

**CITY OF KELOWNA**

**M E M O R A N D U M**

**DATE:** June 26, 2006

File: 0550-05  
2320-20-8120

**TO:** City Manager

**FROM:** Airport General Manager

**SUBJECT: RENEWAL OF BLACK & MCDONALD CONTRACT**

**RECOMMENDATION:**

THAT Council authorize Airport Management to extend Black & McDonald's technical and building services contract for a period of 5 years from January 1, 2007 to December 31, 2011.

**BACKGROUND & COMMENTS:**

In August of 2001 the airport entered into a contract with Black & McDonald for the provision of technical and building services at the Kelowna International Airport for a period of five years ending December the 31, 2006 with the provision for five - one year renewals up to and including December 31, 2011.

It was decided to outsource technical and building services at the airport to a single integrated company because:

1. It was determined to be the most cost effective in a study by Grant Thornton;
2. It transferred all risk for cost increases for inflation or equipment failure to the contractor;
3. It provided the airport tenants with a level of service that would be extremely difficult to duplicate in house;
4. It allowed airport management to focus on its core business - airport operations and air service development, and
5. It generates additional general tax revenues from the space sub-leased by the contractor for its operations.

Airport administration has received a proposal from Black & McDonald to extend its contract for a further five-year fixed term rather than the five - one year renewals provided for in the contract. It is their contention that this would permit them to retain staff in what has become a highly competitive environment for trade's qualified personnel. In return for this commitment Black & McDonald is prepared to assume the risk for inflationary cost increases over the term.

Black & McDonald is a national company which provides a full range of electrical, mechanical, utility and maintenance services and is registered to do business in all territories and provinces, operating 17 offices from coast-to-coast in Canada, with over 3,000 employees. Black & McDonald have provided an excellent level of service over the

first five years of the contract. Being able to draw on technical expertise from throughout the company has resulted in efficient resolution of problems associated with a wide variety of airport systems from flight information displays to loading bridges.

At the present time Black & McDonald staff at the airport has grown from one contract manager and one electrician when they assumed the contract, to one manager, two electricians, one handyman and one works control clerk. Black & McDonald have also implemented a fully computerized maintenance management system which ensures a high level of service and efficiency.

<b>COST BREAKDOWN BY COMPONENT AND YEAR</b>					
<b>Component</b>	<b>(Year 6) 2007</b>	<b>(Year 7) 2008</b>	<b>(Year 8) 2009</b>	<b>(Year 9) 2010</b>	<b>(Year 10) 2011</b>
<b>Contract Management Cost</b>	\$ 254,542.00	\$ 258,134.00	\$ 269,784.00	\$ 277,879.00	\$ 286,215.00
<b>Electrical Cost</b>	\$ 134,235.00	\$ 137,872.00	\$ 142,008.00	\$ 150,035.00	\$ 154,536.00
<b>Building Janitorial Cost</b>	\$ 310,000.00	\$ 317,350.00	\$ 326,870.00	\$ 336,676.00	\$ 350,988.00
<b>Building HVAC Cost</b>	\$ 45,381.00	\$ 46,442.00	\$ 47,535.00	\$ 48,961.00	\$ 50,155.00
<b>Building Mechanical Cost</b>	\$ 57,660.00	\$ 75,945.00	\$ 78,223.00	\$ 80,570.00	\$ 82,987.00
<b>Other Building Cost</b>	\$ 152,891.00	\$ 158,040.00	\$ 162,781.00	\$ 167,664.00	\$ 172,694.00
<b>Snow Removal and Ice Control Cost</b>	\$ 97,500.00	\$ 99,593.00	\$ 102,581.00	\$ 105,658.00	\$ 108,828.00
<b>Other Groundside Cost</b>	\$ 31,869.00	\$ 32,696.00	\$ 33,677.00	\$ 34,688.00	\$ 35,729.00
<b>Total Annual Costs</b>	\$1,084,078.00	\$ 1,126,072.00	\$1,163,459.00	\$1,202,131.00	\$ 1,242,132.00
<b>PST</b>	\$ 32,552.00	\$ 33,783.00	\$ 34,904.00	\$ 36,064.00	\$ 37,264.00
<b>Annual Total Before GST</b>	<b>\$1,116,630.00</b>	<b>\$ 1,159,855.00</b>	<b>\$1,198,363.00</b>	<b>\$1,238,195.00</b>	<b>\$ 1,279,396.00</b>

The total cost of the contract will be \$5,992,439



R. Sellick

RS/lab