

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 6, 2013

CAO File No. 0150-10099-0000

Council File No. 84-1476; 89-1167

Council District: --

To: The Mayor and Council

From: Miguel A. Santana, City Administrative Officer



Reference: Board of Fire Commissioners report dated September 20, 2013; referred for report October 2, 2013.

Subject: **AGREEMENT FOR COMPREHENSIVE FIRE AND EMERGENCY MEDICAL SERVICES FOR THE CITY OF SAN FERNANDO**

SUMMARY

On October 1, 2013 the Board of Fire Commissioners (Board) approved an agreement with the City of San Fernando for the provision of fire and emergency medical services. The proposed five-year agreement is retroactive to July 1, 2012 and expires on June 30, 2017. An option to extend the agreement, by mutual consent of the parties, for two additional five-year terms is also included. Services to be provided by the Los Angeles City Fire Department (LAFD) include fire suppression, fire prevention, inspection, paramedic and emergency medical technician functions and medical transportation services. Terms of the agreement provide for the delivery of fire and emergency medical services by the LAFD compensated through a revised fee formula based upon assessed property values of both cities in relation to the LAFD operating budget. The revised formula would enable the LAFD to collect compensation for services provided in 2012-13 totaling \$2.44 million; whereas total anticipated compensation for 2013-14 is estimated at \$2.58 million. Subsequent year's compensation is based upon adjustments to the assessed property value ratios and the adopted Fire Department budgets. The terms of the five-year agreement between the City of Los Angeles and the City of San Fernando also include provisions for service standards; service level adjustments; payment for prior service periods; and fee calculation and method of payment. Payments for services provided have been billed by the LAFD on a monthly basis and will continue in this manner with the proposed agreement.

Since 1978, the Los Angeles City Fire Department has provided fire suppression and emergency medical services under contract to the City of San Fernando (Contract No. 49757). Under the terms of the original contract, members of the former San Fernando Fire Department were absorbed within the Los Angeles City Fire Department, with the LAFD henceforth providing fire and emergency medical services. Compensation for services provided to San Fernando were paid based upon San Fernando's comparable share of the total cost of fire protection services as provided by Los Angeles, less departmental revenues. This comparable share was originally established from the cost of providing services to an area within Los Angeles that was

comparable to San Fernando both in population and land use. The mutually agreed upon area for this comparable share was the area served by the LAFD's then Battalion 1. The contract also included language that authorized the agreement between the cities to automatically renew for successive five-year periods unless terminated by either party within six months written notice. On January 15, 1985, the City Council approved an amendment to Contract No. 49757 (C.F. 84-1476) that set the basic fee for fire and emergency services at \$1,113,762 for Fiscal Year 1984-85. The amount of the basic fee for Fiscal Year 1984-85 was determined by multiplying the fee for Fiscal Year 1979-80 by the percentage of increased costs for emergency services provided by the LAFD for each of the subsequent five-year contract periods.

Fire suppression and emergency medical services are currently provided to San Fernando primarily through three adjacent LAFD first-in Fire Stations (FS) within Battalion 12 – FS 71 located at 15345 San Fernando Mission, Mission Hills; FS 95 located at 14430 Polk Street, Sylmar; and FS 98 located at 13035 Van Nuys Boulevard, Pacoima. Services provided to the City of San Fernando encompass the duties and functions customarily rendered by the LAFD within its jurisdiction under the provisions of the Los Angeles City Charter and ordinances.

Fees for Services Methodology

The current contractual agreement between the cities is based upon a fee formula determined by multiplying the 1984-85 base fee by the percentage of increased costs for fire and emergency services provided by the LAFD for each subsequent five-year contract period. In 1984-85, the annual fee for services was adjusted by the percentage difference between the annual LAFD fiscal year service period cost of the Department's Fire Suppression Program, which included direct salary and related benefits costs, minus reimbursements from the proprietary departments (Airports and Harbor) and ambulance billing revenues, for the fiscal year immediately preceding the service year. The existing contract also provides for adjustments to the annual base fee should any of the following occur: 1) a change in the City of San Fernando's service area greater than five percent; 2) a change in LAFD operating practices (e.g., reduction in size of fire resources or fire stations serving San Fernando) that would significantly change the level of services provided; 3) a change in land use and development in San Fernando which would significantly increase or decrease the demand for emergency services; and 4) the City of San Fernando fails to provide or significantly reduces in quality or quantity, an essential service that would impact the ability of the LAFD to provide at a cost comparable to serving Los Angeles.

During contract negotiations in 2012-13, the City of San Fernando expressed the desire for a more simplified and predictable approach in determining the fees for services provided by the LAFD. Based upon these negotiations, both parties agreed upon a revised cost methodology determined by applying the ratio of assessed property values of the City of San Fernando with that of Los Angeles, to the total LAFD Adopted Budget (direct and related costs, minus total departmental revenue). The annual assessment values for both cities were obtained from the Los Angeles County Office of the Assessor and are referenced in the Board Report as Attachment B. The proposed contract also includes a provision for fees to be adjusted should service levels increase during the contract term. Should a service level fee adjustment be deemed necessary, it would be subject to a good faith, negotiated agreement between both cities.

According to the revised fee formula shown below, the proposed fees for services for Fiscal Years 2012-13 and 2013-14 would be \$2.44 million and \$2.58 million, respectively. It should be noted that, if approved, the agreement's revised fee formula would be retroactive to 2012-13, resulting in an actual net reduction to the Fire Department's adopted revenue budget by \$251,746 (2012-13) and \$115,380 (2013-14), based upon budgeted revenue of \$2.70 million for each service year. Therefore, a total General Fund revenue loss of \$367,126 would be realized for those combined years. Subsequent year's compensation would be based upon adjustments to the assessed property value ratios and the adopted Fire Department budgets.

San Fernando	Actual	Estimated
Assessment Value Note 1	2013	2014
City of Los Angeles	\$ 440,534,147,051	\$ 440,534,147,051
San Fernando	1,559,819,035	1,559,819,035
Ratio	0.350%	0.350%
Fire Department Budget Note 2		
Operating Budget	513,444,773	550,170,530
Related and Indirect Costs	355,764,172	358,000,000
Total Budget	869,208,945	908,170,530
Less Revenue Note 3	(169,707,771)	(169,707,771)
	699,501,174	738,462,759
Proposed Fee	\$ 2,448,254	\$ 2,584,620

Source: LAFD

Prior-Year Compensation Balances

As a result of the economic downturn during the past several years, the City of San Fernando experienced difficulties in balancing its municipal budget. In addressing this fiscal crisis, San Fernando requested a deferral of partial compensation owed to the City of Los Angeles for Fiscal Years 2011-12 and 2012-13. The LAFD states that the total amount owed for prior-year services is \$1.26 million, consisting of \$530,000 for 2011-12 (\$3.16 million billed/\$2.63 million received); and \$730,000 for 2012-13 (\$3.36 million billed/\$2.63 million received). However, when applying the revised fee formula retroactively to 2012-13, the billed amount is lowered to \$2.44 million, which would indicate an overpayment of approximately \$185,000. This would effectively lower the compensation balance for 2012-13 from \$730,000 to \$545,000. Therefore, the total prior-year compensation balance for both fiscal years would be \$1,075,000. In order to fully collect the prior-year balances, both parties are currently negotiating the terms of a three-year repayment plan that would initiate the reimbursement process to Los Angeles beginning this fiscal year. The proposed new agreement also includes a provision to address payment for past services, which will be subject to a mutually agreed upon process.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor,

- 1) Authorize the Fire Chief, or his designee, to negotiate and execute the proposed agreement between the City of San Fernando and the Los Angeles Fire Department to provide comprehensive fire and emergency medical services within its jurisdictional limits for a period of five years retroactive from July 1, 2012 through June 30, 2017, with an option to extend the term of the agreement up to two additional five-year terms by mutual agreement of both cities, subject to the review and approval of the City Attorney as to form and legality;
- 2) Authorize the Fire Chief, or his designee, to negotiate and execute an agreement between the City of San Fernando and the Los Angeles Fire Department to reimburse the City of Los Angeles for prior-year service fee balances for Fiscal Years 2011-12 and 2012-13; and
- 3) Instruct the Fire Department to include in the departmental Financial Status Reports the status of the prior-year service fee repayment efforts.

FISCAL IMPACT STATEMENT

Approval of the agreement to provide fire suppression and emergency medical services to the City of San Fernando will reduce the fee for services provided by the Los Angeles Fire Department in Fiscal Year 2013-14 from \$3.70 million to \$2.58 million; and in Fiscal Year 2012-13 from \$3.36 million to \$2.44 million through the application of a revised fee formula. Based on the adopted Fire Department revenue budget of \$2.70 million per year for these services, this will result in an actual net reduction of \$367,126 to the combined year's revenue (\$251,746 for 2012-13 and \$115,380 for 2013-14). Subsequent year's compensation would be based upon adjustments to the assessed property value ratios and the adopted Fire Department budgets. Prior-year compensation balances for services provided to the City of San Fernando total approximately \$1.07 million, consisting of \$530,000 for 2011-12 and \$545,000 for 2012-13. Full reimbursement of these funds to the City of Los Angeles is anticipated to be made over a three-year period commencing in Fiscal Year 2013-14, through a mutually agreed upon repayment process with the City of San Fernando.

MAS:MCD:04140060c

Attachment

BOARD OF FIRE COMMISSIONERS

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PRESIDENT

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CITY OF LOS ANGELES
CALIFORNIA



ERIC GARCETTI
MAYOR

FIRE DEPARTMENT

BRIAN L. CUMMINGS
FIRE CHIEF

200 NORTH MAIN STREET, RM. 1840
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<http://www.lafd.org>

October 2, 2013

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
Attention: Mandy Morales, Legislative Coordinator

[BFC 13-122] – AGREEMENT FOR COMPREHENSIVE FIRE AND EMERGENCY MEDICAL SERVICES FOR THE CITY OF SAN FERNANDO

At its meeting of October 1, 2013, the Board of Fire Commissioners approved the proposed agreement between the City of San Fernando and the Los Angeles Fire Department (LAFD) to provide comprehensive fire and emergency medical services within its jurisdictional limits. The term of the Agreement shall be for five years retroactive to July 1, 2012 and may be amended for two additional five-year terms by mutual written agreement of the parties.

Transmitted herewith for your consideration is the adopted board report. Upon completion of your review, please forward the documents to the City Council for approval. Should you need additional information, please contact the Board Office at 213-978-3838.

Sincerely,

Leticia Gómez
Commission Executive Assistant

Attachment

cc: Board of Fire Commissioners
Brian L. Cummings, Fire Chief (without attachment)
Mark Davis, Office of the City Administrative Officer (without attachment)
Carlos De La Guerra, City Attorney's Office (without attachment)

2013 OCT -4 PM 12:39
ADMINISTRATIVE OFFICER

October 1, 2013

APPROVED: 10/1/13

BOARD OF FIRE COMMISSIONERS

Arthur Long

LOS ANGELES FIRE DEPARTMENT

COMMISSIONER BY DEPUTY ASSISTANT



BRIAN L. CUMMINGS
FIRE CHIEF

September 20, 2013

BOARD OF FIRE COMMISSIONERS
FILE NO. 13-122

TO: Board of Fire Commissioners
FROM: Brian L. Cummings, Fire Chief *[Signature]*

SUBJECT: AGREEMENT FOR COMPREHENSIVE FIRE AND EMERGENCY
MEDICAL SERVICES FOR THE CITY OF SAN FERNANDO

FINAL ACTION:	<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Approved w/Corrections	<input type="checkbox"/> Withdrawn
	<input type="checkbox"/> Denied	<input type="checkbox"/> Received & Filed	<input type="checkbox"/> Other

SUMMARY

In 1978, the City of Los Angeles (City) entered into an Agreement with the City of San Fernando (San Fernando) (Contract No. 49757) for the City to: (a) employ qualified sworn San Fernando Fire Department employees into the Los Angeles Fire Department (LAFD); (b) take over the performance of fire protection (e.g., fire suppression, prevention, and inspection) and emergency medical services (EMS) for San Fernando; (c) be paid an annual fee for the performance of these services that "should as nearly as possible represent San Fernando's comparable share of the total cost of said functions to Los Angeles less offsetting revenues received by Los Angeles."

The proposed Agreement submitted for the Board's consideration provides a term of five years retroactive to July 1, 2012, and may be amended for two additional five-year terms by mutual written agreement of the parties. The Agreement also provides a revision to the fee formula. Through an amendment executed in January 1985 (C.F. 84-1476), the current fee formula has been calculated based on the following:

- 1984-85 fee of \$1,113,762, determined by multiplying the 1979-80 fee by the percentage of increased costs for emergency services provided by the LAFD for each of the subsequent four-year contract periods.
- Subsequent to 1984-85, the fee for each fiscal year would be adjusted by the percentage difference of the service period LAFD fiscal year Fire Suppression Program line item (including related and indirect costs), and the prior LAFD fiscal year Fire Suppression Program line item (including related and indirect costs), minus the following elements:

- Departments of Airports and Harbor reimbursements for LAFD emergency services
- Emergency Ambulance Service Program revenues

During negotiations of the proposed Agreement, San Fernando sought a revised fee formula that would be easier to understand, provide a more predictable and consistent amount, and lessen the fiscal burden on its strained budgetary condition due to the severe economic downturn. A reflection of San Fernando's fiscal challenges is the outstanding balance of approximately \$1.26M owed to the City for services rendered in FY 2011-12 (\$3.16M owed; \$2.63M received) and FY 2012-13 (\$3.36M owed; \$2.63M received). Using the current formula, the FY 2013-14 fee owed by San Fernando would amount to \$3.70M.

San Fernando's geographic boundaries are completely surrounded by the City. Allowing the LAFD to respond to emergencies in San Fernando minimizes the impact of large-scale fires or mass casualty incidents on City residents that border the San Fernando community. If the Agreement is not continued, San Fernando would seek a contract with another fire agency to provide fire and emergency medical services that the City has been providing for 35 years. If this occurs, the City would enter into a mutual aid agreement with the other fire agency to provide assistance for fire suppression, with no reimbursement for services rendered. For all of these reasons, maintaining the contractual relationship between the City and San Fernando provides a mutual public safety benefit to both municipalities, and a mechanism for the City to continue to receive compensation for the services provided.

The revised fee formula contained in the proposed Agreement is based on the following:

- Determining the ratio of assessed property value of San Fernando to the City; currently, that ratio is 0.35% (\$1.56B for San Fernando/\$440.53B for the City)
- Applying the ratio to the service period LAFD Fiscal Year Total Budget (Operating Budget; Related and Indirect Costs), minus revenues
- If there is a significant increase in services to San Fernando as compared to the previous fiscal year, and that increase is not proportional to the increase in services provided in the City, the parties would negotiate an adjustment in the fee.

The below table provides a fee comparison using the current formula and the proposed revised formula:

Fiscal Year	Current Fee Formula	Revised Fee Formula	Difference
2012-13	\$3,361,286	\$2,448,254	(\$913,032)
2013-14*	\$3,701,992	\$2,584,620	(\$1,117,372)

*Based on Proposed Budget; Adopted Budget pending finalization by City Controller.

Recognizing San Fernando's fiscal challenges, the LAFD projected revenue receipts for the services provided of \$2.7M in the respective budget for FY 2012-13 and FY 2013-14. The revised fee formula would result in a reduction from this revenue projection of \$251,746 for FY 2012-13 and \$115,380 for FY 2013-14.

RECOMMENDATIONS

That the Board:

1. Approve the attached Agreement for Comprehensive Fire and Emergency Medical Services between the City of Los Angeles and the City of San Fernando.
2. Transmit the Agreement to the Mayor and City Council for review and approval.

FISCAL IMPACT

The Agreement enables the City to continue to receive compensation for fire and emergency medical services provided to San Fernando. The revised formula would reduce San Fernando's fee for FY 2012-13 LAFD services by approximately \$913,000 (from \$3.36M to \$2.45M), and for FY 2013-14 by approximately \$1.12M (from \$3.70M to \$2.58M). In the respective fiscal year budgets for 2012-13 and 2013-14, the LAFD projected \$2.7M in revenue receipts from San Fernando. The revised fee formula would result in a reduction from this revenue projection of approximately \$250,000 for FY 2012-13 and approximately \$115,000 for FY 2013-14. Future fee increases would occur with increases to the ratio of assessed property value of San Fernando to the City, and increases to the LAFD Total Budget (Operating Budget; Related and Indirect Costs), minus revenues.

Board report prepared by Mariana Rivera, Sr. Management Analyst II, Administrative Services Bureau.

Attachments

