



# CITY OF GEARHART

## **Staff Report**

For City Council Meeting - 8/6/2025

### ***Subject - Old Business - Public Safety Building Next Steps***

**Synopsis:** At the July 29, 2025 work session, the City Council discussed several options related to the next steps for the Public Safety Building project. These included:

- Conducting a community survey
- Hosting an additional town hall meeting
- Placing a bond measure on the November 2025 ballot
- Delaying the bond measure to the May 2026 election

The attached document, *Public Safety Building: Ballot Timing Options*, outlines the financial and strategic implications of each timeline, including inflation impacts, interest rate considerations, and public engagement strategies.

At this time, Council is asked to reach consensus and provide direction to staff on how to proceed.

**Recommendation:** N/A

**Legal Analysis:** N/A

**Financial Analysis:** See Attachment

Respectfully Submitted,

Chad

# Public Safety Building: Ballot Timing Options

City Council Work Session – July 29, 2025 @ 6:30 PM

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## Purpose of This Work Session

Tonight's work session is intended to help the City Council evaluate the best timing for placing a bond measure for Gearhart's proposed Public Safety Building on the ballot. The City is at a key decision point: whether to move forward with a vote in **November 2025** or wait until **May 2026**. This handout outlines the current status of the project, cost considerations, funding strategies, and the potential benefits and risks of each timeline. The goal is to ensure councilors have the information needed to make an informed and strategic decision.

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## Current Status

- **Estimated Project Cost:** \$33 million
  - **Ballot Language:** Ready for adoption at next week's Council meeting
  - **Available Funds:** ~\$50,000 in remaining budget for outreach and planning
  - **Decision Tonight:** Should the City place the bond on the **November 2025 ballot** or wait until **May 2026**?
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## Ballot Timing Options

### Option 1: November 2025 Election

#### Pros:

- Keeps the project on schedule
- Avoids delay-related cost increases

#### Cons:

- Low-turnout election (off-year, no major state or federal races)
  - Less time for public engagement, outreach, and value engineering
  - Increased risk of defeat due to organized opposition and lack of voter education
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## **Option 2: May 2026 Election**

### **Pros:**

- Allows for:
  - \$20,000 community survey (already in planning)
  - Public relations support to inform voters
  - Further work with architects to explore cost reductions
  - Ongoing discussions with Oregon Building Codes Division about potential exemptions to critical infrastructure rules (up to \$9M of the current cost)
- Higher voter turnout likely due to primary elections
- Possible improvement in municipal bond interest rates

### **Cons:**

- Estimated 6-month delay
  - Inflation impact:
    - Estimated 6% increase over 6 months
    - 6% of \$33 million = \$1.98 million
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## Cost Impact of Delay

| Item                | Estimate     |
|---------------------|--------------|
| Current Cost        | \$33,000,000 |
| 6% Inflation (6 mo) | \$1,980,000  |
| New Total           | \$34,980,000 |

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## Strategic Budget Use (If May 2026 Is Chosen)

Use the remaining **\$50,000** for a 3-pronged plan:

1. **\$20,000** – Citywide public opinion survey
  2. **\$15,000–\$20,000** – Public relations firm for messaging & engagement
  3. **Remaining funds** – Additional time with architects to explore savings
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## Could Lower Interest Rates Cancel Out Inflation?

**Yes—reduced municipal interest rates could offset the delay costs.**

### Example:

| Scenario | Bond  | Rate  | Est. Repayment |
|----------|-------|-------|----------------|
| Nov 2025 | \$33M | 5.00% | ~\$52.6M       |
| May 2026 | \$35M | 4.25% | ~\$53.0M       |

- A 0.75% drop in interest rates could save ~\$2.5–\$3 million in borrowing costs over 20 years
- This would nearly cancel out the \$2 million inflation increase
- Result: Delay may have little to no net impact on taxpayers if rates drop

### Why Rates Might Drop:

- Federal Reserve rate cuts expected in late 2025 or early 2026
- Slowing inflation
- Higher investor demand for municipal bonds
- Continued strong credit ratings

## Bottom Line Comparison

| Option   | Turnout | Risk               | Opportunity                         |
|----------|---------|--------------------|-------------------------------------|
| Nov 2025 | Low     | Higher defeat risk | Faster timeline                     |
| May 2026 | Higher  | ~\$2M inflation    | Better engagement, possible savings |

## Summary

Delaying the bond measure to May 2026 gives the City more time to engage the public, explore cost-saving options, and potentially benefit from lower interest rates—at the cost of an estimated \$2 million increase due to inflation. However, that increase could be offset by reduced borrowing costs. The choice ultimately comes down to whether we prioritize staying on schedule or taking the time to strengthen community support and refine the project for long-term success.