

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 24-0031

REPEAL RESOLUTION NO. 23-0095 TO APPROVE MODIFICATION NO. 5 TO CONTRACT NO. 50205 WITH KONE INC., FOR ESCALATOR AND ELECTRIC WALK MAINTENANCE, REPAIR, AND ON-CALL SERVICES, AND APPROVE REVISED MODIFICATION NO. 5 TO INCREASE THE CONTRACT AMOUNT BY \$8,314,641 FOR A NEW NOT-TO-EXCEED CONTRACT AMOUNT OF \$42,780,241 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 192 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 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

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. **24-0031**

- 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 Charter Section 9.118(b); and
- WHEREAS, on April 18, 2023, by Resolution No. 23-0095, the Commission approved Modification No. 5 to the Agreement to increase 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
- WHEREAS, subsequently, and prior to Board of Supervisors' approval, Airport staff identified billing discrepancies and work order irregularities that necessitated a revision to the amount of the requested increase to the Contract amount previously approved by Resolution No. 23-0095; and
- WHEREAS, the Airport has negotiated a revised Modification No. 5 with KONE to increase the Contract amount by \$8,314,641, for a revised new not-to-exceed Contract amount of \$42,780,241 with no change to the contract term; and
- WHEREAS, this revised amount will allow the Airport to resolve work order irregularities by issuing two retroactive task orders totaling \$4.45 million for equipment overhaul services and materials and weekend services provided beginning in September 2021, account for and pay contract costs incurred to date and provide a reasonable contingency for future unanticipated repairs; now, therefore, be it
- RESOLVED, that this Commission hereby repeals Resolution No. 23-0095 which approved Modification No. 5 to Contract No. 50205 for Escalator and Electric Walk Maintenance, Repair, and On-Call Service to KONE Inc. to increase the Contract amount by \$14,000,000 for a not-to-exceed Contract amount of \$48,465,600 with no change to the Contract term; and, be it further

AIRPORT COMMISSION

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RESOLUTION NO. **24-0031**

RESOLVED, that this Commission hereby approves revised Modification No. 5 to Contract No. 50205 for Escalator and Electric Walk Maintenance, Repair, and On-Call Service to KONE Inc. to increase the Contract amount by \$8,314,641 for a new total not-to-exceed Contract amount of \$42,780,241 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 revised Modification No. 5 to Contract No. 50205 pursuant to San Francisco Charter Section 9.118(b).

Page 3 of 3

I hereby certify that the foregoing resolution was adopted by the Airport Commission
at its meeting of MAR 5 2024


Secretary



San Francisco International Airport

MEMORANDUM

March 5, 2024

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

24-0031

MAR 5 2024

FROM: Airport Director

SUBJECT: Repeal and Replace Resolution No. 23-0095 Approving Modification No. 5 to Contract No. 50205 with KONE Inc., for Escalator and Electric Walk Maintenance, Repair, and On-Call Services

DIRECTOR'S RECOMMENDATION: REPEAL RESOLUTION NO. 23-0095 APPROVING MODIFICATION NO. 5 TO CONTRACT NO. 50205 WITH KONE INC. FOR ESCALATOR AND ELECTRIC WALK MAINTENANCE, REPAIR, AND ON-CALL SERVICES, AND APPROVE REVISED MODIFICATION NO. 5 TO CONTRACT NO. 50205 TO INCREASE THE CONTRACT AMOUNT BY \$8,314,641 FOR A NEW NOT-TO-EXCEED CONTRACT AMOUNT OF \$42,780,241 WITH NO CHANGE TO THE CONTRACT TERM.

Executive Summary

KONE Inc. (KONE) provides maintenance and repair services for approximately 192 escalators and electric walks throughout San Francisco International Airport (Airport), and as-needed overhauls of older units to increase equipment lifespan, minimize disruptions to Airport operations, and maximize the value of investment in this equipment.

On April 18, 2023, the Commission approved Resolution No. 23-0095, which approved Modification No. 5 to the Agreement in an amount of \$14 million. This action would repeal Resolution No. 23-0095 to correctly address billing discrepancies and work order irregularities identified by Staff after the modification was approved, but before the Board of Supervisors approved the modification pursuant to San Francisco Charter Section 9.118.

Since that time, the Airport has reviewed past invoices and work orders and revised the proposed Modification No. 5 to increase the Contract amount by \$8,314,64 for a new total not-to-exceed Contract amount of \$42,780,241. This revised amount will allow the Airport to resolve work order irregularities by issuing two retroactive task orders totaling \$4.45 million for equipment overhaul services and materials and weekend services provided beginning in September 2021, account for and pay contract costs incurred to date, and provide a reasonable contingency for future unanticipated repairs through the end of the Contract term. This action would also approve the revised Modification No. 5.

THIS PRINT COVERS CALENDAR ITEM NO. 2

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED
MAYOR

MALCOLM YEUNG
PRESIDENT

EVERETT A. HEWLETT, JR.
VICE PRESIDENT

JANE NATOLI

JOSE F. ALMANZA

MARK BUELL

IVAR C. SATERO
AIRPORT DIRECTOR

Background

The Airport requires regular preventative maintenance, repair, and on-call services to keep its approximately 192 escalators and electric walks operating in a safe and reliable manner to support passengers, the visiting public, and Airport workers. Preventative maintenance, repairs, and overhauls help keep escalators and electric walks in good working condition, help ensure compliance with Cal/OSHA safety codes, and extend the lifespan of equipment allowing the Airport to maximize the value of the capital investment.

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

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 extend the Agreement 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 \$5,000,000 with no change to the Contract amount by re-allocating contract funds from preventative maintenance to as-needed services. This increased 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 5% 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 and provided additional necessary funding to continue the Preventative Maintenance Program.

On February 9, 2021, by Resolution No. 55-21, the Board of Supervisors approved Modification No. 3, pursuant to 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 term of the Agreement 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. Modification No. 4

also included an additional 12% 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 Charter Section 9.118 (b).

On April 18, 2023, by Resolution No. 23-0095, the Commission approved Modification No. 5 to the Agreement 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 term of the Agreement.

Subsequently, prior to approval by the Board of Supervisors and following review by the Budget and Legislative Analyst's Office, Airport staff identified billing discrepancies and work order irregularities that necessitated a revision to the amount of the requested increase to the Agreement. Airport staff negotiated with KONE a revised Modification No. 5 to increase the Contract amount by \$8,314,641, rather than the \$14,000,000 previously approved by Resolution No. 23-0095. This revised Modification No. 5 would result in a new total not-to-exceed Contract amount of \$42,780,241, compared to the \$48,465,600 Contract total that was previously approved by the Commission. This revised amount will allow the Airport to resolve work order irregularities by issuing two retroactive task orders totaling \$4.45 million for equipment overhaul services and materials and weekend services provided beginning in September 2021, account for and pay Contract costs incurred to date, and provide a reasonable contingency for future unanticipated repairs through the end of the Agreement's term in June 2024.

Staff recommends this Commission repeal Resolution No. 23-0095 and approve a revised Modification No. 5 modifying the Agreement to increase the Contract amount by \$8,314,641 for a new total not-to-exceed Contract amount of \$42,780,241 with no change to 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 Charter Section 9.118(b).

Recommendation

I recommend the Commission repeal Resolution No. 23-0095 to approve Modification No. 5 to Contract No. 50205 for Escalator and Electric Walk Maintenance, Repair, and On-Call Service to KONE Inc., and approve this revised Modification No. 5 to increase the Contract amount by \$8,314,641 for a new not-to-exceed Contract amount of \$42,780,241 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