

Item Title: Appropriate \$680,000 for the Purchase of Two Fire Engines for the Hopkins and Stony Hill Fire Departments

Specific Action Requested:

That the Fire Commission recommends that the Board of Commissioners consider the following:

- 1) Appropriate \$680,000 for the purchase of two engines for the Hopkins and Stony Hill Fire Departments using cash savings and reserves;**
- 2) Authorizes the transfer of \$143,131 in project savings from General Fire Fighting Equipment and the transfer of \$536,869 from Uncommitted Funds to the FY 2011 Rural Fire Apparatus project; and**
- 3) Authorizes the County Manager to execute a lease agreement with each fire department subject to terms and conditions acceptable to the County Attorney.**

Item Summary:

The Fire Commission and Apparatus Committee plan for the replacement of fire apparatus (i.e. engines, tankers, brush trucks, administrative vehicles) each year in the Fire/Rescue Capital Improvement Program (CIP). For FY 2011, the plan includes the replacement of two engines for Hopkins and Stony Hill Fire Department. Both contracted departments are not-for-profit agencies. The FY 2011-17 CIP calls for the two engines to be fully funded by Fire Tax District using debt proceeds. The engines will be owned by Wake County and leased to the contracted fire departments.

Request for Proposal Process

The Apparatus Committee has worked with Wake County Procurement Services to complete a Request for Proposal (RFP) process. The committee selected Pierce Manufacturing with a maximum price of \$340,000 including outfitting costs. The vendor guarantees delivery of the apparatus 270 day (~9 months) after receipt of purchase order. Based on County policy, a purchase order may not be issued until financing is secured and the Board of Commissioners appropriates the project.

The Hopkins and Stony Hill Fire Departments are eager to move forward with the purchase of the two engines. Table one illustrates the estimated time frame from appropriation to engine delivery subject to the engines being appropriated in October 2011.

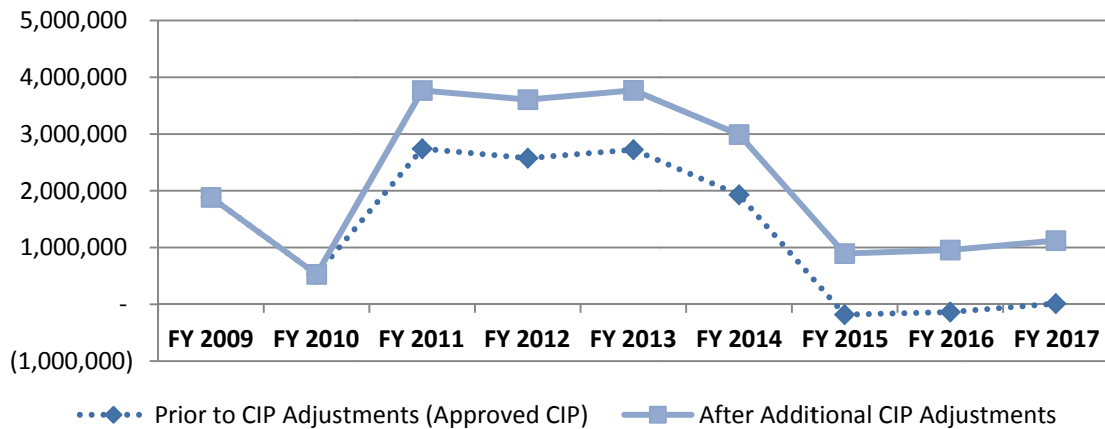
Table One: Apparatus Procurement Schedule

	FY 2011										FY 2012		
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Apparatus Financing Secured		█											
Apparatus Project is Appropriated by BOCC		█											
Finance Department Issues the Purchase Order		█											
Vendor Schedules the Apparatus Assembly Period		█	█										
Vendor Assembles the Apparatus based on Specifications			█	█	█	█	█	█	█	█	█	█	
Vendor Delivers Apparatus											█	█	

Why was debt identified as the funding source?

Each year, the Fire Budget Committee plans for various capital projects and reviews the status of uncommitted capital funds within the Fire/Rescue CIP. During the FY 2011-17 CIP budget development, the Fire Tax District did not have sufficient uncommitted capital funds to purchase the apparatus and maintain positive reserves in future years (see dashed line in table two).

Table Two: Uncommitted Funds (Ending Balance) with the Purchase of Two Engines



During development, the Fire Apparatus, Facilities, and Budget Committees began to identify capital projects eligible for closure with the intention of moving project savings to uncommitted funds. The estimated value of such savings was ~\$3.10 million and was included in the preparation of the CIP budget.

Since CIP approval, additional savings were identified (\$1.06 million) bringing total Fire CIP savings to \$4.16 million. The savings were moved to uncommitted funds or other holding pots in divisions. The revised ending balance of uncommitted funds is shown in table two as the solid line. With the additional project savings in uncommitted funds, the Finance Department began to reexamine Fire/Rescue CIP projects to determine the most advantageous funding option.

Apparatus Funding Alternatives

The Finance Department compared four funding alternatives for the purchase of two replacement engines at Hopkins and Stony Hill Fire Departments. The options include: cash, debt service with payments beginning immediately (FY 2011), debt service with first payment delayed until FY 2012, and individual department secured financing.

For debt service scenarios, the following assumptions applied:

- Financing is requested for two (2) engines at \$340,000 each.
- The maximum principal amount is \$680,000.
- The preferred term is 10 years with semi-annual payments.
- The Fire Tax Model assumes an interest rate no greater than 4.8%.
- For the delayed first payment financing option, the District prefers that debt be drawn down at the time of apparatus delivery with the first payment due December 30, 2011.

The table below summarizes the terms and total costs associated with each financing option.

Table Three: Apparatus Financing Comparison

	Principal	Additional Financing Charges	Interest Rate	Term	Total Costs Over Term
Cash	680,000	-	NA	NA	680,000
Debt Service - Payments Beginning FY 2011	680,000	10,000	3.52%	10 years	828,466
Debt Service - Payments Beginning FY 2012	698,710 <i>See Note 1</i>	10,000	3.52%	10 years	850,986
Individual Departments Securing Financing	680,000	<i>See Note 2</i>	4.40%	10 years	855,156

Notes:

1 – Increase principal is due to capitalizing interest payments.

2 - Bank will require that department transitions accounts to the debt service provider.

Recommendations

The Finance Department recommends that the Fire Tax District use cash reserves to finance the replacement of two engines. This recommendation is possible through actions occurring after budget adoption by the Apparatus and Facilities Committee to identify capital projects for closure and transferring project savings to uncommitted funds.

The staff recommendation was presented to the Apparatus Committee on August 24, 2010 and Budget Committee on September 15, 2010. Both committees recommended the use of cash for this project. The recommendation will be considered by the Fire Commission on September 23, 2010. If approved, the item will appear at the October 4, 2010 regular meeting of the Board of Commissioners for final approval.

Attachments:

1. Budget Book Exert – FY 2011-17 Fire Apparatus Project Page (pg. 421)
2. Fire Tax Model – Seven Year Capital Summary
3. Large Apparatus Financing – Apparatus Debt Service Schedule
4. Fire Apparatus Loan Payment Schedules
5. Fire CIP Detailed Revenue Report