

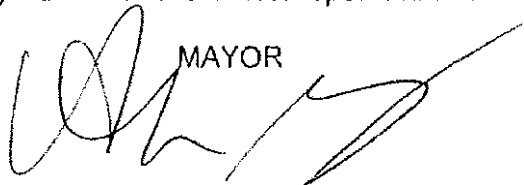
0220-05155-0000

**TRANSMITTAL**

TO Gina Marie Lindsey, Executive Director Department of Airports	DATE APR 30 2015	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

**Request to Authorize the Use of Alternative Project Delivery Methods  
And the Competitive Sealed Proposal Selection Process for Projects  
Related to the LAX Landside Access Modernization Program at the  
Los Angeles International Airport**

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

  
MAYOR

MAS:WDC: 101500721

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: April 28, 2015

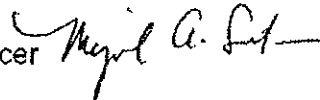
CAO File No. 0220-05155-0000

Council File No.

Council District: 11

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Department of Airports dated April 8, 2015; Referred by the Mayor for Report on April 21, 2015

Subject: **REQUEST TO AUTHORIZE THE USE OF ALTERNATIVE PROJECT DELIVERY METHODS AND THE COMPETITIVE SEALED PROPOSAL SELECTION PROCESS FOR PROJECTS RELATED TO THE LAX LANDSIDE ACCESS MODERNIZATION PROGRAM AT THE LOS ANGELES INTERNATIONAL AIRPORT**

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### SUMMARY

The Executive Director of the Los Angeles World Airports (LAWA; Department) requests approval of a proposed City Ordinance (Attachment A) authorizing the Department to use alternative delivery methods and the competitive sealed proposal selection process for the design and construction of select capital improvement projects at the Los Angeles International Airport (LAX). As a consequence of an aggressive time line for two of the projects—the Automated People Mover and Consolidated Rent-A-Car facility—and the urgent need to improve other aspects of the LAX existing ground transportation system, the Department believes that the use of alternative delivery methods for these multi-year projects is essential to help expedite their completion.

The proposed LAX Landside Access Modernization Program projects that would be the subject of the proposed Ordinance are as follows:

- Automated People Mover (APM) system
- Consolidated Rent-A-Car (ConRAC)
- Multi-Modal Centers (for multiple forms of transport such as rail, roadway, etc.; also known as the Intermodal Transportation Facilities – East and West)
- Central Terminal Area (CTA) parking structures
- Pedestrian bridges
- Roadway improvements

By employing alternative project delivery methods—such as Construction Manager-at-Risk, Design-Build, Design-Build-Operate and Maintain—in place of the traditional Design-Bid-Build method, the Department believes that it can (1) expedite the design and construction of the LAX Landside Access Modernization Program projects, including those involving the Central Terminal Area parking structures, pedestrian bridges, roadway improvements, the Automated People Mover system, and the Consolidated Rent-A-Car facility; and (2) minimize disruption to airport employees and

passengers from related construction activities.

Other significant advantages of using the proposed alternative delivery methods for these large capital projects that are schedule-driven, complex, whose scope is likely to change, and that are comprised of multiple phases include: (1) the probability of timely completion is increased; (2) collaboration between LAWA and the designer and construction company is optimized; (3) interference with ongoing airport operations is minimized; (4) City project administration resources are better leveraged; (5) improvements to the project design, pre-construction work, and construction, as well as the avoidance of constructability issues, are obtained as a result of the contractor's early involvement in the design; (6) risk to the Department is reduced; and (7) contractor selection is based on a combination of qualifications and lowest ultimate cost while the traditional contractor selection method emphasizes only cost.

The Council has authorized the use of alternative delivery methods for LAWA projects on at least three recent occasions: in 2009 for the Bradley West Core and Concourses and the Central Utilities Plant Replacement; in 2012 for the Terminals 1-3 Project, the Terminals 4-8 Critical Terminal Infrastructure Project, and the Midfield Satellite Concourse project; and in 2014 for the Second Level Roadway Repairs.

Since the proposed alternative delivery methods and competitive sealed proposals selection 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."

The proposed Ordinance retains the competitive sealed bid proposal method of award pursuant to City Charter Section 371(b). In order to further protect the best interests of the City, the proposed alternative project delivery methods also comply with City policies regarding competitive bids, sealed proposals, and other essential project delivery systems and safeguards. Consistent with the Charter, adoption of such an ordinance by the Council is required as well as its approval as to form by the City Attorney.

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. The Department's request for authorization to employ alternative delivery methods and the competitive sealed proposal selection process for the design and construction of select capital projects as part of the LAX Landside Access Modernization Program was approved by the Board of Airport Commissioners at its meeting of April 16, 2015.

## LAWA AND CITY USE OF ALTERNATE DELIVERY METHODS

The LAX Landside Access Modernization Program, major components of which are listed above (see Attachment B for a complete list), is the subject of the proposed Ordinance and integral to the ongoing LAX modernization program (some projects of which may extend beyond 2023). The projects will (1) involve the design and purchase of vehicles and rolling stock, tracks, the command and control systems, an automatic train control system, the power distribution and guidance systems, the guideway and station structures, a maintenance and storage facility, pedestrian walkways and connections, CTA parking facilities, and integration with the proposed 96<sup>th</sup> Street metro station for the Automated People Mover—estimated to take eight years; (2) involve development of a customer service building, ready return and storage areas, quick turnaround facilities, vehicle access ramps and roads, and demolition and relocation of existing facilities and utilities for the Consolidated Rent-A-Car facility—estimated to take six years; (3) involve development of APM stations, vehicle ramps and roads, pedestrian facilities, and passenger amenities for the Multi-Modal Facilities—project duration to be determined; and (4) incorporate new ramps, roads, and curbs; demolition, modification, and relocation of existing ramps, roads, and curbs; and utilities for the Roadway Improvements projects—project duration to be determined.

The Department has found innovative project delivery methods such as Construction Manager-at-Risk (CMAR), Design-Build (DB), and Design-Build-Operate and Manage (DBOM) to be effective in addressing ongoing development at LAX. In addition to the savings in design and construction time; improvements to the project design, pre-construction work, and construction; increased collaboration between LAWA, the designer, and the construction company; and reduced risk to the Department, the proposed alternative approaches allow LAWA the flexibility to (1) require bidders to provide front-end financing for project construction, and (2) determine when and how to reimburse the bidder and how and when to pay for the design and construction services. Attachment C illustrates the advantages and disadvantages of the traditional Design-Bid-Build method as well as the three alternative project delivery methods being proposed.

Given the unique risks and complexities, the proprietary nature of the Automated People Mover systems, and the lack of LAWA expertise in managing an automated train control system, it is likely that the Design-Build-Operate and Manage project delivery method (which is similar to Design-Build but includes the requirement that the firm selected be responsible for operation and maintenance of the completed element for a specified period beyond acceptance by the Department) will be used to design and construct this project, including its management for up to several years after completion.

In terms of alternative project delivery methods successfully employed by LAWA, the Department reports that the use of the CMAR 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 minimum interference with ongoing airport operations. Likewise, the DB method was used for the LAX Central Utilities Replacement Project, which allowed the construction contractor to be involved early in the design phase resulting in improved design, pre-construction work, and construction, as well as the avoidance of constructability issues.

In addition to the Department's success with alternative delivery methods, other City agencies such as the Harbor Department (Security and Surveillance System Projects), the Department of Water and Power (Barren Ridge Renewable Transmission Project, Haynes Generating Station Units 5 and 6 Repowering Project, Silver Lake Reservoir Complex Storage Replacement Project), and the Department of General Services (Underground Storage Tank and Piping Replacement Project) have had equal success over the past 15 years.

There have been numerous actions, by the Board and the City Council, dating from 2005 that have allowed LAWA to successfully use alternative delivery methods for large capital projects at LAX. According to the Department, use of those alternative delivery methods for the LAX Laneside Access Modernization Program will, at a minimum, expedite delivery of the various Program elements.

### **Alternatives to Approval of the Proposed Ordinance and Alternative Delivery Methods**

The only feasible alternative to the proposed use of the Construction Manager-at-Risk, Design-Build, and Design-Build-Operate and Manage construction methods for the LAX Laneside Access Modernization Program projects, is to maintain the status quo, which requires the use of the traditional Design-Bid-Build method. The Design-Bid-Build method places the primary emphasis on a contractor's experience and past performance. The Department's concerns with using the Design-Bid-Build approach in this instance include: (1) the increased probability of change orders due to phasing and sequencing conflicts; (2) the corresponding financial impact of change orders; (3) delays in project completion; (4) inherent lack of collaboration between LAWA, the design team, and the construction firm; and (5) any design deficiencies become the responsibility of LAWA.

### **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 Small Business Enterprise Program, the Affirmative Action 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, or the provisions of the Bidder Contributions CEC (City Ethics Commission) Form 55 process.

With respect to compliance with the California Environmental Quality Act (CEQA), adoption of the proposed Ordinance—in that the action does not result in impacts on the physical environment—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, the Construction Manager-at-Risk, Design-Build, and Design-Build Operate and Maintain alternative delivery methods for select capital improvement projects related to the LAX landside

Access Modernization Program at the Los Angeles International Airport, subject to City Attorney approval as to form, consistent with City Charter Section 371; and

2. Return the proposed Ordinance to the Department for further processing, including Council consideration.

#### **FISCAL IMPACT STATEMENT**

There is no estimate of direct, measurable economic impact resulting from the Council's approval of the proposed Ordinance allowing the Board of Airport Commissioners to authorize the LAWA Executive Director to use alternative project delivery methods and the competitive sealed proposal selection process for specific capital improvement projects related to the LAX Landside Access Modernization Program. However, there is the potential for cost avoidance from the reduced risk of change orders that can result from phasing and sequencing conflicts. Approval of the proposed Ordinance will have no impact on the City's General Fund since there is no appropriation of capital funds required at this time. Neither is there an impact on the Department's operating or capital budget at this time. This action complies with the Department of Airports' adopted Financial Policies.

#### **Time Limit for Council Action**

There is no time limitation on this action as a consequence of the ordinance approval requirement.

Attachments

*MAS:WDC:10150072*

ATTACHMENT A

Draft Ordinance of the City Council

ORDINANCE NO. \_\_\_\_

An Ordinance of the City Council of the City of Los Angeles authorizing the Department of Airports, also known as Los Angeles World Airports ("LAWA") to use the competitive sealed proposal selection process and alternative project delivery methods, and establishing criteria relating to such contracts for select capital improvement projects related to the Landside Access Modernization Program at Los Angeles International Airport ("LAX").

WHEREAS, Section 371 (b) of the Los Angeles City Charter permits the letting of contracts pursuant to a competitive sealed proposal method, in accordance with criteria established by ordinance adopted by at least two-thirds of the City Council and also allows for the use of design-build or other appropriate project delivery systems when justified by the type of project and approved by the contracting authority; and

WHEREAS, the purpose of this ordinance is to establish criteria for the letting of contracts pursuant to a competitive sealed proposal method and authorize the use of alternative project delivery methods for contracts between LAWA and the successful contractors for procurement, pre-construction services, construction, and related services for select capital improvement projects related to the Landside Access Modernization Program at (collectively, the "Projects"); and

WHEREAS, time is of the essence and it is in the best interest of the City of Los Angeles to expedite implementation of the Projects because the projected passenger growth at LAX will continue to erode the ability of the ground transportation system to efficiently operate the later the Projects are delivered; and

WHEREAS, time is of the essence to shorten the overall disruption that LAX and its passengers will experience during the Program construction; and

WHEREAS, its advisable for LAWA to use the competitive sealed proposal selection process and the Construction Manager at Risk alternative project delivery method pursuant to the terms of this Ordinance because this type of work is highly specialized and regulated making it critically important that the contractors have the experience and expertise to carry it out in an accurate and timely manner; and

WHEREAS, the Los Angeles City Council desires to authorize LAWA to use the competitive sealed proposal selection process and alternative project delivery methods for the Projects; and

WHEREAS, the Los Angeles City Council desires to establish the criteria for the letting of contracts by LAWA pursuant to such competitive sealed proposal selection process.

NOW THEREFORE

THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:

Section 1 Los Angeles World Airports ("LAWA") may use the competitive sealed proposal selection process as provided herein and the Construction Manager at Risk, Design-Build or Design-Build-Operate and Maintain alternative project delivery methods for the following projects, or any combination thereof: Automated People Mover system (APM), Consolidated Rent-A-Car (ConRAC), Multi-Modal Facilities, Central Terminal Area (CTA) Parking Structures, pedestrian bridges, a comprehensive set of roadway improvements, their components, and their integration into facilities and operations at LAX (collectively, the "Projects"). Such contracts shall be awarded by the Board of Airport Commissioners ("BOAC"), on behalf of LAWA, subject to the City Council's right of review under Charter

Section 245 or, if applicable, the City Council's right of approval under Charter Section 373. No award may be made to a proposer whose final proposal is higher as to ultimate cost to the City (as defined in Charter Section 371) than any other responsive proposal submitted. In order to utilize these methods, BOAC shall make a written finding supported by a written statement of facts that award to the lowest responsive and responsible bidder is not practicable or advantageous and shall also state in writing the reason for the particular award.

- Section 2 Contract negotiations may be engaged in by LAWA after proposals have been opened to allow clarification and changes in the proposal. LAWA shall take adequate precaution to treat each proposer fairly.
- Section 3 Proposals shall be solicited by issuing a request for proposal ("RFP"), which shall be subject to prior BOAC approval and reviewable by the City Council under Charter Section 245. Public notice of the RFP shall be given in writing or electronically to prospective contractors. The RFP shall state the time and place at which the proposals will be received by LAWA. Proposals received after the time and date specified shall be returned and shall not be considered.
- Section 4 At a minimum, the RFP shall include: (a) description of the services and items desired or the scope of work to be performed; (b) a statement of the evaluation criteria that will be used in evaluating proposals; and (c) a statement as to when and in what form costs or prices are to be submitted. In addition, the RFP shall require that proposers submit, at a minimum: (i) relevant experience; (ii) evidence of bonding capability; (iii) a listing of subcontractors or a selection plan for subcontractors that meets specified requirements and which is sufficient to ensure that fair practices are used in such selection; (iv) updated financial and other relevant information sufficient to provide evidence of financial ability to complete the work; (v) such other information as LAWA deems relevant and appropriate.
- Section 5 The evaluation criteria shall be described in the RFP in a plan of evaluation that identifies evaluation factors and their relative importance to the proposed work or project. The criteria shall include, but not be limited to, a means to measure how well a proposal meets desired performance requirements and how the lowest ultimate cost will be determined.
- Section 6 Proposals shall be opened and their contents secured to prevent disclosure during the process of negotiating with competing proposers. Adequate precautions shall be taken to treat each proposer fairly and to insure that information gleaned from competing proposals is not disclosed to other proposers. Except for the names of the proposers, information contained in the proposals, including price, shall not be disclosed until a recommendation for award is made to BOAC.
- Section 7 Award shall only be made to the responsible and responsive proposer whose final proposal is most advantageous to the City, except that BOAC may reject any or all offers if rejection is in the best interest of the City. No award may be made to a proposer whose final proposal is higher as to the ultimate cost to the City (as defined in Charter Section 371), than any responsive proposal submitted. The BOAC shall document its findings regarding this determination.
- Section 8 The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the Main Street entrance to City Hall East; and one copy on

the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that the foregoing Ordinance was passed by the Council of the City of Los Angeles, by a vote of not less than two-thirds of all of its members, at its meeting of \_\_\_\_\_.

HOLLY WOLCOTT, City Clerk

By \_\_\_\_\_ Deputy

Approved \_\_\_\_\_

\_\_\_\_\_  
Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By \_\_\_\_\_

Date \_\_\_\_\_

File No. \_\_\_\_\_

## ATTACHMENT B

### List of LAX Landside Access Modernization Program

#### Landside Automated People Mover System

- APM Operating System
  - Vehicles/rolling stock,
  - Train control/communications,
  - Guidance system,
  - Power distribution system,
  - Station and wayside equipment
  - Other equipment
- APM Fixed Facilities
  - Guideway Structure
  - APM Stations including passenger amenities
  - APM Maintenance and Storage Facility
  - APM Power Distribution System substation structures
- Pedestrian Walkways and Connections
- Central Terminal Area Parking Facilities
- Terminal Interfaces and Integration
- Integration with proposed 96<sup>th</sup> Street Metro Station
- Enabling Projects, including Demolition and Relocation of existing facilities
- Utilities

#### Consolidated Rent-A-Car (CONRAC) Facility

- Customer Service Building, including passenger amenities
- Ready Return and Storage Areas
- Quick Turn Around Facilities
- Vehicle Access Ramps and Roads
- Enabling Projects, including Demolition and Relocation of existing facilities
- Utilities

#### Multi-Modal Facilities

- APM Stations
- Vehicle Access Ramps, Roads, and Curbs
- Pedestrian Facilities
- Passenger Amenities

#### Roadway Improvements

- New Ramps, roads, and curbs
- Demolition, modification, or relocation of existing ramps, roads, and curbs
- Utilities

### ATTACHMENT C

Comparison of Traditional Design-Bid-Build and Alternative Project Delivery Methods For LAX Landside Access Modernization Program Capital Improvement Projects							
Design-Bid-Build		Construction Mgr. at Risk		Design-Build		Design-Build-Operate and Manage	
Pros	Cons	Pros	Cons	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	1. Single contract between airport owner and Design-Build contractor	1. Some control of design process is lost by property owner	1. Single contract between airport owner and Design-Build contractor	1. Some control of design process is lost by property owner
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	2. Allows for collaborative design and shared responsibility	2. Reduced competition in that some companies may be unable to assemble an effective design-build team	2. Allows for collaborative design and shared responsibility	2. Reduced competition in that some companies may be unable to assemble an effective design-build team
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	3. Primary responsibility for design schedule, completeness, and coordination is with the Design-Build firm	3. Overall contract management may be more challenging	3. Primary responsibility for design schedule, completeness, and coordination is with the Design-Build firm	3. Overall contract management may be more challenging
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	4. Design fee and Design-Build contractor profit packages are competitively procured	4. Property owner may not receive the benefit of independent advice from the Architect/Engineer of Record and contractor	4. Design fee and Design-Build contractor profit packages are competitively procured	4. Property owner may not receive the benefit of independent advice from the Architect/Engineer of Record and contractor
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		5. Trade (e.g., mechanical, plumbing, electrical, metalwork, testing and commissioning) packages are competitively bid		5. Trade (e.g., mechanical, plumbing, electrical, metalwork, testing and commissioning) packages are competitively bid	
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		6. Contractor is selected based on a combination of qualifications, capabilities, experience, and price with potential to save time and reduce costs		6. Contractor is selected based on a combination of qualifications, capabilities, experience, and price with potential to save time and reduce costs	
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					7. Responsibility for operation and maintenance of the completed project is with the Design-Build contractor for a period of time specified by the property owner	