Open Work Session
County Vehicle Leasing Program
April 20, 2021

Mr. Nick Rice, Purchasing Agent, came before Council and said he can go over some brief data and then open it up to questions from Councilmembers.

Mr. Rice reported, currently the County has 59 vehicles under lease through Enterprise out of a total of 132. He said, in the two to three years since they signed onto this program, the average fleet model year went from 2008 to 2015. He said, when they partnered with Enterprise, they had 69 vehicles over ten years old and they have been able to reduce that down to 21. He said, if they fully implement the leasing program, which he anticipates they can do in the next two to three years, they would see their monthly maintenance rate hover around $40-$50 per month per vehicle, and that is opposed to 2018 when the average maintenance was roughly $141 per month per vehicle. He said they have seen their fuel costs go down. He said, in 2018, fuel costs were $211,200 and in the past year they have recorded fuel transactions of roughly $103,000. He clarified, obviously, part of that is due to COVID and less travel on the vehicles, but that is something they are seeing as they get newer vehicles and better gas mileage.

Mr. Cannon said he always felt if they were going to purchase and keep a vehicle for more than three years, they should buy it, not lease it because, as he understands it, the numbers just do not add up, so if the County looks at keeping vehicles more than three years, they should buy it. Mr. Rice responded, that is correct, and with this plan they would be selling out those vehicles and replacing them roughly every two or three years, to which Mr. Cannon responded, sure they will because the company wants to keep leasing them to the County. He said he understands the leasing program had a great silver lining and there was a really good purpose in it, which was the fact that there was a large amount of vehicles they had that were well beyond their driving safety age and needed to be replaced. He said the Sheriff said to even maintain the fleet he would have to get 12 new vehicles a year, so they fully recognize that the County was way behind in their upkeep as far as buying vehicles. He said he thinks everyone had over 120,000 miles on their vehicles, not only the Sheriff's Department, but other Departments as well, and he thinks something had to come in as a quick fix.

Mr. Cannon said he asked Mr. Psota and Mrs. Oland about this earlier because he was hoping that someone is evaluating this. He said everybody knows the fuel costs and maintenance costs are going to go down, but he does not think that is really a proper comparison because they would be going down if they were new vehicles as well. Mr. Rice responded, that is correct, but it would just be a larger burden up front to buy these vehicles versus leasing them, which, essentially, is spreading their payments over a five-year period. He said then if they sell that vehicle around year three, the equity they would receive on top of that sale would go towards future vehicles. He said, when he is asking for an expense side to leasing vehicles, he is also taking into account the revenue side that they are going to recognize the sale price of the vehicle it is replacing. Mr. Cannon said he appreciates that, but Mr. Rice is talking about going into full leasing mode in the next couple of years, but he would really like to see if the Internal Auditor look into this. He said he knows they attempted to do that a few years back but it was too early, and he does not know whether or not they are at that stage now to get a clear evaluation of where they should go from here. He clarified, he could be way off base and it could be that 90 percent of the major corporations in the United States take on a leasing program as opposed to a purchase program, but he would just like to see if it is going to be evaluated. Mr. Rice responded, he thinks at that time the

Internal Auditor said after year five would be the best bet to combine the data. He said right now they really only have two years to go off of because they started in 2018, but they did not lease any vehicles in the current fiscal year 2021. He said they did roughly 30 to 40 vehicles in the first year and then another 20 or so in the second year.

Mr. Hitchens said he thinks the most important piece of data will be what the leased vehicles sell back for, and they are not going to have that yet. He said they were very optimistic on the selling price, but until they get a good sample size, it is going to be hard to evaluate the program because the program really pivots on how well Enterprise can sell the vehicles back. He said, if they sell well enough, the County gets money back that they can then turn around into the next lease, and that is how the program is supposed to be self-sustaining and beneficial. He then asked Mr. Rice when they are going to start selling those, to which Mr. Rice responded, obviously they recognize that the fleet was very old and aging, so in year one some of the vehicles were going for a couple hundred dollars and they were not seeing revenue that was complimenting the expense side. He said year two was a little bit better, and they are in a position now where they are going to start selling off some 2016 and 2017 year models, and that is where Enterprise will tell them the buying power they have to buy the vehicles and lease them to the County at that cost and what they can turn around and sell those for at the market, which is also what they are relying on Enterprise for. He clarified, they want to sell the vehicles in year two or three when they are at their peak so they recognize the revenue side that will offset the expense side.

Mr. Cannon clarified, he did not realize they have only been doing this since 2018, as he thought they had been doing this longer, so it is going to take a little more time. He said Enterprise makes it so easy that they just do not want to get away from it, but it is going to take a little more work to see if they get back to purchasing or not. He said he was very disappointed when they first came to Council in the original Work Session and part of the data they used to justify leases included maintenance and fuel costs, and the Council told them they are going to get that with new vehicles anyway, so they did not understand that. Mr. Rice explained, it would take the County over $1 million a year to flip the fleet as quickly as what Mr. Cannon is saying in order to recognize the maintenance and fuel costs quickly, whereas with Enterprise spreading the payments over a five year period, they can replace 40 vehicles a year versus ten and are quickly recognizing the maintenance and fuel costs. He clarified, Mr. Cannon is correct that no matter if they lease or buy a new vehicle they are getting that advantage, but this is about how quickly they can do that and how much are they able to swallow as a County if they want to buy and need to spend $1 million to replace half the fleet this fiscal year. He said, since he has been with the County his experience is that each Department is different. He clarified, some Departments maintain their vehicles really well and some do not. He said the way they used to do it was very broken down and each Department handled their own, but with the Enterprise lease and maintenance program, these vehicles are being maintained regularly when they are supposed to. He said the data goes to the Enterprise manager who comes to him if there is a vehicle not operating correctly or if something is off with the miles per gallon, which raises a red flag, and they suggest having it checked out, so there is a benefit of having Enterprise's management team on staff because they do not have that in-house.

Mr. Dodd asked if Mr. Psota mentioned selling some cars during the budget presentation, to which Mr. Rice responded, yes. He explained, they are anticipating leasing between 20 and 30 vehicles in FY22, so there will be vehicles they will sell off. He clarified, they are not adding to the fleet. He said, when a Department requests a leased vehicle, they ask which vehicle they are getting rid of so there is a like for like in terms of what is being sold and what is being leased.

Mr. Hastings said the ongoing question in his mind is he is always looking forward and this is not a question probably for here or now, but they have already heard the first U.S. manufacturer say they are no longer going to make vehicles that are combustion related, and Tesla and Ford have said they are heading in the same direction. He said he just wants to make sure they have the correct infrastructure going forward, and that is maybe not a question for Mr. Rice as it is to the County Executive's Office, but they need to plan for a future where they have the infrastructure to be able to support their fleet. He said he knows other jurisdictions and Counties are looking towards that as the next phase they are going where they are transitioning their fleet towards electric knowing that has to happen, so whatever they can do here in Wicomico to plan for that future would be helpful.

There was no further discussion.

Larry W. Dodd

Larry W. Dodd, President, District 3

Joe Holloway, Vice President, District 5

John T. Cannon, At-Large

William R. McCain, At-Large

Ernest F. Davis, District 1

Nicole Acle

Nicole Acle, District 2

Josh Hastings, District 4

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