

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 21-0104

APPROVAL OF MODIFICATION NO. 4 TO CONTRACT NO. 50205 WITH KONE INC., FOR ESCALATOR AND ELECTRIC WALK MAINTENANCE, REPAIR, AND ON-CALL SERVICES, 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 CONTRACT END DATE OF JUNE 30, 2024

- 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 (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 in 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 amount of \$18,265,600; and
- WHEREAS, the Airport desires to extend the term of Contract No. 50205 through June 30, 2024, and increase the contract amount to allow the continued performance of preventative maintenance, repairs, and overhauls of Airport escalators and electric walks; now, therefore, be it
- RESOLVED, that this Commission hereby approves Modification No. 4 to increase the contract amount by \$16,200,000 for a new not-to-exceed amount of \$34,465,600 and to extend the contract term by three years for a new end date of June 30, 2024; and, be it further
- RESOLVED, that the Commission Secretary is hereby directed to seek the Board of Supervisors' approval of Modification No. 4 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 _____

MAY - 4 2021

Secretary



MEMORANDUM

May 4, 2021

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

21-0104

MAY - 4 2021

FROM: Airport Director

SUBJECT: Approval of Modification No. 4 to Contract No. 50205 with KONE Inc., for Escalator and Electric Walk Maintenance, Repair, and On-Call Services

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 4 TO CONTRACT NO. 50205 WITH KONE INC., FOR ESCALATOR AND ELECTRIC WALK MAINTENANCE, REPAIR, AND ON-CALL SERVICES, 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 TERM OF THE AGREEMENT BY THREE YEARS FOR A NEW CONTRACT END DATE OF JUNE 30, 2024.

Executive Summary

KONE Inc. (KONE) provides maintenance and repair services for approximately 181 escalator 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. KONE has performed satisfactorily through the initial contract term. Staff now seeks Commission authorization to extend the agreement by three years for a new contract end date of June 30, 2024, and to increase the contract amount by \$16,200,000 for a new not-to-exceed contract amount of \$34,465,600.

In light of the COVID-19 crisis and its impact on Airport finances, Staff has considered the financial implications of the proposed contract modifications 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 financial feasibility of the procurement of services specified through the contract.

Background

On December 18, 2018, by Resolution No. 18-0399, the 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).

On May 7, 2019, by Resolution No. 19-0098, the 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 the Commission that should the contractor and contract mechanism be acceptable, Staff could return with a recommendation to renew the contract for three years at a new monthly rate.

THIS PRINT COVERS CALENDAR ITEM NO. 5

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 increased allowance allowed 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 from the COVID-19 crisis to: (1) reduce unit prices by five percent for preventative maintenance, (2) adjust the preventative maintenance schedule, and (3) update 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 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 provided in Modification No. 2.

As the Airport and KONE near the end of the two-year contract term, Airport staff recognize that KONE has performed satisfactory work on maintaining and repairing the Airport's escalators and electric walks. Consequently, Staff now recommends the Commission extend the contract term by three additional years for a new contract end date of June 30, 2024, and increase the contract amount by \$16,200,000 for a new not-to-exceed contract amount of \$34,465,600. This increase will allow KONE to continue to perform preventative maintenance, as well as major repairs and overhauls on the Airport's escalators and electric walks.

In light of the COVID-19 crisis and its impact on Airport finances, Staff has negotiated with KONE an additional twelve percent reduction of all unit prices for preventative maintenance under this contract, effective for the entire three-year duration.

Because the proposed Contract modification exceeds \$500,000, the Board of Supervisors must approve Modification No. 4 to Contract No. 50205 pursuant to San Francisco Charter Section 9.118(b).

Recommendation

I recommend the Commission approve Modification No. 4 to Contract No. 50205 for Escalator and Electric Walk Maintenance, Repair, and On-Call Services to KONE Inc., increasing the contract amount by \$16,200,000 for a new not-to-exceed amount of \$34,465,600, and extending the contract term by three years for a new contract end date of June 30, 2024.



Ivar C. Satero
Airport Director

Prepared by: Leroy P. Sisneros
Director of Facilities