

AGENDA REPORT

Resolution: For the Terminal 2 Boiler Replacement Project: (1) Approve a Construction Budget of \$4,064,000 for a Not-To-Exceed Total Project Budget of \$4,584,000 (2) Authorize the Executive Director to Amend the International Arrivals Building (IAB) Contract with Turner Construction to Add Construction Manager at Risk (CM@R) Construction Services for a Guaranteed Maximum Price (GMP) Not-to-Exceed \$3,364,000. **(Aviation / Engineering)**

MEETING DATE: 10/10/2019

AMOUNT: \$4,064,000 Capital Expenditure (FY 2019-FY 2020)
\$3,364,000 Contracting Authority

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

SUBMITTED BY: Bryant L. Francis C.M., Director of Aviation
Rob Andrews, Acting 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 of Port Commissioners (Board) approval of project construction budget and contracting authority for the Terminal 2 Boiler Replacement Project. The requested actions are as follows:

(1) Approve a construction budget of \$4,064,000, for a not-to-exceed total project budget of \$4,584,000 and

(2) Authorize the Executive Director to amend the International Arrivals Building (IAB) contract with Turner Construction for Construction Manager at Risk (CM@R) construction services for a Guaranteed Maximum Price (GMP) not-to-exceed \$3,364,000.

BACKGROUND

The Port of Oakland (Port) owns and operates two natural gas fired hot water boilers in the Terminal 2 Central Utility Plant, Building M371, at the Oakland International Airport (OAK) that provide heated air to the terminal. See Figure 1. In order to comply with applicable air quality requirements, set by Bay Area Air Quality Management District, the Port needs to implement this Terminal 2 Boiler Replacement Project (Project) prior to August 8, 2020.



Figure 1 – Existing Terminal 2 Natural Gas Fired Boiler.

In February 2018, the Port conducted an analysis of boiler options, which was completed in July 2018. Three options were evaluated, which included: 1) retrofitting the existing boilers, 2) replacing the existing boilers with electric heat pumps, and 3) replacing the existing boilers with high-efficiency condensing boilers, similar to those installed in 2014 in the Terminal 1 Central Utility Plant. Based on these options, the Port concluded that the best option is to replace the existing boilers with high-efficiency condensing boilers that are consistent with the boiler system already in place in Terminal 1. In addition to greatly improved energy efficiency, other benefits include standardizing boiler operation and maintenance for facilities staff.

At this time, the Port also made a decision to transfer the heating load of a small, aging, auxiliary boiler currently serving Building M152, to the replacement boilers planned for the Terminal 2 Central Utility Plant.

On February 11, 2016 the Board of Port Commissioners (Board) approved the selection of Turner Construction (Turner), through a competitive bidding process, to provide CM@R services for the International Arrivals Building (IAB) project. On May 24, 2018, the Board authorized the Executive Director to exercise an option within the IAB contract to negotiate, and execute amendments to the Turner contract for pre-construction, equipment procurement, and Construction Manager at Risk (CM@R) services for a group of upcoming projects termed Near Term Terminal Work (NTTW) improvement projects. The option to add other upcoming terminal projects through this process was included in the IAB contract, so that it could function as a vehicle through which Port staff could accomplish this NTTW group of similar terminal development projects. A contract change order is therefore used as the contract amendment mechanism to deliver individual NTTW projects programmed in the capital improvement plan (CIP) list and as authorized by the Board. This differs from a typical construction change order, which is issued to address items such as unforeseen conditions or changes to the original specifications or scope of work.

Upon execution of the contract change order/amendment, an associated Technical Service Order (TSO) defining project scope, schedule, and compensation is prepared, executed, and issued to Turner to complete the contracting process. Additional amendments to the IAB contract via contract change order will be used to implement the remaining projects on the NTTW list.

Under the CM@R contract, Turner contracts with, coordinates, and manages the work of a pool of subcontractors to perform the work. The services provided by Turner through the CM@R contract include pre-construction phase services, consisting of constructability and design review, subcontractor outreach, and development of the Guaranteed Maximum Price (GMP), as well as construction phase services for which they are responsible for managing and coordinating project delivery. As the term implies, Turner assumes the risks of most unforeseen conditions and guarantees a maximum price to perform the work. To date only one "changed condition" change order has been issued to Turner since they commenced with the IAB and subsequent NTTW projects.

On December 13, 2018, by Resolution 18-123 the Board approved the Project design budget of \$520,000. The Board also approved \$350,000 in contractual authority for Turner under the existing CM@R contract for pre-construction services on the Project.

Following Board approval, Port staff initiated pre-construction services with Turner, which led to the development of the GMP for CM@R Services of \$3,364,000 for the Project, which is the subject of this action.

ANALYSIS

Pre-construction services are nearly complete with the development of the GMP for construction of the Project. Port staff anticipates starting the construction phase following Board approval and contract authorization with the Project completed and operational prior to regulatory deadline of August 8, 2020. The construction work includes removal of three existing boilers, furnishing and installing five new smaller and more efficient boilers; and construction of associated plumbing, electrical, heating, ventilation, air conditioning (HVAC) improvements, and systems commissioning.

Budget Authority

As described above, the Board previously approved a project budget in the amount of \$520,000 for the design and pre-construction services for the Project. Now with the development of GMP, additional budget is needed for the construction phase, consultant construction support, and Port staff to oversee the Project construction. Consultant construction support services include assisting the Port staff Resident Engineer with construction coordination of contractor, Engineering and Aviation planning and operational staff; these services will be provided by Consolidated CM, Inc. previously approved by the Board for the On-call Construction Management Support Services For Non-Federally Funded Projects contract.

Contractual Authority

As described above, the Board previously authorized \$350,000 in contracting authority for pre-construction services with Turner for the Project. With the GMP developed, staff is requesting additional contracting authority with Turner for the construction phase.

BUDGET & STAFFING

The total project cost breakdown for the Project is presented in Table 1. This project is included in the Port's FY 2020 Capital Budget Pipeline. The total project cost is approximately \$1.3 million higher than anticipated in the Pipeline due to changes identified during design, however, Port staff anticipates that the additional budget can be absorbed into the overall FY 2020 Capital Budget, given other contingencies included in the budget. This project is 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. There is no anticipated budget or staffing impact associated with this Board action.

Table 1. Terminal 2 Boiler Replacement Project Budget.

Description	Previously Approved Design and Pre-construction Services Budget	Requested Construction Budget	Total Requested Budget ³
Consultants ¹	\$95,000	\$258,000	\$353,000
Construction	\$350,000	\$3,364,000	\$3,714,000
Port Labor	\$75,000	\$306,000	\$381,000
Other Related Costs ²	-	\$136,000	\$136,000
TOTAL	\$520,000	\$4,064,000	\$4,584,000

¹ – Consultant Costs include Design and Construction Management Services, Materials and Special Testing.

² – Other Costs include MAPLA, agency coordination, and OCIP.

³ – Staff may exceed the individual category cost of Port Labor, Consultants and Other Related Costs if i) the effort is needed and ii) the sum of these three category costs does not exceed the sum of these three category costs as shown in Table 1.

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: 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 to the professional services agreement as the service provider does not employ 21 or more employees working on Port-related work. 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. In addition, construction prevailing wage requirements apply.

SUSTAINABILITY

Port staff have reviewed the Port's 2000 Sustainability Policy. The Terminal 2 Boiler Replacement Project will 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.

ENVIRONMENTAL

This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The Port has determined that this project is categorically exempt from the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15302, Replacement or Reconstruction. Section 15302 exempts from CEQA the replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced, including replacement of existing utility facilities involving negligible or no expansion of capacity.

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

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 design and implement an alternate boiler option. This is not recommended because it will delay complying with applicable air quality requirements and meeting the Port's goal to reduce emissions from the existing hot water boiler plant.

RECOMMENDATION

Staff recommends the following actions for the Terminal 2 Boiler Replacement Project:

- (1) Approve a construction budget of \$4,064,000 for a not-to-exceed total project budget of \$4,584,000 and
- (2) Authorize the Executive Director to Amend the International Arrivals Building (IAB) contract with Turner Construction for Construction Manager at Risk (CM@R) construction services for a Guaranteed Maximum Price (GMP) not-to-exceed \$3,364,000.