

AUDITOR/CONTROLLER

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COUNTY OF TULARE

JERRY T. MESSINGER
Auditor-Controller
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Assistant Auditor-Controller
(559) 733-6345

AGENDA ITEM REVISED

DATE: May 9, 2006

SUBJECT: VEHICLE PURCHASES FOR FISCAL YEAR 2005/2006

REQUEST:

Approve the purchase of 97 replacement vehicles per Attachment A and to authorize payment for those vehicles through the use of unexpended proceeds from previous borrowing and a 3-year or 5-year loan from the Workers' Compensation Insurance Fund.

SUMMARY & JUSTIFICATION:

The County's vehicle replacement plan for 2005/2006 includes 97 vehicles at an estimated cost of \$3,778,883. Offers to finance these vehicles were obtained from five prospective providers. The lowest offered interest rate was 4.20% for the 3-year vehicles and 4.25% for the 5-year vehicles. In comparison, the interest rate for the County Treasury Pool, which was not part of the bid process, for the quarter ended March 31 was 2.96%. It is recommended that the vehicles be funded internally. The projected reserve in the Workers' Compensation Fund will be approximately \$13,000,000. as of June 30, 2006, and \$20,000,000. in fiscal year 2006/2007.

The account receivable established in the Workers' Compensation Fund as a result of the borrowing of funds would be considered part of the reserve established by an Actuary, just as any other type of investment. The account receivable would represent, at most, less than 20% of the reserve and would not compromise the liquidity of the reserve.

Upon approval of the Board, approximately \$230,000 unexpended proceeds from a previous outside borrowing will be used to purchase as many of the vehicles listed on Attachment A as possible. The remaining required funds will be transferred from the Workers' Compensation Fund to the General Fund as needed. Annual repayments to the Workers' Compensation Fund will include interest at the average annual Pool rate for the previous fiscal year. Participating departments first annual payment will be made July, 2007 and the final payment is scheduled for July, 2011.

There are many advantages to borrowing funds internally versus an outside lender:

- 1) The County will hold title to the vehicles immediately. If a vehicle is involved in an accident, we can process our insurance claim without the delay of dealing with a third party who holds the pink slip.
- 2) The County will not be borrowing money any sooner than necessary. A transfer from Workers' Compensation Fund will occur only when vehicles are actually delivered, thereby minimizing the amount of interest paid.
- 3) The Pool interest rate is expected to be less than the interest rate charged by an outside lender, resulting in a projected savings in excess of \$100,000.
- 4) Borrowing the necessary funds from an internal service fund (like the Workers' Compensation Fund) means that any interest paid back to that fund will result in reduced charges to all County departments in future. This is more beneficial to the County compared to borrowing from an enterprise fund (like the Solid Waste Fund) where any interest paid will stay with the enterprise fund and will have no future benefit to other County departments.

FINANCING:

The term of repayment by participating departments is 3 or 5 years as indicated on the Attachment A. The required principal and interest payments at the Pool rate will be obtained by annual charges to budgets of the County agencies and funds benefiting from the use of the vehicles until the cost of the vehicles is fully amortized.

ALTERNATIVES:

Not approve "internal borrowing" and select an outside vendor to fund the purchases, or select another method of obtaining the 2005/2006 vehicles, or not buy replacement vehicles, or direct staff to take other action.

INVOLVEMENT OF OTHER DEPARTMENTS OR AGENCIES:

County Administrative Office will budget for the transfer of funds from the Worker's Compensation Fund to the General Fund. The Purchasing Agent will insure the department's requested vehicles are in compliance with the Count's Vehicle Replacement Policy and will order the vehicles at the most favorable prices. The Resource Management Agency will be responsible for fleet management of all vehicles obtained with the exception of the Fire vehicles, which will be managed and maintained by the Fire Department.

ADMINISTRATIVE SIGN OFF:



Jerry T. Messenger
Auditor-Controller

Cc: Brian Haddix, County Administrative Officer
Kathleen Bales-Lange, County Counsel
Henry Hash, Director, Resource Management Agency
Ed Wristen, Fire Chief, CDF
Steve Sunderland, Fire Chief, County
Steven King, Fire Finance Officer

REVISED
Attachment A
County of Tulare
Vehicle List for FY05/06 Financing

Quantity	Description	Price Per	Extended Cost	Years
22	Sheriff Patrol Cars	\$ 27,000.00	\$ 594,000.00	3
2	Compact Pick-up Trucks	\$ 13,000.00	\$ 26,000.00	5
9	Compact Sedans	\$ 23,000.00	\$ 207,000.00	5
7	Half-ton Regular Cab Pick-up Trucks	\$ 18,000.00	\$ 126,000.00	5
1	Cargo Van	\$ 20,000.00	\$ 20,000.00	5
2	Half-ton Regular 4x4 Pick-up Truck	\$ 21,000.00	\$ 42,000.00	5
4	Three-quarter-ton Pick-up Truck	\$ 23,000.00	\$ 92,000.00	5
1	Three-quarter-ton Ext Cab Pick-up Truck	\$ 35,000.00	\$ 35,000.00	5
1	One-ton C&C 2WD	\$ 35,000.00	\$ 35,000.00	5
31	Intermediate Sedans	\$ 19,500.00	\$ 604,500.00	5
1	Sheriff Transport Bus	\$ 100,000.00	\$ 100,000.00	5
1	Sheriff Utility Vehicle	\$ 35,000.00	\$ 35,000.00	5
4	Full sized, 4WD short-bed Pick-up Trucks	\$ 27,131.00	\$ 108,524.00	3
1	Water Tender	\$ 250,000.00	\$ 250,000.00	5
3	5- passenger 4WD SUV	\$ 30,885.00	\$ 92,655.00	3
1	4wd Cab&Chassi with Utility Bocy	\$ 31,204.00	\$ 31,204.00	3
6	Fire Engines	\$ 230,000.00	\$ 1,380,000.00	5
97			<u><u>\$ 3,778,883.00</u></u>	

finance over 3 years	\$ 826,383.00
finance over 5 years	<u><u>\$ 2,952,500.00</u></u>
	<u><u>\$ 3,778,883.00</u></u>

Compiled from information received from Resource Management Agency Motorpool and from Fire Department Chiefs

**BEFORE THE BOARD OF SUPERVISORS
COUNTY OF TULARE, STATE OF CALIFORNIA**

REVISED

IN THE MATTER OF VEHICLE)
PURCHASES FOR FISCAL)
YEAR 2005/2006)
)
) RESOLUTION NO.
)

UPON MOTION OF SUPERVISOR _____, SECONDED BY
SUPERVISOR _____, THE FOLLOWING WAS ADOPTED BY THE
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD _____, BY THE
FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: C. Brian Haddix,
ADMINISTRATIVE OFFICER/CLERK
BOARD OF SUPERVISORS

BY: _____
Deputy Clerk

Approved the purchase of 97 replacement vehicles per Attachment A and authorized payment for those vehicles through the use of unexpended proceeds from previous borrowing and a 3-year or 5-year loan from the Workers' Compensation Insurance Fund.