



**Board Administrative Committee
October 1, 2020**

SUBJECT:

Approve and Authorize a Five-Year Agreement with Genuine Parts Company (NAPA) to Provide Automotive Parts and On-Site Support Services

BACKGROUND:

Eastern Municipal Water District’s fleet consists of nearly 540 vehicles and pieces of equipment with purchase values generally ranging between \$20,000 to \$500,000. As summarized in the table below, these assets consist of a highly diverse array of operational equipment supporting functional work groups and departments throughout all areas of the organization:

Vehicle/Equipment Type	Number of Equipment Assets
Sedans and Light Duty Trucks/Vehicles	276
Medium and Heavy-Duty Vehicles	72
Construction Equipment and Forklifts	41
Trailers and Portable Equipment	121
Other	29
Total:	539

The Fleet Services department is responsible for efficiently managing and maintaining these assets. Departmental responsibilities include planning, specifying, budgeting, and ordering new and replacement vehicles in accordance with defined criteria, as well as the day to day maintenance and repair of vehicles and equipment to ensure operational readiness and availability.

Automotive Parts Supply Process

District expenditures for the purchase of general use automotive parts and supplies totals approximately \$500,000 per year. Common and routinely used items are maintained in the District’s Warehouse or as bench stock within the Fleet Services department. However, due to the wide variety and diversity of District equipment, Fleet Services interacts with numerous vendors and suppliers throughout each business day to secure required parts and supplies. These individual needs are typically identified by the department’s Service Writer, Supervisor or Fleet Technician and communicated with one of the District’s many automotive and equipment suppliers. Deliveries are received throughout the day and issued to a Technician to perform the scheduled maintenance or needed repair. Following the process to secure an item, invoices and delivery receipts are reviewed and approved, then forwarded to the Accounts Payable department for processing and payment. Lastly, the department’s work order management

system (RTA) is updated with assigned parts and materials for accurate accounting and asset tracking.

The process of ordering, receiving, issuing, and tracking of these items is, itself, a highly interactive and costly component of Fleet operations. The combined time of more than one full-time-equivalent employee is consumed in the process of managing these requirements, with burdened labor costs totaling nearly \$150,000 per year.

NAPA's On-Site Store

Genuine Parts Company, doing business as Napa Auto Parts, is one of the nations largest suppliers and distributors of automotive parts and supplies. At the corporate level, Napa has implemented on-site store capabilities serving higher volume fleet customers such as the District. Napa's On-Site Store Program provides the following benefits:

- On-site, vendor managed inventory consisting of commonly used items. These items are purchased and held at Napa's expense and are charged to the customer only when used for a given maintenance or repair.
- Dedicated staff providing on-site parts related services.
- Procuring, stocking, and issuing of automotive parts including both Napa branded and non-branded items.
- Work order system integration to ensure parts and equipment are accurately charged to vehicle maintenance and cost records in a timely manner.

These services greatly reduce the involvement of Fleet personnel in the acquisition and administration of parts enabling improved departmental focus on core vehicle maintenance and repair functions and other related responsibilities.

Cooperative Purchasing Agreement and Contracted Support

The Napa On-Site Store Program is offered to public entities under a competitively awarded cooperative purchasing agreement (Sourcewell Agreement No. 061015). Cooperative purchasing agreements, such as those through Sourcewell (formerly the National Joint Powers Alliance), are competitively bid through established public procurement processes and satisfy agency contracting requirements, such as those of the District. Agencies such as the City and County of San Diego, the City of Ventura, and the City of Corona, California, all utilize Napa's On-Site Store Program under the Sourcewell Agreement and have achieved favorable results.

Under the recommended agreement, the proposed store will be physically located within the District's Fleet Services department at District headquarters in Perris, California. Napa will staff this location with one, full-time, employee, dedicated to District support. Napa will work with District personnel to identify existing inventory with low utilization and will provide management with recommendations for disposition. Napa, will then procure commonly used items and supplies used by the District, at its own cost, to stock the On-Site Store. As previously

mentioned, due to the wide variety of vehicles and equipment in operation at the District, many automotive related parts and supplies are procured on an as-needed basis. Napa’s assigned resource will be responsible to procure all such automotive related items, whether or not these are available through Napa or through any other source. All items, whether issued through the On-Site Store, or procured by Napa on the District’s behalf will be entered into the District’s work order management system.

Key terms associated with the recommended agreement include:

- Napa to provide one full-time staff resource and associated operational overhead, at cost.
- Parts pricing based on a 10 percent target margin (Napa gross profit).
 - Napa branded items: Jobber (wholesale) price/.90
 - Non-Napa branded items: Acquisition cost/.90
- Cost documentation to be provided upon request throughout the term of the Agreement.
- Agreement may be terminated at any time with 60 days written notice.

Anticipated Costs and Savings

The District’s Triennial Strategic Plan (2019 – 2021) covering fiscal responsibility provides for shared service opportunities that reduce costs and overhead by in-sourcing work from outside entities and out-sourcing functions, where appropriate. Under the recommended agreement with Napa, cost savings, which include the primary benefit of productivity and efficiency gains resulting from the elimination of non-core activities, are estimated at \$138,285 per year. Additional components of savings include the reduction of inventory and transaction related costs. Anticipated costs and annual savings are summarized in the table below:

	Estimated Savings and Labor Efficiencies
Increased Productivity and Staff Efficiency	\$149,963
Reduction in Purchase Orders and Payments	\$74,500
Inventory Management (reduced obsolescence and improved core credits)	\$14,886
On-Site Store and Parts Acquisition Costs	(101,064)
Annual Estimated Savings:	\$138,285

Contract Approach

Sourcwell Agreement No. 061015 is scheduled to expire on July 21, 2021. As the Sourcwell contract is renewed or extended, the District’s agreement with Napa may be extended for similar or shorter periods of time. In the event the Sourcwell Agreement were not renewed,

the recommended agreement provides that Napa and the District may mutually agree to extend the terms of the agreement for, up to, an additional five-year period.

Annual expenditures for the purchase of vehicle parts and supplies are typically provided in each fiscal year's operating budget. Anticipated costs under the recommended Program are estimated at \$600,000 per year, which figure includes the recommended staffing and capabilities associated with Napa's On-Site Store. Total expenditures over the full, five-year term of the recommended agreement shall not exceed \$3,000,000.

FINANCIAL IMPACT:

Funding for this item is provided for in the Biennial Budget for Fiscal Years 2019-20 and 2020-21.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Shared Services: Seek beneficial shared service opportunities that reduce costs and overhead by in-sourcing work from outside entities to EMWD and out-sourcing functions, where appropriate.

ENVIRONMENTAL IMPACT:

None

RECOMMENDATION:

Approve and authorize up to a five-year agreement with Genuine Parts Company (NAPA) to provide automotive parts and on-site support services in the full-term, not-to-exceed total of \$3,000,000.

SUBMITTED BY:



Paul D. Jones II, P.E., General Manager

9/28/2020



Laura Nomura, Deputy General Manager

9/24/2020

Attachment(s):

Presentation

10/21/20 Board Meeting

Staff Contact: Dan Howell