

Report to Council



Date: July 13, 2020
To: Council
From: City Manager
Subject: Fleet Services / NAPA Fleet Parts Program Review
Department: Civic Operations

Recommendation:

THAT Council receives for information the report from the Civic Operations Department, dated July 13, 2020 regarding the NAPA Fleet Parts Program Value for Money Review.

Purpose:

To provide Council with an overview of the results from the Value for Money Review for the City Fleet NAPA Parts Program and to advise of next steps.

Background:

To demonstrate accountability for its use of public funds, the City performs reviews of ongoing projects and programs as a best practice in support of rigorous economic governance.

Value for Money (VFM) reviews provide an objective, professional and systematic examination to ensure business elements such as financial, human and physical resources are managed with due regard to economy, efficiency and effectiveness. The process involves project/program selection, establishing the specific project scope, sourcing a qualified independent professional, preparation (by the independent professional) of draft and final reports, delivery of an executive summary to the City Manager and reporting annually at the year-end Audit Committee meeting.

Prior to 2013, parts, materials and services for Fleet Service's maintenance and repair needs were procured by Fleet Services employees on an as-needed basis. At the time, it was estimated that an average of 2 hours per day per Fleet Services Technician was required for the task of procuring parts and materials. It was recognized that this model was neither efficient nor provided good customer service for the internal equipment user groups because of extended down time of equipment waiting for parts and service.

It was also recognized that the process was very paper intensive and inefficient and there was little consideration of pricing or best value for parts and materials. At the time, staff estimated that there

were over 5,000 parts invoices and 1,800 credit card transactions generated and paid on an annual basis which resulted in a significant workload for Finance, Purchasing and Clerical staff.

Fleet parts and material procurement models were investigated, and staff concluded that a partnership model would provide best value to the City. This partnership would introduce expertise in parts procurement, parts inventory control, parts tracking as well as an opportunity to shift from an onerous paper system to a fully integrated electronic system.

In 2012, the City put out a call for a Vehicle and Equipment Parts and Supply Management Request for Proposal (RFP) resulting in a five-year (2013-2017) agreement with UAP Inc. (d.b.a. NAPA Auto Parts). This agreement was extended an additional 3 years and will now expire in December 2020.

Findings:

Overall, it was identified that the NAPA arrangement is providing increased efficiencies and effectiveness in inventory management compared to the previous process.

The agreement has achieved the objective of freeing up time for mechanics to perform maintenance and repairs and improving customer service. NAPA is handling the procurement of virtually all repair parts. A store of inventory is held on-site and the liability for all inventory is assumed by NAPA. The average "fill rate" (parts on hand in the storage space) is 85 per cent, meeting the original target outlined by the City.

The workload for processing of invoices and purchase orders has significantly improved, as the City now receives a single invoice weekly, which also includes invoicing for outsourced repairs. NAPA also produces monthly key performance indicator (KPI) reports summarizing performance.

Additional benefits that have been realized through this agreement include access to specialty tools that can be signed out to mechanics, as well as free staff technical training.

Conclusions and Next Steps:

The Value for Money consultant recommended potential improvements in the following areas:

- **Fill rate:** there may be an opportunity to further increase the fill rate. However, it should be noted that there may be additional costs required to increase fill rate, due to the very diverse nature of the City fleet and very limited storage/warehouse space for parts.
- **Review of inventory held on site:** currently there is a physical audit at least once per year to review the parts inventory and NAPA is very responsive to requested changes in inventory. The consultant felt that parts inventory should be reviewed regularly to ensure it is turning over at a reasonable rate. Staff have also noted that in the current NAPA agreement, the City would be responsible for acquiring any non-NAPA parts if the agreement were terminated. This may be an area for further improvement.
- **Key Performance Indicators:** NAPA produces a very detailed monthly KPI report. It was recommended that some of the KPI's should be customized or independently verified by City staff.
- **Develop a Comprehensive Agreement Analysis:** It was recommended that a comprehensive cost analysis be developed to better evaluate negotiated changes upon renewal of the agreement (e.g. changes to fixed fees, parts discount volumes, markup rates).

The consultant evaluated a few alternative options to the current partnership, including issuing a new competition to test the market (which is also required under current City Policy). Staff intend to work with Purchasing to issue a new competition prior to the expiration of the current agreement (December 31, 2020).

Internal Circulation:

Finance
Communications
Purchasing

Existing Policy:

The Purchasing Branch was consulted and provided the particulars and conditions of this contract arrangement as it related to the service provider selection options and Policy obligations. The Purchasing Branch, in consideration of those details and applicable regulations has strategies it can employ to reach a suitable selection process for this circumstance.

Considerations not applicable to this report:

Financial/Budgetary Considerations:

Communications Comments:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

External Agency/Public Comments:

Submitted by I Wilson, Infrastructure Operations Department Manager

Approved for inclusion:



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