

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>4B</u>
Date of Meeting	<u>April 3, 2018</u>

DATE: March 21, 2018

TO: Managing Members, The Northwest Seaport Alliance

FROM: John Wolfe, Chief Executive Officer
Sponsor: Dakota Chamberlain, Chief Facilities Development Officer
Project Manager: Hughes Wike, Engineering Project Manager II

SUBJECT: Construction authorization for West Sitcum Terminal Stormwater Treatment Project

A. ACTION REQUESTED

As referenced in NWSA Resolution No. 2016-04, Exhibit A, Delegation of Authority Master Policy, Paragraph 8.c.iii., states project costs exceeding \$300,000 require approval from Managing Members.

Request construction authorization in the amount \$7,621,000 for a total authorized amount of \$12,848,000, for work associated with the West Sitcum Terminal Stormwater Treatment project, Master Identification No. 201024.01.

B. SYNOPSIS

To ensure the West Sitcum Terminal remains in compliance with the Industrial Stormwater General Permit (ISGP or Permit) and associated Agreed Order issued by the Washington State Department of Ecology (Ecology), the Port is designing and intends to install stormwater treatment systems.

Per the Agreed Order, project construction must commence not later than July 1, 2018, with substantial completion not later than September 30, 2018. The Order also describes stipulated daily penalties after September 30 until treatment systems are online.

C. BACKGROUND

The West Sitcum Terminal is required to have coverage under the Industrial Stormwater General Permit (ISGP). The ISGP authorizes stormwater discharges from a facility only if the facility is operated consistent with the terms and conditions of the ISGP. These terms and conditions include quarterly compliance monitoring of discharges, implementation of specific best management practices and an adaptive management process triggered by discharge

monitoring results above benchmark values. This adaptive management process consists of implementing specified corrective actions.

Prior to October 2, 2017, the former terminal operator held an ISGP under permit number WAR000307. Between 2013 and 2016, the former operator exceeded ISGP benchmarks for zinc and copper for three consecutive quarters and reached a Level 3 corrective action stage of the adaptive management process. A Level 3 corrective action stage typically requires the installation of a stormwater treatment system.

The former operator did not implement a Level 3 corrective action and instead ceased operations and terminated their ISGP as of October 1, 2017. Anticipating the termination, on August 24, 2017, Port of Tacoma applied for ISGP coverage, and received coverage effective October 2 under permit number WAR305772. The Port agreed to obtain and hold the Permit for the duration of the treatment design, construction, and commissioning period.

As a condition of issuing a new ISG permit, a required operational permit at this facility, Ecology required the Port be accountable to an Agreed Order (AO). That agreed order was signed by Ecology and the Port on October 23, 2017; 17 days after Managing Members were presented with the Port's project authorization request.

The AO outlines multiple conditions including a September 30 substantial completion deadline for the treatment systems. This required deadline was not known during design project scoping or bidding as that work occurred prior to the AO negotiations. The acceleration in project timeline driven by the AO led to an abbreviated alternatives analysis phase and the decision to design and construct the most conservative system commercially available. This also resulted in cost impacts as the Port's timeline has required aggressive scheduling and pre-purchase of long lead items (as opposed to the successful construction contractor ordering all materials). The consequence of failing to meet the September 30, 2018, deadline is stipulated daily penalties of \$1,000.

Design of the project was authorized on October 6, 2017, and February 6, 2018, Managing Members authorized advance procurement of long lead equipment for the project. This request is to authorize all remaining construction costs to complete the project.

D. PROJECT DESCRIPTION AND DETAILS

Scope of Work

The project generally includes design and construction of new Stormwater treatment facilities for the three existing drainage basins at West Sitcum.

The proposed scope of construction work will include:

- Installation of new pump stations, hydrodynamic separators, and modular wetland treatment systems.
- Trenching for stormwater and new electrical conduit
- Restoration by backfill and asphalt concrete pavement patching

- Permitting – SEPA, shoreline, and site development
- Project and construction management

Schedule

Construction Authorization	April 2018
Bid Construction Contract	May 2018
Substantial Completion	September 2018

E. FINANCIAL IMPLICATIONS

Project Cost Details

	This Request	Total Project Cost	Cost To Date	Remaining Cost
Design	\$0	\$662,000	\$252,755	\$409,245
Advance Procurement	\$0	\$4,565,000	\$0	\$4,565,000
Construction	\$7,621,000	\$7,621,000	\$0	\$7,621,000
Total	\$7,621,000	\$12,848,000	\$252,755	\$12,595,245

The total cost of the West Sitcum Stormwater Treatment Project has been updated from \$8,177,000 to \$12,848,000. This increase is due in part to verification of current stormwater conditions (e.g., high dissolved copper content) and continued effort to ensure compliance with aggressive project milestones, as described in the Agreed Order. The design of the new treatment systems incorporates technology and features such as the use of modular wetlands and dual-stage treatment, that are proven to mitigate the observed site conditions and provide assurance that benchmarks will be met upon project implementation.

An additional factor in the increased project cost is the current bid climate. The Seattle city cost index is trending much higher since last fall and bids received on the long lead materials (e.g. pump stations and modular wetlands) came in higher than the engineer's estimate. The engineer's estimate for this project and total project cost have been updated accordingly.

Estimated Sales Tax

The sales tax to be paid to local and state governments for this construction action is estimated at \$799,309.

Source of Funds

The 2018-2022 Capital Investment Plan (CIP) allocates \$8,023,000 for this project. The 2018 CIP budget includes \$3 million in unallocated capital funds. The increase of \$4,825,000 will come from this CIP budget line item and from projects that have been delayed. The tenant, SSA, is contributing \$4 million towards the cost of this project.

Financial Impact

The full project cost will be capitalized and depreciated over an estimated 33-year period resulting in annual depreciation of \$389,000. Depreciation expense for 2018 will be \$97,000 based on a substantial completion date of September 2018.

The Tenant will contribute \$4 million to this project which will be treated as prepaid revenue. This will result in \$400,000 per year in additional revenue over the ten-year lease.

Including the increase for this project the SSAT lease agreement exceeds the expected financial returns.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) Defer installation of the treatment system to a later date:

Pros:

- Defers financial commitment at this time.

Cons:

- Decreased certainty concerning the Port's obligations under the Federal Clean Water Act and Washington State Water Pollution Control Act.
- Potential significant financial costs relating to business interruption and environmental liability.
- Puts the Port in non-compliance with the Agreed Order with Ecology, incurring stipulated penalties of \$1,000 per day until the treatment system is online.

Alternative 2) Design and construct Stormwater treatment system:

Pros:

- Builds a conventional treatment system for new terminal operator, helping to ensure their success with permit management.
- Builds trust with Department of Ecology, maintains the partner relationship between Ecology and the Port.
- Retains compliance with the Ecology Agreed Order, avoids stipulated penalties.

Cons:

- Significant capital investment.

Alternative 2 is the recommended course.

G. ENVIRONMENTAL IMPACTS/REVIEW

Permitting: This project is subject to SEPA review. The City of Tacoma is in the process of evaluating this project and is currently indicating it may be eligible for a formal Shoreline

Permit Exemption. Federal and Washington State Department of Fish and Wildlife permits are not required.

Remediation: The terminal area is subject to institutional controls that include notification to any new tenants, ground water monitoring and constraints on construction, pavement maintenance and excavation in the confined disposal facility.

Water Quality: In combination with sweeping and good housekeeping, this project will treat stormwater for metals and total suspended solids; helping ensure the effluent is under permit benchmark levels. The project will operate with a construction stormwater permit and the site will continue to operate with an industrial NPDES permit during construction.

Air Quality: Other than very minor temporary impacts due to the use of construction equipment, no impacts to air quality are anticipated.

H. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

I. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
April 20, 2017	Executive Authorization	\$1,500
June 16, 2017	Executive Authorization	\$298,500
October 3, 2017	Managing Members Authorization	\$362,000
October 19, 2017	Agreed Order with Department of Ecology	\$0
February 6, 2018	Managing Members Authorization	\$4,565,000
TOTAL		\$5,227,000