

STAFF REPORT

AGENDA ITEM #: 22-67
COUNCIL MTG OF: May 3, 2022
FROM: David Caron, Town Administrator
OFFERED BY: Administration
PREPARED BY: Administration
SUBJECT: Funding Approval for a Central Fire Station on Rockingham Road

PURPOSE

To fund a replacement Central Fire Station on Rockingham Road.

TOWN ADMINISTRATOR COMMENTS

See comments within this report.

BACKGROUND

The Town Council had previously commissioned a study of the condition of public safety facilities and emergency response times in the community. Beginning with the work of a Town Council subcommittee, project goals were established, and options evaluated which led to the proposal to construct a new Central Fire Station in southwest Derry which also addresses response times deficiencies.

The Council has been working on this project since April 2021 and has received extensive presentations during Council meetings over the past year, including a report from the Subcommittee on June 15, 2021; the April 5, 2022, FY23 Budget introduction, and the April 26, 2022, budget workshop. After the workshop, the Council directed staff to begin the legal process to fund the project and proceed to construction.

This staff report addresses various Resolutions and processes necessary to fund and issue long term bonds for this project.

Resolution #2022-036 authorizes the issuance of \$18.4M to pay for all project related costs less the \$1.0M contribution of ARPA funding. With guidance from bond counsel, the process to issue bonds requires a public hearing, scheduled for May 4 with notice given on April 27. State law requires a period of between 15-60 days between the public hearing and Council action on the bond, which has been scheduled for May 19.

Resolution #2022-038 begins the Supplemental Appropriation process for the project, which seeks \$18.4M to pay for design, construction, equipment, material testing, land acquisition and clerk of the works during construction. The total project cost is estimated at \$19.5M, with \$1.0M to be used from ARPA grants previously accepted by the Town Council. Should the project consume the entire estimated project budget of \$19.5M or should the land acquisition costs exceed \$300,000 (as determined by the Courts), staff will return to the Council with a separate resolution to transfer the required funds from ARPA revenues. Action on this resolution is scheduled for May 19.

Resolution #2022-039 provides an avenue for the Council to raise \$750,000 from the FY23 budget and transfer \$1.0M from Unallocated Fund Balance to the Fire Facilities Capital Reserve Fund. These funds will be used for project costs and repayment of debt service. Action on this resolution is scheduled for May 19.

Resolution #2022-033 provides the last funding segment of this project by transferring \$1.0M from the Derry Recovery Trust to the Fire Facilities Capital Reserve Fund. These funds were previously accepted by the Town Council under Resolution #2021-026 (ARPA funds). The Council is requested to act upon this Resolution at the May 19 meeting after Council action on the Supplemental Appropriation and Bond for this project.

DISCUSSION

The Town Council is aware of the time sensitivity of this project with the anticipated increase in interest rates. Thus, the tradeoff with obtaining lower interest rates for the project is the introduction of certain unknowns, primarily final project costs and permission to use part of the Alexander Carr Trust land to accommodate the project. Regarding the land issue, staff and legal counsel met with the Director of Charitable Trust Division who appeared very supportive of the Town's request of the Courts to swap out 1.83 acres of restricted area and return 7.86 acres of recreation land into the Trust.

Regarding costs, once the Council approves the Supplemental Appropriation and Bond for the project, the Town will begin the review of qualifications and select an architectural/engineering firm to design a facility which meets organizational needs within the construction budget of \$16.4M.

FINANCIAL IMPACT

The Town Council has reviewed and concurred with a plan to use \$750,000 annually from the property tax base (\$0.20 - \$0.21 tax rate impact) to fund this project. It is further anticipated that available Unallocated Fund Balance will be added to future annual budgets to assist with debt service payments. It is anticipated that these amounts will range from \$100K to \$150K and be needed for FY25-FY33. Finally, as debt service on previous projects is retired, those resources will be applied to this debt service, furthering our ability to limit the tax rate impact of this project.

Total project costs include:

a.	Construction costs with 3% contingency	\$16,900,000
b.	Architectural/Engineering	\$ 1,690,000
c.	Clerk of the Works	\$ 100,000
d.	Furnishings, Equipment, IT, etc.	\$ 450,000
e.	Materials Testing during construction	\$ 75,000
f.	Reserve for potential land acquisition (to A/C Trust)	<u>\$ 300,000</u>
Total Project Budget		\$19,515,000

The bond is scheduled for a 25-year term at an estimated interest rate of 3.75%. Total resources required for the project including principal and interest repayments:

Property Taxes	\$ 13,975,000
Unallocated Fund Balance	\$ 3,125,000
Used of Retiring Debt Service	\$ 10,236,500
ARPA Funds	\$ 1,000,000
Sale of Central Fire Station	\$ 500,000

The Town originally considered a 30-year bond, however total costs would exceed the 25-year model by \$2.17M. A 20-year amortization schedule was discounted earlier as it would result in a financial obligation which exceeded the voter approved tax cap.

RECOMMENDED ACTION AND MOTION BY COUNCIL

May 17 meeting – Please see: Resolution #2022-036 – Issuance of Bonds (2/3 of entire Council)
Resolution #2022-038 - Supplemental Appropriation for the Project (2/3 of entire Council)
Resolution #2022-039 – Supplemental Appropriation of taxes and UFB to capitalize Capital Reserve Fund (2/3 of entire Council)
Resolution #2022-033 - Transfer Funds from Derry Recovery to CRF (\$1.0M ARPA funds – simple majority)