



City of Pflugerville

Legislation Text

File #: 2021-0949, Version: 1

Authorizing the City Manager to execute agreement with Enterprise Fleet Management (EFM) for the capital lease of the City's fleet and establish an effective date

Fleet Management Solution:

- 15% of the current light and medium duty fleet is over 10 years old
- Older vehicles have higher fuel costs, maintenance costs, and tend to be unreliable
- It would take 9.1 years to cycle out the entire fleet at current acquisition rates

Enterprise Fleet Management Objectives:

- Save the City resources and funding through a managed vehicle program
- Utilize an open-end capital lease* as a funding mechanism, allowing the City to acquire additional vehicles while avoiding a large capital budget outlay.
- EFM anticipates a conservative cost savings of \$2,000,000 over the next 5 years which does not include savings from maintenance or fuel by operating newer vehicles.
- Replace aged vehicles with newer models to increase fuel efficiency and reduce maintenance expense. Integration of more fuel-efficient vehicles will reduce carbon footprint.
- Establish a proactive replacement plan that maximizes potential equity at time of resale, reduces operational expenses, and increases safety.

*An open-end lease means there are no early termination, no mileage, and no wear and tear penalties. Leases are written to a residual balance to preserve cash flow. The City receives flexibility of ownership, as well as net equity from sale at time of disposal. This is the opposite of the type of lease that you would incur at a dealership. The open-end equity lease is a flexible way to utilize a proactive vehicle replacement program.

The Adopted FY22 Budget included capital lease of the City's fleet. The funding authorized in General Fund at \$229,488 and Utility Fund at \$109,718.

Prior City Council Action

N/A

Deadline for City Council Action

Prior to October 1, 2021

Funding Expected: Revenue ___ Expenditure x___ N/A ___

Budgeted Item: Yes No ___ N/A ___

Amount: _\$339,206_____

1295 Form Required? Yes No ___

Legal Review Required: N/A ___ Required Date Completed: 9/6/2021

Supporting documents attached:

[Master Lease Agreement, Government addendum "GP3N - City of Pflugerville, Texas Addendum to Equity MLA", Capital Lease Addendum "3N City of Pflugerville, Texas - FASB 13 - Capital Lease Addendum", FY22 Vehicle Lease]

Recommended Action

Staff recommends approval of the lease agreement and supporting addendum.