



# STAFF REPORT

## SAUSALITO CITY COUNCIL

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### **AGENDA TITLE:**

First Amended and Restated Agreement by and between the City of Sausalito and Southern Marin Fire Protection District to Provide Fire Protection Services

### **RECOMMENDED ACTION:**

Approve First Amended and Restated Agreement by and between the City of Sausalito and Southern Marin Fire Protection District to Provide Fire Protection Services

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### **BACKGROUND**

The City entered into the Agreement by and between the City of Sausalito and Southern Marin Fire Protection District (SMFPD) to Provide Fire Protection Services dated as of May 24, 2006 (the "Agreement"). In accordance with Section 2A, the Agreement became effective as of July 1, 2006. The governing Committee comprised of representatives of both SMFPD and the City (Mayor Kelly and Councilmember Leone) has been meeting quarterly and is recommending that certain modifications be made to the Agreement to reflect changes which during the first year of operation.

### **DISCUSSION**

The primary revisions to the Agreement are being proposed to simplify the payment process. Under the current Agreement the City is responsible for the payment of payroll costs but it was contemplated that administration of payroll would be handled by a third party. The company which was going to be utilized for this service was not able to administer the City's payroll. Therefore, the City has continued to provide this service for the City's Fire employees. The City is also required to make quarterly payments to SMFPD for "Non-Payroll Operating Costs" and there are somewhat convoluted provisions which govern the amount of the payments. There is also a "true up" provision to ensure that the payments made by the City for both payroll and non-payroll/operating costs do not exceed the amount of the "Annual Payment."

Additionally, changes are proposed to the Agreement to include the payment of overtime expenses incurred by SMFPD on behalf of the City and to allow for an increase in the administrative fee paid to SMFPD.

The proposed First Amended and Restated Agreement (Exhibit A) (the "First Amendment") attempts to simplify the payment process and thereby reduce the administrative burden on both the City and SMFPD.

The following is a summary of the proposed revisions to the Agreement under the First Amendment:

- **Payroll:** The City will be directly responsible for the administration of payroll and related benefits for the City's Fire Department employees. Payroll costs will be born by the City and will not impact payments made to SMFPD. The agencies will need to continue to work together to administer the benefits received by the City's fire department employees as some City employees are receiving benefits which are administered by SMFPD.
- **Non-Payroll/Operating Costs (Section 7A):** Commencing July 15, 2008 and annually thereafter the City will make one annual payment to SMFPD to be expended by SMFPD on behalf of the City for operating costs. The Committee will make recommendations annually to the City Council and the Board for modifications to this amount. If the parties are unable to reach agreement on adjustments to the Operating Costs payment before June 1 in any year during the term of the Agreement, the previous year's amount will be increased by 3% and that new amount will be the payment for the following fiscal year. SMFPD is required to provide the City with an annual accounting of the funds expended by SMFPD for the Operating Costs. Any unexpended amounts will be credited against future payments to be made by the City.

In order to implement the changes to the Agreement prior to next fiscal year, the First Amendment provides that SMFPD will receive payment of the remaining amount of the Non-Payroll Operating Costs for FY '07-'08 on or before January 1, 2008. The total budgeted amount for non-payroll/operating costs for FY '07-'08 is \$280,453 of this amount \$140,762 remains to be paid to SMFPD for operation to June 30, 2008.

- **Administrative Services Fee (Section 7B):** Currently the approved budget which forms the basis for the payment to SMFPD includes an annual, flat administrative fee of approximately \$64,000. Chief Walsh researched the basis for the amount of this fee and it appears to be equal to one third of the salaries paid by the City to its Fire Chief and Administrative Aide to the Fire Department at the time the Agreement was being negotiated. There were no provisions in the Agreement itself which addressed this fee. SMFPD has requested that the Agreement be amended to include payment of the administrative fee specifically. They have also asked that the fee be equal to one third of the salary and retirement benefits paid to the SMFPD Chief and Administrative Aide. This fee would go into effect July 1, 2008 and would be increased annually to reflect the current salaries paid to these 2 positions, however, the fee would not increase by more than 5% any year. The fee would be paid in 4 equal quarterly installments. The fee which will go into effect July 1<sup>st</sup> is approximately \$95,000.
- **OVERTIME PAYMENT (Section 7C):** There are two basic components to overtime costs incurred by the City. First, the City incurs overtime costs for

overtime worked by City employees. This cost will be paid directly by the City through the payroll process. The City also incurs overtime costs for overtime worked by SMFPD employees who are covering overtime hours caused by City employees being absent. Overtime is assigned on a rotating basis to employees of both agencies to allow all employees the opportunity to work overtime and also to minimize the impacts to the employees from working additional hours. The Agreement does not include any provisions for payment to SMFPD for overtime hours worked by SMFPD employees on the City's behalf. SMFPD pays for this overtime through its payroll process and then seeks reimbursement from the City. Because it is not covered by the Agreement City Council approval is currently required to reimburse SMFPD for these costs. The Amendment provides that SMFPD will provide the City with a monthly report documenting overtime hours worked by employees for both agencies. In the event that the City owes SMFPD for overtime worked, SMFPD will submit an invoice to the City which will need to be paid within 30 days. It is also possible that the City will incur overtime costs to cover SMFPD employees being absent in which case SMFPD will be required to reimburse the City. If the Council adopts the First Amendment the payments to SMFPD for overtime can be handled administratively.

The SMFPD Board has approved the proposed First Amendment.

## **FISCAL IMPACT**

**Payroll:** Payroll costs will be paid out of the approved Fire Budget for FY '07-'08

**Non-Payroll/Operating Costs:** The Operating Costs Payment to be made on January 1, 2008 will come out of the approved Fire Budget for FY '07-'08. Future payments will be subject to approval of the City Council and the amount can only be increased by a vote of the City Council.

**Administrative Services Fee:** The \$64,000 payment for FY '07-'08 is included in the FY '07-'08 Fire budget. Increases to this cost will have to be included in future budgets.

**Overtime Costs:** Payments to both City employees and SMFPD for overtime will come out of the Fire budget. For FY '07-'08 the budgeted amount for overtime is \$150,000 and approximately \$142,000 has been expended to November 3, 2007. The City anticipates reimbursement for some of the overtime costs incurred by City personnel providing fire services in Southern California; however, the exact amount is not currently known. The City's Finance Director will provide the Council with updates on the status of the overtime payments in the quarterly budget updates or more frequently as needed.

**STAFF RECOMMENDATIONS**

1. Staff recommends that the City Council approve the First Amended and Restated Agreement by and between the City of Sausalito and Southern Marin Fire Protection District to Provide Fire Protection Services

2. If the Council elects not to approve the Agreement staff should be directed on further negotiations with Southern Marin Fire Protection District.

**ATTACHMENTS**

- 1. First Amended and Restated Agreement by and between the City of Sausalito and Southern Marin Fire Protection District to Provide Fire Protection Services.
- 2. Redline agreement highlights changes between the original Agreement and the proposed First Amended and Restated Agreement.

PREPARED BY:

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Mary Anne Wagner, City Attorney

SUBMITTED BY:

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Adam Politzer, City Manager

**EXHIBIT A**