

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>4A</u>
Date of Meeting	<u>October 2, 2018</u>

DATE: September 14, 2018

TO: Managing Members, The Northwest Seaport Alliance

FROM: **Sponsor:** Dustin Stoker, Chief Operations Officer
Project Manager: Curtis Stahlecker, Capital Project Manager

SUBJECT: North Harbor Surplus Crane Dispositions – Additional Funding

A. ACTION REQUESTED

Request additional project authorization in the amount of \$523,000 to remove four surplus ship-to-shore (STS) container cranes from Terminals 18 and 46 in the North Harbor, for a total project authorization amount not to exceed \$4,523,000 for work associated with the North Harbor Surplus Crane Dispositions, Master Identification No. U00293.

B. SYNOPSIS

Resolution No. 2018-01 paragraph 8.c.vi.e. requires that “Managing Members will be notified before or at the next available public meeting as soon as it is determined that the project cannot be completed for the previously authorized amount. When the value of the work has been determined or calculated Managing Member authorization will be requested for amounts that exceed the currently authorized amount.” The Managing Members were notified via a staff briefing on Friday September 21st, 2018 (see attached memo ‘North Harbor Crane Disposition Briefing’)

The North Harbor Surplus Crane Dispositions Project Authorization occurred on June 5, 2018. The Authorization was to remove four cranes in an amount not to exceed \$4,000,000. There are two drivers for the removal of the cranes. The removal of the three (3) cranes at Terminal 18 are an obligation of the lease and the one (1) crane at Terminal 46 limits operational space.

Proposals have been received and contract negotiations are nearing completion. However, the total project cost to remove the four cranes will exceed the authorized amount by an estimated \$523,000 or 13%. The increase is primarily attributable to current market conditions and rising costs. Due to the lease commitment and goal to complete and/or have a majority of the project expensed in 2018, staff intends to proceed with the removal contract execution and then return to the Managing Members on October 2, 2018 to request the additional project funding authorization.

The actual expenditures will not exceed the current project authorization prior to the October 2nd meeting. Halting the contract execution work prior to the October 2nd request will have an adverse effect on the ability to complete this work prior to year-end. If the Managing Members choose not to authorize the project increase, the contract does include a cancellation for convenience clause. This is not recommended and also diverges from the direction received in the June 5, 2018 project authorization.

C. BACKGROUND

The four (4) North Harbor STS container cranes are undersized and cannot efficiently handle cargo from the current vessel sizes calling at NWSA. These cranes were manufactured by Ishikawajima-Harima Heavy Industries, Ltd. (IHI) in 1984 and are numbered 51 through 54. They are the last remaining 50-foot gage cranes in the North Harbor. Due to the size of the cranes, they are not compatible with any other facility in the gateway. The removal of the three (3) cranes at Terminal 18 are an obligation of the lease and the one (1) crane at Terminal 46 limits operational space.

The NWSA and ILWU Locals 19, 52 and 98 have established a Memorandum of Agreement that preserves the existing work of the ILWU. This agreement will be incorporated with all crane removal work associated with the four surplus cranes.

The solicitation to remove the cranes was advertised in July. Three proposals were received on August 17, 2018 and reviewed by a selection committee for technical acceptability. Two of the three proposals met the technically acceptable bid criteria defined as follows:

- a. complies with terms and conditions of the solicitation
- b. remove the cranes in an appropriate manner (non-demolition removal)
- c. bidder has experience with work of similar size, scope, and complexity.
- d. submits a reasonable schedule to complete work by December 31, 2018
- e. reasonable plan to comply with the Memorandum of Agreement between the NWSA and the International Longshore and Warehouse Union (ILWU)

The selected firm will remove the cranes from the terminals intact by loading them onto barges. The cranes will be transported to one of three northwest locations for disassembly. Once disassembled, the cranes will be recycled at a Tacoma steel recycling facility.

The bidder whose proposal did not meet the technically acceptable bid criteria has submitted a bid protest. NWSA and Port of Seattle staff are working through the protest process. The contract execution with the successful bidder will not be executed until the bid protest is resolved. This has the potential to delay the project and push completion into early 2019.

PROJECT DESCRIPTION AND DETAILS

Project Objectives

Remove the cranes from the terminals in the most efficient and cost-effective manner while adhering to existing labor practices and historical jurisdiction.

Scope of Work

Remove the four surplus cranes from Terminal 18 and Terminal 46 in the North Harbor.

Schedule

The current schedule has the four cranes removed from Terminals 18 and 46 by the end of 2018. However, depending on the resolution of the bid protest the completion could be delayed into 2019.

D. FINANCIAL IMPLICATIONS

Project Cost Details

	This Request	Total Project Cost	Cost To Date	Remaining Cost
Procurement	\$0	\$100,000	\$65,000	\$35,000
Design	\$0	\$0	\$	\$0
Construction	\$523,000	\$4,423,000	\$	\$4,423,000
Total	\$523,000	\$4,523,000	\$ 65,000	\$4,458,000

Source of Funds

The current Capital Investment Plan allocates \$10,043,000 for this project (this includes the potential future removal of six cranes at terminal 5 in the North Harbor)

Financial Impact

The 2018 Operating Budget net distributable revenue (net income) is \$93.3 million, which did not include costs associated with crane removal. This expense was included in the 2019 forecasted net income.

Based on the first half results for the NWSA and current forecasted outlook for the remainder of 2018, it is anticipated that this project could be completed in 2018 without significantly impacting the NWSA's ability to deliver against its budgeted net income of \$93.3 million. This is due to slightly higher than anticipated non-containerized revenue and underspending in operating costs, staffing and other outside services costs.

If the bid protest delays the execution of the project, a portion of the project will slide into 2019.

The Port of Seattle adjusted the net book value of these assets to zero prior to the formation of the NWSA.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) Do Nothing:

Leaving the surplus cranes in place would impede future commercial uses and planned construction activities at Terminals 46 and would require an amendment to the lease at Terminal 18.

Alternative 2) Dispose of cranes at neighboring steel mill:

The steel mill can only accept “processed” scrap steel, i.e., having a maximum dimension of five (5) feet per piece of steel that are free of any debris, internal ballast concrete, etc. Even though the four cranes weigh approximately 3,600 tons, the additional processing time and cost to size and clean the steel to Nucor’s acceptance criteria would exceed any revenues gained. This option is not financially viable.

Alternative 3) Crane suppliers back-haul surplus cranes after a delivery:

Staff has contacted ZPMC, the crane supplier for the new cranes at the General Central Peninsula (Pier 3/4) in the South Harbor. ZPMC expressed an interest and attended the pre-bid meeting. The supplier did not submit a proposal.

Alternative 4) Repurpose cranes to Port of Monrovia:

A summary of the crane specification information was provided to the Port of Monrovia to determine if the surplus cranes met their requirements. To date, no feedback or further interest has been received.

Alternative 5) This request:

Removing the surplus cranes from the terminals provides a benefit to the NWSA and satisfies a lease commitment. Removal of the three cranes at Terminal 18 is an existing lease commitment. The removal of the one crane at Terminal 46 frees the space for future commercial utilization.

Alternative 5 is the recommended course.

F. ENVIRONMENTAL IMPACTS/REVIEW

None

G. ATTACHMENTS TO THIS REQUEST

North Harbor Crane Dispositions Presentation
August Staff Briefing on alternatives
Staff Briefing Friday September 21st

H. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
September 21, 2018	Briefing – North Harbor Crane Dispositions	\$0
August 17, 2018	Briefing – North Harbor Crane Dispositions	\$0
June 5, 2018	Project Authorization – North Harbor Crane Dispositions	\$3,900,000
October 7, 2016	Executive Authorization – North Harbor Crane Dispositions	\$100,000
September 11, 2012	Port of Seattle Commission - Second Reading of Resolution No. 3666, Surplus Port of Seattle cranes 51, 52, and 53 at Terminal 18	\$0
February 24, 2009	Port of Seattle Commission - Second Reading of Resolution 3610, Surplus Port of Seattle crane 54 at Terminal 46	
TOTAL		\$4,000,000