

AGENDA REPORT

Resolution: Approval to Increase the Project Budget, Award the Construction Contract to SilMan Venture Corporation DBA: SilMan Construction, and to Enter into a Modified Other Transaction Agreement with the Transportation Security Administration for the Construction of Checked Baggage Inspection System to Support Explosives Detection System Recapitalization at Terminal 2, Oakland International Airport (**Aviation**)

MEETING DATE: 6/8/2017

AMOUNT: \$3,755,000 - Additional Budget Authorization
\$6,298,906 - Construction Contract Award

Capital Expenditure

PARTIES INVOLVED: Transportation Security Administration
Program Manager, Gregory Cypher

SilMan Venture Corporation DBA: SilMan Construction,
San Leandro, CA

SUBMITTED BY: Bryant L. Francis C.M., Director of Aviation
Chris Chan, Director of Engineering

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

On December 1, 2016, the Board of Port Commissioners (Board) authorized the Approval of Plans and Project Manual for the Construction of Checked Baggage Inspection System to Support Explosives Detection System Recapitalization at Terminal 2, Oakland International Airport (Project). On April 26, 2017, bids were received and opened. The purpose of this Agenda Report is to seek approval from the Board to:

- 1) Approve additional budget of \$3,755,000 for construction, consultant design and construction support services, Port labor during construction, and change order authority for the Project, for a total project budget of \$9,736,000.
- 2) Award the construction contract to the lowest responsive, responsible bidder SilMan Venture Corporation DBA: SilMan Construction for construction of the Project for \$6,298,906, and

- 3) Authorize the Executive Director to enter into a modified Construction Other Transaction Agreement (OTA) with the Transportation Security Administration (TSA) for an amount of \$8,494,004 to reimburse the Port.

BACKGROUND

The Transportation Security Administration (TSA) has undertaken a national recapitalization effort because many of the existing checked-bag Electronic Detection System (EDS) equipment deployed at airports throughout the country are nearing the end of their projected useful life. The recapitalization effort refers to the replacement of EDS machines with a newer model EDS machine with similar or better throughput and capabilities.

As part of this effort, TSA is using a performance and risk-based prioritization process to determine a schedule for equipment recapitalization projects. Through that process, the EDS equipment located in Terminal 2 at the Oakland International Airport (OAK) was identified for replacement. The TSA will reimburse the Port for allowable, allocable costs for design, construction management and construction services associated with this project through Other Transaction Agreements (OTAs).

In September 2012, the Board authorized the Executive Director to enter into an OTA with the TSA to fund the design of the Construction of Checked Baggage Inspection System to Support Explosives Detection System Recapitalization at Terminal 2, Oakland International Airport (Project). This is referred to as the Design OTA in the budget table below. The Board approved a budget of \$350,000 for the Design OTA, of which the TSA reimbursement was \$288,771. The Port proceeded with the design effort using the on-call consulting services of TranSystems Corporation (TranSystems) and their subconsultant Vic Thompson Company (VTC).

In September 2013, the Board authorized 1) a capital budget of \$5,231,000 for the project construction and 2) the Executive Director to enter into the initial Construction OTA with the TSA to reimburse all eligible costs.

On June 25, 2015, the Board authorized a \$400,000 budget increase for a total project budget of \$5,981,000, approval of plans and specifications, and award of the Project by the Executive Director to the lowest responsive, responsible bidder in an amount not to exceed \$4,089,000. Four (4) bids were received and opened on November 23, 2015, all significantly exceeding the approved contract award authority. The Port decided to rebid the project, and the TSA acknowledged the rising construction costs associated with this type of work. Additionally, since the project was to be rebid, the TSA requested a redesign that would change the equipment installation phasing to improve screening operations during construction, and reduce TSA operational costs during construction by replacing machines one at a time and retaining some portion of in-line screening (instead of the previously proposed standalone system) during construction. The TSA also requested other design changes, including modifications to the checked baggage resolution area (CBRA) and changes required to

support the revised phasing plan. Therefore, the original bids were allowed to expire, the bid bonds were returned to the contractors, and the TranSystems design team was tasked to redesign the project to accommodate TSA's requested design changes.

On December 1, 2016, the Board authorized the Director of Engineering to approve the Plans and Project Manual associated with the redesign of the Project.

ANALYSIS

Project bids were received and opened on April 26, 2017. The bids are listed below in Table 1.

Table 1: Bid Summary

Bidders	Location	Total Bid Price
SilMan Construction	San Leandro, CA	\$6,298,906
Integra Construction Services, Inc.	Pleasanton, CA	\$6,499,999
Thompson Builders Corp.	Novato, CA	\$6,975,000

Staff recommends awarding the construction of the Project to SilMan Construction, the lowest responsive, responsible bidder for \$6,298,906.

The Project, including the consultant design and construction support, staff oversight, and change order authority is estimated to cost \$9,736,000 (see Table 2, below), lower than the engineer's revised cost estimate. Staff requests increasing the project budget by \$3,755,000.

The Board approved the initial Construction OTA with the TSA on September 12, 2013, which provides TSA reimbursement for eligible construction costs. The initial Construction OTA is now modified to increase the TSA allowable, allocable, and reasonable reimbursement to \$8,494,004 to reflect the redesign and additional construction costs. The initial Construction OTA is also being modified to extend the period of performance. Staff recommends that the Board authorize the Executive Director to accept TSA's revisions to the initial Construction OTA and enter into the modified agreement.

BUDGET & STAFFING

The current authorized budget for the Project is \$5,981,000. Given the revised project scope (as requested by the TSA) and rising construction costs for this type of project, the project cost is now estimated at \$9,736,000 (see Table 2, below). Additional budget authorization of \$3,755,000 is requested. The Project has been included in the Port's proposed 5-Year (FY 2018 through 2022) Capital Improvement Plan (CIP). The modified Construction OTA amount is for \$8,494,004. It is estimated that 86% to 90% of the total Project cost will be reimbursed through the OTA, depending on final determination of allowable reimbursements. Port's expenditures that are not reimbursed by the TSA will be partially recovered through the airlines' rates and charges over the useful life of the improvements, estimated at 10 years.

Table 2 summarizes the project funding sources.

Table 2: Project Funding

Item	Amount
Design OTA	\$ 288,771
Initial Construction OTA	5,232,624
Additional Construction OTA	3,261,380
Modified Construction OTA	8,494,004
Total OTA Funding	\$ 8,782,775
Port Cash	953,225
Total Project Funds	\$ 9,736,000

Table 3 shows the authorized and requested project budget breakdown.

Table 3: Project Budget

Item	Previously Authorized Budget	Requested Additional Budget	Proposed Project Budget
Consultant	\$735,000	\$459,000	\$1,194,000
Construction/Contractor	4,089,000	2,210,000	6,299,000
Port Labor & OH	544,000	451,000	995,000
Other ¹	613,000	635,000	1,248,000
Total²	\$5,981,000	\$3,755,000	\$9,736,000

¹Includes change order, permitting, MAPLA, OCIP

²Overall budget; includes costs from previous fiscal years

The proposed action does not have any staffing impact.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The provisions of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) apply to the construction portion of this Agenda Report.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Plan (<http://www.portofoakland.com/pdf/about/strategicPlan2011-2015.pdf>)

- Goal A: Objective 1: Maximize the use of existing assets.

- Goal F: Objective 1: Implement formal grants/external funding task force.

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply because the contract is a construction contract covered by state prevailing wage rules and the prevailing rate of wage is higher than the wage required by the Living Wage Regulations. However, the service provider will be required to certify that should living wage obligations become applicable, the service provider shall comply with the Living Wage Regulations.

ENVIRONMENTAL

CEQA Determination: California Environmental Quality Act (CEQA) Guidelines Section 15378(2) states that "Project" means the whole of an action that has a potential for resulting in either direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. The general rule in Section 15061(b)(3) of the Guidelines additionally states that CEQA applies only to activities that have a potential for causing a significant effect on the environment. Because it can be seen with certainty that the proposed actions will not result in a physical change in the environment, the action is not a "Project" under CEQA and is not subject to CEQA under the general rule exclusion. No further CEQA review is required.

Sustainable Opportunities: The existing four EDS machines used to screen checked baggage at Terminal 2 would be replaced with three new EDS machines able to screen checked baggage at a faster rate resulting in an overall reduction in energy consumption for checked baggage screening.

GENERAL PLAN

Pursuant to Section 727 of the City of Oakland Charter, this project has been determined to conform to the policies for the transportation designation of the Oakland General Plan.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

As the construction project is a capital improvement project, the applicable Owner Controlled Insurance Program (OCIP) coverages and provisions apply to the construction phase.

OPTIONS

- Approve the actions herein recommended by staff. Doing so will provide this project with the best opportunity to fulfill TSA and the Port's goal, to successfully improve the operational efficiency of the Terminal 2 EDS. This is the recommended action.

- Do not approve the actions. Continue to utilize the existing EDS equipment. This option may increase delays to baggage processing due to EDS machine failures. This option would also increase the use of the Alameda County Sherriff's Office staff and their K-9 units for bag screening when the EDS equipment is not functioning.

RECOMMENDATION

Staff recommends that the Board approve the following actions for Construction of Checked Baggage Inspection System to Support Explosives Detection System Recapitalization at Terminal 2:

- 1) Authorize the additional budget of \$3,755,000 for construction, consultant design and construction support services, Port labor during construction, and change order authority.
- 2) Award the construction contract to SilMan Venture Corporation DBA: SilMan Construction for Construction of Checked Baggage Inspection System to Support Explosives Detection System Recapitalization at Terminal 2, Oakland International Airport for \$6,298,906.
- 3) Authorize the Executive Director to enter into a modified Construction Other Transaction Agreement with the Transportation Security Administration for an amount of \$8,494,004.