

STAFF REPORT

City of Lancaster

Date: November 10, 2015
To: Mayor Parris and City Council Members
From: Barbara Boswell, Finance Director
Subject: **Light Duty Vehicle Replacement**

CC 6
11/10/15
MVB

Recommendation:

Enter into a five year lease purchase agreement with National Cooperative Leasing to replace ten (10) light duty fleet vehicles in FY 15-16.

Fiscal Impact:

\$55,000 in FY 15-16 and \$55,000 each subsequent fiscal year until the five year lease has been completed in FY 19-20 for a total cost of \$275,000. First annual payment of \$55,000 is due upon lease signing; no residual payment will be due at the end of the five year lease term. Funds have been included in the adopted FY 15/16 budget.

Background:

As a result of the economic downturn that began in 2007 the City has held back on the replacement of light duty fleet vehicles, only replacing vehicles when absolutely necessary for operations. Staff continues to maintain and track the City's fleet inventory database which provides detail on the age, mileage, and repair costs for all City vehicles.

Staff performed an analysis of the overall state of the City's light duty fleet. The analysis included an evaluation of our current fleet, the identification of the vehicles in most critical need of replacement, and a review of the fleet purchase/financing options available to the City.

Ten vehicles were identified as being in most need of replacement due to their high repair costs, mileage and poor overall functioning. As part of the fleet review, staff evaluated various vehicle replacement options including hybrid and electric vehicles to keep in line with the City's goals of being environmentally conscious.

Several purchase and financing options were evaluated by staff including the costs for a local purchase or local lease purchase, a lease purchase through a private company and also a purchase and a lease purchase through a company that works exclusively with municipalities. By evaluating all of the options available it was determined that a lease purchase through National Cooperative Leasing (NCL) would provide the City with the lowest overall cost per vehicle and best financing terms. Vehicles would be delivered to our local dealerships by National Auto Fleet Group (NAFG) and each dealership would be paid a delivery fee of \$500 by the City/NAFG to process vehicles for delivery to the City. The City of Lancaster would be designated as the point of sale for sales tax purposes.

The City intends to sell the vehicles which are being replaced through the lease agreement with NCL on the Public Surplus website. Public Surplus is a site commonly used by municipalities to sell their surplus equipment to the public. Staff estimates that selling 13 surplus vehicles will generate revenue of approximately \$40,000; this money would be allocated back to the capital replacement fund which will be used to help cover lease costs.

BB:pg