

## MEMORANDUM

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**DATE:** November 18, 2104

**TO:** Honorable Mayor and City Commission

**VIA:** Kenneth Fields, City Manager

**FROM:** Christopher Velasquez, Chief of Police

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

**SYNOPSIS:** Staff is requesting Commission approval to lease-purchase six (6) fully equipped Police pursuit vehicles from Mears Motor Leasing under the Master Lease Agreement.

### RECOMMENDATION

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

1. Approve the sixty (60) month lease of two 2015 Chevrolet Impala unmarked police vehicles, three 2015 Chevrolet Impala marked police vehicles and one 2015 Chevrolet Tahoe 4x2 marked police K9 vehicle from Mears Motor Leasing based upon the Florida Sheriff Association Fleet competitive bid pricing.
2. Authorize the City Manager to execute the necessary documents on behalf of the City.

### BACKGROUND

Within the FY 2014/15 annual budget, the City Commission approved \$26,010 for additional Police Department vehicle leases (annual budget pg. 80). The City currently has existing Police Department vehicle lease obligations of \$116,868 in FY 2014/15.

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

- The proposed lease obligation of \$21,952.14 (7 months) provided by Mears Motor Leasing came in under FY 2014/15 budgetary appropriations by \$4,057.86 (26,010.00 – 21,952.14 = \$4,057.86).
- If these new vehicles were purchased under the Florida Sheriff Association competitive bid pricing, the total purchase price would be \$176,701.30. Under the Mears Motor Leasing agreement these vehicles can be leased at an annual cost of \$37,632.24 (total cost over the five year lease term is \$188,161.20). A full purchase would result in a current-year decrease in cash flow of \$176,701.30 as compared to \$28,224.18.
- 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 through the proposed lease, the annual maintenance cost assessed by Polk County Fleet Management would initially be reduced by \$5,483.76.
- 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 cost of the five-year lease-purchase option is \$11,459.90 (or \$2,291.98 per year).

- The six vehicles to be replaced will be sold via an online auction with Govdeals.com. We have sold Ford Crown Victorias on Govdeals.com in the past for an average sale price of \$1,127.00. Based upon the average sale price, the expected recouped dollars would be \$6,762.00.

#### **OTHER OPTIONS**

1. A full purchase would result in a current year decrease of cash flow of \$176,701.30.
2. Retain the existing vehicles

#### **FISCAL IMPACT**

The proposed lease obligation of \$21,952.14 (7 months) provided by Mears Motor Leasing came in under FY 2014/15 budgetary appropriations by \$4,057.86 ( $26,010.00 - 21,952.14 = \$4,057.86$ ). An additional \$16,303.62 income and savings should be realized during the first year based upon sale of replaced vehicles at auction and reduced maintenance costs.

If the City Commission approves the vehicle lease agreement, the City is committed to a yearly lease payment of \$37,632.24 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**

Schedule "A" of the Lease Agreement



SCHEDULE  
OPEN-END LEASE

The following vehicle is hereby added to the Master Lease Agreement between The Bancorp Bank dba Mears Leasing (Lessor) and City of Lake Wales

\_\_\_\_\_  
(Lessee).

Customer #: 10890

Dated: 11/12/2014

Unit # \_\_\_\_\_

YEAR, MAKE, MODEL	VIN
2015 Chevrolet Tahoe Police 4x2	

EXTERIOR COLOR	INTERIOR COLOR	OPTIONAL EQUIPMENT	STATE OF REGISTRATION	EST. ANNUAL MILEAGE
		K-9 Upfit	FL	

TERM: 60 Months

ORIGINAL VALUE: \$46,075.71

BASE PAYMENT: \$806.16

SALES /USE TAX: 0.00

TOTAL MONTHLY PAYMENT: \$806.16

SECURITY DEPOSIT: 0.00

DOWN PAYMENT: 0.00

TERMINATION VALUE: 1.00

ESTIMATED INITIAL TAX AND TAGS: Billed Separately

Additional Terms and Conditions:

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LESSEE: City of Lake Wales

LESSOR: The Bancorp Bank

SIGNATURE: \_\_\_\_\_

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YEAR, MAKE, MODEL	VIN
2015 Chevrolet Impala	

EXTERIOR COLOR	INTERIOR COLOR	OPTIONAL EQUIPMENT	STATE OF REGISTRATION	EST. ANNUAL MILEAGE
		Marked Upfit	FL	

TERM: 60 Months  
 ORIGINAL VALUE: \$30,156.25  
 BASE PAYMENT: \$527.62  
 SALES /USE TAX: 0.00  
 TOTAL MONTHLY PAYMENT: \$527.62  
 SECURITY DEPOSIT: 0.00  
 DOWN PAYMENT: 0.00  
 TERMINATION VALUE: 1.00  
 ESTIMATED INITIAL TAX AND TAGS: Billed Separately

Additional Terms and Conditions:

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2015 Chevrolet Impala	

EXTERIOR COLOR	INTERIOR COLOR	OPTIONAL EQUIPMENT	STATE OF REGISTRATION	EST. ANNUAL MILEAGE
		Marked Upfit	FL	

TERM: 60 Months  
 ORIGINAL VALUE: \$30,156.25  
 BASE PAYMENT: \$527.62  
 SALES /USE TAX: 0.00  
 TOTAL MONTHLY PAYMENT: \$527.62  
 SECURITY DEPOSIT: 0.00  
 DOWN PAYMENT: 0.00  
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YEAR, MAKE, MODEL	VIN
2015 Chevrolet Impala	

EXTERIOR COLOR	INTERIOR COLOR	OPTIONAL EQUIPMENT	STATE OF REGISTRATION	EST. ANNUAL MILEAGE
		Marked Upfit	FL	

TERM: 60 Months

ORIGINAL VALUE: \$30,156.25

BASE PAYMENT: \$527.62

SALES /USE TAX: 0.00

TOTAL MONTHLY PAYMENT: \$527.62

SECURITY DEPOSIT: 0.00

DOWN PAYMENT: 0.00

TERMINATION VALUE: 1.00

ESTIMATED INITIAL TAX AND TAGS: Billed Separately

Additional Terms and Conditions:

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Customer #: 10890

Dated: 11/12/2014

Unit # \_\_\_\_\_

YEAR, MAKE, MODEL	VIN
2015 Chevrolet Impala	

EXTERIOR COLOR	INTERIOR COLOR	OPTIONAL EQUIPMENT	STATE OF REGISTRATION	EST. ANNUAL MILEAGE
		Unmarked Upfit	FL	

TERM: 60 Months  
ORIGINAL VALUE: \$21,338.92  
BASE PAYMENT: \$373.50  
SALES /USE TAX: 0.00  
TOTAL MONTHLY PAYMENT: \$373.50  
SECURITY DEPOSIT: 0.00  
DOWN PAYMENT: 0.00  
TERMINATION VALUE: 1.00  
ESTIMATED INITIAL TAX AND TAGS: Billed Separately

Additional Terms and Conditions:

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(Lessee).

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Dated: 11/12/2014

Unit #

Table with 2 columns: YEAR, MAKE, MODEL; VIN. Row 1: 2015 Chevrolet Impala

Table with 5 columns: EXTERIOR COLOR, INTERIOR COLOR, OPTIONAL EQUIPMENT, STATE OF REGISTRATION, EST. ANNUAL MILEAGE. Row 1: Unmarked Upfit, FL

TERM: 60 Months
ORIGINAL VALUE: \$21,338.92
BASE PAYMENT: \$373.50
SALES /USE TAX: 0.00
TOTAL MONTHLY PAYMENT: \$373.50
SECURITY DEPOSIT: 0.00
DOWN PAYMENT: 0.00
TERMINATION VALUE: 1.00
ESTIMATED INITIAL TAX AND TAGS: Billed Separately

Additional Terms and Conditions:

Four horizontal lines for additional terms and conditions.

LESSEE: City of Lake Wales

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SIGNATURE:

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