

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5b

Date of Meeting: April 13, 2010

DATE: March 25, 2010

TO: Tay Yoshitani, Chief Executive Officer

FROM: Lindsay Pulsifer, General Manager, Marine Maintenance
Nora Huey, Director, Central Procurement Office

SUBJECT: Purchased Services Contract for Mechanical Systems (HVAC)

Amount of This Request: \$2,200,000 **Source of Funds:** Tax Levy or General Fund

State and Local Taxes Paid: \$180,000 **Est. Workers Employed:** 2-5

ACTION REQUESTED:

Request authorization for the Chief Executive Officer (CEO) to execute a contract for maintenance and repair of mechanical systems (Heating, Ventilation and Air Conditioning, HVAC) systems at Seaport and Real Estate assets. The contract, which will be competitively bid, will be awarded for one year with four one-year options to be exercised at the Port's sole discretion; the total value of the contract will not exceed \$2,200,000.

SYNOPSIS:

This will provide for maintenance and minor repair of Heating, Ventilation and Air Conditioning (HVAC) at Seaport and Real Estate facilities. A full scope of service is included in the agreement. The contract will not be utilized if the tenant is responsible for maintenance and repair according to the lease. The contract will not include any work meeting the definition of "public work" under RCW 39.04.010, and any deficiencies discovered that require "public work" will be bid and awarded separately through Contract Services, Central Procurement Office.

BACKGROUND:

Marine Maintenance is responsible for providing maintenance and repair for HVAC mechanical systems to Seaport and Real Estate properties. Cost benefit analysis has always supported using a contracted vendor rather than self performing. (Each year before we decide to exercise an option for extension we will consider the current Marine Maintenance workload and analyze current contract costs to determine if this work should be absorbed by the maintenance shop). Historically we have awarded separate

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contracts for maintenance and for repair. Marine Maintenance paid \$315,000 in HVAC maintenance in 2009, and these costs have been increasing 5 to 15 percent each year.

As part of acquisition planning, the Port determined it is appropriate to combine the maintenance and minor repair work into one contract, now that the old contracts have expired. We estimate that expenses will not exceed \$350,000 in the first year, \$400,000 in the second year, \$450,000 in the third year and a maximum of \$1 million (total) for years four and five; consequently, we are requesting an authorization not to exceed \$2,200,000 for five years. After the first year of the contract, the four one-year options will be exercised at the Port’s sole discretion.

PROJECT DESCRIPTION AND OBJECTIVES:

- Complete ordinary HVAC preventive maintenance as defined by manufacturers’ recommendations and Marine Maintenance approval.
- Complete ordinary expected maintenance in accordance with Marine Maintenance recommendations and approval.
- Complete immediate response repair work.

PROJECT SCOPE OF WORK:

The contractor will perform Mechanical Equipment Maintenance Service (hereinafter referred to as the “Services” and/or the “Work”) on Seaport and Real Estate HVAC equipment. Mechanical equipment maintenance includes preventative and expected maintenance services and will be provided unless otherwise noted. The Work will be performed at various waterfront facilities specified in the contract. The contractor will be responsible for maintaining or repairing the systems utilizing non-proprietary equipment. The contract will not be utilized if the tenant is responsible for maintenance and repair according to the lease.

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

Expenses in 2008	\$217,991
Expenses in 2009	\$314,872
Current request for authorization	\$2,200,000
Remaining budget to be authorized	\$0

Project Cost Breakdown

Maintenance and repair, first year of contract	\$322,000
Sales tax, first year	\$28,000
First option year extension	\$367,000
Sales tax, first option year	\$33,000

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Second option year extension	\$413,000
Sales tax, first option year	\$37,000
Third option year extension	\$459,000
Sales tax, first option year	\$41,000
Fourth option year extension	\$459,000
Sales tax, first option year	\$41,000
Total	\$2,200,000

Source of Funds:

All dollars for this contract for 2010 are included in the Commission approved Marine Maintenance expense budget: \$305,225 has been budgeted and approved for 2010. All funding for the remainder of the contract will also be budgeted for in the Marine Maintenance expense budget.

STRATEGIC OBJECTIVES:

Ensure Airport and Seaport Vitality

The contract supports the business strategies to “Ensure Airport and Seaport Vitality” by maintaining valuable assets of the Port and ensuring continued revenue from existing tenants by providing them with appropriate heating and cooling of their leased space.

Exhibit Environmental Stewardship through our Actions

The contract supports the Port’s commitment to the environment by ensuring that we properly maintain our equipment, which will ensure efficiency of the mechanical systems and reduce waste.

BUSINESS PLAN OBJECTIVES:

- This project furthers the Port’s ability to continue to lease buildings and to create a comfortable working environment for Port staff, tenants and customers.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Do nothing.

Under this alternative only minor maintenance or repair to our HVAC systems would be done, and that maintenance and repair would be limited to boiler work, ducting, or other work that current Marine Maintenance employees are qualified to do. Equipment would fall into disrepair and create deferred maintenance backlog. Tenant concerns would not be addressed and the Port would lose tenants when their leases expire. This alternative is not recommended.

Alternative 2: Hire HVAC Specialists and Self Perform the Work.

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This alternative is not currently viable because the Plumber's Local 32 currently does not have any skilled HVAC technicians available. We will continue to evaluate the availability of skilled craftworkers and cost of contracted work. If we determine that this option is viable, we may not grant the option for years 4 or 5 of this contract, and decide to self perform the work.

Alternative 3: Execute a Contract for Maintenance and Repair.

Equipment will be maintained in accordance with manufacturer specifications or Facility Maintenance Manager's recommendations. Repair will be done timely by a qualified technician. Customer/tenant spaces will be kept at the proper environment.

This is the recommended alternative.

PREVIOUS COMMISSION ACTIONS:

None.