

0150-11116-0000

TRANSMITTAL

TO Deborah Flint, Chief Executive Officer Los Angeles World Airports	DATE APR 05 2018	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	

**Request to Award and Execute an Agreement with
LAX Integrated Express Solutions to Design, Build, Finance, Operate and Maintain
An Automated People Mover at Los Angeles International Airport**

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


MAYOR

Ana Guerrero

RHL:AVM:10180085t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 4, 2018

CAO File No. 0150-11116-0000

Council File No.

Council District: 11

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Communication from the Los Angeles World Airports dated April 2, 2018; referred by the Mayor for a report on April 2, 2018

Subject: **REQUEST TO AWARD AND EXECUTE AN AGREEMENT WITH LAX INTEGRATED EXPRESS SOLUTIONS TO DESIGN, BUILD, FINANCE, OPERATE AND MAINTAIN AN AUTOMATED PEOPLE MOVER AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATIONS

That the Mayor:

1. Approve and execute an Agreement with LAX Integrated Express Solutions (LINXS), for 30 years, in an amount-not-to-exceed \$4,895,750,000, to design, build, finance, operate and maintain, and allocate funds for, the Landside Access Modernization Program Automated People Mover Project at Los Angeles International Airport. Prior to issuance of a Notice to Proceed, LINXS will have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports. Prior to execution of the Agreement, LINXS must be determined by the Public Works Department, Office of Contract Compliance to be in full compliance with the provisions of the Equal Benefits Ordinance. Prior to submission of the first invoice, LINXS must obtain a Business Tax Registration Certificate Number. LINXS already has submitted: the Bidder Contributions City Ethics Commission Form 55 and will comply with its provisions; and, the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with provisions of the Contractor Responsibility Program. In addition, pursuant to Charter Section 1022, staff has determined the work specified in the proposed LINXS contract can be performed more feasibly or economically by an Independent Contractor than by City employees. The LINXS team will comply with the City's Standard Provisions for the Affirmative Action Program, Child Support Obligations, First Source Hiring Program for all non-trade LAX Airport jobs, Living Wage Ordinance and the Labor Code of the State of California (Prevailing Wage),
2. Authorize the Chief Executive Officer to execute the proposed LINXS Agreement, upon approval as to form by the City Attorney, and,
3. Return the Automated People Mover Project agreement to the Los Angeles World Airports for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA, Department), through its Landside Access Modernization Program (LAMP), has embarked upon a project to reduce traffic congestion around the Los Angeles International Airport (LAX) and within the Central Terminal Area (CTA). This massive, multi-year project, that will involve several other City Departments, includes an Automated People Mover (APM), which will connect LAX to the area's regional public and private transportation system. By way of new trains and stations, the APM will move along a 2.25 mile elevated guideway taking passengers to and from LAX between six stations, the CTA and a planned new consolidated Rent-A-Car facility, another LAMP project that soon will be built (ConRAC). The APM will be free for airport users and, running approximately every two minutes, it is anticipated that passengers on the APM will travel from the ConRAC to the CTA in approximately 10 minutes.

Through a rigorous, competitive selection process, LAWA staff has selected a team to deliver the APM system. Department management, the Board of Airport Commissioners (BOAC), City Council and officials supported a public-private-partnership (P3) contracting model through which the APM will be designed, built, financed, operated and maintained (DBFOM). As explained by LAWA staff, a DBFOM process allows public sector agencies to utilize private sector expertise and innovation while sharing risks and responsibilities for financing and allows private partners to earn a reliable revenue stream, subject to performance.

The recommended Developer, LAX Integrated Express Solutions (LINXS), was the Lowest Ultimate Cost Proposer (LUCP). The procurement process was conducted over two years and was a qualification-based evaluation that involved two independent steps to determine the LUCP: a Technical Proposal which was 60 percent of the evaluation, and a Financial Proposal which was 40 percent of the total evaluation. Staff highlights of the process include:

- Scoring Criteria for the Technical Proposal were Technical Merit, Visual Appeal and User Experience.
- Technical Proposal Review by approximately 70 experts; a nine-member scoring panel individually scored each proposal after reviewing all proposals and all technical experts' comments.
- Only Technical Proposals that met the threshold minimums of three Criteria were eligible to have their Financial Proposals evaluated.
- A single Net Present Value was used for comparison across proposers and consisted of each Financial Proposal's: Capital Cost; Financing Cost and Operations and Maintenance Cost.
- Comparison of Financial Proposals considered each price proposal in relationship to the one with the lowest priced proposal and each did, or did not, receive points depending upon how the proposal compared to a \$300 million cap (exceed or within) of lowest priced proposal.

Proposed APM Agreement with LINXS

The BOAC will consider the proposed DBFOM Agreement between LAWA and LINXS during its meeting scheduled for April 5, 2018. Other recommendations from LAWA include that the BOAC:

- Determine the action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.i of the Los Angeles City CEQA Guidelines.
- Find the LINXS proposal represents the lowest ultimate cost to the City compared to any other responsive proposal submitted.
- Approve the DBFOM Agreement, and related ancillary agreements, for the LAMP APM, in an amount not-to-exceed \$4,895,750,000.
- Approve a budget's owner's contingency in the amount not-to-exceed \$145,700,000, that can only be used through change orders authorized by the Chief Executive Officer or the BOAC.
- Authorize the Chief Executive Officer to approve and execute contract change orders (up to the budget's owner's contingency limited amount) provided that prior to execution of any change order in excess of \$5,000,000, the BOAC first have reviewed and authorized the execution thereof.
- Appropriate capital funds in the amount not-to-exceed \$3,842,000,000 for this project.
- Authorize the Chief Executive Officer to execute the DBFOM Agreement, upon approval as to form by the City Attorney.
- Adopt the BOAC Resolution to comply with Los Angeles Charter Section 609.

Through the proposed 30-year DBFOM Agreement, the responsibility to finance the APM Project, for an amount not-to-exceed \$4,895,750,000, solely belongs to LINXS. The Agreement anticipates approximately five years for the APM design and construction (D&C) and 25 years of APM operations and maintenance (O&M). The proposed DBFOM Agreement contains a refurbishment and replacement schedule for portions of the system throughout the 25 years; the APM system must have a minimum of five years remaining useful life at the end of the O&M period. The LINXS Team (Developer) is contractually obligated to achieve Passenger Service Availability by March, 2023. An Early Works Agreement with LINXS was approved in February 2018, for an amount-not-to-exceed \$42,000,000, to allow the recommended Developer to begin pre-construction activities in advance of final execution of the DBFOM Agreement for the APM Project. This amount is part of the total \$4.9 billion cost of the APM Project.

Proposed Agreement highlights

The Developer will recoup APM Project costs through payment structures detailed in the proposed Agreement. Department staff notes that while LINXS proposal for Design and Construction (D&C) cost is approximately \$1.95 billion, final D&C cost will vary slightly according to final work provided. The LAWA will make six Milestone Payments to LINXS during, and upon completion of, the design and construction period to cover partial D&C costs. Similarly, LAWA will make annual Availability Payments to LINXS, to be paid in monthly installments, during the remainder of the contract term, to cover the remaining construction, financing and operations and

maintenance costs. Details of the payment structure and non-compliance triggers are found in the proposed DBFOM Agreement provisions, Article 11, Payments to Developer, and Exhibit 4 Payment Mechanism.

- Five Milestone Payment dates are planned between March 31, 2019 and March 31, 2022.
- The sixth payment scheduled 60 days after Final Completion Date.
- During Agreement term, payment schedule criteria create incentives to correct performance and include progressive measures to enforce compliance.
- Availability Deductions, Non-Compliance Deductions (accruing non-deduction points), Non-Compliance Events and Unavailability deductions regulate the calculation of cost payments LAWA will make to LINXS throughout the proposed Agreement term.

The Developer will comply with the Labor Code of the State of California (Prevailing Wage) and with applicable provisions of the City's Living Wage Ordinance. Staff notes that LINXS has innovative and comprehensive approaches to hiring for many aspects of the APM Project. The proposed DBFOM Agreement contains Inclusivity commitments (provisions and milestones) for the Project phases – Design, Construction, and Operation and Maintenance - which pertain to the following four categories: Local Hiring; Small Business Enterprise; Local, Small Business Enterprise; and, Disabled Veterans Business Enterprise. In addition to working with certified businesses, LINXS will seek apprentices from HireLA and local pre-apprenticeship training programs that focus on incorporating people from disadvantaged and underrepresented local populations.

The Developer, LINXS, is required to procure and maintain the insurance policies stated in the Proposed Agreement. This includes General, Controlled and Project-Specific Insurances, among others. Failure to carry LAWA acceptable, adequate insurances may put the continuance of the Agreement at risk. In addition, provisions in the proposed DBFOM Agreement outline Payment and Performance Security requirements for D&C Security and O&M Security.

The Developer shall indemnify and hold harmless the Indemnified Parties from and against any and all claims as stated in Article 10, Section 10.5 of the proposed DBFOM Agreement. Furthermore, there are provisions and procedures to allow for contract termination if in LAWA's best interest, due to a force majeure event, change of law or other specified event, or if within the Developer rights. Article 17 of the proposed DBFOM Agreement contains the entire and exclusive rights of LAWA and the Developer regarding termination, and each party waives, to the maximum extent permitted by law, any and all other rights to terminate.

FISCAL IMPACT STATEMENT

Award of the proposed 30-year, Design, Build, Finance, Operate and Maintain Agreement, in an amount not-to-exceed amount of \$4,895,750,000, to LAX Integrated Express Solutions for the Automated People Mover Project, within the Los Angeles World Airports' (LAWA) Landside Access Modernization Program, will have no impact on the City's General Fund. Authorization for an allocation of \$3,842,000,000, from the LAX Revenue Fund, is being requested by the

Department of Airports from the Board of Airport Commissioners. This appropriation of capital funds will finance LAWA's milestone payments during the design and construction period, availability payments (capital component) during the contract life, certain allowances and the owner's contingency in an amount not-to-exceed \$145,700,000. The contract award complies with the Department of Airports adopted Financial Policies.

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