

FEATURE

Ford Credit Increases the Fleet

ARTICLE SUMMARY

In many municipalities, there is a discrepancy between the equipment required to provide essential services and the funds currently available to purchase that equipment. Virtually any "essential use" equipment can be financed under the Ford Credit Municipal Program, including the base police vehicle, the upfitted emergency gear, and the extended service plans.

MORE INFORMATION

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Lowering the total cost of ownership

BY JOHN BELLAH



FORD CREDIT INCREASES THE FLEET



▲ Ford's leasing program is non-appropriated and is not a perpetual contract.



▲ Newer, more fuel-efficient vehicles lower total operating costs and may lower the total cost of ownership.

Many public agencies are discovering that Ford Credit's Municipal Lease/Purchase financing program is an answer to acquiring essential equipment within limited budget confines—without major cash outlays, long-term debt obligations or, in most cases, voter approval. Fixed-rate financing helps you get the vehicles you need, when you need them, while sticking to your current budget.

The Ford Credit plan has flexible repayment terms and billing plans, which can be monthly, quarterly, semi-annual and annual. In addition to the police vehicle, the police department can finance both the aftermarket upfitted emergency gear and an extended warranty plan. Equity is accumulated with each payment, and ownership is realized at lease-end with a final payment of \$1.

This leasing program has a number of time-honored advantages like 1) avoiding



▲ The Ford Credit lease/buy program can include all of the aftermarket upfitting parts and installation for a turn-key police vehicle.



FORD CREDIT



▲ The Ford Police Interceptor Sedan is available in four different powertrains: two FWD, two AWD. The 2.0L EcoBoost has the best fuel economy of any full-size sedan. The 3.5L EcoBoost has the power of the biggest police V8s.

the high costs of maintaining older equipment; 2) low-cost, tax-exempt interest rates; 3) no down payment or security deposit required; 4) no mileage restrictions; 5) no maintenance and repair; and 6) no return provisions.

Case Study: Lincoln, Calif.

The City of Lincoln, located near Sacramento, was one of the fastest growing cities in the United States. By the 2010 Census, the population was just under 43,000 residents. Like many municipalities, when the economy slumped a few years back, the city's budget also took a dive. These cutbacks greatly impacted the police department, which had 43 sworn officers. With layoffs and attrition, the police department was reduced from 43 sworn to just 19 sworn.

Budget cuts also affected the police fleet, which at one time issued take-home cars for the officers. With no money for new vehicles, the once proud fleet of 39

vehicles became a rag-tag collection of various years of Ford CVPI and Expedition, Dodge Charger and Durango, and Chevrolet Tahoe. Many of these vehicles were purchased used from other agencies and came in different colors and markings. The newest vehicle in the fleet was a 2007 Dodge Charger.

At this point, reliability was becoming a major issue and mechanical breakdowns became the norm, rather than the exception. This caused the city to pay out huge amounts of money in repairs just to keep the fleet operational. "My officers were breaking down while responding to critical incidents and assistance calls," complained Dan Ruden, Lincoln's interim police chief. "I couldn't wait anymore for the economy to improve." As with any law enforcement agency, vehicle reliability issues can greatly impact safety, both for the officers and the public at large.

Chief Ruden was greatly concerned with fleet issues and desperately scraped

the bottom of the proverbial barrel for new vehicle funding. Despite his best efforts, the most money he could scrape together was about \$50,000. This was barely enough money to purchase and fully upfit one police package sedan. With the condition of the rest of the fleet, one new car was definitely not enough, so Chief Ruden looked to other alternatives. One alternative was to continue purchasing other agencies' cast-off vehicles, such as from the Utah Highway Patrol.

Have You Considered Leasing?

Chief Ruden contacted Dan Raimondi, a fleet specialist at Folsom Lake Ford, a major supplier of fleet vehicles to the State of California as well as other law enforcement agencies in the area. Raimondi suggested Chief Ruden seriously consider leasing vehicles through Ford's Municipal Lease/Purchase Financing Program.

As it happened, Lincoln's city finance director, Bill Zeoni, had heard about Ford's program and was open to Ruden's idea. While the money in the police budget would barely cover the purchase cost of one upfitted cruiser, Chief Ruden could now project additional maintenance, repair, and fuel savings and was now able to raise enough money to lease an entire new fleet of 15 vehicles.

Since Folsom Lake Ford is a major fleet vendor, Chief Ruden was able to piggyback his order with a larger existing order, thus obtaining an even better bang-for-the buck. Lehr Auto Electric, in Sacramento, then upfitted the vehicles with everything but the radios, which the city supplied. Chief Ruden had an entire new fleet, almost overnight.

Officer Safety – Officer Morale

Response to the new police fleet was overwhelming—to say the least. The morale within the department improved, and so did the public confidence with the police. Many consider Chief Ruden a hero as with little capital outlay, he was able to replace his dilapidated fleet with new vehicles that are more reliable, consume less fuel, and present a positive image to the police department.

"We had a dying fleet that was literally putting my officers and the public at risk every day, and replaced it with 15 brand-new, fully equipped cars with warranties and maintenance agreements; and we did it without increasing the budget by a single dollar," Ruden said. "It was a big win for the department and the city."

Benefits

There are many benefits to leasing through Ford's Municipal Finance Program. Financing costs are relatively low, and are tax-exempt. There is an initial \$425 underwriting fee; however, this is a fixed fee, no matter how many vehicles are included in the lease. Any attached equipment, accessories, extended war-

ranties, sales tax, Ford ESP, and other costs may be included in the amount financed. There is no down payment or security deposit required, nor tacked-on charges for wear and tear, maintenance or return provisions, nor are there any mileage restrictions.

Payment schedules are flexible, and can be arranged on a monthly, quarterly, semi-annual or yearly basis, with the first payment due at the time of delivery. There are no prepayment penalties. Title to the vehicle will be listed in the name of the lessee, and Ford Credit is listed as the lien holder. Lease terms can range from 2–5 years and at the end of the lease, the vehicle can be purchased for \$1.00. There is a non-appropriations clause, which allows penalty-free return of vehicles if funds are not appropriated and allows for classification as short-term debt.

Agencies eligible to participate in this program include state and local government entities—counties, cities, townships, villages, public school districts, municipal airports, and Native American tribes. While this article focuses on police vehicles, light, medium and heavy-duty trucks, school busses, ambulances, fire-fighting equipment, street-sweeping, and garbage trucks are also eligible to be leased with this program. Unfortunately, volunteer fire departments, private schools and universities, federal agencies, and non-profit 501(c) corporations are not eligible to finance through this program.

Extended Service Plans

Ford Extended Service Plans (ESP) can be rolled into the finance program. These ESPs eliminate the variability associated with servicing your vehicle, offer a potential reduction in your overall operating expenses, and accurately budget life cycle expenses. A variety of repair protection programs and maintenance coverage are available.

The most complete is PremiumCARE,

which has coverage for over 500 components. Premium Maintenance covers all recommended scheduled maintenance and parts in six areas: brake pads and linings, clutch disc, engine belts and hoses, shock absorbers, spark plugs, and wiper blades.

ExtraCARE has protection for 113 components, including many high-tech parts. BaseCARE covers 84 critical components, providing a blanket of fundamental security. PowertrainCARE has basic coverage for 29 key engine, transmission and driveline components. Finally, Diesel EngineCARE is major diesel-engine component protection for up to seven years or 200,000 miles.

One of the numerous advantages to lease versus purchase is leasing can free up funds for other projects where leasing is not an option. As with the Lincoln, fully operational, "turn-key" vehicles can be added to the fleet or replace existing vehicles in minimum time without having to scramble for extra cash, incur long-term debt obligation, or to wait for the next election to garner voter approval. This would be an important option where public safety vehicles are destroyed by fire or other unforeseen circumstances such as flooding, fire, earthquake, tornado, civil unrest, or other catastrophes.

Newer vehicles are more fuel-efficient, much safer and, of course, are both more reliable and under warranty. Leasing is one option to clearly lower both the total cost of operation and the total cost of ownership.

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