



## MEMORANDUM

July 20, 2023

To: City Council Members  
From: Brian Kelley, Administrative Services Director  
Subject: Fire Station 31 Financing Plan

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Consistent with the Council's motion on July 11, 2023, attached are more refined and detailed cost estimates for the Fire Station 31 rebuild, revised bonding scenarios, and updated options for a resolution calling for a special bond election.

### **Project Cost**

The updated cost estimate for the Fire Station 31 rebuild is \$20.7 million (see attached detail). The original estimate of \$16 million was based on concept designs and included construction costs only. It did not include other costs related to construction of the new station such as furniture, fixtures, and equipment (FF&E), permits and inspections, third-party costs, and construction contingency. Of course, these costs have only increased throughout the planning/design phase of the project due to inflation. The attached estimate was put together by our architect and reflects current construction cost trends and all known elements of the project.

Since the initial concept designs were completed, the overall square footage of the station has been reduced by 6,000 square feet, including eliminating one meeting room, to bring costs down. All other aspects of the station design are necessary or deemed to be highly beneficial to the public to accommodate additional growth, to preserve capital equipment critical for public safety, and to maintain or improve services. As the project moves forward, the construction manager and City staff will work to keep project costs within or potentially below budget to combat ongoing inflation.

### **Bond Term**

Two sets of bonding scenarios are attached, each detailing the financing costs associated with a 20-year, 25-year, and 30-year bond to fund the rebuild of Fire Station 31. Scenario #1 includes the full project cost in the bond amount. Scenario #2 removes from the project cost the anticipated proceeds from the sale of the current Station 31 property. In each scenario, the total bond amount is higher than the project cost due to bond issuance costs. The City's debt management policy provides guidelines regarding the speed of long-term debt repayment. This policy provides an important perspective from which the bond term may be considered in relation to the City's existing and future debt. The policy reads, in part, as follows:

***Rapidity of Long-Term Debt Repayment.*** Generally, borrowings by the City should be of a duration that does not exceed the economic useful life of the improvement that it finances and where feasible should be shorter than the projected economic life. Moreover, to the extent possible, the City should design the repayment of debt so as to recapture rapidly its credit capacity for future use. The City shall strive to repay the principal amount of its long-term debt by at least 65% or greater within ten years, except in cases where the debt is self-supported by external entities or other external contributions.

The expected useful life of the new fire station falls within any of the three bond terms presented, but none of the bond terms meet the 65% standard of principal repayment established in policy. For reference, the principal repayment percentage after 10 years is 38% for a 20-year bond, 26% for a 25-year bond, and 19% for a 30-year bond. The 20-year bond term is recommended since it most closely aligns with the City's policy and provides the best opportunity to recapture credit capacity for future use while still spreading the costs of the project to current and future beneficiaries.

## **Resolution**

The attached resolution (#23-38C) calls for a special bond election to allow residents to vote on the proposed financing plan for the project. The resolution reflects Bond Scenario #1 with a 20-year bond term. It also includes updated language (underlined on page 7) to help residents understand that the City may still go forward on the project with alternative financing if the bonds are not approved. Any of these elements may be modified at the Council's discretion.