- Minimize cost to the Port.

Scope of Work

This authorization is in two parts:

- Design and permitting for maintenance dredging at T-18, which will be performed by Port staff and outside consultants under an existing indefinite delivery, indefinite quantity (IDIQ) contract;
- Advertise for bids and execution of an on-call major construction contract designed for future small to medium sized dredging and pile repair/removal projects.

Staff plans to return to the Commission for additional authorization for construction within the on-call contract at the completion of final design and permitting, as the estimated construction cost exceeds \$300,000. Each additional project using the proposed on-call contract will also require separate Commission authorizations if the estimated construction cost exceeds \$300,000. The initial authorization of \$250,000 for the contract will cover staff time and initial contractor costs such as insurance and bond, regardless of any future projects. The proposed duration and total not-to-exceed value for the contract are three years and \$4,000,000.

Schedule

T-18 maintenance dredging design and environmental studies will begin immediately following Commission authorization. We expect final design and permitting work to be finished by late summer/early fall, at which time we plan to return for Commission authorization for construction during the 2015-2016 winter dredging period. The major construction contract is expected to be advertised in the spring and executed in the summer, in time for dredging work at T-18.

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Previous Authorizations	\$0	\$145,000	\$145,000
Current request for authorization	\$0	\$1,000,000	\$1,000,000
Total Authorizations, including this request	\$0	\$1,145,000	\$1,145,000
Remaining budget to be authorized	\$0	\$950,000	\$950,000
Total Estimated Project Cost	\$0	\$2,095,000	\$2,095,000

Project Cost Breakdown

	This Request	Total Project
Construction	\$250,000	\$1,000,000
Construction Management	\$50,000	\$200,000
Design/Sediment Testing and Analysis	\$500,000	\$500,000

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Project Management	\$100,000	\$150,000
Permitting	\$100,000	\$150,000
State & Local Taxes (estimated)	\$0	\$95,000
Total	\$1,000,000	\$2,095,000

Budget Status and Source of Funds

The 2015 Operating Budget includes \$1,200,000 for spending related to the Terminal 18 Maintenance Dredging project, with an additional \$754,000 to be included in the 2016 Operating budget. Initial costs incurred through the end of 2014 are estimated at \$141,000. It is estimated that approximately \$190,000 of the project costs will be operating environmental remediation liability work.

This project will be funded by the Seaport General Fund.

Financial Analysis and Summary

CIP Category	Expense Project					
Project Type	Renewal & Replacement					
Risk adjusted discount rate	N/A					
Key risk factors	Key risk factors include potential cost overruns due to project time constraints or expansion of project scope due to higher than anticipated volumes of sediment and/or levels of sediment contamination.					
Project cost for analysis	\$2,095,000					
Business Unit (BU)	Container Operations					
Effect on business performance	The estimated total project costs will have the following effect on NOI in future years. Depreciation expense will not be impacted by this project, as this dredging project is an operating expense.					
	NOI (in \$000's)	2013	2014	2015	2016	TOTAL
	Incremental Revenue	0	0	0	0	0
	Incremental Op Exp.	(82)	(58)	(1,200)	(754)	(2,095)
	NOI	(82)	(58)	(1,200)	(754)	(2,095)
	Depreciation					
	NOI After Depreciation	(82)	(58)	(1,200)	(754)	(2,095)
IRR/NPV						
CPE Impact						

Lifecycle Cost and Savings

Maintenance dredging may occur every three to five years to maintain T-18 at the current design depths.

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STRATEGIES AND OBJECTIVES

This project supports the asset preservation objective, which ensures that the Port has the terminal facilities needed to facilitate international trade through the Pacific Northwest.

TRIPLE BOTTOM LINE

Economic Development

Maintaining container terminal vessel berths at adequate depths for navigation maintains existing customer service and allows the container business to grow.

Environmental Responsibility

The proposed project is subject to rigorous environmental reviews. Design and project implementation will include practices to avoid and minimize potential negative environmental effects during dredging. Dredged materials will be disposed of at approved locations based on consultations with and decisions of the regulatory agencies comprising the Dredge Materials Management Program.

Community Benefits

The permit process requires notification of neighboring communities, agencies of interest and appropriate environmental groups. Waters near Harbor Island are Treaty-protected “usual and accustomed” fishing areas. The Muckleshoot and Suquamish Tribes will be consulted during the permitting process, with the objective of avoiding potential disruption of Treaty fishing access.

The project manager will collaborate with the Office of Social Responsibility to maximize the opportunities for small business participation.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do not proceed with design and permitting for maintenance dredging at T18 and do not proceed with advertising and executing an on-call major construction contract. This alternative will result in restricting access to T-18 during low tide cycles by delaying vessel operations and reducing cargo loading capacity of vessels. This would compromise customer service and increase shipping costs for cargo owners using the Port, resulting in possible loss of existing and future customers to other ports. At some point, the Port will also not be meeting its lease obligations at T-18 if maintenance dredging is not performed. Maintenance dredging for each terminal would be advertised and executed as separate project-specific contracts. This is not the recommended alternative.

Alternative 2) – Proceed with design and permitting for maintenance dredging at T-18 but do not proceed with advertising and executing an on-call major construction contract. This would add additional contracting time for each future dredging project. This is not the recommended alternative.

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Alternative 3) – Proceed with design and permitting for maintenance dredging at T-18 and proceed with advertising and executing an on-call major construction contract. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None