



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 07/10/07
AGENDA ITEM 4
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Director of Finance and Internal Services
SUBJECT: Authorization for City Manager to Execute Two Lease Purchase Agreements for the Purchase of Motor Vehicles

RECOMMENDATION:

That City Council approve the attached resolution authorizing the City Manager to execute two Equipment Lease/Purchase Agreements and other documents necessary to procure equipment lease financing from La Salle Bank.

BACKGROUND:

Staff is requesting approval for two lease purchase agreements. A Request for Proposal was sent to six providers of municipal lease financing. Three proposals were received. The five-year lease for 14 motor vehicles has a total estimated purchase price of \$510,038. The vehicles to be financed in the five-year lease represent four additions to the fleet and ten planned replacements in various departments. The net effective interest rates offered by the three bidders ranged from 4.08% to 4.55%. The lowest cost proposal was submitted by La Salle Bank. The equipment will be financed over a five-year term; this equates to ten equal payments of \$56,900 to finance the \$568,996 total acquisition cost.

The four-year lease purchase agreement for 22 motor vehicles has a total estimated purchase price of \$780,825. The vehicles to be financed represent planned replacements for the Police Department. The net effective interest rates offered by the three bidders ranged from 4.06% to 4.53%. The lowest cost proposal was submitted by La Salle Bank. The equipment will be financed over a four-year term; this equates to eight equal payments of \$106,728 to finance the \$853,825 total acquisition cost.

Over the past several years the City has taken advantage of low interest rate leases to spread the cost of equipment purchases over a portion of their useful lives. Staff recommends using lease financing for the current year equipment acquisitions identified. The last major vehicle acquisition was in April 2005. Included in the current acquisitions the City will be purchasing four hybrid vehicles. All equipment scheduled for replacement has exceeded its useful life, and has been inspected by the Equipment Management Manager. Vehicles scheduled for replacement will be rotated into alternative uses within the fleet or scheduled for auction. Staff further recommends that the City develop a comprehensive long term funding policy for our equipment replacement program. Staff will present a proposed policy to the Budget and Finance Committee during this fiscal year.

FISCAL IMPACT:

The FY 2007-08 Equipment Management Internal Service Fund budget includes \$700,000 for capital acquisitions, which is available for the debt services payments in the current year. Payments on existing leases are budgeted in the operating accounts; and therefore, future year debt service payments for the new leases will be included in the operating budget for each year.

Lease payments due by the City for vehicle acquisitions over the next five years, including the new leases are listed below.

Type of Obligation	Issue Date	Interest Rates	Total Lease Purchase	Annual Interest and Principal Payments				
				2007-08	2008-09	2009-10	2010-11	2011-12
NEW-5 yr 14 vehicles	07/07	4.08%	568,996	\$113,800	\$113,800	\$113,800	\$113,800	\$113,800
NEW- 4 yr 22 vehicles	07/07	4.06%	853,825	213,456	213,456	213,456	213,456	
2006-21 vehicles	01/06	3.92%	1,656,763	368,112	368,112	368,112	368,112	
2004-8 vehicles	10/04	3.19%	508,094	110,745	110,745	55,372		
2003- vehicles	12/03	3.03%	763,565	165,725	82,862			
2002 ABAG Revenue Bond	12/01	3-5%	2,480,000	260,800	221,800	219,000	220,500	
Total				\$1,232,638	\$1,110,775	\$969,740	\$915,868	\$113,800

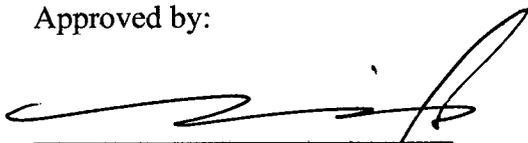
Lease documents are on file and available for review with the City Clerk.

Recommended by:



Debra C. Auker, Director of Finance and Internal Services

Approved by:



Fran David, Acting City Manager

Attachment: Draft Resolution

