BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND

AB 6971
September 1, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6971: Fire Apparatus Acquisition and Financing (Ordinance No. 26-12, First Reading)	☐ Discussion Only ☒ Action Needed: ☒ Motion ☒ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Schedule the second reading of Ordinance No. 26-12 on September 15, 2026.	

DEPARTMENT:	Fire
STAFF:	Matt Mornick, Finance Director Jeromy Hicks, Deputy Chief, Eastside Fire & Rescue Carson Hornsby, Management Analyst II
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Ordinance No. 26-12 including Exhibit A – Purchase Agreement with Hughes Fire Equipment, Inc. and Exhibit B – Property Schedule No. 2 to the Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. 2. Executed Master Tax-Exempt Installment Purchase Agreement with 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 item is to authorize the purchase and financing of a replacement fire apparatus.

- One of the City's type 2 fire apparatus (FL-403) purchased in 2008 is overdue for replacement. This mid-size apparatus is a cost-effective alternative for joint emergency medical service (EMS) and rescue responses, with a compact design well suited for navigating the narrow and steeply graded streets throughout Mercer Island.
- Eastside Fire and Rescue (EF&R) is the City's fire and emergency medical services provider. EF&R's Technical Advisory Group began the design specifications process to replace the apparatus in late 2025 and provided a recommendation to the City in Spring 2026.
- Hughes Fire Equipment ("Hughes"), the Pierce Manufacturing dealer for Washington State, provided a quote for one type 2 fire apparatus in May 2026. The purchase price of the apparatus is $774,266.47 including discounts and sales tax. The quote is valid until October 16, 2026.

- Ordinance No. 26-12 (Exhibit 1) authorizes the City Manager to purchase a new Pierce International Pumper (type 2 apparatus) via a purchase agreement with Hughes.
- In June 2026, the City, EF&R, and Hughes drafted a purchase agreement for the acquisition of one Pierce International Pumper. The City and Hughes agree to the terms outlined in the purchase agreement (Exhibit 1A).
- To secure financing for the apparatus, staff requested financing proposals from two banks and applied for pooled financing via the Washington State Treasurer's Office LOCAL Program. Municipal Asset Management, Inc. offered the most competitive terms with a 4.97% interest rate and 9-year term outlined in the proposed Property Schedule No. 2 (Exhibit 1B) to the previously executed Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. (Exhibit 2).

BACKGROUND

Eastside Fire and Rescue (EF&R) is the City of Mercer Island's fire and emergency medical services provider. The current interlocal agreement between EF&R and the City was executed on January 1, 2024. Per the interlocal agreement, the City will finance and own its fleet while EF&R will manage the fleet's operation and maintenance.

In February 2025, the City Council approved Ordinance No. 25-04 (AB 6624), authorizing the purchase of one type 1 apparatus and one type 2 apparatus from Hughes Fire Equipment ("Hughes"), the exclusive dealer of Pierce Manufacturing in Washington State. The City and Hughes were unable to agree to the price escalator clause in the agreement and the City Manager placed the acquisition on hold.

In September 2025, EF&R's Technical Advisory Group resumed work on the design specifications to replace the City's type 1 apparatus alongside three EF&R-owned type 1 apparatus. To maintain fleet standardization, EF&R recommended a Pierce Manufacturing engine, which optimizes first responder training, certifications, and maintenance efficiencies. In November 2025, the City Council approved Ordinance No. 25-34 (AB 6819), authorizing a joint purchase agreement with Hughes for all four apparatus – including a capped manufacturer price escalator clause – and a lease purchase financing agreement with Municipal Asset Management, Inc.

Following this framework, EF&R resumed plans in late 2025 to replace the City's type 2 apparatus. In May 2026, Hughes provided a quote for the type 2 apparatus (also known as an "International Pumper," which is the formal name of the model by Pierce Manufacturing). City staff, EF&R, and Hughes drafted a purchase agreement that mirrors the November 2025 joint purchase agreement, successfully securing the same cap on the manufacturer's price escalator clause.

ISSUE/DISCUSSION

Type 2 Fire Apparatus

The City currently owns two type 2 fire apparatus, one at each fire station. One of the City's type 2 apparatus (FL-403) is overdue for replacement. Purchased in 2008, the type 2 apparatus has an expected useful life of 16 years and was due for replacement in 2024. Fire apparatus expected useful life is evaluated in conjunction with recommendations from the National Fire Protection Association (NFPA).

For type 2 apparatus, NFPA recommends a useful life of 15 years as a "first out" response vehicle with a subsequent back-up/ reserve life span of an additional 5 to 10 years. Older equipment is maintained to serve as a back-up/reserve pending vehicle condition and maintenance costs. Using "first out" vehicles past their useful life span results in increased maintenance and repair costs, and outdated technology and safety features. Staggering the replacement of “first out” vehicles with back-up/reserve vehicles helps to maintain the condition and reliability of the City’s fire fleet.

Pierce International Pumper

A new Pierce International Pumper is recommended to replace FL-403. The Pierce International Pumper is a type 2 apparatus also known as a “midi pumper,” or mid-size engine that is larger than a type 3 mini pumper and smaller than a full-size type 1 pumper. This apparatus is more fuel efficient compared to full-size pumpers and is designed as a cost-effective measure for departments responding to both fire and EMS calls. The mid-size apparatus is ideal for the unique geography of Mercer Island due to its ability to effectively maneuver on narrow and steeply graded streets in neighborhoods throughout the island.

Purchase Agreement

In May 2026, Hughes provided a quote for the Pierce International Pumper with a total purchase price of $774,266.47 including discounts and sales tax. The quote is valid until October 16, 2026.

The City, EF&R, and Hughes drafted a purchase agreement (Exhibit 1A) adapted from the 2025 joint purchase agreement with EF&R. The agreement permits Hughes to adjust the purchase price if component costs rise, subject to two specific caps. First, if the Producer Price Index (PPI) for Components of Manufacturing increases at a compounded annual growth rate of 5.0% or more between the order date and 14 months prior to estimated delivery, the price may increase by the amount over 5.0%, pro-rated over that timeframe. Second, cost increases for major third-party manufactured components (e.g. engine, transmission, and fire pump) are capped at a maximum of 10% of the original purchase price.

The manufacturing lead time for the Pierce International Pumper is estimated at 14 to 19 months after the purchase agreement is finalized.

Financing

Staff evaluated financing proposals from Municipal Asset Management, Inc., Holman Capital, and the Washington State Treasurer’s Office LOCAL (Local Option Capital Asset Lending) Program, which pools municipal financing to reduce issuance costs and secure lower interest rates.

The LOCAL program approved the City’s application to finance the purchase of the international pumper in July. However, the LOCAL Program disperses funds once the fire apparatus is delivered, meaning the City would not be able to secure $29,000 in pre-payment discounts offered by Hughes.

Property Schedule No. 2 to the Master Tax-Exempt Installment Purchase Agreement

In contrast, Municipal Asset Management, Inc. offered the most competitive overall package with up-front funding. This immediate financing allows the City to capture the $29,000 pre-payment discount – a net savings that exceeds the long-term interest cost advantages of waiting for LOCAL program funding.

Staff recommend moving forward with Property Schedule No. 2 (Exhibit 1B) under the existing Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. (Exhibit 2), securing a 4.97% interest rate and a 9-year term. Upon delivery of the International Pumper, staff will re-evaluate the LOCAL Program’s latest pooled market offerings to determine whether refinancing the lease-purchase agreement is in the City's best financial interest.

If Property Schedule No. 2 is executed beginning September 29, 2026, the City will make annual installment payments of $108,786 through September 2035 for a total payment of $979,075 over a 9-year term. After the final lease payment in 2035, ownership of the apparatus transfers to the City.

The City has previously financed several fire apparatus acquisitions with Municipal Asset Management, Inc., including the City's most recent acquisition in January 2026. All new fire apparatus purchased by the City since 2007 have been financed through installment purchase (also known as lease purchase) agreements except for one fire rescue truck which was financed by a LTGO bond issue in 2013.

Budgetary Impact

The City's Equipment Rental Fund (510) will pay the debt service for the acquisition of the Pierce International Pumper as outlined in the "Financing" section above. Similar to what the City is experiencing with the acquisition of other specialized vehicles and equipment, the funding mechanisms in place to cover the debt service for fire apparatus are not keeping pace with the cost increases seen in recent years. FL-403 was acquired in 2008 for $251,982. In 2026, the cost to replace the apparatus has risen to $774,266.47 including discounts and sales tax, which represents a 307% increase. This degree of price escalation is commonplace in today's market for fire and EMS vehicles.

Debt service payments for the Pierce International Pumper are made from the Equipment Rental Fund. Staff recently completed a cash flow analysis on the Equipment Rental Fund. A new financing strategy to sustainably operate, maintain, and replace the City's fleet – including fire apparatus – is included in the 2027-2028 Preliminary Biennial Budget that will be presented to the City Council later this month.

NEXT STEPS

Following adoption of Ordinance No. 26-12, the City Manager will finalize and sign the Purchase Agreement with Hughes Fire Equipment and Property Schedule No. 2 to the existing Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. Staff will submit the up-front payment for the International Pumper prior to the October 16, 2026 purchase deadline.

RECOMMENDED ACTION

Schedule the second reading of Ordinance No. 26-12 on September 15, 2026.