

Date of Meeting September 27, 2011

MEMORANDUM

DATE: September 12, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Ralph Graves, Managing Director, Capital Development Division *RG*

Ref: Port of Seattle Resolution 3628, Para. 4.2.3.7

SUBJECT: DECLARATION OF CRITICAL WORK SITUATION

This memorandum serves as formal notification that in accordance with Resolution 3628, Section 4.2.3.7, a Critical Work situation was declared on September 12, 2011 to facilitate the Terminal 86 Grain Facility Modernization Phase-2 Project. This declaration requests additional funding authorization to support the increased cost of labor, materials and equipment to complete the work.

Project Background Information:

The Phase 2 Modernization Project consists of two parts:

- Equipment Upgrades on Towers 2, 3, & 5. American Construction is performing this work under Major Construction Contract MC-0316888.
- Structural Strengthening of Towers 2, 3 & 5. This is self-performed labor provided by Port Construction Services (PCS).

Both portions of work were originally intended to be completed within a planned Terminal 86 Facility shut-down scheduled to begin on August 20, 2011 and continue through September 20, 2011. The project authorization on May 3, 2011 for Terminal 86 Facility Modernization brought the total project authorization to \$2,900,000. Significant changes since the authorization include:

- 1) City of Seattle Department of Planning and Development (DPD) permit process took longer than anticipated,
- 2) DPD permit conditions resulted in a significant amount of additional structural steel materials and associated labor,
- 3) Only one bidder responded to an advertisement for installation of tower scaffolding, the lone bid was higher than the anticipated bid amount,
- 4) The recent International Longshore and Warehouse Union (ILWU) labor issue delayed work resulting in a work acceleration to recover schedule.

Situational Information:

After review of 60% design documents it was determined that in order to complete the work on schedule, the structural strengthening phase would need to begin earlier than the shutdown period scheduled for August 20 thru September 20. In support of this effort, arrangements were made with the tenant (Louis Dreyfus Corporation) to allow PCS crews to begin work in May of 2011. Because of strict safety regulations imposed while loading grain ships, the tenant placed a condition that all hot work (welding, grinding, and burning) be done only during facility shift changes, limiting the actual work on each tower to 2-3 hours per day. Work progressed on schedule through the months of May, June, and July, as crews worked around the scheduling limitations.

In early August the tenant informed PCS that because of delayed grain deliveries several longer windows of working opportunity would be available. Accordingly, PCS increased their work force earlier than expected and also extended the work shifts to include daily and weekend overtime to guarantee completion.

The revised and increased weekly wage expenditure, if carried through the end of the shutdown period, would exceed the PCS authorization. On or about September 1st the project delivery team (Seaport Project Management (SPM), Construction Management (CM), & PCS) discussed the project needs and considered the additional requirements (Materials, Scaffolding, Labor and Change Orders). In-depth reviews were conducted the subsequent week. Staff determined that the overall project budget was insufficient to complete on time and within scope.

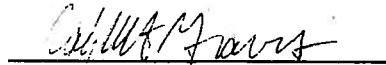
Conclusion:

Staff recommends continuing to use PCS resources to complete the Tower Structural Strengthening, and to continue with the Major Works Equipment Upgrades including change orders to the original scope of work. Completion for the Small and Major works portions of the work will remain on schedule for September 20th 2011.

Staff is confident that with the approval of requested \$180,000 additional project funding, the Phase 2 Modernization Project can be completed successfully and delivered to the tenant by September 20, 2011.

Respectfully, Port Staff recommends an additional request of \$180,000 to accommodate all known project concerns.

REQUESTED:



DECLARED:

