



City of Huntington Beach

File #: 23-1015

MEETING DATE: 11/21/2023

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Eric G. Parra, Interim City Manager

VIA: Eric G. Parra, Chief of Police

PREPARED BY: Capt. Gaute Svendsbo and Ingrid Ono

Subject:

Request for use of additional SLESF funds to fund and finalize purchase of a Police helicopter

Statement of Issue:

Authorize the use of Supplemental Law Enforcement Services Fund (SLESF) monies to fund \$500K in costs associated with the delivery of a third and final police helicopter 530F from MD Helicopters, Inc. Funds will be reimbursed into the SLESF account upon the sale of police helicopter N523HB.

Financial Impact:

Staff is requesting City Council approval to appropriate and utilize \$500K to account 98470101 to fund and finalize purchase of the final 530F helicopter. Sufficient fund balance is available in the SLESF Fund to cover these costs. Utilized funds, minus 2.7% broker commission, will be reimbursed to the SLESF account after the sale of N523HB.

Recommended Action:

A) Authorize the use of an additional \$500K in SLESF funds to finalize the purchase of a police helicopter 530F; and

B) Appropriate \$500K from the SLESF fund balance to account 98470101.

Alternative Action(s):

Do not approve the recommended action, and direct staff accordingly.

Analysis:

In June 2021, the City entered into an agreement with MD Helicopters, Inc. (MDHI) to purchase three new MD 530F helicopters to replace the Police Department's (HBPD) aging fleet of three 520N (Notar) helicopters, at a discounted net price of approximately \$8M (after value received from the sale of HBPD's three 520N helicopters) (See Attachment 1). In addition, MD Australia had offered to purchase HBPD's inventory of additional 520N parts for approximately \$400K. Lastly, MDHI agreed

to facilitate the sale of HBPD's existing fleet of 520N helicopters.

The agreement outlined the following delivery schedule for the new aircraft:

- 1st Aircraft - February 2022
- 2nd Aircraft - April 2022
- 3rd Aircraft - June 2022

Per the contract, the first 530F was scheduled to be delivered 6-8 months after June 2021.

In February 2022, one of the three 520N HBPD helicopters (N521HB) crashed in Newport Beach, rendering the helicopter a total loss. Insurance funds were recovered by the City as a result.

In June 2022, the second 520N (N522HB) was sold to MD Australia as scheduled per the agreement.

In February 2023, the first 530F helicopter was delivered to HBPD. For a variety of reasons, this delivery was approximately 12 months behind schedule. This delay, and the loss of N521HB, necessitated the use of our last 520N (N523HB) for approximately 300 additional hours, thereby diminishing its value from the original estimated worth of approximately \$835K.

In March 2023, the second 530F helicopter was delivered to HBPD. The third and final 530F helicopter has been ready for delivery since August 2023. However, MDHI is demanding funding and delivery of this helicopter by November 22nd. MDHI states they will seek another buyer if sale is not finalized by that time.

We have had the following private offers to purchase the remaining 520N (N523HB) and inventory of additional 520N parts:

1. \$470K and nothing additional for the parts.
2. \$525K + \$80K for select parts
3. \$550K without additional parts

All of these purchase agreements have been unsuccessful.

We have negotiated with MDHI, based on above outlined delays and circumstances, to credit \$235K for the entire remaining inventory of 520N parts.

In late October, HBPD hired a helicopter broker to procure a buyer and facilitate the sale of N523HB. This broker has procured a Letter of Intent (LOI) to sell N523HB for \$500K and is moving forward with inspections and a purchase agreement (See Attachment 2).

Based on the current situation and MDHI's demand for funding the final sale and delivery of the last 530F helicopter, staff is requesting authorization to utilize \$500K in SLESF funds to complete that transaction. The SLESF fund will be reimbursed upon the final sale of N523HB, minus 2.7% broker commission.

The City currently holds approximately \$700k in unencumbered SLESF monies, which can be used for this purpose.

Environmental Status:

This action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

Strategic Plan Goal:

Non Applicable - Administrative Item

Attachment(s):

1. Agreement with MD to purchase 3 MD530F helicopters
2. Letter Of Intent to purchase N523HB