



Purchase of Fire Vehicles: *Measure Z Funding*

Fire Department
Finance Department

City Council Meeting

September 26, 2017

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BACKGROUND

- FY 2016-2018 Two-Year Budget Cycle
 - Fire Department identified a critical need for funding to begin replacement of aging fleet
- City Council Approved Measure Z Funding
 - May 16, 2017
 - 16 Fire vehicles in FY 2017/18 (Financed)
 - Additional vehicles in FY 2018/19 through 2020/21(Cash)



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VEHICLE NEEDS

- FY 2017/18 (Financed)
 - One-time infusion of 16 vehicles (at or near end of life)

Apparatus Type	Quantity Ordered	Net Cost	Required	Total
Fire Engine	8	\$5,512,366	\$1,080,000	\$6,592,366
Tiller Truck	2	\$2,820,590	\$430,000	\$3,250,590
Straight Truck	1	\$1,182,825	\$215,000	\$1,397,825
Water Tender	2	\$637,512	\$200,000	\$837,512
Brush Truck	1	\$424,903	\$100,000	\$524,903
Squads	2	\$418,426	\$220,000	\$638,426
	16	\$10,996,622	\$2,245,000	\$13,241,622



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BUILD TIMES

- Fire Engine (300-330 days)
- Tiller Truck (300-330 days)
- Straight Truck (360-390 days)
- Water Tender (300-330 days)
- Brush Truck (300-330 days)
- Squads (270-300 days)
- Additional 30 to 60 days needed to install equipment and test prior to placement into fleet.



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VEHICLE NEEDS

- Immediate need for critical Fire Department vehicles
 - Approximate 1-year build time
- To expedite, Staff recommends purchase through the Houston-Galveston Area Council (HGAC) cooperative purchasing program
 - Staff used HGAC with Police Department body-worn cameras (Approx. \$300,000 – CC approval on 12/6/2016)
- Fire Department recommends use of Pierce Manufacturing
 - Vehicles and options best meet the needs of the Fire Department



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FIRE VEHICLES



Tiller Truck



Straight Truck



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FIRE VEHICLES



Engine



Brush Truck



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FIRE VEHICLES



Tender



Squad



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VEHICLE NEEDS

- FY 2018-2021 needs included in Measure Z 5-Year Adopted Spending Plan (cash)
- FY 2018/19
 - Battalion Vehicle (2)
- FY 2019/20
 - Fire Engine (2)
- FY 2020/21
 - Squad Vehicle(1), Tiller Truck (1)



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FINANCING

- Take advantage of current market conditions and seek to finance up to \$14.5 million for Fire Department Vehicles
- Proposing to add Schedule 3 to existing Master Lease Agreement with Bank of America Capital Finance Corp
 - Rates are 2.083% for 7-years and 2.183% for 10-years
 - Rates are 0.20% better than rates received through competitive bid in December 2016 (software and heavy equipment)
 - Rates are better than other banking institutions the City has a relationship with



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FINANCING

- No reserve fund required in this tax-exempt financing
 - Total Financing of \$14,500,000
 - Total annual debt service of \$1,651,578
- Financing costs are \$10,000
 - Less than 0.01% of the total financing.

	Squad Vehicles	All Other Vehicles
Borrowing Amount	\$700,000	\$13,800,000
Borrowing Term	7 Years	10 Years
Interest Rate	2.0830%	2.183%
Annual Payment	\$107,987	\$1,543,591
Total Payments	\$755,906	\$15,435,911



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FISCAL IMPACT

- Measure Z 5-Year Plan estimated debt service costs of \$1,690,000 for 10-years
 - Debt Service is \$1,651,578
 - Year 1 savings of \$28,422 (\$10,000 in issuance costs)
 - Year 2-7 annual savings of \$38,422
 - Year 8-10 annual savings of \$146,409
 - Estimated 5-year savings of approx. \$144,000
 - Estimated 10-year savings of approx. \$700,000



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RECOMMENDATIONS

That the City Council:

1. Adopt the attached resolution approving a financing agreement with Banc of America Public Capital Corp in the amount of up to \$14,500,000, payable over a seven to ten year period at rates up to 2.25% and other related documents, in order to finance the purchase of 16 fire vehicles and related equipment as described below;
2. Authorize the City Manager, or his designee, to execute all documents necessary to complete the financing including making minor and non-substantive changes;
3. Appropriate funding for the previously approved Measure Z fire vehicle replacement plan, in the amount of \$14,500,000, to account number 3510009-450058, Vehicle Replacement – Fire; and
4. Approve purchase orders for the purchase of 16 vehicles from Pierce Manufacturing through the Houston-Galveston Area Council in an amount not to exceed \$10,996,622 plus 7.5% change order authority, utilizing the above capital lease financing.

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