





## CITY OF HAMILTON

**CORPORATE SERVICES DEPARTMENT**  
**Financial Services and Taxation Division**  
**and**  
**PUBLIC WORKS DEPARTMENT**  
**Corporate Facilities & Energy Management Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	May 18, 2023
<b>SUBJECT/REPORT NO:</b>	Continued Standardization Contract for Systems Furniture for the City of Hamilton (FCS22071(a)/PW22065(a)) (City Wide) - Outstanding Business Item
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Tina Iacoe (905) 546-2424 Ext. 2796 Janet Warner (905) 546-2424 Ext. 7041
<b>SUBMITTED BY:</b> <b>SIGNATURE:</b>	Mike Zegarac General Manager Corporate Services Department 
<b>SUBMITTED BY:</b> <b>SIGNATURE:</b>	Carlyle Khan General Manager Public Works Department 

**Discussion of Private & Confidential Appendix "A" FCS22071(a)/PW22065(a) would be pursuant to Section 9.3, Sub-section (i) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-section (i) of the Ontario Municipal Act, 2001, as amended, as the subject matter pertains to**

### RATIONALE FOR CONFIDENTIALITY

- a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization

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.

**RATIONALE FOR MAINTAINING CONFIDENTIALITY**

- This Report includes negotiated pricing and contract terms and conditions negotiated and proposed by staff with Teknion for the City’s Systems Furniture Contract; therefore, it is appropriate to address in-camera, pursuant to the *Ontario Municipal Act, 2001, SO 2001, c25 (Municipal Act, 2001)*.

**RECOMMENDATION**

- (a) That Council approve the standardization of Systems Furniture manufactured and procured from Teknion Limited, pursuant to Policy #11 Non-Competitive Procurements and Procurement Policy #14 – Standardization, until December 31, 2027 and that the General Manager, Public Works Department be authorized to enter into and execute any required Contract and any ancillary documents required to give effect thereto with Teknion Limited, in a form satisfactory to the City Solicitor and Director of Financial Services and Taxation.
- (b) That Appendix “A” to Report FCS22071(a)/PW22065(a) remain confidential as it contains proprietary and sensitive competitive financial information of Teknion Limited, which was provided to the City of Hamilton in confidence for the negotiation of the Contract.
- (c) The purpose of this report is to update Council on the actions taken by staff to address this outstanding item. As a result of this report, the item representing continued standardization and request to negotiate a contract for systems furniture for the City of Hamilton will be considered complete and removed from the Audit, Finance and Administration Committee Outstanding Business List.

**EXECUTIVE SUMMARY**

On August 12, 2022 Council approved Report PW22065/FCS22071 which included the following recommendations:

- (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

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Limited to the Audit, Finance and Administration Committee for consideration."

The negotiations between City staff and Teknion have now concluded and the intent of the Report FCS22071(a)/PW22065(a) is to advise on the results of those negotiations and request approval to enter into the proposed contract and standardization.

**Alternatives for Consideration – See Page 7**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Capital budgets and annual operating budgets, as applicable, will incur additional expenses as a direct result of any price increases throughout the term of the contract to standardize and single source with Teknion.

Pre-COVID19, the City was spending over \$1.5M per year on new and reconfigured systems furniture, excluding large, capital accommodations' projects. Post-COVID, the City has spent over \$1M in the past year.

Staffing: N/A

Legal: Legal Services has provided guidance with respect to the negotiations conducted to date and their continued assistance will be required in the finalization of the contract.

**HISTORICAL BACKGROUND**

Teknion's Systems Furniture has been incorporated into the City of Hamilton offices since before amalgamation. For reference purposes, "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 and is not included and has been issued as a competitive bid separate from this contract. Teknion has been supported as an acceptable manufacturer since 2003 when Council endorsed staff to extend vendor discount agreements with select furniture vendors (PW03032 May 14, 2003). The initial agreement with Teknion resulted in a savings of 17% savings. The house agreements were extended two additional times with Council approval: Report PW06117 dated on August 22, 2006, at which time over 50% of the

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City's Systems Furniture was procured from Teknion and Report PW09014 dated February 20, 2009 when over 60% of the City's System Furniture was also procured from Teknion and resulted in an additional 10% savings for the City.

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.

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)

On August 12, 2022, Council approved Report PW22065/FCS22071, directing staff to negotiate a contract for the continued standardization of Systems Furniture manufactured by Teknion Limited ("Teknion") until December 31, 2027. Through that Report, staff were also directed to report back with the results of the negotiations to the Audit, Finance and Administration Committee for approval, in accordance with Procurement Policy #11 Non-Competitive Procurement and Policy #14 Standardization.

Since staff received this direction from Council, multiple meetings have been held with Teknion to negotiate and finalize a contract for Council's consideration. As per Report PW22065/FCS22071, negotiations with Teknion have only pertained to Systems Furniture.

At the time of this Report, staff have issued and closed a Request for Proposals ("RFP") for the Supply and Installation of Case Goods and the evaluation of proposals has begun. The results of this RFP will be reported as applicable in the Procurement Section's quarterly *Request for Tenders and Proposals Report*.

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Committee and Council are also advised that the City's corporate contract, C11-19-09, Supply And Deliver The City's Furniture Requirements with Teknion, has expired as of December 31, 2022.

**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**

Legal Services has provided comment with respect to the confidentiality of this report.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

As previously stated in Report PW22065/FCS22071, Corporate Facilities & Energy Management Division within Public Works has been satisfied with the reliability and quality of the Systems Furniture acquired to date from Teknion. A standardization of the City's Systems Furniture ensures continuity and continued, seamless interconnection of panel furniture used within the City and allows space and workstations to be maximized, collectively resulting in a decreased floorplan (space optimization) and ultimately less requirement of leased or owned space.

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,

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allowing space requirement changes to utilize readily accessible systems components and, in many cases, reduces timelines in certain situations. This also allows for the ability to adjust workstations at a potentially lesser cost due to ongoing ergonomically changes, i.e. new/approved space and accommodation standard.

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.

Approval to standardize the Teknion Systems Furniture provides increased versatility in reconfiguring space with existing product with minimal impact to floor space. Establishing Teknion as the City's standard for Systems Furniture ensures that the City continues to use the current inventory and maintains the ability to capitalize on its versatility going forward.

**Negotiations:**

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. Early in the Covid-19 pandemic, Teknion approached the City for a price increase however, Teknion agreed to hold off on passing any increases until Council made their decision regarding the negotiation of a standardization contract.

As mentioned early in this Report, after receiving Council's direction to proceed, staff has held multiple meetings with Teknion to negotiate and finalize a contract for Council's consideration. Initial negotiations were based on the previous Contract C11-19-09 and included updates to current contact information and refining the City's expectations for customer service as well as delivery and installation of the goods.

Staff and Teknion have agreed to include in the negotiation contract's scope of work Teknion's "Divert Program", which offers a turnkey, environmentally sound solution to disassemble and remove any disposed Systems Furniture components. Under the Divert Program, Teknion will transfer title of goods to be disposed and either donate or

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resell any reusable existing components or alternatively, recycle the product by stripping the furniture down to recycle as much as the materials as possible, thereby ensuring the minimalist amount of waste to the landfill.

Operationally, the Divert Program will support and allow 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 costs incurred by hiring other vendors to move, store and dispose of the furniture as well as minimizes risk with one entity overseeing all work.

Environmentally, the Divert Program supports one of the guiding principles of Hamilton's Solid Waste Management Master Plan (SWMMP), in that "The City must lead and encourage the changes necessary to adopt the principle of Waste Minimization". The program is also in alignment with Hamilton's Climate Action Strategy which proposes to achieve community-wide net-zero greenhouse gas (GHG) emissions by 2050, with an interim reduction target of 50% by 2030. The Divert program works to support the waste diversion targets increase, reduce the solid waste generation and avoid as many GHG emissions from landfills as possible.

Appendix A to this Report sets out the specifics with respect to pricing and any applicable discounts being offered under the negotiated contract for Council consideration.

## **ALTERNATIVES FOR CONSIDERATION**

Rather than approve the recommendations in this Report, Council could direct staff to issue a competitive RFP for Systems Furniture. This alternative is not recommended. If staff conducted a competitive procurement process for Systems Furniture and a vendor other than Teknion was successful, many of the synergies and cost benefits resulting from standardization would be lost. Should the City carry more than one manufacturer's product, the City would lose the significant economies of scale from the volume discounts proposed by Teknion and lose much of the ability and flexibility to configure and reconfigure the furniture pieces for workstations and cubicles. In addition, the City would incur an increase in its cost of carrying inventory for two lines of Systems Furniture and the storage needs for a second product line.

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%

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Teknion product-based, trying to integrate another system would not only impact the furniture footprint due to panels not interconnecting and thus doubling the size of panel depth and floor space requirements as the panels would have to be adjacent versus connected, it will also be costly carrying two propriety systems in inventory, while phasing out the Teknion brand over a multitude of years. Should Council proceed with this alternative, staff will require an additional eight (8) month extension to Contract C11-19-09 in order to develop a scope of work for an RFP for the Supply and Delivery of Systems Furniture and for the award of 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**

Confidential Appendix “A” to Report FCS22071(a)/PW22065(a) – Systems Furniture Contract Pricing Details