



## City of Ketchum

September 12, 2022

Mayor Bradshaw and City Councilors  
City of Ketchum  
Ketchum, Idaho

Mayor Bradshaw and City Councilors:

### **Recommendation To Approve Purchase Order #23003 for \$712,643 for a Fire Engine**

#### Recommendation and Summary

Staff is recommending the council Adopt the following Resolution:

**"I move to approve purchase order #23003 in the amount of \$712,643 and authorize the Mayor to sign said purchase order."**

The reasons for the recommendation are as follows:

- Engine 1 was placed in service in 2004 and has been in front line service for over 18 years. Typical service life for a type 1 engine is 20 years in front line service and 5 years in reserve service.
- The current build time for a fire engine is from 27 to 30 months. If it is ordered in October 2022, delivery will be in the first half of 2025, provided there are no unforeseen delays. The current engine will then be 21 years in service.
- The current fire engine is in good condition, however the fire department does not have a reserve or back-up engine. The current engine can be placed in reserve service when the new one arrives.
- Pierce Manufacturing has announced a significant price increase effective November 1 2022. Prices will increase 15% at that time.

#### Introduction and History

Since splitting with the rural fire district, Ketchum Fire Department has been operating one Type 1 fire engine, in addition to one ladder truck and one type 3 engine (combination brush/support engine). The fire department does not have a reserve engine in the event of major breakdowns.

NFPA standards recommend that front line fire engines be moved into reserve status after 15 years of use, and reserve fire engines be retired at 20 years. With less use than many fire engines see, it is more feasible here to run front line apparatus for 20 years. One reason NFPA recommends replacement at 15 years has been the improvement in safety standards and performance over the past 2 decades.

Engine 1 will be 19 years in front line service in January 2023. While in good condition, maintenance needs have been increasing. The engine is serviceable for now, but will be less reliable as time goes on. Given that

fire engines cannot be replaced quickly if they fail, it is not prudent to risk stretching service life out indefinitely.

Engine manufacturing is currently quoted as 27 to 30 months for basic builds. That is provided no additional supply chain delays occur. Ordering the replacement engine in October of 2022 will give us a delivery date of January 2025 to May 2025. At that time, Engine 1 will be 21 years in service. It will require an additional 3 to 4 months for delivery, radio installation, equipping and training. The fire engine should be ready to go into service around May to August 2025.

Pricing on the Pierce engines is based on cooperative purchasing agreements. Prices increase every November. They have been averaging 7% to 9% over the past few years, however the price increase this fall is coming in at around 15% due to the inflated cost of everything else. Securing the engine now will save around \$90,000 over ordering in December or later.

Pre-payment is a significant cost saving over payment on completion. Financing through a lease purchase also allows spreading the costs over a number of years.

Since the termination of the rural fire district agreement, the fire department has one type 1 fire engine. On occasions when the engine has been out of service for short periods, we operate the ladder truck and the combination brush truck. That places the city at risk if a major fire were to occur, as it reduces our pumping capacity by more than 40%. It also reduces our structure fire equipment by 50%.

Failure of the current engine would be highly problematic, as we have no reserve engine to put in place as a back-up. Ordering a replacement at that time would mean the option of waiting several years for a replacement, or trusting our luck on there being a suitable used fire engine available. With the long delivery times for new engines, used engines in good shape do not remain on the market long.

#### Analysis

The fire department currently operates a Pierce Enforcer engine and a Pierce Enforcer ladder truck. Both are well designed and reliable. The Enforcer line is one of the lower cost fire engines available from Pierce. Continuing with this line provides a fire engine that will be very similar to our current engine. This allows firefighters to move between apparatus easily without having to learn each apparatus separately.

Pricing is based on a purchasing contract which is competitively bid. The purchasing contract is through Houston-Galveston Area Council purchasing, which the City of Ketchum is a signatory to. The cooperative agreement is used in lieu of obtaining bids, as it has already been bid.

#### Sustainability Impact

Electric and Hybrid fire engines are just hitting the market as prototypes. To date, two demo units have been sold in the US. There are three companies moving ahead with them, two companies have each delivered one demo plug in hybrid unit. The cost difference for a hybrid unit is \$1 million more than a diesel unit. The timeline for delivery is currently 5 years for the first Pierce hybrid.

With a \$1 million markup for hybrid, it is my recommendation to wait until hybrid/electric fire engines are in full production before investing.

### Financial Impact

The proposal is to use \$100,000 from the fire station bond fund, and to spread the remainder over a five year lease. Payments will be due starting one year after order. The first two payments will be due before the engine is even delivered. Early payoff is permitted after 2 years, with a termination fee equal to 3% of the remainder due.

### Attachments

Purchase Order 23003

Quote KB790 Hughes Manufacturing

PNC Finance proposal



**CITY OF KETCHUM**  
 PO BOX 2315 \* 191 5TH ST. \* KETCHUM, ID 83340  
 Administration 208-726-3841 (fax) 208-726-8234

**PURCHASE ORDER**  
 BUDGETED ITEM? \_\_\_ Yes \_\_\_ No

**PURCHASE ORDER - NUMBER: 23003**

<b>To:</b> 2408 HUGHES FIRE EQUIPMENT, INC. 910 SHELLEY STREET SPRINGFIELD OR 97477-1975	<b>Ship to:</b> CITY OF KETCHUM PO BOX 2315 KETCHUM ID 83340
--	---

P. O. Date	Created By	Requested By	Department	Req Number	Terms
10/01/2022	Shellie	Shellie		0	

Quantity	Description			Unit Price	Total
1.00	Enforcer PUC Pumper KB790 Down Payment	42-4800-7450	FY 2023	100,000.00	100,000.00
1.00	Enforcer PUC Pumper KB790	03-4230-7150	FY2024	612,643.00	612,643.00
SHIPPING & HANDLING					0.00
TOTAL PO AMOUNT					712,643.00

\_\_\_\_\_  
 Authorized Signature



August 29, 2022

Ketchum Fire Department, ID  
One (1) Enforcer PUC Pumper KB790  
Build Location: Appleton, WI

Proposal Price	\$755,458.00
Less chassis progress payment discount	(9,549.00)
Less payment upon completion @ factory discount	(7,480.00)
Less 100% pre-payment discount	(25,786.00)
<b>Total including all pre-pay discounts</b>	<b>\$712,643.00</b>

**Terms:**

**Price Expiration:** The above pricing is valid until **October 21, 2022**.

**Delivery:** Based on Pierce's current delivery schedule the apparatus would be ready for delivery from factory within 27 to 30 months after contract execution. Delivery is subject to change pending Pierce's delivery schedule at time of order. This time does not include any possible delays that may be caused by national disasters or pandemic.

**Payment Terms:**

a. If pre-payment discount options are elected, the following terms will apply:

**i. Chassis Progress Payment Discount:** The chassis progress payment in the amount of **\$318,312.00** will be due three (3) months prior to the ready for pick up from the factory date. If elected, an invoice will be provided 30 days prior to the chassis payment due date. If payment is not made when due the discount total will be added back to the final invoice.

**ii. Payment Upon Completion at Factory Discount:** If elected final payment is due prior to apparatus leaving the factory for delivery. If payment is not processed upon receipt of invoice the discount total will be required in addition to the invoice amount.

**iii. 100% Pre-Payment Discount:** If elected, an invoice will be provided upon order processing for the 100% pre-payment. Upon receipt of invoice, payment must be made within thirty (30) days. If this option is elected, the discount is in addition to the chassis progress payment discount, and the payment upon completion at the factory discount. If payment is not made when due, the above mentioned pre-payment discounts or a portion thereof, will be added back to the final invoice. Final payment, including any changes made during manufacturing, is due upon completion of the Product at the factory and prior to delivery from the factory. The 100% pre-payment discount is valid for 90 days from quote unless interest rates change; at which time a notification of change will be given and a new quote will be issued.

b. If pre-payment discount options are not elected standard payment terms will apply: Final payment will be due 30 days after the apparatus leaves the factory for delivery. If payment is not made at that time a late fee will be applicable.

c. Payments made for apparatus using a credit card will be applicable to a credit card convenience fee.

**Performance Bond:** A performance bond is included in the above price and will be provided after order placement. If customer elects to remove the performance bond **\$1,846.00** may be deducted from the purchase price.

**Transportation:** Transportation of the apparatus to be driven from the factory to the customers location is included in the above pricing. However, if permits are not obtainable, due to the weight of the apparatus, and the apparatus must be transported on a flat bed, additional Transportation charges will be the responsibility of the customer. We will provide pricing at that time if necessary. If customer elects to drive the apparatus from the factory, **\$5,000.00** may be deducted from the purchase price. if this option is elected payment in full and proof of insurance must be provided prior to leaving the factory and the customer is responsible for compliance with all state, local and federal DOT requirements including the driver possessing a valid CDL license.

**Inspection Trips: Two (2)** factory inspection trips for **two (2)** customer representatives is included in the above pricing. The inspection trips will be scheduled at times mutually agreed upon between the manufacture's representative and the customer, during the window provided by the manufacturer. Airfare, lodging and meals while at the factory are included. In the event the customer is unable to travel to the factory or the factory is unable to accept customers due to the restrictions caused by a national disaster or pandemic then the Dealership reserves the right to use forms of electronic media to accomplish the intention of the inspection trips. Every effort will be made to make the digital media as thorough as possible to satisfy the expectations of the of the customer. If the customer elects to forgo an inspection trip \$2,025.00 per traveler (per trip) will be deducted from the final invoice.

**Acceptance of Proposal:** If the customer wishes to purchase the proposed apparatus Hughes Fire Equipment will provide the Customer its form of Purchase Agreement for the Customer's review and signature. If the Customer desires to use its standard form of purchase order as the Purchase Agreement, the purchase order is subject to review for any required revisions prior to acceptance. **All purchase orders shall be made out to Hughes Fire Equipment Inc and must be signed and dated.**



FINANCIAL SOLUTIONS



# Tax Exempt Lease Purchase

8/31/2022

<b>SALES ORGANIZATION:</b>	<b>Hughes - Kyle</b>	
<b>LESSEE:</b>	Ketchum Fire Department, ID	Contact information:
<b>TYPE OF EQUIPMENT:</b>	One (1) Pierce Enforcer PUC Pumper	Kim Simon
<b>EQUIPMENT COST:</b>	\$712,643.00	Locator: B4-B230-06-07
<b>CUSTOMER DOWNPAYMENT:</b>	\$100,000.00 at contract signing	155 East Broad St
<b>TRADE-IN:</b>	\$0.00	Columbus, OH 43215
<b>DELIVERY TIME:</b>	Per contract	Ph: 614-670-3994
<b>PAYMENT MODE:</b>	Annual In Arrears	Fax:(866) 852-3101
<b>FIRST PAYMENT DUE DATE:</b>	1 year after lease commencement	Kim.simon@pnc.com
<b>LEASE COMMENCEMENT DATE:</b>	Upon contract signing with Pierce	

Term	3 years	5 years	7 years
Number of Payments	3 Annual	5 Annual	7 Annual
Payment Amount	\$222,275.06	\$157,990.67	\$118,009.73

**NOTE:** All lease documents must be fully executed within 7 days of the date of this proposal. Failure to receive completed documents may alter the final payment schedule due to changes in rates and/or discounts.

**PERFORMANCE BOND:** To utilize the prepay program, a performance bond is required. Said performance bond shall be paid for directly to Pierce Manufacturing or financed by PNC Equipment Finance as part of the transaction

**ESCROW FUNDING OPTION:** At lease closing, if all of the equipment has not yet been delivered, Lessor will fund an escrow account from which disbursements will be made to the equipment provider(s) upon receipt of a Requisition Request and Certificate of Acceptance from Lessee. Escrow agent will either be Lessor or third-party provider selected by Lessor and approved by Lessee. All escrow earnings will be for the benefit of Lessee. The escrow agent will assess a \$250.00 account set up fee payable at closing.

**TYPE OF FINANCING:** Tax-exempt Lease Purchase Agreement with a \$1.00 buy out option at end of lease term. Said agreement shall be a net lease arrangement whereby lessee is responsible for all costs of operation, maintenance, insurance, and taxes.

**BANK QUALIFICATION:** This proposal assumes that the lessee will not be issuing more than \$10 million in tax-exempt debt this calendar year. Furthermore, it is assumed that the lessee will designate this issue as a qualified tax-exempt obligation per the tax act of 1986.

**LEGAL TITLE:** Legal title to the equipment during the lease term shall vest in the lessee, with PNC Equipment Finance perfecting a first security interest

**AUTHORIZED SIGNORS:** The lessee's governing board shall provide PNC Equipment Finance with its resolution or ordinance authorizing this agreement and shall designate the individual(s) to execute all necessary documents used therein.

**LEGAL OPINION:** The lessee's counsel shall furnish PNC Equipment Finance with an opinion covering this transaction and the documents used herein. This opinion shall be in a form and substance satisfactory to PNC Equipment Finance.

**VOLUNTEER FIRE DEPARTMENTS:** If Lessee is a Volunteer Fire Department, a public hearing under the requirements of Section 147(f) of the Internal Revenue Code of 1986 shall be conducted to authorize this transaction. It is recommended that a notice of the public hearing be published 10 to 14 days in advance of the public hearing.

This proposal will be valid for **Seven Days (7)** from the above date and is subject to final credit approval by PNC Equipment Finance and approval of the lease documents in PNC Equipment Finance's sole discretion. To render a credit decision, lessee shall provide PNC Equipment Finance with their most recent three years' audited financial statements, copy of their most recent interim financial statement, and current budget.

Accepted by: \_\_\_\_\_ Proposal submitted by Kim Simon