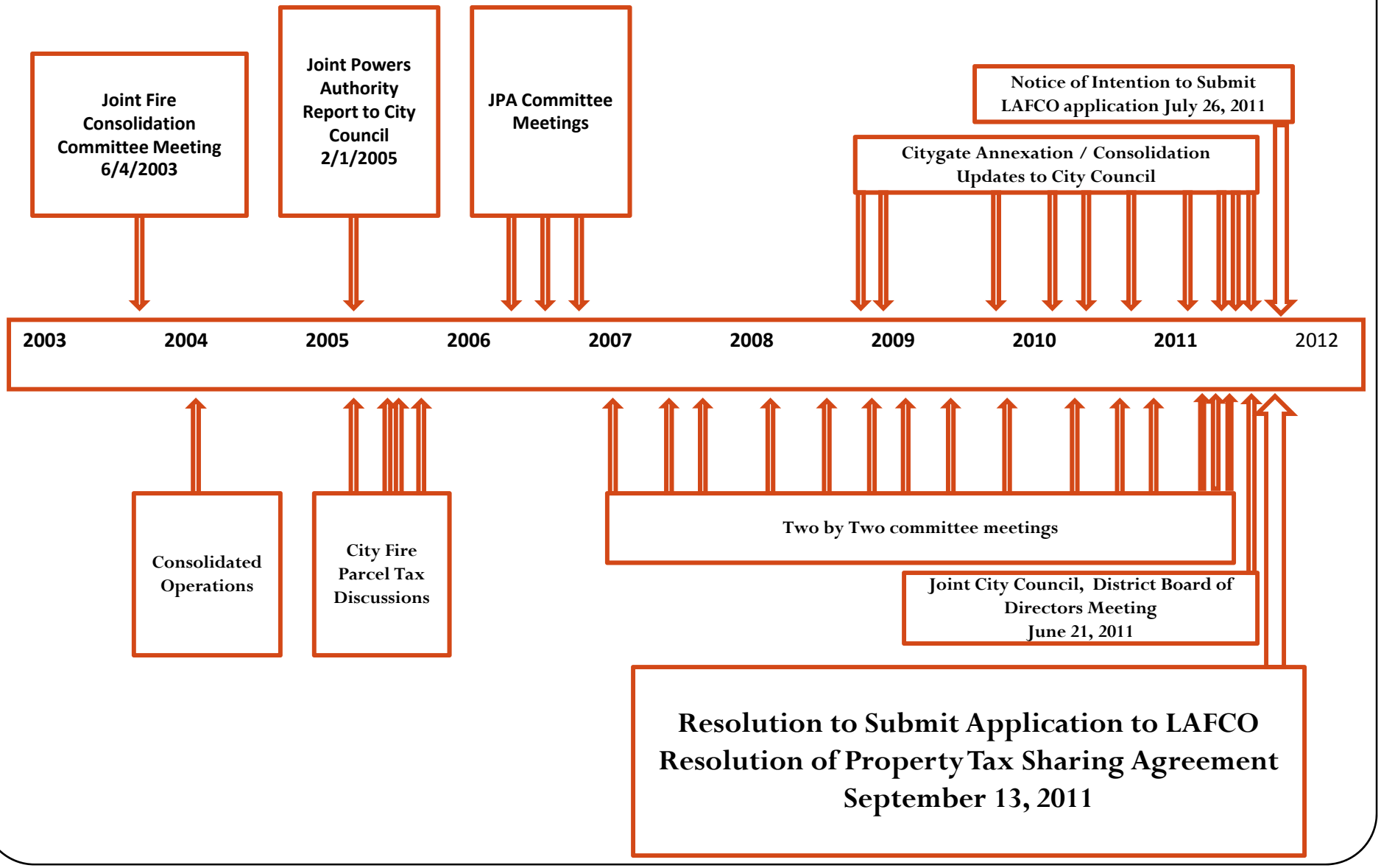
Fire Annexation

LAFCO Application and Supporting Documents

Fire Consolidation Timeline

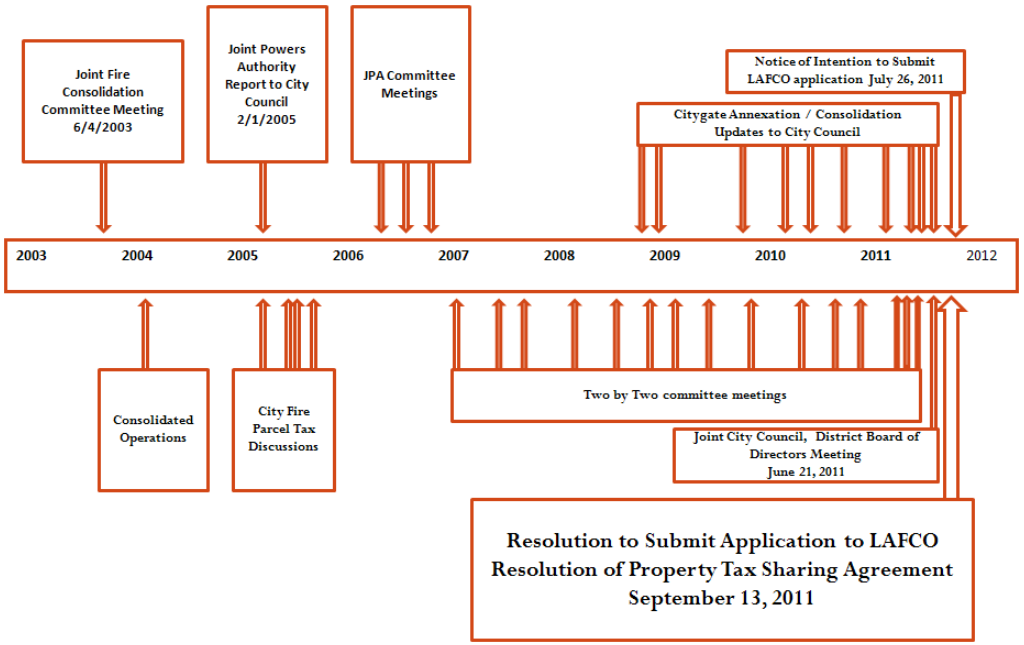


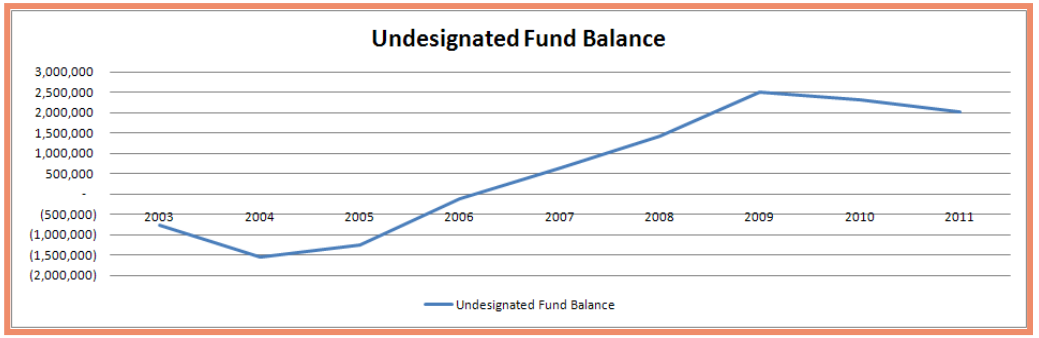
Recommendation: Annexation w/o Parcel Tax

- Continuation of excellent and high quality level of service
- Ensures cost-effective and efficient level of fire services
- Minimum tax impact on citizens
- Fiscal stability to meet the challenges of the future
  - Structurally balanced FY 2013
  - Eliminates June, 2012 cost of election
  - Additional FY 2012 budget savings from expedited annexation
  - Saves $1.4 million of a full Fire Department
- Establishing the opportunity to have local control by electing representation to serve the entire district including Sausalito

Fire Consolidation Timeline

- 7 year Relationship with SMFPD
  - Operationally
  - Aligning MOUs
- Transparent Public Process
- Professional Analysis by Citygate
- Public Opinion Polls
- LAFCO Reviews





Citygate's Analysis

A Joint Working Group composed of staff and elected representatives from the City and Fire Protection District, following several years of careful research and analysis, dozens of internal and public meetings and working with union representatives and experts in municipal finance and consolidation, identified annexation as the preferred alternative to the current agreement for providing the City of Sausalito with fire protection services.

- **Preferred Alternative: Annexation into the Fire Protection District**
  - Southern Marin Fire Protection District's boundaries are expanded to include the City of Sausalito, with approval required by the Local Agency Formation Commission (LAFCO).
  - Maintains local control over fire protection services by giving Sausalito voters the power to elect members to the SMFPD Board of Directors, with appointment of two Sausalito residents as non-voting, advisory representatives to the SMFPD Board until the first election after the annexation is complete. The SMFPD Board has already acted to approve this arrangement should formal merger through annexation with the Fire District be approved by the City and LAFCO.
  - Continues the City's strong relationship with the Fire Protection District, whose services are viewed extremely favorably by residents.
  - City retains ownership of the downtown fire station.
  - SMFPD employs all fire services personnel and manages all fire services operations.

Regional Fire Service Partners

What Other Options Exist?

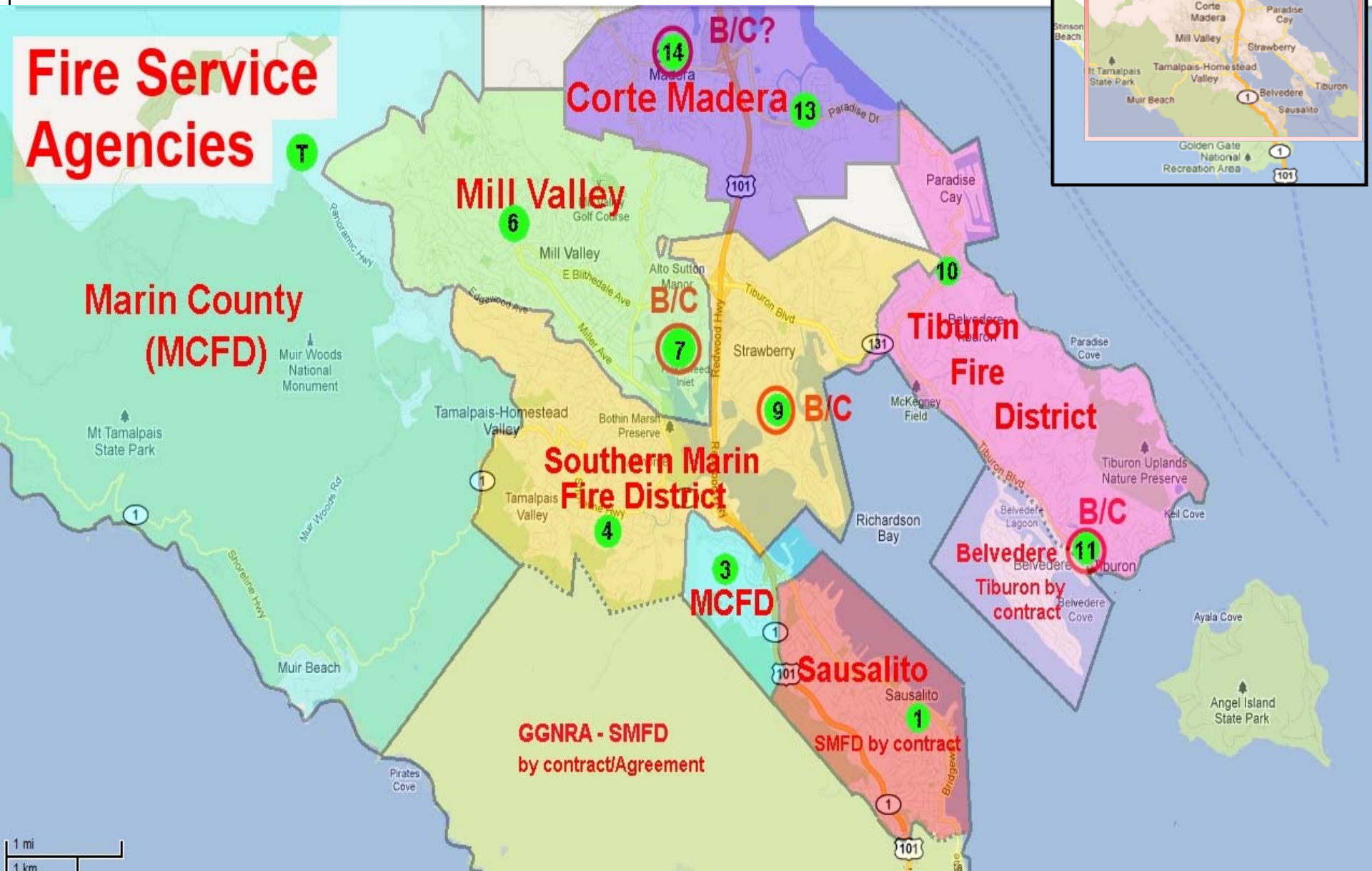
What is Needed – Building Fire

- 1 – Engine – **Sausalito**
- 1- Rescue Ambulance – **Sausalito**
- 1- Command Chief – via *partner* agency
- 2- more engines - via *partner* agency
- 1 – Rescue/air/light unit - via *partner* agency
- 1- Ladder Truck - via *partner* agency
- Total of 16 Personnel

What Agencies Assist the City?

- First Alarm
  - Southern Marin Fire District
  - Marin County Fire Department
- Second Alarm or Greater
  - City of Mill Valley
  - Tiburon Fire Protection District
  - Corte Madera

Agency Locations



Partner Agency Constraints

- Marin County Battalion Chief is in Woodacre – 16 miles away
- Marin City is a single engine contract with County Fire
- Mill Valley has two engines and a Battalion Chief, but City Manager and Fire Chief have confirmed that Mill Valley is still not interested in shared services
- Tiburon has two engines and a Battalion Chief, but the Battalion Chief is 5-minutes further away, as compared to So. Marin or Mill Valley
- Corte Madera's resources are even farther away
- Only Tiburon *maybe* has fire prevention capacity to offer, the others would all need to hire another inspector or contractor.

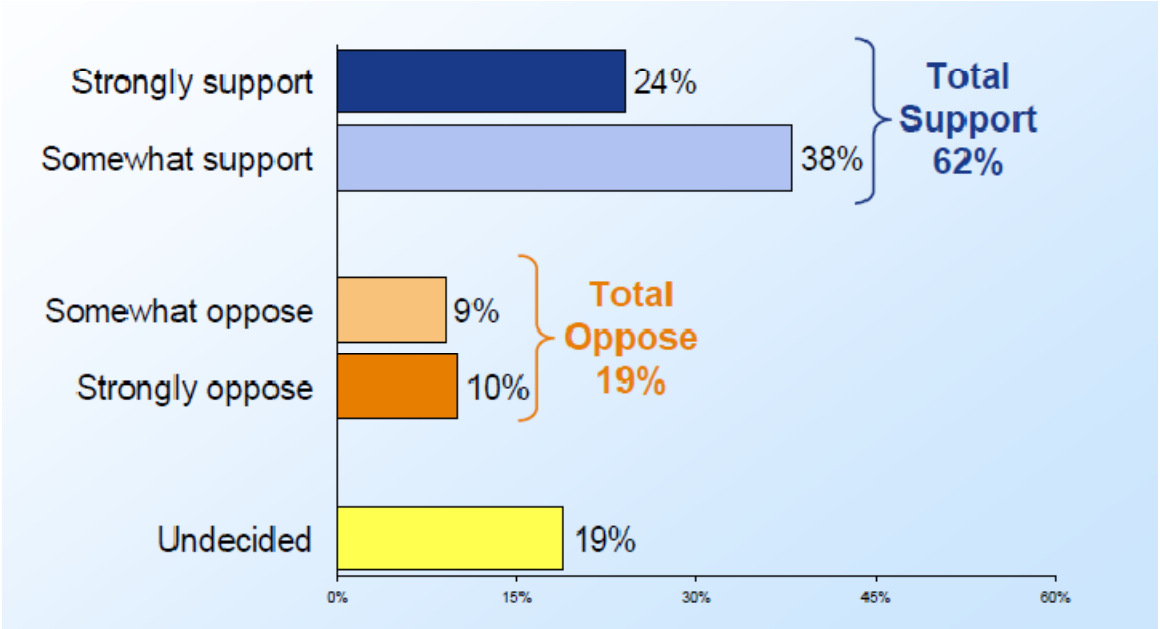
Regional Partner Summary

- Agencies don't typically contract "through" another agency, service areas are usually contiguous
- Annexation into Southern Marin Fire Protection District is the only operationally reasonable available alternative to restarting a full fire department at an annual increase of 1.4 million.

Community Polling

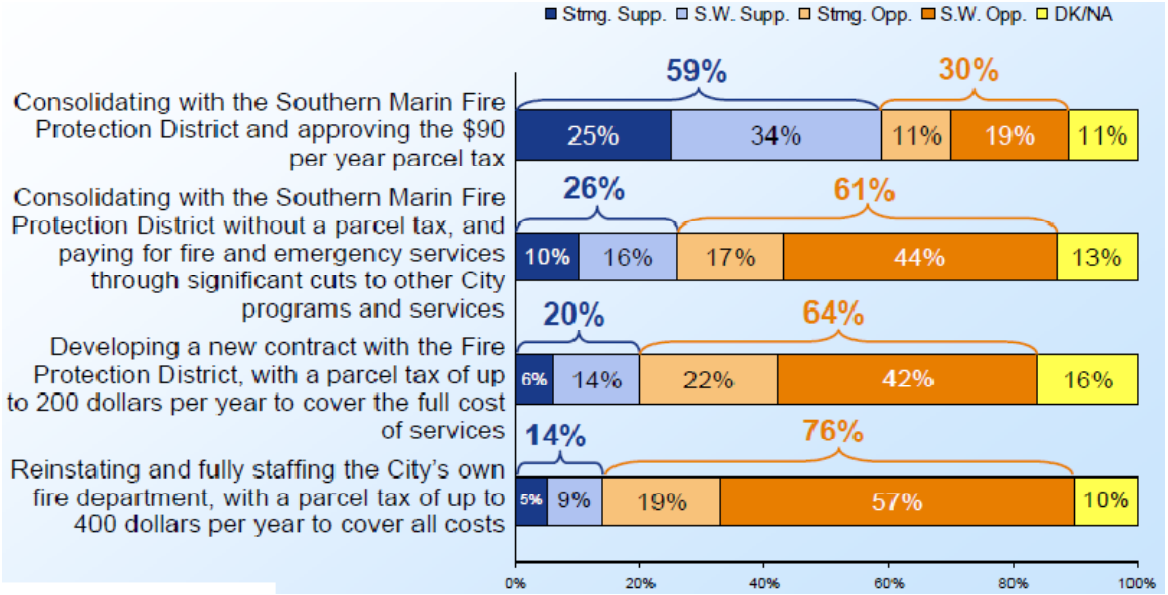
Gauging Public Opinion

Public Opinion Polls



The results showed that 62 percent were supportive of annexation with the Fire Protection District

Public Opinion Polls

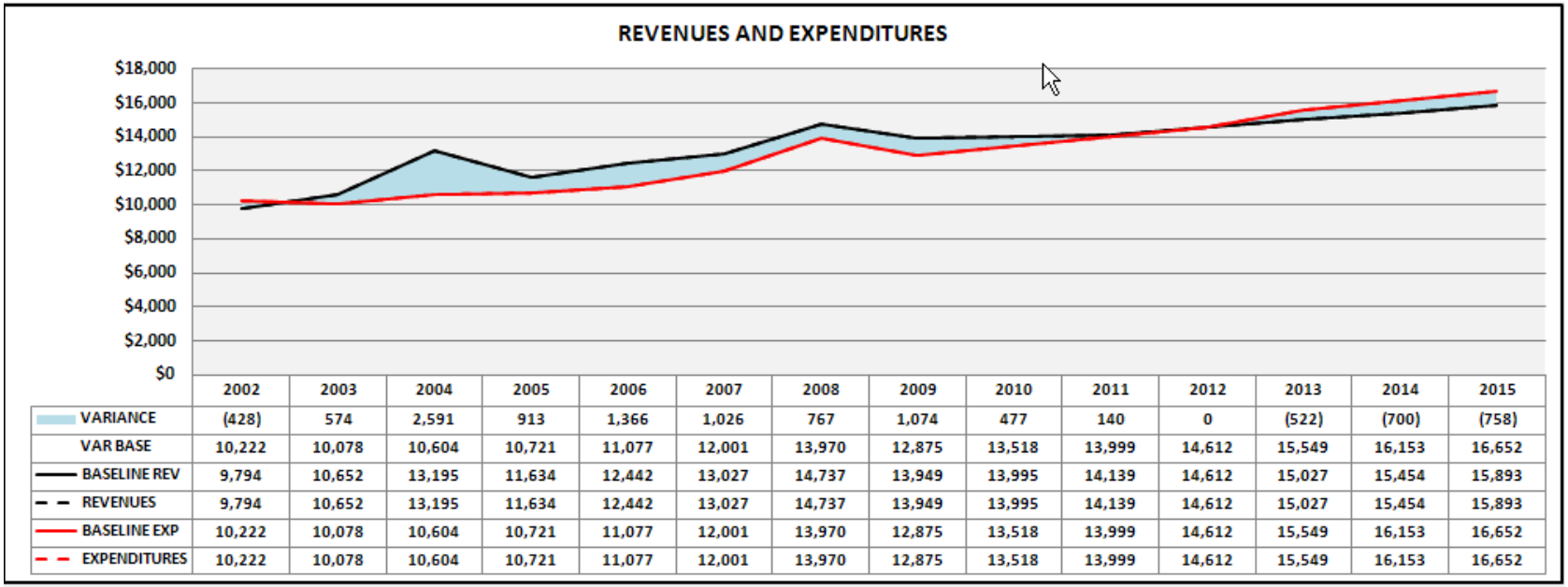


When survey respondents were asked if they would support a $90 parcel tax necessary to pay for consolidation, initial support was only 50 percent, far below the required 66.7 percent necessary for approval. That support increased to just 59 percent when the various service alternatives were presented together, but is still considerably below the two-thirds level that would be required for voter approval.

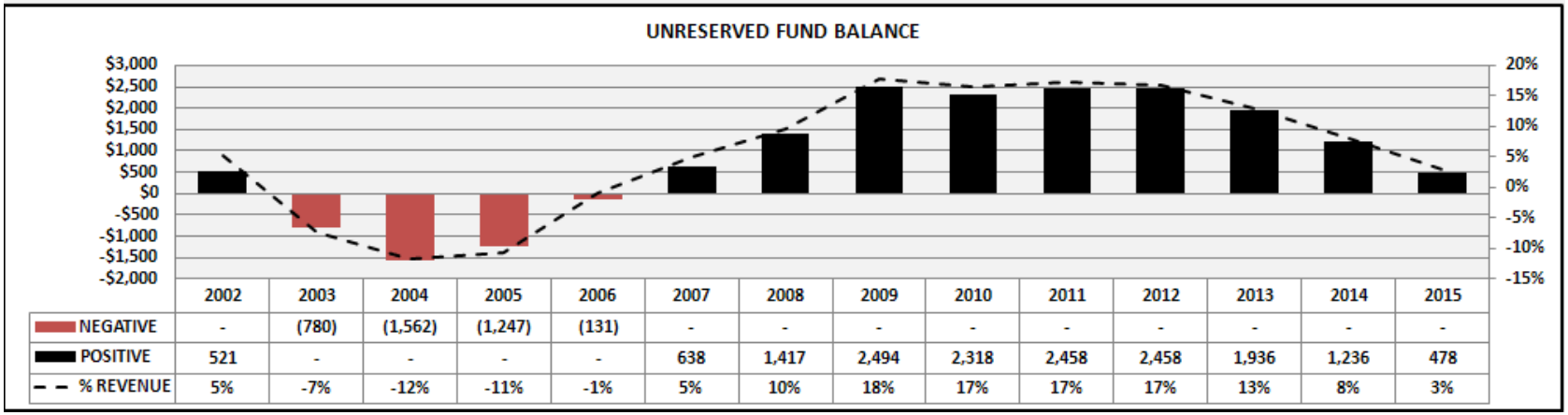
Fiscal Analysis

Structural Balance and Fiscal Stability

FY 13 = Structural Imbalance



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
VARIANCE	(428)	574	2,591	913	1,366	1,026	767	1,074	477	140	0	(522)	(700)	(758)
VAR BASE	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	15,549	16,153	16,652
BASELINE REV	9,794	10,652	13,195	11,634	12,442	13,027	14,737	13,949	13,995	14,139	14,612	15,027	15,454	15,893
REVENUES	9,794	10,652	13,195	11,634	12,442	13,027	14,737	13,949	13,995	14,139	14,612	15,027	15,454	15,893
BASELINE EXP	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	15,549	16,153	16,652
EXPENDITURES	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	15,549	16,153	16,652



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NEGATIVE	-	(780)	(1,562)	(1,247)	(131)	-	-	-	-	-	-	-	-	-
POSITIVE	521	-	-	-	-	638	1,417	2,494	2,318	2,458	2,458	1,936	1,236	478
% REVENUE	5%	-7%	-12%	-11%	-1%	5%	10%	18%	17%	17%	17%	13%	8%	3%

Property Tax Exchange Agreement

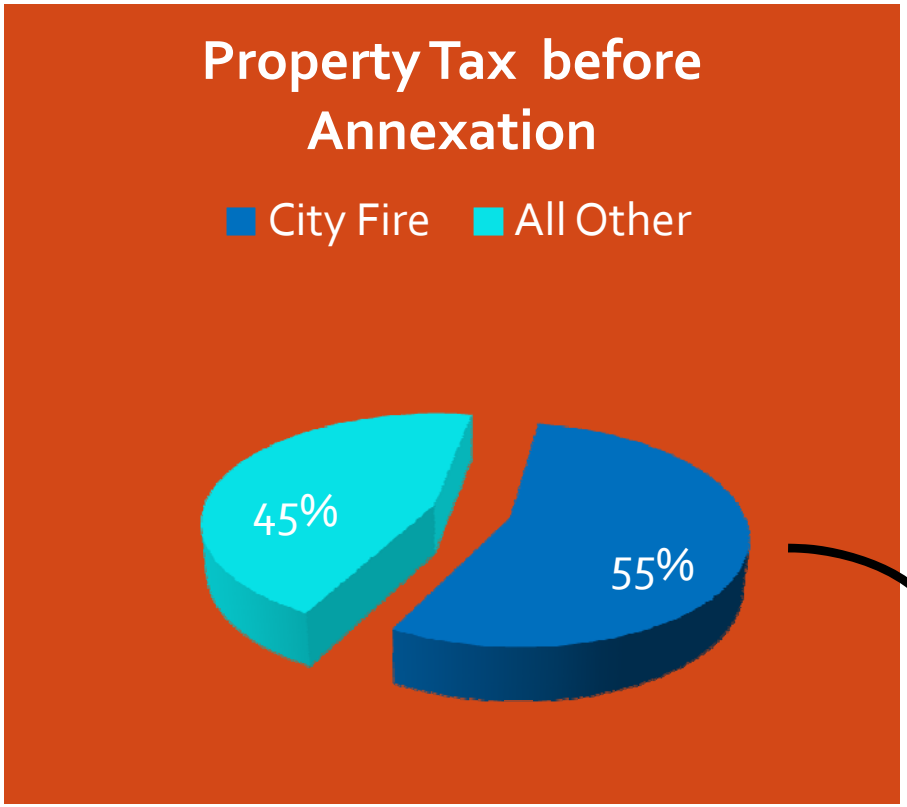
- State law requires LAFCO to ensure there are revenues available for the annexation and that both the City *and* the District are fiscally sustainable
  - $2,969,250 expenses transferred to District
  - $2,969,250 revenues transferred to District
    - Ambulance and permit revenues – $111,000
    - City share of GGNRA contract – $133,000
    - OPEB payments to District – $58,000
    - City Property Tax transferred to District – $2,667,250

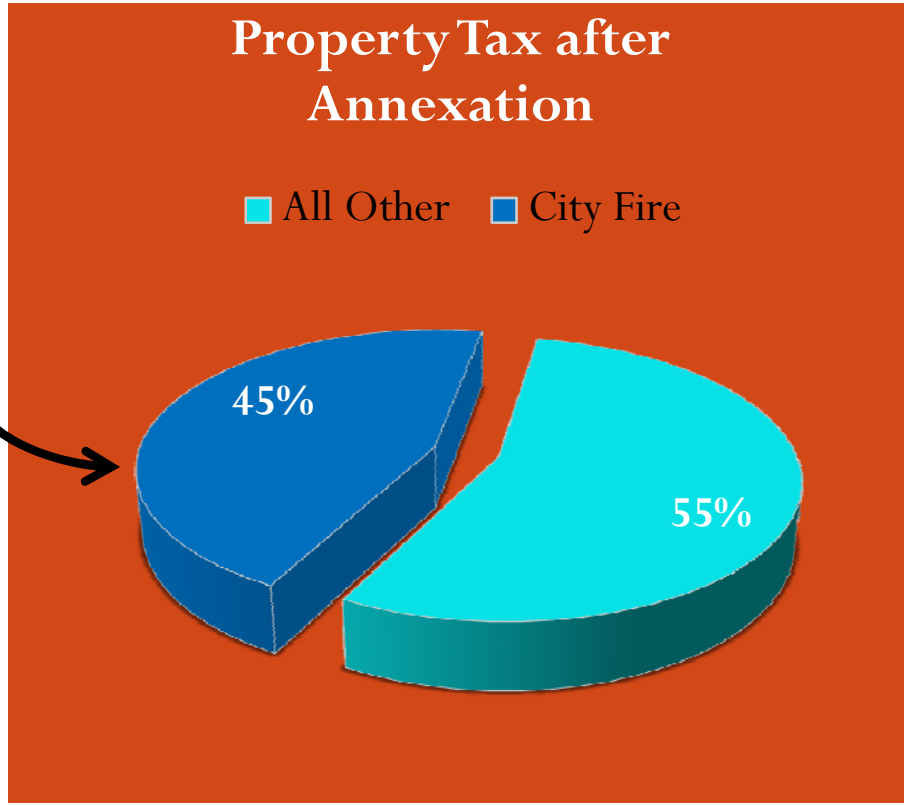
Added Revenue Needed by the District	City Ambulance and Permit Revenue	City Share of GGNRA Contract	Post Retirement Benefit Payment	Property Tax Transferred to the District
$2,969,250	$111,000	$133,000	$58,000	$2,667,250

Financial Summary

	District Before	District After	District Before/After Difference	City Before	City After	City Before/After Difference
Expenses:						
Sausalito Fire Department	-	2,969,250	2,969,250	3,268,312	273,000	(2,995,312)
All other departments	8,582,983	8,582,983	-	11,343,490	11,343,490	-
Total Expenses	**8,582,983**	**11,552,233**	**2,969,250**	**14,611,802**	**11,616,490**	**(2,995,312)**
Revenues:						
Property Taxes *	6,618,915	9,286,165	2,667,250	5,975,000	3,307,750	(2,667,250)
Ambulance Fees	221,404	332,404	111,000	111,000	-	(111,000)
GGNRA	267,000	400,000	133,000	133,000	-	(133,000)
Rent				-	100,000	100,000
OPEB		58,000	58,000			
Parcel Tax	815,953	815,953	-			-
All other Income	1,365,198	1,365,198	-	8,392,802	8,392,802	-
Total Revenues	**9,288,470**	**12,257,720**	**2,969,250**	**14,611,802**	**11,800,552**	**(2,811,250)**
Net Revenues	**705,487**	**705,487**	**-**	**-**	**184,062**	**184,062**
One Time Payments to District		**Pmt to District**			**Pmt from City**	
Vacation Payout		***144,993***			***(144,993)***	
Sick Payout		***112,614***			***(112,614)***	
Equip Repl Payout		***243,462***			***(243,462)***	
		501,069			***(501,069)***	
**** Property Taxes***	***Include Secured, Unsecured, Supplemental, ERAF, HOPTR***					

Distribution of Property Tax

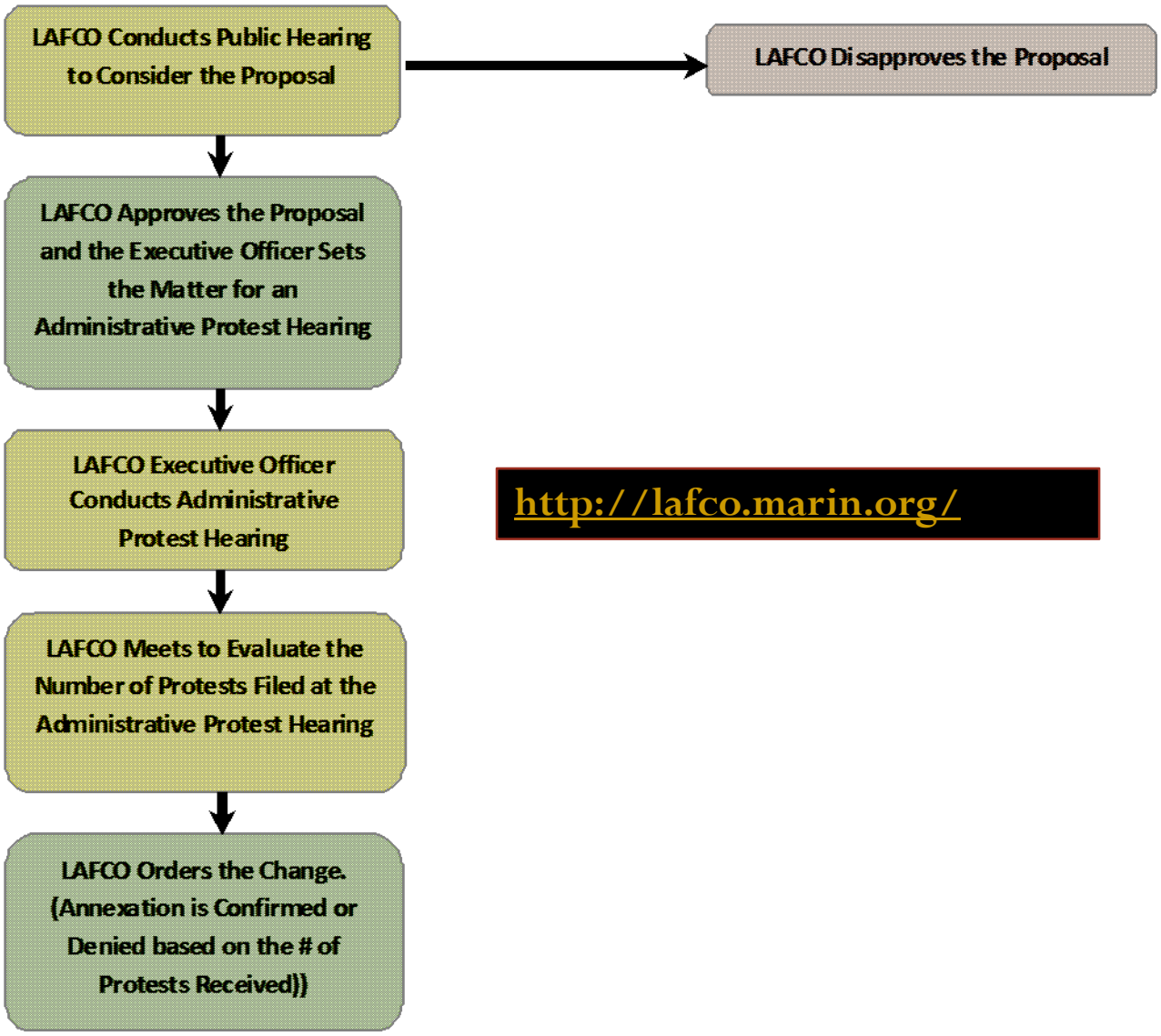




LAFCO Application

Process and Documents

LAFCO Application Process



http://lafco.marin.org/

LAFCO Application Documents

- Marin LAFCO Application Questionnaire
  - Land Use Tables
  - Zoning Map
  - Land Use Map
- Resolution of the City Council of the City of Sausalito Authorizing the City Manager to Submit an Application to the Marin County Local Agency Formation Commission for the Annexation of the City of Sausalito the Southern Marin Fire Protection District
  - Lease of Premises and Equipment Disposition Agreement
  - Agreement Regarding Certain Financial and Personnel Conditions of Annexation
- Resolution Accepting a Negotiated Exchange of Property Tax Revenues between the City and the District
- Plan for Service
  - Employee Transfer Plan and Implementing MOU Sideletter
  - Agreement Regarding Financial and Personnel Conditions of Annexation
  - Agreement Regarding District use of the City Fire Station and Transfer of Ownership of City Fire Apparatus and Equipment to the District
  - Property Tax Agreement
  - Citygate Associates Report

Summary

Criteria, Analysis and Conclusion

Analytical Criteria:

- Equitable tax burden
- Securing fiscal stabilization
- Protecting the City's current level of service delivery
- Eliminating duplication of service
- Removing the duplication of equipment
- Lowering cost of the administrative services
- Transparent and accountable local control

Using the Criteria, Analyzed Options:

- **Option 1:**
  - Full City Fire Department at an increased cost of $1.4 million.
- **Option 2:**
  - File application with LAFCO to Annex with SMFPD that will include the $90 parcel tax requirement based on the June 5th ballot measure.
- **Option 3:**
  - File application with LAFCO to Annex with SMFPD that will include a transfer of an additional $600,000 in property tax eliminating the need for a $90 parcel tax.

Recommendation:
Option 3: Annexation w/o Parcel

- Continuation of excellent and high quality level of service
- Ensures cost-effective and efficient level of fire services
- Minimum tax impact on citizens
- Fiscal stability to meet the challenges of the future
  - Structurally balanced FY 2013
  - Eliminates June, 2012 cost of election
  - Additional FY 2012 budget savings from expedited annexation
  - Saves $1.4 million of a full Fire Department
- Establishing the opportunity to have local control by electing representation to serve the entire district including Sausalito

Recommended Motion

- Approve the Resolution of the City Council of the City of Sausalito Authorizing the City Manager to Submit an Application to the Marin County Local Agency Formation Commission for the Annexation of the City of Sausalito the Southern Marin Fire Protection District; Approving the Lease of Premises and Equipment Disposition Agreement; and Approving the Agreement Regarding Certain Financial and Personnel Conditions of Annexation
- Approve the Resolution Accepting a Negotiated Exchange of Property Tax Revenues between the City and the District, which transfers local property tax revenue to the Fire Protection District of a sufficient level that does not require a voter approved parcel tax.

JPA Option

Operations & Finance

What is a JPA and How is it Financed?

Strong JPA

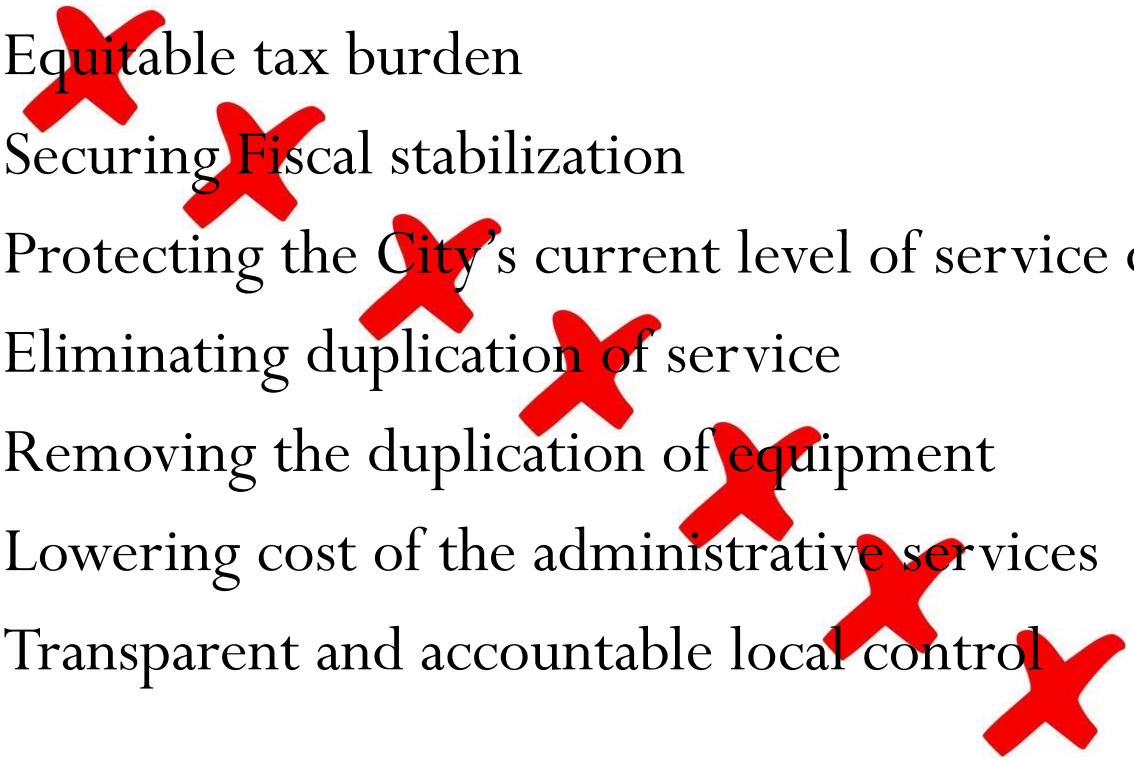
- Both entities go out of fire business and form a new entity with JPA Board hiring Fire Department employees
  - City's cost would be same as a contract for service; i.e., the same formula applies

Weak JPA

- Each entity retains Fire Department and an Advisory Board recommends policy and procedures with authority limited to operations review, recommending annual budgets and equipment replacement
  - City's cost same as contract for service; i.e., the same formula applies

Analytical Criteria:

- Equitable tax burden
- Securing Fiscal stabilization
- Protecting the City's current level of service delivery
- Eliminating duplication of service
- Removing the duplication of equipment
- Lowering cost of the administrative services
- Transparent and accountable local control



Mutual Aid

How "Mutual" is it?

Santa Clara County Civil Grand Jury Report on Fire Department Response

Referring to Mutual Aid:

- ***"It should be noted that fire departments neither pay for aid received from another department nor charge for aid provided. This "gentleman's agreement" to support neighboring jurisdictions has worked for many years; but with recent budget cuts, it is a system ripe for exploitation. A city could underfund its fire department and look to a neighboring city fire department for aid to fill the gap".***

1st Alarm Response

- **Typically for Structure Fire, Natural gas Leak or Smoke (inside a building), Commercial Vehicle Fire (bus or tractor/trailer) or Explosion.**

• 3 Engines	9 Personnel (3 each engine)
• 1 Rescue	4 Personnel
• 1 Ambulance	2 Personnel
• 1 Battalion Chief	1 Person
	16 People Total (Goal)

1st Alarm Response for Southern Marin Fire Agencies (Personnel)

Zone/Agency	Sausalito	Marin City	Southern Marin	Mill Valley	Tiburon	Total / Mutual Aid
Zone 1 Sausalito	5	3	8	0	0	16 / 11
Zone 3 Marin City	5	3	7	1	0	16 / 13
Zone 4 Tamalpais Valley	0	3	10	2	0	15 / 5
Zone 5 Homestead Valley	0	0	10	6	0	16 / 6
Zone 9 Strawberry	0	3	7	2	3	15 / 7
Zone 6 Mill Valley (Downtown)	0	0	7	7	0	14 / 7
Zone 7 Mill Valley (East)	0	0	7	7	0	14 / 7
Zone 10 Tiburon (Trestle Glen)	0	0	6	2	7	15 / 8
Zone 11 Tiburon (Downtown)	0	0	6	2	7	15 / 8
Mutual Aid Sent Totals	5	9	41	15	3	

Summary of Imbalance

Agency	Sent	Received	Balance
Sausalito	25	264	-239
Marin City	153	65	88
Southern Marin	436	195	241
Mill Valley	119	119	0
Tiburon	30	120	-90

Pension Reform

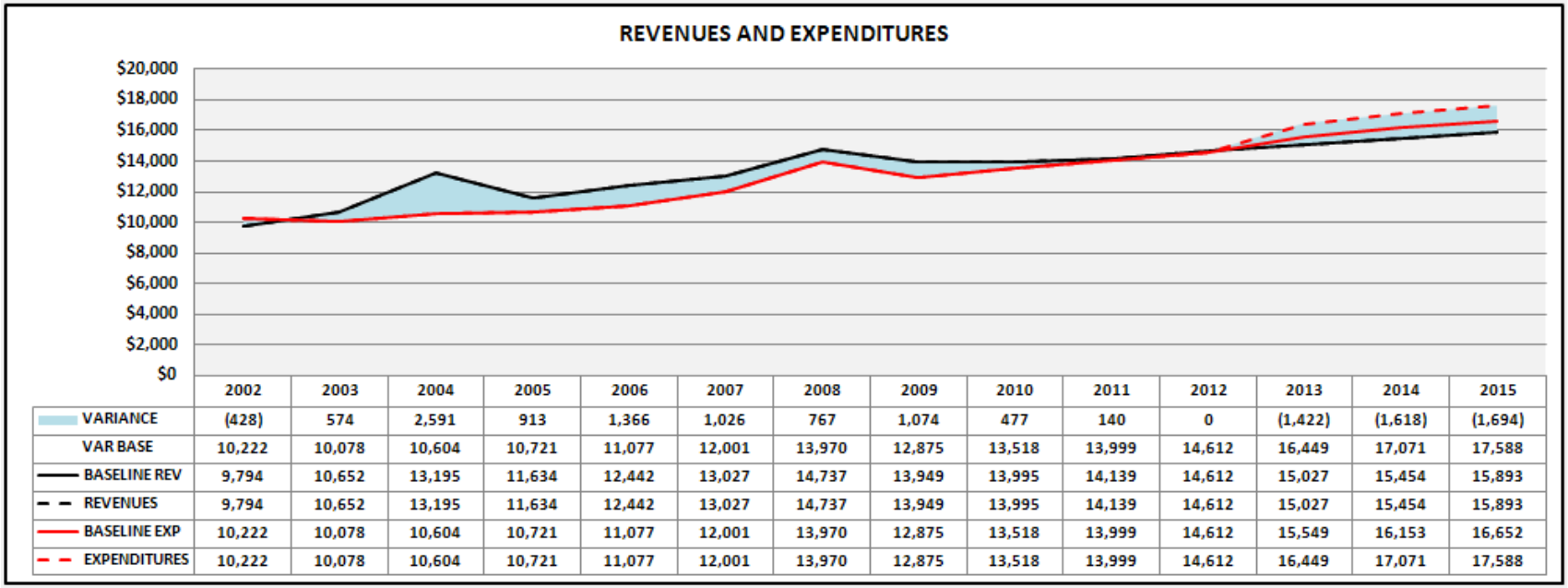
Pension Reform

- SMFPD is ahead of where most every other agency in the state is struggling to achieve
  - Two-Tier system
  - Employees participate in paying cost of pension contribution
- Moves Sausalito Firefighters from a Single-Tier System (CalPERS) to a Multi-Tier System (MCERA)
- Other Pension Reforms
  - Reduces SMFPD Overall Contribution Rate
  - Increases # of employees in MCERA to amortize unfunded liabilities
  - Firefighters pick up 50% of member contributions
  - Opportunity to Payout CalPERS Unfunded Liabilities & Side Funds currently @ 7.75%

Fiscal Analysis

Structural Balance and Fiscal Stability

Option 1: City Fire Department



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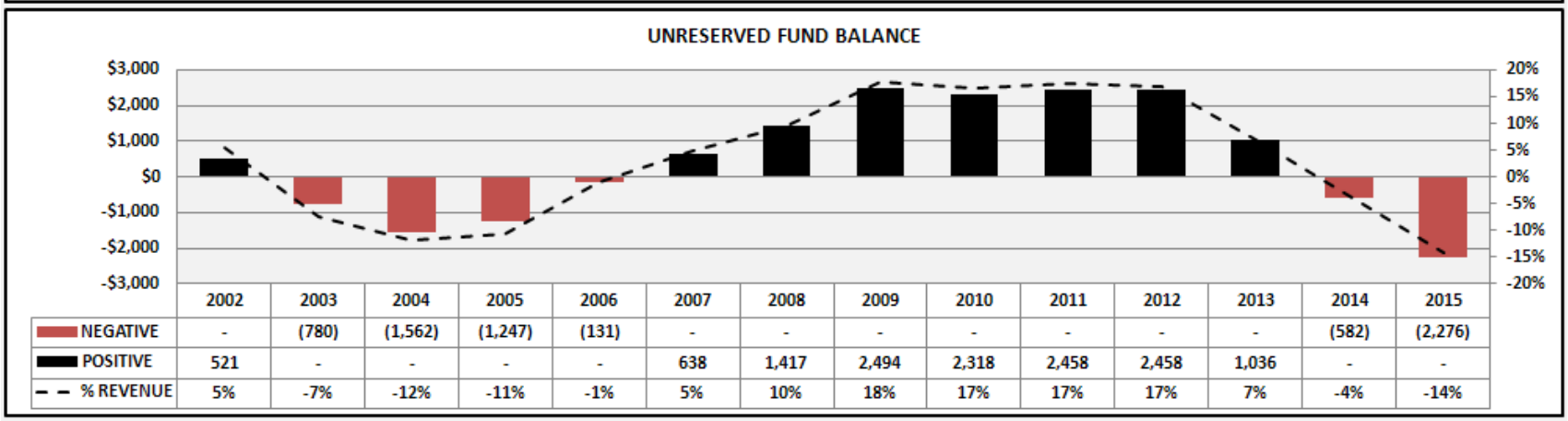
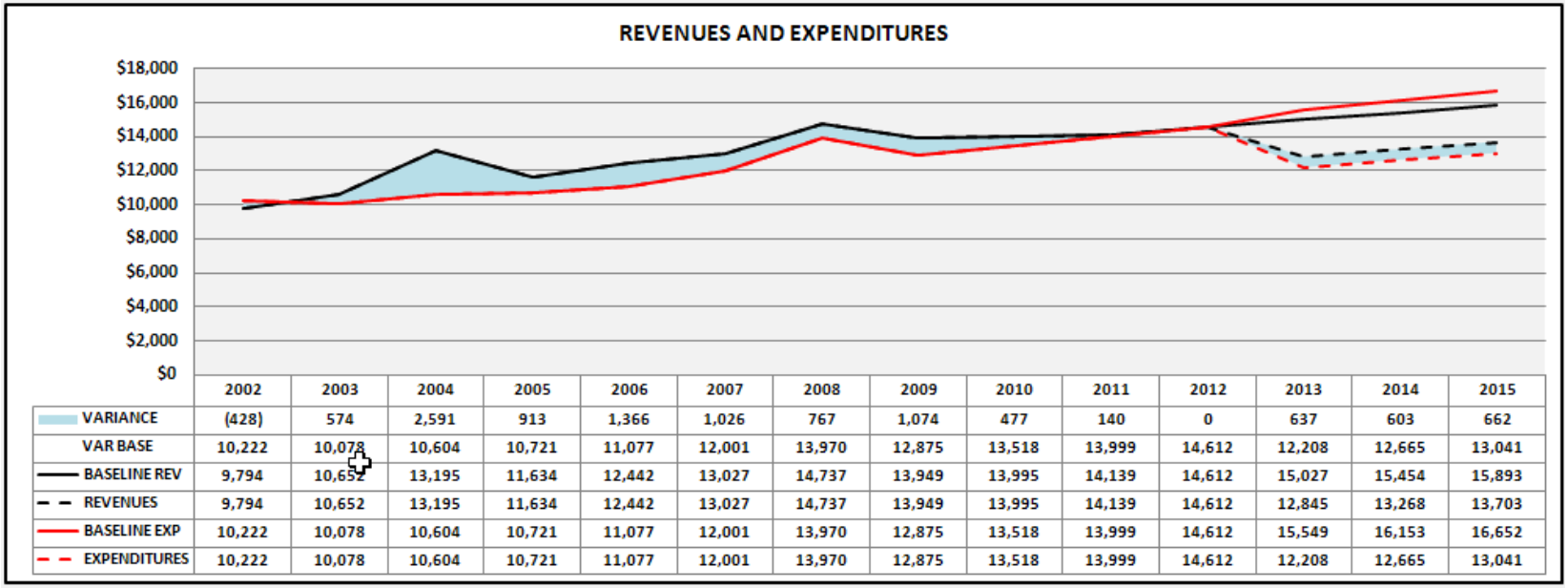
VARIANCE	(428)	574	2,591	913	1,366	1,026	767	1,074	477	140	0	(1,422)	(1,618)	(1,694)
VAR BASE	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	16,449	17,071	17,588
BASELINE REV	9,794	10,652	13,195	11,634	12,442	13,027	14,737	13,949	13,995	14,139	14,612	15,027	15,454	15,893
REVENUES	9,794	10,652	13,195	11,634	12,442	13,027	14,737	13,949	13,995	14,139	14,612	15,027	15,454	15,893
BASELINE EXP	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	15,549	16,153	16,652
EXPENDITURES	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	16,449	17,071	17,588



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NEGATIVE	-	(780)	(1,562)	(1,247)	(131)	-	-	-	-	-	-	-	(582)	(2,276)
POSITIVE	521	-	-	-	-	638	1,417	2,494	2,318	2,458	2,458	1,036	-	-
% REVENUE	5%	-7%	-12%	-11%	-1%	5%	10%	18%	17%	17%	17%	7%	-4%	-14%

Option 2: Annexation with Parcel Tax



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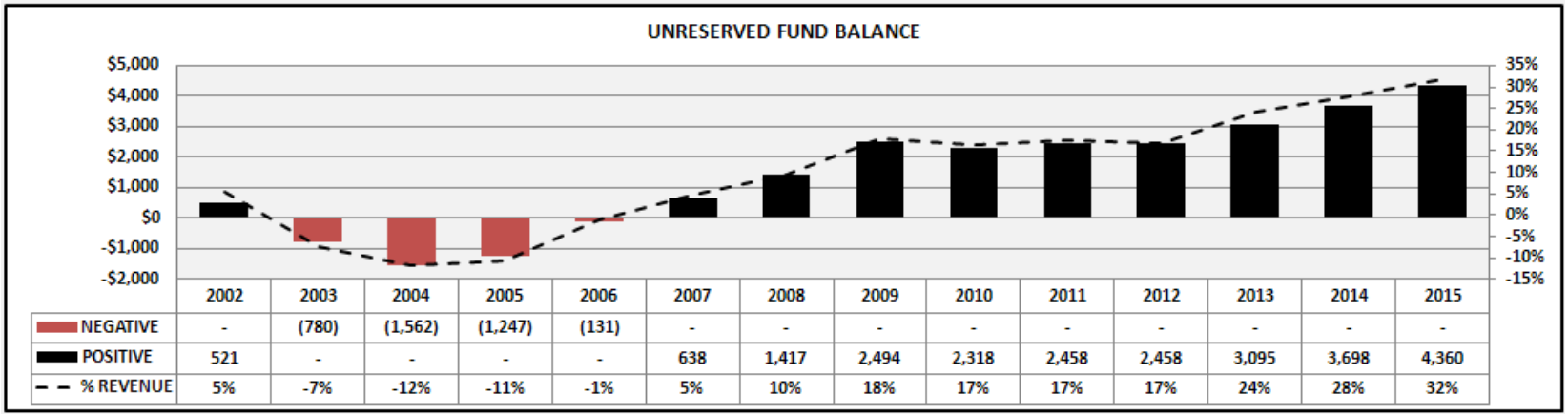
VARIANCE	(428)	574	2,591	913	1,366	1,026	767	1,074	477	140	0	637	603	662
VAR BASE	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	12,208	12,665	13,041
BASELINE REV	9,794	10,652	13,195	11,634	12,442	13,027	14,737	13,949	13,995	14,139	14,612	15,027	15,454	15,893
REVENUES	9,794	10,652	13,195	11,634	12,442	13,027	14,737	13,949	13,995	14,139	14,612	12,845	13,268	13,703
BASELINE EXP	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	15,549	16,153	16,652
EXPENDITURES	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	12,208	12,665	13,041



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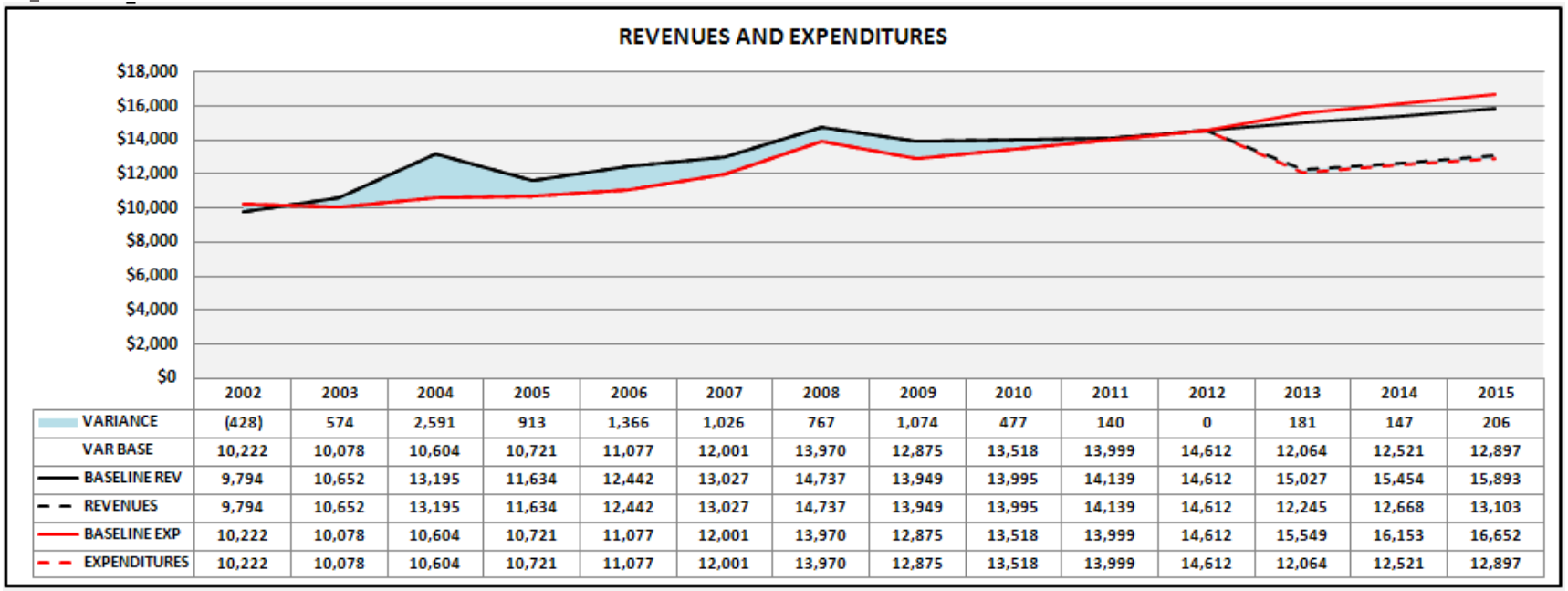
POSITIVE	521	-	-	-	-	638	1,417	2,494	2,318	2,458	2,458	3,095	3,698	4,360
% REVENUE	5%	-7%	-12%	-11%	-1%	5%	10%	18%	17%	17%	17%	24%	28%	32%

Option 3: Annexation without Parcel Tax



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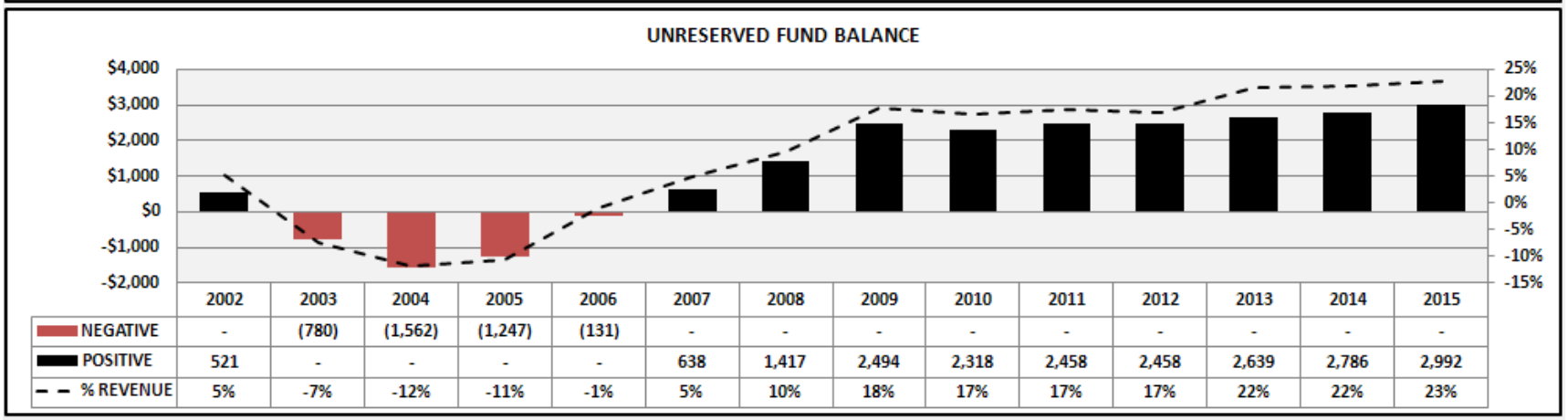
BASELINE REV	9,794	10,652	13,195	11,634	12,442	13,027	14,737	13,949	13,995	14,139	14,612	15,027	15,454	15,893
REVENUES	9,794	10,652	13,195	11,634	12,442	13,027	14,737	13,949	13,995	14,139	14,612	12,245	12,668	13,103
BASELINE EXP	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	15,549	16,153	16,652
EXPENDITURES	10,222	10,078	10,604	10,721	11,077	12,001	13,970	12,875	13,518	13,999	14,612	12,064	12,521	12,897



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NEGATIVE	-	(780)	(1,562)	(1,247)	(131)	-	-	-	-	-	-	-	-	-
POSITIVE	521	-	-	-	-	638	1,417	2,494	2,318	2,458	2,458	2,639	2,786	2,992
% REVENUE	5%	-7%	-12%	-11%	-1%	5%	10%	18%	17%	17%	17%	22%	22%	23%