



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: FEBRUARY 3, 2026
DEPARTMENT: FINANCE
FROM: SELINA ANDREWS, FINANCE DIRECTOR
TITLE: APPROVAL OF 2026 FIRE EQUIPMENT LEASE AND DIRECT PURCHASE

RECOMMENDED MOTION:

It is recommended that Council approve a Resolution to:

1. Approve an Equipment Lease/Purchase Agreement and an Escrow and Account Control Agreement and authorizing certain actions in connection therewith relating to the financing of certain equipment for the City; and
2. Approve the appropriation of \$1,477,678 to the Vehicle Replacement Fund (7121) with a corresponding transfer in from the General Fund for direct purchase of two apparatuses.

EXECUTIVE SUMMARY:

The Salinas Fire Department is requesting approval to purchase two Pierce Enforcer Type 1 fire engines, one Pierce 100’ Enforcer Tractor Drawn Aerial, and one BME Type 6 Wildland engine from Golden State Fire Apparatus. The purchases will be made through cooperative contract agreements with Sourcewell and HGAC Buy, in compliance with Salinas City Code Section 12-27. Staff recommends a combination of lease equipment financing and direct purchase, utilizing \$1,477,678 in cash and reserves from the sale of City surplus property as approved on December 9, 2025 to purchase one Pierce Enforcer Type 1 fire engine and the BME Type 6 Wildland engine and financing \$3,232,406 to purchase the Pierce 100’ Enforcer Tractor Drawn Aerial and one Enforcer Type 1 engine (the “Financed Equipment”). The table below summarizes the cost and funding sources of these four vehicles:

Vehicle Type	Purchase Amount	Funding Source
Pierce Enforcer Type 1	1,043,425.32	Cash & Reserves
Pierce Enforcer Type 1	1,043,425.32	2026 Lease
Pierce 100' Enforcer Tractor Drawn Aerial	2,188,980.63	2026 Lease
BME Type 6 Wildland Engine	434,251.94	Cash & Reserves
Total Vehicle Cost	4,710,083.21	

The Financed Equipment will be purchased using a tax-exempt equipment lease purchase agreement and requested interest rates from banks for a 7-year and 10-year tax-exempt equipment lease (“2026 Lease”). The 7-year proposal from Banc of America Public Capital Corp (“BAPCC”) was the most advantageous to the City. City staff proposes to enter into an Equipment Lease/Purchase Agreement with BAPCC and an Escrow and Account Control Agreement with Argent Institutional Trust Company (collectively, the “Financing Agreements”). City Council approval of the resolution and the Financing Agreements will authorize City staff to sign the documents and take other necessary actions. Staff expect to execute the Financing Agreements and close the 2026 Lease by mid-February.

BACKGROUND:

The Fire Department has been working diligently to bring its fleet into a state of good repair and maintain a fire apparatus and vehicle replacement program consistent with best practices. To achieve this goal, the department requires the replacement of two fire engines and one tiller ladder truck, as well as replacing the existing Type 3 wildland vehicle with two Type 6 models to improve access to hard-to-reach wildland areas. One Type 6 unit has already been ordered. The Fire Department’s replacement program calls for rotating front-line engines every 8 – 10 years and aerial trucks every 15 years, consistent with use and in line with National Fire Protection Association standards (NFPA).

On September 23, 2025, Council approved the sale of City surplus property located at 342 Front Street and 323 California Street to the Monterey County Office of Education in the amount of \$2,500,000. As approved on December 9, 2025, a portion of these proceeds will be used to purchase one Type 1 Fire Engine and the BME Type 6 Wildland Engine thereby reducing the amount financed by the City. The Financed Equipment will be acquired through lease equipment financing and at an equipment cost of \$3,232,406.

The City engaged NHA Advisors LLC (“NHA”) as municipal financial advisor to assist with the financing process. Due to the relatively small size of the equipment lease, NHA and City staff decided to utilize a private placement process (direct loan with a bank), rather than a public offering (bond issued to investors). NHA solicited bids from 10 active regional and national banks for this type of financing structure and requested interest rates for a 7-year and 10-year tax-exempt equipment lease. Six banks responded with interest rates ranging from 3.49% to 4.20% on the 7-year structure and 3.78% to 4.76% on the 10-year structure. The 7-year proposal from Bank of America Public Capital Corp (“BAPCC”) was the most advantageous to the City due to the following reasons:

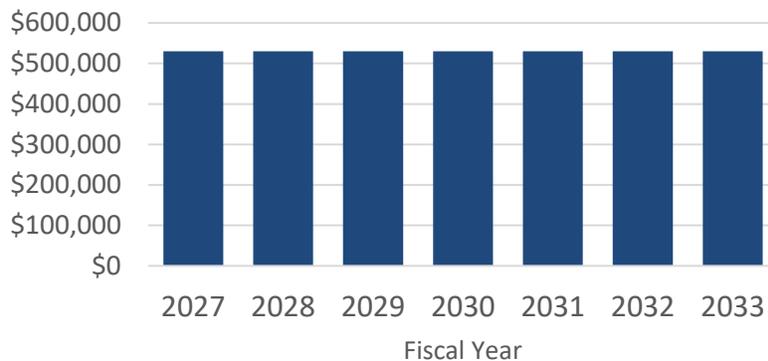
- Lowest interest rate (3.49%)
- BAPCC will provide all the lease documents – the City will not need to engage special counsel to prepare the documents
- A tax opinion is not required
- City already has 2012 Master Agreement in place that governs how this 2026 Lease will be structured
- No bank fees are associated with the loan

- City will not need to pay for escrow agent services using Argent Institutional Trust Company as escrow agent (BAPCC will pay this cost)

The 2026 Lease will have a 7-year term, maturing December 1, 2032. The interest rate is fixed at 3.49% and is also locked through the anticipated closing of the 2026 Lease, mitigating the risk that interest rates rise in the next few weeks before the 2026 Lease closes and funds. The 2026 Lease is expected to be sized to \$3,261,000, which will cover the equipment purchase cost and the costs of issuing the 2026 Lease. The resolution requests authorization for staff to enter into the agreement subject to the final lease amount being less than a not-to-exceed amount of \$3,265,000 and the interest rate being less than a not-to-exceed amount of 3.55%. These amounts are intentionally set slightly higher than the actual expected amounts to provide a little contingency in case of any unforeseen delays.

The 2026 Lease has level annual debt service at approximately \$529,955 per year over the next 7 years. The first payment is due December 1, 2026 (fiscal year 2026-27). The Lease becomes pre-payable in full after half of the term at par on any regularly scheduled payment date.

2026 Lease - Proposed Debt Service



In order for the City to enter into the 2026 Lease, City Council will need to adopt a resolution approving the Financing Agreements and authorizing City staff to execute the Financing Agreements and take other necessary actions.

Discussion of Lease Documents:

2012 Master Agreement: The Master Equipment Lease/Purchase Agreement (“MELPA”) outlines the terms governing the 2026 Lease. The City originally entered into this MELPA with BAPCC in June 2012 and has used it several times over the years to finance vehicles (Schedules of Property No. 1, No. 2, and No. 3). The MELPA identifies the overall structure of the financing, details that the security for the financing is a lien on the equipment, and describes the terms and covenants between the City and BAPCC.

Schedule of Property No. 4 (also referred to herein as “2026 Lease”): Schedule of Property No. 4 identifies the vehicles being purchased that will provide the security for the 2026 Lease through a lien on the equipment. This lien will be in place until the 2026 Lease matures on

December 1, 2032, or is otherwise prepaid in accordance with the lease terms. This document also contains the payment details, prepayment provisions, and other covenants of the City. A detailed payment schedule for the 2026 Lease can be found in Exhibit A-1 of Schedule of Property No. 4.

Escrow and Account Control Agreement: The Escrow and Account Control Agreement (“Escrow Agreement”) is among BAPCC, the City of Salinas, and Argent Institutional Trust Company as Escrow Agent. The Escrow Agreement identifies the various covenants between the City and the Escrow Agent. The Escrow Agent will hold the proceeds of the 2026 Lease starting on the closing/funding day and will distribute them to pay debt service on the 2026 Lease.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

Yes.

STRATEGIC PLAN INITIATIVE:

This agenda item supports City Council’s goal of Public Safety by ensuring the City maintains a reliable fire apparatus and vehicle replacement program consistent with best practices.

DEPARTMENTAL COORDINATION:

This staff report was coordinated by the Finance and Fire departments.

FISCAL AND SUSTAINABILITY IMPACT:

The 2026 Lease will have no financial impact on the FY 2025-26 budget cycle. The 2026 Lease has level annual debt service payments, with just over \$527,000 due in fiscal year 2026-27, and approximately \$529,000 due annually thereafter through fiscal year 2032-33 (final maturity of the 2026 Lease).

The costs associated with issuing the 2026 Lease will be paid out of the proceeds of the 2026 Lease (no direct budgetary impact).

As mentioned, the direct purchase for two of the apparatuses total \$1,477,678. Staff is recommending an appropriation to the Vehicle Replacement Fund (7121) with a corresponding transfer out from the General Fund.

Fund	General Ledger Number (Operating/CIP)	General Ledger Account Name	Remaining Budget Appropriation	Amount Requested
7121	45.4510-66.5500	Capital Outlays Vehicles	\$201,000	\$1,477,678
7121	00.0000-90.1000	Transfer In	\$0	\$1,477,678
1000	00.0000-95.7121	Transfer Out	\$0	\$1,477,678

ATTACHMENTS:

1. Resolution
2. 2012 MELPA
3. Schedule of Property No. 4
4. Escrow and Account Control Agreement
5. BAPCC's Term Sheet
6. Presentation