



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 6, 2018

FROM: FIRE DEPARTMENT WARDS: ALL

SUBJECT: MEASURE Z – PURCHASE OF A TRUCK COMPANY FROM PIERCE MANUFACTURING THROUGH THE HOUSTON-GAVELSTON AREA COUNCIL IN THE AMOUNT OF \$1,498,907 AND A 7.5% CHANGE ORDER AUTHORITY

ISSUE:

Approve the purchase of a truck company from the Pierce Manufacturing through the Houston Galveston Area Council (HGAC) in the amount of \$1,498,907 with a 7.5% change order authority and approve a Purchase Order in the amount of \$1,498,907 with a change order authority of 7.5%.

RECOMMENDATION:

That the City Council:

1. Approve the purchase of a truck company from the Pierce Manufacturing through the Houston Galveston Area Council (HGAC) in an amount of \$1,498,907;
2. Authorize additional change order authority for the purchase of the truck company in the amount of up to 7.5%; and
3. Authorize the City Manager, or designee, to execute all documents necessary to complete the financing, including making minor and non-substantive changes.

BACKGROUND:

The Fire Department customarily has a fleet of 32 vehicles that are diverse in their scope of use including, but not limited to, engines, trucks, squads, water tenders, and battalion vehicles. According to the National Fire Protection Agency (NFPA), the organization that sets the standards and best practices for fire services, each vehicle type has a shelf life quantified by mileage limits, hour limits and years of use.

In 2017, the Fire Department identified and relayed the severity of the need to replace vehicles as they had mostly exceeded their shelf life, mileage or hour limits and were incurring high costs in repair. Understanding the critical need, Fire Department staff worked with General Services,

the City Manager's Office, and Finance Department to develop a 20-year funding plan for vehicle replacement identifying the immediate need for 16 vehicles (attachment 1).

On May 16, 2017, City Council adopted the Measure Z Five-Year Spending Plan (attachment 2) which included an \$11.15 million allocation in Fire Department vehicle replacement costs over the first five years and identified a one-time infusion of \$14.5 million for the acquisition of the 16 immediate need vehicles. Through a Request for Proposal (RFP) process, which solicited interest rates from capital lease vendors in financing various equipment, the City selected Bank of America Public Capital Corp as their proposal resulted in the lowest cost to the City.

With the critical need to purchase the Fire Department vehicles and the duration of time it would take to have them ordered and delivered, the City Council also approved the use of the Houston-Galveston Area Council (HGAC) cooperative purchasing program, called HGACBuy, which was utilized by the City on December 6, 2016 to purchase body-worn cameras for the Police Department. With the concurrence of the Finance Department, the Fire Department determined that Pierce Manufacturing provided the best vehicles and add-on options meeting the specifications for the Fire Departments emergency response vehicles.

The Fire Department promptly placed orders with Pierce Manufacturing for the 16 immediate need vehicles and with various other vendors for the additional equipment required to operate the vehicles. Riverside Fire Department staff was able to reduce costs by purchasing in bulk and negotiating with vendors on the large purchases. Through this process, the Fire Department secured a cost savings of approximately \$1.5 million.

DISCUSSION:

Recognizing the critical need to continue to replace emergency vehicles, the Finance and Fire Departments are requesting that the \$1.5 million surplus be utilized to expedite the vehicle replacement plan and purchase an additional truck company to replenish the aging fleet. Quotes received from Pierce Manufacturing included the two purchasing options described below:

- *Option 1:* Pre-payment - Pay a total cost of \$1,498,907 at contract signing; or
- *Option 2:* Non pre-payment – Pay a total of \$1,552,457.23 upon receipt of the vehicle.

Due to the potential savings of \$53,550.23, both the Finance and Fire Departments recommend payment option 1 to pre-pay the total amount of \$1,498,907 at contract signing. If approved, this would allow \$1.5 million in Measure Z funding to be released within the next Fiscal Year to be utilized for other critical needs.

The HGACBuy Cooperative Agreement would be utilized for the purchase of the proposed truck company from Pierce Manufacturing in accordance with Purchasing Resolution No. 23256, Section 602 (e), which states an exception to competitive procurement for the acquisitions of goods when cooperative purchasing is available and undertaken or when goods can be obtained through Federal, State and/or other public entity pricing contracts or price agreements.

The Purchasing Manager concurs with the recommendation and that this purchase is in compliance the Purchasing Resolution No. 23256, Section 602 (e).

FISCAL IMPACT:

In September 2017, the City Council authorized the financing of Capital Equipment through a capital lease in the amount of \$14.5 million in order to purchase critical fire equipment immediately. Bulk purchasing and negotiating of fire trucks has left an available balance that has provided an opportunity to purchase a truck that was scheduled to be purchased in FY 19-20 according to the Measure Z Five Year Spending Plan. Over the 10 year life of the capital lease, the City will pay a total of \$16,191,817, however, this amount may decrease if the City pays the lease off earlier in full. Funding for this purchase is available in the Vehicle Replacement- Fire account 3510009-450058.

Prepared by: Michael D. Moore, Fire Chief
Certified as to
availability of funds: Edward Enriquez, Interim Chief Financial Officer/City Treasurer
Approved by: Lea Deesing, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

- 1.) Vehicle Replacement Plan
- 2.) 5-Year Measure Z Spending Plan
- 3.) Pierce Manufacturing Quote
- 4.) Photo