

## AGENDA REPORT

**Resolution:** Approval of Additional \$338,000 in Project Budget for Construction of Rental Car Center Improvements at Oakland International Airport. **(Engineering)**

**MEETING DATE:** 4/12/2018

**AMOUNT:** \$338,000 Additional Capital Budget Authorization

**PARTIES INVOLVED:** Oliver DeSilva, Inc. dba Gallagher & Burk, Inc.  
Oakland, California  
David DeSilva, President

**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**

This agenda report outlines and recommends to the Board of Port Commissioners (Board) to authorize additional capital budget of \$338,000 for the construction of the Rental Car Center (RAC) improvements at Oakland International Airport (OAK).

### **BACKGROUND**

On July 28, 2016, the Board authorized \$700,000 to proceed with design services under the Professional Services Agreement with Mott MacDonald for certain capital improvements in support of rental car operations at the Rental Car Center (RAC). The design included the demolition of Building L-825 and site preparation, Fairchild Street Improvements, addition of an ingress main access roadway to the customer service building and adjacent facilities, and improvements to Ryan Street Parking Lot to better serve rental car operations on a contiguous site (the "RAC Project").

On December 15, 2016, the Board authorized the remaining RAC Project budget in the amount of \$6,723,000 for consultant design, construction, construction support services, Port labor, and change order authority. Additional Board actions on this item included authorization for the Director of Engineering to approve Project Plans and Project Manual; authorization for the Executive Director to execute a contract with the lowest responsible bidder in an amount not to exceed \$5,270,000, and authorization for the Executive Director to resolve bid protests.

On March 9, 2017, the Executive Director approved the award of the RAC Project construction contract to Oliver DeSilva, Inc. dba Gallagher & Burk, Inc. (GBI). The Port issued the Notice of Award on March 9, 2017. The Notice to Proceed for the RAC Project was issued on April 24, 2017 and site construction began on May 8, 2017. The RAC Operator, which is a consortium of the four rental car companies who have entered into long-term contracts with the Port: Avis-Budget, Enterprise, Fox, and Hertz, has beneficial occupancy of the site, but outstanding Change Order and Punch List work are still under construction.

## **ANALYSIS**

The Project was initiated by the Aviation Division on a fast-track basis to deliver an expanded RAC site to the rental car companies who would be submitting bids to the Port to operate the facility. Design initially commenced prior to selection of the rental car companies based on a limited scope of work. The initial scope of that work was limited to: demolition of Building L-825 and site preparation; Fairchild Street improvements; and improvements to the Ryan Street parking lot. During the design process, the scope expanded to include lighting and reconfiguration of driveways and internal access lanes.

### *Additional RAC Project Costs*

Operator-Requested Changes. The Port entered into an agreement with the RAC Operator in July 2017, 4 months after issuing a Notice of Award to GBI. In August 2017, the RAC Operator requested a new driveway location and additional lighting and conduits. Aviation and Engineering approved the inclusion of the Operator-requested changes as change orders/amendments to the construction contract. These RAC Operator-requested changes resulted in increased design and construction costs and increased time for completion of the RAC Project.

Unforeseen Conditions. The RAC Project also experienced a number of unforeseen conditions during construction that necessitated issuing contract change orders including: the presence of protected birds nesting on Building L-825 slated for demolition; previously unknown active and abandoned utility lines conflicting with site construction; and soft soil conditions uncovered at the Building L-825 site during excavation activities. These unforeseen site conditions extended the construction schedule and required additional field inspection and design resources to support site construction.

Extended Construction Time/Construction Management & Oversight. The budget established for the RAC Project anticipated that Port staff would provide all construction management oversight and that the RAC Project would be completed in less than 6 months. However, with the unforeseen conditions and design changes noted above, the construction period was extended by over four months, which put the RAC Project in conflict with several other airport construction activities including the Runway 12-30 overlay project. In order to provide adequate coverage for the construction management of all of these projects, consultant Construction Management (CM) services were required to manage field activities at the RAC project. This increased cost of CM consultants was not anticipated at the time of the original RAC Project budget approval.

In September 2017, Port staff evaluated the RAC Project budget forecast and the potential need to return to the Board for additional budget authorization to complete the RAC Project. Based on the available information at the time, it appeared that the RAC Project could be completed within the authorized budget. However, since construction was still in progress, changes were directed through Port-directed field orders to allow for expedited completion pending final pricing. This made accurate forecasting and identification of the budget shortfall difficult and some of the costs for design, construction change orders, Port labor and consultant CM services were projected based on estimates. In January 2018, Port Engineering identified a potential budget shortfall. By February 2018, the costs for all of the changes were finalized and compiled; resulting in this budget authorization request. At this time approximately \$97,000 of the budget request remains unspent while the remainder of the budget request in this Agenda Report has been committed.

Process changes are now in place to: provide better coordination between design and construction budget forecasting; track monthly burn rates for labor and CM services; and utilizing more conservative estimates in fully identifying budget and schedule implications of requested changes; timely identify and address potential budget shortfalls through work allocation or requests for additional funding approval .

Port staff recommends an additional capital budget of \$338,000 (or approximately 4.5%) be approved to fund these extra costs. The recommended project budget is summarized in Table 1 below:

**Table 1. Recommended Project Budget**

<b>Description</b>	<b>Original Budget</b>	<b>Proposed Change based on Projections</b>	<b>New Budget</b>
Port Labor	\$ 581,000	(\$ 48,000)	\$ 533,000
Consultants <sup>1</sup>	\$ 562,000	\$ 691,000	\$ 1,253,000
Construction <sup>2</sup>	\$ 6,077,000	(\$ 305,000)	\$ 5,772,000
Other Related Costs <sup>3</sup>	\$ 203,000	\$ -	\$ 203,000
<b>TOTAL</b>	<b>\$ 7,423,000</b>	<b>\$ 338,000</b>	<b>\$ 7,761,000</b>

<sup>1</sup>-Consultant costs include Design and CM services

<sup>2</sup>-Base Contract plus Change Orders

<sup>3</sup>-Other Construction Related Costs include permitting, MAPLA, agency coordination and OCIP

## **BUDGET & STAFFING**

The current Board authorized project budget is \$7,423,000. The actual project expenditure through March 1, 2018 was approximately \$6,845,000. Due to additional unforeseen Construction Management and Construction Support Services costs, the total Project cost is now forecast at \$7,761,000, or \$338,000 over the authorized budget. This project is planned to be 100% funded by Customer Facility Charges (CFCs), including the requested additional budget.

## **MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)**

The provisions of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) apply to this work.

## **STRATEGIC PLAN**

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Plan (2018-2022) (<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>)

- Goal: Improve Customer Service
- Goal: Modernize and Maintain Infrastructure

## **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 the state prevailing wage rules and the prevailing rate of wage is higher than the wage required by the Living Wage Regulations.

## **ENVIRONMENTAL**

CEQA Determination: The proposed change order authorizations would not change the project description or scope of the project from that authorized by the Board of Port Commissioners on December 15, 2016. The plan approved on December 15, 2016 to demolish Building L-825 is categorically exempt from CEQA pursuant to Section 15301 Existing Facilities (l)3 demolition of a small commercial structure. The improvements to the Rental Car Center to ameliorate operations and increase leasable land for parking is categorically exempt pursuant to Section 15303 (e) New Construction or Conversion of Small Structures, which exempts the construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure such as accessory (appurtenant) structures. As such, the proposed actions will not have a significant effect on the environment and no further environmental review is required.

## **GENERAL PLAN**

The work under the Second Amendment does not materially change the project. The conformity determination under the Oakland General Plan made previously pursuant to Section 727 of the City of Oakland Charter remains valid.

## **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**

1. Approve the actions as outlined in this agenda report. This is the recommended option.
2. Approve only \$238,000 in additional budget to pay for work already performed by the design consultant and the contractor under staff direction. Change order work on the irrigation system will not be completed so the irrigation system will not be functional. Construction management will be completed by Port staff potentially delaying closeout.

## **RECOMMENDATION**

It is recommended that the Board pass a Resolution to authorize additional capital budget of \$338,000 for Construction of Rental Car Center Improvements at Oakland International Airport.