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OFFICE OF THE CITY CLERK  
OAKLAND

2013 FEB 14 PM 12:42

## AGENDA REPORT

**TO:** DEANNA J. SANTANA  
CITY ADMINISTRATOR

**FROM:** Vitaly B. Troyan, P.E.  
Director, Public Works Agency

**SUBJECT:** Master Lease Purchase Agreement

**DATE:** January 14, 2013

City Administrator  
Approval

Date

2/13/13

**COUNCIL DISTRICT:** City-Wide

### RECOMMENDATION

Staff recommends that the City Council adopt a resolution authorizing the City Administrator to execute a master lease-purchase agreement in the amount of \$11,850,000 to replace approximately 153 vehicles and equipment items and, for items available from local vendors, authorizing the waiver of the Oakland purchasing ordinance's formal advertising and competitive bidding requirements and allowing the City Administrator to solicit bids from three vendors and award contracts for the purchase of the vehicles and equipment without returning to Council and for items not available from local vendors authorize the City Administrator to enter into cooperative purchase agreements with other governmental agencies to purchase the needed vehicles and equipment.

### OUTCOME

The following benefits will accrue from adopting this resolution:

1. Replacement of existing vehicles that are past their life expectancy, have excessive maintenance costs and are out of service more frequently than normal.
2. Deployment of well-performing assets critical to delivering services to citizens, maintaining the environment and collecting revenues.
3. Reduced maintenance costs, reduction in the number of spare units and lower lifecycle cost for these vehicles.
4. Reduced environmental impact by using newer equipment that lowers pollution and uses less fuel.
5. Improved protection for City employees by using vehicles that include up-to-date safety features.

Item: \_\_\_\_\_  
Public Works Committee  
February 26, 2013

## **BACKGROUND/LEGISLATIVE HISTORY**

Recent funding for vehicle and equipment replacement has been inadequate to ensure a cost-effective fleet. The Public Works Agency (PWA) provided its last fleet status report to the Finance Committee on September 11, 2012. The report discussed the age of the City's vehicle fleet and the high cost of keeping vehicles in service past their optimum replacement point. The fleet has a current replacement value of \$105 million. If each item were to be replaced at a reasonable interval for its type, there is an average annual capital funding requirement for \$10.2 million in current dollars. Due to the high number of vehicles currently overdue for replacement, immediate funding needs are \$25.9 million. This report proposes only to replace the most critical vehicles and those with the greatest excess maintenance cost.

The City Council and the Authority approved resolutions in 2000 and 2002 to allow the City to acquire vehicles and equipment through the use of Equipment Leases. Resolution numbers 75575 C.M.S and 77101 C.M.S. apply.

## **ANALYSIS**

The Public Works Agency is preparing to purchase approximately 153 replacement vehicles and pieces of equipment for the City's fleet that are beyond their economic life or are required to be replaced in order to provide reliable public safety functions. A listing of the vehicles is provided in *Attachment A, Project Itemized Cost Estimates*.

The following actions are requested of the City Council:

1. Authorize the City Administrator or designee to execute the Master Lease-Purchase Agreement, the Equipment Replacement Schedule, and the Escrow Agreement related to the lease financing of the vehicles and equipment without returning to Council.
2. Authorize the City Administrator or designee to acquire approximately 153 energy efficient vehicles and pieces of equipment on behalf of the City to replace the City's fleet vehicles overdue for replacement.
3. For items available from local vendors, authorize the waiver of the Oakland purchasing ordinance's formal advertising and competitive bidding requirements and allow the City Administrator to solicit bids from three vendors and award contracts for the purchase of the vehicles and equipment without returning to Council.
4. Authorize the City Administrator and/or designee to execute and deliver all City documents and to perform all actions necessary to carry out the equipment lease financing.

A resolution has been prepared that authorizes the City Administrator and/or designee to execute a Master Lease-Purchase Agreement (the "Agreement") for the finance of vehicles and mobile equipment.

Further, the proposed resolution authorizes the City Administrator to acquire approximately 153 replacement vehicles and pieces of equipment for the City's fleet in an amount not to exceed \$11,850,000. The acquisition of the equipment will be financed using the Master Lease-Purchase Agreement (the "Agreement") cited above.

#### *KEY ISSUES AND IMPACTS*

**Lease Transaction** - To assist the City with its proposed equipment lease financing, the City will enter into a Master Lease-Purchase Agreement, an Equipment Schedule, and an Escrow Agreement.

**Management of Proceeds** - The proceeds of the Master Lease-Purchase Agreement will be deposited into an Escrow Fund(s) established pursuant to an Escrow Agreement by the City. City staff will direct the Escrow Agent to make payments directly to each vendor from the appropriate Escrow Fund for the purchase of the necessary vehicles and equipment. The proceeds are also expected to generate interest income.

**Lease Payments** - Each schedule will have a life equal to the aggregate average useful life of the leased equipment. The majority of the equipment has useful lives between 3 years and 10 years, with an aggregate average useful life of approximately seven years. The \$11,850,000 equipment lease financing is structured with three- to ten-year maturities, with coupons ranging from 1.42 percent (3 years) to 2.12 percent (10 years). The lease will be paid off over a period of ten years, with declining semi-annual payments ranging from approximately \$3,403,061 to \$136,108 per year as shown in *Attachment B, Estimated Repayment Schedule*.

**Acquisition of Vehicles and Equipment** – For items available from local vendors, the proposed resolution authorizes the City Administrator to solicit informal bids and award contracts for the purchase of the needed vehicles and equipment without returning to Council. The reasons for this action are:

1. Soliciting formal bids would take 3-4 months; and
2. Deadlines established by equipment manufacturers for ordering new vehicles and equipment (e.g., police vehicles and fire trucks) for the current model year cannot be met in many cases if a formal bid process is utilized.

The City's resolution authorizes the City Administrator to award the vehicle and equipment contracts once informal bids have been received. Local Business Enterprises (LBE) will receive a 2.5 percent preference on their bids and Small Local Business Enterprises (SLBE) will receive an additional 2.5 percent preference in accordance with the City's Local and Small Local Business Enterprise Program for Construction, Professional Services and Purchasing Programs.

In the event the vehicles and equipment are not available through local vendors, the City Administrator will use existing authority to enter into cooperative purchase agreements or use the formal bidding process to obtain the vehicles and equipment to be replaced.

Environmental – In accordance with Council Resolution 77842 C.M.S., The Green Fleet Policy, Equipment Services Division will purchase alternative fuel vehicles for non-emergency fleet requirements whenever possible without exceeding the amount budgeted for vehicle acquisitions.

**POLICY ALTERNATIVES**

<i>Alternative 1</i>	Take no action, continue to maintain existing vehicles
<i>Pros</i>	Small incremental cost increases, no debt obligation
<i>Cons</i>	Vehicles continue to deteriorate and are out of service more frequently; maintenance costs continue to increase. Service levels decline.
<i>Reason for not recommending</i>	This is a non-sustainable approach.

<i>Alternative 2</i>	Purchase required vehicle and equipment replacements outright
<i>Pros</i>	No debt obligation or interest cost
<i>Cons</i>	Insufficient budget available in the current fiscal year
<i>Reason for not recommending</i>	This is impractical due to competing priorities for available funding

<i>Alternative 3</i>	Eliminate vehicles and equipment past due for replacement
<i>Pros</i>	Reduces costs immediately and significantly
<i>Cons</i>	Severely impacts service level to using departments and public. Compromises public safety and environmental compliance. Reduces revenue-generating activities.
<i>Reason for not recommending</i>	This would require significant downsizing of services to the public.

**PUBLIC OUTREACH/INTEREST**

This item did not require any additional public outreach other than the required posting on the City's website.

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 February 26, 2013

## COORDINATION

Information that is the basis of this report has been coordinated with the departments using the vehicles and equipment to be replaced, Treasury, the City Budget Office and the City Attorney's Office.

## COST SUMMARY/IMPLICATIONS

Finance the acquisition of approximately 153 replacement vehicles and pieces of equipment through the Equipment Lease. This financing transaction will provide \$11,850,000 in new proceeds. The Lease payments will be made from the City's Equipment Fund, which will earn revenues from rates charged to departments using the purchased vehicles and equipment.

The City will remove from service approximately 168 vehicles and pieces of equipment that are costing \$2.3 million per year to maintain. More vehicles can be removed from service than are being purchased because the new vehicles will be in commission more frequently, thus providing the same level of service. The maintenance cost of the new vehicles is expected to be \$1.1 million per year for a \$1.2 million annual savings. Cost savings estimates are detailed on *Attachment A*.

The City will remarket the vehicles and equipment removed from service for an estimated return of \$295,000 which will be deposited to the Equipment Fund to partially offset lease payments.

The internal service Equipment Fund has a negative balance of -\$7,205,277 as of the end of FY11-12. The fund is being restored through fleet usage rates charged to using departments and is scheduled to be a positive balance in FY18-19. The master lease-purchase program will not affect this schedule.

The Equipment Fund will charge using departments amounts to cover the semi-annual principal and interest payments on the master lease-purchase agreement. Impacts to departments are shown in a table at *Attachment B*. These amounts are accounted for in the FY13-15 baseline budget.

## SUSTAINABLE OPPORTUNITIES

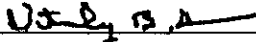
*Economic:* Sound management of the City's fleet reduces overall costs and increases available funding for direct services to citizens. As assets age, their fixed cost is reduced while their operational costs increase. For each type of equipment, there is a point where the total costs rise and the equipment has reached its economic life. Keeping the equipment in service after that point has a greater annualized cost than replacing it with a new asset. The proposed actions will replace approximately 153 vehicles that are past their economic life and will reduce expenditures over the next several years.

**Environmental:** Regular replacement of fleet assets deploys up-to-date technologies that reduce fuel consumption and emissions. For example, the marked police sedans to be purchased are expected to have 30 percent lower fuel consumption than the assets they replace.

**Social Equity:** There are no known impacts in this area.

For questions regarding this report, please contact Ken Bailey, Equipment Services Manager, at (510) 615-5487.

Respectfully submitted,

  
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VITALY B. TROYAN, P.E.  
Director, Public Works Agency

Reviewed by:  
David Ferguson, Assistant Director  
Department of Infrastructure and Operations

Prepared by:  
Ken Bailey, Equipment Services Manager  
Equipment Services Division, PWA

Attachments

- A, Project Itemized Cost Estimates
- B, Estimated Repayment Schedule

Attachment A, Project Itemized Cost Estimates

Category and Maintenance Class	Class Description	Average Replacement Cost Each	Average Service Life Years	Units to Replace	Purchase Cost	Current Maint Cost/Year	Estimated Maint Cost Savings
Fire Apparatus 15yr							
7753	Fire Apparatus, Pumper, Straight Trucks, 26,001- 33,000 GVW	\$650,000	15	3	\$1,950,000	\$88,128	\$54,005
Fire Apparatus 20yr							
7758	Fire Apparatus, Aerial Ladder Truck, Tiller, 26,001- 33,000 GVW	\$1,100,000	20	1	\$1,100,000	\$43,452	\$26,627
Light Trucks and Vans							
1411	Window, General Purpose, Van, < 8500 GVW	\$40,000	12	2	\$ 80,000	\$6,120	\$3,750
1521	Half Ton, Regular Cab, Pickups, < 8500 GVW	\$40,000	12	4	\$160,000	\$11,016	\$6,751
1532	3/4 Ton, Extended Cab, Pickups, < 8500 GVW	\$40,000	12	2	\$80,000	\$19,584	\$12,001
1534	3/4 Ton, Utility Body, Pickups, < 8500 GVW	\$40,000	12	4	\$160,000	\$23,256	\$14,251
2423	Cargo, Hi-Cube, Van, 8501- 10,000 GVW	\$40,000	12	3	\$120,000	\$18,360	\$11,251
2424	Cargo, Utility, Van, 8501- 10,000 GVW	\$40,000	12	1	\$40,000	\$6,120	\$3,750
2511	One Ton, Regular Cab, Pickups, 8501- 10,000 GVW	\$40,000	12	1	\$40,000	\$5,508	\$3,375
2512	One Ton, Extended Cab, Pickups, 8501- 10,000 GVW	\$40,000	12	1	\$40,000	\$3,672	\$2,250
2514	One Ton, Utility Bed, Pickups, 8501- 10,000 GVW	\$40,000	12	3	\$120,000	\$28,458	\$17,439
2712	General Purpose, Dump Bed, Straight Trucks, 8501- 10,000 GVW	\$40,000	12	2	\$80,000	\$11,628	\$7,126
3424	Cargo, Utility, Van, 10, 001- 14,000 GVW	\$40,000	12	2	\$80,000	\$12,240	\$7,501
Marked Law Enforcement							
1348M	Full Size, Law Enforcement, Automobile, < 8500 GVW	\$60,000	7	70	\$4,200,000	\$706,860	\$433,165
1648M	Emergency Services, Law Enforcement, Sport Utility, < 8500 GVW	\$70,000	7	4	\$280,000	\$23,256	\$14,251
Mechanical Sweepers							
6771	Public Works, Mechanical Street Sweeper, Straight Trucks, 19,501- 26,000 GVW	\$350,000	5	6	\$2,100,000	\$918,000	\$562,552
Parking Enforcement							
1322	Compact, Sedan, Automobile, < 8500 GVW	\$25,000	8	36	\$900,000	\$308,448	\$189,017
Unmarked LE, Other							

Attachment A, Project Itemized Cost Estimates (continued)

Category and Maintenance Class	Class Description	Average Replacement Cost Each	Average Service Life Years	Units to Replace	Purchase Cost	Current Maint Cost/Year	Estimated Maint Cost Savings
1348U	Full Size, Law Enforcement, Automobile, < 8500 GVW	\$40,000	8	8	\$320,000	\$36,720	\$22,502
Vehicle Cost Total				153	\$11,850,000	\$2,270,826	\$1,202,547
Total Project Cost					\$11,850,000		



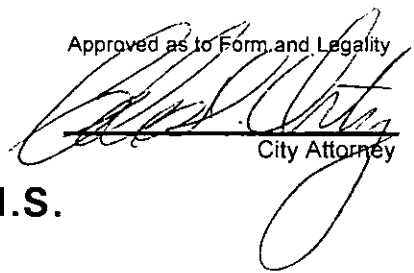
Attachment B, Estimated Repayment Schedule

Estimated Lease Payments									
FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
\$3,403,061	\$3,403,061	\$3,403,061	\$672,323	\$672,323	\$454,189	\$454,189	\$136,108	\$136,108	\$136,108

	Estimated Impact to Departments									
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Public Works	\$1,338,151	\$1,338,151	\$1,338,151	\$ 264,371	\$ 264,371	\$ 178,596	\$ 178,596	\$ 53,520	\$ 53,520	\$ 53,520
Police	\$1,287,614	\$1,287,614	\$1,287,614	\$ 254,386	\$ 254,386	\$ 171,851	\$ 171,851	\$ 51,499	\$ 51,499	\$ 51,499
Fire	\$ 643,139	\$ 643,139	\$ 643,139	\$ 127,061	\$ 127,061	\$ 85,836	\$ 85,836	\$ 25,723	\$ 25,723	\$ 25,723
Other	\$ 134,157	\$ 34,157	\$ 134,157	\$ 26,505	\$ 26,505	\$ 17,905	\$ 17,905	\$ 5,366	\$ 5,366	\$ 5,366

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

# OAKLAND CITY COUNCIL



City Attorney

2013 FEB 14

RESOLUTION No. \_\_\_\_\_

C.M.S.

PM 12:42

Introduced by Councilmember \_\_\_\_\_

**A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO: (1) EXECUTE A MASTER LEASE-PURCHASE AGREEMENT IN THE AMOUNT OF \$11,850,000 TO REPLACE APPROXIMATELY 153 VEHICLES AND EQUIPMENT ITEMS AND (2) AUTHORIZING THE WAIVER OF THE OAKLAND PURCHASING ORDINANCE'S FORMAL ADVERTISING AND COMPETITIVE BIDDING REQUIREMENTS FOR ITEMS AVAILABLE FROM LOCAL VENDORS AND ALLOWING THE CITY ADMINISTRATOR TO SOLICIT BIDS FROM THREE VENDORS AND AWARD CONTRACTS FOR THE PURCHASE OF THE VEHICLES AND EQUIPMENT WITHOUT RETURNING TO COUNCIL AND (3) FOR ITEMS NOT AVAILABLE FROM LOCAL VENDORS, AUTHORIZING THE CITY ADMINISTRATOR TO ENTER INTO COOPERATIVE PURCHASE AGREEMENTS WITH OTHER GOVERNMENTAL AGENCIES TO PURCHASE THE NEEDED VEHICLES AND EQUIPMENT.**

**WHEREAS,** Over one half of the City's vehicle and equipment fleet is aged beyond its economic life and that certain assets have deteriorated to a point so as to compromise the performance of essential public services; and

**WHEREAS,** Replacement reserve funds are not available to purchase the needed items outright; and

**WHEREAS,** Excessive maintenance costs for existing equipment is exceeding potential financing cost for its replacement; and

**WHEREAS,** The City has utilized equipment master lease-purchase agreements in 2000 and 2002 for similar purposes; and

**WHEREAS,** The Equipment Services Division will use the City's informal competitive bid process or cooperative purchasing agreements to purchase the vehicles; and

**WHEREAS,** Oakland Municipal Code ("OMC") Section 2.04.050 A requires formal advertising and competitive bidding for purchases of vehicles and related equipment installation services and the award to the lowest responsible, responsive bidder if award is made; and

**WHEREAS,** Section 2.04.050 I. 5 provides an exception to the formal advertising and competitive bidding requirement of the OMC upon a finding and determination by the Council that it is in the best interests of the City to do so; now, therefore be it

**RESOLVED**, the Council hereby finds and determines that pursuant to **OMC Section 2.04.050 I. 5** it is in the best interests of the City to waive formal advertising and competitive bidding based on the reasons and circumstances set forth in the Council Report that accompanies this Resolution; and be it

**FURTHER RESOLVED**, that the City Administrator is authorized to execute a Master Lease-Purchase Agreement in the amount of \$11,850,000, the Equipment replacement Schedule, and the Escrow Agreement related to the lease financing of the vehicles and equipment without returning to council; and be it

**FURTHER RESOLVED**, that the City Administrator is authorized to acquire approximately 153 energy efficient vehicles and pieces of equipment on behalf of the City to replace the City's fleet vehicles scheduled for replacement; and be it

**FURTHER RESOLVED**, that for items available from local business enterprises, the City Administrator is authorized to forego formal advertising and competitive bidding and solicit bids from three vendors and award contracts for the purchase of the vehicles and equipment without returning to Council; and be it

**FURTHER RESOLVED**, that in the event that such equipment is not obtainable through local business enterprises, the City Administrator is authorized to enter into cooperative purchase agreements with other governmental agencies to purchase the needed vehicles and equipment.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, KALB, KAPLAN, McELHANEY, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California