

2. Consideration of pursuing debt-financing for future Fire/Police Station needs and use of General Fund Undesignated Fund Balance to address temporary station needs.



LEGISLATIVE MEMORANDUM

TO: Honorable Mayor and Members of the City Council

FROM: Suzanne Sherman, City Manager

THRU: City Manager's Office

DATE: August 13, 2024

RE: Consideration of pursuing debt-financing for future Fire/Police Station needs and use of General Fund Undesignated Fund Balance to address temporary station needs.

SUMMARY:

As the City has grown rapidly in population over the last four years, the need for additional police and fire staffing and infrastructure to serve the needs of the community have also grown. For decades, the City saw minimal increases in staffing in both departments, and efforts to strategically and effectively fund vehicle replacements were challenging, particularly as the City tax base and property values were still recovering from the last recession and minimal new development was occurring. The City still has the same number of fire stations it did over twenty years ago, and only the police department has been able to acquire a single additional building – the small substation on Main Street in the northeast section of the City.

As growth has occurred in the City, property tax revenues and impact fees have been gradually increasing, however these funds have been insufficient to meet some of the larger costs of providing expanded public safety services, specifically funding to build new fire stations and police substations in the northwest and southeast quadrants of the City. For example, at the August 1, 2024 Regular Council Meeting, over \$6 million in impact fee funds were approved to be used for new vehicles, including squads to alleviate call response times, especially in the southeast. These requests encumbered almost the entirety of available impact fee funds. The City also needs to identify a recurring funding source to address vehicle replacement needs and the replacement of Fire Station 2 on Malabar Road, among other priorities.

Based on the time it is projected to take to design, permit, and construct new stations in the NW and SE, staff is recommending the use of undesignated fund balance to install temporary stations. The current estimate for these stations is \$1.85 million each, including the building, which is a "fold out" transportable and relocatable unit that is wind-rated, projections for site work and utility connections, and canopies to cover vehicles. The total for this initiative would be \$3.7 million to install two new temporary stations.

Staff is also requesting Council authorization to pursue debt service funding totaling up to \$40 million to accomplish the following: new permanent NW Fire Station 8 with Police substation, new permanent SE Fire Station 9 with Police substation, and replacement of Fire Station 2. These project costs include estimates for the purchase of land, design, construction, and contingency. Based on preliminary estimates, the average annual debt service payments for a bond with a 20-year maturity would be approximately \$2.1 million.

With the exception of Road Bond-funded debt service, the City has not taken on any new General Fund debt since 2018, and several older debt items will be paid off in 2025 and 2026, freeing up just over \$2.1 million in annual debt service payments (Taxable Special Obligation Revenue Bonds, Series 2004, \$250,000, 2026; Taxable Special Obligation Revenue Bonds, Series 2013, \$1,382,434, 2025; and Franchise Fee Revenue Note, Series 2015, \$525,460, 2026).

If Council direction is to pursue debt service, staff will continue to refine estimates and will come back to City Council for consideration to secure the debt funding instrument. Additional memos would also be forthcoming regarding the procurement of the temporary fire stations.

REQUESTING DEPARTMENTS:

City Manager's Office

FISCAL IMPACT:

\$3.7 million from undesignated fund balance to open up projects for temporary NW Station 8 (\$1.85 million) and temporary SE Station 9 (\$1.85 million).

STAFF RECOMMENDATION:

Motion to authorize the allocation of \$3.7 million from undesignated fund balance to open up projects for temporary NW Station 8 (\$1.85 million) and temporary SE Station 9 (\$1.85 million) and to direct staff to pursue debt service to build a new NW Fire Station 8 with Police substation, new permanent SE Fire Station 9 with Police substation, and to replace Fire Station 2.

ATTACHMENTS: