



July 31, 2014

LAX
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City of Los Angeles

The Honorable City Council
of the City of Los Angeles
City Hall – Room 395
Los Angeles, CA 90012

Eric Garcetti
Mayor

Reference: CF 14-0987

**Board of Airport
Commissioners**

This is to hereby transmit for your information the Mayor approved City Administrative Officer's report relative to a proposed approval authorizing the use of Competitive Sealed Proposals Selection Process and the Construction Manager at Risk alternative project delivery method for select airfield capital improvement projects at Los Angeles International Airport.

Sean O. Burton
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Jackie Goldberg
Beatrice C. Hsu
Matthew M. Johnson
Dr. Cynthia A. Telles

Sincerely,

Christine D. Iseri
Government Affairs Representative
Los Angeles World Airports

Gina Marie Lindsey
Executive Director

Attachments



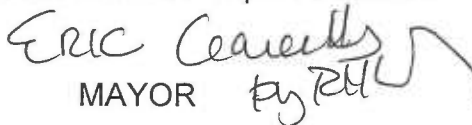
0220-04899-0000

TRANSMITTAL

TO Gina Marie Lindsey, Executive Director Department of Airports	DATE JUL 30 2014	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

Request for Council Consideration and Approval of a Board of Airport Commissioners' Resolution and Proposed Ordinance to Authorize the Use Of Alternate Project Delivery Methods for Select Capital Improvement Projects at the Los Angeles International Airport

Transmitted for further processing, including Council consideration. See the City Administrative Officer report attached.

 (Rich Llewellyn)
MAYOR

MAS:WDC: 10140146t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 24, 2014

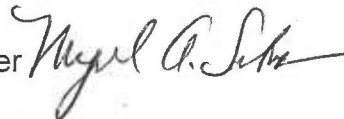
CAO File No. 0220-04899-0000

Council File No.

Council District: 11

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Department of Airports dated March 6, 2014, Revised Report Transmitted on July 16, 2014; Referred by the Mayor for Report on March 11, 2014

Subject: **REQUEST FOR COUNCIL CONSIDERATION AND APPROVAL OF A BOARD OF AIRPORT COMMISSIONERS' RESOLUTION AND PROPOSED ORDINANCE AUTHORIZING THE USE OF ALTERNATE PROJECT DELIVERY METHODS FOR SELECT CAPITAL IMPROVEMENT PROJECTS AT THE LOS ANGELES INTERNATIONAL AIRPORT**

SUMMARY

The Executive Director of the Los Angeles World Airports (LAWA; Department) requests consideration and approval of a Board of Airport Commissioners' (Board) resolution and proposed City Ordinance allowing the Board to authorize the Department to use the Competitive Sealed Proposals Selection (CSPS) process and the Construction Manager-at-Risk (CMAR) alternative project delivery methods, as permitted by Charter Section 371(b), to obtain efficiencies and shorten project duration for the construction of five airfield capital improvement projects at the Los Angeles International Airport (LAX).

The CSPS and CMAR alternative project delivery methods being proposed have been used successfully by the Department, as early as 2005, on various capital projects (e.g., the Security Baggage Screening In-Line system, the Tom Bradley International Terminal renovation, the Bradley West Core and Concourses Project, Terminals 1 through 8 Improvements, Midfield Satellite Concourse, Central Utilities Plant Replacement, Central Terminal Area Improvements, and the LAX Second Level Roadway Repair Project). The proposed construction/contracting method is considered an alternative to the traditional Design-Bid-Build process and has been used by LAWA, as well as other international airports, to (1) ensure the timely completion of construction projects; (2) assist with minimizing interference with ongoing airport operations; (3) allow the construction contractor to be involved early in the design phase with corresponding improvements in design, pre-construction work, and actual construction, as well as the avoidance of constructability issues; (4) leverage limited City project administration resources; and (5) reduce risk to the Department.

If the proposed Ordinance is approved, the authorized contractor selection process will include a competitive sealed bid proposal method pursuant to Charter Section 371. The proposed construction methods comply with the City's policies regarding competitive bids, sealed proposals,

and other appropriate alternative project delivery systems that are in the best interest of the City and are based upon the Department's determination of (1) operational need, (2) schedule, (3) technical aspects of the LAX Capital Improvement Program, and (4) the fact that awarding to the lowest responsive and responsible bidder is not necessarily practicable or advantageous in instances where the work is highly specialized and an optimal blend of price, quality, timeliness, technical expertise, and relevant experience is needed. Using these methods for contractor selection, the Department will take into consideration the following qualifications:

- Relevant airfield experience
- Adequate staffing and organization
- A thorough understanding of the project
- Adequate schedule, as well as sufficient cost and project controls
- Optimal approach to employee, subcontractor, and public safety
- Ability to properly coordinate construction activities and mitigate impacts on airport operations

In that the proposed Competitive Sealed Proposals Selection and Construction Manager-at-Risk delivery processes are subject to Charter Section 371(b), which states, in part, that "As an alternative to an award pursuant to open and competitive bidding, a contract can be let pursuant to a competitive sealed proposal method, in accordance with criteria established by ordinance adopted by a least a two-thirds vote of the Council" and "Consistent with the competitive bidding requirements, *Design-Build or other appropriate project delivery systems* [italics added] may be used when justified by the type of project and approved by the contracting authority," Council approval is required in the form of an Ordinance. City Attorney approval as to form is also required.

The above-referenced aspects of the proposed Ordinance, and this report, are based upon revised information received from the Department subsequent to the initial request submittal.

BACKGROUND

As recently as May 7, 2012, the Council adopted an Ordinance, No. 182806 (C.F. 11-1804), in support of the Board of Airport Commissioners' Resolution authorizing LAWA to use alternative construction project delivery methods, including the CMAR and what is known as "Design-Build," for the Terminals 1-3 Project, the Terminals 4-8 Critical Terminal Infrastructure Project, and the LAX Midfield Satellite Concourse. A similar resolution (copy attached) was approved by the Board on July 21, 2014, relative to the five planned airfield improvements. Approval of the proposed Ordinance would allow the Department to apply the same innovative construction methods it has used successfully in other capital improvement projects to the five proposed airfield improvement projects--LAX runway rehabilitation projects, West Remain-Over-Night Aircraft Parking Improvements, and Secured Area Access Posts and Vehicle Checkpoints--pursuant to the competitive sealed proposal selection process as specified in Charter Section 371(b).

Alternative delivery methods have been used successfully by the Department since 2005 for various complex, schedule-driven, sequenced projects where disruption to ongoing airport operations must be minimized. Alternative project delivery methods have been used by various City departments for capital projects since 1998 when the first Design-Build Ordinance was authorized by Council for the

replacement of the City's underground fuel tanks.

The Department will apply standardized analysis criteria to determine which project delivery method, including the usual Design-Bid-Build approach, is optimal for a given project. Additionally, the affected projects will be advertised on the City's Business Assistance Virtual Network (BAVN) and through advertisements and public notices in appropriate publications. After final evaluation of the proposals by LAWA staff, recommendations for award of specific construction contracts will be submitted to the Board for approval.

Basis for the Department's Proposal

With the planned improvements to various areas of the LAX airfield, including enhancements to runways, taxiways, taxilanes, service roads, aircraft ramps, maintenance and parking areas, and other critical airfield infrastructure—many of them needed to comply with the latest federal design and safety standards—it is important that alternatives to the standard Design-Bid-Build method—which is generally characterized by (1) longer time to project delivery; (2) little to no involvement by the construction contractor in the design; (3) high probability of change orders; (4) less emphasis being placed on, other than general qualifications, a contractor's specific qualifications and experience for specialized airfield projects; and (5) a high probability of a project re-design and/or re-bid—be made available to the Department for use when justified.

Specifically, the five near-term airfield capital improvement projects proposed for completion using one of the alternative contracting/construction methods include the following:

- Runway 7R-25L Rehabilitation
- Runway 6R-24L Safety Area and Rehabilitation (*must be completed by December 2015, per federal mandate*)
- Runway 6L-24R Safety Area and Rehabilitation (*must be completed by December 2015, per federal mandate*)
- West Remain-Over-Night Aircraft Parking Improvements
- Secured Area Access Posts and Vehicle Checkpoints

As illustrated in the table below, the two project delivery methods being considered (the one standard and the other an alternative) have their own set of advantages and disadvantages; however, at least three advantages are obtained by using the proposed CMAR alternative method that is not available with the standard Design-Bid-Build method: (1) early and extensive involvement in the project design phase by the construction contractor that helps to minimize change orders and resolves constructability issues early in the process; (2) risk is better apportioned between the involved parties, thereby reducing cost and scheduling issues; and (3) the likelihood of selecting a contractor with the relevant experience and expertise is increased. The latter advantage, having to do with the contractor's qualifications, is especially important given the complexities of the planned projects; the need to coordinate with the Federal Aviation Administration, the Transportation Security Administration, Air Traffic Control, the airlines, and the ground service workers; and the strict time schedules. In this case, contracting with a contractor experienced in airfield construction and the use of alternative delivery methods will help ensure that the projects are completed in the shortest possible time.

In contrast to the standard Design-Bid-Build method commonly used for capital projects where LAWA (1) hires a design firm to prepare design plans and specifications, (2) incorporates those plans and specifications into a Request for Bids (RFB), (3) advertises the RFB using lowest price as the primary criteria for selection, and (4) selects a generally-qualified construction contractor, the Department has found innovative construction delivery methods such as CMAR to be effective in addressing ongoing capital improvements at LAX in terms of cost and scheduling efficiencies, improved design, the avoidance of constructability issues and change orders, and reduced disruption to airport operations.

Traditionally, LAWA's capital projects have been constructed using a process whereby the principal criteria used for contractor selection was the lowest responsive and responsible bidder (most often associated with the standard Design-Bid-Build process). According to the Department, the potential contractor's experience and past performance—another equally important, and often more important than just cost, aspect of contractor selection—has not played a significant role in the selection. To address that concern and provide City departments with needed flexibility to manage capital projects in the most effective and cost beneficial manner, Charter Section 371(b) was included to allow departments to use the CSPS process and, within that selection process, certain flexible or alternative project delivery methods, one of which is the CMAR method.

According to the Department, rather than the inflexibility common with the Design-Bid-Build project delivery method whereby the project is approached on a linear or sequential basis with a corresponding increase to the overall construction schedule and little to no pre-construction coordination between the design team and the builder, use of the CMAR delivery method for the Bradley West Core and Concourses Project allowed the project manager to participate in the design phase, early value engineering, and development of procurement opportunities which, in turn, resulted in timely completion of the project and minimal interference with ongoing airport operations.

In terms of specific proposals to be submitted under the CSPS process, which includes the CMAR project delivery method, interested proposers will submit two separate, sealed packages rather than one, at the time of the bid. The first package will contain information demonstrating the proposer's qualifications for the specific project or projects and ability to meet the Department's administrative requirements while the second package will contain the cost information.

Central to LAWA's use of the alternative project delivery methods being proposed is its ability to exercise control of the design process while benefitting from the early involvement of the construction company, which, in turn, improves the overall project from inception to conclusion. By creating an integrated project development team that leverages each party's strengths, experience, approach, staffing, resources, project controls, scheduling experience, cost estimating, and strategies, it results in (1) a more cost effective project (termed "lowest ultimate cost") and (2) a shorter overall construction schedule.

To ensure the proper use of the CSPS and CMAR processes, Charter Section 371(b) requires that the City Council, by way of an ordinance, approve the usage of the Design-Build or other appropriate project delivery systems such as those being requested by LAWA.

A comparison of the traditional Design-Bid-Build method and the CMAR alternative project delivery

method being considered for the five airfield capital improvement projects at LAX is included below:

Comparison of Design-Bid-Build and CMAR Contracting and Construction Methodologies For LAWA Airfield Capital Improvement Projects			
Design-Bid-Build		Construction Mgr. at Risk	
Pros	Cons	Pros	Cons
1. Traditional, established, familiar process	1. Linear process results in longer project delivery	1. Works well for projects where early construction contractor's participation is desirable	1. Requires right "mesh" of personalities
2. Project scope well defined when construction cost is established	2. No involvement of contractor in development of scope and project design; high probability of change orders	2. Resolves challenging constructability issues early in the process	2. Contractor must be comfortable being directly responsible to the property owner
3. Open and aggressive bidding	3. May require re-design and/or re-bid in order to meet budget	3. Provides increased level of certainty to the owner	3. Property owner must have sufficient expertise to manage the contractor and the designer
4. Single point of responsibility for construction	4. Minimal control over contractor selection	4. Suitable where facility must continue to operate during construction	4. Project designer and contractor still have separate contractual relationships with the owner that can become a source of conflict
5. Check and balance between architect/engineer and construction contractor	5. Potential for adversarial relationship between design team and construction contractor requiring involvement of City to arbitrate	5. Cost model and project pricing are developed along with design	
6. Council action is required for award of construction contract, depending upon cost	6. Higher costs and longer schedules are required for multiple, concurrent projects	6. Property owner selects designer and construction manager	
7. Well suited for projects where schedule is not critical and where changes are not expected after bid conclusion	7. Not well suited for schedule-sensitive projects or those with change orders		

Charter-Authorized Contracting Authority

Charter Section 371 permits the letting of contracts pursuant to a competitive sealed proposal method in accordance with criteria established by ordinance adopted by at least a two-thirds vote of the Council. Section 371(b) also provides that "consistent with competitive bidding requirements, Design-Build or other appropriate project delivery systems (e.g., CMAR) may be used when justified by the type of project and approved by the contracting authority."

Alternatives to the Proposed Use of Innovative Construction Methods

In terms of alternatives to the proposed use of the Construction Manager-at-Risk methodology for the various LAX runway, parking, and access posts/vehicle checkpoints projects, the only feasible alternative is to maintain the status quo, which is use of the traditional Design-Bid-Build method. Possible concerns with using this approach for the proposed projects, as noted in the preceding table, are fourfold: (1) the increased probability of change orders due to phasing and sequencing conflicts, (2) the corresponding financial impact of change orders, (3) the impact of delays on project completion, and (4) the potential for an adversarial relationship to develop between the designer and construction contractor requiring the involvement of LAWA to arbitrate. For those reasons, the Department is requesting approval to use the CMAR alternative project delivery method.

Compliance with City Administrative Requirements

Approval of the proposed Ordinance is subject to approval by the City Attorney as to form. The proposed City ordinance is not subject to the provisions of the Service Contractor Worker Retention and Living Wage Ordinances, the Affirmative Action Program, the Small Business Enterprise Program, the Child Support Obligations Ordinance, the Department's insurance requirements, the Charter Section 1022 (Use of Independent Contractors) process, the Contractor Responsibility Program, the Equal Benefits Ordinance, the First Source Hiring Program, and the provisions of the Bidder Contributions CEC (City Ethics Commission) Form 55 process pertaining to contract bidder campaign contribution and fundraising restrictions. However, contractors selected using the proposed alternative delivery methods are required to comply with the applicable City's standard provisions for contracting.

With respect to compliance with the California Environmental Quality Act (CEQA), the proposed Ordinance—in that it does not result in impacts on the physical environment of LAX—is exempt pursuant to Los Angeles City CEQA guidelines, Article II, Section 2.m.

RECOMMENDATIONS

That the Mayor:

1. Approve the Board of Airport Commissioners' resolution requesting consideration and approval by the City Council of an ordinance authorizing the Los Angeles World Airports to use the Competitive Sealed Proposals Selection process and Construction Manager-at-Risk methodology for specific LAX capital improvement projects consistent with the City's Competitive Sealed Proposals process as permitted in City Charter Section 371(b), which requires that the ordinance be approved by at least a two-thirds vote of the Council; and,
2. Return the request to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

While there is no estimated direct, measurable economic impact resulting from the Council's approval of an Ordinance allowing the Board of Airport Commissioners to authorize the Department to use alternative delivery methods for specific LAX capital projects, there is the potential for cost avoidance from the reduced risk of change orders that can result from design, construction, phasing, and sequencing conflicts. Additionally, the cost of the various airfield improvement projects will be recovered from the airfield users through the LAX Rates and Charges process. Approval of the proposed Ordinance will have no impact on the City's General Fund or the Department's Operating or Capital budgets since there is no appropriation of funds required. This action complies with the Department of Airports adopted Financial Policies.

Time Limit for Council Action

There is no time limitation on this action because of the ordinance approval requirement.

Attachment

MAS:WDC:10140146

ATTACHMENT

Los Angeles
World Airports

BOARD FILE NO. 1191 x 2003

RESOLUTION NO. 25481

WHEREAS, on recommendation of Management, there was presented for approval, a Resolution requesting the Los Angeles City Council to consider and approve an ordinance to authorize the use of Competitive Sealed Proposals Selection Process and the Construction Manager at Risk alternative project delivery method for select airfield capital improvement projects at Los Angeles International Airport; and

LAX
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City of Los Angeles
Eric Garcetti
Mayor
**Board of Airport
Commissioners**

WHEREAS, Los Angeles World Airports (LAWA) is moving forward with significant capital improvements in all areas of the airfield at Los Angeles International Airport (LAX). These improvements include runway safety enhancements, runway, taxiway, taxilane, service roads and aircraft ramp pavement rehabilitation, aircraft maintenance and parking areas, and other critical airfield infrastructure improvements. These capital improvements are needed to enhance airfield operations and safety and to meet the latest federal design and safety standards. Additionally, this type of work is highly specialized and regulated making it critically important that contractors have the expertise and experience to carry it out in an accurate and timely manner; and

Sean O. Burton
President
Valeria C. Velasco
Vice President
Gabriel L. Eshaghian
Jackie Goldberg
Beatrice C. Hsu
Matthew M. Johnson
Dr. Cynthia A. Telles
Gina Marie Lindsey
Executive Director

WHEREAS, most LAWA projects are procured under a process in which to the lowest responsive and responsible bidder is awarded the construction contract. However, experience and past performance is not a significant factor in the selection process. To overcome these disadvantages, City Charter Section 371(b) authorizes the use of the Competitive Sealed Proposal Selection (CSPS) process to procure contractors through a selection process which takes qualifications and experience under consideration; and

WHEREAS, most LAWA projects are delivered using the traditional Design-Bid-Build (DBB) delivery method. However, this delivery method does not allow for the construction manager to participate early in the design process which can lead to constructability issues and design changes. DBB is also less flexible than other delivery methods when it comes to mitigating operational impacts and the overall construction schedule is longer because the project has to be fully designed before any construction can begin. To overcome these disadvantages, City Charter Section 371(b) authorizes the use of the Construction Manager at Risk (CMAR) alternative delivery method for projects that require early involvement and coordination between the design and construction teams, are time-sensitive, or flexibility is needed to mitigate operational issues; and

WHEREAS, City Charter 371(b) requires that prior to using the CSPS process or the CMAR delivery method, the specific project(s) must first be approved by the City Council via an ordinance. LAWA proposes an ordinance allowing staff to use the CSPS process and CMAR delivery method for the following airfield capital improvement projects and their components at LAX:

- Runway 7R-25L Rehabilitation
- Runway 6R-24L Safety Area and Rehabilitation
- Runway 6L-24R Safety Area and Rehabilitation
- West Remain Over Night Aircraft Parking Improvements
- Secured Area Access Posts and Vehicle Checkpoints; and

WHEREAS, under the typical selection process using the DBB delivery method, LAWA hires a designer to prepare the design documents, project plans and specifications. These documents are incorporated into the Notice Inviting Bids which are issued to potential firms



for competitive bids. LAWA then conducts an administrative review of the submissions and ultimately awards a contract to the lowest responsive and responsible bidder for construction of the project. Experience and past performance are not factored into the selection under this process; and

WHEREAS, as an alternative, Los Angeles City Charter Section 371(b) authorizes the use of the CSPS process with the DBB or CMAR delivery methods. This allows LAWA to evaluate and consider not only the construction cost but also the contractors' experience, construction approach, staffing organization, resource capacity, project controls, safety and other critical criteria needed to successfully construct and implement these unique construction projects; and

WHEREAS, using the CSPS process, firms will be asked to submit proposals in two (2) separately sealed packages at the time of bid. Package No. 1 will consist of specific information for the purpose of demonstrating qualifications to perform the specified work as well as meeting LAWA's administrative requirements. Package No. 2 will consist of Proposal Cost Information; and

WHEREAS, proposals will be evaluated and scored in three (3) steps as follows:

- Step 1 will be scored as a pass/fail section and will include evaluation of the contractor's submission of minimum proposal elements. This pass/fail section will confirm the proposer's execution of all required administrative documentation and compliance with licensing and other documents required to be submitted at time of proposal. Should the proposer fail to submit and execute all required documentation and/or fails to meet the minimum requirements of Step 1, the proposer will be considered non-responsive and no further evaluation of the proposal will be considered.
- Step 2 will be an evaluation of all proposers that have passed Step 1. Proposals will be evaluated and scored based upon a predetermined and published set of qualification and scoring requirements. Qualification criteria includes, but not limited to, relevant project experience, previous performance, safety records and program, quality control program, schedule, project understanding and approach, organizational structure and personnel qualifications. This step may also include oral presentations to give proposers the opportunity to elaborate on their team's qualifications to carry out the project. Based upon the evaluation and scoring of Step 2, the proposers' will be given an efficiency score based on their response to the defined criteria.
- Step 3 will be an evaluation of the cost proposals submitted by the firms achieving a passing score in Step 2. The selection will then be based on the lowest ultimate cost formula which divides the cost proposed for the work by the efficiency points. The firm with the lowest ultimate cost to the City based on this formula will be recommended to the Board of Airport Commissioners for the contract award; and

WHEREAS, under the CMAR delivery method, LAWA hires a contractor using the CSPS process in the role of construction manager early in the design development phase to provide pre-construction services as a member of the program development team; and

WHEREAS, the CMAR delivery method allows the owner (LAWA) to maintain control of the design while having the benefit of early involvement of the builder as the design progresses. The selected CMAR assists in design review, facilitates constructability reviews, participates in design packaging phasing and scheduling decisions, cost estimating, other market analysis as appropriate, and then executes construction of the project as the general contractor. The CMAR is "at risk" to deliver the project at the agreed maximum guaranteed price; and

WHEREAS, by having the CMAR participate in the design process, LAWA gains the benefit of the firm's construction experience and knowledge resulting in a more cost effective and "constructible" design. Additionally, participation by the CMAR early in the process enhances

the ability to start work before the project is completely designed, thus shortening the overall time frame for completing the project. For example, once the "site work and grading" design is complete, the designer can issue a "site work and grading package" to the construction manager to begin bidding and construction work on that aspect of the project while the balance of the design on subsequent packages continues; and

WHEREAS, CMAR contracts are typically structured as a two-part agreement. The first part is for pre-construction services and the second part for construction services. The agreement pertaining to pre-construction services would be structured under a cost reimbursable format. The construction services agreement typically includes a Guaranteed Maximum Price negotiated with the CMAR for construction services. The CMAR will sub-contract portions of construction and may self-perform portions of the project. LAWA retains authority to limit the amount of CMAR self-performance to allow for increased participation by small, disadvantaged or local firms as subcontractors; and

WHEREAS, the CMAR delivery method was selected for the Bradley West Gates and Core Improvement, Central Terminal Area (CTA) Improvements, and Second Level Roadway Repair and New Face of the CTA projects at LAX; and

WHEREAS, this activity, proposed approval of a new ordinance does not result in impacts on the physical environment, is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article II Section 2(m) of the Los Angeles City CEQA Guidelines; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 371(b);

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners determined that this action is exempt from the California Environmental Quality Act requirements; adopted the Staff Report; found that use of Competitive Sealed Proposals Selection Process and Construction Manager at Risk alternative project delivery method should be authorized based on operational need, schedule and technical aspects of select airfield capital improvement projects at Los Angeles International Airport, and that awarding to the lowest responsive and responsible bidder is not practicable or advantageous; and requested the Los Angeles City Council consider and approve an ordinance allowing the Board of Airport Commissioners to authorize its Executive Director to use Competitive Sealed Proposals Selection Process and the Construction Manager at Risk alternative project delivery method for select airfield capital improvement projects at Los Angeles International Airport upon approval as to form by the City Attorney.

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I hereby certify that this Resolution No. 25481 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Monday, July 21, 2014.



Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS