

AGENDA REPORT

Resolution: Approval of an Additional \$1,840,000 to the Project Budget for Costs Associated with the Raising of Cranes XC14, 15, 16 and 17 at the Oakland International Container Terminal, for a Total Budget of \$16,640,000. **(Maritime/Engineering)**

MEETING DATE: 2/28/2019

AMOUNT: \$1,840,000 Additional Project Budget
Capital Expenditure

PARTIES INVOLVED: SSA Terminals (Oakland), LLC, Seattle, WA
Ed DeNike, Chief Operating Officer

SUBMITTED BY: John C. Driscoll, Director of Maritime
Chris Chan, Director of Engineering

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

This action would authorize an additional \$1,840,000 to complete the raising of four (4) Port-owned cranes (XC14, 15, 16, and 17) located at the Oakland International Container Terminal. This additional approval would increase the total project budget from \$14,800,000 to \$16,640,000. The increase in budget is due to construction issues identified during the crane raise, which required higher than anticipated involvement of consultants and Port staff, resulting in higher costs that have already been incurred.

BACKGROUND

SSA Terminals, LLC and its sub-assignee, SSA Terminals (Oakland), LLC, (collectively, SSAT) operates Berths 55-56 and Berths 57-59, located contiguously in the Port's Middle Harbor Area, for international cargo as a single terminal (the Oakland International Container Terminal, or OICT) pursuant to two separate Non-Exclusive Preferential Assignment Agreements (NEPAAs), herein also referred to as Leases. There are currently four (4) Port of Oakland (Port)-owned cranes on Berths 55-56 and six (6) Port-owned cranes on Berths 57-59, for a total of 10 cranes on the current OICT.

In February 2017, as part of the approval of certain Lease amendments, the Board approved an overall budget of \$14.8 million for SSAT to raise 4 cranes. The budgeted amount included (a) the payments to SSAT of \$14 million (4 cranes at \$3.5 million each) and (b) the Port's oversight of the work at \$800,000 (collectively, the Project). To date, a total of approximately \$13.11 million have been expended, which consist of (a) reimbursements to SSAT in the

amount of \$10.50 million (3 cranes at \$3.5 million each); and (b) \$2.61 million of Port labor, consultant, and miscellaneous costs (\$1.81 million over budget).

Pursuant to various provisions in the Leases, SSAT have raised four (4) of the Port-owned cranes located at Berths 57-59 – Cranes XC14, 15, 16, and 17. More specifically:

- SSAT is required to perform the crane raise, which was completed in late 2018.
- The Port is required to reimburse SSAT actual costs incurred, up to a maximum of \$3.5 million per crane, or a maximum total of \$14 million.
 - The Port reimbursed SSAT \$7 million for two cranes in FY18, \$3.5 million for one crane in FY19, and is obligated to reimburse SSAT up to \$3.5 million for the fourth crane in FY20. The Port expects to reimburse the maximum of \$14 million.
- In turn, SSAT is required to reimburse the Port its \$14 million expenditure on a repayment schedule that extends through 2027.
- During SSAT's performance of the crane raise, the Port provided oversight to ensure compliance with Port standards. Both Port Engineering staff and Port on-call consultants provided oversight. \$800,000 was budgeted for Port staff and consultant time.

ANALYSIS

As the Project started, several issues were identified, such as use of improper or inadequate materials, cracks in welds, and use of improper fabrication methods. These issues required attention throughout the Project (i.e., on all four cranes), and extended the anticipated duration of the Project by over six months. Ultimately, the concerns were all addressed and any faults were corrected, but the level of effort required to oversee, inspect, resolve, and properly document the work was significantly higher than originally anticipated.

The Port's higher level of effort required Staff to request the Board's authorization to augment consultant contracts for structural engineering and structural/material inspections (Resolutions 18-05 & 18-06; January 2018). As part of that request, Staff should have, but inadvertently did not, request authorization to increase the overall Project budget to fund the additional oversight work.

The Port expects to reimburse SSAT \$3.5 million for the fourth crane raise in July 2019. Staff also expects to incur an additional \$30,000 in Port labor and consultant costs to close out the Project. So, the total Project cost will be \$16.64 million, which is more than the current Board-approved Project budget of \$14.80 million. Therefore, Staff is requesting an additional \$1.84 million to close the Project, as outlined below.

Description	Original Budget	Total To-Date Expenditures	Remaining Budget	Remaining Expenditures (Projected)	Additional Budget Request	Total Anticipated Project Budget
Reimbursement to SSAT	\$14,000,000	\$10,500,000	\$3,500,000	\$3,500,000	\$0	\$14,000,000
Staff & Consultant Costs	\$800,000	\$2,610,000	(\$1,810,000)	\$30,000	\$1,840,000	\$2,640,000
Total	\$14,800,000	\$13,110,000	\$1,690,000	\$3,530,000	\$1,840,000	\$16,640,000

BUDGET & STAFFING

The current Project budget authorized by the Board is \$14.80 million. Staff requests an additional \$1.84 million, which would increase the total Project budget to \$16.64 million, as described above. The Project is included in the Port's 5-year Capital Improvement Plan (CIP). No amendments to the FY19 CIP are necessary.

There are no impacts to staffing.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The requested action does not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply. However, MAPLA provisions were applicable to the Project.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

- Goal: Modernize and Maintain Infrastructure

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply because the requested action is not an agreement, contract, lease, or request to provide financial assistance within the meaning of the Living Wage Regulations.

SUSTAINABILITY

Port staff have reviewed the Port's 2000 Sustainability Policy and did not complete the Sustainability Opportunities Assessment Form. There are no sustainability opportunities

related to this proposed action because it does not involve a development project, purchasing of equipment, or operations that presents sustainability opportunities.

ENVIRONMENTAL

This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The general rule in Section 15061(b)(3) of the CEQA Guidelines states that CEQA applies only to activities that have a potential for causing a significant effect on the environment. It can be seen with certainty that there is no possibility that this action will result in a physical change in the environment, and therefore this action is not subject to CEQA and no further environmental review is required.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

Although the construction project and scope are funded under the Capital Improvement Plan, the Owner Controlled Insurance Program (OCIP) does not apply because the described activities are tenant projects, not Port projects.

OPTIONS

Staff has identified the following options for the Board's consideration:

1. Authorize an additional \$1.84 million to increase the total Project budget for the B55-59 Oakland International Container Terminal Crane Raising (XC14-17) to \$16.64 million. This is the recommended action.
2. Do not authorize an additional \$1.84 million to the total Project budget. Without this additional authority, Staff would not be able to pay SSAT the full \$3.5 million owed for the raise of XC17. The Port would not be able to meet the terms of the Lease with SSAT, and would have to negotiate Lease modifications with SSAT.

RECOMMENDATION

Adopt a resolution authorizing an additional \$1.84 million to the total budget for the Oakland International Container Terminal Crane Raising (XC14-17) Project, thereby increasing the total Project budget to \$16.64 million.