



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: October 3, 2014

IBA Report Number: 14-39 REV

Public Safety and Livable Neighborhoods Committee Meeting Date: October 1, 2014

Item Number: 4

San Diego Infrastructure: Needs for Existing and New Fire Stations

OVERVIEW

The City of San Diego owns and maintains a large and complex network of infrastructure assets, including public facilities, streets, bridges, parks, and airports. Underinvestment in infrastructure due to tight financial constraints in the City has resulted in deteriorating infrastructure and a significant backlog of deferred capital projects. The backlog is currently estimated to be \$898 million for facilities, streets, and storm drains. About \$185 million of the backlog is for public facilities, including fire stations. However, this estimate was based on outdated and partial assessments of the City's facilities, and staff have surmised that the overall backlog could be more than \$2 billion when ongoing condition assessments are completed.¹ As we have previously stated, the most significant financial matter facing the City continues to be the City's deferred capital and infrastructure funding requirements.

Maintenance, repair, and rehabilitation of the City's 50 existing fire facilities has been challenging due to substantial financial constraints and competing priorities over the past several years.² Maintenance & Repair (M&R) of facilities, primarily funded by the City's General Fund, has been chronically underfunded, further contributing to the backlog. Capital projects such as the rehabilitation and replacement of facilities do not rely on the General Fund, which is primarily used to fund the City's core community services, and historically there has been no dedicated source of funding for needed capital projects for General Fund departments like-Fire-Rescue.

To begin to address the backlog, the City has issued a series of deferred capital lease-revenue bonds, which do not require voter approval. Since 2009, the City has issued a total of \$213

¹ Condition assessments budgeted in FY 2015 include facilities, sidewalks, park assets, streets, and certain water and wastewater assets.

² The Department is the asset-owner and operator of 47 existing fire stations, an air operations base, a communications center, and a training facility. Although we do not discuss lifeguard infrastructure in this report, Fire-Rescue also is the asset owner and operator of 9 permanent lifeguard stations and 30 seasonal towers.

million in three issuances of deferred capital bonds (DC 1, DC 2, and DC 2a), and an additional \$120 million (DC 3) has been authorized by Council. DC 3 was anticipated to be issued in two series in FY 2015, but the first series has been delayed pending the resolution of litigation filed by a third party. The City Attorney's Office anticipates this litigation to be resolved by the Superior Court sometime in the first half of FY 2015.

In addition to needs for the City's existing fire stations, there is also a significant need for new fire stations. The City of San Diego retained Citygate Associates in 2010 to assess its fire services, and the report was presented to the Public Safety and Neighborhood Services (PS&NS) Committee in February 2011. The Citygate Report identified several challenges with the Fire-Rescue Department's ability to provide emergency service delivery within nationally recognized best practice response times. In order to eliminate service gap areas, the Citygate report recommended that the City construct 19 additional fire stations and ranked them in priority order. The PS&NS Committee formed the Citygate Working Group (CWG) in February 2011 to review the Citygate Report and develop an implementation plan of priority recommendations.³ The CWG plan, approved by the City Council in November 2011, affirmed the priority order for 19 new fire stations.

The Mayor, City Council, and various community and public interest groups have expressed concerns regarding needed fire station infrastructure to ensure that Fire-Rescue can effectively provide fire services critical for protecting public health, safety, and property and meet desired response times in all communities. We developed this report to provide a comprehensive view of the City's fire station infrastructure, including the condition of existing stations, funding for projects, and completed and ongoing capital projects. In addition, we provide information on the status of the 19 new fire stations recommended and prioritized in the Citygate Report. We conclude with a discussion of the significant challenge the City is facing to fund infrastructure projects for both existing and new assets, and the need for alternative sources of revenue to more comprehensively address infrastructure needs over the long term.

FISCAL/POLICY DISCUSSION

Condition of the City's Existing Fire Stations

The Fire-Rescue Department currently maintains 50 fire facilities with over half of these facilities having been in service for more than 25 years. Many of the major components, such as HVAC, have exceeded their expected service life and must be replaced. The needs of modern technology and a diversified workforce also require changes in fire facility configurations, HVAC system distribution, and energy capacity. For example, Fire Station (FS) 5 (Hillcrest) is 49 years old, and water and sewer services to the existing station are deteriorating and require immediate attention. Further, the station is too small to accommodate a modern fire engine and the larger type of aerial ladder truck and is not adequate to serve future population growth in the community.

³ The CWG included Councilmember Marti Emerald, Councilmember David Alvarez, Fire-Rescue Chief Javier Mainar, and representatives from the Office of the IBA, Office of the City Attorney, and San Diego Firefighters International Association of Firefighters Local 145.

Condition Assessments

Conducting condition assessments of public facilities every four to five years is a recommended as part of an effective Asset Management strategy to identify and prioritize needed projects and determine the size of the backlog. The City hired a consultant in 2009 to assess the condition of 443 of its facilities, including 42 fire stations. When the report (known as the Parsons Report) was released in October 2009, the deferred maintenance and capital backlog was about \$33 million for the 42 fire stations.⁴ The assessment also identified the Facility Condition Index (FCI) for each facility which signifies whether it is in good, fair, or poor condition. As shown below, the FCI is a percentage based on the total cost of the backlog divided by the current replacement value of the facility. Based on this assessment, the average FCI for the fire stations and fire-related facilities was about 19% which means that they were in good condition overall. Attachment 1 to this report includes the available backlog and FCI data for all fire stations.

Maintenance & Repair (M&R) and Capital Projects

- M&R includes ongoing upkeep and repairs, such as patching a roof, servicing an HVAC system, or painting a building. Facilities M&R is primarily funded by the City’s General Fund.
- Capital projects provide tangible, long-term improvements, such as constructing a new or rehabilitating an existing fire station or installing a new roof. Capital projects do not rely on the General Fund, but are funded by sources that frequently have limitations on their use, such as for a specific asset type or within a specific geographic area.

$\text{FCI} = \frac{\text{Backlog of Deferred Maintenance and Capital Projects}}{\text{Current Replacement Value}}$	<p>Condition Scale: Good – FCI of 20% or less Fair – FCI of 21% - 29% Poor – FCI of 30% or more</p>
---	---

The City contracted with Alpha Facilities Solutions in 2014 to update the 2009 report and assess the current condition of General Fund facilities, and the methodology is shown above. Public Works staff provided our office with the FCI data on 25 fire stations that have been assessed so far, and the backlog is \$29 million and average FCI is 28% or fair condition overall. An additional 16 stations are scheduled for assessment. When comparing 2009 and 2014 data for the 25 stations that have been assessed so far, the backlog has increased by \$7 million from \$22 million in 2009 to \$29 million in 2014. In addition, the FCI for these stations has increased from 22% to 28%, which represents deteriorating facility conditions.

Note that other factors besides condition can impact a facility. For example, a facility can be in good condition but in actuality may be inadequate due to size, function, or location.

Funding Needed Fire Station Projects

Maintenance, repair, and rehabilitation of the City’s 50 existing fire facilities has been challenging due to significant financial constraints and competing priorities over the past several

⁴ The backlog and FCI reported in the 2009 assessment only included deferred maintenance, while the FY 2014 assessment includes both deferred maintenance and capital projects to provide a more accurate understanding of needs. In order to provide an apples-to-apples comparison with the available FY 2014 data, Public Works staff utilized the raw data from the 2009 assessment to calculate a backlog of both deferred maintenance and capital projects and a related FCI. The 2009 backlog and FCI data we are reporting are based on this information provided by Public Works staff.

years. M&R of facilities has been chronically underfunded, and unlike enterprise funded departments such as Public Utilities, General Fund departments like Fire-Rescue *do not* have a dedicated funding source for capital projects. From FY 2009 through FY 2015, the City budgeted only about \$27.1 million for fire-related capital projects. As shown in the table below, the primary sources used to fund these projects include Facilities Benefits Assessments (FBA), Development Impact Fees (DIF), and deferred capital bond funding. Note that we also identified some projects over this time period that were funded through Council's Community Projects, Programs, and Services (CPPS) Funds; donations; and other sources and/or were performed by Facilities Division which are not reflected in this table. To the extent possible, these projects have been included in Attachment 1.

Summary of Budgeted Capital Projects for Fire Stations by Funding Source, FY 2009-2015

	Total Millions of \$
FBA	\$ 7.7
DIF	8.4
General Fund	1.7
Facilities Annual Allocations*	0.9
Subtotal	\$ 18.7
DC 1 (2009A/2010A) (\$103 million)	\$ 3.4
DC 2 (2012) (\$75 million)	1.3
DC 2a (2013) (\$35 million)	3.7
Subtotal	\$ 8.4
Total	\$ 27.1
<i>Anticipated DC 3**</i>	<i>25.0</i>
Total Budgeted plus Anticipated	\$ 52.1

* Facilities Annual Allocations fund small-scale fire station projects from various sources, including grants, donations, General Fund, and the Capital Outlay Fund.

**Bonds authorized by Council in January 2014, but not yet issued.

FBA and DIF - FBA and DIF are fees assessed on developers to mitigate the impact of new development, and can only be used for capital projects in the same community in which they were assessed.⁵ These fees can be used to fund public facilities such as transportation, park & recreation, library, and fire stations that are included in the community and public facilities financing plan. Communities that are relatively early in their planned development have an FBA which provides 100% of funds for public facilities projects. FBAs provided about \$7.7 million to fund fire station projects since FY 2009, including FS 50 (North University City) and FS 48 (Black Mountain Ranch).

On the other hand, DIF communities are at or near build out and collect impact fees on infill or revitalization efforts. As a result, DIF generally provides less than 10% of the funding needed for public facilities; therefore, supplemental funding is required. Additionally, many types of projects are competing for limited DIF funds. This has made it challenging to identify funding

⁵ For more information on FBA and DIF, see [Overview and Challenges Related to Public Facilities Financing Plan Updates](#) (IBA-14-23, June 9, 2014).

for fire stations in these communities. Since 2009, DIF has funded about \$8.4 million for capital projects for fire stations in various communities.

Deferred Capital Bonds – Since 2009, the Council-approved deferred capital bond program has provided a significant new source of funding for capital projects that otherwise could not have been implemented. Although the DC bonds were initially intended to address the backlog of deferred capital projects,⁶ the lack of a dedicated funding source for fire stations and other needed new facilities has led the City to dedicate a portion of the bond proceeds towards funding new infrastructure.⁷ The first three deferred capital bond issuances have provided about \$8.4 million for deferred capital projects and the replacement of existing fire stations. The planned DC 3 issuance is anticipated to fund an additional \$25 million for the design and/or construction of five fire stations (three replacement and two new stations).

Although \$120 million for DC 3 was authorized by Council in January 2014, a pending lawsuit has delayed the first planned series of the issuance and could impact the schedule of projects. Further, as discussed later in this report, the ongoing use of lease-revenue bonds to fund the City’s significant infrastructure needs is neither sustainable nor recommended.

Deferred Capital Projects

Based on the 2009 Parsons Report which identified a backlog of \$12.7 million for fire stations, the City prioritized needed projects and funded about \$3.4 million from deferred capital bonds (DC 1 and DC 2). The funds were used to implement deferred capital projects for existing fire stations, including HVAC replacement, roof repairs, and other improvements. The projects’ funding and implementation phase are shown in the following table. The majority of the projects

Fire Station Projects	DC 1	DC 2	Total	Project Status
FS 3 (Midtown/Balboa Park)	\$ 629	\$ 374,371	\$ 375,000	at 30% of design
FS 7 (Downtown)	234,268		234,268	completed
FS 9 (La Jolla)	485,000		485,000	completed
FS 14 (North Park)		300,000	300,000	in design
FS 16 (La Jolla)	27,942		27,942	completed
FS 17 (City Heights/Mid-City)	700,000	95,000	795,000	at 90% of design
FS 19 (Southcrest)		404,312	404,312	in design
FS 24 (Carmel Valley/Del Mar Heights)	221		221	completed
FS 25 (Bay Park)	37,385		37,385	completed
FS 32 (Paradise Hills)	185,198		185,198	completed
FS 34 (San Carlos)	272,084		272,084	completed
FS 36 (East Clairemont)	74,747		74,747	completed
FS 38 (Mira Mesa)	169,775		169,775	in construction
FS 41 (Sorrento Valley)	67,646		67,646	completed
Fire Communication Center	20,000		20,000	completed
Total	\$ 2,274,895	\$ 1,173,683	\$ 3,448,578	

⁶ For more information on the deferred capital bond program, see [Review of the Fiscal Year 2015 Proposed Budget](#) (IBA-14-15; April 28, 2014; pp. 63-66)

⁷ It is important to consider the capacity of the Public Works/Engineering & Capital Projects Department to deliver projects for new infrastructure, which are generally more complex and time-consuming than projects in the backlog, such as HVAC and roof replacement and rehabilitation of facilities, since they may require environmental review, among other things.

are now complete. Note that these projects were budgeted as part of the annual allocation for facilities rather than as standalone projects, so will not show up in the CIP Budget. See attachment 1 for more detailed information on deferred capital and other projects for existing fire stations.

Ongoing Capital Projects

As shown on the next page, the City has 17 ongoing standalone capital projects for fire stations and facilities with a total project cost of about \$160.5 million, including expended/encumbered, budgeted, and future year costs. Of this amount, \$25 million is anticipated to be funded with DC 3. Note that identified future year funding is based on programmed FBA funds from the respective communities. Additionally, about \$57.1 million of future year funding needed for seven of these projects, primarily for new fire stations, has not been identified. The ongoing capital projects include the rehabilitation and/or expansion of four existing stations, replacement of six stations, and addition of six new stations and a Fire-Rescue Air Operations Facility.

Replacement Fire Stations

Replacement fire stations are generally needed to accommodate modern equipment and technology, address operational needs, and respond to meet future population growth in the respective communities. The City has six ongoing projects for demolition; design and construction of a new fire station; and, in four cases, the design and construction of a temporary station. Three of these stations—FS 5 (Hillcrest), FS 17 (Mid-City), and FS 22 (Point Loma)—were initially anticipated to be rehabilitated; however, after inspecting the facilities, the Public Works/Engineering & Capital Projects Department recommended that the fire stations be replaced. The fourth station, FS 7 (Barrio Logan), is one of Fire-Rescue’s oldest and smallest stations. DIF funding was budgeted in FY 2015 for land acquisition for FS 7, although remaining funding is unidentified. As discussed in more detail below, FS 2 (Bayside) and FS 45 (Eastside Mission Valley Station) are also considered replacement facilities. These stations were not included in Citygate’s list of recommended new fire stations, because they were already planned for development at that time.

FS 2 (Bayside) – This station will be located on the corner of Pacific Highway and Cedar Street in Little Italy and is considered very important since there is currently no fire station in the downtown area west of the railroad tracks. By eliminating the need for fire crews to wait for train crossings, response times in the service area are expected to improve. Additionally, while the new Bayside Station will open with one engine company, temporarily relocated from FS 1 (Downtown), the facility will be capable of hosting two engine companies in future years as resources become available.

FS 2 (Bayside) is not included in the City’s CIP Budget, since the project was originated by the former Redevelopment Agency and is being managed by Civic San Diego. Estimated construction costs are \$17.5 million which is anticipated to be fully funded by the Successor Agency to the former Redevelopment Agency, including \$9.5 million in excess bond proceeds from the Centre City Redevelopment Project Area and \$8 million from the Downtown Community DIF fund. FS 2 is expected to be operational in September 2016.

FS 45 (Eastside Mission Valley) – This station will be located at 9366 Friars Road (on the NW corner of Friars Rd. & Mission Village Drive) and will replace the temporary FS 45 currently located in the Qualcomm Stadium parking lot. The permanent station is currently under

Ongoing Capital Projects for Fire Facilities	Expended/ Encumbered	Budgeted Resources*	Anticipated FY 2015 - DC 3	Future Years		Project Total
				Identified	Unidentified	
FS 1 (Downtown) – Rehabilitation of existing station to maintain safe and livable facility	\$ 517,116	\$ -	\$ -	\$ -	\$ 1,482,884	\$ 2,000,000
FS 2 (Bayside)** – Replacement - Demolition of existing restaurant (corner of Pacific Highway and Cedar Street), design and construction of 3-story station	4,470,000	5,846,667	-	11,693,333	-	22,010,000
FS 5 (Hillcrest) – Replacement - Design and assembly of temporary station, demolition of existing station, and design and construction of new station	913,029	(1,106)	8,200,000	-	-	9,111,923
FS 7 (Barrio Logan) – Replacement - Design and assembly of temporary station, demolition of existing station, and design and construction of new station	-	850,000	-	-	11,150,000	12,000,000
FS 8 (Mission Hills) – Rehabilitation, including design and construction of working areas to improve functionality	94,718	768,782	-	-	-	863,500
FS 15 (Ocean Beach) – Expansion of existing station to meet current department standards and operational needs	25,582	374,418	-	-	-	400,000
FS 17 (Mid-City) – Replacement - Design and assembly of temporary station, demolition of existing station, and design and construction of new station	824,783	3,841	11,200,000	-	-	12,028,624
FS 22 (Point Loma) – Replacement - Design and assembly of temporary station, demolition of existing station, and design and construction of new station	1,035,576	2,972,585	2,600,000	-	-	6,608,161
FS 38 (Mira Mesa) – Expansion of existing station to accommodate EMS and increased operational needs	590,073	59,927	-	-	80,000	730,000
FS 45 (East Mission Valley) – Replacement of temporary facility to serve the community and meet response time guidelines	8,719,046	2,119,646	-	-	-	10,838,692
FS 48 (Black Mountain Ranch) – New station to serve new community and recommended in CityGate Report (priority#18)	-	2,700,000	-	9,080,000	-	11,780,000
FS 49 (Otay Mesa) – New station to meet demand in community	76,414	1,808,586	-	8,365,000	-	10,250,000
FS 50 (North University City) – New station to meet demand in community and recommended in CityGate Report (priority #10)	96,889	8,903,111	-	5,000,000	-	14,000,000
FS 51 (Skyline Hills) – New station to meet demand in community and recommended in CityGate Report (priority #4)	-	-	1,000,000	-	11,000,000	12,000,000
FS 54 (Paradise Hills) – New station to meet demand in community and recommended in CityGate Report (priority #2)	83,654	281	-	-	11,011,065	11,095,000
Home Avenue FS – New station to meet emergency response times for the community and recommended in CityGate Report (priority #1)	-	-	2,000,000	-	10,000,000	12,000,000
Fire-Rescue Air Operations Facility – New, permanent facility needed to accommodate helicopters and crews	-	125,000	-	-	12,375,000	12,500,000
Annual Allocation – Replacement/rehabilitation of major structural/construction components in various fire stations that have exceeded expected service life	-	267,706	-	-	-	267,706
Total	\$ 17,446,880	\$ 26,799,444	\$ 25,000,000	\$34,138,333	\$57,098,949	\$ 160,483,606

*Budgeted resources include continuing appropriations from previous years and funds budgeted in FY 2015.

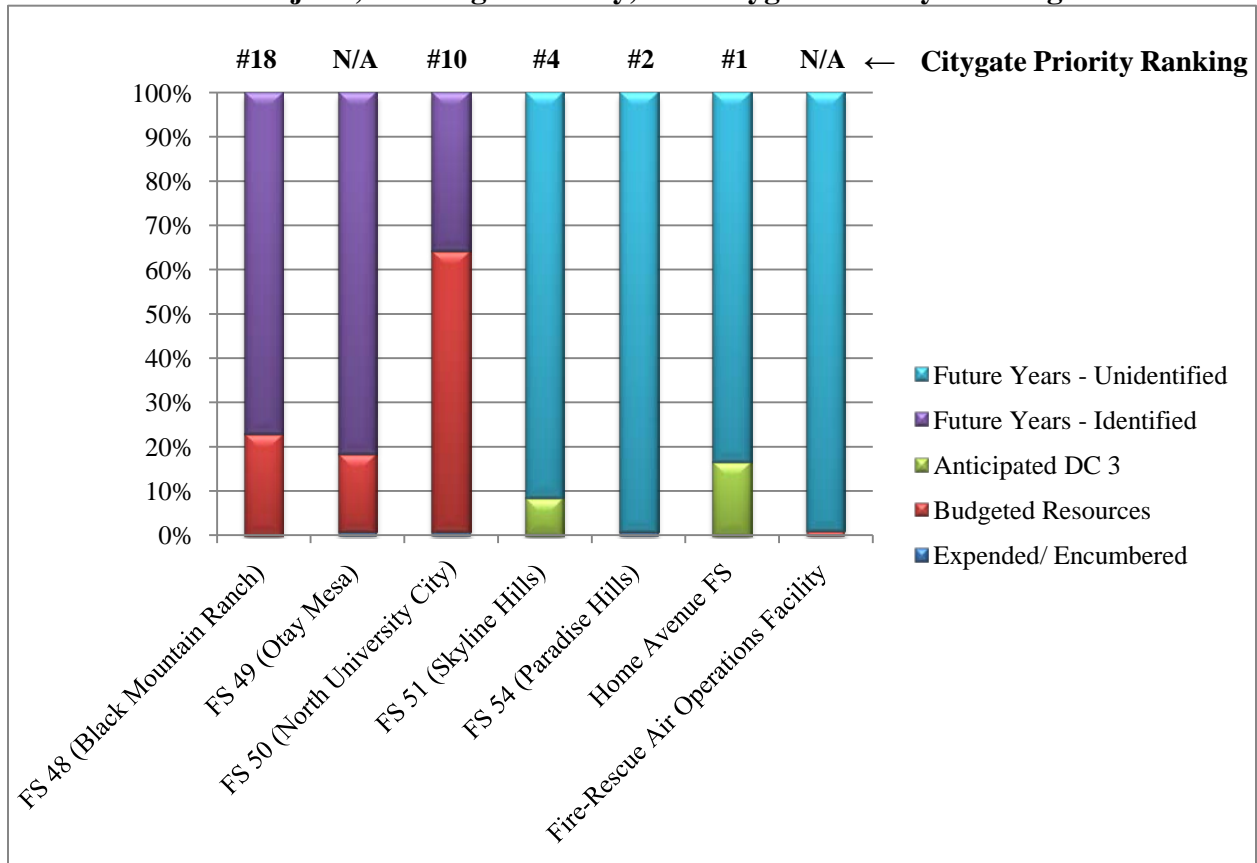
**The FS 2 replacement station project was initiated by the former Redevelopment Agency and is being managed by Civic San Diego; therefore, this project is not included in the City's CIP Budget.

construction and projected to be operational in early FY 2016. The CWG plan placed a high priority on the permanent station since it is critical for improving service levels and reducing response times in a densely populated area. The new facility will enable the station to be double-staffed with two engine companies. The existing temporary station has one fire truck and crew. Adding a second fire apparatus and crew will cost about \$3.3 million, including the one-time CIP cost of \$1.1 million (already included in the CIP project cost) for an aerial ladder truck and \$2.2 million in ongoing operational funding for personnel and non-personnel expenses.

New Fire Stations

The FY 2015 Adopted CIP Budget includes active projects for six new fire stations and a new Air Operations Facility.⁸ As shown in the chart below, three stations—FS 48 (Black Mountain Ranch, FS 49 (Otay Mesa), and FS 50 (North University City)—are located in communities with an FBA that will fully fund the projects. The remaining three stations are in DIF communities. The design of FS 51 (Skyline Hills) and Home Avenue FS are anticipated to be funded with DC 3 bond funds in FY 2015, but could be delayed depending on when pending litigation is resolved. Funding for construction of these stations as well as total project funding for FS 54 (Paradise Hills) has not been identified. These three stations are among the highest Citygate priorities.

New Fire Station Projects, Funding Summary, and Citygate Priority Ranking



⁸ FS 47 (Pacific Highlands Ranch) was completed in FY 2010, but will be included as an active project in the Capital Improvement Program budget until the developer who funded the project is reimbursed through FBA funds, likely in FY 2015.

Average Cost of New Stations - As shown in the following table, the estimated capital cost of new fire stations ranges from about \$10.8 million to \$11.9 million, depending on whether an aerial ladder truck is required which is the case for about 20% of stations. Note that the cost to purchase land, included in the \$2 million estimate along with planning and design, is typically expensive and will vary by location.

	Estimate
Land, Design, and Planning	\$ 2,000,000
Construction	8,000,000
Fire Engine (required at every station)	800,000
Total	\$ 10,800,000
Fire Truck (aerial ladder truck, required at about 20% of stations)	1,100,000
Total	\$ 11,900,000

Fire-Rescue generally uses its standard design requirements for either a single (9,000 square foot) or double (10,500 square foot) fire station, which provide for the operational necessities of every fire station. However, certain elements must be taken into consideration that cannot be incorporated into a design standard; such as physical lot constraints, potential long-term response needs, and community input into exterior design.

The Status for Implementing Citygate Recommendations

The Citygate Report’s main finding was that the City lacked the appropriate number and location of fire stations and crews in order to meet desired response time performance measures in all areas. This was attributed to tight budgetary constraints which limited the City’s ability to fund fire service expansion as development occurred over several decades. While the City built fire stations in the center of new growth areas, it did not backfill with other stations and fully integrate the fire station system to provide equitable response time performance to all substantially developed neighborhoods.

Fire-Rescue presented its annual update on the status of Citygate recommendations to the Public Safety and Livable Neighborhoods (PS&LN) Committee in January 2014. The Department has successfully implemented policy recommendations which had no associated costs, such as adopting performance measures. However, as shown in the following table, the City is at least three years behind the CWG plan schedule in implementing recommended new fire stations. At the time of the last CWG update, the associated funding gap for implementing new stations and other recommendations was \$30.2 million for the first three years of the plan (FY 2012-2014). As a result of delays in implementing these stations, Fire-Rescue has been unable to improve response times in the affected communities. One notable exception is the Fast Response Squad (FRS) pilot currently underway in Encanto, which Fire-Rescue reports has improved response times based on preliminary data.

The Fire Chief noted that Citygate priorities are still applicable and the department shares those priorities. While it remains Fire-Rescue’s goal to implement the stations in priority order, the primary driver for determining which stations can be built is the availability of funding. For example, FS 48 (Black Mountain Ranch) was ranked #18 by the CWG, but is located in a newer, greenfield community which collects FBA fees from developers that provide up to 100% of

needed funding. Conversely, Home Avenue is the #1 priority site, but is in a DIF community and lacks an identified funding source.

We discuss two high priority new stations that are not being implemented as ranked below.

Home Avenue FS – This station was ranked the highest priority new station in the Citygate Report. Public Works/Engineering & Capital Projects estimates total project costs for the Home Avenue FS to be about \$11.7 million. Because no other funding is available, the City plans to allocate \$2 million from the DC 3 bond issuance to fund land acquisition and project design. This was initially planned to include \$1 million in DC 3 series 1 (March/April 2014) and \$1

Citygate-Recommended Fire Station Construction Timeline: Planned vs. Actual

Citygate Rank	FRS-Eligible	Fire Station	CWG Planned Operation Year	Actual Expected Operation Year*
1	No	Home Avenue	FY 2014	FY 2017-2018
2	No	Paradise Hills	FY 2015	FY 2018-2019
3	No	College	FY 2016	FY 2019
4	No	Skyline	FY 2017	FY 2015 (temp.)* FY2019 (perm.)
5	Yes	Encanto	FRS in FY 2013	FRS in FY 2015
6	No	South University City (Stresemann/Governor)	FY 2018	N/A
7	No	Mission Bay/Pacific Beach	FY 2019 or later	N/A
8	No	UCSD	FY 2019 or later	N/A
9	Yes	Liberty Station	FY 2019 or later	N/A
10	Yes	North University City	FY 2019 or later	FY 2017*
11	No	Torrey	FY 2019 or later	N/A
12	No	Serra Mesa	FY 2019 or later	N/A
13	No	Mira Mesa (Southern)	FY 2019 or later	N/A
14	Yes	East Otay	FY 2019 or later	N/A
15	Yes	Scripps Miramar	FY 2019 or later	N/A
16	Yes	San Pasqual	FY 2019 or later	N/A
17	Yes	Linda Vista (Northern)	FY 2019 or later	N/A
18	Yes	Black Mountain Ranch	FY 2019 or later	FY 2017 (possible)*
19	Yes	Mission Valley (Linda Vista Road)	FY 2019 or later	N/A

*Indicates change in order.

million in series 2 (March/April 2015). However, as noted earlier in this report the first series has been delayed due to a lawsuit. The remaining \$9.7 million needed for construction has not yet been identified. Prior to the delay in the DC 3 bond issuance, the Public Works/Engineering & Capital Projects and Fire-Rescue Departments anticipated that the Home Avenue Station would be operational in FY 2017. However, due to the delay in issuing the bonds, staff anticipate a corresponding delay for the project.

Temporary FS 51 (Skyline Hills) – The temporary station is being implemented ahead of higher priority-ranked fire stations due to the availability of land and the severe need for service improvements in the densely populated, high demand area. Although the permanent Skyline FS was ranked as priority 4 in the Citygate Report, the temporary station will actually be the first Citygate-recommended site to be operational, which is anticipated to be in January 2015.

The FY 2014 Mid-Year Budget Adjustment included an expenditure of \$420,000 of excess equity from General Fund reserves for site preparation for the temporary station. The FY 2015 Adopted Budget included \$951,000 in expenditures from the General Fund to support six months of operations at the temporary facility until the permanent station is completed. This amount will need to be doubled in FY 2016 to provide full-year funding.

Fast Response Squad (FRS) Pilot Program

In addition to recommending 19 additional fire stations, the Citygate report identified which of those station sites could be supplemented with a FRS to improve emergency response times. The FRS, composed of a unit staffed by one fire captain and one firefighter/paramedic, is an auxiliary support unit capable of providing medical aid and initial fire-rescue incident mitigation. The FRS concept was developed by the Citygate report and endorsed by the CWG implementation plan as a pilot project. The CWG recommended Encanto as the highest priority FRS site.

The FY 2015 Adopted Budget included \$599,000 of personnel and non-personnel expenditures to implement the City's first FRS pilot program for one year. The unit began an initial six-month deployment in Encanto in July 2014. After the first six months, the department will evaluate the success of the program and determine the feasibility of deploying the FRS in other locations, such as Liberty Station which is the next priority FRS-eligible site.

Although the FRS program is not itself a capital project, it was a Citygate recommendation to improve service levels. Based on preliminary data from the pilot currently underway in Encanto, Fire-Rescue reports response time improvements. It is important to note, however, that the Fire-Rescue Department has repeatedly expressed that FRS units are not intended to replace the need for emergency response using an engine or truck company for medical or other all-hazard incidents.

CONCLUSION

Fire station infrastructure is important to ensure that Fire-Rescue can effectively provide services critical for protecting public health, safety, and property and meet desired response times in all communities. Based on the condition assessment conducted in 2009 and preliminary data available thus far from the 2014 assessment, conditions of existing fire stations have deteriorated. Maintenance, repair, and rehabilitation of the City's 50 existing fire facilities has been challenging due to significant financial constraints and competing priorities over the past several years. M&R of facilities has been chronically underfunded, further contributing to the backlog. Additionally, unlike enterprise funded departments such as Public Utilities, General Fund departments like Fire-Rescue **do not** have a dedicated funding source for capital projects for existing or needed new facilities. From FY 2009 through FY 2015, the City budgeted only about \$27.1 million for fire-related capital projects, with an additional \$25 million anticipated for new fire stations from DC 3, which has been delayed until pending litigation is resolved.

Due to the lack of identified funding, the City is at least three years behind the CWG plan schedule in implementing new fire stations recommended in the Citygate Report. The delay has an associated funding gap of \$30.2 million for the first three years of the plan (FY 2012-2014). As a result of delays in implementing these stations, Fire-Rescue has been unable to improve response times in the affected communities. One exception is Encanto where Fire-Rescue reports improved response times. Further, while it remains Fire-Rescue's goal to implement the stations in priority order, the primary driver for determining which stations can be built is the availability of funding. For example, stations in FBA communities are fully funded while stations in DIF communities require significant supplemental funding.

Challenges to identify funding for the City's existing fire stations as well as new fire stations recommended in the Citygate Report are an important part of the larger infrastructure issue that the City is facing. The City clearly has significant infrastructure needs on the horizon, and FY 2015 will be an important year as the City gains a more accurate and comprehensive understanding of the scope and magnitude of the problem. However, even with recent improved financial conditions, the City continues to have significant, valid priorities competing for limited funds.

The City has used General Fund lease-revenue bonds which do not require voter approval as its primary means of financing infrastructure, and DC bonds are one of the few available sources of funding for new fire stations in DIF communities. Even when the lease-revenue bond issue is successfully resolved in court, the ongoing use of lease-revenue bond borrowing is not sustainable or recommended. This is due to limitations on available leasable properties and more importantly the 30-year obligation placed on the General Fund which essentially locks down a large portion of the fund and significantly limits discretionary spending over the long term.


Further, the Mayor's dedication of half of new revenue fund growth annually to infrastructure and neighborhood repair efforts will likely provide relatively small funding compared with the City's significant infrastructure needs which could be more than \$2 billion. To comprehensively address infrastructure over the long term, it is clear that the City must consider pursuing alternative revenue sources. Dealing with deferred capital and infrastructure funding requirements continues to be the top priority for the City, and it is important for the City to develop a comprehensive infrastructure financing strategy, such as a General Obligation Bond program.



Erin Noel
Fiscal & Policy Analyst



Chris Olsen
Fiscal & Policy Analyst



APPROVED: Andrea Tevlin
Independent Budget Analyst