



## M E M O R A N D U M

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**Date:** November 21, 2019

**To:** California State Lottery Commission

**From:** Alva V. Johnson, Director *AVJ*

**Prepared By:** Tiffany Donohue, Deputy Director, Operations Division

**Subject:** Item 8(d) - Amendment to Modular Furniture Contract

### **ISSUE**

The California State Lottery's (Lottery) headquarters building has reached capacity given its existing modular furniture configuration. An amendment to the current contract with Western Contract Furnishers of Sacramento (Western Contract) is needed to allow for the purchase of additional modular furniture and related reconfiguration and installation services.

### **BACKGROUND**

The Lottery established furniture standards for all Lottery-owned facilities during the Lottery headquarters building construction project. As part of those standards, the Lottery's standard workstation configuration was established at 8' x 10' (80 square feet). As part of its market research for modular furniture, the Lottery determined Haworth furniture provided the best value as the company manufactures high quality, long-lasting furniture. In selecting Haworth furniture, Western Contract, a northern California designated Haworth dealer, was used to procure the furniture. As a designated dealer of Haworth, there is no other company from which to acquire Haworth modular furniture components. Western Contract is the sole provider and installer for Northern California.

The California State Lottery Commission (Commission) approved the current contract with Western Contract in April 2019. The current contract term is June 15, 2019 through June 14, 2022, with the option to extend for one additional two-year period. The maximum authorized contract expenditure amount is \$300,000. The agreement was not competitively bid in reliance on California State Lottery Regulations, Section 8.1.2.D, which provides an exception to the competitive process requirement when "...after a good faith effort to locate potential bidders, that only one viable source exists for the goods and/or services due to...any other reason." As a designated Haworth dealer, Western Contract was determined to be the only source.

The modular furniture throughout the Lottery is in excellent condition and continues to meet performance expectations. As the Lottery reconfigures and adds workstations, the use of Haworth furniture ensures consistency between components, consistency with the design of the building interiors, and ensures that warranties are not voided by use of other modular components. The Lottery plans on optimizing the remaining floors at its headquarters building by reconfiguring and adding workstations, which requires the acquisition of modular components, design and installation services. There is not enough funding in the current contract to accommodate the additional components and services.

## **DISCUSSION**

The Lottery headquarters building has reached occupancy capacity with the current modular furniture configuration. Maximizing the modular furniture layout throughout the building will increase workstations by approximately 23% (69 workstations) in areas that have not already been optimized. Workstations will be reconfigured to standard sizes of 8' x 8' (64 square feet) or 8' x 6' (48 square feet) which is consistent with other Lottery offices and the maximum space standards established by the Department of General Services. Optimizing the workstations will ensure the Lottery can hire additional staff to support continued operations and sales growth. The Lottery will not be able to house more staff at its headquarters building if this amendment is not approved.

To accommodate current and short/mid-term staffing needs, the most economical and long-term solution is to optimize the current building and modular furniture by reconfiguring workspaces and floorplans. The Lottery evaluated leasing additional space and determined it would cost 64% more over a five-year period, with the disparity growing if the period is extended as lease costs accumulate. Additionally, housing staff within the existing headquarters building instead of a remote location provides better collaboration and organizational efficiencies. The Lottery calculates the cost to optimize the remaining 302 headquarter workstations at approximately \$2,200,000. To cover potential increases in prevailing wage rates, modular furniture components, and unforeseen costs, the Lottery recommends a contingency of 10% or \$220,000 for a total contract increase of \$2,420,000.

## **RECOMMENDATION**

Lottery staff recommends that the Commission approve an amendment of \$2,420,000 to the Western Contract agreement increasing the maximum authorized contract amount from \$300,000 to \$2,720,000.