



# REPORT TO COUNCIL

## City of Sacramento

14

915 I Street, Sacramento, CA 95814-2604  
www.CityofSacramento.org

STAFF  
November 17, 2009

Honorable Mayor and  
Members of the City Council

**Title: Contract: 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 / National Auto Parts Association (NAPA) for 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:** Cassandra Jennings, Assistant City Manager

**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 2,600 City vehicles and equipment. This report recommends implementing a comprehensive Fleet Parts and Inventory Program which will result in significant savings to the City.

The Fleet Parts and Inventory Program will be an integrated business solution (IBS) 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 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:** During fiscal year 2009, over 285,000 part quantities were purchased from over 100 vendors and charged out to over 33,000 work orders in support of the mission critical equipment depended on by the city departments. Implementing a "just in time" sourcing of 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 a 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 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 IBS parts and inventory programs. All information collected from the site visits and the questionnaires was very positive.

Awarding a contract for a 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. 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 City Fleet Management staff productivity by reducing the need to dedicate mechanics 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 monitor the NAPA owned parts inventory remotely from the Sacramento NAPA distribution center and perform the delivery and restocking of parts inventory for NAPA designated shelves.
- 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 million over the five year contract term by reducing the cost of inventory procurement, shrinkage, obsolescence, management, and accounts payable. A survey by Fleet Management staff of other agencies that have or had a NAPA 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 an 80 percent parts fill rate. Fleet Management will continually evaluate the cost effectiveness and savings of the 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.

**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 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 \$23,020,000 or almost \$2 million more than the recommended contract amount.

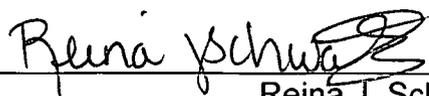
The estimated annual contract amounts are as follows:

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

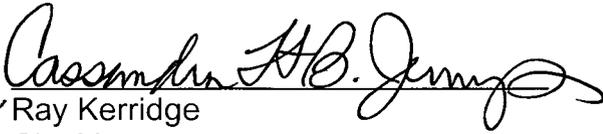
Sufficient funds are available in the Department of General Services, Fleet Management, FY2009/10 operating budget to purchase the required services through June 30, 2010. Purchases after June 30, 2010 and through the duration of the contract are subject to funding availability in the adopted budget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

**Emerging Small Business Development (ESBD):** NAPA is not certified as an emerging/small business enterprise. However, NAPA has agreed to purchase 10 percent of total parts purchased from registered small businesses in the state of California.

Respectfully submitted by:   
 Keith Leech  
 Fleet Manager

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

Recommendation Approved:

  
for Ray Kerridge  
City Manager

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**Attachment 1**

**Estimated 5 Year Cost Savings**

<b>Vendor</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total Est. Savings</b>
<b>NAPA</b>	\$151,000	\$267,000	\$468,000	\$528,000	\$556,000	\$1,970,000

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.

## Attachment 2

### Background Information

The Department of General Services, Fleet Management Division has an ongoing requirement to supply parts and manage inventory for a diverse selection of 2,600 City vehicles and equipment. During fiscal year 2009, over 285,000 part quantities were purchased from over 100 vendors and charged out to over 33,000 work orders in support of the mission critical equipment depended on by the city departments.

In an attempt to procure and manage fleet equipment parts with the greatest cost effectiveness and least exposure to loss, staff conducted research and found that "just in time" equipment parts sourcing and inventory management provides a great opportunity for budget savings and overall shop efficiencies.

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 a 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 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 IBS parts and inventory programs. All information collected from the site visits and the questionnaires was very positive.

A Fleet Parts and Inventory Program would have the following benefits for the Fleet Management Division as well as its customers: Providing "just in time" sourcing for fleet parts inventory, thus eliminating the need for a substantial up-front investment by the City in a large parts inventory; increasing staff productivity by reducing the need to dedicate mechanics to inventory management; reducing vehicle and equipment "down time" through an increase in parts availability and; saving the City an estimated \$2.0 million over the five year contract term by reducing the cost of inventory procurement, shrinkage, obsolescence, management, and accounts payable.

In August 2009, City Council advised staff to meet with Local 39 and explore alternatives to on-site parts management. As a result of those meetings, staff and Local 39 have agreed to modifying the proposed parts inventory service delivery model originally proposed by NAPA, to off-site remote management and coordination vs. dedicated NAPA staff on-site at City fleet inventory locations. The revised NAPA service delivery model provides for the off-site management coordination of NAPA owned inventory that assures "just in time" parts availability on the shelves for assigned City employees to issue as needed.

**Department of General Services**

**Fleet Parts and Inventory Program  
Services**

**November 17, 2009**

**Staff Report Presentation Overview**

**Recommendation:**

- Award a 5-year contract to Genuine Parts Company/NAPA Auto Parts
  - Fleet Parts and Inventory Program services
  - Not to exceed \$21 million over 5 years

### Background - General Services Fleet Management

- Supplies parts for the ongoing maintenance and repair of over 2,600 vehicles and equipment units
- In FY 2009 over 285,000 part quantities were purchased
  - Almost 100 vendors used
  - Over 33,000 work orders
- Staffing and warehouse space are inadequate to secure and manage city owned parts inventory effectively

3.

### Fleet Parts and Inventory Program Services

- Off-site NAPA inventory and coordination
- "Just in Time" equipment parts sourcing and inventory management
  - Eliminates substantial up-front investment by the City
  - Reduces loss due to obsolescence and shrinkage
  - Integrated Business Solution (IBS)
  - Proven cost-effective service delivery model
    - Over 250 fleet operations nationwide
    - NAPA IBS in San Diego, Oxnard, and Denver

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### Fleet Parts and Inventory Program Services (cont.)

- Increases Staff Productivity
  - Storekeepers will continue to perform functions
    - Issue parts from the shelves
    - New classification for existing storekeepers
  - Mechanics can be mechanics
- Reduces vehicle and equipment down time

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### Fleet Parts and Inventory Program Services (cont.)

- Five-year cumulative budgetary savings of \$2.0 million through
    - volume purchasing
    - inventory management expenses
    - increase in mechanic productivity
    - streamlining of procurement and administrative activities
    - shifting ownership and risk to third party
- Note: does not include any assumptions of labor savings from fleet storekeepers*

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### The Agreement with NAPA

- Result of a formal RFP competitive process
- Non-exclusive supply contract
- NAPA must provide cost savings and quality service
- Price escalation monitoring
  - Must demonstrate price competitiveness for all commodities
  - NAPA must earn the city's business for the entire five year term

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### The Agreement (Continued)

- Termination by either party with 60 days notice
- At least 10% of total parts purchased from ESBE
- Phased implementation
  - Start at North Area Corporation Yard, Sutter's Landing, Kinney and Rooney Police Substations
  - Must meet performance and cost expectations before rolling out to any additional facilities.

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In Summary:

- ✓ Formal competitive sealed RFP process was followed.
- ✓ Proposed contract with NAPA is not an exclusive supply contract.
- ✓ Proposed NAPA contract does not contract out City jobs.
- ✓ City has addressed Local 39 concerns

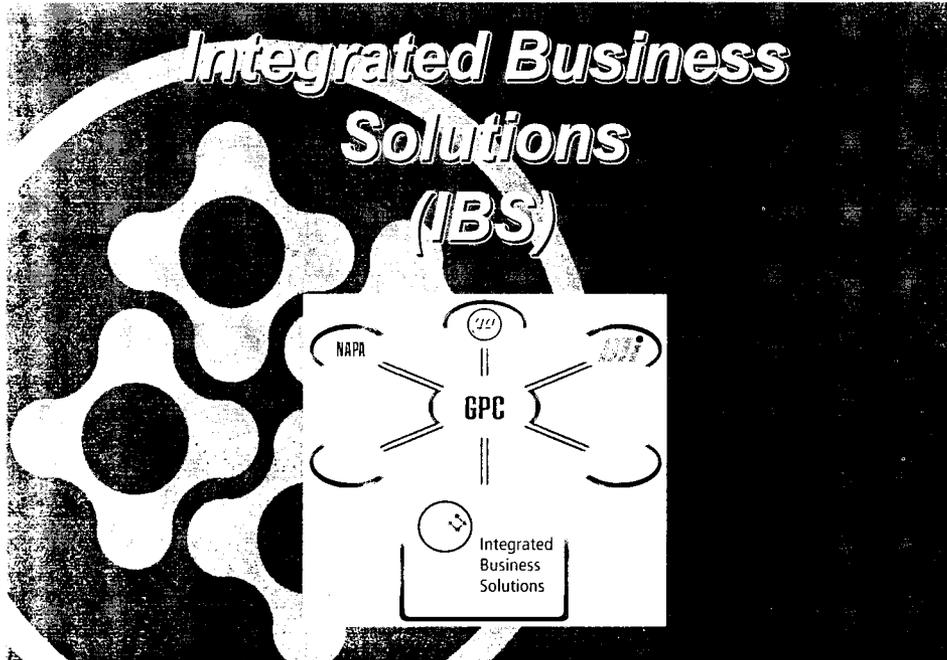
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In Summary:

- ✓ Revised NAPA service delivery model provides for "off-site" management of NAPA owned inventory.
- ✓ Business opportunities with small businesses will be maintained.
- ✓ Efficiencies will be achieved
- ✓ Savings to the City is \$2 million over a 5 year period.

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GPC NAPA

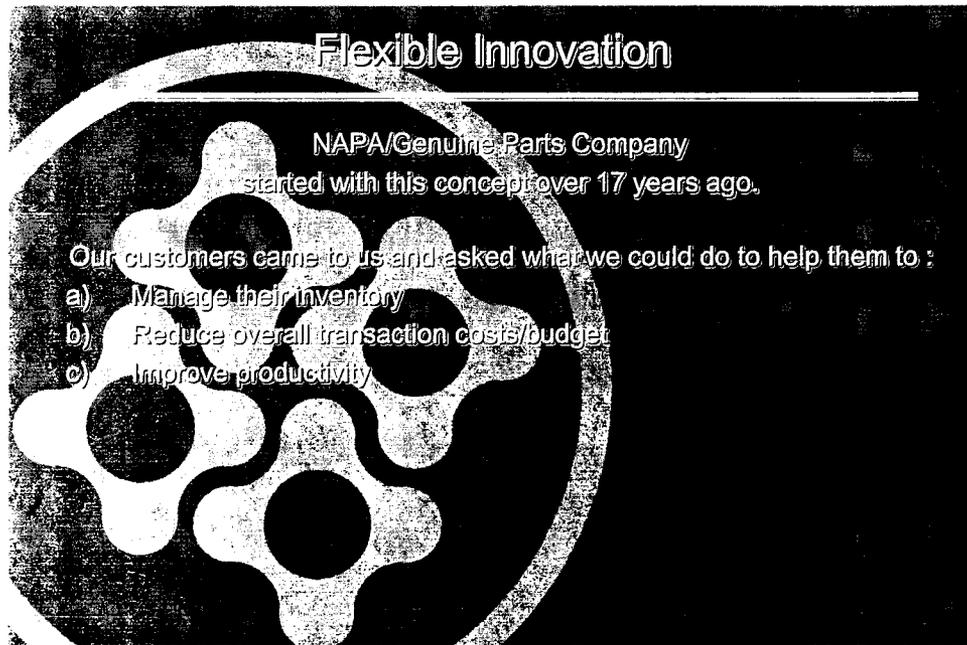


GPC NAPA

## Genuine Parts Company

- Genuine Parts Company (GPC), founded in 1928, is a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts, office products and electrical/electronic materials
- NAPA and the Automotive Division is the largest Division of GPC.
- GPC/NAPA has the most experience in the industry operating Integrated Supply Operations
- Over 250 locations Nationally
- Handle Millions of Dollars of Automotive Inventories for IBS Customers

GPC NAPA



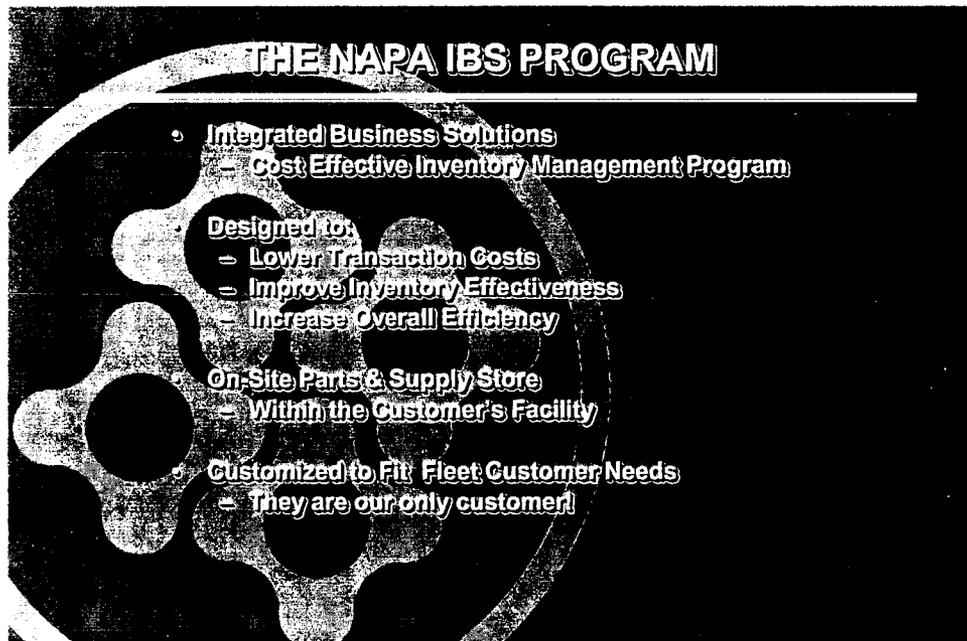
## Flexible Innovation

NAPA/Genuine Parts Company started with this concept over 17 years ago.

Our customers came to us and asked what we could do to help them to :

- a) Manage their inventory
- b) Reduce overall transaction costs/budget
- c) Improve productivity

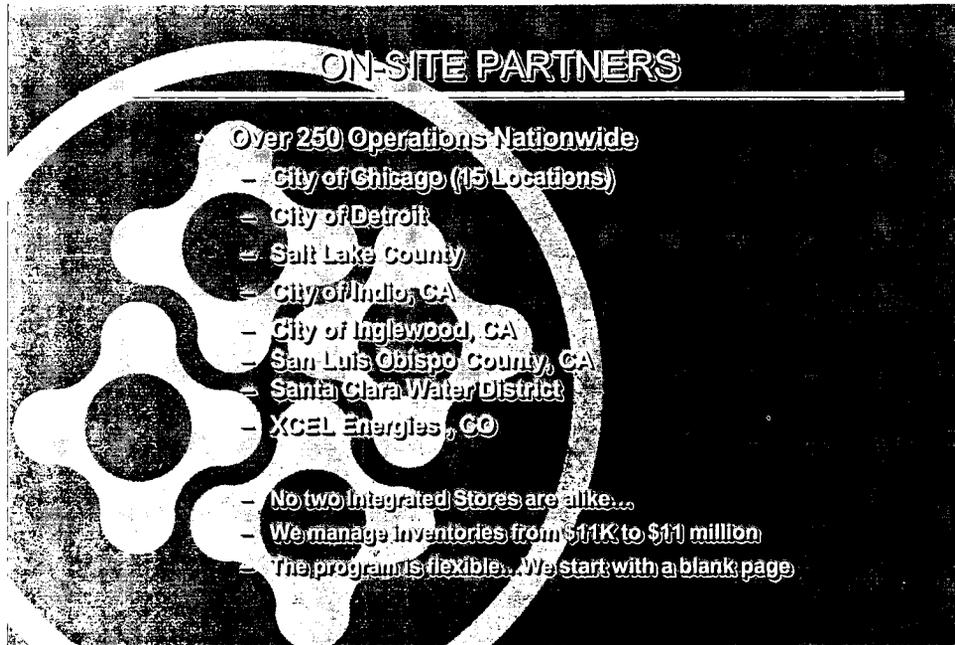
GPC NAPA



## THE NAPA IBS PROGRAM

- **Integrated Business Solutions**
  - **Cost Effective Inventory Management Program**
- **Designed to:**
  - **Lower Transaction Costs**
  - **Improve Inventory Effectiveness**
  - **Increase Overall Efficiency**
- **On-Site Parts & Supply Store**
  - **Within the Customer's Facility**
- **Customized to Fit Fleet Customer Needs**
  - **They are our only customer!**

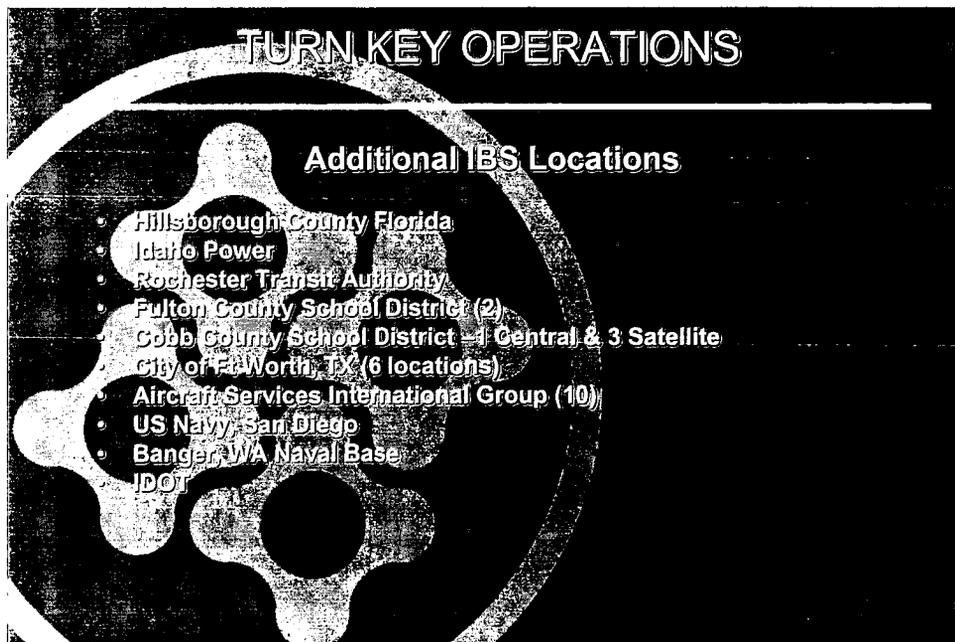
GPC NAPA



### ON-SITE PARTNERS

- Over 250 Operations Nationwide
  - City of Chicago (15 Locations)
  - City of Detroit
  - Salt Lake County
  - City of Indio, CA
  - City of Inglewood, CA
  - San Luis Obispo County, CA
  - Santa Clara Water District
  - XCEL Energies, CO
- No two Integrated Stores are alike...
- We manage inventories from \$1K to \$11 million
- The program is flexible... We start with a blank page

GPC NAPA

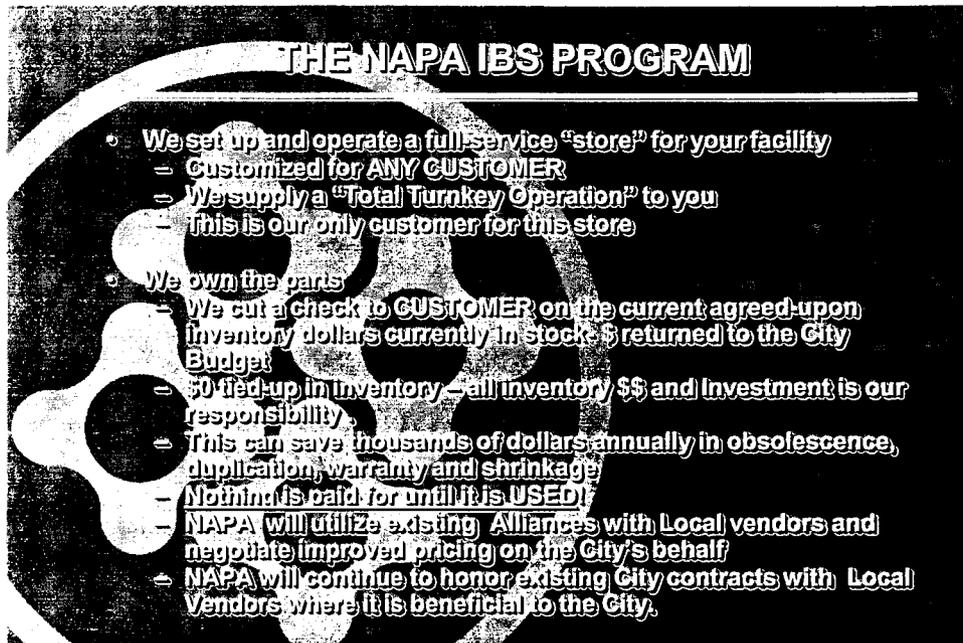


### TURN KEY OPERATIONS

#### Additional IBS Locations

- Hillsborough County Florida
- Idaho Power
- Rochester Transit Authority
- Fulton County School District (2)
- Cobb County School District - 1 Central & 3 Satellite
- City of Ft Worth, TX (6 locations)
- Aircraft Services International Group (10)
- US Navy, San Diego
- Banger, WA Naval Base
- IDOT

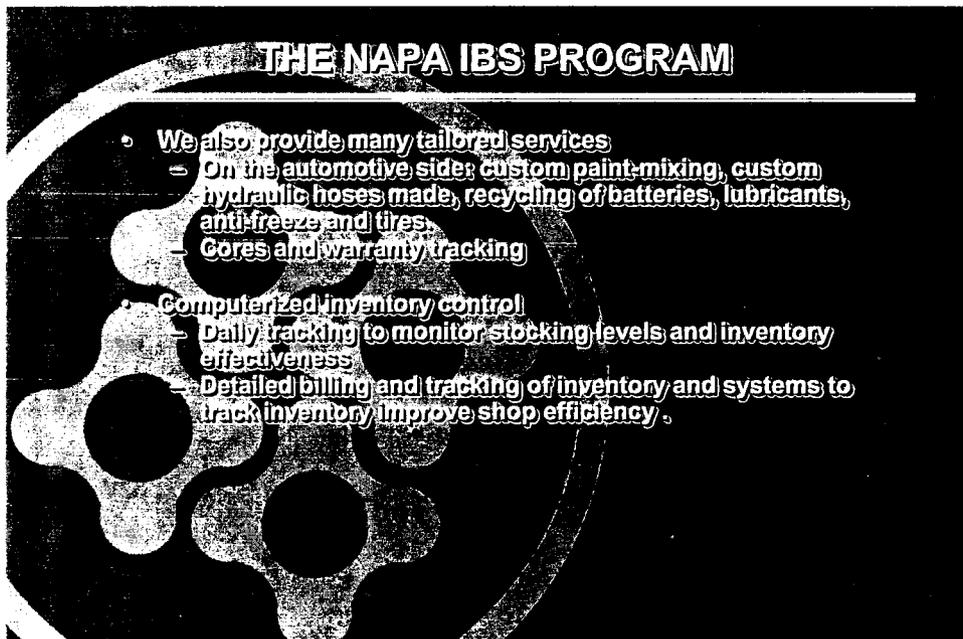
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### THE NAPA IBS PROGRAM

- We set up and operate a full-service "store" for your facility
  - Customized for ANY CUSTOMER
  - We supply a "Total Turnkey Operation" to you
  - This is our only customer for this store
- We own the parts
  - We cut a check to CUSTOMER on the current agreed-upon inventory dollars currently in stock. \$ returned to the City Budget
  - \$0 tied-up in inventory. All inventory \$\$ and investment is our responsibility.
  - This can save thousands of dollars annually in obsolescence, duplication, warranty and shrinkage
  - Nothing is paid for until it is USED!
  - NAPA will utilize existing Alliances with Local vendors and negotiate improved pricing on the City's behalf
  - NAPA will continue to honor existing City contracts with Local Vendors where it is beneficial to the City.

GPC NAPA



### THE NAPA IBS PROGRAM

- We also provide many tailored services
  - On the automotive side: custom paint-mixing, custom hydraulic hoses made, recycling of batteries, lubricants, anti-freeze and tires.
  - Cores and warranty tracking
- Computerized inventory control
  - Daily tracking to monitor stocking levels and inventory effectiveness
  - Detailed billing and tracking of inventory and systems to track inventory. Improve shop efficiency.

GPC NAPA

**NAPA Owns the Inventory You Have...**

- No Shrinkage
- No Duplication
- No Surplus
- No Obsolescence

This graphic features a large gear with several teeth missing, set against a dark background. A white arrow points from the gear towards the text.

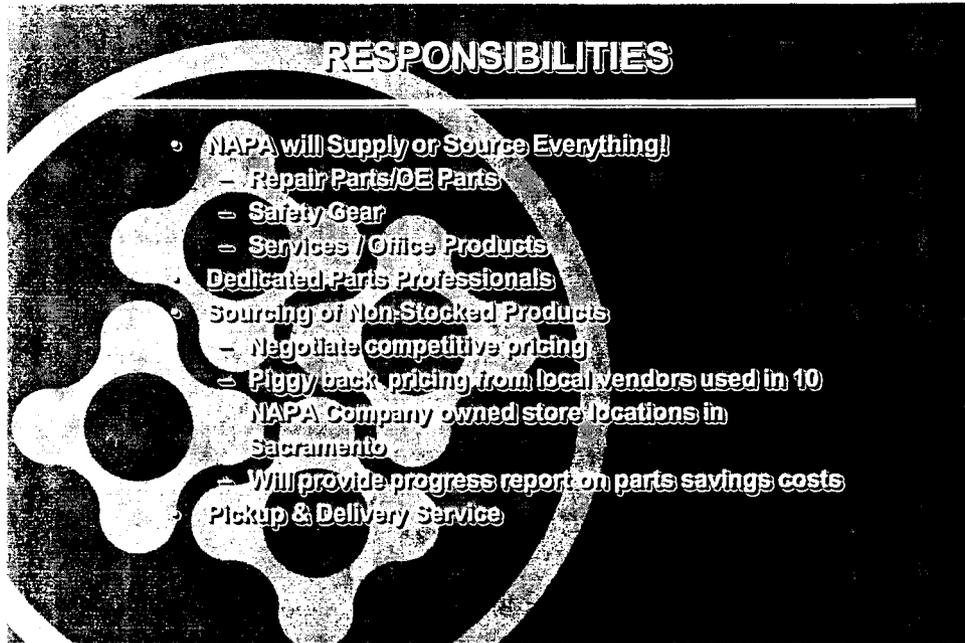
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**Reduced Transaction Expenses**

- Fewer Suppliers
- Fewer Purchase Orders
- Fewer Backorders
- Fewer Receipts
- Fewer Invoices
- Fewer Credits

This graphic features a large gear with several teeth missing, set against a dark background. A white arrow points from the gear towards the text.

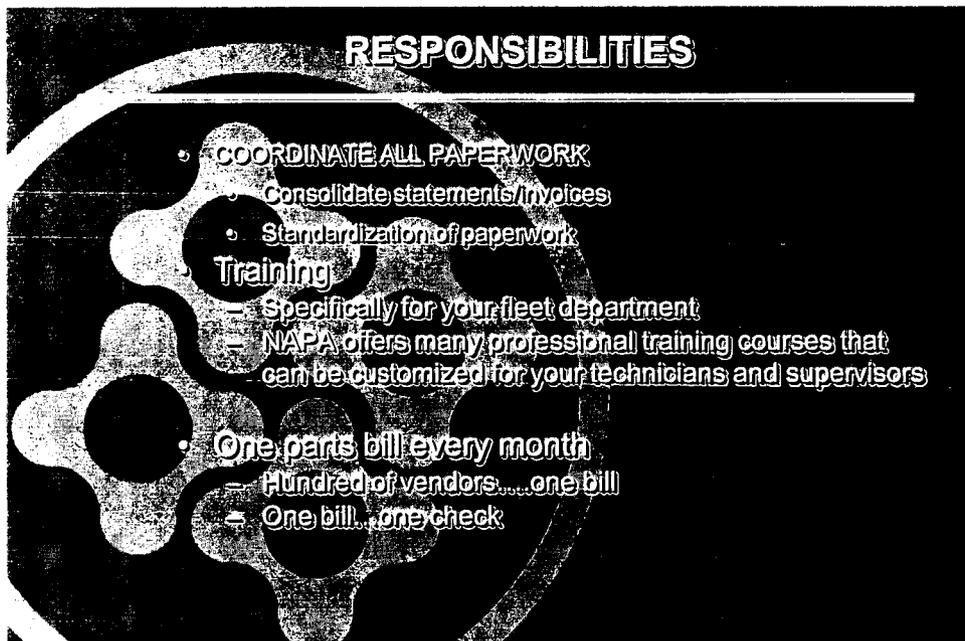
GPC NAPA



### RESPONSIBILITIES

- **NAPA will Supply or Source Everything!**
  - Repair Parts/OE Parts
  - Safety Gear
  - Services / Office Products
- **Dedicated Parts Professionals**
- **Sourcing of Non-Stocked Products**
  - Negotiate competitive pricing
  - Piggy back pricing from local vendors used in 10 NAPA Company owned store locations in Sacramento
  - Will provide progress report on parts savings costs
- **Pickup & Delivery Service**

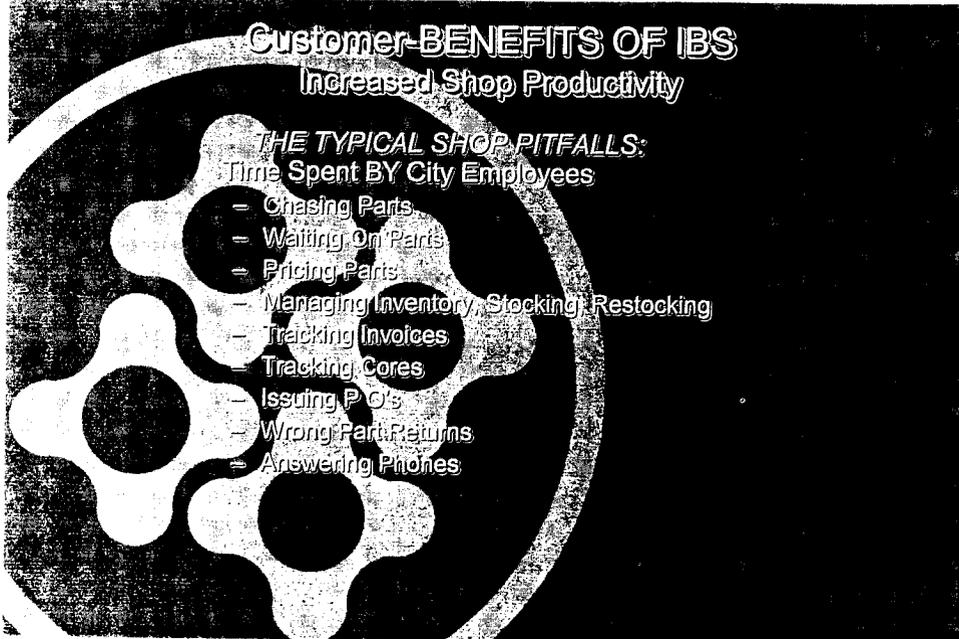
GPC NAPA



### RESPONSIBILITIES

- **COORDINATE ALL PAPERWORK**
  - Consolidate statements/invoices
  - Standardization of paperwork
- **Training**
  - Specifically for your fleet department
  - NAPA offers many professional training courses that can be customized for your technicians and supervisors
- **One parts bill every month**
  - Hundred of vendors....one bill
  - One bill...one check

GPC NAPA

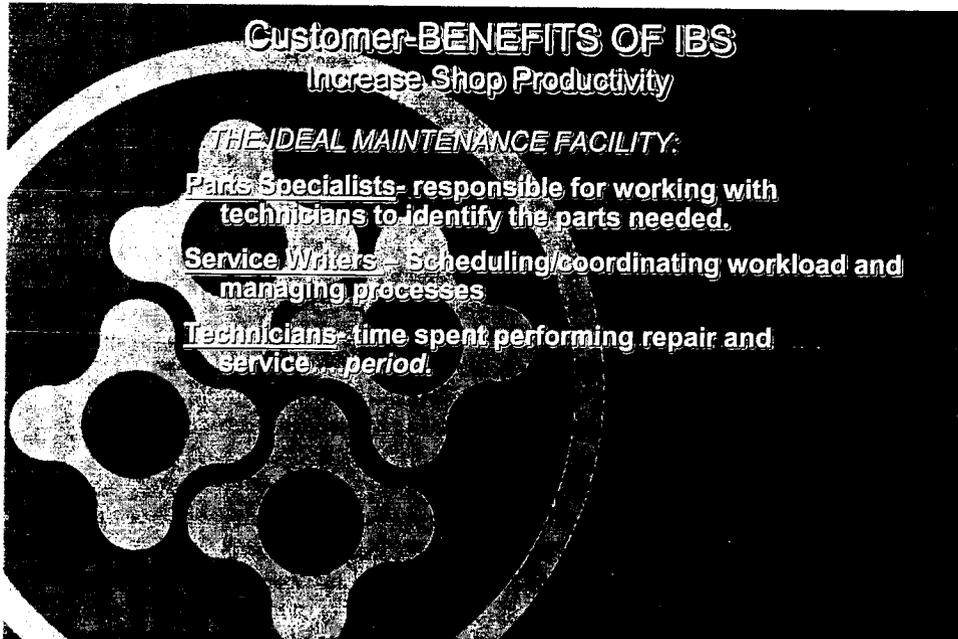


**Customer-BENEFITS OF IBS**  
Increased Shop Productivity

*THE TYPICAL SHOP PITFALLS:*  
Time Spent BY City Employees

- Chasing Parts
- Waiting On Parts
- Pricing Parts
- Managing Inventory, Stocking, Restocking
- Tracking Invoices
- Tracking Cores
- Issuing P.O's
- Wrong Part Returns
- Answering Phones

GPC NAPA



**Customer-BENEFITS OF IBS**  
Increase Shop Productivity

*THE IDEAL MAINTENANCE FACILITY:*

Parts Specialists- responsible for working with technicians to identify the parts needed.

Service Writers- Scheduling/coordinating workload and managing processes

Technicians- time spent performing repair and service... period.

GPC NAPA

### Customer-BENEFITS OF IBS Increase Shop Productivity

- **Computer Controlled Inventory**
- Computer integration with the City's AssetWorks Fleet Management System
- **Increase On Hand Demand Rate**
  - Increase in Inventory
  - Reduction in Equipment downtime
  - Right parts in stock when needed
  - Increase in efficiency and Productivity from repair technicians
- **Synergies with other IBS operations**
  - Vendor negotiated programs
- **Reduction in Transaction costs**

GPC NAPA

### City of Sacramento/NAPA Partnership

- **NAPA Responded to the Competitive Bid Process**
  - City RFP Number P093259009
  - NAPA Sealed Proposal based on experience with other IBS Locations
- During Negotiations on Contract NAPA added additional discount based on volume.
- Proposal did not include any Job Eliminations at the City.
- Phase I Includes servicing NACY, Kinney, Rooney and Sutter's Landing Facilities.
- Must meet Performance and Cost expectations before rolling out to any additional facilities (Phase II).

GPC NAPA

### City of Sacramento/NAPA Partnership

NAPA has such Complete Confidence in the IBS Program we Offer Cancellation Clauses with our IBS Contracts

- If it is not good for the City of Sacramento it is not good for NAPA
- City of Sacramento Contract offers a 60 Day Cancellation Notice.

NAPA/GPC Truly Believes and Can Demonstrate this is a Solid Partnership Designed to Offer Solid Savings to the City of Sacramento

GPC NAPA

### Integrated Business Solutions

The diagram illustrates a central node labeled 'GPC' connected to three other nodes: 'NAPA' (top left), 'City of Sacramento' (bottom left), and 'Integrated Business Solutions' (bottom right). Each node is represented by a stylized gear or circular icon. The entire diagram is set against a background of interlocking gears.

**RESOLUTION NO. 2009-XXXX**

Adopted by the Sacramento City Council

**November 17, 2009**

**AWARDING A CONTRACT FOR 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 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 a 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 Fleet Parts and Inventory Program contract.
- Section 2. Genuine Parts Company / National Auto Parts Association (NAPA) is awarded a five-year contract for 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).