



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6d

ACTION ITEM

Date of Meeting May 8, 2018

DATE: March 15, 2018

TO: Stephen P. Metruck, Executive Director

FROM: Erik Knowles, Senior Manager, Aviation Maintenance
Stuart Mathews, Director, Aviation Maintenance

SUBJECT: Authorization to procure a service contract to provide Manual Encoding services for Airport Baggage Conveyor Systems.

Amount of this request: Contracting authority of \$3.1 million over 5 years

ACTION REQUESTED

Request Commission authorization for the Executive Director to: execute a contract for Manual Encoder Console Services (MEC) at Seattle-Tacoma International Airport. The contract duration is for up to five years (one year base contract with four 1-year options). The estimated total cost of the contract is \$3.1 million over the 5 years.

EXECUTIVE SUMMARY

When a baggage tag is not read, bags are sent to a location where an individual can intervene and properly scan and dispatch the bag. This service contract will provide staffing for this function. The Manual Encoder staff will be responsible for the timely scanning of all bags diverted to the Manual Encoding console, so bags continue to flow through the Baggage systems without delay. The two MEC systems will be staffed from approximately 3:30 a.m. until 1:00 a.m. (22.5 hours a day), seven days per week, 365 days per year, and will require at least 1 person to staff each location.

JUSTIFICATION

This contract authorization will allow the Airport to meet customer on-time baggage needs efficiently throughout its term. It directly supports the Port's Century Agenda item of meeting the region's air transportation needs at Sea-Tac Airport and aligns well with current Airport objectives to provide opportunity for small and disadvantaged business service providers. Maintenance will be working closely with the Economic Development Division-Small Business Program to incorporate a small or disadvantaged business component to the bid.

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DETAILS

In 2017, the incumbent contractor for the MEC requested to be released from contract citing their inability to sustain staffing at the current levels of compensation agreed-to in the previous competitively bid contract. As a result, the Port solicited for and executed a 1 year contract with the successful bidder being McGee Air Services. McGee self performs MEC service on baggage systems that are utilized by Alaska Airlines. The Baggage Optimization Project will NOT change the configuration of these portions of the baggage system as bags will still need to sort to designated airline locations. This service will still be required after the Baggage Optimization project is complete.

Scope of Work

The scope of work is to provide services necessary to staff two manual encoding stations for 22.5 hours per day, seven days per week, 52 weeks per year.

Schedule

The current contract expires in July of 2018. We intend to secure a contractor through the competitive bid process no later than June of 2018.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Perform the work using Port staff.

Cost Implications: Cost Estimate: \$800,000 for year one, or approximately \$4.2 million over 5 years.

Pros:

- (1) This alternative would allow the Port staff to oversee this work. Staff would have more direct control to correct any MEC staff issues.

Cons:

- (1) This option is estimated to be a more costly option on an annual basis.
- (2) This option eliminates an opportunity to utilize small or disadvantaged businesses for this work.

This is not the recommended alternative.

Alternative 2 – Turn over work to Airline consortium

Cost Implications: Cost Estimate: \$0 to the Port, but costs would be incurred by the Airlines through a Consortium. We reached out to the consortium regarding this scope of work; they did NOT express any interest in pursuing an RFP to contract this work.

Pros:

- (1) This work would be turned over to the Airlines to control and administer. No further Port action would be required to manage it.

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Cons:

- (1) The current Airline Consortium has struggled with some of their current service providers and has shown inability to agree on corrective actions at times. Adding this element to the services provided could create situations which result in disruption to the baggage system operation.
- (2) As this service only supports a portion of the Airlines at Sea-Tac Airport, the Airlines may not favor taking on this work as a collective.
- (3) This option does not allow for the opportunity to target small and/or disadvantaged business enterprises.

This is not the recommended alternative.

Alternative 3 – Rebid the contract

Advertise and execute a contract for a 2 year term with at least 3 / 1 year extensions.

Cost Implications: Cost Estimate: \$3.1 million

Pros:

- (1) This recommendation allows for one contract for MEC services that will be the responsibility of Port staff. It will allow the Port to control and deliver consistent and reliable service to the MECs. This alternative is directly aligned with our philosophy to make Sea-Tac Airport the West Coast gateway of choice through positive customer experience via on-time baggage performance.
- (2) This is a good contracting opportunity for small or disadvantaged businesses as the scale of work aligns well with current Airport small and disadvantaged business service providers.
- (3) By the Port directly controlling the MECs, the Port can insure the flow of baggage is undisrupted for all air carriers, and if not - we can directly solve the problem.
- (4) It is anticipated that a multi-year contract offering will provide incentive for a larger pool of proposers to participate.

Cons:

- (1) The costs estimated to perform this work has risen due to SeaTac minimum wage increases. This escalation has been forecasted in our budget estimate.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Annual Budget Status and Source of Funds

The 2018 operating budget includes \$420,000 in the Aviation Maintenance budget for these services. The future annual contract amount will be included in annual operating budgets. The requested amount has an increase to the operating budget by \$180,000, equaling estimated

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costs of \$600,000 per year. This increase is based on economic forecasts provided by CPO for increases to staff wages from \$25 an hour to \$35 an hour.

Future Revenues and Expenses (Total cost of ownership)

Future expenses for this service will be included in the Aviation Maintenance budget and will be budgeted through the annual expense budgeting process. The necessary budget value will be determined through the RFP process.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None