The Infrastructure Committee has requested information regarding the financial impact from the potential implementation of a vehicle leasing program. The Finance Department has worked with the Public Works Department to analyze and review the proposed program. Much of the analysis relies on the research completed by the Public Works Department.

**Policy Issue**

Is light duty vehicle leasing a viable option for the City?

**Summary**

A light duty vehicle leasing program is an option that many communities have implemented. Some communities have found this type of program very helpful in ensuring that their City Fleet is fuel efficient, requires little maintenance, and is consistently available for service.

While some communities have experienced a financial hardship based on their engagement in a vehicle leasing program. Due to the cost of unwinding the program, the financial hardships are most visible when/if a community decides to discontinue their leasing program.

If the City was not facing operating funding limitations and had sufficient resources to support a more reliable and profitable ability to dispose of vehicles, the current leasing program proposal would not be the most financially efficient program. However, the City is facing immediate operating budget pressures coupled with an aged fleet that requires significant maintenance resulting in service disruptions. Leasing light duty vehicles is an option to address these challenges.

The financial analysis and the success of the proposed program is dependent on interest rates remaining reasonable and the high demand for used vehicles continues. Both of these assumptions may change in a way that the ability for Enterprise to resale the vehicles does not produce sufficient resale value to offset the costs associated with the lease agreement that make the program currently advantageous for the City.

The decision to implement this type of program is mainly a policy question of whether the City is prepared to dedicate significantly more operating funds for this purpose now or in the future if/when the leasing arrangement is unwound.

**Background**

The Fleet Department has communicated that the age of the City’s current fleet ultimately results in significant maintenance requirements that impact City staff’s ability to deliver services to City residents. To build a more
efficient fleet, additional financial resources need to be dedicated for this purpose or the way in which the City acquires vehicles needs to change.

The City only utilizes operating funding to purchase light duty vehicles. The transition to a leasing program for these types of vehicles would not impact or reduce the City’s capital program or debt issuance.