



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 6p

**ACTION ITEM**

**Date of Meeting** December 10, 2019

**DATE:** December 3, 2019

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Wendy Reiter, Director, Aviation Security  
Wayne Grotheer, Director, Aviation Project Management

**SUBJECT:** Vanderlande Contract Amendment, Automated Screening Lanes (CIP #C800920)

**Amount of contract amendment:** \$445,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to execute a contract amendment with Vanderlande Industries Inc. in the amount of \$445,000 for the Automated Screening Lanes Project at Seattle-Tacoma International Airport. No additional project funding is requested.

**EXECUTIVE SUMMARY**

In 2017, the Port of Seattle Commission authorized this \$17,000,000 project to increase security effectiveness and efficiency and improve the passenger experience at the Airport by installing Automated Screening Lanes (ASL) at three passenger security checkpoints and providing equipment for a fourth. To meet a Transportation Security Administration (TSA) deadline, the Port expedited the ASL equipment procurement and selected Vanderlande Industries Inc. in September 2017. A contract in the amount of \$8,715,000 (not including sales tax) was executed for the purchase of 21 ASL lanes of equipment.

The project has now proceeded through design, construction, and installation at one checkpoint and is continuing installation at the second checkpoint. Changes in contract scope require an amendment to the Vanderlande contract in the amount of \$445,000. While there is no change in the overall project budget, this change will shift \$445,000 of project budget from capital to expense.

**JUSTIFICATION**

The Port is proposing the following change to the Vanderlande contract:

To facilitate the installation of the new ASL equipment, existing third-party, TSA-owned security equipment must be relocated, re-installed, and re-certified. The port excluded the movement of this third-party equipment from the vendor contract because the equipment belonged to the TSA and would be moved by the TSA. During design, TSA clarified that they were unable to

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complete the moves of their equipment and Vanderlande took on this effort as a part of their work, not realizing the exclusion. This exclusion became apparent during the second checkpoint installation. To complete the installation, Vanderlande undertook this additional work. This proposed contract change in the amount of \$445,000 will pay for the remaining work to move third-party equipment at Checkpoints 2 and 3 and the International Arrivals Facility (IAF).

Per the General Delegation of Authority, Section 4.2.3.8, Commission authorization is required to execute a contract amendment greater than \$300,000.

### ***Schedule***

Due to design challenges, electrical and data infrastructure construction contracting issues, equipment damage, and most recently vendor equipment production issues, this project has fallen behind schedule. The project has limited “windows” of time to complete equipment installations and avoid peak travel periods. These issues have delayed the installation of the remaining equipment until 2020, with an anticipated project completion of Q3 2020, which includes the International Arrivals Facility (IAF) checkpoint installation.

### **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Procure a separate entity to perform the remaining third-party equipment moves and testing for the remainder of the project

Cost Implications: \$500,000

Pros:

- (1) The equipment move work would be competed among potential vendors.

Cons:

- (1) The pool of eligible vendors is limited by TSA contracting certification requirements.
- (2) Internal costs to the project will increase for additional procurement and coordination effort.
- (3) Coordination during installation will be more difficult and risk of mis-communication and change orders will increase.
- (4) This will result in further schedule impacts to the project to acquire contract(s) with different vendors.

This is not the recommended alternative.

**Alternative 2** – Complete the change order as requested

Cost Implications: Increase to the contract of \$445,000; there is no budget increase to the project

Pros:

- (1) Less overall cost and performance risk to the project having Vanderlande supply third-party equipment moves.
- (2) Schedule will not be impacted by having to contract and coordinate separately with a third-party equipment move vendor.

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Cons:

- (1) This work would not be competed as a separate procurement.

***This is the recommended alternative.***

**FINANCIAL IMPLICATIONS**

The budget for this project has not changed.

<b><i>Cost Estimate/Authorization Summary</i></b>	Capital	Expense	Total
<b>COST ESTIMATE</b>			
Original estimate	\$30,000,000	\$0	\$30,000,000
Budget reduction/addition	(\$21,700,000)	\$8,700,000	(\$13,000,000)
Previous Changes	(\$821,380)	\$821,380	
Current change	(\$445,000)	\$445,000	\$0
Revised estimate	\$7,033,620	\$9,966,380	\$17,000,000
<b>AUTHORIZATION</b>			
Previous authorizations	\$17,000,000	\$0	\$17,000,000
Current request for authorization	\$0	\$0	\$0
Total authorizations, including this request	\$17,000,000	\$0	\$17,000,000
Remaining amount to be authorized	\$0	\$0	\$0

***Annual Budget Status and Source of Funds***

The Automated Security Lane (CIP #C800920) was included in the 2020-2024 capital budget and plan of finance. The funding source for this project will be revenue bonds and airport development fund.

The ownership of the screening equipment will be transferred to the TSA. Accordingly, the cost of the equipment and the costs of the equipment installation will be accounted for as public expense. In the table above, the estimated cost of the screening equipment and installation are indicated in the expense column. The cost of this expense has been included in the 2020 operating budget.

***Financial Analysis and Summary***

Project cost for analysis	\$17,000,000
Business Unit (BU)	Terminal Building
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase due to inclusion of capital (and operating) costs in airline rate base.
IRR/NPV (if relevant)	N/A
CPE Impact	\$0.04 in 2020

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***Future Revenues and Expenses (Total cost of ownership)***

The ownership of the screening equipment will be assigned to the TSA, so the cost of the equipment will be accounted for as public expense.

**ADDITIONAL BACKGROUND**

The Vanderlande contract has been amended four times:

- (1) Amendment #1 for \$188,000 addressed third-party equipment storage, and requests from TSA end users for design changes to provide additional security enhancements, including the purchase of additional secondary screening stations for the new ASL lanes and additional screening resolution services to allow for remote screening.
- (2) Amendment #2 for \$252,000 addressed the completed third-party equipment moves and was ratified at a staff level.
- (3) Amendment #3 for \$188,380 addressed equipment inspections and movement required to respond to equipment damage resulting from a construction accident where a damaged fire sprinkler inundated two ASL lanes and required the equipment to be replaced and was ratified at a staff level.
- (4) Amendment #4 for \$178,000 addressed purchase of an improved model for the IAF security checkpoint.

**ATTACHMENTS TO THIS REQUEST**

None

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

January 22, 2019 – The Commission authorized advertisement for bids and execution of a major works contract.

December 12, 2017 – The Commission authorized construction and installation of lanes by use of Port crews for construction efforts.

July 25, 2017 – The Commission authorized design, procurement of equipment and use of Port crews.