Tracy Rural County
Fire Protection District

Agenda Item 4.1

STAFF REPORT

Meeting:	**Regular Meeting**
Date:	**November 10, 2026**
To:	**Board of Directors**
Prepared by:	**Randall Bradley, Fire Chief**
Approved by:	**Craig Miller, Chairperson**
Re:	**Fire Station 98: Site Acquisition, Development Impact Fee Accounting, and Capital Financing Strategy**

EXECUTIVE SUMMARY

Fire Station 98 is a planned capital facility intended to address deployment and effective-response-force needs identified through Standards of Cover analysis in the southern Tracy service area. The District must secure an appropriate site and establish a realistic construction funding strategy. The current planning estimate is approximately $12 million; the estimate's inclusions and currency must be confirmed. This report presents four alternatives for Board consideration and recommends advancing property acquisition and design while obtaining a complete accounting of historical City fire development impact fee collections and an independent projection of future fee cash flows.

BACKGROUND AND INTERAGENCY CONTEXT

The City of Tracy and Tracy Rural Fire Protection District (TRFD) are the member agencies of the South San Joaquin County Fire Authority. Much of the City's growth has occurred through annexation without detachment from TRFD, creating areas in which the City and District have overlapping boundaries. The District continues to receive its allocated property taxes from these areas. Although both agencies share an interest in timely construction of Station 98, they have different perspectives on how the capital cost should be funded. The following summaries describe those perspectives for the Board's consideration; neither is presented as a definitive interpretation of the governing agreements.

City of Tracy Perspective on Capital Funding

From the City's perspective, Station 98 is proposed on land in unincorporated TRFD territory, outside current City limits. Under the longstanding annexation-without-detachment approach, TRFD retains property tax revenues generated within overlapping City–District territory. The City's position is that these continuing property tax receipts are

available to support fire protection responsibilities, including the capital facilities necessary to serve growth, as well as ongoing operations. The City also points to the Station 95 arrangement in Tracy Hills, under which a developer advanced approximately $7.5 million to construct a station that was conveyed to the District without debt, in exchange for credits against future fire development impact fees. Those credits reduce subsequent cash fee collections. For Station 98, the City's position is that it will collect and pass through applicable fire development impact fees to the District as development occurs, pursuant to the governing agreements, rather than provide a separate upfront City construction contribution. In this view, the combination of retained District property taxes and the pass-through of development impact fees provides the District with funding sources for the project.

District Perspective on Capital Funding

From the District's perspective, the need for Station 98 is driven principally by City-approved development in Tracy Hills and the International Park of Commerce, even though the preferred station site is presently outside City limits. The City controlled the development approval process and negotiated the related development agreements and impact fee arrangements. The District's position is that those negotiations did not secure the upfront capital needed for Station 98, unlike the developer-advance arrangement used for Station 95, and did not adequately address the timing of the station's construction requirement. Although the City proposes to pass through fire development impact fees, those fees are anticipated to arrive incrementally over approximately 20 to 30 years, while Station 98 must be built much sooner to address the identified service need. The District therefore faces an immediate capital funding gap and, if it borrows to close that gap, additional financing costs. The District acknowledges that property taxes received from development must support ongoing staffing, station operations, and required service levels. Although the District may be able to access financing for construction, annual debt payments would reduce the revenues otherwise available to staff Station 98 and maintain fire protection services throughout the District. The potential ability to issue debt therefore does not establish that the District can absorb the obligation without operational consequences, nor does it resolve which agency originally bore responsibility for securing development-related construction capital. The District also recognizes that previously approved developer agreements may leave limited practical opportunity to obtain new upfront contributions retroactively. Its immediate objective is to identify a workable funding strategy, including the potential use of future eligible impact fee receipts to offset financing costs and debt service.

Operational Need and Project Scope

The Standards of Cover analysis identifies Fire Station 98 as necessary to meet effective response force requirements for both Tracy Hills and the International Park of Commerce. The station is intended to provide the additional deployment capacity needed to assemble an effective response force for incidents in these development areas. Working planning information references approximately 6,000 homes in Tracy Hills and approximately 30 million square feet of industrial/commercial development; these figures and the service timing trigger should be checked against adopted plans and the Standards of Cover report. The proposed site is on Valpico Road near the cemetery between Lammers Road and Corral Hollow Road, presently described as unincorporated District territory. The estimated $12 million project budget requires validation for land, sitework, design, apparatus/equipment, contingencies and financing costs.

Development Impact Fees: Historical Accounting

The District reports that no cash fire development impact fee transfers have been received from the City despite transfer provisions associated with the 2018 JPA restructuring agreements. The precise governing instruments, effective dates, eligible fee categories, geography and treatment of in-kind transfers and developer credits must be verified. The District should request an accounting from the inception of the applicable Public Safety Master Plan fee program (believed to be 2013; verify ordinance, study title and effective date) through the most recent closed fiscal year and current year to date. The accounting must distinguish amounts collected before and after the operative 2018 agreement, and must not assume that every historical collection is presently payable to the District.

- Annual fees assessed and collected by fiscal year, fee category and development area, with underlying fund/ledger reconciliation.
- Amounts deposited, retained, expended, transferred, committed, refunded or otherwise applied; current balances and interest.
- Applicable ordinances, fee schedules, nexus studies and amendments, and the legal basis for allocations.
- Developer fee credits, reimbursements and in-kind facilities, including Station 95, with supporting agreements and transaction history.

Harris & Associates Forecast and Revenue Waterfall

Subject to procurement, scope and funding approval, staff proposes engaging Harris & Associates, which has worked on development impact fee nexus studies, to develop a 20-year annual forecast of gross fire fee assessments and cash collections based on approved

and reasonably anticipated development. The model should show development phasing, fee rates, credits, reimbursements, legal restrictions and other commitments, resulting in the net amount and timing potentially available for Station 98 capital expenditures or eligible debt service. The consultant should provide conservative, baseline and accelerated development scenarios and separately identify unapproved or speculative projects. Any use of impact fees for financing costs or debt service must be reviewed by counsel.

BOARD ALTERNATIVES

Option 1 — Acquire land only

Proceed with acquisition of the eastern property, subject to due diligence and Board approvals. Defer design and construction commitments. Lowest near-term expenditure but risks cost escalation and delays in meeting operational needs. Deployment modeling identified two potential Valpico Road properties, and commercial appraisals were obtained for both. Staff prefers the eastern property because City utilities appear more accessible than at the western site. Actual utility availability, capacity, connection charges, title, environmental and geotechnical conditions must be confirmed before purchase. Staff recommends negotiated acquisition of the eastern parcel, with eminent domain considered only if negotiations fail and following required findings, hearings and legal review.

Option 2 — Acquire land and complete design; decide financing after revenue analysis (staff recommendation)

Acquire the preferred property and advance design through construction-ready documents under staged authorizations. Obtain City fee accounting, Harris cash-flow projections, updated construction pricing and financing terms. Return for Board approval of a funding plan that may finance only the unfunded portion of the project. Establish decision milestones to avoid indefinite delay.

Option 3 — Acquire, design and pursue financed construction

Acquire the preferred property, complete the design and construction documents, and finance construction of Fire Station 98. Based on preliminary financing information, borrowing $12 million over 20 years would require approximately $968,000 in annual debt service. This approach would address identified effective response force requirements sooner but would reduce revenues available for staffing, operations, and maintain required service levels unless offset by future eligible development impact fee receipts or other funding sources. The annual debt service could be offset by pass-through developer impact fees from the City of Tracy. The estimated amount of the offset would be determined by the Harris and Associates analysis recommended above.

Option 4 — Defer action for two years and reassess economic conditions

Take no action on land acquisition, design, or construction at this time. Monitor economic conditions, development activity, District revenues, construction costs, and financing conditions over the next two years, then return to the Board to reconsider Station 98 and the available funding options. This avoids near-term capital commitments and debt obligations, but could increase future land and construction costs, risk losing the preferred site, and delay the District's ability to meet the effective response force requirements identified for Tracy Hills and the International Park of Commerce.

Option 5 — Negotiate shared capital funding with the City of Tracy

Negotiate an agreement with the City of Tracy to share equally in the estimated $12 million construction cost of Fire Station 98, with each agency contributing approximately $6 million. Under this arrangement, future eligible fire development impact fee revenues would be used to reimburse both agencies for their respective capital contributions over time. This approach would reduce the District's initial capital obligation and associated debt service by approximately 50%, while providing a means to construct the station sooner. Reimbursement would depend on future fee collections and applicable legal requirements.

Eight-Year Financial Forecast

The eight-year forecast is prepared using the information known at the time and is updated twice each year to incorporate new property tax estimates, development schedules, capital and staffing requirements, pension costs, and other material data points. It is not possible to predict or independently establish every long-range assumption. The forecast should be understood as a planning tool that helps the Board compare choices and understand potential financial exposure, rather than as a fixed prediction of future results. For this report, the current forecast is the baseline. Staff may also illustrate the consequences of slower development, lower-than-anticipated revenue growth, higher financing rates or higher operating costs so that the Board can evaluate financial flexibility under differing conditions. Those scenarios are planning sensitivities, not prerequisites to treating the forecast as useful. The Board should consider the operational tradeoff associated with committing recurring revenues to long-term debt service.

PROPOSED ACTION ITEMS AND MILESTONES

Develop a proposed scope and cost estimate for Harris & Associates to prepare a 20-year forecast of annual fire development impact fee collections, including applicable developer credits and a revenue waterfall identifying funds potentially available for Station 98. Return the proposed engagement to the Board for consideration.