



City of San Leandro

Meeting Date: June 2, 2014

Staff Report

File Number: 14-197

Agenda Section: CONSENT CALENDAR

Agenda Number: 8.H.

TO: City Council

FROM: Chris Zapata
City Manager

BY: Sandra Spagnoli
Chief of Police

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for a Resolution Authorizing a Pilot Lease/Purchase Program for Police Fleet Vehicles

SUMMARY AND RECOMMENDATION

Staff recommends that the City Council approve the resolution authorizing the leasing of police vehicles through a municipal lease program for FY 2013-14. The resolution authorizes the City Manager to execute the lease purchase agreement and other documents necessary to finance the acquisition.

BACKGROUND

The San Leandro Police Department operates 53 vehicles throughout all of the department's divisions. Every year, funds are allocated for the purchase of replacement vehicles based on a designated replacement cycle. In addition, the City purchases and stores additional replacement vehicles (between 4 to 7 vehicles), in the event a vehicle needs immediate replacement. Purchased vehicles are stored at the City Corporation Yard until brought into service. Using this method has kept an inventory of vehicles in stock for several years after their purchase date, which causes new vehicles to sit dormant for 3 to 4 years before the vehicle actually enters service. The City stores extra police vehicles due to the low number of police vehicles already in service, especially when a vehicle is taken out of service for an extended period of time or is rotated out of the fleet.

Prior to the economic downturn of several years ago, patrol vehicles were on a 3-year replacement cycle and sedans 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 85-95,000 miles. Beyond this point, transmissions on patrol vehicles usually start to fail, which makes the cost to maintain the vehicle prohibitive.

Staff proposes a pilot program to lease police vehicles, which would allow for an adequate number of vehicles and would eliminate the need for purchasing extra vehicles to store "on hand". Managing the fleet in this manner will allow for vehicles to go out of service, while still having adequate vehicles for each officer on a shift. Integrating a leasing program will also improve current vehicles' conditions, which have deteriorated over time due to the extended and inconsistent replacement cycle.

Finally, due to the aging fleet and the discontinuation of the Ford Crown Victoria model in 2011, the vehicle equipment (light bars, computers, and safety cages), have been retained beyond their intended lifecycle. Usually, vehicle equipment can be switched from a prior vehicle that is exiting its service life to the incoming vehicle. However, with the elimination of the Crown Victoria model and the need to move to a new vehicle platform, new outfitting equipment is required. This also makes the transfer of equipment difficult if not impossible depending on a variety of factors including the condition and type of the equipment. Transitioning to new equipment is costly; leasing vehicles can spread new equipment outfitting costs over a longer period of time.

DISCUSSION

Using the existing methodology, it will take several years for the Department to bring its fleet to the current recommended replacement schedule. In addition, the Ford Crown Victoria is no longer manufactured, and was replaced with the Ford Police Interceptor Sedan and Utility vehicle. The California Highway Patrol studied the newly released vehicle, and has designated the Ford Interceptor Utility Vehicle as its replacement vehicle. It is the Department's practice to follow the CHP's review and recommendations. The cost of the Interceptor is higher than the previous Crown Victoria, as well as the cost to initially outfit each vehicle.

Staff recommends that the City Council approve a lease/ purchase agreement with any lending company in an amount not to exceed the financing rate of 4.25%. In reviewing the lease/ purchase option, Police Command Staff finds it to be the most competitive because it meets the State Bid's pricing (through CHP) and meets the City's purchasing requirements. Vehicles will be acquired through San Leandro Ford and financed through any lending company in an amount not to exceed the financing rate of 4.25%.

Fiscal Impact

Currently there is \$161,055.00 (identified for Police vehicle replacements) in the Public Works vehicle replacement fund (690-16-002-7510) for FY 2013-14 to begin this Municipal Lease Pilot Program. The average cost of a fully equipped patrol vehicle is \$48,000, not including the cost of the computer. The average cost of an admin vehicle ranges from \$25,000.00 - \$33,000.00, not including the cost of the computer. This is a three-year lease program not to exceed \$161,055.00 per year. The City budgets replacement vehicles through the internal service charges on an annual basis. Over the last three years, the City averaged \$160,000.00 per year (excluding equipment) for replacement police vehicles. There is \$250,918.00 budgeted in FY 14/15 for replacement of police vehicles, which will also cover the second

payment of the lease. Future lease payments will be scheduled and funded in the same manner.

The City has used lease/purchasing 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 (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. This lease meets the City's purchasing policy and meets the State's bid. The municipal lease includes all necessary equipment/outfitting, not including the cost of the computer. Through the competitive bid process, San Leandro Ford's pricing was below the state bid pricing.

No additional fiscal impact will be noted since the funding for police vehicles has been appropriated for FY 2013-14. The first payment is due June 16, 2014, 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.

PREPARED BY: Greg Lemmon, Police Captain, Police Department



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Resolution - Council

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FROM: Chris Zapata
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BY: Sandra Spagnoli
Chief of Police

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION Authorizing a Pilot Lease/Purchase Program for Police Fleet Vehicles (authorizes for Fiscal Year 2013-2014 a three-year lease/purchase agreement with any lending company not to exceed the financing rate of 4.25% and an amount not to exceed \$161,055)

WHEREAS, the City annually replaces police vehicles according to a replacement schedule; and

WHEREAS, staff proposes entering into a lease/purchase agreement for the Fiscal Year 2013-14 replacement cycle; and

WHEREAS the bid price for the lease/purchase of replacement police cars will piggyback on the state bid process and meet the City of San Leandro's purchasing policy. The total amount of the lease/purchase and the related financing for the police fleet shall not exceed the budgeted amount of \$161,055.00 for FY 2013-14; and

WHEREAS the City Council authorizes a three-year lease/purchase agreement with any lending company in an amount not to exceed the financing rate of 4.25%, and purchase of same vehicles for \$1.00 each at the end of the lease agreement.

NOW THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of San Leandro as follows:

That a three-year municipal lease/purchase agreement for replacement of police vehicles with any lending company not to exceed the financing rate of 4.25% and in the amount not to exceed \$161, 055 for FY 2013-14, is hereby authorized; and

That the City Manager is authorized to execute the said lease/purchase agreement and other documents necessary to finance the acquisition.