

Award of Negotiated Request for Proposal (nRFP) Doc4833008494 to UAP Inc. (Operating as NAPA Auto Parts) for the Supply of Automotive Equipment Parts and Inventory Management Solution

Date: July 7, 2025

To: General Government Committee

From: General Manager, Fleet Services; Chief, Toronto Paramedic Services; Fire Chief and General Manager, Toronto Fire Services, and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to advise on the results of the Negotiated Request for Proposal (nRFP) Doc4833008494, which identified UAP Inc. (operating as NAPA Auto Parts) as the highest-ranked proponent meeting the requirements of the nRFP.

UAP Inc. is a Canadian Business Subsidiary (as defined in the Mayor's Economic Action Plan in Response to US Tariffs, adopted by Executive Committee on March 18, 2025), with a Head Office in Montreal, Quebec, and 14 distribution centres across Canada. UAP Inc. sources 96% of products through a network of 762 Canadian-based suppliers, distributors, and manufacturers.

This report requests authority for:

- The General Manager, Fleet Services Division (FSD), to enter into a contract on behalf of the City with UAP Inc. operating as NAPA Auto Parts for the non-exclusive supply of an automotive equipment parts and inventory management solution with respect to the operations of FSD;
- The Chief, Toronto Paramedic Services (TPS) to enter into a separate contract with UAP Inc. operating as NAPA Auto Parts for non-exclusive supply of an automotive equipment part solution, with respect to the operations of TPS; and,
- The Fire Chief and General Manager, Toronto Fire Services (TFS), to enter into a separate contract with UAP Inc. operating as NAPA Auto Parts for non-exclusive

supply of an automotive equipment part solution with respect to the operations of TFS.

As part of the nRFP, FSD conducted a comprehensive review of its delivery model, which included market soundings with nine municipalities and agencies and four key automotive industry suppliers. This analysis confirmed that the existing model, where an external supplier manages on-site parts management, inventory, and distribution, remains the most effective approach for managing the complexity and scale of FSD's operations. This model offers benefits such as improved parts availability, reduced vehicle downtime, performance accountability, and specialized staffing resources.

Separately, TPS and TFS use a variety of auto parts in the maintenance of emergency service vehicles and support vehicles managed by the respective divisions. The contract with UAP Inc. will work alongside a number of other existing contracts as part of their overall parts inventory, managed internally by the divisions.

Each of the separate contracts will be for a term of two (2) years, commencing December 1, 2025 to November 30, 2027, with an option to renew for four (4) additional two (2) year periods at the sole discretion of the General Manager, FSD, the Chief, TPS, and the Fire Chief and General Manager, TFS, respectively, and subject to budget approval.

The total potential value of all three separate contracts for the initial two (2) years term is \$41,929,448 net of HST recoveries (\$46,560,806 including all taxes and charges), and \$268,198,523 net of HST recoveries (\$297,822,652 including all taxes and charges) for a total of ten (10) years inclusive of all option renewal years.

In accordance with the terms of the nRFP, Agencies and Public Bodies within the Province of Ontario may piggyback on the terms of these three separate contracts. Any such agreements will be managed independently by the participating Agencies and Public Bodies.

RECOMMENDATIONS

The General Manager, Fleet Services, the Chief, Toronto Paramedic Services and the Fire Chief and General Manager, Toronto Fire Services, and the Chief Procurement Officer recommend that:

1. City Council, in accordance with Section 195-8.5(B) of Toronto Municipal Code Chapter 195 (Procurement By-Law), grants authority to the General Manager, Fleet Services to execute and enter into an agreement on behalf of the City of Toronto with UAP Inc., for the non-exclusive supply of automotive equipment parts and inventory management solution, with respect to the operations of the

City Division known as Fleet Services, for an initial term of two (2) years from December 1, 2025 to November 30, 2027, in the amount of \$29,506,358 net of HST recoveries (\$32,765,511 including all taxes and charges), with the option to renew for four (4) additional two (2) year periods, for a total amount of \$185,907,484 net of HST recoveries (\$206,442,076 including all taxes and charges) including the initial term and all option years, in accordance with the terms and conditions of the nRFP and any other terms and conditions satisfactory to the General Manager, Fleet Services and in a form satisfactory to the City Solicitor.

2. City Council, in accordance with Section 195-8.5(B) of Toronto Municipal Code Chapter 195 (Procurement By-Law), grants authority Chief, Toronto Paramedic Services to execute and enter into an agreement on behalf of the City of Toronto with UAP Inc., with respect to the operations of the City Division known as Toronto Paramedic Services, for the non-exclusive supply of automotive equipment parts solution, for an initial term of two (2) years from December 1, 2025 to November 30, 2027, in the amount of \$8,692,130 net of HST recoveries (\$9,652,228 including all taxes and charges), with the option to renew for four (4) additional two (2) year periods, for a total amount of \$57,754,897 net of HST recoveries (\$64,134,271 including all taxes and charges) including the initial term and all option years, in accordance with the terms and conditions of the nRFP and any other terms and conditions satisfactory to the Chief, Toronto Paramedic Services and in a form satisfactory to the City Solicitor.
3. City Council, in accordance with Section 195-8.5(B) of Toronto Municipal Code Chapter 195 (Procurement By-Law), grants authority to the Fire Chief and General Manager, Toronto Fire Services to execute and enter into an agreement on behalf of the City of Toronto with UAP Inc., with respect to the operations of the City Division known as Toronto Fire Services, for the non-exclusive supply of automotive equipment parts solution, for an initial term of two (2) years from December 1, 2025 to November 30, 2027, in the amount of \$3,730,960 net of HST recoveries (\$4,143,067 including all taxes and charges), with the option to renew for four (4) additional two (2) year periods, for a total amount of \$24,536,142 net of HST recoveries (\$27,246,305 including all taxes and charges) including the initial term and all option years, in accordance with the terms and conditions of the nRFP and any other terms and conditions satisfactory to the Fire Chief and General Manager, Toronto Fire Services and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total potential value of all three of the separate contracts, inclusive of all optional terms, is \$268,198,523 net of HST recoveries (\$297,822,652 including all taxes and charges, \$263,559,869 net of HST).

Funding in the amount of \$1,229,432 net of HST recoveries is included in the 2025 Approved Operating Budget for Fleet Services Division. Funding in the amount of \$14,753,179 net of HST recoveries will be included in the 2026 Operating Budget Submission for Fleet Services Division. Funding in the amount of \$13,523,747 net of HST recoveries for the balance of the contract term to November 30, 2027, will be included in the 2027 Operating Budget Submission for Fleet Services Division.

Funding in the amount of \$362,172 net of HST recoveries is included in the 2025 Approved Operating Budget for Toronto Paramedic Services. Funding in the amount of \$4,346,065 net of HST recoveries will be included in the 2026 Operating Budget Submission for Toronto Paramedic Services. Funding in the amount of \$3,983,893 net of HST recoveries for the balance of the contract term to November 30, 2027, will be included in the 2027 Operating Budget Submission for Toronto Paramedic Services.

Funding in the amount of \$155,457 net of HST recoveries is included in the 2025 Approved Operating Budget for Toronto Fire Services. Funding in the amount of \$1,865,480 net of HST recoveries will be included in the 2026 Operating Budget Submission for Toronto Fire Services. Funding in the amount of \$1,710,024 net of HST recoveries for the balance of the contract term to November 30, 2027, will be included in the 2027 Operating Budget Submission for Toronto Fire Services.

Should the City choose to exercise its option to renew for an additional four (4) separate two (2) year periods, with respect to one or more of the separate contracts, then appropriate funding, if needed, will be included in the 2028-2035 annual Operating Budget Submissions for the respective division. Funding details are provided in the tables below.

Table 1: Total Contract Award Summary (All Contracts) net of HST Recoveries

	Fleet Services GL: 2130/4424 CC: FL100	Toronto Paramedic Services GL: B41100/2130	Toronto Fire Services GL:FR0025 GL:2120/2710	Total (net of H.S.T. recoveries)
Initial Term December 1, 2025 – November 30, 2027	\$29,506,358	\$8,692,130	\$3,730,960	\$41,929,448

	Fleet Services GL: 2130/4424 CC: FL100	Toronto Paramedic Services GL: B41100/2130	Toronto Fire Services GL:FR0025 GL:2120/2710	Total (net of H.S.T. recoveries)
Option Term 1 December 1, 2027 – November 30, 2029	\$32,910,640	\$9,929,098	\$4,241,137	\$47,080,875
Option Term 2 December 1, 2029 – November 30, 2031	\$36,722,688	\$11,345,093	\$4,823,869	\$52,891,651
Option Term 3 December 1, 2031 – November 30, 2033	\$40,992,316	\$12,966,212	\$5,489,654	\$59,448,182
Option Term 4 December 1, 2033 – November 30, 2035	\$45,775,482	\$14,822,364	\$6,250,521	\$66,848,367
Total (net of H.S.T. recoveries)	\$185,907,484	\$57,754,897	\$24,536,142	\$268,198,523

Table 2: Total Contract Award Summary by Calendar Year, net of HST Recoveries

Term	Fleet Services GL: 2130/4424 CC: FL100	Toronto Paramedic Services GL:B41100/21 30	Toronto Fire Services GL:FR0025 GL:2120/2710	Total (net of H.S.T. recoveries)
December 1, 2025 - December 31, 2025	\$1,229,432	\$362,172	\$155,457	\$1,747,060
January 1, 2026 - December 31, 2026	\$14,753,179	\$4,346,065	\$1,865,480	\$20,964,724
January 1, 2027 - December 31, 2027	\$14,895,024	\$4,397,605	\$1,886,738	\$21,179,367

Term	Fleet Services GL: 2130/4424 CC: FL100	Toronto Paramedic Services GL:B41100/2130	Toronto Fire Services GL:FR0025 GL:2120/2710	Total (net of H.S.T. recoveries)
January 1, 2028 - December 31, 2028	\$16,455,320	\$4,964,549	\$2,120,569	\$23,540,438
January 1, 2029 - December 31, 2029	\$16,614,155	\$5,023,549	\$2,144,850	\$23,782,553
January 1, 2030 - December 31, 2030	\$18,361,344	\$5,672,547	\$2,411,935	\$26,445,825
January 1, 2031 - December 31, 2031	\$18,539,245	\$5,740,092	\$2,439,675	\$26,719,015
January 1, 2032 - December 31, 2032	\$20,496,158	\$6,483,106	\$2,744,828	\$29,724,091
January 1, 2033 - December 31, 2033	\$20,695,457	\$6,560,446	\$2,776,530	\$30,032,432
January 1, 2034 - December 31, 2034	\$22,887,741	\$7,411,182	\$3,125,260	\$33,424,184
January 1, 2035 - November 30, 2035	\$20,980,429	\$6,793,584	\$2,864,822	\$30,638,835
Total (net of H.S.T. recoveries)	\$185,907,484	\$57,754,897	\$24,536,142	\$268,198,523

The total expenditures shown in the Tables above include contingency, forecasted transaction increase, and CPI adjustment applied to each option term after the initial two (2) year period.

Cost Avoidance Benefits

The City successfully negotiated an estimated total cost avoidance of \$7,113,652 net of all applicable taxes and charges, which is anticipated to be realized over the potential

10-year term of the three separate contracts. These strategic negotiations with the UAP Inc., have resulted in pricing reduction, increased supplier staffing levels, enhanced alignment with the City's service delivery requirements, and increased operational efficiencies in inventory and parts management.

In addition to the above cost avoidance, Fleet's contract includes volume-based discounts linked to defined monthly parts expenditure thresholds. If these thresholds are met, the discounts are expected to generate an additional estimated cost avoidance of \$986,995 over the potential 10-year term of the three separate contracts. This incentive-based pricing structure is intended to promote cost control, strengthen supplier performance, and drive further operational efficiency.

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

DECISION HISTORY

On March 26 and 27, 2025, City Council adopted RA19.2 the Mayor's Economic Action Plan in Response to US Tariffs

<https://secure.toronto.ca/council/agenda-item.do?item=2025.RA19.2>

On July 2, 2024 the General Government Committee adopted GG14.4 the Amendment to Blanket Contracts 47023952, 47023953 and 47023954 with UAP / NAPA Auto Parts for Inventory Management Services for Fleet Maintenance

<https://secure.toronto.ca/council/agenda-item.do?item=2024.GG14.4>

On May 27, 2021, The General Government and Licensing Committee adopted GL23.11, the Award of Sourcwell Contract Number 110520-GPC to Genuine Parts Company operating as NAPA Integrated Business Solution for the provision of Inventory Management Solution

<https://secure.toronto.ca/council/agenda-item.do?item=2021.GL23.11>

On May 24, 2012, The Government Management Committee Adopted GM14.10 Contract Award - Request for Proposal (RFP) 6101-11-3241 for the Provision of On Site Fleet Parts and Inventory Management Program

<https://secure.toronto.ca/council/agenda-item.do?item=2012.GM14.10>

COMMENTS

Background:

Fleet Services Division

FSD manages the largest and most diverse municipal fleet in Canada, supporting the delivery of critical City services provided by City divisions, agencies, and corporations. FSD is currently responsible for more than 5,400 active vehicles and equipment units, spanning approximately 550 unique makes and models.

To effectively manage this scale and complexity, FSD operates under an Integrated Business Solution (IBS) model, where an external supplier manages on-site parts management, inventory, and distribution. This model was initially approved via the FSD 2011 Operating Budget, with the first contract issued to UAP Inc. for parts distribution and inventory management in 2012.

Since 2012, enhancements introduced under the IBS Model include extended contract terms to support long-term planning and service continuity, improved performance management and reporting mechanisms, and optimized on-site resources to increase service delivery. The model also features a simplified price escalation framework for greater transparency, a streamlined cost structure to enhance operational efficiency, and the introduction of volume-based discounts tied to monthly spend thresholds.

Since its implementation, the IBS model has led to measurable improvements in parts availability and fulfillment rates, contributing to reduced vehicle and equipment downtime and improved Commercial Vehicle Operator's Registration (CVOR) safety ratings.

In preparation of this nRFP, FSD conducted a comprehensive review of its service model, informed by market research and financial cost-benefit business analysis. The review confirmed that continuing with the IBS model remains the most effective strategy for managing the complexity and scale of FSD's operations. Transitioning to an in-house model would require a significant increase in inventory infrastructure beyond current garage capacity, investments in technology systems and resources, and challenges in sourcing staff with the specialized skillsets.

Toronto Paramedic Services

As part of general operation management, TPS utilizes a large variety of auto parts in the maintenance of the specific emergency service vehicles (such as ambulances) and associated support vehicles managed by TPS. TPS manages a collection of vehicles which require both specialized parts, and other generally available automotive parts.

TPS manages its parts inventory internally using multiple supply contracts for both specialized and general-use components. The proposed contract arising from this nRFP would complement TPS's existing supply arrangements by providing access to general parts sourced through UAP Inc., while continuing to be managed by internal staff.

Toronto Fire Services

Similarly, as part of general operation management, TFS also utilizes a large variety of auto parts in the maintenance of the specific specialized emergency service vehicles (pumper trucks, etc.) and associated support vehicles managed by TFS, which due to their unique nature require both the supply specialized parts and generally available automotive parts.

Similar to TPS, TFS staff manage parts inventory internally using multiple supply contracts for both specialized and general-use components. The proposed contract arising from this nRFP would complement TFS's existing supply arrangements by providing access to general parts sourced through UAP Inc., while continuing to be managed by internal staff.

UAP Inc. Canadian Operations and Tariff Mitigation

UAP Inc. has a broad supplier network consisting of 774 manufacturers, distributors, and/or suppliers, of which 762 are located in Canada. Given the integrated nature of the North American automotive sector, it is not feasible to source original equipment manufacturer (OEM) and aftermarket parts exclusively from Canadian manufacturers.

As a result, certain products may originate from the United States but are distributed through UAP Inc.'s Canadian supplier network. While current Canadian tariffs imposed on the US do not directly apply the automotive and heavy-duty aftermarket parts categories, UAP Inc. continues to monitor the impact of Canadian and U.S. tariffs and actively pursues alternative domestic and global sourcing strategies to mitigate potential cost pressures including any indirect effects on the broader automotive industry. Wherever feasible, UAP Inc. has committed to the City to prioritize the use of Canadian suppliers, supporting local businesses and contributing to the Canadian economy.

Procurement Strategy:

In preparation for this procurement, FSD staff and the Category Management & Strategic Sourcing Team within the Purchasing and Materials Management Division (PMMD) conducted a comprehensive operational review and market sounding to inform the City's sourcing strategy and operating model, contract structure and scope of work:

Market Sounding & Operational Review

Market soundings were conducted with nine municipalities and agencies across North America, as well as four key industry suppliers, to obtain insight into procurement strategies, alternative service delivery models, and current market conditions. Key insights included:

- In-house inventory management models are typically more effective for smaller fleets with lower-value part inventories;

- Automotive parts pricing is expected to rise by 10–15%; and,
- Longer-term contracts are more likely to attract supplier investment and deliver cost savings.

To further support the development of the nRFP, an operational review was conducted assessing historical usage data, service delivery challenges, supplier innovation, and opportunities to leverage technology in inventory and parts management. This analysis informed the performance standards and service expectations included in the nRFP.

Strategic Sourcing Approach & Outcomes

Informed by this operational review and market sounding, the City proceeded with a strategic sourcing approach, utilizing a Negotiated Request for Proposal (nRFP). This format allowed the City to engage directly with shortlisted proponents to refine service levels, pricing models, and performance standards. As a result, the contract includes:

- Enforceable KPIs to monitor service quality and delivery
- Volume-based pricing incentives to drive cost efficiency
- Dedicated supplier resources to support City operations
- A foundation for continuous improvement and enhanced supplier accountability

Negotiated Request for Proposal (nRFP) Doc4833008494 Procurement Process

The Negotiated Request for Proposal (nRFP) Doc4833008494 was issued by Purchasing and Material Management (PMMD) on February 21, 2025, and made available to download on Ariba. In total, four (4) addenda were issued. The closing date for the proposals was March 26, 2025.

At the time of closing, we received following proposals for each model:

Supplier On-Site Managed Inventory Model (IBS Model) for FSD	Consignment Inventory Model for TPS and TFS
UAP Inc.	UAP Inc.
	Roy Foss Motors Ltd.

Evaluation of Proposals Submissions

Two (2) formal Evaluation Committee were established to review the responses for each operational model separately. All staff involved in the evaluation process signed and submitted a Non-Disclosure and Declaration of Conflict-of-Interest Agreement prior to the proposals being received. Under the supervision of PMMD, the proposals were evaluated in compliance with the criteria set out in the nRFP.

The evaluation process described in the nRFP consisted of four (4) stages and each of the proposals was evaluated against the criteria as follows:

- Stage 1: Mandatory Submission Requirements
- Stage 2: Technical Proposal Rated Evaluations
- Stage 3: Pricing and Rankings
- Stage 4: Contract Negotiations

Stage 1: Mandatory Submission Requirements

In Stage 1, each supplier was required to submit responses to a list of mandatory requirements. As a result of this compliance review, both suppliers met the mandatory submission requirements and advanced to Technical Proposal Rated Evaluations.

Stage 2: Technical Proposal Rated Evaluations

In Stage 2, each supplier's technical proposal submission was evaluated against non-price related criteria, including but not limited to past experience, operational capabilities, supplier parts network, proposed work plan, and staffing solution. The proposals were scored out of a hundred and fifty (150) points and required 70% (105 out of 150) to pass Stage 2.

UAP Inc. was the only supplier that met or exceeded all threshold and moved on to Stage 3 in both models.

Stage 3: Pricing and Rankings

In Stage 3 - Pricing Evaluation, the pricing submission for each supplier is reviewed. The proposal with the lowest cost received the highest score allocated for this stage, and all other suppliers' proposals receive a prorated score against the lowest priced supplier's proposal accordingly.

As UAP Inc. was the only supplier to enter Stage 3, they automatically received a full score of 100 points in both operational models. Upon combining their scores from both technical and pricing evaluations, UAP Inc. received a total score of 223.9 out of 250 (90%) for FSD's IBS model and a total score 239.8 out of 250 (96%) for the TPS and TFS model.

Stage 4: Contract Negotiations

In Stage 4, the City invited UAP Inc to enter into direct contract negotiations, which were conducted between April 30, 2025, and May 30, 2025, with a focus on various topics, including, but not limited to:

- Reduction in proposed markup percentages (pricing proposal)
- Clarification of scope assumptions across all divisions

- Detailed cost breakdowns for monthly operational fees
- Terms and conditions related to proposed volume-based markup reductions
- Key Performance Indicators (KPIs) and disincentives

As a result of these negotiations, the City was able to achieve the following:

- **Reduced Markup Rates & Volume Discounts:** Lowered the originally proposed markup rates for FSD, TPS, and TFS, along with the inclusion of volume-based discounts for FSD when monthly spend thresholds are met, overall cost avoidance achieved estimated \$8,100,647.
- **Reduced Operating Costs:** Secured a reduction in the monthly operational costs for all FSD, TPS, and TFS.
- **Supplementary Staffing for FSD:** Included supplementary staffing at on-site stores operated under the FSD contract to mitigate the risk of service interruptions.
- **Dedicated Delivery Resource:** Secured dedicated delivery driver for both TPS and TFS to reduce the risk of service delays due to lead time issues.
- **Performance Accountability:** Established a performance management framework through the implementation of KPIs and a disincentive structure focused on parts availability and turnaround times.
- **Operational Streamlining:** Replaced itemized billing with a fixed monthly service fee for operational costs to simplify invoice verification, reduce administrative burden, and improve payment processing and service continuity.

Upon conclusion of negotiations, staff from FSD, TPS, and TFS reviewed and confirmed the three separate final agreed-upon proposals, including pricing, terms, and conditions.

Fair Wage Office Review

After the procurement process, the Fair Wage Office confirmed that the recommended Supplier, UAP Inc. indicated agreement to comply with the Fair Wage Policy with respect to all three separate contracts.

Fairness Monitor Report

On June 10, 2025, Fairness Monitor, P1 Consulting Inc. provided the city with the Fairness Monitor's Report confirming that, from a fairness perspective, the procurement process undertaken for the City of Toronto's nRFP for Automotive Equipment Parts and Inventory Management Solution has been conducted in a fair, open and transparent

manner. P1 Consulting Inc. approves the outcome of the process. Refer to Attachment 1 for the Fairness Monitor's Report.

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ATTACHMENTS

Attachment 1: Fairness Monitor Report