



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8e

ACTION ITEM

Date of Meeting March 26, 2019

DATE: March 21, 2019

TO: Stephen P. Metruck, Executive Director

FROM: Ralph Graves, Senior Director, Capital Development
Greg Carey, Capital Program Leader

SUBJECT: Agreement with Transportation Security Administration (TSA) for Replacement Computer Tomography X-Ray (CTX) Machines

Amount of this request: Up to \$4,000,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute an agreement with the Transportation Security Administration (TSA) for two replacement Computer Tomography X-Ray (CTX) explosive detection machines for the Baggage Optimization Phase 1 construction project, to reimburse TSA or their supplier for up to \$4,000,000 from public expense funds as necessary and to pursue reimbursement from the construction contractors for the cost.

EXECUTIVE SUMMARY

Baggage Optimization is an airport-wide project that improves customer service for both airlines and passengers. This is a long-term, 3-phase project that is scheduled to be completed in 2025. Phase 1 is currently under construction, and TSA has provided CTX machines to be incorporated into the system. On March 5, two of the machines were damaged in the course of construction work. This threatens further to delay the project. TSA will provide two replacement machines once the Port signs an agreement ensuring that TSA will be reimbursed for the cost. TSA may direct that payment be made directly to the manufacturer of the machines. While staff is confident of eventual payment from the construction contractor and/or its insurer, the Port may need to provide initial payment in the interim to mitigate further costs/delays and thereafter seek reimbursement from contractors who damaged the machines or their insurers.

JUSTIFICATION

The Baggage Optimization project is an essential element in meeting the air transportation needs of the region. The CTX machines screen all checked baggage for indications of potential security risks. TSA provides them but retains ownership and control. The two machines in question had been supplied and positioned within the Phase 1 construction project. On March 5, the fire protection subcontractor on the Baggage Optimization project was testing a newly

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installed sprinkler system when a coupling failed and spilled approximately sixty gallons of water on conveyor equipment and the two CTX machines. TSA’s contractor inspected the machines and declared that they need to be replaced. TSA has identified two available machines in Dallas to be delivered to the project once the Port signs an agreement ensuring they will be reimbursed for the approximately \$3.6 million combined cost. The authorization request for \$4 million provides contingency for unanticipated variation in the amount.

The project before the accident was already running more than 90 days behind schedule and replacing the water-damaged elements is expected to add another 60 days of delay. Receiving the CTX machines promptly is essential to minimizing the delay and promptly completing this phase and the overall program.

DETAILS

The construction contract holds the general contractor and subcontractors liable for damage they cause. The Port has formally notified the general contractor of their liability for costs associated with the accident, including replacement of the CTX machines, and staff is confident of eventual recovery of damages.

TSA is in the process of preparing the Memorandum of Agreement. They have informed Port staff that it will promise release of the two CTX machines in return for assurance of reimbursement. Depending on the timing of the required reimbursement, the Port may need to pay TSA before we receive payment from the construction contractor.

FINANCIAL IMPLICATIONS

The Port has the capacity to finance the \$4 million cost while seeking reimbursement. For accounting purposes, the costs would be categorized as Public Expense to acquire public assets not owned by the Port – purchase of a publicly-owned machine from the government. The funding source will be the Airport Development Fund. Other Public Expense actions by the Port include the Lander Street overpass owned by City of Seattle, and aviation’s rental car facility entrance to State Route 518 freeway.

ATTACHMENTS TO THIS REQUEST

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None.