



MEMORANDUM

TO: City Council

FROM: Michael T. Martinez, Chief of Police

BY: Zak Ayala, Commander

SUBJECT: Consideration of an Agreement for Police Fleet Lease and Purchase and Resolution Declaring Vehicles as Surplus

DATE: September 27, 2022

SUMMARY OF ACTION:

Approval of the recommended action will result in the purchase of nine (9) marked 2023 Ford Explorer vehicles for use by the Police Department's Patrol Services; the purchase of one (1) 2023 Ford F-250 Truck for use by the Police Department's Patrol Services; the purchase of two (2) marked 2023 Ford Rangers for use by the Police Department's Support Services; and the purchase of one (1) 2023 Ford Transit Van for use by the Police Department's Support Services. The action will also authorize the purchase of equipment for upfitting the vehicles and declaring 14 vehicles as surplus.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The FY 2022-23 Budget allocates \$178,000 to Lease Purchase Payments and \$247,300 to Vehicle purchases for Police Department vehicles, totaling \$425,300. Ford Explorer Lease Purchase Payments financing agreement for nine (9) Patrol vehicles and upfitting for a total not to exceed the amount of \$749,103, through a 4-year municipal lease from Holman Capital Corporation at an APR of 4.57%, will include 4 annual payments of approximately \$201,583; the first payment will be completed in FY 2022-23. The Ford F-250 Truck, Ford Rangers, and Ford Transit Van expenditures will cost approximately \$204,395 to be completed in FY 2022-23 as a cash purchase. The total to lease and purchase the proposed 13 vehicles will cost \$405,978 in FY 2022-23. The vehicles will be on a full warranty during the terms of the lease. The City anticipates receiving \$305,000 in revenue from the sale of the existing surplus vehicles that will offset this cost, reducing the net impact to \$100,978.

RECOMMENDATION:

1) Authorize the purchase of (a) thirteen (13) vehicles from Mullahey Ford, (b) vehicle fleet upfitting from Dana Safety Supply, (c) MDC Computers from Code3 Technologies, and (d) dash cameras from Safe Fleet; 2) Authorize a financing agreement for nine (9)

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Patrol vehicles and upfitting for a total not to exceed the amount of \$749,103, through a 4-year municipal lease from Holman Capital Corporation at an APR of 4.57% (4 annual payments of approximately \$201,583); 3) Authorize the cash purchase of four (4) vehicles and upfitting not to exceed the amount of \$204,395; 4) Adopt a Resolution declaring existing Police vehicles as surplus and authorizing their sale; and 5) Authorize the City Manager to execute all necessary documents.

BACKGROUND:

The Arroyo Grande Police Department (Police Department) introduced the fleet leasing program in 2008, and it has proven to be a cost-effective alternative to traditional purchasing. Municipal leasing has become a viable alternative for municipalities that operate small to medium sized fleets. The programs are competitive, cost-effective, and many times reduce the total average operating costs of operating the fleet.

Vehicles purchased through the fleet leasing program are covered by a manufacturer's extended service contract during the entire term of the lease, which has proven valuable in reducing the annual cost of fleet maintenance. The \$1.00 end of lease purchase option allows the vehicles to be declared as surplus and sold to cover equipment up-fitting costs each time a new lease program is approved. The program rotates the fleet every four years and the residual value of the fleet at the end of the lease term helps maintain the ongoing program. The current Police Department patrol fleet lease concluded in FY 2020-21, at which time the vehicles were slated for replacement. Replacement of the patrol fleet was deferred for one year for financial savings to the City during the COVID-19 pandemic.

The patrol fleet is over 5 years old and has seen significant increases in maintenance costs to the Department due to vehicles no longer being under manufacturer warranties.

Vehicles from the Department's support fleet, which include a 2015 Dodge Ram 1500, a 2001 Ford F550, a 2015 Dodge Ram 3500 and a 2005 Chevrolet Impala, are also over 5 years old and have also seen significant increases in maintenance costs due to being out of warranty.

The City's Administrative Policy and Procedure C-006 states that replacement of equipment should consider the following criteria:

1. Condition of the equipment
2. Age of equipment (for autos – 5 years and/or 80,000 miles)
3. Maintenance history of the equipment

On June 14, 2022, the City Council approved the FY 2022-23 Mid-Cycle Budget Update that included the following Proposed Vehicle Replacement Requests table:

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FY 2022-23 Vehicle Budget

Type	# of units	Lease/Buy	Approved
Ford Explorers	7	Lease	491,900
Ford Expeditions	2	Lease	158,300
Ford Ranger Crew Cab	2	Buy	111,200
Ford F250	1	Buy	73,200
Ford Transit Van	1	Buy	62,900
			<u>1,292,000</u>

The table reflects the total cost of vehicles that will be leased over a four-year term. The FY 2022-23 budget includes principal and interest payments for the first year's payments, and the remaining amounts will be included in future budgets. The 4 proposed Police vehicles for purchase included in the proposed vehicle replacement request total \$247,300 and the estimated lease payment for the 9 leased vehicles is estimated to be \$178,000 per year for the four-year lease period, totaling \$425,300 in FY 2022-23.

ANALYSIS OF ISSUES:

Police Fleet Lease and Purchase

A Vehicle Selection Committee was formed within the Police Department and evaluated a number of police-rated vehicles. In 2017, the Committee recommended switching to the Ford Explorer for the entire fleet. The Department was on schedule to transition the Patrol Ford Explorers at the end of the four-year rotation during FY 2021-22 but delayed the transition due to anticipated budgetary impacts of the COVID-19 pandemic. Due to supply chain issues with vehicle and equipment manufacturers, the Department was unable to obtain accurate price quotes from vendors until late August 2022.

A Vehicle Selection Committee convened in early 2022 and again selected the Ford Explorer for meeting the fleet needs of Patrol Services. The Committee further selected Ford trucks and a van for meeting the needs of Support Services (SWAT, DUI/Traffic, Cadet and Volunteers). The selection of the Ford vehicles for the patrol fleet will provide purchasing and support from a local dealer while continuing to provide consistency in vehicles and the opportunity to retain an inventory of regular maintenance related parts and equipment. The selection committee had initially recommended two (2) Ford Expeditions for Patrol supervisors, due to their increased cargo capacity, but this recommendation was changed back to Ford Explorers in order to save significant costs and maintain fleet consistency. This does not change the total amount of Patrol vehicles.

The Police Department Patrol fleet operates nine (9) marked (black and white) police vehicles. The current proposal calls for replacing and maintaining the same number of marked police vehicles under a municipal lease agreement.

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The following marked Patrol vehicles are in need of replacement:

- Unit 4601: 2017 Ford Explorer
- Unit 4602: 2017 Ford Explorer
- Unit 4603: 2017 Ford Explorer
- Unit 4604: 2017 Ford Explorer
- Unit 4605: 2017 Ford Explorer
- Unit 4606: 2017 Ford Explorer
- Unit 4607: 2017 Ford Explorer
- Unit 4608: 2017 Ford Explorer
- Unit 4609: 2017 Ford Explorer

The Police Department fleet operates four (4) marked vehicles used by Support Services. The current proposal calls for replacing and maintaining the same number of marked Support vehicles. These vehicles would not be on the Patrol 4-year lease rotation, rather would be purchased, and remain in service for no less than 5 years due to their expected mileage and wear and tear, in relation to the Patrol vehicles.

The following marked Support vehicles are in need of replacement:

- Unit 4613: 2015 Dodge Ram 1500 Assigned to Cadet program
- Unit 4623: 2001 Ford F550 Assigned to SWAT
- Unit 4622: 2015 Dodge Ram 3500 Assigned to Traffic Safety/ DUI
- Unit 4627: 2005 Chevrolet Impala Assigned to Volunteers/ pool vehicle

The Ford F-250 would replace Unit 4622, a 2015 Dodge Ram 3500. It addresses the specific needs of the Traffic Officers. The vehicle will be used to stage and transport their specialized equipment, such as traffic cones, lighting, measuring devices for major collisions and investigations, as well as the ability to safely pull the Traffic Safety/DUI trailer due to its specific weight capacity.

The two (2) Ford Rangers would replace Unit 4613, a 2015 Dodge Ram 1500, and Unit 4627, a 2005 Chevrolet Impala. The Ford Rangers address the needs of the Cadet and Volunteers, due to their passenger carrying capability, utility cargo beds, fuel economy, and small footprint compared to full size vehicles.

The Ford Transit Van would replace Unit 4623, a Ford-550 truck. It addresses the needs of SWAT officers, due to its passenger carrying capability, while also providing a means to safely store and secure their associated weapons and equipment.

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Upfitting of the vehicles to make them service ready will include all electronics and equipment upgrades, including graphics, emergency lighting, siren, consoles, computers, audio-video recorders, transport compartments, radios and other related safety equipment.

Ford Explorer vehicles Lease Purchase Payments will cost approximately \$201,583 a year for four (4) years, as shown in Table 1 below:

Table 1 Ford Explorers Lease Purchase Payments

Type	# of units	Lease /Buy	Mullahey Ford	Dana Safety	Code3 Tech	Safe Fleet	Financing Fee	Total Purchase
Ford Explorers	9	Lease	504,300	149,358	32,089	60,355	3,000	749,103
							Interest & Fees	57,231
							Total Financing	806,334
							Annual payment	201,583

The Ford F-250 Truck, Ford Rangers, and Ford Transit Van expenditures will cost a total one-time payment of approximately \$204,395, as shown in Table 2 below:

Table 2 Support Vehicles

Type	# of units	Lease /Buy	Mullahey Ford	Dana Safety	Total Purchase
Ford Ranger Crew Cab	2	Buy	76,510	5,084	81,594
Ford F250	1	Buy	60,343	8,167	68,510
Ford Transit Van	1	Buy	50,921	3,370	54,291
			187,774	16,621	204,395

Holman Capital Corporation has proposed a competitive lease finance agreement for nine (9) 2023 Ford Explorers; as well as up-fitting costs for the Patrol vehicles. It is recommended that the City enter into a municipal lease purchase agreement with Holman Capital Corporation, with a lease-financing rate of 4.57%, which results in four (4) annual payments of approximately \$201,583. Holman Capital Corporation is headquartered in Laguna Hills, CA. Other bids for financing were Sparta Commercial Services at 5.06% and California First Leasing at 5.54%. Holman Capital Corporation has agreed to the purchase option of \$1.00 at the end of the 4-year Term provided no event of default has occurred and is continuing at the end of the Term.

It is recommended that the City Council approve the lease agreement with Holman Capital Corporation Services for nine (9) patrol vehicles, and the purchase of four (4) support vehicles from Mullahey Ford, not to exceed the combined amount of \$692,074. This is the purchase of nine (9) Ford Explorers totaling \$504,300, as shown in Table 1

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column titled Mullahey Ford, plus the four (4) Support Vehicles totaling \$187,774, as shown in Table 2 column titled Mullahey Ford. This quote is less than the State of California contract used by larger jurisdictions. Additional benefits include purchasing from a local Arroyo Grande vendor, local tax revenue from the sale, and having the continued convenience of warranty coverage and local service on the vehicle fleet.

It is further recommended that the City Council authorize the purchase of the following Support vehicles: one (1) 2023 Ford F-250; two (2) 2023 Ford Rangers; and one (1) 2023 Ford Transit Van, including necessary upfitting, purchased with cash for \$204,395 in order to reduce financing costs.

It is recommended that the City Council approve the upfitting agreement with Dana Safety Supply for thirteen (13) vehicles, not to exceed the amount of \$165,979. This is the purchase of upfitting the nine (9) Ford Explorers totaling \$149,358, as shown in Table 1 column titled Dana Safety, plus upfitting the four (4) Support Vehicles totaling \$16,621, as shown in Table 2 column titled Dana Safety. This quote was selected due to significant cost savings from other businesses, quality of work, projected turn-around time, past City projects, and availability of components. Dana Safety Supply met the Department's needs in performing installations and upgrades for the Department's Administration fleet replacements in 2021.

It is recommended that the City Council authorize the purchase of MDC Computers from Code3 Technologies totaling \$32,089. The current computers in the Patrol fleet are over 5 years old and were recommended for replacement by the former City Information Technology Manager due to their age, capabilities, and evolving technology requirements. Replacement of the computers would be from the same vendor, Code3 Technologies - Gettac, as the existing systems and would be covered by a manufacturer's warranty for 4 years.

It is recommended that the City Council authorize the purchase of dash cameras from Safe Fleet totaling \$60,355. The current audio-visual recorders in the Patrol fleet are over 5 years old and no longer under warranty. They are recommended for replacement due to service issues related to aging technology and expected repairs to motherboards. Replacement of the audio-visual recorders would be from the same vendor, SafeFleet - COBAN, as existing systems, and would continue to work in conjunction with the Department's body worn camera system and software. These recording systems would be covered by a manufacturer's warranty for 4 years.

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Declaration of Vehicles as Surplus

In anticipation of this proposed fleet replacement, and to begin to realize revenues to apply towards this proposal, the Department surplused the following by Council Resolution on April 12, 2022:

- Unit 4601: 2017 Ford Explorer K9 SUV
- Unit 4627: 2005 Chevrolet Impala
- Unit 4622: 2015 Dodge Ram 3500

It is recommended that the City Council declare as surplus the following vehicles:

- Unit 4602: 2017 Ford Explorer
- Unit 4603: 2017 Ford Explorer
- Unit 4604: 2017 Ford Explorer
- Unit 4605: 2017 Ford Explorer
- Unit 4606: 2017 Ford Explorer
- Unit 4607: 2017 Ford Explorer
- Unit 4608: 2017 Ford Explorer
- Unit 4609: 2017 Ford Explorer
- Unit 4613: 2015 Dodge Ram 1500
- Unit 4623: 2001 Ford F550

The City anticipates receiving \$280,000 in surplus revenue from the sale of the existing vehicles (\$30,000 per Ford Explorer x 8, totaling \$240,000, plus \$20,000 for the Dodge Ram 1500, plus \$20,000 for the Ford F550).

It is further recommended that the following vehicles be declared as surplus, as they were replaced following authorization by the City Council on July 27, 2021:

- Unit 4612: 2016 Dodge Charger
- Unit 4611: 2016 Dodge Charger
- Unit 4620: 2005 Honda Motorcycle
- Unit 4621: 2005 Honda Motorcycle

The City anticipates receiving \$25,000 in surplus revenue from the sale of the existing vehicles that will offset this cost (\$12,000 per Dodge Charger x 2, totaling \$24,000, plus \$500 per Honda Motorcycle totaling \$1,000).

Based on the condition of the aforementioned Police Department fleet vehicles, a residual surplus value is estimated to be approximately \$305,000. This surplus revenue from the sale of the existing vehicles will offset the cost of this project in FY 2022-23.

Item 8.g.

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ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. 1) Authorize the purchase of (a) thirteen (13) vehicles from Mullahey Ford, (b) vehicle fleet upfitting from Dana Safety Supply, (c) MDC Computers from Code3 Technologies, and (d) dash cameras from Safe Fleet; 2) Authorize a financing agreement for nine (9) Patrol vehicles and upfitting for a total not to exceed the amount of \$749,103, through a 4-year municipal lease from Holman Capital Corporation at an APR of 4.57% (4 annual payments of approximately \$201,583); 3) Authorize the cash purchase of four (4) vehicles and upfitting not to exceed the amount of \$204,395; 4) Adopt a Resolution declaring existing Police vehicles as surplus and authorizing their sale; and 5) Authorize the City Manager to execute all necessary documents;
2. Do not authorize the purchase of some or all of the proposed vehicles, and/or do not approve the municipal lease, and/or do not adopt the proposed resolution to surplus certain vehicles, and direct staff to seek new proposals; or
3. Provide other direction to staff.

ADVANTAGES:

The proposed plan will continue to provide for the police fleet leasing program, update the police vehicle fleet, maintain standardized equipment, reduce maintenance costs, and maintain residual values on the existing fleet for surplus sale.

DISADVANTAGES:

No disadvantages are identified at this time.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachments:

1. Lease Purchase Financing Approval – Holman Capital Corporation
2. Proposed Resolution – Declaring Surplus Vehicles