

By Barbara Diehl, Bedford Borough Manager,
and Jens Damgaard, Esq., Eckert Seamans

Creative Financing Made New Bedford Borough Fire Station and Municipal Building Renovations Possible

Bedford Borough, the county seat of Bedford County, had a combined municipal building, police station, and fire station that was built in 1949.

The all-volunteer Bedford Fire Department, having a primary response area of over 147 sq. miles (two boroughs and five townships), occupied most of the building on the street level. Borough administrative offices occupied the remainder of that level, and police were left with an exposed basement level for their offices and dispatch facility.

Over time, there was concern about the building's ability to safely support ever larger and heavier fire apparatus above the public works department. The building also needed major investments in plumbing, electrical, and HVAC systems.

Plus, all three occupants felt that the combined building no longer met the borough's current, much less future, needs.

Fire Department Plans

Bedford Borough owned the multi-use building, and the fire department held a lease for its space that was not scheduled to expire until 2052. However, the department owned land nearby that was the site for a planned-for updated and expanded fire station.

Although newly-purchased equipment made funds tight, there was widespread community support for the fire department.

Authority Plans

In addition to general administrative activities, the borough also operated and administered the local water and sewer systems for the Municipal Authority of the Borough of Bedford, which serves the borough and portions of Bedford Township.

Both utility systems were operating efficiently and had solid revenue and fund balances. Also, both systems were to be upgraded from budgeted PennVest loans and grants.

Wish Lists

Bedford Borough Manager Barbara Diehl coordinated several meetings with representatives of the fire department and the police department and got estimates from Stiffler McGraw engineers for renovations to the municipal building assuming the fire department relocated. The fire department also used Stiffler McGraw to hone in on its facility needs.

As the two wish lists were developed, projected costs rose higher than expected, seemingly beyond reach for the borough's general fund and the fire department's fundraising abilities.

So, Diehl asked the borough's bond counsel, Jens Damgaard of the Harrisburg office of Eckert Seamans, to attend a meeting of the project team and discuss financing.

The borough hoped to keep any loans local, so discussions also included representatives of Hometown Bank who spearheaded a community lending consortium with Somerset Trust and Altoona First Savings Bank.



Photo courtesy of Bedford Borough

The focus was on what additional millage would be required to fund the municipal building renovation and allow for a borough contribution to a new fire station.

Financing

The discussion began by noting that the borough was taking over the space occupied by the fire department, which meant the department would have to abandon its existing building lease. Like any other early termination of a lease, the department would be entitled to compensation.

The borough, though, could condition a lease buyout on the use of those funds as part of a down payment on a new fire station.

With the borough's lease buyout of \$300,000 and annual fire protection payments, the fire department's non-profit corporation was able to close on its own 26-year loan of \$2.4 million from Hometown Bank. This loan was supported by a mortgage on the new fire station and was structured with a tax-exempt interest rate of 3.49% for the first 10 years and variable thereafter.

Next the discussion turned to the borough building for existing and projected water and sewer system operations. The group looked at the space occupied by the borough's administrative staff and employees as well as time allocable to the two utility systems. They then projected future use in the new facility, including by the authority board, billing, and record keeping.

The borough and authority agreed that a 78% space allocation was reasonable for the two utility systems and the remaining 22% should be the responsibility of the borough's general fund. This allocation would be reviewed annually and adjusted based upon previous year's expenses.

The project was financed by a \$3.3 million borough general obligation loan from the same local lending consortium. The loan closed in June 2020, with a 26-year term and an initial 10-year interest rate of 3.24%.

The fire department and borough held open houses for both new/updated facilities in October 2021.

The new \$3.2 million fire station included six bays with 8,000 sq. ft. of garage space, 4,200 sq. ft. for administrative offices, and over 7,000 sq. ft. for storage.

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The borough's administrative offices were moved to the western side of the renovated building, that formerly housed the fire department. The Bedford Police Department occupied the eastern side of the building with a street-line presence.

Bedford Borough Council chambers were placed in a portion of the building that had housed fire apparatus, while the Public Works Department occupied the entire lower level. Office/administrative/mechanical space totaled 8,000 sq. ft. and garage space for police and maintenance totaled 7,000 sq. ft.

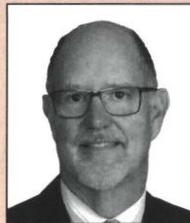
The projects underscore the benefits of creative financing, and the diligent coordination of multiple entities and needs. Having a role for the borough in the local utility systems also proved to be important. **B**



ABOUT THE AUTHORS

Barbara E. Diehl became the Bedford Borough Manager in September 2012 and is responsible for the day-to-day operations of the borough. Diehl supervises department directors and staff, oversees the water and wastewater treatment plants, serves as the

primary adviser to the borough council and the municipal authority, and leads the overall finance and budgets for the borough. She provides direction and control for all municipal departments and reports to borough council and the municipal authority while implementing their policies and serves as liaison between council, the authority, and residents. She has a strong background in management with an emphasis on finance, budgets and administration.



Jens Damgaard is an Eckert Seamans public finance lawyer with more than three decades of experience representing school districts, counties, municipalities, and municipal authorities in tax-exempt and structured financings for a variety of public projects. He also represents banks, underwriters, and trustees in connection with bond issues, loans, investment and derivative products, and credit issues.

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