



Legislation Text

File #: 21-889, **Version:** 1

FROM:

Police Department

SUBJECT:

Approve Agreements between City of Fontana and the Enterprise Fleet Management Inc.

RECOMMENDATION:

1. Approve the City Manager or his assigned designee to sign the Master Equity Lease Agreement, Maintenance Agreement and a Maintenance Management and Fleet Rental Agreement with Enterprise Fleet Management, Inc., for five test vehicles.

2. Authorize an approved list of Authorized Signers to allow designated staff to execute Enterprise Schedules to the Master Lease Agreement for individual motor vehicles together with any other necessary documents in connection with those Schedules.

COUNCIL GOALS:

- To practice sound fiscal management by developing long-term funding and debt management plans.
- To improve public safety by increasing operational efficiency, visibility, and availability.

DISCUSSION:

The City of Fontana has historically purchased and owned all fleet vehicles and equipment. The City maintains a fleet of vehicles and equipment for use by various City departments, which include light, medium, and heavy-duty vehicles.

To reduce cost and increase fleet efficiency, staff researched leasing options and found that the implementation of a leasing program can reduce operating costs (maintenance and repairs). A leasing program will also result in less vehicle downtime since the vehicles are more reliable and have warranties for the duration of the leasing period. Other nearby cities including Corona and Redlands have successfully implemented programs with tangible results. After review of current year fleet costs which include capital recovery, direct cost and indirect cost of operating and maintenance the leasing program will begin to recognize savings the first year.

The City and Enterprise have discussed a vehicle leasing and replacement trial program. The trial would allow the city to replace five (5) vehicles in the 2021-2022 fiscal year. The five vehicles selected are based from the City of Fontana Fleet Services replacement list. To begin the implementation of the leasing program already collected capital recovery funds, annual operating costs, and maintenance funds (excluding fuel) will need to be reallocated to the Police Department to cover lease expenses.

The cost of the first year (Fiscal Year 2021-2022) of the vehicle replacement, maintenance program, and physical damage program would be approximately \$ 20,514.00. The service maintenance (when possible) will allow for the vehicles to be serviced within the City of Fontana service centers. This will keep revenues within the city. Annual Lease payment estimate total is \$41,027 (\$35,314 vehicle lease and \$5,713 for the maintenance program and physical damage coverage). And additional expense that would be included in the cost is the change-over (installation of police radio and safety equipment). Estimated change-over cost is \$ 10,000 per vehicle (\$ 50,000). The total cost for the trial vehicles (five-year lease agreement, maintenance program, physical damage coverage and change-over) will be \$ 255,135.

This program is an “open-end” lease structure, which would allow the city to replace more vehicles with less upfront capital. Some of the program highlights are listed below:

- The City has all rights of ownership and can equip the vehicles with aftermarket parts (utility bodies, tool box, etc.).
- Leasing would provide the opportunity to minimize the amount of large capital outlays necessary for purchasing vehicles.
- The City would establish a more proactive fleet replacement plan to acquire vehicles on a more consistent basis and maintain a new fleet.
- The City would have a wider selection of vehicles which is necessary for the Police Department Special Operations Unit.

At the end of the individual lease term (5 years) the City will have the option to purchase the vehicle at market value. Staff will continue to evaluate and monitor the program to determine the benefits of leasing vehicles. As long as the leasing program is in the best interest of the city additional vehicles may be added to the leasing program for various city departments. All necessary paperwork and budget adjustments will be submitted on a quarterly basis as needed.

Per the City’s purchasing guidelines, and agreement with Enterprise Fleet Management, Inc., can be executed by piggybacking the existing Sourcewell (formerly NJPA) request for proposals for Fleet Management Services (RFP#060618) Sourcewell is a government agency that has been providing cooperative purchasing programs throughout North America for over 40 years. The City of Fontana is a current member of the Sourcewell, and Enterprise has been awarded a contract with Sourcewell through a competitive process for Fleet Management Services, the city can enter into an agreement with Enterprise pursuant to Sourcewell Contract # 060618-EFM.

FISCAL IMPACT:

For the lease of the identified five (5) vehicles staff is requesting authorization to transfer from Fleet Services to the Police Department budget Unit funds as follows:

Capital Recovery and Operating and Maintenance funds already collected in the amount of \$ 220,970. The five (5) vehicles currently in service (unit ID numbers 7590, 9551, 9561, 9584, and 9585) will be sold by Enterprise Fleet Management, Inc. for a service fee of \$400.00 per vehicle. All remaining proceeds of the sale will be returned to the city to support the cost of the program. If sale proceeds do not cover the \$34,165 (difference between five-year lease agreement cost of \$255,135 and the already collected capital recovery funds of \$220,970) at that time an additional budget

adjustment will be requested from the General Fund.

The Police Department will continue to request General Fund (101) funds annually for fuel and capital recovery at a decreased cost from the current request from Public Works (Fleet). The amount necessary will be evaluated annually and adjusted appropriately.

Budget paperwork will be submitted to the Budget Office with FY 2021-2022 1st quarter adjustments.

MOTION:

Approve staff recommendation.