

AGENDA REPORT

Resolution: (1) Approve project design budget totaling \$520,000 for the Terminal 2 Boiler Replacement Project. (2) Authorize the Executive Director to execute a contract for Construction Manager at Risk (CM@R) preconstruction services with Turner Construction at a total cost not to exceed \$350,000 (**Aviation**)

MEETING DATE: 12/13/2018

AMOUNT: \$520,000 Capital Expenditure
\$350,000 Contracting Authority

PARTIES INVOLVED: Turner Construction Company, Inc., Oakland, CA
Lisa Ballantyne, General Manager

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

APPROVED BY: Danny Wan, Acting Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

The purpose of this Agenda Report is to request Board approval of project design budget and contracting authority for the Terminal 2 Boiler Replacement Project. The requested actions are as follows:

(1) Approve project design budget totaling \$520,000 for the Terminal 2 Boiler Replacement Project; (2) Authorize the Executive Director to execute a contract for Construction Manager at Risk (CM@R) preconstruction services with Turner Construction at a total cost not to exceed \$350,000.

BACKGROUND

The Port of Oakland (Port) owns and operates a hot water boiler plant in the Terminal 2 Central Utility Plant at the Oakland International Airport (OAK) that is comprised of two natural gas fired boilers that serve heated air to the terminal. In order to comply with applicable air quality requirements, the Port needs to implement this Terminal 2 Boiler Replacement Project.

On May 24, 2018 the Board of Port Commissioners (Board) approved an initial contract authority in the amount of \$3,000,000 for Turner Construction to perform Construction Manager at Risk (CM@R) services for several near-term terminal improvement projects that the Port anticipates implementing within the next 3 to 5-year timeframe. This CM@R contract is ideally suited to deliver near-term terminal projects like the Terminal 2 Boiler Replacement Project because it entails a significant amount of work upgrading terminal systems while maintaining safe and secure passenger areas and flight operations. Using the CM@R contract allows the Port to leverage the valuable expertise Turner Construction has developed while working collaboratively with OAK and its partners during the Terminal 1 Renovation Program and the International Arrivals Building (IAB) Upgrade Project. Some benefits of this approach include incentivizing the contractor to provide superior customer service and performance by offering the potential for future option work and creating project and program efficiencies based on the contractor's detailed familiarity with airport terminal infrastructure and airline/tenant coordination.

An additional benefit of this approach is that it streamlines delivery since the contract is already approved and in place, which saves significant time and meets the Port's operational needs by reducing processing time for contract solicitation, preparation and execution.



Figure 1 – Existing Terminal 2 natural gas fired boiler.

ANALYSIS

In February 2018, the Port contracted with Point Energy Innovations (PEI) to conduct an analysis of boiler options, which was completed in July 2018. The three options analyzed included retrofitting the existing boilers, replacing the existing boilers with electric heat pumps, and replacing the existing boilers with high-efficiency condensing boilers, similar to those installed in 2014 in the Terminal 1 Central Utility Plant. Based on this analysis, retrofitting the existing boilers would only be a temporary solution, would not achieve long-term efficiency goals and would be more expensive to operate. The electric heat pump option is a different technology that would require a more extensive and costly change to the overall system, significant staff training, higher utility costs and could not be implemented in the 1 to 2-year time frame required. Replacing the existing boilers with high-efficiency condensing boilers is consistent with the boiler system in place in Terminal 1; standardizing the operations and maintenance for facilities staff and provides greatly improved energy efficiency. Replacing existing boilers with high-efficiency condensing boilers is the recommended option.

Over the last several months, while developing the analysis, PEI developed an expertise that Port staff would like to continue to leverage through the remainder of design. Port staff is requesting a total budget of \$95,000 for PEI to cover initial analysis and for design oversight during the CM@R pre-construction phase. Contracting authority in the requested amount of \$95,000 is within the Executive Director's authority; Board approval is not required.

This agenda report seeks approval of the \$520,000 design budget detailed below in Table 1, as well as \$350,000 in contracting authority for Turner Construction under the existing CM@R contract. The \$350,000 in contracting authority requested herein, is in addition to the \$3,000,000 in contracting authority approved by the Board in May 2018.

The FY 2018-19 Capital Improvement Plan has budgeted \$2.8 million for the design and construction of the T2 Boiler Replacement Project. Port staff will return to the Board in spring 2019 for approval of construction budget and contract authority, after bids are received.

BUDGET & STAFFING

This agenda report requests approval of \$520,000 for the design of the Terminal 2 Boiler Replacement Project, which will be spent in FY2019. See Table 1 for project cost breakdown. This project is included in the Port's Five-Year Capital Improvement Plan, anticipated to be funded with Port cash. A portion of the expenditure will be repaid by the airlines over time through the terminal rental rate. Staff is seeking

approval of the project design costs as indicated below. There is no anticipated budget or staffing impact associated with this Board action.

Table 1. Terminal 2 Boiler Replacement Project Design Costs

| T2 Boiler Replacement Project | Construction Manager At-Risk – Turner Construction | Consulting Services - (PEI) | Port Labor | Total |
|-------------------------------|--|-----------------------------|------------|-----------|
| | \$350,000 | \$95,000 | \$75,000 | \$520,000 |

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

MAPLA will apply to this contract for all on-site construction work, the inspection and testing of the work as specifically included in MAPLA, and all other work covered by MAPLA. MAPLA does not apply to work performed by non-manual employees and all other work specifically exempted by MAPLA.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

- Goal: Grow Net Revenues
- Goal: Improve Customer Service
- Goal: Strengthen Safety and Security

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"), may apply to the professional services of this contract, if the contract is more than \$50,000 and the service provider employs 21 or more employees. In addition, construction prevailing wage requirements will apply if the project moves to the construction phase.

SUSTAINABILITY

Port staff have reviewed the Port's 2000 Sustainability Policy. The Terminal 2 Boiler Replacement Project will significantly reduce emissions from the existing hot water boiler plant, including NOx and greenhouse gases (GHG). This will contribute to

improved air quality and a reduction in global warming associated with GHG emissions. Furthermore, the design team will consider additional sustainable measures, materials and/or procedures that may be applicable to the T2 Boiler Replacement Project.

ENVIRONMENTAL

The proposed actions in this Agenda Report were reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The general rule in Section 15061(b)(3) of the CEQA Guidelines states that CEQA applies only to activities that have a potential for causing a significant effect on the environment. It can be seen with certainty that there is no possibility that approving design and preconstruction services and contracting authority will result in a physical change in the environment, and therefore is not subject to CEQA. Port staff will conduct further CEQA analysis and environmental review for the Boiler Replacement Project once the planning and design services are complete.

GENERAL PLAN

This project is for professional services and will not directly include any alteration of property. Development projects that result from these professional services will be subject to separate findings of conformity with the City of Oakland General Plan in accordance with Section 727 of the Charter.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

Professional service agreements are not subject to the Port's Owner Controlled Insurance Program (OCIP) as professional services are not construction activities, however as the Construction Management at Risk project is a capital improvement project, the applicable Owner Controlled Insurance Program (OCIP) coverages and provisions do apply to on-site construction activities.

OPTIONS

The following are options for the Board's consideration:

- 1) Approve the action as outlined in this agenda report. This is the recommended action.
- 2) Direct staff to implement the boiler retrofit option. This option is not recommended because even though it is less costly and can be implemented more quickly, it is not a good long-term solution. This option results in greater utility usage and greater staff costs due to increased maintenance and testing requirements.

RECOMMENDATION

Staff recommends the following action:

Approve project design budget totaling \$520,000 for the Terminal 2 Boiler Replacement Project; Authorize the Executive Director to execute a contract for Construction Manager at Risk (CM@R) preconstruction services with Turner Construction at a total cost not to exceed \$350,000.