



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

CONSENT
March 6, 2007

Honorable Mayor and
Members of the City Council

Title: Fire Apparatus Acquisition Using Cooperative Purchasing Agreements

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) Approving utilization of the Houston-Galveston Area Council (H-GAC) cooperative purchasing agreement with Martin Apparatus, Inc. to purchase up to 12 Pierce Fire Apparatus; 2) authorizing a purchase from Golden State Fire Apparatus, Inc. (assignee of the obligations of Martin Apparatus, Inc. outside of Texas) for an amount not to exceed \$6.3 million; 3) authorizing the City Treasurer's Office to secure funding for acquisition of fire apparatus, and approve, execute, and deliver related financing documents (on file with the City Clerk); and 4) authorizing the Finance Director to amend the revenue and expenditure budget for the Fire Apparatus/Equipment (FB87) Capital Improvement Project to reflect the fire apparatus financing as secured by the City Treasurer.

Contacts: Keith Leech, Fleet Manager, 808-5869, Christopher Stewart, Procurement Services Manager, 808-6202, Kimberlie Gladden, Senior Debt Analyst, 808-2675.

Presenters: Not Applicable

Departments: General Services/City Treasurer's Office

Divisions: Fleet Management/Public Finance

Organization No: 3259/0900

Description/Analysis:

Issue: The Department of General Services, Fleet Management Division has a customer requirement to purchase replacement fire apparatus for the Sacramento Fire Department. In accordance with City Code 3.56.240 the City Manager may, by cooperative purchasing agreements approved by the City Council, purchase supplies through contracts of other governmental jurisdictions,

without separate competitive bidding where it is advantageous to the City. The use of cooperative contracts results in lower operating costs through volume purchasing and combining resources with other governmental agencies.

The City Treasurer's Office has worked with staff to provide financing options for the \$6.3 million fire apparatus acquisition. Competitive interest rates provide an efficient mechanism for the city in acquiring the fire apparatus and assist in reducing the fire apparatus replacement cycle from 20 years to 15 years.

Policy Considerations: The recommendations in this report are in accordance with City Code section 3.56.240, which allows for the use of legal contracts from other jurisdictions or public agencies without separate competitive bidding by the City upon approval of the cooperative purchasing agreement by the City Council.

The City Treasurer's Office has had a Master Lease Equipment Acquisition with Banc of America Public Capital Corporation since 1996 and has provided equipment leasing for several other projects, including the recently approved Pay & Display Parking Equipment Lease. The use of the lease mechanism is prudent and economical.

The associated agreements and documents are on file with the City Clerk's Office (see Attachment 4 for a list of the associated agreements and documents). While they have not been signed by the City Attorney's Office as "approved as to form," they have been reviewed by the City Attorney's Office, are in substantially final form, and will be executed after the lease financing is approved.

Committee/Commission Action: Not Applicable

Environmental Considerations: The Environmental Services Manager has determined that the action of purchasing vehicles does not have the potential for causing a significant effect on the environment and is therefore exempt under California Environmental Quality Act (CEQA) Guidelines, Categorical Exemption Section 15061(b)(3).

Rationale for Recommendation: In order to fulfill the ongoing requirement to purchase firefighting apparatus, Fleet Management and the Fire Department have worked cooperatively in developing specifications that will best meet the operational requirements of the Fire Department. Based on purchases of apparatus from five major custom fire apparatus manufacturers over the past twenty years, it has been determined that Pierce Manufacturing has best satisfied the operational needs of the Sacramento Fire Department.

Additionally, the City of Sacramento will realize a savings of approximately 3% off the base price of each type of apparatus for a total of \$67,500 when compared to soliciting bids for the same apparatus by utilizing the cooperative purchase through H-GAC. In addition to the savings realized through the use of H-GAC cooperative agreements, Pierce has a forthcoming price increase of 2.9% in May 2007 which will be avoided by approval of this purchase.

Approval of the recommended actions authorizes the City Treasurer's Office to take the actions necessary for the execution of related financing documents to secure the needed financing.

Financial Considerations: Numerous financing mechanisms were analyzed by the City Treasurer's; it has been determined the most efficient financing structure is to utilize the City's Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corporation. The cost of the fire apparatus will not exceed \$6.3 million.

The terms of the financing arranged by the City Treasurer's are as follows:

Est. Amount of Loan	\$6.3M (not to exceed \$7M)
Term of Loan:	10 Years
*Estimated Weighted Interest Rate:	3.88% (weighted average)
*Annual Debt Service:	\$765,244

*Estimated Weighted Int. Rate and Annual Debt Service based on \$6.3 Million loan amount.

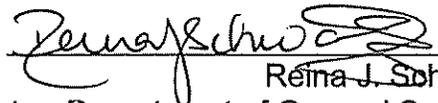
See Attachments 3-A and 3-B for detailed terms and conditions.

The source of repayment for the lease financing will be from the Fire Equipment/ Apparatus Capital Improvement Project (FB87). There are sufficient funds available in FY2006/07 for the annual lease payment estimated at \$765,244. Additionally, the five-year General Fund forecast and the Approved 2006-2011 Capital Improvement Program include continued funding for fire apparatus replacement.

Emerging Small Business Development (ESBD): Golden State Fire Apparatus, Inc. is certified as an Emerging/Small Business Enterprise (ESBE). Based on 2006 utilization, the total amount of this purchase would increase the overall utilization of SBE for the Department of General Services by approximately 44%.

Respectfully submitted by: 
Christopher Stewart
Procurement Services Manager

Respectfully submitted by: 
Keith Leech
Fleet Manager

Approved by: 
Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:


ben Ray Kerridge
City Manager

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BACKGROUND INFORMATION

- The City of Sacramento Fire Department currently has 55 pieces of fire apparatus.
- In 2001, in an effort towards standardization, a purchase of 14 Pierce apparatus consisting of 11 pumpers and 3 aerial trucks was made from Golden State Fire Apparatus, Inc. Since then, the City has purchased 7 other Pierce apparatus of various models (pumpers, aerials, hazmat response and heavy rescue trucks).
- In FY2006/07 the replacement schedule for fire apparatus was changed from 20-25 year replacement for equipment (based on the specific type of apparatus) to replacing equipment every fifteen years. This change was made in an effort to address vehicle maintenance/reliability issues resulting from significantly higher vehicle mileage due to increased calls for service.
- In FY2006/07 funding for fire apparatus was moved from the City's Operating Budget to the Capital Improvement Program (CIP) due to the cost of the equipment, the length of time it takes to acquire it and the life of the equipment.
- To further the effort toward standardization, the new pumpers and aerial ladder trucks will be configured and equipped identically to the previously purchased Pierce apparatus. Training and operating costs for Fire as well as Fleet maintenance personnel, and the amount of labor spent repairing fire apparatus and inventory carried by the supporting shops within Fleet Management will be reduced by standardization of fire apparatus.
- This purchase of 12 pieces of fire apparatus (five pumpers, three aerial ladder trucks, two type III wildland pumpers, one breathing air compressor truck, and one hazardous materials response truck) will utilize an existing cooperative purchasing agreement between H-GAC and Martin Apparatus, Inc. Martin assigned its obligations under the contract to Golden State Fire Apparatus, Inc. for purchases outside the State of Texas. Golden State Fire Apparatus, has coordinated this purchase with the contracted dealer, Martin Apparatus in Houston, TX for all applicable discounts and credits available through the utilization of H-GAC contracts.

Apparatus Information

Description	Unit Price	Quantity Requested	Total
Fire Suppression Pumper	\$ 460,132.05	5	\$2,300,660.25
Aerial Ladder Truck	\$ 766,199.17	3	\$2,298,597.51
Type III Wildland Suppression Pumper	\$ 289,422.51	2	\$578,845.02
Hazmat Response Truck	\$ 391,108.59	1	\$391,108.59
Breathing Air Compressor Truck	\$ 321,494.38	1	\$321,494.38
		Factory Inspections	\$14,149.92
		CA Sales Tax	\$457,626.31
		Pierce Multi-unit Discount	-\$71,864.31
		H-GAC Fee	\$2,000.00
		Grand Total 12 Units	\$6,292,617.67 ¹

¹ Prices are subject to change if prepaid

SUMMARY OF TERMS AND CONDITIONS

Date: January 9, 2007

Lessee: The City of Sacramento, California

Lessor: Banc of America Public Capital Corp or its designee ("Lessor")

Equipment: **New fire engines** (individually "Unit" and collectively "Equipment")

Maximum Purchase Price: \$3,600,000 - 4,000,000

Lease Structure: A lease intended as security transaction; under which all tax benefits will remain with Lessee. The lease will be a net financial lease, and all expenses, including (but not limited to) insurance, maintenance, and taxes, will be for the account of Lessee.

Term: **Lease Commencement Date:** It is anticipated that funding will occur after February 15, 2007.

Lease Term: 7, 10, 12 or 15 year term.

**Indicative
Tax Exempt
Interest Rate:**

3.71 % (7 year)
3.76 % (10 year)
3.805 % (12 year)
3.822 % (15 year)

Option A: Prior to funding, the Tax-Exempt Interest Rate will be fixed according to the following formula:

(0.65 x 7-year U.S. Treasuries) plus 0.681 (7 yr)
 (0.65 x 10-year U.S. Treasuries) plus 0.731 (10 yr)
 (0.65 x 10-year U.S. Treasuries) plus 0.776 (12 yr)
 (0.65 x 10 year U.S. Treasuries) plus 0.793 (15 yr)

Option B: Such indicative Tax Exempt Interest Rate will be held until April 9, 2007. Subsequent to that date and subject to the economic yield maintenance requirements below, the Tax-Exempt Interest Rate will be fixed five business days prior to funding equal to a tax-exempt interest rate as described under the formula in Option A.

Lessor will maintain its economic yield in the lease outside of the interest rate lock period described above and prior to funding.

Rent:

Lessee shall make semi-annual payments, each equal to the stated percentage of Maximum Purchase Price, payable in arrears (“**Indicative Rental Rate**”). **This rental amount is indicative only and is comprised of principal and interest at the Tax Exempt Interest Rate based on the following Index :**

Index:

The index on which the Tax Exempt Interest Rate is based is the bond-equivalent yield per annum for comparable-year U.S. Treasury obligations as quoted by Bloomberg Daily Market Summary. As of January 9, 2007, the Index was 4.66 % for both 7 and 10 years.

Governmental Entity Lease:

The Base Rent installments are calculated on the assumptions, and Lessee will represent, that Lessee is a state or political subdivision of a state within the meaning of Section 103(c) of the Internal Revenue Code (the “Code”), and that this transaction will constitute an obligation of Lessee within the meaning of Section 103(a) of the Code, notwithstanding Section 103(b) of the Code. Lessee shall provide Lessor with such evidence as Lessor may request to substantiate and maintain such tax status. Lessee shall comply with the filing requirements of Section 149(e) of the Code. Lessee will pay Lessor amounts calculated at a taxable rate sufficient to maintain Lessor’s yield in the Lease, in the event Lessor suffers a loss of Federal income tax exemption of the interest portion of the rentals.

Early Termination:

After the Lease Commencement Date, on any rental payment date and upon 30 days’ notice, Lessee may prepay in full all amounts then outstanding under the Lease, including accrued interest, principal balance, and other unpaid charges according to the following schedule: year 0-3 at 100.5% of outstanding balance and from year 4 forward, at 100% of outstanding balance.

End of Term:

At the expiration of the Lease Term, Lessee will purchase all (but not less than all) the Equipment for \$1.00 (“Purchase Price”).

Expenses: Lessee and Lessor will each be responsible for its own expenses incurred in connection with the preparation, negotiation and closing of the lease documentation.

Lease Documents: Master lease documents already negotiated between Lessee and Lessor will be utilized as the basis for this transaction with additional schedules, conforming to the details of this financing. Lessee will also provide board resolutions and other documentation required by Lessor.

Executed lease documents shall control the final transaction.

Escrow Account: Subject to compliance by Lessee with applicable regulations under the Code, including but not limited to arbitrage reporting, the proceeds of the Lease may be deposited into an escrow acceptable to Lessor, and disbursements made therefrom to pay for equipment upon execution and delivery of an acceptance certificate and related documents by Lessee and approved by Lessor. Funds from this account may be invested according to Lessee instructions, and interest on the account will be for the account of the Lessee. Lessor will maintain a security interest in escrowed funds.

Lessor will not be responsible for investment fund deadlines negotiated between Lessee and Escrow Agent, nor the failure to meet such deadlines.

Opinion of Counsel: Lessee's counsel shall deliver an opinion to Lessor at closing in form and substance satisfactory to Lessor concerning the due authorization, execution, delivery, and enforceability of the lease.

Assignment by Lessor: The Lessor shall be entitled to assign its right, title and interest in the Lease and leased equipment on a private placement basis to qualified purchasers. In addition, Lessor shall be entitled to assign its right, title and interest in the Lease to a trustee for the purpose of issuing certificates of participation or other forms of certificates evidencing an undivided interest in such Lease, provided such certificates are sold only on a private placement basis (and not pursuant to any "public offering") to a purchaser(s) who represent that (I) such purchaser has sufficient knowledge and experience in financial and business matters to be able to evaluate the risks and merits of the

investment (ii) such purchaser understands neither the Lease or certificates will be registered under the Securities Act of 1933, (iii) such purchaser is either an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933, or a qualified institutional buyer within the meaning of Rule 144A, and (iv) that it is the intention of such purchaser to acquire such certificates (A) for investment for its own account or (B) for resale in a transaction exempt from registration under the Securities Act of 1933.

Filing Fees:

Lessor will obtain Uniform Commercial Code financing statement searches in Lessee's headquarters and each Equipment location. If Lessor requests, Lessee will also furnish duly executed landlord and mortgage waivers and supporting information. Lessee will also provide board resolutions, incumbency certificates and other documentation required by Lessor.

Patriot Act:

Lessee acknowledges that pursuant to the requirements of the USA Patriot Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), Lessor is required to obtain, verify and record information that identifies Lessee, which information includes the name and address of Lessee and other information that will allow Lessor to identify Lessee in accordance with the Patriot Act.

**Utilization
Period :**

Utilization period will extend until January 9, 2008, or 12 months from the date of documentation closing.

Credit Approval:

Lessor will review credit for any fundings that occur more than one year from the date of document closing.

**Proposal
Expiration Date:**

This proposal will expire on February 20, 2007.

SUMMARY OF TERMS AND CONDITIONS

Date: February 8, 2007

Lessee: The City of Sacramento, California

Lessor: Banc of America Public Capital Corp or its designee (“Lessor”)

Equipment: **New fire engines** (individually “Unit” and collectively “Equipment”)

Maximum Purchase Price: \$3,000,000

Lease Structure: A lease intended as security transaction; under which all tax benefits will remain with Lessee. The lease will be a net financial lease, and all expenses, including (but not limited to) insurance, maintenance, and taxes, will be for the account of Lessee.

Term: **Lease Commencement Date:** It is anticipated that funding will occur after March 1, 2007.

Lease Term: 10 year term.

Indicative Tax Exempt Interest Rate: 4.09% (10 year)

Option A: Prior to funding, the Tax-Exempt Interest Rate will be fixed according to the following formula:

(0.65 x 10-year U.S. Treasuries) plus 1.0155

Option B: Such indicative Tax Exempt Interest Rate will be held until February 8, 2008. Subsequent to that date and subject to the economic yield maintenance requirements below, the Tax-Exempt Interest Rate will be fixed five business days prior to funding equal to a tax-exempt interest rate as described under the formula in Option A.

Lessor will maintain its economic yield in the lease outside of the interest rate lock period described above and prior to funding.

Rent: Lessee shall make semi-annual payments, each equal to the stated percentage of Maximum Purchase Price, payable in arrears (“**Indicative Rental Rate**”). **This rental amount is indicative only and is comprised of principal and interest at the Tax Exempt Interest Rate based on the following Index :**

Index: The index on which the Tax Exempt Interest Rate is based is the bond-equivalent yield per annum for comparable-year U.S. Treasury obligations as quoted by Bloomberg Daily Market Summary. As of February 8, 2007, the Index was 4.73 % for 10 years.

Governmental Entity Lease: The Base Rent installments are calculated on the assumptions, and Lessee will represent, that Lessee is a state or political subdivision of a state within the meaning of Section 103(c) of the Internal Revenue Code (the “Code”), and that this transaction will constitute an obligation of Lessee within the meaning of Section 103(a) of the Code, notwithstanding Section 103(b) of the Code. Lessee shall provide Lessor with such evidence as Lessor may request to substantiate and maintain such tax status. Lessee shall comply with the filing requirements of Section 149(e) of the Code. Lessee will pay Lessor amounts calculated at a taxable rate sufficient to maintain Lessor’s yield in the Lease, in the event Lessor suffers a loss of Federal income tax exemption of the interest portion of the rentals.

Early Termination: After the Lease Commencement Date, on any rental payment date and upon 30 days’ notice, Lessee may prepay in full all amounts then outstanding under the Lease, including accrued interest, principal balance, and other unpaid charges according to the following schedule: year 0-3 at 100.5% of outstanding balance and from year 4 forward, at 100% of outstanding balance.

End of Term: At the expiration of the Lease Term, Lessee will purchase all (but not less than all) the Equipment for \$1.00 (“Purchase Price”).

Expenses: Lessee and Lessor will each be responsible for its own expenses incurred in connection with the preparation, negotiation and closing of the lease documentation.

Lease Documents: Master lease documents already negotiated between Lessee and Lessor will be utilized as the basis for this transaction with additional schedules, conforming to the details of this financing. Lessee will also provide board resolutions and other documentation required by Lessor.

Executed lease documents shall control the final transaction.

Escrow Account: Subject to compliance by Lessee with applicable regulations under the Code, including but not limited to arbitrage reporting, the proceeds of the Lease may be deposited into an escrow acceptable to Lessor, and disbursements made therefrom to pay for equipment upon execution and delivery of an acceptance certificate and related documents by Lessee and approved by Lessor. Funds from this account may be invested according to Lessee instructions, and interest on the account will be for the account of the Lessee. Lessor will maintain a security interest in escrowed funds.

Lessor will not be responsible for investment fund deadlines negotiated between Lessee and Escrow Agent, nor the failure to meet such deadlines.

Opinion of Counsel: Lessee's counsel shall deliver an opinion to Lessor at closing in form and substance satisfactory to Lessor concerning the due authorization, execution, delivery, and enforceability of the lease.

Assignment by Lessor: The Lessor shall be entitled to assign its right, title and interest in the Lease and leased equipment on a private placement basis to qualified purchasers. In addition, Lessor shall be entitled to assign its right, title and interest in the Lease to a trustee for the purpose of issuing certificates of participation or other forms of certificates evidencing an undivided interest in such Lease, provided such certificates are sold only on a private placement basis (and not pursuant to any "public offering") to a purchaser(s) who represent that (i) such purchaser has sufficient knowledge and experience in financial and business matters to be able to evaluate the risks and merits of the investment (ii) such purchaser understands neither the Lease or certificates will be registered under the Securities Act of 1933, (iii) such purchaser is either an "accredited investor" within the meaning of Regulation D under the Securities Act of

1933, or a qualified institutional buyer within the meaning of Rule 144A, and (iv) that it is the intention of such purchaser to acquire such certificates (A) for investment for its own account or (B) for resale in a transaction exempt from registration under the Securities Act of 1933.

Filing Fees:

Lessor will obtain Uniform Commercial Code financing statement searches in Lessee's headquarters and each Equipment location. If Lessor requests, Lessee will also furnish duly executed landlord and mortgage waivers and supporting information. Lessee will also provide board resolutions, incumbency certificates and other documentation required by Lessor.

Patriot Act:

Lessee acknowledges that pursuant to the requirements of the USA Patriot Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), Lessor is required to obtain, verify and record information that identifies Lessee, which information includes the name and address of Lessee and other information that will allow Lessor to identify Lessee in accordance with the Patriot Act.

**Utilization
Period :**

Utilization period will extend until February 9, 2008, or 12 months from the date of documentation closing.

Credit Approval:

Lessor will review credit for any fundings that occur more than one year from the date of document closing.

**Proposal
Expiration Date:**

This proposal will expire on March 30, 2007.

Fire Apparatus - Associated Agreements and Documents

The following documents are not published as part of the agenda package.

They are available for review on the City's Website at www.CityofSacramento.org, or at the Office of the City Clerk:

Office of the City Clerk
915 I Street
HCH, 1st Floor
Sacramento, CA 95814

- A. Schedule of Property No. ___re: Master Equipment Lease/
Purchase Agreement (City Agreement No. 2004-047)
- B. Essential Use/Source of Funds Certificate
- C. Arbitrage and Tax Certificate
- D. Acceptance Certificate
- E. Form of Opinion of Counsel
- F. Certificate of Incumbency

RESOLUTION NO. 2007-XXXX

Adopted by the Sacramento City Council

March 6, 2007

APPROVING THE USE OF THE HOUSTON-GALVESTON AREA COUNCIL (H-GAC) COOPERATIVE PURCHASING AGREEMENTS TO PURCHASE UP TO 12 PIERCE FIRE APPARATUS; AUTHORIZING A PURCHASE FROM GOLDEN STATE FIRE APPARATUS FOR AN AMOUNT NOT TO EXCEED \$6.3 MILLION; AND AUTHORIZING THE CITY TREASURER'S OFFICE TO SECURE FUNDING FOR FIRE APPARATUS ACQUISITION.

BACKGROUND

- A. The Department of General Services, Fleet Management Division has a customer requirement to purchase replacement fire apparatus for the Sacramento Fire Department.
- B. Staff requests that the City Council approve the cooperative purchasing agreement between the Houston-Galveston Area Council (H-GAC) and Martin Apparatus, Inc. as the basis for entering into a contract with Golden State Fire Apparatus, Inc. (assignee of the obligations of Martin outside Texas) in accordance with City Code 3.56.240, which allows for the use of cooperative contracts through other governmental jurisdictions or public agencies without separate competitive bidding.
- C. Utilization of cooperative purchase agreements available through the H-GAC results in a savings of approximately 3% off of the base price of each type of apparatus being purchased.
- D. The City Treasurer's Office has had a Master Lease Equipment Acquisition with Banc of America Public Capital Corporation since 1996 and has provided equipment leasing for similar acquisitions throughout the years. The City will utilize this financing structure to fund an amount not to exceed \$6.3 million for the acquisition of the fire apparatus.
- E. The source of repayment for the lease financing will be from the Fire Equipment/Apparatus Capital Improvement Project (FB87). There are sufficient funds available in FY2006/07 for the annual lease payment estimated at \$765,244. Additionally, the five-year General Fund forecast and the Approved 2006-2011 Capital Improvement Program include continued funding for fire apparatus replacement.

- F. It is desirable and necessary to approve the forms of the various financing documents and to authorize the City Treasurer's Office to perform the functions necessary to secure financing.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The Houston-Galveston Area Council cooperative purchase agreements are approved for the purchase of Pierce fire apparatus.
- Section 2. The City Manager or his designee is authorized to award a contract to Golden State Fire Apparatus, 1237 Doker Drive, Modesto, CA 95351 for the purchase of up to 12 Pierce fire apparatus for a total amount not to exceed \$6.3 million.
- Section 3. The City Treasurer is hereby authorized to execute and deliver the required documents on behalf of the City in substantially the form now on file with the City Clerk, with such changes the City Treasurer may require or approve after consultation with the City Attorney in the best interest of the City.
- Section 4. The Finance Director is authorized to amend the revenue and expenditure budget for the Fire Apparatus/Equipment (FB87) Capital Improvement Project to reflect the fire apparatus financing as secured by the City Treasurer.