

JOINT TRACY CITY COUNCIL AND TRACY RURAL FIRE PROTECTION DISTRICT BOARD
SPECIAL MEETING MINUTES

May 15, 2012, 5:30 p.m.

Council Chambers, 333 Civic Center Plaza

Web Site: www.ci.tracy.ca.us

1. Call to Order – Mayor Ives called the City Council to order at 5:30 p.m. Director Thoming called the Tracy Rural Fire Protection to order at 5:30 p.m.
2. Roll Call - Council Members Abercrombie, Elliott, Maciel, Rickman and Mayor Ives present. Tracy Rural Fire Protection District Board Members Muniz, Pombo, Reece, Vieira and Chairperson Thoming present.
3. Items from the Audience – None
4. REVIEW THE FY 12-13 FIRE DEPARTMENT BUDGET AND THE COST SPLIT BETWEEN THE CITY OF TRACY AND THE TRACY RURAL FIRE DISTRICT – Zane Johnston, Finance and Administrative Services Director, presented the staff report. The City of Tracy and the Tracy Rural Fire Protection District (Tracy Rural) have formed the South County Fire Authority (SCFA). In addition, the Mountain House Community Facilities District (Mountain House) has contracted with Tracy Rural for the delivery of fire services. Costs of fire services are distributed according to a formula that is based upon minimum staffing at stations throughout the Fire Authority. The cost for Mountain House is first calculated and deducted from the total with the balance then split between the City and Tracy Rural. Although this split is expressed as a fixed percentage, it is also based upon the minimum staffing formula. If minimum staffing changes the fixed formula must be restated.

Tracy Rural has requested a change to the minimum staffing for its stations beginning July 1, 2012. The request is for a two person crew at each of their three stations whereas previously they had a three person crew at one of these stations. Therefore, the split between the City and Tracy Rural will have to be restated.

First, the formula for Mountain House needs to be computed.

Number of stations staffed with 3 person crew $(4) \times 3 \text{ people} \times 3 \text{ (shifts)} = 36$
Number of stations staffed with 2 person crew $(3) \times 2 \text{ people} \times 3 \text{ (shifts)} = 18$
Total # of minimum staffing for FY 12-13 54

Mountain House has nine (one station staffed by three people for three shifts) of the 54 minimum staffing and their costs for FY 12-13 will be determined accordingly. Deducting for the nine Mountain House minimum staffing leaves 45 minimum staffing of which 27 are the City's and 18 are Tracy Rural. Therefore, the City has 60% of the minimum staffing net of Mountain House $(27/45)$ and Tracy Rural has 40% $(18/45)$. From this split an adjustment of 7% to the City and 7% from the Tracy Rural historically has been added to allow for variable costs associated with the City having more calls. The new costs split between the City and Tracy Rural will be 67% City and 33% Rural $(\text{City } 60\% + 7\% = 67\%)$. The Split of 67%/33% is after deducting for Mountain House expenses.

Because Tracy Rural previously had requested a three person crew at one of its stations, the previous minimum staffing was 57 for the entire authority and 48 net of Mountain House. With the 7% adjustment the costs were previously split 64% City and 36% District.

Since Tracy Rural had requested a decrease in minimum staffing, three firefighter positions would need to be eliminated. Staffing is determined by the total needed to serve the minimum staffing as requested by the various agencies (City, Tracy Rural and Mountain House). Fortunately, there are two firefighter positions currently vacant and these have not been funded in the FY 12-13 budget. It is anticipated the additional firefighter position can be used to offset overtime needs until attrition results in one additional vacancy. Although the City is paying a higher percentage in FY 12-13 than it did in FY 11-12 (67% versus 64% net of Mountain House), it is not disproportionately burdened with additional costs. The 67% is being applied to a lower budget (not funding two positions) than if it had been paying 64% of a higher budget (funding the two positions). However, the economies of scale have been slightly reduced because the Fire Department's overhead costs are now being spread over 54 positions instead of 57.

The cost formula for Mountain House automatically takes into consideration any decreases or increases to the overall staffing of the SCFA. However, the resulting cost split net of Mountain House expenses between the City and Tracy Rural has to be recalculated and restated as it is currently expressed in a specified percentage.

Staff recommended Council and the Tracy Rural Fire Protection District Board of Directors review the proposed Fire Department Budget for FY 12-13. The restating of the cost split of 67% City and 33% Rural (net of Mountain House) will be presented to each governing body for approval at a regularly scheduled meeting.

Council Member Abercrombie asked if any part of Mountain House's budget includes equipment replacement. Mr. Johnston stated there is a distinction between minor and major equipment. Mountain House is charged for minor equipment through the normal budget process. They will be responsible for major equipment in the future. When Mountain House joined in approximately 2004, they had to provide an engine. The engine is approximately nine years old so they do need to consider the ultimate replacement for that outside of their charges that Tracy Rural passes on to them. Mountain House is a subcontractor of Tracy Rural and they need to budget for that separately.

Council Member Abercrombie asked if Mountain House needed a replacement engine, would it be their responsibility. Mr. Johnston responded yes.

Council Member Abercrombie stated the truck should be considered a District vehicle and not a City vehicle. Council Member Abercrombie asked who would pay for the replacement of the truck. Mr. Johnston stated it is not envisioned that way. The ladder truck could attend a big incident in Mountain House so they should be paying their share. The truck is not addressed as a piece of equipment that serves the entire area. Mr. Johnston suggested the Fire Chief could address that issue in the future perhaps during the review of the new governance.

Council Member Abercrombie asked if there were any plans in the near future to replace the Hazmat vehicle. Council Member Abercrombie added that he felt the Hazmat vehicle and the ladder truck would be District equipment. Fire Chief Nero responded the ladder truck and the Hazmat vehicle will be replaced in the future. The replacement cost would be a part of the governance process to determine how that should be distributed. Currently, the City would replace those vehicles.

Mayor Ives asked what the operational impact would be if the rural stations went from a three person to a two person crew. Fire Chief Nero responded that depending on the type of call, the SCFA would send an additional unit. With medical calls there would still be a single engine attending the call. Additional resources could be requested if necessary. For all other calls such as fire calls, vehicle accidents etc., an additional unit has already been added to those responses.

Mayor Ives stated he remembered a discussion years ago where staffing was increased from a two to three person crew for employee health and safety reasons. Mayor Ives asked if employee health and safety would be in jeopardy by reducing staff. Fire Chief Nero responded no.

Mr. Johnston stated there has been a two person crew in that station all year because Tracy Rural requested not to pay for the overtime to replace a vacancy due to fiscal issues.

Mayor Ives stated he was concerned about the health and safety of the employees in terms of their ability to respond, react, fight fires, and help people. Mr. Churchill has to look after all City employees and if an action is being taken that will change their health and safety situation, then Council should be informed. Fire Chief Nero responded he understood that several years ago it was appropriate for the department to go from a two to three person crew. The decision to go back from a three to a two person crew on certain engine companies was made for economic reasons. To support the decision it is incumbent on staff to adjust the operational procedures and response models to ensure that the right number of people is dispatched on a call within the correct amount of time without any negative affect on the safety of firefighters. Fire Chief Nero stated he is just as concerned for a firefighter's safety and has taken that into consideration while making the decisions.

Mayor Ives stated it is another supplemental support to the District from the City. Fire Chief Nero responded we have an entire system to provide the services necessary in the 204 square miles that we protect. Fire Chief Nero added it is not in our best interest to say we need to have three or four staff at every station all the time. Within the city limits Tracy Rural and Mountain House also respond which supplement our staffing in the city and also vice versa. In fact, most of the calls our companies respond to within the city limits are on the freeway.

Mayor Ives asked if the staffing change would be permanent or until Tracy Rural can afford a three person crew. Fire Chief Nero responded although he was not speaking for the Tracy Rural Board of Directors, they also were concerned about the reduction in staffing and the decision was made primarily for economic reasons.

Mr. Johnston stated that will be reviewed in the governance model. Mr. Johnston added all areas of the City that are potential growth areas, Northeast Industrial as a prime example, that are within Tracy Rural's boundaries, will continue to get 11 cents of property tax, while the City only gets 3 cents. All the potential growth flows through Tracy Rural's revenue source so anything new, other than infill area, is going to be in Tracy Rural.

Mayor Ives stated it should not be based on economics. If possible it should be based on the right level of service to protect both health and safety of our constituents and firefighters. Fire Chief Nero agreed.

Council Member Abercrombie asked when the opening of the new Banta station is anticipated. Fire Chief Nero responded in approximately two years.

Council Member Abercrombie asked if there would be a two or three firefighter crew at the Banta station. Fire Chief Nero responded the plan is to staff the Banta station with three people. Mr. Johnston stated the staffing of three in the Banta station is in a proposed agreement.

Council Member Abercrombie asked if Station 94 would be staffed by two and if they would be the first unit to respond to Redbridge. Fire Chief Nero responded yes.

Council Member Abercrombie asked how staff will justify to the Redbridge residents that they will only get two firefighters and the rest of the city gets three. Fire Chief Nero responded a lot will depend on the nature of the call. For a medical call one unit will respond from Station 94. Any other type of a call such as a vehicle accident, cardiac arrest, or structure fire, will get additional units just as any other service area.

Council Member Abercrombie stated he was concerned that if there is a structure fire and the first engine that shows up is only manned by two people, they will have to wait for the next unit before they can start taking action. Council Member Abercrombie added two firefighters will not start to fight a structure fire. Fire Chief Nero responded that if three firefighters show up, they cannot go in with the first in unit, because of the two-in two-out regulation, unless there is an immediate life safety situation. Firefighters do not go into burning buildings alone. There would have to be two people available to do that so they would have to wait for the second unit to get there. That would be the same for a three person unit that was first in to that structure fire.

Director Thoming stated the Tracy Rural Board would like three people in the stations, but due to the financial situation, two is better than none. Tracy Rural cannot afford to procure three people at a station for all of the shifts.

Council Member Rickman asked what the response time is for another engine. Fire Chief Nero responded it depended on the location of the station and where the engine was coming from.

Council Member Rickman stated he wanted to make sure safety would not be limited in order for economic benefit. Safety should always be priority. Fire Chief Nero agreed.

Mayor Ives asked for clarification of the savings amount by the staffing reduction. Mr. Johnston stated FY 12-13 proposed budget is \$3.9 million. The FY 11-12 budget total is approximately \$4.1 million even though Tracy Rural has the same amount of people because overtime calls have not been made to staff a third person every shift. In FY 11-12 there were two people in that station, but Tracy Rural has paid more because it is based upon the 57 rather than 54 minimum staffing formula. The correct way is for Tracy Rural to request what they can afford in the number of people allocated rather than requesting three, and then not make overtime calls because they cannot afford the overtime. This is a reflection of what has been occurring this past year.

Mayor Ives asked if it was at the 54% minimum staffing formula that they would save \$200,000. Mr. Johnston stated if this was requested through a formula by asking for two people per station, they would save approximately \$200,000 for the same services they paid for last year. In FY 11-12 Tracy Rural requested three people, but three people were not at that station because they could not afford to keep the third person there. Whenever there was a vacancy the vacancy was allocated to them and no overtime call was made to replace it. Tracy Rural was given a credit back on the overtime, but the credit back was approximately \$250,000. Tracy Rural paid more for the person in the formula to be there than they got credit back for the person not being there.

Mayor Ives asked if there was a benevolent benefactor to pay to put three full time employees at the total cost of 54%, what would be the cost. Mr. Johnston responded if there was a benevolent benefactor to put three people back you would divide it by 57 staffing instead of the 54. The percentages would remain 64/36. That figure is going to come out to approximately \$4.2 million with an estimated difference of \$200,000.

Council Member Elliott asked what circumstances might occur that would allow Tracy Rural to go back to a three person crew. Fire Chief Nero responded when Tracy Rural gains more income from tax revenue and their override.

Mr. Johnston stated with all the future growth that will flow through Tracy Rural, tax is 11 cents and 3 cents per square foot structure. That is on virtually every growth area that exists in the city today as well as all future growth. The potential for the future is a much better fiscal position for Tracy Rural than it is currently.

Director Reece stated that looking at the current budget Tracy Rural will be in the red. Tracy Rural's income is not that high so we are starting off with a projected income at \$200,000 or less. There is no pot of money that we can get \$200,000. Director Reece added it looks to the Board that Tracy Rural will either have to close out a station, which would be the station that would service Redbridge, or find an additional source of income. Director Reece further stated the City was supposed to work with Tracy Rural on the budget, but they did not have any input. Director Reece indicated it was difficult to come up with an idea of how to save money except shutting down a station.

Mr. Johnston stated the City is willing to talk to the Board and suspend the smoothing contribution. Mr. Johnston did not think that would harm the City financially.

Director Reece stated all that is doing is kicking the ball down the road. Tracy Rural is going to need that money in the future and should have that in the budget. Mr. Johnston responded he could give the Board some ideas of how to try to make it work.

Director Reece stated the Board needed more ideas when the budget was being created. Tracy Rural needs to be a part of the budget making process and not just having a budget imposed on the Board.

Mayor Ives asked Director Reece if the Board knew what they would change. Director Reece responded yes, the Board would lower the wages of the firefighters or close a station.

Mayor Ives stated we would go back to a two tiered system because there would be Tracy Rural Firefighters and Tracy Firefighters.

Director Reece stated they only have two choices. Lower the income of the firefighters or close a station. Director Reece further stated in current negotiations Tracy Rural has no input and is getting a budget forced upon them right now.

Leon Churchill, Jr., City Manager, stated management and the negotiating teams for the City, are extremely aware of Tracy Rural's financial situation. It was taken into consideration as part of labor negotiations. Mr. Churchill added we achieved the best agreement possible under the circumstances. Staff is willing to continue discussions with Tracy Rural on how to address this situation. Mr. Churchill added the Board has heard ideas from Mr. Johnston, which he assumed were mostly unpleasant to Tracy Rural. Mr. Churchill insisted that the discussions need to continue to achieve a reasonable and desirable resolution.

Mayor Ives asked what the next step would be to find out the bottom line on certain issues. Mr. Churchill responded discussions have begun and will continue at a pace that all parties can agree to. Mr. Churchill added discussions need to occur before the fiscal year begins, so the implications are known.

Mayor Ives asked Mr. Churchill if there is a committee to work with. Mr. Churchill responded those discussions typically would be with one or two members of the Board.

Mayor Ives stated the meeting to discuss the options should occur quickly. The City is the major partner and he could not imagine allowing Tracy Rural to fail. Tracy Rural is in fiscal crisis and the City is not in great fiscal shape either. The public health and safety of the City and Tracy Rural has to be protected. Mayor Ives added he hoped staff could come up with a number of ideas on how to move forward.

Council Member Elliott agreed with Mayor Ives. The City needs to do what it can to make it possible for Tracy Rural to have the support they need.

Council Member Abercrombie asked if the County's property tax projection for Tracy Rural was shared with staff. Director Reece responded they never asked.

Director Viera indicated City staff had better knowledge of those numbers than Tracy Rural.

Mr. Churchill responded that Tracy Rural communicated they did not want an appropriation larger than their current experience in this fiscal year and that was the goal we tried to achieve.

Mr. Johnston stated Tracy Rural was able to pay \$3.9 in FY10-11, and that is the figure that was targeted without smoothing. Staff was hopeful they could afford the same in FY 12-13. Mr. Johnston added many of the things discussed at this meeting should be addressed in the discussions regarding new governance.

Mayor Ives suggested working the near term issues in preparation for the long term issues.

Council Member Maciel stated the Tracy Rural Board has made a tough decision regarding staff reductions to operate within their budget. The City is continuing to work with the Board to find an alternative. Council Member Maciel asked if the time line to start a new fiscal year was in July. Mr. Churchill responded under the best of circumstances that would be the goal. Mr. Churchill felt sure they could agree to come up with credits towards expenditures that may have been accelerated at the front end of the fiscal year to reach a desired end point by the end of the fiscal year. Mr. Churchill added his hope is for resolution in the next 30 days.

Council Member Maciel responded if we are urging Tracy Rural to talk some more, the burden falls to us to find the solution. Mr. Churchill stated staff can provide a menu of potential solutions but we need agreement on how to pick from those solutions.

Robert Tanner, 1371 Rusher Street, asked if the current composed budget includes any of the contracts that have been under negotiation or negotiated already, built into the numbers.

Mr. Johnston responded yesterday the Fire Union ratified the proposed contract. That contract, if it was replicated City wide, has small savings in each fiscal year; \$200,000 citywide, so the fire portion is not in the budget. Potentially that is an offset but is not a lot of money. That is approximately \$30,000 for Fire, and Tracy Rural would have a third of that amount. Mr. Johnston added the Fire Department runs close to budget because it is mostly personnel. Typically there are a few dollars left over at the end of the year that do not get spent.

Director Reece stated last year the JPA adopted a budget, but the Fire Department went way over budget. Director Reece added last year there was a deficit of between \$300,000 and \$400,000. Mr. Johnston responded they did not go over the City budget but they went over the Authority budget.

Council Member Abercrombie asked how Mountain House is doing with their budget. Mr. Johnston responded Mountain House is up approximately \$150,000. Mr. Johnston stated Mountain House has to pay more of the overhead due to the nine staffing because the City shrunk from 57 to 54 minimum staffing. Mr. Johnson added he has not heard any objections from Mountain House.

Director Viera stated Tracy Rural is supposed to staff three people in the new station on Grant Line when it opens. At this time Tracy Rural can barely afford two staff for each station. Director Viera asked if the City could postpone the contract or put one person in that station and Tracy Rural have two, until the funds are in a better position. Director Viera added that years ago they were informed there would be a big wind fall of money when Tracy Rural merged with the City, which has not happened. Tracy Rural spends their money on fire protection and as soon as the money comes to us it will be put back on the street.

Director Pombo stated he has respect for the firefighters and did not want to cut their wages. Tracy Rural is already short \$200,000 this year before we even start into next fiscal year. We have to stop now and live within our budget.

5. Adjournment: Mayor Ives and Chairperson Thoming adjourned the meeting at 6:21 p.m.

The above agenda was posted at the Tracy City Hall on May 10, 2012. The above are summary minutes. A recording is available at the office of the City Clerk.

Mayor

Attest:

City Clerk