

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6f
Date of Meeting September 27, 2016

DATE: September 27, 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

Amount of This Request: \$80,000,000 **Source of Funds:** Airport Development Fund
Est. Total Cost: \$80,000,000

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute up to four contracts for janitorial services for Seattle-Tacoma International Airport. The resultant contracts have an estimated value of \$80 million over a five year period.

SYNOPSIS

Janitorial services provide a key element of the customer experience at the Airport. Developing and implementing an effective and efficient set of janitorial services contracts is necessary to satisfy customer expectations. 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. However, the current contract is not an effective tool to generate the results desired for the Airport.

Due to the recent rise in traffic, our current janitorial services contract covering the entire 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 up to four 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.
 - Increase competition.

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- Control costs.
- Increase small and disadvantaged business participation.
- 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.

BACKGROUND

This contract was previously bid out in early 2013, with the entire scope of janitorial services at the Airport (all terminals, office spaces, and remote operational areas) awarded to ABM, our current contractor. Despite the Port and ABM's best efforts, a sharp and unexpected rise in traffic has led to cost and quality issues. Costs have gone up by 23% in the last two years, while our Airport Service Quality (ASQ) scores are not on par with 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 at an appropriate cost. In addition, increased passenger traffic requires a new contracting framework to allow the Port to influence ASQ scores positively while simultaneously working to slow the rate of growth of the costs of these services.

REQUEST JUSTIFICATION AND DETAILS

Authorization will allow staff to proceed with the RFP process. This will be the first step in allowing the Port to engage partners for janitorial services at Sea-Tac Airport that will strive for higher standards of performance, increase contract management capabilities and service levels, and maximize opportunities for small business participation.

After speaking to staff at peer Airports that excel in quality scores and after 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 \$13.7 million 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.

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- 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 will be able to compete for zones.

This results in more oversight & management responsibilities for the Port, which must be weighed when making this decision.

Project Objectives

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

- Achieve our quality vision – being "Opening Day" fresh every day at 4 a.m. and maintaining positive customer experience.
- 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 combined contracts in the form of direct contract or subcontracts and through the supply chain.
- Support the Commission's Quality Jobs initiative by maintaining labor harmony provisions in our contractual relationship with prospective bidders where appropriate.

Scope of Work

This scope of work includes nearly all janitorial services at the Airport. 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 29, 2016
Publish RFP	November 4, 2016
Select Vendors	January 2017
Execute Contracts	February 2017

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FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

The annual janitorial contract will be included in the annual Operating Budget.

Lifecycle Cost and Savings

Estimated costs of these services over the potential five-year life of the contract range between \$73 million and \$80 million. These estimates are based on a range of growth in annual contract value between 0% contract growth and approximately 2% contract growth. Factored into this range is the potential for improved efficiencies as well as potential labor and material cost increases consistent with recent growth.

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 by making Seattle-Tacoma International Airport the Gateway of Choice for international travel
- 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 U.S. 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.

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 may 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. Seven distinct elements are being incorporated into the RFP to holistically approach the Port's environmental goals. These include environmentally preferred products, contractor environmental certifications, a sustainable packaging component, and a requirement to support Airport waste minimizing goals.

The Port is developing the solicitation and will include specific small business utilization requirements and labor harmony.

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In order to help facilitate networking between prime contractors, Small Business Enterprise (SBE) contractors and Small Contractor Suppliers (SCS), the Port held a networking event in July of 2016.

In addition, the Port will be limiting the number of zones any one contractor can be awarded. The intent of this limitation will be to promote competition and provide flexibility for the Port going forward.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Conduct an RFP process for janitorial services with a single provider for the entire scope of work and execute a single contract. The single contract will have small business requirements. The single contract will require labor harmony.

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

This is not the recommended alternative.

Alternative 2 – Conduct an RFP process with three scopes of work, breaking the facility into distinct zones, execute up to three contracts resulting from the RFP. All three scopes of work will have small business utilization requirements. All three scopes of work will require labor harmony.

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.

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- (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.

This is not the recommended alternative.

Alternative 3 – Conduct an RFP process with four scopes of work, breaking the facility into four distinct zones, execute up to four contracts resulting from the RFP. One of the four zones will be secured specifically for a small or disadvantaged business enterprise. All four scopes of work will have small business requirements. All four scopes of work will require labor harmony.

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 capacity as a prime contractor rather than a subcontractor.

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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 #2, 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 recommended alternative.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 23, 2016 – Commission Briefing “Contract for Janitorial Services at Sea-Tac Airport.