



Central Marin Police Authority

Staff Report

TO: Central Marin Police Council

FROM: Michael A. Norton, Chief of Police
Hamid Khalili, Captain

DATE: August 3, 2017

RE: ADOPTION OF RESOLUTION NO. 2017/13 – POLICE VEHICLE LEASE/PURCHASE

ACTION REQUESTED

That Council hear the staff report, take comment, and adopt Resolution No. 2017/13 authorizing the Authority to enter into a 4-year lease agreement with the PNC Equipment Finance, LLC to lease/purchase five unmarked police vehicles.

REFERENCE

Police vehicle lease purchase agreement proposal attached.

FISCAL IMPACT

The total cost of the proposed lease program for five unmarked police vehicles over the 4-year lease period is \$175,000.00 (this includes the purchase price of \$168,768.98 plus the anticipated interest cost of \$6,231.02). The annual net payment will be \$43,750.00 for the four following fiscal cycles with a \$1.00 buyout option at the end of the lease term. At the conclusion of the 4-year lease term, the vehicles will be the property of the Police Authority.

BACKGROUND

The Police Authority maintains a fleet of unmarked vehicles which are assigned to Administrators and the Investigations Unit. The new leased vehicles will replace existing unmarked vehicles that have reached the end of their service life.



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When the current fiscal year's budget was adopted in May 2017, the Central Marin Police Authority budgeted \$125,000 for the purchase of any new police vehicles and related safety equipment. The Authority maintains a fleet of unmarked police vehicles which are assigned to Administrators and Detectives. Over 75% of the current unmarked fleet is 10 years or older and the majority have 150,000 miles or more. In recent months, two unmarked vehicles have been diagnosed with major mechanical repairs that cost more than the value of the vehicle. Therefore, those two vehicles have been selected for priority replacement. In addition, due to the higher mileage of these vehicles, the repair/maintenance costs have also increased.

Furthermore, one of the proposed new unmarked vehicles will be allocated to the Detective assigned to the Northern California Computer Crimes Task Force. Through a memorandum of understanding, the Task Force reimburses the Police Authority approximately 80% of the vehicle's cost.

The unmarked vehicles being proposed are the 2018 Ford Fusion Hybrid. These vehicles are EPA tested by the U.S. Department of Energy with a miles per gallon rating of 43 City and 41 Highway with a combined 42 miles per gallon. The Authority estimates a significant fuel savings over the life span of these vehicles as compared to the current fleet. The acquisition of hybrid vehicles will further demonstrate the Police Authority's dedication to partnering with our communities efforts to go green.

In FY 2010/2011, the Authority entered into a vehicle lease program to replace police vehicles and their emergency equipment on a regular schedule. The lease program agreement allows the Authority to spread the purchase cost of the vehicle, its equipment, and any extended warranties over several years. Since the program's inception, maintenance costs on the vehicles have been reduced due to the extended warranty purchased at the time of the lease. Continuing to obtain vehicles in this manner will extend the service life of both the marked and unmarked fleet with continued reduction in maintenance and outfitting costs.

Pursuant to the Central Marin Police purchasing policy, three bids were obtained for the unmarked police vehicle lease program. The lowest bids that complied with the program were from The Ford Store San Leandro and Priority One Public Safety Equipment Installation, Inc.

STAFF RECOMMENDATION

That the Council approve and adopt Resolution No. 2017/13, authorizing the Police Authority to enter into a 4-year lease agreement with PNC Equipment Finance, LLC. The agreement will be to lease five unmarked vehicles for approximately \$43,750.00 per year. The lease will be entered into immediately, with the first lease payment due upon delivery of the vehicles. At the conclusion of the 4-year lease term, the vehicles will be the property of the Police Authority.



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Respectfully submitted,

Hamid Khalili
Police Captain

Attachments:

1. Police vehicle Lease Purchase Agreement Proposal
2. Resolution No. 2017/13



July 13, 2017

Cpt. Hamid Khalili
Central Marin Police Authority
250 Doherty Drive
Larkspur, CA 94939

RE: Request for Financing Proposal – Lease Purchase Financing (the “RFP”)

Dear Cpt. Khalili,

PNC Equipment Finance, LLC for itself, its successors and assigns, is pleased to submit this tax-exempt Lease Purchase Agreement Proposal (the “Proposal”) to the Central Marin Police Authority for the purchase of Police Vehicles (further described below). Our Proposal is as follows:

LESSEE: Central Marin Police Authority

LESSOR: PNC Equipment Finance, LLC

TYPE OF FINANCING: Tax-exempt Lease Purchase Agreement (the “Agreement”) with \$1.00 buyout option at end of lease term. Said Agreement shall be a net lease arrangement whereby Lessee is responsible for all costs of operation, maintenance, insurance and taxes.

BANK QUALIFICATION OPTION: This Proposal assumes that the Lessee will be issuing less than \$10 million in tax-exempt debt during calendar year 2017. Furthermore, it is assumed that the Lessee will designate this issue as a qualified tax-exempt obligation pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). A portion of each Lease Payment allocated as “interest” will be excludable from the gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

TYPE OF EQUIPMENT/PROJECT:	Four (4) 2018 Ford Fusion SE Hybrid 601A pkg	\$115,701.40
	One (1) 2018 Ford Fusion SE Hybrid 600A pkg	\$ 27,483.33
	Five (5) Emergency Package/Installation	<u>\$ 25,584.25</u>
	Total Vehicle/Equipment Cost:	\$168,768.98

All prices, terms, conditions and selection are solely by Lessee.

PROJECT AMOUNT: \$168,768.98

FINANCED AMOUNT: \$168,768.98

PAYMENT MODE/FREQUENCY: Annually in Arrears
(First payment due Thirty (30) days after lease commencement)

- LEASE TERM:** Four (4) Years
- LEASE RATE:** 2.332%
- LEASE PAYMENTS:** Four (4) Principal and Interest payments of \$43,750.00
- ESCROW FUNDING OPTION:** At lease closing, Lessor shall fund the entire Financed Amount into an escrow account from which disbursements will be made to the existing Lessor and to equipment provider(s) as directed. Escrow agent will either be Lessor or third-party provider selected by Lessor and approved by Lessee. All escrow earnings will be for the benefit of Lessee. A set-up fee for Lessor's escrow arrangement will be \$250.00, due at lease closing.
- INSURANCE:** The Lessee shall furnish confirmation of all risk physical damage insurance coverage for the full cost of the property. In addition, Lessee shall provide \$2 million combined single limit property damage and bodily injury insurance covering the property. Lessor shall be named as loss payee and additional insured on such coverage.
- AUTHORIZED SIGNERS:** The Lessee's governing board shall provide Lessor with its resolution or ordinance authorizing this Agreement and shall designate the individual(s) to execute the Agreement used therein.
- LEGAL OPINION:** The Lessee's counsel shall furnish Lessor with an opinion covering this Agreement. This opinion shall be in a form and substance satisfactory to Lessor at Lessee's cost.
- LEGAL TITLE:** Legal title to the equipment during the lease term shall vest in the Lessee, with Lessor perfecting a first security interest through uniform commercial code filing or any other such instruments as may be required by law. Upon performance of the terms and conditions of the Agreement, the Lessee shall have the option to purchase all equipment for \$1.00.
- DOCUMENTATION:** Lessor shall provide the Agreement.
- PREPAYMENT OPTION:** So long as Lessee is not in default of the Agreement, Lessee shall have the option of paying off this transaction according to the Termination Values listed on the Amortization Schedules as provided in this Proposal. Partial prepayments will not be permitted under this Agreement.
- PROPOSAL EXPIRATION:** This Proposal will automatically expire at the end of business on August 31, 2017 unless accepted in writing by Lessee or extended in writing by Lessor.

This Proposal is subject to final credit approval by Lessor and approval of Agreement in Lessor's sole discretion. To render a credit decision, Lessee shall provide Lessor with its two most recently audited financial statements and a copy of its most current year's budget.

Central Marin Police Authority
Request for Financing Proposal - Lease Purchase Financing
July 13, 2017

I trust that you will find the contents of this Proposal to your satisfaction. If you should have any questions please contact me at 614-463-6580 or toll free at 866-215-9619 ext. 2.

Sincerely,
PNC Equipment Finance, LLC

Alan Zuelke
Vice President

ACCEPTED BY: Central Marin Police Authority

By: _____

Title: _____

Date: _____

Compound Period: Annual
Nominal Annual Rate: 2.332%

AMORTIZATION SCHEDULE - Normal Amortization, 360 Day Year

	Date	Payment	Interest	Principal	Balance	Termination Value
Loan	8/1/2017				168,768.98	No Call
1	9/1/2017	43,750.00	338.93	43,411.07	125,357.91	No Call
2	9/1/2018	43,750.00	2,923.58	40,826.42	84,531.49	No Call
3	9/1/2019	43,750.00	1,971.43	41,778.57	42,752.92	44,035.51
4	9/1/2020	43,750.00	997.08	42,752.92	0.00	1.00
Grand Totals		175,000.00	6,231.02	168,768.98		

**CENTRAL MARIN POLICE AUTHORITY
RESOLUTION NO. 2017/13**

**A RESOLUTION OF THE CENTRAL MARIN POLICE COUNCIL OF THE CENTRAL
MARIN POLICE AUTHORITY ESTABLISHING A FOUR-YEAR POLICE VEHICLE
LEASE/PURCHASE PROGRAM**

WHEREAS, the Central Marin Police Council, at its meeting of August 3rd, 2017 reviewed and considered the proposed 4-year police vehicle lease/purchase program; and

WHEREAS, the proposed police vehicle lease program with PNC Equipment Finance, LLC to lease five unmarked police vehicles at a cost of approximately \$43,750.00; and

WHEREAS, the proposed lease program takes into consideration the new leased vehicles will replace current unmarked vehicles that have reached the end of their service life; and

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Central Marin Police Council approves of and adopts this vehicle lease program; and

IT IS HEREBY CERTIFIED, that the forgoing resolution was duly introduced and adopted at a public meeting of the Central Marin Police Council of the Central Marin Police Authority held on the 3rd day of August, 2017 by the following vote, to wit:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:
ABSTAIN: COUNCILMEMBERS:
ATTEST:

Zaneta Feleo, Authority Clerk
Central Marin Police Authority

Ann Morrison, Council Chair
Central Marin Police Authority