



# City of Palo Alto

## City Council Staff Report

(ID # 10512)

---

**Report Type: Consent Calendar**

**Meeting Date: 8/12/2019**

**Summary Title: Amendment No. One to Multi-Year Contract With Genuine Parts Company**

**Title: Approval of Amendment Number 1 to Contract Number C17165394 With Genuine Parts Company, dba Napa Auto Parts, to Increase the Contract by \$747,094 to an Amount Not to Exceed \$2,996,074, and Extend the Term Through July 21, 2020**

**From: City Manager**

**Lead Department: Public Works**

### **Recommendation**

Staff recommends that Council:

1. Approve and authorize the City Manager or his designee to execute contract amendment No. 1 to Contract No. C17165394 with Genuine Parts Company ("NAPA"), (Attachment A) to increase the compensation by \$747,094 for continued professional services and the purchase of parts and related supplies for vehicle and equipment maintenance and repairs, and to extend the term through July 21, 2020. The revised total contract amount is not to exceed \$2,996,074.

### **Background**

Prior to initially entering into an agreement with NAPA Integrated Business Solutions (NAPA, a company owned by Genuine Parts Company) in 2016, the City's Fleet (Fleet) staff tracked and managed all parts, inventory, and discrepancies; and accumulated \$158,784 worth of obsolete parts. Administrative staff from Fleet and the City's Purchasing division were inundated with establishing vendor contracts, creating blanket purchase orders, and invoicing. In August 2016, Fleet contracted its parts operations to NAPA as a three-year pilot, after approval from the staff-level Fleet Review Committee, Finance Committee, and final approval from Council on August 15, 2016 ([SR# 7027](#)).

Fleet upgraded the AssetWorks software and added an integration module to allow NAPA's TAMS parts module to sync, allowing NAPA to issue parts directly to work orders, handle all paperwork reconciliation, and pay vendors directly. In turn, NAPA bills the City monthly for all parts/supplies purchased. With NAPA's assistance, the City has been able to sell some of its obsolete parts and recoup a total of \$38,000. Fleet continues to work with NAPA to identify additional opportunities to recover costs on obsolete parts.

During the pilot, a vacant Fleet Services Coordinator position was frozen and an hourly Stock Clerk position was eliminated. These actions led to a salary savings of \$150,000 in Fiscal Year 2018. The Fleet Services Coordinator position was later eliminated in Fiscal Year 2020. Fleet and Purchasing staff time has been greatly reduced and administrative costs lowered as fewer purchase orders, receipts, invoices, and accounts payable are now internally processed.

The contract with NAPA has been successful and has benefited the City by cost savings of approximately \$14,000 per year, with the contract costs offset by the reduction of one benefited position. NAPA is the sole parts and supplies vendor. Outsourcing the management of inventory has allowed staff to focus on the maintenance of vehicles and equipment, meeting regulatory demands, replacing vehicles in a timely manner, and managing other vendor contracts.

### **Discussion**

The City's current contract with NAPA, contract no. C17165394, is valid through August 21, 2019. The three-year pilot has been successful, and staff recommends continuing the contract model for management of Fleet parts. The current cooperative purchasing agreement between Sourcwell, an approved cooperative group, and NAPA expires July 21, 2020; therefore, staff recommends that Council approve amending the current contract term to align with the end of the cooperative purchasing agreement's term. Fleet will bring its recommendation to Council on a new contract for onsite fleet parts procurement and inventory management services in 2020.

### **Bid Process**

Palo Alto Municipal Code section 2.30.360 (j) identifies the process that allows the use of intergovernmental cooperative purchasing agreements. NAPA has been awarded a contract through Sourcwell, an approved cooperative group, and staff received a proposal from NAPA for the contract year covered by this contract amendment on June 24, 2019 (Attachment B). Staff recommends that Council approve this amendment with NAPA for continued on-site fleet parts and inventory services, including procurement and management of the auto parts/supplies inventory through contract services.

### **Resource Impact**

Funding for this amendment was appropriated in the Vehicle Replacement and Maintenance Fund as part of the Fiscal Year 2020 Operating Budget and is offset by revenue collected from vehicle operation and maintenance allocations charged to departments. As expenses were budgeted at a higher rate based on the initial estimate received from the vendor, savings may be realized due to the final contract amount in the Vehicle Replacement and Maintenance Fund operating expenses as well as in the allocated charges expenses appropriated in departments' operating budgets. Expenses and necessary allocations for the Vehicle Replacement and Maintenance Fund will be monitored through Fiscal Year 2020 and necessary budgetary actions will be brought forward as appropriate.

### **Policy Implications**

This recommendation does not present any changes to existing City policies.

### **Environmental Review**

The proposed contract is not a project subject to environmental review.

**Attachments:**

- Attachment A - Contract Amendment
- Attachment B - Palo Alto Performa 1yr

**AMENDMENT NO. 1 TO CONTRACT NO.C17165394  
BETWEEN THE CITY OF PALO ALTO AND GENUINE PARTS COMPANY**

This Amendment No. 1 (this "Amendment") to Contract No. C17165394 ("Contract" as defined below) is entered into as of August 22, 2019, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and GENUINE PARTS COMPANY, a Georgia Corporation (d/b/a NAPA Auto Parts) ("CONTRACTOR"), located at 2999 Circle 75 Parkway, Atlanta, Georgia, Telephone number: 303-799-1965.

**RECITALS**

A. The Contract was entered into between the parties on August 22, 2016, for the provision of an on-site parts operation at City's municipal services center, as detailed therein; and

B. The parties wish to amend the Contract to extend the term for the provision of services under the Contract through July 21, 2020, and, accordingly, to increase the not to exceed maximum compensation by Seven Hundred Forty Seven Thousand Ninety Four Dollars (\$747,094) to a new total not to exceed amount of Two Million Nine Hundred Ninety Six Thousand Seventy Four Dollars (\$2,996,074), as detailed in this Amendment.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

**SECTION 1. Definitions.** The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean contract no. C14150694 between CONSULTANT and CITY, dated August 15, 2016.
- b. **Other Terms.** Terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

**SECTION 2.** Section 3, "TERM," of the Contract is hereby amended to read as follows:

"The term of this Agreement is from August 22, 2016 through July 21, 2020, inclusive, subject to the provisions of Sections R and W of the General Terms and Conditions."

**SECTION 2.** Section 5, "COMPENSATION FOR ORIGINAL TERM," of the Contract is hereby amended to read as follows:

"CITY shall pay and CONTRACTOR agrees to accept as not-to-exceed compensation for the full performance of the Services and reimbursable expenses, if any:

- The total maximum lump sum compensation of \_\_\_\_\_ dollars (\$ \_\_\_\_\_); **OR**
- The sum of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) per hour, not to exceed a total maximum compensation amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_); **OR**
- A sum calculated in accordance with the fee schedule set forth at Exhibit C, not to exceed a total maximum compensation amount of Two Million Nine Hundred Ninety Six Thousand Seventy Four Dollars (\$2,996,074).

CONTRACTOR agrees that it can perform the Services for an amount not to exceed the total maximum compensation set forth above. Any hours worked or services performed by CONTRACTOR for which payment would result in a total exceeding the maximum amount of compensation set forth above for performance of the Services shall be at no cost to CITY.

- CITY has set aside the sum of Three Hundred Thirty Nine Thousand One Hundred Sixteen dollars (\$339,116) for Additional Services. CONTRACTOR shall provide Additional Services only by advanced, written authorization from the City Manager or designee. CONTRACTOR, at the CITY's request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONTRACTOR's proposed maximum compensation, including reimbursable expense, for such services. Compensation shall be based on the hourly rates set forth above or in Exhibit C (whichever is applicable), or if such rates are not applicable, a negotiated lump sum. CITY shall not authorize and CONTRACTOR shall not perform any Additional Services for which payment would exceed the amount set forth above for Additional Services. Payment for Additional Services is subject to all requirements and restrictions in this Agreement."

**SECTION 5. Legal Effect.** Except as expressly modified by this Amendment, all of the terms and conditions of the Contract, including any exhibits thereto, shall remain unchanged and in full force and effect.

**SECTION 6. Incorporation of Recitals.** The recitals set forth above are terms of this Amendment and are hereby fully incorporated herein by this reference.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

SIGNATURES OF THE PARTIES

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Amendment on the date first above written.

**CITY OF PALO ALTO**

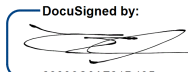
City Manager or designee (Contract over \$85k)

APPROVED AS TO FORM:

City Attorney or designee


**GENUINE PARTS COMPANY dba NAPA AUTO PARTS**

**Officer 1**

By:   
DocuSigned by:  
23396C6A721D495...  
Name: Tom Skov

Title: Vice President

**Officer 2 (Required for Corp. or LLC)**

By:   
DocuSigned by:  
5ED04729ED1B463...  
Name: Jennifer Ellis

Title: Corporate Secretary

Palo Alto Performa 1 YR



Projected Expenses	NAPA Monthly Parts and Operational Projections	% To Sales	Current Year AVG	Target Year One Escalation 5%
Parts Purchases	47,252	100.00%	567,023	595,374
Cost of Goods	42,527	90.00%	510,321	535,837
Markup on Parts	4,725	10.00%	56,702	59,537
<b>GROSS PROFIT</b>	<b>4,725</b>	<b>10.00%</b>	<b>56,702</b>	<b>59,537</b>
<b>Accounting Fees</b>	<b>468</b>	<b>0.99%</b>	<b>5,614</b>	<b>5,894</b>
<b>PAYROLL:</b>				
Manager/Counter Salaries	7,700	16.30%	92,400	95,172
Delivery Driver Salaries	0	0.00%	-	-
Pension	255	0.54%	3,062	3,215
Insurance	1,000	2.12%	12,000	12,600
Workers Comp Insurance	915	1.94%	10,980	11,529
FICA/SECA/FUI/SUI	796	1.68%	9,552	10,030
<b>Total IBS Payroll</b>	<b>10,666</b>	<b>22.57%</b>	<b>127,994</b>	<b>132,546</b>
<b>Miscellaneous Expenses</b>				
Delivery Truck Insurance	-	0.00%	-	-
Delivery Maintenance/Gas	-	0.00%	-	-
Truck Payment	-	0.00%	-	-
Shelving/Cage Depreciation	-	0.00%	-	-
Freight & Postage	200	0.42%	2,400	2,520
General Liability Insurance	100	0.21%	1,200	1,260
Interest	-	0.00%	-	-
Light, Heat, Water	-	0.00%	-	-
Rent	-	0.00%	-	-
Stationary, Shipping Supplies	150	0.32%	1,800	1,890
Stock Loss	-	0.00%	-	-
Store Expenses	60	0.13%	720	756
Personal Property Taxes	-	0.00%	-	-
Telephone	-	0.00%	-	-
Inventory Computer	530	1.12%	6,360	6,678
Training	14	0.03%	168	176
<b>TOTAL MISC. EXP.</b>	<b>1,054</b>	<b>2.23%</b>	<b>12,648</b>	<b>13,280</b>
<b>TOTAL EXPENSES</b>	<b>12,188</b>	<b>25.79%</b>	<b>146,255</b>	<b>151,720</b>
<b>MGMT FEE</b>	<b>12,188</b>	<b>25.79%</b>	<b>146,255</b>	<b>151,720</b>