

Recently, the City was notified by the Executive Officer of Marin LAFCO (Local Agency Formation Commission) that a Request for Reconsideration (R4R) of LAFCO's unanimous vote to approve the Fire Department Annexation was filed by resident John Flavin and Councilmember Linda Pfeifer.

The City's decision to pursue the annexation, and LAFCO's subsequent 7-0 vote to approve it and to schedule the legally required protest hearing for January 23, 2012, was based on comprehensive analysis by public administration and fire administration experts, and three years of noticed public meetings with the public, City Council, Fire District Board Members and finally LAFCO.

The City's comprehensive analysis included multiple scenarios for the present and future impact on City finances, Fire District finances and on citizen taxation. The analysis included operating costs, capital costs, and personnel costs. All compensation to firefighters was analyzed including wages, pensions and other benefits. The City and the District hired expert pension actuaries to review current and future pension costs.

The City's decision to move forward with the LAFCO annexation was based on the facts that \$2,969,250 of annual fire service costs would be transferred to the District, along with an equal amount of annual tax revenues. The application is tax-neutral to citizen taxpayers – meaning, if the annexation is accomplished, there will be no additional taxes as a result.

And finally, in accordance with State Law, LAFCO was required to find that there are enough revenues available to fund services after annexation and that both the City and the District will be able to fund their respective services into the future. LAFCO voted unanimously to approve the annexation, finding that it makes fiscal sense for the City, for the District, and for the people they both serve.

The Request for Reconsideration includes no new information that wasn't already analyzed during years of comprehensive analysis and therefore does not justify any change in LAFCO's approval. The assumptions and conclusions in the Request for Reconsideration are not only seriously flawed, but also misrepresent the long-term fiscal impacts of annexation on the City, the District and citizen taxpayers. Contrary to the filers' claims, annexation's impacts will be positive, as explained below.

**R4R POINT #1.**

It is incorrect to label as "double-dipping" the continuation of employee pension benefits by employees that will transfer from the City's pension provider (CalPERS) to the Fire District's pension provider (Marin County Employees Retirement Association, or MCERA) .

It is simply not true that a Sausalito firefighter can transfer to the District, receive reciprocity from MCERA and concurrently receive a retirement from CalPERS. They must choose one or the other.

Moving Sausalito Fire personnel from CalPERS to MCERA is no different than what happens when an employee changes jobs – they get the same pension benefits, but two pension providers share the responsibility to fund that pension based on the years of service to employers covered by each pension plan. This is an established part of the labor market for government employees in California.

#### **R4R POINT #2**

The R4R provides no real new information in its Point #2, but demonstrates the filer's own personal calculation on pension obligation, as well as his personal preference to use an academic study rather than accepted norms in the industry.

As stated above regarding RFR Point #1, a Sausalito firefighter cannot transfer to the District, receive reciprocity from MCERA and concurrently receive a retirement from CalPERS. They must choose one or the other. R4R Point #2 relies on this mistaken assumption, and then alleges a \$1.4 million impact. His incorrect assumptions have produced unreliable conclusions.

The impact of annexation on the City's pension costs was analyzed by the City's professional actuary and was included in the financial analysis provided to LAFCO. It shows that annexation will have no negative financial impact on Sausalito, South Marin Fire, or the residents those agencies serve.

Furthermore, the argument that the pension cost analysis should use a more pessimistic prediction of future investment returns as proposed by academics is not new. However, the City/District analysis is constrained by regulated actuarial standards, which prevent us from engaging in such academic debates.

#### **R4R POINT #3**

It is incorrect, as the co-filers claim, that City taxpayers would be taxed for the existing District's share of MCERA losses. As LAFCO confirmed, the annual revenue transferred from the City to the District is sufficient to fund future fire service to the City including incremental increases in the District's costs caused by the annexation.

In conclusion, annexing Sausalito to the Southern Marin Fire Protection District will continue the excellent and high quality level of fire protection service for the residents and businesses in the City of Sausalito, with no negative impact on taxpayers. In fact, it is \$1.4 million cheaper per year than the best alternative to annexation – namely, a Fire Department staffed and funded by the City. Finally, annexation will allow for more direct citizen control over the Southern Marin Fire Protection District through district elections.