

ALLEGANY AFFORDABLE GOVERNMENT GROUP

October 28, 2015

NOT APPROVED

Committee Members Present: K. LaForge, J. Adams, M. Alger, K. Dirlam, Dar Fanton, C. Jessup, B. Rigby Riehle, T. Ross, C. Crandall (Absent: R. Oakerson)

Others Present: A. Forster, K. Hooker, C. Knapp, T. Miner, M. Schlueter, D. Scholes, R.Scott

Media Present: No media present.

Call to Order: The meeting was called to order at 3:02 p.m. by Allegany Affordable Government Committee Chairman Kevin LaForge

Approval of Minutes

A motion was made by Legislator Jessup, seconded by Dar Fanton, and carried to approve the Allegany Affordable Government Committee minutes of September 23, 2015.

Vehicle & Equipment Lease Options

Department of Public Works Deputy Superintendent Dean Scholes introduced Al Forster and Mark Schlueter from Kenworth Northeast Group, Inc. Mr. Forster and Mr. Schlueter were invited to talk about leasing and vehicle options. Mr. Forster described the different ways industries can lease vehicles and equipment. The first is a full-service lease, where the equipment is titled to the leasing company. The problem with a full-service lease is the County will lose the tax-exempt status, so it may cost more to have a full-service lease. Mr. Forster noted the most popular lease is the municipal lease. Multiple banks such as First Niagara, M & T, and General Electric Credit offer this type of lease. He stated it is a custom lease where the interest rates are credited back for the depreciation of the vehicle. The vehicles are titled to the municipalities, so they would be exempt from taxes. The County would be able to set up a payment schedule that fits the County's cash flow. So, the County can pay annually, semi-annually, or quarterly. Mr. Forster stated a benefit for the County is they can secure more equipment for the same size budget. The municipalities are paying over a period of time instead of one lump sum. He noted it eliminates the need for bonding, and taking on additional debt. Mr. Forster stated leasing has become more popular, and about 35 percent of the municipalities he deals with are leasing instead of buying the trucks or equipment outright.

Legislator LaForge asked how Federal Excise Tax is treated in a Capital Lease, and if they receive exemptions. Mr. Forster replied yes because the vehicle is titled to the municipality, and at the end of the lease it is a \$1 buyout. Legislator LaForge asked about the maximum amount of time for the lease. Mr. Forster stated the longest he has seen is seventy-two months. Legislator LaForge asked what would happen if someone wanted to switch their whole fleet out. Mr. Forster stated they would have to come to an agreed value based on the age of the equipment, and start new leases on equipment. Legislator LaForge asked who in Western New York is doing a large program of equipment leasing. Mr. Forster noted most of them are leasing about five to six vehicles, and financial institutions can give more information on who is leasing. Legislator LaForge asked if the lease factors were fairly low. Mr. Forster stated they are fairly low; when he checked the rates forty days ago, it was in the high three percent, but they are subject to market change. The lease rate is set at the acquisition of the vehicle, and does not change over the life of the lease.

Legislator LaForge asked Mr. Scholes to relate this information to their current replacement program, specifically how many they are replacing a year. Mr. Scholes replied they are replacing about two or three a year, and the fleet is aging. County Treasurer Terri Ross asked if the fleet he is referring to is heavy equipment. Mr. Scholes replied yes. Legislator LaForge asked about the average age of the heavy equipment. Mr. Scholes responded they have equipment ranging from the late 1970s to brand new 2016 trucks. Many of the equipment Mr. Scholes listed are from the 1990s.

Mr. Scholes asked Mr. Forster to talk about opportunities the County may have in three to five years with the trucks they just purchased from Kenworth. Mr. Forster stated a lot of municipalities trade-in between five and ten years. The average trade-in on a vehicle less than ten years old is in the mid \$20,000 and up to \$50,000 depending on how it is equipped. Mr. Scholes asked if more municipalities are doing trade-in programs instead of leasing programs. Mr. Forster responded that more people are trading-in instead of leasing. He added it is strictly a cash flow decision because leasing allows someone to stretch their money, whereas purchasing requires an outright amount of money. Legislator LaForge asked about depreciation. Mr. Forster stated at the five and six year mark is where the depreciation starts to slow down. He noted the first three years has a high depreciation. At five to seven years the value of the equipment decreases, but the maintenance costs increase.

Legislator LaForge asked if the County was serious about doing a capital lease would Kenworth get quotes. Mr. Forster stated yes, or they can have the lenders come directly to the County. Legislator LaForge surmised that Superintendent Guy James and Mr. Scholes would want to conduct more research, and determine what a five or ten-year rotation might look like. Ms. Ross noted there may be budget issues, and the County would have to discuss it. Ms. Ross asked if there was a structure for a trade-in option without leasing a new vehicle. Mr. Forster stated they do not have a guaranteed value system right now.

Legislator LaForge asked about the base warranty. Mr. Schlueter stated it ranges based on a number of variables. He noted the Department of Public Works purchased an extended warranty package that covers all the major components except for wear and tear for five years. Legislator LaForge asked about the cost of the extended warranty. Mr. Schlueter replied \$1,000 to \$1,500 on the \$175,000 tractor the County recently purchased. It averages to about \$300 a year. The warranty is based on miles, and Mr. Scholes noted the five years will expire before they hit the mileage. Mr. Fanton added he liked the five-year extended warranty for \$1,500.

Mr. Scholes stated they are interested in this idea, and would like to thank the committee for taking the time to listen. He added they are an emergency response agency, and need the equipment to respond. Mr. Scholes noted the Department works with towns and villages on projects, and they use some of the equipment. Ms. Ross asked if Kenworth has heavy equipment too. Mr. Forster stated no only trucks. Mr. Scholes noted Caterpillar and John Deere have similar programs. He can make a list and give it to the committee, and also put together a portfolio of where the equipment is housed, etcetera. Chairman Crandall talked about expanding the list to add operating expenses.

Legislator LaForge asked if Kenworth has worked with natural gas. Mr. Forster stated Natural Gas is a valid project for them. He noted New York State is primarily Compressed Natural Gas, and there isn't a large network for fueling. Mr. Forster stated the biggest success with natural gas is with trash companies. They are able to generate natural gas with their own trash. He noted the benefits of natural gas are decreasing because of lower gasoline and diesel prices. Another issue is the lack of public fueling stations in Western New York. Mr. Forster also noted the re-salability of natural gas vehicles is very limited. Legislator LaForge said natural gas is better with emissions than diesel fuel. Mr. Forster agreed, but stated diesel fuel is

burning much cleaner than before. Legislator LaForge thanked Mr. Forster and Mr. Schlueter for attending the meeting.

Ms. Ross asked if there was a goal to look at all the vehicles including cars and trucks, not just heavy equipment. She noted they met with Enterprise in January, and can pass on the information she received. She stated she has the list of all the County vehicles. Legislator LaForge stated they would like to look at the whole thing. Mr. Dirlam wondered if there was a way to calculate the savings of rotating vehicles at a certain period of time versus keeping them for a longer period of time. Ms. Ross said companies will do that for a fee, and it was a lot of work. Dar Fanton stated he heard that ten years is when to rotate the stock to see some savings. However, he has yet to see the details to prove that it makes sense to keep a vehicle five years and not pay the maintenance on it. County Attorney Carissa Knapp noted local finance law says the life cycle for a sedan is three years, so you wouldn't want a five year lease. Legislator LaForge stated there has to be an optimum point where buying new and not paying maintenance costs will reap some benefits. Mr. Scholes asked if the Committee has a direction they would like the Department of Public Works to take that may be helpful in the future. Legislator LaForge suggested taking a particular group of vehicles and analyze it for age, use, mileage, hours it is used, and where it is housed. Mr. Scholes stated he could do that, and can take some pictures of the equipment.

Land Bank Program Updates

Legislator LaForge noted the land bank program is still in discussion, and it may lead to a local corporation law. County Attorney Tom Miner noted it has to go through the Planning and Economic Development Committee, and then to the full Board. Mr. Miner talked about the process of getting it approved through the State including the Empire State Development, Banking Commissioner, and Secretary of the State. Legislator LaForge said it is a minimal investment of time. Mr. Miner stated it is fairly minimal in the beginning, but there are administrative reporting obligations. Legislator LaForge asked if it wasn't successful, what they would have to do if they wanted to go out of business. Mr. Miner stated since it is a not-for-profit; it would have to be dissolved. Any funds awarded to the not-for-profit would go back to the funder. Chairman Crandall and Legislator LaForge asked what would happen if the not-for-profit did not receive any funds. Mr. Miner stated it would sit there waiting for funds, but the reports will still have to be done. Legislator LaForge stated they should have another meeting about this issue before it is brought to the Planning and Development Committee. County Planner Kier Dirlam stated Legislator LaForge, Bryan Gamache, Jodi Adams, and he have been doing research on how to move forward, and Mr. Miner has worked on the legal issues. He stated they have a basic plan that creates a separate corporation. County Treasurer Terri Ross would like to see the plan before it gets presented, and how it will work. Mr. Dirlam stated Mr. Gamache called the State, and currently there is no money available, and there isn't information for the next round of funding. Legislator LaForge stated the idea is to be ready if they have another round of funding, so they can apply. Chairman Crandall stated the Board will have to think about impact versus the cost if they want to put money into the project.

County Efficiency Plan

County Administrator Mitch Alger stated the County Efficiency Plan was accepted. He noted the checks for this year will be distributed in November 2016. The checks that will be going out this November are for staying under the cap last year. He noted a few items were not approved, but overall the County still met the target. County Planner Kier Dirlam asked how many towns or villages participated in the plan. County Treasurer Terri Ross noted thirteen of

twenty-nine towns, four out of ten villages, and three out of five fire districts participated. Legislator LaForge thanked all who worked on the plan.

Good of the Order

Discussion on the November meeting date. Currently, the meeting is scheduled for Wednesday, November 25, 2015, at 3 p.m. There was some concern that is it the day before Thanksgiving, and some committee members may not be present. It was decided the next meeting will be Monday, November 23, 2015, at 3:30 p.m.

Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 4:13 p.m. following a motion by Dar Fanton, seconded by Legislator Jessup, and carried

Respectfully submitted,
Rebecca Scott, Secretary to the Clerk of the Board
Allegany County Board of Legislators