

# COUNCIL DECISION REQUEST

SUBJECT: 2006 Fire Pumper

MEETING DATE: 11-16-2006

CSP ITEM: Yes  No  KRA#

ITEM NO.:

TENTATIVE SCHEDULE: ASAP

SUBMITTED BY: Martin A. deMasi *md*

AMOUNT BUDGETED: \$450,000

SUBMITTAL TO AGENDA

EXPENDITURE REQUIRED: \$450,000

APPROVED BY TOWN MANAGER

CONT. FUNDING REQUIRED: N/A

*8*  
EXHIBITS (If Applicable, To Be Attached):

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## RECOMMENDED MOTION

I move to (1) authorize the expenditure of \$417,563.93 (including tax) for the purchase of a 2006 Rosenbauer Custom Pumper from Central States Fire Apparatus, L.L.C. through the Houston-Galveston Area Council (HGAC), (2) authorize the expenditure of up to \$32,436.07 for the purchase of equipment necessary to outfit the Rosenbauer Custom Pumper, and (3) authorize the Mayor to sign all documents necessary to make purchases through HGAC, all purchase documents for the Rosenbauer Custom Pumper and equipment, and any necessary lease/purchase or conventional financing documents for the Rosenbauer Custom Pumper and equipment.

## SUMMARY OF THE BASIS FOR RECOMMENDED MOTION:

The Payson Fire Department is replacing a 1989 Pierce Arrow 1500 GPM pumper. The Pierce Arrow pumper has been an excellent truck with 17-years of hard service in Payson. Unfortunately, it has already been pushed past its expected 15-year service life, has been reconditioned twice, and does not meet current NFPA standards.

Our current specification for a Payson Fire Department pumper includes a Compressed Air Foam System (C.A.F.S.). This technology has proven itself in Payson to use less water while still being able to pump large volumes when needed. This technology is consistent with the Town of Payson's water conservation policy while still providing needed fire protection. The remaining \$32,436.07 will be used to equip the truck with the required hose, tools, and communications equipment.

This truck will be used for structure fires, brush fires, car fires and medical calls. Our pumper specification was written to meet our town's needs after extensive study by the Payson Fire Department's Apparatus Committee. We have determined that this is the safest truck, with the best quality, for the lowest price of all custom pumpers considered.

The HGAC is a nationwide cooperative purchasing system much like the Arizona state bid system allowing us to buy a better truck at a lower price than with a traditional open bid. The Town and/or the Fire Department will need to execute various documents with the HGAC in order to purchase the Pumper from HGAC's competitive bids. This pumper will be purchased through either a lease-purchase or conventional financing.

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# ***COUNCIL DECISION REQUEST***

It is the Fire Department's responsibility to protect the citizens of Payson with due regard to our current water situation. Purchasing this Rosenbauer Custom pumper will allow the Town of Payson to continue to provide the high level of fire and EMS services it currently does while being fiscally responsible with our citizen's money and water supply.

**PROS:** 1) Needed funds have already been allocated, (2) This truck utilizes the latest safety features for our firefighters and the public, (3) We are getting an quality truck for the lowest price found, and (3) We expect a reliable 15-year service life.

**CONS:** 2) No known cons.

**PUBLIC INPUT (if any):**

**BOARD/COMMITTEE/COMMISSION ACTIONS/RECOMMENDATIONS (if any) (give dates and attach minutes):**



Financial Services

Department

## MEMORANDUM

**To:** Mayor Edwards and Town Council

**From:** Glenn W. Smith, Chief Fiscal Officer 

**Through:** Fred Carpenter, Town Manager

**Date:** November 7, 2006

**Subject:** Lease/Purchase financing for the new Fire Pumper Truck

The Fire Department is requesting the acquisition of a new Fire Pumper at a cost of \$450,000. This capital item is in the 2006/07 Budget at \$450,000 with funding provided by a lease/purchase over 5 years. The source of debt service payment would come from the General Fund subject to annual appropriation.

I contacted KOCH Financial Corporation to provide funding for this truck using a Lease/Purchase Agreement. We currently have a Master Lease/Purchase Agreement with them. The Lease/Purchase Agreement for this equipment will be based on the Master Agreement. Once Council approves the purchase, the Master Agreement allows us to very quickly draw up an final agreement for this equipment and related documents. We would require the pre-approval of the Legal Department before the Mayor would sign the agreement to fund the new equipment.

This proposed 4.79% rate is very good. Since we will not need the actual funds for 265 days (August – September 2007), as per the purchase agreement, I requested a “floating” interest rate that is currently 4.79%. The final rate will be calculated at the time we need the funds, that is upon delivery of the equipment.

I asked for the attached “Town of Payson Amortization Schedule” to give you a sample of what the debt service schedule would be if we borrowed the funds by December 1, 2006. If you have any questions concerning this transaction, please call me.

Attachments:

KOCH Financial Corporation – Lease/Purchase Proposal dated Nov. 7, 2006

Town of Payson Amortization Schedule – Good till December 1, 2006

November 7, 2006

Mr. Glenn W. Smith  
Chief Fiscal Officer  
Town of Payson  
303 N. Beeline Hwy  
Payson, AZ 85541

**RE: Request of a Lease/Purchase for the Town of Payson**

Dear Mr. Smith:

Koch Financial Corporation is pleased to respond to your request to finance the Lease/Purchase of a fire truck (the "Equipment") for the Town of Payson. Our proposed terms and conditions are as follows:

<b>Lessor:</b>	Koch Financial Corporation ("Koch")
<b>Lessee:</b>	Town of Payson (the "Town")
<b>Issue Type:</b>	Tax-exempt lease purchase financing, subject to annual appropriations
<b>Transaction Size:</b>	\$ 450,000
<b>Term:</b>	Five (5) years
<b>Payment Mode:</b>	Semi-Annual, in Arrears
<b>Interest Rate:</b>	104.13% of the Five Year "Like-Term" Federal Reserve H.15 U.S. Treasury Note as of 11/3/06 (4.60%) = 4.79%
<b>Prepayment Terms:</b>	At anytime as shown on the attached schedule
<b>Fees/Closing Costs:</b>	None other than those listed herein, however the Town will be responsible for any fees or expenses with respect to (i) the issuing costs, (ii) bond counsel, and (iii) the Town's legal counsel, if any. Koch is willing to finance any expenses related to closing the transaction up to the 2% IRS limitation.
<b>Documentation:</b>	It is anticipated that the transaction will be documented via a lease and related documents provided by Koch. These documents will be available for the Town's review within 24 hours of the notice of award. This proposal is subject to the negotiation of all final lease documents and additional documentation which may be required.

Financing Proposal  
Town of Payson  
Koch Financial Corporation  
November 7, 2006  
Page 2 of 3

The interest rate referenced above is proposed as a "firm" bid pending award through December 1, 2006, and is subject to indexation thereafter. This proposal is also subject to final credit approval.

The proposal described herein and the amortization structures which accompany it are intended to illustrate how the transaction can be structured, based on our understanding of the Town's desires. We would be pleased to entertain discussions of how to further refine the structure to better accomplish your goals.

Please feel free to call me **(866) 545-2327, ext. 3618** with any questions or desired further clarification. Thank you for the opportunity to present this proposal. We look forward to working with you in the closing of this transaction.

Sincerely,

Steve Goldberg  
Director of Origination

**Town of Payson Amortization Schedule:**

Totals:		\$511,378.67	\$61,378.67	\$450,000.00	<b>Rate 4.790%</b>	
Pmt #	Payment Date	Payment Amount	Interest	Principal	Purchase Price	Outstanding Balance
	12/7/2006					\$450,000.00
1	6/7/2007	\$51,137.87	\$10,777.50	\$40,360.37	\$417,832.43	\$409,639.63
2	12/7/2007	\$51,137.87	\$9,810.87	\$41,327.00	\$375,678.89	\$368,312.64
3	6/7/2008	\$51,137.87	\$8,821.09	\$42,316.78	\$332,515.77	\$325,995.86
4	12/7/2008	\$51,137.87	\$7,807.60	\$43,330.27	\$288,318.90	\$282,665.59
5	6/7/2009	\$51,137.87	\$6,769.84	\$44,368.03	\$243,063.52	\$238,297.57
6	12/7/2009	\$51,137.87	\$5,707.23	\$45,430.64	\$196,724.26	\$192,866.93
7	6/7/2010	\$51,137.87	\$4,619.16	\$46,518.70	\$149,275.19	\$146,348.22
8	12/7/2010	\$51,137.87	\$3,505.04	\$47,632.83	\$100,689.70	\$98,715.39
9	6/7/2011	\$51,137.87	\$2,364.23	\$48,773.63	\$50,940.60	\$49,941.76
10	12/7/2011	\$51,137.87	\$1,196.11	\$49,941.76	-\$0.00	-\$0.00