



Legislation Text

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Subject:

Discussion pertaining to terms of a proposed Pre-Inclusion Agreement with South Metro Fire Rescue for fire and emergency medical services commencing on January 1, 2019

Presented By: Steve Kemp, City Attorney

BACKGROUND:

The other members of the Littleton Fire Rescue partnership (Highlands Ranch Metro District and the Littleton Fire Protection District) have provided notice that they will leave the Intergovernmental Agreement effective December 31, 2018. At that time fire and emergency medical services (hereinafter, "Fire Services") will significantly change within the City of Littleton. Staff has discussed with council a number of options that were eliminated from further consideration:

1. West Metro Fire Rescue-- No common jurisdictional boundary and significantly higher tax rate.
2. Stand Alone -- in order to provide the current level of service without economies of scale of the partnership, costs would increase from \$7.1 million annually to \$13.6 million or more.
3. Denver Fire Department -- no common jurisdictional boundary, does not provide emergency medical service or transport, and The City of Littleton would be dependent on the City of Denver/City of Englewood Agreement.

As a result, the council consensus from its December 5, 2017 study session was to direct the city staff to commence negotiations with South Metro Fire Rescue (SMFR) regarding the inclusion of the City of Littleton into SMFR. The council in its prior discussions, recognized that its fire partners are moving to SMFR and the best long term, cost effective option for the City of Littleton is to join its partners in unifying with SMFR.

The city manager established a negotiation team to represent the city in the discussions with SMFR. The team included Deputy City Manager Randy Young, Fire Chief Chris Armstrong (operations), Finance Director Tiffany Hooten (financial issues), Acting Human Resources Director Julie Lanier (personnel), and City Attorney Steve Kemp (legal).

As a result of the negotiations, an agreement was developed which is entitled "Pre-Inclusion Agreement." This agreement establishes the framework for the inclusion of the city into SMFR. The agreement additionally establishes the provision of fire service by an "authority" on behalf of SMFR should the voters of the city reject inclusion into SMFR. There will be other agreements coming to council during the year that will address issues such as the division of assets between the parties to the Littleton Fire Rescue partnership, and development of a lease for the Fire Station 11 property located at the Littleton Center. Additionally, the staff of the city and SMFR will develop an operational Memorandum of Understanding to address operational issues to ensure a smooth transition of services.

STAFF ANALYSIS:

There are fundamental principles that are the basis of the Pre-Inclusion Agreement. First, SMFR and the city will be serving the same citizens and taxpayers with the intent that any additional costs incurred by the citizens should result in an improved level of service for fire and emergency medical services, and provide additional funding for capital improvements for streets and transportation. Second, the SMFR option offers the opportunity to improve services to the citizens at the lowest costs. Third, the Pre-Inclusion Agreement must be aligned with the council's direction provided in its prior discussions.

Council's direction includes: (1) the inclusion in SMFR will maintain current levels of service including emergency medical services; (2) minimize disruption to citizens and employees; and (3) recognize the financial impacts and support the city's plans to move to financially sustainable operations and capital plans.

FISCAL IMPACTS:

Inclusion

There are several financial considerations for citizens, as well as the city, should the voters approve inclusion. Some of the long-term impacts include the following:

Impact to citizens:

The SMFR mill levy of 9.25 would be added to property owners in the city. In addition to enhanced fire services, citizens will see significant improvements to streets and transportation as a result of joining SMFR through the council's approval of a separate ordinance to reduce the existing city mill levy and dedicate operating resources to the Capital Projects Fund. An example is below.

Residential*

Current property tax per month

6.662 mills City of Littleton
\$14.79 per month

New property tax per month

2 mills City of Littleton
\$9.25 mills SMFR
\$24.98 per month

Difference of \$10.19 per month

*Based on \$370,000 valued home

Commercial**

Current property tax per month

6.662 mills City of Littleton
\$161 per month

New property tax per month

2 mills City of Littleton
9.25 mills SMFR
\$271.88 per month

Difference of \$110.88 per month

**Based on \$1,000,000 valued property

Impact to city:

- Long-term
 - Revenue related

- The city mill levy would be reduced from 6.662 mills to 2 mills - reduction of \$4 million in property tax revenues.
- Specific Ownership Tax revenues would be reduced due to the decrease in the property tax mill levy - estimated to be \$272,000.
- Fire service contracts with Lockheed Martin and Meadowbrook would be terminated - \$650,000
- Loss of administrative fee from fire partners - \$760,000
- Other reductions in revenues related to fire - \$530,000
- Expense related
 - Elimination of fire expenses- \$7.1 million
 - The dispatch contract will be terminated as these services would be provided by SMFR and included in the 9.25 mills added to property owners - saving the city \$300,000.
 - No future fire capital costs/repairs/maintenance for apparatus or fire stations with the exception of Station 11 as this will be leased to SMFR.
 - The city would dedicate \$3.1 million to streets and transportation annually as a result of the reduction in fire costs to be adjusted annually.

There are also several one-time financial impacts to the city.

- The city may be required to pay off its portion of capital leases in advance - \$560,000
- Personnel vacation/comp time buyout - \$477,000
- Share in election costs - \$50,000
- Transfer of Emergency Medical Service net position to the General Fund - estimated at \$725,000; however, the actual amount would be determined at the end of 2018.

Contract

Without Inclusion there would be no direct impact to property tax payers, however, the city would be unable to dedicate additional funding for streets and transportation which will continue to add to the capital and infrastructure needs of the city. In addition, the city would be required to pay more for fire services beginning in 2019, which will have a direct impact to overall city services. There are several financial impacts to citizens and property owners, as well as the city, should the voters not approve an inclusion:

- The city mill levy would remain at 6.662 mills.
- The city would contract for fire service with SMFR at a cost of \$8 million for a 9.25 mill levy equivalent; an increase of \$900,000 over the 2018 fire budgeted costs.
- **All** specific ownership taxes collected by the City of Littleton would be paid to SMFR - 2018 budget is \$346,800.
- The city would maintain ownership of all assets with a lease agreement with SMFR - the costs to be determined.
- The dispatch contract will be terminated as these services would be provided by SMFR and included in the 9.25 mill equivalent fee saving the city \$293,790.
- No additional funding for streets and transportation.

There are several outlying issues that are yet to be determined and will continue to be evaluated which include, but are not limited to:

- Reduction in 17% reserve in the General Fund
- Transfer of EMS Enterprise net position to the General Fund
- City-wide administrative support provided for the fire department
- Health insurance benefits impact to city employees

- Dental insurance benefits impact to city employees
- Workers compensation insurance impact to city employees
- Property and liability insurance impact to city employees

Based on preliminary projections for the next five years and based on the information known and estimated, inclusion will allow the city to provide enhanced fire and EMS service through SMFR, while also allowing the city to dedicate \$3.1 million each year (adjusted for growth/inflation) to streets and transportation.

In addition, a reduction in fire expenditures will directly impact the General Fund reserve requirement; resulting in the opportunity for city council to evaluate this requirement. Currently, the reserve requirement of 17% is calculated on the operating expenditures of the General Fund. With the reduction of fire expenditures in the General Fund, the reserve policy of 17% results in a lower dollar amount required. The 2018 General Fund reserve is calculated at \$11.1 million. The new 17% reserve requirement would be approximately \$7.1 million after inclusion. There are additional factors with inclusion that will require the use of some of the reserves specifically related to city-wide administrative support of fire services.

STAFF RECOMMENDATION: The city council direct staff to place on the April 3, 2018 agenda, an ordinance on first reading to consider a Pre-Inclusion Agreement between the City of Littleton and South Metro Fire Rescue.