

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

December 30, 2011

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program. The contract will be under the 1999 Airport Modernization Project Labor Agreement (PLA) as part of the RCF program.

BACKGROUND AND PROJECT SCOPE OF WORK/SCHEDULE:

Completion of the RCF project is required per the Consolidated Rental Car Facility Lease Agreement between the Port and the rental car companies operating at the Airport. Staff established April 19, 2012, as the opening day for the facility. Typical of large projects or programs with multiple project contract packages, as projects near completion individual elements of work are found to be missing, not coordinated with other elements of work already constructed, or are found to be an important addition to enhance the final project. For example, suppliers of furniture finishes and equipment are not equipped to perform construction related to the installation, do not carry the required insurance, nor do they have an acceptable safety program as required by the Port. These elements must be completed quickly so as not to delay or impact completion of each major capital project critical to the completion of the program. In order to avoid impacting the opening date of the facility, the Chief Executive Officer determined, per Section 4.2.3.7 of Resolution No. 3605, as amended, that this work was critical work due to the potential cost and schedule impacts on the Port and RCF tenants of delays to the scheduled facility completion of February 13, 2012, and opening on April 19, 2012. The Project Manager verbally notified the Port Commission on December 13, 2011 during the monthly RCF update, and the major construction on-call contract was advertised on December 21, 2011, with the intent to open bids on January 10, 2012, and start construction in February 2012.

The various electrical and communication elements of work support the following systems or major project components:

- Flight Information Display System
- Common Use Self Service Kiosks
- Courtesy Phone Kiosk
- Way Finding and Signage
- Miscellaneous Base Building Scope of Work Cleanup
- Wi-Fi System
- Port Fiber Backbone System
- Lighting for Helix and Screen Wall Spinning Wheel Art Elements
- Concessionaire (Coffee, Bank ATM, Vending) Connections
- Office Furniture and Conference Room Systems

The estimated total for the electrical and communication contract is \$500,000 including sales tax and will be bid as a major construction on-call contract. During remaining construction, if the Port determines there are additional requirements for electrical and communications work related to RCF, the Port may amend the contract to add additional money to cover these in-scope work items. The budget for each element of work comes from several categories within the previously authorized RCF budget; Port provided materials and equipment, Port provided systems, and RCF construction contingency.

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PROJECT STATEMENT/OBJECTIVES:

Project Statement:

Provide a unit price, on-call major construction electrical and communication contract to construct many varied elements of work required and critical to the completion of each of the major capital construction projects and the RCF program.

Project Objectives:

- Provide an expedited, cost effective and efficient contracting mechanism to complete many small and varied electrical and communication scopes of work.
- Comply with state public bidding laws and Port requirements, policies and procedures.
- Provide a level playing field and opportunity for contractors doing business with the Port.

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

The following budget and authorization summary is for the RCF program and includes RCF Design (CIP # C102167), RCF Construction (CIP # C100266), and Rental Car Buses (CIP # C800032). This summary does not include the RCF Property Acquisition (CIP # C101110). The budget associated with this request for authorization is included within the Consolidated Rental Car Facility line below.

Description	Current Revised Budget	Current Authorization	Requested Authorization	Total Revised Authorization
Cons. Rental Car Facility	\$350,772,000	\$350,772,000	\$0	\$350,772,000
Bus Maintenance. Facility	\$26,382,000	\$28,282,000	\$0	\$28,282,000
Off-Site Road Imp.	\$16,313,000	\$19,542,000	\$0	\$19,542,000
Main Terminal Imp.	\$3,383,000	\$3,383,000	\$0	\$3,383,000
Rental Car Bus Purchase	\$12,415,731	\$16,000,000	\$0	\$16,000,000
Program Sub-Total	\$409,265,731	\$415,097,746	\$0	\$417,979,000
Unallocated Contingency	\$10,040,269	\$0	\$0	\$0
Program Total	\$419,306,000	\$415,097,746	\$0	\$417,979,000
Remaining Budget to be Authorized				\$1,327,000

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The following budget and authorization summary is for the entire RCF program.

Original Budget	\$412,320,000
Budget Increases	<u>\$6,986,000</u>
Revised Budget	\$419,306,000
Previous Authorizations	\$417,979,000
Current request for Authorization	<u>\$0</u>
Total Authorizations, including this request	\$417,979,000
Remaining Budget to be Authorized	\$1,327,000

Project Cost Breakdown:

The following is an estimated cost breakdown for the total amount to be contracted under this major construction electrical and communication on-call unit price contract.

Construction Costs	\$456,621
Sales Tax	\$43,379
Outside Professional Services	\$0
Port Costs	\$0
Total	\$500,000

Budget Status and Source of Funds:

The RCF construction project (CIP # C100266) is included in the 2012-2016 capital budget and plan of finance as a committed project. The source of funds for the RCF project, as identified in the plan of finance, includes CFC revenues, existing revenue bond proceeds, and the ADF.

This current authorization request for completion of electrical and communication work will be funded either with CFC revenues or with the ADF depending on which project and component of work it is associated with.

Financial Analysis Summary

The requested action does not reflect an increase in the budget for the RCF project and therefore does not change the overall financial analysis for the RCF program as presented to the Commission on June 30, 2009, and as reported in monthly progress briefings to date. The following information is provided for reference purposes.

The RCF program is categorized as a Revenue/Capacity Growth project. This project represents a business expansion of our existing rental car operations.

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CIP Category	Revenue/Capacity Growth
Project Type	Business Expansion
Risk adjusted Discount Rate	See below
Key risk factors	See below
Project cost for analysis	\$419,306,000
Business Unit (BU)	Operations, Landside – Rental Cars
Effect on Business Performance	See below
IRR/NPV	N/A, see below
CPE Impact	Less than \$0.01 in 2012

As a cost recovery project, traditional financial analysis measures such as net present value (NPV) and internal rate of return (IRR) are not meaningful. The CFC is set and adjusted as needed to cover the costs paid by CFC's (including debt service). The current CFC is \$5.00 per transaction day. As earlier briefed to the Commission, it is anticipated that the CFC will need to increase to accommodate the anticipated CFC funded costs (bond requirements and consolidated busing) by the startup of rental car operations in early 2012. Assuming the total project costs identified above, and current assumptions for rental car transaction days, the CFC will increase to \$6.00 per transaction day beginning February 1, 2012.

The costs for these improvements are part of the authorized program to date and no additional authorization of funds is requested or required.

Lifecycle Cost and Savings:

This contract for electrical and communication work is under the same conditions as the main RCF and has the same sustainability and lifecycle costs. The annual cost of maintaining this additional space will not have a significant budgetary impact upon the Port as the CFC will cover ongoing costs.

STRATEGIC OBJECTIVES:

The RCF program supports the Port's strategy to "Ensure Airport Vitality," "Be a Catalyst for Regional Transportation Solutions," and "Exhibit Environmental Stewardship Through Our Actions." The major construction on-call contract supports the Port's Small Business initiatives by providing an opportunity for small business to competitively bid on work for the Port.

TRIPLE BOTTOM LINE SUMMARY:

The RCF program, will provide a long-term solution for Rental Car Operators at the Airport enabling the region to continue to receive the economic benefit of the Airport rental car market. The RCF program will improve the level of customer service for rental car customers at the

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Airport, and the local community will benefit with transportation improvements included in the program.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Bid as a Major Contract – Under this alternative, because the total value of electrical and communication work exceeds \$300,000, a major construction on-call unit price contract will be bid and completed as part of the RCF program. The completion of this contract will provide all work to complete the RCF program by April 19, 2012, as part of the business plan and which is essential to the overall success of the RCF operation. **This is the recommended alternative.**

Do-Nothing – Under this alternative, these small work electrical and communication elements would not be completed as part of the RCF program and the Port would not be able to open the facility on April 19, 2012, as committed. This will put at risk the successful operation of the RCF and significantly decrease customer service and the Port's ability to meet its strategic objectives. **This is not the recommended alternative.**

Change Order Capital Projects – Under this alternative, each of these small electrical and communication elements of work would be incorporated as change orders to the current major construction contract. Given this major contract is nearing completion, staff determined that such a process creates a potential and significant risk of impacting the contractor, their ability to complete the contracted work on time, and could result in potential costly claims for delays and impacts. The Port would be better served to bid this project. **This is not the recommended alternative.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS:

The following list of previous Commission actions includes only those related to the design and construction of the RCF project.

- February 9, 1998, the Commission authorized \$2,125,000 for the solicitation and execution of contracts for outside professional services for preparation of project analysis reports (PARs). The RCF project is one of three projects that undertook the PAR process with a total budget of \$790,000.
- June 27, 2000, the Commission authorized \$412,000 to complete post PAR pre-design and project definition for the RCF project.
- March 27, 2001, the Commission authorized \$3,500,000 for the completion of schematic development for the RCF project.
- November 9, 2004, the Commission authorized \$18,675,000 for the completion of facility design for the RCF project, and for procurement of a General Contractor/Construction Manager (GC/CM) for the delivery of the project.

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- February 27, 2007, the Commission authorized \$9,210,183, including \$6,460,183 in additional design funding for the RCF program and \$2,750,000 for preconstruction services and for demolition of buildings on the RCF site.
- March 11, 2008, the Commission authorized \$5,000,000, including \$850,000 for additional design funding for the RCF program and \$4,150,000 for additional preconstruction services and for preparation of the RCF site for construction.
- May 13, 2008, the Commission authorized 1) \$3,574,300 in additional design funds for the RCF program, 2) the award of the GC/CM contract to Turner Construction Company and \$286,500,000 for the construction of the RCF, and 3) the execution of a change order in the amount of \$1,606,710 for additional construction staff and logistics facilities.
- June 3, 2008 the Commission authorized a Change Order exceeding \$200,000 for the RCF project.
- August 5, 2008 the Commission authorized a Change Order exceeding \$200,000 for the RCF project.
- December 15, 2008 the Commission authorized the suspension of most work under the contract for construction of the RCF project for an indefinite period, not to exceed one year. Design for the Bus Maintenance Facility (BMF) and Off-Site Roadway Improvements (ORI) projects would continue.
- June 30, 2009, the Commission 1) lifted the suspension and restarted the entire RCF program, 2) authorized \$591,670 in additional design funds for the BMF and ORI projects, 3) authorized \$27,826,000 in additional construction funds for the RCF, 4) authorized multiple change orders for a not to exceed value of \$16,800,000 and up to 260 calendar days for the construction of the RCF, and 5) revised the Commission notification requirements for change orders for the RCF.