



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
18

Meeting Date: **MARCH 7, 2013**

Subject:

Approve and Authorize the President/CEO to Execute a First Amendment to the Agreement with KONE Inc., for Elevator and Escalator Maintenance and Repair Services

Recommendation:

Adopt Resolution No. 2013-0030 , approving and authorizing the President/CEO to execute a First Amendment to the Agreement for Elevator and Escalator Maintenance and Repair between the San Diego County Regional Airport Authority ("Authority") and KONE Inc., increasing compensation by \$1,778,839.00 for a total not-to-exceed compensation amount of \$8,278,839.00 and extending the term for eight months, to expire December 31, 2013.

Background/Justification:

On March 23, 2007, the Authority entered into a contractual Agreement with KONE Inc., ("Agreement") for provision of elevator and escalator maintenance and repair services. The term of the Agreement was three years with a maximum not-to-exceed compensation amount of \$5,675,194. The Agreement was later amended to increase the maximum compensation amount by \$188,634.00 for a new not-to-exceed amount of \$5,863,828.00. The additional \$188,634.00 covered the maintenance and repair of additional elevator units that were previously maintained by HMS Host and later transferred to the Authority.

To ensure the highest level of elevator and escalator service and reliability, the Authority included in the 2007 agreement a requirement that the contractor provide an on-site technician to provide continuous service coverage between 4:00 a.m. and 8:30 p.m. on all days including weekends and holidays.

On April 8, 2010, the Authority entered into a second Agreement with KONE Inc., ("Agreement") for provision of elevator and escalator maintenance and repair services. The initial term of this Agreement was three years with options for two one-year extension periods and a maximum amount of compensation of \$6,500,000.00. The contract amount covered only the initial three-year term, which was the Authority's practice at the time.

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The Agreement was executed in compliance with Authority Policy 5.04, which permits the use of alternative contracting methods including participation in cooperative procurement arrangements. Through U.S. Communities, a non-profit government purchasing cooperative, the City and County of Denver, CO served as the Lead Public Agency, competitively soliciting for elevator maintenance services, and eventually executing a Master Agreement ("Master Agreement") with KONE which expires December 31, 2013.

The purpose of this first amendment ("First Amendment") to the second Agreement is to extend the term of the Agreement from the current expiration date of April 7, 2013 to December 31, 2013, which coincides with the expiration of the City and County of Denver's Master Agreement with KONE, cover maintenance and repair of all new escalator and elevator units that have been installed under the Green Build not covered by warranty, and increase the maximum compensation by \$1,778,839.00. The labor rates used in the pricing of this First Amendment are eight percent (8%) less than the KONE-U.S. Communities contracted labor rates. This First Amendment will ensure continuity of maintenance and repair services of existing units as well as new units installed as part of the Green Build project through December 2013.

Prior to December 31, 2013, the Authority will publish a new solicitation for a single service provider for elevator and escalator maintenance and repair. The agreement will cover maintenance and repair of all existing units and the new units that were installed under the Green Build. As part of the Green Build requirements, the Joint Venture Contractors will be providing a one-year warranty maintenance program for the new units. As units are no longer covered by the warranty maintenance program, they will be added to the Authority's maintenance and repair agreement.

Fiscal Impact:

Funding for this First Amendment to the elevator and escalator maintenance and repair services agreement is available in the Board-approved FY2013 and conceptual FY2014 Facilities Management Department Operations and Maintenance budget for Annual Service Contracts.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy
 Customer Strategy
 Employee Strategy
 Financial Strategy
 Operations Strategy

Environmental Review:

- A. CEQA Review: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code §21065.

- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act Pub. Res. Code §30106.

Equal Opportunity Program:

The Authority's small business program promotes the utilization of small, local, disadvantaged, and other business enterprises, on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach, the Authority strives for diversity in all contracting opportunities.

The Authority has a Disadvantage Business Enterprise ("DBE") Plan as required by the Department of Transportation, 49 CFR Part 26. The DBE Plan calls for the Authority to submit and annual overall goal for DBE participation on all federally funded projects.

This project does not utilize federal funds; therefore, it will not be applied toward the Authority's over-all DBE goal.

Prepared by:

BRYAN ENARSON
VICE PRESIDENT, DEVELOPMENT

RESOLUTION NO. 2013-0030

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE A FIRST AMENDMENT TO THE AGREEMENT FOR ELEVATOR AND ESCALATOR MAINTENANCE AND REPAIR BETWEEN THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY ("AUTHORITY") AND KONE INC., INCREASING COMPENSATION BY \$1,778,839.00 FOR A TOTAL NOT-TO-EXCEED COMPENSATION AMOUNT OF \$8,278,839.00 AND EXTENDING THE TERM FOR EIGHT MONTHS, TO EXPIRE DECEMBER 31, 2013

WHEREAS, on March 23, 2007, the Authority awarded a three-year Service Agreement to KONE Inc. ("Agreement"), in the amount of \$5,675,194.00, to provide elevator and escalator maintenance and repair services and later amended to increase the maximum compensation amount by \$188,634.00, to cover additional elevator units previously maintained by HMS Host; and

WHEREAS, on April 8, 2010, the Authority entered into a second three-year Service Agreement with KONE Inc. ("Agreement"), in the amount of \$6,500,000.00, to provide elevator and escalator maintenance and repair services; and

WHEREAS, the Agreement was executed in compliance with Authority Policy 5.04 which permits the use of alternative contracting methods including participation in cooperative procurement arrangements; and

WHEREAS, through U.S. Communities, a non-profit government purchasing cooperative, the City and County of Denver, CO served as the Lead Public Agency, competitively soliciting for elevator maintenance services, and eventually executing the Master Agreement ("Master Agreement") with KONE which expires December 31, 2013; and

WHEREAS, the purpose of this first amendment to the second Agreement is to extend the term of the Agreement from the current expiration date of April 7, 2013, to coincide with the December 31, 2013, expiration of the City and County of Denver's Master Agreement with KONE, cover maintenance and repair of all new units that have been installed under the Green Build, and increase the maximum compensation by a not-to-exceed amount of \$1,778,839.00; and

WHEREAS, this First Amendment will ensure continuity of maintenance and repair services of existing units as well as new units installed as part of the Green Build project not covered under warranty through December 2013; and

WHEREAS, the Board believes that it is the best interest of the Authority and the public that it serves for the Board to authorize the First Amendment to the Agreement with KONE Inc. for elevator and escalator maintenance and repair services.

NOW, THEREFORE, BE IT RESOLVED that the Board APPROVES and AUTHORIZES the President/CEO to execute a First Amendment to the Agreement for Elevator and Escalator Maintenance and Repair between the San Diego County Regional Airport Authority ("Authority") and KONE Inc., increasing compensation by \$1,778,839.00 for a total not-to-exceed compensation amount of \$8,278,839.00 and extending the term for eight months, to expire December 31, 2013; and

BE IT FURTHER RESOLVED that the Authority's President/CEO or designee hereby is AUTHORIZED to execute and deliver such Amendment to the Contract with KONE Inc.; and

BE IT FURTHER RESOLVED the Board FINDS that this Board action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of March, 2013, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

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**AUTHORIZE THE PRESIDENT/CEO TO
EXECUTIVE A FIRST AMENDMENT TO THE
AGREEMENT WITH KONE, INC. FOR
ELEVATOR/ESCALATOR MAINTENANCE**

Presented by: Bryan Enarson
VP Development
March 7, 2013

USE
CAUTION
Slippery
When
Wet

HISTORY

☞ 2007

- Excessive mechanical breakdowns
- New contractor
- Extended day/On site coverage

☞ 2010

- Contract renegotiated using US Communities

☞ 2013

- Contract extension using US Communities
- 8 month extension
- 8% reduction in labor rates

EQUIPMENT INVENTORY

➤ Commuter Terminal

- 3 Elevators

➤ Terminal 1

- 12 Escalators
- 11 Elevators

➤ Terminal 2E

- 3 Escalators
- 5 Elevators

➤ Terminal 2W

- 6 Escalators
- 8 Elevators

➤ Green Build

- 11 Escalators
- 15 Elevators

➤ Total

- 32 Escalators
- 42 Elevators

CONTRACT OVERVIEW

- 3 year contract expiring April 7, 2013
- 2 one-year extensions available
- 8 month extension
- 8% reduction in labor rates
- Re-advertise in June 2013 for a January 2014 start date
- Includes all existing equipment and equipment being added in the Green Build

RECOMMENDATION

- Adopt Resolution No. 2013-XXXX, approving and authorizing the President/CEO to execute a First Amendment to the Agreement for Elevator and Escalator Maintenance and Repair, between the San Diego County Regional Airport Authority (“Authority”) and KONE, Inc., increasing compensation by \$1,778,839.00 for a total not-to-exceed compensation amount of \$8,278,839.00, and extending the term for eight months, to expire December 31, 2013.



QUESTIONS ?