

Executive Review Panel Report

Port of Seattle International Arrivals Facility

September 11, 2018

ERP Assignment

- Review budget and cost growth
- Evaluate the GMP process, the proposed GMP, and identify if further review is necessary
- Review schedule timelines, including schedule growth and reliability, and identify appropriate actions to be taken
- Provide recommendations on project management and processes
- Evaluate lessons learned for use of Progressive Design-Build model on future projects

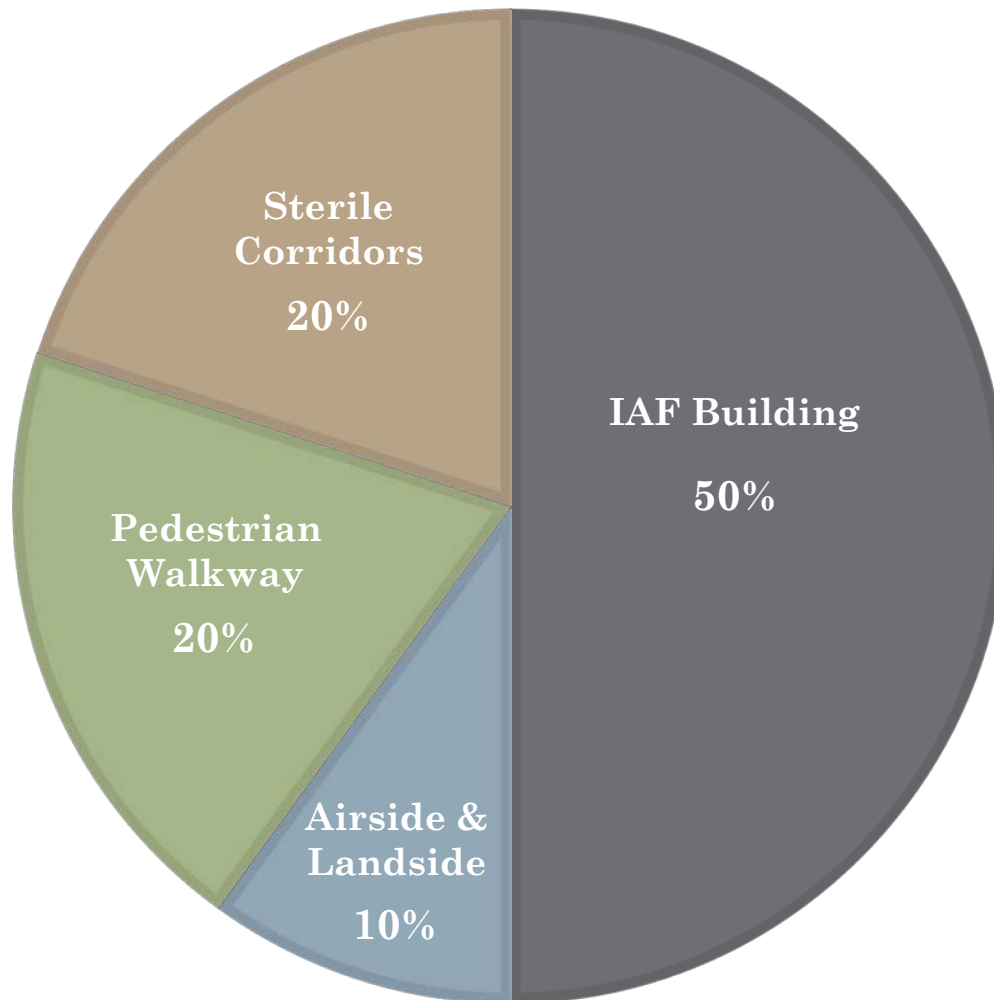
Approach

- Primary focus:
 - Status of project
 - Guaranteed Maximum Price (including cost, schedule, terms of contract)
 - Recommendations for future improvement
- Reviewed appropriate documents.
- Conducted Interviews with identified Port staff, Program Management consultants, Contractor, Architect, Port Commission, and Partnering Consultant.
- Provided early management observations to facilitate completion of the GMP and improve overall effectiveness.

Fundamental Assumptions

- Regional need for the project is critical and unquestioned.
- Economic benefits are and will be substantial.
- The partnership between the Port and the current contractor is integral to the success of the project.

IAF is a Program of Large Projects



GMP Concepts

1. Progressive Design-Builder (PDB) prepares design which is then issued to trade contractors for bidding
2. “Open Book” contracting: Reimbursable costs (subject to audit) and lump-sum bids from trade contractors
3. “Progressive” design provides opportunities for scope development and stakeholder input
4. Guaranteed Maximum Price (GMP) can be negotiated before the design is complete
5. Construction overlaps design

ERP Assessment of GMP Cost

Key Considerations

- Independent cost estimate completed for direct costs
- Project fully underway
- Design complete
- Trade subcontractors bought out
- GMP price tied to schedule
- Substantial scope added
- Seattle is a super-charged market

Final GMP

DESIGN BUILDER GMP COST	
Final Negotiated Base Scope *	\$ 510,919,388
Committed Allowances	\$ 58,192,054
Forward Allowances	\$ 48,119,030
SUBTOTAL - Direct Construction Costs	\$ 617,230,472
Design	\$ 49,266,874
General Conditions	\$ 61,000,000
DB Fee/Bonds/Insurance/Validation	\$ 46,448,039
Design Builder Indirect Costs	\$ 156,714,913
DESIGN BUILDER GMP	\$ 773,945,385

Sales Tax and Port Costs	
Sales Tax on DB Construction	\$ 76,894,489
Port Furnished Construction	\$ 21,052,026
Port Management Costs	\$ 71,050,100
Public Art	\$ 2,503,000
Port Management Reserves	\$ 23,000,000
SUBTOTAL -- Port Costs + Tax	\$ 194,499,615
TOTAL PROGRAM BUDGET	\$ 968,445,000



GMP Cost Conclusions

- GMP price is reasonable
- GMP must fully replace “mini-GMPs”
- Need for firm control of future scope changes

ERP Assessment of GMP Schedule

Technical Schedule Review

Activity	Clark Schedule	Achievable per Independent Analysis
Substantial Completion – South Satellite Sterile Corridor	May 30, 2020	✓
Substantial Completion – Pedestrian Walkway	May 30, 2020	✓
Substantial Completion – IAF	May 30, 2020	✓
Pod D Phase 2	November 10, 2020	✓

NOTE: The ERP's schedule review focused on construction activities; the activation period was not considered.

GMP Schedule Conclusions

- Schedule is achievable but aggressive
- Urgency is imperative

Panel Recommendations

Strengthen Port Program Management

- Assign Dave Soike as Port Executive to lead the program
- Designate Aviation Division executive with decision-making authority to partner with Dave Soike
- Organize staff and contractor teams around the large projects in the IAF program
- Clarify Port program management authority, decision-making and structure
- Port staff should be augmented appropriately: program management deputy, construction manager and other staff to support accelerated construction schedule
- Develop workplan and accountability mechanism for the implementation of improvement recommendations

Contract Management

Expedited Delivery - Owner, Contractor, Designer, Stakeholders

- Extreme sense of urgency- only 21 months remaining to accomplish \$485 million of construction

Expedited Decision Making

- Full time POS Delivery Executive
- Commensurate Delegations of Authority
- Aviation Division and Delivery Organization Alignment

Organization Aligned with Major Projects in the Program

- Teams adequately staffed for project scale and speed

Continue to Improve Owner – Contractor Relationship

- Build on successful completion of GMP negotiation
- Manage the relationship
- Promote one-team mentality
- Continue facilitated partnership sessions
- Implement regular Dispute Resolution Board meetings
- Establish formal, clear change management process

GMP Schedule Recommendations

- Develop strategy for Pedestrian Bridge Element including:
 - Necessary taxiway closure
 - Center span installation
 - Regular meetings to discuss potential impacts to operations
 - Detailed shut-down work plan
 - Contingency planning
- Finalize schedule impact for pending change orders
- Determine who controls/owns remaining schedule float
- Declare “pencils down” on further design changes

Increase Stakeholder Engagement

**Partner
Agencies**

*Agencies with
jurisdiction*



**Greater
Aviation
Community**

*General public,
passengers, and
neighboring
communities*



**Airlines &
Tenants**

*Airline partners &
concessionaires*



ACTIVE ENGAGEMENT | TRANSPARENCY | ORGANIZED & OFTEN

Increase Project Visibility

- Create reporting vehicles for various audiences
- Establish a biweekly dashboard report for the Commissioners with Key Performance Indicators (KPIs) that are tracked and measured
- Schedule regular Commission updates on project status
- Enhance project page on Port website to show project status versus plan

Sample Commission Dashboard

CONSTRUCTION PROGRESS

Foundation 15% complete
 Underground utilities 20%
 Upcoming work
 Steel Erection starts 10/1/2018
 First steel delivery expected 9/20/2018 at South Lay Down Area

No safety incidents in reporting period
 Security checkpoint for construction staff fully opened
 Curtain Wall Mock Up starts 9/15/2018

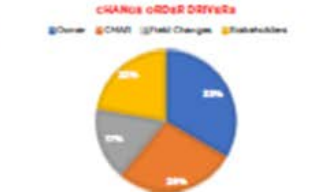


COBT

Construction Budget: \$70,584,263.85
 Cumulative Construction Spend to date: \$6,275,963.61
 Estimate at Completion (EAC): \$70,584,263.85

Soft Cost Budget: \$20,565,496.23
 Actual Spend: \$5,972,632.74

5 Pending change orders under review
 Cost Impact: \$1,246,586. No schedule impact
 3 Change orders will utilize contingency funds pending Owner's approval



SCHEDULE

schedule slippage and causes responsibility opportunities for acceleration percent of construction completion against baseline completion permit check offs, corrections, and delays, slip affecting schedule

Earned Value
 20% Work in place

KEY MILESTONES

Milestone	Baseline	Forecast	Status
Milestone 1	8/1/2018	8/1/2018	On Time
Milestone 2	10/1/2018	10/1/2018	On Time
Milestone 3	11/1/2018	11/1/2018	On Time
Milestone 4	1/1/2019	1/1/2019	On Time
Milestone 5	3/1/2019	3/1/2019	On Time
Milestone 6	5/1/2019	5/1/2019	On Time
Milestone 7	7/1/2019	7/1/2019	On Time
Milestone 8	9/1/2019	9/1/2019	On Time
Milestone 9	11/1/2019	11/1/2019	On Time
Milestone 10	1/1/2020	1/1/2020	On Time

Legend: On Time (Green), 2 weeks behind (Yellow), 4 weeks behind (Red)



RISK

TOP 5 RISKS

Risk Description	Cost Impact	Schedule Impact
Delay in Foundation	\$ 800,000.00	3 Weeks
EW Steel installation not completed on time	\$ 1,300,000.00	4 weeks
Operational Impacts due to late handover of gates	\$ 300,000.00	2 weeks
Systemwide design changes	\$ 400,000.00	3 weeks
Lack of 40194 Meter due to construction materials	\$ 600,000.00	3 weeks



Future Use of Progressive Design-Build (PDB)

- Good business reasons why the Port chose PDB for this program
- Port should carefully and independently evaluate all project delivery methods for future projects
- Each has benefits and risks depending on project complexity, business considerations, and organizational capacity and readiness

Questions