



County of San Mateo

Inter-Departmental Correspondence

Department: HUMAN SERVICES AGENCY

File #: 18-253

Board Meeting Date: 3/27/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Nicole Pollack, Director, Human Services Agency
Subject: Extension of the Vocational Rehabilitation Services Workcenter 2013 Freightliner lease with Penske

RECOMMENDATION:

Adopt a resolution authorizing:

- A) The Human Services Agency Director to execute a four (4) month lease extension with Penske for a 2013 Commercial Freightliner, to July 31, 2018 or sixty-four (64) months in total; and
- B) The Human Services Agency to pay up to \$15,000 to cover outstanding lease and service costs in addition to the four (4) month lease extension for a total amount not to exceed \$115,000.

BACKGROUND:

The Human Services Agency ("HSA") Vocational Rehabilitation Services ("VRS") Workcenter provides shipping and delivery services to local businesses to and from its warehouse located at 550 Quarry Road in Belmont. On March 8, 2013, HSA entered into a lease with Penske for a 2013 Freightliner (commercial truck) for the term of March 8, 2013 through March 31, 2018. The monthly lease cost is \$1,445, plus mileage fees of nine (9) cents per mile, as well as maintenance, license and registration fees, and various taxes that comply with state and federal requirements for leased commercial vehicles. HSA anticipated that the amount of the lease would not exceed \$100,000 for the term of the Agreement; however, due to unanticipated maintenance costs, the Agreement will exceed the authorized amount of \$100,000.

In December 2017, HSA obtained quotes from three commercial truck leasing companies to lease a 2019 Freightliner for the term of 60 (sixty) months, and Penske was selected as the provider who could best meet the County's truck leasing needs with the most competitive pricing. The new lease was scheduled to commence upon April 1, 2018 upon expiration of the old lease. Penske requires that all new business Freightliners are custom built to the needs of the leasing entity, including

painted logos. Penske is unable to guarantee the delivery of the vehicle until June 2018 at the earliest. Therefore, in order to continue with VRS operations, it is necessary to extend the current lease with Penske.

DISCUSSION:

With the Board's approval, HSA would like to extend its current lease with Penske from March 31, 2018 to July 31, 2018, allowing VRS to maintain its delivery and shipping services without interruption until Penske can provide a new lease and delivery of a 2019 Freightliner to replace the 2013 Freightliner. In addition, HSA is asking for the Board to approve \$15,000 in expenditures against VRS Workcenter operational revenue to pay for current outstanding service and leasing costs in addition to the four month lease extension. The total for the current sixty-four (64) month lease is anticipated to cost just under \$115,000 in total. HSA and Penske will terminate the existing lease as soon as the vehicle delivery can take place and begin the new 5 year lease.

HSA is in the process of negotiating the lease extension at the same level of cost as the current monthly rate. HSA is requesting that the Board of Supervisors authorize the HSA Director to execute the four month lease extension to July 31, 2018 and the funding in the amount of \$15,000 to support current and extended lease costs.

HSA conducted a cost analysis to purchase a commercial freightliner truck versus entering into a lease Agreement. The cost analysis for a five (5) year period showed a savings to the County of approximately \$52,000. The cost to lease the vehicle for five (5) years is approximately \$100,000 which includes all maintenance, tires, registration, loaner truck during service, and 24/7 roadside assistance. The cost to purchase the vehicle and maintenance services separately are estimated at a total of \$152,000 for the same five (5) year period. In addition, wear and tear on the vehicle would require the County to replace or purchase a new vehicle about every 5 years. It is in the best interest of the County to enter into a lease Agreement for the commercial freightliner for cost effective services.

The resolution contains the County's standard provisions allowing Amendment of the County's fiscal obligations by a maximum of \$25,000 (in aggregate) in the event that Penske is unable to meet its delivery deadline.

County Counsel has reviewed and approved the memo and resolution as to form.

Approval of this Amendment contributes to the Shared Vision 2025 Prosperous Community by providing job training and enabling individuals with barriers to employment to increase skills which lead to a broader range of job opportunities and self-sufficiency. It is anticipated that 75% of the program participants, that complete the truck driving and delivery training program, will find community based employment within 90 days of program completion. It is also anticipated that 95% of customers surveyed will report a satisfaction rate of 90% or higher with shipping and delivery services.

PERFORMANCE MEASURE:

Measure	Fiscal Year 2017-18 Projected
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Percentage of participants that complete the truck driving and delivery training program will obtain community based employment within 90 days of program completion.	75%
Percentage of customers surveyed will report a satisfaction rate of 90% or higher with shipping and delivery services.	90%

FISCAL IMPACT:

This Amendment adds \$15,000, which is estimated to be 100% funded by VRS Workcenter operational revenue. There is no Net County Cost. Appropriation was included in the FY 2017-18 Adopted Budget and FY 2018-19 Recommended Budget.