

Village going with lease option

Written by MARK JAEGER

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Officials see benefit in not purchasing latest communication equipment

Anyone in the market for a new car goes through the process of weighing the pros and cons of buying vs. leasing.

Village of Saukville officials went through that same analysis for their information technology needs and have decided to contract with the Milwaukee IT company Digicorp.

The evaluation committee included Village President Barb Dickmann, Village Administrator Dawn Wagner and Trustee Joe Caban, who is a computer network administrator for the Vollrath Co.

The group worked with Digicorp to determine five-year replacement schedules for equipment and software, and to weigh the benefits of leasing computer backup systems that quickly become outdated.

“Once this five-year budget was built, it was noted that the cash outflows varied greatly from year to year depending upon what was scheduled to be upgraded. In order to create a more manageable expense stream, we conducted a lease vs. buy analysis,” a committee report noted.

Based on that analysis, the group recommended a three-year lease agreement with Digicorp for \$431 a month for IT equipment.

The recommended technology upgrades, which include a Unitrends Recovery system, has a cost of nearly \$13,000.

The group’s rationale for the lease agreement include:

The costs for leasing were negligibly higher than purchasing because interest rates are so low.

Leasing makes financing expenses more predictable for budgeting purposes.

The leased equipment can be purchased for \$1 at the conclusion of the three-year term. Officials anticipate they will exercise that purchase option, because the hardware is expected to have useful life beyond the lease.

“What this lease does is eliminate the peaks and valleys we would see at budget time,” said Caban.

Drawing from his job experience, he said, “I think the costs are in line with what we have seen in the market.”

Funding for the lease will be taken from the village’s existing technology budget.

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On the topic of finances, the Village Board also heard a favorable financial report at its last meeting from Schenck CPAs, the village's auditing firm.

Among the highlights of the audit was a reported fund balance of \$1.2 million at the end of 2012, approximately 40% of the village's expenditures.

Officials noted that having such a favorable fund balance helps the village maintain a strong bond rating.