

Award of Sourcewell Contract No. 110520-GPC to Genuine Parts Company o/a NAPA Integrated Business Solutions for the provision of Inventory Management Solutions

Date: May 27, 2021

To: General Government and Licensing Committee

From: General Manager, Fleet Services Division; and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to seek authority for the General Manager, Fleet Services Division to leverage request for Proposal (RFP) No. 110520 from Sourcewell, a public body cooperative purchasing group and enter into an agreement with Genuine Parts Company o/a NAPA Integrated Business Solutions (IBS) for the non-exclusive provision of managed inventory services for fleet-related maintenance equipment, supplies, services, and inventory management solutions for the City's Fleet Services Division, Toronto Fire Services, and Toronto Paramedic Services, from the date of award to December 29, 2024, with the option to renew the contract for one (1) additional year from December 30, 2024, to December 29, 2025, at the sole discretion of the City and subject to budget approvals, for the total amount of \$49,685,199 net of Harmonized Sales Tax (HST) (\$50,559,659 net of HST recoveries), inclusive of all optional renewal years.

The Purchasing By-law (Chapter 195), under section 195-6.6, allows the City to make an award of a procurement directly from a supplier of another public body, if the Chief Procurement Officer determines that the public body followed a competitive method consistent with the City of Toronto's procurement process.

RECOMMENDATIONS

The General Manager, Fleet Services Division, and the Chief Procurement Officer recommend that:

1. The General Government and Licensing Committee, in accordance with Sections 195-6.6 and 195-8.4A of the Toronto Municipal Chapter 195 (Purchasing by-Law) grant

authority to the General Manager, Fleet Services to negotiate and enter into a contract with Genuine Parts Company o/a NAPA Integrated Business Solutions (IBS) being the highest scoring proponent of Sourcewell Request for Proposal (RFP) No. 110520 for the non-exclusive provision of managed inventory services for fleet-related maintenance equipment, parts, supplies, services, and inventory management solutions on the following terms and conditions:

- a. for a term from June 1, 2021 to December 29, 2024, with the option to renew the contract for one (1) additional separate one (1) year term, subject at the sole discretion of the General Manager, Fleet Services Division and subject to available funding under the participating Divisions' budget approvals;
- b. the amount of the contract is \$49,685,199 net of HST (\$50,559,659 net of HST recoveries) for the duration of the contract, including the one (1) option year;
- c. on the terms set out in Sourcewell Request for Proposal (RFP) No. 110520, including any other additional terms and conditions that are satisfactory to the General Manager, Fleet Services; and
- d. that the contract is in a form acceptable to the City Solicitor.

FINANCIAL IMPACT

The total potential cost to the City identified in this report, including all optional renewal terms, is \$56,144,275, including all taxes and charges. The total potential cost to the City is \$50,559,659 net of HST recoveries.

Funding in the amount of \$3,045,441 net of HST recoveries is included in the 2021 Approved Operating Budget for Fleet Services Division. Funding in the amount of \$25,201,027 net of HST recoveries for the balance of the contract term to December 29, 2024, will be included in the 2022-2024 Operating Budget Submission for Fleet Services Division, as appropriate or required.

Funding in the amount of \$295,104 net of HST recoveries is included in the 2021 Approved Operating Budget for Toronto Fire Services. Funding in the amount of \$2,437,152 net of HST recoveries for the balance of the contract term to December 29, 2024, will be included in the 2022-2024 Operating Budget Submission for Toronto Fire Services, as appropriate or required.

Funding in the amount of \$699,960 net of HST recoveries is included in the 2021 Approved Operating Budget for Toronto Paramedic Services. Funding in the amount of \$5,541,894 net of HST recoveries for the balance of the contract term to December 29, 2024, will be included in the 2022-2024 Operating Budget Submission for Toronto Paramedic Services, as appropriate or required.

Should the City choose to exercise its option to renew for an additional one (1) year period, appropriate additional funding, if required, will be included in the 2025 annual Operating Budget Submissions for each participating Division.

Table 1: Financial Impact Summary of Recommended Contract - Fleet Services Division Operational Budget FL100.

Operational Budget: FL100 Cost Element: 2130, 2710 and 4424 Functional Area Code (FAC): 3310200000	Net of HST recoveries
Initial year period from the date of award to December 31, 2021	\$3,045,441
Initial year period from January 1, 2022 to December 31, 2022	\$7,613,603
Initial year from January 1, 2023 to December 31, 2023	\$8,374,964
Initial year period from January 1, 2024 to December 29, 2024	\$9,212,460
Option year one (1) from December 30, 2024 to December 29, 2025	\$10,133,706
Total cost from the date of the award to December 29, 2025	\$38,380,174

Table 2: Financial Impact Summary of Recommended Contract - Toronto Fire Services Operational Budget FR0025.

Operational Budget: FR0025 Cost Element: 2120 Functional Area Code (FAC): 2210000000	Net of HST recoveries
Initial year period from the date of award to December 31, 2021	\$295,104
Initial year period from January 1, 2022 to December 31, 2022	\$737,760
Initial year from January 1, 2023 to December 31, 2023	\$808,992
Initial year period from January 1, 2024 to December 29, 2024	\$890,400
Option year one (1) from December 30, 2024 to December 29, 2025	\$976,896
Total cost from the date of the award to December 29, 2025	\$3,709,152

Table 3: Financial Impact Summary of Recommended Contract - Toronto Paramedic Services Operational Budget B41100 and B41119

Operational Budget: B41100 and B41119 Cost Element: 2120, 2199, 4404, 2130 Functional Area Code (FAC): 1130100000	Net of HST recoveries
Initial year period from the date of award to December 31, 2021	\$699,960
Initial year period from January 1, 2022 to December 31, 2022	\$1,674,288

Operational Budget: B41100 and B41119 Cost Element: 2120, 2199, 4404, 2130 Functional Area Code (FAC): 1130100000	Net of HST recoveries
Initial year from January 1, 2023 to December 31, 2023	\$1,841,717
Initial year period from January 1, 2024 to December 29, 2024	\$2,025,889
Option year one (1) from December 30, 2024 to December 29, 2025	\$2,228,478
Total cost from the date of the award to December 29, 2025	\$8,470,332

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of April 18, 2018, the Bid Award Panel adopted item BA73.1 for the award of Sourcewell (formally known as NJPA) contract 061015-GPC to Genuine Parts Company/NAPA Integrated Business Solutions for fleet-related maintenance equipment, supplies, services, and inventory management solutions. The report can be found at:

[Agenda Item History - 2018.BA73.1](#)

At its meeting of June 29, 2020, City Council adopted item GL12.20 to amend the existing agreement with Genuine Parts Company/NAPA Integrated Business Solutions. This item was considered by the General Government and Licensing Committee on March 9, 2020, and adopted without amendment.

[Agenda Item History - 2020.GL12.20](#)

COMMENTS

Fleet Services, Fire Services and Paramedic Services operate thirteen repair facilities across the City of Toronto. In total, these facilities carry out maintenance on approximately 6,550 vehicles and equipment for the City of Toronto. Both Toronto Fire Services and Toronto Paramedic Services operate repair facilities to service their specialized vehicles and equipment, but automotive and equipment parts are common across all Divisions

Fleet Services has been operating under an on-site fleet consignment, parts inventory management model (NAPA IBS) since 2012. NAPA IBS provides customers with the opportunity to purchase over 445,000 SKUs (Stock Keeping Units) of automotive and equipment replacement parts. NAPA has direct to vendor relationships for in-house

branded products in addition to being a reseller for over 1,300 manufacturers and distributors. NAPA IBS provides on-site inventory management services seven days a week for Fleet Services at four (4) main facilities and processes over 75,000 parts transactions annually.

The City of Toronto has leveraged the procurement contract Sourcewell Contract No. 061015-GPC for fleet-related maintenance equipment, supplies, services and inventory management solutions from June 29, 2018, to the present date as per the Purchasing By-law (Chapter 195), under section 195-6.6, which allows the City to make an award of a procurement directly from a supplier of another public body, if the Chief Procurement Officer determines that the public body followed a competitive method consistent with the City of Toronto's procurement process.

Participating Divisions include Fleet Services, Toronto Fire Services and Toronto Paramedic Services. The current Sourcewell contract 061015-GPC has allowed the City of Toronto to achieve savings of 1.74% on parts purchases compared to the previous contract. Based on the actual spending from all participating Divisions from June 20, 2018, to February 28, 2021, and forecasted spending from March 1, 2021, to December 31, 2021, the City of Toronto will have achieved a cost avoidance of \$399,501. The City will continue to achieve these cost avoidances under the new Sourcewell contract 110520-GPC from January 1, 2022, to December 29, 2025.

Sourcewell Contract 110520-GPC is a Contract between Sourcewell and Genuine Parts Company o/a NAPA Integrated Business Solutions. Sourcewell is a State of Minnesota local government agency and service cooperative that offers cooperative procurement solutions to government entities. Participation is open to federal, state, province, and municipal governmental entities, higher education, K-12 education, non-profit, tribal government, and other public entities located in the United States and Canada. Genuine Parts Company o/a NAPA Integrated Business Solutions desires to contract with Sourcewell to provide equipment, products, or services to Sourcewell and the entities that access Sourcewell's cooperative purchasing contracts (Participating Entities).

A competitive Request for Proposal was issued by Sourcewell on September 17, 2020, nationwide and open to all suppliers. The solicitation process was conducted through the Sourcewell Procurement Portal, and 35 parties expressed interest in the solicitation by registering for this opportunity within the portal. All Proposals remained sealed within the Sourcewell Procurement Portal until the scheduled due date and time. Proposals were electronically opened, and the list of all Proposers was made publicly available on the Sourcewell Procurement Portal on November 5, 2020. Proposals were received from five (5) suppliers, and the proposals were evaluated by a four (4) member Evaluation Committee. Genuine Parts Company o/a NAPA Integrated Business Solutions was recommended for an award and was adopted by a Board of Directors.

Fleet Services Division has reviewed Genuine Parts Company o/a NAPA Integrated Business Solutions' proposal and resulting contract 110520-GPC and has determined that it provides the best value and solution to meet the City's needs and further meets the requirements set out in the Toronto Municipal Code, Chapter 195-6.6. Procurement of same goods and services as a public body. In addition to Sourcewell issuing a Award of Sourcewell Contract No. 110520

competitive procurement nationwide, Sourcewell was able to obtain three (3) different pricing options to suit the needs of various clients.

NAPA is currently providing the same or similar services to eight (8) municipalities in Canada. Four (4) of these municipalities have leveraged from the Sourcewell contract, including Toronto, Oshawa, Kelowna, Guelph. Toronto, Oshawa, and Kelowna are operating under the same pricing model. Fleet Services Division has conducted an in-depth cost analysis on all three (3) pricing options offered under Sourcewell contract 110520-GPC and has chosen the option that brings the best value to the City considering cost, risk, and operational requirements.

Fleet Services Division, Toronto Fire Services, and Toronto Paramedic Services currently have contracts (47021572, 47021574, and 47021575) with Genuine Parts Company o/a NAPA Integrated Business Solutions as a result of the previous Sourcewell RFP No. 061015-GPC. Fleet Services Division compared the agreement terms and conditions from a business perspective vs the last Sourcewell agreement terms and conditions, comparing deliverables and outcomes, and they are the same.

Within current government agencies operating vendor-managed inventory programs in Canada, NAPA IBS has an estimated ninety (90) percent market share. Currently, there are twenty-two (22) IBS sites across Canada, including the Sourcewell contract with the City of Toronto and eight other government IBS contracts. NAPA IBS has eight (8) distribution centres and 600+ retail locations in Canada, making it difficult for other vendors to provide competitive pricing. There are also numerous value-added initiatives included in contract 110520-GPC, such as:

- 1) Diverse Network of OEM/Non-OEM suppliers;
- 2) Key performance metrics and substantial reporting
- 3) Dedicated NAPA IBS staff;
- 4) Integrates with Fleet Services' existing M5 system;
- 5) Numerous online and on-site training courses in various categories such as filtration, under-car (brakes/chassis), heating and cooling, paint and body, etc. Supplier-led training can also be arranged for a fee;
- 6) Environment Sustainability;
- 7) Availability of environmentally friendly or "green" parts;
- 8) Recycling of used products;
- 9) Paperless programs; and
- 10) Fuel-friendly delivery methods.

The Fair Wage Office confirms the recommended firm understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

CONTACT

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SIGNATURE

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