Agenda

Casper City Council Work Session
City Hall, Council Meeting Room
Tuesday, December 12, 2017, 4:30 p.m.

	Work Session Meeting Agenda Items	Recommendation	Allotted Time	Beginning Time
1.	Conference Center Consortium Financial Data (Brook Kaufman)	Information Only	20 min	4:30
2.	CAEDA (Mark Pepper)	Information Only	20 min	4:50
3.	NAPA Integrated Business Solutions for Fleet Inventory (Tracey Belser, Zulima Lopez)	Information Only	20 min	5:10
4.	Legislative Agenda and Funding (Jolene Martinez)	Information Only	20 min	5:30
5.	Straw Poll for Selection of Council Leadership for 2018 (Will Chambers)	Information Only	20 min	5:50
6.	Council Around the Table	Information Only	45 min	6:10
7.	Executive Session - Personnel			6:55

December 6, 2018

TO:	Honorable Mayor, and Members of the Casper City Council
FROM:	Brook Kaufman, CEO, Casper Area Convention & Visitors Bureau Casper Hotel & Conference Center Working Group Elliot Kilham, Associate, Economic & Planning Systems (EPS)
SUBJECT:	Casper Hotel and Conference Center Economic Feasibility

Meeting Type & Date

Work Session, December 12, 2017

Recommendation

None.

Summary

Earlier this year, a local working group comprised of the Casper Area Convention & Visitors Bureau (CACVB), the Amoco Reuse Agreement Joint Powers Board (ARAJPB), the Downtown Development Authority (DDA) and Forward Casper retained the team of Economic & Planning Systems (EPS) and KTGY to further evaluate and compare three potential hotel and conference center sites previously identified in the 2012 Crandall Arambula and Strategic Advisory Group (SAG) studies. The sites analyzed include the land adjacent to David Street Station, the Platte River Commons (Amoco Reuse) property and the property owned by Casper Redevelopment Corporation adjacent to the river. The site analysis concluded the property adjacent to David Street Station has the best combination of financial and location factors and is considered the leading candidate for a project of this size/scope.

Phase II, which considers economic feasibility and financial viability of a hotel and conference center in Casper, will be presented to Council at the December 12th work session.

Financial Considerations

None at this time.

December 8, 2017

MEMO TO: Her Honor, The Mayor, and Members of City Council

FROM: J. Carter Napier, City Manager JCN

SUBJECT: Casper Area Economic Development Authority Finance Update

Meeting Type & Date
Council Work Session, December 12, 2017

Recommendation:
Informational purposes only.

Summary:
The Casper Area Economic Development Authority (CAEDA) is a contractor of the Economic Development Joint Powers Board (EDJPB), which receives funding from the Casper City Council. Council has been reviewing various boards during the FY18 budgeting process. CAEDA will present their financial update that Council requested.

Financial Considerations:
No financial considerations.

Oversight/Project Responsibility:
Casper Area Economic Development Authority

Attachments:
None.

December 5, 2017

MEMO TO: J. Carter Napier, City Manager JCN

FROM: Tracey Belser, Support Services Director
Zulima Lopez, Assistant Support Services Director
Jeffrey Proudfoot, Fleet Maintenance Supervisor

SUBJECT: NAPA Integrated Business Solutions (IBS) for Fleet Division Inventory

Meeting Type & Date
Council Work Session
December 12, 2017

Action Type
Future Resolution

Recommendation
That Council support moving forward in negotiating a contract for professional services with Genuine Parts Company d/b/a NAPA Auto Parts, for the management of parts inventory in the Fleet Division through the NAPA Integrated Business Solution (IBS).

Summary
Fleet Maintenance spent over $870,000 on fleet parts in FY17, and currently maintains roughly $542,000 in parts inventory on site. Parts are procured and payments processed daily, at a current rate of approximately 178 transactions per month.

NAPA Integrated Business Solution (IBS) is a vendor-managed inventory system whereby NAPA will instate and staff a full-service parts store on site at the City of Casper Fleet Maintenance Facility on East K Street. Key services provided through NAPA IBS include:

- NAPA trends parts purchasing and will stock all parts that have been purchased by the City of Casper three times in the last two years, as well as specialty parts as requested by the City of Casper.
- NAPA owns the inventory until purchased by the City through assignment to a work order, freeing up funds traditionally spent to maintain onsite inventory.
- NAPA provides all computers and software for parts ordering, inventory trending and management, invoicing, and reporting.

In exchange for these services, the City of Casper will pay 100% of the operating expenses of the NAPA onsite store, billed to the City monthly at cost (no markup). Additionally, NAPA will apply a 10% parts markup to all procured parts for the City of Casper. This will result in a 10% profit margin for NAPA.

NAPA provided references for seven municipalities in the western United States, five of which responded to reference requests by Fleet Maintenance staff and provided highly favorable feedback regarding the implementation of NAPA IBS in their organizations. The following municipalities are using NAPA IBS and gave favorable references regarding parts fill rates, efficiency improvements; parts cost reductions, and fleet readiness.

- Laura Wilson, City of Sierra Vista AZ
- Nathan Schafer, Sandy City UT
- Ben Rouche, City of West Jordan UT
- Montana Slack, City of Glendale AZ
- Danitra Bahlman, City of Palo Alto, CA

In July 2015, the National Joint Powers Alliance (NJPA) completed a competitive bidding and selection process to establish a source of supply for certain auto and other equipment parts as well as to provide integrated business solution services. Seven proposals were received and evaluated through the NJPA vetting process. NAPA IBS was the successful bidder. As a current member of NJPA, the City may utilize the NJPA contract with NAPA as a vehicle to contract directly with NAPA for parts and services. Utilizing NJPA contracting serves to expedite the contracting and implementation so the City may begin to realize cost and efficiency savings sooner.

At this time, one other known vendor in Casper, Fastenal, provides similar services. Fastenal did not submit a proposal in response to NJPA's request. Through research performed by City staff, it is believed that NAPA can better serve the needs of the City of Casper. Fleet staff believes Fastenal lacks the automotive/heavy equipment inventory support and expertise that is necessary to maximize savings and efficiencies for the City Fleet Maintenance division. Fastenal has been unable to provide references for similarly sized municipal fleet operations utilizing their on-site inventory management services.

Financial Considerations
The City should realize substantial savings from implementing IBS. Below are estimated hard cost (tangible) savings:

\$113,360 - Savings on actual price of parts
\$52,800 - Savings on freight for parts
\$79,725 - Savings on 1.5 positions in Fleet
\$15,000 - Savings from a 15% reduction in outsourcing due to 15% increase in productivity
\$260,885 – Total annualized savings

The NAPA solution will cost approximately \$151,200 per year, resulting in the expected net annualized cost savings of approximately **\$109,685 per year.** Additionally, we will realize a reduction of over \$542,000 in the City's financial liability because we will no longer own the inventory kept on-site.

In addition to these tangible hard cost savings, the City can expect to see significant improvements in fleet operation productivity as a result of NAPA IBS. Notable impacts include:

- Parts are charged to work orders by NAPA staff rather than mechanics, freeing up mechanic time to work on equipment.
- Parts 48 hour fill rate will be 70%, compared to the estimated 50% achieved by current in-house parts operations, improving equipment turnaround time and fleet readiness.
- Reduces the processing of parts invoices in Fleet from 178 transactions per month to two.
- Eliminates parts obsolescence. Current obsolescence estimated at 12-25%.

Below are estimated soft cost savings:

$76,815 – Savings on labor from 15% increased mechanic productivity
$126,125 – Savings from increased fleet readiness
<u>$52,800</u> – Savings on invoice processing
$255,780 – Total annualized soft cost savings

<u>Oversight/Project Responsibility</u>
The negotiation of the contract and implementation and oversight of this project will be completed by Zulima Lopez, Assistant Support Services Director, and Jeffrey Proudfoot, Fleet Supervisor.

<u>Attachments</u>
Draft agreement and exhibits for reference. The final terms of the contract will be negotiated upon Council's support to move forward.
Council Work Session presentation

NAPA Integrated Business Solution (IBS)

PROPOSED BY THE CITY OF CASPER FLEET MAINTENANCE DIVISION

DECEMBER 12, 2017

Current Fleet Inventory Management

- 964 pieces of equipment to supply parts for
  - $542,725 in inventory on hand
- Average 178 transactions per month
  - $871,990 in FY17
- 1.5 positions in Fleet Maintenance Facility Parts Room
- 8 Mechanics spend 25%-30% of their time on Parts
- Current payment processing/inventory management software
  - Can't shop for parts
  - Limited trending and reporting
  - Can't manage parts warranties
  - Can't identify obsolescence

WE CAN AND NEED TO IMPROVE!

What is NAPA IBS (Integrated Business Solution)?

- Vendor managed inventory
  - NAPA managed on-site store
  - Count/reorganize current inventory
  - Trend parts purchases and stock appropriate parts
  - Deeply discounted parts
  - NAPA owns the inventory until used by the City
  - Track and file claims for warranty parts
  - Invoice monthly for parts purchases and operation costs
  - Provide reports monthly and upon request
  - Include technical training for mechanics

City Investment

- For the IBS operation, the City must:
  - Provide a secure location for the on-site store
  - Utilize NAPA as the primary supplier of parts
  - Provide information regarding fleet makeup and changes
  - Pay 100% of the on-site store operating expenses
  - Pay 10% markup on parts
- Negotiating Options (to reduce monthly expenses):
  - City provides and maintains parts truck
  - City provides internet and phone service

Expected Savings – Hard Costs

Cost	Description
$113,360	Parts costs
$52,800	Freight for parts
$79,725	Eliminate 1.5 Positions in Fleet
$15,000	15% Reduction in outsourcing
$260,885	**Total annualized hard cost savings**
$(151,200)	Annual IBS operating expenses
$109,685	**NET ANNUAL SAVINGS**

Liability/capital reduction of $542,000 when all City-owned inventory is depleted

Expected Savings – Soft Costs

Cost	Description
$76,815	15% increased mechanic productivity
$126,165	13% improvement to fleet readiness
$52,800	Reduced invoice processing time
$255,780	**Total annualized soft cost savings**

NAPA IBS References

- Laura Wilson, City of Sierra Vista AZ
  - Reduced invoice processing and more technician productivity
- Nathan Shafer, Sandy City UT
  - Time savings on parts purchasing and less down time for fleet
- Ben Rouche, City of West Jordan UT
  - No annual inventory reconciliation, more space, and cost savings
- Montana Slack, City of Glendale AZ
  - Fill rates better than 95% and no liability or capital investments in City-owned inventory
- Danitra Bahlman, City of Palo Alto CA
  - Less costs, high fill rates, and $20k in obsolete inventory sold

NJPA Contracting

- July 2015 National Joint Powers Alliance (NJPA) completed competitive bid process
  - Seven proposals received and vetted
  - NAPA IBS was successful vendor
- Interim City Attorney confirmed ability to utilize NJPA for contracting
  - Contract is for 75% service, 25% procurement
  - City of Casper current NJPA member
  - Wyoming agencies utilize NJPA
    - Cities and Counties
    - School Districts and Colleges
    - State of Wyoming

Implementation & Future Opportunities

- Implementation
  - 6-8 weeks from execution of contract
- Future Opportunities
  - Possible expansion six months after successful implementation
    - Buildings and Structures inventory
    - Office supplies
  - Re-negotiate performance measures and incentives after two years
  - 2-5 years - partner with nearby municipal fleets
    - Offset annual expenses
    - Create additional revenue stream

INTEGRATED SUPPLY AGREEMENT

BY AND BETWEEN

GENUINE PARTS COMPANY

AND

CITY OF CASPER, WYOMING

INTEGRATED SUPPLY AGREEMENT
BY AND BETWEEN
GENUINE PARTS COMPANY
AND
CITY OF CASPER, WYOMING

THIS INTEGRATED SUPPLY AGREEMENT (this "Agreement") is made by and between **GENUINE PARTS COMPANY**, a Georgia corporation (d/b/a NAPA Auto Parts) ("NAPA"), and the **CITY OF CASPER, WYOMING** ("CUSTOMER"), to be effective as of the _____ day of _____, 20_____ (the "Effective Date").

W I T N E S S E T H

WHEREAS, pursuant to a competitive bidding and selection process by the National Joint Powers Alliance (hereinafter, "NJPA"), a Minnesota-based Service Cooperative created by Minnesota Legislative Statute 123A.21, NJPA and NAPA executed contract #061015 on July 21, 2015 (hereinafter, "NJPA Contract"), attached hereto as Exhibit C, to establish a source of supply for certain auto, truck and bus parts as well as to provide Integrated Business Solutions services; and

WHEREAS, by becoming a participating member of NJPA (hereinafter, "Member"), CUSTOMER and its related entities (hereinafter, "User Agencies") are authorized to utilize the pricing and incentives available to NJPA Members set forth in the NJPA Contract; and

WHEREAS, CUSTOMER desires to become a User Agency under such NJPA Contract and desires to receive integrated business solutions services from NAPA; and

WHEREAS, CUSTOMER and NAPA agree that the NJPA Contract is a vehicle by which CUSTOMER may contract directly with NAPA for parts and services, but that the terms and conditions of this Agreement and not the terms and conditions of the NJPA Contract shall govern the relationship of the parties; and

WHEREAS, NAPA desires to provide integrated business solutions services and to establish inventories in CUSTOMER's locations to service the fleet parts needs of CUSTOMER and to serve as the primary supplier of automotive replacement parts and other automotive related maintenance equipment, supplies and inventory as well as non-automotive supplies, inventory and equipment (the "Inventory" or "Products") to serve the needs of CUSTOMER; and

WHEREAS, CUSTOMER desires to provide space for the Inventory on the premises of CUSTOMER for use by NAPA ("On Site Store") and agrees that NAPA will be its primary supplier of the Inventory pursuant to the terms herein.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

AGREEMENT

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) ***Primary Supplier*** shall mean the parts supplier that provides a minimum of ninety percent (90%) of the Inventory needs of CUSTOMER.

(b) ***NAPA Owned Store*** shall mean an auto parts store lawfully using the tradename or trademark "NAPA" which is wholly owned by NAPA.

(c) ***NAPA Jobber*** shall mean an auto parts store lawfully using the tradename or trademark "NAPA" with respect to which NAPA maintains no ownership interest.

(d) ***Current NAPA Jobber Acquisition Cost*** shall mean NAPA's current gold price as set forth on NAPA's Confidential Jobber Cost and Suggested Resales price list.

2. CUSTOMER'S CURRENT LOCATIONS. NAPA will establish On Site Store(s) at the CUSTOMER'S following location(s):

1800 East K Street
Casper, WY 82601

Additional locations of the CUSTOMER may be added to this Agreement but only by a written amendment executed and agreed to by both the CUSTOMER and NAPA.

3. TERM. This Agreement shall begin the date this Agreement is fully executed and shall end when the NJPA Contract terminates or expires or when terminated earlier in accordance with the applicable terms and conditions stated herein. As the NJPA Contract is renewed or extended, this Agreement may be renewed or extended for a period of time equal to or shorter than the period of time the NJPA Contract is renewed or extended upon the mutual written agreement of the Parties. This Agreement shall terminate automatically upon the termination, for any reason, of the NJPA Contract. Notwithstanding the foregoing, either party may terminate this Agreement at any time for its convenience by giving the other party sixty (60) days prior written notice of such termination.

4. DUTIES AND RESPONSIBILITIES OF NAPA. NAPA shall have the following duties and responsibilities during the term of this Agreement:

(a) NAPA will operate the On Site Store(s) and provide the Inventory to CUSTOMER's now existing locations. NAPA shall provide all personnel required to operate the On Site Store(s).

(b) In those circumstances when delivery is required by CUSTOMER, NAPA will provide parts to CUSTOMER's locations on a daily route basis. In addition, NAPA will accelerate delivery on those items CUSTOMER requires to be delivered on an expedited basis. NAPA will make all reasonable efforts to ensure prompt delivery to the CUSTOMER's location(s) requesting part(s).

(c) NAPA shall provide all computers and reports necessary to monitor monthly expenses as they pertain to the daily operation of the On Site Store(s). NAPA shall provide computer ordering and cataloging to each On Site Store.

(d) NAPA shall provide a profit and loss statement of the parts operations to the CUSTOMER on approximately the 15th of each month for each On Site Store.

(e) NAPA shall provide back-up emergency service during non-working hour contingencies. This overtime expense (calculated at time and one half) will be charged on a cost basis to CUSTOMER, and must be pre-approved by CUSTOMER. The parties shall mutually agree upon the pre-approval process for such emergency situations. NAPA will provide a list of personnel, including telephone numbers, who will respond to emergency service requests.

5. DUTIES AND RESPONSIBILITIES OF CUSTOMER. CUSTOMER shall have the following duties and responsibilities during the term of this Agreement:

(a) CUSTOMER shall provide, at its sole expense, usable space for NAPA's On Site Store(s) and the Inventory. CUSTOMER shall provide access to restroom facilities for NAPA employees. Further, CUSTOMER shall furnish, at its sole expense, all utilities for the On Site Store(s) including: water, sanitation, sewer, light, telephone, heat, gas, electricity, power, fuel, janitorial and all other utilities and services rendered or delivered to the On Site Store(s) whatsoever. CUSTOMER shall provide NAPA a safe work environment that is free from hostility, violence, or discrimination. NAPA reserves the right to terminate the contract immediately should NAPA encounter a hostile, violent, discriminatory, or unsafe work environment.

(b) CUSTOMER shall use NAPA as its Primary Supplier of the Inventory under this Agreement. CUSTOMER reserves the right to purchase any item outside this Agreement where it is determined to be more economical or timely so long as the purchase of aforesaid part or parts does not result in NAPA no longer being CUSTOMER's Primary Supplier in which case NAPA may terminate this Agreement.

(c) Each On Site Store location shall be appropriately secured or otherwise maintained separate and apart from the business of CUSTOMER. There shall be no intermingling of CUSTOMER's parts or other inventory with NAPA's parts or inventory. Access to the secured On Site Store(s) shall be restricted to NAPA employees and authorized NAPA representatives only. CUSTOMER'S employees, contractors or agents shall not be permitted to enter the secured On-Site Store area unless accompanied by a NAPA employee or other authorized NAPA representative.

(d) CUSTOMER shall, at all times during the term of this Agreement, at CUSTOMER'S sole expense, maintain in good condition and repair (so as to prevent any damage or injury to NAPA's employees, the Inventory or other personal property located in the On Site Store(s)) the roof, exterior walls, foundation, and structural portions of the On Site Store(s) and all portions of the electrical and plumbing systems lying outside of the On Site Store(s) but serving the On Site Store(s).

(e) CUSTOMER shall provide information regarding fleet changes to NAPA as soon as possible. Fleet changes include but are not limited to the removal of types of vehicles from the fleet and the addition of new vehicles to the fleet.

6. ALTERNATIVE SUPPLIERS. Each On Site Store may be serviced by a NAPA Owned Store or a NAPA Jobber. CUSTOMER acknowledges that whether it will be serviced by a NAPA Owned Store or a NAPA Jobber will be determined by NAPA, in its sole discretion, and that if CUSTOMER is to be serviced by a NAPA Jobber, then such NAPA Jobber must evidence its desire to abide by the terms of this Agreement by entering into an Assignment in the form of Exhibit A hereto.

7. PAYMENT TERMS/PRICING. NAPA shall invoice the CUSTOMER for all Inventory purchased pursuant to this Agreement on a monthly basis according to the pricing plan below. CUSTOMER agrees to pay the entire amount of all statements received from NAPA by the 25th day of the month following receipt of any such statement. If CUSTOMER has not paid the entire amount of all statements received from NAPA within 10 days of the 25th day of the month following receipt of such invoice, CUSTOMER shall be put on COD until such amount is paid in full. No prompt pay discount is available under this Agreement.

There are two pricing options available to CUSTOMER. The pricing option for *this* Agreement must be indicated by CUSTOMER initials, below.

PRICING OPTION #1 **CUSTOMER INITIALS: _______**

The overall objective of CUSTOMER's pricing plan is for NAPA to provide Products in accordance with the agreed upon Pricing Plan Summary set forth below. By billing CUSTOMER for the Products, NAPA's On Site Store(s) will achieve its target ten percent (10%) net profit for the Agreement (the "Net Profit Target"). CUSTOMER's pricing plan is comprised of the following elements:

(a) ***Product Price.*** The pricing of the Products to be supplied to CUSTOMER by NAPA pursuant to this Agreement shall be divided into: 1) "***NAPA Product Price***," which is the pricing of NAPA branded or NAPA cataloged supplier manufactured products; and 2) "***Non-NAPA Product Price***," which is the pricing of products which have not been manufactured by NAPA suppliers or do not exist in NAPA's proprietary catalog system but which have been acquired for CUSTOMER by NAPA pursuant to this Agreement. The pricing of NAPA Product and Non-NAPA Product shall be billed in accordance with the Pricing Plan Summary defined below.

(b) ***Operational Expenses.*** Any and all costs and expenses associated with the operation of the On Site Store(s), including, but not limited to, vehicle gas and maintenance costs, salary and benefits payable to NAPA employees at the On Site Store(s), worker's compensation benefits and insurance, unemployment insurance, personal property insurance for the On Site Store(s) and Inventory, any deductible for losses covered under the personal property, automobile liability, or general liability insurance policies of NAPA, all equipment supplied by NAPA, Corporate Allocation Expenses (as defined below), inventory investment expense, obsolescence expense, pension funding costs, accounting fees, general office expenses, and shared service expenses. An example of a profit and loss statement reflecting such costs and expenses is attached hereto as Exhibit B. CUSTOMER acknowledges and agrees that the costs and expenses reflected on the profit and loss statement set forth on Exhibit B are subject to change based on actual monthly costs, expenses or Corporate Allocation Expenses incurred relative to the operation of the On Site Store(s). To achieve economies of scale, NAPA utilizes certain headquarter and corporate personnel to assist in the performance of this Agreement. As a result, each On Site Store location is charged certain corporate allocation expenses for various line items shown on Exhibit B ("Corporate Allocation Expenses") which are calculated as a percentage of total Product sales for each month. As such, there is not a supportive invoice for such expenses other than a monthly allocation rate statement. These Corporate Allocation Expenses allow NAPA to have fewer employees performing routine general administrative tasks such as paper work and filing at the On Site Store(s), allowing NAPA counter personnel to focus more attention on serving the On-Site Store operations, and maximizing on-site cost efficiency.

PRICING PLAN SUMMARY

NAPA Product Price	Billed to CUSTOMER on a "9074 NAPA Pricing Profile"
Non-NAPA Product Price	Billed to CUSTOMER at a 25% gross profit rate

	(The formula for Non-NAPA Product Price for CUSTOMER is the current product acquisition cost divided by .75) This formula will achieve the gross profit rate set forth above. Example: current product acquisition cost is $1.00. CUSTOMER's price would be $1.00/.75=$1.33
Operational Expenses	Paid entirely by NAPA
Net Profit Target	Amounts will be refunded or charged based on the failure or achievement of an overall 10% net profit for the previous month.

NAPA Product shall be billed to CUSTOMER based on a "9074 NAPA Pricing Profile" which has been provided to CUSTOMER in connection with this Agreement. Non-NAPA Product shall be billed by NAPA to yield a gross profit of twenty-five percent (25%). All Operational Expenses shall be borne by NAPA.

Sales at each On Site Store location will be reviewed after the first ninety (90) days of operation and on a month by month basis thereafter to ensure a ten percent (10%) net profit for NAPA. If monthly sales at each On Site Store, independently as opposed to in the aggregate, are producing more than a ten percent (10%) net profit for NAPA, NAPA will pay to CUSTOMER, via a refund check, the overage. Conversely, if NAPA's net profit for the preceding month is less than ten percent (10%), NAPA will bill CUSTOMER for the deficiency.

CUSTOMER and NAPA mutually agree that CUSTOMER'S maximum payment obligation pursuant to this profit guarantee shall be set at $_________; and CUSTOMER has encumbered such amount to cover this potential liability. The parties agree to mutually work together to adjust the amount if such amount must be increased during the term of the contract. **CUSTOMER INITIALS _______**

In addition, NAPA may use any sub-contractor for the procurement of "outside" purchases or services (i.e., those parts or services not traditionally stocked or performed by NAPA), and CUSTOMER will be billed an additional charge for any such purchases so as to yield NAPA a twenty-five percent (25%) gross profit on such purchases. CUSTOMER must provide pre-approval in writing for such outside purchases. CUSTOMER is solely responsible for improper or inappropriate instructions by CUSTOMER's employees to NAPA regarding NAPA's purchases of nontraditional parts or services, unless CUSTOMER provided prior written notice to NAPA of parts or services that may not be procured by NAPA in relation to this Agreement.

The overall objective of CUSTOMER's pricing plan is for NAPA to provide Products in accordance with the agreed upon Pricing Plan Summary set forth below and reimbursement by CUSTOMER of each On Site Store's operating expenses. By billing CUSTOMER for these two categories, NAPA's On Site Store(s) will achieve its target ten percent (10%) net profit for the Agreement (the "Net Profit Target"). These categories are defined as follows:

(a) ***Product Price.*** The pricing of the Products to be supplied to CUSTOMER by NAPA pursuant to this Agreement shall be divided into: 1) "***NAPA Product Price***," which is the pricing of NAPA branded or NAPA cataloged supplier manufactured products; and 2) "***Non-NAPA Product Price***," which is the pricing of products which have not been manufactured by NAPA suppliers or do not exist in NAPA's proprietary catalog system but which have been acquired for CUSTOMER by NAPA pursuant to this Agreement. The pricing of NAPA Product and Non-NAPA Product shall be billed in accordance with the Pricing Plan Summary defined below.

(b) ***Operational Expenses.*** Any and all costs and expenses associated with the operation of the On Site Store(s), including, but not limited to, vehicle gas and maintenance costs, salary and benefits payable to NAPA employees at the On Site Store(s), worker's compensation benefits and insurance, unemployment insurance, personal property insurance for the On Site Store(s) and Inventory, any deductible for losses covered under the personal property, automobile liability, or general liability insurance policies of NAPA, all equipment supplied by NAPA, Corporate Allocation Expenses (as defined below), inventory investment expense, obsolescence expense, pension funding costs, accounting fees, general office expenses, and shared service expenses. An example of a profit and loss statement reflecting such costs and expenses is attached hereto as Exhibit B. CUSTOMER acknowledges and agrees that the costs and expenses reflected on the profit and loss statement set forth on Exhibit B are subject to change based on actual monthly costs, expenses or Corporate Allocation Expenses incurred relative to the operation of the On Site Store(s). To achieve economies of scale, NAPA utilizes certain headquarter and corporate personnel to assist in the performance of this Agreement. As a result, each On Site Store location is charged certain corporate allocation expenses for various line items shown on Exhibit B ("Corporate Allocation Expenses") which are calculated as a percentage of total Product sales for each month. As such, there is not a supportive invoice for such expenses other than a monthly allocation rate statement. These Corporate Allocation Expenses allow NAPA to have fewer employees performing routine general administrative tasks such as paper work and filing at the On Site Store(s), allowing NAPA counter personnel to focus more attention on serving the On-Site Store operations, and maximizing on-site cost efficiency.

PRICING PLAN SUMMARY

NAPA Product Price Non-NAPA Product Price	Billed to CUSTOMER at a 10% gross profit rate (The formula for NAPA Product Price for CUSTOMER is the Current NAPA Jobber Acquisition Cost divided by .90) This formula will achieve the gross profit rate set forth above. Example: Current NAPA Jobber Acquisition Cost is $1.00. CUSTOMER's price would be $1.00/.90=$1.11 Billed to CUSTOMER at a 10% gross profit rate (The formula for Non-NAPA Product Price for CUSTOMER is the current product acquisition cost divided by .90) This formula will achieve the gross profit rate set forth above. Example: current product acquisition cost is $1.00. CUSTOMER's price would be $1.00/.90=$1.11
Operational Expenses	Billed to CUSTOMER in accordance with Section 7(b) above.
Net Profit Target	10% net profit for the NAPA On Site Store(s) after Products and Operational Expenses are billed to CUSTOMER.

Both NAPA Product and Non-NAPA Product shall be set by NAPA to yield a gross profit of ten percent (10%). Operational Expenses will be charged to CUSTOMER in accordance with Section 7(b) above, with all such charges for Operational Expenses to be included in CUSTOMER's monthly billing statement. CUSTOMER will be billed at the end of each month for Operational Expenses on an "in arrears" basis.

CUSTOMER and NAPA mutually agree that CUSTOMER'S maximum payment obligation pursuant to this profit guarantee shall be set at $_________; and CUSTOMER has encumbered such amount to cover this potential liability. The parties agree to mutually work together to adjust the amount if such amount must be increased during the term of the contract. **CUSTOMER INITIALS ______**

In addition, NAPA may use any sub-contractor for the procurement of "outside" purchases or services (i.e., those parts or services not traditionally stocked or performed by NAPA), and CUSTOMER will be billed an additional charge for any such purchases so as to yield NAPA a ten percent (10%) gross profit on such purchases. CUSTOMER must provide pre-approval in writing of such outside purchases. CUSTOMER is solely responsible for improper or inappropriate instructions by CUSTOMER's employees to NAPA regarding NAPA's purchases of nontraditional parts or services, unless

CUSTOMER provided prior written notice to NAPA of parts or services that may not be procured by NAPA in relation to this Agreement.

8. INSURANCE.

(a) CUSTOMER is a state agency and is self-insured for liability and workers compensation through the Department of Administrative Services. CUSTOMER shall provide to NAPA, upon execution of this Agreement, a copy of all Certificates of Insurance evidencing the insurance coverages above.

(b) NAPA shall maintain during the term of this Agreement worker's compensation insurance coverage for its employees located at the On Site Store(s) in amounts required by law. In addition, NAPA shall maintain personal property insurance during the term of this Agreement in an amount sufficient to cover any loss or damage to the Inventory and any other personal property owned by NAPA that is located at the On Site Store(s).

(c) The insurance policies in this section required to be held by each party shall contain a waiver of subrogation against the other party.

(d) Neither CUSTOMER nor the Department of Administrative Services shall procure or provide insurance for NAPA property or Inventory.

9. NO LIENS.

(a) CUSTOMER warrants that it shall take no action, including but not limited to the granting of a security interest, or fail to take any action, which would operate or does operate in any way to encumber the Inventory of NAPA located in the On Site Store(s).

(b) CUSTOMER grants NAPA a power of attorney to execute such documents as are necessary to protect NAPA's interest in the Inventory on consignment on CUSTOMER's premises, including any UCC-1 statements.

10. PERSONNEL. NAPA and CUSTOMER shall attempt in good faith to mutually agree upon the identity of the persons that will be selected to staff the On Site Store(s). In the event that CUSTOMER for any reason wishes to remove or replace any of the NAPA personnel in the On Site Store(s), the parties will attempt to resolve CUSTOMER's request by mutual agreement.

11. WARRANTY/LIABILITY DISCLAIMER. All Products supplied pursuant to this Agreement are subject to the terms of written warranties provided by the manufacturer of each Product, and NAPA shall use reasonable commercial efforts to assist the CUSTOMER in processing all warranty claims that the CUSTOMER may have against a manufacturer. The manufacturer's warranty will be the sole and exclusive remedy of the CUSTOMER in connection with any claims concerning the Products supplied to CUSTOMER pursuant to this Agreement. ALL OTHER WARRANTIES, BOTH EXPRESS AND IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTIBILITY OR FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY EXCLUDED. Copies of the manufacturers' warranties are available to CUSTOMER upon request.

For suppliers (or categories of suppliers) of Non-NAPA Products that CUSTOMER instructs NAPA to utilize or consider for future purchases, NAPA is under no obligation to (and NAPA disclaims all liability in connection with) investigate product quality, management, ownership, reputation, certifications, qualifications, price competitiveness, or any other related characteristics of the products, individuals or entities at issue.

12. TERMINATION FOR CAUSE. This Agreement may be terminated immediately, unless otherwise stated in this Section 12, by either party for cause:

(a) In the event that the other party fails or refuses to pay any amounts due under this Agreement and such failure continues for ten (10) days;

(b) In the event that the other party fails or refuses to perform any other obligation required under this Agreement, and such failure or refusal continues for thirty (30) days after written notice thereof; or

(c) In the event that the other party files any bankruptcy petition, has any bankruptcy petition filed against it, makes any assignment of its assets for the benefit of creditors, or admits in writing its inability to pay its debts as they become due.

13. EFFECT OF TERMINATION. Immediately upon termination of this Agreement by either party for any reason:

(a) All duties, responsibilities and other obligations of each party hereunder shall terminate, except for the payment of any amounts due and owing to NAPA at the time of termination.

(b) Each party shall immediately return to the other party all equipment, software, books, records, tools and any other personal property owned by the other party that are in such party's possession. CUSTOMER shall allow NAPA full and unrestricted access to enter into the On Site Store(s) and immediately remove all equipment and other items of personal property owned by NAPA without being deemed guilty of trespass or any other violation of the law. All inventory records, sales history, sales analysis and all other information generated by NAPA under this Agreement will be returned to CUSTOMER.

Nothing contained in this Section shall be deemed a waiver of, or in any other manner impair or prejudice, any other legal rights that either party may have against the other party for any breach of this Agreement. The provisions and obligations of Sections 9, 11, 14, 15, 18, and 20 shall survive the termination of this Agreement for any reason.

14. **BUY-BACK OF INVENTORY.** Upon termination, expiration, or non-renewal of this Agreement, NAPA shall have the option to require CUSTOMER to purchase all non-NAPA Inventory owned by NAPA and located in each On Site Store at NAPA's On Site Store's current product acquisition cost, and CUSTOMER shall have the option to purchase all NAPA Inventory, owned by NAPA and located in each On Site Store at the Current NAPA Jobber Acquisition Cost. Upon CUSTOMER's request, NAPA shall provide CUSTOMER with a listing of all NAPA and non-NAPA Inventory owned by NAPA and located in the On Site Store(s).

CUSTOMER INITIALS: _______

15. **CHANGE OF CONTROL.** NAPA may unilaterally terminate this Agreement by giving thirty (30) days written notice to CUSTOMER upon the occurrence of any one or more of the following events:

(a) A change in the management or ownership of CUSTOMER;

(b) A sale, lease, assignment or other transfer of CUSTOMER'S business or assets, whether through a stock purchase, merger, asset purchase, or other similar transaction, of at least a ten percent (10%) interest therein.

16. **LANDLORD CONSENT AND WAIVER.** Not Applicable.

17. **INDEMNIFICATION**. NAPA shall be responsible for and shall indemnify and hold CUSTOMER harmless from and against all damages, claims or demands that may, during the term of this Agreement, arise or be occasioned by the negligent or intentional acts of NAPA or NAPA's employees.

18. **NOTICES.** Whenever any notice, demand or request is required or permitted hereunder, such notice, demand or request shall be hand-delivered in person or sent via facsimile, by overnight mail through a reputable service, or by certified mail, return receipt requested, to the addresses set forth below:

As to NAPA: NAPA Denver Distribution Center
2101 E Highway 224
Denver, CO 80229
Attn: General Manager
Phone: 303-289-6711

As to CUSTOMER: City of Casper, Wyoming
1800 East K Street
Casper, WY 82601
Attn: Fleet Manager

Phone: 307-235-8410
Fax: 307-235-8357

Each such notice shall be deemed delivered (i) on the date of receipt if delivered by hand, overnight courier service or if sent by facsimile, or (ii) on the date three (3) business days after depositing with the United States Postal Service if mailed by registered or certified mail. Either party may change its address specified for this notice by giving the other party at least ten (10) days written notice in accordance with this Section 18.

19. FORCE MAJEURE / DAMAGE OF PREMISES.

(a) Whenever performance by either party of any of their respective obligations (other than the obligation to make payment of money due hereunder) is substantially prevented by reason of any act of God, other industrial or transportation disturbance, fire, floods, riots, acts of enemies, national emergencies or by any other cause not within the reasonable control of such party and not occasioned by its negligence, then such performance shall be excused and the performance of such obligations under this Agreement shall be suspended for the duration of such prevention and for a reasonable time thereafter.

(b) NAPA may terminate this Agreement immediately in the event that the CUSTOMER's premises are damaged by any casualty, or such portion of the premises is condemned by any legally constituted authority, such as will make the CUSTOMER's premises unusable for the On Site Store(s) in the reasonable judgment of NAPA.

20. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective officers, directors, employees, successors and assigns. Notwithstanding the foregoing, the rights and obligations of either party to this Agreement may not be assigned without the prior written consent of the other party hereto, which consent shall not be unreasonably withheld.

21. AMENDMENTS. No amendment to this Agreement shall be binding on either party hereto unless such amendment is in writing and executed by both parties with the same formality as this Agreement is executed.

22. NO WAIVER OF RIGHTS. No failure of either party hereto to exercise any power given such party hereunder or to insist upon strict compliance by the other party to its obligations hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof.

23. LIMITATIONS ON RIGHTS OF THIRD PARTIES. All obligations of a party under this Agreement are imposed solely and exclusively for the benefit of the parties, and no other person shall, under any circumstances, be deemed to be a beneficiary of such obligations.

24. **INDEPENDENT CONTRACTOR.** The parties hereto are independent contractors. Nothing in this Agreement shall create or shall be deemed to create any fiduciary relationship or the relationship of principal and agent, partnership, joint venturers or any other similar or representative relationship between the parties hereto.

25. **CHOICE OF LAW.** This Agreement shall be construed and interpreted under the laws of the State of Georgia.

26. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts and each counterpart shall, for all purposes, be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

27. **SECTION HEADINGS.** Section titles or captions contained herein are inserted only as a matter of convenience for reference and in no way define, limit, extend, or describe the scope hereof or the intent of any provision hereof.

28. **SEVERABILITY.** In the event any part of this Agreement shall be finally determined by a court of law to be illegal or unenforceable for any reason, then that illegal or unenforceable part shall be severed from the Agreement, and the remaining terms shall continue in full force and effect.

29. **ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement of the parties hereto and no prior representation, inducement, promise or agreement, oral or written, between the parties not embodied herein shall be of any force and effect.

30. **AMENDMENT TO INTEGRATED SUPPLY AGREEMENT**. Simultaneous with the execution of this Agreement, NAPA and CUSTOMER shall execute that certain Amendment to Integrated Supply Agreement dated as of even date herewith, attached hereto as Exhibit D.

[Signatures Appear on Next Page]

IN WITNESS WHEREOF, the parties hereto cause their hands and seals to be affixed by their duly-authorized representatives effective as of the date and year first above written.

GENUINE PARTS COMPANY

By: ____________________
Name: _____
Title:_____

CITY OF CASPER, WYOMING

By: ____________________
Name: _____
Title:_____

EXHIBIT A

ASSIGNMENT

See attached.

ASSIGNMENT

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, GENUINE PARTS COMPANY, a Georgia corporation (hereinafter "Assignor"), hereby assigns, transfers, sets over and delivers to BEARING, BELT and CHAIN, INC., a Wyoming corporation (hereinafter "Assignee"), all of Assignor's rights, obligations and interest, including any options to renew or extend the contract term, in those certain location(s) as set forth below, as governed by the Integrated Supply Agreement dated _____ by and between Genuine Parts Company and the City of Casper, Wyoming (the "Integrated Supply Agreement").

Location(s): 1800 East K Street
Casper, WY 82601

Assignee hereby accepts the assignment of the Integrated Supply Agreement, agrees to provide the services and perform all other obligations required to be performed by "NAPA" in said Integrated Supply Agreement at the times and in the manner set forth in said Integrated Supply Agreement, and shall be bound by all other terms, covenants and conditions of said Integrated Supply Agreement with regard to the location(s) set forth above, all with the same force and effect as if Assignee were originally named as "NAPA" therein.

The City of Casper, Wyoming hereby consents to the above assignment of the Integrated Supply Agreement on the terms set forth herein.

The parties hereto agree that the assignment as set forth herein shall be effective as of midnight on _____.

IN WITNESS WHEREOF, the undersigned have set their hands this _____ day of _____, 20_____.

ASSIGNOR:	ASSIGNEE:
GENUINE PARTS COMPANY	BEARING, BELT and CHAIN, INC.
By: ____________________________	By: ____________________________
Name: _____	Name: _____
Its: _____	Its: _____

Agreed and acknowledged:

CITY OF CASPER, WYOMING

By: ____________________________
Name: _____
Its: _____

NJPA Contract

EXHIBIT B

SAMPLE PROFIT AND LOSS STATEMENT

See attached.

EXHIBIT C

NJPA CONTRACT

See attached.

<u>EXHIBIT D</u>

AMENDMENT TO INTEGRATED SUPPLY AGREEMENT

See attached.

City of Casper WY NAPA IBS Proforma

IBS

Projected Expenses	NAPA Monthly Parts and Operational Projections	% To Sales	Target Year One	* Target Year Two Escalation 5%	Target Year Three Escalation 5%	Target Year Four Escalation 5%	Target Year Five Escalation 5%
Parts Purchases	72,660	100.00%	871,920				
Cost of Goods	65,394	90.00%	784,728				
Markup on Parts	7,266	10.00%	87,192				
GROSS PROFIT	**7,266**	10.00%	**87,192**				
Accounting Fees	**1,500**	2.06%	**18,000**				
PAYROLL:							
Manager/Counter Salaries	4,300	5.92%	51,600				
Delivery Driver Salaries	2,860	3.94%	34,320				
Pension	0	0.00%	-				
Insurance	0	0.00%	-				
Workers Comp Insurance	0	0.00%	-				
FICA/SECA/FUI/SUI/Health/Pension	2,206	3.04%	26,472				
Total IBS Payroll	**9,366**	**12.89%**	**112,392**				
Miscellaneous Expenses							
Delivery Truck Insurance	200	0.28%	2,400				
	-	0.00%	-				
	-	0.00%	-				
Shelving/Cage Depreciation	50	0.07%	600				
Postage	50	0.07%	600				
General Liability Insurance	60	0.08%	720				
	-	0.00%	-				
	-	0.00%	-				
	-	0.00%	-				
	-	0.00%	-				
	-	0.00%	-				
Store Expenses	100	0.14%	1,200				
Personal Property Taxes	25	0.03%	300				
Telephone/Internet	50	0.07%	600				
Inventory Computer	1,200	1.65%	14,400				
Training		0.00%	-				
TOTAL MISC. EXP.	**1,735**	**2.39%**	20,820				
			-				
TOTAL EXPENSES	**12,601**	**17.34%**	**151,212**				
			-				
			-				
			-				
			-				
			-				
			-				

AMENDMENT TO INTEGRATED SUPPLY AGREEMENT
BETWEEN
GENUINE PARTS COMPANY
AND
CITY OF CASPER, WYOMING

THIS AMENDMENT TO INTEGRATED SUPPLY AGREEMENT (this “Amendment”) is entered into this _____ day of ________________, 20___ (the “Amendment Effective Date”), by and between **GENUINE PARTS COMPANY**, a Georgia corporation (“NAPA”) and the **CITY OF CASPER, WYOMING** (“CUSTOMER”).

WHEREAS, NAPA and CUSTOMER are parties to that certain Integrated Supply Agreement dated as of ________________, 20___ (the “Agreement”); and

WHEREAS, NAPA and CUSTOMER desire to amend the Agreement according to the terms set forth below.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, NAPA and CUSTOMER hereby agree to amend the Agreement as follows:

1. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

2. The last sentence of Section 4(a) of the Agreement is hereby deleted in its entirety and replaced with the following: NAPA shall provide all personnel required to operate the On-Site Store(s) to include trained personnel to cover full time employee’s time off in case of illness, vacations, emergencies, etc. NAPA personnel operating the On-Site Store(s) will take all calls for stock replenishment and just in time Inventory. CUSTOMER shall not be charged for any service not provided by NAPA due to unavailability of NAPA staff for any reason whatsoever. Additional staff shall not be hired by NAPA in support of this Agreement without the express approval from the CUSTOMER by written contract amendment.

3. The following language is hereby added to the end of Section 4(b) of the Agreement: If NAPA is unable to provide the delivery in the time needed due to extreme weather conditions, CUSTOMER employees will have authorization to pick up from the Casper NAPA store location or any other OEM location deemed necessary by CUSTOMER and NAPA. CUSTOMER shall have the right to determine specialty parts that are required to be maintained in active inventory for equipment that may be required when emergency operations arise. Also, NAPA shall accept industry standard cores of equal value for core exchanges and rebuilding provided the cores are deemed acceptable by the manufacturer standards.

4. The last sentence of Section 4(c) of the Agreement is hereby deleted in its entirety and replaced with the following: NAPA shall provide computer ordering and cataloging to each On Site Store through its proprietary TAMS (Total Automotive Management System), which it cannot assign nor leave with CUSTOMER upon contract termination, expiration or non-renewal.

TAMS will have the following capabilities: invoicing, cataloging, master interchange, inventory control, custom pricing, inventory stocking information, inventory on order information, inventory on backorder information, lost sales reports and analysis, automatic inventory min/max review, and inventory costing. The CUSTOMER Fleet Supervisor will be allowed access to TAMS through view only. TAMS operates on a PC hardware platform. The system will consist of at least 1 Server, 1 PC workstation and a minimum of 1 printer. The NAPA provided system will include a printer and monitors as needed. Since the TAMS hardware platform is PC based and subject to change, the exact hardware platform will be determined upon the opening of the On Site Store. NAPA shall coordinate with the CUSTOMER Information Technology Division to verify that all CUSTOMER technology security standards are met. TAMS provides a complete point of sale ("POS"), NAPA Parts Catalog, Inventory Control & Replenishment and Reporting software solution. The TAMS POS system will capture all inventory and sales transactions entered for the CUSTOMER's IBS operation. These transactions shall be provided to CUSTOMER upon request.

5. The following language is hereby added to the end of Section 4(d) of the Agreement: Statements shall include documentation with purchase order numbers for each part sold as a measure of reconciliation control for CUSTOMER administration.

6. A new Section 4(f) is hereby added to the Agreement as follows:

(f) Upon full execution of this Agreement, a full and comprehensive physical counting of the entire CUSTOMER-owned fleet parts inventory within the CUSTOMER Fleet Maintenance Facility ("CUSTOMER Owned Inventory") will be conducted. NAPA personnel shall conduct the physical counting process with oversight by CUSTOMER personnel to provide assistance in identifying any corrections or discrepancies that may be found. Such discrepancies shall be reconciled in a manner agreeable to both NAPA and the CUSTOMER. The final inventory results from this physical count shall be mutually agreed upon by both NAPA and the CUSTOMER for NAPA IBS operations to begin within the NAPA TAMS inventory system.

NAPA shall maintain and manage both NAPA owned Inventory as well as the mutually agreed upon existing CUSTOMER Owned Inventory. Such NAPA owned Inventory and CUSTOMER Owned Inventory will be maintained and managed by NAPA in TAMS with ownership assigned to each product. CUSTOMER Owned Inventory shall be charged to CUSTOMER maintenance/repair work orders at zero dollars ($0.00).

7. A new Section 4(g) is hereby added to the Agreement as follows:

(g) NAPA shall custom stock, both in part number spread and depth, an inventory to fit the CUSTOMER's needs, based on the CUSTOMER's requirements, using NAPA and non-NAPA branded Inventory. For parts stocked in the On Site Store, response time will only be a matter of minutes during normal business hours. NAPA shall stock the On Site Store such that CUSTOMER's on-demand parts needs are met at least 70% of the time. To accomplish this, NAPA shall stock the On Site Store with parts that have been purchased by the CUSTOMER a minimum of three times in two years. On demand is defined as merchandise, parts or goods requested by the CUSTOMER and delivered by NAPA upon receipt of the request within 48 business hours of said request.

8. A new Section 4(h) is hereby added to the Agreement as follows:

(h) Classroom and hands-on training may be provided through NAPA'S representatives and factory-trained instructors on an as-needed basis as directed by CUSTOMER. Training shall also include over 95 DVD training programs, 80 manufacturer clinics, and 46 toll-free tech service numbers. All costs and expenses associated with any training will be mutually agreed upon between the parties prior to NAPA being required to provide any training to CUSTOMER.

9. A new Section 4(i) is hereby added to the Agreement as follows:

(i) NAPA will provide the specialized equipment and internet tools to perform the scope of work under this Agreement as further described below in this Section 4(i). These tools may be upgraded and/or changed at any time during the contract term as mutually agreed upon between NAPA and CUSTOMER.

1) *MIC – Market Inventory Classification System* – This tool is used by NAPA to list most vehicles in a fleet and find/stock all applicable replacement parts. This tool will aid NAPA in maintaining the right mix of inventory for the CUSTOMER.
2) *ProLink Connectivity* – NAPA to provide any PC located in the CUSTOMER's facility access to NAPA ProLink. This is an internet-based tool to check inventory levels, costs, etc. on parts stocked in the Full-Service Shop and Self-Service Shop (www.napaprolink.com).
3) *FleetCross – Medium/Heavy Duty OE/Aftermarket E-Catalogs* – NAPA to provide the CUSTOMER'S facility with access to FleetCross on the web (www.fleetcross.com). NAPA will utilize its contract with FleetCross to provide IBS stores customized parts and service referencing systems for many OE vehicles, equipment, and parts. NAPA would have their current access to FleetCross information available for the personnel in the parts room for the CUSTOMER.
4) *Mitchell On-Demand* – NAPA will provide the CUSTOMER with full access to Mitchell on Demand for:

   - Cars and Light Trucks
   - Medium Duty Trucks up to Class 7
   - Class 8 Heavy Duty Trucks, Trailers, etc.

10. In the third sentence of Section 5(a), after the word 'telephone', the phrase 'internet service' is hereby added. Further, the following language is hereby added to the end of Section 5(a): Access methods to CUSTOMER internet and telephone systems and other technology integration shall be coordinated through and approved by the CUSTOMER Information Technologies Division.

11. The following language is hereby added to the end of Section 5(c): CUSTOMER hereby assumes and shall bear the entire risk of loss and damage to all CUSTOMER Owned Inventory maintained and managed by NAPA, except for loss or damage arising out of the acts, errors, or omissions of NAPA. Further, CUSTOMER shall reimburse NAPA for any damage to or loss of all NAPA owned Inventory to extent such loss or damage arises or results from the acts, errors or omissions of CUSTOMER.

12. A new Section 5(f) is hereby added to the Agreement as follows:

(f) CUSTOMER shall provide, during the term of this Agreement, one (1) vehicle to be utilized by NAPA solely in conjunction with the On Site Store operation (the "Vehicle"). This Vehicle will be owned and mechanically maintained by CUSTOMER pursuant to current standards for CUSTOMER fleet maintenance. CUSTOMER reserves the right to assume maintenance of said vehicle at the Fleet Maintenance facility or to outsource maintenance and/or repair work as necessary. CUSTOMER shall pay to any governmental entity any and all taxes, assessments, or license fees which may be assessed against the vehicles or required for the use of the property. Only the NAPA personnel performing work for the On Site Store shall be allowed to operate the Vehicle. NAPA employees shall comply with all applicable local, state, and federal laws and regulations. NAPA is responsible for any traffic citation or towing charges that are incurred as a result of improper driving or parking of such Vehicle by NAPA personnel during the course of business.

CUSTOMER will protect, defend and indemnify NAPA, its subsidiaries, divisions and affiliated business entities, and their respective employees, agents, officers, and directors from and hold them harmless against all liability, losses, damages, costs or expenses of any nature, including without limitation, reasonable attorneys' fees, which they may at any time suffer, incur, or be required to pay resulting from or arising out of: (i) CUSTOMER's failure to properly keep, repair, and maintain in good working order the Vehicle operated by NAPA's employees, agents, officers and directors (collectively, the "GPC Employees") and/or (ii) CUSTOMER's failure to carry out the servicing and maintenance of the Vehicle operated by a GPC Employee in accordance with the manufacturer's suggested maintenance program.

13. Section 7 of the Agreement is hereby deleted in its entirety and replaced with the following:

7. <u>PAYMENT TERMS/PRICING</u>. NAPA shall invoice the CUSTOMER for all Inventory purchased pursuant to this Agreement on a monthly basis according to the pricing plan below, no later than the 5th business day of each month for all Inventory purchased by CUSTOMER during the previous month. CUSTOMER agrees to pay the entire amount of all undisputed statements received from NAPA within forty-five (45) days following receipt of any such statement. If CUSTOMER has not paid the entire amount of all undisputed statements received from NAPA within 10 days of the due date, CUSTOMER shall be put on Credit on Hold until such amount is paid in full. No prompt pay discount is available under this Agreement. CUSTOMER will make payment to NAPA with a check issued by the CUSTOMER.

The overall objective of CUSTOMER's pricing plan is for NAPA to provide Products in accordance with the agreed upon Pricing Plan Summary set forth below and reimbursement by CUSTOMER of each On Site Store's operating expenses. By billing CUSTOMER for these two categories, NAPA's On Site Store(s) will achieve its target ten percent (10%) net profit for the Agreement (the "Net Profit Target"). These categories are defined as follows:

(a) ***Product Price.*** The pricing of the Products to be supplied to CUSTOMER by NAPA pursuant to this Agreement shall be divided into: 1) "***NAPA Product Price***," which is the pricing of NAPA branded or NAPA cataloged supplier manufactured products; and 2) "***Non-NAPA Product Price***," which is the pricing of products which have not been manufactured by NAPA suppliers or do not exist in NAPA's proprietary catalog system but which have been acquired for CUSTOMER by NAPA pursuant to this Agreement. The pricing of NAPA Product and Non-NAPA Product shall be billed in accordance with the Pricing Plan Summary defined below.

(b) ***Operational Expenses.*** Any and all costs and expenses associated with the operation of the On Site Store(s), including, but not limited to, salary and benefits payable to NAPA employees at the On Site Store(s), worker's compensation benefits and insurance, unemployment insurance, personal property insurance for the On Site Store(s) and Inventory, any deductible for losses covered under the personal property, automobile liability, or general liability insurance policies of NAPA, all equipment supplied by NAPA, Corporate Allocation Expenses (as defined below), inventory investment expense, obsolescence expense, pension funding costs, accounting fees, general office expenses, and shared service expenses. An example of a profit and loss statement reflecting such costs and expenses is attached hereto as Exhibit B. CUSTOMER acknowledges and agrees that the costs and expenses reflected on the profit and loss statement set forth on Exhibit B are subject to change based on actual monthly costs, expenses or Corporate Allocation Expenses incurred relative to the operation of the On Site Store(s). To achieve economies of scale, NAPA utilizes certain headquarter and corporate personnel to assist in the performance of this Agreement. As a result, each On Site Store location is charged certain corporate allocation expenses for various line items shown on Exhibit B ("Corporate Allocation Expenses") which are calculated as a percentage of total Product sales for each month. As such, there is not a supportive invoice for such expenses other than a monthly allocation rate statement. These Corporate Allocation Expenses allow NAPA to have fewer employees performing routine general administrative tasks such as paper work and filing at the On Site Store(s), allowing NAPA counter personnel to focus more attention on serving the On-Site Store operations, and maximizing on-site cost efficiency.

PRICING PLAN SUMMARY

NAPA Product Price	Billed to CUSTOMER at a 10% gross profit rate (The formula for NAPA Product Price for CUSTOMER is the Current NAPA Jobber Acquisition Cost divided by .90) This formula will achieve the gross profit rate set forth above. Example: Current NAPA Jobber Acquisition Cost is $1.00. CUSTOMER's price would be $1.00/.90=$1.11
Non-NAPA Product Price	Billed to CUSTOMER at a 10% gross profit rate (The formula for Non-NAPA Product Price for CUSTOMER is the current product acquisition cost divided by .90) This formula will achieve the gross profit rate set forth above. Example: current product acquisition cost is $1.00. CUSTOMER's price would be $1.00/.90=$1.11
Operational Expenses	Billed to CUSTOMER in accordance with Section 7(b) above.
Net Profit Target	10% net profit for the NAPA On Site Store(s) after Products and Operational Expenses are billed to CUSTOMER.

Both NAPA Product and Non-NAPA Product shall be set by NAPA to yield a gross profit of ten percent (10%). Operational Expenses will be charged to CUSTOMER in accordance with Section 7(b) above, with all such charges for Operational Expenses to be included in CUSTOMER's monthly billing statement. CUSTOMER will be billed at the end of each month for Operational Expenses on an "in arrears" basis.

In addition, NAPA may use any sub-contractor for the procurement of "outside" purchases or services (i.e., those parts or services not traditionally stocked or performed by NAPA), and CUSTOMER will be billed an additional charge for any such purchases so as to yield NAPA a ten percent (10%) gross profit on such purchases. CUSTOMER must provide pre-approval in writing of such outside purchases. CUSTOMER is solely responsible for improper or inappropriate instructions by CUSTOMER's employees to NAPA regarding NAPA's purchases of nontraditional parts or services, unless CUSTOMER provided prior written notice to NAPA of parts or services that may not be procured by NAPA in relation to this Agreement.

14. Section 8 of the Agreement is hereby deleted in its entirety and replaced with the following:

8. <u>INSURANCE</u>.

(a) Prior to commencement of the Agreement, NAPA shall procure and maintain for the duration of the Agreement the insurance set forth below in this Section 8.

(b) Minimum Scope and limit of Insurance.

Coverage shall be at least as broad as:

1. Commercial General Liability (CGL): Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than the sum of Two Hundred Fifty Thousand Dollars ($250,000) to any claimant for any number of claims arising out of a single transaction or occurrence; or the sum of Five Hundred Thousand Dollars ($500,000) for all claims arising out of a single transaction or occurrence. If a general aggregate limit applies, the general aggregate limit shall apply separately to this project/location.
2. Automobile Liability: Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Contractor has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than Five Hundred Thousand ($500,000) per accident for bodily injury and property damage.
3. Workers' Compensation: as required by the State of Wyoming with Statutory Limits.
4. Employer's Liability: $500,000 each accident; $500,000 disease-each employee; $500,000 disease-policy limit.

(c) Other Insurance Provisions.

The insurance policies are to contain, or be endorsed to contain, the following provisions:

1. *Additional Insured Status*
   CUSTOMER, its officers, elected and appointed officials, employees, and agents are to be covered as additional insureds on the CGL policy to the extent of NAPA's indemnification obligations herein.
2. *Primary Coverage*
   To the extent necessary to cover the indemnified claims for which NAPA has assumed in the indemnity section of this Agreement, NAPA's insurance coverage shall be primary insurance as respects the CUSTOMER, its officers, elected and appointed officials, employees, and agents.

3. *Notice of Cancellation*
NAPA will endeavor to provide to CUSTOMER at least thirty (30) days prior written notice of any cancellation, material change or reduction of coverage with respect to the insurance policies required to be maintained above.

4. *Acceptability of Insurers*
Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise agreed to in writing by CUSTOMER.

5. *Claims Made Policies*
If any of the required policies provide coverage on a claims-made basis:

    a. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
    b. Insurance must be maintained and evidence of insurance must be provided *for at least three (3) years after completion of the contract of work.* However, Contractor's liabilities under this Contract shall not be deemed limited in any way by the insurance coverage required.
    c. If coverage is canceled or non-renewed, and not *replaced with another claims-made policy form with a Retroactive Dat*e prior to the contract effective date, the Contractor must purchase "extended reporting" coverage for a minimum of *three (3)* years after completion of contract work and at all times thereafter until the applicable statute of limitations runs.

6. *Verification of Coverage*
NAPA shall furnish CUSTOMER with certificates and amendatory endorsements. All certificates and endorsements are to be received and approved by CUSTOMER before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive NAPA's obligation to provide them.

7. *Subcontractors*
NAPA shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and NAPA shall ensure that the CUSTOMER is an additional insured on insurance required from subcontractors.

15. The following language is hereby added to the end of Section 10: NAPA understands the need to maintain employee safety and wellbeing, security of information, and confidentiality. NAPA and all personnel employed by NAPA on CUSTOMER property shall comply with current and applicable CUSTOMER policies and procedures including, but not limited to, security, confidentiality, emergency response, harassment, sexual harassment, drug free workplace, and workplace violence, and defensive driving. NAPA employees shall be willing to participate in applicable CUSTOMER training regarding these topics and sign documents attesting to the understanding and compliance with said policies and procedures. Further, NAPA represents that it has, or will secure, all personnel required in performing the services under this Agreement. Such personnel shall not be employees of the CUSTOMER. All of the services required shall be performed by NAPA, or under its supervision, and all personnel

engaged in the work shall be fully qualified. All personnel employed by NAPA shall be employed in conformity with applicable local, state or federal laws.

16. Section 17 is hereby deleted in its entirety and replaced with the following:

17. INDEMNIFICATION. NAPA agrees to indemnify CUSTOMER, CUSTOMER's employees, elected officials, appointed officials, and agents and hold them harmless from all liability for damages to property or injury to or death to persons, including all reasonable costs, expenses, and attorney's fees incurred related thereto, to the extent arising from the negligence of NAPA or any subcontractor utilized by NAPA hereunder. For the avoidance of any doubt, the parties agree that the term "subcontractor" shall exclude all third party suppliers and manufacturers of the Products sold hereunder and all third party delivery service providers (i.e. UPS and FedEx).

17. Section 25 is hereby deleted in its entirety and replaced with the following:

25. CHOICE OF LAW. This Agreement shall be governed by the laws of the State of Wyoming. NAPA shall also comply with all applicable laws, ordinances, and codes of the local, state, or federal governments and shall not trespass on any public or private property in performing any of the work embraced by this Agreement.

18. A new Section 31 is hereby added to the Agreement as follows:

31. EQUAL EMPLOYMENT OPPORTUNITY. In carrying out the Agreement, NAPA shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, or disability. NAPA shall take affirmative action to ensure that applicants for employment are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, national origin, or disability. Such action shall include, but not be limited to, the following: employment upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. NAPA shall post in conspicuous places, available to employees and applicants for employment, notices required by the government setting forth the provisions of this nondiscrimination clause. NAPA shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, or disability.

19. A new Section 32 is hereby added to the Agreement as follows:

32. FINDINGS CONFIDENTIAL. All reports, information, data, etc., given to or prepared, or assembled by NAPA under this Agreement are confidential and shall not be made available to any individual or organization by NAPA without the prior written consent of the CUSTOMER.

20. A new Section 33 is hereby added to the Agreement as follows:

33. WYOMING GOVERNMENTAL CLAIMS ACT. CUSTOMER does not waive any right or rights it may have pursuant to the Wyoming Governmental Claims Act, Wyoming Statutes

Section 1-39-101 et seq., and CUSTOMER specifically reserves the right to assert any and all rights, immunities, and defenses it may have pursuant to the Wyoming Governmental Claims Act.

21. Except as amended herein, all other terms and conditions of the Agreement shall remain unaltered and the Agreement remains in effect, enforceable against each of the parties and is hereby ratified and acknowledged by each of the parties.

22. This Amendment shall be construed and interpreted under the laws of the State of Wyoming without giving effect to the provisions thereof relating to conflicts of law.

23. This Amendment may be executed in one or more counterparts and each counterpart shall, for all purposes, be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

[Signatures appear on following page / Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be made and executed by their duly-authorized representatives effective as of the Amendment Effective Date.

GENUINE PARTS COMPANY

By: ___________________________
Name: _________________________
Title: __________________________

CITY OF CASPER, WYOMING

By: ___________________________
Name: _________________________
Title: __________________________

December 7, 2017

MEMO TO: J. Carter Napier, City Manager JCN

FROM: Jolene Martinez, Assistant to the City Manager

SUBJECT: 2018 Wyoming Legislative Items—Funding for Cities and Towns

Meeting Type & Date
Work Session December 12, 2017

Action Type
Informational Only

Recommendation
That Council consider adopting the proposed 2018 Wyoming Legislative agenda and working for Legislative support.

Summary
The largest issue facing local government in the upcoming Wyoming Legislature budget session is funding. WAM is recommending four revenue capacity actions from the legislature and staff recommends Council support the WAM recommendations and work for passage:

1. Secure at least $105 million appropriation for cities, towns, and counties until other adequate municipal funding options are in place.
2. Revise tax laws to increase municipal revenue capacity.
3. Increase CAP for severance tax and federal mineral royalties.
4. Remove tax exemptions that do not support economic development.

The recommendations with detailed information from WAM's Municipal Finance Report, Volume II are attached. These recommendations are sub-parts of the following legislative issues presented to Council previously:

- Strengthening extra-territorial jurisdiction
- Instituting a stormwater utility
- Constructing the State building in Casper
- Maintaining the formula for the direct distribution of the over-the-cap funds
- Stabilizing funding for local government

Financial Considerations
No financial considerations exist at this time.

Oversight/Project Responsibility
Jolene Martinez, Assistant to the City Manager

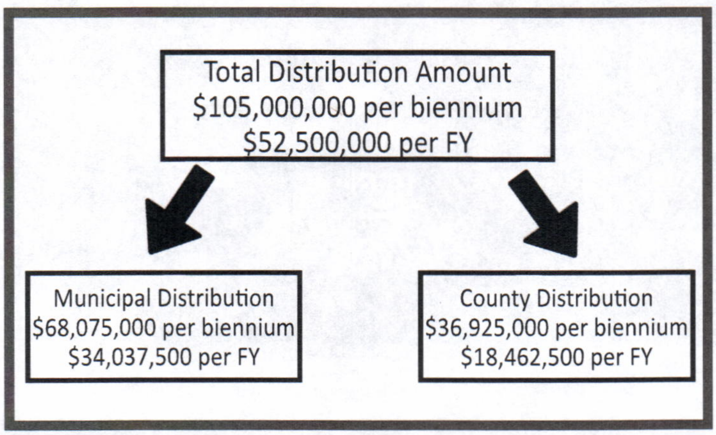
Attachments
WAM's Municipal Finance Report, Volume II Municipal Revenue Capacity Recommendations

The $4.4 million Mike Sedar facility in Casper opened to the public June 4, 2016. This project was funded by a 1 cent optional tax. This facility had over 80,000 visitors in it's first year, a 125% percent INCREASE in visitors to the old facility.

Municipal Revenue Capacity Recommendations

RECOMMENDATION #1
Secure at least $105 Million Appropriation for Cities, Towns, and Counties until other ADEQUATE municipal funding options are in place

Funding for Local Government was approved in the 2016 Wyoming Legislative Budget Session in the amount of $105 Million for Direct Distributions only, with the funds coming from the LSRA. If the Direct Distribution were removed for FY 2019-20, state-aid to Local Governments would be in a 10-year decline of greater than 80% (DOA 15-16). Until other sources of revenue are approved and implemented, Wyoming cities and towns depend on the Direct Distribution funding from the State. These dollars must be secured again this biennium for at least the $105 Million funding level. The $105 Million is distributed to municipalities and counties over a 2-year period with $34 Million shared among the 99 municipalities per year.



While it could be argued that too much state aid makes municipalities beholden to the state, in general, well-structured state aid increases the overall capacity of municipal governments and in many instances provides a level of equalization and base support for municipalities that may lack other resources.

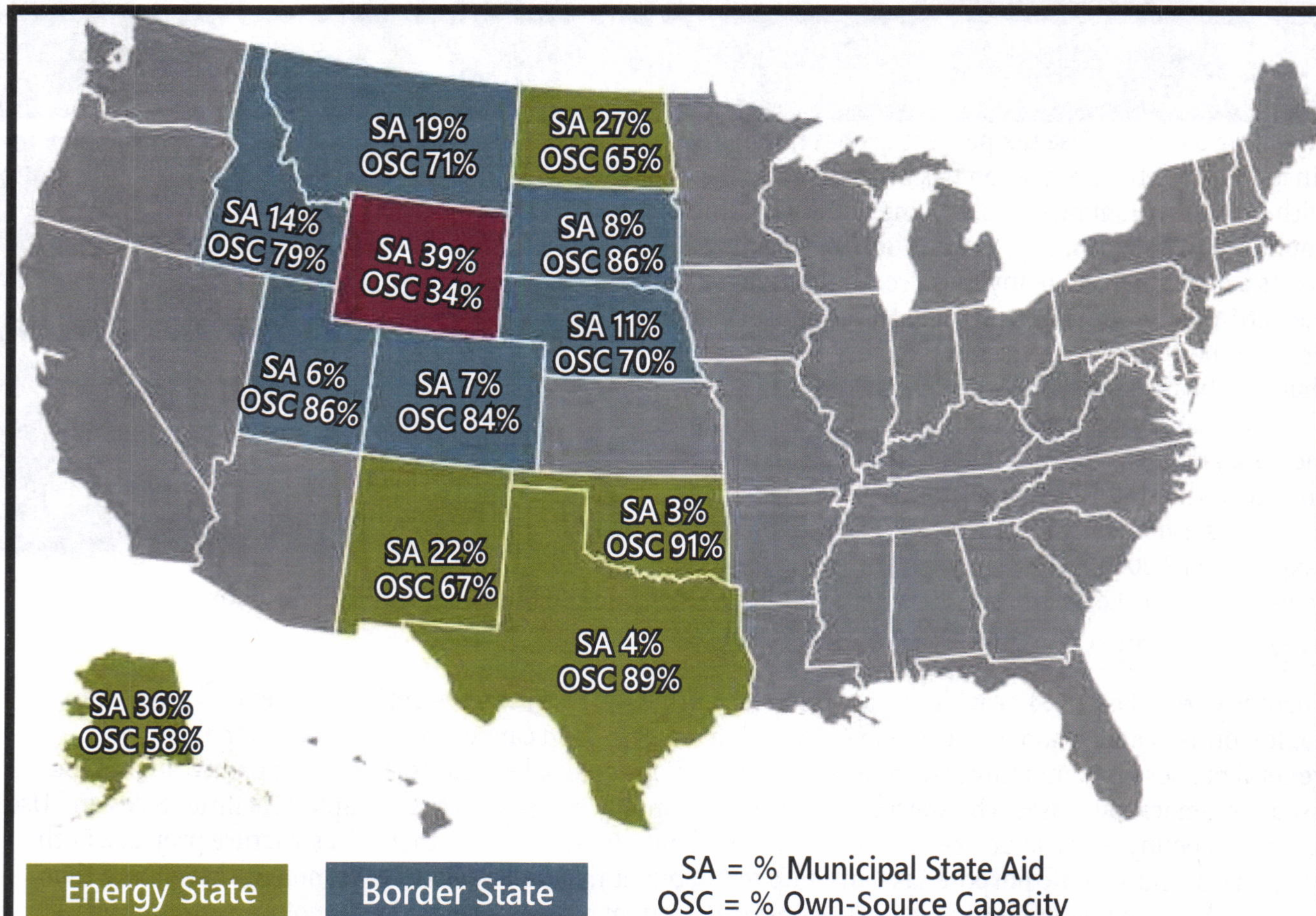
Cities and State Fiscal Structure - 2015, NLC

In order for Wyoming municipalities to meet the essential needs and quality of life amenities required with economic growth, certainty of funding must be available. Additional own source options could be valuable tools for larger Wyoming municipalities, but it cannot be over-stated that most of the Wyoming towns with very limited populations have little to no ability to generate revenue to offset the current state funding. Any reduction in state funding should not take place without other certain, equitable and sustainable replacement revenue streams.

STATE-TO-STATE COMPARISON

Wyoming provides the highest amount of state-aid to Local Government due to our existing tax structure that shares the benefits of our natural resources. This is good in a state where 81 of the 99 municipalities have less than 4,000 people and therefore have a very limited municipal fiscal capacity to generate own-source revenues to sustain their community's needs. As this report continues to stress, the remaining cities with greater than 4,000 people do not have statutory authority for own-source revenue funding so their fiscal capacity is very limited.

The National League of Cities' 2015 report identifies the percent of a state's municipal General Revenue from property tax, municipal or local option Sales and Use tax, income tax, and local fees, charges, and miscellaneous (App A, Table 3). NLC's summation of the locally generated taxes, fees and charges makes up the municipality's 'own-source capacity'. The following map compares the own-source capacity and state aid percentage between Wyoming and the Border and Energy states. According to NLC, Wyoming municipality's have little own-source capacity (34%), but a high percentage of state-aid (39%). In comparison, other states with natural resource wealth like Oklahoma and Texas offer very little state-aid to their municipalities (3% and 4%, respectively), but their municipalities have a high percentage of own-source capacity (91% and 89%, respectively). Among the Energy states Alaska provides a similar percentage of state-aid to its municipalities as Wyoming, but the difference is Alaska's percent state-aid includes aid to their school districts.



Own-source capacity is defined as the summation of the percent of general municipal revenue contributed to property tax, local sales tax, income tax, and local fees/charges. This table compares the percent of own-source capacity to the percent of municipal state-aid (NLC 2015).

LEGISLATIVE ACTION #1

WAM strongly suggests that legislation is passed to fund Wyoming's towns, cities, and counties at a minimum of $105 Million. A new 2018 budget appropriation bill for Local Government should identify that the funding be secured from the LSRA or another certain source. State-aid should continue until other municipal own-source capacity tools are fully in place to replace the required revenue stream. Also, understanding that many Wyoming municipalities may not have the population or tax base to generate sufficient own-source revenues, therefore sustainable state-aid should be solidified.

Recommendation #2
Revise tax laws to INCREASE Municipal Revenue Capacity

> **Wyoming's tax and legal framework provides insufficient fiscal autonomy to municipalities; municipal revenue capacity is so severely constrained that the majority of cities and towns cannot provide for the critical needs of either individual or residents.**
>
> Janine Jordon, Laramie City Manager

Wyoming Sales and Use tax percentage has not increased since 1993, but the population has increased by 27%, with ~70% of Wyoming citizens living within a municipal boundary (WAM 2016, pages 10 and 30). If Wyoming wants a diversified economy as current initiatives support (i.e., ENDOW), Wyoming's towns and cities must be able to provide the essential services and quality of life amenities that new businesses expect. On the current trajectory, that will just not be possible. More population growth, means a greater volume of public services, and without a change in the state's tax structure, an increased volume of public services only means increased taxes on existing taxpayers (TR 2000). WAM members offer the following revisions for the Legislature to consider as additional tools in the Municipal Revenue Toolbox.

LOCAL OPTION TAX REVISIONS

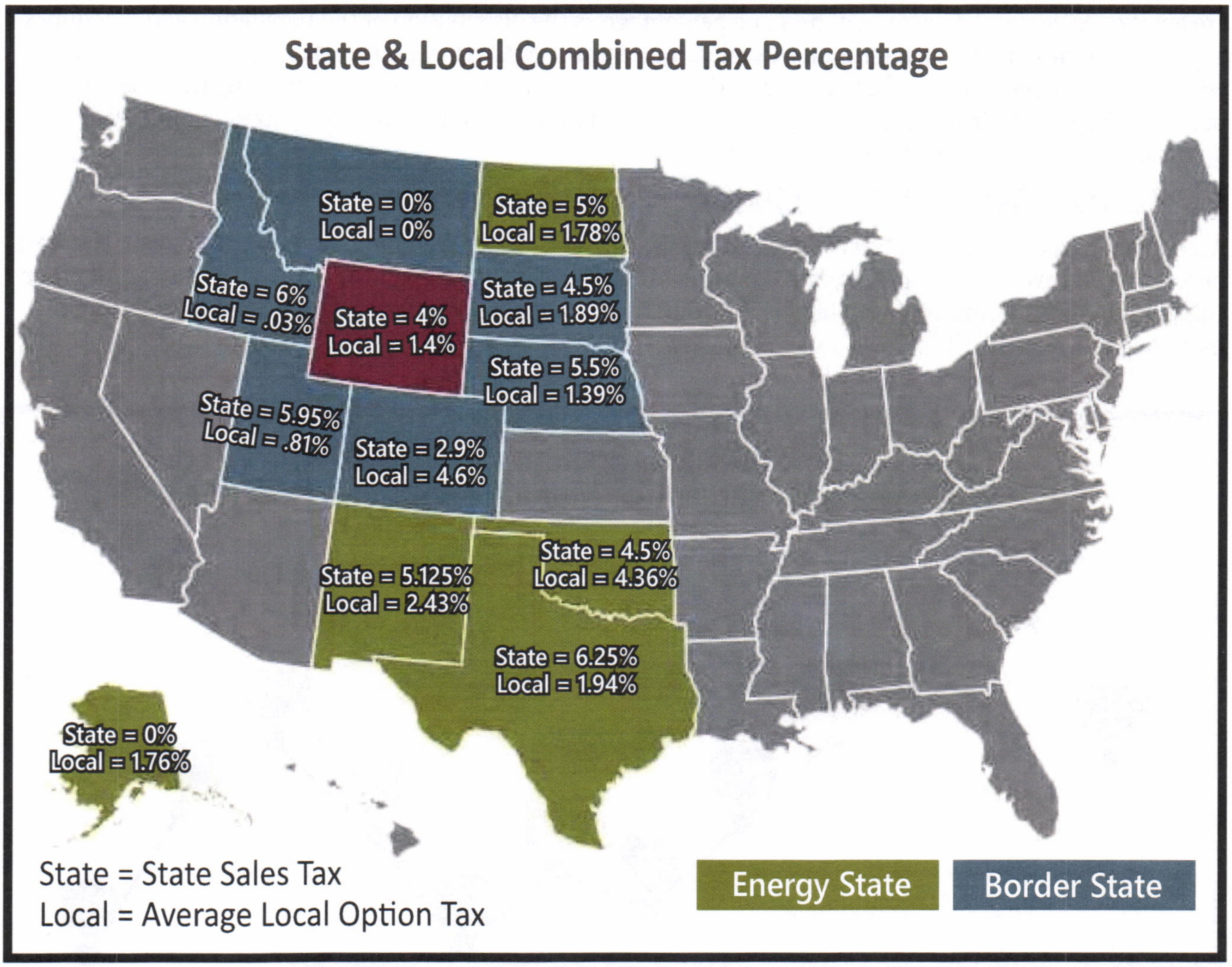
Currently, W.S. 39-15-204 provides local option tax authority. This includes options for general purposes, capital outlays and economic development which in combination cannot exceed an additional 3%. The general purpose is commonly referred to as the 1-cent optional Sales and Use tax or 5th penny, and can be used for general purposes. The specific purpose is commonly referred to as the Capital Facilities Sales and Use tax or 6th penny, and can be used for construction of buildings, roads or other infrastructure projects. Both the general and specific purpose tax can be up to 2%, but at this time no local governments have more than 1% of both of the tax options in place. The optional economic development tax cannot exceed 1% (App C). Projects that this local option tax would support must be approved by at least two-thirds of the incorporated municipalities' and the county' governing body before presenting a ballot to the county residents for majority vote.

Enhanced flexibility to the existing local option statutes should be considered. Revisions approved during the 2017 Legislative session in House Bill 82, granted that local option taxes may be imposed through separate propositions up to the allotted percentage. This allows for increased incremental flexibility without jeopardizing the entire tax. WAM members passed a resolution at their 2017 Convention seeking to allow an optional general revenue tax for a specified purpose that can be used for capital and operational expenses, that is in addition to all current taxes that may be levied in W.S. 39-15-204, and that allows such a tax to be implemented in increments of one-tenth of one percent (.01%) not to exceed a rate of 2%, and that would follow the same imposition and removal procedures as a general revenue tax as identified in W.S. 39-15-204(a)(i). For example, if the specific purpose tax or 6th penny tax fulfilled the amount of funding required for the approved projects then the tax would continue to be collected to fund priorities such as general purpose use, transportation, street repair and maintenance, facilities maintenance. The additional revenue to general purpose use would be clearly identified in the ballot initiative.

More flexibility could be gained within the existing local option tax structure and revenues could be maximized – if all local governments within a county agreed. One major disadvantage of the existing local option tax structure is the implementation of this revenue stream is dependent on a county consensus. If a municipality wanted to impose a general or special purpose tax as an own-source revenue tool, but the county board of commissioners do not agree, then the municipality would not have access to the additional revenue source. In essence, the residents of a municipality are not be able to cast a vote for the betterment of their community under the existing statutes.

STATE-TO-STATE COMPARISON OF LOCAL OPTION TAXES

According to the Tax Foundation (matches data presented by LSO to the JRC in May 2017), the state Sales and Use tax rate for all Border and Energy states, except for Alaska, is greater than Wyoming (TAXFF 2017). If the average local option tax rate was added to the state Sales and Use tax rate, then Wyoming would be second to last for the combined tax rates. In Colorado, the state Sales and Use tax rate is only 2.9%, but on average Colorado cities and towns have a local option municipal tax rate of 4.6% which lends to a combined average of 7.5% (App A, Table 4). It is interesting that Alaska has a low combined tax rate of 1.76%, but according to the COG12 data Alaskan municipalities on average gain 25% of their municipal General Revenue from property taxes, 9% from municipal local taxes, and 24% from fees, charges and miscellaneous - with a total own-source capacity of 58% (App A, Table 3).



PROPERTY TAX REVISION

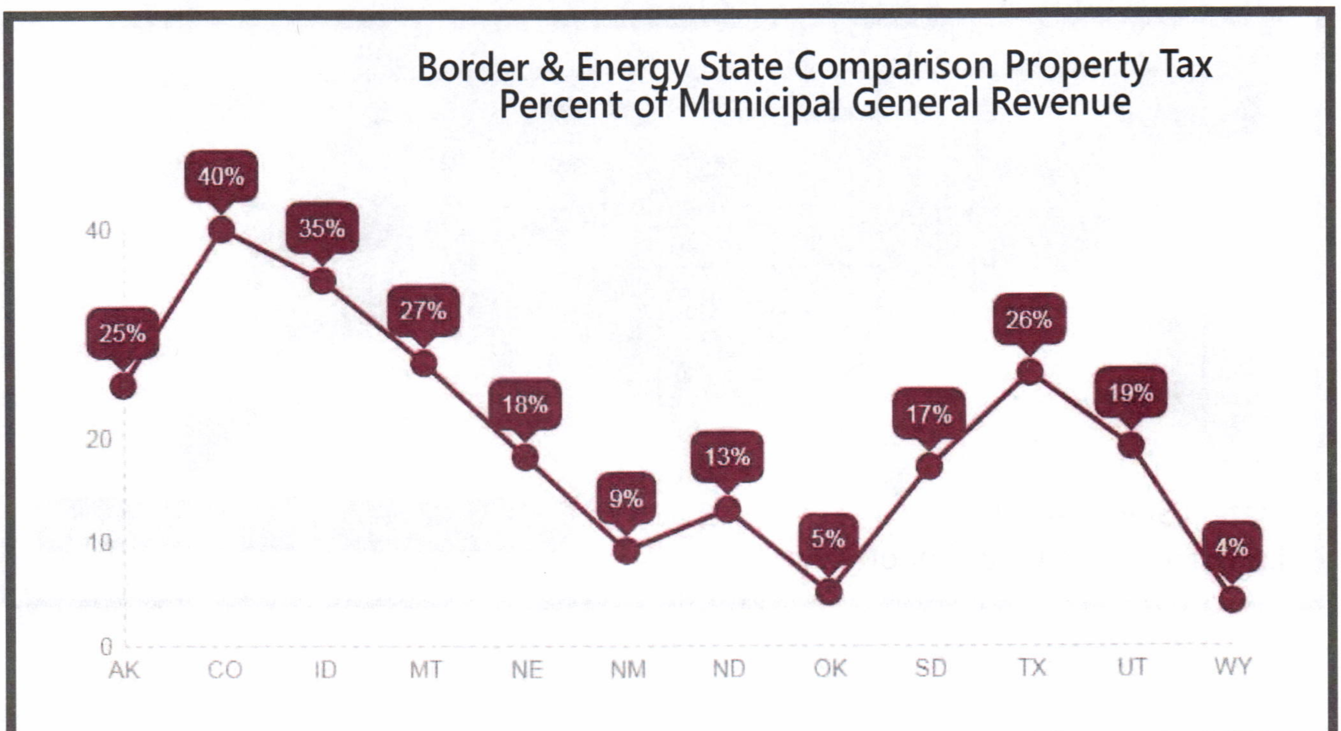
> "As has been the case for much of the past two decades, regardless of state of national, regional, or local economies, the most common action taken to boost city revenues has been to increase fees charged for services. The second most common revenue action is increasing property tax."
>
> NLC 2016

Although raising taxes is never the preferred option, WAM believes that evaluating existing property tax laws to increase the fiscal capacity is imperative. Increasing property tax is not a solution to replace large revenue sources like state Sales and Use tax or Direct Distribution, but it could be a tool in the Municipal Toolbox to supplement Local Government revenue.

WAM prepared an estimate of increasing the statutory assessment by 1% for residential and commercial, not industrial or state. This data analysis utilized populations estimates from the Department of Administration and Information, Economic Analysis Division and county assessed valuations from the Department of Revenue. In the data analysis, the county assessed valuations are a proxy of the local assessed on the same percentage as the distribution of the population and it assumes all municipalities impose all 8 mills on the valuation. Appendix A, Table 4 is an example of a 1% increase which can be incrementally adjusted for additional percentage points. In short, increasing the assessment percentage by 1% for residential and commercial property increases the total tax realized cumulatively across all 99 municipalities by $3.6 Million or 12%.

STATE-TO-STATE COMPARISON OF PROPERTY TAX

According to NLC's *Fiscal Structure of Cities and Towns 2015* publication, Wyoming's municipalities gain the least percentage of revenue from property tax, much less than any of the other Border or Energy states. All other comparable states utilize property tax, local option taxes, and municipal fees to increase revenues and thus increase their municipalities' own source capacity.

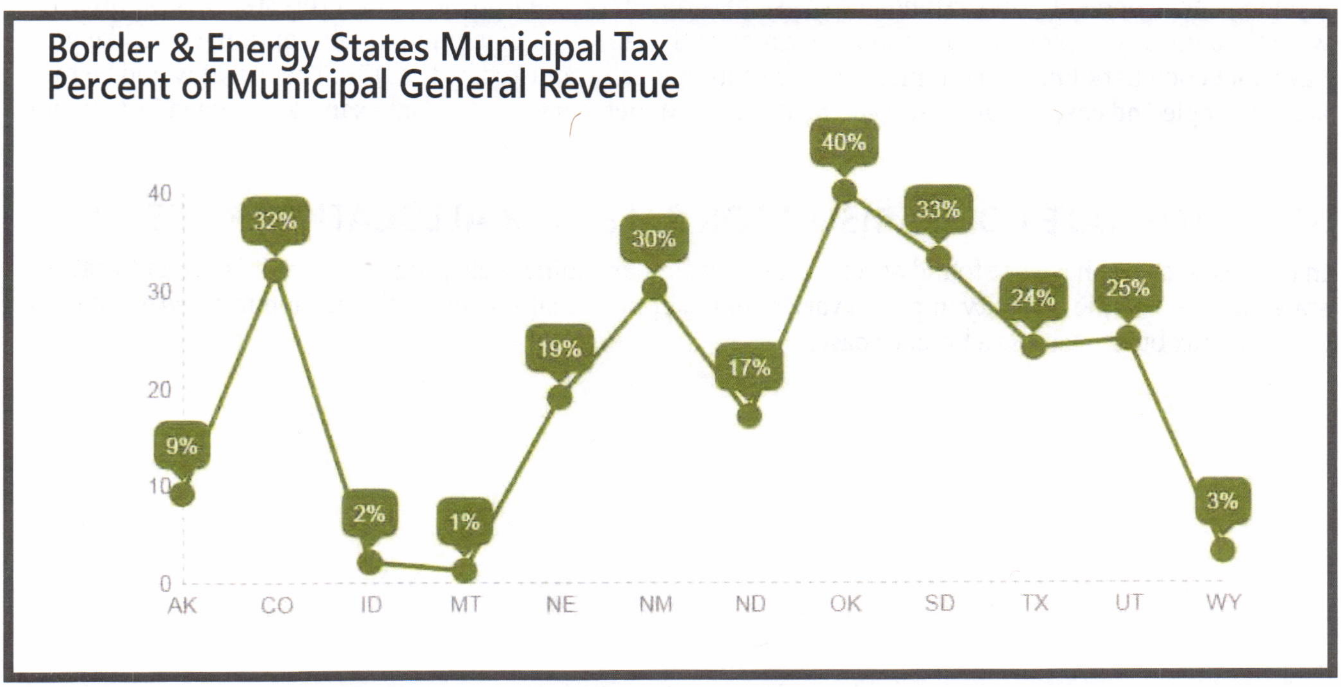


MUNICIPAL SALES AND USE TAX

Restrictions on local taxation authority and municipal access to the local tax base cause Wyoming cities and towns to have the least local fiscal authority and the highest reliance upon State resources among the 50 States. Although, a municipal tax could compete with the existing county local option tax, WAM considers it a worthy consideration as a tool for the Municipal Toolbox. As noted previously for scenarios where the county cannot agree on the local option tax, a municipality can be blocked from a needed revenue source. Across the nation, many states give authority to their municipalities to impose and often collect local sales tax. This allows the local community to vote to add 1-2 cents on a dollar to support the general fund, provide necessary capital improvements, or to build community amenities. Home Rule, implemented in many states, allows municipalities to impose and collect their own taxes. In Wyoming, this would likely be a tool for first-class cities and if legislation allowed, it could be expected that the local municipal government would be responsible to collect. Not only the allowance of a municipality to impose their own Sales and Use taxes, but WAM members believe local control should be given to increase fees like liquor license or other fees currently set by the state.

STATE-TO-STATE COMPARISON FOR MUNICIPAL SALES AND USE TAX

Data in the NLC 2015 report illustrates that Wyoming has one of the lowest state sales tax rates (4%), and the lowest own-source capacity (34%) compared to the Border and Energy states. Municipal fiscal authority is given to a municipality if they can levy a tax, control a tax rate or use the tax revenue for general use (NLC 2015). Municipalities in all 50 states can impose some level of authority on municipal property tax while 29 states have authority to impose a municipal sales tax (NLC 2015, App A, Table 3). According to the Colorado Municipal League staff, Colorado's State and Local Sales and Use tax fund 50-75% of the municipal operating budget while property taxes and fees make up the remainder. As below figure indicates, on average Colorado municipalities add 32% to their general revenue through a municipal tax while Wyoming municipalities' taxes only add up to 3% of their general revenues. As stated throughout this report, most Wyoming towns do not have the population or local tax base to practically impose a municipal tax, but WAM suggests that the option to impose a municipal tax should be another tool for the larger cities to utilize.



INCREASE STATE SALES TAX TO 5%

Another option to provide revenue to Wyoming's cities and towns would be to increase the statewide sales tax from 4% to 5%. The state Sales and Use tax was last increased from 3% to 4% in 1993 when the population of Wyoming was 493,782. Now almost 25 years later, Wyoming has an increased population of 585,501 – a 16% increase in residents to serve. By adding one penny to every dollar, it would increase the state revenue by an estimated $157 Million. Considering the existing allocation of 69% to the state and 31% to the Local Government (municipalities and counties), this would add an additional $32 Million and $17 Million, respectively.

Another option to help municipalities to steady their revenue would be to make permanent each county's local option 5th penny. WAM evaluated what a permanent additional 5th penny Sales and Use tax at the existing distribution would offer to the 99 municipal budgets (App A, Table 6).

STATE-TO-STATE COMPARISON TO INCREASE STATE SALES TAX

As noted throughout this report, Wyoming has a low state Sales and Use tax rate especially when the average Local Option Tax is combined. Wyoming at 4% has the lowest combined tax rate compared to all Border or Energy states except Alaska (TAXFF 2017, App A, Table 4). For example, the state level Sales and Use tax for Border states is mostly higher than Wyoming - Idaho (6%), Nebraska (5.5%), and South Dakota (4.5%). All data clearly indicates that Wyoming Local Government, particularly municipalities, have little fiscal authority and are severely limited with own-source revenue generating capacity.

REVISE SALES TAX ALLOCATION

In considering multiple options of tax law reform, WAM believes it is valuable to not only evaluate the percentage of the state Sales and Use tax, but also consider changes in the current allocation. The current allocation of 69% to the state and 31% to local government was implemented in 2005. WAM suggests evaluating a sliding scale approach such that as the Sales and Use tax in Wyoming increases then a higher percentage would be allocated to the local government. This plan assumes success of the current initiatives to increase economic diversity and as implemented captures costs that will be required to maintain the increased population and services. Also, this idea could offset tax exemptions that may be needed to entice economic development. Understandable the state is reliant on their portion, but if this step-wise approach were thoughtfully implemented it should not reduce the current dollar amount. This option would likely have 3-4 benchmark limits that if met would be automatically adjusted by the DOR. The intent would be to keep it simple and easy to administer by the DOR. WAM members prepared an example attached in Appendix D.

STATE-TO-STATE COMPARISON FOR SALES TAX ALLOCATION REVISION

In our research, we have not found other states with similar sliding scale programs. Yet it is evident that the states with economic diversity impose a variety of tax options that maximize the economic growth and thus share the tax burden across a broader base.

LEGISLATIVE ACTION FOR RECOMMENDATION #2

LOCAL OPTION TAX REVISION

WAM would suggest continued evaluation of the existing local option tax policies to increase flexibility and consistency as a local government revenue source. WAM requests that a bill be presented during the 2018 Budget Session to allow an optional general revenue tax for a specified purpose that can be used for capital and operational expenses, in addition to current taxes levied under W.S. 39-15-204.

PROPERTY TAX REVISION

WAM aligns with current JRC discussion to evaluate the existing assessment percentage. WAM supports a bill during the 2018 session that will increase assessment percentage on property tax for all types of property (residential, commercial, and industrial).

MUNICIPAL SALES AND USE TAX

WAM suggests that a bill is brought forth to allow municipalities to increase the own-source revenue generating capacity and flexibility. The legislation would allow local control and flexibility to impose a Sales and Use tax used for general or special purpose within their municipality boundary or adjust state determined fees. For example, if the state does not impose additional taxes or fees on liquor and tobacco then a local governing body could.

INCREASE SALES TAX TO 5%

WAM would support a statewide increase from 4% to 5% with no less than the current allocation of 31% to Local Government. WAM would also support legislation or county approval to make the 5th penny permanent at the existing distribution of the local option tax.

REVISE SALES TAX ALLOCATION

WAM understands that this tax law change is not beneficial until Wyoming begins to experience a significant rebound of Sales and Use tax. WAM would appreciate that this idea be considered as a topic during the 2018 interim session.

Recommendation #3

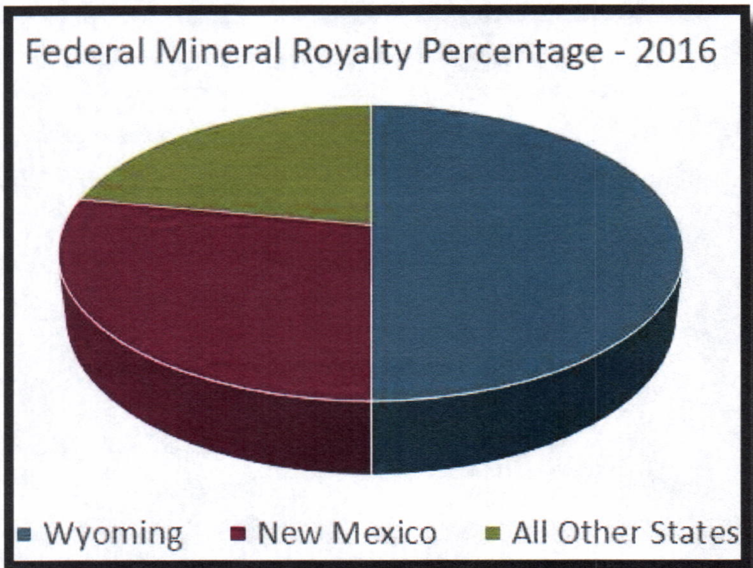
Increase CAP for Severance Tax and Federal Mineral Royalties

Taxes and royalties from Wyoming's natural resources will continue to be a significant stream of revenue. A cap was applied in 2001 on the amount of Severance Tax and Federal Mineral Royalties (FMR) that would be shared to various state and local government entities. Revenue above this cap is placed into savings. Increasing the cap from $155 Million to $214 Million for Severance Tax revenues and from $200 Million to $275M for FMRs while maintaining the same allocations could help restore lost revenue for many state funded entities. To alleviate some of the erosion in funding from the state sources of revenue, WAM believes the time has come to raise the level of the cap on the Severance Tax and FMRs. WAM is proposing the FMR cap be raised by the Consumer Price Index (CPI) inflation amount to $275 Million from the current $200 Million. Similarly, WAM believes the time has also come to raise the Severance Tax cap by the CPI inflation amount to $214 Million from the current $155 Million (App A, Table 7).

WAM does not suggest that this would be a replacement of the funding from the Direct Distribution, only another tool in the Municipal Toolbox to increase sustainable fiscal capacity. Many small towns or municipalities in mineral-poor counties would not benefit as much as others.

STATE-TO-STATE COMPARISON

Wyoming is by far the wealthiest state for federal minerals of all 50 states with 50% of the total FMRs nationwide distributed back to the state (App A, Table 8). FMRs are based on the production of the mineral unlike the coal lease bonus that is time-limited and based on an original lease agreement. The FMR revenue should be consistent over the next few years and increase as the production increases for trona, uranium, oil and natural gas. Coal production is expected to stay steady or decline unless new uses of the large amounts of coal materialize. Severance taxes vary considerably across the Border and Energy states. WAM contends that revenues from Severance Tax and FMRs will continue to be a consistent and generous revenue source that many other states envy.



LEGISLATIVE ACTION #3

WAM suggests that legislation be passed to increase the caps for Severance Tax and FMRs, but not change the current allocation percentages. The increase in the caps per the CPI would benefit not only towns, cities and counties, but also the University of Wyoming, School Foundation Program, State of Wyoming General Fund, Highway Fund for County Roads, School Capital Construction, and Water Development Funds.

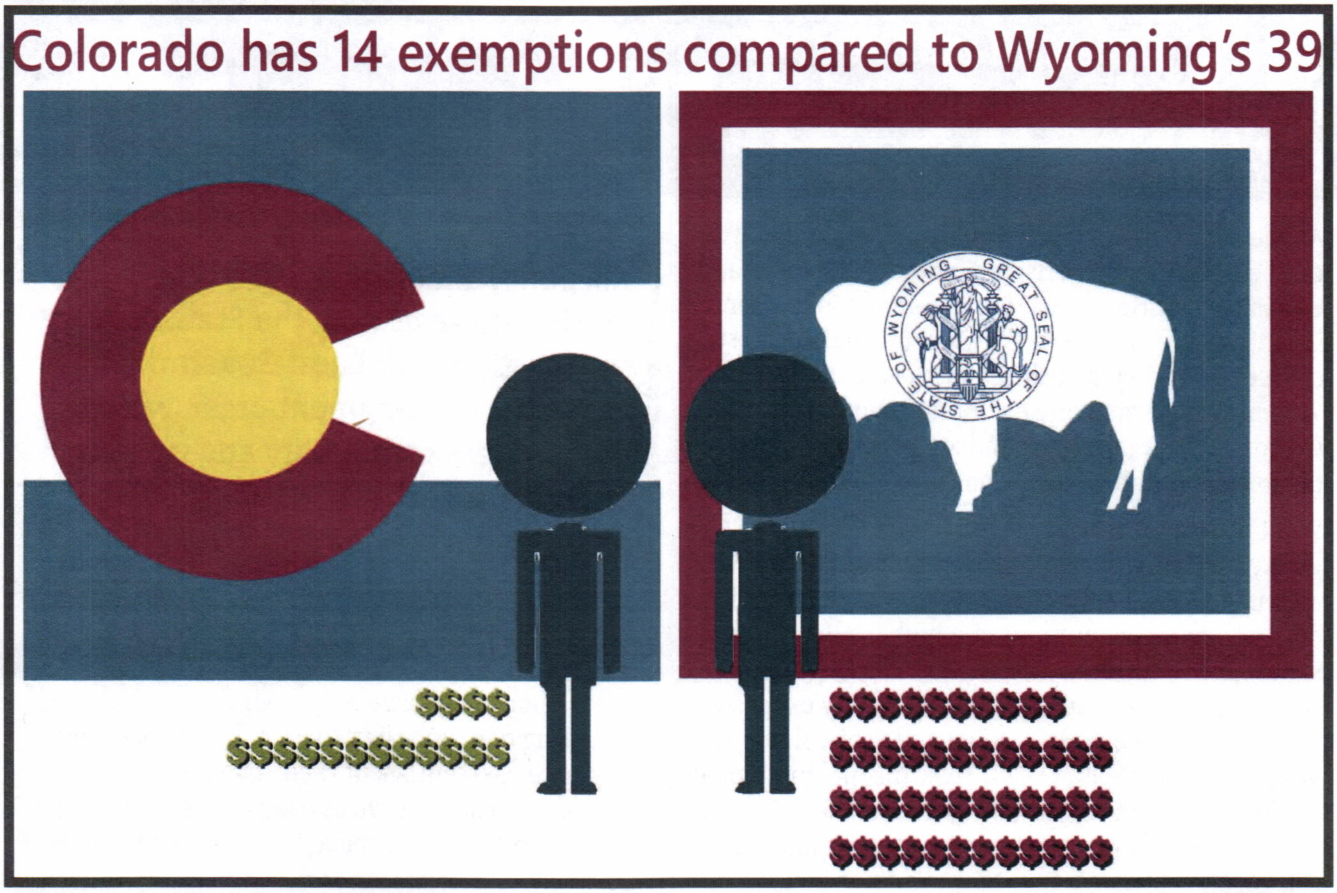
Recommendation #4
Remove Tax Exemptions that DO NOT Support Economic Development

> **Tax policy should provide a blue print for the future as how the State, in cooperation with Local Governments, economic development organizations, the business community and citizens can work together to strengthen and diversify the economy.**
>
> **WAM 2016**

As the 2016 October report indicated, municipalities can be detrimentally effected by too many Sales and Use tax exemptions. WAM understands that often tax incentives are critical to maintain business or to stay competitive when a business can locate elsewhere. Wyoming has had many exemptions added over time, without any sunsets. Appendix E lists the current taxable events and exemptions in Wyoming.

WAM believes a broad tax base applied consistently, where limited number of exemptions are allowed, ultimately results in a higher level of collections than one with more exemptions at a higher rate. This topic is not new to the discussion as the Tax Reform 2000 written almost 20 years ago noted, "many exemptions and exclusions may have outgrown their usefulness. The state does not tax personal and professional services, sporting fees, and the repair, maintenance, and alteration of real property. Lower income individuals pay a greater percentage of their income in sales and use taxes than those at higher incomes. Broadening the tax to include services used by higher income individuals would not only generate additional funds to the state, but will also make the tax less regressive (TR 2000)."

As noted earlier in this report, previous tax revenues gained from the sale of groceries or other food was exempted in 2006 with a commitment to replace the loss of revenues for cities, towns and counties. This replacement funding was appropriated for only two years, and is an example of an exemption that was implemented without long term plans like sunsets or if it supports efforts like economic development. WAM members passed a resolution at their 2017 Convention supporting and advocating that the Legislature reinstate taxation on food products for financial support for cities and towns. Taxation on food sales provides a stable source of revenue for local governments, allowing funding for social services. As a tool in the Municipal Toolbox, WAM members request that the exemption on food be removed at the statewide level since imposed at the statewide level. To further illustrate the potential revenue to Wyoming municipalities, WAM coordinated with DOR to generate an estimate of this revenue stream based on projected 2015 population numbers (App A, Table 9).



STATE-TO-STATE COMPARISON

Further research is needed to understand how other states utilize exemptions. One example though is Colorado, which has a similar geography, but a much more diverse economy. Colorado has 14 basic exemptions compared to Wyoming's 39, with no Colorado exemption in the areas of professional services, sporting fees, or real property alterations. The exemptions for Colorado state-collected local jurisdictions can be found listed on the Colorado Department of Revenue's Form DR-1002.

Data from the Tax Foundation's Facts & Figures How Does Your State Compare? report indicates that 33 states including the District of Columbia do have a food tax exemption, 7 states tax groceries within their base state Sales and Use tax, 6 states have an additional tax on groceries, and 5 states do not have a state Sales and Use tax (App A, Table 10). Certain states that do exempt groceries apply a Sales and Use tax to candy and soda. WAM will coordinate with the LSO to provide any other information that the Legislature may need regarding other states' tax exemptions.

LEGISLATIVE ACTION #4

WAM supports the continual review of the state tax exemptions by the JRC and other Legislative committees. WAM supports bills to remove exemptions that do not promote economic development or do not have a sunset. Any legislation that will broaden the tax base should decrease the burden on the currently limited number of sectors.