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FURNITURE PROCUREMENT

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated March 30, 2009, from the Commissioner of Corporate Services.

1. RECOMMENDATION

It is recommended that:

1. Teknion be confirmed as the vendor of record for System Furniture within the Region.

2. PURPOSE

The purpose of this study is to establish a procurement strategy to meet York Region's future system furniture needs, while considering the guiding principles of good stewardship and adherence to the Region's Procurement By-law as it relates to the issue of compatibility.

3. BACKGROUND

Summary of past and current furniture procurement practices

The current furniture system was originally purchased in the early 1990s. It was purchased to accommodate the initial consolidation of a number of Regional facilities to a new York Region Administrative Centre and to replace a mix of outdated furniture related to this move which was not compatible and/or did not meet the future requirements of the Corporation. The same contract has been extended several times over the last 15 years with improvements made to the discount rate.

There is now an installed base of almost 2400 workstations of this single line of systems furniture which has been manufactured and supplied to York Region by a Canadian company. This particular line of furniture was originally selected based on its' modularity, flexibility, ease of refurbishment, ease of reconfiguration/integration, and data/power management, all of which factors result in a lower cost of ownership to the Corporation.

York Region's Property Services Branch anticipates the need for the procurement of additional systems furniture workstations both as a result of confirmed growth and the

Strategic Accommodation Plan, which includes the proposed development of a Central Service Centre.

The Procurement By-law, as it relates to the issue of compatibility and the concept of good stewardship are the guiding principles in the decision of whether to go to a negotiated renewal process or a procurement initiative which may result in new and incompatible furniture systems being introduced to Regional facilities.

Other non-systems furniture purchases (meeting room tables, file/storage) will continue to be procured through a competitive bid process.

4. ANALYSIS AND OPTIONS

We have consulted with others on their practices

Using the services of an independent consultant, interviews were conducted with various systems furniture manufacturers and with other private and public sector organizations, including municipalities. The following key considerations emerged and have an impact on the two procurement options of Negotiated Renewal with the existing manufacturer, or entering into a New Procurement Process:

1. Almost all organizations identified a distinct advantage to remaining with a single manufacturer due to compatibility and other operational issues that introduce added incremental costs and administrative effort.

2. Procurement initiatives that resulted in two different manufacturers for a single client were driven by specific events:

    a. Amalgamations or consolidations that resulted in the inheritance of different systems furniture lines that would be too costly to replace.

    b. The "trigger" of a new building where existing product was dispersed to other facilities with compatible product, resulted in all new products being required for that new building.

    c. Existing system furniture that was out of date or did not meet new requirements/standards (i.e. improved flexibility/features or ergonomics).

3. While procurement may result in reduced costs for a new systems furniture line, the savings, to a large extent, are marginal and often a result of reduced furniture features, standards, and/or quality of product.

4. All of the organizations interviewed recommended that if a new furniture system is procured, the two systems (existing and new) must be segregated by building

which results in a single source procurement process at each location from that point onward.

Compatibility of systems is a factor

York Region has a large installed base of a single manufacturer's systems furniture workstations that meet current standards and space and furniture requirements. A new incompatible furniture system would increase administrative effort and costs such as parts storage, management of multiple on-site service providers, and retraining of in-house staff. A new system may also create inequality between York Region employees who would now work in two different furniture systems. York Region would still need to continue its procurement practice with the current manufacturer for ongoing replacement and growth requirements as related to their systems furniture in existing facilities.

Based on the Strategic Accommodation Plan, the proposed development of a Central Service Centre would see current systems furniture product being relocated from various leased facilities and supplemented by new product from the same manufacturer. Rather than new requirements occurring at a single point in time, growth within the Region will be incremental in these locations making the addition of new incompatible systems furniture very impractical. To abandon and replace the existing systems furniture would also be cost prohibitive.

An environmental scan of discount rates with other organizations indicates that York Region is receiving comparable market based discount rates from its existing supplier.

Re-use and deployment has reduced waste

The Region's current systems furniture is a sustainable product as it has the characteristics that lend to the optimization of floor plans, has connectability and compatibility; and allows for ergonomic adjustments. These characteristics encourage the reuse and re-deployment of product which significantly reduces waste and diversion of furniture to landfill. Remaining with a single line of furniture from a single furniture manufacturer enables the Region to leverage these benefits. York Region's current rate of wastage is almost zero percent; while that of other organizations is higher due to two or more existing furniture systems in their portfolios.

The Region's current systems furniture, Teknion TOS, is a Canadian made system with excellent environmental characteristics manufactured in ISO 14001 certified facilities. Its environmental statistics qualify it for points under the Leadership in Energy and Environmental Design in New Construction and Commercial Interiors programs (LEED NC and CI).

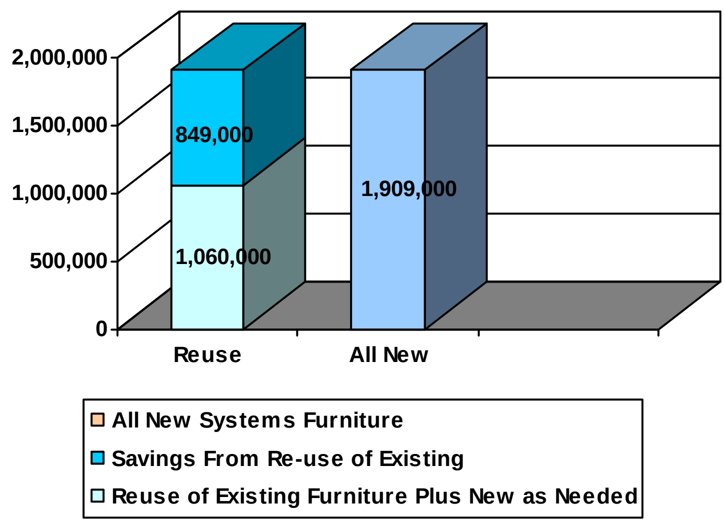
5. FINANCIAL IMPLICATIONS

There are savings by using one supplier

A financial analysis of the different procurement options related to the provision of systems furniture for the proposed Central Service Centre indicates that by moving Teknion product from existing facilities and supplementing this product with new furniture required from the same manufacturer will result in there being $849,000 savings related to furniture purchases for the anticipated move to the proposed Central Service Centre in 2012.

New furniture procured to address growth will be gradual and must integrate with existing systems furniture, both aesthetically and physically, at existing leased facilities located in Newmarket prior to the proposed move to a Central Service Centre. A procurement process which may result in a new furniture system is risky and logistically problematic. New incremental administrative costs and intangible impacts to the Property Services Branch, York Region departments and employees will result if York Region introduces a new system furniture manufacturer to the portfolio.

Cost of Furniture for Central Service Centre – 2012



6. LOCAL MUNICIPAL IMPACT

The local municipalities use a variety of product manufacturers to furnish their facilities. Regional staff will contact each to explore any bulk purchasing opportunities with respect to the Region's vendor of record.

7. CONCLUSION

Regional staff should continue working with the current vendor, adhering to the sole source provisions of the Procurement By-law due to compatibility issues in order to maintain and leverage the benefits of a single furniture system. Regional staff will use a benchmarking and negotiating process to validate best value pricing while exploring opportunities for higher volume discounts through the York Public Buyer Co-operative. The procurement of other "non-system" furniture would continue through a competitive bid process.

For more information on this report, please contact Martin Silver, Manager, Capital Projects at Ext. 1708.

The Senior Management Group has reviewed this report.