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City Manager's Office



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: UPDATE ON CITY'S CENTRAL
WAREHOUSE OPERATION

DATE: October 12, 2010

Approved

Date 10/22/10

INFORMATION

The purpose of this memorandum is to provide an update on the status of the City's Central Warehouse Operation. Recently staff has met with bargaining group representatives on the status of the Warehouse Request for Proposal process and new service delivery models.

BACKGROUND

Pursuant to the warehouse recommendations outlined in the FY 2009-2010 budget proposal, Finance published a comprehensive Request for Proposal (RFP) on June 29, 2009 for the "*Just in Time Ordering and Delivery of Maintenance, Repair, and Operations (MRO) Supplies*".

The RFP process included extensive questions and answer periods, and a mandatory pre-proposal conference and physical walk-through of the City's warehouse operation. Five proposals were received and evaluated by a five member team representing four City departments that are key warehouse customers, and one outside evaluator, the supervisor of the City of Mountain View's warehouse operation.

In January, 2010, the evaluation team concluded that none of the companies submitting proposals made a business case that supported outsourcing the warehouse operation. In all cases, pricing was higher with no significant increase in service or support levels. As a result of this analysis, the approved FY 2010-11 budget actions maintain the Central Warehouse and reflect resources that continue to operate the warehouse activities.

Through staff's continuous improvement efforts, we are proactively evaluating and streamlining the warehouse operations where appropriate. All items stored in the warehouse for City operating departments are being reviewed, and where possible, transitioned out of the warehouse to a supplier direct model at a lower or equal delivered cost to the end-user. An integral part of this on-going process has been in consultation with end-user departments to ensure that operational departmental requirements are satisfied with the new service delivery model that includes ordering, receipt, invoicing, and payment. Key streamline actions to date include:

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- Implementation of "just-in-time" vendor direct ordering and delivery of over fifteen key commodities, representing over 250 items previously stocked in the warehouse.
- Replaced warehouse operated physical "City Store" for promotional items with virtual on-line "store" utilizing p-card for departmental payment processing.
- Consolidation of records and warehouse operations to facilitate the optimal utilization of staff resources as part of the implementation of FY 2010-11 Adopted Budget actions.

Performance impacts of these service delivery changes include:

- 40% reduction in annual warehouse sales to \$2.26 million, including surcharge, from FY 2008-2009 to present. Revenue and expenditures will continue to be monitored, and the surcharge adjusted, to ensure 100% cost recovery.
- Reduced staffing levels to five warehouse workers/warehouse supervisor, through attrition and re-assignments made possible in-part by the consolidation of the warehouse and records functions.
- Reduced inventory line items by approximately 250 items.
- Reduced warehouse space requirements by approximately 12,000 square feet which made room for the build-out of office space necessary to relocate staff currently at the old MLK Library.

As noted above, Finance staff will continue to evaluate and streamline the warehouse operations, and make changes where appropriate to the extent that a business case can be made for further refinements.

/s/
SCOTT P. JOHNSON
Director of Finance

For questions, please contact Mark Giovannetti, Purchasing Division Manager at 408-535-7052