

July 17, 2020

MEMORANDUM

TO: JOHN DOE  
City Mayor

FROM: CHIEF DIANA TRUEBA VEGA  
Chief of Police

SUBJECT: CAPITAL EXPENSE ANALYSIS

My oldest son graduated high school in quarantine this year. He has been driving my old vehicle since the beginning of the year. As my son neared graduation, my husband and I considered buying a new vehicle for our son to drive. My husband and I decided to assess the vehicle, as well as an assessment of our finances.

First, we conducted an assessment of the vehicle. The vehicle is a seven-year-old vehicle with relatively low mileage. We took the vehicle to a mechanic and requested a full diagnostic check of the vehicle. After the diagnostic check, the mechanic told us the vehicle needed minor routine maintenance. However, due to the low mileage on the vehicle, and the relatively good condition it is in, the mechanic estimated the vehicle would give us no major mechanical problems in the next five to seven years. We are the second owners of the vehicle. The vehicle has been paid off for two years. Unlike the Police Fleet from Niagara Police Department, who has about half of its fleet out of service due to repairs, and whose vehicles run 24/7, our vehicle is in good condition and driven less than 30 miles a week. (1)

The second assessment we needed to make before deciding on a purchase was to assess our finances. We again reminded ourselves the vehicle is paid off. Making a new car payment would also come with an increased car insurance payment. In addition, making a new car payment would mean we would have to make interest payments on the vehicle monthly payments. I am expecting a 3% raise starting in July. However, I should also take into consideration our City is projected to be 40 million dollars in debt by the end of next year due to the impact of Covid-19. There is no telling how the budget cuts will impact my department within the next fiscal year. City Council has delayed the approval of our 2020-2021 budget until September, and we will not know the impact of our public safety budget until then. While Spartanburg Police Department has a lot of community support for public safety (2), our agency

has had its challenges after the George Floyd incident with a lot of negative outcry from the community towards public safety.

After our assessment of the situation, we decided our son already has a working vehicle at his disposal. While the vehicle is an older vehicle, it is in very good condition, requires little maintenance to keep it running, and purchasing a new vehicle would cost a lot more in the long run. Keeping the vehicle, we already have and using it until the maintenance costs outweigh the cost of a new car payment is more sensible and feasible for our finances.

Instead of buying a new vehicle now and having to make a car payment and an increased car insurance payment, we decided to create a savings fund to purchase a new vehicle for our son in the next three years. We know the vehicle will eventually need replacing, but we don't want to get rid of it now since it is still a good vehicle requiring relatively low maintenance. Our savings plan, while on a much smaller scale, is similar to the San Diego Police Department's Five-Year Plan that highlights and plans for future capital expenses.

After reviewing Module 3 Material, and this personal capital expense, it is easy to see that while they are comparing personal and business capital expenses, the assessments to replace both mirror each other. Replacing a personal vehicle requires the same assessment as the assessment in replacing a police fleet. It can be daunting to view a police fleet replacement instead of personal vehicle replacement, but the basic assessment is the same. While conducting an assessment, you need to take into account several things including: The price of the item needing replacement, the price of any repairs it might need, comparing both prices to each other to see which one will be more costly, where the money will come from if you do decide to replace the item, as well as making a long term plan to replace the item if you anticipate you will need to replace it in the future.

#### References:

1-LEPS 590, Summer 2020, Niagara Falls Police Fleet on Life Support, Retrieved from <https://www.youtube.com/watch?v=YEqkN6rUzFo&feature=youtu.be>

2-LEPS 590, Summer 2020, City of Spartanburg replacing and upgrading city equipment, Retrieved from <https://www.youtube.com/watch?v=Lcbd8Zgfi2Y&feature=youtu.be>

3-LEPS 590, Summer 2020, City of San Diego Police Department's Five-Year Plan, Retrieved from [https://learn-us-east-1-prod-fleet01-xythos.s3.amazonaws.com/5c2103143e6a3/1931630?response-cache-control=private%2C%20max-age%3D21600&response-content-disposition=inline%3B%20filename%2A%3DUTF-8%27%27M3\\_SDPD\\_2012\\_5-Year\\_Plan.pdf&response-content-type=application%2Fpdf&X-Amz-Algorithm=AWS4-HMAC-SHA256&X-Amz-Date=20200715T210000Z&X-Amz-SignedHeaders=host&X-](https://learn-us-east-1-prod-fleet01-xythos.s3.amazonaws.com/5c2103143e6a3/1931630?response-cache-control=private%2C%20max-age%3D21600&response-content-disposition=inline%3B%20filename%2A%3DUTF-8%27%27M3_SDPD_2012_5-Year_Plan.pdf&response-content-type=application%2Fpdf&X-Amz-Algorithm=AWS4-HMAC-SHA256&X-Amz-Date=20200715T210000Z&X-Amz-SignedHeaders=host&X-)

[Amz-Expires=21600&X-Amz-Credential=AKIAZH6WM4PLTYPZRQMY%2F20200715%2Fus-east-1%2Fs3%2Faws4\\_request&X-Amz-Signature=dd0073287c00c993b5e32c8a3b8f2839c871b9e6aea34d3308711169341bd7a2](#)