



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

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

SUBJECT: SEE BELOW

DATE: 02-28-07

Approved

Date

3/5/07

COUNCIL DISTRICT: City-Wide

SUBJECT: AGREEMENT FOR PROGRAM MANAGEMENT AND IMPLEMENTATION SUPPORT CONSULTANT SERVICES TO SUPPORT IMPLEMENTATION OF THE AIRPORT MASTER PLAN

RECOMMENDATION

- (a) Approval of a Master Services Agreement with Carter & Burgess, Inc. for Program Management Consultant Services at Norman Y. Mineta San José International Airport, from February 27, 2007 to December 31, 2010, in an initial amount not to exceed \$7,500,000.
- (b) Adoption of a Resolution authorizing the City Manager to execute up to two, two-year options to extend the term at no increase in total compensation.

Resolutions No. 67380 and 71451, PP 07-017

OUTCOME

Approval of the recommendation will provide consultant resources and expertise to enable the Airport to manage implementation of the Airport's capital improvement program, including the Terminal Area Improvement Program (TAIP), and will provide a competitive alternative to the existing master services agreement.

BACKGROUND

On June 13, 2006, Council approved a Major Amendment to the Airport Master Plan that included revisions to the implementation of the Airport's capital improvement program. These revisions include adjusting the year forecast to reach 17.6 million airline passengers per year (MAP) from 2010 to 2017 and downsizing the scope of the passenger terminal facility projects.

The Airport's capital improvement program to meet the forecast demand now consists of several phases that total approximately \$1.5 billion to be completed by 2017. Phase One of the program has a total budget of approximately \$1.0 billion with a scheduled completion of the second quarter of 2010. It consists of a Terminal Area Improvement Program (TAIP), completion of the

North Concourse currently under construction, completion of airfield projects, and related support projects. On October 17, 2006, Council approved a series of actions that result in implementation of the TAIP using a Design-Build project delivery method under a contract with Hensel Phelps Construction.

On December 12, 2006, Council authorized the City Manager to negotiate and execute a Master Agreement with URS Corporation for Program Management Consultant Services at the Airport in an initial amount not to exceed \$7,500,000 for a four-year term, including up to two, two-year options.

The program management consultant provides 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. In addition to the \$1.5 billion program, Airport capital improvements could also include projects within the approved Master Plan including airfield improvements, cargo development, improvement of the former FMC property, or other projects.

In the recommendation to authorize the URS agreement, Staff advised Council that negotiations with the second ranked firm were being initiated to provide an alternate agreement for program management services. The alternate agreement will provide even greater flexibility and responsiveness to meet changing demands of the Airport's capital improvement program. It will provide the City with a larger pool of available resources to better ensure that the needed expertise is available to meet schedule requirements. Also, this second agreement will allow for a competitive alternative to the existing program management agreement.

ANALYSIS

The selection process followed the City's Qualifications Based Consultant Selection (QBCS) Policy adopted by Council on December 7, 2004 and the Local Business and Small Business Preference Ordinance. A Request for Qualifications (RFQ) for program management and implementation support services to implement the Master Plan Improvement Program at the Airport was advertised beginning in June 2006. Statements of Qualifications were received from nine firms. A screening panel selected the top five ranking firms for interview. An eight-member interview board consisting of Airport, Public Works, and General Services staff, Deputy Directors from Sacramento and San Diego Airports, and an airline representative interviewed the firms on September 8, 2006. The board scored the firms on the Statement of Qualification and the interview based on the following criteria:

- Qualifications/Expertise of the key personnel and the firms comprising the Project Team
- Experience providing program management support services on construction implementation programs valued in excess of \$200 million, preferably at airports.

- Staffing Plan/Production Capacity of the Project Team, ability and approach to integrate consultant and subconsultant staff into a separate organization, functioning in a matrix-type organization. Availability and ability to respond to on-call needs.
- Approach to select, manage and control subconsultant resources,
- City's Local Business and Small Business Preference Ordinance

The Interview Board ranking is summarized below:

Ranked List (as determined by the interview board):

1	URS Corporation
2	Carter + Burgess
3	Gilbane Building Co.
4	Parsons Brinckerhoff
5	Turner Construction Co.

All five firms qualified as Local Business Enterprises and no firms qualified as Small Business Enterprises as determined by the City's Local Business and Small Business Preference Ordinance. The board ranked the URS Corporation first, and staff successfully negotiated an agreement with them, which Council approved on December 12, 2006.

Staff successfully negotiated a Master Services Agreement with the second ranked firm, Carter & Burgess, with nearly identical terms as the URS agreement. Although they were ranked second by the board, Carter & Burgess is well qualified to provide the types of services needed. These services will be provided under a Master Services Agreement, with specific services authorized by separate task order, as they are required. The general types of services that Carter & Burgess will provide under the agreement include:

- specialized expertise and experience with management of large airport projects, including the areas of cost controls, scheduling, and analysis of operational impacts
- third-party contract document review, especially in specialty areas and with short schedule demands
- specialized airport information system development;
- providing short-term staffing to meet peak demand periods inherent with large programs
- expertise and experience in business areas of the airport, such as rental car agency relations or financial analysis

The Carter Burgess agreement will provide a competitive alternative to the existing program management agreement, provide flexibility and responsiveness to meet the changing demands of the Airport's capital development program, and will allow for a greater pool of technical resources to support the program.

The recommended initial not to exceed amount is set at \$7.5 million, based on past experience with the previous program management agreement, and represents staff's estimate of a "worst case" annual cost for the agreement. Staff anticipates that the total cost of the contract will be increased over its four-year term, but the combined total of the two agreements should never exceed \$7.5 million for any single year of the two agreements. Staff estimates that the maximum total cost of the two agreements combined will not exceed \$30 million for the concurrent four-year terms, and \$15 million for each two-year option. Both agreements are structured so that any increase in the value of the agreement over the initial \$7.5 million for each agreement requires Council approval. These anticipated costs are within industry standard for the types of services anticipated under the agreement, and given that they will support a \$1 billion capital development program at the Airport over the next five years.

The City has adopted a policy to ensure that "contracting in" analysis is conducted prior to outsourcing work. Staff will continue to work closely with City employee unions regarding the specific tasks authorized under the subject Master agreement. If the expertise, short-term staffing, or ability to perform special studies is not available with City staff, the subject Master Agreement provides the vehicle to obtain the required resources.

The Program Management consultant staff will develop organizational and program knowledge as they work with the City staff in an integrated organization. As the program develops it may be in the City's best interest to achieve efficiency by maintaining continuity of staff for a longer duration. Including this flexibility in the agreement avoids procurement costs and schedule delays. It also allows for rapid deployment of resources if shifts in the program occur. The agreement maintains the right of the City to terminate the agreement without cause at any time, providing the flexibility to change consultants if needed. If options are exercised, it will be reported to Council in conjunction with the quarterly reports concerning the Airport's capital improvement program.

POLICY ALTERNATIVES

Alternative # 1: Not approve the recommended action.

Pros: Limits administrative costs associated with managing a second, separate agreement.

Cons: Doesn't ensure that the best expertise and experience is available to support the revised Master Plan Program and Design-Build project delivery. Doesn't allow for competitive alternative.

Reason for not recommending: The potential administrative costs associated with managing a second, separate agreement are minimal. Difficulty in obtaining the best program management expertise quickly and responsively could result in significant scope, cost, and schedule impacts.

Alternative # 2: Direct City staff to provide the required services with in-house resources

Pros: Increased work options for current staff.

Cons: Shifting existing City staff resources to this project at this time 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 demand caused by Master Plan implementation.

Reason for not recommending: Staff is fully utilized on other projects resulting in no available staffing resources. 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 management 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

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)
- Criteria 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)
- Criteria 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)

The RFQ was advertised in *the San Jose Mercury News* and *San José Post Record*. It was advertised on the City's Internet Bid Line, which automatically sent emails to the list of pre-qualified consultants, and the Airport's website. The *Engineering News-Record* included the announcement in their publication and on their website. The Airports Consultant Council included the RFQ announcement in their weekly email to members. The American Association of Airport Executives included the announcement in *Airport Report* and *Airport Express*, posted it on their website, and sent an email to interested members. Airports Council International included the announcement on their website. Over 60 people representing over 40 firms attended a preproposal conference on July 11, 2006.

COORDINATION

This solicitation, agreement and memo have been coordinated with the Departments of Public Works, Finance, and City Attorney's 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, the project components of which are expressly identified in the Airport Master Plan as amended on June 13, 2006.

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, and
- Strategic Initiative #5: Support the Growth (and Start-up) of Local Businesses – Small and Large (5.12 - increase access to City contracting and purchasing opportunities through improvements to communication and the procurement process).

COST SUMMARY/IMPLICATIONS

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.

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

Professional Services	Per Task Order
Reimbursable Expenses	Per Task Order
Labor Rates	Per Task Order
TOTAL AGREEMENT AMOUNT:	\$ 7,500,000
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 was determined that it will have no significant adverse impact on the General Fund operating budget. As outlined in the 2006-2007 Adopted CIP, when fully implemented, the estimated additional operating costs of approximately \$5.5 million will be paid for in the Airport Operating and Maintenance Fund.

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BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	2006-2007 Adopted Capital Budget	Last Budget Action (Date, Ord. No.)
520	4657	North Concourse Building	\$15,988,000	V-980	10/17/06 27888
520	4635	Taxiway Y Reconstruction	\$1,102,000	V-940	10/17/06 27888
(526) 522	4712	Utility Infrastructure	\$3,376,000	V-991	10/17/06 27888
(526) 522	4717	Electrical Distribution System	\$1,216,000	V-976	10/17/06 27888
527	4712	Utility Infrastructure	\$901,000	V-991	
527	4007	Advanced Planning	\$759,000	V-992	10/17/06 27888
527	4717	Electrical Distribution System	\$110,000	V-976	10/17/06 27888
527	5496	Taxiway Z Alignment	\$553,000	V-941	10/17/06 27888
527	5253	Terminal Area Improvement, Phase I	\$5,303,000	V-985	10/17/06 27888
(526) 554	5253	Terminal Area Improvement, Phase I	\$117,996,000	V-985	10/17/06 27888
(526) 554	5780	Terminal Area Improvement, Phase II	\$26,799,000		10/17/06 27888
(526) 554	5246	Public Parking Garage	\$8,187,000	V-966	10/17/06 27888
527	5067	Runway 11/29 REIL	\$380,000	V-939	10/17/06 27888
527	5068	Airport Blvd./Airport Pkwy ASTRA Compliance	\$95,000	V-971	
527	5730	Automated People Mover Terminal Zone Refinement	\$184,000	V-972	
527	5072	Part 139 Compliance	\$189,000	V-938	
(526) 554	5279	Warehouse Building Maintenance	\$110,000	V-962	
527	5254	West Side Airfield Reconstruction	\$87,000	V-942	

527	5072	Part 139 Compliance	\$189,000	V-938	
(526) 554	5279	Warehouse Building Maintenance	\$110,000	V-962	
527	5254	West Side Airfield Reconstruction	\$87,000	V-942	
(526) 554	5254	West Side Airfield Reconstruction	\$2,363,000	V-942	
(526) 528	4164	Consolidated Rental Car Facility	\$10,242,000	V-963	10/17/06 27888
529	4635	Taxiway Y Reconstruction	\$10,304,000	V-940	
(526) 547	6953	FMC Site Reuse Preparation	\$13,309,000	V-964	10/17/06 27888
(526) 548	4643	Central Plant Expansion	\$5,313,000	V-975	10/17/06 27888
(526) 548	4657	North Concourse Building	\$176,806,000	V-980	10/17/06 27888

Services performed by Carter & Burgess, Inc. 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 agreement. The appropriations listed above are included in the 2006-2007 Adopted Budget and will be utilized for the contract in 2006-2007. Funding in the out years is allocated in the 5-year Capital Improvement Program.

CEQA

CEQA: Resolutions No. 67380 and 71451, PP 07-017.

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.