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Staff Report for the Acquisition of Two Fire Pumper Trucks and Financing Through Lease/Purchase Agreement With Oshkosh Capital

### RECOMMENDATION

Staff recommends that the City Council approve the resolution authorizing acquisition of two replacement pumper fire trucks and financing through a lease purchase agreement with Oshkosh Capital. The resolution authorizes the City Manager to execute the lease purchase agreement and other documents necessary to finance the acquisition.

### BACKGROUND

The City's contract with the Alameda County Fire Department for fire services includes provisions for City ownership of all fire facilities and equipment, including fire engines. Currently, the apparatus in City service includes five engines and two trucks. The 2011-12 Fire Service Budget approved by the City Council included the replacement of two engines based at Station 11 and Station 10. The two front line fire engines that are candidates for replacement based on mileage and hours of service were activated by the City in 1989.

Alameda County Fire recently completed a competitive bid for multiple fire engines and other local agencies can utilize the bid to acquire equipment. The specifications for the equipment were developed by Alameda County Fire and meet all safety and environmental requirements of the City.

The engines that would be acquired by piggy backing on the Alameda County Fire's bid and contract with Golden State Fire Apparatus Inc. meets the City's equipment requirements and are consistent with equipment currently in use. For these reasons, staff recommends that the City acquire two new fire engines utilizing Alameda County Fire [Department's](#) bid.

### DISCUSSION

The bid price by Golden State Fire Apparatus for each 2010 Pierce Arrow XT unit is \$485,545,

inclusive of costs for inspection, delivery, and sales tax. In addition, the City will receive a prepayment discount of \$23,837. The total amount of the purchase and the related financing for the two engines is \$971,090.

The Finance Committee recommends that the City finance the purchase of the new fire engines (fire engines only, not any equipment required to properly outfit the unit upon delivery) through a five-year lease/purchase agreement.

The City has used lease/purchase financing in the past, most notably to acquire other fire apparatus and computer hardware and software. Generally, the lender (bank, financing or leasing company) purchases the equipment and then leases it to the City for a specified period. At the end of the lease period the lender sells the equipment to the City for \$1 and the City becomes the legal owner.

The Finance Committee recommends that the City Council approve a lease/purchase agreement with Oshkosh Capital. Oshkosh Capital is affiliated with the fire engine manufacturer and acts as a financing partner. Staff reviewed the terms of the proposed lease/purchase and finds it most competitive and best meets the interests of the City. Staff also obtained quotes from Capital One Public Finance and Holman Capital (JP Morgan Chase reviewed the acquisition but declined to offer a quote). For the five-year financing, the quoted rates ranged between 2.20% and 2.45%, with Oshkosh providing the best rate. Also, Pierce offered an additional prepayment discount with Oshkosh financing. The lease would be for a period of five years, and the annual payments would be approximately \$207,200.

Funds will initially be appropriated for annual lease payments in 2012-13. The first payment is due one year after commencement of the lease. Golden State Fire has indicated the engines are expected to be delivered to the City by July 2012.

#### **City Council Committee Review and Action**

The Finance Committee reviewed this matter at its meeting on October 21, 2011.

#### **Fiscal Impact**

Funds will initially be appropriated for annual lease payments in 2012-13. The first payment is due one year after commencement of the lease.

#### **CONCLUSION**

Staff recommends that the City Council approve the resolution authorizing acquisition of two replacement pumper fire trucks and financing through a lease purchase agreement with Oshkosh Capital. The resolution authorizes the City Manager to execute the lease purchase agreement and other documents necessary to finance the acquisition.

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