

## MEMORANDUM

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**DATE:** December 24, 2013

**TO:** Honorable Mayor and City Commission

**VIA:** Kenneth Fields, City Manager

**FROM:** James Slaton, Public and Support Services Director

**SUBJECT:** Lease Agreement with Mears Motor Leasing

**SYNOPSIS:** Staff is requesting Commission approval to lease-purchase six (6) Police pursuit vehicles from Mears Motor Leasing.

### RECOMMENDATION

It is recommended that the City Commission take the following action(s):

1. Approve the sixty (60) month lease of one 2014 Chevrolet Impala 9C3 unmarked police vehicle and five 2014 Chevrolet Impala 9C1 marked police vehicles from Mears Motor Leasing.
2. Authorize the City Manager to execute the necessary documents on behalf of the City.

### BACKGROUND

Within the FY 2013/14 annual budget, the City Commission approved \$28,224 for additional Police Department vehicle leases (annual budget pg. 42). The City currently has existing Police Department vehicle lease obligations of \$88,644 in FY 2013/14.

Staff recommends the lease-purchase of these vehicles for the following reasons:

- The proposed lease obligation of \$23,499.63 (9 months) provided by Mears Motor Leasing came in under FY 2013/14 budgetary appropriations by \$4724.37 ( $28,224 - 23,499.63 = \$4724.37$ ).
- If these new vehicles were purchased under the State of Florida Contract the total purchase price would be \$150,884. Under the Mears Motor Leasing agreement these vehicles can be leased at an annual cost of \$31,332 (total cost over the five year lease term is \$156,664). A full purchase would result in a current-year decrease in cash flow of \$150,884 as compared to \$23,499.63.
- Mears Motor Leasing's proposal has an APR of 1.54% over the sixty (60) month term with a one (1) dollar residual buyout price for each vehicle.
- If these vehicles are replaced, the annual maintenance cost assessed by Polk County Fleet Management would initially be reduced by \$4,824.
- As with all purchases, if the City were 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 use financing options, this lease-purchase option would result in the lowest financing cost over the life of the lease. The interest costs of the five-year lease-purchase option are \$5,779.

## **OTHER OPTIONS**

1. A full purchase would result in a current year decrease of cash flow of \$150,884.92.
2. Retain the existing vehicles

## **FISCAL IMPACT**

The proposed lease obligation of \$23,499.63 (9 months) provided by Mears Motor Leasing came in under FY 2013/14 budgetary appropriations by \$4724.37 ( $28,224 - 23,499.63 = \$4724.37$ ). If the City Commission approves the vehicle lease agreement, the City is committed to a yearly lease payment of \$31,332 for the remaining four (4) years of the five (5) year lease. If revenues are insufficient in future years, an option would be to return the vehicles under the non-appropriation of funds clause. If it becomes necessary to exercise this option, however, the Police Department would suffer the loss of the vehicles.

## **ATTACHMENTS**

Bid Submittal

**Bid Sheet**  
Bid No: 14-368

*Lease-Purchase of Police Pursuit Vehicles*

**NOTE: SERVICE PRE-DELIVERY**

VEHICLES DELIVERED MUST BE DELIVERED FULLY SERVICED WITH INVOICE AND WARRANTY. SERVICE WILL INCLUDE ALL MANUFACTURER'S RECOMMENDED PRE-DELIVERY INSPECTION AND SERVICES.

New Marked Chevrolet Impala 9C1 Police Pursuit Vehicle (price per vehicle)

Price per Vehicle (Before Interest Accrued):	Quantity:	Number of Months:	APR:	Monthly Payment:	Additional Fees:	Total Cost per Vehicle (After Interest Accrued):
\$ <u>25,759.00</u>	One (1)	60 mos.	<u>1.54</u> %	\$ <u>445.76</u>	\$ <u>0.00</u>	\$ <u>26,745.64</u>

New Unmarked Chevrolet Impala 9C3 Police Pursuit Vehicle (price per vehicle)

Price per Vehicle (Before Interest Accrued):	Quantity:	Number of Months:	APR:	Monthly Payment:	Additional Fees:	Total Cost per Vehicle (After Interest Accrued):
\$ <u>22,089.92</u>	One (1)	60 mos.	<u>1.54</u> %	\$ <u>382.27</u>	\$ <u>0.00</u>	\$ <u>22,936.02</u>

**Total Bid** – six (6) vehicles *before interest accrued*: \$ 150,884.92

**Total Bid** – six (6) vehicles *after interest accrued (less buyout price)*: \$ 156,664.22

**Buyout price per vehicle**: \$ 1.00

1. FOB Point – Lake Wales Police Department  
133 E. Tillman Ave  
Lake Wales, FL 33853
2. Terms of Payment (e.g. Net 30) Net 30
3. The City shall receive shipment or project completion notice within <sup>60-120</sup>      days from the date Vendor received Official Purchase Order or Notice to Proceed.

Recheck your quotations prior to submission. Bids may not be changed after being opened.