



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6624
February 4, 2025
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6624: Fire Apparatus Acquisition and Financing (Ordinance No. 25-04, Second Reading)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Conduct the second reading of and adopt 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. DRAFT Purchase Agreements – Hughes Fire Equipment, Inc. 3. DRAFT Master Tax-Exempt Installment Purchase Agreement – Municipal Asset management, Inc.
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 scheduled 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 savings for

combining the purchase order with an additional three Pierce Velocity Pumpers being purchased by Eastside Fire and Rescue.

- [AB 6614](#) was approved at the January 21 City Council meeting authorizing the City Manager to sign a participation agreement with Sourcewell. The City will 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.
- On January 21, 2025, the City Council conducted the first reading of proposed Ordinance No. 25-04 (see Exhibit 1) to approve purchase agreements with Hughes Fire Equipment [utilizing Sourcewell Contract No. 113021-OKC-1 with Pierce Manufacturing (parent company Oshkosh Corp)] (see Exhibit 2) for the acquisition of one Pierce Velocity Pumper and one Pierce Freightliner Pumper and approve a Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. (see Exhibit 3) to finance both fire apparatus.
- Staff are in the process of coordinating final revisions to the purchase agreement with Hughes Fire Equipment and the Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. as outlined in the Next Steps section below. The agreements in Exhibits 2 and 3 are draft versions.

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. 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.

ISSUE/DISCUSSION

At the January 21 City Council Meeting, staff presented the proposed process to replace two fire apparatus, and the City Council conducted the first reading of Ordinance No. 25-04 (see [AB 6612](#)). The City Council also approved the participation agreement with Sourcewell (see [AB 6614](#)) enabling the City to contract with Hughes Fire Equipment to purchase the two fire apparatus.

Staff presented proposed Ordinance No. 25-04 which would authorize the City Manager to execute:

1. A purchase agreement with Hughes Fire Equipment, Inc., 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.
2. A Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. to finance both fire apparatus.

Purchase Agreement with Hughes Fire Equipment

This agreement will approve the quotes received from Hughes Fire Equipment for one Pierce Velocity Pumper and one Pierce Freightliner Pumper. The total bid price for the Pierce Velocity Pumper is \$1,250,760.55 including sales tax with an estimated manufacturing lead time of 48 to 54 months. The total bid price for the Pierce Freightliner Pumper is \$717,268.76 including sales tax with an estimated manufacturing lead time of 35 to 40 months. The prices reflect several discounts, including a multi-engine savings for combining the purchase order with an additional three apparatus being purchased by Eastside Fire and Rescue. City staff is negotiating with Hughes to remove terms in the purchase agreement that passes through to the City price increases in major components of product.

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

The City requested financing proposals from seven banks and received proposals from Municipal Asset Management, Inc. and PNC Bank. 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%.

The proposal from Municipal Asset Management, Inc. combines financing for both fire apparatus for a total principal financed amount of \$1,968,029. 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 \$266,571 through June 2033 for an estimated total payment of \$2,399,144 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.

NEXT STEPS

Staff are in the process of coordinating final revisions to the purchase agreement with Hughes Fire Equipment and the Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. Staff have proposed revisions to the purchase agreement with Hughes Fire Equipment to ensure consistency with the terms outlined in the contract between Pierce Manufacturing and Sourcewell as they relate to the Commercial Chassis and Component Price Volatility section. In addition, the City's Bond Counsel has recommended revisions to the Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. to remove sections of the agreement with terms that are undefined or unrelated to the type of equipment the City is purchasing.

Following the adoption of Ordinance No. 25-04 and finalization of the agreements, the City Manager will execute the purchase agreement 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. The City Manager will have discretion not to execute the agreements, if the City is unable to come to terms on the final agreements with Hughes and Municipal Asset Management.

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 the second reading of and adopt Ordinance No. 25-04 authorizing the acquisition and lease purchase financing of one Pierce Velocity Pumper and one Pierce Freightliner Pumper.