



Los Angeles
World Airports

RESOLUTION NO. 26869

BE IT RESOLVED that, on recommendation of Management, the Board of Airport Commissioners approved the Modified Program Budget for the Terminal Cores and Automated People Mover Interface Project at Los Angeles International Airport that modifies the contingency value available for the project, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

LAX

Vah Nuys

City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

Sean O. Burton
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Beatrice C. Hsu
Nicholas P. Roxborough
Dr. Cynthia A. Telles

Deborah Flint
Chief Executive Officer

BE IT FURTHER RESOLVED that said Board further approved appropriation and allocation of \$31,876,000 from the LAX Revenue Fund to WBS element 1.17.03A-700 (TBIT Core and APM Interface) and other Board-approved capital projects and their respective WBS elements as may be required; and

BE IT FURTHER RESOLVED that any activity (approval of bids, execution of contracts, allocation of funds, etc.) for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of the California Environmental Quality Act (CEQA) is exempt from further review pursuant to Article II, Section 2.i of the Los Angeles City CEQA Guidelines; and

BE IT FURTHER RESOLVED that actions taken on this item by said Board will become final pursuant to the provisions of Los Angeles City Charter Section 245.

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I hereby certify that this Resolution No. 26869 is true and correct, as adopted by the Board of Airport Commissioners at its Special Meeting held on October 10, 2019.

Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

Item Number
15

Hans Thelineus
Approved by: Hans Thelineus, Deputy Executive Director

Bernardo Gogna
Reviewed by: Bernardo Gogna, Chief Development Officer

Imochoy
City Attorney

Deborah Flint
Deborah Flint - Chief Executive Officer

Meeting Date:

10/10/2019

CAO Review:

☐ Completed
☐ Pending
☐ N/A

Reviewed for	Date	Approval Status	By
Finance	9/26/19	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	9/24/19	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	PI
Procurement	9/23/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	LK
Guest Experience	9/24/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY
Strategic Planning	9/23/19	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	KV

SUBJECT: Approve Modified Program Budget and Appropriate remaining funds for the Terminal Cores and Automated People Mover Interface Project at Los Angeles International Airport.

Approve the modified Program Budget and appropriate remaining funds for the Terminal Cores and Automated People Mover Interface Project at Los Angeles International Airport, which modifies the contingency value available for the project.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the pursuant to Article II, Section 2.i of the Los Angeles City CEQA Guidelines.
3. APPROVE the modified Program Budget for the Terminal Cores and Automated People Mover Interface Project at Los Angeles International Airport, which modifies the contingency value available for the project.
4. APPROPRIATE remaining funds for this project.

DISCUSSION:

1. Purpose

The purpose of this action is to appropriate the remaining owner contingency funds to deliver the Terminal Cores and Automated People Mover Interface Project (TCAPM) at Los Angeles International Airport (LAX) and to approve a modified program budget based on this revised contingency amount. . This project supports the Landside Access Modernization Program (LAMP) by providing vertical circulation that will connect passengers from the new Automated People Mover (APM) stations and walkways into the existing Tom Bradley International Terminal (TBIT), Terminals 5 and 6, and upgrades the existing vertical circulation at Terminal 7. These cores are in addition to the others being built by the airline tenants in the Terminal Development and Improvement Program (TDIP).

2. Prior Related Actions

- **April 16, 2015 – Resolution No. 25681**

The Board of Airport Commissioners (Board) requested the Los Angeles City Council to consider and approve an ordinance to allow use of Option Project Delivery Methods and Competitive Sealed Proposal Selection (CSPS) process for Design-Build (DB) and Design-Build-Finance-Operate-Maintain (DBFOM) selection for Capital Improvement Projects (CIP) related to the LAMP at LAX. On May 26, 2015, City Council approved Ordinance No. 183585 authorizing the use of alternate project delivery methods as requested, Council File 14 -0987.

- **July 13, 2017 – Resolution No. 26293**

The Board authorized the release of a Request For Proposal (RFP) to solicit a DB contractor for the TCAPM at LAX using the CSPS alternative delivery method.

- **January 18, 2018 – Resolution No. 26411 (DA-5262)**

The Board authorized award of a Two-Phase DB contract to Austin Commercial, LP for the TCAPM, in an amount not to exceed \$336,531,000 for comprehensive engineering, design, demolition, preconstruction and construction services, and appropriated \$129,306,000 in capital funds for Phase 1 of this project, which included funds for the DB Contract, Interdepartmental Orders, Los Angeles World Airports (LAWA) Soft Costs and Owner Contingency. The total approved project budget including the DB contract, construction support services, project contingency and support services costs was \$456,000,000.

- **September 10, 2019 – Resolution No. 26852 (DA-5262A)**

The Board approved a First Amendment for Contract No. DA-5262 with Austin Commercial, LP for the TCAPM in the amount of \$61,869,876; and approved the Guaranteed Maximum Price (GMP) in the amount of \$398,400,876 in capital funds for base buildings and three additional scopes of work for the TCAPM; appropriate funds in the amount not to exceed \$343,840,876; and authorize the Chief Executive Officer to disburse up to \$3,400,000 for Convenience Termination Payments to URW Airports, LLC for locations in TBIT.

3. Current Action

On January 18, 2018, the Board approved and awarded a five-year, two-phase DB contract to Austin Commercial, LP that included comprehensive engineering, design,

preconstruction, construction and commissioning services for the TCAPM for a cost not to exceed \$336,531,000, and appropriated funds in the amount of \$95,000,000 for Phase No. 1 of the contract. The Board directed Staff to return for approval of the GMP once the 60% design was received and negotiated in order to appropriate the remaining funds and execute Phase 2 of the contract.

During Phase 1 of the contract, Staff, in collaboration with Austin Commercial, LP and appropriate stakeholders, utilized innovative management practices such as the Target Value Design to identify opportunities to maximize the operational uses of the facilities. Independent estimates at the major milestones were prepared, in coordination with value engineering workshops to inform key decisions. Design adjustments were made to remain within the project budget while maintaining all required features and outcomes of the project.

On September 10, 2019, the Board approved and appropriated Phase 2 funding for the First Amendment, Construction Support Services and Staffing and Support Services. The Board directed Staff to return for approval of the Owner Contingency amount in the Project Budget.

Program Budget Summary

The original program budget for the TCAPM, approved by the Board on January 18, 2018, for a total approved program budget of \$456,000,000 which was only for the base scope of work.

Austin Commercial, LP prepared a GMP for Phase 2 which included additional scope for work at the TBIT Core and the 5.5 Core. Based on the additional scope and escalation factors, the GMP was over the original estimate by \$61M. On September 10, 2019, BOAC approved the GMP but asked the project team to revisit the contingency amount for final approval at the next BOAC meeting.

The LAWA Executive Management Team and the Project Staff, have reviewed the Terminal Core program risk register and have found that some of the previously identified risks have been mitigated and no longer present a financial risk. Through this review, the team was able to modify and lessen the remaining owner contingency amount required to a total of \$41,876,000, instead of the originally budgeted amount of \$50,480,000. The revised contingency amount will cover risk items within the base scope as well as the three additional scope items that were added and approved at the September 10, 2019, BOAC meeting.

The new recommendation of the contingency is based on thorough review of the risks and BOAC direction. The program used various methodologies to identify the risks. After determining their severity, utilizing standards set forth by the American Association of Cost Engineering (AACE) and the Project Manager's Institute (PMI) and in accordance with LAWA's risk management procedure, weighted averages were applied to each risk. Below is a summary of how the owner contingency amounts are currently allocated:

Owner Contingency Allocations	Amount
Concession Buyout	\$3.4M
Additional Scope	\$2.9M
Base Project Scope	\$35.57M
TOTAL	\$41.876M

Impact to the CIP

Based on design progress and a review of contingency, this revised owner contingency amount brings the total program budget to \$505,022,876. This amount includes the revised DB contract with Austin Commercial, LP (with the escalation cost increases in the amount of \$29M and three additional scope items in the amount of \$28M), construction support services, the revised owner contingency, and staffing and support services (soft costs). Details of the budget are as shown below:

	Original Project Budget	Escalated Program Budget	Revised Project Budget
<u>Design Build Contract</u>	\$336,531,000	\$336,531,000	\$336,531,000
First Amendment		\$61,869,876	\$61,869,876
Total:		\$398,400,876	\$398,400,876
<u>Construction Support Services</u>	\$6,731,000	\$5,570,000	\$5,570,000
Total Construction Cost:	\$343,262,000	\$403,970,876	\$403,970,876
Owner Contingency	\$50,480,000	\$50,480,000	\$41,876,000
Staffing and Support Services (Soft Costs):	\$62,258,000	\$59,176,000	\$59,176,000
Total Project Budget	\$456,000,000	\$513,628,876	\$505,022,876

The difference of \$8.6m between the original and revised owner contingency will be allocated to cover part of the \$29m in escalation costs for the base scope.

[NOTE: The remainder of the escalation costs will not materially impact the overall CIP. LAWA had set aside an escalation budget for the Cores program. This escalation amount was included in the total CIP presented to the BOAC on December 20, 2018. This allowance for escalation exceeds the \$29M increase in actual project costs realized in the final GMP. The \$28M in new scope items added to this project were funded from unallocated capacity within the CIP.]

Action Requested

Approve the appropriation of the remaining project owner contingency in the amount of \$31,876,000, which brings the total program contingency to 41,876,000 and approve the modified Program Budget accordingly,

Fiscal Impact

The TCAPM is an approved capital project at LAX. Costs incurred under this contract will be capitalized and when projects are put in service, those costs will be recovered through landing fees and terminal rates and charges, as well as through non-aeronautical revenues.

4. Alternatives Considered

- ***Take No Action***

Taking no action will defer the appropriation of the remaining contingency for the project. LAWA will continue to manage and oversee the work until the remaining contingency is authorized.

APPROPRIATIONS:

Staff requests that funds in the amount of \$31,876,000 be appropriated and allocated from the LAX Revenue Fund to WBS element 1.17.03A-700 (TBIT Core and APM Interface) and other Board-approved capital projects and their respective WBS elements as may be required.

STANDARD PROVISIONS:

1. Any activity (approval of bids, execution of contracts, allocation of funds, etc.) for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of the California Environmental Quality Act (CEQA) is exempt from further review pursuant to Article II, Section 2.i of the Los Angeles City CEQA Guidelines. The Land Access Modernization Program Environmental Impact Report (EIR) was certified by the Board of Airport Commissioners for this project on March 2, 2017 (Resolution 26185).
2. The underlying contract was approved as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 245.
4. Austin Commercial, LP will comply with the provisions of the Service Contractor Worker Retention and Living Wage Ordinances and the Labor Code of the State of California (Prevailing Wage).
5. Procurement Services has reviewed action (File No. 8148) and established a mandatory 20% Small Business Enterprise (SBE), 7% Local Business Enterprise (LBE), 5% Local

Small Business Enterprise (LSBE), and 3% Disabled Veteran Business Enterprise (DVBE) goals for this project. Austin Commercial, LP committed to 20% SBE, 7% LBE, 5% LSBE, and 3% DVBE participation and has achieved 21.44% SBE, 39.37% LBE, 9.19% LSBE, and 0.096% DVBE to date.

6. Austin Commercial, LP will comply with the provisions of the Affirmative Action Program.
7. Austin Commercial, LP has been assigned Business Tax Registration Certificate number 0002056400-0001-6.
8. Austin Commercial, LP will comply with the provisions of the Child Support Obligations Ordinance.
9. Austin Commercial, LP has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. Pursuant to the provisions of Charter Section 1022, staff has determined that the work specified in the contract can be performed more feasibly or economically by an Independent Contractor than by City employees.
11. Austin Commercial, LP has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Austin Commercial, LP has been determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance.
13. Austin Commercial, LP is required by contract to comply with the provisions of the First Source Hiring Program for all non-trade Airport jobs.
14. Austin Commercial, LP has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. This action is not subject to the provisions of the Iran Contracting Act.