



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8g

ACTION ITEM

Date of Meeting August 10, 2021

DATE: July 22, 2021

TO: Steve Metruck, Chief Executive Officer

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

SUBJECT: Chiller Maintenance Service Contract

Amount of this request: \$600,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to prepare, advertise, award, and execute appropriate contract documents to procure a Chiller Maintenance Service agreement for 14 chillers at Seattle-Tacoma International Airport. The agreement would be structured to execute a two-year contract with three one-year service options to be determined annually by the Port. Total contract cost over the requested five-year period is not to exceed \$600,000.

EXECUTIVE SUMMARY

The Port of Seattle has 14 total Chillers, eight which reside in the Central Mechanical Plant (total capacity of 14,150 tons), four that reside in the Pre-Conditioned Air Plant (1200 tons), and two more in the Airport Office Building (60 tons each).

Chillers provide cold water for the HVAC systems, which in turn provide cool air for critical equipment, planes, passengers, tenants, and employees throughout SEA.

Chiller maintenance and repairs require the services of specially trained and licensed technicians. The maintenance work associated with this equipment is highly specialized and lies outside the skillset of our internal workforce. This work has historically been performed by a maintenance contractor specializing in chiller maintenance and repair, which is standard practice in the industry.

The current contracting of Chiller Maintenance was paired with a \$300,000 Small Works Repair contract, work performed by the same provider. The Port would like to bifurcate the Maintenance from the Repairs in efforts to provide a better check and balance between the two contracts by potentially using two different service providers. This procurement is only for the Maintenance portion.

JUSTIFICATION

The objective of this Chiller Maintenance Service Agreement is to allow the Aviation Maintenance Department to contract to maintain the Airport's chiller systems in an effective and efficient manner, ensuring the Airport's HVAC system continues to operate as designed.

SCOPE OF WORK

The scope of work for this RFP is to provide preventive, predictive, corrective, and emergency maintenance and repairs on the 14 chillers presently installed and operational at SEA.

The contractor shall be responsible for the reliability of the system, to operate in a 24/7/365 environment. All work shall be performed in a manner so as not to disrupt daily operations.

All work to be performed according to published manufacturer specifications.

SCHEDULE

A new RFP will be issued once approved by the Commission in Q3 of 2021. The current agreement ends October 3, 2021. A new agreement is anticipated in Q3, 2021, prior to contract expiration.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Three different variations of the new service contract are proposed below.

Alternative 1 – Procure a one (1) year service contract.

Cost Implications: Estimated \$165,000 for 2022 Expense Cost.

Pros:

- This will allow us to continue to have chiller service support in 2022, while providing a 12-month timeframe to negotiate a subsequent service contract.
- A 5-year Heavy Preventive Maintenance work scope element would be reinstated and performed during this catch-up year.
- This option does not commit the Port to a long-term contract.

Cons:

- This alternative commits the Port to a 1-year expense of \$165,000, the highest annual cost of the alternatives.
- This alternative does not allow for cost averaging over a longer term, causing a 1-year contract to be much higher in cost. Some PMs are on a 5-year cycle and we would want those performed in Year 1 of the contract.

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- The contract will require a significant portion of the one-year duration getting a new contractor up-to-speed with the assets before performing meaningful maintenance on the assets.

This is not the recommended alternative.

Alternative 2 – Procure a service contract for a duration of three (3) years.

Cost Implications: Estimated \$400,000 Expense Cost for a 3-year service contract duration.

Pros:

- This alternative allows us to balance maintenance work over a 36-month period.
- A 3-year contract allows some adjustment time for a contractor to become familiar with the assets and developing intimate knowledge of performance and any deficiencies.
- A 5-year Heavy Preventive Maintenance work scope element would be reinstated and performed during the first year of the contract.

Cons:

- This alternative commits the Port to an average annual expense of \$133,000 per year for the next three years, roughly twice our current rate.
- This alternative allows for better cost averaging over 3 years but still a higher annual cost than a longer term. Some PMs are on a 5-year cycle and we would want those performed in Year 1 of the contract.

This is not the recommended alternative.

Alternative 3 – Procure a service contract for a duration of five (5) years.

Cost Implications: Estimated \$600,000 Expense Cost for a 5-year service contract duration.

Pros:

- This alternative allows us to balance maintenance work over a 60-month period.
- A 5-year contract allows intimate knowledge of chiller performance and operations.
- A 5-year Heavy Preventive Maintenance work scope element would be reinstated and performed throughout the life of the contract.
- Average annual costs are reduced to \$120,000 per year. The reason for the decrease is that scheduling of the 5-year Heavy Preventive Maintenance scope will be cost averaged over the term of the contract.

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Cons:

This option commits the Port to a longer contract term.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The cost of this service agreement is included in the annual Aviation Maintenance expense budget. Anticipated costs of the maintenance contract are estimated at \$600,000 over a five-year period.

Annual Budget Status and Source of Funds

Contract payments are included as a specific line item in the Aviation Maintenance expense budget, account 64770.

ADDITIONAL BACKGROUND

Until October 2011, the Port of Seattle contracted this work with Carrier Corporation under a competition waiver agreement. The competition waiver was in place as the chillers were covered under an extended warranty program. All warranties on the chillers have expired and, as such, Aviation Maintenance wishes to procure these maintenance and repair services through a competitive process.

Since 2011, the Port has bid and procured these services via MacDonald-Miller and Johnson Controls, the current contract holder. The current contract expires October 2021.

Each of the major manufacturer's equipment is somewhat proprietary, but not to an extent that would exclude other service providers from submitting a competitive proposal. All major service providers for chiller maintenance (Trane, Carrier, York, and others) have access to each other's components. The Airport possesses chiller equipment from all three manufacturers.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

In 2015 - The Commission authorized a two-year service agreement with MacDonald-Miller for Chiller maintenance.

In 2017 and 2019 – The Commission authorized two-year service agreements with Johnson Controls for Chiller maintenance