

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 23-0095

APPROVAL OF MODIFICATION NO. 5 TO CONTRACT NO. 50205 WITH KONE INC., FOR ESCALATOR AND ELECTRIC WALK MAINTENANCE, REPAIR, AND ON-CALL SERVICES, TO INCREASE THE CONTRACT AMOUNT BY \$14,000,000 FOR A NEW NOT-TO-EXCEED CONTRACT AMOUNT OF \$48,465,600, WITH NO CHANGE TO THE CONTRACT TERM

- WHEREAS, the San Francisco International Airport (Airport) requires regular preventative maintenance, repair, and on-call services for approximately 181 escalators and electric walks to keep the equipment in a safe and reliable condition, and to extend the equipment lifespan; and
- WHEREAS, on December 18, 2018, by Resolution No. 18-0399, the Commission authorized the Director to issue a Request for Proposals 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, 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; 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, on December 1, 2020, by Resolution No. 20-0223, the Commission approved Modification No. 3 to increase the Contract amount by \$9,000,000 for a new Contract amount not to exceed \$18,765,600, with no change to the Contract term; and
- WHEREAS, on February 9, 2021, by Resolution No. 55-21, the Board of Supervisors approved Modification No. 3 pursuant to San Francisco Charter Section 9.118(b) in a reduced amount of \$8,500,000 for a new not-to-exceed Contract amount of \$18,265,600; and
- WHEREAS, on May 4, 2021, by Resolution No. 21-0104, the Commission approved Modification No. 4 to increase the Contract amount by \$16,200,000 for a new not-to-exceed Contract amount of \$34,465,600 and to extend the Contract term by three years for a new term end date of June 30, 2024; and
- WHEREAS, on June 25, 2021, by Resolution 306-21, the Board of Supervisors approved Modification No. 4 pursuant to San Francisco Charter Section 9.118(b); and

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WHEREAS, the Airport wishes to increase the Contract amount to allow the continued performance of major repairs and overhaul work, which has been deemed beneficial to the Airport; now, therefore, be it

RESOLVED, that this Commission hereby approves Modification No. 5 to increase the Contract amount by \$14,000,000 for a new not-to-exceed Contract amount of \$48,465,600, with no change to the Contract term; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to seek Board of Supervisors approval of Modification No. 5 to Contract No. 50205 pursuant to San Francisco Charter Section 9.118(b).

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I hereby certify that the foregoing resolution was adopted by the Airport Commission
at its meeting of APR 18 2023


Secretary



San Francisco International Airport

MEMORANDUM

April 18, 2023

TO: AIRPORT COMMISSION
Hon. Malcolm Yeung, President
Hon. Everett A. Hewlett, Jr.
Hon. Jane Natoli
Hon. Jose F. Almanza

23-0095

= APR 18 2023

FROM: Airport Director

SUBJECT: Approval of Modification No. 5 to Contract No. 50205 with KONE Inc., for Escalator and Electric Walk Maintenance, Repair, and On-Call Services

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 5 TO CONTRACT NO. 50205 WITH KONE INC., FOR ESCALATOR AND ELECTRIC WALK MAINTENANCE, REPAIR, AND ON-CALL SERVICES, TO INCREASE THE CONTRACT AMOUNT BY \$14,000,000 FOR A NEW NOT-TO-EXCEED CONTRACT AMOUNT OF \$48,465,600, WITH NO CHANGE TO THE CONTRACT TERM.

Executive Summary

KONE Inc. (KONE), provides maintenance and repair services for approximately 181 escalators and electric walks throughout San Francisco International Airport (Airport), as well as needed overhauls of older units to increase equipment lifespan and postpone capital replacement. Due to the continued need to overhaul equipment, Staff now seeks Commission authorization to increase the Contract amount by \$14,000,000 for a new not-to-exceed Contract amount of \$48,465,600.

Background

The Airport requires regular preventative maintenance, repair, and on-call services to keep its approximately 181 escalators and electric walks operating in a safe and reliable manner to support passengers, the visiting public, and Airport workers. Preventative maintenance and repairs not only help keep escalators and electric walks in good working condition but help extend the lifespan of equipment and delay the need for capital replacement.

On December 18, 2018, by Resolution No. 18-0399, this 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.

THIS PRINT COVERS CALENDAR ITEM NO. 3

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED
MAYOR

MALCOLM YEUNG
PRESIDENT

EVERETT A. HEWLETT, JR.

JANE NATOLI

JOSE F. ALMANZA

IVAR C. SATERO
AIRPORT DIRECTOR

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 in an amount not to exceed \$9,765,600. In requesting the award, Staff informed this Commission that should the contractor and contract mechanism be acceptable, Staff could return with a recommendation to renew the Contract for three additional years at a new monthly rate.

Shortly after work commenced on the Agreement, KONE, and Airport staff identified a greater than-anticipated need for major repairs and overhauls of existing equipment. On October 1, 2019, through Modification No. 1, the Airport administratively modified the Agreement 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 Contract amount. This increase in allowance permitted the Airport to perform major repairs and overhauls for equipment exceeding the original budget for as-needed services.

On July 1, 2020, through Modification No. 2, the Airport administratively modified the Agreement in response to the financial impact of the COVID-19 pandemic to reduce the unit prices for preventative maintenance by five percent and adjust the preventative maintenance schedule. Modification No. 2 also included updates to standard contractual terms.

On December 1, 2020, by Resolution No. 20-0223, this Commission approved Modification No. 3 to the Agreement, increasing the not-to-exceed Contract amount by \$9,000,000, for a new not-to-exceed Contract amount of \$18,765,600. Modification No. 3 allowed KONE to proceed with major repairs and overhauls for additional equipment through the second year of the Agreement.

On February 9, 2021, by Resolution No. 55-21, the Board of Supervisors approved Modification No. 3, under San Francisco Charter Section 9.118, in a reduced amount of \$8,500,000, for a new not-to-exceed Contract amount of \$18,265,600. This reduction was due to the decrease in unit prices for preventative maintenance agreed upon in Modification No. 2.

On May 4, 2021, by Resolution No. 21-0104, this Commission approved Modification No. 4 to the Agreement, which exercised the single option to extend the Contract term by three years for a new term end date of June 30, 2024, and increased the not-to-exceed Contract amount by \$16,200,000 for a new not-to-exceed Contract amount of \$34,465,600. Modification No. 4 allowed KONE to continue with major repairs and overhauls for additional equipment through the extended Contract term, and Staff was able to negotiate an additional twelve percent decrease in unit prices for preventative maintenance, providing further cost savings to the City.

On June 15, 2021, by Resolution No. 306-21, the Board of Supervisors approved Modification No. 4, under San Francisco Charter Section 9.118.

KONE continues to perform satisfactory work on overhauling the Airport's escalators and electric walks. Staff recommends that the work of overhauling existing units continue for the remaining term of the Contract. Staff further recommends the Commission increase the Contract amount by \$14,000,000 for a new not-to-exceed Contract amount of \$48,465,600. This increase will allow KONE to continue to maintain crews dedicated to performing overhauls on the Airport's escalators and electric walks through the Contract term.

Modification No. 5 would maintain the previously agreed-upon reductions of all unit prices for preventative maintenance under this Contract, throughout the remainder of the Agreement term.

Because the proposed contract modification exceeds \$500,000, the Board of Supervisors must approve Modification No. 5 to Contract No. 50205 pursuant to San Francisco Charter Section 9.118(b).

Recommendation

I recommend the Commission approve Modification No. 5 to Contract No. 50205 for Escalator and Electric Walk Maintenance, Repair, and On-Call Service to KONE Inc., increasing the Contract amount by \$14,000,000 for a new not-to-exceed amount of \$48,465,600, with no change to the Contract term, and direct the Commission Secretary to seek Board of Supervisors approval of Modification No. 5 to Contract No. 50205 pursuant to San Francisco Charter Section 9.118(b).



Ivar C. Satero
Airport Director

Prepared by: Jeff Littlefield
Chief Operating Officer

Attachment