



Los Angeles  
World Airports

January 26, 2012

The Honorable City Council  
of the City of Los Angeles  
City Hall – Room 395  
Los Angeles, CA 90012

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Fernando M. Torres-Gil  
Gina Marie Lindsey  
Executive Director

Reference: CF 12-0040

This is to hereby transmit for your information the Mayor approved City Administrative Officer's report covering the consideration and approval of the Third Amendment to Contract No. DA-4324 with Paslay Management Group, L.P., to continue services for Los Angeles World Airports.

Sincerely,

Mark S. Adams, Director  
Government Affairs Division  
Los Angeles World Airports

MSA:CI

Attachments



0150-09695-0000

**TRANSMITTAL**

TO Gina Marie Lindsey, Executive Director Department of Airports	DATE JAN 25 2012	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

**Proposed Third Amendment to Contract No. DA-4324 with  
Paslay Management Group, L.P. for Executive Advisor Services for the  
Capital Improvement Program at Los Angeles World Airports**

Transmitted for further processing, including Council consideration.  
See the City Administrative Officer report, attached.

  
MAYOR (Matt Karatz)

MAS:AVMA:10120081t

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: January 20, 2012

CAO File No. 0150-09695-0000

Council File No.

Council District: 11

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Department of Airports dated December 7, 2011; referred by the Mayor for report on December 9, 2011

Subject: **PROPOSED THIRD AMENDMENT TO CONTRACT NO. DA-4324 WITH PASLAY MANAGEMENT GROUP, L.P., FOR EXECUTIVE ADVISOR SERVICES FOR THE CAPITAL IMPROVEMENT PROGRAM AT LOS ANGELES WORLD AIRPORTS**

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### SUMMARY

The Executive Director of the Department of Airports (Department, Airports) requests authorization to approve and execute a third amendment (Amendment) to Contract No. DA-4324 with Paslay Management Group, L.P. (Paslay, PMG). The original PMG agreement, a three-year contract for an amount not-to-exceed \$1.9 million, was approved by the Board of Airports Commissioners (BOAC) on February 9, 2009. Paslay was hired as an airport owner representative, an Executive Program Advisor, to provide executive level oversight, third-party independent review, direction and strategic evaluation in order to achieve a successful capital improvement program (CIP) at Los Angeles World Airports (LAWA).

The Executive Program Advisor's duties have been greatly expanded since its inception. To support the added responsibilities and positions, the BOAC approved first and second amendments to Contract No. DA-4324, in February 2010 and May 2011 respectively, which increased funding to a total contract amount not-to-exceed \$6,346,189. If approved, the proposed PMG Amendment would extend the contract term by 36 months through March 1, 2015 and appropriate \$10,080,000, which would increase the contract total to \$16,426,189. The BOAC approved this requested action at a meeting on November 21, 2011. Pursuant to Charter Section 373, Council approval of the proposed Amendment is required because the cumulative term will exceed three years. The above-mentioned aspects of the proposed Amendment, and this report, are based upon revised information received from the Department subsequent to the initial request submittal.

### Background

On March 3, 2008, the BOAC approved the release of a Request for Proposals (RFP) and authorized Airports to negotiate a contract for an Executive Program Advisor for its CIP at Los Angeles International Airport (LAX), (Resolution No. 23512). According to Airports staff, the Department was

embarking upon a rapidly expanding construction process for its CIP and realized there was a need to provide the BOAC and Executive Director with an independent resource dedicated specially to relay their decisions relating to project delivery. The Department had experience delivering individual capital projects. However, efficiently addressing a comprehensive capital program with multiple projects, each competing for the same resources for procurement, construction management and other factors, was not a Department experience. According to staff, Airports sought outside expertise to provide new tools and advise on industry best practices to deliver the large and complex CIP projects in the most cost-effective and expeditious manner. The RFP scope of work included defined actions and responsibilities whereby, a contractor with demonstrated success, skill, experience and knowledge in serving as an airport owner representative would assist the Airports in successfully delivering a multi-billion dollar CIP.

The Department received written proposals from five firms. The proposals were reviewed and evaluated utilizing at least three criteria: Team Capabilities (50 percent); Approach and Methodology (30 percent); and, Unique Characteristics (20 percent). Three firms were found to be most responsive to the proposal and subsequently had oral interviews. Department staff reports that PMG scored the highest based upon expertise and experience and was the most qualified firm detailing their experience through the full life-cycle of a CIP from program definition to capital planning through design, construction and commissioning.

#### **PMG Contract - Current Status**

Department staff reports PMG has provided invaluable guidance for the CIP program since 2009. In its early stages, the CIP was defined as three projects. Today, there are seven completed projects, valued at \$210 million and 16 active projects, valued at \$3.2 billion. PMG services have positively impacted many CIP projects, including: Bradley West Gates (BWG); Bradley Core Improvement (Core); Central Utility Plant (CUP); Crossfield Taxiway; Aircraft and Rescue Fire Fighting Facility; and, Airport Response Coordination Center.

The PMG duties and responsibilities have been greatly expanded since its inception. Paslay has kept the BOAC, executive management and stakeholders - elected officials, airlines, tenants, regulatory agencies - informed on the status of projects as well as provided advice and guidance on implementing new ways of doing business in more cost-effective and competitive manners. Highlights of their accomplishments are summarized as follows.

- Identified and supported implementation of alternative project delivery methods including Construction Manager at Risk and Design Build
- Developed and managed project control systems in support of the alternative delivery methods for executing a major capital program
- Continued assessment of project delivery and advised on course corrections needed to achieve performance goals as situations are encountered in project delivery

- Developed and implemented an owner-driven program management organization with the appropriate checks and balances required in a public sector environment
- Developed and implemented regular, formal and consistent reporting systems to ensure transparency at all levels of the organization
- Assisted in the design, implementation and monitoring of an internal audit program specific to the CIP
- Provided third-party review of the CIP and Airports Development team performance, processes and procedures

The approval dates, total funding and current expenditures for the PMG Contract are shown below.

<b>Paslay Management Group, L.P., approved</b>	<b>Budget Amount</b>	<b>Billing Period</b>	<b>Actual Expenditures</b>
Original Contract, February, 9, 2009	\$1,906,635	March 2009-February 2010	\$1,368,430
First Amendment, February 16, 2010	\$2,439,554	March 2010-February 2011	\$2,266,450
Second Amendment, May 2, 2011	<u>\$2,000,000</u>	March 2011-September 2011 (most recent billing)	<u>\$1,367,469</u>
<b>Total Contract Amount, to date</b>	<b>\$6,346,189</b>	<b>Total Expenditures, through September 30, 2011</b>	<b>\$5,002,349</b>

#### **Proposed Third Amendment for Paslay Contract No. DA-4324**

The proposed PMG Amendment, if approved, would extend the contract term by 36 months through March 1, 2015 and appropriate \$10,080,000, which would increase the contract total to \$16,426,189. The Department proposes to utilize the services provided by the contractor and continue to benefit from their expertise and experience through the multiple stages of active CIP projects, such as the BWG and Core, CUP and Elevators and Escalators Replacement improvements. A BOAC report notes target completion dates for these four projects are December 2012 (BWG and Core), May 2014 and January 2016, respectively. It is anticipated that the proposed extension will enable the CIP at the Airports to progress within an expected timeframe.

The requested increase of \$10 million to the PMG total budget is proposed to address current and anticipated costs, through March 1, 2015. Currently, the contract funding supports the following: PMG personnel; subcontractors and associated administrative fees; escalation rates; and, other direct costs (ODCs), such as travel, communication, vehicle and fuel expenses and other administrative expenses. In accordance with guidelines provided in the contract, the Department will reimburse PMG for certain ODCs.

Current positions funded by the Paslay contract are as listed below, according to Airports staff.

- LAWA Executive Program Advisor
- Bradley West Construction Manager
- Bradley West Projects Controls Manager
- Assistant Program Manager for Contracts, Controls & Finance
- Bradley West Enabling Projects Manager
- Airports Development Group (ADG) Executive Administrative Assistant
- Administrative Assistant (part-time)

The Proposed Amendment also includes the following two, new positions in its funding requesting.

- ADG Project Manager for New Face of the Central Terminal Area
- ADG Project Manager

An estimated, annual expenditure plan for the proposed three-year contract increase, approximately \$10,080,000, is outlined in the table below, as was provided by Department staff.

Expenditure Category	Estimated Three-Year Amount
Prime Labor - for the nine positions noted above	\$2,640,000
Subcontractors Labor	\$588,700
Administrative Fee, eight percent applied to subcontractors' labor	\$47,100
<b>Total Estimated Labor Costs</b>	<b>\$3,275,000</b>
Other Direct Costs	\$84,000
<b>Annual Labor and Other Direct Costs</b>	<b>\$3,359,800</b>
<b>Total Estimated Three-year Expenditures</b>	<b>\$10,079,400</b>

### Alternatives to the Proposed Amendment

Per the Department, there are two alternatives to having a Third Amendment for the Paslay Contract:

- Allow the PMG Contract to expire: If the contract is not amended to extend the term, the agreement will expire on March 1, 2012. The Department would no longer receive the beneficial services performed by PMG which pertain to Airports' CIP: key construction management support, project controls oversight and review services. At a critical time in the delivery of the CIP, these support services have been extremely valuable in providing consistent and accurate project status reports, ensuring project milestones are met and resolving contractor disputes.
- Issue a new Request for Proposals: While a new Request for Proposals for an Executive Program Advisor could be issued by staff, this alternative is not recommended in view of the expected result and process time. Staff anticipates this option would not likely yield a contractor with more expertise or knowledge about the ongoing CIP projects, logistical challenges and other pertinent factors to consider when making policy decisions that impact

the timely and cost effective delivery of the CIP.

### **City Contract Compliance**

The proposed Amendment must be approved by the City Attorney as to form. PMG has been assigned a Business Tax Registration Certificate number and has approved insurance documents on file with the Department in the terms and amounts requested.

Paslay has submitted the Contractor Responsibility Program Pledge of Compliance. In accordance with the contract, PMG is required to, and will comply with, the provisions of the following standard City contract requirements: Affirmative Action Program, Child Support Obligations Ordinance, Contractor Responsibility Program, Living Wage Ordinance and the First Source Hiring Program for all non-trade LAX airport jobs. Furthermore, the Department of Public Works, Office of Contract Compliance has determined that PMG is in full compliance with the provisions of the Equal Benefits Ordinance. Pursuant to Charter Section 1022, staff determined that work specified in the Paslay contract can be performed more feasibly and economically by an independent contractor than by City employees.

Airports staff with Procurement Services reviewed this action (File 4324) and established a 10 percent combined Minority/Women Business Enterprise (M/WBE) level of participation for this project. Paslay has committed to the 10 percent M/WBE participation levels and, according to staff, PMG has achieved 17 percent levels of participation to date.

This action is a continuing administrative activity, and as such, is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines. Pursuant to Charter Section 373, actions taken on this item by the BOAC will become final upon approval by the Council.

### **RECOMMENDATIONS**

That the Mayor:

1. Approve, subject to City Attorney approval as to form, a Third Amendment to Paslay Management Group, L.P., Contract No. DA-4324, for an airport owner representative, an Executive Program Advisor, to provide executive level oversight, third-party independent review, strategic evaluation and direction to achieve a successful capital improvement program at Los Angeles World Airports, to extend the contract term by 36 months to March 1, 2015 and increase the funding appropriation by \$10,080,000 for a contract total not-to-exceed \$16,426,189, and
2. Return the request to the Board of Airport Commissioners for further processing, including Council consideration.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed Amendment between Paslay Management Group, L.P. and the Department of Airports will have no impact on the General Fund. Department staff requests additional funds for the continued Executive Program Advisory services be allocated and appropriated from the Los Angeles International Airport Revenue Fund, LA/Ontario International Airport Revenue Fund and Van Nuys Airport Revenue Fund, in an amount of \$10,080,000. This project complies with the Department of Airports adopted Financial Policies.

### **Time Limit for Council Action**

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council", the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.

*MAS:AVM:10120081*