



REPORT FOR ACTION

Amendment to UAP Inc. (UAP/NAPA Auto Parts) Contracts

Date: January 5, 2017

To: Government Management Committee

From: General Manager, Fleet Services Division and Director, Purchasing & Materials Management Division

Wards: All

SUMMARY

The purpose of this report is to seek authority to amend Contracts issued to UAP Inc. (UAP/NAPA) as a result of Request For Proposal (RFP) 6101-11-3241 for the provision of an on-site Fleet Parts and Inventory Management Program for an additional combined total target value of \$9,996,177 excluding all taxes and charges (\$10,172,110 net of HST recoveries) and to extend the current contract for the period July 1, 2017 to June 30, 2018. The combined total includes additional funds required by Fleet Services Division, Toronto Fire Services, and Toronto Paramedic Services.

On February 12, 2016, PMMD issued RFP 6101-16-3022 to obtain a qualified proponent for the provision of on-site Fleet Managed Inventory and Distribution Services prior to the expiry of the existing contracts. The call closed on May 6, 2016 and the City received two (2) proposals that were declared non-compliant by PMMD due to technical compliance issues.

As a result, these amendments to the existing UAP/NAPA contracts are necessary to ensure an uninterrupted supply of parts for the maintenance of the City's fleet, including all specialized and heavy equipment necessary for City provided front line services, pending the completion and implementation of the replacement best value solution for the provision of parts and parts inventory management.

RECOMMENDATIONS

The General Manager, Fleet Services Division and the Director, Purchasing & Materials Management Division recommends that:

1. Council grant authority to amend the following Contracts with UAP Inc. for the provision of on-site Fleet Parts and Inventory Management Program by:
 - a. increasing the value of Contract 47016854 by \$7,696,177 (excluding all taxes and charges) from \$32,624,757 to \$40,320,934 (excluding all taxes and charges);
 - b. increasing the value of Contract 47017645 by \$900,000 (excluding all taxes and charges) from \$3,808,598 to \$4,708,598 (excluding all taxes and charges);
 - c. increasing the value of Contract 47017654 by \$1,400,000 (excluding all taxes and charges) from \$1,052,653 to \$2,452,653 (excluding all taxes and charges);
 - d. extending the current term of Contracts 47016854, 47017645 and 47017654 from July 1, 2017 to June 30, 2018; and,

otherwise under the same terms and conditions of the existing Contracts and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

(a) Fleet Services Division (FSD) – Contract 47016854

Additional funding in the amount of \$7,831,630 net of HST recoveries is required for the provision of parts and parts inventory management. The 2017 Preliminary Operating Budget for Fleet Services Division includes additional funding amount of \$3,539,417 net of HST recoveries for the period of July 1, to December 31, 2017 for the purchase of parts from UAP/NAPA including regular parts supply for ongoing preventive maintenance and repairs, and both the savings and additional cost for parts associated with the implementation of the Alternative Service Delivery Model approved by Council at its October 5, 2016 meeting. The total cost also includes the increased costs associated with the repairs required for aging Solid Waste Management Services (SWMS) and Transportation Services (TR) vehicles that are experiencing increased breakdowns and reliability issues. Therefore, there will be no expected impact on net expenditures in 2017 for FSD as these expenditures will be fully recovered from client Programs.

As a result of ongoing repairs and associated parts required for both SWMS vehicles pending Council direction on the provision of future collection services and TR vehicles, FSD will continue increased maintenance and repairs of aging vehicles through the amendment period from January 1, 2018 to June 30, 2018 and will include the associated funding for the required parts in its 2018 Operating Budget Submission.

Table 1 provides a breakdown of the costs/(savings) attributed to the requested amendment amount.

Table 1: FSD Funding Details (net of HST recoveries)

	July 1, 2017 to December 31, 2017	January 1, 2018 to June 30, 2018	Total From July 1, 2017 to June 30, 2018
Parts Requirements for Regular Operations	\$3,052,800	\$3,459,840	\$6,512,640
Reduced Part Requirements for Class 1 and Class 2 Vehicles (1)	-\$278,706	-\$426,421	-\$705,127
Increased Part Requirements for Other Vehicle Classes (2)	\$172,679	\$644,012	\$816,690
Increased Part Requirements due to SWMS Vehicle Aging (3)	\$526,210	\$581,565	\$1,107,775
Increased Part Requirements due to Transportation Vehicle Aging (4)	\$66,435	\$33,217	\$99,652
Total	\$3,539,417	\$4,292,213	\$7,831,630

(1) Based on the Alternative Service Delivery model being implemented for approximately 50% of Class 1 and Class 2 vehicles as of July 1, 2017; and 75% of units as of January 1, 2018.

(2) Based on percentage of in-house work as per (1) above being allocated from Class 1 and 2 vehicles to the remaining fleet vehicles.

(3) Required for maintaining aging solid waste vehicles in safe and efficient operating condition.

(4) Required for maintaining aging transportation vehicles in safe and efficient operating condition.

(b) Toronto Paramedic Services (TPS) – Contract 47017645

Additional funding in the amount of \$915,840 net of HST recoveries is required for the provision of parts and parts inventory management for Toronto Paramedic Services. Sufficient funds have been included in the 2017 Preliminary Operating Budget for Toronto Paramedic Services to cover the funding requirement of \$457,920 net of HST recoveries resulting from this amendment for the period from July 1, 2017 to December 31, 2017. There are no additional financial implications beyond what is included in the 2017 Preliminary Operating Budget as a result of this amendment. The remaining funding for the period January 1, 2018 to June 30, 2018 will be requested through the 2018 Operating Budget Submission.

(c) Toronto Fire Services (TFS) – Contract 47017654

Additional funding in the amount of \$1,424,640 net of HST recoveries is required for the provision of parts and parts inventory management for Toronto Fire Services. Sufficient funds have been requested in 2017 Preliminary Operating Budget for Fire Services to cover \$ 949,930 net of HST recoveries resulting from this amendment for the period from the date of award to December 31, 2017. There are no additional financial

implications beyond what is included in the 2017 Preliminary Operating Budget as a result of this amendment. The remaining funding for the period January 1, 2018 to June 30, 2018 will be requested through the 2018 Operating Budget Submission.

Table 2 provides the estimated spending by Division and the operating accounts funds will be provided from.

Table 2: Summary of Total Funding Details by Division (net of HST recoveries)

Account	Amendment for the Period to June 30, 2017	July 1, 2017 to December 31, 2017	January 1, 2018 to June 30, 2018	Total From July 1, 2017 to June 30, 2018
Fleet Services Division FL100 CE 2130, CE 2710, CE 4424 FAC 3310200000		\$3,539,417	\$4,292,213	\$7,831,630
Toronto Paramedic Services Cost centre: B41100 Cost Element: 2130		\$457,920	\$457,920	\$915,840
Toronto Fire Services Cost Centre: FR0025 Cost Element: 2120, 4424	\$475,220	\$474,710	\$474,710	\$1,424,640
Total	\$475,220	\$4,472,047	\$5,224,843	\$10,172,110

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

Government Management Committee GM14.10, at its meeting of May 24, 2012 adopted without amendment the staff report – Contract Award – Request for Proposal (RFP) 6101-11-3241 for the Provision of On Site Fleet Parts and Inventory Management Program, and granted authority for the City to enter into an agreement with UAP/NAPA Inc., for the provision of on-site Fleet parts and inventory management program, for a period of five (5) years commencing the effective date of the agreement as per the terms and conditions set out in the RFP, for a total contract value of \$24,624,757 net of HST. The contract commenced on July 1, 2012.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM14.10>

City Council at its meeting of April 3, 2013 adopted the staff report from Government Management Committee GM20.15 - Amending Agreement with UAP/NAPA Inc. for On Site Parts and Inventory Management Program for TPS and TFS, from the Director, Fleet Services and Acting Director, Purchasing & Materials Management, on Contract Award - RFP 6101-11-3241 for the provision of two additional separate contracts.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM20.15>

City Council at its meeting held on September 17, 2015, adopted the staff report from Government Management Committee GM6.2 - Amending Agreement with UAP/NAPA Inc. for On Site Parts and Inventory Management Program to increase target value by \$8,000,000.

<http://www.toronto.ca/legdocs/mmis/2015/gm/bgrd/backgroundfile-83242.pdf>

City Council at its meeting held on October 5, 2016, adopted, with amendments, the staff report from Government Management Committee, report no. GM14.11-Fleet Services Review - Detailed Implementation Plan for the Fleet Services Strategy.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM14.11>

COMMENTS

Fleet Services Division (FSD) currently operates nine (9) repair facilities across the City of Toronto. In total, these garages carry out maintenance on more than 5,200 vehicles and equipment for the City of Toronto's fleet. Further, both Toronto Fire Services (TFS) and Toronto Paramedic Services (TPS) operate their own repair facilities, specifically to service their specialized vehicles and equipment.

RFP No. 6101-11-3241- Resulting Contracts Ending June 30, 2017:

On November 24, 2011, the City's Purchasing & Materials Management Division (PMMD) issued RFP No.6101-11-3241 to obtain a qualified proponent to provide vehicle and equipment parts distribution and inventory management. As a result, Contract No. 47016854 was issued to UAP Inc. (UAP/NAPA) for the provision of an on-site parts and inventory management program for FSD commencing July 1, 2012 for a period of five (5) years ending June 30, 2017 for a total contract target value of \$24,624,757 excluding all taxes and charges.

As part of fleet collaboration/Shared Services, TFS and TPS are utilizing the RFP award with two (2) subsequent contracts issued: Contract No. 47017654 to TFS for a total contract value of \$555,653 net of all taxes and charges and Contract No. 47017645 to TPS for a total contract value of \$3,808,598 net of HST. For TFS and TPS, UAP/NAPA are only required to supply and distribute parts as both these Divisions manage their own respective inventories. All three (3) participating Divisions are responsible for managing their respective contracts.

Amendments Processed To Date:

Since the initial award, both FSD's and TFS' Contracts have been amended to increase their respective target values. At its meeting on September 17, 2015 Government Management Committee had before it GM6.2 "Amendment to UAP/NAPA Auto Parts Contract No. 47016854" and approved amendments to the contract target values for FSD and TFS as a result of increased spending. The increased spending for FSD was due to the addition of new clients including Toronto Community Housing Corporation (TCHC) and the transition of the maintenance of Solid Waste Management Services (SWMS) haulage vehicles to FSD. Also contributing to additional spending requirements was the increased parts demand for repairs required for vehicles beyond their useful life, as well as parts rebuild and repair related services not included in the original contract.

Table 3 summarizes the amendment values processed to date for each contract and the current contract target values.

Table 3: Amendment Value by Division To Date (Excluding all Taxes and Charges)

Division	Contract No.	Original Contract Award	Amendments processed to date	Current Contract Value
Fleet Services	47016854	\$24,624,757	\$8,000,000	\$32,624,757
Toronto Fire Services	47017654	\$555,653	\$497,000	\$1,052,653
Toronto Paramedic Services	47017645	\$3,808,598	-	\$3,808,598
Total		\$28,989,008	\$8,497,000	\$37,486,008

RFP 6101-16-3022 Issued to Replace Expiring Contracts:

On February 12, 2016, PMMD issued RFP 6101-16-3022 to obtain a qualified proponent for the provision of on-site Fleet Managed Inventory and Distribution Services prior to the expiry of the existing contracts. The City received two (2) proposals that were declared non-compliant by PMMD. PMMD, along with FSD, conducted debriefing sessions with the non-compliant proponents to gain insight and feedback into the parts and parts management needs of the City.

In addition to the information received at the vendor debriefing sessions, PMMD will conduct a market scan and invite other industry leaders to provide insight on the current auto parts and managed inventory and distribution services sector. This consultative process will feed into the development of the necessary deliverables for the provision of parts and align with industry best practices and standards while ensuring value for money.

Any model for the provision of parts and inventory management will include specific service delivery efficiency and quality measures as key components of performance management. Regular review of these performance metrics will result in disciplined parts provision, thus ensuring value for money.

As a result of the failed RFP for the provision of on-site Fleet Managed Inventory and Parts Distribution Services, FSD is requesting purchase order amendments on behalf of itself, TFS and TPS to increase the contract target values and to extend the end date of the current contracts with UAP/NAPA. These amendments are necessary to ensure an uninterrupted supply of parts necessary to maintain the City's fleet while also providing the necessary time to implement the best value solution for the supply of parts and parts inventory management.

Current Amendment Request:

The proposed amendment to the UAP/NAPA contract is intended to provide FSD and PMMD with sufficient time to explore all viable options available in the fleet industry for the provision of a parts and inventory management program.

Current and amended target values for three (3) blanket contracts, 47016854, 47017645, and 47017654, under the existing agreement with UAP/NAPA are shown in Table 4.

Table 4: Current and Amended Contract Target Values (Excluding All Taxes)

Division	Contract No.	Current Target Value	Amendment Value	New Contract Target Value
(a)Fleet Services	47016854	\$32,624,757	\$7,696,177	\$40,320,934
(b)Toronto Paramedic Services	47017645	\$3,808,598	\$900,000	\$4,708,598
(c)Toronto Fire Services	47017654	\$1,052,653	\$1,400,000	\$2,452,653
TOTAL		\$37,486,008	\$9,996,177	\$47,482,185

(a) Fleet Services Division (FSD) – Contract 47016854

In addition to an extension to the contract end date, the target value amendment required is based on the parts requirement changes due to the expected outsourcing of Class 1 and 2 (passenger vehicle) repairs and the anticipated increase of heavy and specialized repairs.

Additional funds are also required for the repair and maintenance of heavy and specialized vehicles due to aging SWMS collection fleet that is currently being retained beyond optimum age, pending Council’s decision on future service provision. Further, additional funds are required for TR vehicles and equipment – again, retained beyond their optimum age. As such, FSD has incorporated anticipated parts and parts inventory management costs for the necessary repairs that will be undertaken during the period July 1, 2017 to June 30, 2018. These repairs are critical to reliability, and both environmental and health and safety due diligence. Further work will continue after July 1, 2018 and parts requirements will be considered as part of the future parts and inventory management solution. The breakdown of the FSD contract amendment amount is shown in Table 5.

Table 5: Fleet Services Contract Amendment Details (Excluding All Taxes)

	Total Cost (12 months)
Additional 12 Months (July 1, 2017 – June 30, 2018)	\$6,400,000
Reduced Part Requirements for Class 1 and Class 2 Vehicles (1)	-\$692,931
Increased Part Requirements for Other Vehicles Classes (2)	\$802,565
Increased Part Requirements due to SWMS Vehicle Aging (3)	\$1,088,615
Increased Part Requirements due to Transportation Vehicle Aging (4)	\$97,928
TOTAL	\$7,696,177

(1) Based on the Alternative Service Delivery model being implemented for approximately 50% of Class 1 and Class 2 vehicles as of July 1, 2017; and 75% of units as of January 1, 2018.

(2) Based on percentage of in-house work as per (1) above being allocated from Class 1 and 2 vehicles to the remaining fleet vehicles.

(3) Required for maintaining aging solid waste vehicles in safe and efficient operating condition.

(4) Required for maintaining aging transportation vehicles in safe and efficient operating condition.

The total current approved FSD contract value is \$32,624,757 excluding all taxes and charges (\$33,198,953 net of HST recoveries) with a remaining balance of \$2,853,933 excluding all taxes and charges, including parts, management, and administration. An additional \$7,696,177 excluding all taxes and charges, will increase the approved FSD contract value to \$40,320,934 excluding all taxes and charges (\$41,030,582 net of HST recoveries).

(b) Toronto Paramedic Services (TPS) – Contract 47017645

The total current approved TPS contract value is \$3,808,598 excluding all taxes and charges (\$3,875,629 net of HST recoveries) with a remaining balance of \$889,602 excluding all taxes and charges, for the supply and delivery of parts. An additional \$900,000 excluding all taxes and charges, will increase the approved TPS contract value to \$4,708,598 excluding taxes and all charges (\$4,791,469 net of HST recoveries).

(c) Toronto Fire Services (TFS) – Contract 47017654

The total current approved TFS contract value is \$1,052,653 excluding all taxes and charges (\$1,071,180 net of HST recoveries) with a remaining balance of \$47,452 excluding all taxes and charges for the supply and delivery of parts. An additional \$1,400,000 excluding all taxes and charges will increase the approved Fire Services contract value to \$2,452,653 excluding all taxes and charges (\$2,495,820 net of HST recoveries). This increase includes \$467,000 excluding all taxes and charges (\$475,220 net of HST recoveries) to cover additional parts requirements to the end of the current contract term of June 30, 2017 and \$933,000 excluding all taxes and charges (\$949,420 net of HST recoveries) to cover TFS' parts requirements for the extension term of July 1, 2017 to June 30, 2018.

Next Steps:

FSD is currently exploring all viable fleet industry options for the provision of parts and parts inventory management to ensure best value for money and the efficient and effective delivery of services. FSD expects to implement the decided upon preferred option prior to the expiry of this amendment. Further, FSD, in conjunction with PMMD, intend to take into consideration the City's Job Quality Assessment Tool and Living Wage Standard, if completed and available at the time of review and subsequent implementation of the preferred option.

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