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COMMISSION

AGENDA MEMORANDUM Item No. 8i

ACTION ITEM Date of Meeting September 13, 2022

DATE: September 6, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Keri Stephens, Director, Aviation Facilities and Capital Programs

Eileen Francisco, Director, Aviation Project Management

SUBJECT: Meet Me Room Irregular Bid (CIP# C800762)

Amount of this request: \$2,000,000

Total estimated project cost: \$21,700,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to 1) award and execute a Design Build construction contract; 2) increase the project budget for the Telecommunication Meet Me Room (MMR) in the amount of \$2,000,000. This request is for \$2,000,000 for a revised total estimated project cost of \$21,700,000.

JUSTIFICATION

This request is for authorization to proceed with awarding and executing a design build construction contract as required by resolution No. 3605 Paragraph 4.2.3.4. Both proposals that were received in response to the Request for Proposal (RFP) exceeded the engineers estimate by 10% or greater. Since both proposals exceeded the engineers estimate, the selection team followed the procedure outlined in the RFP Section 3.3.9.3 and awarded the contract to the proposer that is highest technically rated and has offered a fair and reasonable price.

The selected team scored Good or Outstanding in each of the selection criteria and provided improvements to the building scope. The proposal shows an early completion of approximately 2 months, an additional 200 square feet of space, and a solution to increase the HVAC usage as more service providers move into the space. In addition to those benefits, the selected team is committing to a 53% total WMBE inclusion. The WMBE inclusion goal for this RFP was 12%. The selection team conducted proprietary site walks and held proprietary meetings with each proposer during the RFP phase. After those meetings, the team issued an addendum based on a value engineering effort to remove scope and provide cost savings. Both proposals offered value

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engineering opportunities which can be further investigated during the design phase to determine need vs costs to the project. However, the collective opportunities would not have brought the proposals within the Engineer's estimate and maintain the building functionality. Diversity in Contracting

There are multiple elements within the scope of this project that will provide WMBE business opportunities. The Design Build effort will have a goal of 12% WMBE participation rate. The selected team has committed to exceeding this goal with a total inclusion commitment of 53%. This commitment is also split between three companies, so the burden is not solely on one subcontractor.

DETAILS

Scope of Work

The Telecommunication Meet Me Room project will consist of:

- (1) Design and construct a 1,200 square foot (approx.) single story structure.
- (2) Enhanced on-site security to ensure secure operations without requiring service providers to access the Security Identification Display Area (SIDA). Building location is outside of the SIDA.
- (3) Install underground structures, and conduit pathways to intercept the International Arrivals Facility (IAF) Duct bank system.
- (4) Install underground structures, and conduit pathways for service providers to access from International Boulevard.
- (5) Connect the MMR building to the existing Airport utility connections.
- (6) Install landscaping, and secure and controlled gate access around the facility.

- (7) Design the MMR building to have separate Port and service provider spaces to house equipment.
- (8) Design and install cable trays to support internal to MMR fiber interconnections.
- (9) Design primary and secondary fiber pathways from the MMR facility to each Main Distribution Room (MDR).
- (10) Install passive and active equipment needed to transport services from the providers to the airport end users.

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Schedule

The scope of work will be completed using two individual work projects.

Activity

Commission Authorization (Building DB, Fiber Design)

Building

Design Build Procurement Start 2022 Quarter 2

Construction Start – Building 2023 Quarter 2

In Use Date – Building 2024 Quarter 2

Fiber

Design Start 2022 Quarter 2

Commission Construction Authorization 2023 Quarter 2

Construction Start 2023 Quarter 4

In Use Date 2025 Quarter 1

Cost Breakdown This Request Total Project

Design \$0 \$3,822,000

Construction \$2,000,000 \$17,878,000

Total \$2,000,000 \$21,700,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Cancel or defer the project.

Cost Implications: Approximately \$900,000 would need to be expensed.

Pros:

(1) No capital investment.

Cons:

- (1) A future project will be needed to relocate legacy connections to a permanent location.
 - (2) Additional scope, schedule, and cost would be required by other projects for temporary connections. This could result in significant disruptions of service.
 - (3) No new facility constructed; will not be able to meet communications connectivity needs for Sea-Tac Airport and its customers.
 - (4) No space available for new providers to bring services to the Airport.
 - (5) No new connections available for new services (Internet, Data, and Telephone).
 - (6) Will not be able to fully utilize the existing communications backbone infrastructure.
- This is not the recommended alternative.

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Alternative 2 – Cancel the procurement, Revise, and Re-Advertise

Cost Implications: \$ 3,000,000-5,000,000 additive to current budget.

Pros:

- (1) Constructs a secure building for telecommunication interconnections.
- (2) Relocates legacy connections to a permanent location.
- (3) Provides space for new service providers to bring telecom services to the Airport.

Cons:

- (1) Project would be delayed for 8-14 months to revise the project scope and readvertise the work.
- (2) Proposals may come back higher to complete a similar scope of work.
- (3) Other project work will be delayed until the legacy connections are relocated.
- (4) Other project will incur additional cost and scope to relocate legacy connections.
- (5) No new available connections for new service providers to bring services to the Airport.
- (6) Delay new connections for additional service providers.
- (7) Delay in establishing a leasing agreement with the existing service provider.
- (8) Highest capital investment.

This is not the recommended alternative.

Alternative 3 – Continue with the current proposal.

Cost Implications: \$2,000,000 additive to current budget

Pros:

- (1) Constructs a secure building for telecommunication interconnections.
- (2) Relocate legacy connections to a permanent location.
- (3) Provides space for new service providers to bring telecom services to the Airport.
- (4) Project work will remain on schedule and construction be completed ahead of the proposed timeline.
- (5) Fiber design and installation can remain on track to migrate legacy connections and services.
- (6) Construct a larger facility on a spaced constrained site.
- (7) Exceed the WMBE inclusion goal to complete the project.

Cons:

- (1) Additional capital investment.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate	\$5,100,000	\$50,000	\$5,150,000
Previous changes – net	\$14,249,000	\$301,000	\$14,550,000
Current change	\$2,000,000	\$0	\$2,000,000
Revised estimate	\$21,349,000	\$351,000	\$21,700,000

AUTHORIZATION

Previous authorizations	\$11,352,000	\$351,000	\$11,703,000
Current request for authorization	\$2,000,000	\$0	\$2,000,000
Total authorizations, including this request	\$13,352,000	\$351,000	\$13,703,000
Remaining amount to be authorized	\$7,997,000	\$7,997,000	

Annual Budget Status and Source of Funds

This project, CIP C800762, was included in the 2022-2026 capital budget and plan of finance with a budget of \$5,100,000. A budget increase of \$16,249,000 was transferred from the Aeronautical Reserve CIP C800753 resulting in zero net change to the Aviation capital budget. The increase in budget was driven in large part by expanding the scope to connect to all three MDRs, the addition of the secondary pathway, including fiber to support existing fiber connections, and some increase was a result of escalation from the project deferment. This project received prior airline Majority- in-Interest (MII) approval. The current budget increase will not require additional MII approval due to the use of MII Management Reserve provision.

Financial Analysis and Summary

Project cost for analysis \$21,700,000

Business Unit (BU) Terminal Building

Effect on business performance NOI after depreciation will increase due to inclusion of (NOI after depreciation) capital (and operating) costs in airline rate base.

IRR/NPV (if relevant) N/A

CPE Impact \$.06 in 2025

ADDITIONAL BACKGROUND

The MMR project has been in discussion and design with the initial commission action in 2017. The scope only included connection to one of the main distribution rooms (MDR3) with new connections being established through this pathway and for legacy connections to be moved later.

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The project team underwent a detailed review of the various locations available to house these connections. The location at the south end of the airport is near existing connection points for both the Airport and Service Providers. The fiber connections were limited at this stage and being considered for inclusion in other telecommunication work.

In July 2019, the project team advertised a design build package that included the construction of the building and the connection to the existing Airport infrastructure. That RFP resulted in one proposal with a cost greater than 35% over the engineers estimate. While the proposal was being evaluated, the project was put on hold during the COVID-19 workplace disruption.

In September 2021 the project efforts were restarted, and scope increased to provide a fully functioning facility. This included the fiber required to connect to each MDR (3 in total), sufficient circuits to migrate the legacy connections, and to establish the connection infrastructure within the MMR facility for future growth from existing or new suppliers. Through the restarted efforts the secondary leg was identified and included to improve the Airport's data redundancy.

In February 2022, the project team presented on the revised scope and increased budget. After which the team began working on both project efforts. The Building Design Build request for qualifications was advertised 3/30/2022. Both Qualified proposers returned proposals on 7/22/2022. The fiber Design efforts were kicked off June 2, 2022.

ATTACHMENTS TO THIS REQUEST

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

February 8, 2022 – The Commission authorized \$7,725,000 for design and construction of the MMR Building and authorized design of the MMR Fiber work project. Commission authorization of the construction of the MMR fiber will be a future request.

September 26, 2017 – The Commission authorized \$3,978,000 for design and construction.

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