



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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CONSENT
August 18, 2009

Honorable Mayor and
Members of the City Council

**Title: Contract: On-Site Fleet Parts and Inventory Program Services – Two Thirds
Vote Required**

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) suspending competitive bidding in the best interests of the City; 2) awarding a five-year contract to Genuine Parts Company / NAPA Auto Parts (NAPA) for On-Site Fleet Parts and Inventory Program services in an amount not to exceed \$21,050,000 for the five year period; and 3) authorizing the City Manager or the City Manager's designee to execute the contract specified above provided that sufficient funds are available in the budget adopted for the applicable fiscal year(s).

Contacts: Keith Leech, Fleet Manager, 808-5869

Presenters: Not applicable

Department: General Services

Division: Fleet Management

Organization No: 13001311

Description/Analysis:

Issue: The Department of General Services, Fleet Management Division has an ongoing requirement to supply parts and manage inventory for a diverse selection of City vehicles and equipment. This report recommends implementing a comprehensive On-Site Fleet Parts and Inventory Program which will result in significant savings to the City.

The On-Site Fleet Parts and Inventory Program will be an integrated business solution that provides sourcing for "just in time" fleet parts inventory necessary to

maintain and repair the City's fleet.

Policy Considerations: The recommendations in this report are in accordance with the provisions of City Code Section 3.56.

Committee/Commission Action: Not applicable

Environmental Considerations:

California Environmental Quality Act (CEQA): The current proposal involves the purchasing of on-site fleet parts and inventory services for City vehicles and equipment. The proposal is not a 'project' in accordance with Section 15378 (b) (2) of the CEQA guidelines. The proposal involves a continuing administrative activity. Therefore, as determined by the City's Environmental Services Planning Manager, no environmental review is necessary.

Sustainability Considerations: Not applicable

Rationale for Recommendation: Implementing an on-site fleet parts and inventory program represents a fundamental change in the way the City procures parts for vehicles and equipment. This is the first time a contract of this nature has been solicited by the Fleet Management Division. This contract has an element of supplies procurement (typically solicited through an Invitation for Bid and awarded on the basis of lowest responsible bidder) and an element of professional management services (typically solicited through a Request for Proposal and awarded primarily on the basis of best qualified bidder). Because of the unique contract requirements Fleet Management, in conjunction with the Procurement Services Division, determined that a Request for Proposal (RFP) process should be used. Suspending competitive bidding in the best interests of the City is recommended to address the supplies component of this contract that would typically be awarded on the basis of lowest responsible bidder.

In March 2009, the Department of General Services, Fleet Management Division in conjunction with Procurement Services, and in accordance with City Code Section 3.56 issued RFP P093259009 for an On-Site Fleet Parts and Inventory Program for four Fleet Management locations. One response was received from NAPA. An evaluation team comprised of staff from the City, Placer County, and County of Sacramento determined that NAPA met the requirements of the RFP evaluation criteria. As part of the evaluation process, City staff visited three on-site parts locations, consisting of two private companies and one government agency (City of Oxnard) that were provided as references for NAPA. Staff also sent questionnaires to various government agencies that currently have or previously had NAPA on-site parts and inventory programs. All information collected from the site visits and the questionnaires was very positive.

Awarding a contract for an On-Site Fleet Parts and Inventory Program will benefit the Fleet Management Division and its customers by:

- Providing “just in time” sourcing for fleet parts inventory necessary to maintain and repair the City’s fleet. This will eliminate the need for a substantial up-front investment by the City in a large parts inventory and the need to dedicate Fleet staff to manage a large City-owned inventory. NAPA will own and manage the inventory until the time it is posted on a repair order associated with a fleet equipment asset and sold to the City.
- Increasing staff productivity by eliminating the need to dedicate staff to inventory management. The current parts procurement process requires that Fleet Management staff normally associated with vehicle repair and maintenance be dedicated to inventory procurement and management. The recommended contract provides for NAPA staff to be located at City facilities to manage the NAPA parts inventory.
- Reducing vehicle and equipment “down time” through an increase in parts availability. NAPA’s size, experience, and expertise in supplying vehicle and equipment parts will result in greater parts availability than can be achieved with the current process, thereby reducing the time that vehicles and equipment are out of service.
- Saving the City an estimated \$2.3 million over the five year contract term by reducing the cost of inventory procurement, management, and accounts payable. A survey by Fleet Management staff of other agencies that have or had a NAPA on-site parts and inventory program found that net savings varied from \$200,000 to \$450,000 annually depending on the size of the agencies’ fleet and operations. The annual estimated cost savings for the City are shown in Attachment 1.

The contract requires NAPA to purchase the City’s existing parts inventory at the four fleet shop locations noted in the RFP, and provide and maintain sufficient inventory to provide a 90 percent parts fill rate. Fleet Management will continually evaluate the cost effectiveness and savings of the On-Site Fleet Parts and Inventory Program. Once the program savings are realized, Fleet Management will transition other fleet shop locations into this program within the next two years. Adding more locations will provide added savings and more efficiencies and will result in no additional financial impact to the Fleet Fund.

Finally, it is important to note that no employee layoffs will occur as a result of this contract. Current Fleet Management parts staff will be reassigned to other support activities within the division.

Financial Considerations: The Department of General Services, Fleet Management Division has an ongoing requirement to supply parts and manage inventory for over 2,600 vehicles and equipment units with a current replacement value in excess of \$136 million. This requires a significant annual expenditure in parts and equipment. This

report recommends executing a five-year contract with NAPA for On-Site Fleet Parts and Inventory Program services in an amount not to exceed \$21,050,000 which will reduce the annual expenditure in parts and inventory and result in significant savings to the City.

The recommended not-to-exceed contract amount of \$21,050,000 is based on an anticipated phased implementation plan over twelve months to establish NAPA as the primary source for procurement of vehicle and equipment parts. It is estimated that without implementing this new program, total parts and inventory management costs over the next five years will be \$23,385,000 or \$2.3 million more than the recommended contract amount.

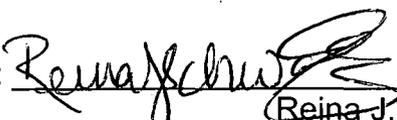
The estimated annual contract amounts are as follows:

Vendor	Year 1 Estimate	Year 2 Estimate	Year 3 Estimate	Year 4 Estimate	Year 5 Estimate	Contract Total
NAPA	\$3,000,000	\$4,000,000	\$4,350,000	\$4,700,000	\$5,000,000	\$21,050,000

Sufficient funds are available in the Department of General Services, Fleet Management, FY2009/10 operating budget to purchase the required services through June 30, 2010. Purchases after June 30, 2010 and through the duration of the contract are subject to funding availability in the adopted budget of the applicable fiscal years.

Emerging Small Business Development (ESBD): NAPA is not certified as an emerging/small business enterprise.

Respectfully submitted by: 
 Keith Leech
 Fleet Manager

Approved by: 
 Reina J. Schwartz
 Director, Department of General Services

Recommendation Approved:


Ray Kerridge
City Manager

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Attachment 1

Estimated 5 Year Cost Savings

Vendor	Year 1	Year 2	Year 3	Year 4	Year 5	Total Est. Savings
NAPA	\$280,000	\$480,000	\$525,000	\$525,000	\$525,000	\$2,335,000

The five-year cumulative projected net savings shown above includes additional savings on parts purchases, associated inventory management expenses, staff productivity and accounts payable support costs.

RESOLUTION NO. 2009-XXXX

Adopted by the Sacramento City Council

August 18, 2009

AWARDING A CONTRACT FOR ON-SITE FLEET PARTS AND INVENTORY PROGRAM SERVICES

BACKGROUND

- A. The Department of General Services, Fleet Management Division has an ongoing requirement to supply parts and manage inventory for a diverse selection of City vehicles and equipment. Implementing a comprehensive On-Site Fleet Parts and Inventory Program will result in significant savings to the City.
- B. In accordance with City Code Section 3.56.230, the City Council may, by two-thirds vote, suspend competitive bidding for any purchase or contract in the best interests of the City. Suspending competitive bidding in the best interests of the City is recommended to address the supplies component of this contract that would typically be awarded on the basis of lowest responsible bidder.
- C. In March 2009, the Department of General Services, Fleet Management Division in conjunction with Procurement Services, and in accordance with City Code Section 3.56 issued Request for Proposals (RFP) P093259009 for an On-Site Fleet Parts and Inventory Program for four Fleet Management locations. One response was received from Genuine Parts Company / NAPA Auto Parts. An evaluation team comprised of staff from the City, Placer County, and County of Sacramento determined that Genuine Parts Company / NAPA Auto Parts met the requirements of the RFP evaluation criteria.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. It is in the best interests of the City to suspend competitive bidding, and competitive bidding is hereby suspended for the On-Site Fleet Parts and Inventory Program contract.
- Section 2. Genuine Parts Company / NAPA Auto Parts is awarded a five-year contract for On-Site Fleet Parts and Inventory Program services in an amount not to exceed \$21,050,000 for the five year period.

Section 3. The City Manager or the City Manager's designee is authorized to execute the contract specified above provided that sufficient funds are available in the budget adopted for the applicable fiscal year(s).