



# CITY *of* BRISBANE

## Fiscal & Administrative Subcommittee Agenda

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**Tuesday, September 27<sup>th</sup>, 2022 at 10:30 AM • Virtual Meeting**

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This meeting is compliant with the Ralph M. Brown act as amended by California Assembly Bill No. 361 effective September 16, 2021 providing for a public health emergency exception to the standard teleconference rules required by the Brown Act. The purpose of this is to provide a safe environment for the public, staff, and the Subcommittee, while allowing for public participation. The Subcommittee may take action on any item listed in the agenda. The public may address the Subcommittee using exclusively remote public comment options.

### **TO ADDRESS THE SUBCOMMITTEE**

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After entering the meeting ID and pressing #, simply press # a second time to enter the meeting waiting room. No participant code is required. Please wait on the call until a Subcommittee or Staff Member announces that the phone line is open. Dial \*9 to "raise hand" and dial \*6 to mute/unmute.

### **JOINING MEETING**

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Join Zoom: <https://us06web.zoom.us/j/87146160918?pwd=Ty96ZHZuZVhOanN3VFA3eHAzYXdxdz09>

Meeting ID: 871 4616 0918

Passcode: 123456

### **SPECIAL ASSISTANCE**

If you need special assistance to participate in this meeting, please contact Angel Ibarra at (415) 508-2109. Notification in advance of the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

**SUBCOMMITTEE MEMBERS:**

Mayor Cunningham, Councilmember O'Connell

**PRESENTATIONS AND DISCUSSION ITEMS**

A. Request to Purchase or Lease Fire Engine

**PUBLIC COMMENT****ADJOURNMENT**

A.

**File Attachments for Item:**

A. Request to Purchase or Lease Fire Engine



## CITY COUNCIL FISCAL AND ADMINISTRATIVE SUBCOMMITTEE AGENDA REPORT

**Meeting Date:** 9/27/2022

**From:** Stuart Schillinger, Deputy City Manager

**Subject:** Request to Purchase or Lease Fire Apparatus Ahead of Current Vehicle Replacement Budget Schedule

### **Community Goal/Result**

Safe Community

Fiscally Prudent

### **Purpose**

Ensure the City has fire equipment that is modern and available to respond to calls for service as needed.

### **Recommendation**

Discuss whether the City should lease or purchase the new fire engine.

### **Background**

It is currently taking between 3 – 5 years to have fire engines built after they are ordered. In the past the lead time between ordering a fire engine and receiving it was 18 months. The increase is due to a number of factors including the recent impact of supply chain issues. The City's reserve engine was purchased in 2005. Engines are placed in reserve to ensure an engine is available when the front line engine is out of service due to maintenance, repairs, or for operational reasons. It will be at least 20 years if we can receive the engine in 2025 or older if it takes longer. Older engines are more expensive to repair and at times replacement parts become difficult to find, potentially taking the engine out of service when needed.

The City's last engine was purchased in 2018 at a cost of \$601,000. At the time it was anticipated that it would be replaced in 12 years. We had planned replacing it in 2030 at a cost of approximately \$857,000, which assumed a 3% annual increase in the cost of engines. We were setting aside \$71,407 a year for the replacement.

### **Discussion**

The City would like to place the order ahead of schedule for a number of reasons. The first was explained in the background regarding the reserve vehicle, older vehicles are more expensive to maintain and they are harder to get parts for. Additionally, the lead time from order to purchase has increased from 18 months to 3 – 5 years. In part, as explained, this is due to

supply chain issues but it is also due to the high number of fire engines being ordered currently. The manufacturer is increasing the vehicle price on November 1, 2022 by 6%. Fire departments who are in need of a new engine in the next few years are placing their orders prior to that day further delaying the delivery time of vehicles. Since we will be placing the order in October we may be delayed the full five years. However, by working with Daly City through NCFA we may have the delivery time shortened and will receive a better purchase price by tagging onto the purchase order placed for two engines in Daly City.

The anticipated cost of the engine is \$911,063. This reflects the increased cost of vehicles since the beginning of the pandemic. The sooner we approve the purchase, the sooner we will be able to lock in this cost instead of paying an additional \$54,000 by waiting until after November 1<sup>st</sup>.

The City currently has approximately \$350,000 set aside for the purchase (five years of savings). The City can either purchase the vehicle for \$911,063 or enter into a lease/purchase agreement for the vehicle at a cost of \$113,877.49 a year for 10 years (and take ownership at the end of the 10 years. The interest rate on the lease is 3.96%. No Lease payments will need to be made until January/February 2024. The overall cost of purchasing this vehicle through the lease/purchase program would be \$1,138,774.90 including interest.

If the City chooses to purchase the vehicle outright we will need to transfer an additional \$561,063 from the General Fund to the Motor Vehicle Replacement Fund. The current earning rate on our portfolio is slightly higher than 1%. However, with the rising interest rate we have been able to invest new money above 3% and the current LAIF rate is 1.26%. Therefore, leasing the vehicle would not be as detrimental to the City's long term financial stability as it would be during lower investment term times.

Staff would recommend that in either case the City anticipate replacing this new vehicle in 10 years from delivery date and assume an increase of 5% per year in cost. So starting in 2025 the City should set aside \$164,000 for the next fire engine to ensure that the City has the available cash when needed (in 10 years).

The bottom-line financially is; either the City use the money available in the Motor Vehicle Fund (\$350,000) plus \$561,000 from the General Fund (further reducing the General Fund Balance below what was anticipated at the budget). Or lease/purchase the vehicle for \$113,468 a year (the first three years paid for from the \$350,000 saved in the Motor Vehicle Replacement Fund.

### **Fiscal Impact**

The initial impact to the City's finances will be either a transfer of \$554,000 from the General Fund to the Motor Vehicle Replacement Fund. Or if the lease option is chosen, an increase of approximately \$40,000 per year above the anticipated replacement amount.

On a longer term basis ordering the vehicle prior to November will save the City a minimum of \$50,000 and we will have the vehicle delivered in time to replace the reserve vehicle when needed.

current		proposed		future	
2018	71,407 / yr	2018	71,407 / yr	2025	163,614 / yr
2030	856,884	2023	357,035	2030	1,636,138
		cost	911,063		
		remaining	554,028		

### Measure of Success

The City is able to promote a safe community through timely response to fire emergencies....while enjoying price savings.

Stuart Schillinger

Stuart Schillinger, Assistant City Manager

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Clay Holstine, City Manager