# SAUSALITO AND SOUTH MARIN FIRE PROTECTION DISTRICT FIRE SERVICES STUDY

## 1. CURRENT STAFFING/STATIONS, COST AND REVENUE

## **Current Workload, Staffing and Costs**

	Sausalito FD	Southern Marin FPD	
Population	7,532	21,500	
Calls for Service-annual 2008*	762	1,259	
HQ Staff FTEs		2 Chief Officers**	
TQ Stall FTES		1.7 Non-sworn Office Staff	
Fire Prevention		none	
Line BCs		3	
Line Personnel	15	30	
Headquarters Cost (est. excludes BCs)	\$63,971***	\$575,000	
Expenditures FY2007-08			
(less large capital and vehicle replacement fund payments)	\$2,824,484	\$7,531,830	

<sup>\*</sup> Total Call Volume is 2,836. Of this total 815 were responses outside of the City and the District.

## 2. SALARY AND BENEFIT COMPARISONS

Salaries, Benefits and working condition provisions are nearly identical for the two agencies with the exception of the items noted below.

## 2.1 Principal Differences

#### Sausalito

- 1. Unused vacation carryover provision slightly more restrictive. No more than one year accrued at any time.
- 2. Bereavement Leave slightly more restrictive in time allowed off and people for whom leave may be taken.

<sup>\*\*</sup> The Deputy Chief position is currently not filled, and there is no trained, certified, Fire Marshal function being provided.

<sup>\*\*\*</sup>Contracted Cost of 1/3 Fire Chief and 1/3 Administrative Assistant in FY 2007-08. Contracted Cost for FY2008-09 is \$104,652

- 3. Grievance Resolution: Process concludes with a hearing before the City Council whose determination is final, if the decision of the City Manager is appealed.
- 4. Appeal of Disciplinary Action: Employee may request a hearing before an Appeals Board of 3 Department Heads of a State Conciliation Service Officer. The finding is final.

#### Southern Marin FPD

- 1. Unused vacation accrual. No more than two years may be accrued at one time and no more than one year can be carried over to the new year.
- 2. Bereavement Leave: Allows more time off and broader definition of people for whom leave may be taken.
- 3. Grievance Resolution: Binding Arbitration if the decision of the Fire Chief is appealed.
- 4. Appeal of Disciplinary Action: Binding Arbitration if the decision of the Fire Chief is appealed.
- 5. Unused sick leave may be converted to Deferred Compensation under defined conditions.
- 6. Paternity leave specifically allowed in the MOU.
- 7. In-District Living Allowance of \$75 per month with Call Back responsibilities as a condition.

#### **Salary and Benefit Cost Sample Positions**

Position	Salary and Benefit
Firefighter	\$136,186
Paramedic	\$150,967
Captain	\$163,027

#### 3. SOUTHERN MARIN FPD FISCAL FACTS

1. Reserve for Station and Equipment Capital and Contingencies June 2008:

## \$3,412,036

2. Revenue in Excess of Expenditures (before capital expenditures):

Avg annual over the past 3 years = \$541,547

The District purchases equipment with cash from reserves.

3. Assessed Value has not declined through the January 2008 assessment. This does not reflect new construction, since there has been very little. Rather it reflects the fact that property values have held steady while other regions have experienced a sharp decline. This parallels the experience of Sausalito.

- 4. Parcel Tax Rate currently at the maximum allowed, providing an estimated \$816,392 in FY 2008-09 or about 8-10% of annual revenue.
- 5. Expenditures, excluding large capital replacements, have been stable over the past three years.

**Total Revenue and Expenditures** 

Fiscal Year	Revenue	Expenditure
2005-06	\$7,282,026	\$7,250,364
2006-07	\$7,664,735	\$7,629,850
2007-08	\$8,488,736	\$7,531,830

- 6. Southern Marin has an unfunded liability for retiree medical benefits. The actual amount of the unfunded liability is unknown at this time, but an actuarial study is in process. In the meantime estimated costs are paid through the Marin County Employees' Retirement Association at a current cost of about \$300,000 per year. As employees retire, the cost is now estimated to be approximately \$6,200 per year for each employee on a Pay As You Go basis.
- 7. Long Term retirement costs have been reduced, since the District adopted a two tier retirement system with new employees under a 3% @ 55 retirement formula.
- 8. Apparatus is in good shape, not too old, and being replaced with cash when needed. In addition to the vehicles below, Southern Marin has two 2006 SMEMPS ambulances.

## **Southern Marin FPD Apparatus**

Vehicle Make	Vehicle Type	Year Placed in Service	Status	Replacement Cost
Ford/Expedition	Command	2007	Front Line	\$50,000
Ford/Explorer	Chief Vehicle	2003	Front Line	\$40,000
Ford 150 PU/4X4	Utility	1995	Front Line	\$30,000
Ford 250 PU	Utility	1992	Front Line	\$26,000
Ford 250 PU	Utility	2007	Front Line	\$26,000
Chevrolet Tahoe	Command	2003	Front Line	\$50,000
Chevrolet PU	Utility	1994	Front Line	\$26,000
International	Type 3/Pumper	1999	Front Line	\$300,000
Pierce	Type 1/Pumper	2006	Front Line	\$450,000
HME/3D	Type 1 Pumper	1995	Front Line	\$450,000
Pierce*	Type 1 Pumper	1993	Reserve	\$450,000

<sup>\*</sup>Being surplused and sold.

#### 4. Sausalito FD Fiscal Facts

1. Sausalito has been contracting with Southern Marin FPD to provide the headquarters function, and so the operating portion of the fire service cost to the City represents only the Salaries and Benefits, Materials and Supplies for the 15 line staff assigned to the Sausalito station, the contracted contribution for the headquarters function, and a set aside for vehicle replacement. In addition to the operating cost, the City has funded construction of a new public safety facility with General Obligation Bonds.

Fiscal Year	FD Revenue	Salaries and Benefits	Materials and Supplies	Admin Services	Vehicle Depreciation	Total Expenditure
2005-06	\$105,208	\$2,219,328	\$143,530	\$65,639	\$40,000	\$2,468,497
2006-07	\$100,510	\$2,337,479	\$167,602	\$64,386	\$99,556	\$2,669,023
2007-08	\$118,588	\$2,562,626	\$197,887	\$63,971	\$142,456	\$2,966,940
2008-09	\$149,845	\$2,511,008	\$176,448	\$104,652	\$165,593	\$2,957,701

**Total Revenue and Expenditures** 

2. Sausalito has an unfunded obligation for retiree medical benefits, in addition to the recorded costs that are part of the Fire Department budget for the City. The liability as of January 1, 2008 was calculated as \$1,958,005. The City has opted to continue meeting retiree medical benefit costs on a Pay-As-You-Go basis and is not setting aside funds in addition to the annual actual cost of the benefits.

Apparatus, with the exception of the 25 year old ladder truck, is in good shape. The City will not need to purchase a Type 1 Pumper for another 8-10 years, but does need to consider replacing the ladder truck in a shared arrangement with neighboring agencies. In addition to the vehicles below, Sausalito has one 2003 SMEMPS ambulance.

Sausa	lita	$\mathbf{FD}$	Anna	aratus

Vehicle Make	Vehicle Type	Year Placed in Service	Status	Replacement Cost
GMC 2500/PU	Utility	1995	Front Line	\$30,000
Pierce	Type 1 Pumper	2007	Front Line	\$450,000
Sparten/3D	Type 1 Pumper	1995	Reserve	\$450,000
Sparten/3D*	Type 1 Pumper	1995	Reserve	\$450,000
Sutphen/Ariel	Ladder	1983	Front Line	\$850,000
Achilles 16'	Inflatable Rescue Boat	2002	Front Line	\$25,000
Metal Craft 30'	Fire Boat	2004	Front Line	\$350,000

<sup>\*</sup>Being surplused and sold.

## 5. ALTERNATIVES TO THE CURRENT CONTRACT ARRANGEMENT BETWEEN SAUSALITO AND THE SOUTHERN MARIN FPD

## 5.1 Background Information

The City of Sausalito was operating a Fire Department with one Chief Officer, part time clerical support and 17 line personnel. The city also staffed a fulltime Fire Marshal position from 1997 until 2002. This previous city staffing model provided 5 line personnel on duty each day, with 2 extra staff to provide some coverage for vacation and sick leave with the balance covered by overtime. In the years where there was only a single Chief Officer (Fire Chief) that person responsible for providing incident command 24/7 year round, fire prevention, training, hazardous materials coordination, supervision of all staff and the normal day to day administrative duties of the department, plus serving as a city department head.

If the Chief Officer did not live in the City, providing constant incident command coverage was problematical. If the officer lived within the City, this responsibility came ahead of family and any other personal time. This level of chief officer staffing is considered inadequate and depending on the individual's qualifications even unsafe in today's highly regulated safety rule set for fire services:

October 1999 California OSHA Changes -

Governor Davis signed Assembly Bill 1127, authored by Assembly member Steinberg into law (Chapter 615, Statutes of 1999). AB 1127 makes changes to twelve (12) sections of the California Labor Code. Except for one statutory change to Labor Code Section 98.7, all of AB 1127's changes involve the California Occupational Safety and Health Act (Labor Code Section 6300 et seq.).

This legislation made all of the OSHA regulations applicable to local government, including fines and a huge increase in criminal penalties under Cal/OSHA. Individual managers and supervisors (*Fire Chiefs – Incident Commanders*) may now be fined up to \$250,000 and be imprisoned for up to four years. Criminal fines range up to a maximum of \$3.5 million in fines for corporations and limited liability companies. Labor Code ' 6423 and 6425.

This "sea change" in personal and agency liability means that not just any firefighter can, or should be, an Incident Commander on serious, sustained incidents. Along with increasing firefighter deaths nationally and Federal OSHA citations to fire commanders, the trend has started for requiring significant training and <u>certification</u> of Incident Commanders.

If a city provides fire services at all, they must be provided with the safety of the public and firefighter in mind. Additionally, the Chief Officers as scene incident commanders must be well trained, competent and are liable for mistakes that violate the law. An under staffed, under led token force will not only not be able to stop a fire, it opens the city up for real liability should the fire department fail.

Given the above, the City cannot safely operate a fire department without adequate chief officer coverage to meet all of these needs on a 24/7/365 basis. The advances in fire service prevention

and fire codes also mean the City needs to provide effective fire prevention and enforcement for the adopted Uniform Fire Code.

At a minimum, these safety and service needs will require 3 Chief Officers, both of whom live within or immediately adjacent to the City and are willing to share on-call 24 hour responsibility year-round. More realistically a minimum, safe and effective headquarters staff for even a one-station fire department looks like:

- Fire Chief
- Fire Marshal
- 3 Battalion Chiefs to provide 24/7/365 incident command and station supervision/training
- Office Support Position

Most fire departments can no longer recruit Chief Officers willing to make the commitment to live in the department and respond from home to emergencies, which means a significant impact on their family life. This is even more problematic at the pay level that a small city and fire department can afford in one of the country's most expensive housing markets.

This collection of safety, liability, administrative and recruitment factors most likely led the City to contract with the Southern Marin FPD to provide the headquarters function for the City. As part of this arrangement, the City's fire line personnel were placed under the management control of the Southern Marin Headquarters staff and line Battalion Chiefs (who provide daily incident command coverage both within the City and the District).

The contract terms, without reciting all of the detail in the contract, require the Southern Marin FPD to manage the personnel, maintain the equipment, arrange for materials and supplies, and all fire and emergency medical operation services. The City now pays for one-third of the cost of the Fire Chief and Administrative Aide and provides funds to pay for the operating materials and supplies associated with the line staff stationed in Sausalito and the Sausalito fire station and equipment. This cost is presently budgeted at \$104,652 for the 2008-09 fiscal year. This cost formula does **not** take into account costs associated with the District providing 24/7 incident command coverage, the shift Battalion Chiefs providing daily staff supervision and training, or the equipment (including personnel equipment, communications equipment, and vehicles) used by the Headquarters staff and Battalion Chiefs in the performance of their duties.

The initial contract cost also did not take into consideration the City's and District's somewhat overlapping costs to provide administrative services to a fire department such as: administrative personnel; finance; payroll; personnel; workers compensation; legal; risk management; city manager oversight; and occasional city council or Fire Board agenda items for budget, labor relations and fire prevention issues. While no single part of the City or the District can reduce its staffing or noticeably reduce other costs if the overlapping is eliminated, these activities do represent an unnecessary burden on each agency that could be avoided if the City and District choose one of the alternatives involving full consolidation of the fire services into one department.

The City and the Southern Marin FPD can continue this current arrangement of contracting only for Headquarters services or could convert the Sausalito fire employees to Southern Marin employees and contract for "all" fire services from the Southern Marin FPD.

Alternatively, the City and the Southern Marin FPD could consider merging the City into the District, after which the District would be fully responsible for fire services within both the current District and the City. A third alternative is for both the City and the District to disband their fire departments, for a Joint Powers Authority and under the auspices of the JPA create a new fire department that serves both the City and the District under a Contract for service model where the City and the District would each contract with the JPA to provide fire services.

Each of these alternatives will be more fully described and assessed below.

#### 5.2 Contract for Service Alternative

It is fairly common for one fire service agency to contract for services from another in order to obtain economies of scale. Training, Haz Mat response capacity, specialty rescue services, first responder services in areas of an agency that may not be well served by its own fire stations are just a few examples of contracted services. Two or more small agencies often contract for or share "Incident Command" services, particularly after normal work hours or on weekends and holidays. It is somewhat less common to find an agency contracting for supervision and other headquarters services, like Sausalito does, because it is more difficult for a headquarters unit to supervise staff using two different sets of personnel rules. Contracting for headquarters services is more often seen as an interim step to a full contract where one agency provides "all" of the services to the other agency.

The core piece of any contract for service arrangement is the formula that the parties agree is an equitable measure of how to allocate costs between the contracting agencies.

## Typical Contract for Service Formulas

Contract for service formulas typically focus on five measures: assessed value being protected, population being served, calls for service, number of line staff assigned to stations daily, within each agency, and the number of fire stations located within each agency's boundaries. The measure or combination of measures chosen to determine the contract amount to be paid to the provider agency is typically a formula that "all parties consider to be fair" in their particular environment. Most often the measures each tend to result in nearly the same "cost split" percentage.

The measures, as they currently exist in Sausalito and the Southern Marin FPD, are described below.

#### **Assessed Value Being Protected**

Based on the latest report from the County Assessor's Office, the taxable assessed valuation of property within Sausalito is \$2,410,374,432 while in the District it is \$4,756,436,825.

#### **Population**

The present estimated population of the District is 21,500, while the latest State Department of Finance estimated population for the City is 7,532

#### **Calls for Service**

The District responded to 2,836 calls for service in 2008. Of these, 815 were mutual aid and SMEMPS ambulance calls. 762 were responses within the City limits and 1,259 were responses within the District boundaries.

## **Line Staff Personnel On Duty Daily**

5 line staff are on duty daily in Sausalito while 10 are on duty in Southern Marin.

#### **Number of Fire Stations**

While it is not always the case, here in Sausalito and Southern Marin the fire stations are identically staffed daily, resulting in the staffing and number of stations mirroring each other. One station is in Sausalito and two in the District.

Using the above information, the following table illustrates the percentage cost share of headquarter services that would be paid by the City under each of the measures. At the bottom of the table is a "Composite Measure" representing an average of the other five.

#### Sausalito Share of Measures of Service

Measures of Service	Southern Marin	Sausalito	Sausalito Share of the Total
Assessed Value	\$4,756,436,825	\$2,410,374,432	33.6%
Population	21,500	7,532	25.9%
Calls for Service	1,259	762	37.7%
Line Staff on Duty	10	5	33.3%
Fire Stations	2	1	33.3%
Composite Measure			32.8%

## Application of the Contract for Service Formulas

#### **Contract for Headquarters Staff Only**

The table below illustrates application of the various cost share measures to two headquarters contract arrangements. The first column includes the current cost of the Southern Marin FPD Headquarters unit without considering the cost or value of the Battalion Chief Incident Command and daily supervision and training responsibilities. The cost of this smaller headquarters unit that only consists of the Fire Chief, Deputy Fire Chief and 1.7 full time equivalent office staff is estimated at \$575,000 annually based on the Southern Marin budget documents. Adding in the cost of the Battalion Chiefs, who are more typically counted as part of the Headquarters Unit, increases the annual cost to approximately \$1,350,000.

## Sausalito Cost of Headquarters Services Compared to Current Cost of \$104,652

Measures of Service	HQ Cost Without Battalion Chiefs	Sausalito Share	HQ Cost With Battalion Chiefs	Sausalito Share
Assessed Value	\$575,000	\$193,200	\$1,350,000	\$453,600
Population	\$575,000	\$148,925	\$1,350,000	\$349,650
Calls for Service	\$575,000	\$216,775	\$1,350,000	\$508,950
Line Staff on Duty	\$575,000	\$191,475	\$1,350,000	\$449,550
Fire Stations	\$575,000	\$193,200	\$1,350,000	\$453,600
Composite Measure	\$575,000	\$188,600	\$1,350,000	\$442,800

#### **Full Contract for Service**

If the City were to transfer its 15 line fire service staff to the Southern Marin FPD, the table below illustrates the change in costs from the present arrangement using the Composite Rate of 32.8% as the City's share, from the table above. The data below is from the City and District records of actual FY 2007-08 expenses and revenue, because this is a more accurate representation of data than using the "budgeted amount" that is available for the FY 2008-09 that is not yet completed. This does mean that the Administrative Services Fee included in this table paid by Sausalito is \$40,681 lower than the City has agreed to pay for the current year, but this dollar amount, as can be seen below, is not significant in terms of overall cost comparison.

#### Comparison of Current Contract Costs to A Full Contract for Service Model

Current Contract Agreement							
	Tax & Misc Rev	Admin Svcs Rev from the City	Total Revenue	Labor Expenses	M&S Expenses	Admin Svcs Contract Expenses	Total Expenses
Southern Marin FPD	\$8,424,765	\$63,971	\$8,488,736	\$6,683,851	\$847,979		\$7,531,830
Sausalito	\$118,588		\$118,588	\$2,562,626	\$197,855	\$63,971	\$2,824,452
	Full Contract for Service Model						
Southern Marin FPD	\$8,424,765	\$3,375,878	\$11,800,643	\$9,246,477	\$1,045,834		\$10,292,311
Sausalito	\$118,588		\$118,588			\$3,375,878	\$3,375,878

Note: M&S expenses do not include large capital expenses nor payments into a vehicle depreciation fund. The City pays into a fund, while the District purchases equipment for cash. Under a contract arrangement, the City would likely continue to pay for replacement of the apparatus serving the City, as needed and so would continue to incur the annual vehicle depreciation fund payment.

Sausalito's expenses increase \$551,426 per year in FY 2007-08 costs, reflective of the fact that Sausalito, in this model, is paying a share of expenses based on a composite measure (32.8%) of the relative population, assessed value etc. of Sausalito compared to the District.

This \$551,426 increase in cost can be compared to the \$442,800 increase in cost if Sausalito were to continue only purchasing headquarters services (including Battalion Chief services) from the Southern Marin FPD and would continue separately to budget for Material and Supply costs as the City does now. The reason the headquarters cost option appears to be less expensive is that the City is only contributing about 18% of the total Materials and Supplies cost of the combined City and District fire services, while representing one-third of the staffing, one-third of the fire stations, and 37.7% of the calls for service. From these measures, the City is *under contributing* to the actual cost of Materials and Supplies for the fire services.

## Other Fiscal Issues Under a Full Contract for Services

If the City were to contract for full fire services from the District and the line staff were to become District employees, there are several fiscal issues that the City needs to be aware of.

#### **Retirement Liability**

While both the City and District employees have a 3% @ 55 Retirement Plan, City employees are members of the California Public Employees Retirement System (CALPERS), while District employees are part of the Marin County Employee's Retirement System. As the employee's enter the new county retirement system, the City will retain responsibility for the post retirement cost of the years of service that the employees worked as City of Sausalito employees. The actual amount of this unfunded liability and the annual cost would need to be the subject of a PERS actuarial report. But this is not a new expense, but one that the City has now and would continue to have if the employees remained on the City payroll. From that perspective, the retirement liability is "cost neutral" as a factor in considering whether to enter into a full contract for service or any other arrangement that has City employees becoming District employees.

#### **Post Retirement Medical Liability**

Both the City and the District provide medical insurance to eligible employees after retirement. The City's unfunded liability for fire department employees is \$1,958,005. If the City employees become District employees, a liability will remain with the City. However, the employees will also have the opportunity to become vested in the County system as well, and so there may be dual coverage for some of them. Part of any agreement to transfer City employees to the District should involve an actuarial study and agreement with Marin County, which manages the post-retirement medical insurance program, regarding how much liability remains with the City and under what circumstances. While the City's liability is not likely to increase, there may be an opportunity to decrease that liability. The District, in current dollars, now pays about \$6,200 per year on behalf of newly retiring employees who are eligible for the post-retirement medical benefit.

#### Replacement of Apparatus and Major Maintenance of the Fire Station

It is typical for a Full Contract for services to have the contracting agency retain ownership of any fire station within their boundaries and responsibility to replace apparatus stationed there, as well as a fair share of apparatus that may be stationed elsewhere but serves the agency (such as a ladder truck that may be shared by all fire stations). Presently the City expects to have \$1,404,119 set aside for Fire Department Apparatus replacement at the end of June 2009. This compares to a current replacement cost estimate of \$1,905,097. Given the remaining life expectancy on some of the apparatus, it is reasonable to expect that the City will have accumulated sufficient funds to replace the apparatus when needed.

Under a Full Contract for service, the need to set aside approximately \$190,000 per year will continue along with retaining the responsibility to do major maintenance on the fire station, such as painting, roof replacement, remodeling, replacing appliances and carpet, etc.

Both apparatus replacement and major fire station maintenance are fiscal responsibilities that the City has now, and does not change under a Full Contract for services.

#### **Augmentation of Office and Related Equipment**

The integration of the City and District operations has been so thorough that there should not be the need for any but the most of minor of additional or upgraded equipment necessary to handle a fire department in which the City work force has become District employees and the fire services are wholly provided by the District under contract to the City. A Full Contract for service would in fact, reduce some of the current accounting process work required of the District. Facility size and furnishings would not need to change "as a result of changing from the current arrangement to a Full Contract for services.

#### **Fire Prevention Levels of Service**

Until a recent staff change in the Southern Marin FPD headquarters, Fire Marshal services were available through the District. It is not clear whether or not this service is clearly the responsibility of the District to provide, because it is not specifically mentioned in the agreement and the current administrative services formula only covers the cost of the Fire Chief and one staff person. Typically a Fire Department with a headquarters staff number as small as the District's has difficulty providing any but nominal fire prevention services and often will contract out all but the more routine plan review and inspections. Fire Marshal work requires both experience and training to handle complex commercial and industrial inspections and the District currently does not have this skill and experience on its staff. Although neither the City nor the District have a large volume of complex fire prevention work, some service is needed, which the District is *not* currently staffed to provide.

In an ideal world, Citygate would recommend that the District staff should be augmented with a full time fire prevention specialist and a part time clerical position. Under a Full Contract for service arrangement, this service level issue would be addressed by the governance committee. It has cost implications for both the City and the District, and so this is precisely the type of issue that a partnership should address jointly.

## Governance Issues Under a Full Contract for Services

Small one or two station fire departments in California are increasingly looking for ways to merge or otherwise combine with neighboring agencies in order to achieve economies of scale. As in Sausalito and South Marin, for the most part the savings is not in reducing the number of line personnel, because the number and location of stations and the number and location of staff and apparatus are usually adequate to provide the level of service that local officials can afford.

Rather, the savings come from not having to duplicate headquarters staff. One adequately sized headquarters staff can actually manage from 1 to 7 or 8 fire stations.

With a "combining" of two or more departments is raised the question of governance. How does each partner assure itself that it can adequately participate in the process of determining the level and cost of services.

The Sausalito-Southern Marin FPD Agreement provides for numerous reporting and record keeping steps particularly regarding the expenditure of the Sausalito contributed Material and Supplies Funds and Overtime costs. Actual governance consultation focuses around a formal committee of two elected officials from each agency. In the main section of the Agreement their role is to review and evaluate. But other sections of the Agreement provide specific committee responsibilities, including to

- Recommend to the City Council any replacement of City-owned fire equipment,
- Negotiate and recommend a fiscal year budget for adoption by both agencies with the provision that if there is no agreement, the budget cannot be adopted unilaterally but instead the prior year budget will roll over with a 3% increase,
- Coordinate collective bargaining negotiations with determination of the following year's Administrative Service Payment by the City.

Separate from the committee is the requirement that the Fire Chief act as Fire Chief for the City and provide advice on collective bargaining to the City Manager.

This governance arrangement is similar to other successful partnerships. But success will largely be a function of the willingness of both parties to work cooperatively and to actually use the governance committee to perform the tasks assigned to it. Where governance fails with similar agreement provisions is where both parties allow the committee to become a pro-forma meeting as opposed to a working body that is properly staffed and assisted by the Fire Chief and City Manager.

Citygate does not see any significant agreement language modifications required in the formal governance provisions that would improve the success of the partnership in a contract for service arrangement. There may need to be an increased focus on meeting regularly and following the duties delegated to the committee.

## 5.3 Merger Alternative

The second alternative for "combining" or sharing fire service resources is the creation of a fire district or expansion of an existing district to encompass both agency boundaries. Any form of merger requires review and approval by LAFCO. The basic LAFCO requirements and process that serve as background to discussing this alternative described below:

## LAFCO Law and Process Governing Mergers or Combining of Jurisdictions

The LAFCO law sets four methods of combining district jurisdictions. They are

- ♦ Annexation which may or may not include a dissolution,
- Consolidation
- ◆ Merger

Formation of a subsidiary district.

Because we are dealing with a city, the only viable option is annexation to the Southern Marin Fire Protection District without dissolution of the district.

A consolidation is not available because only districts can consolidate with districts and cities with cities. LAFCO law 56030. A district cannot consolidate with a city.

Dissolution and formation of a new replacement district will not work because upon dissolution, the corporate powers of the district cease to exist (LAFCO law section 57450). The successor to the dissolved district winds up its affairs (LAFCO law section 57453). There is no authority to transfer its taxing powers to the successor new replacement district except for the payment of long-term obligations (LAFCO law section 57458).

A merger is not available. A merger occurs when a district of limited powers is subsumed by the boundaries of a city. The entire boundaries of the district must be within the city (LAFCO law section 57104). It results in the termination of the existence of the district (LAFCO law section 56056).

The formation of a subsidiary district is not available. A subsidiary district is a district, which is governed by a city council (LAFCO law section 56078). To be a subsidiary district, at least 70 percent of the land area must be within the boundaries of the city and at least 70 percent of the registered voters must be within the city (LAFCO law section 57105). It is Citygate's estimate that if the area of Sausalito and the Southern Marin FPD were combined that more than 70 percent of the area would be outside of the City.

This leaves the annexation of the City to the Southern Marin FPD. Under the Fire Protection Law of 1987, a fire protection district may include incorporated territory (Health and Safety Code section 13810). The advantage is that the annexed territory shall be subject to any previously authorized taxes, benefit assessments, fees or other charges of the district (LAFCO law section 56330). This means that the existing Southern Marin FPD special tax would carry over and apply to property within the City.

As for the ad valorem taxes, the tax sharing provisions apply. Under Revenue and Taxation Code section 99(b), the Board of Supervisors of the county negotiates any exchange of property tax revenues on behalf of the district with the City. The objective would be to ensure that the district has sufficient tax revenue - in addition to any special tax that will be carried over and apply to the City properties - to provide the services within the expanded district boundaries. As a practical matter, other City tax sources may also be considered by the Board of Supervisors as it negotiates on behalf of the District. More realistically, if the District and the City reach a tax sharing arrangement themselves, it will most likely be accepted by the County and LAFCO.

#### **Process of Annexation**

The executive officer notices a public hearing before LAFCO. The commission may approve, modify or deny the proposal. If approved, the commission may adopt terms and conditions for the annexation.

At the end of the hearing, the commission adopts a resolution making determinations. There is a 30 day period in which a written request for reconsideration may be made.

After approval, the proposal is scheduled for a conducting authority hearing unless the proposal has the consent of 100 percent of the landowners and LAFCO waves the hearing. LAFCO is the conducting authority for the protest hearing. The commission or the executive officer conducts the protest hearing.

Sufficient protest may force the matter to an election or terminate the proceedings. Because there will be over 12 registered voters, we will only discuss the inhabited territory proceedings for registered voter districts.

If at the close of the protest hearing there remain written protests representing 50 percent or more of the voters residing in the territory, the proceedings are terminated (LAFCO law section 57078).

The proposal goes to an election if at the close of the protest hearing there remains protest representing either of the following:

At least 25 percent, but less than 50 percent, of the registered voters residing within the district; or At least 25 percent of the number of landowners who own at least 25 percent of the assessed value of land within the territory.

If there is insufficient protest, LAFCO orders the annexation without an election (LAFCO law 57075).

#### Merger of the City Territory into the Southern Marin FPD Boundaries

The only effective merger alternative for Sausalito and the Southern Marin FPD is for the District boundaries to be expanded to encompass the City. Practically this will mean that the present District Special Tax will apply to City parcels and the City will need to transfer a percent of its property tax revenue to the District to provide for the cost of adding the employees to the District payroll, the additional Material and Supply Costs, and maintaining and replacing the fire apparatus. Issues such as how the City and District agree to handle major maintenance on the City owned fire station (which likely would remain in City ownership due to the bond debt on the property), and accumulated depreciation on the older City fire apparatus may also affect the amount of property tax that needs to be reallocated to the District.

The first step in reviewing a merger of the City into the District begins with comparing the cost of the current contract arrangement with costs associated with a merger. The Southern Marin FPD costs will be the same as under the Full Contract for service model plus the cost of depreciation or annual vehicle replacement for the apparatus serving the Sausalito area.

## **Cost of Operating a Merged Fire District**

Current Contract Agreement							
	Tax & Misc Rev	Total Revenue	Labor Expenses	M&S Expenses	Vehicle Replacement	Total Expenses	
Southern Marin FPD	\$8,424,765	\$8,424,765	\$6,683,851	\$847,979		\$7,531,830	
Sausalito	\$118,588	\$118,588	\$2,562,626	\$197,855	\$165,593	\$2,926,074	
	Merger Model						
Southern Marin FPD	\$11,275,177	\$11,275,177	\$9,246,477	\$1,045,834	\$165,593	\$10,457,904	
Sausalito		0				0	

While Sausalito is shown as "No Cost" under a merger in the table above, whether this remains correct depends upon negotiations over issues such as major maintenance on the Sausalito Fire Station and current depreciation on Sausalito Fire Apparatus for which the City has already set aside \$1,404,119.

Note that the cost of a merged City-District operation is the same as the cost of the two in their current arrangement because the two agencies have merged for all practical operating purposes and have already achieved the economies to be expected from a merger (or a Full Contract for services). But the current City cost is based on the present cost allocation where the City pays considerably less for the headquarters services than would be the case if the City were paying based on any one or a combination of the various "service measures" discussed earlier in this report.

A merger of the City with the Fire District avoids the issue of what "service measure" to use in allocating costs and instead focuses on what is the added cost the District would incur.

If a larger fire district that encompasses the City makes sense, then the City will need to provide revenue to cover the added \$2,926,074 in cost associated with the District assuming responsibility for labor costs, materials and supplies and annual apparatus depreciation.

There are three basic sources of revenue the City can use to provide for this added District cost.

#### **Ambulance and Fire Permit Revenue**

The City presently receives slightly over \$100,000 per year in revenue from the SMEMPS ambulance operation and another \$1,200 in miscellaneous fire permit type revenue. In a merger, the District would both become responsible for these activities as well as receive the revenue, which reduces the amount of revenue needed from other City sources.

#### Special Tax Revenue from Applying the Special Tax to City parcels

In a merger, the District's Special Tax would apply to City parcels as well. For FY 2007-08 the District received \$669,509 in Special Tax revenue.

## **Annual Southern Marin FPD Special Tax Rate**

	Unimproved Property	Each Living Unit	Per sq ft of Structural Improvements	Per Parcel for County Tax Administration
Tax Rate	\$45	\$90	\$.12	\$2

Based on Assessors records of improved and unimproved property, applying the Special Tax in Sausalito would generate an estimated \$560,000 per year. The tax rate is presently at the maximum and so would not increase unless approved at an election.

#### **Property Tax Revenue**

The City would be expected to transfer a % of its property tax authority to the District to make up for the remainder of the needed revenue. Property taxes currently make up over 90% of the District's revenue and has appeared to provide an adequate long term source of revenue that has grown with increasing property values. While recently property values have "stumbled" statewide, within Sausalito and the District the assessed value has largely flattened rather than reduced. It will likely be several years before growth resumes, but a minimum 2% annual growth can then be expected. With property turn over and a modest increase in value, the District could see minimum property tax revenue growth closer to 3-4% beginning in several years. This will permit the District to have revenue that most likely matches inflationary cost increases.

The table below calculates the property tax that the City might be expected to transfer to the District. The table uses FY 2007-08 actual data for accuracy.

## Southern Marin FPD Sources of Additional Revenue

Added Revenue Needed by the District	City Ambulance and Permit Revenue	Special Tax Applied to City Parcels	Property Tax Transferred to the District
\$2,926,074	\$118,588	\$560,000	\$2,247,486

The property tax transfer represents about 34% of all property tax related revenue received by the City in FY 2007-08.

#### Other Issues Associated with a Merger Alternative

In addition to revenue transfer issues, other issues that need to be addressed as part of any merger discussion are the following, each of which has been already addressed earlier in this report.

• How to handle depreciation on current fire apparatus.

Does the City turn over to the District its accumulated fire vehicle replacement fund or retain some responsibility for replacing the existing equipment at least once through the use of these funds? Since the District would have full responsibility for fire services delivery and financing under a Merger Alternative, it would be preferable for the City to turn over an agreed upon portion of the accumulated City fire apparatus reserves and the District would then have full responsibility to plan for the replacement and associated financing of both current and future equipment.

- Responsibility for fire station major maintenance if the City continues to own the Sausalito fire station,
- Unfunded post-retirement medical liability.

An agreement will need to be made that coordinates any similar benefit accrued by a former Sausalito employee while under District employment with the benefit earned by the employee prior to the merger.

- ◆ Liability for CALPERS years of service working as a Sausalito employee.

  This liability will remain with the City.
- ◆ Augmentation of Office and Related Equipment

As with a Full Contract for services, a merger would not the cause for any upgrades.

• Reporting and Coordination of Fire Services with other City services.

Does the City want any form of formal reporting and coordinating arrangement between the City and the District, even though the City will no longer have any responsibility for fire services? The City and District may have an agreement through which the District continues to provide administrative coordination with the City and accept City recommendations regarding fire services through a public safety committee of City elected officials. The District Fire Chief might reasonably be expected to continue serving de facto as the City Fire Chief and in that position perform many of the coordinating and reporting roles of a City Department Head.

## 5.4 Joint Powers Authority Alternative

A Joint Powers Authority (JPA) is used in several forms for the provision and governance of fire services. In its simplest form, it establishes a governance committee with oversight responsibilities of fire services that are provided by one agency to another through a contract for services. In this form the JPA document establishes the framework for governance. If the framework now being used by the City and the District is satisfactory to both parties, the JPA document would not be necessary because it would simply mirror those arrangements and would not be any more or less effective than the current agreement.

The more complex use of a JPA would be if the City and District decided that neither party should provide the fire services, but instead a new fire department jointly owned and operated by a Joint Powers Authority would be more appropriate. Both the City and the District would then contract with the JPA to provide fire services to their respective agency. The JPA Fire Department would be governed by a Joint Powers Authority Board consisting of members of the District Board and the City Council. The District would continue in existence, because it would be the taxing authority within the District boundaries to raise the funds then used to contract for fire services from the JPA.

A JPA Fire Department would be the same organizationally and in terms of cost as the District Fire Department under the Full Contract for service model or under the Merger Model. It would be the same stations and staffing.

The only advantage to using a JPA would be to create a new governance model that removed full operational authority from the current District Board of Directors and placed that authority in a JPA Board consisting of representatives from both the District and the City. Looked at from a different perspective, the JPA model is much the same as the current governance structure, except that the current governance committee does not have day-to-day operational authority over the fire department. Its authority is limited in the agreement to review of operations, recommending the annual budget and equipment replacement.

6. VIABLE ALTERNATIVES FOR MERGER/CONSOLIDATION OR CONTRACT FOR SERVICE OPTIONS BETWEEN SAUSALITO AND SOUTHERN MARIN FPD

## 6.1 Only Two Practical Choices

There are only two practical options for combining the City and District Fire services.

## First Choice: Full Contract for Service

The City's current contract for services with the District appears to give management responsibility over City employees to the District headquarters staff, but requires the District headquarters staff to manage personnel who are not all subject to the same personnel rules and who have different disciplinary and appeal rights/processes. There is also no guarantee that each year the Memorandum of Understanding negotiations by the agencies with their separate fire employment groups will continue to result in comparable wages and benefits being paid to all employees. The ability to manage the fire employees in this environment is difficult and can lead to a great deal of friction if salaries and benefits begin to differ between employees who are working under the same management. The arrangement is less stable over the long run than a Full Contract for services.

A Full Contract for services results in all employees and resources being under the direct management of one employer. The interest of the City is then the level and cost of the service, while all matters necessary to meet the level of service obligation are the responsibility of the District. We all buy "turn key" services like that in our daily life, ranging from television cable or satellite service to auto repair. We are interested in the level and content of the service, that it is provided at a quality level acceptable to us, and at a price that we can afford and find acceptable.

As economics and growth change the City and District, the partners can determine how and when to change the content and level of services provided to the City.

While the governance portion of a contract agreement provides the oversight on level, quality and cost of service, the City still has the freedom of choice regarding where and how it comes up with the revenue to pay for the service. It can use current revenue sources or choose to levy a special tax similar to the one now in place in the District.

#### **Summary of Issues**

All of the principal issues associated with the Full Contract for service model have been discussed elsewhere in this report. A summary listing is included below:

#### 1. Governance

Does the authority of the governance committee allow for adequate and timely participation in decisions that significantly impact the level and cost of service without creating a complex accounting and reporting layer such as presently exists with the method of accounting for Sausalito contributions to Material and Supply Costs?

#### 2. Cost Allocation Formula

Is the Measure of Service chosen for the Cost Allocation formula easily acceptable to all parties? Do they perceive it to be equitable? Does it require annual negotiated adjustment or is the formula enduring in a way that any adjustment is the automatic result of the formula, such as changes in population or assessed value as part of a weighted composite measure?

Under the present cost allocation formula, the City costs are <u>less</u> than any of the more commonly used measures of service. If a composite measure of service were used and the City paid 32.8% of the cost of the District fire service expenses (excluding the cost of major capital replacement which each agency would continue to bear), the City's cost for fire services increases from the present \$2,824,452 to \$3,375,878 or an increase of \$551,426 based on FY 2007-08 actual expenses. Even continuation of the present more limited contract for services would see a cost increase of approximately \$378,829 to the City if a composite measure of service were used to allocate costs instead of the current formula.

## 3. Ownership of Equipment and Fire Station

Will the City continue to own the equipment and be responsible for its replacement and for major maintenance of the fire station. If the City does not want to continue to own the equipment, then a transition plan needs to be developed recognizing that the cost of replacing current equipment has already been substantially funded by the City through the reserves in the fire department portion of the vehicle replacement fund.

#### 4. Post-Retirement Medical Unfunded Liability

If the City employees transfer to the District, then an agreement needs to be developed to coordinate both the delivery and the financial responsibility for the post retirement medical benefits earned by employees while with the City and to make any resulting adjustment in the City's unfunded liability.

#### 5. Retirement Liability

The City will have a continuing liability for the years that employees have worked for the City.

## 6. Coordination of Emergency Response

With fire services provided by another agency, the City and District need to develop a close plan of coordination to respond to major public safety emergencies such as an earthquake or major fire. Many cities deal with this issue satisfactorily, but it takes deliberate planning. Practically this is no different than the situation the City faces now with its more limited contract for services.

#### **Summary of Benefits**

A Full Cost of service contract has some advantages for both agencies. The extent to which any party sees the following as benefits or how great the benefit is always a matter of judgment and local elected official determination.

- 1. Management of employees is simplified under a single MOU and set of personnel rules
- 2. A single accounting system is maintained by the District, avoiding duplication
- 3. The City no longer will need to negotiate with Fire employees
- 4. The City and District can adopt performance measures to gauge the delivery of services

## Second Choice: Merger of the City into the District

The most stable long term approach is for the District boundaries to be expanded to encompass the City. There would be one fire service provider and the governing body would be people elected by the voters across the entire new District, including the City. The District's sources of revenue would be set at the time of merger, possibly to include application of the Special Tax to City parcels and transfer of part of the City's property tax allocation. Future fiscal and operational issues would be for the District to resolve.

#### **Summary of Issues**

All of the issues associated with this model have been discussed elsewhere, and are many of the same issues that have to be addressed under a Full Contract for service model.

- 1. Ownership of the Equipment and Fire Station
- 2. How to handle depreciation on current City owned equipment if the District takes ownership of the equipment
- 3. Post Retirement Medical Unfunded Liability
- 4. Retirement Liability: Continuation of the City's liability for prior years of City service
- 5. Coordination of Emergency response
- 6. Fire prevention and inspection services: Who is to provide and fund plan checking of new construction
- 7. Special Tax: In a merger, there will be a \$90 per year additional tax on residential parcels in the City, with a .12 per sq foot tax on business structural improvements and a \$45 per year tax on vacant parcels. While this is an additional tax, it will also free up a like amount of funds with the City budget for use in supporting other services.
- 8. The City can expect to transfer approximately 34% of its property tax related revenue to the District.

9. City only has an advisory role in how and at what level fire services are provided. Managing fire service expectations is done by the electorate through election of the Board of Directors of the District.

## **Summary of Benefits**

Benefits of a merger with the District include not only the following benefits of a Full Contract for services, but also some additional considerations. The extent to which any party sees the following as benefits or how great the benefit, is always a matter of judgment and local elected official determination.

- 1. Management of employees is simplified under a single MOU and set of personnel rules
- 2. A single accounting system is maintained by the District, avoiding duplication
- 3. The City no longer will need to negotiate with Fire employees, because they will be employees of the District.
- 4. The City and District can adopt performance measures to gauge the delivery of services
- 5. The City no longer is fiscally responsible for fire services as regulations and needs change
- 6. There is a single layer of representation between the voters and the District Board, compared to a Full Contract for service or JPA arrangement that has an appointed governance committee.
- 7. Total contribution by the City to the District will be approximately \$2,926,074, based on FY 2007-08 costs. Since this is to compensate the District for the added cost of providing services in the larger area, it turns out to be somewhat less than the cost based on a composite measure of service.

## 7. CITY REINSTATES ITS OWN FULLY STAFFED FIRE DEPARTMENT

Another option is for the City to leave the contract for service arrangement and reinstate is own fully independent fire department. In the past the City has operated that department with 17 line fire fighters, one fire chief and a part time clerical. In today's regulatory environment, this is no longer an advisable staffing level for fire administration, command and prevention programs.

## 7.1 Minimum City Only Fire Headquarters Size

In order to deal with the safety, command and fire prevention needs of fire services, discussed in Section 5.1 of this report, the minimum-staffing plan should be:

- ♦ One Fire Chief
- ♦ One Deputy Chief/Fire Marshal
- ♦ Three Battalion Chiefs
- One Administrative Support position

The Deputy Chief position in addition to fire prevention duties, also would act as Fire Chief in the Fire Chief's absence. Both the Fire Chief and Deputy Chief would have to be qualified to

serve as incident commanders to provide additional command support during major emergencies and declared disasters when the city's Emergency Plan is activated.

The Battalion Chiefs would work 24/7/365 following a firefighters shift schedule. They would have to work overtime to cover vacation and sick leave for each other.

As has been stated earlier in this report, this level of headquarters staffing can easily support a department of 5-8 fire stations. Given this fact, many 1-3 fire station departments are forced to look at some form of merger with another agency to spread the regulatory driven headquarters expenses over a more cost-beneficial number of fire stations.

The City in addition to these minimum fire headquarters staffing costs also would have city hall administrative personnel time/cost impacts to directly providing fire services. These include finance, payroll, personnel, workers compensation, legal, risk management, city manager oversight and occasional city council agenda items for budget and fire prevention issues.

In a stand-alone fire department operation, the city would continue to pay as it does currently for small tools, repairs, fire apparatus and fire station upkeep. However, in a separate operation they would not have the economies of scale for purchasing these goods and services. This cost is not only the direct cost, but also the staff time it takes to specify, bid and receive goods or services.

## 7.2 Cost of a Reinstated City Fire Department

If the City were to reinstate its fire department as an independent City owned operation, the staffing required would be:

## Headquarters:

Fire Chief

Deputy Fire Chief/Fire Marshal

3 Battalion Chief/Incident Commanders (one on each shift)

1 Office Assistant

## Line Staff

15 (5 on each shift)

#### Overtime Coverage

With only 15 line staff to provide coverage of 5 employees on each of 3 shifts, there will need to be either extra staff hired or overtime paid to provide coverage when employees are off on vacation, sick leave, worker injury, and other leave. Not providing the coverage would mean that approximately 80% of the time, the City would only have 4 line staff on duty, as one of the five regularly scheduled staff would usually be on leave. Citygate recommends that 5 on duty is a minimum operational force and that the City should budget to ensure this minimum manning as it is presently provided for in the City's MOU with its fire employment group.

It is more cost effective to budget overtime to fill in for leave related vacancies than to add the additional staff because it is not always possible to predict with sick leave or workers injury

occurring randomly how many overtime employees you will be needed on each shift. If the City were to add a sixth staff person on each shift, there would be some days in which no one will be off and that person will be an "extra" while others days in which more than one person will be needed to "fill in" in order to ensure the minimum manning of 5 on the shift.

However, with a one station department, if the City were to use only overtime to fill in for absences, the average employee would be required to work just over one and a half extra shifts per month. And when there are vacancies, the overtime requirement will go up even more. In a small department such as Sausalito would have, it is more operationally effective, although more costly, to have overstaffing on each shift and then use overtime when there is more than one vacancy that needs to be filled on the shift. In the cost model below, this is the approach recommended by Citygate.

The table below uses current Sausalito salaries and benefits as the base from which to estimate labor costs, which include staffing of 6 on duty each day, a modest amount of overtime consistent with Sausalito historical usage when the department line was overstaffed to provide leave coverage, and materials and supplies expenses consistent with the long term needs of many small departments with which Citygate is familiar.

## **Cost of Sausalito Reinstated Fire Department**

Labor Expenses	Material and Supply Expenses	Vehicle Replacement	Total
\$3,777,494	\$432,449	\$165,593	\$4,375,536

## 8. COMPARISON OF THE COST OF ALTERNATIVES AND FORECAST OF REVENUE AND EXPENSE GROWTH

There are four alternatives for the City and the District: Continue the present arrangement, a Full Contract for services, Merger of the City and District, and Reinstatement of the City Fire Department. While Citygate recommends that only a Full Contract for Service or a Merger of the City with the District are stable and viable over the long term, below we compare the cost of the present contract arrangement with the other three choices.

For the Current arrangement, we present the cost based on both the current cost allocation formula and then using the composite measure of service (32.8%) as an illustration of how costs might change with a change in allocation formula. The composite measure is then also used to allocate costs in the Full Contract for services model.

## **Comparison of Alternatives**

	Revenue	Expenses	Net Increase to Sausalito Compared to Current Contract
C			
Southern Marin FPD	\$8,488,736	\$7,531,830	
Sausalito	\$118,588	\$2,824,452	
Current Contract Arra			
Southern Marin FPD	\$8,867,565	\$7,531,830	
Sausalito	\$118,588	\$3,203,281	\$378,829
Full Contract for S			
Southern Marin FPD	\$11,800,643	\$10,292,311	
Sausalito	\$118,588	\$3,375,878	\$551,426
N			
Southern Marin FPD	\$11,275,177	\$10,457,904	
Sausalito	0	\$2,926,074*	\$101,622
Ro			
Southern Marin FPD	\$8,424,765	\$7,531,830	
Sausalito	\$118,588	\$4,375,536	\$1,551,084

Note: The Cost to Sausalito for the Merger Alternative is the transfer of property tax, ambulance and fire permit revenue and the addition of the Special Tax to property in Sausalito.

Since the City and District have little opportunity for additional growth, there should not be a need for additional fire stations or line staff. Citygate does believe that the District and City should consider adding a Fire Marshal position and a part-time clerical in support of fire prevention as soon as finances allow. This will give the District a "five chief officer" model which is normally adequate for to manage a population and geography served by up to 8 fire stations. However, beyond 4 to 5 fire stations and/or if significant growth occurs, an additional fire inspection position or two may be necessary.

For the time being, if the City and District decide to add a Fire Marshal and related clerical support, we anticipate this to add approximately \$322,465 per year.

Other costs are expected in the long term to run 1-2% higher than inflation. This cost escalation factor has been the case with fire services over the past several decades as retirement and medical costs have accelerated. If these cost factors moderate, then cost increases for the City and District fire services were increase closer to the rate of annual change in the Consumer Price Index.

As noted earlier in this report, in the long term we anticipate property tax revenue to approximate inflation or a little higher depending on changes in value driven largely by very moderate growth.

## 9. ALTERNATIVE SOURCES OF REVENUE

Each of the alternatives discussed in this report represent a higher cost to the City of Sausalito, The choices for additional revenue to cover these costs are very limited if there is not room in the current City budget to bear the added expense.

With the three alternatives of either continuing the present arrangement but with a different cost allocation formula, with a Full Contract for service, or with reinstatement of the City Fire Department, the City has the option of seeking added revenue from the residents through a parcel tax (possibly using a Community Facilities District or Assessment District format), or an election to increase the sales tax rate for public safety.

The annual cost increase for the first two options of some form of continued contract ranges from approximately \$90,000 to \$550,000 and would result in a parcel tax rate a little lower than the one that the Southern Marin FPD levies or a modest sales tax increase.

But if the City chose a merger, the financial arrangement is very different. With a merger, the "capacity" for a Special or Parcel Tax will already have been taken by the District as their tax is levied within the City. This essentially leaves the City the option of a public safety sales tax with a portion dedicated to the District, as a means of reducing the amount of property tax the City would need to transfer to the District.

All of the choices for added revenue require some form of election with the exception of levying the District's parcel tax within the City. Here an election is only required if there are sufficient protests as discussed earlier in this report.

#### 10. Initial Citygate Impression

Both agencies given their size and geographic location in the County are co-dependent for fire services as neither can separately field enough on-duty firefighters for serious emergencies. Even a modest house fire needs 15 firefighters plus a command chief within 11-minutes of the 911 call receipt if the outcome expectation is to keep the house from being destroyed and any victims able to be rescued. This is the current staffing that the combined agency has on duty.

If there were separate fire departments, both would have to respond under mutual aid to deliver all of the on-duty personnel to a serious emergency. Under separate departments, the effectiveness of the field force is diminished due to separate procedures, equipment and training. At this level, a combined operation is much more effective.

Then there are the headquarters functions. If each agency were to field a complete headquarters team of five chiefs and one administrative support position, this totals 12, or **double** the number needed for a three station, contiguous service area fire department.

From both a field operations and headquarters functions perspective, it is very cost-effective for the two agencies to operate a single, integrated top to bottom, fire department.

The City of Sausalito has not paid for an adequate headquarters team that meets current fire service regulatory needs prior to the present contract for headquarters services. Under any likely cost apportionment measure, it would be most cost effective for the City to provide fire services with either a Full Contract for service or merging the City into the District.

Even with paying the true-shared costs of fire headquarters services, the City will also save the hard to estimate, but real costs on the city hall team to manage fire service personnel, finance and legal issues. At a minimum, moving these tasks to the Fire District will free up city hall staff time for duties core to Sausalito's needs.

Given the fact that both parties are operationally co-dependent and can save significant headquarters staffing expenses under a single combined department, both parties should understand that each needs to have input on service level decisions and cost containment strategies. These discussions should lead to a mutually agreeable governance and cost sharing agreement.