



**COMMISSION
AGENDA MEMORANDUM**

Item No. 9c

BRIEFING ITEM

Date of Meeting June 12, 2018

DATE: May 25, 2018

TO: Stephen P. Metruck, Executive Director

FROM: Jeffrey Brown, Director AV Facilities and Capital Program
Wendy Reiter, Director, Aviation Security
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: Baggage Optimization Project Update C800612

EXECUTIVE SUMMARY

The Baggage Optimization project replaces six individual baggage screening systems with a centralized system that optimizes the operation and functionality of the checked baggage system at Seattle-Tacoma International Airport. The purpose of this project is to optimize the baggage system to achieve the maximum outbound baggage capacity within the current airport footprint. The project increases screening capacity for greater baggage volumes, increases flexibility to allow bags to be checked in from any ticket counter and be conveyed to any makeup device, meets a minimum-connect-time goal, and increases energy efficiency. Additional benefits include increased reliability, redundancy, and security. Meeting travelers' baggage needs will significantly contribute to increased customer service, and address growing demands of the region. The project is currently scoped to accommodate 60 million annual passengers (MAP), and will be implemented through three phases of construction.

The project is currently on budget but has recently experienced schedule setbacks of two to three months. The biggest risks to the project are schedule delays and baggage handling market conditions during Phase 2 and 3 bids.

PROJECT UPDATE

Phase One

Notice to Proceed was issued to the Phase 1 prime contractor, PCL Construction Services Inc., on May 26, 2017, and construction is currently underway, including the following activities:

- (1) Demolition of Central Terminal ramp has been completed
- (2) New Central Terminal ramp construction is approximately 80% complete
- (3) Conveyor installation began in March 2018
- (4) Maintenance breakroom in Concourse B is 80% complete
- (5) Construction on utilities and infrastructure continues

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- (6) Baggage screening machine installation at the “North Oversize” location was completed and is in use

Upcoming critical elements include conveyor deliveries and installation, computer programming, purchase of network equipment for baggage handling system, and factory acceptance test to be conducted.

On-going stakeholder coordination continues to be essential, particularly with other projects, Aviation Maintenance, and airport tenants. Work on Phase One is estimated at 38 percent complete.

The contractor has been maintaining two work shifts, Monday – Thursday. As of the latest April pay application, 66,130 work hours have been reported and work complete is estimated to be 38%.

Contracting requirements (status as of May 2018)

<u>Program</u>	<u>Requirement/Goal</u>	<u>To-Date</u>
Small Business Enterprise (SBE)	15% of total contract	15.28%
Small Contractors & Suppliers (SCS)	5% of SBE	11.84%
Apprenticeship	15% of total hours	20.32%

Phase Two

The Port of Seattle and the design consultant continue to develop the bid documents for Phase 2. The consultant has been working on separating the Phase 2 design from the comprehensive 100% design package; holding working construction sequencing meetings, and developing construction documents for the scope increase to bring the new baggage system to a capacity of 60 MAP.

Bi-weekly coordination meetings are underway with the consultant and internal Port departments. Critical upcoming activities include detailed review meetings for construction sequencing and for the additional capacity scope. Design review meetings on the Phase 2 documents will begin in Quarter 3.

SCHEDULE AND BUDGET

The Baggage Optimization project will be implemented in three construction phases.

Schedule

Based on the most current contractor schedule, Phase 1 is one month behind schedule (based on baseline schedule set in April 2015). Holding this schedule would place Phase 1 Substantial Completion in 2019 Quarter 3. However, the contractor has fallen behind on conveyor submittals and fabrication. The Port has requested and received a mitigated schedule that indicates the project will be completed on time. The contractor continues to miss key start

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dates and mitigates by shortening schedule durations to show on-time completion. While it is still possible for the project to complete on time, the continued submittal and conveyor delivery delays leave on-time completion unlikely. To mitigate this schedule concern, The Port Baggage Team has conducted additional design review meetings and on-site submittal reviews to help expedite the required submittals. The team has sent staff to Denver to participate in a submittal meeting with the contractor and designer to help streamline the submittal approval process. The project’s managers and department directors have met with the prime contractor’s executives to discuss project concerns. The team has also met with Baggage Handling subcontractor executives to brainstorm ways to keep the project on track and recover schedule delays. The team continues to work toward on-time completion without sacrificing the quality of the new baggage system.

Phase 2 design efforts started on October 31, 2017. The overall project is currently scheduled for Phase 3 (the final phase) to obtain Substantial Completion in 2025 Quarter 1 (contingent upon on-time Phase 1 completion).

Phase 1 Substantial Completion	2019 Quarter 3
Phase 2 Substantial Completion	2022 Quarter 2
Phase 3 Substantial Completion	2025 Quarter 1

Budget

The Baggage Optimization project is on budget as currently scoped.

The budget summary for the project to date is as follows:

Total Project Budget	\$445,050,000
Total TSA Contribution	\$94,043,296
Total Commission Authorization to Date	\$136,312,200
Amount Spent to Date (as of 05/24/18)	\$46,508,989
TSA Reimbursement to Date (as of 05/24/18)	\$20,324,244

ADDITIONAL BACKGROUND

The Baggage Optimization project was scoped in 2012 to accommodate 45 MAP with an expandable design to accommodate future growth. At the time, growth forecasts were flat and predicted that 45 MAP would be adequate through 2027. The decision was made to proceed in building an expandable 45 MAP system with the expectation that an expansion would occur in the future in time to accommodate growth up to the 60 MAP level. Due to unprecedented growth at the airport, the 45 MAP threshold was met in 2016, over ten years earlier than anticipated. In June 2017, the Commission authorized the project to incorporate a capacity expansion of the Baggage Optimization project in order for the new outbound baggage system to accommodate 60 MAP. The additional capacity will be incorporated into Phases 2 and 3, and added 14 months to the overall project schedule, and a net budget increase of \$126 million. The \$126 million increase is included in the overall budget of \$445 million.

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ATTACHMENTS TO THIS BRIEFING

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- January 9, 2018 – Baggage Optimization Quarter 4 Project Briefing
- September 26, 2017 – Baggage Optimization Quarter 3 Project Briefing
- June 27, 2017 – Commission authorization to (1) authorize additional design and project management funds to expand the capacity to 60 million annual passengers (MAP); (2) use Port crews and small works contracts to perform additional construction work; and (3) amend Service Agreement P-00317641 to add \$10,160,000
- October 25, 2016 – Baggage Optimization Quarter 4 Project Briefing
- July 12, 2016 – Commission authorization to advertise and execute a contract for construction Phase 1
- June 28, 2016– Baggage Program Briefing
- May 17, 2016 – Checked Baggage Optimization Project Briefing
- March 8, 2016 – Commission authorization for the Chief Executive Officer to amend the Baggage Optimization Design Services contract
- June 23, 2015 – Checked Baggage Optimization Project Briefing
- September 10, 2013 – The Commission authorized the execution of an Other Transaction Agreement (OTA) with TSA for reimbursable costs for design; construction, and to authorize \$15 million to continue from 30% to 100% design; and execute a consultant service agreement for program management support services
- August 20, 2013 – Response to questions from Commissioners asked during August 6, 2013 Commission Meeting
- August 6, 2013 – The Commission was briefed on the near-term and long-term challenges related to handling checked baggage at the Airport
- January 22, 2013 – The Commission authorized \$5 million for staff to begin design through 30%, and to enter into an agreement to allow reimbursement from the federal government to the Port for eligible elements of the 30% design effort
- January 8, 2013 – Baggage Systems Briefing
- August 14, 2012 – Baggage system recapitalization/optimization was noted in the 2013 business plan and capital briefing as a significant capital project not included in 2013-17 capital program
- August 7, 2012 – Baggage system recapitalization/optimization was referenced as one of the drivers for the need to develop an Airport Sustainability Master Plan
- June 26, 2012 – The Airport’s baggage systems were discussed during a briefing on terminal development challenges
- May 10, 2012 – TSA’s interest in a national recapitalization/optimization plan for all baggage-screening operations was referenced in a design authorization request for the C60-C61 Baggage Handling System Modifications Project