

# BOARD OF ALDERMEN

ITEM NO. C(2)

## AGENDA ITEM ABSTRACT

MEETING DATE: May 5, 2009

**TITLE: Consideration of a Resolution in Support of Financing for Fire Substation Project**

<b>DEPARTMENT: Management Services</b>	<b>PUBLIC HEARING: YES ___ NO <u>x</u></b>
<b>ATTACHMENTS:</b> <b>A. Resolution</b> <b>B. Proposed Timeline for Financing</b> <b>C. Notice of Public Hearing</b>	<b>FOR INFORMATION CONTACT:</b> <b>L. Bingham Roenigk, 918-7439</b>

### PURPOSE

The Board has previously authorized the construction and development of a fire substation and authorized the Town's use of installment financing to construct the fire substation. As the time approaches to begin construction on the fire substation, Town staff is also working to make arrangements for the financing. The North Carolina Local Government Commission requires that the Town Board adopt a resolution in support of the Town's application to the LGC for the LGC's required approval of the proposed financing arrangements. State law (NC Statutes 160A-20(g)) also requires that the Town conduct a public hearing before giving final approval to the financing arrangements. The accompanying resolution satisfies the LGC's requirements for preliminary Board action, and also calls for the required public hearing.

### INFORMATION

The Town, with board approval, entered into a lease agreement for the land that will house the fire substation with the State of North Carolina at 1411 Homestead Road in December 2006. On June 27, 2006, the Board approved a reimbursement resolution, signaling that the Town may pursue installment financing to construct the fire substation.

Staff, recommends using installment financing to construct and develop the fire substation. The Town's fund balance will decline significantly if the Board should use fund balance to finance the substation. It is considered appropriate from a financing perspective to use installment financing as the fire substation will benefit current and future generations.

The Town expects to receive construction bids on the project some time in May. Town staff therefore is planning to complete financing arrangements for the project by the end of June, so that financing proceeds are available once construction payments begin. To meet that deadline, the Town Board needs to take this preliminary step toward formal authorization of the financing. Precise terms of the financing – the final amount, the interest rate, the payment terms and the identity of the lender – are subject to Board approval by a subsequent resolution.

As mentioned earlier, State laws requires that the Town conduct a public hearing before completing an installment financing for real estate improvements, as contemplated in this case. By adopting the attached resolution, the Board will set the required public hearing for May 26, 2009.

FISCAL IMPACT Currently, the fire substation project budget equals \$2,992,703. As the exact project costs will not be known until construction bids are received, Town staff is allowing for a maximum financing amount of \$3,500,000. Staff's expectation continues to be, however, that project costs will remain within the current project budget. The FY09-10 budget will include a payment toward the debt service cost of \$199,514. The debt service cost, assuming the project stays within budget, will rise in FY10-11 to approximately \$375,000. The payment amount will be lower in the first year (FY09-10) as the Town phases in the debt service.

STAFF RECOMMENDATION

Adopt the attached resolution in support of the Town's application to the LGC for approval of the fire substation financing; this resolution includes a call for the required public hearing on May 26, 2009.