



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: December 6, 2010

Approved

Date

12/15/10

SUBJECT: SECOND AMENDMENTS TO THE AGREEMENTS BETWEEN THE CITY OF SAN JOSE AND SCHINDLER ELEVATOR CORPORATION FOR ELEVATOR AND ESCALATOR MAINTENANCE SERVICE FOR THE AIRPORT AND CITYWIDE FACILITIES

RECOMMENDATION

Adopt a resolution authorizing the Director of Finance to:

1. Execute the second amendment to the Agreement with Schindler Elevator Corporation for elevator maintenance and repair services at citywide facilities to reduce monthly service costs by 10%, and exercise five additional one-year options for a total of eight remaining options to renew the Agreement, subject to the appropriation of funds.
2. Execute the second amendment to the Agreement with Schindler Elevator Corporation for elevator and escalator maintenance and repair services at the Norman Mineta San Jose International Airport to reduce monthly service costs by 10% and reduce time and material rates for unscheduled on-call services, and exercise five additional one-year options for a total of six remaining options to renew the Agreement, subject to the appropriation of funds.

OUTCOME

The change in the compensation rate for the two service agreements with Schindler would reduce the general fund expenditures by approximately \$16,980 per year and \$135,840 over the term of the citywide agreement administered by General Services, and reduce the Airport expenditures by approximately \$23,772 per year and \$142,632 over the term of the Airport agreement, assuming all option years are exercised. The amendments would further allow the City, in its discretion, to exercise an additional five one-year options to extend the terms of the agreements in addition to the four original one-year options.

BACKGROUND

The City currently has two service agreements with Schindler Elevator Corporation (Schindler) for the maintenance and repair of 44 elevators and escalators located at various City facilities and 21 elevators and escalators at the Airport.

On June 26, 2007, Council approved an Agreement with Schindler Elevator Corporation for maintenance and repair services for elevators and escalators at the Norman Mineta San Jose International Airport. On December 1, 2009, Council approved the first amendment to the Agreement to add elevators and escalators in terminals A & B to the Agreement and to increase maximum compensation accordingly. This Agreement is currently in option year three, and there is one remaining one year option to renew ending in June 2012.

On July 1, 2009, Council approved an Agreement with Schindler Elevator Corporation for maintenance and repair services for elevators and escalators at facilities throughout the City. On December 1, 2009, Council approved an amendment to add or delete elevators and/or escalators as required, subject to the appropriation of funds. This Agreement is currently in option year one, and there are three remaining one-year options to renew ending in June 2014.

ANALYSIS

As part of staff's contract renegotiation efforts that have resulted in over \$2,600,000 of cost savings and cost avoidance, Staff initiated discussions with Schindler with the goal of reducing contract prices for maintenance of City Facilities and Airport's elevators and escalators while retaining current service levels. The negotiated amendments to both agreements with Schindler would achieve this objective.

Schindler has agreed to immediately reduce the fixed monthly price for elevator maintenance services by 10% in exchange for the City amending the agreements to add five option years in addition to the four original option years. Savings over the terms of the agreements, assuming all option years are exercised, are illustrated in the table below:

AGREEMENT	ANNUAL SAVINGS	SAVINGS FOR BALANCE OF AGREEMENT
Airport Elevators & Escalators	\$23,772	\$142,632
Citywide Elevators & Escalators	\$16,980	\$135,840
TOTAL SAVINGS	\$40,752	\$278,472

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Though the number of option years would increase, the City would retain the unilateral right to exercise each one-year option. In addition, the agreements have a termination for convenience provision that gives the City the right to terminate the agreement at any time with 30 days notice. Therefore, as is current practice, staff will have the opportunity to review market conditions and supplier performance prior to exercising any options to renew, and elect not to extend the agreement(s) if this action is determined to be in the best interest of the City.

Staff has determined that at this time the cost reductions associated with these amendments are more advantageous than issuing a new competitive solicitation for this service. The General Services Citywide Agreement was recently competed in 2009; out of three proposals that were received, Schindler submitted the most advantageous pricing. Competing for this service at this time would most likely not achieve a 10% savings to the City.

EVALUATION AND FOLLOW-UP

This memo will not require any follow-up from staff.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum, while not meeting any of the criteria above, will be posted on the City's website for the January 11, 2011, Council Agenda.

COORDINATION

This memo has been coordinated with the City Attorney's Office, the General Services Department, the Airport Department, and the City Manager's Budget Office.

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FISCAL/POLICY ALIGNMENT

Amending these agreements complies with Council direction to reduce the cost of contracted services.

COST SUMMARY/IMPLICATIONS

It is estimated that a combined savings of \$40,752 in the first twelve months and \$278,472 over the terms of the agreements will be realized assuming all options years are exercised.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	Adopted Operating Budget Action (Date, Ord. No., Page)	Last Budget Action (Date, Ord. No.)
001	0592	General Services Non-Personal		\$10,859,495	\$201,298	VIII-106	N/A
523	0802	Airport-Non-personal/Equipment	304131	\$42,053,107	\$235,858	Adopted Operating Budget XI-3	10/26/2010 Ord # 28835

CEQA

Not a Project; File No.PP1066 (a), Agreements and Contracts for Maintenance Service

/s/
SCOTT P. JOHNSON
Finance Director

For questions please contact Mark Giovannetti, Purchasing Division Manager at (408) 535-7052.