COUNCL AGENDA: 09-25-07
ITEM: 8.1

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Darryl Von Raesfeld
Katy Allen
Jennifer Maguire

SUBJECT: **FIRE STATION NO. 2 COST BENEFIT ANALYSIS**

DATE: 08-06-07

Approved

Date 8/14/07

COUNCIL DISTRICT: 5

RECOMMENDATION

1. To accept the cost benefit analysis and direct staff to proceed with one of the three options for the Fire Station No. 2 project.

2. Adopt the appropriate Appropriation Ordinance and Funding Resolution amendments for the approved option as outlined in Attachment A.

OUTCOME

Approval of this staff report and selection of a preferred option will allow staff to proceed with the implementation and delivery of the Fire Station No. 2 project.

EXECUTIVE SUMMARY

In the proposed FY 07-08 budget, staff had proposed partially de-funding the Fire Station No. 2 project and modifying its scope from a re-build to a remodel. In June 2007, Council directed staff to restore funding for Fire Station No. 2 to the FY 06-07 level by closing the gap of $2,322,000 with a loan from District 5 Construction and Conveyance Tax Fund and to return to Council in 60 days with an evaluation of funding source options for repayment and discussion about the scope of the project (effects of remodel v. rebuild). Staff has evaluated various scope and funding options and three options are included in this memo along with related appropriation actions in Attachment A. Staff is looking to Council for direction to proceed with one of the three options.

BACKGROUND

Fire Station No. 2 is a two-company station with a Battalion Chief located at 2933 Alum Rock Avenue. The original station was built by the County in the late 1940's and transferred to the City in 1977. In 1981, the City expanded the original fire station by approximately 4,400 square feet thus bring the total square footage to 8,200 square feet. The station serves primarily a two-mile radius around the station. Additionally, it covers, by contract with Santa Clara County a very large area east of the station up to Mt. Hamilton. Fire Station No. 2 currently has the highest call volume of all San Jose fire stations (Approx. 4,500 calls/year). With the staffing of a new engine at new Fire Station No. 34 in July of 2008, Fire Station No. 2's call volume will drop by approximately ten percent.

In March 2002, the voters approved the $159 million Public Safety Bond to finance upgrades to existing fire stations, construction of several new fire stations, training facilities, a new police substation and community policing centers. Fire Station No. 2 was originally slated to receive some upgrades, and $635,000 was set aside for this purpose. Over the course of time, this project underwent several scope changes and in FY 06-07 it was budgeted as a full rebuild. See Attachment B for a project chronology to date.

In January 2007, staff presented a report on the status of all the bond programs to Council. The report indicated that rising construction costs could result in a deficit of $6.8 million or more for the Public Safety Bond program. Staff was directed to re-evaluate the entire program and look at possible strategies to ensure the completion of the program, with the guiding tenet that remaining financial resources be focused on those projects with the greatest impact to service levels.

Staff evaluated all of the proposed bond projects and proposed changing the scope of Fire Station No. 2 from a rebuild to remodel and de-funding the project by $2.3 million in order to fund other projects that would result in improved system performance. There were two principal reasons for staff's recommendations: 1) Fire Station No. 2 was the only station that was not slated to be relocated or expanded, thus changing from a rebuild to remodel would have no impact on service delivery (with service delivery defined in terms of response time); 2) the project as designed had a significant funding gap of approximately $2.5 million due to construction costs escalation and additional square footage (approx. 900 square feet more than a standard 2-company station). The additional square footage is needed to house a fifth apparatus. There was no viable funding source within the program to fill this gap. While staff's evaluation found that there would be no impact to the service delivery times, there could be a potential impact in the event there is a seismic event, since the remodeled facility would not completely meet Essential Service Facility standards. An Essential Service Facility is designed to standards that are supposed to allow it to remain operational in the event of a major earthquake. All of the new fire stations are proposed to be designed to this standard.

During the FY 07-08 budget hearings, some concerns were raised about the proposed strategy. On June 19, 2007, the Mayor's June 2007 budget message was amended by Council to restore from $4,425,000 to $6,747,000 funding for Fire Station No. 2 by closing the gap of $2,322,000 with a loan from District 5 Construction and Conveyance Tax Fund and to direct staff to return

to Council in 60 days with an evaluation of funding source options for repayment and discussion about the scope of the project (effects of remodel v. rebuild).

ANALYSIS

Scoping Options - Staff has evaluated several options for the Fire Station No. 2 site. In putting together the cost benefit analysis, staff looked at health and safety concerns, service delivery impacts, privacy issues, aesthetics, program requirements and schedule in addition to the costs. The cost benefit analysis for three scenarios is as follows:

a. **Option 1 – Remodel of existing Fire Station No. 2**
Modifications to the existing fire station to include a new electrical room, an emergency generator and diesel fuel storage, exercise room, turn out storage room, captain's quarters and office, and an expanded kitchen and dining area. This option adds approximately 900 square feet and remodels 3,100 square feet, which results in a 9,100 square foot station.

Considerations:

- Will provide some health and safety improvements and some other program related upgrades.
- Will not require money from Public Safety bond reserve or the General Fund Capital Projects (FF&E) reserve, thus no significant impact on the remaining projects in all three G.O. bond programs
- Will not require money from the Fire C&C fund.
- Enables continued response of Engine 2 from Station 2 to service area during construction
- Will not meet Essential Services Facility Standards
- Major portion of the facility will not be built to Fire Facilities Program requirements
- Public Art project will have to be completely redesigned.
- Approximately $610,000 in design and engineering costs expended to date would be "sunk" costs.

Cost implications:

- Total estimated project budget - $4.42 million (including sunk costs)

Schedule:

- Anticipated completion by Winter 2009

b. **Option 2 - Hybrid demolition and rebuild of the existing Fire Station No. 2**
Demolish the 1940's portion of the fire station and rebuild approximately 5,650 square feet, which will result in a 10,050 square foot station. The new portion would include a kitchen, day room, a turn out storage room, captain's quarters and office, an emergency generator and diesel fuel storage. There would also be some minor modifications to the 1981 portion of the fire station to accommodate an exercise room and to try and achieve a more aesthetically cohesive façade. Staff's preliminary estimate for this option (including demolition) is approximately $6.1 million. Staff also evaluated upgrading the existing 1981 portion to current structural and essential

facility codes. This alternate would require approximately $977,000 in additional funds and is therefore not included in Option 2.

Considerations:

- Will incorporate several elements of an Essential Services Facility such as an emergency generator and other structural considerations in more than half of the facility
- More than half of the fire station built to the Fire Facilities Program requirements
- Will make modifications to existing portion to try and achieve a cohesive and aesthetically pleasing façade on Alum Rock Avenue, including the possibility of reusing Public Art concept
- Enables continued response of Engine 2 from Station 2 to service area during construction
- Will need $500,000 from the Fire C&C Fund, in addition to $475,000 that is already committed; requiring the deferral of other fire station maintenance projects and repairs (i.e., bathroom construction at Stations 14, 18 and 29 and HVAC replacement at Stations 18 and 29)
- Will need $1,822,000 from the Public Safety Bond Fund Contingency Reserve, which would severely restrict availability of a contingency reserve for other Public Safety bond projects such as the Police Substation
- Approximately $610,000 in design and engineering costs expended to date would be sunk costs

Cost implications:

- Total estimated project budget - $6.7 million (including sunk costs)

Schedule:

- Anticipated completion by Summer 2010.

c. **Option 3- Complete demolition and rebuild of the existing Fire Station No. 2**

Demolish the existing 8,200 square feet fire station and rebuild a new 12,400 square foot fire station. The new station would be designed and constructed to meet Essential Services Facility Standards.

Considerations:

- Will be built to Fire Facility Program requirements which will:
  i. improve the likelihood that the station will remain operational in the event of a significant seismic event;
  ii. be designed to include separate bedrooms and bathrooms to address privacy issues; and
  iii. improve the storage capacity and the station's utility.
- Will require $1,822,000 from the Public Safety Bond Fund contingency reserves, which would severely restrict availability of this contingency reserve for other Public Safety bond projects such as the Police Substation project
- Will require $500,000 from the Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes ("Fire C&C Fund"), in addition to $475,000 that is already committed; requiring the deferral of other fire station maintenance projects and repairs (i.e., bathroom construction at Stations 14, 18 and 29 and HVAC replacement at Stations 18 and 29)

- Will require an additional $2,728,000 from the General Fund Capital Projects FF&E bond reserve, impacting other future bond projects, FF&E for remaining bond projects including the South San José Police Substation, or other high priority, unfunded General Fund needs
- Will require identification of a site and placement of temporary facilities to house Engine 2 to respond to service area during construction

Cost implications:

- Total estimated project budget - $9.5 million. Demolition costs of the existing building (estimated at $300,000) are anticipated to be borne by the Fire Station Land Acquisition appropriation in the bond fund.

Schedule:

- Anticipated completion by Spring/Summer 2009

Funding sources - Staff looked at potential funding sources and a brief summary of each of them is included below:

1. Neighborhood Security Bond (Fund 475) - Contingency Reserve
The 2007-2008 Adopted Capital Budget includes contingency reserves of $2.8 million to fund unforeseen issues and potential construction escalation costs for remaining Bond projects. It should be noted that this includes several projects yet to be awarded, the most notable of which is the South San José Police Substation. Based on the current estimate for the Substation project, this reserve provides a less than 5% contingency for that project, to account for any market volatility.

2. General Fund (Fund 001) - Capital Projects (FF&E) Reserve
In the Adopted FY 07-08 budget $6.8 million is allocated in the Capital Projects (FF&E) Reserve. This reserve was established to fund unfunded Furniture, Fixtures, and Equipment (FF&E) for the Public Safety, Library, and Parks bond programs. As funding for FF&E is gradually identified from other sources, the appropriateness of using this reserve as a contingency for bond projects will be assessed. There are several large projects in the pipeline such as the South San José Police Substation, Happy Hollow Park and Zoo, Bascom and Solari Joint Facilities and several trail and library projects. In addition, as reported to the City Council significant unfunded needs have been identified including, but not limited to, GASB 43/45 (retiree healthcare) and Police Staffing Plan needs.

3. Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes (Fund 392)
Through the 2008-2012 Adopted Capital Improvement Programs, ending fund balances total between $1.8 million in 2007-2008 and $768,000 in 2009-2010. Based on preliminary analysis, additional funding may be available due to higher than anticipated Construction and Conveyance Tax receipts through June 2007. Final reconciliation of additional funding will be brought forward through the Manager's Annual Report in the Fall 2007.

4. San Jose Redevelopment Agency Funding

The project is in the Alum Rock Neighborhood Business District area. According to the City Attorney's Office, in order to use redevelopment funds on publicly owned improvements, the City Council/Agency Board must make the following findings:

- That the improvements are of benefit to the redevelopment Project Area or the immediate neighborhood in which the project is located.
- That there are no other reasonable means for financing the project.
- That the project will assist in the elimination of blight in the Project Area.
- That the project is consistent with the Implementation Plan for the Project Area.

In addition, redevelopment law requires that the construction of new publicly owned buildings must be specified in the Redevelopment Plan. Assuming that the above findings can be made by the City Council/Agency Board, redevelopment funds can be used for the remodel or partial rebuild of the Fire Station. However, since the Redevelopment Plan for the Alum Rock Redevelopment Area does not provide for the construction of a new Fire Station, redevelopment funds cannot be used for this purpose unless the plan is amended.

Funding Analysis - The elimination of the loan from the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Council District #5 ($2,322,000) is recommended for all options to avoid incurring interest liability and as identified through the 2007-2008 budget process. The elimination of this loan would be administratively more efficient to fund improvements at Fire Station No. 2.

Attachment A details the associated appropriation actions for each option. Besides the elimination of the loan, no further appropriation actions would be required to fund Option 1 – Remodel of Existing Fire Station No. 2.

In order to fully fund Option 2 – Hybrid Demolition and Rebuild of Fire Station No. 2, appropriation actions from the Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes Ending Fund Balance ($500,000) and the Neighborhood Security Fund Contingency Reserve ($1,822,000) are recommended. Approximately $1 million would remain in the Neighborhood Security Fund Contingency Reserve; and the General Fund Capital Projects (FF&E) Reserve ($6.8 million) would remain intact to fund potential construction escalation for remaining bond projects, such as the South San José Police Substation or other General Fund needs. The $1 million in the Neighborhood Security Fund Contingency Reserve provides about a 1% cushion for all of the projects in this program that are yet to be awarded. This can have a significant impact on the City's ability to award these projects in the future if higher than anticipated bids are received due to market volatility.

In order to fully fund Option 3 – Complete Demolition and Rebuild of Fire Station No. 2, appropriation actions from the Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes Ending Fund Balance ($500,000), the Neighborhood Security Fund Contingency Reserve ($1,822,000), and the General Fund Capital Projects (FF&E) Reserve ($2,728,000) are recommended. Approximately $1 million would remain in the Neighborhood

Security Fund Contingency Reserve; and $4.1 million would remain in the General Fund Capital Projects (FF&E) Reserve to fund potential construction escalation for remaining bond projects, such as the South San José Police Substation, or other General Fund needs. In addition to the impact on projects in the Neighborhood Security Fund Contingency Reserve, as mentioned above, this option could have a similar significant impact on projects in the other two bond programs such as the Happy Hollow Park and Zoo project, and the Bascom and Solari Joint Facilities.

Health and Safety concerns - If a significant seismic event were to occur, that resulted in Fire Station 2's inoperability or destruction, Fire Station No. 34, on the corner of Las Plumas and Nipper, would potentially be operational given its construction to Essential Services Facilities Standards. Furthermore, Fire Station No. 21, also planned to be built to Essential Services Facilities Standards, is programmed to be constructed in the vicinity of White and Cunningham Roads and thus, would also potentially be available to respond into the Fire Station No. 2 first due district.

The location, size and construction to Essential Services Facilities Standards of Fire Station Nos. 21, 34, and 36 on the eastside of the City will significantly improve the probability of resources that can stage and respond from these facilities if a significant seismic event were to occur.

EVALUATION AND FOLLOW-UP

In June 2007, Council directed staff to restore from $4,425,000 to $6,747,000 funding for Fire Station No. 2 by closing the gap of $2,322,000 with a loan from District 5 Construction and Conveyance Tax Fund and to return to Council in 60 days with an evaluation of funding source options for repayment and discussion about the scope of the project (effects of remodel v. rebuild). This staff report completes the follow up action on this directive.

POLICY ALTERNATIVES

Three alternatives have been included in this memo for Council action.

PUBLIC OUTREACH/INTEREST

✓ **Criterion 1**: Requires Council action on the use of public funds equal to $1 million or greater.
(Required: Website Posting)

☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or

a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

This staff report has been coordinated with the Office of the City Manager, the Redevelopment Agency, and the Office of the City Attorney.

FISCAL/POLICY ALIGNMENT

Ensuring the completion of the remaining Public Safety Bond Projects is consistent with the Public Safety CSA's highest priority of maintaining emergency response time performance. Completing the relocation of less efficiently located existing fire stations (Stations 19 & 21) and the construction of new fire stations (Stations 36 and 37) will increase response efficiency and effectiveness. This project is also consistent with the Council approved Budget Strategy, Economic Recovery section, in that it will help to stimulate construction spending in our local economy.

COST SUMMARY/IMPLICATIONS

Option 1 – Remodel of existing Fire Station No. 2

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery	
Spent to date on Option 1	$609,973
Encumbered Funds *	$282,366
Unspent Funds to be Rebudgeted *	$184,661
Remaining Project Delivery Costs	$703,000
Total Project Delivery (Option 1)	**$ 1,780,000**
Construction	$2,400,000
Contingency (5%)	$240,000
Total Project Costs	**$4,420,000**
Prior Year Expenditures**	($1,077,000)
Total Remaining Costs (Option 1)	**$ 3,343,000**

2. SOURCE OF FUNDING: 392 - Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes, 475 - Neighborhood Security Bond.

3. FISCAL IMPACT: N/A

* The encumbered consultant contract and unspent funds will be required to fully find the Project Delivery costs for Option 1.
** Prior Year Expenditures include Funds Spent to Date, Encumbered Funds, and Unspent Funds to be Rebudgeted.

Option 2 – Hybrid Demolition and Rebuild of Fire Station No. 2

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery	
Spent to date on Option 2	$609,973
Encumbered Funds *	$282,366
Unspent Funds to be Rebudgeted *	$184,661
Remaining Project Delivery Costs	$1,080,000
Total Project Delivery (Option 2)	**$ 2,157,000**
Construction	$4,180,000
Contingency (5%)	$410,000
Total Project Costs	**$6,747,000**
Prior Year Expenditures**	($1,077,000)
Total Remaining Costs (Option 2)	**$ 5,670,000**

2. SOURCE OF FUNDING: 392 - Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes, 475 - Neighborhood Security Bond

3. FISCAL IMPACT: N/A

* The encumbered consultant contract and unspent funds will be required to fully find the Project Delivery costs for Option 2.
** Prior Year Expenditures include Funds Spent to Date, Encumbered Funds, and Unspent Funds to be Rebudgeted.

Option 3 – Complete Demolition and Rebuild of Fire Station No. 2

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery	
Spent to date on Option 3	$609,973
Encumbered Funds *	$282,366
Unspent Funds to be Rebudgeted *	$184,661
Remaining Project Delivery Costs	$732,973
Total Project Delivery (Option 3)	**$ 1,809,973**
Construction	$7,300,000
Contingency (5%)	$365,000
Total Project Costs	**$9,474,973**

Prior Year Expenditures**	($1,077,000)
Total Remaining Costs (Option 3)	**$ 8,397,973**

2. SOURCE OF FUNDING: 001 – General Fund, 392 - Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes, 475 - Neighborhood Security Bond

3. FISCAL IMPACT: N/A

* The encumbered consultant contract and unspent funds will be required to fully find the Project Delivery costs for Option 3.
** Prior Year Expenditures include Funds Spent to Date, Encumbered Funds, and Unspent Funds to be Rebudgeted.

BUDGET REFERENCE

Option 1 – Remodel of existing Fire Station No.2

The table below identifies the fund and appropriations proposed to fund the contract(s) recommended as part of this memo and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	2007-2008 Proposed Budget (Page)	Last Budget Action (Date, Ord. No.)
Remaining Project Costs				3,343,000			
Remaining Funding Available							
475	4997	Fire Station 2 - Rebuild		2,873,000*		V - 658	6/19/2007
392	4997	Fire Station 2 - Rebuild		475,000		V - 658	6/19/2007
Total Current Funding Available				3,348,000			
Total Funding for Projects				3,343,000			

* Per Attachment A, Option 1, the loan from the Parks C&C Fund is recommended to be eliminated, reducing the Fire Station 2 – Rebuild appropriation from $5,195,000 to $2,873,000.

Option 2 – Hybrid Demolition and Rebuild of Fire Station No. 2

The table below identifies the fund and appropriations proposed to fund the contract(s) recommended as part of this memo and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	2007-2008 Proposed Budget (Page)	Last Budget Action (Date, Ord. No.)
Remaining Project Costs				5,670,000			
Remaining Funding Available							
475	4997	Fire Station		2,873,000*		V - 658	6/19/2007

		2 - Rebuild					
475	8633	Contingency Reserve		1,822,000**		V - 693	6/19/2007
392	4997	Fire Station 2 - Rebuild		475,000		V - 658	6/19/2007
392	8999	Ending Fund Balance		500,000***		V - 652	6/19/2007
Total Current Funding Available				5,670,000			
Total Funding for Projects				5,670,000			

* Per Attachment A, Option 2, the loan from the Parks C&C Fund is recommended to be eliminated, reducing the Fire Station 2 – Rebuild appropriation from $5,195,000 to $2,873,000.
** $1,822,000 of the total $2,840,661 in the Contingency Reserve appropriation is recommended to fully fund this project
*** $500,000 of $1,796,844 in the Ending Fund Balance appropriation is recommended to fully fund this project

Option 3 – Complete Demolition and Rebuild of Fire Station No. 2

The table below identifies the fund and appropriations proposed to fund the contract(s) recommended as part of this memo and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	2007-2008 Proposed Budget (Page)	Last Budget Action (Date, Ord. No.)
Remaining Project Costs				8,397,973			
Remaining Funding Available							
475	4997	Fire Station 2 - Rebuild		2,873,000*		V - 658	6/19/2007
475	8633	Contingency Reserve		1,822,000**		V - 693	6/19/2007
392	4997	Fire Station 2 - Rebuild		475,000		V - 658	6/19/2007
392	8999	Ending Fund Balance		500,000***		V - 652	6/19/2007
001	8682	Future Capital Reserves		2,728,000****		IX – 21 (Operating Budget)	6/19/2007
Total Current Funding Available				8,398,000			
Total Funding for Projects				8,397,973			

* Per Attachment A, Option 3, the loan from the Parks C&C Fund is recommended to be eliminated, reducing the Fire Station 2 – Rebuild appropriation from $5,195,000 to $2,873,000.
** $1,822,000 of the total $2,840,661 in the Contingency Reserve appropriation is recommended to fully fund this project
*** $500,000 of $1,796,844 in the Ending Fund Balance appropriation is recommended to fully fund this project
**** $2,728,000 of the $6,824,806 in the Future Capital Reserves appropriation is recommended to fully fund this project

CEQA

CEQA: Exempt, PP05-220

DARRYL VON RAESFELD
Fire Chief

KATY ALLEN
Director, Public Works Department

JENNIFER MAGUIRE
Acting Budget Director

For questions please contact Tom Bohn, Deputy Director, Fire Department at (408) 277 2690.

Attachments

ATTACHMENT A – APPROPRIATION LANGUAGE FOR ALL OPTIONS

Option 1 - Remodel of Existing Fire Station No. 2; Total Project Cost = $4,420,000

It is recommended that the City Council:

1. Adopt the following Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Council District #5 (382):
    a. Eliminate the Loan to the Neighborhood Security Bond Fund in the amount of $2,322,000; and
    b. Increase the Ending Fund Balance in the amount of $2,322,000.

2. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Neighborhood Security Bond Fund (475):
    a. Decrease the estimate for Interfund Transfers in the amount of $2,322,000; and
    b. Decrease the Fire Station 2 – Rebuild appropriation in the Fire Department in the amount of $2,322,000.

Option 2- Hybrid Demolition and Rebuild of Fire Station No. 2; Total Project Cost = $6,747,000

It is recommended that the City Council:

1. Adopt the following Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Council District #5 (382):
    a. Eliminate the Loan to the Neighborhood Security Bond Fund in the amount of $2,322,000; and
    b. Increase the Ending Fund Balance in the amount of $2,322,000.

2. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Neighborhood Security Bond Fund (475):
    a. Decrease the estimate for Interfund Transfers in the amount of $2,322,000;
    b. Decrease the Fire Station 2 – Rebuild appropriation in the Fire Department in the amount of $500,000; and
    c. Decrease the Contingency Reserve in the amount of $1,822,000.

3. Adopt the following Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax Fund: Fire Protection Services (392):
    a. Increase the Fire Station 2 – Rebuild appropriation in the Fire Department in the amount of $500,000; and
    b. Decrease the Ending Fund Balance in the amount of $500,000.

Option 3- Complete Demolition and Rebuild of Fire Station No. 2; Total Project Cost = $9,474,973

It is recommended that the City Council:

1. Adopt the following Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Council District #5 (382):
    a. Eliminate the Loan to the Neighborhood Security Bond Fund in the amount of $2,322,000; and
    b. Increase the Ending Fund Balance in the amount of $2,322,000.

2. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Neighborhood Security Bond Fund (475):
    a. Decrease the estimate for Interfund Transfers in the amount of $2,322,000;
    b. Decrease the Fire Station 2 – Rebuild appropriation in the Fire Department in the amount of $500,000; and
    c. Decrease the Contingency Reserve in the amount of $1,822,000.

3. Adopt the following Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax Fund: Fire Protection Services (392):
    a. Increase the Fire Station 2 – Rebuild appropriation in the Fire Department in the amount of $500,000; and
    b. Decrease the Ending Fund Balance in the amount of $500,000.

4. Adopt the following Appropriation Ordinance amendments in the General Fund (001):
    a. Decrease the Future Capital Projects (FF&E) Reserve in the amount of $2,728,000; and
    b. Establish a Fire Station 2 – Rebuild appropriation in the Fire Department in the amount of $2,728,000.

ATTACHMENT B – PROJECT CHRONOLOGY

Fiscal Year 2000-2001

- Fire Department developed a long term Strategic Plan which identified areas in the City that were underserved in terms of response time, apparatus and personnel. This plan provided the basis for the Fire portion of the Public Safety Bond effort.

Fiscal Year 2001-2002

- In March 2002 the voters approved the $159 million Public Safety Bond to finance upgrades to existing fire stations, construction of several new fire stations, training facilities, a new police substation and community policing centers.

Fiscal Year 2002-2003

- Fire Station No. 2 was originally slated to receive upgrades and $635,000 was set aside for this purpose.

Fiscal Year 2003-2004

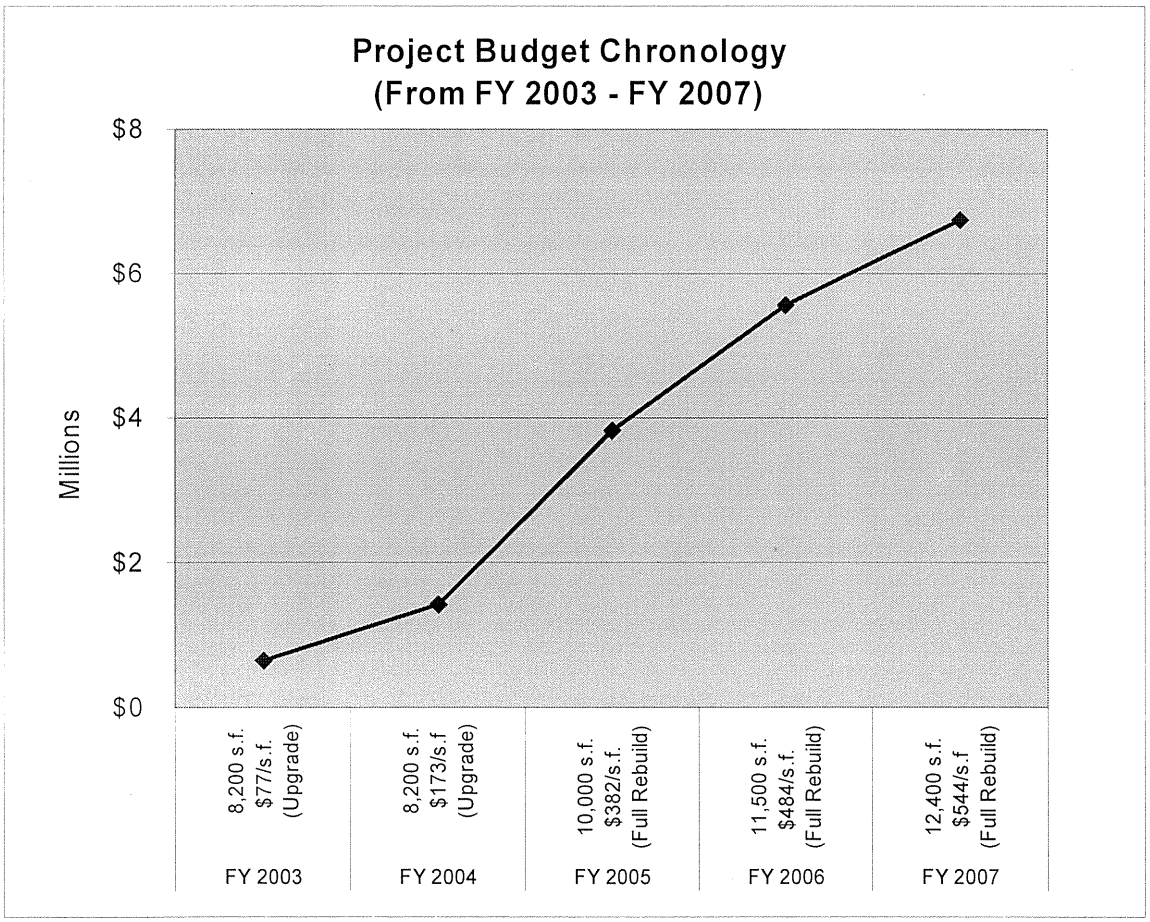
- As the various upgrade projects were evaluated the funding allocated for this station was increased to $1,417,000.

Fiscal Year 2004-2005

- After approval of the Public Safety Bond the Fire Department developed an East Side Strategy which entails the addition of Fire Station 34 on Las Plumas and the relocations of Fire Stations 21 and 24. In addition, the East Side Battalion Chief housed at Station 2 was slated to move to the relocated Station 21, which will provide a more central location for this resource within its response area.
- Staff evaluated several remodel options for this station and based on the construction costs at that time and the severe limitations of a remodel within the available budget, concluded that it would be more cost effective to demolish and rebuild the station.
- MBA #8 appropriated $3,820,000 to rebuild the station.
- In December 2004, staff worked with the architectural firm of RRM Design Group to develop a Fire Facility Program which standardized design elements for new fire stations. The program identified additional square footage to support health and safety and functional needs, which increased square footage requirements from the original estimate of 10,000 to 11,500 square feet.

Fiscal Year 2005-2006

- MBA #10 increased the appropriation for this project to $5,569,000 to account for the increased square footage and construction cost escalation.

Fiscal Year 2006-2007

- The construction industry had been experiencing unprecedented escalation in labor and material costs. All of the project budgets were augmented and the appropriation was further increased to $6,747,000.
- In January 2007, staff presented a report on the status of all the bond programs to Council. The report indicated that rising construction costs could result in a deficit of $6.8 million or more for the Public Safety Bond program. Staff was directed to re-evaluate the entire program and identify strategies to ensure the completion of the program with the guiding tenant that remaining financial resources should be focused on those projects with the greatest impact to service levels.
- Staff evaluated all of the proposed bond projects and proposed changing the scope of Fire Station 2 from a rebuild to remodel and de-funding the project by $2.3 million in order to fund other projects that were underway.
- On June 19, 2007, the Mayor's June 2007 budget message was amended by Council to restore from $4,425,000 to $6,747,000 funding for Fire Station 2 by closing the gap of $2,322,000 with a loan from District 5 Construction and Conveyance tax and to direct staff to return to Council in 60 days with an evaluation of funding source options for repayment and discussion about the scope of the project (effects of remodel v. rebuild)