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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

REVISED

8-8

February 5, 1998

To: Board of Directors (Special Committee on Real Property Management--Action)
(Engineering and Operations--Action)

From: *for* General Manager

Submitted by: Lambertus H. Becker
Chief Financial Officer

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Subject: Authorize entering into an agreement on a sole source basis with the Knoll Group, not to exceed \$2,310,900, for systems furniture and other services for the new Headquarters

RECOMMENDATION(S)

It is recommended that the General Manager be authorized to enter into an agreement on a sole source basis with the Knoll Group for products and services associated with systems furniture in an amount not to exceed \$2,310,900. This request is in conjunction with the phased move from California Plaza to the District's new Headquarters facility at Union Station.

EXECUTIVE SUMMARY

Approval of this recommendation will allow the General Manager to enter into a contract on a sole source basis to purchase systems furniture (office partition systems). This request is for the first two (2) floors of furniture necessary to begin the phased relocation of staff to the District's new Headquarters facility at Union Station. The proposed contract will cover the purchase and installation of new systems furniture as well as the tear down, removal, retrofitting, moving, re-installing of existing systems furniture from California Plaza, and buy back of surplus work stations and electrical components.

The revisions to this letter include:

1. A reduction in the price of the systems furniture.
2. The necessity to purchase the systems furniture this fiscal year.

Full funding of \$2,310,900 for the purchase was to be requested in Metropolitan's Operating Budget for Fiscal Year 1998-99. However, it is now estimated that the construction schedule necessitates installation during Fiscal Year 1997-98. Given the lead time of several months needed to acquire the systems furniture, it is necessary for the General Manager to have the authority to contract for this order as soon as possible.

ALTERNATIVE(S) TO PROPOSED ACTION

1. No Purchase of additional systems furniture.

This alternative has been considered. Systems furniture requires a substantial amount of time to tear down, retrofit for new communication and electrical requirements, and reinstall. With no purchase of systems furniture to move into, significant numbers of employees would need to vacate their cubicles for a number of work days. This would disrupt the continuity of Metropolitan's core business. Having two floors of systems furniture purchased and in place prior to the move allows moving with a minimum of down time for employees. There are no reasonable temporary housing opportunities of the magnitude required for even a phased move of this size.

2. Purchase All New Systems Furniture for the entire building.

The estimated cost for the purchase of all new systems furniture for the building is \$4,454,000, including the initial two floors. This alternative provides the most flexibility in phasing the move and minimizes work disruption. Moreover, the new systems furniture would be totally compatible, facilitating reconfigurations. However, in addition to the more than a \$2 million cost difference, Metropolitan would need to surplus its existing systems furniture. There is a possible cost associated with the tear down and removal, although potential sale could net a modest amount of revenue.

3. Purchase of Used Systems Furniture.

While unlikely, it might be possible to purchase two floors of used systems furniture at an estimated cost of \$500,000 - \$550,000, including installation. Such a purchase would accomplish the goals of the proposed action with one major exception: Metropolitan's existing systems furniture needs to be retrofitted. The retrofit is being done at no cost under the proposed contract. However, Metropolitan must purchase the two new floor of systems furniture to receive this free retrofit of its existing systems furniture. If Metropolitan could contract separately for the retrofit, it is estimated that the cost would be \$520,000 including the used systems furniture purchased under this alternative. Beyond the potential net cost savings of \$900,000, there are possible disadvantages including colors lack of total compatibility of structural fit and inability to match fabrics and trim. This incompatibility would create a hodgepodge visual effect.

4. Competitive Bid:

An alternative approach to contracting on a sole source basis would be a competitive bid. Staff has received information on a comparable quality product, but its list price is about 13% higher than Knoll. Bidding might produce better pricing, but systems furniture from a different vendor would not be compatible with existing systems furniture. Metropolitan would lose compatibility with not only other floors in Headquarters, but also on a District-wide basis since Knoll is the District standard. Incompatibility would limit flexibility. There would also be an undetermined additional cost to carry two sets of spare parts and inventory of a second product.

DETAILED REPORT

In March 1995, the Board of Directors authorized execution of a Development Agreement for construction of its new Headquarters at Union Station with a completion date of December 1, 1998. In April 1996, the Development Agreement was modified to advance the completion date to November 1, 1998. Construction is currently on schedule, but it is now estimated that the systems furniture will be needed earlier than previously scheduled.

Metropolitan's Budget for Fiscal Year 1997-98 included a Union Station Headquarters Building Relocation project of \$1,695,000 to plan, organize, and manage the relocation of the Board of Directors, management staff, employees and furniture to the new Headquarters. Expenses identified included agency temporary labor, outside professional services, and network equipment purchases. Since the systems furniture was originally not to be purchased until 1998-99 it was included in the Three Year Budget Forecast. Given the need for delivery of the systems furniture during this fiscal year, staff is requesting authority for General Manager to enter into the agreement as soon as possible. Due to cost containment activities, there are adequate funds available in this fiscal year to cover the \$2,310,900 cost of this agreement. The contract authorization sought in this action is a "one-time" cost associated with the move.

With the completion of the Headquarters less than ten months from now, staff has created a Headquarters Move Project Team to plan for the move-in. This Team is made up of staff from Finance and Business Services, Floor Coordinators and other key personnel from each Division and Department.

Metropolitan will maximize utilization of its existing systems furniture. All new systems furniture was purchased for the move from Sunset to Cal Plaza. The intent has always been to use it at the permanent Headquarters. However, two floors of new systems furniture will be needed for the move to allow for a phased move-in. The overall move will be phased through a number of smaller moves spread over a four month period. Phasing will minimize business disruptions and maximize use of Metropolitan's limited staff resources. Moreover, as part of the purchase, all existing panels will be retrofitted to increase capacity for the enhanced electrical and telecommunications system in the new building. Included in the contract costs will be the tear down of the systems furniture at Cal Plaza, delivery to and reinstallation at Headquarters.

The contract will be for approximately \$2.3 million and issued to the Knoll Group, the current provider of Metropolitan's systems furniture. Knoll has committed to subcontract with a Minority-Owned Business Enterprises (MBE) and Women-Owned Business Enterprises (WBE) firm for the contract's services component prior to commencement of the work. MBE/WBE participation will be at a minimum of 15 percent in this contract.

For most purchases of goods and services related to the move, a competitive process is feasible and advantageous to Metropolitan. However, the contract for systems furniture will be a sole source contract because Metropolitan intends to purchase components compatible with its existing inventory. By ordering directly from Knoll, the manufacturer guarantees prices to be lower than Metropolitan could obtain from any of its Knoll distributors. Metropolitan's Administrative Code, Section 8103 (e) specifically exempts contracts from competitive bidding; if competitive bidding could not produce an advantage, or it is impracticable to obtain what is required subject to the competitive bidding provisions because of the unique nature of the work.

The original version of this item was considered and approved by the Special Committee on Real Property Management at its January 27, 1998 meeting. Based on comments made at the meeting, staff initiated discussions with the vendor. Five areas of potential reductions were identified. As a result of additional negotiations, a contract amount reduction of \$189,100 has been achieved. The five areas are:

1. A higher discount (from 64% to 65%) off the list price of the systems furniture.
2. A 2% prompt payment discount on the systems furniture and new electrical components.
3. A buy back of surplus existing workstations.
4. A buy back of existing electrical components that are being replaced in the retrofit.
5. Elimination of a contingency.