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Staff Report for a Resolution Authorizing the City Manager to Enter into the Second Phase of the Lease/Purchase Program for 15 Police Fleet Vehicles Contingent on City Council Approval and Adoption of the 2015-16 and 2016-17 Biennial Budget

SUMMARY AND RECOMMENDATION

Staff recommends that the City Council approve a resolution authorizing the second phase of the leasing of 15 police vehicles through a municipal lease program beginning in FY 2015-16. The resolution authorizes the City Manager to execute the lease purchase upon approval of the resolution contingent on City Council approval and adoption of the 2015-16 and 2016-17 biennial budget appropriation, with the first of three payments occurring in Fiscal Year 2015-16 of \$246,500 per year (total \$739,500).

BACKGROUND

On June 2, 2014, the San Leandro City Council adopted Resolution No. 2014-053 authorizing the City of San Leandro to enter into a lease/ purchase agreement with any lending company in an amount not to exceed the financing rate of 4.25% for the acquisition of 10 police vehicles. The City of San Leandro Finance Department was able to secure a loan at 2.1% with PNC bank.

This resolution was brought forward to the City Council as a result of the state of the Police Department's fleet. At the time Resolution No. 2014-053 was brought to the City Council, the San Leandro Police Department operated 67 vehicles throughout all of the Department's divisions. Every year, funds were allocated for the purchase of replacement vehicles based on a designated replacement cycle. In addition, the City purchased and stored additional replacement vehicles (between 4 to 7 vehicles), in the event a vehicle needed immediate replacement. Purchased vehicles

were stored at the City Corporation Yard until brought into service. This method kept an inventory of vehicles in stock for several years after their purchase date, which caused new vehicles to sit dormant for 3 to 4 years before the vehicle actually entered service. The City stored extra police vehicles due to the low number of police vehicles currently in service, especially when a vehicle was taken out of service for an extended period of time or was rotated out of the fleet.

Prior to the economic downturn, patrol vehicles were on a 3-year replacement cycle and non-patrol vehicles were replaced at 10 years. When operating budgets were reduced, the 3-year vehicle replacement cycle was amended to add two more years for both patrol vehicles and sedans, or 5 years and 12 years respectively. Both types of vehicles are now replaced at the end of their lifecycle and sometimes beyond their useful life. This means that Administrative/Criminal Investigations vehicles are replaced every 10 to 12 years and Patrol vehicles are replaced every 4 to 6 years. Since the institution of the expanded replacement schedule, it has become evident that the useful life of patrol vehicles is reached at approximately the 3-year mark, when mileage reaches 85,000 to 95,000 miles. Beyond this point, transmissions on patrol vehicles usually start to fail and other costly repairs make maintaining the vehicle cost prohibitive.

DISCUSSION

Extending the leasing program will continue to improve current vehicles' conditions, which have deteriorated over time due to the extended and inconsistent replacement cycle.

Staff recommends that the City Council approve the second phase of the lease/ purchase program and agreement to acquire up to 15 additional police vehicles with any lending company in an amount not to exceed the financing rate of 4.25%.

Fiscal Impact

The estimated annual payment amount of \$246,500 is included in the proposed 2015-16 and in the 2016-17 budget (690-16-003-8110 & 690-16-003-8120).

The average cost of a fully equipped patrol vehicle is \$48,000, not including the cost of the computer that currently costs \$5,866 each. The average cost of a detective vehicle ranges from \$25,000 to \$33,000. This is a three-year lease program not to exceed \$246,500 per year, for a total commitment of \$739,500.

The City has used lease/purchase financing in the past to acquire fire apparatus and computer hardware/software. As in this case, the lender purchases the equipment and then leases it to the City for a specified period (up to 3 years). At the end of the lease period, the lender sells the equipment to the City for \$1 and the City becomes the legal owner. . The municipal lease includes most necessary equipment/outfitting (computer, if needed, is additional), and a 3-year/100,000 mile bumper-to-bumper warranty.

The Police Department will include local dealerships and lending institutions in the competitive bid process.

The first payment will occur on or after July 1, 2015, after commencement of the lease. Staff anticipates that a lease program can save on vehicle maintenance costs over time, since the vehicles are replaced sooner, which thereby requires less funding to maintain aging vehicles.

Budget Authority

The budget authority for the second phase of the lease/purchase program totaling \$739,500, or \$246,500 per year, is contingent on the City Council approval and adoption of the 2015-16 and 2016-17 proposed biennial budget scheduled for public hearing and adoption on June 1, 2015.

ATTACHMENT

- San Leandro City Council Resolution No. 2014-053

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