



**Department:** 8  
**Cost Center:** 8506  
**For Agenda of:** 11/4/2025  
**Placement:** Consent  
**Estimated Time:** N/A

**FROM:** Todd Tuggle, Fire Chief  
**Prepared By:** Nicole Vert, Business Analyst

**SUBJECT:** AUTHORIZATION TO ENTER A LEASE AGREEMENT WITH JP MORGAN CHASE FOR THE PURCHASE OF A TYPE 1 FIRE ENGINE

### RECOMMENDATION

1. Authorize the City Manager or designee, Finance Director or designee and City Attorney or designee to execute all related documents on behalf of the City to execute a three-year agreement with JP Morgan Chase Bank, N.A. with an interest rate not to exceed 5.00%, and purchase agreement with Pierce Manufacturing to accomplish the lease purchase of a Type 1 Fire Engine; and
2. Authorize a Budget Amendment Request (BAR) for \$63,680.17 from Fire Impact Fee Revenue Fund to the project account number 2000554; and
3. Adopt a draft resolution entitled "a Resolution of the City Council of the City of San Luis Obispo, California, approving the lease purchase finance agreement of a fire engine through JP Morgan Chase Bank, N.A. and approving the final form of financing documents and official actions." (Attachment A)

### POLICY CONTEXT

The recommended actions are consistent with the City's Capital Financing and Debt Management Policy Section 10 which states that the City's debt management practices are "fiscally prudent, consistent with State and Federal law, and reflective of the most opportune financing strategies to deliver on the needs and goals of the community and the City organization." In accordance with this policy, debt should be incurred for one-time capital expenditures and not ongoing operations.

### DISCUSSION

#### Background

Emergency vehicles are a vital part of the service delivery for the City of San Luis Obispo Fire Department. The Type-1 fire engine is a critical piece of equipment for rapid response to all emergencies. A fire engine pumper ("fire engine") has a standard lifespan of 10,000 hours and is staffed with emergency response personnel, tools, and equipment to provide all-hazards emergency services. The City currently has four "first-out" fire apparatus, stationed at each of the four stations around the City, and two reserve apparatus utilized

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when the four “first-out” are out of service for planned or unplanned maintenance. Through the utilization of an internal apparatus committee, staff developed fire engine specifications that were used to build the pricing for the purchase of Engine 5.

The specifications considered the community’s unique features and sought the best overall fire engine to complement the existing apparatus fleet. The specifications also align with the most recently purchased fire engine, Engine 4, with minor modifications based on experience and evolving emission standards. The new fire apparatus provides the same capabilities as previous engines but with improved safety, efficiency, reliability, and environmental requirements.

This engine is an expansion to the Fire Department fleet and is being procured for the planned Station 5. While the build of the new station is over 2 years away, the lead time for a new engine from order date to delivery is currently 45-51 months, necessitating placing the order now. Fire apparatus are outfitted with equipment necessary to serve the calls being responded to, from medical equipment such as cardiac monitors to chainsaws and hoses for fire emergencies. Historically, new engines are largely outfitted with equipment from the apparatus it is replacing. This engine will require the purchase of new equipment as it is not a replacement. The estimated cost of the new equipment is \$250,000, inclusive of inflationary adjustments to ensure the budget is sufficient. The equipment purchases are not part of the lease financing described below.

### **Lease Purchase Recommendation**

Council authorized the issuance of a purchase order on [April 15, 2025](#) for the sole source purchase of a Pierce Enforcer Type 1 Engine Fire Apparatus. At the time of approval, staff was working through the process of finding the most favorable terms of a lease with external lenders but had not finalized any agreements.

The City has strategically used lease options as a way of reducing significant variations in the costs of replacing vehicles or other specialty equipment. A lease-purchase agreement is a debt financing method that allows for payment over a set term with the ability to use the apparatus immediately. Under the lease-purchase agreement, the City makes regular payments that include both principal and interest and spreads the cost across several fiscal years and at the end of the term ownership of the apparatus transfers to the City. The City facilitates the lease process by coordinating with the selected financing institution to finalize the terms, prepare the necessary documentation, and obtain required approvals. Once authorized by Council, staff executes the lease agreement, coordinates vendor payments, and ensures compliance with budget and procurement requirements throughout the term of the lease.

The City utilizes an established master lease agreement with JPMorgan Chase bank from 2018 that was approved by Council on August 21, 2018, when it approved the purchase and lease agreement for an engine in line with the City’s procurement policy that requires Council approval of purchases over \$200,000. This master lease establishes the overall terms and conditions under which the City may lease-purchase equipment over time. The add-on schedule creates new repayment schedule specific to the current needs of the

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City but the rate methodology and legal provisions remain consistent. Creating an add-on to this master lease streamlines the process and allows the City to finance additional as needed equipment under the terms and conditions of the existing lease without negotiating a new agreement each time and the add-on agreement does not supersede the original 2018 agreement. If the City were to pursue a new standalone lease, the terms would not differ or improve from those terms already established under the existing master lease.

Due to the high cost of the fire engine, staff proposes debt financing the vehicle. The proposed annual lease payments are within the budgeted amounts in the financial plan, discussed in more detail in the 'Fiscal Impact' section of this report.

### **Previous Council or Advisory Body Action**

On [August 21, 2018](#) Council approved the purchase and lease agreement (Attachment B) for a Pierce Arrow PUC Type 1 Fire Engine.

On [April 15, 2025](#) Council authorized the issuance of a purchase order for a sole source purchase of a Type I Fire Engine.

### **Public Engagement**

This item is a consent item for the November 4, 2025, City Council meeting and will follow all required postings and notifications. The public will have an opportunity to comment on this item at or before the meeting.

### **CONCURRENCE**

The Finance Department concurs with the Fire Department's recommendation to finance the apparatus purchase with JP Morgan Chase Bank.

### **ENVIRONMENTAL REVIEW**

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA guidelines Sec. 15378.

### **FISCAL IMPACT**

Budgeted: Yes

Funding Identified: Yes

Budget Year: 2025-26

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund	\$0	\$0	\$0	\$
State				
Federal				
Fees (Fire Impact Fees)	\$63,680.17	\$63,680.17	\$0	
Other: Capital Outlay	\$1,500,000	\$1,061,810.92	\$438,189.08	
<b>Total</b>	<b>\$1,563,680.17</b>	<b>\$1,125,491.09</b>	<b>\$438,189.08</b>	<b>\$</b>

Funding for the purchase of Engine 5 was initially programmed into the Capital Improvement Plan (CIP) beginning with adoption of the FY 2024-25 Budget Supplement, and additional funding is included in the CIP through FY 2029-30, as shown in the table below. In addition, there is an available balance of \$63,680.17 in the Fire Impact Fee Fund, which is eligible for use to purchase fire apparatus to support new development. Given that the development of Fire Station 5 and associated equipment and apparatus is required in order to support new development in the southern portion of the city, use of the impact fee funds is appropriate for this purchase. A total of \$1,563,680.17 is available to support the purchase of Engine 5.

Capital Improvement Plan- Project No. 2000554	
FY 2024-25	\$150,000
FY 2025-26	\$300,000
FY 2026-27	\$300,000
FY 2027-28	\$300,000
FY 2028-29	\$300,000
FY 2029-30	\$150,000
Subtotal	\$1,500,000
Fire Impact Fee Fund	\$63,680.17
<b>Total Funding Available</b>	<b>\$1,563,680.17</b>

The new engine will require outfitting with new equipment including but not limited to cardiac monitor, hoses and fittings, extrication equipment and other items necessary for a front-line apparatus. The total cost of the engine including the equipment and debt service is \$1,375,491.10. That cost is made up from the price of the engine, the debt service cost of \$57,052.09 and the equipment cost of \$250,000. The equipment is not included in the lease and will be purchased with the remaining funding available in the project budget after the purchase of the Engine and associated interest costs, upon delivery of the engine.

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Total Cost of Engine Purchase	
Engine Cost	\$ 1,068,439.01
Debt Service Cost	\$ 57,052.09
Equipment Cost	\$ 250,000.00
<b>Total Cost</b>	<b>\$1,375,491.10</b>

The original quote for the engine was \$1,244,287.76. A lease agreement means JP Morgan Chase will pay South Coast the full amount of the engine upon order and the City will make payments to JP Morgan Chase to repay the lease. This full payment to South Coast results in a price discount of \$161,700, for a final quote on the engine of \$1,068,439.01 (Attachment C).

Staff collaborated with JP Morgan Chase to establish lease terms that best meet the City's needs (Attachment D). The amortization schedule below outlines the repayment of the financing through JP Morgan Chase. The agreement provides an estimate of an interest rate at 4.615%<sup>1</sup>; the final rate will be locked in upon Council's approval of the financing and includes an advance payment of \$259,742. This includes the \$63,680.17 from the Fire Development Impact Fee Fund and \$196,061.83 from the approved Capital Improvement Project budget. The remaining balance of \$808,697.00 will be repaid over three years, in equal quarterly payments of \$78,704.46. The total interest paid will be \$57,052.09 for a total lease cost of \$1,125,491.09. The total debt service cost of the engine is \$1,125,491.09, which is \$118,796.67 below the original cost of the engine's original quote of \$1,244,287.76.

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<sup>1</sup> Staff is requesting authority from Council to execute the lease purchase agreement up to an interest rate of 5.00%, due to the fact that the rate will not be locked in until after Council's approval of this item.

3 Year - advance payment

Loan Amortization						
		Rate.....4.615%				
Date	starting balance	takedowns	debt service	interest	principal	ending balance
10/30/2025	-	1,068,439.00	259,742.00	-	259,742.00	808,697.00
1/30/2026	808,697.00	-	78,704.46	9,330.34	69,374.12	739,322.88
4/30/2026	739,322.88	-	78,704.46	8,529.94	70,174.52	669,148.35
7/30/2026	669,148.35	-	78,704.46	7,720.30	70,984.16	598,164.19
10/30/2026	598,164.19	-	78,704.46	6,901.32	71,803.14	526,361.05
1/30/2027	526,361.05	-	78,704.46	6,072.89	72,631.57	453,729.48
4/30/2027	453,729.48	-	78,704.46	5,234.90	73,469.56	380,259.92
7/30/2027	380,259.92	-	78,704.46	4,387.25	74,317.21	305,942.70
10/30/2027	305,942.70	-	78,704.46	3,529.81	75,174.65	230,768.05
1/30/2028	230,768.05	-	78,704.46	2,662.49	76,041.98	154,726.08
4/30/2028	154,726.08	-	78,704.46	1,785.15	76,919.31	77,806.77
7/30/2028	77,806.77	-	78,704.46	897.70	77,806.77	-
<b>Total</b>			<b>1,125,491.09</b>	<b>57,052.09</b>	<b>1,068,439.00</b>	

Based on the available funding and the anticipated debt service amounts included in the amortization schedule, there is sufficient funding in each year of the CIP and Fire Impact Fee Fund to support the upfront payment of \$259,742 and quarterly debt service payments each year. Based on the amortization schedule above, it is expected that \$420,570.74 will remain to support outfitting of Engine 5 with new equipment upon delivery of the engine after the lease agreement is complete, which is currently estimated to cost \$250,000. Although sufficient budget is available for the engine purchase using the Fire Impact Fee Revenue Fund to support the engine purchase will allow for remaining budget to be returned to the Capital Impact Fee Fund. This approach provides greater flexibility for other capital needs and helps relieve budgetary pressure on future CIP allocations.

Total Funding Available	\$1,563,680.17
Debt Service Costs	\$1,125,491.09
Equipment	\$250,000.00
Remaining Funding	\$170,570.74

**ALTERNATIVES**

**Council could decide not to approve the debt financing of the fire engine.** This would cause delays of other projects as budget would be pulled from other areas to cover the entire cost up front.

***Council could request alternative payment plans.*** The recommended amortization schedule, which includes an upfront payment of \$259,742 and a three-year repayment term, maximizes funds currently available to make annual payments, while also minimizing interest costs to the City.

**ATTACHMENTS**

- A- Draft Resolution Approving the Lease Purchase Financing Proposal
- B- 2018 Fire Engine Lease Agreement
- C- Pierce Quote for Fire Engine
- D- Add-on to Master Lease Agreement