

Annexation of the City of Sausalito Fire Service Area to the Southern Marin Fire Protection District

LAFCO Presentation

Application for Annexation

The City of Sausalito, supported by the Southern Marin Fire Protection District has applied to annex the area within the City boundaries to the District.

Purpose:

- Provide more cost effective fire service by
 - Placing all employees under a single contract eliminating dual contract issues.
 - Eliminating duplication of administrative functions.
 - Making permanent the following efficiencies: delivery of fire protection, paramedic and ambulance service, hazardous materials response, rescue and all aspects of fire service response.
- Provide long-term stability in fire service for both agencies and employees.

How is Fire Service Provided Now?

- In 2004 the City and the Fire District began sharing management services and personnel through a Joint Powers Agreement.
- In 2006 the City and the District entered into a contract for the Fire District to manage all aspects of the City's Fire Department. This contract allowed the City to eliminate five (5) redundant fire department positions.
- Since 2006 the Fire District has been running the City's Fire Department. The City retained 15 employees on the City Payroll, but they operate under the direction of the Fire District's management staff.

How is Fire Service Provided Now (continued)?

The District operates the City/District fire service:

- 3 Fire Stations (Strawberry, Tamalpais Valley, Sausalito)
- 17 Firefighting personnel on duty each day
- 3 Engines, 1 Ladder Truck, 1 Rescue Vehicle
- 2 Paramedic Ambulances
- Fire boat and Inflatable fire boat

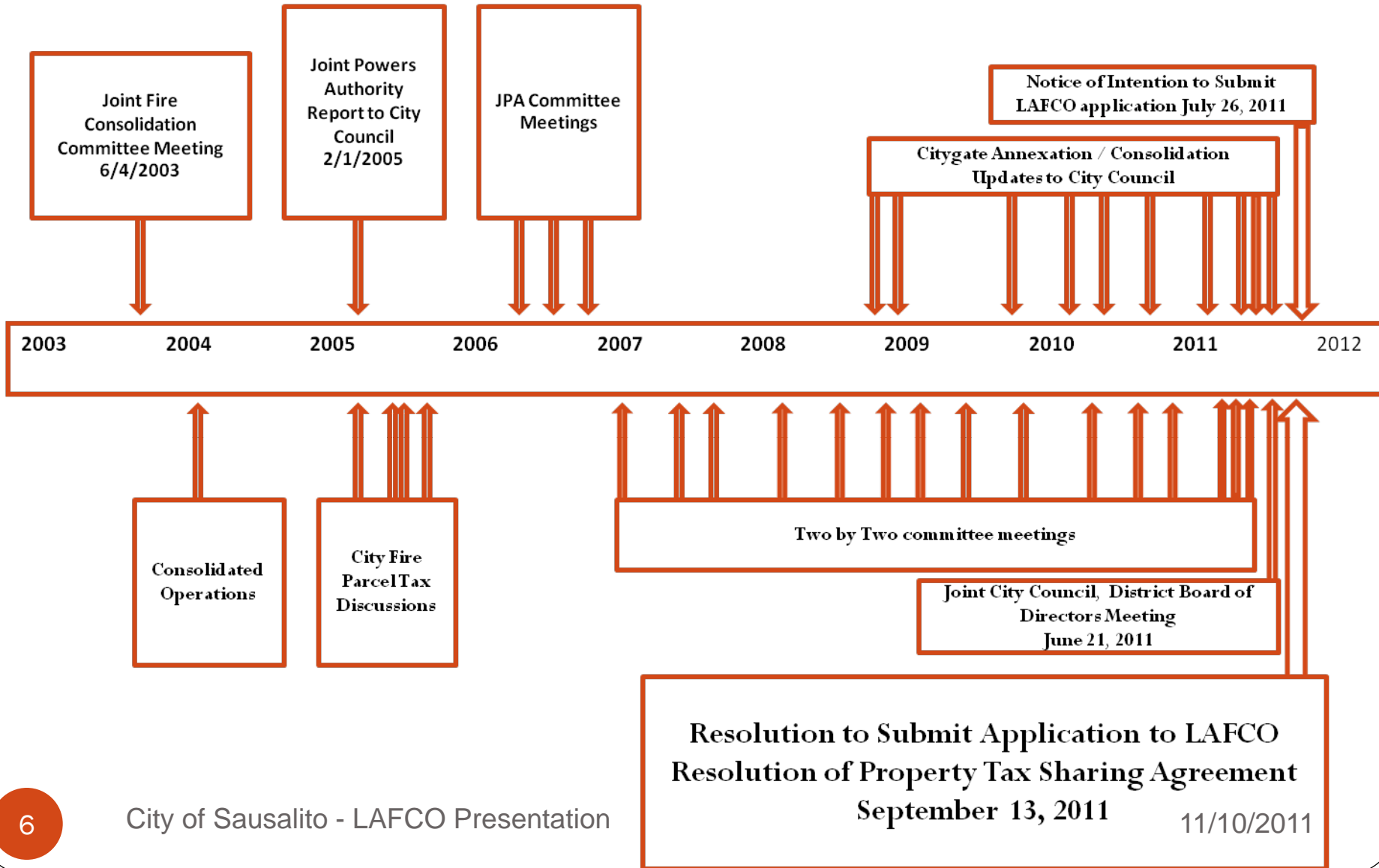
The District Provides:

- Fire suppression, fire prevention, emergency medical response, hazardous materials response, urban search and rescue, water rescue, a dive team

Why Can't the Current Arrangement be Continued?

- The fee for service paid to the District by the City is well below the actual value of the services. The District is no longer willing to provide services for less than the cost.
- Firefighters work for two separate agencies, under separate contracts, payroll systems, grievance procedures, and disciplinary processes. This makes managing employees difficult and takes extra time best spent on other issues.
- The Fire District is not interested in continuing the present contract arrangement because annexation makes the most sense operationally, financially and provides for the greatest long-term stability.

Fire Consolidation Timeline



Public Information Outreach

- FM3 conducted a Poll for the City – Poll Results:
 - **62%** supported annexation
 - **19 %** opposed annexation
- 10 City Council Meetings and Hearings
- 2 Community Forums
- Information Booths:
 - Caledonia Street Faire and Chili Cook-Off
- Website continually updated
- Articles in
 - Sausalito Currents (City e-mail newsbriefs)
 - Marin Independent Journal
 - Marinscope

Council and District Board Action

- September 13, 2011, after a public hearing, a motion was adopted by the City Council to submit the application for annexation.
- September 28, 2011 the District Board adopted a motion endorsing the annexation and concurring in the proposed agreements between the City and District

Agreements as Conditions of Annexation

As a condition of annexation, the City and District have agreed to:

1. Employee Transfer Plan and Implementing MOU Side Letter
2. Agreement Regarding Financial and Personnel Conditions of Annexation
3. Agreement Regarding District use of the City Fire Station and Transfer of Ownership of City Fire Apparatus and Equipment to the District
4. Property Tax Agreement

Plan for Service

Required Elements

- An enumeration and description of the services to be extended to the affected territory.
- The level and range of those services.
- An indication of when those services can feasibly be extended to the affected territory.
- An indication of any improvements or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require of the affected territory if the change of organization is completed.
- Information with respect to how those services will be financed.

Plan for Service

“Services and Timing”

- All of the fire and emergency services now being provided by the combined City/District Fire Department will continue to be provided by the same staff with the same equipment and from the same fire stations.
- The extension of service will be seamless and so can begin with the effective date of the LAFCO final approval of the annexation

Infrastructure Needs: Current District Fire Stations

- The Main Fire Station in Strawberry was built in 1993 from funds provided by District taxpayers and has just been remodeled
- The Tamalpais station was built in 1976 by the then Tamalpais Fire Protection District. It was remodeled 10 years ago. Both buildings are in very good condition.
- Sausalito Fire Station was completed in 2010

Plan for Service “Facilities”

- City retains ownership of the Fire Public Safety Building
- City leases fire station to the district
 - City retains parts of building for City use; e.g., Emergency Operations Center and meeting space
 - District pays City \$100,000 annually, 30 year period
 - District maintains and repairs building
 - District returns building in its current condition with the exception of normal usage wear should the fire services arrangement ever change.

Plan for Service

“Fire Apparatus/Equipment”

| Vehicle Make | Vehicle Type | Year Placed in Service | Status |
|---|-------------------------------|-------------------------------|-------------------|
| GMC 2500/PU | Utility | 1995 | Front Line |
| Pierce | Type 1 Pumper | 2007 | Front Line |
| Sparten/3D | Type 1 Pumper | 1995 | Reserve |
| Sparten/3D* | Type 1 Pumper | 1995 | Reserve |
| Pierce 105' (Joint ownership by 5 fire agencies) | Quint | 1994 | Front Line |
| Achilles 16' | Inflatable Rescue Boat | 2002 | Front Line |
| Metal Craft 30' | Fire Boat | 2004 | Front Line |
| Ford Road Rescue | Ambulance | 2006 | Front Line |

Plan for Service “Apparatus/Equipment”

- City transfers title to District
- Districts maintains and replaces equipment
 - If the fire services arrangement ever changes, District returns vehicles of similar type, age and condition to the City
 - City transfers \$243,462 in depreciation funds – *equals depreciated life of the vehicles*
- District responsible for all future funding of their vehicle replacement

Plan for Service “Transfer of Employees”

| Position | Agency | |
|------------------------|------------|-----------|
| | So Marin | Sausalito |
| Headquarters | | |
| Fire Chief | 1 | |
| Deputy Chief | 1 | |
| Admin Services Mgr | 1 | |
| Financial Mgr | 0.5 | |
| Admin Clerk | 0.5 | |
| Total | 4.0 | |
| Line Operations | | |
| Battalion Chief | 3 | |
| Captain | 6 | 3 |
| Paramedic/Firefighter | 9 | 6 |
| Firefighter/Engineer | 15 | 6 |
| Total | 33 | 15 |

Plan for Service “Transfer of Employees”

- Employees are in agreement – Approved MOU
- Major elements of the City/District Agreement:
 - Pay and Benefits
 - Seniority Transfer/Payout of Accrued Vacation and Sick leave
 - Pension Reciprocity
 - Provisions for continuation of Retiree Medical

Alternatives to Annexation Analyzed in the Citygate Report

Three (3) Alternatives were analyzed:

1. Continue contracting for Headquarters Services from the District
2. Contract ALL fire services from the District
3. Reinstate the City Fire Department with an adequate Headquarters Staff

Alternatives to Annexation

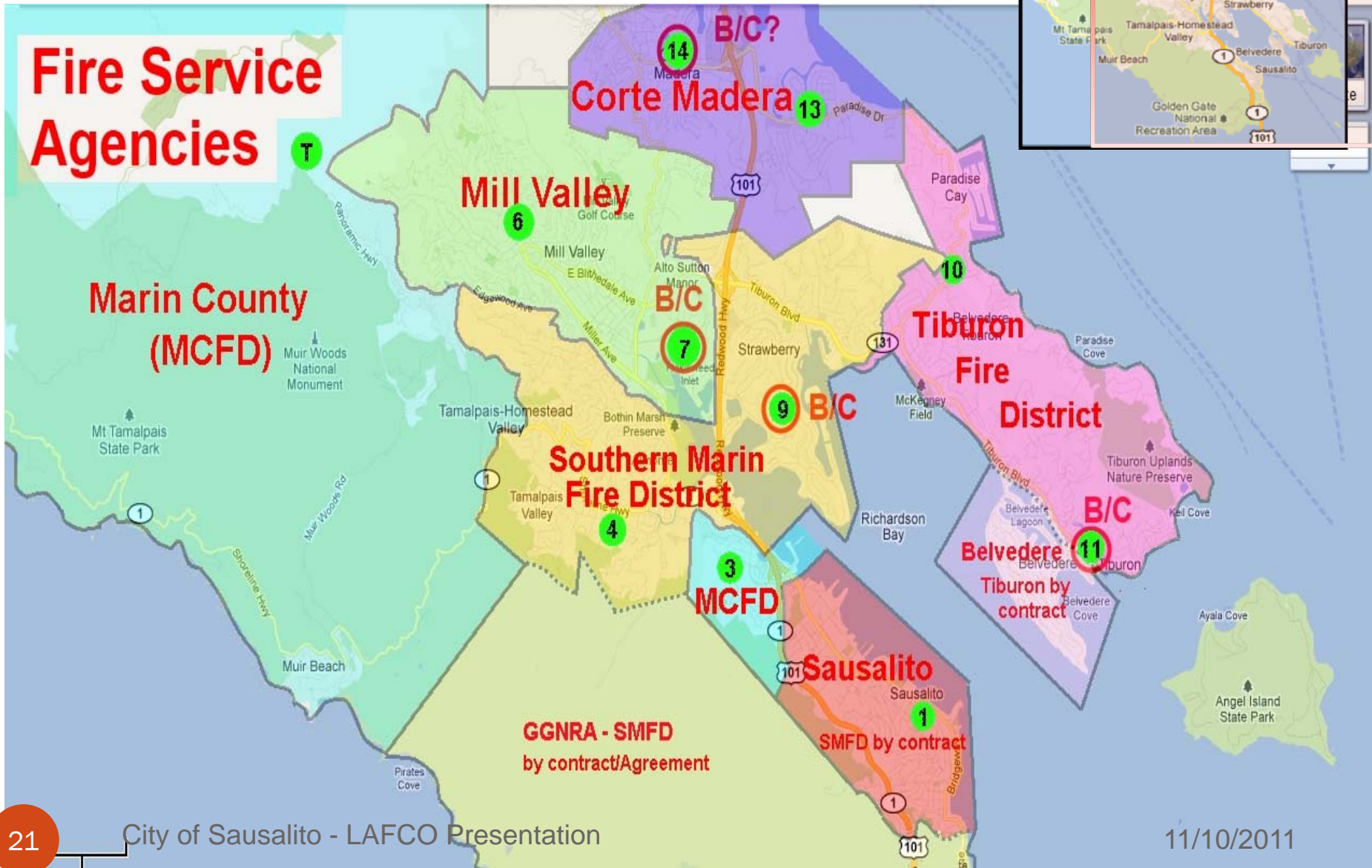
Financial Comparison

1. Continue contracting for Headquarters Services
 - Current Payments: \$109,548
 - Fair Share Cost: \$503,428
2. Contract for ALL Fire Services from the District
 - Cost Increase: \$849,853
3. Reinstate City Fire Department
 - Cost Increase: \$1,400,000

Contract for Services With Another Fire Agency

- No other Agency is close enough to provide timely response with an Incident Commander to Sausalito Emergencies
- If another agency added Incident Commanders to be closer to the City, this would cost the City the added salary plus expenses estimated at more than \$500,000 per year above current City Costs.

Agency Locations



Partner Agency Constraints

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

Recommendation: Annexation

- Continuation of excellent and high quality level of service
- Ensures cost-effective and efficient level of fire services
- Minimum tax impact on citizens – No Direct Tax Increase
- Fiscal stability to meet the challenges of the future
 - Structurally balanced FY 2013
 - Saves the City General Fund \$184,000 /year over current costs
 - Eliminates June, 2012 cost of election
 - Additional FY 2012 budget savings from expedited annexation
 - Saves \$1.4 million compared to a full Fire Department
- Establishing the opportunity to have local control by electing representation to serve the entire district including Sausalito

Fiscal Analysis

Structural Balance and Fiscal Stability

Southern Marin District Fiscal Condition

| 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 |
| 2010-11 | \$9,082,890 | \$8,650,432 |

| | |
|---|--------------------|
| Audited Reserves as of June 30, 2010 | \$4,373,611 |
|---|--------------------|

Financial Summary of Annexation

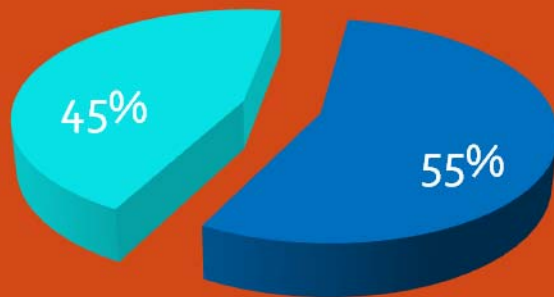
- State law requires LAFCO to ensure there are revenues available for the annexation and that both the City and the District are fiscally sustainable
 - \$2,969,250 revenues transferred to District
 - Ambulance and permit revenues – \$111,000
 - City share of GGNRA contract – \$133,000
 - OPEB payments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

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

Distribution of Property Tax

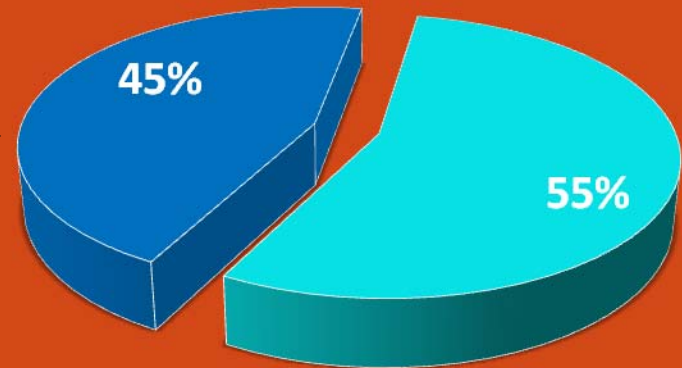
Property Tax before Annexation

■ City Fire ■ All Other



Property Tax after Annexation

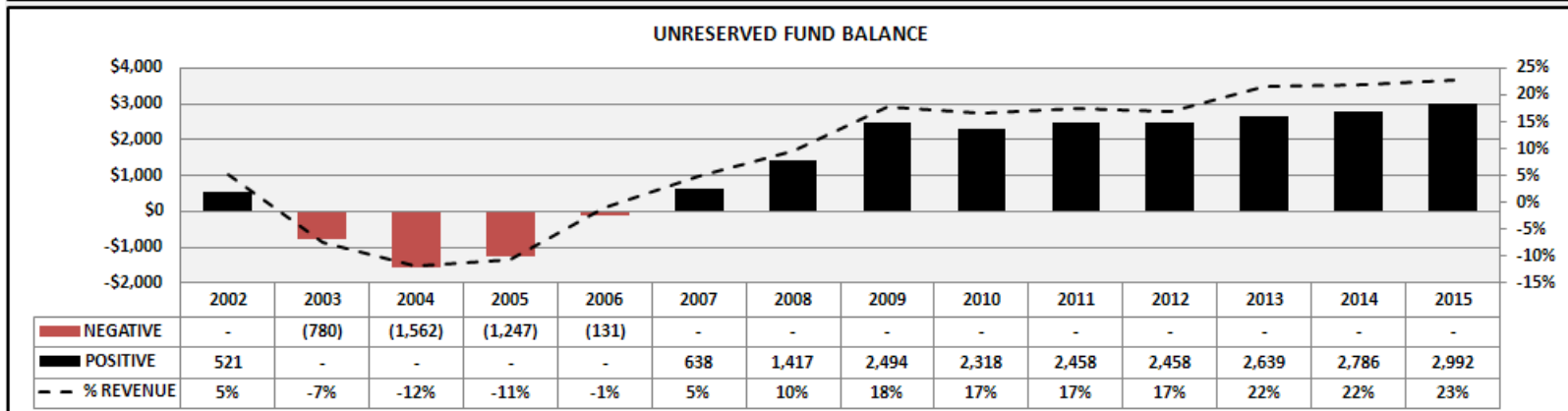
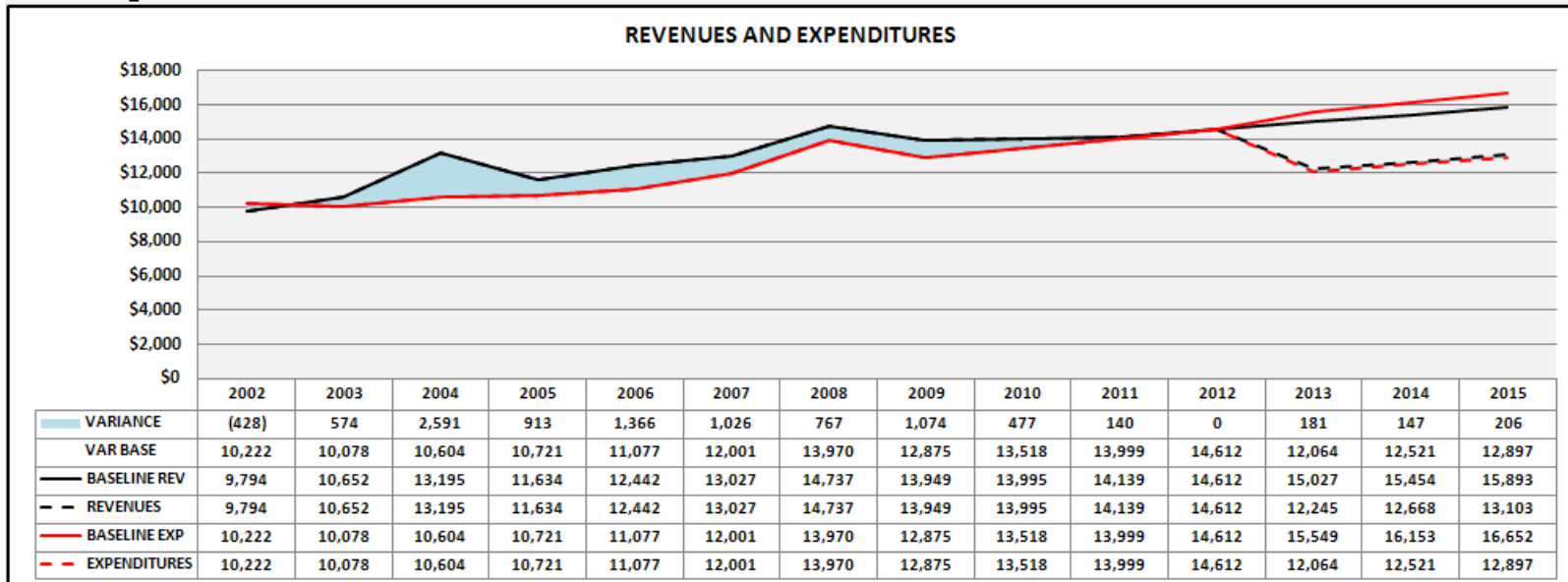
■ All Other ■ City Fire



Financial Summary of Annexation

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

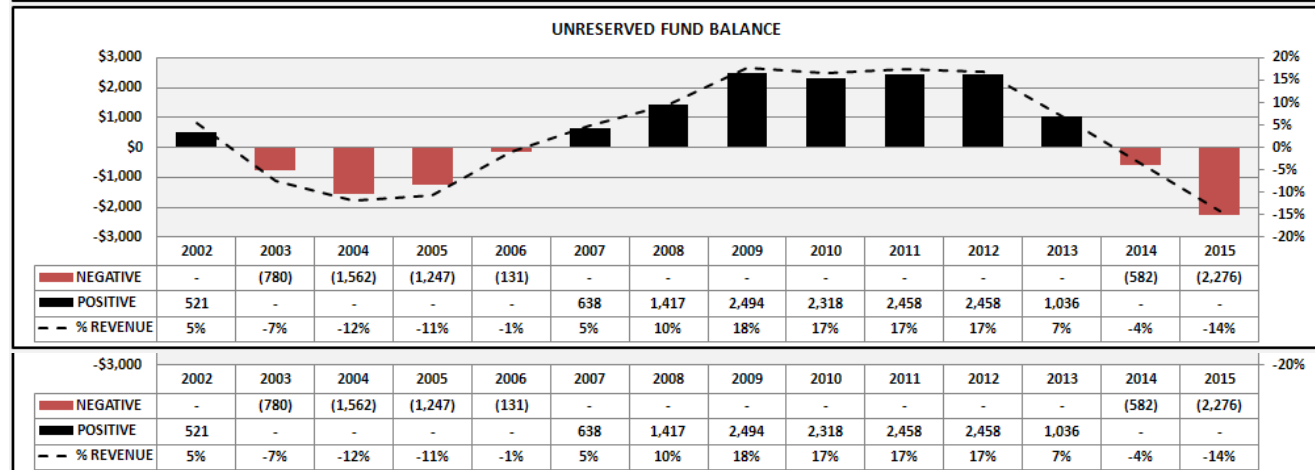
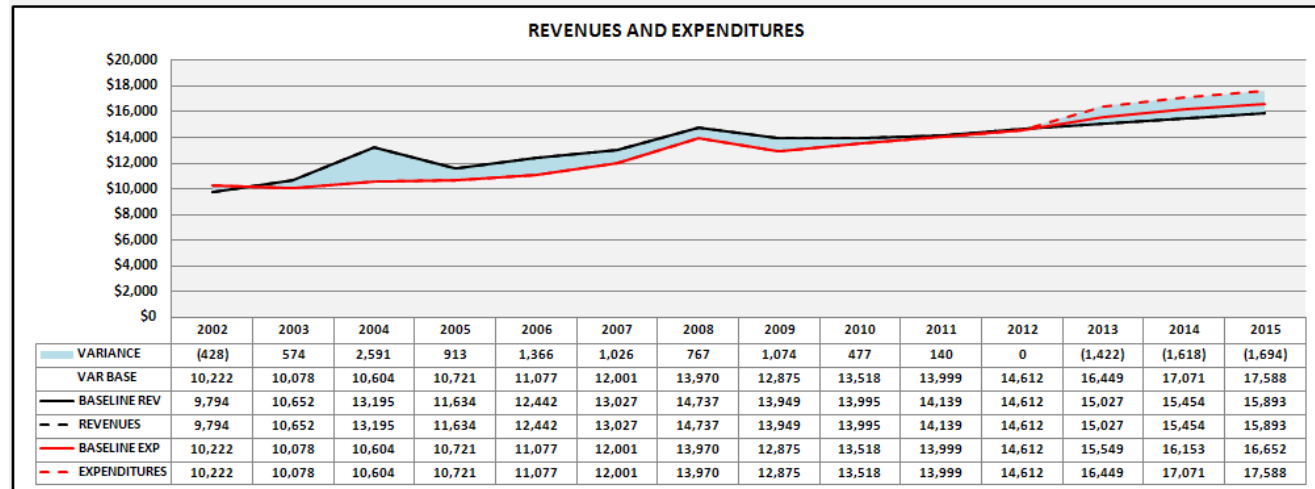
Fiscal Impact of Annexation on the City



What will the additional cost to the City and to the taxpayers be if we had to fund a full fire department?

Additional cost would be \$1.4 million annually

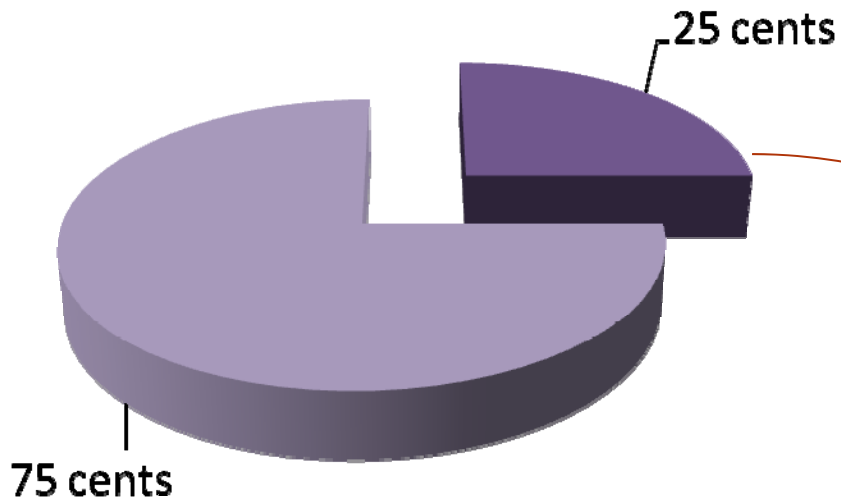
Would require an additional tax of approximately \$400 per unit per parcel



Distribution of 1% Property Tax

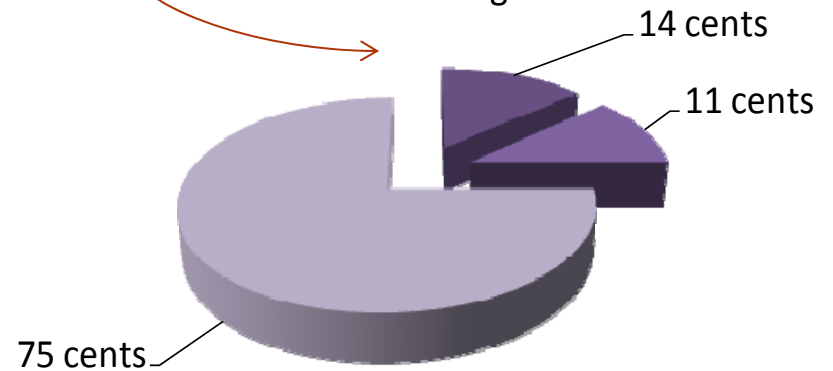
Property Tax For CoS before Consolidation

■ City of Sausalito ■ All Other



Property Tax For CoS after Consolidation

■ City of Sausalito
■ SMFPD
■ All Other Taxing Entities



Two Frequently Asked Questions:

What will be the total unfunded liabilities remaining in CalPERS after annexation and how will they be amortized?

| | |
|--|-------------|
| CalPERS Safety Pool | |
| Unfunded liability @ 06/30/2009 (most recent actuary study) | 282,801,002 |
| Amount of Covered Payroll in Safety Pool | 221,600,192 |
| City of Sausalito Payroll | 1,306,789 |
| Sausalito Share of Payroll | 0.005897 |
| Sausalito Share of Unfunded Liability before Annexation | 1,667,694 |
| Less Side Fund | 1,379,795 |
| Sausalito Share of Unfunded Liability After Annexation | 287,899 |
| Amortized over 10 years @ 7.75% | \$42,422.83 |

Will Sausalito taxpayers be paying any of the unfunded liabilities for the District employees?

No, The amount of property tax transferred to the District includes only the incremental pension costs for the City of Sausalito employees, i.e., City of Sausalito taxpayers will not be paying from their property taxes for unfunded liability costs for existing District employees.

Staff and Consulting Resources to Answer Questions

Adam Politzer – Sausalito City Manager

Jim Irving – Fire Chief, So Marin Fire District

Charlie Francis – Sausalito Finance Director

Dwane Milnes – Principal, Citygate Associates

Agency Locations

