

(Purchasing No. 15-029)

EM SUBMISSION NO.: EME 4062014

PRESENTED: 7-24-14

ADOPTED: 10-27-14

BY THE EMERGENCY MANAGER:

RESOLUTION TO ENTERPRISE FM TRUST FOR LEASING OF VARIOUS VEHICLES

BY THE EMERGENCY MANAGER

RESOLUTION

This resolution amends Emergency Manager resolution # EME4062014 to reflect a change in the dollar amount, and

The Department of Purchases and Supplies has requested information for leasing of various vehicles as requested by the Fleet Department; and

Enterprise Fleet Management, 29301 Grand River Ave., Farmington Hills, MI was the sole vendor to respond to said request and has provided a cost to lease said vehicles for a five year period. The account number and annual payment amount to pay said lease is as follows: 661-451.100-940.000

Year	No. of Units	Payment (Annually)
Year 1 (FY15)	47	*\$667,132.31
Year 2 (FY16)	47	\$330,062.28
Year 3 (FY17)	47	\$330,062.28
Year 4 (FY18)	47	\$330,062.28
Year 5 (FY19)	47	\$346,512.28
Total		\$2,003,831.43

*Amount includes 20% down to be paid in first year


; and

IT IS RESOLVED, that the Proper City Official, upon the Emergency Manager's approval, are hereby authorized to order and enter into a five year lease agreement with Enterprise Fleet Management in an amount not to exceed \$2,003,831.43 for the five year leasing period. (Fleet/Central Garage Fund) \$667,132.31 paid in FY15, \$330,062.28 paid in FY16, \$330,062.28 pending adoption of FY17 budget, \$330,062.28 pending adoption of FY18 budget, \$346,512.28 pending adoption of FY19 budget.

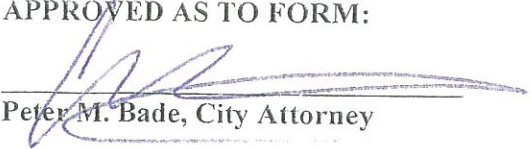
APPROVED PURCHASING DEPT:


Derrick Jones, Purchasing Manager

APPROVED AS TO FINANCE:

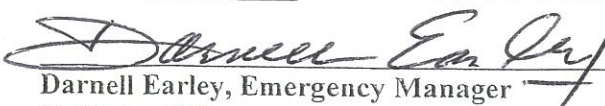

Gerald Ambrose, Finance Director

APPROVED AS TO FORM:


Peter M. Bade, City Attorney

EM DISPOSITION:

ENACT ✓ REFER TO COUNCIL _____ FAIL _____


Darnell Earley, Emergency Manager
071013 - DFJ

DATED: 10-27-2014



DEPARTMENT OF PURCHASES AND SUPPLIES

Dayne Walling
Mayor

Derrick F. Jones
Purchasing Manager

TO: Jerry Ambrose, Director
Finance Department

FROM: Derrick Jones, Manager *D.F.J.*
Purchasing Department

DATE: October 9, 2014

RE: Response to State Concerning Leasing of Vehicles

During the beginning of 2014, the City began the process of seeking a vendor to provide vehicle leasing as requested by the Fleet Department. After a long and arduous procurement process, the Purchasing Department submitted a recommendation to the Administration to award a contract to Enterprise Fleet Management. The recommendation was forwarded to the State of Michigan (SOM) for final approval during the month of July. The SOM forwarded a series of questions (and/or concerns) on the recommendation in which the City promptly responded. After a series of e-mails, the City was afforded an opportunity to sit down with the SOM on Monday, October 6, 2014 to receive assistance on how to proceed in pursuing a final approval. It was recommended that the City write a memo addressing certain aspects of the procurement process and that said memo would be forwarded to the State for further review.

Listed below is the information that was asked to be addressed, by the State, concerning the procurement process of this recommendation.

Process Used for Lease Contractor

During the FY14 fiscal year, the City made the decision to implement a vehicle replacement program that would procure vehicles (and large equipment) through a leasing program versus a direct purchase. It was determined that the greatest advantage to leasing vehicles was the ability to leverage the City's cash by procuring more vehicles during a fiscal year, which will assist us in replacing a greater number of older vehicles within a shorter period of time (see chart entitled "Cost Comparison").

Once this decision was made, the Purchasing Department reviewed the MiDeal program to research if there were any current contracts in effect for the leasing of vehicles. Purchasing located a vendor from MiDeal, and proceeded to contact the state approved vendor, Wheels, to begin a conversation on how the City could utilize the contract for its use. Wheels provided information on the services that could be provided, however, they informed us that there was a concern with the financial condition and rating of the City and that there was a high probability that the City would not receive the appropriate approval to move forward with a lease. Based on said conversation, the Purchasing

Department solicited Hertz and Enterprise, via phone, to determine if there was a willingness to do business with the City, along with solidifying a long term partnership that would enable the City to implement a vehicle replacement program. Enterprise Fleet Management stated their wiliness to partner with the City.

Enterprise Fleet Management met with the City to discuss their program and how it could meet our needs. The program entails the City providing a list of requested vehicles to Enterprise. Enterprise would solicit discounts (which averaged about 15%) on specific categories (or classes) of vehicles directly from the various vehicle manufacturers and provide this information to the City. The City would review the list and select the lowest responsive manufacturer for that vehicle category. Enterprise program also included a vehicle maintenance program and a process to dispose of vehicles at the end of the lease.

Based on the discount that the City will receive on vehicles, the ability to select a low manufacturer for vehicles, the ability to replace an aging fleet, the realization of savings by utilizing the maintenance program (see chart entitled "Maintenance Analysis), and the assistance in disposing of vehicles at the end of their lease, it was recommended that a contract be established with Enterprise. The City decided to put 20% down payment (20% of the capitalized price of vehicle) on the first order, with the intent that additional vehicles will be leased during the next five years with Enterprise.

Vehicle Replacement Needs

The City has approximately 528 vehicles in our Fleet. The average age of these vehicles is 10 years. The City wants to replace this aging fleet by leasing. It is our intent to lease approximately 25 vehicles per fiscal year for five years, which will amount to approximately 225 vehicles that would get replaced within said period. The City will be able to carry out this plan financially by avoiding the initial cash outlay in procuring vehicles by entering into lease agreements, plus save money by participating in the maintenance servicing agreement with the leasing company. Leasing will also allow us to leverage our cash because we will only have to pay monthly lease payments over five years versus draining the cash in procuring the vehicles out right.

Please note that the Police vehicles are not included because they generally use grant funds to purchase their vehicles.

Names of Contractors Contacted

The City initially contacted Wheels, which is the vendor that has been approved by the State of MI and available for municipals through the MIDeal program. Wheels stated that the City's probability of approval was low, so the Purchasing Department contacted Hertz and Enterprise, via phone, to solicit our request. Enterprise was the only vendor to respond.

Reply from Enterprise

Enterprise was the only vendor to respond to our request based on the City's financial condition. Enterprise will provide the City with a lease that is underwritten by Enterprise, a service maintenance agreement that will save the City, and a method of disposing of the vehicles upon completion of the lease. The City did compare the interest rate on the lease to that of Wheels, and found that it was slightly lower than Wheels, so we felt that it was a good deal.

The City will benefit from this lease because we will only have to pay one vendor that will provide all of the aforementioned services. That is truly "one stop shopping!"

Please note that if the City decides that it does not want to continue to lease, we have the option to terminate the lease and return the vehicles.

Pricing Comparisons

City's comparison of pricing is provided which shows the pricing comparison for similar models with similar characteristics from Ford and General Motors. The City reviewed pricing and selected the models that had the lowest responsive price (see chart entitled "Vehicle Model Evaluation").

Best Value

The City compared the different models as priced for the best value based on the City's needs. Vehicles were selected on monthly cost as well as overall costs while meeting all departmental requirements (see chart entitled "Vehicle Model Evaluation").

Due Diligence

Enterprise will contract with local service providers for regular maintenance needs. Routine maintenance is included. The leased fleet will be managed by the Contractor which will reduce risk of under maintenance.

Jerry, if you need any additional information, please feel free to contact me. Thanks.

Cost Comparison

Cost to Lease							
Type	Equinox	GMC 2500HD SRW	Ford F250 SRW	Ford F350 DRW	Frtlnr MT55 Panel	GMC 3500HD Dump	Ford F350 Service
Qty	7	6	13	3	6	11	1
Capitalized Price	\$23,955.50	\$17,776.30	\$21,689.00	\$24,449.00	\$86,316.00	\$43,710.80	\$32,780.06
License Fee	\$103.00	\$103.00	\$103.00	\$103.00	\$103.00	\$103.00	\$103.00
Down Payment (CPR)	\$4,791.10	\$3,555.26	\$4,337.80	\$4,889.80	\$17,263.20	\$8,742.16	\$6,556.01
MO Lease Cost	\$351.31	\$261.05	\$318.21	\$357.73	\$1,320.32	\$669.32	\$502.28
MO Maintenance Cost	\$37.57	\$38.61	\$42.32	\$45.98	\$84.40	\$67.10	\$55.83
Total Mo Lease (w/maint)	\$388.88	\$299.66	\$360.53	\$403.71	\$1,404.72	\$736.42	\$558.11
Scervice Chg	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00
Lease Cost (ea)	\$28,576.90	\$21,987.86	\$26,422.60	\$29,565.40	\$101,999.40	\$53,380.36	\$40,495.61
Total Lease Cost x Qty	\$200,038.30	\$131,927.16	\$343,493.80	\$88,696.20	\$611,996.40	\$587,183.96	\$40,495.61
	\$15,779.40	\$13,899.60	\$33,009.60	\$8,276.40	\$30,384.00	\$44,286.00	\$2,003,831.43
Book Value @ End of Lease	-\$3,066.40	-\$2,275.64	-\$2,776.00	-\$3,129.40	-\$6,905.40	-\$3,496.84	-\$2,662.45
Sale of Existing Vehicle	-\$1,000.00	-\$1,500.00	-\$1,500.00	-\$1,700.00	-\$3,000.00	-\$3,000.00	-\$3,000.00
Total X Qty	-\$28,464.80	-\$22,653.84	-\$55,588.00	-\$14,488.20	-\$59,432.40	-\$71,465.24	-\$5,662.45
Total Lease Cost	\$171,573.50	\$109,273.32	\$287,905.80	\$74,208.00	\$552,564.00	\$515,718.72	\$34,833.16
					Total Cost to Lease		\$1,746,076.50
Cost to Buy							
*Est. Purchase Price	\$27,548.83	\$21,325.00	\$26,263.00	\$28,642.00	\$94,947.60	\$50,267.42	\$37,697.07
Book Value @ End of Life	-\$3,066.40	-\$2,275.64	-\$2,776.00	-\$3,129.40	-\$6,905.40	-\$3,496.84	-\$2,662.45
Average Life Maint Cost	\$1,303.75	\$5,555.00	\$5,555.00	\$14,139.25	\$11,322.00	\$14,139.25	\$14,139.25
Sale of Existing Vehicle	-\$1,000.00	-\$1,500.00	-\$1,500.00	-\$1,700.00	-\$3,000.00	-\$3,000.00	-\$3,000.00
Total Cost Each	\$24,786.18	\$23,104.36	\$27,542.00	\$37,951.85	\$96,364.20	\$57,909.83	\$46,173.87
Total Cost x Qty	\$173,503.23	\$138,626.16	\$358,046.00	\$113,855.55	\$578,185.20	\$637,008.13	\$46,173.87
					Total Cost to Buy		\$2,045,398.13
* Price from MDeal or Estimated					Potential Lease Savings		\$299,321.63

Maintenance Analysis

Quote				Box	Cab	WB		Engine	Vendor MO Maint. Cost	Vendor Annual Maint.	Actual Maint Avg	Diff (+/-)	Qty	*Potential Life Savings
2564043	Chev	Equinox	AWD					2.4L gas	\$37.57	\$450.84	\$651.88	-\$201.04	7	\$7,036.23
2564035	GMC	Terrain	AWD					2.4L gas	\$37.57					
2564038	Ford	Escape	AWD					1.6L gas	\$39.12					
2563663	GMC	2500HD	4x4	8	Dbl	158.1	SRW	6.0 gas	\$38.61	\$463.32	\$793.57	-\$330.25	6	\$9,907.54
2563646	Ford	F250	4x4	8	Dbl	158.0	SRW	6.2 gas	\$42.32					
2563655	GMC	2500HD	4x4	8	Dbl	158.1	SRW	6.6 diesel	\$49.44					
2563629	Ford	F250	4x4	8	Dbl	158.0	SRW	6.7 diesel	\$54.05					
2563672	GMC	2500HD	4x4	8	Reg	133.6	SRW	6.0 gas	\$40.77					
2563680	Ford	F250	4x4	8	Reg	137.0	SRW	6.2 gas	\$42.32	\$507.84	\$793.57	-\$285.73	13	\$18,572.54
2563669	GMC	2500HD	4x4	8	Reg	133.6	SRW	6.6 diesel	\$51.60					
2563618	Ford	F250	4x4	8	Reg	137.0	SRW	6.7 diesel	\$54.05					
2563716	GMC	3500HD	4x4		Reg	133.6	DRW	6.0 gas	\$44.43					
2563764	Ford	F350	4x4	8	Reg	137.0	DRW	6.2 gas	\$45.98	\$551.76	\$2,262.28	-\$1,710.52	3	\$25,657.80
2563712	GMC	3500HD	4x4		Reg	133.6	DRW	6.6 diesel	\$57.38					
2563736	Ford	F350	4x4	8	Reg	137.0	DRW	6.7 diesel	\$59.82					
2566918	Frtlnr	MT55	2x4	Pnl					\$84.40	\$1,012.80	\$2,830.50	-\$1,817.70	6	\$54,531.00
2566932	GMC	3500HD	4x4	Dump	Reg	137.5	DRW	6.6 diesel	\$67.10	\$805.20	\$2,262.28	-\$1,457.08	11	\$80,139.40
2569492	Ford	F350	4x4	Dump	Reg	141.0	DRW	6.2 gas						
2569514	Ford	F450	4x2	Dump	Reg	141.0	DRW	6.7 diesel	\$69.67					
2563695	Ford	F450	4x2	Service	Reg	141.0	DRW	6.7 diesel						
2563739	Ford	F350	4x4	Service	Reg	141.0	DRW	6.2 gas	\$55.83	\$669.96	\$2,262.28	-\$1,592.32	1	\$7,961.60
2566929	GMC	3500HD	4x4	Service	Reg	137.5	DRW	6.6 diesel						
										\$4,461.72	\$11,856.36	-\$7,394.64	47	\$196,769.89

Maintenance agreement does not include:

Fuel, fluids between changes, tire repair or replacement, washes, repair due to lack of maintenance, maintenance or repairs of any aftermarket alterations including add-on boxes

Damage, acts of God, improper use, roadside assistance, towing, cost of loaner, brakes, manual transmissions, FE alignment

**"Potential Life Savings" does not include costs for non-covered items

Vehicle Model Evaluation

		M N O P Q R S										W X															
Quote Date	Quote	Box	Cab	WB	Engine	Capitalized Amount	License Fee	Capital Price Reduction	Service Charge	MO Lease	Vendor MO Maint. Cost	Annual Lease (P+Q)*12	RBV	First YR Cost (M+N+R)	5 yr TC Each (R*5)+(M+N+O+S)	CPM	FY 14 QTY	FY 15 QTY	FY14 Total Cost (W*T)	FY15 Total Cost (X*T)+(W*R)	FY16 Total Cost (R)*(X+W)	FY17 Total Cost (R)*(X+W)	***FY18 Total Cost ((R+O+S)*(w))+(X*R)				
5/14/2014	2564043	Chev	Equinox	AWD	2.4L gas	\$19,164.40	\$103.00	\$4,791.10	\$350.00	\$351.31	\$37.57	\$4,666.56	\$3,066.40	\$9,560.66	\$31,643.30	\$0.63	5	2	\$47,803.30	\$42,454.12	\$32,665.92	\$32,665.92	\$49,747.92				
5/14/2014	2564035	GMC	Terrain	AWD	2.4L gas	\$20,503.40	\$103.00	\$5,125.85	\$350.00	\$375.75	\$37.57	\$4,959.84	\$3,280.40	\$10,188.69	\$33,658.45	\$0.67											
5/14/2014	2564038	Ford	Escape	AWD	1.6L gas	\$19,336.80	\$103.00	\$4,834.20	\$350.00	\$354.46	\$39.12	\$4,722.96	\$3,093.60	\$9,660.16	\$31,995.60	\$0.64											
5/14/2014	2563663	GMC	2500HD	4x4	8	Obt	158.1	SRW	6.0 gas	\$14,221.04	\$103.00	\$3,555.26	\$350.00	\$261.05	\$38.61	\$3,595.92	\$2,275.64	\$7,254.18	\$24,263.50	\$0.49	1	5	\$7,254.18	\$39,866.82	\$21,575.52	\$21,575.52	\$24,201.16
4/11/2014	2563646	Ford	F250	4x4	8	Obt	158.0	SRW	6.2 gas	\$19,609.60	\$103.00	\$4,902.40	\$350.00	\$359.43	\$42.32	\$4,821.00	\$3,137.80	\$9,826.40	\$32,598.20	\$0.65							
4/13/2014	2563655	GMC	2500HD	4x4	8	Obt	158.1	SRW	6.6 diesel	\$28,599.28	\$103.00	\$7,149.82	\$350.00	\$523.56	\$49.44	\$6,876.00	\$4,575.88	\$14,128.82	\$46,558.70	\$0.93							
4/11/2014	2563629	Ford	F250	4x4	8	Obt	158.0	SRW	6.7 diesel	\$25,198.40	\$103.00	\$6,299.60	\$350.00	\$461.48	\$54.05	\$6,186.36	\$4,031.60	\$12,588.96	\$41,716.00	\$0.83							
4/11/2014	2563672	GMC	2500HD	4x4	8	Reg	133.6	SRW	6.0 gas	\$21,169.44	\$103.00	\$5,292.36	\$350.00	\$387.91	\$40.77	\$5,144.16	\$3,837.24	\$10,539.52	\$35,303.40	\$0.71							
5/14/2014	2563680	Ford	F250	4x4	8	Reg	137.0	SRW	6.2 gas	\$17,351.20	\$103.00	\$4,337.80	\$350.00	\$318.21	\$42.32	\$4,326.36	\$2,776.00	\$8,767.16	\$29,198.60	\$0.58	5	8	\$43,835.80	\$91,769.08	\$56,242.68	\$56,242.68	\$71,872.68
4/11/2014	2563669	GMC	2500HD	4x4	8	Reg	133.6	SRW	6.6 diesel	\$27,213.28	\$103.00	\$6,803.32	\$350.00	\$498.26	\$51.60	\$6,598.32	\$4,353.88	\$13,504.64	\$44,601.80	\$0.89							
4/11/2014	2563618	Ford	F250	4x4	8	Reg	137.0	SRW	6.7 diesel	\$23,755.20	\$103.00	\$5,938.80	\$350.00	\$435.12	\$54.05	\$5,870.04	\$3,801.00	\$11,911.84	\$39,543.00	\$0.79							
4/13/2014	2563716	GMC	3500HD	4x4		Reg	133.6	DRW	6.0 gas	\$22,943.60	\$103.00	\$5,735.90	\$350.00	\$420.66	\$44.43	\$5,581.08	\$3,671.00	\$11,419.98	\$37,765.30	\$0.76							
6/4/2014	2563764	Ford	F350	4x4	8	Reg	137.0	DRW	6.2 gas	\$24,449.00	\$103.00	\$4,889.80	\$350.00	\$357.73	\$45.98	\$4,844.52	\$3,129.40	\$9,837.32	\$32,694.80	\$0.65	1	2	\$9,837.32	\$24,519.16	\$14,533.56	\$14,533.56	\$18,012.96
4/11/2014	2563712	GMC	3500HD	4x4		Reg	133.6	DRW	6.6 diesel	\$28,924.08	\$103.00	\$7,231.02	\$350.00	\$529.49	\$57.38	\$7,042.44	\$4,627.68	\$14,376.46	\$47,523.90	\$0.95							
4/11/2014	2563736	Ford	F350	4x4	8	Reg	137.0	DRW	6.7 diesel	\$25,198.40	\$103.00	\$6,299.60	\$350.00	\$461.48	\$59.82	\$6,255.60	\$4,031.60	\$12,658.20	\$42,062.20	\$0.84							
6/5/2014	2566918	Frtlnr	MT55	2x4		Pnl				\$68,039.20	\$103.00	\$17,263.20	\$350.00	\$1,320.32	\$84.40	\$16,856.64	\$6,905.40	\$34,222.84	\$108,904.80	\$2.18	2	4	\$68,445.68	\$170,604.64	\$101,139.84	\$101,139.84	\$115,650.64
6/4/2014	2566932	GMC	3500HD	4x4	Dump	Reg	137.5	DRW	6.6 diesel	\$43,710.80	\$103.00	\$8,742.16	\$350.00	\$669.32	\$67.10	\$8,837.04	\$3,496.84	\$17,682.20	\$56,877.20	\$1.14	9	2	\$159,139.80	\$114,897.76	\$97,207.44	\$97,207.44	\$131,829.00
6/4/2014	2569492	Ford	F350	4x4	Dump	Reg	141.0	DRW	6.2 gas	\$33,230.00	\$103.00	\$6,646.00	\$350.00	\$509.16	\$55.83	\$6,109.92	\$2,593.00	\$12,858.92	\$40,241.60	\$0.80							
6/4/2014	2569514	Ford	F450	4x2	Dump	Reg	141.0	DRW	6.7 diesel	\$43,920.00	\$103.00	\$8,784.00	\$350.00	\$672.51	\$69.67	\$8,906.16	\$3,438.20	\$17,793.16	\$57,206.00	\$1.14							
4/11/2014	2563695	Ford	F450	4x2	Service	Reg	141.0	DRW	6.7 diesel	\$34,453.60	\$103.00	\$8,613.40	\$350.00	\$661.26	NQ	\$7,935.12	\$3,445.60	\$16,651.52	\$52,187.60	\$1.04							
6/4/2014	2563739	Ford	F350	4x4	Service	Reg	141.0	DRW	6.2 gas	\$26,224.05	\$103.00	\$6,556.01	\$350.00	\$502.28	\$55.83	\$6,697.32	\$2,622.45	\$13,356.33	\$43,118.06	\$0.86	1		\$13,356.33	\$6,697.32	\$6,697.32	\$6,697.32	\$9,669.77
4/11/2014	2566929	GMC	3500HD	4x4	Service	Reg	137.5	DRW	6.6 diesel	\$34,249.44	\$103.00	\$8,562.36	\$350.00	\$657.35	NQ	\$7,888.20	\$3,425.04	\$16,553.56	\$51,881.40	\$1.04							
** 2566918 is going to change with the addition of air brakes												\$49,824.36		\$100,680.69	\$326,700.26	24	23	\$349,672.41	\$490,808.90	\$330,062.28	\$330,062.28	\$420,984.13	\$776,947.69				
*** Does not include sale values																											