

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**STAFF BRIEFING**

**Item No.** 7e  
**Date of Meeting** August 23, 2016

**DATE:** August 16, 2016  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** Lance Lyttle, Managing Director, Aviation Division  
Stuart Mathews, Director Aviation Maintenance  
**SUBJECT:** Contract for Janitorial Services at Sea-Tac Airport

**SYNOPSIS**

This staff briefing is intended to provide information and discuss options for procuring janitorial services at Sea-Tac Airport. Janitorial services provide a key element of the customer experience at STIA. As such, developing and implementing an effective and efficient set of janitorial services contracts is necessary to drive greater customer satisfaction. The initial three year term of the current janitorial contract ends January 31, 2017. The Port has the opportunity to execute two one-year options to extend the current contract. The current contract however, is not an effective tool to generate the results desired for the Airport.

Due to the recent rises in traffic, our current janitorial services contract for the entire scope of the Airport has been facing challenges primarily from a quality perspective, though costs have been rising as well. We believe that our current contract does not offer the Port the outcomes we desire, nor does it offer our contractor a platform to succeed. With January 2017 marking the end of the initial three year term of our current agreement, there is an opportunity to redesign and update our contract.

We intend to initiate a new competitive procurement and execute between 1 and 4 new contracts in order to:

- Create contracting opportunities that would serve as a win-win-win for the Airport, Passengers and the Contractor. We are striving to:
  - Improve quality.
  - Control costs.
  - Increase small and disadvantaged business participation.
  - Increase competition.
  - Recognize and support the need for labor harmony.
- Put the onus of quality performance on the contractor.
- Give the Port ability to make minor adjustments in scope to tackle quality issues.
- Provide a mechanism to adjust the contract due to changing conditions.

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### **BACKGROUND**

This contract was previously bid out in early 2013, with the entire scope of janitorial services at the Airport (all terminals, AOB & Outlying buildings) awarded to ABM, our current contractor. Despite the Port & ABM's best efforts, a sharp and unexpected rise in traffic have led to cost and quality issues. Costs have gone up by 23% in the last 2 years, while our Airport Service Quality (ASQ) scores are not on par with our some of the Airport's peers.

The current contract is not structured in a manner that provides the Port or the contractor with the means to effectively deliver the quality expected as an appropriate cost. In addition, increase passenger traffic requires a new contracting framework to allow the Port to impact ASQ scores positively while simultaneously working to slow the rate of growth of the costs of these services.

### **PROJECT JUSTIFICATION AND DETAILS**

One of the mechanisms that will aid in creating this change will be a new RFP process. This will allow the Port to onboard partners for janitorial services at Sea-Tac Airport that will strive for higher standards of performance, and increase contract management capabilities and service levels, while creating opportunities for Small Business participation.

After speaking to staff at peer Airports excelling in quality scores and studying many more Airport Janitorial contracting methods, staff believe that the best quality and cost outcome for the Port will be achieved by making changes in the way this contract will be managed going forward. Key components of these changes include:

- Setting a consistent cleanliness target the Port staff can monitor and the contractors can work towards
- Creating a quality management system and incentives within the contract that drive accountability and problem solving to achieve this cleanliness and performance target.

Our contract with ABM today is budgeted at \$13.7M for 2017, incorporating increases in prevailing wages. One significant option for consideration with a new RFP would be the creation of multiple zones. We expect that creating zones will offer some potential benefits:

- Allow the Port to manage quality through competition, by gaining institutional knowledge and diversifying operational risk.
- Allowing for a more competitive environment. Many contractors wish to work with the airport – the Port received a high level of interest during the last RFP (10 responses) and has since had multiple inquiries from contractors on any upcoming janitorial contracts.
- Narrower scopes will allow more businesses to compete for work, resulting in a robust selection process. In particular, smaller businesses may choose to compete for zones.

This results in more oversight & management responsibilities for the Port, and as such, this must be weighed when decisions are made.

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### ***Project Objectives***

The purpose of this project is to create a partnership & contract structure that focuses on quality outcomes in a manner that is clear and transparent for the Port and the contractors that accomplish the following objectives:

- Achieve our quality vision – being "Opening Day" fresh every day at 4am and maintain positive customer experience.
- "Bend the cost curve"- contracting for these services at or near our current costs, which are in line with peers.
- Incorporates an environmental stewardship program to align with the Port's Century Agenda goals.
- Incorporates workforce development through the use of a Small Business Enterprise goal of 35% overall for the value of all contracts in combined total.
- Support the commission's initiative regarding quality jobs by maintaining labor harmony provisions in our contractual relationship with prospective bidders.

### ***Scope of Work***

This scope of work includes nearly all janitorial services at STIA. This includes all janitorial services in the public facing terminal areas as well as office and operational areas that are all the responsibility of the Port.

### ***Schedule***

We will conduct the search for partners in a three phased process. The schedule for that process is:

Supplier Outreach	July 2016
Publish RFQ	September 28, 2016
Publish RFP	October 28, 2016
Select Vendors	November 2016
Execute Contracts	December, 2016

## **STRATEGIES AND OBJECTIVES**

This project will support the following Century Agenda and Aviation Strategic Goals.

- Advance this region as a leading tourism destination and business gateway
- Meet the region's air transportation needs at Sea-Tac Airport for the next 25 years
- Position the Puget Sound region as a premier international logistics hub
- Lead the US Airport industry in environmental innovation and minimize the airport's environmental impact.
- Use our influence as an institution to promote small business growth and workforce development.

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Customer satisfaction is a key component of the Port's strategic goals. Customers (both internal and external) who are not satisfied with the quality of the facility can choose to take their business to our neighboring competitor airports. Increasing customer satisfaction is a key strategy put forth within the High Performance Organization Long Range Plan. Improving the quality of our janitorial services in a cost effective manner is a key component to achieving that customer satisfaction.

Environmental stewardship requirements will continue to be incorporated in the contracts to ensure materials and methods used by the janitorial services contractors meet the environmental stewardship goals of the Port.

The Port is developing the solicitation and will include specific small business utilization requirements and labor harmony in whichever option is determined to be the preferred option. Feedback from this briefing will aid staff in determining the direction forward as we prepare for a commission action item.

In order to help facilitate networking between prime contractors, WMBE contractors, SBE contractors and SCS suppliers the Port has held a networking event.

### **ALTERNATIVES AND IMPLICATIONS UNDER CONSIDERATION**

**Alternative 1** – Continue with our current contract for a 4th year

Cost Implications: Estimated annual cost \$13.7 Million for 2017.

#### Pros:

- (1) Requires the least amount of internal resources to execute.
- (2) Allows for the most reliable budgeting, as cost increases for 2017 can be closely estimated.
- (3) Eliminates the time pressures present for the development of a new contracting methodology.

#### Cons:

- (1) Limited avenues within this contract to improve service or slow the growth of costs.
- (2) The current contract makes it challenging to improve facility cleanliness performance both for the contractor and the Port. There is no mechanism to incentivize nor penalize the contractor based on performance. There is also little existing contract structure to increase contract services based on passenger increases.
- (3) Current contracting mechanisms for changing contract value are only through the addition of spaces or through changes in prevailing wage or the consumer price index (CPI). No mechanism currently exists to deal with passenger volume increases.

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**Alternative 2** – Amend the current contract to introduce quality targets, incentives and compliance measures.

Cost Implications: Estimated annual cost \$14.0 Million for 2017.

Pros:

- (1) Allows the Port to test an improved quality management system.
- (2) Allows for minimal transition impacts due to the existing contractor's institutional knowledge.

Cons:

- (1) Does not create a competitive environment. This option could lead to little or no shift toward the Port's desired outcome if amendments are not accepted by the contractor.
- (2) Due to the near future expiration of the contract, an RFP will need to be executed in the near future anyway, without the potential performance gains other option offer.

**Alternative 3** – Bring janitorial services in-house. Hire staff to manage and perform janitorial services.

Cost Implications: Estimated annual cost \$13.5-15.0 Million for 2017

Pros:

- (1) Provides the opportunity to manage staff more flexibly. Can adjust to rapidly changing conditions such as passenger growth. No contractual negotiations required.

Cons:

- (1) Cost estimates range primarily on the salary and benefits rate for the front-line janitorial worker. Actual rates may vary widely from the estimated rates depending on the outcome of the hiring process and any decisions by the group to become represented.
- (2) Current management staff lack the technical expertise to develop the janitorial service program from ground zero. Knowledge of janitorial processes and cleaning techniques would need to be developed.
- (3) Hiring such a large staff would significantly strain Port Human Resources staff.
- (4) A high quantity of specialty equipment would need to be procured in a relatively rapid fashion to ensure a smooth transition.
- (5) Small business opportunities would be eliminated as a result of insourcing. SBE targets for this set of contracts are set at 35% currently.
- (6) Labor agreements may need to be negotiated as a result of insourcing.

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**Alternative 4** – Conduct an RFP process for janitorial services with a single provider for the entire scope of work and execute a single contract.

Cost Implications: Estimated annual cost \$14.0 Million for 2017. Anticipated 5 year costs between \$75 and \$80 Million.

### Pros:

- (1) One provider has total responsibility, making the contract easier to manage on day to day basis.
- (2) The successful bidder will likely be a large firm with strong standard operating procedures.
- (3) Overhead and equipment purchases would likely see some benefits of scale.

### Cons:

- (1) Port dependent upon one provider. This reliance may impact the Port's ability to drive performance.
- (2) Limits competitiveness of firms due to size of scope

**Alternative 5** – Conduct an RFP process with three scopes of work, breaking the facility into distinct zones, execute up to three contracts resulting from the RFP.

Cost Implications: Estimated annual cost \$12.0 - \$14.0 Million for 2017. Anticipated 5 year costs between \$73 and \$80 Million.

### Pros:

- (1) Offers the chance to build a robust operation in which the Port can create competition among multiple providers based on performance.
- (2) Given the smaller sized contracts, this option may allow more firms to bid on the work, potentially driving cost efficiencies and improved quality due to increased competition.
- (3) This option creates multiple opportunities for small business enterprises to bid, either as the prime contractor or as subcontractors in partnership with a larger provider.
- (4) With one zone being inclusive of the non-secure portion of the facility, fewer personnel and materials will need to travel between secure and non-secure portions of the terminal.

### Cons:

- (1) Requires incrementally more oversight and management by Port staff to manage quality and compliance.
- (2) Multiple contracts may limit the benefits of scale that can be realized from a single larger contract.

With the zone alternatives, the Port will be limiting the number of zones any one contractor can be awarded. The intent of this limitation will be to continue to promote competition once contracts have been awarded, and provide flexibility for the Port going forward.

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**Alternative 6** – Conduct an RFP process with four scopes of work, breaking the facility into distinct zones, execute up to four contracts resulting from the RFP. One of those four zones will be designated specifically for a small business enterprise.

Cost Implications: Estimated annual cost \$12.0 - \$14.0 Million for 2017. Anticipated 5 year costs between \$73 and \$80 Million.

### Pros:

- (1) Offers the chance to build a robust operation in which the Port can create competition among multiple providers based on performance.
- (2) Given the smaller sized contracts, this option may allow more firms to bid on the work, potentially driving cost efficiencies and improved quality due to increased competition.
- (3) This option creates multiple opportunities for small business enterprises to bid, either as the prime contractor or as subcontractors in partnership with a larger provider.
- (4) With one zone being inclusive of the non-secure portion of the facility, fewer personnel and materials will need to travel between secure and non-secure portions of the terminal.
- (5) Provides an opportunity for a small business to grow in capability as a prime contractor, rather than as a subcontractor.

### Cons:

- (1) Requires incrementally more oversight and management by Port staff to manage quality and compliance.
- (2) Multiple contracts may limit the benefits of scale that can be realized from a single larger contract.
- (3) Designating one zone specifically for a small business entity may risk labor harmony.

In alignment with Alternative #5, the Port will be limiting the number of zones any one contractor can be awarded. The intent of this limitation will be to continue to promote competition once contracts have been awarded, and provide flexibility for the Port going forward.

**This is the preferred alternative.**

## **ATTACHMENTS TO THIS REQUEST**

- Computer slide presentation

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- None