



## CONSENT CALENDAR

### City of San Bernardino Request for Council Action

**Date:** April 16, 2025

**To:** Honorable Mayor and City Council Members

**From:** Bill Gallardo, Interim City Manager;  
Lynn Merrill, Director of Public Works

**Department:** Public Works

**Subject:** **Request to Approve \$2,131,624.74 for FY 24-25 and \$1,929,128.52 for FY 25-26 from General Fund Balance to fund the Enterprise Fleet Master Equity Lease Payments (All Wards)**

**Recommendation:**

It is recommended that the Mayor and City Council of the City of San Bernardino California adopt Resolution 2025-276:

1. Authorizing the Interim Director of Finance & Management Services to allocate funding in the amount of \$2,131,624.74 for fiscal year 2024-2025 from the General Fund balance into the Fleet Internal Services Fund to support lease payments for the City's fleet.
2. Authorizing the Interim Director of Finance & Management Services to allocate funding in the amount of \$1,929,128.52 for fiscal year 2025-2026 from the General Fund balance into the Fleet Internal Services Fund to support lease payments for the City's fleet.

**Executive Summary**

Staff are requesting authorization for the Interim Director of Finance and Management Services to allocate \$2,131,624.74 for fiscal year 2024-2025, which includes the lease payments for 122 existing vehicles, the three-month lease payments for 45 additional vehicles, and a one-time down payment of \$777,241.53. Additionally, staff requests \$1,929,128.52 for fiscal year 2025-2026 to cover the annual lease payments for all 167 vehicles. These funds, totaling \$4,060,753.26, will be allocated from the General Fund balance into the Fleet Internal Services Fund to ensure sufficient resources for the City's fleet lease program.

## **Background**

The Department of Public Works Facilities and Fleet Division is responsible for maintaining over 350 City vehicles and several hundred pieces of equipment. At the time the City adopted the municipal leasing program in August 2022, the fleet was in critical need of modernization. A lack of a systematic vehicle replacement program had resulted in an aging fleet, with 38% of vehicles more than ten years old, 43% over seven years old, and 38% with over 75,000 miles on the odometer. Additionally, 141 vehicles predated Electronic Stability Control standards, and many lacked other critical safety features, such as airbags or anti-lock brakes.

These challenges not only increased maintenance and fuel costs but also reduced reliability and safety, creating operational inefficiencies and higher costs for the City. Since the implementation of the leasing program, the City has begun to address these issues by systematically replacing aging vehicles with newer, more reliable, and efficient models. This structured approach has allowed the City to reduce operational costs, benefit from predictable lease payments, and improve fleet safety and dependability. The leasing program has successfully modernized 122 units of the fleet, aligning it with the City's operational needs and reducing reliance on outdated vehicles.

## **Discussion**

The fleet replacement schedule for this plan and estimated lease cost presented to the Council at the August 2022 Council meeting are shown in the table below. At the time, it was expected that by the fifth year of the leasing agreement, most of the City's light duty vehicles would be leased for a projected recurring annual fee of approximately \$2,608,519.

<b>Fiscal Year</b>	<b>Estimated Number of Vehicles to be Replaced</b>	<b>Replacement Criteria</b>	<b>Approximate Annual Lease Cost</b>
<b>2023</b>	151	10 years old and older, or odometer over 100,000 miles	\$1,028,317
<b>2024</b>	28	8 years old and older, or odometer over 80,000 miles	\$1,265,180
<b>2025</b>	53	5 years old and older, or odometer over 50,000 miles	\$1,694,483
<b>2026</b>	61	3 years old and older, or odometer over 30,000 miles	\$2,214,965
<b>2027</b>	49	Vehicle replacement will be managed by Enterprise	\$2,608,519

The initial funding approved by the City Council in August 2022 was \$1,200,000. Because of various logistics supply delays, the program ramp up was not as fast as set forth in the table; rather the authorized fund balance was sufficient to fund lease payments through July 2025.

The original plan proposed in 2022 projected that by 2024, 179 vehicles would have been replaced. Currently, the City has physically replaced or ordered a total of 167 vehicles, which indicates that the replacement schedule as proposed is approximately on schedule. The City's current monthly payment is \$96,900.12, which covers the 122 vehicles leased since the contract began in August of 2022 for a total of \$1,162,801.44.

Please see the table below for the breakdown of the 122 vehicles already purchased:

Dept.	Total Rent/Mo	Annual Cost	Number of Vehicles
CD&H	\$10,272.57	\$123,270.84	14
CM	\$417.85	\$5,014.20	1
HR	\$439.25	\$5,271.00	1
IT	\$1,077.25	\$12,927.00	3
Library	\$1,840.19	\$22,082.28	2
O&M	\$13,189.79	\$158,277.48	17
P.W.	\$9,055.00	\$108,660.00	16
PARKS	\$1,614.53	\$19,374.36	3
PD	\$58,993.69	\$707,924.28	65
<b>Grand Total</b>	<b>\$96,900.12</b>	<b>\$1,162,801.44</b>	<b>122</b>

The City currently has 45 vehicles on order to further support essential operations across multiple departments. These vehicles, with a total retail value of \$3,653,662.50, will be allocated to the Police Department patrol, K-9, and homeless program, as well as Animal Services.

Please see the table below that shows the costs for the 45 vehicles on order at this time:

Dept.	Money Down	Total Rent/Mo	Annual Cost	Number of Vehicles
ANIMAL SERVICES	\$309,298.56	\$11,674.98	\$140,099.76	6
HOMELESS PROGRAM	\$15,297.34	\$2,760.04	\$33,120.48	2
POLICE DEPT	\$452,645.63	\$49,425.57	\$593,106.84	37
<b>Grand Total</b>	<b>\$777,241.53</b>	<b>\$63,860.59</b>	<b>\$766,327.08</b>	<b>45</b>

The down payment for these 45 vehicles is \$777,241.53, with a projected monthly lease payment of \$63,860.59, including tax, or \$766,328 per year. As these vehicles are delivered and placed into service, the City will become responsible for the lease payments, which may begin at any point during April, May, or June—prior to the start of the next fiscal year. Therefore, funding is required not only for the full lease schedule in the upcoming fiscal year but also for the lease payments covering these three months ( $\$63,860.59 \times 3 = \$191,581.77$ ) to ensure continuity and timely financial planning.

Upon receipt and placement into service of these 45 new vehicles, the City's monthly payment for all leased vehicles will be as shown in the table below:

Current monthly lease payments for 122 vehicles:	\$96,900.12
Planned monthly lease payments for 45 vehicles:	\$63,860.59
Total monthly lease payments for 167 vehicles:	\$160,760.71
<b>Total annual cost FY2025/2026:</b>	<b>\$1,929,128.52</b>

The City's vehicle lease program operates on a five-year term for each leased vehicle, with monthly payments made throughout the lease period. The first group of leased vehicles entered service in October 2022 and will complete their lease terms in September 2027. At that time, the City will need to determine whether to replace these vehicles with new leases, purchase them at their residual value, or return them to Enterprise and procure new vehicles.

Staff are requesting Council authorization for FY 2024-25 funding in the amount of \$1,354,383.21 to cover lease payments for both the existing 122 vehicles and the three-month lease payments for the 45 additional vehicles expected to be placed into service before the start of the next fiscal year. This request ensures that the City is prepared to make payments as vehicles are delivered, as delivery schedules are dependent on external vendors who complete the upfitting process. Upfitting includes installing lights, push bars, cages, and other necessary equipment before the vehicles can be placed into service.

Additionally, staff are requesting Council authorization for a one-time down payment of \$777,241.53 for the 45 new vehicles. The total requested funding authorization for FY 2024-25 is \$2,131,624.74.

For FY 2025-26, staff will continue utilizing the down payment funding through the carryover process, ensuring funds are available as vehicles are delivered and put into service. The projected annual lease payments for FY 2025-26 total \$1,929,128.52, requiring funding authorization for that fiscal year as well.

Staff is further recommending that no further vehicles be acquired through the leasing program at this time, until staff can fully evaluate the costs and benefits of the program after nearly three years of operations. While vehicle leasing is still an appropriate and effective method to ensure that the Fleet is up-to-date and is experiencing lower maintenance and operating costs, it is necessary to examine which different classes and uses of vehicles would benefit from outright purchase versus leasing. The City should understand the life-cycle costs of its vehicle fleet and fine-tune the system to maximize the overall value and costs. Staff is currently working on an updated vehicle replacement program that addresses these factors.

**2021-2025 Strategic Targets and Goals**

Authorizing the execution of this agreement aligns with Key Target No. 1: Improved Financial & Operational Capacity – Create an asset management plan. This action continues to move the City towards developing an effective asset management plan for the City's vehicle and equipment operations.

### **Fiscal Impact**

The proposed allocation includes \$2,131,624.74 for fiscal year 2024/2025 and \$1,929,128.52 for fiscal year 2025/2026, for a total of \$4,060,753.26. These funds will be allocated from the General Fund balance into the Fleet Internal Services Fund to ensure sufficient resources are available to cover lease payments for the fiscal year. Appropriate funds will be budgeted for future lease payments.

### **Conclusion**

It is recommended that the Mayor and City Council of the City of San Bernardino California adopt Resolution 2025-276;

1. Authorizing the Interim Director of Finance & Management Services to allocate funding in the amount of \$2,131,624.74 for fiscal year 2024/2025. from the General Fund balance into the Fleet Internal Services Fund to support lease payments for the City's fleet.
2. Authorizing the Interim Director of Finance & Management Services to allocate funding in the amount of \$1,929,128.52 for fiscal year 2025-2026 from the General Fund balance into the Fleet Internal Services Fund to support lease payments for the City's fleet.

### **Attachments**

- Attachment 1 - Resolution 2025-276
- Attachment 2 - List of Leased Vehicles
- Attachment 3 - List of 45 Vehicles On Order

### **Ward:**

All Wards

### **Synopsis of Previous Council Actions:**

August 3, 2022            Adopt a Master Equity Lease Agreement for Light Duty Vehicles.