



City of Prineville

387 NE THIRD STREET ♦ PRINEVILLE, OREGON 97754

INFORMATION TECHNOLOGY

Phone: (541) 447-2374 (541-480-4532 Cell) FAX: (541) 447-2375

EMAIL: support@cityofprineville.com

Web Site: www.cityofprineville.com

January 19, 2018

Police Fleet Update

In 2013, after evaluating police vehicle needs, the Prineville Police Department purchased 6 Ford Police Interceptors through a lease/purchase agreement. The last debt service payment on those vehicles will be made in FY18.

The Police department has once again evaluated its fleet needs and strategized vehicle assignments to even out mileage across the fleet for the next 5 years. The current police vehicle fleet consists of 15 vehicles, the oldest being 14 years old with 136,000 miles. The newest vehicle is a 2014 model year with 24,000 miles. The average mileage across the vehicle fleet is 57,000 miles per vehicle.

The police department has identified that a purchase of 5 new Ford Police Interceptor SUV's and 1 new community service officer truck (Ford SSV) would satisfy the needs of the police fleet for the next 5 years, and continue to keep mileage spread across the existing fleet in the most economic fashion to minimize repair costs. The police department has realized a substantial decrease in fleet maintenance costs since adopting the aggressive replacement strategy 5 years ago.

As new vehicles come online, 3 vehicles within the existing fleet would be phased out, a 2003 Tahoe, a 2005 Expedition and a 2009 Crown Victoria would be removed from the fleet.

Staff reviewed purchasing options with finance and administration. Interest rates are still conducive to financing capital expenses such as this through borrowing, and staff feels that a loan/purchase arrangement, similar to what was done in 2013, is still the most efficient use of City dollars.

Police Vehicles are a specialty order. As such, they are only produced during specific manufacturing runs several times per year. This process creates a 6-9 month lead time from time of order until time of delivery. An early October order will result in the City receiving delivery of the vehicles sometime in early spring 2018. Once received, the vehicle up-fit process takes from 4-12 weeks before the vehicle is "road-ready".

Ford Fleet has a GSA contract for the purchase of vehicles to participating government agencies. This contract allows selected dealers to offer additional discounts to government

agencies. Since this contract does not specify an exact discount or dollar value, the City solicited quotes from 4 dealers on the GSA contract and one dealer not on the GSA contract. The City received competitive quotes back from 3 dealers. The City received responses from Gresham Ford, Power Ford Lincoln (Salem) and Robberson Ford (Bend).

The low bid for the 6 vehicles requested was received from Gresham Ford in the amount of \$190,548.

Additional up-fit equipment was sourced from vendors supplying equipment on the NASPO/ValuePoint contract. These items include hard goods (such as push bumper, cage, emergency lighting, siren and decals), dual band public safety radios, dash camera system, and mobile computer and cellular modem/ AVL. The total up-fit package for 6 vehicles is \$229,542.

Staff estimates the project requirements at \$420,000 in capital expenditure. This would be structured as capital borrowing with debt service payments occurring in the police budget during fiscal years 2019-2024. These payments can be incorporated in current projected resources.

Staff requests approval to move forward with this purchase and seeks a motion for approval in an amount not to exceed \$420,000 for the purposes of police fleet upgrades.

It is anticipated that once financing is in place, staff will return to council with a council resolution to codify this approval and formalize the loan agreement. This two-step process is being requested due to the projected time delay between placing the vehicle order and the estimated time the capital payment will be due.

THE
COMMERCE
BANK
OF OREGON

TRANSACTION DETAILS

Financing Term: Five (5) years. Final Maturity on June 1, 2023.

Amortization: Semi-annual interest payments on June 1 and December 1, beginning December 1, 2018. Annual principal payments on June 1, beginning on June 1, 2019.

Interest Rate: Fixed-rate 2.93% (TIC) on a 30/360-day year. Please see Exhibit A for the estimated debt service schedule.

Interest Rate Lock: The interest rates quoted are fixed for 60 calendar days from the bid date. Should the closing be scheduled for more than 60 calendar days past the bid date, the interest rates will likely need to be adjusted based on prevailing market conditions after 60 calendar days.

Call Option: The loan may be prepaid, in whole or in part, anytime at par plus accrued interest with 30 days' prior written notice.

Disbursement of Proceeds Options: The Purchaser will fund proceeds directly to the Borrower and costs of issuance to its vendors upon closing.

Origination Fee: None.

Other Fees: None.

Bank Counsel: It is anticipated that our internal counsel will be utilized for document review and approval, therefore, our bank counsel fee is \$0. We are willing to work with legal documents prepared by the City's Special Counsel.

Credit Approval: Extensive Preliminary Credit Review has been performed. Final credit approval is pending acceptance of our proposal. Final credit acceptance pertains mainly to subsequent events and adequacy of documentation.

RESOLUTION NO. 1338

**A RESOLUTION AUTHORIZING A FULL FAITH AND CREDIT
BORROWING AND RELATED MATTERS**

WHEREAS, the City of Prineville, Crook County, Oregon (the "City") is authorized by Oregon Revised Statutes Section 271.390 to enter into financing agreements to finance real or personal property which the City Council determines is needed; and

WHEREAS, the City has identified a need to purchase and equip public safety vehicles (the "Project") and pay costs of issuance; and

WHEREAS, the City Council hereby determines that the Project is needed, and that it is desirable to finance the Project pursuant to ORS 271.390; and

WHEREAS, the City may purchase the Project (the "Expenditures") before the City borrows to finance the Project, and the rules of the United States Internal Revenue Service require the City to declare its official intent to reimburse itself for amounts that the City will spend before it borrows, in order for the City to reimburse itself for those Expenditures from the proceeds of a tax-exempt borrowing;

NOW, THEREFORE, the City of Prineville resolves as follows:

SECTION 1. Financing Agreement Authorized. The City is hereby authorized to enter into a financing agreement (the "Financing Agreement") pursuant to ORS 271.390 in an aggregate principal amount that is sufficient to provide no more than \$420,000 to finance the Project, plus additional amounts estimated to be sufficient to pay costs associated with the Financing Agreement. Proceeds of the Financing Agreement shall be used to pay costs of financing the Project and costs associated with the Financing Agreement. The City Manager or the Finance Director, or the person designated by the City Manager (each of whom is referred to herein as a "City Official") are hereby authorized, on behalf of the City and without further action by the City Council, to:

A. Determine the final principal amount, interest rates, payment dates, prepayment rights and all other terms of the financing;

B. Negotiate the final terms of, and execute and deliver the Financing Agreement and any related documents;

C. Select ZB, N.A., dba The Commerce Bank of Oregon, another commercial bank or another lender to provide the financing authorized by this resolution;

D. Covenant for the benefit of the lender to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code") which are required for the interest paid under the Financing Agreement to be excluded from gross income for federal income tax purposes;

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E. Designate the borrowing as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code, if applicable;

F. Appoint and enter into agreements with Hawkins Delafield & Wood LLP as bond counsel, and other service providers for the Financing Agreement; and

G. Execute and deliver any other certificates or documents and take any other actions which the City Official determines are desirable to carry out this resolution.

SECTION 2. Security. Pursuant to ORS 287A.315, the City is authorized to pledge its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the amounts due under the Financing Agreement. The City is not authorized to levy additional taxes to pay the amounts due under the Financing Agreement.

SECTION 3. Declaration of Intent to Reimburse. The City hereby declares its official intent pursuant to Section 1.150-2 of the Treasury Regulations to reimburse itself with the proceeds of the Financing Agreement for any Expenditures paid before the Financing Agreement is issued.

SECTION 4. Effective Date. This resolution is effective immediately upon its passage.

Approved by the City Council on this 23rd day of January, 2018.

Betty J. Roppe, Mayor

ATTEST:

Lisa Morgan, City Recorder