

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 22, 2023

CAO File No. 0150-12252-0000

Council File No.

Council District: 11

To: The Mayor

From: Matthew W. Szabo,  City Administrative Officer

Reference: Correspondence from Los Angeles World Airports dated December 15, 2022 and January 4, 2023; referred by the Mayor for a report on December 15, 2022

Subject: **PROPOSED CONTRACT WITH HDR ENGINEERING, INC. TO PROVIDE PROJECT MANAGEMENT AND CONSTRUCTION MANAGEMENT SERVICES FOR PROJECTS RELATED TO THE AIRFIELD AND TERMINAL MODERNIZATION PROJECT ROADWAY IMPROVEMENTS AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATION

That the Mayor:

1. Approve the Los Angeles World Airports (LAWA; Department) Resolution No. 27655 to authorize a proposed seven-year Contract with HDR Engineering, Inc. to provide Project Management and Construction Management services for projects related to the Airfield and Terminal Modernization Project Roadway Improvements at Los Angeles International Airport for a compensation limit of \$138.5 million and appropriate capital funds of \$83.5 million; and
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the proposed agreement and return the Resolution to LAWA for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA) Board of Airport Commissioners (BOAC; Board) requested approval to execute a proposed contract (Contract; Agreement) with HDR Engineering, Inc. (HDR; Contractor) to provide Project Management/Construction Management (PM/CM) services to support the Airfield and Terminal Modernization Project (ATMP) Roadway Improvements at Los Angeles International Airport (LAX). The proposed Agreement commences upon the date of execution by the LAWA Chief Executive Officer and will terminate seven years thereafter. Compensation for the proposed Contract is for a maximum amount not-to-exceed \$138.5 million, inclusive of a capital fund appropriation totaling \$83.5 million to cover HDR's costs and LAWA soft costs to manage the Phase 1 design and pre-construction phases of the ATMP

Roadway Improvements. Should this action be approved, the appropriations will be divided between HDR and LAWA in the amounts of \$59,650,000 and \$23,850,000, respectively.

BACKGROUND

On December 15, 2022, the Board approved a LAWA staff report and request for approval to execute a proposed Contract with HDR to deliver PM/CM services for various airfield and roadway improvement projects that will enhance operational management and reduce safety hazards within the north airfield and new terminal facilities at LAX. LAWA has several ongoing construction and capital improvement initiatives that require professional consultant services to support capital projects such as the Landside Access Modernization Program (LAMP), ATMP, and Midfield Satellite Concourse South Project. A vast number of forthcoming contracts and subcontracts are programmed in LAWA's capital plan over the next five years to prepare for the 2028 Olympic and Paralympic Games. LAWA intends to augment its insufficient staffing levels by implementing as-needed service contracts to provide the Department with the necessary expertise and flexibility to quickly deliver current and forthcoming capital improvements.

The ATMP is a \$5 billion project comprising improvements to the LAX airfields, terminals, and roadways within the airport's existing footprint. According to LAWA, the ATMP is a comprehensive network of modernization developments that aim to mitigate airfield safety hazards, transform terminal designs to facilitate passenger flow, and reconfigure roadways to reduce traffic congestion for easy access in and around LAX, including the Economy Parking and future Ground Transportation Center systems such as the Automated People Mover and regional mass transit. An additional community benefit derived from this project is a reduction of air pollutant emissions resulting from reduced levels of aircraft idling. LAWA expects the proposed Contract to be executed by March 2023 so that design and pre-construction activities can begin to stay ahead of the construction schedule.

Competitive Selection Process - On June 3, 2022, LAWA released a Request for Proposals (RFP) to select a consultant based on their experience, qualifications, and expertise. The RFP was succeeded by a virtual pre-proposal conference on June 16, 2022, to present the Department's initiatives and answer questions from the firms that were in attendance. On August 9, 2022, five firms submitted proposals, which were independently reviewed and rated by a five-member Evaluation Panel composed of LAWA senior-level staff. Upon examination of the technical proposals, two firms were excluded from participating in the interview process given that they did not demonstrate an adequate understanding of the project scope or sufficient qualifications to carry out the consulting requirements.

Based on the scoring outcome of the remaining candidates, the Evaluation Panel deemed HDR as the most qualified proposer to perform the proposed scope of work described in the RFP. The Evaluation Panel established that HDR provided the best proposal because the consultant displayed extensive knowledge, strong experience, and expertise with similar airfield projects of such complexity and magnitude. Under federal guidelines, LAWA is required to enter into negotiations with the highest-ranking proposer, as such the Department awarded the proposed seven-year Contract to HDR to provide professional consulting services for the ATMP Roadway

Improvement Project.

Target Date to Construction Services – On January 19, 2023, the Board approved a separate seven-year Progressive Design-Build contract with Skanska-Flatiron, A Joint Venture, to design and construct future projects related to the ATMP Roadway Improvements. The target period that Phase 1 Design by the progressive design-builder is approximately 18 to 36 months from HDR's notice to proceed date. LAWA anticipates that Skanska-Flatiron, A Joint Venture will begin construction during the fourth quarter of 2024 or the first quarter of 2025.

Project Cost and Funding – A combination of capital funds and grant awards will be used to finance the project. Capital funds will be used to initiate the proposed Contract and start-up fees of \$83.5 million are required for HDR's services and LAWA soft costs. Of the total appropriation amount, \$59,650,000 will be allocated to HDR and \$23,850,000 to LAWA. These expenditures will result in a net increase to the CIP. Other expenses incurred under this Contract that are grant-funded will be recovered through landing fees, terminal building rates and charges, and non-aeronautical revenues upon completion and activation of the roadway improvements. LAWA will return to the Board to request additional appropriations for soft costs as the project further progresses in definition and construction.

Grant Funding - This project is partially grant funded by the Bipartisan Infrastructure Law (BIL) grant funds from the Federal Aviation Administration (FAA). To date, the FAA awarded \$50 million in grant funds from the 2022 funding cycle towards the ATMP Roadway Improvement initiative. Federal funds from the 2023 funding period are scheduled to be announced by March 2023. Additionally, LAWA received formula grant awards in allocation years 2022 and 2023, totaling \$158.6 million, which the Department will apply toward the ATMP. LAWA also expects the BIL to allocate three additional formula grant awards in the ensuing years to support future phases of the Roadway Improvement projects. Delivery of the ATMP will allow LAWA to remain competitive for FAA airfield grant funding opportunities for federal Fiscal Years 2022-2027.

CITY COMPLIANCE

The City Attorney has reviewed the proposed Contract as to form and legality. The proposed Agreement includes provisions to ensure compliance with applicable City Ordinances, contracting, and insurance requirements. In accordance with Charter Section 373 and Administrative Code Section 10.5(a) and 10.5(b)(2), the Amendment and Agreement require Council approval because the total term of the Agreement exceeds three years. The Department's Procurement Services Division staff has reviewed this action (File. No. 10272) and established a 15 percent Disadvantaged Business Enterprise (DBE) goal. HDR Engineering, Inc. has proposed a level of 25 percent DBE participation.

FISCAL IMPACT STATEMENT

Approval of the proposed seven-year contract with HDR Engineering, Inc. will have no impact on the City's General Fund. Authorization for capital funds in the amount of \$83.5 is requested to be appropriated from the LAX Revenue Fund to WBS elements 1.21.24A-700 (ATMP – Roadway

Improvements). Costs associated with the proposed Contract will be programmed in LAWA's 2022 Capital Improvement Plan (CIP) and will result in a net increase of \$83.5 million to the programmed CIP budget. The actions of the proposed Contract comply with the Los Angeles World Airports' adopted Financial Policies.

Attachment 1 – BOAC December 15, 2022 Report and January 4, 2023 Resolution No. 27655

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