



City of Port Moody

Report/Recommendation to Council

Date: March 18, 2021
Submitted by: Engineering and Operations Department – Solid Waste, Fleet, and Shared Services Division
Subject: Vehicle Lease Buyout – EN001 2018 Ford Escape

Purpose

To seek approval to buyout a current long-term vehicle lease for EN001 - 2018 Ford Escape, Engineering Services Vehicle.

Recommended Resolution(s)

THAT a 2021 capital project funded from the Equipment Replacement Reserve be established for \$15,007 for the purchase of EN001 – 2018 Ford Escape as recommended in the report dated March 18, 2021 from the Engineering and Operations Department – Solid Waste, Fleet, and Shared Services Division regarding Vehicle Lease Buyout – EN001 2018 Ford Escape;

AND THAT this vehicle be added to the permanent City fleet complement.

Background

The Engineering and Operations Department currently has one long-term lease (three years) that is coming to the end of its term in 2021. Engineering continues to use and require this shared vehicle in order to deliver site inspection services for both Project Delivery and Infrastructure Engineering Services. As a result of the continued need of this vehicle, Fleet Services is seeking approval to buyout the existing lease in order to take advantage of the low purchase cost relative to the higher costs associated with continuing to lease a new vehicle.

This vehicle was originally leased as part of the delivery of new in-house services resulting from the 2017 Departmental restructuring.

Fleet Services, with the assistance of the Financial Planning Division, has determined that it makes financial sense to buyout this existing lease rather than enter into a new lease. There are substantial savings to the City if Council approves this purchase.

Discussion

The EN001 – 2018 Ford Escape is currently used by Engineering staff to conduct site visits and field inspections. The vehicle is currently funded through the capital projects and operating budgets that it supports (costs distributed per the Division Managers). The decision to lease the vehicle at the time was made because it is primarily used to support capital projects, which are dependent on the Five Year Capital Plan, and which are temporary in nature. Further, leasing the vehicle allowed staff to validate the need for the vehicle. A vehicle for engineering staff has proven to be extremely valuable, and staff continue to use it daily on construction projects, development projects, and engineering inspections. The current lease expired on February 28, 2021, and the department is currently leasing it on a month-to-month basis until a decision is made on whether to purchase the vehicle or enter into a new lease.

A new three-year lease would cost \$593 per month, totalling \$21,348 over the three-year term (vehicle year four to six). This is an increase of \$98 per month over the current lease costs. Over a ten-year period, if lease costs continued to increase at the current rate (20% increase every three years), the rate would increase to \$25,574 for vehicle years seven to nine and \$10,230 for year ten, for a combined total cost of \$57,152 (years four to ten).

The budget for the current lease is \$495 per month (\$5,940 annually). Based on a buyout cost of \$15,007 for a three-year old vehicle (estimated seven years of remaining useful life), the current budget of \$495 per month would cover the cost of the lease buyout and generate a future replacement provision of \$26,573, for a combined total of \$41,580 (for vehicle years four to ten).

The net difference between the lease versus buy option is \$15,572, and does not include: a time-value consideration (which is deemed relatively minor given current discount rates); outfitting of a replacement lease; or a salvage value for the vehicle at the end of its useful life.

Staff recommend buying out this lease at this time given the substantial cost savings to provide the same level of service. Further, end-of-life vehicle replacement contributions can start to be accumulated through these savings without any increase from current costs.

Other Option(s)

1. Buy out the lease but to not add the vehicle to the permanent City fleet complement. This option will reduce costs to the City in the short term, but may result in a spike in costs if the vehicle is deemed to require replacement at end of life.
2. Return the existing vehicle and enter into a new three-year lease. This option will result in higher short-term costs to the City, but provide the most flexibility in maintaining or ending the service.

Financial Implications

If approved, this vehicle would be funded from the Equipment Replacement Reserve, a statutory reserve fund for the replacement of City vehicles. Operating costs related to the ongoing operation of this vehicle is already included in base operating budgets. Over the long term, purchasing the vehicle is more cost efficient than entering into three-year leases. Lease payments will be converted into replacement provisions, initially to cover the upfront capital costs, and eventually covering future replacements. This is expected to take two to three replacement cycles.

Communications and Civic Engagement Initiatives

No communications or civic engagement are required at this time.

Council Strategic Plan Objectives

Reducing costs to the City by buying out the Engineering light duty vehicle lease supports Council's Strategic Plan objectives of delivering exceptional service and continued economic prosperity.

Attachment(s)

1. EN001 2018 Ford Escape.

Report Author

Paul LeBlanc

Manager of Solid Waste, Fleet, and Shared Services

Report Approval Details

Document Title:	Vehicle Lease Buyout - EN001 2018 Ford Escape.docx
Attachments:	- Attachment 1 - EN001, 2018 Ford Escape.pdf
Final Approval Date:	Mar 29, 2021

This report and all of its attachments were approved and signed as outlined below:

Jeff Moi, General Manager of Engineering and Operations - Mar 24, 2021 - 9:40 AM

Dorothy Shermer, Corporate Officer - Mar 25, 2021 - 11:14 AM

Rosemary Lodge, Manager of Communications and Engagement - Mar 26, 2021 - 8:11 AM

Paul Rockwood, General Manager of Finance and Technology - Mar 28, 2021 - 4:09 PM

Tim Savoie, City Manager - Mar 29, 2021 - 4:38 AM