

# State office furniture contract again awarded to Keller/Allsteel

KELLY JOHNSON | STAFF WRITER

Local office furniture dealer Keller Group and manufacturer Allsteel Inc. again have landed the big, multiyear contract for state office furniture.

But it's not clear just how many tens of millions of dollars the contract might be worth during these financially tight times.

Keller Group president Paul Keller estimates the contract — which runs four years with the option of two one-year renewals — could be worth as much as \$100 million. Or it could be a third or fourth that amount. No one knows. Still, he said, "it's going to be substantial."

Keller Group and Allsteel generated about \$35 million in revenue from the last furniture contract the state awarded, which they held between 2000 and 2006.

But with slashed budgets, public agencies are reluctant to buy, and much of the public would frown on such office expenditures.

Even an executive of one local office furniture dealer not involved in the contract — Therese Kingsbury, president and chief executive officer of Miles Treaster & Associates — said "the state shouldn't be buying anything right now."

But some agencies need new work stations when they relocate, consolidate or shrink office space, said Eric Lamoureux, a state Department of General Services spokesman. Some public entities, including some community colleges, need furniture for new buildings being constructed with bond money. And furniture that breaks has to be replaced.

Through its large-volume purchasing, the state can buy at very low prices, saving money for public agencies that would have



Paul and Dianne Keller, owners of Keller Group, look at their 700-page proposal for the state's new office furniture contract. The previous state contract, which Keller Group and Allsteel Inc. held from 2000 to 2006, was worth \$35 million.

DENNIS MCCOY  
SACRAMENTO BUSINESS JOURNAL

purchased individually, Lamoureux said.

The contract provides a great boost to Keller Group's business at a time when the office furniture market nationwide has shrunk by half, according to some estimates. But even without the state contract, 13-year-old Keller Group will finish this year with record revenue, Keller said. He declined, however, to disclose a number.

## HEAVY CONTRACT, THOUSANDS OF HOURS

The contract also means Keller Group and its subcontractors over time will need to hire about 25 more workers, Keller said. Keller Group employs 24 people in Sacramento and works with about 45 independent contractors, mostly in the capital region.

That last state furniture contract expired three years ago, and the state's been trying to get another awarded since then. Elevated environmental and other technical requirements complicated the process — the Keller/Allsteel proposal was almost

700 pages and demanded about 2,000 hours of Keller's time over the past three years. Also slowing the process were the state's budget woes and a protest from an unsuccessful local bidder.

Local dealer Western Contract with manufacturer Haworth Inc., the only other final bidder from the 44 that requested bid information, protested the state's decision.

Ultimately, the state still awarded the contract to Keller Group and Iowa-based Allsteel, one of the nation's largest manufacturers of office furniture. Only the proposal from Keller/Allsteel met all the state's technical requirements.

"This is the type of contract you need to cross every t and dot every i," Keller said.

Bill Yee, Western Contract president and CEO, is disappointed. The state's requirements have become too difficult to meet, he said. For years, Western Contract held the state contract.

## BACK TO SCHOOL

State agencies' purchases make up only a portion of the contract. Cities, counties, college districts and other special districts also can buy through the contract.

"That's where we think the contract will have its largest value," Keller said.

Because the state is dealing with a budget crisis, Keller doesn't expect it to spend much on furniture over the next two years. Money's also tight for cities and counties and some special districts. But Keller anticipates more local governments and college districts will want to take advantage of the contract's deep discounts — furniture and services in the contract can be had at the same rate as during the 2000-06 contract.

But Yee and Kingsbury said competitive prices are common these days.

Kingsbury, whose company chose not to bid on the contract, also noted that local governments and special districts that buy through the contract have to pay an almost 2 percent administrative fee to the state.

Los Rios Community College District, which has several bond-funded construction projects in the works, hasn't purchased off the state contract in the past, primarily because the contract doesn't offer the type of products it normally needs, district spokeswoman Susie Williams wrote in an e-mail.

Even before the contract was formally issued in late November, Keller said he started getting calls from prospective buyers.

"Many of the public entities know about the contract," he said, "and have been anxious to utilize it again."

kjohnson@bizjournals.com | 916-558-7860

# Wine with UC Davis connections crashes White House dinner

State dinner crasher Tareq Salahi wasn't the only University of California Davis connection at the recent White House soiree.

Jason Moore, a former UC Davis student who started a Napa Valley wine-making operation called Modus Operandi, was surprised last month to receive an order from the White House for six cases of the 2008 Rutherford Sauvignon

Blanc, according to business partner Robert Rogel.

As Rogel tells it, the White House placed an order on the Thursday before the dinner, which was on the following Tuesday, but there was no indication what the wine would

be used for. Moore then called him on Sunday after sending him an e-mail with a link, and said, "Hey, check out the dinner menu. I did and I almost crashed my car."

Apparently Moore, who has been at this only for a half-dozen years and still produces fewer than 1,000 cases a year, is friends with "a sommelier from Chicago who has connections with (President) Obama," Rogel said.

On the Modus Operandi Web site, Moore said he left his job as a waiter in Dallas and moved to Davis intending to enroll in the UC Davis enology and viticulture program, but found the school was "just too theory based for my learning style." He instead ventured out on his own, using UC Davis extension and Napa College classes "to supplement my knowledge and fill in the gaps that

books couldn't fill."

Modus Operandi LLC was founded in 2004, backed by business partners Akira Higa, Steve Vargas and Rogel.

## A Drexel rivalry is born

A team of four first-year MBA students at Drexel University's Center for Graduate Studies in Sacramento has taken third place in an international competition for business students.

Samuel Applebaum, Robert Dodge, Scott Freeman and Steven Pon earned their recognition in the Capsim Foundation Challenge, in which 185 teams from around the globe competed. The Sacramento-based team outscored the 14 teams from Drexel's main campus in Philadelphia.

The Sacramento team competed against a computer and other teams in trying to gain the most market share for its computer-simulated business, a mythical \$40 million electronic-sensor company. The local team's theoretical challenge was to assume leadership of the company that had no clear direction, was failing to meet customer demands and was having financial troubles.

The teams all competed from their own turf on a designated day. The competition created by Capsim Management Simulations Inc. is held twice a year to give students the opportunity to experience success and failure in a risk-free business environment.

In the spring, a Drexel team from Philadelphia took first place in the contest.

Applebaum of Sacramento is a family doctor with Sutter Medical Group in Roseville. Dodge of Rocklin is an

information technology director for Magnadyne Corp. Freeman, who lives in Citrus Heights, is a budget/forecasting consultant with ConnectPoint Search Group. Pon of Greenhaven is an IT project manager for PASCO scientific in Roseville.

## Bless n' bowl

Significant construction work has been done at Mercy General Hospital to prepare for a long-awaited heart center — but you can't see much of it.

The old underground connector between Mercy Medical Plaza at 3939 J St. and the main hospital across the street at 4001 had some turns to it, but the new one is a straight shot that begs for bowling.

Following a formal ground blessing last week for the \$150 million center, about 50 Mercy officials and community members went underground and tried it out. Hospital president Denny Powell threw the first ball. Popcorn, hot dogs and root beer were served.

The five-story Alex G. Spanos Heart Center is expected to open by mid-summer 2012. Initially slated to open in 2008, it was delayed by substantial opposition from the neighborhood, including a small Catholic school

Hospital president Denny Powell bowls the first ball down the new underground connector between the hospital and Mercy Medical Plaza.

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next door. The now mixed-use project started with a \$15 million donation in 2001 from Spanos, a Stockton developer and former patient.

## Sun sets for New Horizons

Folsom-based New Horizons Reverse Mortgage is shutting down its operations, and some of its remaining local employees are joining Roseville-based Comstock Mortgage. At its peak several years ago, New Horizons made about 100 reverse mortgages a month.

With the turmoil in the entire financial industry, demand for reverse mortgages also declined, to the point where New Horizons had seven employees in a building large enough for 10 times that many. New Horizons employees are moving into Comstock's offices in El Dorado Hills and Roseville, adding a strong reverse

mortgage capability to Comstock, said production manager Craig Sardella.