



Memorandum

TO: TRANSPORTATION AND ENVIRONMENT COMMITTEE

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

SUBJECT: AIRPORT CAPITAL IMPROVEMENT PROGRAM QUARTERLY REPORT

DATE: 08-31-07

Approved  Date 9/5/07

RECOMMENDATION

Staff recommends acceptance of the attached Airport Capital Improvement Program Quarterly Status Report.

BACKGROUND

On October 17, 2006, Council approved a series of actions that resulted in implementation of the Terminal Area Improvement Program (TAIP), and included the award of a design-build contract for \$513 million to Hensel Phelps Construction for the majority of this work. The TAIP is a part of phase one of the Airport's capital improvement program and includes the expansion and remodel of Terminal A, a new Terminal B, a temporary ticketing/baggage processing center for existing Terminal C, demolition of Terminal C in phases, extensive roadway improvements, public parking, and a Consolidated Rental Car Garage.

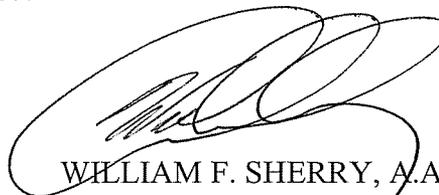
At the time of award, staff committed to provide to Council a quarterly report including information on budget and schedule status, overall progress of the program and the use of the program reserve, as well as any planned budget shifts of over 20% from one project element. Staff submitted the first report in this series via Information Memo in June 2007.

ANALYSIS

This second quarterly report provides an executive level overview and status of the program for the period of April 1, 2007 through June 30, 2007.



KATY ALLEN
Director, Public Works Department



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

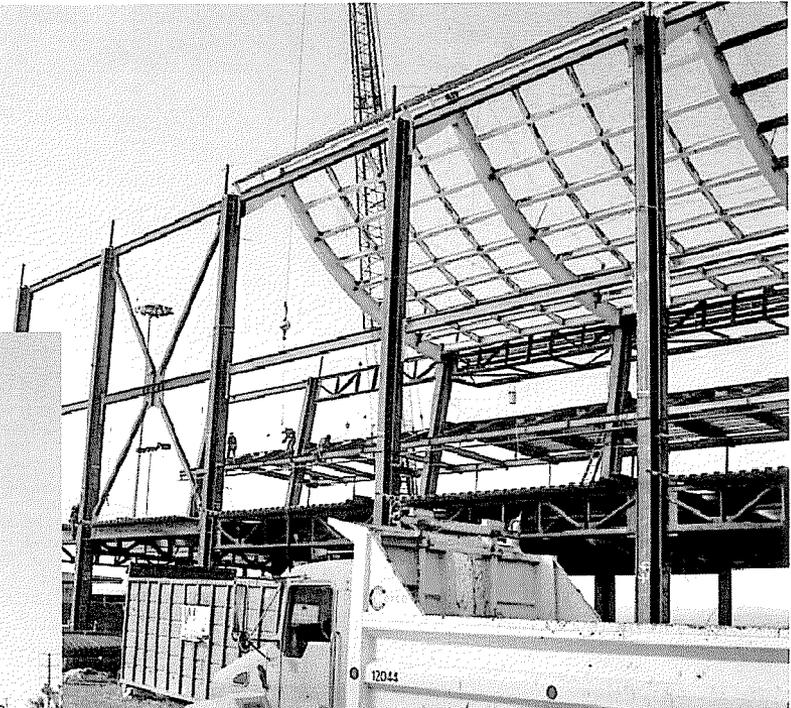
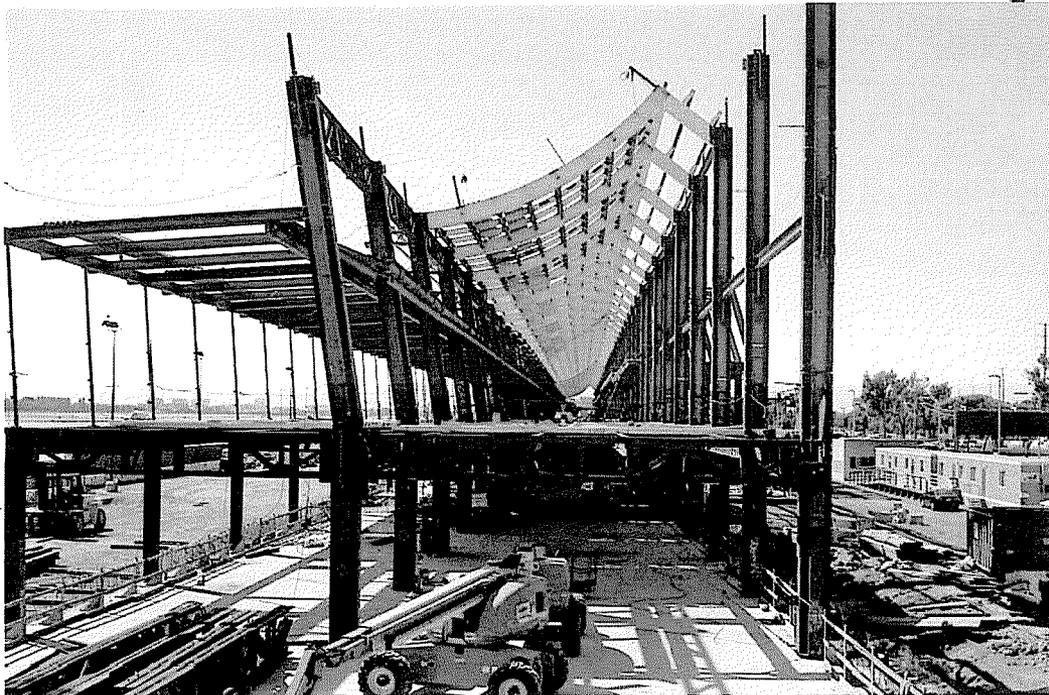
Please direct questions to William Sherry, Director of Aviation, at (408) 501-7669.

Attachment

Airport Capital Improvement Program

Norman Y. Mineta San José International Airport

North Concourse Structural Steel
Nearing Completion



North Concourse Steel Erection

Preface

Section 1: Executive Summary

- Terminal Area Improvement Program
 - TAIP Overview
 - TAIP Major Components
 - Accomplishments This Quarter
 - Planned for Next Quarter
 - Photos

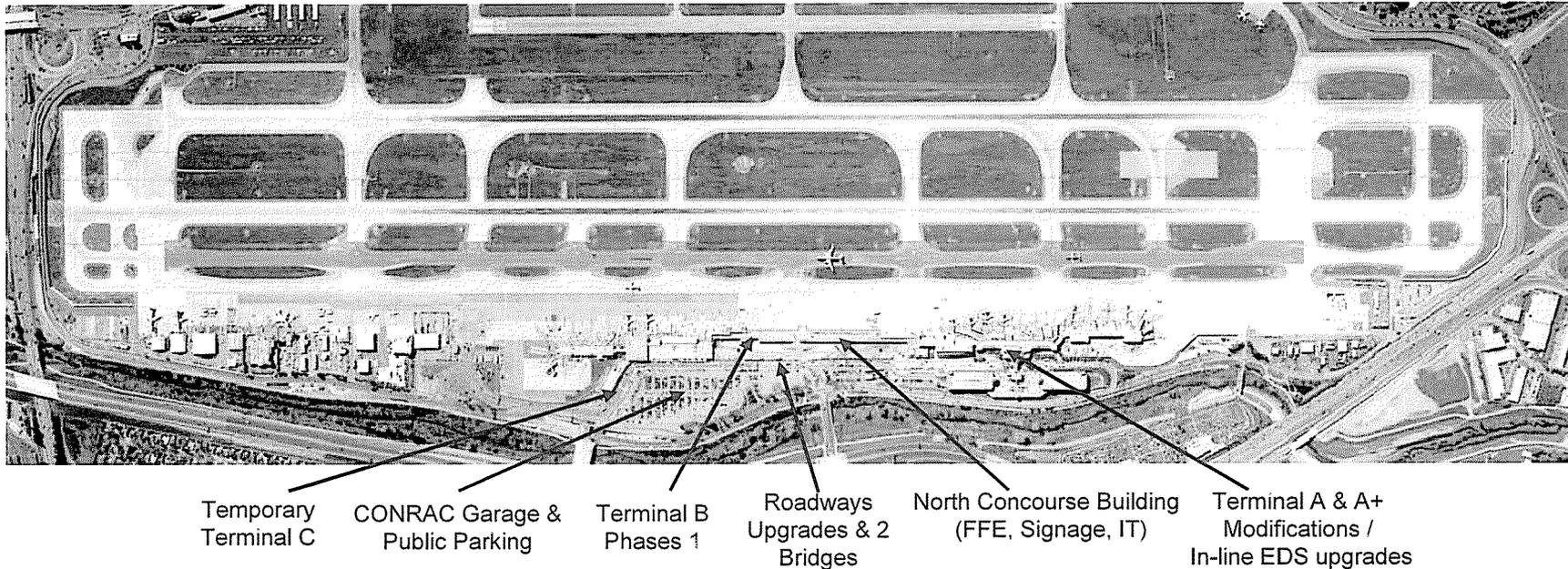
Section 2: Budget

- TAIP Budget/Funding Summary
- Design-Build Program Reserve History
- Design-Build Program Project Elements
- Design-Build Program Planned Shifts

Section 3: Schedule

- TAIP IT Summary
- Design-Build Program Schedule Summary

Preface



This report provides an executive level overview of the status of the Airport's Terminal Area Improvement Program (TAIP) which is comprised of three major elements, Design-Build Program, North Concourse Program and Terminal Equity Improvements. The overall capital program for the Airport was revised during fiscal year 2005-06 in order to provide the facilities needed to meet projected passenger demand while charging fees to the tenants that are consistent with industry standards. City Council amended the Airport's Master Plan in June of 2006 to reflect these changes, and awarded a design-build contract with Hensel Phelps construction in October of 2006 to construct the majority of the projects within the TAIP.

This report follows a traditional and customary capital improvement program reporting format which monitors project performance against a fixed approved program budget and an established multi-year schedule. This report does not compare directly to the Airport's fiscal year budget which is based on a one-year timeframe and varies from year to year due to the annual budget closeout and re-budget process.

The data included in this report reflects information available as of the end of the calendar quarter being reported. These quarterly reports provide a general understanding of the program, but are only "snapshots in time." To evaluate longer-term budget and schedule trends these reports must be evaluated in the aggregate, not individually.

Project Approval & Delivery Approach

In November 2005, Council approved a revised Capital Improvement Program (CIP) Master Plan for the Norman Y. Mineta San José International Airport. That approval authorized the use of the Design-Build project delivery approach for a \$663 million component of the \$849 million Terminal Area Improvement Program (TAIP). Design-Build has three key advantages: 1) contracts a prime contractor to perform both the design and construction; (2) provides greater schedule flexibility over the traditional Design-Bid-Build approach by affording the City the opportunity to complete the terminal modifications and roadway improvements within a shorter time, and 3) minimizes

potential conflicts during the construction phases of the various Project Elements and thereby lessens impacts to customers.

On October 17, 2006, Council approved a \$513 million Design-Build contract with the Hensel Phelps team including: Fentress Bradburn Architects, Granite Construction, DMJM Transportation Engineers and TranSystems. Within this budget, \$25 million was provided for (and is controlled by) the City for its Construction Contingency. That approval also established a budget for Airport Reserves and City Support Costs.

Program Overview

The Airport Master Plan Improvement Program runs the full gamut of work from constructing and renovating new terminals; to expanding existing building systems; to demolishing obsolete facilities. All of this work will be accomplished while working within the active terminal and roadway areas. During Phase 1 of the Terminal Improvement portion of construction the current aircraft gate count will reduce from 32 to 28. Yet the existing customer services or air carrier operations will not only be maintained but enhanced by modernizing ticket counters

and installing Self-Service Ticket Devices strategically positioned in the Terminals' queuing lines.

At the completion of the second phase of Terminal B, the number of gates will increase to 40. The Design-Build contract has been divided into eight major Project Elements. In addition to the TAIP the Airport program includes the North Concourse projects and the Terminal Equity Improvement projects. The overall duration of the Design-Build Program is 3-1/2 years (second quarter 2010).

Small and Local Business Utilization

In order to solicit interest and inform small and local businesses of opportunities at the Airport, City staff and Hensel Phelps developed an outreach program consisting of communication and strategic bid packaging. To date, the outreach program has consisted of contacting all of the ethnic Chambers of Commerce as well as the Silicon Valley Chamber of Commerce and informing the Chambers' staff of contracting opportunities. In addition, on several occasions Staff and Hensel Phelps have presented the outreach program to the Small Business Development Commission.

The Office of Economic Development has been engaged and the City has provided Hensel Phelps with its database of local contractors and suppliers. Staff and Hensel Phelps participated in the Alliance West Small Business

Procurement Fair on April 26, 2007 at the San José Convention Center. The City and Hensel Phelps are scheduling a Procurement Fair to be held at City Hall in August to solicit interest in contracting opportunities. We are coordinating our efforts with the Office of Economic Opportunity. In addition, a web site has been developed that will allow contractors to pre-qualify and bid on construction packages. The City's bid line will also be utilized to provide additional outreach.

In addition to the communications with local businesses, Hensel Phelps and the City will, when feasible, employ a strategy to package subcontract work in a manner that allows smaller contractors to bid the work. To the extent prudent, this will consist of breaking larger bid packages into smaller jobs that are more attractive to small contractors.

Maintenance of Customer Service Levels During Construction

The Customer Service Representative (CSR) has been engaged in the day-to-day implementation of the program. The CSR and the Airport Public Information Office conducted TAIP outreach meetings for multiple stakeholders. Additionally the CSR and the Stakeholder Coordinator have established a TAIP Construction Impact Communication Plan to provide advance notice of construction activities impacting airport users and employees.

The Stakeholder Advocacy Board has been active in identifying and monitoring stakeholder issues. Bi-weekly TAIP update sessions have been implemented providing stakeholders with programming, design and construction status information. Focus has been in facilitating the resolution of Airline, TSA and airport operational and logistics issues.

Design-Build Program

1. Terminal A Modifications – During the renovation and expansion of Terminal A this structure will remain a fully functioning passenger processing facility for American, American Eagle, Hawaiian, Mexicana and Southwest Airlines. Work includes a new In-Line Baggage Handling and Screening System.

The Terminal A Modifications project will address the imbalance that currently exists between the number of aircraft gates and the inadequate number of check-in positions/queuing area, security checkpoints and concessions. **These customer service and operational enhancements are being targeted:**

- Move the passenger ticketing function to the ground level which affords the opportunity to expand the counters and queuing area by 60% and permits passengers to check-in international, over-sized and out-of-gauge bags at the ground level rather than having to carry them to the second level for check-in.
- Consolidate the two existing security checkpoints and double the number of passenger screening lanes available for queuing and processing.
- Double the size of the airside concessions and provide new (non-existent) landside concessions.

2. Terminal B – This project will be implemented in phases. The northern portion (Phase 1) is fully funded and will be constructed as part of the current Council-approved project. The southern portion (Phase 2) will be constructed at a future date triggered by passenger demand and flight activity.

This project will allow the demolition of the out-of-date and inadequately sized Terminal C. **These customer service and operational enhancements are being targeted:**

- Provide a full compliment of staffed and self service ticket counters, including sufficient queuing, security checkpoint screening lanes, baggage claim devices and concessions.
- Modern and efficient building systems.
- The opportunity to address a full array of sustainable design issues.

3. Temporary Terminal C – The existing terminal will be reconfigured to allow the demolition of the north portion of the facility. This work will require re-sizing the spaces used by nine airlines and three of the concessionaires currently operating in that facility. The work enables construction to commence on the new Terminal B. Once Terminal B Phase 1 is completed; the remaining portion of existing Terminal C will be demolished to allow the final stage of the enhanced (and straightened) Roadway system to be completed. Terminal C is currently utilized by Alaska, Continental, Delta, Frontier, JetBlue, Northwest, USAir, and United Airlines. After the completion of Terminal B, the present airline operations will be re-distributed between Terminals A and B.
4. Public Parking Garage Pre-design – This master planning effort is required to ensure the future (deferred) Public Parking Garage will function with the Consolidated Rental Car Garage since both facilities share a common site.
5. Consolidated Rental Car (ConRAC) Garage – Scheduled to coincide with the opening of the first phase of Terminal B, the ConRAC will provide passengers more direct access to rental car facilities.

These customer service and operational enhancements are being targeted:

- Provide amenities for visitors and business travelers using the Airport that are comparable and competitive with those of other major airports to which they travel.
 - Relocation of rental cars to the “terminal zone” – clearly a competitive advantage over other Bay Area airports that rely on remote and inconvenient rental car check-in facilities. This new garage will permit direct access for passengers from Terminal B.
6. Roadways – An enhanced roadway system that will provide greater vehicle capacity via more lanes, direct access to each terminal, a straighter alignment and better ground transportation options which will improve the way-finding geometry that exists today. When completed, the new roadway system will eliminate the “bottlenecks” and “choke points” that exist today. This infrastructure project will also modernize and improve the existing utilities that run both above and below the ground within the boundaries of the landside work site.
 7. Surface Parking – Existing surface parking associated with Terminal C will be reconfigured throughout the construction period to maintain adequate parking.
 8. North Concourse (FF&E, Signage and IT) – In order to ensure consistency, this project will provide all new furniture, fixtures and equipment (FF&E), direction and information signage and information technology (IT) systems in both the new Terminal B and the North Concourse.

North Concourse

The North Concourse is currently under construction and when completed will:

1. Add nine new gates and hold rooms.
2. Provide enhanced security via a permanent in-line explosive detection system (EDS) for baggage screening which replaces the existing temporary facilities.
3. Provide passenger amenities, e.g. retail, food and beverage concessions.
4. Expand the Central Plant.

Terminal Equity Improvements

The Terminal Equity Improvements project includes: the Parking Garage, Terminal A not covered by Hensel Phelps contract, Rehab of Terminal A+ and Baggage Claim.

The project's objective is to upgrade and improve existing facilities to render them comparable to the new Terminal facilities implemented under the Design-Build and North Concourse Programs.

The scope of the work includes new furnishings and furniture, signage, painting, new carpet, new and upgraded restrooms, roof replacement, mechanical, electrical, fire alarm/security and technology improvements.

Accomplishments This Quarter

Program Wide

- Staff and Hensel Phelps participated in the Alliance West Small Business Procurement Fair on April 26, 2007 at the San José Convention Center.
- Established business flow models to track cost commitments for the City's new Skier Unifier cost system.
- Analyzed, revised and accepted Hensel Phelps baseline master schedule that indicates all critical deadline dates are achievable as stipulated in their contract.

Terminals

- Completed 30% design drawings for Terminals A and C.
- Negotiated the first design-build GMP on the project – the Terminal C Main Point of Entry (MPOE).
- Erection of North Concourse steel reached 85% complete.

Roadways/Surface Parking/ConRAC Garage

- Completed 30% design drawings and draft cost estimate for the first GMP review of the initial four roadway construction work packages.
- Completed and accepted Hensel Phelps proposed temporary Skyport Connector by-pass. This technical solution offers potential schedule and work coordination advantages for the construction of the roads and bridge work at the south end of the airport site.
- Completed reconfigured design for Airport Boulevard/Airport Parkway intersection to meet ASTRA level of service "D" requirements.

Equity Improvements

- Bid and awarded a contract for 23 Passenger Boarding Bridges.

Planned for Next Quarter

Program Wide

- Load test data into the new Skier cost system and prepare the initial draft standard cost report.
- Evaluate City support planned costs as compared to actual costs for the second half of FY 06-07.

Terminals

- Negotiate a GMP for Terminal A Explosive Detection System Pod #2.
- Negotiate a GMP for Terminal A Exterior Stairs and Loading Dock.
- Negotiate a GMP for the balance of the Terminal C Project.
- Begin Terminal C tenant relocations and partial closures of the interior areas.
- Complete the North Concourse steel erection.

Roadways/Surface Parking/ConRAC Garage

- Complete FMC construction site setup.
- Complete 50% construction of the new Roadway's Skyport Connector.
- Complete 30% design of the ConRAC Garage, Roadways and Terminal B, Phase 1.

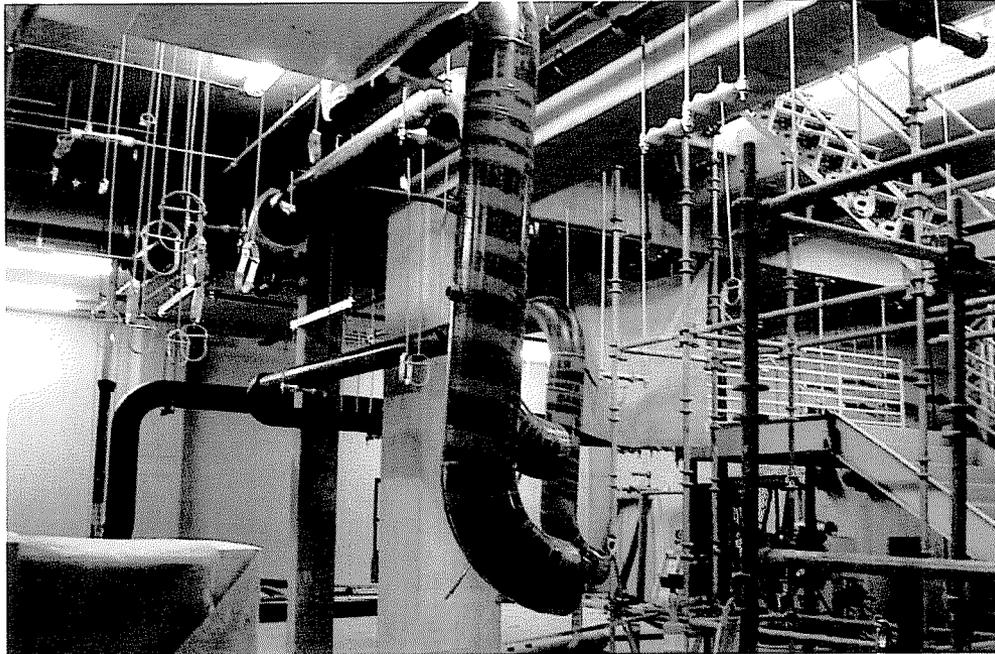
Equity Improvements

- Contract Architectural Engineering firm and commence design studies for facilities improvements.

North Concourse

- Complete structural and secondary steel erection.
- Commence external wall system erection.
- Commence roof system and internal rough-in for Mechanical, Electrical & Plumbing systems.

**North Concourse
Mechanical, Electrical & Plumbing installation
in utility core and piping for fire pump.**



**North Concourse
removal of temporary haul bridge linking
landside to airside.**

Airport Capital Projects		Funded
Design-Build Program	(1)	\$ 747,900,000
Terminal Equity Improvement Projects	(1)	\$ 52,215,000
Other TAIP Funds		\$ 48,450,000
Subtotal - TAIP Projects		\$ 848,565,000
North Concourse, Central Plant Expansion & Public Art	(2)	\$ 243,555,000
Prior expenses not in 2005 Ricondo model for North Concourse		\$ 80,901,000
Subtotal - North Concourse Program		\$ 324,456,000
Other CIP Projects		\$ 221,421,000
Total - Airport Capital Program + Prior Expenses		\$ 1,394,442,000

Information Only:

Total - Airport Capital Program Since 2006	(3)	\$ 1,313,541,000
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Notes:

1. This number includes an additional \$108 million for the full-build ConRAC Garage and excludes \$18,851 million which reflects the work Hensel Phelps will perform in the North Concourse.
2. This number includes \$18,851 million in North Concourse work to be performed under the Hensel Phelps design-build contract.
3. This number includes all funding in Ricondo Model less expenses prior to 2005 when Ricondo was implemented.

Actuals - Design-Build Part of the Program Reserve Utilization

Amount	Justification for the Release of Program Reserves	Date
\$ 55,964,988	Design-Build starting balance reported in 1Q07 Report.	03/30/07
\$ (466,236)	Reduced reserves by \$466,235 & reallocated it to the North Concourse contract	03/31/07
\$ 1,639	Adjusted to increase 1Q07 to the full correct reserve amount \$55,500,391	06/30/07
\$ (11,687,376)	Released the full ConRAC Program Reserve of \$11,687,377 since these funds can only be spent for the ConRAC.	02/05/07
\$ (13,500,000)	Release program reserve to fund the Public Parking costs associated with the ConRAC.	05/29/07
\$ 30,313,015	Design-Build Program Reserve Balance	

Trends - Potential or Pending Program Reserve Utilization

Estimated Amount	Description	Log Date
\$ 3,200,000	B-757 Maximization Initiative, including new curtain wall, gate portals, and passenger loading tunnel at A+ facility. This is a total cost estimate.	06/25/07
\$ 11,500,000	Terminal A+ concessions area bump out at airside	06/27/07
\$ 200,000	Moving Sidewalk Study	07/20/07
\$ 275,000	Buildout tenant improvement space for USO in the North Concourse; assumed 2000 s.f.	06/26/07
\$ 9,000,000	Terminal A+ corridor conflict under review (American Airlines lease expiration)	06/26/07
\$ 15,175,000	Potential Reserve Usage	

Budget

**Design-Build Program
Project Elements**

Project Element	Budget with Owner's Contingency & City Support Costs	Committed to Date	Remaining Budget
Terminal A Modifications	\$ 65,567,158	\$ 4,545,958	\$ 61,021,200
Terminal A Inline Baggage System	\$ 30,000,000	\$ 1,648,877	\$ 28,351,123
Terminal B, Phase 1 & Utility, Phase 2	\$ 164,598,245	\$ 9,063,722	\$ 155,534,523
Terminal B, Phase 2	\$ 8,455,452	\$ 2,541,837	\$ 5,913,615
Terminal C + Building Demolition	\$ 35,906,625	\$ 3,088,577	\$ 32,818,048
North Concourse: FFE, IT & Equipment	\$ 18,851,000	\$ 1,056,542	\$ 17,794,458
ConRAC Garage	\$ 128,574,000	\$ 6,978,915	\$ 121,595,085
Public Garage	\$ 9,864,644	\$ 2,816,427	\$ 7,048,217
Roadways & Utilities	\$ 131,166,551	\$ 9,271,442	\$ 121,895,109
Surface Parking	\$ 3,487,307	\$ 343,078	\$ 3,144,229
Utility Feasibility, Phase 2	\$ 1,700,017	\$ 47,918	\$ 1,652,099
Tenant Relocation	\$ 1,541	\$ 304,061	\$ (302,520)
Design-Build Miscellaneous Expenses		\$ 254,050	\$ (254,050)
Total Less Reserves	\$ 598,172,540	\$ 41,961,404	\$ 556,211,136

20% Shift of Project Element Budgets

On June 15, 2007 an Information Memo advised City Council that the first quarterly report identified budget shifts of more than 20% in the Design-Build contract. Since that 1Q07 report, there was one shift of more than 20% that resulted from the re-distribution of \$3.24 million for the Tenant Relocation back to Terminals A, B and C on a split basis of 50%, 20% and 30% respectively. This action was taken because it provides a work efficiency advantage when monitoring future cost in task orders.

The shifts shown in the table below are consistent with the directive that budget and schedule would not exceed the overall targets and that the only variable would be scope. The fifth column indicates those budgets that exceeded a 20% shift of funds. This reallocation of funds did not increase the overall Design-Build Program budget.

Element	Initial Budget (million \$)	1Q-07		2Q-07		Since Last Report	Comment
		Revised Budget (million \$)	Revised Budget (million \$)	Revised Budget (million \$)	20% Budget Change		
Terminal A Modifications	37.7	50.08	51.70				Reallocation from the tenant relocation element
New Terminal B Phases 1 & 2	127.8	136.05	136.69				Reallocation from the tenant relocation element
Roadway Improvements	110.9	114.14	114.14				
Temporary Terminal C	5.7	25.74	26.72				Reallocation from the tenant relocation element
Terminal C Demolition	8.2	0	0				
Surface Parking Lot	3	3.04	3.04				
Tenant Relocations	0.8	3.24	0	Yes			Reallocated budget to Terminals A, B and C
Consolidated Rental Car Garage	101.6	110.42	110.42				
Public Parking Garage	66.2	8.57	8.57				
Terminal A Baggage System and Building	26.5	26.49	26.49				
North Concourse Completion Items	23	23.03	23.03				
Utilities Feasibility	1.4	1.42	1.42				
Budget Reallocation to City		10.58	10.58				Hensel Phelps budget reduced/City budget increased
Hensel Phelps Budget	512.8	512.8	512.8				

Schedule

Design-Build Program Progress Chart

