



## Legislation Text

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**File #:** K-1617-110, **Version:** 1

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CONSIDERATION OF ACCEPTANCE OF REQUEST FOR PROPOSAL RFP-1617-22 FROM GENUINE PARTS COMPANY D/B/A NAPA AUTO PARTS TO PROVIDE VEHICLE AND EQUIPMENT PARTS MANAGEMENT AND SUPPLY SERVICES FOR THE FLEET DIVISION AND APPROVAL OF CONTRACT K-1617-110 TO BE EFFECTIVE APRIL 1, 2017.

**BACKGROUND:** On April 8, 2014, City Council approved Contract K-1314-134 with NAPA Integrated Business Solutions (IBS) to provide an in-house parts management service for the City's diverse fleet of vehicles. After three years of operation, NAPA continues to provide a cost saving solution for the fleet by providing a full service parts department dedicated to the Fleet Division. The City's fleet of vehicles consists of 895 vehicles and other pieces of equipment. This wide variety of equipment includes heavy duty trucks, street sweepers, tractors, refuse trucks, light duty cars, trucks, police, fire, and mowing equipment. NAPA maintains over \$600,000 in current parts inventory. NAPA adds, and replaces inventory on a regular basis. The projected savings of the three year contract in 2014 was estimated to be \$202,000 due to the elimination of city inventory and one Parts Technician. After three years, the City has realized an actual savings of \$395,609 due to NAPA's ability to buy with national contract pricing, manufacturer's discounts and rebates earned by NAPA which is passed on through the management billing. NAPA utilized \$62,159 in manufacturer rebates and reduced the City's parts cost by \$69,670 over the 3-year contract period by identifying and providing acceptable aftermarket part options. In addition to acquiring and reducing \$170,000 of the City's parts inventory, NAPA reduced the City's Inventory Exposure (shrinkage, warranties, cores, defective parts, etc.) by \$93,780. The term of this contract will expire April 8, 2017.

City staff issued a Request for Proposal (RFP) on November 18, 2016, for Vehicle and Equipment Parts Management and Supply Services for a new 4-year contract for parts management services.

**DISCUSSION:** The RFP was sent to four vendors, two of which responded: NAPA and O'Reilly Auto Parts, both out of Oklahoma City. The Selection Committee was comprised of Stan West, Streets Supervisor; Mike White, Fleet Superintendent; Richard Moreno, Fleet Supervisor; Brian Churchwell, Fleet Supervisor; and Sharon Hamilton, Fleet Administrative Technician III. The Committee selected NAPA on a qualifications-based rating system. NAPA was found to have superior experience, availability of needed repair parts, and was more technologically advanced than other in-house parts suppliers.

NAPA has approximately 380 similar contracts nationally, and over 23 years of experience with both private and municipal entities. Several cities and agencies in Oklahoma, and the metropolitan area have converted to in-house integrated parts suppliers including: the University of Oklahoma and the City of Oklahoma City.

If approved, NAPA will charge cost plus 10% gross margin on all parts; 5% gross margin on tires issued to the City of Norman; and all operational costs will be billed separately on a monthly basis at actual cost. NAPA currently provides a Total Turn-Key Operation to the City of Norman. NAPA will continue to provide personnel/management staff to service all City departments. NAPA owns all existing inventory and only charges the City for requested parts.

NAPA will provide several performance guarantees that will greatly benefit the City's efficiency in repairing vehicles, and equipment. NAPA will provide personnel, management, parts and supplies to run an on-site parts management service during regular hours, emergencies and holidays. NAPA will provide 90% of parts requirements on hand, 98% preventive maintenance (PM) parts on hand, and 85% parts requirements within four hours of demand. If approved, in-house NAPA staff will "hot shot" parts from Oklahoma City and the surrounding metropolitan area for emergency repairs utilizing a City of Norman fleet vehicle.

NAPA has offered a Hot Shot Parts Courier Service, using either a City vehicle or a leased NAPA vehicle to deliver all non-NAPA products purchased from local suppliers that may not offer delivery service to the City of Norman. The selection team has evaluated the cost and viability of both options (city-owned vehicle versus NAPA-owned vehicle) and has

elected to use a City vehicle as it is the most cost effective. NAPA personnel will be the exclusive staff allowed to use the provided assigned City vehicle to deliver parts.

If approved, there will be a continuance of indirect benefits of this contract to the City of Norman as follows:

- Improved efficiency and productivity of the City's fleet repair technicians
- Improved fleet availability and overall parts cost
- Streamlined accounts payable with fewer purchase orders
- City of Norman no longer has to manage obsolete inventory
- NAPA will provide cost comparison options for all parts over \$250
- NAPA has national pricing agreements resulting in lower repair cost for city vehicles
- NAPA owns and operates all parts. The City only pays for parts as they are used
- NAPA will provide 40 hours annually of automotive/heavy truck training in-house

The proposed contract has a term of one (1) year and may be renewed for an additional three (3) years if NAPA is performing to the City's satisfaction. The contract can be terminated at any time with 30 days written notice by either party.

If approved, staff estimates an annual cost savings to the City of \$100,000 or more over the cost of operating a City Parts Shop. Despite the City's aging fleet, staff anticipates the FYE 2018 Parts budget to be \$40,164 or 3.6% less than the FYE 2017 budget. Funds to purchase parts are allocated to the Fuel and Parts Inventory cost center (5073) within the General Fund.

**RECOMMENDATION:** It is recommended that City Council approve Contract K-1617-110.