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

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

### Sales Tax and Port Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax on DB Construction</td>
<td>$76,894,489</td>
</tr>
<tr>
<td>Port Furnished Construction</td>
<td>$21,052,026</td>
</tr>
<tr>
<td>Port Management Costs</td>
<td>$71,050,100</td>
</tr>
<tr>
<td>Public Art</td>
<td>$2,503,000</td>
</tr>
<tr>
<td>Port Management Reserves</td>
<td>$23,000,000</td>
</tr>
<tr>
<td><strong>SUBTOTAL -- Port Costs + Tax</strong></td>
<td><strong>$194,499,615</strong></td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM BUDGET</strong></td>
<td><strong>$968,445,000</strong></td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Clark Schedule</th>
<th>Achievable per Independent Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial Completion – South Satellite Sterile Corridor</td>
<td>May 30, 2020</td>
<td>✔</td>
</tr>
<tr>
<td>Substantial Completion – Pedestrian Walkway</td>
<td>May 30, 2020</td>
<td>✔</td>
</tr>
<tr>
<td>Substantial Completion – IAF</td>
<td>May 30, 2020</td>
<td>✔</td>
</tr>
<tr>
<td>Pod D Phase 2</td>
<td>November 10, 2020</td>
<td>✔</td>
</tr>
</tbody>
</table>

*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
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