



## Council Communication File Number: Ord 2449

**Agenda Date:** 12/5/2022

**Version:** 1

**Status:** Agenda Ready

**In Control:** City Council

**File Type:** Ordinance

**Agenda Number:**

FIRST READING OF AN ORDINANCE AUTHORIZING AN INCREASE IN SPENDING ON VEHICLE LEASES FOR THE YEAR 2023 AS PART OF THE CITY'S MASTER LEASE PROGRAM AGREEMENT WITH ENTERPRISE FLEET MANAGEMENT

### Summary & Background

In November of 2017, the City Manager entered into a Master Equity Lease Agreement with Enterprise Fleet Management for the ongoing procurement of the City's Fleet as existing vehicles were retired and replaced, or for fulfilling new or additional vehicle requests through the budget process. The Master Equity Lease Agreement itself, does not have a termination date or specified term. However, it does specify that no individual vehicle lease shall exceed a five (5) year term (which the Fleet Division complies with).

In addition to the execution of the Enterprise Master Equity Lease Agreement, the City Council passed Ordinance 2143 in November 2017 authorizing the expenditure of \$3,548,125 for lease payments on the initial tranche of vehicle leases (5 years).

During the course of calendar year 2021, it was identified that the initial expenditure amount authorized by Ordinance 2143 would be insufficient to meet all required lease payments for the due to unforeseen inflationary impacts. As a result, in November 2021, City Council passed Ordinance 2358 authorizing additional expenditure not to exceed \$5,968,985.72 to fund the vehicle leases. Upon passing Ordinance 2358, the City Council directed staff to:

- Conduct an audit of the efficacy of the Fleet Program
- Create an RFP if the decision is to continue leasing vehicles to allow the best price and other competitors to bid
- Improve sustainability of fleet through introduction of electric vehicles and other fuel alternative vehicles

As per direction by City Council, staff contracted with Innovative Fleet Technology to conduct a comprehensive evaluation of the entire fleet operation, including all specific City Council requests as noted above.

The analysis conducted by Innovative Fleet Technology is to occur in two phases. Phase One was completed in early October, and the key findings were presented to City Council at its 24 October 2022 study session. At that time, City Council was advised that the

analysis would be ongoing into Q2 of 2023 and authorization of additional funding for the existing leasing program would be needed through 31 December 2023 in order to ensure an adequate fleet of vehicles is available to meet the City's operational demands and responsibilities.

The requested ordinance authorizes an additional \$1,231,014.21 for Enterprise Fleet Vehicle Leasing Program, not to exceed \$7,200,000 in aggregate through December 31, 2023. Funding for this Ordinance is part of the 2023 Fleet Operating Budget.

Currently, 143 vehicles of the City's fleet are comprised of vehicles leased through the Enterprise Master Equity Lease Agreement with termination dates varying from 2022 through 2027. Furthermore, given the ongoing comprehensive fleet analysis, it is in the best interest of the City to continue with the currently executed leases until such time as our consultant analysis identifies the best path forward in relation to the current Enterprise Leasing Program, which may include reducing the number of City leased vehicles or termination of the Leasing Program entirely.

Presently, staff is not procuring any additional or replacement vehicles through the Enterprise Leasing Program unless it is necessary until such time as the analysis, recommendations, and transition plan are completed by the consultant.

Additionally, it is in the best interest of the City not to enter into an extended agreement with Enterprise Fleet Management Program, but rather remain tied to the individual leases for each vehicle that the City can terminate early per the agreement (at a currently undetermined cost/penalty for each vehicle).

**Staff Responsible (Department Head):** Joe Wilson, Director of Public Works

**Staff Presenting:** Joe Wilson, Director of Public Works

**Financial Impact:** \$1,231,014.21

**Funding Source:** Proposed 2023 Fleet Operating Budget

**Staff Recommendation:** Approve An Ordinance Authorizing an Increase in Spending for 2023 in Support of the City's Master Lease Program Agreement with Enterprise Fleet Management.

**Suggested Motion:** Move To Approve An Ordinance Authorizing an Increase on Spending for Vehicle Leases in Support of the City's Master Lease Program Agreement with Enterprise Fleet Management.