

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>9C</u>
Date of Meeting	<u>August 2, 2022</u>

DATE: July 22, 2015

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial and Strategy Officer

Project Manager: Curtis Stahlecker, Capital Project Manager

SUBJECT: T5 Intermodal Yard Improvements Project Increase Authorization

A. ACTION REQUESTED

As referenced in NWSA Resolution No. 2020-02, Exhibit A, Delegation of Authority Master Policy, Paragraph 8.c.iii., states project costs exceeding \$300,000 require approval from Managing Members.

Request project authorization in the amount \$3,253,000, for a total authorized amount of \$9,807,000, to complete the design, installation and construction of the work associated with the T5 Intermodal Yard Improvements Master Identification No. U00668 and related projects.

B. SYNOPSIS

The NWSA is proposing to enter into an IY Agreement with SSAT effective January 1, 2024, to commit to a long-term use of the Terminal 5 IY. This project completes the work required in the intermodal yard for long term use. In addition, the rail improvement projects covered under the MARAD 2020 PIDP grant will be completed under this project.

The IY facility, access rail tracks and adjacent storage rail tracks have been recently reactivated and utilized by SSAT beginning in January 2022 after being idle since 2014. During 2021 certain repairs and equipment upgrades were authorized and performed restoring the operational functionality of the facility prior to intermodal operations, and additional repairs were authorized and scheduled to be implemented during 2022. The work scope for this project is intended to provide Terminal 5 with Intermodal Yard premises in a state of good repair.

During the design development additional improvement scope was identified that will improve the facility and reduce future maintenance. The additional scope will be eligible for matching federal MARAD grant funds from the Terminal 5 Uplands Modernization and Rehabilitation grant the NWSA executed on December 20, 2021.

The additional scope includes design and repair of additional settlement occurring within the IY, applying asphalt overlay, installation of modern rail switches, replacing compressors and providing additional signage and striping safety features.

C. BACKGROUND

The Managing Members authorized the T-5 Modernization Program in April of 2019 which provides improvements necessary to serve newer, larger vessels and help maintain the NWSA's competitive position, preserve and grow jobs and support a healthy economy for the region and state.

When the terminal was redeveloped in 1995 the IY facility was constructed over two different historic urban features and a large diameter sanitary sewer force main. Currently some surface anomalies are beginning to manifest in the IY related to at least two of these features. One feature is an urban landfill, and the other feature is the historic deposit of slag from the adjacent steel mill. The urban landfill was in use for roughly 40 years until the mid-1960s.

During the 1995 T-5 redevelopment, the landfill was covered, and the new railroad tracks and rubber-tired gantry (RTG) runs were built on pile-supported concrete structures over the landfill location. These support structures remain sound; however, the landfill has continued to consolidate resulting in some localized areas of subsidence.

The southern portion of the IY was built over deposits of steel mill slag. While the slag is a suitable subbase material in the dry conditions it reacts to water by swelling. As the slag swells the pavement begins to crack allowing more water to infiltrate into the slag. With the continued expansion of the slag the pavement begins to show more visible signs of vertical movement. The pavement is beginning to heave, distorting the driving surface and railroad track misalignment.

On August 3, 2021, Managing Member authorized funding for the repairs to the IY to get the facility ready for intermodal operations by January 2022 and design and implement repairs to correct the heaving pavement in the southern end of the IY. This authorization was separated into three elements:

- NWSA U00668 Project Authorization
- SSAT IY Use Agreement
- BNSF Switch Payment letter

The August 3, 2021, authorization provided the funding to complete the work necessary restoring the IY to operational functionality by January 2022. The IY functionality was achieved by the efforts of SSAT, BNSF, and the NWSA project team.

The work completed by the NWSA project team included:

- Repair of the subsidence that had occurred adjacent to manhole (MH) structure 2030 and adjacent to the rail support and sanitary sewer protective structure.
- Investigation and confirmation the Track 7 the escape track is safe for train operations
- Re-ballast the tracks in the Intermodal Storage Yard
- Refresh paint markings in the Intermodal Yard

The table below details NWSA costs to date (7/1/22) from the 8/2/21 authorization and the estimated cost of the remaining work.

Item	Authorized Cost Estimate	Accrued Cost	Future costs	Estimated Total Costs
Track 7 Subsidence Repair	\$335,000	\$70,000	\$60,000	\$130,000
Eastern subsidence Repair	\$346,000	\$115,000	\$0	\$115,000
Southern IY pavement repair	\$1,994,000	\$225,000	\$2,300,000	\$2,525,000
Rail RPM Power upgrade	\$75,000	\$5,000	\$75,000	\$80,000
Intermodal Storage Yard (ISY) repairs	\$200,000	\$100,000	\$0	\$100,000
Total Estimate project U00668 et.al	\$2,950,000	\$515,000	\$2,435,000	\$2,950,000

The work completed within the Intermodal Yard under SSAT direction included:

- Replacing switches
- Rail signals and indicator lights
- Testing and operational functionality

The work completed by BNSF leading up to the Intermodal Yard included:

- Replacement switches signal equipment on the approach tracks

The table below details the cost of the work completed by SSAT and BNSF to get the Intermodal yard facility operational by January 2022. The total cost of the SSAT and BNSF efforts are at least \$902,000 below the authorized amount.

Item	Authorized Amount	Paid to Date	Anticipated Invoices	Total Expected Costs
SSAT IY Equipment updates	\$3,000,000	\$1,389,000	\$1,013,000	\$2,402,000
BNSF Switch and Signal	\$604,000	\$300,000	\$0	\$300,000
Totals	\$3,604,000	\$1,689,000	\$1,013,000	\$2,702,000

Restoration work to the IY was included in the MARAD grant application for Terminal 5 Uplands Modernization and Rehabilitation grant application. This grant was awarded and executed in December 2021 and provides a \$1.3m funding match on eligible project cost of \$4.3m. The matching funds will be utilized to offset future construction costs.

To be considered an eligible cost for the MARAD grant, the work would need to occur after the grant was executed and be procured under the conditions of terms of the grant. The work that SSAT and BNSF performed along with the design and internal work performed by Port crews occurred before the grant was executed and is not eligible.

With the current IY authorization only the external construction cost will be eligible to count towards the grant. The estimated eligible construction cost with the current authorization is \$2m, slightly less than half the required amount to received full grant reimbursement.

D. PROJECT DESCRIPTION AND DETAILS

Project Objectives

The objective of the work scope to provide Terminal 5 with Intermodal Yard premises in a state of good repair and a usable escape track that will include 56 double-stack railcar capacity loading tracks and switches and a 54 double-stack railcar capacity intermodal yard storage tracks and switches. It will ensure future adequate power supply for the rail RPM equipment

Scope of Work

During the design development additional project scope was identified. Areas of additional settlement along the rail support structure. The settlement has not manifested into significant issue as of yet. However, given the settlement is in a main working isle if the IY it is prudent to perform the repairs concurrently with the phasing of the other repairs to avoid both future emergency repairs and operational disruption.

The scope of work will include:

- Settlement repair along the rail support structure.
- Asphalt overlay in the southern intermodal yard center drive/working isle between Tracks 4 and 5.
- Replacement of six (6) compressors.
- Replacement of four (4) switches in the intermodal storage yard and five (5) switches at the northern end of the intermodal yard.
- Add additional safety features (signage, gate/fence repairs, striping).

Schedule

Complete Design	December 2022
Advertise for Bid	February 1, 2023
Open Bids	March 3, 2023
Notice of Award	March 7, 2023
Substantial Completion	October 31, 2023
Final Completion	December 31, 2023

E. FINANCIAL IMPLICATIONS

Project Cost Details

	This Request	Total Project Cost	Cost to Date	Remaining Cost
Pre-Design	\$0	\$50,000	\$20,000	\$30,000
Design	\$240,000	\$662,000	\$190,000	\$472,000
Construction	\$3,915,000	\$6,393,000	\$300,000	\$6,093,000
SSAT/BNSF IY & Switch upgrades	(\$902,000)	\$2,702,000	\$1,689,000	\$1,013,000
Total	\$3,253,000	\$9,807,000	\$2,199,000	\$7,608,000

Source of Funds

The estimated cost for this portion of the project is \$3,253,000.

The total estimated budget for the T5 IY improvements and equipment upgrades is \$9,807,000.

The current Capital Investment Plan (CIP) allocates \$9,807,000 for the total IY project. The CIP previously provided \$6,554,000 for the IY project.

Financial Impact

Estimated project costs of \$6,242,000 will be capitalized and depreciated with an estimated useful life of 15 years. Estimated annual depreciation expense will be \$416,000. Estimated project costs of \$3,565,000 will be expensed as incurred.

The impact of the additional \$3,253,000 has been included in the Seattle Harbor Strategy financial model. Completion of this work will allow the NWSA to require SSA to provide a minimum of 130,000 intermodal lifts that will provide revenue of approximately \$4,000,000 per year based on current tariff rates

F. ENVIRONMENTAL IMPACTS/REVIEW

Permitting: All MUP conditions apply.

Remediation: No comments or additional conditions.

Stormwater: SSAT has an active ISGP elsewhere on the terminal. They will implement BMPs in the IY to manage pollutant loading to their permit area. It is proposed that if activities change in the IY such that ISGP coverage is triggered, SSAT shall be responsible for expanding permit coverage and complying with the permit. Other than routine MS4 permit BMPs there are no additional water quality related concerns.

Air Quality: The Air Quality Management plan applies.

G. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

H. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
February 11, 2021	Executive Authorization for Design	\$ 75,000
July 9, 2021	Additional Executive Authorization for Design	\$ 150,000
August 3, 2021	Managing Member Authorization for Design and Construction	\$ 2,725,000
August 3, 2021	SSAT Intermodal Yard Equipment updates and repairs	\$ 3,000,000
August 3, 2021	BNSF Upgrades to Switches, signals, and support	\$ 604,000
TOTAL		\$6,554,000