



MAYOR AND COUNCIL COMMUNICATION

DATE: 11/4/15
Regular
ITEM: #15

AGENDA ITEM: Building Department Truck
SUBMITTED BY: Clark Schroeder, Interim City Administrator
THROUGH: Clark Schroeder, Interim City Administrator
REVIEWED BY: Cathy Bendel, Finance Director

SUGGESTED ORDER OF BUSINESS:

- Introduction of Item..... Interim City Administrator
- Report/Presentation Interim City Administrator
- Questions from Council to Staff..... Mayor Facilitates
- Public Input, if Appropriate..... Mayor Facilitates
- Call for Motion..... Mayor & City Council
- Discussion Mayor & City Council
- Action on Motion Mayor Facilitates

FINANCIAL IMPACT: PURCHASE PRICE OF

BACKGROUND AND STAFF REPORT:

Staff received two quotes for the purchase of a vehicle for the building department.

A 2016 jeep Compass for \$20,261, and a F150 4x4 for \$22,786.24

When comparing the outright purchase versus lease option on the low bid (Jeep) a 5 year lease based on 5.99% APR would be \$314.06 per month. This is based on no more than 12,000 miles per year which is well within the normal range of the building department. The Residual Value at the end of the lease is estimated at \$9,577.

Another option is to buy the vehicle via a loan from Lake Elmo Bank. They are willing to give us a APR of 1.99 for 5 years with a payment of \$350.46 per month and at the end, the truck would be free and clear.

One of the considerations is if you buy the truck outright you load up one year of budget with the purchase and under weigh the actual cost of doing business during the out years. This provides a clear picture of what the actual expenses are to run a department. On the flip side, in order to accommodate greater accuracy in cost management, you have some sort of finance cost via a lease or a loan. In this case, the cost of money is relativity cheap at 1.99% in order to provide greater cost accounting and have that be a fixed cost of running a department.

RECOMMENDATIONS: Staff recommends that the vehicle be purchased with a loan from Lake Elmo Bank at 1.99% for 5 years.