



October 12, 2021

Glenn Fernandes, CPA, Director, Internal Audit  
Port of Seattle  
2711 Alaskan Way  
Seattle, WA. 98121

Reference: Project: Baggage Optimization Project - Phase 2  
Contract No: MC-0319501  
Work Project: U00424

Subject: Response to Commissioner Cho

Mr. Fernandes:

The Project team is responding to Commissioner Cho's question regarding the impacts of the negative Majority In Interest (MII) vote regarding increasing the budget to accommodate the high bid on the Baggage Optimization Phase 2 project.

Background:

- November 19, 2019 - The Baggage Optimization Phase 2 project received two bids that were higher than the Engineer's Estimate. Hensel Phelps had the lowest bid that was \$114,780,000 over the Engineer's Estimate. Due to the increase a MII vote was requested from the Airlines to increase the program budget to accommodate the increase.
- January 28, 2020 – Commission voted to approve the program budget.
- February 9, 2020 - MII ballots came in with a negative vote to support the increase.
- February 13, 2020 – Siemens and Hensel Phelps agreed to a 30 day bid extension.
- February 14, 2020 – Original schedule for signing of contract
- March 5, 2020 – COVID Stay at Home Order
- March 18, 2020 – Hensel Phelps agreed to a second 30 day bid extension.
- July 7, 2020 – 180 day negative MII period ends
- July 8, 2020 – Hensel Phelps signed contract for Baggage Op Ph 2

Response:

- Based on our evaluation of the Contractor's baseline schedule and the historically low passenger counts during the 180 day MII vote delay, we are comfortable stating that the below items are opportunities missed to save +/- 6 months on the overall project duration which would be a saving of approximately \$4.9M savings.
    - Re-sequence/combine steps on the C1 and C92 conveyor systems due to minimal capacity needed to continue operations.
    - Early demolition of the C96 system and advancement of the new Conveyor shop build, due to this system being unused.
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- Potential Savings – There are additional items that have been identified as potential savings and/or risk, however difficult to quantify:
  - Through re-sequencing described above, the project could have avoided purchasing and installation of temporary conveyors. This includes approximately 50 conveyors, at an additional installed cost of \$4.5M.
  - The negative vote delayed the contract start date into the time by which national and global supply chain impacts chain due to COVID impacted the project.

If you would like to discuss this further, please do not hesitate to call me at (206) 787-5829.

Sincerely,

Ed Weitz  
Baggage Program Leader

Attachment: None

cc: Lance Lyttle, Aviation Managing Director | Jeffrey Brown, AV Chief Operating Officer | Wayne Grotheer, Director AVPMG | Wendy Reiter, Director AV Security | Stuart Mathews, Director AV Maintenance | Chris Sherwood, Construction Manager | Janice Zahn, Asst. Director Eng.

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