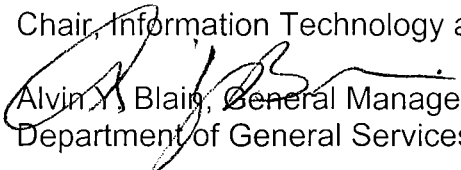



REPORT FROM

DEPARTMENT OF GENERAL SERVICES
PUBLIC WORKS, BUREAU OF ENGINEERING

Date: February 28, 2006 Council Motion 05-2638

To: Chair, Information Technology and General Services Committee

From:  Alvin Y. Blair, General Manager
Department of General Services

Gary Lee Moore, City Engineer 
Bureau of Engineering

Subject: Los Angeles Community College District's Furniture Value Program

A City Council Motion (Garcetti-Smith) instructed the Department of General Services and the Bureau of Engineering, with assistance from the City Administrative Officer and the City Attorney, to review the purchasing opportunities available through the Los Angeles Community College District's (LACCD) Furniture Value Program and submit a report quantifying the anticipated benefits of this purchasing option and outlining what administrative processes would need to be completed to make this program available to all City departments for use on City projects.

The motion identifies various types of furniture available, including modular workstations, display boards, seating, and filing systems. The motion further identifies stringent environmental standards including LEED (Leadership in Energy and Environmental Design), Greenguard, and post-consumer recyclable content as priorities for the City. Because modular workstations are a substantial expenditure for the City while the remaining items make up far less in purchases, and because the items other than modular workstations in the LACCD's Contract are primarily designed for use in an educational (classroom) rather than a business environment, the research focused on modular workstations.

The City currently purchases modular workstations from Herman Miller and Knoll, through contracts established by the City Purchasing Agent in the Department of General Services. The contracts were established through a Cooperative Purchasing Arrangement, otherwise known as a "Piggyback" agreement, with the U.S. Government General Services Administration (GSA).

Both City suppliers are sensitive to environmental standards and practices, and meet required environmental quality regulations and certifications through the following organizations:

LA COMMUNITY COLLEGE DISTRICT'S FURNITURE VALUE PROGRAM

- GREENGUARD – It certifies low-emitting interior products and building materials. Its certification is recognized by LEED and its certified products help reduce indoor air pollution and create healthier interior environments. Herman Miller's major lines of systems furniture, filing and storage have earned Greenguard Indoor Air Quality Certification for low-emitting products. Knoll's Equity furniture line is also Greenguard certified.
- GREEN SEAL – It works with manufacturers, purchasing groups and governments to identify products and services that cause less pollution and waste, conserve resources and habitats and minimize global warming and ozone depletion. Knoll has an internal system for meeting Green Seal criteria on a product or project basis.
- FSC (Forest Stewardship Council) – Its principles represent the industry's most rigorous standards for forest stewardship. Knoll can provide Chain of Custody documentation for all its FSC-certified wood products. FSC certification helps to achieve LEED points on our projects. Herman Miller's policy is to buy wood from suppliers who practice sustainable forestry.
- ISO (International Organization for Standardization) – It is a federation of national standards bodies from more than 140 countries to set standards and guides for environmentally responsible management. ISO 14001 is primarily concern with what an organization does to control and improve the impact of its activities on the environment. Both Knoll North America facilities and Herman Miller's West Michigan manufacturing sites are ISO 14001 certified. Herman Miller has also received ISO 9000 certification every year since 1993. Their formal Quality System was implemented that same year and based on the ISO 9000 requirements.

The City Purchasing Agent's contracts with Herman Miller and Knoll require each company to bid on each City project, with a purchase award going to the lowest bidder meeting the project's specifications. This method provides a high level of flexibility for the City by creating a highly competitive pricing environment, by taking advantage of market conditions at the time the project is bid, and by being able to negotiate best value pricing over a wide range of product lines available from the manufacturers.

A price comparison analysis was made between Herman Miller, Knoll, and LACCD supplier Haworth, based on the recent City Public Works Building project. The project includes \$4.8 million in modular workstations. The price comparison is for Herman Miller Action Office 3 (AO3), Knoll Equity, and Haworth Unigroup product lines. Herman Miller and Knoll products are identified as "mid-price" or mid-range product lines, and Haworth Unigroup is identified as a "low-price" or low-end product line.

LA COMMUNITY COLLEGE DISTRICT'S FURNITURE VALUE PROGRAM

The prices quoted by Knoll and Herman Miller are current prices. The prices quoted by Haworth will be fixed for 5 years (3/24/2005 to 2/23/2010) per LACCD's contract. Both Knoll and Herman Miller recently increased discounts to their Federal GSA Contracts, which are reflected in the City's contracts.

Manufacturer and Product Line	Knoll Equity	Herman Miller A03	Haworth Unigroup
6' X 6' Workstation	\$1818.38	\$1893.58	\$2073.99
8' X 8' Workstation	\$2478.96	\$2393.74	\$2658.14
8' X 12' Workstation	\$2655.07	\$2666.67	\$2893.98

Unit prices are based on actual bid pricing submitted by Knoll and Herman Miller on the Public Works Building project. Identical specifications, assumptions and quantities were provided to Haworth for bid comparison purposes.

Based on the above information, the City would have paid as much as 14% more for its furniture using the LACCD contract. This purchase would not be in the City's best interest, as it would be a lower grade product at a higher price, and does not represent the best value.

An additional comparison analysis was made between Herman Miller, Knoll, and Haworth based on a smaller, more typical City project. The prices are based on a purchase of approximately \$890,000 in modular workstations. The price comparison is for Herman Miller AO1, Knoll Dividends, and Haworth Unigroup, all of which are identified as "low-price" or low-end product lines.

Manufacturer and Product Line	Knoll Dividends GSA	Herman Miller AO1 GSA	Haworth Unigroup LACCD
6' X 6' Workstation	\$1681.99	\$2170.22	\$2073.99
8' X 8' Workstation	\$2303.00	\$2767.01	\$2658.14
8' X 12' Workstation	\$2598.17	\$3132.49	\$2983.98

Unit prices are based on GSA discounts for Herman Miller and Knoll using current City of Los Angeles contracts, and LACCD contract pricing for Haworth.

Based on the above information, the City would have paid as much as 23% more for its furniture using the LACCD contract. This purchase would not be in the City's best interest and does not represent the best value for a comparable grade product.

Under the LACCD Furniture Value Program, all products carry a warranty of 15 years. The manufacturer agrees to repair or replace components that fail in materials or workmanship within specified warranty period of 15 years. Under the GSA contract, Herman Miller's products carry 12 years, 3 shifts and labor included warranty. Knoll offers lifetime warranty for the Equity line of products. In terms of warranty, Knoll offers the best warranty; Herman Miller and Haworth offer similar

LA COMMUNITY COLLEGE DISTRICT'S FURNITURE VALUE PROGRAM

warranties. Based on this analysis, City's contract with GSA provides better warranty terms than the LACCD's contract.

GSA incorporates green specifications in its contract, including the purchase of "energy-efficient office equipment", products identified as using "recovered materials", and "remanufactured products" in accordance with EPA Procurement Guidelines. In addition, Herman Miller and Knoll place value on responsible protection of the environment. They are committed to provide products and services that are environment friendly and lessen human's impact on the earth. They both set stringent environmental standards for their supplies. For example, Dow Jones Sustainability Index (DJSI) includes Herman Miller on its list of the world's leading sustainability-driven companies. Herman Miller's Action Office product line is comprised of 24% recycled content. Its panels have particle board stile and rail frames made from wood harvested in accordance with the Sustainable Forestry Initiative program. Hard-surfaced panels are covered with sustainably harvested hardboard certified by FSC. Its packaging materials include corrugated cardboard and a polyethylene plastic bag; each is part of a closed-loop recycling system, for repeated recycling. Recently, Herman Miller has been awarded two of the largest projects with the EPA, the new Denver Headquarters and the Washington DC Potomac Yards facility. The combined projects are over \$13 million dollars of systems furniture. The RFP's that were the basis of these awards had extensive sections on product sustainability. It was awarded over offer by Haworth. For over 25 years, Knoll has had a formalized and consistent environmental management program that impacts everything from manufacturing processes and facilities to the manufacturing and design of its products.

Although GSA's contract does not have verbiage pertaining to LEED, FSC and/or Greenguard certification, GSA purchases supplies based on the following essential principles of sustainable design and development for federal agencies:

- Optimize site potential
- Minimize nonrenewable energy consumption
- Protect and conserve water
- Use environmentally preferable products
- Enhance indoor environmental quality
- Optimize operational and maintenance practices

Based on a review of the LACCD bid solicitation and information provided to the City by the Haworth representatives, LACCD staff, the Consultant that issued the solicitation, and information obtained from the Foundation for California Community Colleges (FCCC), the Department of General Services and the Bureau of Engineering observed the following:

LA COMMUNITY COLLEGE DISTRICT'S FURNITURE VALUE PROGRAM

- Only two (2) product lines are available from Haworth: The low-end Unigroup product, and the Premise product. Premise is available as a mid-range monolithic panel system, or as an enhanced “high-price” high-end stackable panel system. This limited product availability is not suitable to the City’s needs and requirements, reducing flexibility.
- The LACCD contract specifies a fixed discount price structure regardless of the quantity of workstations purchased in a project. Unlike the City contracts that are based on the GSA contract, the LACCD contract has no ceiling above which discounts can be negotiated.
- The LACCD contract’s Terms and Conditions provide for a complex, seven (7) step ordering and payment process that takes control of the City Purchasing Agent’s authority and empowers the College District to place orders on the City’s behalf. The City has no communication with Haworth or its distributor. The City has no oversight or control of the ordering, fulfillment, and payment process. This has the effect of outsourcing the City’s procurement process to another agency and eliminating the City Purchasing Agent’s competitive advantage using its current contracting methodology.
- Under the LACCD contract, FCCC will get 2% commission of the Basic Product Unit Price (as adjusted for Volume Discount Price Adjustments) from the Vendor. As a result, FCCC actively sells the LACCD contract to other government agencies.

The Department of General Services, through the City Purchasing Agent, conducts regular and ongoing market research to identify products, services, and suppliers that meet enhanced environmental standards. In addition, the Purchasing Agent continually performs market and contract analyses to determine the most economical methods of contracting to obtain the best value for the City while upholding these environmental standards.

As noted in the Motion, the City has purchased “green” carpeting using recycled materials, energy-efficient lighting, and many other LEED encouraged products. Other key and strategic items purchased include recycled and recyclable office products, paints, lubricants, tires, custodial products, paper goods, asphalt, concrete, safety products, and furniture.

Based on the foregoing information and observations, the Department of General Services and the Bureau of Engineering respectfully recommend that Council Motion 05-2638 be Received and Filed, with no further action anticipated or taken.