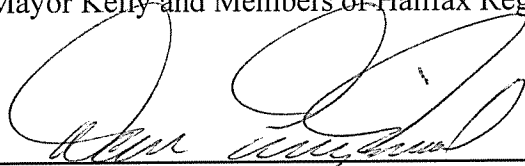


TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: March 23, 2009

SUBJECT: Office Systems Furniture

ORIGIN

May 2007 purchase of system furniture for HRP relocation to new accommodations on Brunswick Street.

June 2007 Information Report to Regional Council - Procurement Process for Office Furniture.

Regional Council's direction "That an RFP be issued to office suppliers to demonstrate to HRM whether equivalent or better value for money opportunities exist that meet our operational and compatibility requirements."

May 2008 Expression of Interest 08-032 Systems Furniture Product and/or Services

November 2008 verbal report to Audit Committee - EOI Office Furniture

January 2009 Information Report to Council - Corporate Accommodation Planning

RECOMMENDATION

It is recommended that Regional Council endorse the continued sole sourcing of Haworth systems furniture to meet the corporate accommodations needs of HRM for reasons outlined in the discussion section of this report.

BACKGROUND

At the time of amalgamation staff evaluated the merits, operational and procurement implications of standardizing on one of several systems furniture manufacturers utilized by the previous municipal units. It was found that the City of Halifax had the largest inventory of quality systems furniture. This product was manufactured by Haworth and it was decided to standardize on Haworth UniGroup Systems Furniture. Subsequent to that a series of price agreements have been established with the local supplier of this product, Office Interiors. Although originally these agreements included not only systems furniture but also free standing furniture, chairs and filing cabinets, the most recent agreements are limited to systems furniture alone and other furniture components are purchased through either public tender or from standing agreements awarded on a regular basis through a public proposal call. All of these purchases comply with HRM Procurement Policy.

DISCUSSION

Expression of Interest 08-032 Systems Furniture Product and/or Services was issued on May 31, 2008.

Based on criteria agreed to by Regional Council, the EOI established a process to identify qualified firms that had the capability and qualifications to provide the following:

1.) Product compatible with HRM's existing Haworth UniGroup Systems Furniture Inventory.

Fundamental to this is the mandatory requirement for each proponent to demonstrate the compatibility of the proposed new product to the existing UniGroup Systems Furniture in terms of 1) electrical/data/voice components 2) panel to panel connection and 3) component to panel connection.

2.) Added value services for HRM's existing Haworth UniGroup Systems Furniture Inventory such as:

- a) Space Planning capability
- b) After Service capability (i.e. re-manufactured product such as re-upholstering of panels)
- c) Shipping and Installation
- d) Inventory Management
- e) Organizational Productivity
- f) Re-configuration of existing product
- g) Other Added Value Opportunities

Expression of Interest #08-032 closed on March 31st, 2008 with responses from the following companies:

1. Corporate Express
2. Office Interiors
3. Eaton Office Furniture

The results of the EOI were reviewed by a multi disciplinary team including external design expertise. On November 19, 2008 the results of the EOI responses were presented to the Audit Committee and were summarized as:

- a) "No" new systems furniture product is available in the current marketplace for Haworth product that meets the compatibility requirements identified in Item 1.
- b) Although refurbished Haworth system furniture is available from all of the above it is either as expensive or more expensive than new product.
- c) All submissions, to some degree, addressed the issues of added value services but for the most part failed to provide sufficient detail to determine their corporate capacity to provide many of these services.
- d) The EOI requested pricing on four(4) HRM standard systems furniture configurations for comparison purposes.

	Office Interiors (Haworth)	Corporate Express (Allsteel)
Workstation Type 1	\$1,418.45	\$ 928.80
Workstation Type 2	\$2,588.80	\$1,693.08
Workstation Type 3	\$2,750.40	\$1,875.60
Workstation Type 4	\$3,859.21	\$2,767.32

The Allsteel line is 39% to 52% less costly depending on the particular configuration, however it must be noted that a substantially more rigorous evaluation would be required to determine "overall best value" to the municipality. As well as original capital cost, the determination of "overall best value" would have to include the operational benefits a single systems furniture inventory balanced against the potential scenario of multiple systems furniture inventories. Although intuitively this may be an easy assumption to promote, in practical terms it would be extremely difficult to determine net cost implications of the operational challenges of multiple systems furniture inventories/suppliers.

In summary, it was suggested to the Audit Committee, and supported by them, that the results of the EOI lead us to the following conclusions and next steps:

- 1) From an operational perspective HRM needs to continue our relationship for Haworth Systems Furniture and related services in some capacity
- 2) A strategy for monitoring these purchases on a go forward basis be developed to ensure overall best value" for HRM
- 3)Subsequent to the Council report outlining HRM's Corporate Accommodations Strategy (January 20, 2009) will be a report recommending the standardization to one type of systems furniture and how the procurement process will be monitored to ensure best on going value for HRM.

Current Procurement Practice

The current procurement practices for acquisition of systems furniture are in accordance with HRM's Procurement policy for sole source purchases. In the current practice, the price agreement with Office Interiors, the local representative for Haworth product and services is reviewed annually by Procurement staff.

That process consists of:

- review of Haworth product price list on an annual basis
- comparison of current price list to previous years
- negotiating product discounts and services rates
- comparing product discounts and services rates to previous discounts and rates
- monitoring purchases to ensure compliance with product list, product pricing, service rates and negotiated discounts
- continuing to monitor market conditions for potential additional suppliers of Haworth product and services

Corporate Office Accommodation Planning

On January 20, 2009 an information report on Corporate Office Accommodation Planning was presented to Regional Council Committee of the Whole. The report was generated in response to the need to begin strategic planning for HRM's corporate accommodations in preparation for a number of pending lease expiry dates over HRM's portfolio of owned and leased corporate accommodations.

HRM's current corporate accommodations are housed in an approximate split of 75% owned and 25% leased facilities. In addition to the lease expiries at the HRM leased facilities such as Duke Tower, there are also opportunities of lease expiries of tenants within HRM owned facilities such as Alderney Gate. The research focussed on how to best take advantage of those varied opportunities/risks in light of current and anticipated needs.

Within the context of the research required for the report was an examination of both anticipated growth and potential for increased operational synergies of possible relocation scenarios.

Although the report did not make specific recommendations with respect to relocations, those recommendations will await further market analysis as part of a future accommodations REI/RFP, it did identify that there was no significant accommodation growth anticipated in the near future. Incremental growth is anticipated to keep step with service delivery standards in an increasing population base.

The report however did emphasize that 'Standardized layouts and system furniture should be used in the planning of office design to maximise space efficiency and flexibility to accommodate changing job or project requirements at the lowest possible cost.'

In light of the small corporate footprint growth anticipated for HRM in the near future there will be no opportunity for competing manufacturers of system furniture to supply product to HRM. Even recent significant staff relocations, such as HRP consolidation at Mellor Avenue, have been accomplished using existing systems furniture inventory with new components only being purchased to facilitate reconfiguration needs. At Mellor Avenue you will see various panel fabric colours, arranged in a tasteful manner, avoiding the cost of changing panel fabric. This kind of flexibility would be significantly hindered if a non compatible panel manufacturer were to be introduced into our inventory.

Current Systems Furniture Investment

There are currently in excess of 520 Haworth workstations in use at HRM corporate offices. These assets have an estimated replacement value of approximately \$2,000,000.

BUDGET IMPLICATIONS

There are no definable budget implications associated with the recommendation.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

Council can choose to recommend that systems furniture from a variety of manufacturers be purchased. This is not the recommended alternative due to the increased costs of maintaining multiple systems furniture inventories and the long term negative operational implications resulting from the decreased flexibility that a multiple systems environment would create.


ATTACHMENTS

N/A

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.


Report Prepared by: Phil Townsend, Acting Director, Infrastructure and Asset Management, 490-7166

Report Approved by:

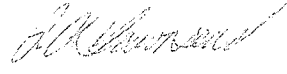

Terry Gallagher, Acting Manager Facility Development, IAM 476-4067

Anne Feist, Operations Manager, Procurement, 490-4200

Financial Approval by:


Catherine Sanderson, Senior Manager, Financial Services, 490-1562

Report Approved by:


Phil Townsend, Acting Director, Infrastructure and Asset Management, 490-7166