

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
SUBJECT: AUTHORIZATION TO ENTER INTO A PRIVATE
PLACEMENT LEASE FINANCING RELATED TO THE
RELOCATION AND NEW CONSTRUCTION OF FIRE
STATION 5
STAFF PRESENTER: LAWRENCE CHIU, CHIEF FINANCIAL OFFICER,
FINANCE DEPARTMENT
AGENDA ACTION: RESOLUTION

ISSUE(S)

Shall the Council, by Resolution, (1) approve documents relating to the financing of Fire Station 5 at 2201 Newgate Court in an amount not to exceed \$3,600,000, and (2) approve and authorize the execution of related documents by the City Manager, Chief Financial Officer or their respective delegates and actions with respect thereto?



COUNCIL GOALS/STRATEGIES

Goal 6: Commit to Making Santa Rosa a Healthy Community where People Feel Safe to Live, Work and Play.

BACKGROUND

1. In 2002, a Fire Station Location and Deployment Study was conducted by FireScope Inc. at the request of the Council. This study recommended the relocation of Fire Station at Parker Hill Road to Fountaingrove Parkway to ensure proper coverage of Fire Department resources.
2. In 2009, the Council adopted Santa Rosa General Plan 2035. The General Plan recommended the relocation of Fire Station at Parker Hill Road to a new location near Fountaingrove Parkway to better serve the community.
3. The passage of Measure O, quarter cent sales tax, in 2004 provides a potential funding source to construct a Fire Station. The usage of Measure O to fund annual debt services payment for a Fire Station at 2201 Newgate Court was proposed and adopted by the Council as part of the Fiscal Year 2013/14 budget.

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4. The City received bids on the construction of a Fire Station at 2201 Newgate Court on October 15, 2013. The lowest bid was \$3,117,000. Added to this amount are other costs associated with the construction, such as inspections and contingency in the amount of \$790,765, for a total project cost of approximately \$3,907,765.
5. The Fire Department has identified \$4,350,000 in available funding should additional funds be needed. Funding for the Fire Station consists of \$750,000 from other Fire Station projects and up to \$3,600,000 to be financed through private placement lease financing. Unspent funds will be returned to Measure O Fire Department fund balance.
6. Working with the City's financial advisor, Public Financial Management (PFM), four financial institutions submitted proposals for a private placement lease financing. BBVA Compass Bank, headquartered in Alabama, was selected to be the lender on the proposed Fire Station financing. Jones Hall is the City's bond counsel, and the Public Property Financing Corporation of California will be the lessee.

ANALYSIS

Financing for the relocation and construction of Fire Station 5 at 2201 Newgate Court with a 12-year fixed interest rate

1. BBVA Compass Bank proposed to finance the Fire Station through a lease/leaseback of four existing Fire Stations, including
Fire Station 3 at 3311 Coffey Lane;
Fire Station 4 at 1775 Yulupa Avenue;
Fire Station 5 at 3480 Parker Hill Road; and
Fire Station 11 at 550 Lewis Road.

Once the Fire Station at 2201 Newgate Court is completed, the leaseback will be transferred back to that facility, unencumbering the Fire Stations listed above.

2. The financing will be structured as a lease/leaseback with the Public Property Financing Corporation of California, repayable through lease payments funded by Measure O.
3. Based on the current market conditions, the projected interest rate would be 2.43%. The one-time costs of issuance are estimated at \$85,000. The annual debt services payment is projected not to exceed \$350,000 between Fiscal Years 2013/14 and 2023/24; and \$265,000 in Fiscal Year 2024/25. The Fire Station is scheduled to be fully repaid by June 2025 in concert with the sunset of Measure O in March 2025.

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4. In analyzing the Measure O available fund balance for the Fire Department, it has been determined that the project should not move forward if the annual debt services payment would exceed \$400,000 annually.

RECOMMENDATION

It is recommended by the Fire and Finance Departments that the Council, by Resolution, (1) approve documents relating to the financing of Fire Station 5 at 2201 Newgate Court in an amount not to exceed \$3,600,000, and (2) approve and authorize the execution of related documents by the City Manager, Chief Financial Officer or their respective delegates and actions with respect thereto.

Author: Lawrence Chiu, x3089

Attachments:

- Assignment Agreement
- Site Lease
- Lease Agreement
- Custodian Agreement