

RESOLUTION NO. 27759

WHEREAS, on recommendation of Management, there was presented for approval, Award of three (3)-year Contract, with two (2) one-year renewal options, to Otis Elevator Company covering maintenance, repair, modernization, procurement of materials and parts, and related services for all escalators, elevators, and moving walkways that are owned and operated by Los Angeles World Airports, for overall cost not to exceed \$88,000,000; and

WHEREAS, the Los Angeles World Airports (LAWA) Facilities Management Division (FMD) is responsible for ensuring that elevators, escalators, and moving walkways (collectively referred to as conveyances) at Los Angeles International Airport (LAX) and Van Nuys Airport (VNY) function safely, reliably, and in compliance with state and federal regulations so as to enhance the experience for LAWA's tenants, passengers, guests, and employees. The make and model of LAWA conveyances vary among manufacturers like Otis Elevator Company (Otis), Schindler, Kone and Mitsubishi, with approximately 60% of the assets manufactured by Otis. Those various systems require that LAWA elevator mechanics have a diverse technical expertise to properly service and maintain the equipment; and

LAX

Van Nuys

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Chief Executive Officer

WHEREAS, since 2020, LAWA has seen significant growth in facilities whereby its square footage has increased from 8.9 million square feet to 10.9 million square feet. Said new footprint includes the West Gates at the Tom Bradley International Terminal (Bradley West Gates), the Economy Parking Structure, the Airport Police Facility, and Terminal Cores 1.5 and 4.5. In addition, within the next few years, LAWA expects to add the Midfield Satellite Concourse (MSC) South, which will contain new conveyances that may be turned over to LAWA to maintain prior to expiration of the new contract. The additional facilities have increased the number of conveyances that must be maintained by approximately 50% since 2012 for a current total of 549 conveyance assets; and

WHEREAS, although the number of conveyances has increased, LAWA Elevator Shop staffing has not increased proportionately, and staff must rely on the support of a contractor to cover the additional work. Staff from the LAWA Elevator shop have determined that 53 full-time Elevator Mechanics are needed to service and maintain the number of conveyances installed throughout LAX and VNY. Currently, there are only 28 mechanics employed with LAWA. Since 2018, LAWA staff and the City of Los Angeles (City) Personnel Department have actively engaged in an ongoing outreach program to recruit qualified conveyance mechanics. Most recently, in July 2022, those efforts included LAWA sending job bulletins and City employment applications to approximately 1,016 elevator mechanics licensed to work in the City and the Personnel Department maintaining the civil service examination process open on a continuous basis so qualified candidates may apply at any time. Despite those efforts, there has been no increase in available candidates for appointment to City positions. LAWA staff believe that the lack of interest may stem from compensation rates being lower than other employers and LAWA's 24-hours-a-day, seven-days-per-week working environment; and

WHEREAS, with the increased workload and low elevator mechanic staff numbers, LAWA has tried to determine the proper level of staff and contractor maintenance. In 2020, the Board of Airport Commissioners (Board) approved a contract with Kone that instituted a pilot program with terms that included a fixed monthly rate for the full-service maintenance of conveyances. During said process, staff committed to the Board that, following assessment of the pilot full-service program, a new competitive selection process would take place and a longer-term contract would be established; and



WHEREAS, during assessment of the pilot full-service program, staff determined that said contracting model did not meet LAWA's needs. Under the full-service model, LAWA paid the vendor a fixed monthly rate, including parts and labor, with a prescribed amount of service, up to certain limitations. Said limitations were frequently exceeded and resulted in additional costs due to the high utilization of conveyances. In addition, the predetermined service levels did not align with the goals of the LAWA Elevator Shop, and conveyances did not meet equipment availability performance standards. For those reasons, staff recommended transitioning to a time and material contract model that assigns responsibility for maintenance, repair, modernization, material and parts procurement, and other related services to the vendor; and

WHEREAS, LAWA received proposals from the following six (6) companies, which responded to the Request for Proposals (RFP) for elevator, escalator and moving walkways full maintenance, repair, modernization, materials and related services:

- Amtech
- Elevators Etc., Inc.
- Kone, Inc.
- Otis
- Schindler
- TK Elevator; and

WHEREAS, the LAWA evaluation committee ranked the six (6) proposals based on the criteria stated in the RFP. After a thorough evaluation of the proposals, it was determined that Otis was the best qualified to perform the services associated with the RFP and at the lowest ultimate cost to the City; and

WHEREAS, the contract with Otis will be a full-service time and materials conveyance contract with a third-party vendor that best suits LAWA's needs. Said contract model provides FMD staff with more direct oversight of the contractor's performance and will allow for increases or decreases in service levels as new facilities are placed into operation or as additional elevator mechanics are hired by LAWA. The contract will also:

1. Ensure responsibility for meeting established levels of conveyance reliability through design, implementation, and management of preventive maintenance (PM) programs, repairs, and on-site parts inventories by doing the following:
 - a. Keeping all moving walkways in proper working order 95% of the time, escalators in proper working order 96% of the time, and elevators in proper working order 97% of the time. Otis will be required to supply the staffing of a site manager, safety manager, shift supervisors, and conveyance mechanics necessary to meet the commitments in the scope of work. After the first six months of the contract, Otis has agreed that LAWA will enact a monetary penalty for every month that the conveyance commitments fall below the aforementioned percentages.
 - b. Performing daily, weekly, or monthly preventive maintenance as scheduled. Otis will be required to regularly and systematically examine, clean, lubricate, adjust, and make repairs to all LAWA-owned conveyance equipment. Otis must repair or replace all portions of the equipment, including performing work to address normal wear and tear, vandalism, and routine upgrades.
 - c. Otis will be granted access to the Maximo Work Order Management System, which is LAWA's asset management system, in order to track preventive maintenance and on-demand work orders. Otis will be required to use said system and any other LAWA-designated system to track scheduled PM, annual Fire Life Safety System testing, and any services required to remain compliant with Los Angeles Fire Department Chief's Regulation 4 (Reg 4); and

2. Allow for coordination with FMD’s Elevator Shop staff by:
 - a. Preparing and submitting a maintenance control plan and providing to LAWA a weekly report of completed maintenance and inspections, subject to approval of LAWA’s designated Contract Administrator.
 - b. Providing general training for LAWA staff necessary to maintain technical familiarity with the different types of manufactured equipment installed at LAWA facilities; and

WHEREAS, the comprehensive contract will benefit LAWA by providing LAWA’s Elevator Shop with direct control of labor and parts expenditures and scheduling of services and by establishing Contractor performance goals. In addition, the new contract will complement staff from the Elevator Shop in maintaining LAWA’s conveyances, enhancing the local parts inventory, and providing additional training for LAWA Elevator staff commensurate with the training Otis provides to its staff. Finally, the contract fulfills the commitment that LAWA made to the Board in 2020 to conduct a new competitive selection process and bring a longer-term contract before the Board following the assessment of the pilot full-service program; and

WHEREAS, LAWA has maintained all conveyances since 2013 through a combination of its own LAWA Elevator Shop, construction project warranties, extension of warranty agreements, and by contracting for any remaining maintenance needs that could not be absorbed by LAWA elevator shop maintenance staff to an outside elevator maintenance contractor. Through that effort, LAWA intend to consolidate maintenance, repair, modernization, and procurement of parts currently done through various contracts and other means, into one contract, overseen by the LAWA Elevator Shop, for complete maintenance responsibility of LAWA’s aging conveyance system infrastructure; and

WHEREAS, the yearly budgeted expenses for the new contract will remain flat during the first year of the contract for labor, wear and tear parts replacement, and Reg 4 compliance. The transition to the new contract model requires an initial parts inventory purchase during the first year of the contract that will: (1) bring FMD’s parts stock back to adequate levels totaling \$4.4 million; and (2) introduce an enhanced escalator step cleaning program, subcontracted to a Small Business Enterprise (SBE) subcontractor, averaging \$294,000 per year in expenditures. In addition, LAWA staff included contingency funding over the term of the new contract to account for: (1) major repairs, upgrades, and modernization of the aging infrastructure; (2) equipment expenses for conveyances that will come out of warranty requiring maintenance through the contract; and (3) new conveyances from current construction projects (e.g., MSC South) that will increase both asset counts and contractor staffing if LAWA continues to experience insufficient staffing levels; and

WHEREAS, following are the planned contractual expenses for the total five-year term of the contract with Otis:

Planned Contractual Expenses	Yearly Average	5-Year Total
Labor (including weekends and holidays)	\$12,100,173	\$60,500,864
Parts (wear and tear)	1,185,000	5,925,000
Parts (inventory stock)	1,100,000	5,500,000
Reg 4 Compliance	131,792	658,959
Escalator Step Cleaning	294,090	1,470,450
Major/Emergency repairs, modernization, and upgrades	2,788,945	13,944,727
Total Planned Contractual Expenses	\$17,600,000	\$88,000,000; and

WHEREAS, LAWA Strategic Sourcing Division conducted a Charter Section 1022 finding and determined that the contract complies with the requirements of said Charter Section 1022. If LAWA can increase staffing with fully-trained conveyance mechanics at any point within the term of the contract, it will have the option to increase or decrease staffing provided by Otis, as necessary; and

WHEREAS, fund for the contract are available in the Fiscal Year 2022-2023 LAWA Operating Budget in LAX Cost Center 1150067 – Elevator, Escalator, Moving Walkways, in Commitment Items 520 – Contractual Services and 522 – Materials & Supplies; in VNY Cost Center 1400003 – VNY Construction & Maintenance Services, in Commitment Item 522 – Materials & Supplies. Funding for subsequent years will be requested as part of the annual budget process; and

WHEREAS, installation, maintenance or modification of mechanical equipment and public convenience devices and facilities which are accessory to use of the existing structures or facilities and involve negligible or no expansion of use is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (32) of the Los Angeles City CEQA Guidelines; and

WHEREAS, Otis will comply with the Service Contractor Worker Retention and/or Living Wage Ordinance; and

WHEREAS, Procurement Services has reviewed this action (File 10080) and established a mandatory 10% SBE goal for the project. Otis has identified three local certified small businesses that will be retained as subcontractors to perform various tasks from the scope of work to meet the 10% SBE goal that was set for the contract. The largest element of work that will be subcontracted is for the scheduled cleaning of escalator steps; and

WHEREAS, Otis will comply with the provisions of the Affirmative Action Program; and

WHEREAS, Otis is assigned Business Tax Registration Certificate 0000085366-001-0; and

WHEREAS, Otis will comply with the Child Support Obligations Ordinance; and

WHEREAS, Otis has approved insurance documents, in the terms and amounts required, on file with LAWA; and

WHEREAS, pursuant to Charter Section 1022, staff determined that the work specified on the contract can be performed more feasibly and economically by an Independent Contractor than by City employees; and

WHEREAS, Otis has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance, and will comply with the provisions of said program; and

WHEREAS, Otis has been determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance; and

WHEREAS, Otis has submitted the Bidder Contributions CEC Form 55, and will comply with its provisions; and

WHEREAS, Otis has submitted the Municipal Lobbying Ordinance CEC Form 50, and will comply with its provisions; and

WHEREAS, Otis will comply with the provisions of the Iran Contracting Act; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (32) of the Los Angeles City CEQA Guidelines; found that the work can be performed more economically or feasibly by an independent contractor than by City employees; approved Award of three (3)-year Contract, with two (2) one-year renewal options, to Otis Elevator Company covering maintenance, repair, modernization, procurement of materials and parts, and related services for all escalators, elevators, and moving walkways that are owned and operated by Los Angeles World Airports, for overall cost not to exceed \$88,000,000; and authorized the Chief Executive Officer, or designee, to execute said Contract with Otis Elevator Company after approval as to form by the City Attorney and approval by the Los Angeles City Council.

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I hereby certify that this Resolution No. 27759 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, June 15, 2023.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS