



## CITY OF WAUKESHA

### Administration

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<b>Committee:</b> Finance	<b>Date:</b> February 13, 2018
<b>Common Council Item Number:</b> ID# 18-0048	<b>Date:</b> February 20, 2018
<b>Submitted By:</b> Steve Howard, Fire Chief	<b>City Administrator Approval:</b> Kevin Lahner, City Administrator <b>KML</b>
<b>Finance Department Review:</b> Rich Abbott, Finance Director <b>RA</b>	<b>City Attorney's Office Review:</b> Brian Running, City Attorney <b>BER</b>
<b>Subject:</b> Review and Act on a request to enter into a purchasing agreement with Reliant Fire Apparatus for the future purchase of two fire engines and one ladder truck pursuant to future community improvement program (CIP) approval.	

#### Details:

To minimize future purchase cost of fire apparatus, the City approached Reliant Fire Apparatus, the exclusive dealer of Pierce Manufacturing for Southeastern Wisconsin to discuss ways of reducing the purchase price of two fire engines and a ladder truck. These future purchases are part of the City's 2018 – 2022 CIP.

Typically, Pierce Manufacturing only offers purchasing agreements to community's with large purchases that include ten or more vehicles or for multiple identical vehicles purchased at the same time. After some conversations and negotiations, Reliant Fire Apparatus offered the attached agreement, which is backed by Pierce Manufacturing as a purchasing option. The agreement bases our future purchases on the base price of our most recent fire engine and ladder truck purchase. It should be noted that these vehicles were based on a nationwide cooperative purchasing agreement and represented the most favorable cost that was available to the City of Waukesha at the time of purchase. Over the past ten years, Pierce Manufacturing has had approximately 3% price increase for fire apparatus, excluding the impact of changes in NFPA or DOT standards.

The annual price increase for the agreement will be based on specific Producer Price Index (PPI) relevant to fire apparatus or capped at a maximum annual increase of 3%. The referenced producer price index has been trending a little less than 3% annual increase over the past several years. A Wisconsin municipality that has a similar agreement, purchased a vehicle with a 7.1% increase over the 3 years versus the Pierce annual increase that equaled approximately 9.3% for the same period. Using Ladder 2 that was as purchased in April of 2015 as an example, the savings using this agreement based on the PPI versus the accumulative Pierce price increases would be \$62,256.00, if purchased on February 1, 2018.

The agreement is worded broadly and allows the City of Waukesha or Reliant Fire Apparatus to back out of the agreement if funding is not available for purchase or market conditions change that the manufacturer is no longer willing to abide by the agreement. Fire Department staff, the Finance Director, the Chairperson of the Finance Committee and the City Administrator met with representatives of Reliant Fire Apparatus and the Vice



President of Government Fleet and Midwest Sales Pierce Manufacturing to negotiate and review the details of this agreement. We received strong assurances that Pierce would honor its commitment, unless conditions change dramatically that would not allow them to produce the vehicle at a profit. It should be noted that the City Attorney, Brian Running reviewed the agreement; he did not have any objections; however, he wanted everyone to be aware that this agreement is not binding because both parties, at their discretion, can opt out of the agreement.

**Options & Alternatives:**

The City could opt to not enter into this agreement; however, we would not have the ability to use past purchases as a baseline for future purchases. Additionally, we would not have an agreement in place that would tap annual increases and allow the option to use a producer price index that has trended less than the average annual increases by Pierce Manufacturing.

**Financial Remarks:**

The premise of the agreement is that the City of Waukesha is using the strong buying power of the cooperative agreement in the future. The agreement does not bind the City to purchase any of the apparatus, but if we are both in agreement, allows us to have bulk purchasing power. If approved in CIP, these purchases would be made out of account 4320-68140 and funded by 10 year debt.

**Executive Recommendation:**

The City Administrator is supportive of entering into this agreement.