



CITY OF HAMILTON

PUBLIC WORKS DEPARTMENT
Energy, Fleet and Facilities Management Division
and
CORPORATE SERVICES DEPARTMENT
Financial Services and Taxation Division

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| TO: | Chair and Members Audit, Finance and Administration Committee |
| COMMITTEE DATE: | August 11, 2022 |
| SUBJECT/REPORT NO: | Continued Standardization and Request to Negotiate a Contract for Systems Furniture for the City of Hamilton (PW22065/FCS22071) (City Wide) |
| WARD(S) AFFECTED: | City Wide |
| PREPARED BY: | Janet Warner (905) 546-2424 Ext. 7041 Tina Iacoe (905) 546-2424 Ext. 2796 |
| SUBMITTED BY: SIGNATURE: | Rom D'Angelo Director, Energy Fleet & Facilities Division Public Works Department |
| SUBMITTED BY: SIGNATURE: | Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department |

RECOMMENDATION

- (a) That the General Manager of the Public Works Department, or their designate, be authorized and directed to negotiate a single source contract, for a term of 5 years, ending December 31, 2027, for the standardization and procurement of Systems Furniture with Teknion Limited;
- (b) That staff be directed to report back with the results of the negotiations for the standardization and procurement of Systems Furniture with Teknion Limited to the Audit, Finance and Administration Committee for consideration.

EXECUTIVE SUMMARY

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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The City has been in its current contract with Teknion Limited (“Teknion”) since March 2010 for Office Furniture under Contract C11-19-09. Since 2010, almost all of the City’s office furniture in use as well as any surplus inventoried furniture (including both Systems Furniture and Case Goods) is a Teknion product. Contract C11-19-09 is due to expire on December 31, 2022.

Energy, Fleet and Facilities Management Division within Public Works has been satisfied with the reliability and quality of the Systems Furniture acquired to date from Teknion. The intent of this Report is to request Council approval for staff to continue the standardization of Systems Furniture manufactured by Teknion until December 31, 2027 and for staff to negotiate a single source contract with Teknion in accordance with Procurement Policy #11 Non-Competitive Procurement and Policy #14 Standardization. Once the negotiations are complete, staff will report back with the results of the negotiations to the Audit, Finance and Administration Committee for consideration.

A standardization of the City’s Systems Furniture would result in ensured continuity and continued, seamless interconnection of panel furniture used within the City and will allow space and workstations to be maximized, collectively resulting in a decreased floorplan (space optimization) and ultimately less requirement of leased or owned space.

As office environments and cultures continue to shift to hybrid alternatives and hoteling models, staff will develop a strategy for a competitive process for all systems furniture to be considered before the end of the five-year term.

Staff is requesting that only Systems Furniture continue to be standardized. Staff is intending to issue an open and competitive bid for Case Goods prior to the end of 2022.

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Capital budgets and annual operating budgets, as applicable, will incur additional expenses as a direct result of any negotiated price increases as a result of the standardization and single sourcing with Teknion. The extent of any price increases is unknown at this time however staff are confident through continued standardization and the proposed negotiations, staff may be able to curb some current increases being experienced within the office furniture and equipment commodity market. Pre-COVID19, the City was

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spending over \$1.5 per year on new and reconfigured systems furniture, excluding large, capital accommodations' projects.

Staffing: N/A

Legal: Legal Services will be requested to assist in the formation and finalization of the contract.

HISTORICAL BACKGROUND

Teknion has been incorporated into the City of Hamilton offices since before amalgamation and has been supported as an acceptable manufacturer since 2003 when Council endorsed staff to extend house agreements with select furniture vendors (PW03032 May 14, 2003). This initial agreement resulted in a 17% savings with Teknion. The house agreements were extended two additional times by Council approval Report PW06117 dated on August 22, 2006, at which time over 50% of the City's Systems Furniture was Teknion as well as, Report PW09014 dated February 20, 2009 when over 60% of the City's System Furniture was Teknion and resulted in an additional 10% savings.

The continued utilization of Teknion throughout the City of Hamilton was based on its durability, Canadian content and manufacturing, limited lifetime warranty as well as the amount of product already in use throughout the City.

In 2010, Facilities Management Division, with the assistance of Procurement, undertook an open, competitive Request for Proposal ("RFP") C11-19-09 for a corporate contract to supply and deliver the City's furniture requirements for both systems furniture and case goods for a potential maximum of twelve years. For reference purposes, systems furniture ("Systems Furniture") is modular furniture pieces that are configured to create workstations or cubicles and usually include privacy panels, desktops, cabinets and other equipment that can be configured or reconfigured as needed. Most of these components would be connected to each other to form the workstation. Case goods ("Case Goods") is office furniture that is completely stand alone and not part of or attached to a workstation or Systems Furniture, for example, office chairs, standalone file cabinets or meeting tables.

On March 10, 2010, Council approved Report FCS10005 recommending the award of Contract C11-19-09 be made to Teknion Furniture Systems Co. Limited (now operating as Teknion Limited).

Since March 2010 Teknion manufactured Systems Furniture and Case Goods have been the standard used for all the City's office and workstation requirements. Furthermore, and more recently, new furniture guidelines based primarily on the Teknion Systems Furniture were recently adopted as part of the Downtown Office Accommodation Strategy (GIC – August 8, 2016, PED16175 / PW16060)

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

This report is in accordance with Procurement Policy 20-205 as amended, Policy #4.11 – Non-Competitive Procurement and Policy #4.14 – Standardization.

RELEVANT CONSULTATION

N/A

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Systems Furniture:

From 2012 to 2021, the City has spent more than \$12 million on Systems Furniture for small departmental moves, reconfigurations as well as larger corporate-wide space management projects.

The significant benefit to Systems Furniture is its versatility to be dismantled and reconfigured into various workstations and components. As a result of the experience in working with the Teknion brand of Systems Furniture for several years, staff is confident that the Teknion's design and construction is both reliable and extremely durable in order to achieve multiple reconfigurations.

Since the City has been purchasing Teknion Systems Furniture for many years, the City has been able to establish a limited amount of inventory resulting from workstations or projects that have been dismantled from its original use and deemed surplus. Wherever possible, surplus inventory is considered for reuse within the City before any new product has been ordered which, in turn, has created significant cost savings to the respective departments and the City as a whole. The inventory is regularly updated, allowing space requirement changes to utilize readily accessible systems components and, in many cases, reduces timelines in certain situations. This also allows for ability to adjust workstations at a potentially lesser cost due to ongoing ergonomically changes, i.e. new/approved space and accommodation standard.

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Approval to standardize the Teknion Systems Furniture will provide increased versatility in reconfiguring space with existing product with new minimal impact to floor space. Should the negotiation with Teknion be successful and receive Council's approval, establishing Teknion as the City's standard for Systems Furniture would ensure that the City continues to use the current inventory and maintains the ability to capitalize on its versatility going forward.

Case Goods:

Although Case Goods have been purchased from Teknion under Contract C11-19-09 since 2010, staff do not believe that standardization of Case Goods needs to continue. The manufacture of Case Goods is somewhat similar amongst vendors and are not proprietary therefore they can be easily used and interchanged as required. Staff will be preparing a Request for Tenders and awarding a contract prior to the end of 2022.

Environmental Considerations:

The Teknion manufactured products meet all ergonomic and health and safety standards and comes with a limited lifetime warranty for repair to replacement of furniture for any product failure. Teknion is also making strides in the office furniture industry regarding sustainability and environmental impacts. They were the first manufacturer to become WELL v1 certified as well as ISO certified 9001.

Teknion has also developed a "Divert Program", which offers a turnkey, environmentally sound solution to disassemble and move any disposed Systems Furniture components. Teknion transfer's title of the goods and either donates or resells any reusable existing components or recycles the product by stripping the furniture down in an effort to recycle as much as the materials as possible, thereby ensuring the minimalist amount of waste to the landfill. This allows the City to maintain reusable systems furniture within the limited storage space available with the redundant furniture being re-used or recycled. The Divert Program also minimizes additional costs associated with moves and changes related to multiple forces and costs as well as minimizes risk with one entity overseeing all work.

Proposed Negotiations:

Should Council approve the recommendation in this Report, it is staff's intent to work with Teknion to negotiate pricing for a contract until at least December 31, 2027.

As indicated in Report FCS21103/LS21045 “Amendment to Procurement Policy to Allow for Negotiation of Contracts in Extenuating Circumstances, “ staff is cognizant of many events within the world creating price fluctuations well beyond anything that the vendor community or the City could control or possibly predict. Staff has received correspondence from Teknion that the furniture commodity market has been affected by this price increases and the cost of various goods and services needs to increase. Teknion initially approached the City for a price increase before the end of the Contract (including a 7% surcharge) however, they have agreed to hold off on passing any increases on until Council has made their decision regarding this Report.

ALTERNATIVES FOR CONSIDERATION

Rather than direct staff to negotiate a contract with Teknion, Council could direct staff to issue a competitive RFP for Case Goods and Systems Furniture. This alternative is not recommended.

Financial: Since the Teknion Systems Furniture is proprietary to Teknion and not compatible with other manufacturer Systems Furniture, it would be ineffective and cost prohibitive to utilize another vendor. As the City is almost 100% Teknion product-based, trying to integrate another systems would not only impact the footprint (which would increase due to panels not interconnecting and thus, doubling the size of panel depth as the panels would have to be adjacent versus connected) but will also be, costly carrying two propriety systems in inventory, phasing out the Teknion brand over a multitude of years. Should Council proceed with this alternative, staff will require a six (6) month extension to Contract C11-19-09 in order to develop a scope of work for both Systems Furniture and Case Goods for an RFP and award a new contract.

Staffing: N/A

Legal: Legal Services will be requested to assist in the formation and finalization of both the RFP document as well as the contract.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

N/A