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OFFICE FURNITURE STRATEGY

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated September 20, 2012, from the Commissioner of Corporate Services.

1. RECOMMENDATIONS

It is recommended that:

1. Council reaffirm the Office Furniture Strategy.

2. The Commissioner of Corporate Services be authorized to execute an agreement with Teknion Limited and Salix Systems Limited with respect to the purchase of system furniture by the Region for a term of five years.

2. PURPOSE

This report is to update Council and reaffirm the Office Furniture Strategy approved by Council in 2009. This report outlines why the strategy will continue to meet the Region's system furniture needs, while considering, pricing, quality, service and the guiding principles of good stewardship and adherence to the Region's Procurement Bylaw.

3. BACKGROUND

The current arrangement provides competitive rates

The current system furniture (Teknion) was selected to accommodate the initial consolidation of a number of Regional facilities to the Administrative Centre and to replace a mix of outdated furniture that was not compatible and/or did not meet the future requirements of the Corporation. In addition, the Region achieved compatibility using office system furniture at a utility grade. The existing Teknion contract has been extended several times with improvements made to the discount rate. Purchases for larger projects were public bid through authorized Teknion representatives in order to maintain the single line of product. However, based on volume discounts offered through the manufacturer, the same dealer (Salix) was able to provide lower pricing and therefore was awarded all contracts.

Council approved Teknion as the vendor of record

Council at its meeting on June 25, 2009, adopted Report No. 5 of the Finance and Administration Committee which confirmed the Manufacturer (Teknion) as the vendor of record for the Region’s system furniture.

There is now an installed base of approximately 3000 workstations of this single line of system furniture which has been manufactured and supplied to the Region by a Canadian company, Teknion. 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 result in a lower cost of ownership to the Corporation.

The Property Services Branch anticipates the need for the procurement of additional system furniture workstations both as a result of projected growth in the Accommodation Master Plan, and projects identified in the approved 10 Year Capital Plan, which includes the proposed development of the Administrative Centre Annex.

The Region’s Procurement Bylaw allows sole sourcing

The Procurement Bylaw sole source provision specifically relates to the issue of compatibility and the concept of good stewardship. These are the guiding principles in the decision to continue with the existing strategy, rather than introducing an additional manufacturer of system furniture. However, staff recognizes that Teknion products may not be the best case solution in all instances. End user considerations will be evaluated on a case by case basis to ensure that the most appropriate and cost effective solution is delivered.

Other non-system ancillary products (tables, chairs, filing cabinets and other miscellaneous furniture items) will continue to be procured through an open market competitive bid process.

4. ANALYSIS AND OPTIONS

There are a number of factors that were used to assess a furniture vendor

- **Efficient delivery of corporate accommodations -** The current furniture purchase arrangement provides a streamlined space planning process without time consuming procurement processes for each individual project. In addition, using one supplier’s products reduces the time for space planning design, installation, reconfiguration, parts and service.

- **Flexibility for meeting future needs** - Teknion furniture consists of interchangeable components. This allows for multiple configurations to meet the varying demand and maximum redeployment of existing furniture, providing flexibility for a wide range of configurations.

- **Provides consistency across the Region –** Maintaining a consistent look and design throughout Regional facilities and provides equality among work spaces.

- **Provides long term commitment of parts –** Teknion has committed to long term availability of standard finishes and colours ensuring consistency within and among facilities and maximizing the ability to interchange, retrofit or reuse components.

- **Provides quality products** - Teknion products have a proven track record for quality and durability. Teknion offers an excellent warranty. In addition, integration of replacement parts and components is assured.

- **Standard asset management practices –** Consistency in utilizing proven products provides standardized life cycle management practices with known life expectancy and reduced risk of unsatisfactory performances requiring premature replacements with an unknown supplier.

- **Provides the Region with good value** - By purchasing through a single supplier, the Region can obtain a preferred discounted rate off the manufacturers suggested list price based on volume purchasing.

Consultation with other municipalities

In 2009, the Region used the services of an independent consultant, who conducted interviews with various system furniture manufacturers and with other private and public sector organizations, including municipalities. The following key considerations emerged in the original study and have been reconfirmed in 2012.

Almost all organizations identified a distinct advantage to remaining with one manufacturer due to compatibility and other operational issues that introduce added incremental costs and administrative effort. For example, the City of Markham reaffirmed their preferred furniture manufacturer and authorized representative in April 2011.

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 would result in a sole source procurement process at each location from that point onward.

Compatibility of systems is a factor and to introduce another system at existing locations would be inefficient

The Region has a large installed base of single manufacturer's system furniture workstations that meet current standards and space and furniture requirements. A different furniture system would increase administrative effort and costs such as parts storage, and management of multiple on-site service providers. The Region would still need to continue its procurement practice with the current manufacturer for on-going replacement and growth requirements as related to their system furniture in existing facilities.

Opportunity to explore new products

Based on the Accommodation Master Plan, the proposed development of the Administrative Centre Annex would be an excellent opportunity to test the furniture market and to ensure we are receiving the best value for our money. As part of the Annex planning process staff will develop a formal proposal to explore alternative systems furniture. The RFP will be open to all system furniture manufacturers and suppliers.

Reuse and redeployment has reduced waste to almost zero

The Region's current system 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 redeployment of products 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. The 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 system furniture, Teknion TOS, is a Canadian made system with excellent environmental qualities, and is manufactured in ISO 14001 certified facilities. Its environmental characteristics qualify it for points under the Leadership in Energy and Environmental Design for existing buildings programs (LEED EB) currently in progress for the Administrative Centre.

Link to Key Council-approved Plans

From Vision to Results: 2011 to 2015 Strategic Plan

Priority Area – Manage the Region's Finances Prudently
Practice sound Fiscal Management
Priority Area – Strengthen Organizational Capacity
Support organizational change

5. FINANCIAL IMPLICATIONS

Staff have negotiated an excellent discount rate

An environmental scan of discount rates with other organizations indicates that York Region is receiving comparable market based discounts on the publicly advertised manufacturers suggested list price rates from its existing supplier. The Region has negotiated a favourable volume discount on a variety of Teknion products.

Savings to the Region by using one supplier

New furniture will be required to accommodate growth at existing Regional facilities, as well as address on-going program changes within the various departments throughout the Corporation. The range, size and complexity of furniture orders will vary based on the individual project requirements, however, the furniture must fully integrate into existing locations, therefore, utilization of the current system furniture is necessary.

If the Region introduces of a new furniture system into its portfolio, the new system may result in incompatible systems and increased administrative costs to the Property Services Branch, Regional departments and employees.

The current line of furniture is an economical mid priced product. The discount structure and fixed cost for individual components of system furniture has been negotiated with Teknion for a period of five years. By establishing predetermined pricing, the Region will not be subject to rate increases and can better calculate budget estimates for future projects. It is difficult to estimate the upset limit of the annual expenditure as the demand will fluctuate depending on corporate growth and changing accommodation needs. It is important to note that all funds allocated to furniture are approved by Council during the annual Operating and Capital Budget process. In addition, all new requests for new leased accommodation are also approved through the Council process and furniture is identified in the financial details.

The table below outlines the annual system furniture expenditures since the furniture procurement strategy was approved by Council in 2009.

Table 1
Furniture Purchases By Year

Year	**Amount**	**Significant Projects**
2009	$ 854,294	395 Mulock Drive ITS relocation
2010	$ 652,970	Transit Enforcement 18106 Yonge Street and 194 Eagle Street
2011	$1,486,781	EMS HQ and Property Services relocation to 130 Mulock Drive
2012	$ 83,796	IT and Property Services relocation to 140 Mulock Drive
Totals	**$3,077,841**	

6. LOCAL MUNICIPAL IMPACT

There are no local impacts associated with this report.

7. CONCLUSION

It is recommended that the Region reaffirm Teknion as the preferred supplier for system furniture based on their proven track record in terms of pricing, quality and service.

Allowing for a project-by-project approach to furniture acquisition would result in an increased administration burden, incompatibility of system furniture that limits future reconfiguration, varied life cycle of assets, inability to obtain volume purchasing discounts from furniture vendors, and an expanded variety of parts and service suppliers to track and administer.

Staff recommend that the Region enter into a five year single source agreement with Teknion, through their Authorized Dealer Representative Salix, for the supply, delivery and set up of system furniture as outlined in the contract.

Regional staff should continue working with the current manufacturer (Teknion) through the vendor (Salix), adhering to the sole source provisions of the Procurement Bylaw. Regional staff will use on-going benchmarking with other municipalities to validate best value pricing. The procurement of other “non-system” furniture will continue through a competitive bid process.

For more information on this report, please contact Barry Crowe, Director, Property Services Branch at Ext.1684.

The Senior Management Group has reviewed this report.