

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 20-0223

**APPROVAL OF MODIFICATION NO. 3 TO CONTRACT NO. 50205 WITH KONE INC., FOR ESCALATOR AND ELECTRIC WALK MAINTENANCE, REPAIR, AND ON-CALL SERVICES, TO INCREASE THE CONTRACT AMOUNT BY \$9,000,000, FOR A NEW NOT-TO-EXCEED CONTRACT AMOUNT OF \$18,765,600, WITH NO CHANGE TO THE CONTRACT TERM**

- WHEREAS, the San Francisco International Airport (Airport) requires regular preventative maintenance, repair, and on-call emergency services for approximately 181 escalators and electric walks to keep the equipment in a safe and reliable condition, and to extend the equipment's life; and
- WHEREAS, on December 18, 2018, by Resolution No. 18-0399, the Commission authorized the Director to issue a Request for Proposals (RFP) for Contract No. 50205 for Escalator and Electric Walk Maintenance, Repair, and On-Call Services; and
- WHEREAS, on May 7, 2019, by Resolution No. 19-0098, the Commission awarded Contract No. 50205, Escalator and Electric Walk Maintenance, Repair, and On-Call Services to KONE Inc, for a term of two years and an amount not to exceed \$9,765,600; and
- WHEREAS, subsequently, Staff learned that an unexpectedly large amount of equipment required major repair and overhaul; and
- WHEREAS, on October 1, 2019, through Modification No.1, the Airport administratively modified the Agreement to increase the allowance for as-needed services to \$5,000,000, with no change to the contract amount, to facilitate the needed repairs and overhauls; and
- WHEREAS, on July 1, 2020, through Modification No. 2, the Airport administratively modified the Agreement to reduce unit prices for preventative maintenance, adjust the preventative maintenance schedule, and update standard contractual terms; and
- WHEREAS, the Airport acknowledges that there is a substantial amount of additional equipment that requires major repairs and overhauls; therefore, be it
- RESOLVED, that the Commission hereby approves Modification No. 3 to Airport Contract No. 50205, Escalator and Electric Walk Maintenance, Repair, and On-Call Services, with KONE Inc., in an amount of \$9,000,000 for a new contract amount not to exceed \$18,765,600; and, be it further
- RESOLVED, that the Commission Secretary is hereby directed to seek Board of Supervisors approval of Modification No. 3 to Contract No. 50205 pursuant to San Francisco Charter Section 9.118(b).

*I hereby certify that the foregoing resolution was adopted by the Airport Commission*

*at its meeting of* \_\_\_\_\_

DEC 1 2020

  
Secretary



**MEMORANDUM**  
December 1, 2020

TO: AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Eleanor Johns, Vice President  
Hon. Richard J. Guggenlime  
Hon. Everett A. Hewlett, Jr.  
Hon. Malcolm Yeung

20-0223

DEC 1 2020

FROM: Airport Director

SUBJECT: Modification of Contract No. 50205 with KONE Inc. for Escalator and Electric Walk Maintenance, Repair, and On-Call Services.

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 3 TO CONTRACT NO. 50205 WITH KONE INC., FOR ESCALATOR AND ELECTRIC WALK MAINTENANCE, REPAIR, AND ON-CALL SERVICES, INCREASING THE CONTRACT NOT-TO-EXCEED AMOUNT BY \$9,000,000 FOR A NEW NOT-TO-EXCEED CONTRACT AMOUNT OF \$18,765,600, WITH NO CHANGE TO THE CONTRACT TERM.

**Executive Summary**

KONE Inc. (KONE), provides maintenance and repair services for approximately 181 escalator and electric walks throughout the San Francisco International Airport (Airport), as well as needed overhauls of older units to increase equipment lifespan and postpone capital replacement. Through the first year of the existing contract, Staff and KONE have identified a higher than anticipated amount of needed overhaul work. Staff now seeks Commission authorization to increase the not-to-exceed contract amount to perform this necessary work.

In light of the COVID-19 crisis and its impact on Airport finances, Staff has considered the financial implications of the proposed contract modification and has determined that the services are necessary for continued safe and secure Airport operations. The proposed Contract modification accounts for appropriate fee reductions to assure the financial feasibility of the procurement of the services specified in the Contract.

**Background**

On December 18, 2018, by Resolution No. 18-0399, this Commission approved the scope, budget, and schedule for Contract No. 50205 for Escalator and Electric Walk Maintenance, Repair, and On-Call Services and authorized the Director to issue a Request for Proposals (RFP).

THIS PRINT COVERS CALENDAR ITEM NO. 3



On May 7, 2019, by Resolution No. 19-0098, this Commission awarded professional services Contract No. 50205 to KONE for a term of two years and an amount not to exceed \$9,765,600.

Shortly after beginning work, KONE notified Airport staff that many pieces of equipment needed major work that was not apparent at the time of the RFP. To perform the needed extra work in a timely fashion, Airport staff authorized extra work crews at a mutually agreed upon monthly rate. The Airport and KONE administratively modified the Agreement through Modification No. 1, dated October 1, 2019, to increase the allowance for as-needed services from \$300,000 to a new allowance amount of \$5,000,000 with no change to the not-to-exceed total Contract amount.

The Airport and KONE administratively modified the Agreement through Modification No. 2, dated July 1, 2020, to reduce unit prices for preventative maintenance, adjust the preventative maintenance schedule, and update standard contractual terms.

Modification No. 1 allowed KONE to proceed with major repairs and overhauls on over 70 pieces of equipment during the first year of the Contract. At this time, KONE has nearly exhausted the contract allowance for as-needed services. However, there is still additional equipment that requires major repairs and overhauls. To complete the necessary work, the Airport must increase the allowance for as-needed services by an additional \$9,000,000, to a new allowance amount of \$14,000,000, resulting in a new not-to-exceed total Contract amount of \$18,765,600.

Because the Contract amount exceeds \$10,000,000, the Board of Supervisors must approve Modification No. 3 to Contract No. 50205 pursuant to San Francisco Charter Section 9.118(b).

**Recommendation**

I recommend the Commission approve Modification No. 3 to Contract No. 50205 for Escalator and Electric Walk Maintenance, Repair, and On-Call Service to KONE Inc. increasing the Contract not-to-exceed amount by \$9,000,000 for a new not-to-exceed amount of \$18,765,600.



Ivar C. Satero  
Airport Director

Prepared by: Leroy P. Sisneros  
Director of Facilities

Attachment