

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
7	12/12/11	Open	Action	12/02/11

Subject: Lease Agreement with the City of Elk Grove for the Lease of Regional Transit Buses

ISSUE

Whether or not to approve a lease agreement with the City of Elk Grove for 21 buses from RT's contingency fleet.

RECOMMENDED ACTION

Adopt Resolution No. 11-12-____, Approving a Lease Agreement with the City of Elk Grove for the Lease of 21 Buses

FISCAL IMPACT

This action results in a minor savings to RT's operating budget due to a decrease in maintenance costs. There would be a minor cost to RT in transferring ownership of the 11 buses to the City of Elk Grove (City) resulting from a potential loss in salvage value from the surplus buses.

DISCUSSION

Last year, RT entered into an agreement with the City of Elk Grove to lease 15 buses to the City while the City pursued refurbishment of its existing buses, and procurement of new buses to replace inoperable buses. That agreement expired on October 31, 2011. City staff has requested continued use of these 15 buses at least through the end of April 2012. The proposed new lease agreement would expire on June 30, 2012, providing two months of cushion if the City requires use of these buses longer than anticipated.

City staff also asked whether RT had any surplus buses that the City could acquire on a permanent basis. RT has approximately 40 buses in a contingency fleet as a result of the reduction in service that took place in June 2010. Twelve of the 40 reach the end of their 12-year useful life in 2012 and 11 of these could be made available to the City of Elk Grove. The 12th bus is the subject of an ongoing claim and must remain in RT's control until the claim has been resolved.

This action would increase the number of buses leased to the City of Elk Grove from 15 to 21. Of the 21 buses covered by the lease, 10 buses would be returned to RT at the end of the lease period, and 11 would be transferred to the City of Elk Grove for \$1 per bus if Staff determines that: (1) the buses are still surplus to RT's needs; and (2) the fair market value of each bus is less than \$5,000 (the threshold at which FTA approval is required for disposition). In addition, Elk Grove would pay the cost, if any, to "buy out" the lease for the tires on any purchased buses.

Approved:

Presented:

Final 12/6/11

General Manager/CEO

Chief Operating Officer

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Continuing this lease with the City of Elk Grove will not impact RT's ability to restore service at the levels previously discussed by the Board if the Board decides to do so. Staff recommends the Board's approval of this lease agreement.

RESOLUTION NO. 11-12-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

December 12, 2011

**APPROVING A LEASE AGREEMENT WITH THE CITY OF ELK GROVE FOR THE
LEASE OF 21 BUSES**

WHEREAS, RT has buses in a contingency fleet that are available for use by another transit system without impact to RT's service or budget.

WHEREAS, the City of Elk Grove has a need for buses in order to maintain its current level of public transit service.

WHEREAS, RT made available fifteen buses from RT's contingency fleet to the City of Elk Grove on a previous lease that expired on October 31, 2011.

WHEREAS, eleven of the buses to be leased have reached the end of their useful life and the City of Elk Grove wishes to acquire these buses at the conclusion of the lease.

WHEREAS, the parties desired to continue the lease and add an additional six buses to the lease.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Lease Agreement for Compressed Natural Gas Buses by and between Sacramento Regional Transit District (therein "RT") and the City of Elk Grove (therein "CITY"), whereby RT agrees to lease 21 compressed natural gas buses to CITY until June 30, 2012, with an option for CITY to acquire 11 buses at the end of the lease term, is hereby approved.

THAT, the General Manager/CEO is hereby authorized and directed to execute said Lease Agreement.

DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary