



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: William F. Sherry, A.A.E.

SUBJECT: SEE BELOW

DATE: 02-06-08

Approved

Date

2/7/08

COUNCIL DISTRICT: Citywide

SUBJECT: AMENDMENT TO URS CORPORATION MASTER AGREEMENT AND AUTHORIZATION TO EXPEND FUNDS FOR PROGRAM SUPPORT SERVICES FOR AIRPORT CAPITAL DEVELOPMENT PROGRAM

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute an amendment to the URS Corporation (URS) Master Agreement for continuing program support services on Airport capital improvement projects, increasing compensation by \$7.5 million for a total amount not to exceed \$15 million, and clarifying the methodology used to set labor billing rates.

OUTCOME

Approval of this recommendation will continue the availability of resources and expertise to manage implementation of the Airport's capital improvement program, including the Terminal Area Improvement Program (TAIP).

BACKGROUND

On December 12, 2006, Council adopted a resolution authorizing the City Manager to negotiate and execute a Master Services Agreement with URS for program support services at Norman Y. Mineta San José International Airport in an initial amount not to exceed \$7,500,000. On March 20, 2007, Council approved a similar Master Services Agreement with Carter & Burgess. Both agreements extend through December 31, 2010, and the City Manager is authorized to execute up to two two-year options to extend the terms of each, with no increase in total compensation. Funding for these services for the TAIP is already in place in the Airport Capital Improvement Program budget.

ANALYSIS

Program support consultants provide expertise that is not available within City staff, short-term staffing to flexibly and efficiently meet the variable demands of the program, and special studies needed to support planning and management of the Airport's capital improvement program. Airport capital improvements include the TAIP and other projects within the approved Airport Master Plan.

Both URS Corporation and Carter & Burgess, Inc. provide their services to the Airport under Master Services Agreements, with specific services authorized by Task Order, as required. The tandem agreement structure has proved to be very effective. It allows maximum responsiveness and flexibility in meeting the Airport program's variable needs, and provides for competitive alternatives within the existing program management structure. Staff is able to drive work efforts and effectively monitor and contain expenditures through the task-order process.

To date, the City has authorized a total of \$7,350,988.19 for task orders associated with the two agreements: \$6,014,222.49 to URS, \$1,336,765.70 to Carter & Burgess. Some of the services provided within these task orders are ongoing management and oversight of work performed by the City's Design-Build contractor; ongoing design review and approval for the terminals, consolidated rental car facility and bridges; an Airfield Capacity analysis; Airport-wide information technology (IT) integration; and rental car industry liaison services. Council approval to increase compensation for the URS agreement, and to authorize expenditure of another \$7.5 million across the two agreements is necessary to maintain timely implementation of the TAIP and other projects.

The existing agreement with URS outlines two methodologies by which labor billing rates may be set. The proposed amendment clarifies both methodologies and better defines the way annual adjustments are made.

EVALUATION AND FOLLOW-UP

As discussed in both the November 2006 URS Master Agreement recommendation and the March 2007 Carter & Burgess recommendation, staff anticipates total expenditures for program support services delivered through the Agreements not to exceed \$30 million through December 31, 2010. Task orders authorized to date validate these estimates. However, because the tandem agreement structure requires adequate funding to be available concurrently in both contracts, the original agreement recommendations stipulate that staff will return to Council for expenditure authorization of each \$7.5 million increment. This recommendation therefore includes authorization for staff to issue additional task orders for up to \$7.5 million for program support services.

Staff anticipates returning to Council with similar requests as needed through the term of the Master Agreements.

POLICY ALTERNATIVES

Alternative # 1: Deny authorization for additional expenditures on the two Program Management consultant agreements for Airport capital improvement programs.

Pros: Increased work options for current staff.

Cons: Shifting existing City staff resources to this project would delay this or other projects due to lack of City experience and expertise with Design-Build project delivery method, and lack of flexibility to scale resources to meet the varying demands of the Master Plan implementation.

Reason for not recommending: City staff is fully utilized on other projects. The complexity of implementing the Airport Master Plan program and use of the Design-Build project delivery method requires specialized expertise and experience in technical program management areas. The use of program support consultants results in fresh and innovative ideas being applied to the project along with the flexibility required to meet changing staffing needs.

PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Criterion 1 applies to this recommendation; this memo will be included in the Early Distribution packet, and posted on the City website.

COORDINATION

This memo has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

The San José Municipal Code requires that capital projects at the Airport be consistent with the adopted Airport Master Plan. This proposed agreement would support the implementation of the TAIP, which project components are expressly identified in the Airport Master Plan as amended 6/13/06.

This project is consistent with the Guiding Principles for Budget and Financial Management, Mayor's 2006-2007 Revised June Budget Message, in that it supports economic recovery and job creation.

This project is consistent with several initiatives identified in the Economic Development Strategy adopted by Council in November 2003, and aligns most significantly with:

- Strategic Initiative #1: Build a World-Class Airport and Air Services.

COST SUMMARY/IMPLICATIONS

Funding to pay for these services is in place in the Capital Improvement Program, and authorization for this expenditure falls within the terms and funding approved in previous Council action.

This project is consistent with the Council approved Budget Strategy, Economic Recovery section in that it will help to stimulate construction spending in our local economy.

The following cost summary applies to the recommendation to increase compensation within the URS Master Agreement.

1. AMOUNT OF RECOMMENDATION: **\$ 7,500,000**
2. COST ELEMENTS OF AGREEMENT:

Professional Services	Per Task Order
Reimbursable Expenses	Per Task Order
Labor Rates	Set by Agreement
TOTAL AGREEMENT AMOUNT:	<u>\$ 15,000,000</u>
3. SOURCE OF FUNDING: 520 – Airport Capital Improvement Fund
526 – Airport Revenue Bond Improvement Fund
527 – Airport Renewal and Replacement Fund
529 – Airport Passenger Facility Charge (PFC) Fund
4. FISCAL IMPACT: The project has been reviewed and staff has determined that it will have no significant adverse impact on the General Fund operating budget. Additional operating costs will be paid for in the Airport Operating and Maintenance Fund.

BUDGET REFERENCE

The table below identifies the funds and appropriations proposed to fund the agreement recommended as part of this memo.

Fund #	Appn #	Appn. Name	Total Appn	2007-2008 Adopted Capital Budget	Last Budget Action (Date, Ord. No.)
520	4657	North Concourse Building	\$14,068,000	V-995	10/16/07 28143
548	4657	North Concourse Building	\$25,939,000	V-995	10/16/07 28143
520	5758	Runway Guard Lights	\$435,000	V-956	6/19/07 28071
527	5254	West Side Airfield Reconstruction	\$70,000	V-959	10/16/07 28143
(526) 522	4712	Utility Infrastructure	\$1,210,000	V-1001	10/16/07 28143
(526) 522	4717	Electrical Distribution System	\$100,000	V-992	10/16/07 28143
526	5254	West Side Airfield Reconstruction	\$2,094,000	V-959	10/16/07 28143
526 (547)	6953	FMC Site Reuse	\$12,964,000	V-984	10/16/07 28143
527	4007	Advanced Planning	\$822,000	V-1002	10/16/07 28143
527	5072	Airfield Improvements	\$637,000	V-954	10/16/07 28143
527	5758	Runway Guard Lights	\$103,000	V-956	6/19/07 28071
(526) 528	4164	Consolidated Rental Car Garage	\$221,468,000	V-983	10/16/07 28143
526 (548)	4869	MP Miscellaneous Precursor	\$4,132,000	V-994	10/16/07 28143
(526) 554	5253	Terminal Area Improvement, Phase I	\$445,839,000	V-997	10/16/07 28143
(526) 554	5780	Terminal Area Improvement, Phase II	\$23,777,000	V-998	10/16/07 28143
(526) 554	5246	Public Parking Garage	\$9,967,000	V-985	10/02/07 28142
(526) 548	4643	Central Plant Expansion	\$1,804,000	V-991	10/16/07 28143
Totals			\$765,429,000		

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* Services performed by URS Corporation under this agreement will be authorized by task order. An appropriation is not required for execution of the Master Agreement, but is required for each task order authorized under this Master Agreement. The appropriations listed above are included in the 2007-2008 Adopted Budget and will be utilized for the contract in 2007-2008. Funding in the out years is allocated in the 5-year Capital Improvement Program.

CEQA

Resolution Nos. 67380 and 71451, PP 08-018.

Frank Kirkbride

for

WILLIAM F. SHERRY, A.A.E.
Director of Aviation
Airport Department

Please direct questions to William Sherry, Director of Aviation, at (408) 501-7669.