

MINUTES

BOARD OF FIRE COMMISSIONERS

DOUGLAS COUNTY FIRE DISTRICT NO. 2

August 2, 2018
East Wenatchee, WA

The meeting was called to order at 4:00 p.m. by Chair Dawn Collings with Commissioners Rick McBride and Bob Black present.

District personnel in attendance were Fire Chief Dave Baker, Captains Seth Ellis and Shane Flatness, Firefighters Billy Turner, J.P. Sokolowski, Jordan Givens and Jacob Toevs, Volunteer Lieutenant Mitchell Williams and Administrative Assistant Kris Felty.

Jim Nelson, Senior Vice-President of D.A. Davidson & Co. was also present.

The purpose of the meeting was to consider fire station construction costs and financing with Mr. Nelson.

Chief Baker explained that having met with the Architect, the cost for Station 4 was estimated at \$8.5 million. Direction was now being sought from the Board. The Architect was ready to start design with a commitment. Mr. Nelson was asked to attend to help determine if and how the fire district could pay for it

In his presentation, Jim Nelson explained that interest rates had increased since he last met with the Board. Most loans to build fire stations were for a term of 20 years. Once the bonds were issued, proceeds must be spent within 36 months. As a rule, payments would increase \$70,000 for every \$1 million financed over 20 years. Bond issues under \$10 million received a better interest rate or bank qualifier, usually by .25%. In considering the bond rating, analysts liked to ask the same question three times in different ways. The higher ratio of unreserved cash to operating expenses would receive a higher rating; 40% was desirable. He also noted that interest earnings on government investments like the state pool were increasing as well.

It was confirmed that the current levy rate was \$1.20 It would go up incrementally to \$1.35 in 2021, the last year under the six-year levy lid lift. From his handout prepared for this meeting, it was noted the non-voted debt capacity was \$15,980,673; the voted debt capacity was currently \$31,961,345. Those would change with assessed valuations and principle payments. It was noted that a reimbursement resolution had already been adopted so the associated "soft" costs incurred prior to a bond issue would be recouped.

Mr. Nelson reported that Chelan County Fire District No. 1 had just been upgraded to a AA-. Chief Baker reported the estimated construction costs on their new station was \$5.5 million on a three-story, 29,000 square foot station.

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Chief Baker submitted a spreadsheet with four options each for Station 4 and the Rock Island Station. Construction costs and bond payments were projected based on the square footage; whether elevator(s) were required, and including taxes, contingency and A&E fees. Furnishings were not included. He also provided a series of spreadsheets from the Financial Planning Model 2018-2024 reflecting the effect on working capital. The amount of cash transferred to reserves was taken into account, and different scenarios reflecting the impact of a future levy lid lift (refresh) and a successful SAFER grant in combination with construction of specific station options.

Options discussed included issuing the bonds for both stations initially, or in series, or building the stations in phases. Regardless, Chief Baker advised the subdivision process was moving forward for the Rock Island Station. Cost was expected to be \$138,000 plus road improvements. It was also noted that the previously discussed block grant for the Rock Island Station was no longer considered an option. Equipment would not be financed, rather capital would be built up. CWICC (Central Washington Interagency Communication Center) was considered a possible partner to share costs of Station 4.

Chief Baker went back to the original planning process that determined priorities to be increased staffing, and the need for facilities, and equipment to accommodate staff. Concern was expressed on the costs for Station 4 going from an estimated \$4.9 million to \$8.2 million. All three board members indicated they were concerned by the substantial increase in costs, however they did not plan to delay moving forward. Chair Collings stressed that focus on the public was key; that the District had done its due diligence would be a justifiable driving force. The public would see that that the best decision possible was made and followed through.

Discussion included scaling back, either by cutting out resident quarters or cutting administration, each reducing the costs around \$1.5 million. Arguments were made by Lt. Mitchell and Captain Ellis that either of these could be accommodated by buying or building houses or office space. Captain Ellis referenced a previous email to Chief Baker regarding a more conservative approach. Given that the resident program was new, and its viability not proven yet, it was suggested that it would be more cost effective to continue to rent/buy housing or plan for expansion but, not build out at this time. It was noted by Firefighters Givens and Toevs that a culture change had taken place where resident firefighters did not necessarily want to live in the fire station as in the past. Chief Baker noted that houses would increase operating costs. For example, he reported the estimate for roofing the modular homes at the airport went from \$9,000 to \$30,000.

Following discussion, Chief Baker was directed to ask the Architect what the costs would be for a station with two stories on both sides, but one side, second story only an unfinished shell for later expansion. Clarification was to be obtained on the need for a second elevator.

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Chair Collings thanked everyone in attendance for their input.

Commissioner Black moved to adjourn the meeting at 6:15 p.m. Commissioner McBride seconded the motion. Motion unanimously passed.