



DATE: November 25, 2008
TO: Mayor and City Council
FROM: City Manager
SUBJECT: Approval of Resolution Authorizing the City Manager to Execute a Service Agreement with the Fairview Fire Protection District

RECOMMENDATION

Staff recommends Council authorize the City Manager to execute an agreement with the Fairview Fire Protection District (known as the “District”) consistent with the terms outlined in Exhibit A to this report.

SUMMARY

The City of Hayward’s Fire Department has provided fire protection services to the Fairview Fire Protection District (FFPD) for a number of years. Staff believes this relationship is mutually beneficial to the District as well as the City. Recognizing this, parties have been meeting to negotiate terms for a new agreement to continue such a service relationship. The previous agreement expired July 1, 2008.

BACKGROUND

The City and District entered into a services agreement July 1, 1998, to provide fire protection services within the boundaries of the district to the same service level as the City provides within Hayward’s corporate limits. The agreement includes the provision of one fire company, which is located at the new station at Five Canyons Parkway. The new station is provided to the City of Hayward at no cost, including furnishings and equipment. The District also provides vehicles, including one Engine (Pumper), one Type III Patrol, and one Type IV Patrol, which remain primarily within the District to provide services. The existing agreement provides a five-year term, with an option to extend the agreement an additional five years with concurrence of both parties. This option was executed, extending the term of the current agreement to June 30, 2008. The parties have been negotiating since last January to develop terms for a new agreement, the primary elements of which are outlined in Exhibit A.

DISCUSSION

The City and District have been working cooperatively since 1993 under a services agreement and each recognize the mutual benefits of continuing the contractual partnership. The District benefits from having outstanding fire protection services provided by the Hayward Fire Department that are

not easily attainable in a standalone district. The City of Hayward benefits by having additional resources available in the event such operational support is needed either within the District or the corporate boundaries of the City typical of a potential mutual aid situation.

In recognition of these mutual benefits and the desire to continue this relationship, the City Manager, Hayward Fire Chief and District representatives have been meeting to discuss under what conditions such a relationship could be extended. These discussions have revolved primarily around cost and valuing the benefits provided to our respective interests.

The previous agreement relied upon a formula that required the District to fund one eleventh of the departmental budget for Fire Operations (budget activity #1932). While this arrangement is logical in terms of its simplicity, it becomes problematic in its implementation, as conflict can arise related to what is included in the Fire Operations budget, how such costs are managed and controlled, how predictable are these costs to the District, etc. As such, the new agreement proposes using a fixed dollar amount, based on City FY2009 budget projections (\$2,116,000) as a base year, and then escalating payments 5% per year in each year of the agreement. It is anticipated that this average 5% per year escalator will cover a majority (if not all) of anticipated increased costs related to the agreement. In addition, the District has agreed in principle to assume financial responsibility for the following additional administrative costs associated with District operations: Insurance (actual cost), Utilities (actual cost), and Alameda Dispatch System Charges (actual cost). In total, this provides an additional \$67,000 offset to City costs. (The District currently pays for the weed abatement program referenced in Exhibit A).

The proposed agreement would run for five years (through June 30, 2013) and would be renewable by mutual agreement for an additional five years (through June 30, 2018). This structure is similar to the existing agreement.

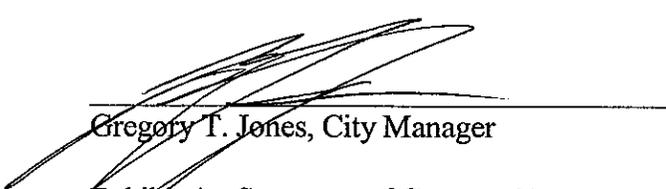
FISCAL IMPACT

As described above, Staff believes the financial terms outlined provides a mutually beneficial agreement in exchange for services, while providing some level of protection for the City related to escalating costs as well as to the District for predictable budgeting purposes. The City will realize its budgeted revenue projection (\$2,116,000) for FY09, plus an additional offset (\$67,000) for District related costs. The agreement will also provide annual increases of 5% per year.

NEXT STEPS

If authorized, the City Manager will finalize the agreement terms with the District and enter into an agreement consistent with provisions outlined in Exhibit A.

Recommended and Approved by:



Gregory T. Jones, City Manager

Exhibit A: Summary of Contract Terms

FAIRVIEW FIRE PROTECTION DISTRICT/CITY OF HAYWARD

CONTRACT TERM SHEET

TERM

The Contract period is for a term of five (5) years commencing July 1, 2008. and is an extension of the present contract with the following modifications.

A second five (5) year period can be created by both parties with the requirement that both parties come to a complete agreement regarding all terms and conditions of the second five year term prior to the expiration of the fourth year on June 30, 2012.

If both Parties cannot agree to the all terms and conditions of the second five year term prior to the above date, the entire Contract shall terminate on June 30, 2013.

COSTS TO FAIRVIEW

The following items will be the financial responsibility of the District:

1. The actual cost of the insurance coverage provided to Fairview Fire Protection District through Jardine Insurance which presently costs approximately Seventeen Thousand Dollars (\$17,000.00). In addition to this insurance coverage, the City of Hayward shall continue to maintain the same additional coverage on behalf of the District as provided in the present Contract at no cost to the District.
2. The electric, gas, water, sewer and garbage bills associated with the District's Fire Station which presently cost approximately Twenty Two Thousand Dollars (\$22,000.00). The telephone bill is not included in this cost item.
3. The cost of Alameda County's Dispatch System which presently cost approximately Twenty Eight Thousand Dollars (\$28,000.00) per year.
4. The cost of the Weed Abatement Program which presently costs approximately Forty Eight Thousand Dollars (\$48,000.00).
5. The District would continue to receive all credit/income from all sources provided under the present Contract included but not limited to Mt. Eden and the EMS program.

FAIRVIEW FIRE PROTECTION DISTRICT/CITY OF HAYWARD

CONTRACT TERM SHEET

COST OF SERVICES

The District would pay the City of Hayward the following fixed rate amount for all services to be provided by the City of Hayward without exception and consistent with the level of services provided in the present Contract.

1. For the Fiscal Year 2008/2009 the Contract price shall be in the amount of Two Million One Hundred Sixteen Thousand Dollars (\$2,116,000.00).
2. For the Fiscal Year of 2009/2010 the Contract price shall be in the amount of Two Million Two Hundred Twenty One Thousand Eight Hundred Dollars (\$2,221,800.00).
3. For the Fiscal Year 2010/2011 the Contract price shall be in the amount of Two Million Three Hundred Thirty Two Thousand Eight Hundred Ninety Dollars (\$2,332,890.00).
4. For the Fiscal Year 2011/2012 the Contract price shall be in the amount of Two Million Four Hundred Forty Nine Thousand Five Hundred Thirty Four Dollars and Fifty Cents (\$2,449,534.00).
5. For the Fiscal Year 2012/2013 the Contract price shall be in the amount of Two Million Five Hundred Seventy Two Thousand Eleven Dollars and Twenty Cents (\$2,572,011.00).

As indicated above, the cost of a second five (5) year term shall be a matter to be negotiated between the parties as part of a mutual agreement to extend the term of this agreement.

