



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6612
January 21, 2025
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6612: Fire Apparatus Acquisition and Financing (Ordinance No. 25-04, First Reading)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Conduct first reading of Ordinance No. 25-04 authorizing the acquisition and lease purchase financing of one Pierce Velocity Pumper and one Pierce Freightliner Pumper.	

DEPARTMENT:	Finance & Administrative Services
STAFF:	Matt Mornick, Finance Director Ali Spietz, Chief of Administration Carson Hornsby, Management Analyst II
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Ordinance No. 25-04 2. Pierce Velocity Pumper (maxi pumper) Proposal and Options List 3. Pierce Freightliner Pumper (midi pumper) Proposal and Options List
CITY COUNCIL PRIORITY:	4. Focus efforts and actions to be an environmentally and fiscally sustainable, connected, and diverse community.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to authorize the purchase of two replacement fire apparatus.

- Two fire apparatus are overdue for replacement in 2025. The City’s provider of fire and emergency medical services, Eastside Fire and Rescue (EF&R), began the design specifications process for both apparatus in mid-2024 and provided a recommendation to the City in December 2024 to purchase Pierce manufactured engines.
- EF&R sourced the quotes for replacement of three of their apparatus and two of the City’s apparatus from Pierce Manufacturing through Sourcewell, a local government unit and service cooperative that offers cooperative procurement solutions to government entities.
- Hughes Fire Equipment, the local dealer for Pierce manufactured engines, provided bid prices for both engines: \$1,250,760.55 for the Pierce Velocity Pumper, and \$717,268.76 for the Pierce Freightliner Pumper. The bid prices reflect several discounts, including a multi-engine discount for combining the purchase order with an additional three apparatus being purchased by Eastside Fire and Rescue.

- With the authorization for the City Manager to sign the participation agreement with Sourcewell (see AB 6614 on the Consent Agenda), the City can then contract with Hughes Fire Equipment, Inc. (through Pierce Manufacturing's contract with Sourcewell) to purchase the apparatus.
- To secure financing for the two apparatus, staff requested financing proposals from seven banks and received the most competitive terms from Municipal Asset Management, Inc. with a 4.89% interest rate and nine-year term for a total financed amount of \$1,968,029.31.
- Proposed Ordinance No. 25-04 (see Exhibit 1) would approve purchase agreements with Hughes Fire Equipment [utilizing Sourcewell Contract No. 113021-OKC-1 with Pierce Manufacturing (parent company Oshkosh Corp)] for the acquisition of one Pierce Velocity Pumper and one Pierce Freightliner Pumper (see Exhibits 2 and 3) and approve a Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. to finance both fire apparatus.

BACKGROUND

Since January 1, 2024, Eastside Fire and Rescue (EF&R) has provided fire and emergency medical services (EMS) to Mercer Island. Per the Interlocal Agreement between the City and EF&R, Mercer Island will finance and own its fire apparatus while EF&R will maintain and operate them. EF&R began a process in mid-2024 to develop design specifications to replace three of their apparatuses and two of the City's engines: a full-size type-1 fire engine and a midi (mid-size) fire engine. This process was led by EF&R's Technical Analysis Group, which provided a recommendation in December 2024 on the design specifications necessary to meet the needs of EF&R (see Exhibits 2 and 3).

EF&R notified the City in December 2024 that they planned to place an order for three fire apparatus in January 2025 and recommended the City combine its purchase of the two engines with their order to secure discounted bid prices for orders of multiple engines. EF&R sourced the quotes for replacement of these apparatus from Pierce Manufacturing through Sourcewell, a local government unit and service cooperative that offers cooperative procurement solutions to government entities.

Pierce Manufacturing is the manufacturer of EF&R's standardized fleet and Hughes Fire Equipment is the exclusive dealer of Pierce Manufacturing in Washington State. EF&R recommended the City purchase Pierce Manufactured engines to ensure Mercer Island-owned engines are standardized with the EF&R fleet to create efficiencies training and certifying their first responders, as well as the maintenance and operation of the entire fleet operated by EF&R. Hughes Fire Equipment provided quotes to the City for the two apparatus with a price guarantee until February 24, 2025.

To take advantage of the discounted pricing from Hughes Fire Equipment, the City Council needs to approve a participation agreement with Sourcewell. Agenda Bill 6614 on the Consent Agenda for the January 21, 2025 City Council meeting seeks approval of the Sourcewell participation agreement. Sourcewell issued a public solicitation for Firefighting Apparatus and Fire Service Vehicles from which Pierce Manufacturing (parent company is Oshkosh Corp) was awarded a contract ([Sourcewell Contract No. 113021-OKC-1](#)).

Staff is attempting to secure discounts by bundling the two engines with an additional three being acquired directly by EF&R. The price of these engines has risen 3-4% per quarter in recent years, with no indication prices will stabilize in the foreseeable future. Staff and EF&R believe the quotes from Hughes Fire Equipment contain the lowest prices the City is likely to receive based on the engine specifications.

ISSUE/DISCUSSION

Fire Apparatus

The City currently has two maxi pumpers and one midi pumper at each fire station. One of the two maxi pumpers are reserve apparatus that are used when another truck is out of service or when the main truck has been called off Island for mutual aid. One maxi pumper and one midi pumper are overdue for replacement.

Velocity Pumper

Acquisition of a Pierce Velocity Pumper is recommended to replace one of the maxi pumper engines (FL-458), which is overdue for replacement in 2025. It was originally purchased in 2012 and has a lifespan of 15 years. Once the new truck arrives, it will become the reserve fire truck at Station 92. The current reserve truck was purchased in 2008 and met its lifespan of 15 years in 2023. The Velocity Pumper is a type 1 fire engine, which is also known as an engine company, engine pumper, maxi pumper, or structural firefighting truck. The type 1 engine is the most common type of fire apparatus in use today.

Type 1 fire trucks are designed to carry 3-4 firefighters and support urban, rural, and suburban departments because they carry all of the required National Fire Protection Association (NFPA) firefighting equipment and support both structural firefighting and initial EMS response. Every type 1 engine is required to have a pump with a minimum tank size of 300 gallons and must offer a minimum of 1,000 Gallons Per Minute (GPM) of water transfer. In addition, type 1 engines must include a full complement of ground ladders, nozzles, forcible entry equipment, rear access and egress, some level of first aid equipment and other unique items depending on the local jurisdiction.

After discounts, the Pierce Velocity Pumper total bid price is \$1,250,760.55 including sales tax (see Exhibit 2). The manufacturing lead time for the Velocity Pumper is estimated at 48 to 54 months.

Freightliner Pumper

Acquisition of a Pierce Freightliner Pumper is recommended to replace one of the midi pumper engines (FL-403), which is overdue for replacement in 2025. It was originally purchased in 2008 and has a lifespan of 16 years. The Freightliner pumper is a "midi" or mid-size engine that is larger than a mini pumper but smaller than full-size pumpers. This apparatus is more fuel efficient compared to full-size pumpers and is designed for departments that combine EMS and rescue services as a cost-effective measure for use in responding to EMS calls. In addition, the mid-size apparatus is ideal for the unique geography of Mercer Island due to its ability to effectively maneuver on smaller streets and in tighter spaces in neighborhoods throughout the Island.

After discounts, the Pierce Freightliner Pumper total bid price is \$717,268.76 including sales tax (see Exhibit 3). The manufacturing lead time for the Freightliner Pumper is estimated at 35 to 40 months.

Financing

In order to secure the most competitive available financing terms, staff requested financing proposals from seven banks including Key Bank, Homestreet Bank, JPMorgan Chase, Washington Federal, First Western Bank, PNC Bank, and Municipal Asset Management, Inc. Two of the seven banks submitted financing proposals to the City including Municipal Asset Management, Inc. and PNC Bank.

The City has previously financed several fire apparatus acquisitions with Municipal Asset Management, Inc. with the most recent acquisition in 2018. All new fire apparatus purchased by the City since 2007 have been

financed through a lease purchase agreement except for one Fire Rescue Truck which was financed by a LTGO bond issue in 2013.

Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc.

Municipal Asset Management, Inc. offered the most competitive financing terms to the City for the acquisition of the two fire apparatus. The Master Tax-Exempt Installment Purchase Agreement proposal from Municipal Asset Management, Inc. includes an interest rate of 4.89% compared to the 5.08% interest rate offered by PNC Bank.

The proposal from Municipal Asset Management, Inc. combines financing for both fire apparatus for a total principal financed amount of \$1,962,984.10. The City was offered two annual payment schedule options, June and December, and selected the annual payment schedule beginning in June 2025 to further reduce the interest amount over a lease term of nine years.

If the installment purchase agreement is executed beginning June 1, 2025, the City will make annual lease payments of approximately \$266,528.82 through June 2033 for an estimated total payment of \$2,398,759.38 over the nine-year term. After the final lease payment in June 2033, ownership of each fire apparatus will be transferred to the City to be maintained and operated by EF&R.

Budget Impact

The City's Fleet Fund will cover the debt service for the acquisition of the two fire apparatus as outlined in the "Financing" section above. Similar to what the City is experiencing with the acquisition of large City equipment, the funding mechanisms in place to cover the debt service for fire apparatus are not keeping pace with the cost of these engines, which continue to steeply increase in price.

As an example, the City purchased a Velocity Pumper for \$733,000 in 2018. At that time, the City's replacement schedule forecasted a 35% increase to the price by 2025. The current (discounted) price for the new Velocity Pumper is \$1.25 million, which represents a 71% increase since 2018, double the original forecasted increase. As noted below, staff will begin working with the City Council to update the policies and funding strategies for the Fleet Fund.

NEXT STEPS

Following the first reading of Ordinance No. 25-04, staff will prepare the purchase agreements with Hughes Fire Equipment to acquire one Pierce Velocity Pumper and one Pierce Freightliner Pumper and the Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. to finance both apparatus to include in the Ordinance for second reading on February 4, 2025.

In addition, staff will return later this year to discuss with City Council the funding policies and strategies related to the Fleet Fund to ensure reserves are keeping pace with equipment replacement forecasts.

RECOMMENDED ACTION

Conduct first reading of Ordinance No. 25-04 authorizing purchase of two fire apparatus (one Pierce Velocity Pumper and one Pierce Freightliner Pumper) and authorizing a purchase agreement with Hughes Fire Equipment, Inc. and a Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. finance both fire apparatus and set it to February 4, 2025 for second reading.