

## **Public Safety Warehouse**

### **Project Overview**

As part of the 2008 Service, Value and Responsibility (SVR) project, supplies and inventories were evaluated to determine if the County could reduce costs through consolidation of warehouses and adoption of similar inventory management practices. The County currently has separate warehouses for Police, Fire and Corrections.

It was determined that costs could be reduced substantially through central control of purchases, storage and distribution of like inventory items. Additional cost reduction may be realized through reduced administrative oversight and coordination. The consolidation of Police and Fire eliminates the need to construct a previously planned new warehouse for the Police Department.

The Fire Department implemented a warehouse inventory management system in 2008. In 2009, the warehouse inventory management system resulted in savings of more than \$100,000. The consolidation of warehouse functions for the three public safety entities will reduce inventory levels, orders, oversight, handling, obsolescence and holding costs. In addition, the project will improve overall reporting and demand forecasting. The SVR project identified a projected savings over a three year period of \$1,893,000.

### **Outsourcing of Warehouse Facilities**

Outsourcing models provide the opportunity to save funds in variety disciplines. Due to the special conditions encountered while providing emergency services, outsourcing of warehousing functions is not practical. Our warehouse personnel play a vital role in the delivery of fire suppression and emergency medical services. Mass casualty incidents; require an immediate response by warehouse personnel to ensure the supplies are available to take care of the citizens involved in the incidents. We do not equip our trucks with enough supplies to take care of massive amounts of casualties. Overnight shipping is of no value in a mass casualty incident. Under our current system, we have the personnel in place with specific product knowledge required to provide supplies to our personnel. Almost any item needed for emergency care can be delivered within an hour. If the function is outsourced, we add an additional communication link; phone, email or fax, which could result in miscommunication. The person receiving the request at an outsourced warehouse will not have the product knowledge our warehouse personnel have and miscommunication will probably occur frequently. Miscommunication in emergency services can result in delay of incident mitigation.

Another key issue involved in the outsourcing of the warehouse is sunk costs. We already have a warehouse. We will not recover the cost of the warehouse by outsourcing the warehousing functions. In addition to sunk costs, when looking at the warehouse from a business perspective, opportunity costs take precedence. The opportunity cost of

outsourcing our warehouse would limit our ability to provide service. Service limitations are not what our customers expect. When a citizen of Gwinnett County calls 911, we are, not only expected to show up, but we are expected to have the appropriate supplies to provide the service. Without complete control of warehousing functions, it would be difficult to guarantee that level of service.

Outsourced warehousing is directed by fulfillment companies. Our warehouse ships out an average of over five hundred items per day. The average fee per item is \$2.50 per item not including the charges below. In fulfillment charges alone we would incur a cost of \$31,250.00 per month. The additional fees charged by fulfillment companies according to 4thmedia.net are as follows:

**Set-Up Fees** Fulfillment houses charge set-up fees to cover the costs of acquiring businesses and preparing their system for a new account. They may waive and reduce set-up fees for accounts which have a long contract period and high volumes of orders.

**Receiving Fees** Fulfillment houses charge receiving fees. Fulfillment vendors acquire goods from suppliers and the accuracy of services starts at the receiving.

**Inventorying** Fulfillment companies charge for inventory management. If inventory level is too high, it may increase cost of inventory.

**Product Assembly** A fulfillment house can assemble or kit your product from components and charge fees for their services.

**Warehousing Fees** Fulfillment companies charge a monthly fee for warehouse storage. They charge higher fees for secure storage. Some fulfillment houses use warehouse management software to help clients to optimize the storage use.

**Order Processing Fees** They may charge a flat fee for each order, plus a charge for each additional item in the package. Rates vary with the number of orders processed per month.

**Shipping and Handling Fees** Goods are delivered to customers in various shipping methods, ground, overnight, etc. Customers specify shipping methods when they place their orders and the fulfillment company usually can adjust the shipping methods of the delivery.

**Return Processing Fees** Fulfillment houses charge fees when a customer returns the merchandise.

**Ecommerce Service Fees** Fulfillment houses charge extra fees for ecommerce services, such as shopping cart services and credit card transaction fees. You can integrate your own shopping cart with the backend database of the fulfillment house via FTP, e-mail, EDI or XML, or use the fulfillment house's shopping cart software dependent on the pricing of each option.

The large variety of products we use in our daily operations would drive these fulfillment costs to unacceptable levels. We would be subjected to almost every charge listed because of the way we have to do business.

A quick survey of fire departments across the country revealed various warehouse outsourcing experience. Several small departments (one or two stations) purchase directly from vendors on an as-needed basis. Baltimore City outsources all city warehousing needs. There were no metrics available to demonstrate success. Seminole County Fire Department (Florida) outsourced warehousing for about two years before bringing it back under departmental control. The decision was made to regain control based on issues related to cost, lack of staff after hours, items not on hand, customer service, and driving increased distances to pick up supplies.

In closing, logistics is a functional part of command structure mandated by the Federal Emergency Management Agency. The command structure contains operations, logistics and finance. Our warehouse falls under the logistics of the National Incident Management System.