



CITY OF NEWARK CITY COUNCIL

37101 Newark Boulevard, Newark, CA 94560-3796 • 510-578-4266 • E-mail: city.clerk@Newark.org

City Administration Building
7:30 p.m.
City Council Chambers

AGENDA

Thursday, October 9, 2014

CITY COUNCIL:

Alan L. Nagy, Mayor
Ana M. Apodaca, Vice Mayor
Luis L. Freitas
Sucy Collazo
Robert Marshall

CITY STAFF:

John Becker
City Manager

Terrence Grindall
Assistant City Manager

Susie Woodstock
Administrative Services Director

Sandy Abe
Human Resources Director

Peggy A. Claassen
Public Works Director

Jim Leal
Police Chief

David Zehnder
Recreation and Community
Services Director

David J. Benoun
City Attorney

Sheila Harrington
City Clerk

Welcome to the Newark City Council meeting. The following information will help you understand the City Council Agenda and what occurs during a City Council meeting. Your participation in your City government is encouraged, and we hope this information will enable you to become more involved. The Order of Business for Council meetings is as follows:

- | | |
|-------------------------------------|-------------------------|
| A. ROLL CALL | I. COUNCIL MATTERS |
| B. MINUTES | J. SUCCESSOR AGENCY |
| C. PRESENTATIONS AND PROCLAMATIONS | TO REDEVELOPMENT AGENCY |
| D. WRITTEN COMMUNICATIONS | K. ORAL COMMUNICATIONS |
| E. PUBLIC HEARINGS | L. APPROPRIATIONS |
| F. CITY MANAGER REPORTS | M. CLOSED SESSION |
| G. CITY ATTORNEY REPORTS | N. ADJOURNMENT |
| H. ECONOMIC DEVELOPMENT CORPORATION | |

Items listed on the agenda may be approved, disapproved, or continued to a future meeting. Many items require an action by motion or the adoption of a resolution or an ordinance. When this is required, the words **MOTION**, **RESOLUTION**, or **ORDINANCE** appear in parenthesis at the end of the item. If one of these words does not appear, the item is an informational item.

The attached *Agenda* gives the *Background/Discussion* of agenda items. Following this section is the word *Attachment*. Unless "none" follows *Attachment*, there is more documentation which is available for public review at the Newark Library, the City Clerk's office or at www.newark.org. Those items on the Agenda which are coming from the Planning Commission will also include a section entitled *Update*, which will state what the Planning Commission's action was on that particular item. *Action* indicates what staff's recommendation is and what action(s) the Council may take.

Addressing the City Council: You may speak once and submit written materials on any listed item at the appropriate time. You may speak once and submit written materials on any item not on the agenda during **Oral Communications**. To address the Council, please seek the recognition of the Mayor by raising your hand. Once recognized, come forward to the lectern and you may, but you are not required to, state your name and address for the record. Public comments are limited to five (5) minutes per speaker, subject to adjustment by the Mayor. Matters brought before the Council which require an action may be either referred to staff or placed on a future Council agenda.

No question shall be asked of a council member, city staff, or an audience member except through the presiding officer. No person shall use vulgar, profane, loud or boisterous language that interrupts a meeting. Any person who refuses to carry out instructions given by the presiding officer for the purpose of maintaining order may be guilty of an infraction and may result in removal from the meeting.



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City Administration Building
7:30 p.m.
City Council Chambers

AGENDA

Thursday, October 9, 2014

- A. ROLL CALL

- B. MINUTES
 - B.1 Approval of Minutes of the City Council meetings of September 18, 2014 and September 25, 2014. (MOTION)

- C. PRESENTATIONS AND PROCLAMATIONS

- D. WRITTEN COMMUNICATIONS
 - D.1 MUP-14-37, a minor conditional use permit, to establish a large family day care home at 5557 Jonathan Drive – from Assistant Planner Jimenez. (REVIEW OPTIONAL)

- E. PUBLIC HEARINGS
 - E.1 Hearing for the Prima Project, a 281 unit residential development at 5699 Mowry Avenue. The City Council will consider: (1) an Initial Study and Mitigated Negative Declaration; (2) a General Plan amendment to change the land use designation from CC (Community Commercial) to MR (Medium Density Residential); (3) introduction of an Ordinance to amend Title 17 (Zoning) of the Newark Municipal Code to change the zoning for an approximately 10 acre portion of Vesting Tentative Map 8208 from CC (Community Commercial) to R-2500 (Medium Density Residential – 2,500); (4) by motion, approving a planned unit development, and, a conditional use permit, (5) a Vesting Tentative Map 8208 for a 281 unit residential development at 5699 Mowry Avenue, with Exhibit A, pages 1 through 42; and (6) finding the proposed benefits to the community are in excess of those required by the impacts of the project and waive the Housing Impact Fee – from Assistant City Manager Grindall. (RESOLUTIONS-4)(ORDINANCE)(MOTION)

- E.2 Introduction of an Ordinance amending Chapter 17.18 (Affordable Housing Program) of the Newark Municipal Code by exempting residential additions from the Housing Impact Fee – from Assistant City Manager Grindall. (ORDINANCE)**

F. CITY MANAGER REPORTS

(It is recommended that Item F.1 be acted on unless separate discussion and/or action is requested by a Council Member or a member of the audience.)

CONSENT

- F.1 Authorization for the City to accept the Office of Traffic Safety (OTS) “Avoid the 21” DUI enforcement campaign grant award, authorize the Police Chief to sign the Memorandum of Understanding, and amend the 2014-2016 Biennial Budget – from Police Chief Leal. (RESOLUTION)**

NONCONSENT

- F.2 Acceptance of Fire Services Alternatives Study from Citygate Associates for the cities of Newark and Union City and direction to negotiate a five-year contract extension, with annual termination options, for fire services with the Alameda County Fire Department with terms that support reform of retiree health benefits and organizational governance – from City Manager Becker. (MOTION)**

G. CITY ATTORNEY REPORTS

H. ECONOMIC DEVELOPMENT CORPORATION

I. CITY COUNCIL MATTERS

J. CITY COUNCIL ACTING AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

K. ORAL COMMUNICATIONS

L. APPROPRIATIONS

M. CLOSED SESSION

- M.1 Conference with Legal Counsel pursuant to Government Code Section 54956.9(a), Anticipated Litigation (1 case) – from City Attorney Benoun and Human Resources Director Abe.**

N. ADJOURNMENT

Pursuant to Government Code 54957.5: Supplemental materials distributed less than 72 hours before this meeting, to a majority of the City Council, will be made available for public inspection at this meeting and at the City Clerk's Office located at 37101 Newark Boulevard, 5th Floor, during normal business hours. Materials prepared by City staff and distributed during the meeting are available for public inspection at the meeting or after the meeting if prepared by some other person. Documents related to closed session items or are exempt from disclosure will not be made available for public inspection.

For those persons requiring hearing assistance, please make your request to the City Clerk two days prior to the meeting.



CITY OF NEWARK CITY COUNCIL

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SPECIAL MEETING

Minutes

Thursday, September 18, 2014

City Administration Building
4:00 p.m.
City Council Chambers

A. ROLL CALL

Mayor Nagy called the special meeting to order at 4:05 p.m. Present were Council Members Collazo, Freitas, Marshall, and Vice Mayor Apodaca.

B. CITY MANAGER REPORT

B.1 Authorization for the Mayor to sign a revised agreement with Alameda County for participation in the Alameda County Urban County for fiscal years 2015-2017.

RESOLUTION NO. 10269
CONTRACT NO. 14016

Assistant Planner Jimenez stated that the previously approved agreement has been revised by the United States Department of Housing and Urban Development (HUD) to include their standard agreement language. She requested that the City Council approve the revised agreement to ensure continued participation in the Community Development Block Grant Program.

Council Member Freitas moved, Council Member Marshall seconded to authorize the Mayor to sign a revised agreement with Alameda County for participation in the Alameda County Urban County for fiscal years 2015-2017. The motion passed, 5 AYES.

C. ORAL COMMUNICATIONS

No one came forward to speak

D. ADJOURNMENT

At 4:07 p.m., Mayor Nagy adjourned the special meeting.



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City Administration Building
7:30 p.m.
City Council Chambers

Minutes

Thursday, September 25, 2014

A. ROLL CALL

Mayor Nagy called the meeting to order at 7:33 p.m. Present were Council Members Collazo, Freitas, Marshall, and Vice Mayor Apodaca.

B. MINUTES

B.1 Approval of Minutes of the regular City Council meeting of Thursday, September 11, 2014.

Council Member Marshall moved, Vice Mayor Apodaca seconded, to approve the Minutes of the regular City Council meeting. The motion passed, 5 AYES.

C. PRESENTATIONS AND PROCLAMATIONS

C.1 Commending Newark Sister City Advisory Committee.

Mayor Nagy presented commendations to the Sister City Advisory Committee.

D. WRITTEN COMMUNICATIONS

E. PUBLIC HEARINGS

F. CITY MANAGER REPORTS

Vice Mayor Apodaca moved, Council Member Collazo seconded, to approve Consent Calendar Items F.1 through F.7, that the resolutions be numbered consecutively, and that reading of the titles suffice for adoption of the resolutions and ordinance. The motion passed, 5 AYES.

CONSENT

F.1 Amendment to Resolution No. 2505, Employee Classification Plan, to create one new class specification entitled Recycling Assistant; Amendment to Resolution No. 10127, the 2013-2015 Memorandum of

Understanding between the City of Newark and the Newark Association of Miscellaneous Employees to add one new classification entitled Recycling Assistant; Amendment to Resolution No. 10235, the 2014-2016 Biennial Budget to add and delete certain classifications.

RESOLUTION NO. 10270-10272

- F.2 Confirmation of the use of Measure B Bicycle and Pedestrian Local Pass-Through funds for the repair and replacement of sidewalk, curb, and gutter as adopted as part of the 2014-2016 Capital Improvement Plan.**
RESOLUTION NO. 10273
- F.3 Amendment of the 2014-2016 Biennial Budget and Capital Improvement Plan for Fiscal Year 2014-2015 Capital Budget Rollover.**
RESOLUTION NO. 10274
- F.4 Second reading and adoption of an ordinance amending Title 17 (Zoning) of the Newark Municipal Code to remove the reference to the Dumbarton Transit-Oriented Development Specific Plan Area in Chapter 17.37 (Form Based Codes), Section 17.37.010 (Applicability).** **ORDINANCE NO. 476**
- F.5 Amendment to the Conflict of Interest Code for Nonelected Officials and Designated Employees.** **RESOLUTION NO. 10275**
- F.6 Approval of Amendment to Agreement with Ray Morgan, LLC for Multifunction Device Services.** **RESOLUTION NO.10276**
CONTRACT NO. 14028
- F.7 Accepting the bid of Mooring Tech for the purchase of eight Panasonic Toughbooks to replace the public safety mobile data computers, Project No. ERB01B14.** **RESOLUTION NO. 10277**

NONCONSENT

- F.8 Authorizing the Mayor to sign the First Amended Agreement for Restriction on use of Real Property for Development of Affordable Housing with SHH, LLC.** **RESOLUTION NO. 10278**
CONTRACT NO. 12054

Assistant City Manager Grindall stated that when originally approved, the entire SHH property was restricted until the affordable housing location could be identified. The affordable housing location has been identified and he recommended that the Mayor be authorized to sign the agreement when the parcel description has been created through a lot line adjustment.

Vice Mayor Apodaca requested that a safe walkway be identified from the development to the planned grocery store.

Council Member Marshall moved, Council Member Collazo seconded to, approve a resolution authorizing the Mayor to sign the First Amended Agreement for Restriction on use of Real Property for Development of Affordable Housing with SHH, LLC. The motion passed, 5 AYES.

F.9 Authorizing the Mayor to sign the First Amendment to the Grocery Store Agreement with the SHH Project Owner. RESOLUTION NO. 10279 CONTRACT NO. 12055

Assistant City Manager Grindall stated that the Torian project was approved with the condition that the developer provide a grocery store in the area. The SHH project is moving forward and a bond will be provided, in place of the land security. This change still maintains that the developer provide for a grocery store in the area.

Council Member Collazo moved, Vice Mayor Apodaca seconded to approve a resolution authorizing the Mayor to execute the attached First Amendment to Grocery Store Agreement with the SHH Project Owner. The motion passed, 5 AYES.

G. CITY ATTORNEY REPORTS

G.1 Claim of Pacific Gas & Electric.

G.2 Claim of Myron H. Reece.

MOTION APPROVED

City Attorney Benoun gave the staff report concurrently for G.1 and G.2 recommending denial of both claims.

Council Member Collazo moved, Council Member Marshall seconded to deny the claims and authorize staff to inform the claimants of such denial. The motion passed, 5 AYES.

H. ECONOMIC DEVELOPMENT CORPORATION

I. CITY COUNCIL MATTERS

I.1 Mayor Nagy congratulated the Newark Days Committee on another successful event.

I.2 Council Member Collazo state that September 27 is Family Health and Fitness Day and encouraged families to go out and do something fun.

I.3 Vice Mayor Apodaca congratulated Recreation and Community Services Director Zehnder and Human Resources Director Abe for obtaining the League of California Cities Healthy Eating Active Living Initiative Grant.

I.4 Council Member Marshall invited the public to attend Stage One’s production of West Side Story.

J. CITY COUNCIL ACTING AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

K. ORAL COMMUNICATIONS

No one came forward to speak.

L. APPROPRIATIONS

City Clerk Harrington read the Register of Audited Demands: Check numbers 102538 to 102646.

Council Member Marshall moved, Council Member Collazo seconded, to approve the Register of Audited Demands. The motion passed, 5 AYES.

M. CLOSED SESSION

**M.1 Closed session pursuant to Government Code Section 54957
Public Employee Performance Evaluation
Title: City Attorney.**

At 7:56 p.m. the City Council recessed to a closed session.

At 8:01 p.m. the City Council convened in closed session.

At 8:23 p.m. the City Council reconvened in open session with all Council Members present.

N. ADJOURNMENT

At 8:21 p.m. Council Member Marshall moved, Council Member Collazo seconded, to adjourn the regular City Council meeting. The motion passed, 5 AYES.

D.1 MUP-14-37, a minor conditional use permit, to establish a large family day care home at 5557 Jonathan Drive – from Assistant Planner Jimenez. (REVIEW OPTIONAL)

Background/Discussion – Ms. Sonia Landa has submitted an application for a minor conditional use permit to establish a large family day care home (a facility for up to 14 children) at 5557 Jonathan Drive. Attached is Exhibit A, pages 1 (site plan), and pages 2 (floor plan).

The subject site is zoned R-6,000 (Low-Density Residential – 6,000 District). Ms. Landa currently operates a small family day care home (a facility for up to eight children) at this single-family residence. City staff sent a notice of this application to the 12 property owners within a 100-foot radius of the subject site. Staff received one objection letter from a neighboring resident who expressed concern over potential increased traffic and noise. To address this concern, the applicant has agreed to implement guidelines including staggering pick-up and drop-off times that she will have parents follow.

The Zoning Administrator (ZA) has approved MUP-14-37, a minor conditional use permit, with Exhibit A, pages 1 through 2, to establish a large family day care home at 5557 Jonathan Drive, subject to the conditions in the attached ZA letter.

Environmental Review

This request to establish a large family day care home is statutorily exempt from the California Environmental Quality Act (CEQA) per Section 15274(a).

Attachment

Update – At its September 23, 2014 meeting, the Planning Commission chose not to review this “review optional” item.

Action – City Council review of this item is optional.

FACILITY SKETCH (Yard)

The yard sketch should show all buildings in the yard including the home (with no detail), garage and storage building. Include walks, driveways, play area, fences, gates. Show any potential hazardous area such as pools, garbage storage, animal pens, etc. Show the overall yard size. Try to keep the sizes close to scale. Use the space below.

FACILITY NAME: Sonia Landa

ADDRESS: 5557 Jonathan Dr. Newark CA, 94560

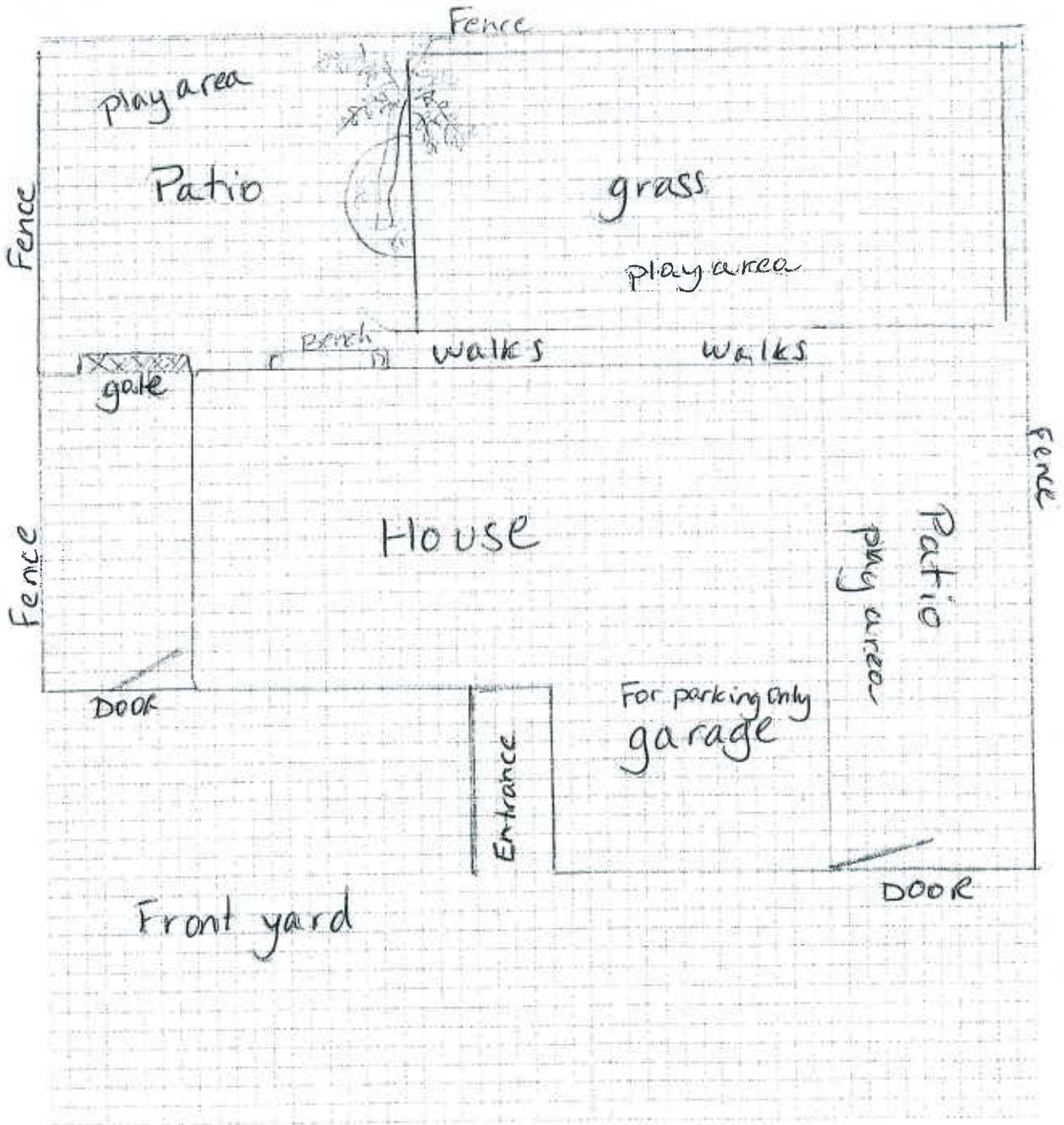


EXHIBIT A-1

FACILITY SKETCH (Floor Plan)

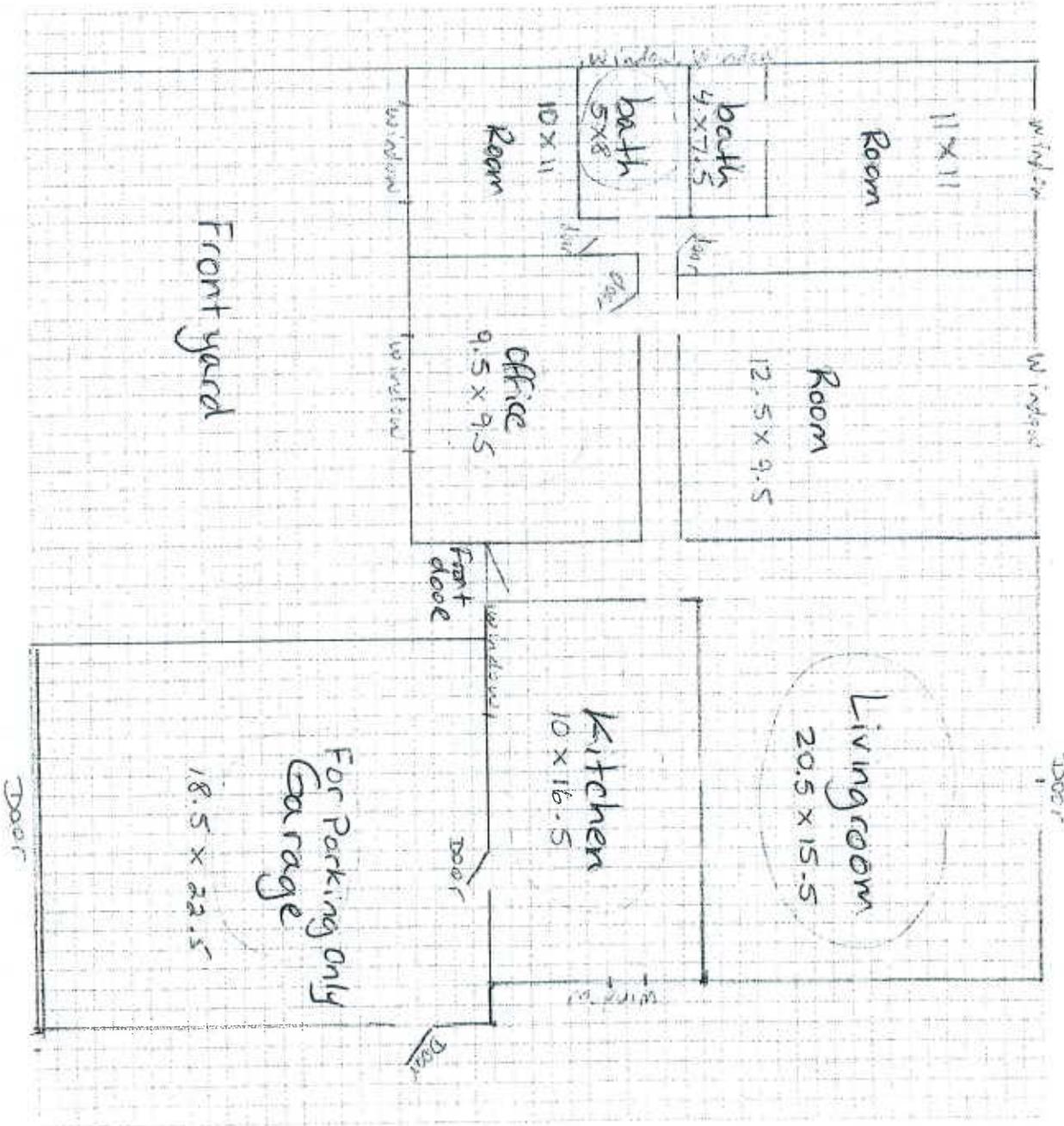
Applicants are required to provide a sketch of the floor plan of the home or facility and outside yard. The floor sketch must label rooms such as the kitchen, bath, living room, etc. Circle the names of the rooms that will be used by staff/residents/clients/children. Door and window exits from the rooms must be shown in case of an emergency (see Emergency Disaster Plan). Show room sizes (e.g. 8.5 x 12). Keep close to scale. Use the space below. See back for yard sketch.

FACILITY NAME:

Sonia Landa

ADDRESS:

5557 Jonathan Dr. Newark CA. 94560





August 15, 2014

Ms. Sonia Landa
5557 Jonathan Drive
Newark, CA 94560

Dear Ms. Landa,

SUBJECT: ZONING ADMINISTRATOR APPROVAL TO ESTABLISH A LARGE FAMILY DAY CARE HOME AT 5557 JONATHAN DRIVE – CITY FILE NO. MUP-14-37

The Zoning Administrator has conditionally approved your application to establish a large family day care home (up to 14 children at any one time) at 5557 Jonathan Drive. The conditions of approval are:

1. The large family day care home shall comply with the requirements of Section 17.16.040.A.5.c through e of the Newark Municipal Code, with "c.ii." amended to reflect that the garage shall be utilized for the parking of vehicles for the facility operator and/or attendant:
 - c. Each facility shall maintain the required amount of off-street parking spaces on-site as specified in Chapter 17.60 of the zoning ordinance. The parking spaces shall be located in a manner to be readily and safely utilized by the customers of the facility. Parking spaces designated under this section shall serve only one facility at a time. Acceptable parking areas include guest parking spaces reserved for the use of the dwelling unit or a private driveway exclusively serving a single dwelling unit. When a dwelling unit has a private driveway and/or garage, the following limitations shall apply:
 - i. If the driveway is specified as the parking area for the facility, the driveway shall remain clear and available for customers during the hours of operation of the facility.
 - ii. The garage shall be utilized for the parking of vehicles for the owners of the residence (or, when applicable, the facility operator and/or attendant).

- d. The use and location of any outdoor recreation areas for the proposed facility shall not significantly impact abutting properties by generating noise that causes excessive discomfort for adjacent residents or property owners. To limit noise, use of outdoor recreation areas shall be limited to the hours between 9:00 a.m. to 6:00 p.m., and all outdoor recreational activities shall be supervised by the facility operator or attendant.
 - e. Outdoor recreation areas shall be located and recreational activities shall be conducted so as to be visually screened from the street and adjacent properties at grade by property line fences, landscaping or structures. Playground apparatus shall only be placed in the rear yard or interior side yard; in no case shall it be visible from a public street.
2. Operation of the large family day care home shall be limited to Monday through Friday.
 3. It is the responsibility of the facility operator or attendant to keep the noise generated by the children to a minimum.
 4. The facility operator or attendant shall, as often as necessary, inform and advise the parents of the children to: (a) minimize noise such as honking of car horns and slamming of car doors during drop-off and pick-up of children; and (b) obey traffic speed limits at all times.
 5. The facility operator or attendant shall coordinate with the parents of the children to stagger the drop-off and pick-up times as much as possible to minimize traffic congestion, and to use the subject site's driveway and curb area for the drop-off and pick-up of children as much as possible.
 6. The large family day care home shall comply with all applicable requirements of the most recent edition of the Building Code and Fire Code adopted by the City of Newark, and the Newark Municipal Code, including the provision of smoke alarms.
 7. Prior to the issuance of the State permit, a Fire Department inspection of the residence will be required to verify it complies with minimum safety standards.

The Zoning Administrator's decision will be presented to the Planning Commission on September 23, 2014 and to the City Council on October 9, 2014, unless an appeal is received. Any appeals to the Zoning Administrator's decision must be received in writing by the City Clerk's office, with a filing fee of \$100, by August 27, 2014.

If the decision of the Zoning Administrator is appealed to the Planning Commission, the Commissions may do one of the following:

1. Refer the matter back to the Zoning Administrator for further consideration, in which case the Zoning Administrator shall conduct a further investigation as he shall deem advisable; and report his conclusion back to the Planning Commission.

2. If the fact stated in or ascertainable from the record transmitted by the Zoning Administrator do not, in the opinion of the Planning Commission, warrant future hearing, the Planning Commission may affirm the decision of the Zoning Administrator and dismiss the appeal.
3. If, in the opinion of the Planning Commission, the facts warrant future hearing, the Planning Commission shall set the matter for hearing. The Planning Commission may reverse or affirm, wholly or partly, or modify any decision, determination or requirement of the Zoning Administrator, and may make decisions or determinations or may impose such conditions as the facts warrant.

Please also be advised that, in the event that two or more complaints are received by the City from neighbors, a hearing shall be scheduled before the Zoning Administrator to consider the complaints and add conditions to the minor conditional use permit as appropriate. Further, the minor conditional use permit can be revoked if it is determined that the conditions of approval are not being complied with.

Thank you very much. Please contact me if you have any questions. My phone number is (510) 578-4208, and email address is terrence.grindall@newark.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Terrence Grindall" followed by "FOR".

Terrence Grindall
Zoning Administrator

Dear Planning Division:

I would like to request a hearing in the matter of proposed large family DAY CARE home at 5557 Jonathan Dr Newark. I am opposed to the larger DAY CARE facility at the home at 5557 Jonathan. It would increase traffic and noise levels in the neighborhood.

Thank you
Walter Johnston

Walter Johnston
5505 Jonathan Pl





Dear Parents:

In order to avoid any safety problems and/or complaints from my neighbors please help me in following these important instructions:

- 1.) Please always keep a safe speed when coming to pick up or drop off your children. And always keep an eye out for other pedestrians on the neighborhood.
- 2.) Park your cars on the street without blocking any neighbor's driveway or double parking.
- 3.) Please be brief when picking up or dropping off your Children.
- 4.) In order to make everything easier, always coordinate the pickup and drop off times with me, so we can avoid too many cars at the same time.

Following these guidelines will make a big difference for the safety of our children.

Thank you for your cooperation.

Kind regards,

Sonia Landa
Little Hugs Child Care
(510)676-2447

E.2 Introduction of an Ordinance amending Chapter 17.18 (Affordable Housing Program) of the Newark Municipal Code by exempting residential additions from the Housing Impact Fee – from Assistant City Manager Grindall. (ORDINANCE)

Background/Discussion – On April 10, 2014 the City Council approved an Affordable Housing Impact Fee which replaced the former inclusionary housing program. The fee was set at \$20 per square foot of building area for the first 1000 square feet and \$8 per square foot above 1000 square feet. The Ordinance has recently become effective. As approved, the ordinance applied a fee to all residential development, including additions to existing residential dwellings. In the process of implementation staff has concluded that the application of this fee to residential additions could create a disincentive to investment in existing neighborhoods and logistical problems in implementation. Therefore, staff is recommending that the Affordable Housing Program (Municipal Code Section 17.18) be amended to exempt additions to existing residential dwellings from payment of the fee.

Attachment

Action –Staff recommends that the City Council introduce an ordinance amending the Chapter 17.18 (Affordable Housing Program) of the Newark Municipal Code Section 17.18.030(B) (Housing Fee) and Section 17.18.040(D) (Damaged Property) exempting residential additions from the Housing Impact Fee.

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF NEWARK
AMENDING CHAPTER 17.18 (AFFORDABLE HOUSING PROGRAM)
OF THE NEWARK MUNICIPAL CODE SECTION 17.18.030(B)
(HOUSING FEE) AND SECTION 17.18.040(D) (DAMAGED PROPERTY)
EXEMPTING RESIDENTIAL ADDITIONS FROM THE HOUSING
IMPACT FEE**

The City Council of the City of Newark does ordain as follows:

Section 1: That Chapter 17.18 of the Newark Municipal Code (Affordable Housing Program) Sections 17.18.030 (B) and 17.18.040(D) are hereby amended to exempt residential additions from the fee as attached in Exhibit A.

Section 3: Effective date. This ordinance shall take effect thirty (30) days from the date of its passage. Before expiration of fifteen (15) days after its passage, this ordinance shall be published in The Argus, a newspaper of general circulation published and printed in the County of Alameda and circulated in the City of Newark.

Exhibit A

Sections 17.18.030 and 17.18.040 of Chapter 17.18 (Affordable Housing Program) of the Newark Municipal Code are hereby amended to read as follows (~~strikeout~~ denotes deletions, underline denotes additions)

17.18.030 Housing Fee.

B. Calculation of Housing Impact Fee. The housing impact fee for residential and nonresidential development projects shall be charged on a per square foot basis for new floor area, ~~including all excluding~~ additions to existing residential dwellings, ~~where floor area is increased~~. The amount and calculation of each such fee shall be established by resolution of the city council. The city council may review the fees from time to time at its sole discretion and may, based on that review, adjust the fee amount. Housing impact fees shall not exceed the cost of mitigating the impact of the nonresidential and residential projects on the need for affordable housing in the city.

17.18.010 Exemptions from Payment of Housing Impact Fee.

This fee shall not apply to developers of residential or nonresidential development projects which fall within one or more of the following categories:

D. Damaged Property. Any structure proposed to repair or replace a building that was damaged or destroyed by fire or other calamity, ~~so long as the square footage and use of the building remains the same~~, and construction of the replacement building begins within one year.

F.1 Authorization for the City to accept the Office of Traffic Safety (OTS) “Avoid the 21” DUI enforcement campaign grant award, authorize the Police Chief to sign the Memorandum of Understanding, and amend the 2014-2016 Biennial Budget – from Police Chief Leal. (RESOLUTION)

Background/Discussion – Every year in communities throughout the state, irresponsible drinking and driving causes collisions, which result in significant injuries, as well as fatalities. Historically the “Avoid the 21” DUI enforcement campaign has been a joint effort of agencies within Alameda County whose goal is to crack down on drivers under the influence by conducting sobriety checkpoints during winter and spring mobilizations. Over the past six years, the Newark Police Department has received grant funding from the Office of Traffic Safety (OTS) to support DUI enforcement campaigns. The Livermore Police Department facilitated this process for all allied agencies in Alameda County beginning in fiscal year 2008-2009 through 2012-2013 with the Hayward Police Department serving as the “pass through” agency for the last two fiscal years. Grant funds were used to cover overtime costs associated with conducting a number of saturation patrols, DUI checkpoints, and warrant sweeps, in addition to participating in multi-agency task forces.

The Hayward Police Department will continue to facilitate this process for fiscal year 2014-2015. An award was granted and the Newark Police Department will receive funding in the amount of \$9,432.00 for saturation patrols and a DUI checkpoint.

Attachment

Action - It is recommended that the City Council, by resolution, accept the Office of Traffic Safety (OTS) “Avoid the 21” DUI enforcement campaign grant award, authorize the Police Chief to sign the Memorandum of Understanding, and amend the 2014-2016 Biennial Budget.

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NEWARK AUTHORIZING THE CITY TO ACCEPT THE OFFICE OF TRAFFIC SAFETY (OTS) "AVOID THE 21" DUI ENFORCEMENT CAMPAIGN GRANT AWARD, AUTHORIZE THE POLICE CHIEF TO SIGN THE MEMORANDUM OF UNDERSTANDING, AND AMEND THE 2014-2016 BIENNIAL BUDGET

WHEREAS, every year in communities throughout the state, irresponsible drinking and driving causes collisions, which result in significant injuries, as well as fatalities; and

WHEREAS, historically the "Avoid the 21" DUI enforcement campaign has been a joint effort of agencies within Alameda County whose goal is to crack down on drivers under the influence by conducting sobriety checkpoints during winter and spring mobilizations; and

WHEREAS, over the past six years, the Newark Police Department has received grant funding from the Office of Traffic Safety (OTS) to support DUI enforcement campaigns; and

WHEREAS, the Livermore Police Department facilitated this process for all allied agencies in Alameda County beginning in fiscal year 2008-2009 through 2012-2013 with the Hayward Police Department serving as the "pass through" agency for the last two fiscal years; and

WHEREAS, grant funds were used to cover overtime costs associated with conducting a number of saturation patrols, DUI checkpoints, and warrant sweeps, in addition to participating in multi-agency task forces; and

WHEREAS, the Hayward Police Department will continue to facilitate this process for fiscal year 2014-2015; and

WHEREAS, an award was granted and the Newark Police Department will receive funding in the amount of \$9,432 for saturation patrols and a DUI checkpoint;

NOW, THEREFORE, BE IT RESOLVED that:

- 1) the City Council of the City of Newark authorizes the City to accept the Office of Traffic Safety (OTS) "Avoid the 21" DUI enforcement campaign grant award and authorizes the Police Chief to sign the Memorandum of Understanding; and
- 2) the certain document entitled "Biennial Budget 2014-2016" is hereby amended as follows:

Fund Number		Amount
035-0000-3550	State Grants	\$9,432
035-1030-4210	Patrol Overtime	\$9,432

MEMORANDUM OF UNDERSTANDING

BETWEEN

**THE CITY OF HAYWARD POLICE DEPARTMENT AND THE
PARTICIPATING ALAMEDA COUNTY CITY LAW ENFORCEMENT
AGENCIES**

**AVOID THE 21 DUI CAMPAIGN – ALAMEDACOUNTY
OTS GRANT #AL1525**

FUNDED BY

THE STATE OF CALIFORNIA OFFICE OF TRAFFIC SAFETY

THIS MEMORANDUM OF UNDERSTANDING, entered into this 1ST day of October 2014, by and between the CITY OF HAYWARD POLICE DEPARTMENT, hereinafter called “Hayward” and the participating Alameda County Law Enforcement Agencies, hereinafter called “Alameda LEAs,” related to the Avoid the 21 DUI Campaign – Alameda County, hereinafter called “Avoid the 21 Program” funded by the State Office of Traffic Safety, hereinafter called “OTS.”

WHEREAS, it is necessary and desirable that Alameda LEAs be retained for the purpose of performing professional services for the Avoid the 21 Program; the Alameda LEAs participating include the Police Departments from the cities of Alameda, Albany, Berkeley, Dublin, Emeryville, Fremont, Livermore, Newark, Oakland, Piedmont, Pleasanton, San Leandro, Union City, the Alameda County Sheriff’s Department and Department of Probation, CSU East Bay Police Department, UC Berkeley Police Department, Peralta Community College District Police Department, East Bay Regional Parks Police Department, BART Police, ABC and the California Highway Patrol.

WHEREAS, Hayward is one of the participating Alameda LEAs in the Avoid the 21 Program;

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Services to be Performed by Hayward and all Alameda LEAs.

During the term of this agreement all Alameda LEAs participating in the Avoid the 21 Program shall provide DUI enforcement staff on an overtime basis, as staffing levels allow, during the approved enforcement deployments. All Alameda LEAs commit to participate in the annual campaign as staffing levels allow and to encourage officers to emphasize DUI enforcement during all phases of the grant. All Alameda LEAs will

ensure that 50% of the officers deployed at every Avoid the 21 operation will be SFST certified. Each of the Alameda LEAs hosting a DUI Checkpoint will ensure the Officer in Charge (OIC) has taken the DUI Checkpoint Management Class sponsored by OTS. Alameda LEAs agree to adhere to the OTS grant programmatic, financial and statistical reporting and understand that adhering to the requirements is necessary to be reimbursed for DUI enforcement activities conducted during the time periods of October 01, 2014 through September 30, 2015.

2. Payment.

- A. Maximum Amount. In full consideration of the services provided during enforcement periods, the amount that Hayward shall be obligated to pay for services rendered under this Memorandum of Understanding shall not exceed the dollar amounts set forth in the Avoid the 21 grant for the term of this Memorandum of Understanding. Funds are to be used solely for reimbursement of personnel overtime incurred while staffing DUI Enforcement activities in support of the Avoid the 21 Program during the specified enforcement periods of October 01, 2014 through September 30, 2015.
- B. Rate of Payment. All Alameda LEAs will receive reimbursement for personnel overtime through the Avoid the 21 Program for a total sum not to exceed the dollar amounts set forth in the Avoid the 21 grant \$137,000.00 for the term of this Memorandum of Understanding. The amount all participating Alameda LEAs will receive will be based on actual personnel hours worked on DUI enforcement for the Avoid the 21 Program and as invoiced in accordance with Paragraph C, Invoice Requirements as stated below. Funding is solely for reimbursement of personnel overtime incurred during DUI enforcement activities conducted during the Avoid the 21 enforcement period. Only "paid" overtime shall be eligible for reimbursement. Overtime accrued as "comp time" cannot be reimbursed under this grant.
- C. Invoice Requirements. Invoices shall be submitted on the provided form and include dates and hours worked, personnel names, overtime salary rate, number of hours worked, and total dollars requested for overtime reimbursement.

D. Time Limit for Submitting Invoices. All Alameda LEAs shall submit an invoice for services to Hayward. Invoices are due to Hayward no later than the 20th day of the month following the end of the quarter. Invoices received after this date will result in forfeiture of that quarter's funding. Hayward will not be obligated to pay any Alameda LEA for the services covered by any invoice if the Alameda LEA presents the invoice to Hayward more than forty-five (45) days after the close of the grant period. For invoices received within the established time limits, payment shall be made to Alameda LEA's by the last day of the quarter following the quarter for which services were rendered.

3. Statistical Reporting

All Alameda LEAs shall collect and report to Hayward all efforts in support of the Avoid the 21 Program. This is to include, but not limited to DUI/DL checkpoints reporting: number of vehicles passing through checkpoint, number of vehicles screened, number of field sobriety tests conducted, number of DUI arrests, number of criminal arrests, number of citations issued and number of vehicles impounded; saturation patrols reporting: number of vehicle stops, number of field sobriety tests conducted, number of DUI arrests and number of vehicles impounded; warrants served reporting: number of attempts and total number served.

Alameda LEAs shall submit daily statistical reports to Hayward for all identified Avoid the 21 enforcement deployments, regardless of whether or not funding for the deployment is received under this grant. Statistical reports not submitted by the 7th day following each Avoid the 21 deployment will result in suspension of future funding.

4. Availability of Funds.

Payment of all services provided pursuant to this Memorandum of Understanding is contingent upon OTS funding the Avoid the 21 Grant with Hayward. In the event that OTS does not fund Hayward's grant, Hayward shall not be liable for any payment whatsoever. Hayward may terminate this Memorandum of Understanding in accordance with the provisions of Section 8 below for unavailability of OTS funds.

5. Alteration of Memorandum of Understanding.

This Memorandum of Understanding is complete and contains all of the terms and conditions agreed upon by the parties. No alteration or variation shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement shall be binding on the parties hereto.

6. Records.

A. Documentation. Alameda LEAs will maintain all supporting documentation necessary to substantiate submitted invoices as required in the current OTS Grant Program Manual.

B. Access. Alameda LEAs agree to provide to Hayward, to any Federal or State department having monitoring or reviewing authority, to authorized representatives and/or their appropriate audit agencies upon reasonable notice, access to and the right to examine and audit all records and documents necessary to determine compliance with relevant Federal, State and local statutes, rules and regulations and this Memorandum of Understanding, and to evaluate the quality, appropriateness and timeliness of services performed, for a period of at least three (3) years from the termination date of this Memorandum of Understanding, or until audit findings are resolved, whichever is greater.

C. Retention. Hayward and Alameda LEA shall maintain and preserve in its possession all records relating to this Memorandum of Understanding for a period of at least three (3) years from the termination date of this Memorandum of Understanding, or until audit findings are resolved, whichever is greater.

7. Compliance with Applicable Laws.

All services to be performed by Hayward and all Alameda LEAs pursuant to this Memorandum of Understanding shall be performed in accordance with all applicable Federal, State, County and Municipal laws, ordinances and regulations.

8. Term of the Agreement.

Subject to compliance with the terms and conditions of this Memorandum of Understanding, the term of this Memorandum of Understanding shall be from of October 01, 2014 through September 30, 2015. This Memorandum of Understanding may be terminated by Hayward or any Alameda LEAs at any time upon thirty (30) days written notice to the other party.

In witness whereof, the parties have executed this Memorandum of Understanding on the day and year last written below.

HAYWARD POLICE DEPARTMENT

Diane E. Urban
Chief of Police

Date: _____

City of Newark Police Department

James Leal
Chief of Police

Date: _____

F.2 Acceptance of Fire Services Alternatives Study from Citygate Associates for the cities of Newark and Union City and direction to negotiate a five-year contract extension, with annual termination options, for fire services with the Alameda County Fire Department with terms that support reform of retiree health benefits and organizational governance – from City Manager Becker. (MOTION)

Background/Discussion – The cities of Newark and Union City are currently under contract with the Alameda County Fire Department (ACFD) to provide fire and emergency response services. ACFD is a special dependent district, formed in 1993, to provide fire services to unincorporated Alameda County and is governed by the Alameda County Board of Supervisors (BOS). During the past 21 years, five cities (San Leandro, Dublin, Newark, Union City, and Emeryville) and two federal laboratories (Lawrence Berkeley and Lawrence Livermore National Laboratories) have joined the ACFD. The contracting agencies now constitute over 60% of the ACFD budget.

The fire and emergency response services that Newark and Union City have received from ACFD have been excellent and the cost savings have met expectations. However, two major and problematic issues have become evident during the roughly four years that both cities have been served by the ACFD:

- **Unfunded Liabilities of Retiree Health Care:** Retired ACFD employees, with at least 5 years of service, are provided an uncapped benefit of healthcare for themselves and their families. Presently this benefit is up to \$1,559 per month. This is a substantially more generous benefit than comparison agencies. Further since the benefit is uncapped it creates enormous and likely unsustainable future costs.
- **Governance:** The Alameda County Board of Supervisors is the governing body of the ACFD, and the mechanisms that were created to allow for contract agencies to provide input have been ineffective in terms of actually influencing decision-making by the Board of Supervisors.

Therefore, as the contracts are approaching the end of their five-year terms, Newark and Union City collaborated on a process to solicit and evaluate consultants to perform a Fire Services Alternatives Study to examine issues and opportunities revolving around potential fire service provision options. Citygate Associates was selected to complete the study, based on their extensive expertise in performing such studies. The fire provision options studied included:

- Remaining with ACFD
- Forming a new, joint fire department
- Contracting for fire services from another entity – public or private.

The Study was a comprehensive effort with the consultation and cooperation of ACFD management staff. It is a detailed examination of the issues and costs associated with the provisions of fire services. It addresses cost of salaries, pensions, equipment, and post-employment benefits- notably retiree health care. It addresses ongoing costs and future liabilities. The Study has been completed and is attached to this staff report.

The key findings are as follows:

- It is technically possible to separate fire services into a two-city Joint Powers Authority fire department.
- If a joint Union City/Newark Fire Department were created, there would be one time separation/startup costs of \$5.6 million dollars and ongoing cost savings (beginning year two) of approximately \$1.8 million. These costs and savings would be divided between the two Cities at roughly 57% for Union City and 43% for Newark.) However, at this initial feasibility point, the estimated cost savings are subject to significant variables and uncertainties.
- It is not feasible to pursue a fire services contract with another regional provider or a private sector company and these options are not recommended for further study.

It is important to note that there are unresolved legal questions regarding the interpretation of the existing contract as it pertains to termination and vesting of post-retirement benefits. This leads to the likelihood of a prolonged legal dispute if the cities were to end their contractual relationship with the Alameda County Fire Department at this time.

Recommendation

ACFD continues to provide excellent service to our residents and there have been no significant issues with their operations. As the study found, the key variable in the cost structure of fire service provision is ACFD's uncapped retiree medical costs. If this benefit can be adjusted to be similar to the benefit offered by comparative Fire Departments, the long term costs of a contract for service with ACFD and a joint Union City/Newark Fire department would likely be similar. The labor contract between ACFD and Alameda County Firefighters Local 55 includes a mandatory "reopener" in 2016. Both ACFD management and Local 55 leadership have indicated an interest in addressing this issue.

In addition, Newark and Union City as well as the other ACFD contract agencies have a desire to establish a more apportioned decision-making structure for policy level decisions with the Alameda County Board of Supervisors. This governance change will be explored utilizing the Executive Management Oversight Committee and the Fire Advisory Commission.

Given the high start-up costs and the uncertainties surrounding creation of a new joint fire department, and the reality that the long term costs of a joint Newark and Union City fire department would be roughly equivalent if the current ACFD retiree health benefit situation is addressed, staff is recommending that a new contract with Alameda County Fire be negotiated with the following provisions:

- Provide for a five-year term with the ability to terminate on an annual basis.
- Require substantive discussions to address retiree health care cost containment.
- Require substantive discussions on increasing contract cities role in decision making and governance.

In addition, a new contract would allow for the clarification of contract language to reduce the level of uncertainty surrounding the contract's current terms and provisions.

Attachment

Action - It is recommended that the City Council, by motion, accept the Fire Services Alternatives Study and direct staff to negotiate a five-year contract extension, with annual termination options, for fire services with the Alameda County Fire Department with terms that support reform of retiree health benefits and organizational governance.

CITYGATE ASSOCIATES, LLC

■ FOLSOM (SACRAMENTO), CA

MANAGEMENT CONSULTANTS ■



FIRE SERVICES ALTERNATIVES STUDY

CITIES OF NEWARK AND UNION CITY

October 2, 2014



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



CITYGATE ASSOCIATES, LLC
FIRE & EMERGENCY SERVICES

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EXECUTIVE SUMMARY

Under the direction of the city management teams of Newark and Union City, Citygate Associates, LLC and Bartel Associates, LLC conducted an initial feasibility analysis of the services, costs, and key issues regarding contracting with Alameda County for fire services. The key issues assessed were the increasing expense of Other Post-Employment Benefits (OPEB) over time and the absence of shared governance between the County and the cities. This study also researched three options for providing fire services: (1) remaining with Alameda County; (2) providing city-based fire services; and (3) contracting with a private provider.

This technical report summarizes the work completed and offers advice on the path ahead for the two city councils to consider. Reconfiguring fire services is costly and time-consuming. Researching and analyzing reconfiguration options is necessary so that the two cities understand their fire service costs and options. Exploring these options is a good governance practice.

Citygate observed that the leadership of both cities expressed nothing but positive reviews about the ACFD, its services, employees, customer service, and emergency incident outcomes.

SUMMARY OF FINDINGS

- ◆ In brief, Citygate finds that it is technically possible to separate fire services into a two-city Joint Powers Authority (JPA) fire department.
- ◆ However, at this initial feasibility point, the estimated cost savings are subject to potentially significant changes either up or down due to implementation decisions and future labor negotiations.
- ◆ Given the technical issues described in Section 5 of this study, including the contract time remaining with the ACFD, Citygate does not find it feasible to pursue a fire services contract with another regional provider or a private sector company. As such, this issue is not recommended for further study.
- ◆ Given the estimated cost savings and the uncertainties of implementation, Citygate finds that two options exist:
 - Option One – Proceed with negotiations for an extension of the contract for fire services with Alameda County.
 - Option Two – Establish a two-city fire department.
- ◆ If the cities enter into a joint contract extension, all of the contracting partners and the ACFD have to work on attaining meaningful, permanent results on controlling the growth of employee costs, especially in the area of retiree health coverage (OPEB). Equally important, designing and implementing a meaningful change to

make governance and policy decisions truly shared between the Board of Supervisors and the contact cities must be pursued.

COST MODEL SUMMARY

This study’s long-term cost model can be used to compare the estimated JPA *total* costs over time against similar estimates from Citygate and Bartel for the ACFD. Side by side, these estimates are:

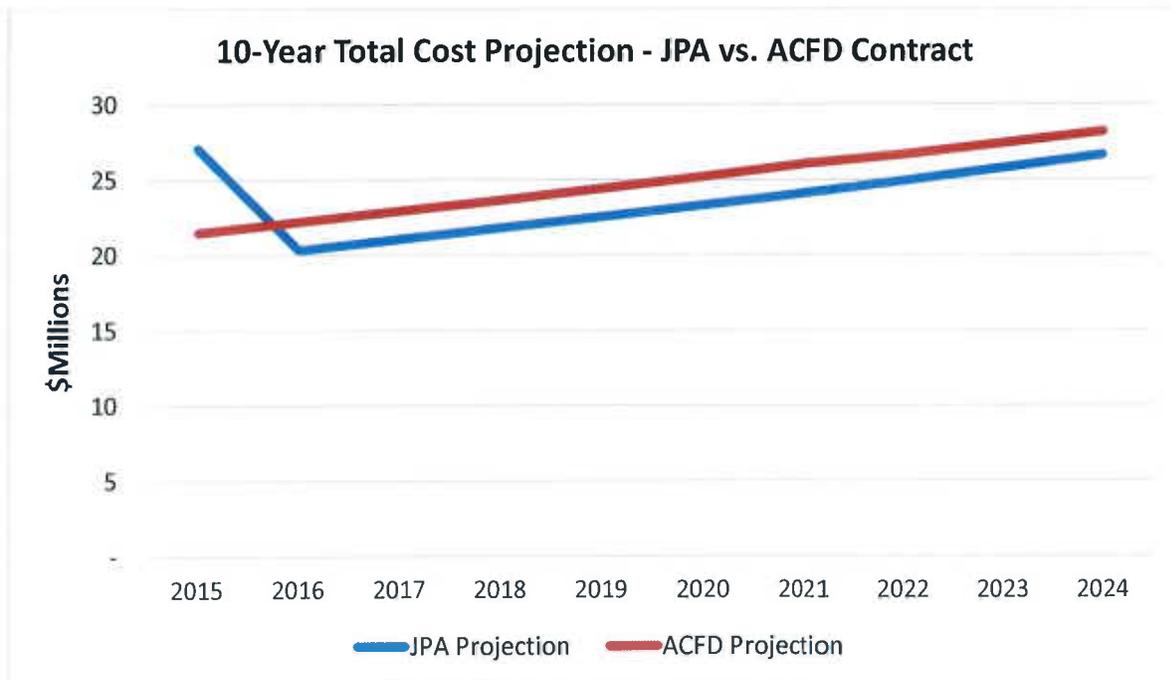
Table 1—10-Year Total Cost Projection – JPA vs. ACFD Contract (In Millions)

Agency	Base	Projection								
	2015*	2016	2017	2018	2019	2020	2021	2022	2023	2024
JPA	27.06	20.31	21.05	21.81	22.53	23.28	24.07	24.88	25.73	26.61
ACFD	21.46	22.20	22.91	23.62	24.39	25.18	26.01	26.62	27.37	28.15
Savings	(-5.6)	1.89	1.86	1.81	1.86	1.9	1.94	1.74	1.64	1.54

* Cost of separation to include total start-up one-time costs of \$8.03 million, which includes OPEB separation costs of \$3.5 million from Alameda County.

This same information is shown in the figure below:

Figure 1—10-Year Total Cost Projection – JPA vs. ACFD Contract



As seen in the figure above, in Year Two after the start-up costs are removed, the difference between the two models is approximately \$1.9 million. Any number of final city decisions regarding pay and benefits during implementation could change the estimated savings. As administration workload experience is gained in the early years, additional fire administrative positions or city hall support positions may need to be added.

There are also other factors that can change either the JPA or ACFD cost projections over time, such as inflation or how CalPERS and active employee medical costs may change under Federal Health Care reform. Neither the cities nor the ACFD should assume that they can even see the costs projected above over the next ten years without all parties maintaining a serious, on-going strict attention to controlling personnel costs and long-term benefit obligations.

If the cities of Newark and Union City desire to re-establish the local provision of fire services, they should be able to do so at just below the ACFD costs. They should not expect to see significant cost savings unless they are very lean during implementation and do not need to grow services over time. Even if the Year Three savings of \$1.86 million in 2017 are completely accurate, the estimated savings is \$930,000 per city if divided equally.

Given that this study is at the feasibility step, until the full implementation work has been performed, the two model costs have to be considered early estimates. This is especially true since most of the cost difference in the two models is due to OPEB costs with Alameda County. Finally, either the cities or the ACFD can make decisions in the near term to significantly improve or worsen the difference between the two estimated cost structures.

OTHER CONTRACTS

Either or both cities could request a contract for services quote from CAL FIRE, the California State firefighting agency for the provision of fire services. CAL FIRE has contracts all over the state to provide a full range of fire and EMS services to counties, cities, and special districts. However, in Alameda County, CAL FIRE does not have many command and other resources in the County and it could well decide it is not in the state's benefit to operate a suburban city contract in Alameda County. Thus, Citygate would not expect a CAL FIRE contract to achieve major savings, and would not expect managing fire services with the state to be any easier than managing them with Alameda County.

CAL FIRE is not required by the state to prepare a bid in response to every request it receives. City councils must first request a formal quote from CAL FIRE for fire services to be provided. Then, with the time it takes for either CAL FIRE or a private company to prepare the quote, the city to accept the quote, and services to commence, the entire process can easily take one to two years with the cooperation of all parties. Given the upcoming contract expiration date the cities have with the ACFD, there is not enough time to complete a CAL FIRE conversion before the contract due date.

Citygate also reviewed a private sector fire service contract option. However, Citygate is not aware of any current California city using a private sector fire services provider. A private sector quote could be obtained in a matter of months, but given the unknowns and the need to hire a significant number of firefighters quickly for two cities, it seems like the effort to design an RFP, obtain quotes, select a vendor, negotiate a contract, and hire a fire department before the expiration date of the current city contracts with the ACFD is large and nearly impossible. Other difficulties also exist, such as obtaining community acceptance, resetting existing labor agreements, and gaining mutual aid contracts.

TWO OPTIONS FOR THE PROVISION OF FIRE SERVICES

Based on the issues studied and summarized in this report, Citygate finds the following options exist for the cities to consider:

Option 1: Proceed with Negotiations for an Extension of the Contract for Fire Services with Alameda County

A new agreement with ACFD is needed that:

- ◆ Addresses the current contract ambiguities;
- ◆ Includes the ability to terminate the contract on an annual basis;
- ◆ Requires substantive discussions over OPEB cost containment;
- ◆ Requires substantive discussions on increasing the contract cities' role in decision making and governance.

Option 2: Establish a Two-City Fire Department

The steps to separate into a two-city fire department are extensive and time-consuming. The work will take extensive staff and consultant time to undertake the following:

1. Conducting separation discussions with and within the ACFD
2. Setting up the Employer of Record with the IRS, CalPERS, etc.
3. Setting up a Joint Powers Authority (JPA) agreement between the cities
4. Determining final start-up expenses and purchases
5. Resolving issues still to be decided, such as city hall support positions and workflows
6. Finalizing salary and benefit plans
7. Recruiting and hiring staff
8. Installing the management team
9. Hiring the line firefighters

-
10. Training the new employees
 11. Converting operations from the ACFD.

SECTION 1—BACKGROUND

1.1 SCOPE OF PROJECT

In 2010, after studying consolidation and other service delivery options, the cities of Newark and Union City independently entered into contracts for service with the Alameda County Fire Department (ACFD). The contract for service yielded cost savings to both cities and allowed ACFD to spread its administrative costs and command staff more effectively. The contracts are effective through June 30, 2015. As the end of the contract period approaches, future concerns over ACFD benefit costs and sharing governance decisions with the contract cities have arisen which has motivated both Newark and Union City to evaluate alternatives to the existing service delivery model.

1.2 WHAT CITYGATE AND BARTEL WERE RETAINED TO RESEARCH

The two cities retained Citygate Associates, LLC and Bartel Associates, LLC (Pension & Post-Employment Health Expense Actuarial Expertise) to research and cost forecast fire service delivery alternatives to include the formation of a consolidated Union City and Newark Fire Department; continued contracting with the ACFD or contracting with another service provider; and reconstitution of separate city fire departments. This study identifies and addresses issues which would be impacted by the various alternative service delivery models. Finally, this report will provide a financial forecast for the next ten years regarding cost implications for each city under the best-fit service delivery model alternative identified.

1.3 BRIEF OVERVIEW OF THE REGULATIONS AND FRAMEWORK FOR PROVIDING FIRE SERVICES

As the partner city councils understand, there are no mandatory federal or state regulations directing the level of fire service response times and outcomes. In the United States, the provision of fire services is a local government issue. As such, communities have to balance the risks to be protected from fire and the resultant emergency incident outcomes desired, against fire services costs and the available revenues. Given the recent recession, and the rise of career firefighter benefit costs, all agencies are challenged to design their fire services system within their ability to pay.

The federal and state body of regulations on the fire service does require that *if fire services are provided at all, they must be done so with the safety of the firefighters and citizens in mind*. Thus, over the last two decades, as safety standards have increased, so have costs for firefighter tools, apparatus, and personal protective equipment. Thus, neither personnel nor operating costs for fire services have moved downward as revenues have also decreased or been very volatile.

As fire departments were also tasked with more duties than firefighting, such as in Emergency Medical Services, technical rescue, homeland defense threats and hazardous materials spill response, the technical training and oversight needed for all types of emergency functions also increased the burden on headquarters staff to provide training, education, and quality improvement oversight programs. Fire prevention code enforcement also increased in complexity and many agencies now place permanent fire prevention specialists into these positions, instead of using line firefighting personnel on a rotating basis.

All of these issues taken together mean that there is a minimum size headquarters team needed for a fire department, and once that team is in place, it can manage multiple fire stations, often from five to ten depending on geographic spacing. The challenge for middle-sized suburban cities is the cost to field a headquarters team for fewer than five or so fire stations. Such costs drove many agencies over the last two decades to more fully consider and enter into sub-regional or regional fire service models to spread their fire headquarters costs over the most feasible number of line firefighters. Such forward thinking is what led San Leandro, Dublin, Newark, Union City, Emeryville, and two national research laboratories to enter into contracts with the Alameda County Fire Department.

Contracting or providing fire services via a Joint Powers Authority (JPA) also provides for cost efficiency in the provision of city hall logistical support services such as human resources, workers compensation, finance, payroll, fire apparatus repair, and legal support. As with fire services, smaller agencies are also fiscally challenged to provide these services at the most efficient cost possible. Regional fire services models allow local governments to also control the number of support positions they need in these general government functions.

In most fire service contracts, the local agencies retain ownership of their capital assets such as the fire apparatus and fire stations. The regional fire department provides the personnel and smaller operating expenses under contract. The sections to follow in this report will further explore these issues, their costs, and the possibilities for the best fire services, at the most reasonable cost, for the cities of Newark and Union City.

SECTION 2—REMAINING WITH ALAMEDA COUNTY FOR FIRE SERVICES

2.1 GOVERNANCE

When agencies come together through regional fire service contracts, those contracting into the regional department view the relationship as a partnership given the public investment and trust needed to assure quality safety services. While local governments pay for fire services via the appropriate contract terms, most do not want a regional agency to dictate what their costs will be without joint discussion.

These issues occurred throughout the state during the recent recession, causing many contracting relationships to suffer from increased friction. Many local agencies were spending down their reserves and/or laying off local government employees. When a regional fire provider could not lower costs fast enough, or its personnel cost structure was fundamentally different than some of the contracting agencies, those agencies wanted and deserved the opportunity to discuss and influence decisions regarding significant personnel, benefit, and other cost issues.

In Alameda County, the County Board of Supervisors possesses complete final authority and control over the Alameda County Fire Department (ACFD) budget and the labor agreements which form the basic “drivers” of possible increased operating costs for the ACFD. As a result, the ACFD contracting agencies have no real control over the costs of their contracts with ACFD.

In an attempt to include the contracting agencies in the ACFD decision-making process, two advisory bodies were formed by ACFD management to provide input to the Fire Chief and the Board of Supervisors on issues of concern to the contracting agencies. These bodies are the Fire Advisory Commission (comprised of appointed elected officials from the contract cities), and the Executive Management Oversight Committee (comprised of city managers and federal lab representatives). As currently constructed, neither committee has any real authority and feels that the Board of Supervisors did not effectively listen to their recent concerns and recommendations on fiscal decisions impacting the contract cities.

This ACFD decision dynamic is compounded by the fact that the County budget does not support the ACFD; rather, the ACFD is a dependent district of the County’s and in the unincorporated areas, the ACFD receives property taxes to support the ACFD. The balance of ACFD revenues comes from its contracts with five cities and the two national labs. This dynamic of a dependent district governed by the Board of Supervisors presents a concern for how future salary and benefit cost decisions are made and how needed containment occurs within the ACFD.

Newark and Union City have a desire to establish a more combined and apportioned decision-making structure, as needed, for policy-level decisions. If this structure is implemented with representation from all parties, much like a Joint Powers Authority, the Board of Supervisors’

role would transition from being the only decision maker to sharing governance with the contracting agencies.

To reiterate, these issues are not unknown in the provision of California regional fire services and no single governance model has emerged as the “best” in Citygate’s opinion. Any model needs to work locally in a set of communities to balance the interests of the parties and use active participation by elected officials and chief executives on the right issues at the right time.

Therefore, as will be discussed in a later section of this report, even if Newark and Union City separated from Alameda County and formed a new two-city fire department, they would also need to have a joint governance structure to make policy and fiscal decisions to effectively manage day-to-day operations. There would be fewer challenges since the number of partners would reduce from eight or more to two, but the core issues still have to be resolved.

2.2 COST OF SERVICES PROJECTION

Before reviewing separated fire service costs for the two cities, this study examines the forward-looking cost projections of the ACFD to establish a comparative benchmark. The two cities asked for and received detailed information from the ACFD, including:

- ◆ A four-year budget-to-actual-expense report
- ◆ A five-year forward-looking expense projection for FY 2014-15 through 2018-19 with different personnel cost assumptions modeled
- ◆ Current ACFD line item costs
- ◆ Current ACFD labor agreements
- ◆ The ACFD Cost Allocation methodology for sharing costs among the contract agencies
- ◆ Detailed information on ACFD employee benefit costs
- ◆ Information on ACFD and County overhead and indirect cost allocations
- ◆ Three years of audit reports for ACFD
- ◆ Other Post-Employment Benefits (OPEB) retiree health care costs and forward-looking models
- ◆ Emergency Incident Response Time Measure Reports
- ◆ Current city contracts
- ◆ A large amount of other data requested by Citygate.

Citygate met with ACFD leaders and with representatives of Alameda County Firefighters Local 55 to understand these documents and the issues involved with staying or separating from the ACFD. Additionally, Bartel Associates received detailed costing information to perform pension and OPEB actuarial cost projections on behalf of the cities and ACFD under different scenarios.

Citygate notes that ACFD was completely open in their disclosure and provided high quality documentation in a timely manner. ACFD fully engaged in this effort and was completely transparent in helping the cities understand their costs.

Citygate reviewed these costs and projections and then inserted the ACFD costs into a large multi-year projection model that used multiple inflation measures for personnel, benefit, and operating costs.

2.3 OPEB Costs

Other Post-Employment Benefits (OPEB) is the accounting term for a benefit other than pensions paid to retirees. Most commonly this refers to retiree health care. One of the costs most concerning to both cities, and many agencies elsewhere, is the cost of retiree health care. If this cost is negotiated as an employment benefit, it must be saved for and paid by the agency for the remaining life of the employees. When this practice started over two decades ago, high inflation in health care costs did not exist, and agencies thought they could pay the retiree costs annually as a normal expense, just like they did for active employee health care.

Before the beginning of the last recession, it was determined that a “pay as you go” model would not provide enough secure funds over the life of the obligations, given the rising costs of health care and increased retiree longevity. Therefore, government accounting standards bodies and institutions that lend to governments began the movement to require clear accounting of retiree health costs.

As the recession hit, and health care costs were increasing at double digits annually prior to federal health care reform, agencies with this benefit found they were unable to both pay for the current active retirees and save enough for future retirees. The newer accounting practices for retiree health costs thus have now generated three cost “segments” for retiree health care: the benefit payment currently needed for those retired, the catch-up savings needed for current under-funded retiree obligations that occurred over the prior decades, and the saving needed going forward for those yet to retire. In actuarial terms, an agency should set aside annually enough funds to fund all three components in what is termed the Actuarially Required Contribution (ARC).

In order to control the size of the ARC, agencies in the recession started to bargain with their employees to lower the future retiree health benefit, which would also lower their ARC costs. Modest reductions in benefits or in sharing more of the cost with the retiree can bring significant actuarial savings. This is exactly the point at which the ACFD finds itself. ACFD has indicated

that it intends to negotiate over OPEB cost containment when the contract allows in 2016. However, it can take time to reach mutual agreements and then produce real savings.

Concurrently, the expiration for Newark and Union City's first five-year contract is nearing. Given the cities' on-going challenges with receiving sufficient local revenue, they need the ACFD to make progress on lowering its OPEB costs.

ACFD employees hired before April 1, 2009 who serve at least five years with the ACFD earn a retiree medical benefit of "uncapped" (at the Kaiser rate) universal family coverage for employees and their families. ACFD employees hired after April 1, 2009 are required to have twenty years of service for full benefits and receive State Vesting Schedule benefits described below. At this time, the medical benefit is fully paid by ACFD with no financial contribution made by active employees and little, if any, contributions from retirees.

The term "uncapped" means that there is no meaningful upper limit on the monthly benefit that each retiree will receive (the benefit increases as the Kaiser Permanente family rate increases). For both cities, all former city employees are considered legacy members of the ACFD Retiree Medical Benefit, due to their city service time once they pass their fifth anniversary with the ACFD, which will happen on May 1, 2015 for Newark, and June 30, 2015 for Union City. Thus, the resolution of this issue before the cities' contracts expire is of intense interest, and two questions need to be answered:

1. If the cities leave ACFD before their fifth anniversary, would they have an OPEB obligation to pay for their respective number of fire staff for their first five years with ACFD?
2. If the cities stay with ACFD, under the current and perhaps renegotiated scenario, what will be the best estimate ACFD ARC payment that directly affects the total costs paid by the cities?

This situation is compounded by the fact that the ACFD, like many other government agencies throughout California, had not (until recently) developed accurate actuarial estimates of the unfunded liabilities associated with the current uncapped OPEB plan. These unfunded liabilities now total over \$120 million and are expected to continue to grow every year. The reason these unfunded liabilities are growing is that no agency associated with the ACFD (nor any ACFD employee) has ever paid the actual annual costs required to fully fund the retiree health benefit. Instead, ACFD agencies have paid only those amounts needed to pay for current benefit payouts to retirees ("pay as you go"), thereby pushing the unfunded liability forward and increasing its size. Union City and Newark have not been paying the ARC because they currently have no qualified retirees; however, both cities have been reserving funds for this purpose.

2.3.1 Implied Subsidy Component

Definition of Implied Subsidy

CalPERS sets premiums for its medical plans based on average claims of all non-Medicare eligible members, both active employees and retirees. Because medical costs, on average, tend to increase as people get older, pre-Medicare retirees' medical claims exceed premiums, while the opposite is true for active employees. Overall, the system is in balance. Past Government Accounting Standards Board (GASB) accounting rules and actuarial standards for large systems such as CalPERS allowed the ARC to be based on the premiums paid for retirees. New rules, effective in March 2015, will require the ARC to be based on the medical claims (the benefits retirees receive). The difference in these two is called the "implied subsidy."

The "implied subsidy" was not included in previous ACFD OPEB actuarial valuations and ARC calculations, as it was not required for actuarial valuations before March 2015. It is not included in the OPEB ARC in the 5-year budget projections given to the cities by ACFD, since it was not in the most recent valuation. The implied subsidy affects only the ARC and not the annual benefit payments ("pay as you go").

Citygate and Bartel *have* included the cost for the implied subsidy in our modeling for both ACFD and JPA OPEB costs going forward, since it will become a component of the ARC payment in the future.

2.3.2 Ongoing County Fire Pension Cost Model

ACFD provides the CalPERS 3%@50 Safety employee benefit formula, and the CalPERS 2%@55 Miscellaneous employee formula, as part of the 2%@55 Risk Pool.

- ◆ Safety pension costs are currently about 27% of pay. This represents the ongoing cost of benefits as well as amortization payments related to the Unfunded Actuarial Accrued Liability. Bartel Associates projects the costs to increase to about 30% of pay for the next few years, and then to decrease to about 15% of pay at the end of 30 years, as unfunded amounts are paid off and most employees will be PEPRAs (first hired after January 1, 2013 with a state-required lower benefit) members.
- ◆ Miscellaneous pension costs are currently about 11.5% of pay. This is projected to decrease to about 7% over 30 years as unfunded amounts are paid off and most employees will be PEPRAs members.

2.3.3 Ongoing ACFD OPEB Costs

As of the summer of 2014 when this study was conducted, the ACFD retiree medical benefits were accrued in the following manner.

ACFD provides employees hired after April 1, 2009 the “State Vesting Schedule” earn OPEB benefits, using CalPERS’ Public Employees’ Medical and Hospital Care Act (PEMHCA) medical benefits. This is also known as the State Vesting or 100/90 benefit which is permitted under §22893 of the Government Code. It may be different than what is provided to active ACFD employees. Employees retiring after 5 years at ACFD that also have 20 years of CalPERS service are 100% vested and receive retiree health benefits up to specified limits. The 2014 limits are shown below:

Table 2—2014 CalPERS Benefit Limits

Coverage	Limit Basis	Benefit Limits
Single Coverage	100% of weighted average of 4 PEMHCA plans with highest enrollment	\$642/month
Two-Party	90% of increase in weighted average of 4 PEMHCA plans with highest enrollment over above single premium weighted average	\$1,218/month
Family	90% of increase in weighted average of 4 PEMHCA plans with highest enrollment over above 2-party premium weighted average	\$1,559/month

Should an employee be eligible for both a fully-vested OPEB benefit from ACFD and an OPEB benefit from another agency, CalPERS allows the employee to choose one benefit or the other. ACFD expenses these benefits on a pay-as-you-go basis. The amount of payments made to retirees is allocated among participating cities in each year’s budgeted cost. ACFD has tracked a Side Fund for each city’s OPEB costs, based on the OPEB liability for their existing employees upon joining ACFD, increased thereafter with allocated costs and reduced by allocated benefit payments. Should the cities choose to pre-fund their share of the OPEB liability, ACFD will calculate for each unique city its ARC on a pre-funded basis. Including the implied subsidy, Bartel estimates this to be about 19% of payroll. Citygate and Bartel have used this pre-funded basis ARC in our total cost modeling, for an equal comparison to the separated OPEB cost in the separated cities cost section to follow.

2.3.4 Ongoing ACFD Total Costs

Citygate received the latest multi-year cost projections sent to both Newark and Union City. For multi-year projections in this cost of separation model, Citygate further inflated the baseline ACFD costs as follows:

- ◆ Salaries at 2.8% for safety; 1% for non-safety
- ◆ PERS at actuarial pension assumptions level plus inflation
- ◆ Risk Management at 5%
- ◆ OPEB at actuarial assumptions levels

- ◆ Health premiums at 7%
- ◆ Dispatch costs at population increases plus inflation plus 3%
- ◆ Services and supplies inflation
- ◆ Administrative overhead cost at inflation plus 3%.

The table below shows the ACFD total costs to both cities, for their “as is” service levels, projected out for ten years. While no projection can be guaranteed over such a long time horizon, it can be useful to understand, in an “order of magnitude” sense, how fire service costs will likely increase over time. In the separated cities section of this report the cost projection below will be compared side by side to a two-city model:

Table 3—Total “As Is” Service Costs (In Millions)

Agency	Base	Projection								
	2015*	2016	2017	2018	2019	2020	2021	2022	2023	2024
ACFD	21.46	22.20	22.91	23.62	24.39	25.18	26.01	26.62	27.37	28.15

* The current ACFD contract cost for both cities is \$21,458,501.

SECTION 3—FORMING A UNION CITY AND NEWARK FIRE DEPARTMENT IF SEPARATED FROM ALAMEDA COUNTY

3.1 REEMPLOYMENT OF PRIOR CITY FIREFIGHTERS

When fire services are merged and, in the case of Newark and Union City, contracted into another agency, the fire department employees are transferred to the new employer. They receive certain negotiated seniority rights. They are no longer employees of the “sending” city and are not tracked as such as they continue to progress through their careers. As ACFD employees retire, new entry-level firefighters are hired and existing employees promoted upwards. Thus, year by year, the demography of the workforce continues to evolve.

3.2 LAYOFF AND BUMPING ISSUES WITHIN ACFD

If both Newark and Union City were to re-form a separate fire department, there is no clear way to directly take back all of their previous employees. ACFD would be faced with too many employees and not enough jobs, even with normal retirement attrition elsewhere.

The different represented employee groups within ACFD have layoff and bumping rights that must be respected in a significant downsizing. To further complicate matters, there is no clear path for the cities to offer jobs to certain employees. The cities have the right to recruit new employees from ACFD and elsewhere. ACFD will need to determine the quantity of excess employees, and if enough employees do not retire or resign and seek employment with the two cities or elsewhere, it will need to start the layoff and bumping down process through the ranks. Thus, at this time it is impossible to understand or model the number of prior Newark or Union City fire department employees that would choose to try to return to the cities and/or be re-hired.

3.3 POSSIBLE IMPACTS OF TWO-CITY WITHDRAWAL TO REMAINING ACFD AGENCIES

Given the uncertainty of how employee downsizing at ACFD would finally occur, at this point in the feasibility study, it is impossible to predict the effect and final costs on ACFD of significant downsizing. With this in mind, since the ACFD apportions costs to the contract cities by size, and since ACFD’s pension and OPEB costs will need to change, there could be a cost increase or a savings to the remaining partners if two cities separate. A separation cannot occur in a “silo” since ACFD has one integrated cost model and changes will impact ACFD and the remaining contracting agencies once the exact cost and seniority of the employees that left the agency is determined. Also, without two cities, ACFD could have excess support and headquarters staff and layoffs would also be necessary in those service areas.

3.4 GOVERNANCE MODELS FOR A TWO-CITY FIRE DEPARTMENT

3.4.1 Joint Powers Authorities

When multiple cities or other local government agencies seek to provide consolidated services and yet want to retain a greater measure of fiscal and operational oversight than either an independent or dependent district would allow, they usually turn to the creation of a Joint Powers Authority. California law allows an almost infinite variety of shared services between governmental agencies, and permits the partners to create almost any governing structure that meets the local needs for fiscal and operational control. For example, a JPA with a board composed of elected officials from each of the partner agencies is the most common form. Funding for the combined service can similarly be provided to the JPA by each partner agency according to any formula the parties may find agreeable. For employment/payroll purposes, the JPA can contract with either of the partner agencies to serve as the “home base or payroll parent” for all of the employees. Alternatively, the JPA could separately employ the personnel under a new employer relationship.

While there are a variety of forms that a JPA might take, one example would be to form a JPA with a board composed of elected official members from each city. The board could have the responsibility to review the budget and operational policy, but only the power to then recommend approval by the full city councils. Thus, the JPA board of directors would be the fire “sub-committee” of the parties. The JPA board could work on the consensus model, where there would be four JPA board members, two per agency. It would take a three-fourths vote to advance the budget and goals for full ratification. If that were not possible, staff and the board would need to work the issue to consensus. In this model, there is equal representation, and one agency does not get more votes based on its population size or a different weighted metric.

Example JPA policies are:

- ◆ The two city managers would be the “Joint Executive Directors” of the JPA.
- ◆ The Joint Executive Directors would jointly appoint the fire chief and exercise direct, traditional city manager oversight on major fiscal and personnel issues for the shared services.
- ◆ The JPA would have two choices for the employment of the firefighters—they could become JPA personnel, or one existing agency could employ them, providing payroll and personnel services, reimbursed by the other partners. This decision is driven by either partner’s ability to host fire department personnel services, as well as the State Retirement System requirements.
- ◆ The fire chief and JPA would set the annual budget and objectives. The JPA board would consider it and recommend co-ratification by each of the partner city councils.

-
- ◆ Budget expenses could be shared based on one of the formulas discussed in the fiscal section of this report. Each agency could continue to separately own, fund, repair, and replace its capital assets like fire stations and fire apparatus, under the fire department’s common specifications.

This is only one example of how a JPA might be arranged. The specific details and authority would need to be worked out through discussion by the partners to reach a “best fit.”

3.4.2 One Lead City with Another City Contracting to the Partner City

In this model, either city could independently fully provide fire services, setting all policy decisions and total costs. The lead city would then sell fire services to the other city via a contract. The “buying city” would only have input into fire services decisions to the extent contract allows.

In middle-size two- or three-city fire service partnerships, most cities prefer the greater involvement of the JPA model. When there are multiple contract cities and/or fire districts, the contract model is more typically used. Several examples of larger contract fire providers are Alameda, Los Angeles, Santa Barbara, and Ventura Counties. Apart from Alameda County, the other large contract fire service counties are legacy operations and did not start out in recent years.

3.4.3 Contract for Services

As stated above, it is not uncommon for one agency to provide fire service to a portion of or all of a large region to multiple agencies, at an agreed contractual cost. All of the savings and operational efficiencies that might be found in consolidation under a JPA can be realized in a contractual arrangement. However, the disadvantage is that day-to-day policy control rests with the elected officials of the agency providing the service. Unless there is a close and common vision regarding how to operate the service, conflict can arise between the partners, with the agency “buying” the fire service from its neighbor feeling it “pays” but has little control over the nature and quality of the service.

There are also examples of agencies only contracting for one line of business, such as for fire prevention or EMS clinical oversight to be managed by one agency and sold to the other. Another common JPA example is for regional fire service training and/or dispatching.

All of these models exist in the Bay Area and many in Alameda County. There is no one correct or best way as legacy relationships, community politics, fiscal capacity, and geography all influence how agencies choose to provide shared fire services. Circumstances also change over time, as evidenced by the decisions of Emeryville, Fremont, Newark, San Leandro, and Union City over the years as compared to Dublin, which, since incorporation, has contracted or been in a regional partnership for fire services.

3.5 EFFICIENCIES OF A COMBINED FIRE DEPARTMENT IN LIEU OF USING TWO STANDALONE DEPARTMENTS

3.5.1 Organizational Design

The “headquarters” system of a fire department covers a multitude of activities. The design of any fire department has to address the number of positions and the type of functions needed in the headquarters support team. A fire department with seven fire stations the size of Newark and Union City will need to have a management team that is properly sized, adequately trained, and supported. There are increasing regulations to be dealt with in operating fire services, and the proper hiring, training and supervision of line employees requires an equally serious commitment to leadership and general management functions. Based on the issues and regulations in managing fire services, Citygate recommends the minimum number of personnel needed to run an agency that is not excessively geographically spread out, to be:

- ◆ One (1) Fire Chief
- ◆ One (1) Fire Prevention Officer
- ◆ Three (3) shift-based Battalion Chiefs
- ◆ One (1) office support position.

As technical workloads and agency size increases, agencies typically add further positions:

- ◆ Training Officer
- ◆ EMS clinical oversight and training
- ◆ Disaster Preparedness and Community Education
- ◆ Incident Command Officer (a service area of a similar size to the two cities, with comparable risks to be protected, also needs a 24/7/365 Incident Command Officer (Battalion Chief) that is certified and trained for this role).

3.5.2 Proposed “As Is” Newark and Union City Station and Crew Deployment Plan

Fire department deployment, simply stated, is about the speed and weight of the attack. **Speed** calls for first-due, all-risk intervention units (engines, ladder trucks and/or rescue ambulances) strategically located across a jurisdiction. These units are tasked with controlling moderate emergencies and preventing them from escalating beyond a single alarm incident. Second alarm incidents unnecessarily deplete department resources as multiple requests for service are received. **Weight** is about multiple-unit responses for serious emergencies such as a room and contents structure fire, a multiple-patient incident, a vehicle accident with extrication required, or a heavy rescue incident. In these situations, enough firefighters must be assembled within a

reasonable time frame to safely control the emergency. This keeps many incidents from escalating further, possibly requiring assistance from neighboring jurisdictions.

In this initial feasibility study of remaining with the ACFD or establishing a two-city fire department, Citygate and both city managers agreed that a two-city service and cost model needs to be developed that would provide for an “apples to apples” comparison to be made to the current ACFD contract. Both cities’ leadership stated that the current ACFD quality of service, response times, and emergency incident outcomes were meeting the local needs. Therefore, this study will model costs based on the existing number of fire stations, personnel, and fire apparatus. Then the study cost model has to estimate the needed “add back” positions for fire headquarters and city hall logistical support services.

3.5.3 Number of Fire Department Positions and Assignments

Creating a shared two-agency fire department administrative team typically provides the opportunity to further reduce and/or improve the effectiveness of the administrative staff over that of two standalone smaller fire departments. More importantly for smaller agencies, consolidation of administrative services, such as the planning and coordination of training, oversight of EMS services, fire marshal, and fire prevention services increases the effectiveness of these positions because a larger, more robust administrative unit permits greater specialization among staff.

Citygate routinely finds that if smaller agencies understaff for some administrative and command positions, the remaining staff have to perform multiple duties, not allowing for enough time to be given to performing critical duties such as training and employee supervision. While station crews can assist with some administrative programs, the line personnel do not have the education and training to undertake all of the needed administrative duties. Based on our experience and knowledge of Newark and Union City, for the cost-of-separated-services portion of this study, Citygate has included the following minimum number of fire headquarters positions:

Table 4—Minimum Fire Headquarters Positions Required

Quantity	Job Title
1.00	Fire Chief
1.00	Assistant Chief
4.00	Battalion Chiefs (3 Shift, 1 Training)
1.00	Fire Marshal
1.00	EMS Program Manager
2.00	Emergency Services Coordinator
1.00	Code Compliance Inspector
2.00	Office Technician
13	Headquarters Total

The two cities' fire stations will be staffed as they are currently:

Table 5—Current City Fire Station Staffing

Newark Station Number	Address	Equipment Type and ID	Minimum Staffing for Each Piece of Equipment by Station
1	7550 Thornton Ave.	Truck-28	3
2	35775 Ruschin Dr.	Engine-29	3
3	39039 Cherry Street	Engine-27	3
		Reserve Engine-27R	0
Union City Station Number	Address	Equipment Type and ID	Minimum Staffing for Each Piece of Equipment by Station
1	33555 Central Ave.	Truck-31	3
		Reserve Engine-3L	0
2	31600 Alvarado Blvd.	Engine-32	3
3	33942 7 th St.	Engine-33	3
		Reserve Engine-233	0
4	35000 Eastin Ct.	Engine-34	3
		Reserve Engine-234	0

To staff the above units, the table below shows the total quantity of line fire personnel required along with enough overtime to replace absences due to vacation, illness, injury etc.:

Table 6—Total Quantity of Line Fire Personnel

Quantity	Job Title
21.00	Captain
21.00	Engineer
21.00	Firefighter/Paramedic
63	Line Stations Total

3.5.4 City Hall Support Service FTEs and Impacts

In addition to the line fire personnel required above, to support a re-staffed, two-city fire department, the cities have determined they would need to add back and cost-share the following full-time-equivalent (FTE) city hall support staff functions:

Table 7—Staffing FTE Add-Backs

Quantity	Job Title
0.50	Administrative/Budget Analyst
0.50	Payroll and Accounting Technician
0.25	Administrative Support Specialist
0.25	Human Resources Analyst
0.25	Accountant/Purchasing
0.25	Systems Analyst
1.00	Fire Mechanic
0.25	Maintenance Worker
3.25	City Hall Total

In total, a new, two-city fire department would require a *minimum* of **79.25** FTE positions, as summarized below:

Table 8—Minimum Two-City Total FTEs

Quantity	Summary
13.00	Fire Headquarters Positions
63.00	Fire Line Positions
3.25	City Hall Positions
79.25	Minimum Total Positions

3.5.5 Stations and Fire Apparatus

The cities own and replace their fire stations and fire apparatus. As such, to a large degree, there is no significant cost difference between contracting with Alameda County and reestablishing a two-city fire department. However, the use of reserve equipment will vary without Alameda County, and Newark in particular needs to replace some fire apparatus at start-up that has been deferred to now. Additionally, there are command and administrative vehicles needed at start-up, which are currently provided under the contract with Alameda County.

There will also be smaller start-up expenses in small tools, equipment, and personal protective safety clothing spares. In summary, this study's start-up cost model includes the following capital equipment start-up expense estimates:

Table 9—Initial Capital Vehicle Costs

City	Vehicle Type	Number Needed	Need	Current Age (Years)	Estimated Cost per Unit (Apparatus Cost Only; No Equipment Included)		Estimated Total Cost (Apparatus Cost Only; No Equipment Included)	
					Low	High	Low	High
Newark	100 Ft. Truck / Quint	1	Replace current T-28	17	\$1,040,000	\$1,223,750	\$1,040,000	\$1,223,750
	Engine - Type 1	1	Replace current E-27R	19	\$600,000	\$685,000	\$600,000	\$685,000
	Sedan / SUV	3	Replace current vehicles #41,147, 149	10+	\$17,000	\$48,000	\$51,000	\$144,000
Subtotal:							\$1,691,000	\$2,052,750
Union City	Sedan / SUV	1	Fire Inspect	N/A	\$17,000	\$48,000	\$17,000	\$48,000
Subtotal:							\$17,000	\$48,000
Joint Needs	100 Ft. Truck / Quint	1	Reserve Aerial	N/A	\$1,040,000	\$1,223,750	\$1,040,000	\$1,223,750
	SUV	3	Asst. Chief, Ops BC, Training BC	N/A	\$36,500	\$48,000	\$109,500	\$144,000
	Sedan / SUV	4	Fire Chief, EMS Coord., Emerg. Manager, CUPA Coord.	N/A	\$30,000	\$55,000	\$120,000	\$220,000
Subtotal:							\$1,269,500	\$1,587,750
TOTAL:							\$2,977,500	\$3,688,500
Model Use:							\$3,335,000	

3.5.6 Annual Maintenance and Operating Expenses

A new two-city fire department will also have operating costs for the fire stations, vehicles, small tools and equipment, utilities, and supplies. This study's cost model includes the following baseline assumptions:

Table 10—Annual Maintenance and Expenses Included in Model

Operating Costs
Materials and Supplies
Contractual Services
Attorney - General Counsel
Outside Counsel
Equipment Maintenance
Building Maintenance
Information Technology
Software
IT Support
Administrative Support
Vehicle Insurance
General and Employee Liability
Office Space
Personal Protective Clothing
Employee Training/Development
Fuel and Transportation
Other
Regional Fire Dispatch JPA Cost

3.6 COSTING OF SEPARATED SERVICES

Once the above-listed positions and operating cost elements were identified, Citygate developed costs for each element. For multi-year cost projection purposes, inflation factors unique to each type of expense were also developed. The overall cost model assumptions are:

3.6.1 General Assumptions

- ◆ Annual inflation rate at 2%
- ◆ Population growth at 1%
- ◆ Fire employee compensation at the average top step for each rank in the survey.

3.6.2 Fire Assumptions

- ◆ Salaries at population growth, inflation, and 0% service level growth
- ◆ Salaries Non-PERSable at population growth and inflation
- ◆ PERS at actuarial pension assumptions plus inflation and salary growth
- ◆ Health at inflation plus 5%
- ◆ Business support services at inflation
- ◆ Legal at inflation
- ◆ Information technology at inflation plus 3%
- ◆ Fleet and equipment replacement at inflation plus 2%
- ◆ Dispatch costs at population increases plus inflation plus 3%
- ◆ All other at general inflation
- ◆ Overtime at 12% of salaries and benefits for line fire positions
- ◆ Workers compensation at 7% of base salary.

3.6.3 Operations Budget

- ◆ Materials and Supplies – Estimate based on ACFD budget projection
- ◆ Contractual Services – Estimate based on ACFD budget projection
- ◆ Equipment Maintenance – Estimate based on ACFD budget projection
- ◆ Building Maintenance – Estimate based on ACFD budget projection
- ◆ Information Technology – Estimate based on ACFD budget projection
- ◆ Software – Estimate based on knowledge of similar agencies
- ◆ Administrative Support – Estimate based on knowledge of similar agencies
- ◆ Vehicle Insurance – Estimate based on knowledge of similar agencies
- ◆ General and Employee Liability – Estimate based on knowledge of similar agencies
- ◆ Office Space – Estimate based on ACFD budget projection
- ◆ Personal Protective Clothing – Estimate based on ACFD budget projection
- ◆ Employee Training – Estimate based on ACFD budget projection
- ◆ Fuel and Transportation – Estimate based on ACFD budget projection.

3.6.4 Other Costs

- ◆ Fire Headquarters – Existing facilities
- ◆ Fire Supplies warehouse – Existing facilities
- ◆ General and employee liability at city police rates
- ◆ Services and supplies at existing County levels plus inflation
- ◆ Vehicle replacement is projected at \$565,000 annually.

3.7 PERSONNEL EXPENSE

To expense the cost of new fire department personnel, Citygate undertook a salary and benefits survey using the survey cities that both Newark and Union City typically use. For city hall general government positions, Citygate used the salary and benefit costs from both cities.

Citygate's staff surveyed the designated comparator agencies to obtain the necessary salary, additional cash compensation, and medical benefits costs. This analysis and the results of the compensation study forms the foundation of the personnel cost model used in this study. Data was obtained through a review of the various labor agreements and benefit information posted on the web sites of the various agencies.

3.7.1 Competitive Market Total Compensation Survey

The table below provides a summary of the base salary and total compensation study by classification and compares the results with the top-step base salary and total compensation paid by the ACFD.

Table 11—Base Salary and Total Compensation Study by Classification

Classification	ACFD Top Step Base Monthly Salary*	ACFD Total Monthly Compensation	Survey Agencies Top Step Base Monthly Salary	Survey Agencies Total Monthly Compensation	Percent ACFD Top Step Base Monthly Salary Above/Below Average	Percent ACFD Top Step Total Compensation Above/Below Average
Firefighter	\$8,232	\$11,776	\$7,753	\$11,474	+6.18%	+2.63%
Engineer	\$8,848	\$12,505	\$8,560	\$12,556	+3.36%	-.41%
Captain	\$10,004	\$13,871	\$9,794	\$13,969	+2.14%	-.71%
Battalion Chief	\$12,537	\$15,545	\$13,300	\$16,142	-5.74%	-3.70%
Fire Marshal	\$12,537	\$15,628	\$13,131	\$15,761	-4.52%	-0.84%
Chief	\$16,392	\$19,012	\$16,824	\$19,300	-2.57%	-1.49%

* ACFD salary data reflects salary adjustments resulting from the recently concluded labor negotiations.

In addition to reviewing the above benefit costs, this study modeled separate pension and OPEB costs. For a comparison of ACFD to JPA OPEB costs see Section 4.2, Table 15.

Discussion

The data in the table above shows that, for all the job classifications, with the exception of the Firefighter rank, the total compensation paid by the ACFD is slightly less than the total compensation paid by the comparator agencies. It should be noted that the Retiree Healthcare Benefit provided to ACFD employees is a substantially more generous benefit than is provided by comparison agencies. The trend regarding base pay shows that for the ranks of Firefighter, Engineer, and Captain, ACFD’s top step base pay is above the average paid by the comparator agencies while the base salaries for Battalion Chief, Fire Marshal, and Chief are less than the average paid by the comparator agencies.

Based on the total compensation survey conducted and reviewed with the two-city study team, Citygate in this study’s cost model has used the survey top-step average for salary, and survey averages for medical and specialty pays. Modeling initial personnel costs at survey average top-step allows lateral hires to occur in the middle to upper salary ranges adopted by the new fire agency leadership.

3.7.2 CalPERS Pension Plans for a Reestablished Fire Department

This study’s cost modeling assumes a new JPA will provide CalPERS pension benefits. As a new JPA, we believe it must provide at least the benefit formulas from one of the forming agencies, with the PEPR formula for New Members first hired in 2013 or later. The City of

Newark currently provides the 3%@50 Safety formula, and Union City the 3%@55 Safety formula. For our modeling, we assumed the JPA would select the classic 3%@55 formula.

The JPA will have a similar choice for Miscellaneous pension benefits. The City of Newark currently provides the 2.5%@55 formula, and Union City the 2.0%@60 formula. For our modeling, we assumed the JPA would select 2.0%@60.

3.7.3 Alternative Retiree Medical (OPEB) Program

The new JPA will be free to establish OPEB benefits through negotiation. The two cities currently provide different levels of OPEB benefits to their non-fire employees. Citygate and the city managers agreed that for this study to provide an “apples to apples” comparison of the two-city model to the current ACFD model, and to allow for the two cities to have a competitive salary and benefit package for recruitment, this study’s cost model would include an OPEB benefit, as described below:

- ◆ The benefit includes \$750.00/month (current Kaiser Permanente single rate) for post-retirement health care, increasing *only as negotiated*. For the model, we assumed this would increase at approximately the CPI.
- ◆ Vesting is based on JPA service, as shown below:

Table 12—JPA OPEB Vesting Percentage by Years of Employment

Years of JPA Employment	Vesting Percentage
10 years	25%
15 years	50%
20 years	75%
25 years	100%

- ◆ CalPERS (PEMHCA) requires a minimum monthly benefit (\$119/month for 2014) be paid to retirees with 5 years of CalPERS service, even for retirees who would not earn a benefit based on the above vesting schedule. This study’s costs included this benefit.

The JPA OPEB costs described here include the cost of the implied subsidy, discussed above in Section 2.3.1. Further, the JPA OPEB employee model assumes initial employees joining the JPA will have prior service and will be older at entry than would otherwise be expected in legacy agencies that hire entry-level young employees when senior employees retire. Because of this, the initial costs are relatively high, almost 15% of pay, but they decrease over time to 5% of pay as employees retire and are replaced with new hires.

Pension Projections Over Time

With under 100 Safety employees, the JPA would join the CalPERS 3%@55 Risk Pool. In general, this is beneficial to the JPA for the following reasons:

- ◆ Risk Pool Normal Costs are based on the demographics of the pool employees. Since the JPA employees will have previous service, the Risk Pool's normal cost will be lower than what would be calculated for the JPA on a stand-alone basis.
- ◆ Since the Normal Cost will be based on the large Risk Pool, the percentage of pay will not change with the JPA's actual demographics. Thus, the pension cost rate can be predicted with reasonable accuracy.
- ◆ With no JPA past service, JPA employees will not be allocated any portion of the Risk Pool's Unfunded Actuarial Accrued Liability. Thus, they will not pay any portion of the amortization costs of prior actuarial losses, most notably the 2008-09 investment losses.

The ongoing JPA pension cost would have two components:

- ◆ Normal Cost, the allocated cost of benefits earned each year, which would be based on the Risk Pool's Normal Cost and allocated to participating agencies by payroll. This is currently 15% of payroll for Safety 3%@55. Bartel projects this increasing in the next few years due to CalPERS changes, and then decreasing over time to about 13.5% of pay as PEPRAs employees become the total population.
- ◆ Unfunded Actuarial Accrued Liability (UAAL) Amortization, which would be based on the Risk Pool's UAAL, allocated based on each agency's AAL. The new JPA employees will not have any past service with the JPA and so they will have no AAL. Thus, this cost component will be \$0. Our projections assume that, over time, CalPERS' actuarial assumptions will be met, so we project this cost component to remain at \$0.

Similarly, the JPA would join CalPERS 2%@60 Miscellaneous Risk Pool. The cost components would be:

- ◆ Normal Cost, currently 6.6% of payroll, is projected to increase very slightly over time to about 6.75% of pay, as PEPRAs employees become the total population.
- ◆ Unfunded Actuarial Accrued Liability Amortization is projected to remain at \$0.

Observations

At the end of the projection period, pension costs for ACFD and the new JPA are similar. Most of the cost savings occur in the near term due to:

- ◆ No UAAL amortization payments
- ◆ Safety Normal Cost based on Risk Pool demographics rather than the JPA.

3.8 SEPARATED SERVICE COST MODEL

Given the research and cost model assumptions discussed above, Citygate and Bartel prepared a total compensation and operating cost model for the separated, two-city fire department. In summary, the JPA’s costs in the initial years are:

Table 13—10-Year Projection Total “As Is” JPA Service Costs (In Millions)

Agency	Base	Projection									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
JPA	27.06	20.31	21.05	21.81	22.53	23.28	24.07	24.88	25.73	26.61	

3.9 COST SHARING FOR AN ADMINISTRATIVE MERGER

How costs are allocated among agencies in a consolidation (or even a sharing of partial services such as the administrative team) is one of the most important elements in any type of merger. This is important because if the formula does not, over a long period of time, appear to be fair to all parties, then discussions and often disputes arise over changing the formula. The cost allocation formula has to prove acceptable over time and pass common-sense scrutiny. When care has not been taken to develop a formula that can change as the “share of the service workload” changes, parties often divorce or fall into acrimony that negatively impacts both the process and result of joint decisions such as budgeting, purchasing major equipment, hiring decisions, and labor negotiating positions.

There are typically one or more elements in a cost share formula:

- ◆ Population: representing the people being protected from a fire, natural disaster, major accident, or medical emergency.
- ◆ Assessed Valuation: representing the physical risk or property being protected.
- ◆ Calls for Service: similar to population, this represents the people being protected or served and the volume of service being provided.
- ◆ Number of fire stations, fire companies, or number of daily staff on duty: represents the static amount of service available when needed within each jurisdiction.

In difficult economic times, a successful formula is one that: (1) represents a fair share to all parties; (2) is still perceived as fair if the formula results in any party paying more than they

currently are paying for the service in their present budget, because they either recognize the equity of the increased amount and/or they will receive more current or long-term services or long-term cost of service stability; and (3) will continue to be perceived as fair in coming years. The weight given to each portion of a formula, if more than one element is used, is simply based on the parties' perception of fair weighting.

For the purposes of this initial feasibility study, it can be assumed that by having only two partner cities, a simple cost sharing formula would be to share the JPA expenses by the number of firefighters assigned per city, which is 27 for Newark and 36 for Union City, totaling 63 line employees. Thus, a cost share ratio of 57% for Union City and 43% for Newark gives a reasonable cost share estimate at this point.

If these ratios are applied to the Year Two (2016) JPA costs above, after the first year's start-up costs are removed, then each city could expect to pay the amounts shown in the table below:

Table 14—Estimate of Year Two (2016) JPA Costs

City	Simple JPA Cost Allocation in 2016	ACFD 2016 Estimate to Each City
Newark	\$8,732,675	\$9,545,998
Union City	\$11,575,871	\$12,653,998

The ACFD contract cost projections began with the first year projection provided by ACFD, and then inflated using the Citygate cost model assumptions already described in this report. It can be seen that a simple cost allocation plan, based on the assumptions in this study, would return a cost from the JPA to each city close to the ACFD projections.

The reason for this is that while a JPA can re-start salaries and benefit costs at slightly lower amounts, and start fresh with a different retiree medical plan, a JPA has to add back headquarters position costs that are spread across a smaller number of line fire personal when compared to ACFD.

SECTION 4—COMPARATIVE COST SUMMARY ANALYSIS

4.1 ASSUMPTIONS

4.1.1 Long-Range Pension Cost Model Assumptions for *both* ACFD and JPA

The Citygate and Bartel long-range pension cost model assumptions for *both* ACFD and a JPA:

- ◆ Reflect all current CalPERS changes, such as:
 - New contribution methodology (change to market value of assets (MVA) and fixed amortization periods).
 - New pooling methodology (dollar UAAL contribution amounts).
 - New actuarial assumptions.
 - Projected FY 2013/14 asset gain.
- ◆ Assume a phased-in approach where new employees enter into the CalPERS PEPRA retirement plan over 10 to 20 years.
- ◆ Assume 10% of payroll is PEPRA employees by June 30, 2015.

4.1.2 Two-City Retiree Medical OPEB Model Assumptions

- ◆ The JPA contribution rates are estimated based on a recent Newark study population and assume 100% participation.
- ◆ The 7.25% discount rate assumes ARC is fully funded in the most aggressive CERBT fund or similar Trust.
- ◆ The implied subsidy has been included:
 - Because it is required by actuarial standards and GASB after March 2015.
 - Because the value of average claims for pre-Medicare retirees is in excess of Premiums.
 - Due to pooling with active employees.
- ◆ The amortization for OPEB costs lasts for 30 years, and the percentage of pay remains level.

4.2 RETIREE MEDICAL OPEB COSTS OVER TIME

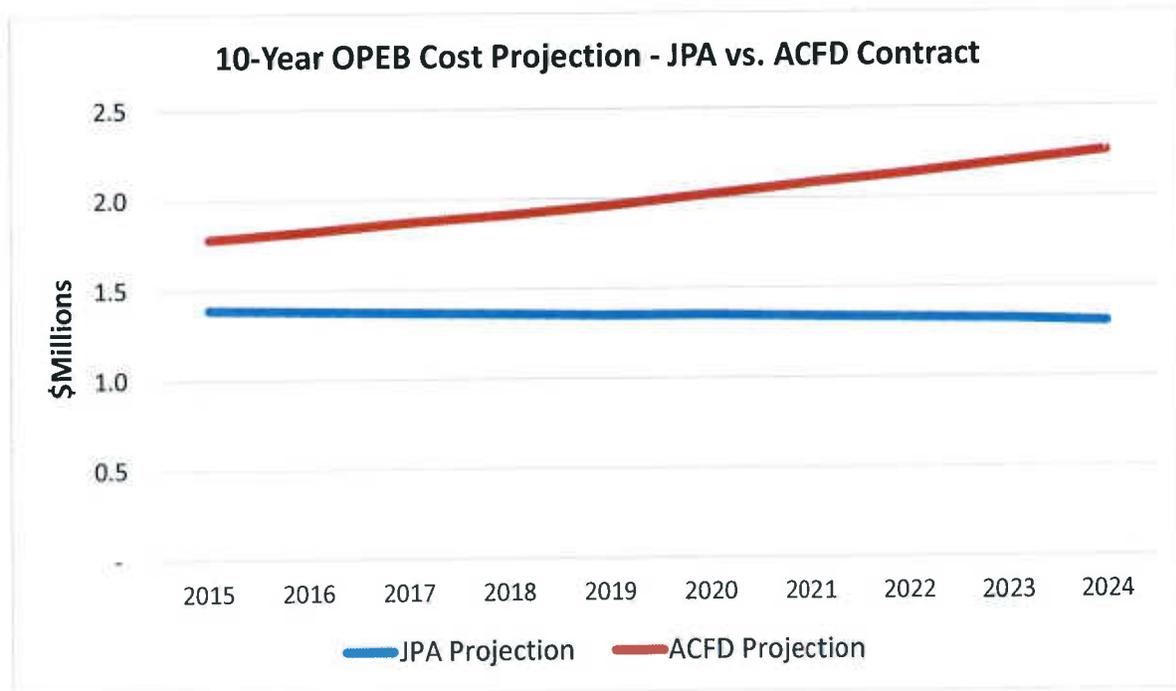
The cost of the legacy retiree medical benefit that the ACFD provides is of great concern to the cities. Given that the cities could implement a revised benefit, the following table compares the ACFD OPEB cost estimates by Bartel Associates over time against a possible new JPA benefit:

Table 15—10-Year OPEB Cost Projection – JPA vs. ACFD (In Millions)

Agency	Base	Projection								
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
JPA	1.39	1.38	1.37	1.36	1.35	1.35	1.34	1.33	1.32	1.30
ACFD	1.78	1.82	1.87	1.91	1.96	2.02	2.08	2.13	2.19	2.25

This same information is shown in the figure below:

Figure 2—10-Year OPEB Cost Projection – JPA vs. ACFD Contract



This study’s long-term cost model can then be used to compare the estimated JPA *total* costs over time against Citygate and Bartel similar estimates for ACFD, as shown below:

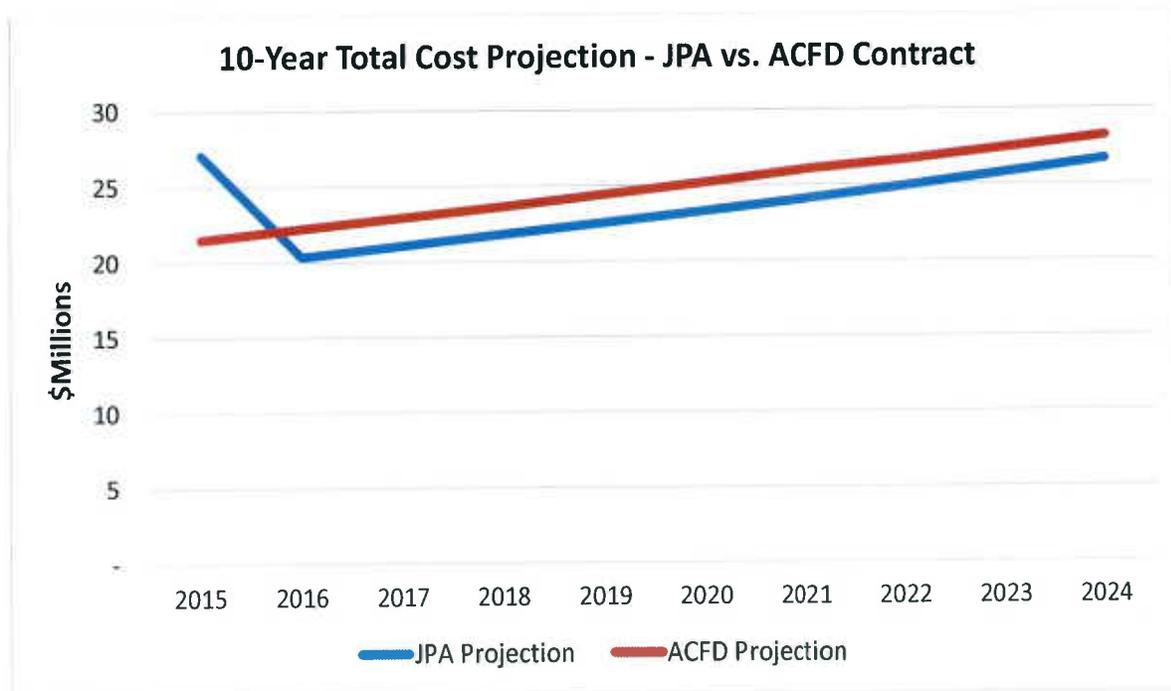
Table 16—10-Year Total Cost Projection – JPA vs. ACFD (In Millions)

Agency	Base	Projection								
	2015*	2016	2017	2018	2019	2020	2021	2022	2023	2024
JPA	27.06	20.31	21.05	21.81	22.53	23.28	24.07	24.88	25.73	26.61
ACFD	21.46	22.20	22.91	23.62	24.39	25.18	26.01	26.62	27.37	28.15
Savings	(-5.6)	1.89	1.86	1.81	1.86	1.9	1.94	1.74	1.64	1.54

* Cost of separation to include total start-up one-time costs of \$8.03 million, which includes OPEB separation costs of \$3.5 million from Alameda County.

This same information is shown in the figure below:

Figure 3—10-Year Total Cost Projection – JPA vs. ACFD Contract



As seen in the figure above, in Year Two after the start-up costs are removed, the difference between the two models is approximately \$1.9 million. Any number of final city decisions regarding pay and benefits during implementation could erode or impact much of the estimated savings. As administration workload experience is gained in the early years, additional fire administrative positions or city hall support positions may need to be added.

If the cities of Newark and Union City desire to re-establish the local provision of fire services, they should be able to do so at just below the ACFD costs. They should not expect to see significant cost savings unless they are very lean during implementation and do not need to grow services over time. Even if the Year Three savings of \$1.86 million in 2017 are completely accurate, the estimated savings is \$930,000 per city if divided equally.

Given that this study is at the feasibility step, until the full implementation work has been performed, the two model costs have to be considered early estimates. This is especially true since most of the cost difference in the two models is due to OPEB costs with Alameda County. Finally, either the cities or the ACFD can make decisions in the near term to significantly improve or worsen the difference between the two estimated cost structures.

SECTION 5—CONTRACTING WITH ANOTHER ENTITY OTHER THAN ALAMEDA COUNTY

5.1 *PROS AND CONS*

One or both cities could consider contracting with another regional fire provider or a private sector provider. There are only two likely options for the two cities to consider before their Alameda County contracts expire: contract with CAL FIRE, or contract with a private company. While other fire departments exist in the County, none are regular contract-for-fire-service providers. Both have uncertainties and long-term unknown factors. These options are given a brief overview in this section. Citygate's experience working with other contracting agencies, as well as the ACFD in this study, leads us to believe there are far more understood facts, measures, and certainty with the ACFD compared to taking the risk of working with another contractor that, as of this writing, does not hold a suburban city fire service contract in Alameda County.

5.2 *POLICY CONTROL*

If the cities entered into another type of regional contract, they would not have forums similar to the ACFD Fire Advisory Commission (made up of appointed elected officials from the contract cities) and the Executive Management Oversight Committee (made up of City Managers and federal lab representatives), or access to local elected officials at the Board of Supervisors level.

When contracting with CAL FIRE, a city deals with the State of California first through the CAL FIRE unit, then the regional unit, and finally the headquarters chain of command in Sacramento. With a private sector company, the city would deal with the assigned regional executive and finally with a national level corporate CEO and Board of Directors.

The basic policy control in a contract like this would be the performance terms of the contract. If breached, the contract would have due process steps to notice and cure a breach. If not cured, the cities could invoke a breach of contract dismissal. If this occurred with a private sector company, the path to restore fire services would be as difficult as separating from the ACFD is today. A city would not have fire employees, and it would need to restart fire services. While Citygate is not aware of CAL FIRE ever being in breach of a contract, cities have let CAL FIRE contracts end and then restarted fire services under a different form.

5.3 *CONTRACT COST FORMULAS*

Cost formulas are not as flexible in a non-JPA, regional public or private contract. The cities would specify the stations, staffing, response times, and other performance measures, and then pay the contractors direct costs, overhead, and in a private sector contract, profit. Multi-year contracts typically have cost escalation formulas built in, as well as terms of renewal.

5.4 OVERVIEW OF CAL FIRE CONTRACTS

CAL FIRE provides local government the option for “cooperative agreements” to provide fire services in addition to its responsibility for forestry and fire protection for state lands. It is important to note that CAL FIRE is not in the business of contracting for the sake of contracting or expansion. It contracts where asked and based on a significant list of criteria, including whether the contract will benefit the state in a mutual relationship.

The principal difference between CAL FIRE and smaller fire departments is the “bench strength” that CAL FIRE provides. In each region, it has the capacity to guarantee a staffing level regardless of how vacations, injuries, illnesses, or retirements may affect staffing at any single fire station. Smaller fire departments often must either decrease their daily staffing, or resort to extraordinary amounts of overtime when unexpected events result in a reduced number of firefighters available to the department.

In each CAL FIRE region there is a well-trained investigation team that has the experience to conduct comprehensive investigations when arson is suspected. In smaller departments, arson investigation is only a collateral duty and firefighters maintain much less opportunity to exercise the skills.

A CAL FIRE prevention program and support staff is available to be used by each part of the CAL FIRE region. While communities that contract for CAL FIRE service continue to provide fire prevention programs out of the local stations, CAL FIRE can provide the training and materials for more specialized prevention programs.

With CAL FIRE, training is a very high priority, and each CAL FIRE region has portable and permanent training props along with a very structured training and continuing certification program. Smaller agencies may not have the training props. As a result, they must borrow them or go to other neighboring agencies to obtain specialized training such as confined space rescue, extrication, and multi-story emergency event training.

CAL FIRE uses a centralized fire dispatch in which the supervisors and dispatchers conduct only fire and related emergency dispatch of fire agencies. Some communities in California are either large enough to provide police/fire dispatch, or have banded together to create regional dispatch centers. However, many still rely upon police dispatchers to also serve as fire dispatchers, which can create conflict when there are overlapping fire and police calls. Many such combination centers do not provide the focused fire dispatch training (reducing dispatch time is critical in reducing the response time to an emergency scene), and they often suffer from a shortage of dispatchers if the agency is not large enough to maintain backup dispatchers.

5.4.1 Limitations of CAL FIRE Contracts

CAL FIRE contracts are essentially intended to provide daily staffing at fire stations, dispatch, management, incident command, training, fire cause investigation, and fire prevention activities.

They do not cover the daily costs of repairing the fire stations, specialized clothing and equipment for the staff, specialized equipment, vehicles, or equipment maintenance. In other words, an agency that contracts with CAL FIRE is expected to provide most of the materials, supplies, and equipment for each station, as well as the fire apparatus and apparatus maintenance. Although CAL FIRE does have an outstanding vehicle apparatus maintenance program and capability, most local agencies find it less expensive to continue maintaining fire engines, etc. under separate contract and through their own public works vehicle maintenance shop.

5.4.2 CAL FIRE's Position in Alameda County

CAL FIRE is typically more open to a suburban agency contract when it has a significant presence already in the county area from which to provide incident command and station personnel supervision. In Alameda County, CAL FIRE operates one fire station in the Sunol area, to protect State Responsibility Lands ("The SRA") from wildfire. The Unit Headquarters is in Morgan Hill. As such, its command and support systems are a considerable distance away, especially considering rush hour traffic from Newark and Union City. While the Santa Clara unit has several city and special district contracts, the balance of them are in eastern Santa Clara County.

It is all but impossible to compare another agency's CAL FIRE contract costs to a suburban city. While the labor cost per fire crew may be different, in a contract, CAL FIRE and the city must reach agreement regarding the level of headquarters and dispatch positions to be included, what CAL FIRE will charge for those, and which costs, such as those for fire stations, remain with the city. Said this way, each contract is unique. Over the last two decades, CAL FIRE's labor costs have risen through collective bargaining to nearly that of urban, coastal California despite staffing a different work week at 72 hours instead of 56 hours for most local governments. In total, CAL FIRE is not always significantly less expensive than well-managed and cost-controlled local government fire departments.

5.5 OVERVIEW OF PRIVATIZATION IN CALIFORNIA

Entire books can be written on privatization of local government services. Some private contracts work, some do not. Some are easy to bid and award. Others, typically garbage and ambulance services, can be hard fought and result in litigation.

In the United States, private fire protection for local government has never taken hold as it has in some northern European countries. In the U.S., private fire protection contracts are typically found in institutions such as refineries, airports, and research plants. The two best-known names in the U.S. are the Rural Metro Corporation and G4S.

For decades, Rural Metro operated fire services for Scottsdale, Arizona and other communities. Scottsdale converted some time ago to a municipal fire department, and most of Rural Metro's

contracts today are for individual homeowner subscriptions, a model that does not really exist in California.

The G4S Corporation is a huge multi-national provider of all types of fire services. In California, it provides fire services to the JPL Lab complex in Pasadena, and to NASA Ames Moffitt Field in Santa Clara County.

Both have good credentials with their customers, and seem to be able to pay and retain quality employees who like working for them. Their pay and benefit scales are different, especially for pensions. Their health care costs are reflective of other companies in the United States. G4S offers performance-based incentives to its employees.

In Citygate's opinion, a private sector fire service contract is not a near term option. Citygate is not aware of any current California city using a private sector fire services provider. A private sector quote could be obtained in a matter of months, but given the unknowns and the need to hire a significant number of firefighters quickly for two cities, it seems like the effort to design an RFP, obtain quotes, select a vendor, negotiate a contract, and hire a fire department before the expiration date of the current city contracts with the ACFD is large and nearly impossible.

Other difficulties also exist, such as obtaining community acceptance, resetting existing labor agreements, and gaining mutual aid contracts.

5.6 TIMELINE CHALLENGES FOR CONTRACTING WITH CAL FIRE OR ANOTHER AGENCY

The timeline to obtain a CAL FIRE quote can be considerable. A city must ask for a formal quote via a city council vote. Preparation of the quote, acceptance, and start-up can easily take one to two years with the cooperation of all parties. Given the upcoming ACFD contract expiration date, there is not time enough to complete a CAL FIRE conversion. Also, given the distance from Morgan Hill, CAL FIRE could choose not to offer a proposal. CAL FIRE is not required by the state to bid every request it receives.

While there are other fire departments in Alameda County, at this time, none are in the regular, contract city fire services business. As such, establishing a new contract with an agency not used to pricing and governing contract fire services is highly unlikely before the current Newark and Union City contracts with the ACFD expire.

SECTION 6—FIRE SERVICES OPTIONS

6.1 TWO OPTIONS FOR THE PROVISION OF FIRE SERVICES

Based on the issues studied and summarized in this report, Citygate finds the following options exist for the cities to consider:

6.1.1 Option 1: Proceed with Negotiations for an Extension of the Contract for Fire Services with Alameda County

A new agreement with ACFD is needed that:

- ◆ Addresses the current contract ambiguities;
- ◆ Includes the ability to terminate the contract on an annual basis;
- ◆ Requires substantive discussions over OPEB cost containment;
- ◆ Requires substantive discussions on increasing the contract cities' role in decision making and governance.

6.1.2 Option 2: Establish a Two-City Fire Department

The steps to separate into a two-city fire department are extensive and time-consuming. The work will take extensive staff and consultant time to undertake the following:

1. Conducting separation discussions with and within the ACFD
2. Setting up the Employer of Record with the IRS, CalPERS, etc.
3. Setting up a Joint Powers Authority (JPA) agreement between the cities
4. Determining final start-up expenses and purchases
5. Resolving issues still to be decided, such as city hall support positions and workflows
6. Finalizing salary and benefit plans
7. Recruiting and hiring staff
8. Installing the management team
9. Hiring the line firefighters
10. Training the new employees
11. Converting operations from the ACFD.

M.1 Conference with Legal Counsel pursuant to Government Code Section 54956.9(a), Anticipated Litigation (1 case) – from City Attorney Benoun and Human Resources Director Abe.

Background/Discussion – City Attorney Benoun and Human Resources Abe have requested that the Council convene in closed session pursuant to Government Code Section 54956.9(a) Anticipated Litigation (1 case).