



REPORT TO COUNCIL City of Sacramento

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

CONSENT
August 28, 2007

Honorable Mayor and
Members of the City Council

Title: Fire Apparatus Acquisition Using a Cooperative Purchasing Agreement

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) approving utilization of the Houston-Galveston Area Council (H-GAC) cooperative purchase agreement with Martin Apparatus, Inc., to purchase one fire engine; 2) authorizing a purchase of one Pierce fire engine from Golden State Fire Apparatus, Inc. (assignee of the obligations of Martin Apparatus, Inc. outside of Texas) for an amount not to exceed \$490,000; 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 and the Fleet Operations budget (Fund 420) to reflect the fire apparatus purchase.

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 and City Treasurer's Office

Divisions: Fleet Management and Public Finance

Organization No: 3259/0900

Description/Analysis:

Issue: In March of 2007, a City fire engine was involved in a non-fault accident. The estimated repair cost accompanied by its costly repair history has led Fleet Management and the Sacramento Fire Department to determine that repair is unfeasible. Additionally, this unit was scheduled to be replaced in FY2009/10; therefore, staff is recommending the accelerated replacement of this unit.

The City Treasurer's Office worked with staff to provide financing options for a previous \$6.3 million fire apparatus acquisition of 12 vehicles that was approved

by Council March 6, 2007 per Resolution 2007-129. This purchase of one additional unit will be added to the existing financing agreement under the same terms and conditions upon Council authorization. Additionally, this unit will be added to the previous order under the same pricing structure, and delivered as a part of the same group.

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 Fire Apparatus Equipment Lease Financing Agreements 2007-0274-A and 2007-0274-B. 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 3 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: The Department of General Services, Fleet Management Division and the Sacramento Fire Department have determined that the repairs to a fire engine damaged in a March 2007 accident for an estimated amount of \$63,000 are not a reasonable expense due to the lifetime repair history of the unit. The consensus among both departments is to accelerate the replacement of the damaged unit from FY2009/10 to FY2007/08.

The accelerated replacement of this vehicle will result in a savings of approximately \$29,000, based on the manufacturer's estimated annual increase of 3%, versus a purchase for the same unit in FY2009/10 in addition to the accident repair of \$63,000 and other ongoing maintenance and repair costs.

Under City Code 3.56.240, the City Council may approve the use of cooperative purchase agreements, and authorize the City Manager, where advantageous to the City, to utilize such agreements to purchase supplies through contracts of other governmental jurisdictions, without separate competitive bidding.

Cooperative purchasing agreements allow the City to rely upon a competitive bidding process already utilized by another public agency, resulting in lower operating costs to the City through volume purchasing and combining resources with other governmental agencies.

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 Office for the previous purchase of twelve fire apparatus; 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. This additional unit shall be financed under the same terms and conditions as City Agreement 2007-0274-B. The cost of the fire apparatus will not exceed \$490,000.

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

Est. Amount of Loan	\$485,000 (not to exceed \$490,000)
Term of Loan:	10 Years
Interest Rate:	4.09%
Annual Debt Service:	\$59,581

See Attachment 2 for detailed terms and conditions.

The source of repayment for the lease financing will be from the Fire Equipment/ Apparatus Capital Improvement Project (FB87). Funding for the initial payments due in FY2007/08 will be transferred from the General Fund non-fault accident reimbursement budget line. Additionally, the five-year General Fund forecast and the Approved 2007-2012 Capital Improvement Program include continued funding for fire apparatus replacement. The City will pursue reimbursement for damages through Risk Management.

Emerging Small Business Development (ESBD): Golden State Fire Apparatus, Inc. is certified as an Emerging/Small Business Enterprise (ESBE).

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:


for Ray Kerridge
City Manager

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Attachment 1**BACKGROUND INFORMATION**

- An existing City Fire Engine (Unit #7752) was involved in a “non-fault” accident in March of 2007.
- A comprehensive estimate of \$63,000 for accident repairs was provided by Fleet Management in May 2007.
- Based on this unit’s service history and repair costs, in addition to the anticipated replacement of this vehicle in FY2009/10, staff is recommending early replacement instead of making the needed repairs to the vehicle.
- Unit #7752 is scheduled for replacement in FY2009/10 with five other like units. The accelerated replacement of this vehicle will result in a savings, based on the manufacturer’s estimated annual increase of 3%, of approximately \$29,000 versus a purchase for the same unit in FY2009/10.
- A purchase of 12 fire apparatus approved by Council on March 6, 2007 per Resolution 2007-129 is currently on order.
 - The local dealer and manufacturer have agreed to hold pricing for an additional unit to be added to the existing order.
 - Banc of America will allow the addition of one vehicle to the current financing agreement under the same terms and conditions.

Financing Information

10 year Lease Financing	Interest Rate	Loan Amount	Semi-annual payment	Total Annual payments
City Agreement 2007-0274-A	3.76%	\$3,998,861	\$241,734	\$483,469
City Agreement 2007-0274-B	4.09%	\$1,941,696	\$119,264	\$238,528
New loan	4.09%	\$485,000	\$29,790	\$59,581
	Total	\$6,425,557		\$781,578

Attachment 2

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:

(.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.

These documents are available for review on the City's Website 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

August 28, 2007

**APPROVING FIRE APPARATUS ACQUISITION USING A COOPERATIVE
PURCHASING AGREEMENT**

BACKGROUND

- A. In March of 2007, a City fire engine was involved in a non-fault accident. The estimated repair cost accompanied by its costly repair history has led Fleet Management and the Fire Department to determine that repair is unfeasible.
- B. The damaged unit is scheduled for replacement in FY2009/10. The accelerated replacement of this vehicle will result in a savings, based on the manufacturer's estimated annual increase of 3%, of approximately \$29,000 versus a purchase for the same unit in FY2009/10.
- C. The City Treasurer's Office worked with staff to provide financing options for a previous \$6.3 million fire apparatus acquisition for 12 vehicles, which was approved by Council on March 6, 2007, Resolution 2007-129. This purchase of one additional unit will be added to the existing financing agreement under the same terms and conditions. The financing agreement will allow an amount not to exceed \$700,000 to be borrowed at a rate of 4.09% interest. Additionally, this unit will be added to the previous order, under the same pricing structure, and delivered as a part of the same group.
- D. The source of repayment for the lease financing will be from the Fire Equipment/Apparatus Capital Improvement Project (FB87). Funding for the initial payments due in FY2007/08 will be transferred from the City's General Fund non-fault accident reimbursement budget line. Additionally, the five-year General Fund forecast and the Approved 2007-2012 Capital Improvement Program include continued funding for fire apparatus replacement.
- E. 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, where advantageous to the City, allows for the use of cooperative contracts through other governmental

jurisdictions or public agencies without separate competitive bidding. Because of feasibility, cost saving, and the other reasons identified above, it is advantageous to the city make this purchase through the cooperative purchase agreement between H-GAC and Martin Apparatus, Inc. and Golden State Fire Apparatus, Inc., assignee of the obligations of Martin outside Texas.

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 is authorized to purchase one Pierce fire engine for a total amount not to exceed \$490,000 through a contract with Golden State Fire Apparatus, 1237 Doker Drive, Modesto, CA.
- 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.
- Section 4. The Finance Director is authorized to amend the revenue and expenditure budget for the Fire Apparatus/Equipment (FB87) Capital Improvement Project and the Fleet Operations budget (Fund 420) to reflect the fire apparatus financing as secured by the City Treasurer.