

# Session 2b: Pre-procurement

## A Forum on P3s: What Are the Lessons Learned?

Washington, D.C.  
July 10, 2019

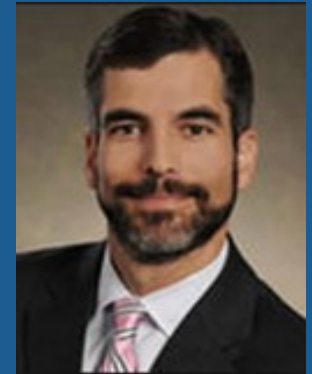
# Session Goals

What we hope you walk away with today...

- Appreciation of complexity of the P3 process
- The importance of getting input from key stakeholders
- The importance of the education process for all stakeholders
- The importance of transparency in the procurement process
- The amount of time it takes to successfully complete a P3 procurement
- No one size fits all, not every airport has same fact case
- Hear first-hand accounts of how the P3 procurement process worked at other airports and lessons learned

# Panelists

1. Galen Beaufort, Senior Associate City Attorney, City of Kansas City, Missouri
2. Dan Reimer, Assistant General Counsel, Denver International Airport
3. Steve Sisneros, Managing Director-Airport Affairs, Southwest Airlines
4. Roger Johnson, Airport Program Executive, Jacobs, formerly Deputy Executive Director of Los Angeles World Airports



# Kansas City International Airport - New Terminal Complex



# Denver International Airport – Great Hall Project (flydenver.com)



# LAMP Program Elements

## FIVE MAJOR PROGRAM ELEMENTS

### APM System

- Guideway
- Pedestrian Bridges
- Fixed Facilities

### ConRAC

- Customer Service Building
- Ready Return
- Quick Turn Around

### Terminal Interface

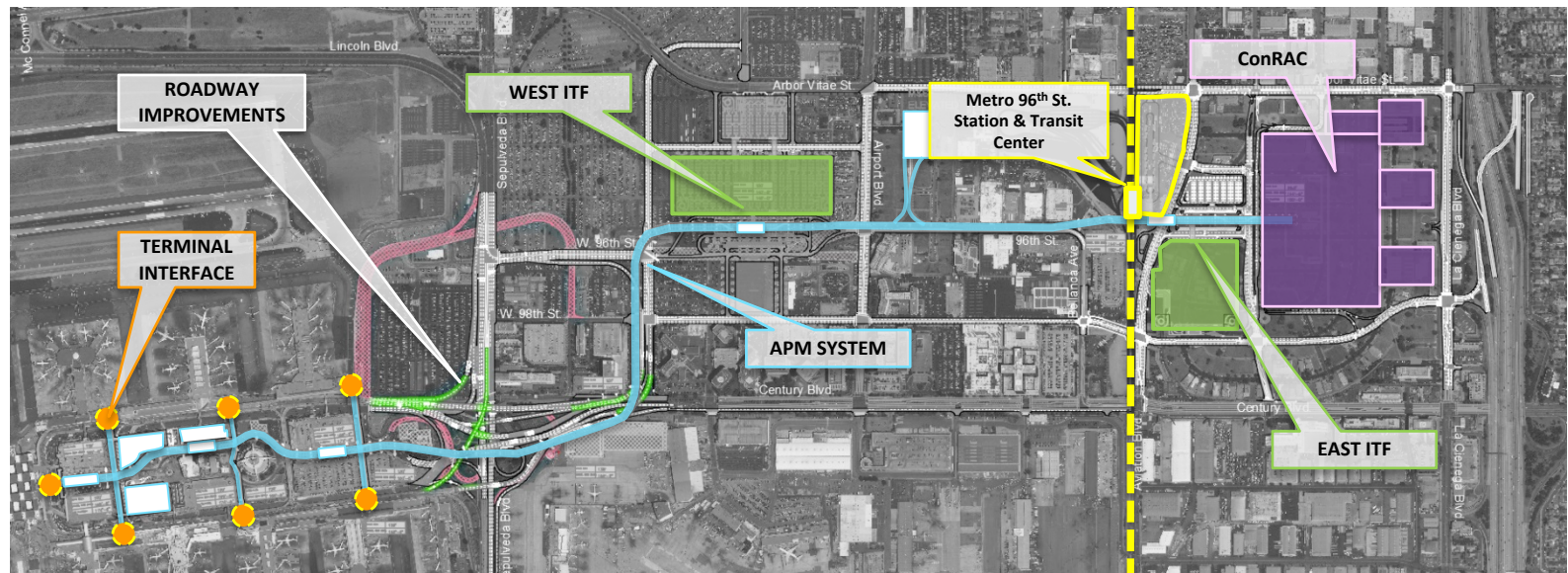
- Vertical Cores

### ITF Garages

- Associated Driveways and Roadway








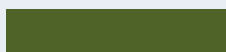



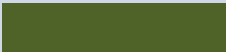
### Roads




- Roadway, Site Work, Utilities



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# ■ Delivery Strategy Evaluation

Delivery Objectives	DB, DBOM, with “pay as you go”	DBFOMs for APM and ConRAC
Control capital costs		
Minimize finance cost		
Expedite delivery		
Capture life cycle cost efficiencies		
Capture economies of scale		
Minimize impact on existing operations		

 = Goal likely not achieved  
 = Partially achieves goal  
 = Achieves goal

# Proposed Strategy

<p><b>Program Element</b></p>	<p><b>APM System</b></p> <ul style="list-style-type: none"> <li>• Guideway</li> <li>• Pedestrian Bridges</li> <li>• Fixed Facilities</li> </ul>	<p><b>ConRAC</b></p> <ul style="list-style-type: none"> <li>• Customer Service Building</li> <li>• Ready Return</li> <li>• Quick Turn Around</li> </ul>	<p><b>Terminal Interface</b></p> <ul style="list-style-type: none"> <li>• Vertical Cores</li> </ul>	<p><b>ITF Garages</b></p> <ul style="list-style-type: none"> <li>• Associated Driveways and Roadway</li> </ul>	<p><b>Roads</b></p> <ul style="list-style-type: none"> <li>• Roadway, Site Work, Utilities</li> </ul>
<p><b>Proposed Delivery Methods</b></p>	<p><b>DBFOM</b></p>	<p><b>DBFOM</b></p>	<p>DB, CM@R (TBD)</p>	<p>DB, CM@R (TBD)</p>	<p>DBB, DB, CM@R (TBD)</p>

## BENEFITS OF DBFOM

- Cost control/certainty
- Accelerated schedule/increased certainty
- Risk transfer
- Integrated life cycle
- O&M certainty
- Overall lower administrative cost



# Questions and Answers (1 of 2)

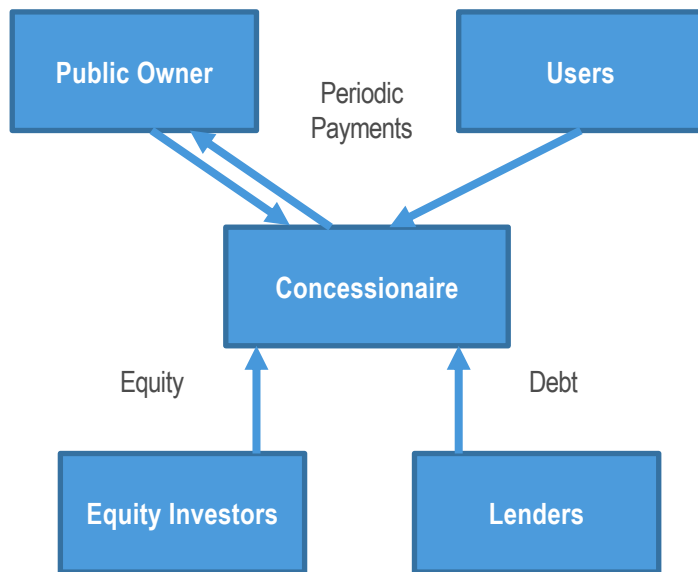
1. **Contrast traditional project delivery approach with a P3**
2. **Deciding on best approach/motivations – MCI, DEN, LAX, DAL/LAX T1**
  - **What is the value proposition for the airport/owner (LAX)?**
  - **Airline receptivity? Tradeoff between higher financing costs and speed of delivery/risk transfer**
  - **Elected officials (DEN, MCI)?**
  - **Are there certain types of projects where a P3 is better suited (e.g., large, complex projects)?**
3. **Stakeholder engagement**
  - **How does the airport/owner address trust, transparency, and control with the airlines (or rental car companies)?**
  - **What would you suggest for educating elected officials and the public?**
4. **Timeline – how much time was spent:**
  - **Deciding preferred project delivery approach**
  - **Selection process (RFI, RFP, developer meetings, interviews)**
  - **Negotiating developer agreement**
  - **Overall timeline: from consideration of best approach to entering into developer contract**

## Questions and Answers (2 of 2)

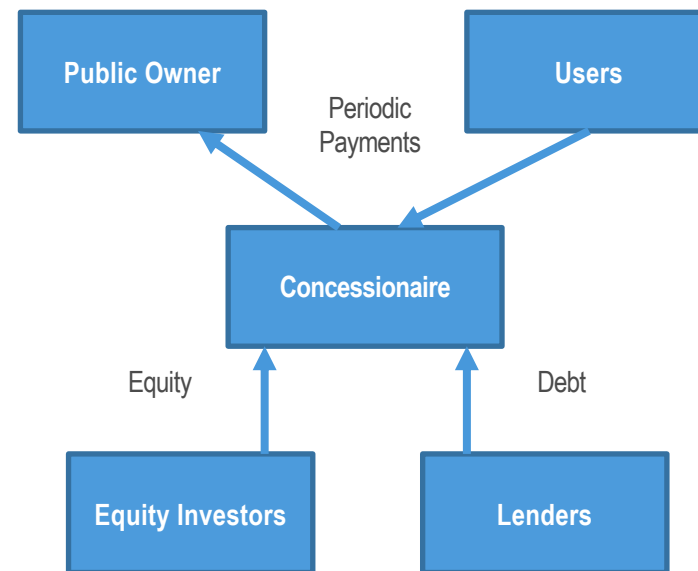
5. **Lessons learned to improve the evaluation and procurement process**
  - Avoid a pre-mature launch
  - Educate elected officials and public
  - Engage primary tenants (airlines, rental car companies)
  - Be aware of costs to airport owner (legal and technical advisor fees, staff time)
  - Specify performance and quality of service standards
6. **Lessons learned on implementation and how to improve the procurement process**
  - Putting developer between airport/owner and airlines
  - Are there ways to mitigate this potential defect (e.g., project governance structure)?
7. **How much did development teams spend to propose on your project?**

# Availability Payments vs. Revenue Payments

## AVAILABILITY PAYMENTS



## REVENUE PAYMENTS



- LAWA chose a P3 availability payment model for both APM and ConRAC delivery
- The availability payment includes the cost of construction, operations & maintenance (25 years) plus the cost of financing

# Key Takeaways

1. P3s can provide better Value-for-Money compared to traditional project delivery models
2. Trade-off between: higher financing costs vs. potential for lower capital/operating costs, shorter construction period, enhanced innovation, and transfer of risks to a private partner
3. Especially useful for large, complex projects
4. Transparent and open process can lead to successful outcomes
5. Carefully think through and plan the transaction - do not prematurely launch – otherwise you waste other people’s time/money and lose credibility
6. Make sure you can complete the transaction – have all the approvals committed
7. Conduct a simple and transparent process for the bidding
  - With clear evaluation criteria
  - Make sure it is very clear who pays for what
  - Make sure the contract is clear about who is responsible for what risks
8. Specify performance and quality of service standards
9. Make sure the risk/reward ratio is attractive and well-defined
10. Carefully think through specifications for the contracts

# Panelist Contact Information

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**Daniel S. Reimer**  
Former Assistant General Counsel  
Denver International Airport  
(303) 596-2170  
dansreimer@gmail.com

**Galen Beaufort**  
Senior Associate City Attorney  
City of Kansas City, Missouri  
2800 City Hall  
414 East 12th Street  
Kansas City, MO 64108  
816-513-3122  
galen.beaufort@kcmo.org

**Steve Sisneros**  
Managing Director – Airport Affairs  
Southwest Airlines  
2702 Love Field Drive HDQ 4PF  
Love Field, TX 75235  
Phone: (214) 792-4745  
Fax: (214) 792-4086  
steve.sisneros@wnco.com

**Mr. Roger Johnson**  
Aviation Program Executive  
Jacobs  
2000 Michelson Dr Ste 500  
Irvine, CA 92612-1204  
United States  
Phone: (949) 338-5044  
roger.johnson@jacobs.com

**Sheri Ernico**  
Director  
LeighFisher  
555 Airport Boulevard, #300  
Burlingame, CA 94010  
Phone: (650) 759-8430  
sheri.ernico@leighfisher.com

# MCI TMP Project Governance

	<b>Program Management Committee</b>	<b>Steering Committee (SC)</b>
<b>Purpose</b>	Supports the SC by providing overall management and coordination	Review/approve any changes to all Threshold Issues
<b>Members</b>	<ol style="list-style-type: none"> <li>1. <b>KCAD - Deputy Director</b></li> <li>2. <b>Airline - Airline Technical Representative</b></li> <li>3. <b>Developer – VP/Managing Director for TMP</b></li> </ol>	<ol style="list-style-type: none"> <li>1. <b>KCAD - Director of Aviation</b></li> <li>2. <b>Airline – AAAC Chairperson</b></li> </ol>
<b>Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Prepare and submit appropriate documents to the SC</li> <li>2. Establish/review baselines, scope, cost estimates, schedules</li> <li>3. Establish clear lines of responsibility, authority, and communication (spirit of teamwork among all stakeholders)</li> <li>4. Minimize Program impacts on Airport operations, operating airlines, and other tenants</li> <li>5. Coordinate projects with other on-going Airport projects</li> <li>6. Ensure proper review and approval by the SC before contracts for services or construction are developed and executed</li> <li>7. Review performance of consultant and construction contractors providing services to the Program and review quality standards</li> <li>8. Coordinate both internal and external interfaces, identify any issues, and obtain resolution</li> <li>9. Direct the value engineering exercises to satisfy the required function at the lowest cost consistent with performance, reliability and maintainability requirements</li> <li>10. Review all significant deviations from the Program baseline as established</li> <li>11. Review all packages of work</li> <li>12. Approve all change orders that do not materially affect Airline operations, Program Schedule, or Program scope, or that affect the payments required of the Airlines under the Airline Use and Lease Agreement (“Threshold Issues”)</li> </ol>	<ol style="list-style-type: none"> <li>1. Set Program Policy and provide Program oversight</li> <li>2. Review and resolve issues to maintain forward progress in achieving Program goals</li> <li>3. The SC is responsible for the following:               <ol style="list-style-type: none"> <li>a. Overall Program review and approval</li> <li>b. Decision making authority within the Program for all procurements</li> <li>c. Review and approval of all TMP’s scope, cost and schedule</li> <li>d. Review Bid Packages before released for bidding</li> <li>e. Review and advise bid awards</li> <li>f. Review weekly, monthly and quarterly reports</li> <li>g. Review financial controls recommendations and reports</li> </ol> </li> <li>4. The SC shall review any part of the Program that has deviated from its SC approved baseline scope, budget or schedule. Developer shall recommend subsequent corrective actions based on the following criteria:               <ol style="list-style-type: none"> <li>a. Scope Changes</li> <li>b. Schedule delays over the baseline</li> <li>c. Budget variances over or under the baseline</li> </ol> </li> </ol>