

MEMORANDUM

DATE: November 12, 2013

TO: Honorable Mayor and City Commission

VIA: Kenneth Fields, City Manager

FROM: James Slaton, Support Services Director

SUBJECT: Lease Agreement with Mears Motor Leasing

SYNOPSIS: Staff is requesting Commission approval to lease-purchase three (3) Fire Department vehicles from Mears Motor Leasing.

RECOMMENDATION

Is it recommended that the City Commission take the following action(s):

1. Approve the sixty (60) month lease of two Ford Escape administrative vehicles and one F-250 rescue first responder vehicle from Mears Motor Leasing
2. Authorize the City Manager to execute the lease on behalf of the City.

BACKGROUND

Within the FY 2013/14 annual budget, the City Commission approved \$13,725 for Fire Department vehicle leases (annual budget pg. 50). The City currently has no existing Fire Department vehicle lease obligations.

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

- The new vehicles would replace one model year 1998 Jeep Cherokee, one model year 2000 Ford Crown Victoria, and one model year 2007 Ford F-350 Rescue truck.
- The proposed lease obligation of \$13,464.81 (9 months) provided by Mears Motor Leasing came in under FY 2013/14 budgetary appropriations by \$260.19 ($13,725 - 13,464.81 = \260.19).
- If these new vehicles were purchased under the State of Florida Contract the total purchase price would be \$86,456. Under the Mears Motor Leasing agreement these vehicles can be leased at an annual cost of \$17,953 (total cost over the five year lease term is \$89,765). A full purchase would result in a current-year decrease in cash flow of \$86,456 as compared to \$13,464.81. The lease term does not begin until the vehicles are delivered, which takes approximately ninety days from the date ordered. For this reason, only nine months of the lease have been budgeted in the 2013/14 fiscal year.
- The lease term of sixty (60) months will conclude at approximately 50% of the useful life of the two administrative vehicles.
- Mears Motor Leasing's bid included a one (1) dollar residual buyout price at the end of the sixty (60) month lease term.
- 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 lease-purchase option are \$3,308.

The City advertised an Invitation to Bid and received two responses from qualified bidders: Mears Motor Leasing submitted a bid which included a total vehicle purchase price of \$86,456, or an APR of 1.54% and a total annual lease payment of \$17,953 (Total lease cost of \$89,765.13).

Enterprise Fleet Management submitted a bid for the administrative vehicles only, which included a total vehicle purchase price of \$39,612, or an APR of 3.63% and a total annual lease payment of \$7731.84 (Total lease cost of \$38,659.20) with a \$7,526 residual buyout at the end of the lease.

OTHER OPTIONS

- 1) A full purchase would result in a current year decrease of cash flow of \$86,456.
- 2) Retain the existing vehicles

FISCAL IMPACT

The proposed lease obligation of \$13,464.81 (9 months) provided by Mears Motor Leasing came in under budgetary appropriations by \$260.19 ($13,725 - 13,464.81 = \260.19).

If the City Commission approves the vehicle lease agreement, the City is committed to a yearly lease payment of \$17,953 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 Fire Department would suffer the loss of the vehicles.

ATTACHMENTS

Bid Tabulation

Bidder: Mears Motor Leasing

Price per F-250 Truck (Before Interest Accrued):	Quantity:	Number of Months:	APR:	Monthly Payment:	Additional Fees:	Total Cost per Vehicle (After Interest Accrued):		Price per Escape (Before Interest Accrued):	Quantity:	Number of Months:	APR:
\$49,990.50	One (1)	60 mos.	1.54%	\$865.07	\$0.00	\$51,904.31		\$18,233.00	One (1)	60 mos.	1.54%

Total Bid – three (3) vehicles before interest accrued: \$86,456.50

Total Bid – three (3) vehicles after interest accrued (less buyout price):\$ \$89,765.13

Buyout price per vehicle: \$1.00 at the end of 60 months

Bidder: Enterprise Fleet Management

Price per F-250 Truck (Before Interest Accrued):	Quantity:	Number of Months:	APR:	Monthly Payment:	Additional Fees:	Total Cost per Vehicle (After Interest Accrued):		Price per Escape (Before Interest Accrued):	Quantity:	Number of Months:	APR:
No Bid	One (1)	60 mos.						\$19,806.00	One (1)	60 mos.	3.63%

Total Bid – two (2) vehicles before interest accrued: \$ 39,612.00

Total Bid – two (2) vehicles after interest accrued (less buyout price): \$ \$39,359.20

Buyout price per vehicle: \$3,763.20

Monthly Payment:	Additional Fees:	Total Cost per Vehicle (After Interest Accrued):
\$315.51	\$0.00	\$18,930.41

Monthly Payment:	Additional Fees:	Total Cost per Vehicle (After Interest Accrued):
\$322.16	\$350.00	\$19,329.60