

# COMMISSION AGENDA

Item No: 4G

Meeting: 3/15/18

**DATE:** February 27, 2018

**TO:** Port Commission

**FROM:** John Wolfe, Chief Executive Officer  
Sponsor: Ricardo Charlton, Director, Maintenance  
Project Manager: Stanley Ryter, Engineering Project Manager II

**SUBJECT:** Project Authorization increase for work associated with the Maintenance Mezzanine and Shed Heating project

## **A. ACTION REQUESTED**

Request project authorization increase in the amount \$95,000 for a total authorized amount of \$585,000, for work associated with the Maintenance Mezzanine and Shed Heating project, Master Identification No. 101140.01.

## **B. SYNOPSIS**

The Maintenance Mezzanine and Shed Heating Project went out to public bid. Bids were opened and the low bid was 35% over the engineer's estimate. Three contractors bid on the project. The bids ranged from 35% to 48% over the engineer's estimate. This request is to fully fund the project.

## **C. BACKGROUND**

The maintenance mezzanine and shed heating project was designed to accommodate spare parts for next generation Port of Tacoma equipment including cranes, straddle carriers and spreaders. The project went through an extensive options analysis and design process. It went out to bid in early January. When bids were opened on February 14, the low bid came in 35% above the engineer's estimate. Bids higher than 10% above the engineer's estimate are unusual. The bids may have been high because it is a complex remodel of an existing building for relatively small contract value. The local construction economy currently is doing very well. This results in jobs with higher complexity and lower profits which in turn can result in unfavorable bids to the owner. It is important to note that the three bids were within 10% of each other.

Staff recommends proceeding with the project as the need for the parts storage is very real. The project went through extensive alternative analysis and has been optimized for the need.

## **D. PROJECT DETAILS**

### ***Scope of Project:***

- Preliminary engineering, alternatives analysis and engineering
- Construction of a parts mezzanine in the maintenance building
- Retrofit Shed 15 to accommodate heat

### ***Scope of Work for This Request:***

- Covers costs of low bid exceeding the engineer's estimate. Includes additional construction cost, sales tax and contingency.

### ***Schedule***

|                          |                   |
|--------------------------|-------------------|
| Design Completion        | December 15, 2017 |
| Construction Bid Opening | February 14, 2018 |
| Construction Completion  | August 15, 2018   |

## **E. FINANCIAL SUMMARY**

### **Estimated Cost of Project**

The total project cost including all stages is estimated at \$585,000.

### **Estimated Cost for This Request**

The total estimated cost of construction for this project is \$455,000. If the cost of this estimate is anticipated to exceed the authorized amount, additional Commission authorization will be requested.

### **Estimated Sales Tax**

The total estimated sales tax to be paid to local and state governments for this project is \$32,000.

### Cost Details

| Item                              | Budget Estimate  | Cost to Date    | Remaining Cost   |
|-----------------------------------|------------------|-----------------|------------------|
| <b>DESIGN STAGE</b>               |                  |                 |                  |
| Consultant(s)                     | \$62,000         | \$56,841        | \$5,159          |
| Port Staff                        | \$38,052         | \$36,991        | \$1,062          |
| Permitting                        | \$4,000          | \$3,278         | \$722            |
| Purchase Orders                   | \$0              | \$0             | \$0              |
| Miscellaneous                     | \$2,000          | \$205           | \$1,795          |
| <b>DESIGN STAGE TOTAL</b>         | <b>\$106,052</b> | <b>\$97,315</b> | <b>\$8,737</b>   |
| <b>CONSTRUCTION STAGE</b>         |                  |                 |                  |
| Construction Contract             | \$273,698        | \$0             | \$273,698        |
| W SST                             | \$31,790         | \$0             | \$31,790         |
| Consultant(s)                     | \$30,000         | \$0             | \$30,000         |
| Port Staff                        | \$35,736         | \$0             | \$35,736         |
| Permitting                        | \$2,000          | \$0             | \$2,000          |
| Testing & Inspection              | \$15,000         | \$0             | \$15,000         |
| Purchase Orders                   | \$15,000         | \$0             | \$15,000         |
| Miscellaneous (incl. contingency) | \$75,055         | \$0             | \$75,055         |
| <b>CONSTRUCTION STAGE TOTAL</b>   | <b>\$478,279</b> | <b>\$0</b>      | <b>\$478,279</b> |
| <b>PROJECT TOTAL</b>              | <b>\$584,331</b> | <b>\$97,315</b> | <b>\$487,016</b> |

### Source of Funds

The 2018-2022 Capital Investment Plan (CIP) allocates \$501,000 for this project. The 2018 CIP budget includes \$2 million in unallocated capital funds. The increase of \$84,000 will come from this CIP budget line item.

Costs directly associated with maintenance of equipment are included in the maintenance charge out rates for services performed for The Northwest Seaport Alliance.

### Financial Impact

Project costs will be capitalized and depreciated over a 10-year period, resulting in annual depreciation expense of \$59,000. Depreciation expense for 2018 will be approximately \$20,000 based on a project completion date of August 2018.

## F. ECONOMIC INVESTMENT/JOB CREATION

The investment allows the Port of Tacoma to provide best in class service to the tenants of the general central peninsula. The project allows Port Maintenance the ability to better store parts, track inventory, and quickly locate parts to keep the straddle carrier and crane fleet operating. No additional jobs would be created.

**G. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS**

Alternative 1) Rebid the project. This action would delay construction, incur additional administrative costs, and potentially result in higher bids or no bids. The current climate for bidding is trending to higher costs as qualified contractors are busy.

Alternative 2) Do not construct the project. This alternative does not take into account that the need for the project is real. The new equipment parts are arriving and need to be safely stored and accessible.

Alternative 3) Authorize additional funds and construct project. The received bids are good for 60 days.

Alternative 3 is the recommended course.

**H. ENVIRONMENTAL IMPACTS/REVIEW**

Permitting: Two commercial alteration building permits have been procured from the City of Tacoma.

Remediation: Not applicable

Water Quality: Not applicable

Air Quality: Not applicable

**I. PREVIOUS ACTIONS OR BRIEFINGS**

| <u>Date</u>       | <u>Action</u>            | <u>Amount</u>    |
|-------------------|--------------------------|------------------|
| February 10, 2017 | Executive Authorization  | \$70,000         |
| September 8, 2017 | Executive Authorization  | \$80,000         |
| December 21, 2017 | Commission Authorization | \$340,000        |
| <b>TOTAL</b>      |                          | <b>\$490,000</b> |

**J. ATTACHMENTS TO THIS REQUEST**

December 13, 2017, Commission Memo titled "Project Authorization for work associated with the Maintenance Mezzanine and Shed Heating project."

**K. NEXT STEPS**

Award construction contract and construct.