CITY COUNCIL STAFF REPORT
MEETING DATE: August 22, 2012

FIRE APPARATUS AND SUPPORT VEHICLE PURCHASE

RECOMMENDED ACTION(S):
1. Adopt Resolution authorizing the purchase of Pierce Manufacturing Fire Apparatus from Golden State Fire Apparatus, Inc. per section 3.04.180 of the Municipal Code contingent on receipt of the fully executed fire services contract with Cal Fire.
2. Adopt Resolution authorizing use of Fire Impact Fund for a portion of the purchase of a 105' Quint Aerial Ladder Truck.
3. Adopt Resolution authorizing the City Manager to enter into a 15 year lease-purchase with Oshkosh Capital for the acquisition of fully equipped fire apparatus and support vehicles.

EXECUTIVE SUMMARY:
The City Council took the first step in reestablishing the Morgan Hill Fire Department by contracting with Cal Fire to provide fire and emergency medical services. Since Cal Fire also provides fire and emergency medical services for the South Santa Clara County Fire Protection District (South County), a full boundary drop system will be implemented for the City and South County.

It is necessary for the City to acquire fire apparatus and support vehicles for use by Cal Fire to carry out its contractual obligations. Since South County already owns and operates Pierce Manufacturing fire apparatus, staff recommends that it is in the City's best interest to purchase Pierce Manufacturing fire apparatus for ease of maintenance, training and safety by Cal Fire when preparing for and responding to calls.

Section 3.04.150 of the Municipal Code provides that the City Council may find that competitive bidding would not likely result in a lower price to the city from a responsible bidder and would cause unnecessary expense or delay under the circumstances. Staff recommends that the Council make this finding since Alameda County solicited competitive bids for the acquisition of a Type 1 Pierce Arrow XT 1500 GPM Pumper and the City of Napa solicited competitive bids for the purchase of a 105' Fire Ladder Truck. In both instances, Pierce Manufacturing/Golden State Fire Apparatus, Inc. was awarded the bid.

Staff also recommends that the City acquire a 105' Quint aerial ladder truck in order to adequately serve the fire fighting and emergency medical services needs of residents of new development. The price differential between the 105'' Quint aerial ladder truck and the currently used 75' truck is $110,326. Staff recommends that this difference be funded by Fire Impact Funds.

Golden State Fire Apparatus has also negotiated with the Ford Store Morgan Hill to provide the three pickup trucks included in the purchase. Furthermore, Golden State solicited quotes from fire apparatus equipment suppliers to equip the fire apparatus and pickups according to Cal Fire specifications. Golden State has proposed to use Burton's Fire, Inc. who provided the lowest priced quote.

Finally, the expected durable life of the fire apparatus, and the long time span during which residents and businesses will benefit from its use, support the use of long-term financing to maintain intergenerational equity. City staff solicited lease-purchase financing bids from numerous financial providers and the lowest interest rate for 15-year financing was offered by Oshkosh Capital.

FISCAL/RESOURCE IMPACT:
The total purchase price for fully equipped apparatus and pickups is $2,536,410 of which $110,326 would be paid for from Fire Impact Fees. The balance of $2,426,084 would be included in a 15 year lease-purchase with Oshkosh Capital. The annual payment would be approximately $201,000 and is 6 percent less than staff estimates. Acquiring fire apparatus is a planned activity of the Community Services Department.
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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AUTHORIZING THE PURCHASE OF PIERCE MANUFACTURING FIRE APPARATUS FROM GOLDEN STATE FIRE APPARATUS, INC. PER SECTION 3.04.180 OF THE MUNICIPAL CODE

WHEREAS, the City of Morgan Hill is reestablishing the Morgan Hill Fire Department by contracting with the State of California to provide fire and emergency medical services; and

WHEREAS, the State of California is the contractual provider of fire and emergency medical services for the South Santa Clara County Fire Protection District; and

WHEREAS, the State of California will utilize a full boundary drop system to provide fire and emergency medical services in the City of Morgan Hill and the South Santa Clara Fire Protection District; and

WHEREAS, the South Santa Clara County Fire Protection District already owns, operates and maintains Pierce Manufacturing fire apparatus; and

WHEREAS, it is necessary for the City to acquire two (2) 1500 GPM engines, one (1) quint aerial ladder truck, and three (3) support vehicles for use by the State of California to carry out its contractual obligations; and

WHEREAS, the City of Morgan Hill determines that it is in the City's best interest to purchase Pierce Manufacturing fire apparatus for ease of maintenance and familiarity with the apparatus by State of California personnel when preparing for and responding to calls for service; and

WHEREAS, Golden State Apparatus, Inc., is an authorized Pierce Manufacturing fire apparatus dealership; and

WHEREAS, Section 3.04.150 of the Municipal Code provides that the City Council may, may upon a vote or three city council members, that competitive bidding would not likely result in a lower price to the city from a responsible bidder and would cause unnecessary expense or delay under the circumstances.; and

WHEREAS, Alameda County solicited competitive bids for the acquisition of a Type I Pierce Arrow XT 1500 GPM Pumper; and

WHEREAS, Alameda County was provided three-year pricing for future purchases of Type I Pierce Arrow XT 1500 GPM Pumps by Alameda County or any other municipality, district or state agency; and
WHEREAS, Alameda County awarded the contract to Golden State Fire Apparatus, Inc. after evaluating the three (3) proposals submitted by fire apparatus vendors; and

WHEREAS, the City of Napa solicited competitive bids for the purchase of a 105’ Fire Ladder Truck in January 2011; and

WHEREAS, the City of Napa determined that Pierce Manufacturing was the most responsive bidder providing the best value for the City of Napa; and

WHEREAS, the City of Napa awarded the contract to Golden State Fire Apparatus, Inc. for the purchase of a Pierce 105’ Arrow XT Quint Aerial Truck after evaluating the seven (7) proposals submitted by fire apparatus vendors; and

WHEREAS, Golden State Fire Apparatus, Inc. has negotiated with the Ford Store Morgan Hill to provide the three pickup truck support vehicles included in the purchase; and

WHEREAS, Golden State Fire Apparatus, Inc. solicited quotes from fire apparatus equipment suppliers to equip the fire apparatus and pickups according to Cal Fire specifications; and

WHEREAS, Golden State Fire Apparatus, Inc. received the lowest price from Burton’s Fire, Inc. to equip the fire apparatus and pickups; and

WHEREAS, the City purchasing officer has determined that the County of Alameda and the City of Napa conducted a competitive bidding process for the said apparatus and has set forth his findings in writing.

NOW THEREFORE, BE IT RESOLVED:

Section 1: The City Council adopts and incorporates herein the findings in the recitals.

Section 2: Based on information submitted by staff and the written determination of the purchasing officer, the City Council determines that (a) competitive bids upon notice would not be likely to result in a lower price to the city from a responsible bidder, or would cause unnecessary expense or delay and (b) the purchases may be made through a governmental entity and competitive bids upon notice would not be likely to result in a lower price to the city from a responsible bidder and would cause unnecessary expense or delay under the circumstances.

Section 3: The City Council hereby approves and authorizes the City Manager to purchase fully equipped fire apparatus and emergency medical services support vehicles set forth in the recitals from Golden State Fire Apparatus, Inc., including three fully equipped pickup trucks from The Ford Store Morgan Hill and to execute all necessary purchase agreements, as approved by the City Attorney in the amount not to exceed two million five hundred thirty-six thousand four hundred ten dollars and twenty-seven cents ($2,536,410.27).
Section 4: If any section, subsection, subdivision, sentence, clause, phrase, word, or portion of this resolution is, for any reason, held to be invalid by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this resolution and each section, subsection, subdivision, sentence, clause, phrase, word or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, words, or portions thereof be declared invalid.

PASSED AND ADOPTED by the City Council of Morgan Hill at the meeting held on this 22nd day of August 2012 by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

DATE: ____________________________

Steve Tate, MAYOR

CERTIFICATION

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. XXXX, adopted by the City Council at the meeting held on August 22, 2012.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: ____________________________

Irma Torrez, CITY CLERK
EXHIBIT B

COUNTY OF ALAMEDA

RFQ No. 900563
for
FIRE APPARATUS-PUMPER TRUCKS
BID FORM

Cost shall be submitted on Exhibit B as is. No alterations or changes of any kind are permitted. Bid responses that do not comply will be subject to rejection in total. The cost quoted below shall include all taxes and all other charges and is the total cost the County will pay for the (3) year term of any contract that is a result of this bid.

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit of Measure</th>
<th>Estimated Annual Quantity</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Apparatus-Pumper Truck</td>
<td>Each</td>
<td>1</td>
<td>$441,019.12</td>
<td>$451,162.56</td>
<td>$463,795.11</td>
</tr>
<tr>
<td>Tax</td>
<td></td>
<td></td>
<td>+ 42,999.36</td>
<td>+ 43,988.35</td>
<td>+ 45,220.02</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td></td>
<td></td>
<td>$484,018.48</td>
<td>$495,150.91</td>
<td>$509,015.13</td>
</tr>
</tbody>
</table>

Bidder agrees that the price(s) quoted are the maximum, Free On Board (FOB) charges to be assessed to the County during the term of any contract awarded.

FIRM: Golden State Fire Apparatus Inc.
SIGNATURE: ______________________
DATE: 6/19/09

PRINTED NAME: Ryan Wright
TITLE: Vice President
<table>
<thead>
<tr>
<th>Vendor</th>
<th>Bid Amount</th>
<th>Tax 8.75%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smeal Fire Apparatus</td>
<td>$775,911.50</td>
<td>$67,892.26</td>
<td>$843,803.76*</td>
</tr>
<tr>
<td>Pierce Manufacturing, Inc.</td>
<td>$786,758.22</td>
<td>$68,841.34</td>
<td>$855,599.56</td>
</tr>
<tr>
<td>E1</td>
<td>$833,444.00</td>
<td>$72,926.35</td>
<td>$906,370.35</td>
</tr>
<tr>
<td>Hi-Tech EVS Crimson Fire</td>
<td>$852,739.00</td>
<td>$74,614.66</td>
<td>$927,353.66</td>
</tr>
<tr>
<td>American LeFrance, LLC</td>
<td>$873,541.00</td>
<td>$76,434.84</td>
<td>$949,975.84</td>
</tr>
<tr>
<td>Ferrara Fire Apparatus, Inc.</td>
<td>$878,480.99</td>
<td>$76,867.09</td>
<td>$955,348.08</td>
</tr>
<tr>
<td>Pacific Fire Sales/Sutphen</td>
<td>$887,605.52</td>
<td>$77,665.48</td>
<td>$965,271.00</td>
</tr>
</tbody>
</table>

*^ Parenent Low Bid - Please note bids will be evaluated per evaluation criteria listed in IFB and Addendums.

On behalf of the City, the staff appreciates your submittal and would like to thank you for your effort and patience.
RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AUTHORIZING USE OF FIRE IMPACT FUNDS FOR A PORTION OF THE PURCHASE OF A PIERCE 105’ QUINT AERIAL LADDER TRUCK

WHEREAS, Section 3.56 of the Municipal Code provides for establishing and imposing development impact fees adopted pursuant to a fee study that such fees are reasonably related to the costs of the public facilities needed; and

WHEREAS, pursuant to resolution No. 5592, the City of Morgan Hill has established and imposed a fire impact fee to be deposited in the Fire Impact Fund for the purpose of constructing or acquiring public facilities or capacities thereof to provide fire and emergency medical services reasonably related to the needs and burdens of the developments on which the fees are imposed; and

WHEREAS, the City Council approved a contract with the State of California to provide fire and emergency medical services currently provided by the Santa Clara County Central Fire Protection District; and

WHEREAS, under said contract, it is City’s responsibility to acquire an aerial ladder truck to replace the 75’ aerial ladder truck currently owned by the Santa Clara County Central Fire Protection District; and

WHEREAS, the City has determined that while the 75’ aerial ladder truck served the needs of current residents, it is no longer sufficient to provide the additional capacity needed to serve new or future residents and new developments as defined in the fee study in part because the setbacks and additional building height expected to be constructed by new development will require a 105’ quint aerial ladder truck; and

WHEREAS, the City of Morgan Hill will be purchasing a 105’ Quint Aerial Ladder Truck in order to keep pace with needs reasonably related to the new development; and

WHEREAS, the difference in price between the 105’ Quint Aerial Ladder Truck from a 75’ Quint Aerial Ladder Truck is $110,326.

NOW THEREFORE, BE IT RESOLVED:

Section 1: The City Council adopts and incorporates herein the findings in the recitals.

Section 2: The City Council finds that the acquisition of a 105’ Quint aerial ladder truck in order to adequately serve the fire fighting and emergency medical services needs of residents of new development, as set forth in the applicable fee study and that the cost differential between the 105’ Quint aerial ladder truck and the currently used 75’ truck is reasonably related to the purposes for which the fire impact fee is established and imposed.
Section 3: The City Council hereby authorizes the use of up to one hundred ten thousand three hundred twenty-six dollars ($110,326) from the Fire Impact Fund (Fund 313) to pay for the additional capacity of a 105’ Quint Aerial Ladder Truck.

PASSED AND ADOPTED by the City Council of Morgan Hill at the meeting held on this 22\textsuperscript{nd} day of August 2012 by the following vote:

AYES: COUNCIL MEMBERS: 
NOES: COUNCIL MEMBERS: 
ABSTAIN: COUNCIL MEMBERS: 
ABSENT: COUNCIL MEMBERS: 

DATE: ____________________________

Steve Tate, MAYOR

CERTIFICATION

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at the meeting held on August 22, 2012.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: ____________________________

Irma Torrez, CITY CLERK
RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AUTHORIZING THE CITY MANAGER TO ENTER INTO A 15 YEAR LEASE-PURCHASE WITH OSHKOSH CAPITAL FOR THE ACQUISITION OF FULLY EQUIPPED FIRE APPARATUS AND SUPPORT VEHICLES

WHEREAS, on July 25, 2012, the City Council authorized the reestablishment of the Morgan Hill Fire Department by contracting with Cal Fire for the provision of fire and emergency medical services included the leasing of fire apparatus; and

WHEREAS, the expected durable life of the fire apparatus, and the long time span during which residents and businesses will benefit from its use, support the use of long-term financing to maintain intergenerational equity; and

WHEREAS, City staff solicited lease-purchase financing bids from numerous financial providers pursuant to Morgan Hill Municipal Code § 3.04.050; and

WHEREAS, five (5) bids were received for fifteen (15) year financing, which corresponds to the expected life of the fire apparatus; and

WHEREAS, the lowest interest rate for fifteen (15) year financing was offered by Oshkosh Capital and was determined to be the bid most advantageous to the City as defined by Morgan Hill Municipal Code § 3.04.080.

NOW THEREFORE, BE IT RESOLVED:

Section 1: The City Council adopts and incorporates herein the findings in the recitals.

Section 2: City Council hereby approves and authorizes the City Manager to enter into a fifteen (15) year lease-purchase with Oshkosh Capital for the acquisition of fully equipped fire apparatus and fully furnished pickups from Golden State Fire Apparatus, Inc.

Section 3. If any section, subsection, subdivision, sentence, clause, phrase, word, or portion of this resolution is, for any reason, held to be invalid by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this resolution and each section, subsection, subdivision, sentence, clause, phrase, word or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, words, or portions thereof be declared invalid.
PASSED AND ADOPTED by the City Council of Morgan Hill at the meeting held on this 22nd day of August 2012 by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

DATE: ____________________________

Steve Tate, MAYOR

CERTIFICATION

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at the meeting held on August 22, 2012.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: ____________________________

Irma Torrez, CITY CLERK
PROPOSAL FOR PIERCE® FIRE APPARATUS

City of Morgan Hill

<table>
<thead>
<tr>
<th>DATE</th>
<th>August 6, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUOTE NO.</td>
<td>90806-12A</td>
</tr>
<tr>
<td>EXPIRES</td>
<td>September 28, 2012</td>
</tr>
<tr>
<td>SALES REP.</td>
<td>Dan Collins</td>
</tr>
</tbody>
</table>

The undersigned is prepared to manufacture for you, upon an order being placed by you, for final acceptance by Pierce Manufacturing, Inc., at its home office in Appleton, Wisconsin, the apparatus and equipment herein named and for the following prices:

<table>
<thead>
<tr>
<th>#</th>
<th>PROPOSAL “A” Description</th>
<th>Each</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Two (2) Pierce Arrow XT 1500 GPM Pumpers, excluding state sales tax</td>
<td>$927,590.00</td>
</tr>
<tr>
<td>B</td>
<td>One (1) Pierce 105’ Arrow XT Quint Aerial, excluding state sales tax</td>
<td>$786,758.00</td>
</tr>
<tr>
<td>C</td>
<td>Equipment for two (2) Pumpers (line A) and one (1) Aerial (line B), excluding state sales tax</td>
<td>$478,510.77</td>
</tr>
<tr>
<td>D</td>
<td>Outfitting for two (2) Pumpers (line A) and one (1) Aerial (line B), excluding state sales tax</td>
<td>$20,256.05</td>
</tr>
<tr>
<td>E</td>
<td>One (1) Ford F250 4x4 pickup truck, excluding state sales tax</td>
<td>$41,117.40</td>
</tr>
<tr>
<td>F</td>
<td>Two (2) Ford F150 4x4 pickup trucks, excluding state sales tax</td>
<td>$57,857.52</td>
</tr>
<tr>
<td>G</td>
<td>One (1) Ford F250 slider bed, excluding state sales tax</td>
<td>$3,983.37</td>
</tr>
<tr>
<td>H</td>
<td>Three (3) Camper shells camper shells w/window guard mesh, excluding state sales tax</td>
<td>$8,226.75</td>
</tr>
<tr>
<td>I</td>
<td>Lightbar, Siren and Warning Light package with installation by Burton’s Fire Inc. on 3 vehicles (1 Ford F250 4x4 pickup truck and 2 Ford F150 4x4 pickup trucks), excluding state sales tax</td>
<td>$16,101.77</td>
</tr>
<tr>
<td>J</td>
<td>SUBTOTAL (LINES A TO I), EXCLUDING STATE SALES TAX</td>
<td>$2,340,401.63</td>
</tr>
<tr>
<td>K</td>
<td>State Sales Tax @ 8.375%</td>
<td>$196,008.64</td>
</tr>
<tr>
<td>L</td>
<td>TOTAL PURCHASE PRICE, INCLUDING STATE SALES TAX</td>
<td>$2,536,410.27</td>
</tr>
</tbody>
</table>

Please note the following about the line items above:

1. **Line A** – In addition to the two (2) Pierce Arrow XT 1500 GPM Pumpers the following items are included in this line item: Two (2) factory inspection trips for two (2) Morgan Hill representatives, delivery to Morgan Hill, California, a 100% performance bond, a 100% pre-payment discount in the amount of ($16,792.20) PER UNIT and a contingency fund in the amount of $5,000.00 PER UNIT to cover the cost of unforeseen items or required work that may come up during the course of construction. Any unused portion of the contingency fund will be deducted from the final invoice or reimbursed to the purchaser. IF PAYMENT OF $500,316.99 PER UNIT ($462,186.60 plus $38,130.39 in state sales tax) IS NOT MADE AT TIME OF CONTRACT SIGNING, $16,792.20 PER UNIT PLUS TAX WILL BE ADDED TO THE FINAL INVOICE AND DUE AT TIME OF DELIVERY / ACCEPTANCE.

2. **Line B** – In addition to the one (1) 105’ Arrow XT Quint Aerial the following items are included in this line item: Two (2) factory inspection trips for two (2) Morgan Hill representatives, delivery to Morgan Hill, California, a 100% performance bond, a 100% pre-payment discount in the amount of ($40,537.83) PER UNIT and a contingency fund in the amount of $10,000.00 to cover the cost of unforeseen items or required work that may come up during the course of construction. Any unused portion of the contingency fund will be deducted from the final invoice or reimbursed to the purchaser. IF PAYMENT OF $855,143.08 PER UNIT ($789,970.51 plus $65,172.57 in state sales tax) IS NOT MADE AT TIME OF CONTRACT SIGNING, $40,537.83 PLUS TAX WILL BE ADDED TO THE FINAL INVOICE AND DUE AT TIME OF DELIVERY / ACCEPTANCE.

1237 Doker Drive • Modesto, CA 95351-2888
(209) 522-0422 • Fax (209) 522-0464
www.goldenstatefire.com
3 Line C - Pricing is per the information provided by Burton's Fire Inc. on their estimate #E1137 dated 7/16/12. Any changes to the specification, quantities, price, etc. will come at additional cost and will be the sole responsibility of the purchaser.

4 Line D - Pricing is per the information provided by Burton's Fire Inc. on their estimate #E1235 dated 2/28/12. Any changes to the specification, quantities, price, etc. will come at additional cost and will be the sole responsibility of the purchaser.

5 Line E - Pricing is per the information provided by the purchaser to Golden State Fire Apparatus Inc. via email on 8/15/12. Any changes to the specification, quantities, price, etc. will come at additional cost and will be the sole responsibility of the purchaser.

6 Line F - Pricing is per the information provided by the purchaser to Golden State Fire Apparatus Inc. via email on 8/16/12. Any changes to the specification, quantities, price, etc. will come at additional cost and will be the sole responsibility of the purchaser.

7 Line G - Pricing is per the information provided by the purchaser to Golden State Fire Apparatus Inc. via email on 7/16/12. Any changes to the specification, quantities, price, etc. will come at additional cost and will be the sole responsibility of the purchaser.

8 Line H - Pricing is per the information provided by the purchaser to Golden State Fire Apparatus Inc. via email on 7/16/12. Any changes to the specification, quantities, price, etc. will come at additional cost and will be the sole responsibility of the purchaser.

9 Line I - Pricing is per the information provided by Burton's Fire Inc. on their estimate #E1192 dated 4/23/12. Any changes to the specification, quantities, price, etc. will come at additional cost and will be the sole responsibility of the purchaser.

Said apparatus and equipment are to be built and shipped in accordance with the specifications hereto attached, delays due to strikes, war, or intentional conflict, failures to obtain chassis, materials, or other causes beyond our control not preventing, within about 230 to 260 calendar days after receipt of this order and the acceptance thereof at our office at Appleton, Wisconsin, and to be delivered to you at MORGAN HILL, CALIFORNIA.

The specifications herein contained shall form a part of the final contract, and are subject to changes desired by the purchaser, provided such alterations are interlined prior to the acceptance by the company of the order to purchase, and provided such alterations do not materially affect the cost of the construction of the apparatus.

The proposal for fire apparatus conforms to all Federal Department of Transportation (DOT) rules and regulations in effect at the time of bid and with all National Fire Protection Association (NFPA) Guidelines for Automotive Fire Apparatus as published at the time of bid, except as modified by customer specifications. Any increased costs incurred by first party because of future changes in or additions to said DOT or NFPA standards will be passed along to the customers as an addition to the price set forth above.

Unless accepted by September 28, 2012, the right is reserved to withdraw this proposition. Refer to “General Terms and Conditions of Sale” for additional information.

Respectfully Submitted,

[Signature]

Authorized Sales Representative
MEMORANDUM

CITY OF MORGAN HILL

Date: August 16, 2012

To: Steve Rymer, Community Services Director

From: Kevin Riper, Finance Director

Subject: Recommended Lease-Purchase Provider for Fire Apparatus

As part of the new fire and emergency medical services contract with the State of California, through the California Department of Forestry and Fire Protection, the City needs to acquire $2,536,410.27 worth of fire apparatus and equipment, with $110,326 that City Council can approve for payment from fire impact fees, for a net amount to be financed of $2,426,084.27--as detailed on the two-page attachment that immediately precedes this memo in the agenda packet.

Since the equipment will have long useful lives (and the pumpers and aerial will go into reserve status even after their useful lives), a core principle of public finance is applicable to this acquisition: "intergenerational equity", i.e., fairness of the tax burden between generations. This principle states that the taxpayers who will benefit from a product or service should pay for it. Since taxpayers from now until the late-2020s will benefit from the fire apparatus being acquired, they should pay for it over time, rather than out of today's tax resources—as would be the case if the City paid all cash up front for the apparatus.

Furthermore, the City Council's debt management policy calls for long-term financing when "Market conditions present favorable interest rates," and when "The life of the project or asset to be financed is 10 years or longer." Both conditions prevail in this instance.

The mechanism for adhering to the Council's debt management policy and ensuring intergenerational equity by spreading the cost among both today's and future taxpayers is a lease-purchase financing for the projected minimum 15-year useful life of the major apparatus.

I solicited 14 banks and equipment lease finance companies for proposals to finance the acquisition. In the event, they fell into three categories:

Did not respond:
Oracle Equipment Leasing

Responded, but chose not to submit a proposal:
Bank of America* Merrill Lynch
Bank of New York Mellon*
Bank of Nova Scotia*
Chase
First Municipal Leasing Corporation
Union Bank*

Submitted a proposal (longest term listed; some shorter terms also offered):
AmeriFund Financial (15-year term @ 5.48%)
Bank of the West* (15-year term @ 2.85%)
California First National Bank (7-year term @ 2.65%)
Holman Capital (15-year term @ 3.67%)
Municipal Asset Management (15-year term @ 3.34%)
Oshkosh Capital (15-year term @ 2.82%)
US Bank* (10-year term @ 2.44%)

*banks with which the City currently has an account relationship

Obviously, the winning proposal for 15-year financing is Oshkosh Capital at 2.82%, with Bank of the West the “cover bid” (2nd place) at 2.85%--though with no interest rate lock, and also excluding the pickup trucks--followed by Municipal Asset Management at 3.34%. Details appear in the attachment: annual payments, in arrears, of $200,588.09. As with all the proposals, Oshkosh Capital’s is subject to credit review and approval/execution of lease documents. The 2.82% interest rate is valid through Friday, September 7.

Finally, with respect to the City Council’s Sustainable Budget Policy that no more than 5 percent of the General Fund’s annual revenues shall be devoted to debt service, lease-purchasing the fire apparatus will increase the proportion of the General Fund attributable to debt service by 3/4 of one percent, leaving the total still well below the 5 percent ceiling. These new debt service costs have been factored into every five-year financial forecast for the General Fund presented to Council during the past year, at a somewhat higher dollar amount.

Attachment
Kevin Riper  
Finance Director/Admin. Svcs. Dir.  
City of Morgan Hill  
17575 Peak Avenue  
Morgan Hill, CA 95037

RE: Tax-Exempt Lease/Purchase

Dear Kevin:

Oshkosh Capital ("Oshkosh Capital"), for itself, its successors, and assigns, is pleased to submit this tax-exempt lease purchase proposal to City of Morgan Hill, CA for the acquisition of vehicles and equipment per proposal 90806-12A to be provided by Golden State.

Our proposal is as follows:

<table>
<thead>
<tr>
<th>LESSEE:</th>
<th>City of Morgan Hill, CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESSOR:</td>
<td>Oshkosh Capital</td>
</tr>
<tr>
<td>TYPE OF FINANCING:</td>
<td>Tax-exempt Lease Purchase Agreement with $1.00 buyout 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.</td>
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August 16, 2012

Kevin Riper  
Finance Director/Admin. Svcs. Dir.  
City of Morgan Hill  
17575 Peak Avenue  
Morgan Hill, CA 95037

RE: Tax-Exempt Lease/Purchase

Dear Kevin:

Oshkosh Capital ("Oshkosh Capital"), for itself, its successors, and assigns, is pleased to submit this tax-exempt lease purchase proposal to City of Morgan Hill, CA for the acquisition of vehicles and equipment per proposal 90806-12A to be provided by Golden State.

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ANNUAL PAYMENT: 15 @ $ 200,588.09

LEASE COMMENCEMENT: August 2012

PAYMENT MODE/FREQUENCY: Annual in arrears

PAYMENT DUE: 1 year after lease commencement

VENDOR PAYMENT: Oshkosh Capital shall pay the equipment vendor(s) upon execution of the lease documentation. Lessee shall execute and deliver to Oshkosh Capital, a final receipt certificate, once the equipment has been delivered.

INSURANCE: The lessee shall furnish confirmation of all risk physical damage insurance coverage for the full cost of the property plus $2 million combined single limit property damage and bodily injury insurance covering the property. Oshkosh Capital shall be named as loss payee and additional insured on such coverage.

AUTHORIZED SIGNORS: The lessee's governing board shall Oshkosh Capital 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 Oshkosh Capital with an opinion covering this transaction and the documents used herein. This opinion shall be in a form and substance satisfactory to Oshkosh Capital.

LEGAL TITLE: Legal title to the equipment during the lease term shall vest in the lessee, with Oshkosh Capital perfecting a first security interest through uniform commercial code filing or any other such instruments as may be required by law. Upon performance of the terms and conditions of the lease agreement, the lessee shall have the option to purchase all equipment for $1.00.

LEASE RATE: 15 years – BQ – 2.82% Valid to September 7, 2012

After September 7, 2012, the Lease Rate offered herein shall be indexed to the like term interest rate swap as published at http://www.federalreserve.gov/releases. On August 13, 2012, the H.15 interest rate swaps are:

10 years -1.75%

The lease rate used to establish the periodic lease payments shall be adjusted, up or down, by the change in the interest rate swap times 0.65 and then added or subtracted to the base Lease
Rate listed above to determine the lease rate for the lease schedule, three business days prior to lease funding.

**DOCUMENTATION:**

Lease documentation shall be by Oshkosh Capital.

**PROPOSAL EXPIRATION:**

This proposal will automatically expire at the end of business on **September 7, 2012**, unless accepted in writing by lessee or extended in writing by Oshkosh Capital. All lease documents must be fully executed and to the satisfaction of Oshkosh Capital prior to such date. After **September 7, 2012**, Oshkosh Capital reserves the right to adjust the interest rate to market conditions.

This proposal is subject to final credit approval by Oshkosh Capital and approval of the lease documents in Oshkosh Capital's sole discretion. To render a credit decision, lessee shall provide Oshkosh Capital with their most recent two years' audited financial statements and a copy of their next year's budget.

I trust that you will find the contents of this proposal to your satisfaction. If you should have any questions or if I may be of any assistance, please do not hesitate to contact me at (800)820-9041. Ext. 1

Sincerely,

Oshkosh Capital

\[Signature\]

Kim Simon

**ACCEPTED BY:** City of Morgan Hill, CA

By:

Title:

Date: