

Airport Capital Improvement Program
Norman Y. Mineta San José International Airport



Terminal B Airside – Looking East



Terminal B Curbside – Looking South

Quarterly Report 1Q07

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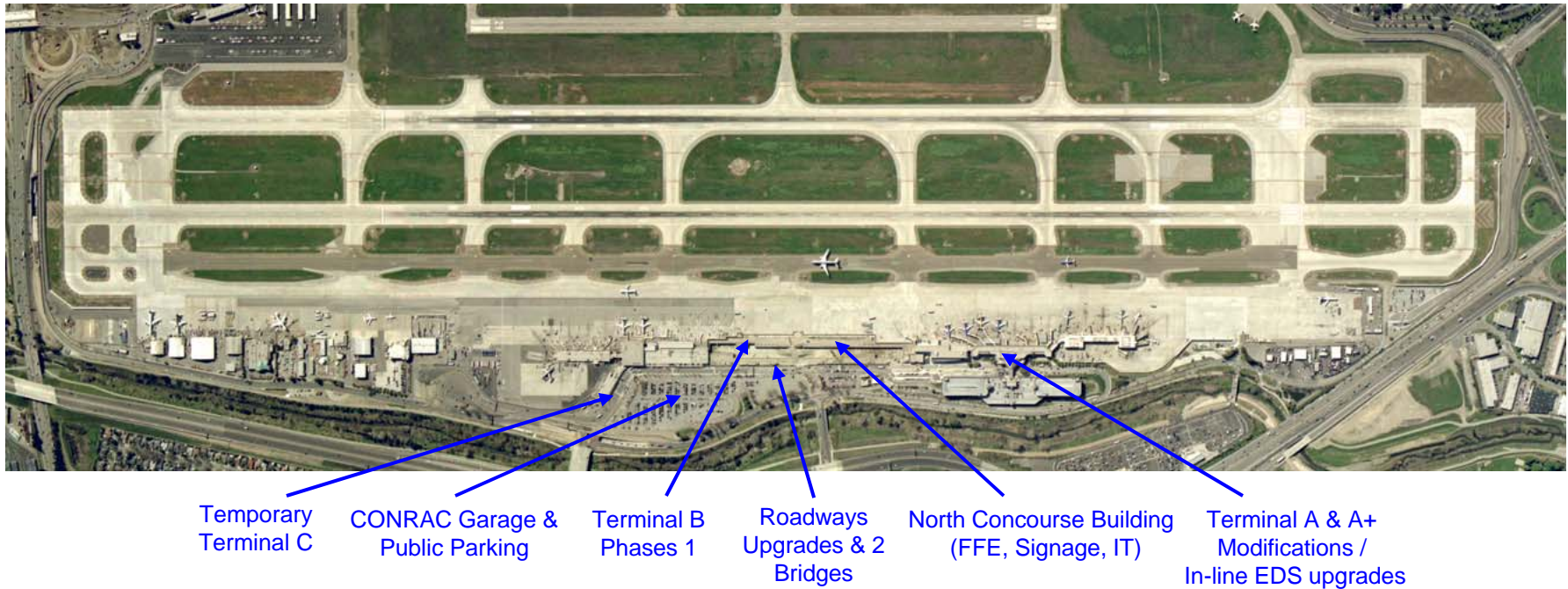
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Preface



The attached report is intended to provide an executive level overview of the status of the Airport's Terminal Area Improvement Program (TAIP) which includes three major elements. The overall capital program for the Airport was revised during fiscal year 2005-06 in order to provide the facilities needed to meet projected passenger demand while staying within costs to the tenants that are consistent with industry standards. Council amended the Airport's Master Plan in June of 2006 to reflect these changes, and awarded a design-build contract with Hensel Phelps construction in October of 2006 to construct the majority of the projects within the TAIP. Including future year projects, the total capital program is planned at \$1.6 billion, and Phase I of the program includes projects totaling \$1.1 billion. This report focuses on the TAIP projects, which total \$990,116,000.

The data included in this report reflects information available as of the end of the calendar quarter being reported. These quarterly reports provide a general understanding of the program, but are only "snapshots in time." To evaluate longer-term budget and schedule trends these reports must be evaluated in the aggregate, not individually.

Project Approval & Delivery Approach

In November 2005, Council approved a revised Capital Improvement Program (CIP) Master Plan for the Norman Y. Mineta San José International Airport. That approval authorized the use of the Design-Build project delivery approach for a \$663 million component of the \$990 million Terminal Area Improvement Program (TAIP). Design-Build has three key advantages: 1) contracts a prime contractor to perform both the design and construction; (2) provides greater schedule flexibility over the traditional Design-Bid-Build approach by affording the City the opportunity to complete the terminal modifications and roadway improvements within a shorter time, and 3) minimizes potential conflicts during the construction phases of the various Project Elements and thereby lessens impacts to customers.

On October 17, 2006, Council approved a \$513 million Design-Build contract with Hensel Phelps Construction Company. Within this budget, \$25 million was provided for (and is controlled by) the City for its Construction Contingency. That approval also established a budget for Airport Reserves and City Support Costs.

Since January 2007, Hensel Phelps has been mobilizing its team including: Fentress Bradburn Architects, Granite Construction, DMJM Transportation Engineers and TranSystems. Concurrently, Airport staff has been managing other Airport capital projects.

Program Overview

The Airport Master Plan Improvement Program runs the full gamut of work from constructing and renovating new terminals; to expanding existing building systems; to demolishing obsolete facilities. All of this work will be accomplished while working within the active terminal and roadway areas. During Phase 1 of the Terminal Improvement portion of construction the current aircraft gate count will reduce from 32 to 28. Yet the existing customer services or air carrier operations will not only be maintained but enhanced by modernizing ticket counters and installing Self-Service Ticket Devices strategically positioned in the Terminals' queuing lines.

At the completion of the second phase of Terminal B, the number of gates will increase to 40. The Design-Build contract has been divided into eight major Project Elements. In addition the TAIP includes the North Concourse Base Building, Terminal Equity Improvements. The overall duration of the Design-Build Program is 3-1/2 years (second quarter 2010). The initial budget validation for that program identified a \$150 million deficit due mainly to escalation, high contingencies in cost estimates and scope increases. This deficit was reduced by \$90 million by refining the design. The variance was further reduced to \$17 million after deleting the public parking facility.

Design Build Program

1. Terminal A Modifications – During the renovation and expansion of Terminal A this structure will remain a fully functioning passenger processing facility for American, American Eagle, Hawaiian, Mexicana and Southwest Airlines. Work includes a new In-Line Baggage Handling and Screening System.

The Terminal A Modifications project will address the imbalance that currently exists between the number of aircraft gates and the inadequate number of check-in positions/queuing area, security checkpoints and concessions. **These customer service and operational enhancements are being targeted:**

- Move the passenger ticketing function to the ground level which affords the opportunity to expand the counters and queuing area by 60% and permits passengers to check-in international, over-sized and out-of-gauge bags at the ground level rather than having to carry them to the second level for check-in.
 - Consolidate the two existing security checkpoints and double the number of passenger screening lanes Available for queuing and processing.
 - Double the size of the airside concessions and provide new (non-existent) landside concessions.
2. Terminal B – This project will be implemented in phases. The northern portion (Phase 1) is fully funded and will be constructed as part of the current Council-approved project. The southern portion (Phase 2) will be constructed at a future date triggered by passenger demand and flight activity.

This project will allow the demolition of the out-of-date and inadequately sized Terminal C. **These customer service and operational enhancements are being targeted:**

- Provide a full compliment of staffed and self service ticket counters, including sufficient queuing, security checkpoint screening lanes, baggage claim devices and concessions.
- Modern and efficient building systems.
- The opportunity to address a full array of sustainable design issues.

3. Temporary Terminal C – The existing terminal will be reconfigured to allow the demolition of the north portion of the facility. This work will require re-sizing the spaces used by nine airlines and three of the concessionaires currently operating in that facility. The work enables construction to commence on the new Terminal B. Once Terminal B Phase 1 is completed; the remaining portion of existing Terminal C will be demolished to allow the final stage of the enhanced (and straightened) Roadway system to be completed. Terminal C is currently utilized by Alaska, Continental, Delta, Frontier, JetBlue, Northwest, USAir, and United Airlines. After the completion of Terminal B, the present airline operations will be re-distributed between Terminals A and B.
4. Public Parking Garage Pre-design – This master planning effort is required to ensure the future (deferred) Public Parking Garage will function with the Consolidated Rental Car Garage since both facilities share a common site.
5. Consolidated Rental Car (ConRAC) Garage – Scheduled to coincide with the opening of the first phase of Terminal B, the ConRAC will provide passengers more direct access to rental car facilities.

These customer service and operational enhancements are being targeted:

- Provide amenities for visitors and business travelers using the Airport that are comparable and competitive with those of other major airports to which they travel.
 - Relocation of rental cars to the “terminal zone” – clearly a competitive advantage over other Bay Area airports that rely on remote and inconvenient rental car check-in facilities. This new garage will permit direct access for passengers from Terminal B.
6. Roadways – An enhanced roadway system that will provide greater vehicle capacity via more lanes, direct access to each terminal, a straighter alignment and better ground transportation options which will improve the way-finding geometry that exists today. When completed, the new roadway system will eliminate the “bottlenecks” and “choke points” that exist today. This infrastructure project will also modernize and improve the existing utilities that run both above and below the ground within the boundaries of the landside work site.
 7. Surface Parking – Existing surface parking associated with Terminal C will be reconfigured throughout the construction period to maintain adequate parking.
 8. North Concourse (FF&E, Signage and IT) – In order to ensure consistency, this project will provide all new furniture, fixtures and equipment (FF&E), directional/informational signage and information technology (IT) systems in both the new Terminal B and the North Concourse.

North Concourse

The North Concourse is currently under construction and when completed will:

1. Add nine new gates and hold rooms.
2. Enhance security via a permanent in-line explosive detection system (EDS) for baggage screening which replaces the existing temporary facilities.
3. Provide passenger amenities, e.g. retail, food and beverage concessions.
4. Expand the Central Plant Expansion.

Terminal Equity Improvements

The Terminal Equity Improvements project includes the Rehab of Terminal A+ and Baggage Claim. The project's objective is to upgrade and improve existing facilities to render them equitable to the new Terminal facilities implemented under the Design-Build and North Concourse Program. The scope of the work includes new furnishings and furniture, signage, painting, new carpet, new and upgraded restrooms, roof replacement, mechanical, electrical, fire alarm/security and technology improvements.

Small and Local Business Utilization

In order to solicit interest and inform small and local businesses of opportunities at the Airport, City staff and Hensel Phelps developed an outreach program consisting of communication and strategic bid packaging. To date, the outreach program has consisted of contacting all of the ethnic Chambers of Commerce as well as the Silicon Valley Chamber of Commerce and informing the Chambers' staff of contracting opportunities. In addition, on two occasions Staff and Hensel Phelps have presented the outreach program to the Small Business Development Commission.

The Office of Economic Development has been engaged and the City has provided Hensel Phelps with its database

of local contractors and suppliers. Staff and Hensel Phelps will participate in the Alliance West Small Business Procurement Fair on April 26, 2007 at the San José Convention Center. In addition, a web site is under development that will allow contractors to pre-qualify and bid on construction packages. The City's bid line will also be utilized to provide additional outreach.

In addition to the communications with local businesses, Hensel Phelps and the City will, when feasible, employ a strategy to package subcontract work in a manner that allows smaller contractors to bid the work. To the extent prudent, this will consist of breaking larger bid packages into smaller jobs that are more attractive to small contractors.

Maintenance of Customer Service Levels During Construction

In order to monitor construction impacts and mitigate those that might occur during construction, the Airport has included a full time Customer Service Representative on staff. The Customer Service Representative is now involved with the day-to-day implementation of the program, and is working closely with the implementation

team as design progresses. In addition, a stakeholder advocacy team has been developed to ensure that stakeholders are kept informed of developments and that input from those stakeholders is considered as part of the implementation process. To date, there is no TAIP construction activity to report.

20% Shift of Project Element Budgets

On February 16, 2007 an Information Memo advised City Council there would be budget shifts of more than 20% in the Design-Build contract. This resulted from the deletion of the \$60M Public Parking facility and reduction of contingency estimates by \$73M in the other elements budgets. This resolved the reported \$150M initial budget shortfall. Therefore, the shifts shown in the table below are consistent with the directive that budget and schedule would not exceed the overall targets and that the only variable would be scope. Column four indicates those budgets that have shifted funds in excess of 20%. This reallocation of funds did not increase the overall Design-Build Program budget.

<u>Element</u>	<u>Initial Budget</u> <u>(million \$)</u>	<u>Revised Budget</u> <u>(million \$)</u>	<u>20% Budget Change</u>	<u>Comment</u>
Terminal A Modifications	37.7	50.08	Yes	
New Terminal B	127.8	136.05	Yes	
Roadway Improvements	110.9	114.14		
Temporary Terminal C	5.7	25.74	Yes	
Terminal C Demolition	8.2	0		Included in Terminal C
Surface Parking Lot	3.0	3.04		
Tenant Relocations	0.8	3.24	Yes	
Consolidated Rental Car Garage	101.6	110.42		Includes Program Reserve authorization
Public Parking Garage	66.2	8.57	Yes	Reserves preliminary design funding
Terminal A Baggage System and Building	26.5	26.49		
North Concourse Completion Items	23.0	23.03	Yes	
Utilities Feasibility	1.4	1.42		
Budget Reallocation to City		10.58		HP budget reduced/ City budget increased
Hensel Phelps Budget	512.8	512.8		

Accomplishments This Quarter

- Concluded a series of successful re-scoping work sessions aimed at closing the gap between the approved budget and the estimated cost of the work required to accomplish the stated program goals. The \$150 million program variance reported to Council in late 2006 has been reduced to approximately \$17 million. This re-scoping has received the consent Airport Airline Affairs Committee (AAAC). Efforts are ongoing to eliminate that remaining balance.
- Negotiated Pre-Design Task Orders for all of the Project Elements listed above and subsequently issued the Notice to Proceeds necessary to authorize Hensel Phelps and its design consultants to commence their effort. This work is necessary to firmly establish the exact work scope that will be authorized during the 0% to 30% design effort.
- Reviewed and refined the Design-Build cost estimates with Hensel Phelps. This is an effort that will continue throughout the program to ensure that construction cost estimates reflect current material cost trends and escalation.
- Relocated Hensel Phelps and the City staff/consultant team into a single building; selected an Executive Program Manager to lead the City's Terminal Area Improvement Program (TAIP) Team which is comprised of City staff and consultants; increased City's Core Staff by selecting project managers for the Terminals and Garages; and utilized the URS Corporation and Carter & Burgess, Inc. Program Management and Implementation Support Services contract to staff the program's cost and schedules control function.
- Selected and made an award recommendation for an independent Construction Cost Consultant, Saylor Consulting, in order to give the City access to the best available industry cost databases and cost estimators. Absent this knowledge and experience, the City will be at a disadvantage when negotiating a guaranteed maximum price (GMP) with Hensel Phelps as each Project Element reaches the 60% design level.
- Selected and made an award recommendation for an independent Construction Cost Audit Consultant, Jefferson & Wells, in order to give the City access to the best available industry construction cost auditors who, under the terms of the City's contract with Hensel Phelps, will undertake an every six month "true-up" of actual costs and, as appropriate, recommend adjustments.

Planned for Next Quarter

- Complete all Pre-design work.
- Negotiate and execute the 0% to 30% Design Task Orders for all Project Elements.
- Commence 0% to 30% Design on all Project Elements.
- Hold design work sessions to review the evolving 30% design schemes for the various Project Elements to ensure that the scope proposed by Hensel Phelps, and based on the fixed budget, accomplishes the program's customer service objectives and operational enhancement goals.
- Commence Cost Trend Meetings to compare and, as required, mitigate forecast increases between current cost estimates and the budget.
- Install new cost control system software and establish business flow models to track cost commitments. The City's new Skire Unifier software will work with the current Access applications (ProjectWise, Action Items, Issues, Inspection, and Cost System).



North Concourse Structural Steel

North Concourse Interior Rendering



Description of Airport Capital Projects	Budget
Design-Build Program	\$ 662,938,901
North Concourse Improvement Program	\$ 274,962,099
Terminal Equity Improvements	\$ 52,215,000
Subtotal - TAIP Projects	\$ 990,116,000
Miscellaneous Terminal Projects	\$ 16,088,000
Miscellaneous Airfield Projects	\$ 93,270,000
Miscellaneous Parking and Roadway Projects	\$ 33,237,000
Other Projects	\$ 143,936,000
Future Phase 2 Projects	\$ 352,157,000
Total - Phase 1 & 2 Projects	\$ 1,628,804,000

} TAIP Projects
(This Report)

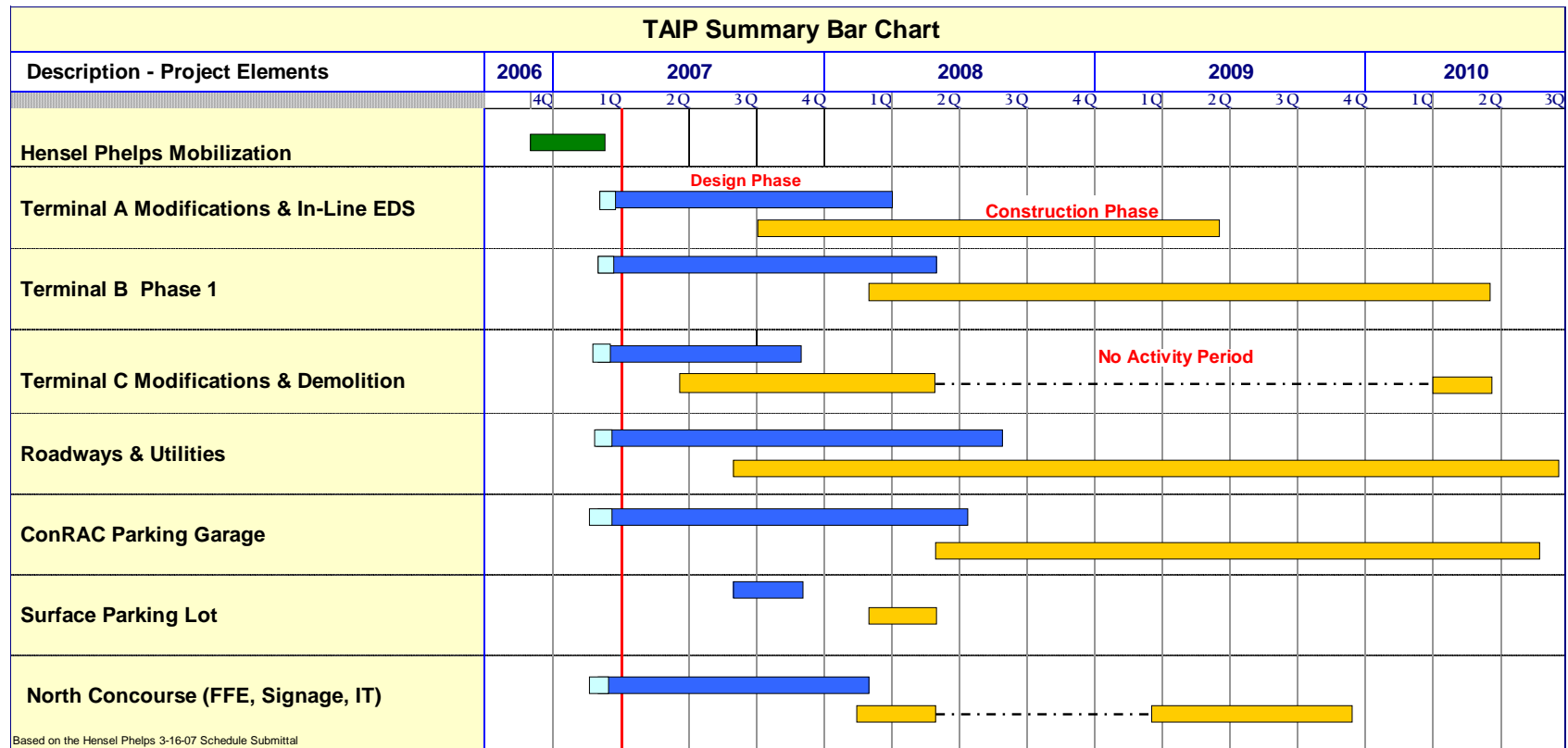
Description Design-Build Program	Budget	Explanation
City Council Funding	\$ 662,939,900	Approved October 2006
Less Program Reserves & Adjustments	\$ 64,766,100	Adjustments:1) ConRAC, 2) NC, 3) Terminal B, Phase 2
Design-Build Budget	\$ 598,173,000	Funds available to be committed
City Support Costs & City Cost Contingency	\$ 95,955,000	Includes City Staff, Consultants, Insurance, FF&E
HP Adjusted Contract	\$ 502,218,000	Reduced budgets for Parking Garage & North Concourse
Owner Controlled Contingency	\$ (25,001,000)	
Current Design-Build Baseline Budget	\$ 477,217,000	

Budget

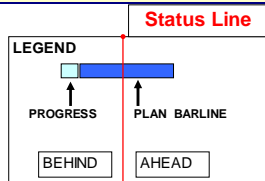
TAIP Project Elements

Project Element	Budget with OC	Committed to Date	Remaining Budget	Phase of Work
Terminal A	\$ 63,637,000	\$ 2,926,046	\$ 60,710,954	Pre-Design
Terminal A Inline Baggage System	\$ 30,000,000	\$ 813,353	\$ 29,186,647	Pre-Design
Terminal B + Phase 1 & Utility Phase 2	\$ 163,826,182	\$ 3,834,837	\$ 159,991,345	30% Design
Terminal B Phase 2	\$ 8,455,452	\$ 791,395	\$ 7,664,057	30% Design
Terminal C + Building Demolition	\$ 34,748,530	\$ 1,679,959	\$ 33,068,571	Pre-Design
North Concourse: FFE, IT & Equipment	\$ 18,851,000	\$ 511,572	\$ 18,339,428	Pre-Design
ConRAC Garage	\$ 128,574,000	\$ 4,253,490	\$ 124,320,510	Pre-Design
Public Garage	\$ 9,864,644	\$ 2,383,811	\$ 7,480,833	Pre-Design
Roadways & Utilities	\$ 131,166,551	\$ 5,737,759	\$ 125,428,792	Pre-Design
Surface Parking	\$ 3,487,307	\$ 301,470	\$ 3,185,837	Pre-Design
Utility Feasibility	\$ 1,700,017	\$ 35,229	\$ 1,664,788	Pre-Design
Tenant Relocation	\$ 3,861,857	\$ 248,072	\$ 3,613,785	Pre-Design
Design Build Miscellaneous Expenses		\$ 232,783	\$ (232,783)	Pre-Design
Subtotal	\$ 598,172,540	\$ 23,749,776	\$ 574,422,764	
TAIP Contract Adjustments	\$ 20,884,982			
Subtotal	\$ 619,057,522	\$ 47,499,552	\$ 1,148,845,528	
Program Reserve Balance	\$ 43,811,376			
Total	\$ 662,868,898			

Amount	Explanation of Release of Program Reserves	Date
\$ 55,964,988	The Design-Build Program Reserve funding, dated 9/18/06, included a \$466,235 allocation for the North Concourse contract.	9/18/2006
\$ (466,235)	\$466,235 reallocated for the North Concourse contract.	
\$ (11,687,377)	Released the full ConRAC Program Reserve of \$11,687,377 since these funds can only be spent for the ConRAC.	2/5/2007
\$ 43,811,376	Reserve Balance	



Based on the Hensel Phelps 3-16-07 Schedule Submittal



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Status as of
Report Date