# Board Agenda Item 50

DATE: July 9, 2019

TO: Board of Supervisors

SUBMITTED BY: Robert W. Bash, Director, Internal Services/Chief Information Officer

SUBJECT: Master Equity Lease Agreement with Enterprise Fleet Management, Inc.

RECOMMENDED ACTION(S):

1. **Approve and authorize the Chairman to execute a Master Equity Lease Agreement with Enterprise Fleet Management, Inc., which provides the financing ability and infrastructure to lease vehicles, effective upon execution, not to exceed five consecutive years, which includes a three-year base contract and two optional one-year extensions.**

2. **Authorize the Director of Internal Services/Chief Information Officer or his/her designee to authorize and execute documents associated with the day-to-day activities of the Enterprise Master Equity Lease Agreement.**

The recommended actions will allow the Internal Services Department - Fleet Services Division (ISD - Fleet) to provide an alternative method for County departments to procure vehicles through an open-end leasing model that will allow departments to replace aged vehicles without requiring high up-front budgetary dollars. The proposed Master Equity Lease Agreement (MELA) will not replace the current County ownership and acquisition of vehicles. Instead, this will supplement the County's existing fleet ownership. This item is countywide.

ALTERNATIVE ACTION(S):

Your Board could choose not to approve the recommended actions, and the ISD - Fleet Services Division would continue with its current method of procuring vehicles for County departments.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions. The MELA does not create any financial obligation on the part of the County. Once the MELA is executed, it will allow the County to enter into lease schedules, which will incorporate the terms of the MELA by reference. The MELA allows a department to add vehicles or replace aged vehicles without requiring high up-front budgetary dollars, by replacing depreciation and inflation costs with lower initial charges and monthly lease payments. Sufficient appropriations and estimated revenues for the costs associated with the anticipated lease schedules are included in the ISD-Fleet Services Org 8910 FY 2019-20 Recommended Budget, and will be included in future budget requests. Ongoing costs related to a vehicle lease will also be appropriated in a requesting department's budget.

DISCUSSION:

Based on extensive research, the Internal Services Department is recommending the execution of the MELA as a new methodology to reduce the operating expenses of its current fleet program, and pass savings onto County departments. By replacing older vehicles at an optimal time, ISD - Fleet would be able to update the aged fleet in a strategic manner providing County departments with newer vehicles that have improved safety features, improved fuel efficiency, and significantly reduced maintenance costs. The proposed MELA will not replace the current County ownership and acquisition of vehicles. Instead, this will supplement the County's existing fleet ownership.

The MELA with Enterprise Fleet Management, Inc. is the funding mechanism that will allow County departments to add vehicles or replace aged vehicles through an open-end lease model. Open-end leases are written to a residual balance to preserve cash flow, giving the County flexibility of ownership, as well as the net equity from sale at the time of vehicle disposal if available.

The County of Fresno Purchasing Manual stipulates that products and services that have been competitively bid by another agency may be procured via purchasing cooperatives. ISD - Fleet is requesting to lease vehicles for County Departments through the Enterprise Fleet Management program, which was competitively bid and awarded to Enterprise Fleet Management by Sourcewell, formerly National Joint Powers Alliance (NJPA), on July 23, 2018. This allows the County to leverage the pricing, terms, and conditions from that contract to the County's advantage.

The Enterprise program would provide the County with an Enterprise Account Manager to assist with the ongoing analysis of maximizing a department's fleet objectives. ISD - Fleet would have full access to the Enterprise data warehouse fleet management system, which captures and maintains all vehicle history information, and generates reports at any time. Utilizing all discounts available, Enterprise would obtain price quotes on the classification of vehicles needed from multiple manufacturers. The department can then select the model and trim package that best meets the department's needs. At the end of the lease term, the vehicles are remarketed through Enterprise, and any net equity in the resale is returned to the County.

The agreement before your Board is the Master Equity Lease Agreement (MELA). It does not create any financial obligation on the part of the County. Once the MELA is executed, it will allow the County to enter into lease schedules which will incorporate the terms of the MELA by reference. Each schedule will be for a specific vehicle and for a specific term (usually 60 months). The lease schedule includes the total capitalized price of the vehicle at delivery and an initial delivery fee depreciated at 1.35% plus interest and sales tax. The County is exempt from paying license and registration fees. A sample lease schedule is included in Attachment A.

The MELA contains a provision that after the term for a vehicle ends, there is a calculation based on the "book value" of the vehicle in relation to the wholesale value of the vehicle, which could result in either the County paying an amount to Enterprise, or Enterprise paying an amount to County. In general, Enterprise has represented that this would result in a refund to the County, based on anticipated use. An example of this provision is included in Attachment B.

If the County funds out of this agreement early through the non-appropriations clause, the County would be responsible for paying Enterprise damages, including the losses incurred by Enterprise for having to sell the vehicles on the open used car market prior to the end of the scheduled term. These damages could be in the range of $500-$2,500 per leased vehicle returned. However, the County's Fleet needs are continual, and operational provisions have been established such that the County funding out of this Agreement early is highly unlikely.

The MELA deviates from the County's model contract. It contains an indemnification clause in favor of Enterprise, and an 18% annual interest rate (or 1.5% monthly) for late payments by County. However, the late interest rate will not be applied until the 46th day after the invoice due date. Staff believes the benefits of this Agreement outweigh the risks involved. This Agreement has been reviewed and approved by the Department of Human Resources - Risk Management Division.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Attachment A
Attachment B
On file with Clerk - Master Equity Lease Agreement

CAO ANALYST:

Yussel Zalapa