



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 10e

**ACTION ITEM**

**Date of Meeting** August 8, 2023

**DATE:** June 1, 2023

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Mike Tasker, Director, Aviation Maintenance  
Jinah Kim, Senior Manager, Aviation Maintenance

**SUBJECT:** **Airport Custodial Services – Zone 1 through 4, Waste Removal Services for Airport Dining and Retail tenants and Commission Initiative Implementation**

**Amount of this request:** \$ 54,300,000.

**Total estimated service cost:** \$ 149,300,000.

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to increase the contract value for the existing service contracts for Custodial Services at Seattle-Tacoma International Airport by \$54,300,000 for a new total cumulative value of \$149,300,000. This commission authorization will also allow the Executive Director to recompetitively and execute up to two (2) five-year custodial service contracts and add waste removal services for the Airport Dining and Retail (ADR) tenants (through a separate competitive process and separate contract) and add the Commission Public Health and Safety initiative at Seattle-Tacoma International Airport.

**EXECUTIVE SUMMARY**

In March 2020, the Commission authorized \$95,000,000 for Custodial Services at Seattle-Tacoma International Airport's Zones 1-4 through 2026. However, the initial authorization for Custodial Zone 1 -4 was requested before the procurements were completed and the contract pricing from 2020 through 2022 came back significantly higher than the Port expected.

The requested contract value increase of \$54,300,000 would support the following essential service contracts.

1. Increase authorization to address additional contract costs through 2026.
2. Request authorization to advertise, award, and execute up to two custodial service contracts in Q3 2023 competitively. The proposed pricing is expected to be higher due to inflation and an 8.66% increase in minimum wage in 2023.

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3. Implement Commission Initiative to provide complimentary hygiene products at the airport to enhance Public Health and Safety and Customer Experience.
4. Contract for waste removal services from the ADR tenants to the ramp areas. This will reduce the level of security risks due to the increased number of airport badge issued on the ramp level, also mitigate waste contaminations, and FOD collections, and increase environmental stewardship, efficiency, and customer experience. This request is only for the contracting authority as these costs will be funded by the tenant reimbursement.

Custodial services for Zone 5-International Arrival Facility (IAF) were procured separately from other four zones under a separate Commission Contracting Authority approval; therefore, the requested amount does not include the cost for Zone 5, IAF.

### **JUSTIFICATION**

Approval of this request will allow the Port to procure market value custodial contracts through competitive processes and amend existing contracts for cost increases associated with labor increase, additional products, and other supplemental supplies to support the hygiene service provided to the public. New procurement of service contracts will align the contracting authority with actual costs experienced, will aid the airport in meeting the custodial standards under increasing passenger volume, support the Port's customer experience goals and support economic growth and the women- and minority- business enterprise (WMBE) aspirational goals.

Approval of this request will allow the Port to procure market value waste removal service for ADR tenants in accordance with the Washington State's prevailing wage structure, which will create more jobs, aid the Airport in meeting customer service standards under increasing passenger volume, improve services in accordance with a Continuous Process Improvement (CPI), and provide more opportunities for the women- and minority- business enterprise (WMBE).

### ***Diversity in Contracting***

Aviation Maintenance staff is working with the Diversity in Contracting Department regarding setting the women- and minority- business enterprise (WMBE) aspirational goals for contracted work. A 20% WMBE goal has been set by the Diversity in Contracting Department for custodial service contracts, based on that determination we anticipate achieving a similar aspirational goal in the new procurement of the zone RFP and waste removal service RFP.

### **DETAILS**

The facility needs to be clean and well maintained to meet the Port's customer experience expectations in support of the Port's Century Agenda goal to advance as a leading tourism and business gateway of choice on the West Coast.

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Starting in January 2018, the Airport transitioned to the performance-based zone model of four contracts covering the then identified four zones at the Airport. The original procurement provided for the four contracts to have a two-year initial contract duration with the opportunity to renew any of the contracts for up to an additional three years in one-year increments. This initial procurement resulted in three prime contractors being awarded the four zone contracts.

In 2020 we received commission authorization for \$95M prior to the award of the contracts for services through 2026. After awarding the contracts it was determined that we would need approximately \$135M to get through 2026.

Line Item	Zone 1	Zone 2	Zone 3	Zone 4	Total
Base 2-Year Contract Value	12,239,931.93	19,535,942.98	11,792,357.51	6,876,335.00	<b>50,444,567.42</b>
Option Year 1	6,659,888.51	10,114,060.08	6,400,131.19	3,611,092.00	26,785,171.78
Option Year 2	7,056,604.74	10,379,250.98	6,769,594.29	3,719,425.00	
Option Year 3	7,472,990.88	10,843,535.18	7,156,256.63	3,831,007.00	
Total all 3 Option Yrs.	<b>21,189,484.13</b>	<b>31,336,846.24</b>	<b>20,325,982.11</b>	<b>11,161,524.00</b>	84,013,836.48
Total Contract Value	<b>33,429,416.06</b>	<b>50,872,789.22</b>	<b>32,118,339.62</b>	<b>18,037,859.00</b>	<b>134,458,403.90</b>
Original Authorization					95,000,000.00

After the four-zone procurement, a fifth zone has been developed to incorporate the facilities generated by the building of the International Arrivals Facility (IAF). Zone 5 service contract was procured and executed in 2021, and the service eventually started in early 2022 when the facility was open. The staff will have an opportunity to procure the Zone 5 service contract with Central Procurement Office (CPO) in 2026.

Since the award in 2020, inflation has increased the cost of custodial services in zones one through four to approximately \$149M.

If this authorization request is approved, up to two zone custodial services Request for Proposal (RFP) will be advertised in Q3 2023, awarded, and executed in Q4 2023 for the services to start on 01/01/2024 through a competitive procurement process.

Port staff anticipate incorporating Labor Harmony language into the RFPs for each of these zones and ADR supporting waste removal services. Aviation Maintenance staff has been coordinating with Labor Relations staff and Legal staff on the specific language as each RFP is developed for the custodial services contracts and will coordinate the same effort for ADR waste service contract.

The cost increase to provide public health hygiene products at the airport facilities is estimated at \$60,000.00 per year and \$300,000.00 for the next 5 years.

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***Scope of Work***

Advertise, award, and execute five-year custodial service contracts in Q3 2023 for the following essential services at Seattle-Tacoma International Airport to enhance customer experience:

- (1) Perform competitive RFP process for Custodial services in up to 2 zones covering 1.2 million Square Feet of the Airport for the services begin on January 1<sup>st</sup>, 2024.
- (2) Add Public Health and Safety Commission initiative service, Complimentary Hygiene Products to All.
- (3) Establish details to perform competitive RFP process for Waste removal services for Airport Dining and Retail (ADR) tenants; Port teams will work through details with ADR tenants to determine the contract start date.

***Schedule***

The following schedule represents the key areas and dates for each of the existing zone contracts:

- (1) Zone 1's (consisting of Concourses A, B and the South Satellite) custodial two-year contract will expire on December 31, 2023. 3 additional one-year renewal options are available if deemed appropriate to execute. However, the future of the contractor's successful performance is not guaranteed at this time, and the Port may or may not exercise its option to extend another year in 2024. If Airport staff chose not to exercise the option, staff will work with the Central Procurement Office (CPO) to make a request for proposals in 2023. The new 2-base year contract with three 1-year option years will start on January 1, 2024, and end December 31, 2028.
- (2) Zone 3's (consisting of Ticketing, Baggage Claim, Curbside, Light Rail Walkway, Ground Transportation customer facing stops, Garage elevators and escalators and Cruise Lot & Lobby), custodial contract terminated February 2023 due to performance issues, and a new contract was executed with another contractor in March 2023 within the Port rights and Central Procurement Office process. However, the short-term contract will end in December 2023, and the staff will work with the Central Procurement Office (CPO) to make a request for proposals in 2023. The new 2-base year contract with three 1-year option years will start on January 1, 2024, and end December 31, 2028.

The table below shows contract start and end year for each zone, however Zone 5, International Arrival Facility (IAF), is not included in the exiting contract authority.

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Contract Timeline	Jul - Dec 21	2022	2023	2024	2025	Jan- Jun 26	Jul - Dec 26	2027	2028
Zone 1		Z1	Z1						
Zone 2	Z2					Z2			
Zone 3		Z3	Z3						
New Z3				NEW 5-year contract					
Zone 4			Z4					Z4	
Zone 5		Z5					Z5		

Commission Contracting authorization	2023 Quarter 3
Custodial Svc RFP start	2023 Quarter 3
Service start	2024 Quarter 1
In-use date for Custodial Svc contracts	January 1, 2024
In-use date for ADR waste svc.	TBD

**Cost Breakdown**

This Request

Custodial Z1-4 New RFP Contract price	\$54,000,000.
Additional Service Scope – Public Health & Safety	\$300,000.
ADR Tenant Waste removal Svc	\$0.
Total	\$54,300,000.

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Advertise, award and execute a new Zone 3 Custodial Service contract only and receive funding for other exiting custodial contracts.

Cost Implications: \$47,000,000.

Pros:

- (1) This alternative is the lowest cost option to manage custodial contracts.
- (2) This alternative allows for the Port to explore and pay a fair market price determined through a competitive process.

Cons:

- (1) This alternative could potentially allow underperforming contractors to continue at the airport for another year or more.
- (2) This alternative would not satisfy the Port goals or initiatives.
- (3) This alternative would eliminate a motivational lever available to the Airport staff to drive performance in a positive direction in terms of service quality.
- (4) These alternative delays the next round of competition for at least one and potentially more zones. It would put the Port in risk of paying the contractor above market price due to the lack of competition.
- (5) This alternative would not support ADR waste removal service.

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This is not the recommended alternative.

**Alternative 2** – Advertise, award and execute up to two (2) new 5-year contracts by 2023, receive new funding to fulfil other zone contracts until 2026 and add ADR waste removal service and Commission Public health and safety initiative.

Cost Implications: \$54,300,000.00

Pros:

- (1) This alternative allows for the Port to explore and pay a fair market price determined through a competitive process.
- (2) This alternative provides opportunities to revise the current contract terms with enforcement and incentives to hold the contractor more accountable to meet the Airport standards.
- (3) Staggering the RFPs for the new contracts would provide different contract periods, load leveling the workload for Airport and Contractor staff. Four smaller scale transitions over multiple years can be more manageably accomplished. Transitioning all four zones at one time has a high risk of service quality degradation.
- (4) This alternative will allow the Port to procure a new contract and amend the existing contracts to capture the cost of providing hygiene products to the traveling public at the airport.
- (5) Add a new ADR waste mgmt. contract to enhance customer experience.

Cons:

- (1) The alternative brings the complexities of multiple transitions and Contracting Authority requests.

***This is the recommended alternative.***

**FINANCIAL IMPLICATIONS**

<b><i>Cost Estimate/Authorization Summary</i></b>	<b>Capital</b>	<b>Expense</b>	<b>Total</b>
<b>COST ESTIMATE</b>			
Original estimate		\$95,000,000.	\$95,000,000.
2020-2023 increase	\$0.	\$54,300,000.	\$54,300,000.
Revised estimate	\$0.	\$149,300,000.	\$149,300,000.
<b>AUTHORIZATION</b>			
Previous authorizations	\$0.	\$95,000,000.	\$95,000,000.
Current request for authorization	\$0.	\$54,300,000.	\$54,300,000.
Total authorizations, including this request	\$0.	\$149,300,000.	\$149,300,000.
Remaining amount to be authorized	\$0.	\$0.	\$0.

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***Annual Budget Status and Source of Funds***

Custodial service costs are included in Aviation Maintenance’s annual operating budget. The funding source will be the Airport Development Fund.

***Future Revenues and Expenses (Total cost of ownership)***

N/A.

**ADDITIONAL BACKGROUND**

(1) Airport Custodial Services ppt.

**ATTACHMENTS TO THIS REQUEST**

- (1) Graphic of the SEA Zones 1 through 5
- (2) Presentation

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

March 24, 2020 – The Commission authorized the Executive Director to execute up to 4 contracts for Zone 1-4 for Seattle-Tacoma International Airport.

June 25, 2019 – The Commission authorized the Executive Director to execute a contract for janitorial services for Zone 5, consisting of the IAF new construction facilities for Seattle-Tacoma International Airport.

September 27, 2016 – The Commission authorized the Chief Executive Officer to execute up to four contracts for janitorial services for Seattle-Tacoma International Airport.

August 23, 2016 – The Commission was briefed “Contract for Janitorial Services at Sea-Tac Airport.”