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Memorandum

**TO: HONORABLE MAYOR
AND CITY COUNCIL**

FROM: Nadine Nader

SUBJECT: Early Council Packet

DATE: April 17, 2007

Approved

Date

4/17/07

EARLY DISTRIBUTION COUNCIL PACKET FOR MAY 1, 2007

Please find attached the Early Distribution Council Packet for the May 1, 2007 Council Meeting.

6.x Approval of Master Consultant Agreements for Terminal Area Improvements at the Airport.

Recommendation: Approval of Master Consultant agreements with:

- (a) Leland Saylor Associates, Inc. for on-call Cost Consultant services for the Terminal Area Improvement Program at the Norman Y. Mineta San José International Airport from the date of execution of the agreement through December 31, 2010 in an amount not to exceed \$500,000.
- (b) Jefferson Wells International, Inc. for on-call Audit Consultant services for the Terminal Area Improvement Program (TAIP) at the Norman Y. Mineta San José International Airport from the date of execution of the agreement through December 31, 2010 in an amount not to exceed \$500,000.

CEQA: Resolutions Nos. 67380 and 71451, File No. PP07-014. (Public Works/Airport)

These items will also be included in the Council Agenda Packet with item numbers.

NADINE NADER
Agenda Services Manager



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

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

SUBJECT: SEE BELOW

DATE: 04-11-07

Approved

Date

4/16/07

COUNCIL DISTRICT: Citywide

SUBJECT: AGREEMENTS FOR COST AND AUDIT CONSULTANT SERVICES TO SUPPORT IMPLEMENTATION OF THE TERMINAL AREA IMPROVEMENT PROGRAM AT THE NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

RECOMMENDATION

Approval of Master Consultant agreements with:

- a. Leland Saylor Associates, Inc. for on-call Cost Consultant services for the Terminal Area Improvement Program at the Norman Y. Mineta San José International Airport from the date of execution of the agreement through December 31, 2010 in an amount not to exceed \$500,000.
- b. Jefferson Wells International, Inc. for on-call Audit Consultant services for the Terminal Area Improvement Program (TAIP) at the Norman Y. Mineta San José International Airport from the date of execution of the agreement through December 31, 2010 in an amount not to exceed \$500,000.

OUTCOME

Approval of these agreements will provide on-call Audit and Cost consultant resources to manage the implementation of the Terminal Area Improvement Program (TAIP).

BACKGROUND

On June 13, 2006, the City Council approved revisions to the Airport Master Plan regarding implementation of the Airport Capital Improvement Program . These revisions include adjusting from 2010 to 2017 the year the Airport was forecast to reach 17.6 Million Annual Passengers and downsizing the scope of the passenger terminal facility projects originally contemplated in the Master Plan.

To meet the new forecast demand, the current Program consists of several phases that total \$1.5 billion, to be completed by 2017. Phase 1 of the Program has a total budget of approximately \$1.0 billion with a scheduled completion in the first quarter of 2010. One element of this Program includes the TAIP. The TAIP includes modifications to Terminal A, a new Terminal B, temporary ticketing and baggage facilities for Terminal C, demolition of Terminal C, roadway improvements, a consolidated rental car garage and a surface parking lot. On October 17, 2006, Council approved a series of actions that resulted in implementation of the TAIP using the Design-Build project delivery method under a contract with Hensel Phelps Construction Co. An integrated team of the Airport Department, Department of Public Works and consultants will provide the implementation support services for this contract.

The nature of the City's contract with Hensel Phelps Construction Co. requires financial auditing of contractor's books to ensure that the City is receiving a fair price for the services. In addition, the City will negotiate a Guaranteed Maximum Price (GMP) for various elements of the TAIP. Independent cost analysis is required to determine that the City is receiving a fair price.

ANALYSIS

The selection process followed the City's Qualification Based Consultant Selection Policy adopted by Council in December 2004 and the Local Business and Small Business Preference Ordinance. The Requests for Qualifications for both the on-call Cost Consultant and the on-call Audit Consultant was advertised at the beginning of November 2006. Statements of Qualifications were received from nine Cost consulting and four Audit consulting firms. A screening/interview panel selected three top ranking firms each for the Cost consultant and Audit consultant interviews. A panel consisting of staff from the Department of Public Works Airport Division, a consultant and an airline representative interviewed the firms on December 19, 2006. The firms were scored on the following criteria:

- Qualifications/Expertise of the Key Personnel comprising the Project Team;
- Relevant experience within the last five years for projects in excess of \$400 million;
- Staffing Plan/Production Capacity of the Project Team;
- For Audit Consultant only - Firm's approach to auditing or otherwise satisfying its audit role;
- For Cost Consultant only - Three examples of projects that experienced projected cost over-runs and the firm's services provided to the Owner in overcoming those budget challenges;
- City of San José Local and Small Business Preference Ordinance.

The results of these interviews and the written Statements of Qualifications are summarized in ranked order on the following page.

Ranked List (as determined by the Interview Board / SOQs)

Cost Consultants		Audit Consultants	
1.	Leland Saylor Associates, Inc.	1.	Jefferson Wells International, Inc.
2.	TBD Consultants	2.	Deloitte
3.	U. S. Cost, Inc.	3.	Marsh

City staff has negotiated the contract terms with Leland Saylor Associates, Inc. and Jefferson Wells International, Inc. The agreements include the following key components:

- Hourly consultant billing rates, consistent with industry standards
- Key staff members, including the identified Principal and Project Manager and sub-consultants named in the agreements, will not be substituted without the prior approval of the City
- Reimbursable expenses to include airfare, for out-of-City travel plus per diem rates for Jefferson Wells International, Inc.
- Contract amount not to exceed \$500,000 for a term lasting through December 31, 2010;
- Agreements can be terminated by the City upon seven days written notice at any time without cause

The consultant services will be provided under Master Agreements with specific services authorized by separate task orders as required. The general types of services that will be provided include but are not limited to:

Jefferson Wells International, Inc. (Audit Consultant):

- Advise the City on validity of items included in the design build contractor's GMP.
- Validate the design-build contractor's administrative and accounting procedures.
- Bi-annual audits of design-build contractor, based on "Open-Book" provisions of the Design-Build contract.
- Provide training to City staff to ensure controls are in place and terms of the contract are understood.
- Provide assistance in training and developing field office personnel.

Leland Saylor Associates, Inc. (Cost Consultant):

- Provide cost estimates during the preliminary design phase and evaluate and comment on the design-build contractor's GMP proposal at various design development phases.
- Provide value engineering and scope prioritization at various phases of design.
- Undertake constructability and coordination analysis, focusing on efficiency of construction.
- Assist the City in change order negotiations.

The City has made it a priority to ensure that contracting-in analysis be conducted prior to outsourcing work. All the requirements for the "Contracting-In" checklist have been reviewed

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and approved by staff in the Human Resources department. Staff will continue to work with City employee unions regarding the specific tasks orders, to ensure that work in the task orders cannot be performed by City staff.

In addition, staff has prepared a cost plan for the implementation of the TAIP. The plan allocates monies to soft and hard costs for the construction of the program. The overall soft cost for the program is approximately 24% which is consistent with other programs of this nature. The funds for the cost and audit consultant are within the City's cost plan and consistent with program requirements for effective financial management.

POLICY ALTERNATES

Alternative # 1 Direct staff to provide the required services with in-house resources.

Pros: Increased work options for current staff.

Cons: Shifting existing staff resources would delay the TAIP projects due to a lack of required expertise and the flexibility to scale resources.

Reason for not recommending: The complexity and the scale of work required to implement the TAIP program does not lend itself to utilization of existing City staff.

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)**

Each agreement proposed in this memo is limited to \$500,000; however, City staff employed Criteria #1 requirements in order to solicit proposals from an enlarged pool of consultants.

The RFQs were advertised in the *San José Post Record* and on the City's Internet Bid Line. In addition, staff sent emails to the list of pre-qualified consultants and posted the RFQs in building exchanges nationwide. Nine 'Cost' and four 'Audit' firms responded to the RFQs; these included firms from the Greater Bay Area and other in- and out-of-State locations. This memo will be posted on the City's website for the May 1, 2007 Council agenda.

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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
(526) 548	4657	North Concourse Building	\$176,806,000	V-980	10/17/06 27888
527	5253	Terminal Area Improvement, Phase I	\$5,751,000	V-985	2/13/07 27973
(526) 554	5253	Terminal Area Improvement, Phase I	\$119,754,000	V-985	2/13/07 27973
(526) 554	5780	Terminal Area Improvement, Phase II	\$26,799,000	V-929	10/17/06 27890
(526) 554	5246	Public Parking Garage	\$10,501,000	V-966	2/13/07 27973
(526) 528	4164	Consolidated Rental Car Facility	\$14,642,000	V-963	2/13/07 27973

* Services performed by the firms 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 may 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 07-014.



KATY ALLEN
Director, Public Works Department



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

For questions, please contact HARRY FREITAS, DEPUTY DIRECTOR, at (408) 535-8300.

HF:sn