

A special meeting of the Lake Wales City Commission was held on August 20, 2009 immediately following the CRA meeting in the Commission Chambers at the Municipal Administration Building. The meeting was called to order by Mayor Lee A. Wheeler, III.

COMMISSIONERS PRESENT: Terrye Y. Howell; Lee A. Wheeler, III; Jonathan Thornhill; John Paul Rogers; Jack Van Sickle, Mayor.

COMMISSIONERS ABSENT: None.

CITY REPRESENTATIVES PRESENT: Judith H. Delmar, City Manager; Albert C. Galloway, Jr., City Attorney; Clara VanBlargan, City Clerk.

AGENDA ITEM 1. Vehicle Lease Agreement with Polk County

Ms. Hodge reviewed Agenda Item 1. The full staff memo is incorporated into the minutes.

[Begin agenda memo, prepared by Bonnie Hodge, Purchasing Agent]

BACKGROUND

After discussion of the option of leasing a 2010 Ford Ranger and a 2010 Ford F-350 from Polk County at the commission meeting of August 18, 2009, Dorothy Pendergrass, Finance Director has done the research asked of her on cash flow and leasing options.

The 1997 Ford Ranger is a meter reader's truck with mileage of 127,884. The 1997 Ford F-350 is a Wastewater service truck with mileage of \$96,233. The cost to replace the engines will be \$2072.53 plus \$395 for labor at a minimum for the Ranger and \$2295 plus \$525 for labor at a minimum for the F-250. These labor charges are if our lead mechanic installs the engines.

Neither Water nor Wastewater has capital money budgeted for vehicle purchases. Both Water and Wastewater will need to transfer money from another budget line into their M&R Fleet budget and their Fleet labor budget to cover the cost of the engines and the labor to install them.

After your review of the financial options, we would like to have the Commission's direction to either replace the engines, direct purchase new vehicles from Weikert Ford on the State Contract or lease the vehicles from Polk County.

[End agenda memo]

[Begin agenda memo, prepared by Dorothy Pendergrass, Finance Director]

SYNOPSIS

Review of vehicle purchase options

BACKGROUND

Weikert Ford has provided a quote relating to:

- 1) 2010 – 4x2 For Ranger for \$14,025.21
- 2) 2010 – 4x4 Ford F-350 Cab & Chassis for \$21,953.07.

(Attachment A-1 – See agenda packet)

Note: The City would need to pay for the vehicle or obtain financing. Current market rates are estimated with a five-year term and 3.5% interest. Actual financing will vary from estimate.

Polk County has offered lease financing relating to:

<i>2010 4x2 Ranger:</i>	
Cost	\$ 14,025.21
Less Residual	- 500.00
Amortized Amount	<u>13,525.21</u>
Term	8 years
Lease Payment	\$1,775.18/yr

<i>2010 4x4 F-350 Cab & Chassis:</i>	
Cost	\$ 21,953.07
Less Residual	- 1,000.00
Amortized Amount	<u>20,953.07</u>
Term	8 years
Lease Payment	\$2,750.09/yr

(Attachment B-1 and C-1 – See agenda packet)

FISCAL IMPACT

The vehicle purchase options listed above would result in the recording of capital assets for \$35,975.28.

- 1) A full purchase would result in a current year decrease of cash flow of \$35,975.28.
- 2) The lease purchase option with Polk County would result in eight year of decrease cash flow of \$4,525.27. Total interest cost of \$1,723.88 over the life of the debt issuance.
- 3) The market financing option is estimated to result in five years of annual decreased cash flow of \$7,968.52. Estimated total interest cost of \$3,864.29, over the life of the debt issuance.

As with all purchases, if the City is able to purchase items without the use of financing this would result in the lowest overall cost but the greatest single annual cash flow decrease. If the City decided to using financing options, the Polk lease purchase option would result in the lowest financing cost over the life of the lease and also lower annual lease payments but would require three additional years of annual cash flow. The interest costs of the Polk lease purchase option is \$2,140.41 less then the estimated market cost estimates.

(Attachment D-1 Amortization Schedule – See agenda packet)

[End agenda memo]

Bonnie Hodge, Purchasing Agent, said we need the Commission's direction to either replace the engines, direct purchase new vehicles from Weikert Ford on the State Contract or lease the vehicles from Polk County.

Mayor Van Sickle said if we purchase new vehicles with unbudgeted funds it would affect our cash reserves. It would be better to lease them instead.

Commissioner Thornhill said replacing engines is no guarantee that the vehicles would still work. He said he is in favor of the option to lease.

Commissioner Howell said she is in favor of leasing the vehicles since mileage is not an issue.

Ms. Hodge said Polk County said that if during the new budget process the City finds that it does not have the money to continue the lease we could return the vehicles at no cost on our part.

Commissioner Howell made a motion to enter a lease agreement with Polk County to lease a 2010 Ford Ranger and a 2010 Ford F-350. The motion was seconded by Commissioner Rogers.

Roll Call:

Commissioner Howell	"YES"
Commissioner Rogers	"YES"
Commissioner Thornhill	"YES"
Commissioner Wheeler	"YES"
Mayor Van Sickle	"YES"

The motion carried 5-0.

There being no further business the meeting was adjourned.



Mayor/Commissioner

ATTEST:



City Clerk