

**APPROVED AS TO FORM:**

\_\_\_\_\_  
City Attorney

**SOUTHERN MARIN FIRE  
PROTECTION DISTRICT**, a special  
district formed and operating pursuant to the  
Fire Protection District Act of 1987

Dated: \_\_\_\_\_, 2011

By: \_\_\_\_\_  
Printed name:

**ATTEST:**

\_\_\_\_\_  
District Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
District Attorney

52  
81



**Attachment III:**

**Agreement Regarding District use of the City Fire Station and Transfer of  
Ownership of City Fire Apparatus and Equipment to the District- "Lease of  
Premises and Equipment Disposition Agreement"**

5a  
83

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT

333 JOHNSON STREET  
SAUSALITO, CALIFORNIA

TENANT:

THE SOUTHERN MARIN FIRE PROTECTION DISTRICT

LANDLORD:

THE CITY OF SAUSALITO

## TABLE OF CONTENTS

### LEASE SUMMARY

#### 1. PREMISES AND EQUIPMENT

- 1.1 Premises
- 1.2 Equipment

#### 2. TERM

- 2.1 Term
- 2.2 Possession of Premises

#### 3. RENTAL

- 3.1 Rent
- 3.2 Additional Rent
- 3.3 Rent Commencement Date
- 3.4 Interest and Late Charges

#### 4. UTILITIES

#### 5. USE AND CONDITION OF PREMISES

- 5.1 Tenant's Use
- 5.2 Landlord's Use
- 5.3 Condition of Premises
- 5.4 Hazardous Materials

#### 6. MAINTENANCE, REPAIR AND ALTERATIONS

- 6.1 Tenant's Obligations
- 6.2 Landlord's Rights and Obligations
- 6.3 Alterations and Additions

#### 7. INSURANCE AND INDEMNIFICATION

- 7.1 Minimum Scope of Insurance
- 7.2 Minimum Limits of Coverage
- 7.3 Deductibles and Self-Insured Retentions
- 7.4 Other Insurance Provisions
- 7.5 Acceptability of Insurers
- 7.6 Verification of Coverage
- 7.7 Subrogation Waiver
- 7.8 Indemnification

#### 8. DAMAGE OR DESTRUCTION

- 8.1 Damage
- 8.2 Damage - End of term
- 8.3 Complete Destruction

8.4 Abatement of Rent

9 CONDEMNATION

9.1 Total Taking

9.2 Partial Taking

9.3 Compensation

9.4 Voluntary Sale; Waiver

10. ASSIGNMENT, SUBLEASE, TRANSFER

10.1 Definition

10.2 Use

10.3 Instrument, Consent

10.4 Rent

10.5 Excess Rent from Assignment or Sub-Tenancy

11. DEFAULT

11.1 Tenant's Default

11.2 Remedies

11.3 Landlord's Default

12. CONDUCT OF BUSINESS

13. GENERAL PROVISIONS

13.1 Transfer of Landlord's Interest

13.2 Estoppel Statement

13.3 Financial Statement

13.4 Subordination; Attornment

13.5 Access to Premises

13.6 Holding Over

13.7 Merger

13.8 Recording

13.9 Prior Agreements; Amendments

13.10 Attorney's Fees

13.11 Remedies; Choice of Law

13.12 Successors and Assigns

13.13 Severability

13.14 Authority

13.15 Signs

13.16 Time of Essence

13.17 Covenants and Conditions

13.18 Captions

13.19 Waiver

13.20 No Setoffs

13.21 Force Majeure

13.22 Notices

5a  
86

13.23 Brokers  
13.24 Keys

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT  
333 JOHNSON STREET  
SAUSALITO, CALIFORNIA**

**LEASE SUMMARY**

DATE OF LEASE	Effective Date – Date of Finalization of Annexation (Exhibit B)
LANDLORD	City of Sausalito
TENANT	The Southern Marin Fire Protection District
ADDRESS OF TENANT	308 Reed Boulevard, Mill Valley, CA 94941
PREMISES	333 Johnson Street, Sausalito CA
TERM	130 Years
BASE RENT	\$100,000 per year
ADDITIONAL RENT	See Section 3.2
UTILITIES	Additional
PERMITTED USE	Fire Prevention Services

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

This **LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT** (this "Lease"), executed in duplicate, is by and between **THE CITY OF SAUSALITO**, a municipal corporation ("Landlord" or "City") and **THE SOUTHERN MARIN FIRE PROTECTION DISTRICT**, a special district formed and operating pursuant to the Fire Protection District Act of 1987 ("SMFPD" or "Tenant").

**ARTICLE 1. PREMISES AND EQUIPMENT.**

**1.1 Premises.** Landlord leases to Tenant and Tenant leases from Landlord, subject to the following terms and conditions, the real property which is located at 333 Johnson Street, City of Sausalito, County of Marin, State of California, (the "Premises").

Upon the expiration or termination of this Lease, Tenant shall return the Premises to Landlord as set forth in Section 6.1(b).

**1.2 Equipment.** Landlord transfers to Tenant possession and title to:

- a. The existing fire apparatus owned by the City includes: i) the City's 45% interest in the 1994 Pierce 105' Aerial Truck; ii) the 1995 Spartan Fire Pumper; iii) 1996 GMC Pickup Truck; iv) Achilles 16' Inflatable Rescue Boat; v) 2004 34' Fire Boat (Liberty); and vi) 2007 Pierce Fire Pumper (collectively the "Fire Apparatus") and all portable equipment normally carried on said apparatus. In the event that SMFPD or a successor entity no longer provides fire services in the City, SMFPD will be required to transfer all Fire Apparatus back to City. The Fire Boat (Liberty) shall be transferred back in its then current condition all other Fire Apparatus shall be transferred back to the City in substantially the same or better condition as it was delivered along with accumulated replacement. In consideration of SMFPD's responsibility to replace the Fire Apparatus at the end of its useful life upon the Commencement Date as defined in Section 2.1 below, the City shall also transfer to Tenant the sum of Two Hundred Forty Three Thousand Four Hundred Sixty Two Dollars and 00/100 (\$243,462.00) which represents the depreciated value of the Fire Apparatus.
- b. All existing tools, equipment and all Fire Station furnishings and equipment including without limitation the items set forth in the Fire Station Property Inventory attached hereto as Exhibit A which includes all items having a value of One Thousand Dollars and 00/100 (\$1000.00) or more along with each item's value (the "Fire Station Property"). The Parties agree that the Fire Station Property is in good condition and is less than one year old. In consideration of the transfer of the Fire Station Property SMFPD shall pay the City the amount of Ninety Nine Thousand Two

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

Hundred Eighty Two Dollars and 00/100 (\$99,282.00.) upon the Commencement Date defined in Section 2.1 below.

**ARTICLE 2. TERM.**

**2.1 Term.** This Lease shall be for a period of thirty(30) years ("Term") commencing upon the date that is the effective date of the annexation of the City into the SMFPD which date shall be inserted in Exhibit B ("Commencement Date"). This Lease shall end thirty (30) years from the Commencement Date, ("Expiration Date"), unless otherwise terminated or extended in accordance with the provisions of this Lease. Notwithstanding the foregoing, the effectiveness of this Lease is expressly contingent on the annexation of the City to the SMFPD for the purpose of fire protection services on or before July 1, 2012; in the event that this condition precedent is not met this Lease shall automatically be of no force or effect with no further action required on the part of the City or the SMFPD.

**2.2 Possession of Premises.** Tenant is currently in possession of the Premises.

**ARTICLE 3. RENTAL.**

**3.1 Rent.** Tenant agrees to pay Landlord, as "Base Rent" for the Premises, One Hundred Thousand and 00/100 (\$100,000.00) annually plus such additional sums as required in this Lease. If Tenant's obligation to pay Rent does not commence on the first day of a calendar month, the Rent payable by Tenant for the first fractional month shall be prorated on a thirty (30) day basis. Tenant shall pay Landlord the Base Rent in four (4) quarterly payments of Twenty Five Thousand Dollars and 00/100 (\$25,000.00) each to be paid on each January 1, April 1, July 1, and October 1 during the Term.

**3.2 Additional Rent.** Tenant shall pay as "Additional Rent" upon demand from Landlord such other sums due and payable hereunder. Said sums shall be paid upon demand from Landlord and without setoff.

**3.3 Rent Commencement Date.** Payment of Rent shall commence on the Commencement Date payable in accordance with Section 3.1.

**3.4 Interest and Late Charges.** If Tenant shall fail to pay when due and payable any Rent, Additional Rent or other amounts or charges which Tenant is obligated to pay under the terms of this Lease, such unpaid amounts shall bear interest at the maximum rate allowed in the State of California. In addition to such interest, Tenant acknowledges that the late payment of any monthly installment of Rent or Additional Rent will cause Landlord to incur costs and expenses

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

not contemplated under this Lease, including but not limited to administrative and collection costs and processing and accounting expenses the exact amount of which is extremely difficult to fix. Therefore, if any such payment is not received by Landlord within ten (10) days from the date such payment is due, Tenant shall pay Landlord a late charge equal to ten percent (10%) of such payment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered by such nonpayment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease.

**ARTICLE 4. UTILITIES.** Tenant shall pay for all heat, gas, electricity, telephone and other utilities and services provided to or for the Premises, including taxes thereon. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service being provided to the Premises, and no such failure or interruption shall entitle Tenant to terminate this Lease or to discontinue the payment of rent or any other amount due hereunder.

**ARTICLE 5. USE AND CONDITION OF PREMISES.**

**5.1. Tenant's Use.** Tenant shall use or permit the Premises to be used only for the normal services provided by a fire department, including, but not limited to, fire protection services, fire prevention services, emergency medical services, public education and public relations events and shall not use or permit the use of the Premises for any other purpose without obtaining the prior written consent of Landlord. Tenant shall not use or permit the Premises to be used in any manner that may result in waste or the creation of a nuisance, and Tenant shall maintain the Premises free of any objectionable noises, odors or disturbances. Tenant shall fully comply with all health and police regulations and shall not use or permit the use of the Premises for any purpose or in any manner which may constitute a violation of the laws of the United States or the laws, ordinances, zoning requirements, regulations or requirements of any governmental entity having authority in the jurisdiction where the Premises are located. Tenant acknowledges that no warranties or representations have been made regarding the fitness or suitability of the Premises for the conduct of Tenant's business or proposed use.

**5.2 Landlord's Use.** The parties acknowledge and agree that a portion of the Premises, specifically the ground level conference room, serves as the City's Emergency Operations Center (EOC) and that the City shall be entitled to continue to utilize the EOC on an as needed basis as determined by the City during the Term. In addition, Landlord may use the conference room and other portions of the Premises as mutually agreed by the City and the SMFPD at no charge to the City.

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

**5.3 Condition of Premises.** Tenant acknowledges that it has had an opportunity to inspect the Premises and that the Premises are being taken on an "as-is" condition with no warranties expressed or implied by Landlord. Tenant takes possession hereunder subject to all laws, ordinances and regulations applicable to the Premises, and their use, and any covenants or restrictions of record. Tenant shall, at Tenant's expense, comply promptly with all laws, ordinances and regulations applicable to the Premises or their use which are or may be in effect during the Term.

**5.4 Hazardous Materials.**

Landlord and Tenant agree as follows with respect to the existence or use of Hazardous Materials on the Property.

a. Environmental Laws shall mean all present and future applicable federal, state and local laws, ordinances or regulations or policies pertaining to Hazardous Materials (including, without limitation, the use, handling, transportation, production, disposal, discharge or storage thereof) or to industrial hygiene or the environmental conditions on, under or about the Premises and to the protection of the environment or human or animal health and safety.

b. Hazardous Materials shall mean any hazardous or toxic substance, material or waste the storage, use, or disposition of which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term Hazardous Material includes, without limitation, any material or substance which is (i) defined as hazardous or extremely hazardous pursuant to Article II of Title 22 of the California Administrative Code, Division 4, Chapter 20, (ii) defined as a hazardous waste pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq. (42 U.S.C. 69093), (iii) defined as a hazardous substance pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq. (42 U.S.C. 9601 ) or (iv) is listed or defined as a hazardous waste, hazardous substance , or other similar designation by any regulatory scheme of the State of California or the U.S. Government that is similar to the foregoing.

c. Tenant shall not use, generate, manufacture, produce, store, release, discharge, or dispose of, on, under or about the Premises or transport to or from the Premises any Hazardous Material or allow its employees, agents , contractors, licenses, invitees or subtenants (collectively, Tenant' s Agents) to do so. Tenant shall comply with and shall cause Tenant's Agents to comply with, and shall keep and maintain the Premises and cause Tenant's Agents to keep and maintain the Premises in compliance with all Environmental Laws.

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

d. Tenant shall give written notice to Landlord promptly after Tenant receives notice of any of the following: (i) any proceeding or inquiry by, notice from, or order of any governmental authority (including, without limitation, the California State Department of Health Services) with respect to the presence of any Hazardous Material on, under or about the Premises or the migration thereof from or to other property; and (ii) all claims made or threatened by any third party against Tenant or the Premises relating to any loss or injury resulting from any Hazardous Materials. Tenant shall give written notice to Landlord promptly after Tenant becomes aware of any spill, release or discharge of Hazardous Materials with respect to the Premises by Tenant or Tenant's Agents.

e. Tenant shall protect, defend, indemnify and hold harmless Landlord, its officers, elected and appointed officials, employees, agents, volunteers, successor and assigns from and against any and all claims, fines, judgments, penalties, losses, damages, costs, expenses or liability (including reasonable attorneys' fees and costs) to the extent directly or indirectly arising out of or attributable to the use, generation, manufacture, production, storage, release, threatened release, discharge or disposal of any Hazardous Material on, under or about the Premises or the transportation of any Hazardous Material to or from the Premises by Tenant or Tenant's Agents including, without limitation, the costs of any investigation, monitoring, removal, restoration, abatement, repair, cleanup, detoxification or other ameliorative work of any kind or nature (collectively, "Remedial Work"). Tenant's obligations under this Section 7.5(e) shall survive the expiration or earlier termination of this Lease.

f. Upon any spill or release of Hazardous Materials by Tenant or Tenant's Agents, Tenant shall promptly notify Landlord of the spill or release of Hazardous Materials and shall, at its sole expense and promptly after demand by Landlord, commence to perform and thereafter diligently prosecute to completion such Remedial Work as is required under Environmental Laws.

**ARTICLE 6. MAINTENANCE, REPAIR AND ALTERATIONS.**

**6.1 Tenant's Obligations.**

a. Subject the provisions of Article 8 hereof, Tenant shall, at Tenant's sole cost and expense, maintain in good repair, order and serviceable condition the Premises and every part thereof, including but not limited to all plumbing, ventilation, heating, electrical systems, refrigeration, and equipment in, on or exclusively serving the Premises, roof, foundations, exterior walls, windows, doors, storefronts, plate glass, interior walls and ceilings which are part of the Premises. In addition, Tenant shall be responsible for maintenance, repair and/or replacement (at its option) of the solar panels on the building. Tenant shall contract with a

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

service company for necessary periodic maintenance of the heating, ventilating and air conditioning equipment exclusively serving the Premises and Tenant shall furnish to Landlord a copy of such service contract within five (5) days after request therefor. Except in case of an emergency, prior to Tenant's making any repair, Tenant shall give Landlord written notice that such work will be performed and Landlord shall have the right to approve or disapprove the plans for such repair and all repairs shall be performed in accordance with all applicable regulations, including without limitation applicable provisions of the City of Sausalito Municipal Code. To the extent the cost of any repairs or maintenance are covered by warranties held by Landlord, Landlord agrees to coordinate with Tenant to ensure the work is done under the warranty.

b. Upon the expiration or earlier termination of this Lease, Tenant shall return the Premises to Landlord broom clean and in the same condition as on the date Tenant took possession, except for normal wear and tear. Any damage to the Premises, including any structural damage, resulting from Tenant's use or from the removal of Tenant's fixtures, furnishing and equipment pursuant to section 8.3(d) shall be repaired by Tenant at Tenant's expense.

**6.2 Landlord's Rights and Obligations.** If Tenant refuses or neglects to make repairs and/or maintain the Premises, or any part thereof, in a manner reasonably satisfactory to Landlord, without prejudice to any other remedy Landlord may have hereunder, upon giving Tenant ten (10) days prior written notice, Landlord shall have the right to enter the Premises and perform such maintenance or make such repairs on behalf of and for the account of Tenant. In the event Landlord so elects, Tenant shall pay the cost of such repairs or maintenance promptly following Tenant's receipt of a bill therefor, with interest thereon at the maximum allowable legal rate from the date of Tenant's receipt of such bill until the date paid. The costs incurred by Landlord in making such repairs shall be treated as Additional Rent. Tenant agrees to permit Landlord or its agent to enter the Premises at any time during normal business hours for the purpose of inspecting the Premises. Landlord shall be responsible for maintenance, repair and/or replacement of the emergency generator.

**6.3 Alterations and Additions.**

a. SMFPD shall not make any additions, alterations or improvements to the Premises without obtaining the prior written consent of Landlord, except for minor additions, alterations and improvements, the cost of which do not exceed Five Thousand Dollars and 00/100 (\$5,000.00) as adjusted annually by the change in the Consumer Price Index for All Urban Consumers, San Francisco Area (or successor index) for the preceding twelve months for which data is available. Such permission shall not be unreasonably withheld or delayed by

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

Landlord. Landlord's consent may be conditioned upon the SMFPD's agreement to remove any such additions, alterations or improvements at the termination of this Lease. All work with respect to any addition, alteration or improvement shall be done in a good and workmanlike manner by property qualified and licensed personnel, and such work shall be diligently prosecuted to completion.

b. Prior to the commencement of any Tenant improvements or remodeling which exceed Five Thousand Dollars and 00/100 as adjusted as set forth in Section 6.3a Tenant shall provide to Landlord a true copy of the written, executed agreement between Tenant and the contractor hired to make such improvements for Landlord's approval. During the course of said construction, Tenant shall provide Landlord with all written, executed change orders for Landlord's approval. If Landlord fails to object to any provisions of the agreement or subsequent change order(s) within five (5) days of receipt, then the agreement or change order(s) shall be deemed accepted. Prior to the commencement of any work, Landlord reserves the right to require Tenant post a sum equal to the total amount of the cost of said improvements, including subsequent change order(s), in cash, in a special account, or provide a performance bond equal to the cost of said improvements and subsequent change order(s) and provide satisfactory evidence of same to Landlord.

c. Tenant shall pay the costs of any work done on the Premises pursuant to section 6.3(a), and shall keep the Premises free and clear of liens of any kind. Tenant shall indemnify, defend against and keep Landlord free and harmless from all liability, loss, damage, costs, attorneys' fees and any other expense incurred on account of claims of lien by any person performing work or furnishing materials or supplies for Tenant or any person claiming under Tenant.

d. Tenant shall keep Tenant's leasehold interest, and any additions or improvements which are or become the property of Landlord under this Lease, free and clear of all attachment or judgment liens. Before the actual commencement of any work for which a claim of lien may be filed, Tenant shall give Landlord written notice of the intended commencement date a sufficient time before said date to enable Landlord to post notices of non-responsibility or any other notices which Landlord deems necessary for the proper protection of Landlord's interest in the Premises and Landlord shall have the right to enter the Premises and post such notices at any reasonable time.

e. For any Tenant improvements or remodeling which exceed Five Thousand Dollars and 00/100 as adjusted as set forth in Section 6.3a Landlord may require, at Landlord's sole option, that Tenant provide to Landlord, at Tenant's expense, a lien and completion bond in an amount equal to at least one and one-half (1-1/2) times the total estimated cost of any

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

additions, alterations or improvements to be made in or to the Premises, to protect Landlord against any liability for mechanic's and materialman's liens and to insure timely completion of the work. Provided, however, nothing contained herein shall relieve Tenant of its obligation under section 6.3(b) to keep the Premises free of all liens. Tenant shall keep a record of all alterations, additions, improvements and repairs made by Tenant to the Premises, having a useful life of more than three (3) years and exceeding Five Thousand Dollars (\$5,000.00) in value. This dollar threshold shall be adjusted annually by the change in the Consumer Price Index for All Urban Consumers, San Francisco Area (or successor index) for the preceding twelve months for which data is available. Tenant shall keep a record of the annual depreciated value of such additions, alterations, improvements and repairs based on the fixed asset depreciation schedules for public entities set forth in Governmental Accounting Standards Board Statement No. 34 (GASB 34).

f. Unless their removal is required by Landlord as provided in section 6.3(a), all additions, alterations and improvements made on the Premises shall become the property of Landlord and be surrendered with the Premises upon the expiration of the Term of this Lease; provided, however, Tenant's equipment, machinery and trade fixtures which can be removed without damage to the Premises shall remain the property of Tenant and may be removed, subject to the provisions of section 6.1(b).

**ARTICLE 7. INSURANCE AND INDEMNIFICATION.** Tenant shall procure and maintain for the duration of the Term insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Tenant's operation and use of the Premises in accordance with the terms and conditions of this Article 9. The cost of such insurance shall be borne by Tenant.

**7.1 Minimum Scope of Insurance.** The insurance required to be maintained by Tenant shall provide coverage at least as broad as:

- a. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).
- b. Workers' Compensation insurance as required by the State of California and Employer's Liability insurance (for tenants with employees).
- c. Property insurance against all risks of direct physical loss unless otherwise specially excluded.

**7.2 Minimum Limits of Insurance.** Tenant shall maintain limits no less than:

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

- a. General Liability:           **\$1,000,000** per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
  
- b. Employer's Liability:       **\$1,000,000** per accident for bodily injury or disease.
  
- c. Property Insurance:       Full replacement cost with no coinsurance penalty provision.

**7.3 Deductibles and Self-Insured Retentions.** Any deductibles or self-insured retentions must be declared to and approved by Landlord. At the option of Landlord, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects Landlord, its officers, elected and appointed officials, employees, agents and volunteers; or the Tenant shall provide a financial guarantee satisfactory to Landlord guaranteeing payment of losses and related investigations, claim administration and defense expenses.

**7.4 Other Insurance Provisions.** The general liability policy is to contain, or be endorsed to contain, the following provisions:

- a. Landlord, its officers, elected and appointed officials, employees, agents and volunteers are to be covered as insureds with respect to liability arising out of ownership, maintenance or use of that part of the Premises.
  
- b. Tenant's insurance coverage shall be primary insurance as respects Landlord, its officers, elected and appointed officials, employees, agents and volunteers. Any insurance or self-insurance maintained by Landlord, its officers, elected and appointed officials, employees, agents or volunteers shall be excess of Tenant's insurance and shall not contribute with it.
  
- c. Should any of the required insurance policies required by this Lease be cancelled or non-renewed, it is the Tenant's duty to notify the Landlord immediately upon receipt of the notice of cancellation or non-renewal and provide evidence of other coverage.

**7.5 Acceptability of Insurers.** Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

**7.6 Verification of Coverage.** Lessee shall furnish Landlord with original certificates and amendatory endorsements effecting coverage required by this Article 9. The endorsements should be on forms provided by Landlord or on other than the Landlord's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the Landlord before the Commencement Date. Landlord reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

**7.7 Subrogation Waiver.** Landlord and Tenant hereby waive any rights of recovery each may have against the other for any loss or damage to Landlord or Tenant, or their respective property, the Premises or its contents arising from any risk insured by fire, extended coverage and any other property insurance policies in effect at the time of such loss or damage. The foregoing waivers of subrogation shall be effective to the extent permitted by Landlord's and Tenant's respective insurers and provided that no policy of insurance is invalidated as a result of such waivers.

**7.8 Indemnification.** Tenant shall indemnify and hold Landlord, its elected and appointed officials, officers, employees, agents and volunteers harmless against and from liability and claims of any kind including, without limitation, claims for loss or damage to property of Tenant or any other person, or for any injury to or death of any person, arising out of: (a) Tenant's use and occupancy of the Premises, or any work, activity or other things allowed or suffered by Tenant to be done in, on or about the Premises; (b) any breach or default by Tenant of any of Tenant's obligations under this Lease; or (c) any negligent or otherwise tortuous act or omission of Tenant, its agents, employees, invitees or contractors. Tenant shall, at Tenant's sole cost and expense, defend Landlord its elected and appointed officials, officers, employees, agents and volunteers in any action or proceeding arising from any such claim by counsel satisfactory to Landlord and shall indemnify Landlord its elected and appointed officials, officers, employees, agents and volunteers against all costs, attorneys' fees, expert witness fees and any other expenses incurred in or for such action or proceeding.

Landlord shall indemnify and hold Tenant, its elected and appointed officials, officers, employees, agents and volunteers harmless against and from liability and claims of any kind including, without limitation, claims for loss or damage to property of Landlord or any other person, or for any injury to or death of any person, arising out of: (a) Landlord's use of the Premises, or any activity or other things allowed or suffered by Landlord to be done in, on or about the Premises; (b) any breach or default by Landlord of any of Landlord's obligations under this Lease; or (c) any negligent or otherwise tortuous act or omission of Landlord, its agents, employees, invitees or contractors. Landlord shall, at Landlord's sole cost and expense, defend Tenant, its elected and appointed officials, officers, employees, agents and volunteers in any

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

action or proceeding arising from any such claim by counsel satisfactory to Tenant and shall indemnify Tenant, its elected and appointed officials, officers, employees, agents and volunteers against all costs, attorneys' fees, expert witness fees and any other expenses incurred in or for such action or proceeding.

**ARTICLE 8. DAMAGE OR DESTRUCTION.**

**8.1 Damage.**

a. If the Premises are damaged by perils covered by Landlord's insurance, Landlord shall, within ninety (90) days, commence repair, reconstruction and restoration of the Premises and this Lease shall remain in full force and effect.

b. If the Premises are damaged by perils covered by insurance required to be maintained by Tenant hereunder, and if the proceeds received by Landlord from such insurance are not sufficient to complete the required repair, reconstruction and restoration, Landlord shall give Tenant written notice of the amount of the deficiency and Tenant may, within thirty (30) days after receipt of such notice, contribute such amount. If Tenant elects not to contribute such amount, Landlord shall have the right, at Landlord's option, to terminate this Lease with no liability to Tenant. If Tenant elects to contribute such amount, Landlord shall, within ninety (90) days, commence repair, reconstruction and restoration and this Lease shall continue in full force and effect. Tenant shall not have a right of reimbursement from Landlord for any amount contributed under the provisions of this Section 10.1(b).

c. If the Premises are damaged by perils not covered by insurance, Landlord shall repair, reconstruct and restore the Premises, provided, however, if the extent of such damage is greater than twenty five percent (25%) of the total cost for complete restoration of the Premises, excluding therefrom the replacement cost of Tenant's trade fixtures and equipment and the restoration costs of building foundations, then Landlord may elect not to restore the Premises, in which case Landlord shall have the right to terminate this Lease with no liability to Tenant. Landlord shall give Tenant written notice of its election not to restore the Premises within thirty (30) days from the date such damage occurs and if such notice is not given, Landlord shall be deemed to have elected to restore the Premises, in which case Landlord shall commence repair, reconstruction and restoration within ninety (90) days from the end of said thirty (30) day period. If Landlord elects not to restore the Premises Tenant may elect to restore the Premises at Tenant's expense by serving written notice of such election upon Landlord within ten (10) days after receipt of Landlord's notice. If Tenant so elects, this Lease shall remain in full force and effect and Tenant shall, within ninety (90) days, commence repair, reconstruction and restoration of the

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

Premises. Tenant shall not have a right of reimbursement from Landlord for any amount expended by Tenant under the provisions of this Section 10.1(c).

**8.2 Damage - End of Term.** Notwithstanding anything to the contrary contained in this Lease, if the Premises are partially destroyed or damaged during the last six (6) months of the Term hereof, Landlord may elect to terminate this Lease as of the date such destruction or damage occurred with no liability to Tenant, by serving written notice of such election to terminate on Tenant within thirty (30) days from the date such destruction or damage occurred.

**8.3 Complete Destruction.** If the Premises are completely destroyed (excluding foundations) at any time during the Term of this Lease from any cause, whether insured or uninsured, then this Lease shall automatically terminate as of the date of such destruction.

**8.4 Abatement of Rent.** In the event of repair, reconstruction and restoration as provided for under this Article 10, the Rent to be paid by Tenant under Article 3 hereof shall be abated proportionately with the degree to which the Tenant's use of the Premises is impaired, commencing from the date of damage and continuing during the period of such repair, reconstruction and restoration. Tenant shall continue to operate its business on the Premises during any such period to the extent reasonably practicable from the standpoint of prudent business management and the obligation of Tenant to pay rent and additional charges due hereunder shall remain in full force and effect. Tenant shall not be entitled to any compensation or damages from Landlord for loss of use of the Premises or any part thereof, or for any other loss resulting from such damage, repair, reconstruction or restoration.

**ARTICLE 9. CONDEMNATION.**

**9.1 Total Taking.** If the entire Premises are taken under the power of eminent domain, this Lease shall terminate as of the date Tenant is required to vacate the Premises, and Landlord and Tenant shall each thereafter be released from any further liability under this Lease, except, subject to the terms of this Lease, for the return or application of any prepaid rents or security deposits.

**9.2 Partial Taking.** If a portion in excess of twenty-five percent (25%) of the Premises is taken under the power of eminent domain, or if, as a result of any taking regardless of the extent, the remainder of the Premises is not one undivided parcel of property, either Landlord or Tenant may terminate this Lease as of the date Tenant is required to vacate the Premises, by serving written notice of such election within thirty (30) days after receipt by Tenant of written notice from Landlord that the Premises have been so taken. If this Lease is so terminated each party shall thereafter be released from any further liability hereunder. If both parties elect not to

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

terminate this Lease, Tenant shall remain in that portion of the Premises not so taken and, in that event, Landlord agrees, at Landlord's cost and expense, to restore the remaining portion of the Premises as soon as possible to a complete unit of like quality and character as existed prior to such taking; and thereafter the Rent set forth in Article 3 hereof shall be equitably reduced, taking into account the relative value of the portion taken as compared to the portion remaining.

**9.3 Compensation.** In the event of any taking and regardless of whether such taking results in termination of this Lease, Landlord shall be entitled to the entire award or compensation in such proceeding; provided, however, Tenant's right to receive compensation or damages for its fixtures and personal property shall not be affected hereby.

**9.4 Voluntary Sale; Waiver.** For purposes of this Article 11, a voluntary sale or conveyance in lieu of condemnation, under threat of condemnation, shall be deemed a taking under the power of eminent domain. Tenant hereby waives any statutory rights of termination Tenant may have by reason of any partial taking of the Premises under the power of eminent domain.

**ARTICLE 10. ASSIGNMENT, SUBLEASE, TRANSFER.**

**10.1 Definition.** For purposes of this Article 12, the terms "assign" and "assignment" shall include and mean any act attempting to or document purporting to assign, transfer, sublet, enter into license or concession agreements for, change ownership of, mortgage or hypothecate this Lease or Tenant's interest in and to the Premises or any part thereof. Tenant shall not assign this Lease or Tenant's interest in and to the Premises without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, subject to the terms, covenants and conditions contained herein. If the transfer is a sublease of all or part of the Premises or an assignment of this lease, Landlord has the right to terminate this Lease as of the effective date of the assignment or sublease (if less than the entire Premises, for that portion of the Premises subleased or assigned), in which case the Landlord may elect to enter into a direct lease with the proposed assignee or subtenant. Any attempt to assign this Lease without the prior written consent of Landlord shall be a breach hereof, and Landlord may, at Landlord's option, terminate this Lease.

**10.2 Use.** It is expressly agreed that Tenant shall not have the power to assign this Lease or sublet the Premises (a) for any use other than the use specified in Article 7 hereof, (b) to any party, if in Landlord's reasonable business judgment the quality of the business operation is or may be adversely affected thereby, or (c) to any party whose financial worth at the time of any proposed assignment or subletting is less than the financial worth of Tenant as of the date of this Lease, and any such purported assignment or subletting without Landlord's consent shall be void

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

and of no force or effect and shall not confer any benefit or estate on any person, and Landlord shall not be required to terminate this Lease to prevent any such assignment or subletting.

**10.3 Instrument, Consent.** Any assignment to which Landlord has consented shall be by an instrument in writing satisfactory to Landlord, and any assignee, sublessee, transferee, licensee, concessionaire or mortgagee shall agree for the benefit of Landlord to be bound by, assume and perform all the terms, covenants and conditions of this Lease. Consent by Landlord to any assignment shall not constitute consent to any subsequent assignment. Notwithstanding Landlord's consent, Tenant shall remain fully liable hereunder as primary obligor during the unexpired term of this Lease.

**10.4 Rent.** If Tenant assigns its interest in this Lease, the Base Rent provided in Article 3 hereof shall be increased effective as of the date of such assignment based upon the Consumer Price Index for all Urban Consumers, (base year 1998=100) for San Francisco-Oakland published by the U.S. Department of Labor, Bureau of Labor Statistics (the Index). The Index published as of the month prior to the Commencement Date of the Term shall be considered the "the Base Index". The index, which is published most immediately proceeding the date of the assignment shall be considered "the Extension Index". Upon the date of the assignment, the Rent shall be increased by a percentage equal to the percentage increase, if any, in the Extended Index over the Base Index (Adjusted Rent). Notwithstanding any subsequent decrease in the Index, the Adjusted Rent shall not be less than the Rent paid by Tenant.

**10.5 Excess Rent from Assignment or Sub-Tenancy.** Should the Tenant assign or sublet its interests in this Lease, any monies received by Tenant from said assignment or sub-tenancy over and above the amount of Base Rent due Landlord shall be payable to Landlord.

**ARTICLE 11. DEFAULT.**

**11.1 Tenant's Default.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

- a. Abandoning or vacating the Premises; or
- b. Failing to pay any Base Rent, Additional Rent or any other charges when due and payable by Tenant, if such failure continues for ten (10) days after the due date for such payment provided for in this Lease; or
- c. Failure to promptly and fully perform any other covenant, condition or agreement contained in this Lease should such failure continue for thirty (30) days after written notice

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

thereof from Landlord to Tenant; provided, however, if the failure to perform is such that it cannot reasonably be cured within thirty (30) days, Tenant shall not be in default hereunder if Tenant commences to cure within said thirty (30) day period and diligently prosecutes such curing to completion; or

d. Permitting Tenant's assets to be placed in the hands of a receiver or trustee for a period in excess of thirty (30) days; making an assignment for the benefit of creditors; instituting any proceedings under any bankruptcy act wherein Tenant seeks to be adjudicated a bankrupt, to be discharged of its debts or to effect a plan of liquidation, extension or reorganization; failing to have dismissed within sixty (60) days any involuntary proceeding filed against Tenant under any bankruptcy act; becoming insolvent; or failing to have dismissed within thirty (30) days any proceedings seeking to execute or levy against or attach fifty percent (50%) or more of Tenant's assets.

**11.2 Remedies.** In the event of Tenant's default hereunder, in addition to any other rights or remedies, Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind to do the following:

a. Terminate this Lease and Tenant's right to possession of Premises and reenter the Premises and take possession thereof, and Tenant shall have no further claim to Premises or under this Lease; or

b. Continue this Lease in full force and effect, reenter and occupy the Premises for the account of Tenant and collect any unpaid rental or other charges which have or may thereafter become due and payable; or

c. Reenter the Premises under the provisions of subparagraph (b), and thereafter elect to terminate this Lease and Tenant's right to possession of the Premises.

Should Landlord reenter the Premises under the provisions of subparagraphs (b) or (c) above, Landlord shall not be deemed to have terminated this Lease or the obligation of Tenant to pay any rental or other charges thereafter accruing, unless Landlord notifies Tenant in writing of Landlord's election to terminate this Lease in the event of any reentry or retaking of possession by Landlord. Landlord shall have the right, but not the obligation, to remove all or any part of the personal property in the Premises and to place such property in storage at a public warehouse at the expense and risk of the Tenant.

Should Landlord elect to terminate this Lease under the provisions of subparagraph (a) or (c) above, Landlord may recover as damages from Tenant the following:

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

1. The worth at the time of award of any unpaid Rent and Additional Rent which had been earned at the time of termination; plus
2. The worth at the time of the award of the amount by which the unpaid Rent and Additional Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Tenant proves could have been reasonably avoided; plus
3. The worth at the time of the award of the amount by which the unpaid Rent and Additional Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus
4. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to any costs of expenses including attorneys' fees, incurred by Landlord in (a) retaking possession of the Premises, (b) maintaining the Premises after Tenant's default, (c) preparing the Premises for reletting to a new tenant including any repairs or alterations and (d) reletting the Premises including broker's commissions.

"The worth at the time of the award," as used in (1) and (2) above, is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award," as used in (3) above, is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the location of the Premises at the time of the award plus one percent (1%).

The waiver by Landlord of any breach of any term, covenant or condition of this Lease shall not be deemed a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition. Acceptance of Rent and/or Additional Rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular Rent also accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rental. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

**11.3 Landlord's Default.** If Landlord fails to perform any covenant, condition or agreement contained in this Lease within thirty (30) days after receipt of written notice from Tenant specifying such default, or if such default cannot reasonably be cured within thirty (30) days, if Landlord fails to commence to cure within said thirty (30) day period, then Landlord

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

shall be liable to Tenant for any damages sustained by Tenant as a result of Landlord's breach; provided, however, it is expressly understood and agreed that if Tenant obtains a money judgment against Landlord resulting from any default or other claim arising under this Lease, such judgment shall be satisfied only out of rents, issues, profits and other income actually received on account of Landlord's right, title and interest in the Premises or in the building of which the Premises are a part and the underlying real property, and no other real, personal or mixed property of Landlord wherever situated, shall be subject to levy to satisfy any such judgment. Tenant shall not have the right to terminate this Lease or to withhold, reduce or offset any amount against any payments of rent or any other charges due and payable hereunder.

**ARTICLE 12. CONDUCT OF BUSINESS.** Tenant covenants and agrees that from and after the Commencement Date of this Lease, Tenant will continuously and uninterruptedly operate and conduct within the Premises the business it is permitted to operate and conduct under the provisions of this Lease, except while the Premises are untenable by reason of fire or other casualty.

**ARTICLE 13. GENERAL PROVISIONS**

**13.1 Transfer of Landlord's Interest.** In the event of any sale, transfer, or reversion by Landlord of the Premises or the building of which the Premises are a part, and assignment of this Lease by Landlord, Landlord shall be and is hereby entirely freed and relieved of any and all liability and obligations contained in or derived from this Lease arising out of any act, occurrence or omission relating to the Premises or this Lease occurring after the consummation of such sale or transfer, provided the purchaser shall expressly assume all of the covenants and obligations of Landlord under this Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit or prepaid rent to Landlord's successor and upon such transfer, Landlord shall be relieved of any and all further liability with respect thereto.

**13.2 Estoppel Statement.** Upon not less than ten (10) days prior written request from Landlord, Tenant shall execute and deliver to Landlord or Landlord's designee, a written statement certifying (a) that this Lease is unmodified and in full force and effect, or in full force and effect as modified and stating the modifications; (b) the amount of Rent and the date to which said rent and other charges have been paid in advance; (c) the amount of any security deposited with Landlord; and (d) that Landlord is not in default hereunder or, if Landlord is claimed to be in default, stating the nature of any claimed default. Any such statement may be relied upon by a purchaser, assignee or lender. Tenant's failure to execute and deliver such statement within the time allowed shall be conclusive upon Tenant that: (1) this Lease is in full force and effect and has not been modified except as represented by Landlord; (2) there are no

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

uncured defaults in Landlord's performance and that Tenant has no right of offset, counter-claim or deduction against rental; and (3) not more than one month's rent has been paid in advance.

**13.3 Financial Statement.** Upon request from Landlord, Tenant agrees to deliver to Landlord and/or any holder of a mortgage or deed of trust and/or to a mortgage, deed of trust beneficiary or proposed mortgages or deed of trust beneficiary, upon fifteen (15) days written request therefor, such financial information as may be required by such party. Landlord agrees that such information, if confidential, shall to the extent permitted by law, be held in confidence and disclosed only for the purposes and to the parties set forth above.

**13.4 Subordination; Attornment.** Upon written request of Landlord, or any first mortgagee, first deed of trust beneficiary of Landlord, or lessor of Landlord, Tenant shall, in writing, subordinate its rights hereunder to the lien of any first mortgage, first deed of trust, or the interest of any lease in which the Landlord is lessee, and to all advances made or hereafter to be made upon the security therefor; provided, however, prior to executing any such subordination agreement, Tenant shall have the right to obtain from any lender or lessor of Landlord requesting such subordination, an agreement in writing providing that, as long as Tenant is not in default hereunder, this Lease shall remain in full force and effect for the full Term hereof. The holder of any security interest may, upon written notice to Tenant, elect to have this Lease prior to such security interest regardless of the time of granting or recording such security interest.

In the event of any foreclosure sale, transfer in lieu of foreclosure or termination of the lease in which the Landlord is lessee, Tenant shall attorn to the purchaser, transferee or lessor as the case may be, and recognize such party as Landlord under this Lease, provided such party acquires and accepts the Premises subject to this Lease.

**13.5 Access to Premises.** During any emergency, Landlord may enter the Premises at any time without any notice to Tenant required.

**13.6 Holding Over.** If Tenant, with Landlord's consent, retains possession of the Premises after the expiration of the Term or termination of the Lease, such possession shall be deemed to be a month-to-month tenancy terminable upon thirty (30) days written notice given at any time by either party. During any such month-to-month tenancy Tenant shall pay Base Rent as required by this Lease and such month-to-month tenancy shall be subject to all provisions of this Lease except those pertaining to Term.

**13.7 Merger.** The voluntary or other surrender of this Lease by Tenant or termination hereof shall not cause a merger but shall, at Landlord's option, terminate any existing subtenancies or operate as an assignment to Landlord of any such subtenancies.

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

**13.8 Recording.** This Lease shall not be recorded by either Landlord or Tenant, provided, however, upon obtaining the prior written consent of the other party, either party may record a memorandum of lease.

**13.9 Prior Agreements; Amendments.** This Lease represents the entire agreement between the parties pertaining to the Premises and supersedes and cancels any and all previous negotiations, arrangements, representations, agreements and communications between the parties whether written or oral, and none of the foregoing shall be used to construe or interpret this Lease. This Lease may be amended or modified only by written agreement of all parties.

**13.10 Attorneys' Fees.** In the event of any action or proceeding brought by either party against the other pertaining to or arising out of this Lease, the finally prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred on account of such action or proceeding.

**13.11 Remedies; Choice of Law.** No remedy or election exercised hereunder shall be deemed exclusive but shall be cumulative with all other remedies at law or in equity. This Lease shall be governed by the laws of the State of California. Venue shall be in Marin County, California.

**13.12 Successors and Assigns.** Subject to the provisions regarding assignment contained herein, this Lease shall apply to and bind the heirs, personal representatives, successors and assigns of the parties hereto.

**13.13 Severability.** A final determination by a court of competent jurisdiction that any provision of this Lease is invalid shall not affect the validity of any other provision, and any provision so determined to be invalid shall, to the extent possible, be construed to accomplish its reflected intent.

**13.14 Authority.** By their signatures below, each of the following represent that they have the authority to execute this Agreement and to bind the party on whose behalf their execution is made. When this Lease calls for action or approval to be taken by the City such action or approval shall be undertaken by the City Manager or his designee; provided, however, that the City Manager may determine in his sole and absolute discretion that the action requires approval by the City Council. When this Lease calls for action or approval to be taken by SMFPD such action or approval shall be undertaken by the Fire Chief or his designee; provided, however, that the Fire Chief may determine in his sole and absolute discretion that the action requires approval by the SMFPD Board.

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT**  
**333 JOHNSON STREET**  
**SAUSALITO, CALIFORNIA**

**13.15 Signs.** Tenant shall not, without Landlord's written consent, place, construct, maintain or permit the placement of any sign, advertisement, name, insignia, trademark, or similar item on the exterior side walls, rear wall or roof of the Premises or of the building of which the Premises are a part. Landlord shall have the right to approve or disapprove the use of any sign, advertisement, name insignia, trademark, or similar item to be placed, constructed, or maintained on the exterior front wall of the Premises or of the building of which the Premises are a part. In addition to the foregoing, Tenant shall comply with all applicable provisions of the Sausalito Municipal Code regarding such signs. Tenant shall have the right to maintain, place, or construct whatever signs Tenant wants on the interior walls of the Premises so long as such construction does not constitute an alteration to the Premises as defined herein.

**13.16 Time of Essence.** Time is of the essence in the performance of each and every term, covenant and condition of this Lease.

**13.17 Covenants and Conditions.** Each and every provision of this Lease to be performed by Tenant shall be deemed both a covenant and condition.

**13.18 Captions.** The article and section captions contained herein are for reference purposes only and are not a part of this Lease.

**13.19 Waiver.** A waiver by Landlord of any breach or default shall not be deemed a waiver of any other breach or default. Landlord's consent to or approval of any act by Tenant requiring such consent or approval shall not be deemed to waive or abrogate the requirement of Landlord's consent or approval of any subsequent or similar act.

**13.20 No Setoffs.** All payments to be made by Tenant hereunder shall, unless otherwise expressly provided, be paid to Landlord without notice or demand and without adjustment, deduction or setoff, in lawful money of the United States.

**13.21. Force Majeure.** Any provision, delay or stoppage which is due to strikes, labor disputes, inability to obtain labor, materials, equipment or reasonable substitutes therefor, acts of God, governmental restrictions or requisitions or controls, judicial orders, enemy or hostile government actions, civil commotion, fire or other casualty, or other causes beyond reasonable control of the party obligated to perform hereunder, shall excuse performance by such party for a period equal to the duration of such prevention, delay or stoppage, except where such performance is the payment of rental or other charges to be paid by Tenant pursuant to the provisions of this Lease.

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT  
333 JOHNSON STREET  
SAUSALITO, CALIFORNIA**

**13.22 Notices.** Wherever in this Lease it is required or permitted that notice or demand be given or served by either party to this Lease to or on the other, such notice or demand shall be in writing and shall be deemed duly served or given only if personally delivered or sent by United States mail, certified or registered, postage prepaid, to the address of the parties as specified below.

To Landlord

To Tenant

THE CITY OF SAUSALITO  
CITY MANAGER  
CITY OF SAUSALITO  
420 LITHO STREET  
SAUSALITO, CA 94965

SOUTHERN MARIN FIRE PROTECTION DISTRICT  
308 REED BOULEVARD  
MILL VALLEY, CA 94941

Landlord and Tenant may change their respective addresses for notices by giving notice of such new address in accordance with this section 13.22.

**13.23 Brokers.** Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease.

**13.24 Keys.** In the event Tenant changes the access code, door hardware, locks, or tumblers to Premises, Tenant shall provide Landlord with the access code and/or a set of keys to all said changed locks within twenty (24) four hours of said change. In the event Tenant fails to provide said keys within five (5) days of written demand of Landlord, then Landlord may change said access code and/or locks at Tenant's expense and provide Tenant with new keys and/or access codes

[SIGNATURES ON FOLLOWING PAGE]

**LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT  
333 JOHNSON STREET  
SAUSALITO, CALIFORNIA**

**LANDLORD:**

**CITY OF SAUSALITO**, a municipal  
corporation

Dated: \_\_\_\_\_, 2011

By: \_\_\_\_\_  
Herb Weiner, Mayor

**ATTEST:**

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
City Attorney

**TENANT:**

**SOUTHERN MARIN FIRE PROTECTION  
DISTRICT**, a special district formed and  
operating pursuant to the Fire Protection District  
Act of 1987

Dated: \_\_\_\_\_, 2011

By: \_\_\_\_\_  
Printed name: \_\_\_\_\_

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT  
333 JOHNSON STREET  
SAUSALITO, CALIFORNIA

APPROVED AS TO FORM:

\_\_\_\_\_  
SMFPD Attorney

# Exhibit "A"

## Sausalito Fire Station Furnishings Tranferred to Southern Marin Fire Protection District

Room	Item Number	Item Description	Quantity	Category Total	
Fire Marshal	207 RPF1827BP STEELCASE	Pedestal-Fixed, 2 File Drawers	2	7798.5	
	RPF1827AP STEELCASE	Pedestal-Fixed, 2 Box/1 File Drawer	2		
	LSM48K STEELCASE	Light-Shelf, Electronic Ballast	2		
	X3D000601	Screen-Core Mounted, Straight, 20x60	1		
	X3D000481 STEELCASE	Screen-Core Mounted, Straight, 20x48	1		
	XBB48 STEELCASE	Cabinet Package-Overhead, Single Door	1		
	XBB54 STEELCASE	Cabinet Package-Overhead, Double Door	1		
	X1AR24483 STEELCASE	Core Unit-Straight, End/Inside Supports	1		
	X1AR24603	Core Unit-Straight, End/Inside Supports	1		
	X1AL24540	Core Unit-Straight, End/Inside Supports	1		
	X1AR24548	Core Unit-Straight, End/Inside Supports	1		
	Impress	Task Chair	2		747.9
	Lieutenant	202 LS1FSC STEELCASE	Cord-Starter, Daisy Chain, 6-1/2'		1
LSM48KFD STEELCASE		Light-Shelf, Economizer Electronic	2		
RPF1827AP STEELCASE		Pedestal-Fixed, 2 Box/1 File Drawer	1		
RPF1827BP		Pedestal-Fixed, 2 File Drawers	1		
XBB72		Cabinet Package-Overhead, Double Door	1		
XBB48 STEELCASE		Cabinet Package-Overhead, Single Door	1		
X3F000720		Screen-Core Mounted, Corner, Right Hand	1		
X3F000483		Screen-Core Mounted, Corner, Right Hand	1		
X1AI24242		Core Unit-Straight, Inside/ Inside	1		
TaskChair-Impress		TaskChair-Impress	1	525	
GuestChair-Peretti		GuestChair-Peretti	1	350	
X1NL24725		Core Unit-Corner, Extended	1		
X1MR32727		Core Unit-Corner, Extended	1		
Chief	204 LS1FSC STEELCASE	Cord-Starter, Daisy Chain, 6-1/2'	1	9299.49	
	LSM48KFD STEELCASE	Light-Shelf, Economizer Electronic	2		
	X3D000728	Screen-Core Mounted, Straight, 20x7	1		
	X3E000482	Screen-Core Mounted, Corner, Left Hand	1		
	XBB72	Cabinet Package-Overhead, Double Door	1		
	XBB48 STEELCASE	Cabinet Package-Overhead, Single Door	1		
	RPF1827AP STEELCASE	Pedestal-Fixed, 2 Box/1 File Drawer	1		
	X1DR24668	Table-Jetty, Conference/Inside Supports	1		
	X1AI24242	Core Unit-Straight, Inside/ Inside	1		
	X1NL24608	Core Unit-Corner, Extended	1		
	Arc	Guest Chair	4		1588.2
	Cinturon	Task Chair	1		873
	Captain	205 LS1FSC STEELCASE	Cord-Starter, Daisy Chain, 6-1/2'		1
LSM48KFD STEELCASE		Light-Shelf, Economizer Electronic	2		
X3D000728		Screen-Core Mounted, Straight, 20x7	1		

5a  
112

	X3E000483	Screen-Core Mounted, Corner, Right Hand	1		
	XBB72	Cabinet Package-Overhead, Double Door	1		
	XBB48 STEELCASE	Cabinet Package-Overhead, Single Door	1		
	RPF1827AP STEELCASE	Pedestal-Fixed, 2 Box/1 File Drawer	1		
	X1DL24660	Table-Jetty, Conference/Inside Supports	1		
	X1AI24242	Core Unit-Straight, Inside/ Inside	1		
	X1MR24605	Core Unit-Corner, Extended	1		
	Arc	Guest Chair	4	1588.2	
	Cinturon	Task Chair	1	873	
Other	RLF18425P	Lateral File-1 Lift Up Door/Fixed Shelf	3		3608.64
	210 800RW	Rails	37		479.52
202, 204, 2	RLF18362P	Lateral File-2 Dr	3		2145.6
	201 RLF18363P	Lateral File-3 Dr	2		1862.4
Dorms	TwinXLMattress Simmor	TwinXLMattress SimmonsBeautyrestClassic	15	689	10335
	Headboards	Headboards	15	115	1725
	Nightstand-	Nightstand-	15	146	2190
	Desk	Desk	5	238	1190
	Chair- Peretti	Chair- Peretti	4	354.9	1419.6
	Blankets and mattress pac	Blankets and mattress pads			2125
Patio	Tropitone-	Tropitone-	2	388.32	776.64
	Chairs-TropitoneOpus8	Chairs-TropitoneOpus8	8	156	1248
	Umbrella-8'/base	Umbrella-8'/base	2	523.42	1046.84
	Planters	Planters	2		1681
	212 Table-	Table-	1		2232.9
Dayroom	Dunhill Round Sta Tables	Dunhill Round Sta Tables	2	591.75	1183.5
	DiningChairs- Peretti	DiningChairs- Peretti	8	500	4000
	Stools	Stools	3	400	1200
	Console/Cabinet	Console/Cabinet	1	500	500
	Recliners	Recliners	5	849.95	4249.75
	OccasionalTables	OccasionalTables	3	525	1575
	DoublePed.Desk	DoublePed.Desk	1	2000	2000
	TaskChair-Impress	TaskChair-Impress	1	525	525
	EntertainmentConsole1	EntertainmentConsole1	2	2150	4300
	201 U-desk	U-desk	1		6852
Admin/Rec	TaskChair-Impress	TaskChair-Impress	1	373.95	373.95
	Lounge Chairs	Lounge Chairs	2	500	1000
	Table	Table	1	500	500
	118 Task Chair	Task Chair	1	373.95	373.95
Radio	102 FoldingTable-	FoldingTable-	8	530.1	4240.8
EOC/Train	Chairs-	Chairs-	16	386.05	6176.8

5a  
113

	Cart/Lecturn	Cart/Lecturn	1		3354.75
101	LoungeChair	LoungeChair	3	400-950	1500
Lobby	OccasionalTable	OccasionalTable	1	500	500
		<b>Sub-Total</b>			<b>\$102,353.05</b>
		<b>3% Depreciation</b>			<b>3070.5915</b>
					<b>\$99,282.46</b>

52  
114

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT  
333 JOHNSON STREET  
SAUSALITO, CALIFORNIA

Exhibit B

Date of Effectiveness of Annexation: \_\_\_\_\_



**Attachment IV:**

**Property Tax Agreement – “A Resolution of the City Council of the City of Sausalito Accepting a Negotiated Exchange of Property Tax Revenues Between the City of Sausalito and the Southern Marin Fire Protection District”**

RESOLUTION NO. \_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAUSALITO ACCEPTING A NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUES BETWEEN THE CITY OF SAUSALITO AND THE SOUTHERN MARIN FIRE PROTECTION DISTRICT

**WHEREAS**, in the case of a jurisdictional change other than a city incorporation or district formation which will alter the service area of responsibility of a local agency, Revenue and Taxation Code Section 99(a)(1) requires that the amount of property tax revenue to be exchanged, if any, among the affected local agencies shall be determined by negotiation; and

**WHEREAS**, when a special district is involved, the negotiations are conducted by the Board of Supervisors of the County on behalf of the district, pursuant to Revenue and Taxation Code Section 99(b)(5); and

**WHEREAS**, Revenue and Taxation Code Section 99(b)(6) requires that each local agency, upon completion of negotiations, adopt resolutions whereby said local agencies agree to accept the negotiated exchange of property tax revenues, if any, and requires that each local agency transmit a copy of each such resolution to the Executive Officer of the Local Agency Formation Commission; and

**WHEREAS**, no later than the date on which the certificate of completion of the jurisdictional change is recorded with the County Recorder, the Executive Officer shall notify the County Auditor of the exchange of property tax revenues by transmitting a copy of said resolution to the County Auditor, and the County Auditor shall thereafter make the appropriate adjustments as required by law; and

**WHEREAS**, the negotiations have taken place concerning the transfer of property tax revenues between the City of Sausalito and the Southern Marin Fire Protection District pursuant to Section 99(a)(1), for the jurisdictional changes designated as Annexation No. 1 to the Southern Marin Fire Protection District, and

**WHEREAS**, the negotiating parties have negotiated the exchange of property tax revenue between such entities as hereinafter set forth.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Sausalito as follows:

1. That the City of Sausalito agrees to accept the following negotiated exchange of property tax revenues:

- a. For fiscal year 2012-13, the City of Sausalito shall transfer to the Southern Marin Fire Protection District \$2,667,250.00 of the City's secured and unsecured property tax revenue and Homeowners Property Tax Relief (HOPTR) subvention revenue, collectively referred to as "Property Tax Revenue".
  - b. For fiscal year 2013-2014, and subsequent fiscal years, the City of Sausalito shall transfer to the Southern Marin Fire Protection District the percentage of the total City of Sausalito Property Tax Revenue in fiscal year 2012-13 that is represented by \$2,667,250.00, as reflected in Exhibit "A".
  - c. If the effective date of the annexation ("Annexation Date") is prior to July 1, 2012, the City of Sausalito shall pay to the Southern Marin Fire Protection District, within 60 days following the Annexation Date, \$7,308 for each day between the Annexation Date and July 1, 2012.
2. That the City of Sausalito agrees that all of the exchanges of Property Tax Revenue required by this Resolution shall be made by the County Department of Finance.
  3. That the City Clerk is authorized and directed to transmit a certified copy of the resolution to the Executive Officer of the Marin County Local Agency Formation Commission, who shall then distribute copies in the manner prescribed by law.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Sausalito on the \_\_\_\_ day of \_\_\_\_\_, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

---

MAYOR OF THE CITY OF SAUSALITO

5a  
119



**Attachment V:**

**Citygate Associates Report "Sausalito and Southern Marin Fire Protection District  
Fire Phase I Briefing with FY 2009-10 Data"**

---

# CITYGATE ASSOCIATES, LLC

---

■ FOLSOM (SACRAMENTO), CA

MANAGEMENT CONSULTANTS ■

■ ■

## SAUSALITO AND SOUTHERN MARIN FIRE PROTECTION DISTRICT

### FIRE PHASE I BRIEFING WITH FY 2009-10 DATA

*April 28, 2011*

■ ■



■ 2250 East Bidwell St., Ste #100 ■ Folsom, CA 95630  
(916) 458-5100 ■ Fax: (916) 983-2090



50  
122

---

# SAUSALITO AND SOUTHERN MARIN FIRE PROTECTION DISTRICT FIRE PHASE I BRIEFING WITH FY 2009-10 DATA

## *EXECUTIVE SUMMARY*

---

Both the City of Sausalito (City) and Southern Marin Fire Protection District (District), 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 agencies have 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 leadership, safety and tactical procedures, equipment and training. Given these issues, 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, three plus station fire department.

Prior to the present contract for headquarters services, the City of Sausalito did not pay for a complete headquarters team. While meeting the needs of that period, that structure today could not meet current fire service regulatory needs.

Under any likely realistic fire crew and headquarters-staffing plan it would be most cost effective for the City to provide fire services in a partnership via either a full contract for service or merging the City into the Fire District. The current headquarters cost apportionment formula is unrealistically low and not sustainable going forward. At a minimum, Sausalito has to deal with expensing the full cost of shared fire headquarters and incident command needs.

Even with paying the true-shared costs of fire headquarters services, the City also will save the hard to estimate, but real time "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.

---

## 1. BACKGROUND

---

The City of Sausalito and Southern Marin Fire Protection District requested assistance with analyzing the feasibility of more completely merging some or all of the City and District's Fire Service operations in order to gain greater economies of scale, avoid fiscal, governance and operational duplication and where needed, improve service. Thus, this study covers the possibilities from full consolidation of the agency fire services with various possible governance arrangements such as: District boundary modification; creation of a new Fire District or a JPA; a modification of the present contract for service(s); or if significant impediments are found, no change at all in the present fire service contract arrangement could be a result.

For the City of Sausalito this study developed a cost model illustrating the costs of staffing, station and major equipment needed if the City of Sausalito were to operate its own stand-alone fire department in lieu of any of the other alternatives included in this study. This will permit the City to compare a continued co-joined operation or a merger with the District with the cost and feasibility of re-establishing its own fire department.

The study also included a comprehensive review of the City and District's fire services funding mechanisms and agreements to include all current and potential revenue sources and the resultant impacts or not of an expanded contract for service or annexation to the District.

### 1.1 Study Approach

This study is phased to allow the agencies to guide the direction of the study as the facts and policy choices become clear along the way. Both agencies in the study can then understand the basic findings and direct in-depth research to those areas best fitting a chosen policy goal. This is important given that this study involves both the City and District, so that each agency feels their issues have been given the appropriate due diligence.

This Executive Level Summary report presents the City and the District the feasibility analysis of the various alternatives for providing fire services.

#### *Phase I – Feasibility Analysis*

- ◆ *Intent:* This phase of the study analyzes the costs, service and governance benefits to the taxpayers of the City and District from alternative service and governance arrangements different from that presently used by the City and the District in the following detail.
- ◆ Identifies current costs of fire services for each agency, staffing requirements, administrative and technical support; facility requirements and responsibilities, and cost sharing.
- ◆ Performs an organizational comparison of the two agencies.
- ◆ Provides a salary and benefit comparison.
- ◆ Assesses the various forms of continued cooperation including annexation of the City into the District, an expanded contract for service between the two agencies, and various governance arrangements.

- ◆ Identifies overall cost, and potential areas of financial savings at a macro level for the most feasible alternatives,
- ◆ For the City of Sausalito, the study provides a cost model illustrating the cost of staffing, station and major equipment needed if the City of Sausalito were to re-establish and operate its own fire department.
- ◆ Identifies the legal requirements under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 for annexation of the City into the Fire District.
- ◆ Describes the re-allocation of property tax revenues if the City were to be annexed into the District for fire service purposes.
- ◆ Presents cost allocation and apportionment options for all aspects of the proposal, including a comparison of the current cost share formula for the Headquarters services with appropriate alternative formulas.
- ◆ Makes recommendations as to the feasibility of a merger, consolidation or contract that will maintain or enhance the current level of fire protection services.

At the conclusion of the feasibility analysis and following policy choices by the City and the District regarding their preferred alternative for merger, contract for service and governance arrangements, Citygate could assist in implementation. This phase could include some or all of the following:

*Phase II – Implementation*

- ◆ *Intent:* Assist the City and District in assessing the detailed steps to implement a chosen alternative and assessing the best approach to deal with various specific implementation issues.
- ◆ Review and recommend approaches to implementation issues, including training, apparatus maintenance, co-located prevention with different service options, legal services, risk management, information systems and personnel administration.
- ◆ Address detailed governance agreements, command and control issues including but not limited to: board makeup, command staff, and succession planning.
- ◆ LAFCO mechanics if annexation to the District is the most viable path.

**1.2 Fire Services Provided by the City and the District**

In 2004 the City and the District functionally consolidated their two fire agencies through a Limited Joint Powers Agreement. In 2006 and 2008 the terms of this consolidation were refined through additional agreements. This functional consolidation was in recognition of the fact that both agencies had been operating separate fire departments that cooperated actively in emergency response. However, neither agency had sufficient resources by itself to respond to major emergency situations such as multiple injury accidents or serious building fires; the agencies were heavily reliant upon each other to not only respond jointly but also to provide backup response when one agency was already fully occupied with a prior emergency call.

5a  
125

The City was supervising its fire department with one Fire Chief and no other Chief Officers to assume either administrative duties or to provide "incident command" at the emergency scene. The City and the District concluded that it was more cost-effective for the City to contract with the District to provide administrative services. In practice, then, the District directly supervised the daily activities of the Sausalito fire fighters and integrated them into the District work force, although the fire fighters remained on the City payroll. Emergency scene "incident command" was also provided by the District Battalion Chiefs assigned as shift supervisors.

The currently budgeted fire services staffing of the two agencies is as follows:

**Currently Budgeted Fire Emergency Services Staffing**

Position	Agency	
	So Marin	Sausalito
<b>Headquarters</b>		
Fire Chief	1	
Deputy Chief	1	
Admin Services Mgr	1	
Financial Mgr	0.4	
Admin Clerk	0.3	
<b>Total</b>	<b>3.7</b>	
<b>Line Operations</b>		
Battalion Chief	3	
Captain	6	3
Paramedic/Firefighter	9	6
Firefighter/Engineer	15	6
<b>Total</b>	<b>33</b>	<b>15</b>

With fire services line personnel from both agencies working under supervision provided by the District and with the personnel functioning as a single operating unit, the City and the District brought the salaries and benefits for their respective employees into alignment so that they are nearly identical.

The principal difference in benefits and contract terms are:

*Sausalito*

1. Unused vacation carryover provision slightly more restrictive than the District. 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.

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.

The current workload and costs for the co-joined fire services of the two agencies are:

**Workload and Costs**

	Sausalito	Southern Marin FPD
Population	7,596	21,500
Calls for Service (2008-10 three year average)	847	1,130
Expenditures FY 2009-10 (less large capital and vehicle replacement fund payments)	\$2,931,048*	\$8,255,085

*\*Of the FY 2009-10 actual expenditures, \$108,415 was for payment of the administrative services under the contract with the Southern Marin FPD.*

**1.3 Fiscal Health of the Agencies and Condition of Fire Equipment**

As the City and the District consider alternatives that will more fully merge the two departments, the current fiscal health of each agency and the condition of fire equipment is important background.

5a  
127

**Southern Marin FPD**

1. Reserve for Station and Equipment Capital and Contingencies June 2010: \$4,689,770.
2. Revenue in Excess of Expenditures (before capital expenditures): Avg annual over the past 3 years = **\$675,191**. The District purchases equipment with cash from reserves.
3. Assessed Value has not declined through the January 2010 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 \$815,376 in FY 2009-10 or about 9 percent of annual revenue.
5. Expenditures, excluding large capital replacements, have been consistently less than revenue over the past five years, permitting the accumulation of funds for the replacement and major repair of equipment and facilities.

**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
2008-09	\$9,239,726	\$8,349,011
2009-10	\$8,999,717	\$8,255,085

6. Southern Marin FPD has an unfunded liability for retiree medical benefits of \$6,456,667, which increases to \$8,379,755 when the cost of future employee service is included. The District can continue paying retiree medical costs on a Pay As You Go Basis, or select an alternative that increases its current annual costs to prefund this unfunded liability for future benefits. The District's current policy is to continue the present Pay As You Go method of funding the benefit.
7. Long-Term retirement costs have been *reduced*, since the District adopted a two tier retirement system with new employees under a '3 percent at 55' retirement formula.
8. Apparatus is in good shape, not too old, and is being replaced with cash when needed. In addition to the vehicles below, Southern Marin has two 2006 S MEMPS ambulances.

52  
128

**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	2010	Front Line	\$40,000
Ford/Explorer	Utility	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	Reserve	\$450,000
Pierce	Type 1 Pumper	2009	Front Line	\$450,000

***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.

**Total Revenue and Expenditures**

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	\$148,645	\$2,593,587	\$193,388	\$104,652	\$165,593	\$3,057,220
2009-10	\$110,702	\$2,587,364	\$235,269	\$108,415	\$190,081	\$3,121,129

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

52  
129

liability as of the most recent actuarial report 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.

3. The assessed value of property in Sausalito has remained relatively stable during the recession, much like the experience of the District. However, the City, with a more diversified source of revenue and broader service responsibilities than the District, has suffered a loss in other revenue categories that constrains its ability to support larger appropriations for all General Fund services such as fire.
4. Apparatus is in good shape. The City will not need to purchase a Type 1 Pumper for another 8-10 years. The City recently replaced the ladder truck in a shared arrangement with neighboring agencies. In addition to the vehicles below, Sausalito has one 2003 S MEMPS ambulance.

**Sausalito FD Apparatus**

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
Pierce 105' (Joint ownership by 5 fire agencies)	Quint	1994	Front Line	\$850,000
Achilles 16'	Inflatable Rescue Boat	2002	Front Line	\$25,000
Metal Craft 30'	Fire Boat	2004	Front Line	\$350,000

**2. ALTERNATIVES TO THE CURRENT CONTRACT ARRANGEMENT BETWEEN SAUSALITO AND THE SOUTHERN MARIN FPD**

The City and the District want to assess the advantages and disadvantages of more completely merging their two fire operations by examining the several alternatives to the current contract arrangement. The operations now are nearly completely merged with one principal exception. Fifteen (15) of the line firefighting staff are still on the City payroll while being supervised by District personnel. Several additional outstanding issues also need to be addressed and resolved, including a formula for allocation of costs of a merged operation and whether or not the City of Sausalito can cost effectively separate from the District and operate its own fire department.

5a  
130

In assessing the alternative methods of more completely merging the two operations and addressing the other issues, there is some important background information that needs to be understood first.

## 2.1 Background Information

When the City of Sausalito was operating its own Fire Department until about 6 years ago, the department functioned with only one Chief Officer, part time clerical support and 17 line personnel. The City also staffed a full-time 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 was 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. There have been a number of new state and federal laws, regulations, and court cases that limit the flexibility of cities in determining their staffing levels, training, and methods of operation. These are given an abbreviated overview below:

1. 1999 OSHA Staffing Policies – Federal OSHA applied the confined space safety regulations for work inside tanks and underground spaces to America's firefighters. This requires in atmospheres that are "IDLH" (Immediately Dangerous to Life and Health) that there be teams of two inside and two outside in constant communication, and with the outside pair equipped and ready to rescue the inside pair. This situation occurs in building fires where the fire and smoke conditions are serious enough to require the wearing of self-contained breathing apparatus (SCBA). This is commonly called the "2-in/2-out" policy. This policy requires that firefighters enter serious building fires in teams of two, while two more firefighters are outside and immediately ready to rescue them should trouble arise.

While under OSHA policy one of the outside "two-out" personnel can also be the Incident Commander (typically a Chief Officer) or fire apparatus operator, this person must be fully suited-up in protective clothing, have a breathing apparatus donned except for the face piece, meet all physical requirements to enter IDLH atmospheres and thus be ready to immediately help with the rescue of interior firefighters in trouble. However, given these stipulations and the operating complications they cause, the automatic aid partnership to which the City belongs, does not recognize the Incident Commander as one of the "two out" personnel, since to send the Incident Commander inside to perform a firefighter rescue means the incident totally loses command and control, generating more safety problems.

52  
131

2. May 2001 National Staffing Guidelines – The National Fire Protection Association (NFPA) Standard on Career Fire Service Deployment was issued seven years ago. While *advisory* to local governments, as it starts to become locally adopted and used, it develops momentum, forcing adoption by neighboring communities. NFPA 1710 calls for four-person fire crew staffing, arriving on one or two apparatus as a “company.” The initial attack crew should arrive at the emergency within four minutes travel time, 90 percent of the time, and the total effective response force (first alarm assignment) shall arrive within eight minutes travel time, 90 percent of the time.
3. The on-scene Incident Commanders (Battalion Chiefs) at Hazardous Materials Incidents must have certification compliant with NFPA 472, Standard for Emergency Response to Hazardous Materials Incidents. This is also now an OSHA requirement.
4. CAL OSHA Requirements – Among the elements required is a safety orientation for new employees, a hazard communications system for employees to communicate hazards to supervisors, the CAL-OSHA process for post injury reviews, the required annual report of injuries, and a standard for safety work plans. Employers have many different responsibilities under the Occupational Safety and Health Act of 1970 and the Code of Federal Regulations (CFR). Initially OSHA focused its efforts on the private sector; more recently, it has turned its attention to the public sector and specifically the fire service.
5. 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 certification of Incident Commanders.

Fire Captains are not trained or typically experienced enough to be full-time Incident Commanders. They are “front line supervisors” in charge of one crew and as such must stay in close contact with that crew during firefighting activities out of the direct sight of the Incident Commander. The first or second arriving Fire Captain is trained to take command, but only temporarily until the arrival of an Incident Commander (Chief Officer).

Therefore if a city or district 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, Sausalito cannot now 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 Sausalito 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, all of whom should 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
- ◆ 1 Fire Marshal or Fire Prevention Specialist
- ◆ 3 Battalion Chiefs to provide 24/7/365 incident command and station supervision/training
- ◆ 1 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 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 provide for 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 was \$108,415 for the 2009-10 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

52  
133

---

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 the City could choose to 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.

## **2.2 Contract for Service Alternatives**

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, and 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 and employer liability obligations. 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 \$2,597,633,714 while in the District it is \$4,816,258,598.

52  
134

## Population

The present estimated population of the District is estimated to be 21,500, while the latest State Department of Finance estimated population for the City is 7,596.

## Calls for Service

The District responded to an annual average of 1,977 calls for service within the boundaries of the City and the District between 2008 and 2010. Of these, an average of 847 were within the City limits and 1,130 were responses within the District boundaries.

## Line Staff Personnel On Duty Daily

Five (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 methods mirroring each other. One station is in Sausalito and two are 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	\$4,816,258,598	\$2,597,633,714	35.04%
Population	21,500	7,596	26.11%
Calls for Service	1,130	847	42.84%
Line Staff on Duty	10	5	33.33%
Fire Stations	2	1	33.33%
Composite Measure			34.13%

### *Application of the Contract for Service Formulas*

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

While contracting for Headquarters services is not an effective long-term alternative, interim arrangements such as between the City and the District are often seen among other agencies. 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 \$1,475,000.

**Sausalito Cost of Headquarters Services Compared to Current Cost of \$108,415**

Measures of Service	HQ Cost Without Battalion Chiefs	Sausalito Share	HQ Cost With Battalion Chiefs	Sausalito Share
Assessed Value	\$575,000	\$201,465	\$1,475,000	\$516,801
Population	\$575,000	\$150,113	\$1,475,000	\$385,074
Calls for Service	\$575,000	\$246,345	\$1,475,000	\$631,930
Line Staff on Duty	\$575,000	\$191,667	\$1,475,000	\$491,667
Fire Stations	\$575,000	\$191,667	\$1,475,000	\$491,667
Composite Measure	\$575,000	\$196,251	\$1,475,000	\$503,428

**Full Contract for Service**

The more common contract for service arrangement finds one agency obtaining “turnkey” or complete services under contract from another neighboring agency. In the case of Sausalito and the Southern Marin FPD, this would mean the District would provide “all fire and related emergency services” to the City for an annual contract fee that fairly covers the proportionate share of those services received by the City.

If the City were to transfer its 15 line fire service staff to the Southern Marin FPD and obtain all Headquarters and related services from the District, the table below illustrates the change in costs from the present arrangement using the Composite Rate of **34.13 percent** as the City’s share, from the table above. The data below is from the City and District records of actual FY 2009-10 expenses and revenue, because this is a more accurate representation of data than using the “budgeted amount” that is available for the FY 2010-11 that was not yet completed when the data was analyzed.

**Comparison of Current Contract Costs to a Full Contract for Service Model**

	Tax & Misc Rev	Admin Svcs Rev from the City	Total Revenue	Labor Expenses	M&S Expenses	Vehicle Replacement	Admin Svcs Contract Expenses	Total Expenses
<b>Current Contract Agreement</b>								
Southern Marin FPD	\$8,891,302	\$108,415	\$8,999,717	\$7,116,843	\$1,138,242			\$8,255,085
Sausalito	\$110,702		\$110,702	\$2,587,364	\$235,269	\$190,081	\$108,415	\$3,121,129
<b>Full Contract for Service Model</b>								
Southern Marin FPD	\$8,891,302	\$3,780,901	\$12,672,203	\$9,704,207	\$1,373,511			\$11,077,718
Sausalito	\$110,702		\$110,702			\$190,081	\$3,780,901	\$3,970,982

Note: M&S expenses do not include large capital expenses or 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* \$849,853 per year in FY 2009-10 costs, reflective of the fact that Sausalito, in this model, is paying a share of expenses based on a composite measure (34.13%) of the relative population, assessed value etc. of Sausalito compared to the District.

This \$849,853 increase in cost can be compared to the \$395,013 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 17 percent 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 42.84 percent of the calls for service. From any sense of the available 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 percent at 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. 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 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.

#### **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 is setting aside annually an adequate amount of funds to ensure that apparatus can be replaced when it reaches the end of its useful life. The present balance in the replacement fund for fire apparatus is \$1,594,200. 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 for the City to set aside approximately \$118,869 per year (the amount currently budgeted for Fiscal Year 2010-11) 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 would 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 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 both the City and 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**

Fire Marshal services are available through the District, utilizing funding received through the contract with the National Park Service for the City and District to respond into the parks Headlands Area. It is not clear under the current fire management contract between the parties 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. 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, depending on geography.

The question of governance occurs with a "combining" of two or more departments. 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 typically 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 could 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 percent increase;
- ◆ Coordinate collective bargaining negotiations with determination for 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 recommends that the parties review the agreement and the authority of the joint committee to act in a more than advisory capacity in order for the City to be an active partner in

---

the contract arrangement and have a definitive role in determining budget and service levels, since the City would be responsible for approximately one-third of the cost and receive about one-third of the services.

### 2.3 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 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. If the District's Special Parcel Tax is extended to apply to City parcels, this will reduce the amount of property tax revenue transferred from the City to the District. 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

5a  
141

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

	Tax & Misc Rev	Total Revenue	Labor Expenses	M&S Expenses	Vehicle Replacement	Total Expenses
<b>Current Contract Agreement</b>						
Southern Marin FPD	\$8,891,302	\$8,891,302	\$7,116,843	\$1,138,242		\$8,255,085
Sausalito	\$110,702	\$110,702	\$2,587,364	\$235,269	\$190,081	\$3,012,714
<b>Merger Model</b>						
Southern Marin FPD	\$11,904,016	\$11,904,016	\$9,704,207	\$1,373,511	\$190,081	\$11,267,799
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 \$1,594,200.

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 \$3,012,714 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,

50  
142



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 may apply to City parcels as well. For FY 2009-10 the District received \$815,376 in Special Tax revenue.

**Annual Southern Marin FPD Special Tax Rate**

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

Based on Assessor's 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 a district-wide election.

**Property Tax Revenue**

The City would be expected to transfer a percentage 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 percent of the District's revenue and have appeared to provide an adequate 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 percent 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 percent 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 below uses FY 2009-10 actual data for accuracy:

**Southern Marin FPD Sources of Additional Revenue**

<b>Added Revenue Needed by the District</b>	<b>City Ambulance and Permit Revenue</b>	<b>Special Tax Applied to City Parcels</b>	<b>Property Tax Transferred to the District</b>
\$3,012,714	\$110,702	\$560,000	\$2,342,012

The property tax transfer represents about 35 percent of all property tax related revenue received by the City in FY 2009-10.

*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.

5a  
143

- ◆ 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.
  - Does the City retain responsibility for major maintenance on the City owned fire station and what is the dollar limit or definition of major maintenance?
- ◆ 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 be 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 policy 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 could 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.

## 2.4 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 is a Limited Joint Powers Agreement that establishes the

52  
144

---

framework for governance. If the framework now being used by the City and the District, with improvement in authority and responsibility of the joint oversight committee, 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 such a contract 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. But the District would not be the provider of fire services. Instead the new JPA would be the fire services provider governed by the Joint Powers Authority Board whose members would be appointed by the City and the District.

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.

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

---

#### **3.1 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, whether 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 *less* than any of the more commonly used measures of service. If a composite measure of service were used and the City paid 34.13 percent 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 \$3,121,129 to \$3,970,982 or an increase of \$849,853 based on FY 2009-10 actual expenses. Even continuation of the present more limited contract for services would see a cost increase of approximately \$395,013 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 square 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 35 percent 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.

50  
148

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 \$3,012,714, based on FY 2009-10 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.

#### **4. CITY REINSTATES ITS OWN FULLY-STAFFED FIRE DEPARTMENT**

Another option is for the City to leave the contract for service arrangement and reinstate its own fully independent fire department. In the past the City has operated that department with 17 line firefighters, 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.

##### **4.1 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:

- ◆ 1 Fire Chief
- ◆ 3 Battalion Chiefs
- ◆ 1 Fire Prevention Specialist
- ◆ 1 Administrative Support position.

It is possible for the City to contract for Fire Marshal services from a consulting firm or other fire agencies for the few times when highly technical skills are needed. While this would relieve the City of the need to hire or train a Deputy Fire Chief as a fully qualified Fire Marshal, the City would still have the need for fire prevention services while contracting for Fire Marshal services. This would be most effectively provided by including a fire prevention specialist in the staffing plan.

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 explained on page 10 in this report, Fire Captains are crew supervisors and are not trained or experienced at the level of Incident Commander. Fire departments need to provide trained and certified Incident Commanders to lead complex, dangerous emergency operations while leaving crews intact under the leadership of their Captains to actually perform the tasks the Incident Commander calls for.

As has been stated earlier in this report, a minimum 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 and crews.

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.

#### 4.2 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*

- ◆ 1 Fire Chief
- ◆ 3 Battalion Chief/Incident Commanders (one on each shift)
- ◆ 1 Fire Prevention Specialist
- ◆ 1 Administrative Support position.

##### *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 percent 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.

50  
150

**Cost of Sausalito Reinstated Fire Department**

Labor Expenses	Material and Supply Expenses	Vehicle Replacement	Total
\$3,808,297	\$425,662	\$161,011	\$4,394,970

**5. 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 (34.13 percent) 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
<b>Current Contract Arrangement</b>			
Southern Marin FPD	\$8,999,717	\$8,255,085	
Sausalito	\$110,702	\$3,121,129	
<b>Current Contract Arrangement with 34.13% Cost Allocation to Sausalito</b>			
Southern Marin FPD	\$9,761,368	\$7,531,830	
Sausalito	\$110,702	\$3,882,780	\$761,651
<b>Full Contract for Service with 34.13% Cost Allocation to Sausalito</b>			
Southern Marin FPD	\$12,672,203	\$11,077,718	
Sausalito	\$110,702	\$3,970,982	\$849,853
<b>Merger of the City and District</b>			
Southern Marin FPD	\$11,904,016	\$11,267,799	
Sausalito	0	\$3,012,714*	\$2,287
<b>Reinstated City Fire Department</b>			
Southern Marin FPD	\$8,891,302	\$8,255,085	
Sausalito	\$110,702	\$4,394,970	\$1,273,841

\*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.

52  
151

---

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 or fire prevention specialist position and part-time clerical in support of fire prevention as soon as long-term 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.

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.

## **6. 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. The City has the option of seeking added revenue from the residents through a parcel tax, or an election to increase the sales tax rate for public safety.

## **7. NEXT STEPS**

---

1. Both the City Council and Fire District Boards review this report and consider the policy choices available to continue and improve shared fire services.
2. The City Council can provide policy direction on its preferred approach to financing and shared governance for fire services with the goal of long-term sustainability.
3. Staff and the joint working group can then more fully develop final costs, shared cost formulas and governance agreements.
4. The final costs and agreements would then be presented to both the City Council and Fire District Board for adoption, or in the case of a merger of the City into the District, initiate the necessary steps with LAFCO.