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REPORT FOR ACTION

Amendment to Purchase Order Number 47020285 - Ergo Industrial Seating Systems Incorporated, Ontario Vendor of Record for the Supply of Office Seating and Related Services

Date: June 13, 2019
To: General Government and Licensing Committee
From: Interim General Manager, Facilities Management;
Chief Purchasing Officer
Wards: All

SUMMARY

The purpose of this report is to request authority and amend the value and extend current end date for Purchase Order number 47020285 issued to Ergo Industrial Seating Systems Incorporated for the Supply of Office Seating and Related Services. This amendment will ensure ongoing alignment with the Province of Ontario's Vendor of Record contract agreement with the Vendor, which the City leverages to achieve the best possible pricing and savings on the supply of office seating, and ensure that planned and approved projects can proceed. The Province of Ontario has recently extended the final option year term to July 31, 2020.

The total purchase order amendment being requested to ensure alignment with the Province's contract for the final term ending July 31, 2020 is for an additional amount of $1,500,000 net of all applicable taxes and charges ($1,526,400 net of Harmonized Sales Tax recoveries) adjusts the current contract value from $2,250,000 net of all taxes and charges, $2,542,500 including taxes and charges ($2,289,600 net of Harmonized Sales Tax recoveries) to $3,250,000 net of all taxes and charges, $3,672,500 including taxes and charges ($3,307,200 net of Harmonized Sales Tax recoveries).

Furniture requirements are based on the needs of all Programs and Agencies. This includes needs as a result of life cycle replacement forecasts, the acquisition of new items, and items identified for ergonomic purposes. Programs and Agencies are required to budget furniture needs with justifications in the annual Operating and Capital Budget Submissions. Additionally this requested amendment will ensure that there is no interruption to the supply of office seating for the City, as this contract represents the primary source of office chairs for City divisions.

RECOMMENDATIONS

The Interim General Manager, Facilities Management and Chief Purchasing Officer recommend that:

1. The General Government and Licensing Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code (Financial Control By-law) grant authority to amend Purchase Order number 47020285, to provide continuity of service for the supply and delivery of approved Office Seating and Related Services until July 31, 2020, by an additional $1,500,000 net of all taxes and charges ($1,526,400 net of Harmonized Sales Tax recoveries), adjusting the current value from $2,250,000.00 to $3,250,000 net of all taxes and charges ($3,307,200 net of Harmonized Sales Tax recoveries).

FINANCIAL IMPACT

The requested amendment to Purchase Order 47020285 for an additional amount of $1,500,000 net of all taxes and charges, $1,695,000 including taxes and charges ($1,526,400 net of Harmonized Sales Tax recoveries), adjusts the current contract value from $2,250,000 net of all taxes and charges, $2,542,500 including taxes and charges ($2,289,600 net of Harmonized Sales Tax recoveries) to $3,250,000 net of all taxes and charges, $3,672,500 including taxes and charges ($3,307,200 net of Harmonized Sales Tax recoveries).

Facilities Management has an oversight role in managing the process and coordinates with Financial Planning Division at such time when the purchase request is received to ensure that funds are in place in the appropriate programs and agencies before proceeding with any contract order. The cost will be charged directly to the appropriate Operating or Capital Budgets for programs and Agencies.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on October 5, 2016, City Council adopted GM14.9 "Use of Province of Ontario Vendor of Record for the Supply and Delivery of Office Seating and Related Services". The report is available online at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM14.9

COMMENTS

Facilities Management has an oversight role in managing the supply of office seating for the City and coordinates with Financial Planning Division at such time when the purchase request is received to ensure that funds are in place in the appropriate

Programs and Agencies before proceeding with any contract order. Programs and agencies are required to budget furniture needs with justifications in the annual operating and capital budget submissions. Costs are charged directly to the appropriate operating or capital budgets for programs and agencies.

Purchases of office seating are required for new acquisitions, life cycle replacements of older seating, and items identified for ergonomic purposes. On a larger scale, the Office Modernization Program promotes the ergonomic benefits of new office seating and furniture, contributing towards a more productive office working environment. This program also represents a shift in the City's management of its asset inventory of chairs: prior to office modernization, chairs were not being systematically replaced and many had exceeded their useful lifespan.

Contract Use To-Date

In 2016, City Council granted authority to award and enter into an agreement with Ergo-Industrial Seating Systems Inc., (the Province of Ontario's Vendor of Record Agreement Number OSS-00510687) for the supply and delivery of Office Seating and Related Services. Leveraging the Province of Ontario's Vendor of Record Agreement provides the City with the best possible pricing, as the Province was provided the items at a highly discounted price resulting in the issuance of purchase order with the target value of $1,750,000 net of all applicable taxes and charges ($1,780,800 net of Harmonized Sales Tax recoveries). The original target contract values were requested based on estimated requirements driven from historic usage data and Office Modernization Program needs at the time of procurement request.

In July 2018, the Province exercised the current option year of its contract with the vendor. At this time, the City extended the contract validity period to July 31, 2019 to ensure alignment with the Province's contract. No additional contract value was added at this time.

On November 26, 2018, a purchase order amendment was processed under delegated staff authority to increase the target value of the contract by the amount of $500,000 bringing the contract value to $2,250,000.00 net of all applicable taxes and charges ($2,289,600 net of Harmonized Sales Tax recoveries) to accommodate the orders for additional divisional unplanned projects.

Life Cycle Management

Industry benchmarks indicate that the average lifecycle of a chair is 12 years, with replacement occurring when chairs are either out of warranty, not meeting current ergonomic guidelines, or when the cost of repairs exceeds the replacement cost.

Spending against this contract to date is approximately $2,100,000, which breaks down as follows:

- $1,700,000 for all divisional and agency office accommodation renovation projects and;
- $800,000 for all other divisional and agency chair replacement needs

In analysing the City's asset inventory of chairs, the current contract usage represents a replacement of approximately 30 percent of all chairs. The City is satisfied with the products provided by the vendor to date. The products and services available to the City under the Vendor of Record contract agreement are competitively priced. They are of the highest quality, with maximum warranty, service and life expectancy, and are manufactured to testing, ergonomic and market specifications and standards that will contribute to a reduction in product replacement frequency.

Requested Contract Amendment

The current amendment request in the amount of $1,500,000 net of all taxes and charges ($1,526,400 net of Harmonized Sales Tax recoveries), adjusting the current value from $2,250,000 to $3,250,000 net of all taxes and charges ($3,307,200 net of Harmonized Sales Tax recoveries), is being requested to accommodate increased approved requirements until the end of the final option year of the Province's contract with the vendor (July 2020). The unit prices will not change for the option year renewal ending July 2020 and are based on the 2017 pricing agreement following recent negotiations with the vendor. The forecasted $1,500,000 requirement for future years is based on the expectation than an additional 25 percent of chairs will reach the 12 year useful life and that further expenditures will be required to meet ergonomic needs.

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SIGNATURE

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