TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JUNE 26, 2006 CMR: 277:06

SUBJECT: AMENDMENT NUMBER TWO TO STANFORD FIRE CONTRACT TO UPDATE LANGUAGE AND TERMS TO CLARIFY CURRENT FIRE SERVICE PROCEDURES WHICH HAVE NO MATERIAL EFFECT TO COST-SHARING AGREEMENT

RECOMMENDATION
Staff recommends that the City Council approve the Amendment Number Two to the Fire Protection Agreement with Stanford University for fire services.

BACKGROUND
The City’s contract to provide fire services to Stanford University was established in 1976 (CMR:416:76). The contract was the result of a feasibility study that looked at the viability of a consolidated fire department for the two entities. The key elements of the contract are a 50 year contract term (through 2026), Palo Alto’s provision of fire protection services to the Stanford University and the Stanford Linear Accelerator Center (SLAC), Palo Alto’s responsibility to operate two fire stations on Stanford Campus (Station 6 on Serra Street and Station 7 on Sand Hill Road), and Stanford’s responsibility to pay Palo Alto 30.3 percent of all operating expenses and 25 percent of all capital expenses related to the Fire Department.

In 1981 the two parties amended the fire protection services contract to assign a full-time Chief Fire Officer to the SLAC facility to provide an extra level of dedicated fire services (CMR:158:81). This amendment provided for 100 percent funding of this position by Stanford. (In 2005, as requested with prior notice by Stanford, the City discontinued staffing the SLAC position.)

A separate agreement between the City and Stanford was established in 1976 for Palo Alto to provide emergency communication services to Stanford (CMR:440:76). This contract handles all fire and police dispatching functions for Stanford for the same 50-years period as the fire services contract (through 2026). The contract was amended in 1987 (CMR:350:87) to adjust the amount Stanford pays for the services. This contract is not addressed in the contract update proceedings described in this report, nor is this contract being amended at this time.
In addition to the provision of fire services to Stanford, the administrative conditions of the contract require the City to carry out billing and reporting functions. On a quarterly basis the City delivers a billing statement with appropriate documentation from its financial reporting system. At the beginning and end of the fiscal year the City provides Stanford with reports that include budget estimates for operating and capital expenses followed by a report on actual expenditures during the year. The City bills Stanford quarterly, based on budgeted expenses. The contract allows for a year-end adjustment to the annual billing, either a credit or a debit, based on the variance between budgeted and actual expenditures.

Since the contract was established in 1976, fire protection procedures and standards have evolved and references to certain Palo Alto and Stanford University names and features have changed. During this time the two parties have developed administrative practices for managing the contract. Changes of this type have not been reflected in the contract document.

**DISCUSSION**

In January 2005, the City and Stanford began discussions to determine whether the fires services contract, then in its 29th year, needed to be updated. Representing the City at these discussions were the Director of Administrative Services and the Fire Chief with support from the City Attorney’s Office. Stanford representatives included the Director of Business Development and the Chief of Police along with support from the University’s legal staff.

The two parties agreed to start the process of reviewing the contract language to identify areas where updating was justified. It was agreed that the changes produced by the review process would be incorporated in an amendment to the contract rather than a new contract. The City concluded that an amendment to the existing contract was appropriate since the substance of the changes were not significant enough to warrant a completely new agreement. Central to this determination was the fact that the key cost sharing term of the agreement, Stanford’s payment to cover 30.3 percent of the Fire Department expenses, would not to be modified. Revisions to the contract focused on making the contract language consistent with current fire procedures and standards as well as with all current City and University references. The two parties also deemed it important to have the contract capture current contract management practices that have evolved over the life of the agreement.

The City and Stanford met regularly over an 18-month period to complete a comprehensive review of the contract and the amendments. The review resulted in a number of changes to the contract language as summarized below.
Throughout the contract, language is updated and clarified to be consistent with current terminology and practices used by the Fire Department. Examples of this type of change include revised response times and the type of equipment sent on structural alarms. Other changes provide for a general clean-up of out-dated language such as referring to the department’s “rescue” unit rather than the out-dated term “salvage” unit.

The primary financial-related revisions include:

- Inclusion of newly categorized expenses such as certain information technology allocated charges into the cost calculation used to determine the amount Stanford pays Palo Alto for fires services. This type of charge was not included in the cost base originally established in 1976.
- Inclusion of all Fire Department revenue as a credit to the amount Stanford pays Palo Alto for fire services. This change solidifies a practice that has evolved since the Fire Department started generating revenue through certain services such as plan checking and hazardous materials inspection.

Overall, the two changes above, taken together, are not anticipated to have a significant impact on Stanford’s contract payment for either party in the short- or long-term.

Other financial-related revisions:

- Institute quarterly meetings to discuss operational and financial issues.
- Increased detail in the budget and cost information shared with Stanford during the quarterly meetings.
- Institute installment plan for Stanford when paying the City for large variances from estimated budget amounts (approximately $300,000).
- Overdue payments will accrue interest at the City’s investment portfolio rate.

Other changes:

- Update references to minimum staffing and response time to be consistent with the memorandum of understanding and current Fire Department standards.
- Update language pertaining to fire services provided to SLAC.
- Revised insurance language to name Stanford as the insurer of Station 6 on Stanford Campus. This change is consistent with the evolved nature of Station 6 management.
- Updated liability insurance references to be current with actual insurance levels.
- Added new mediation and arbitration language for dispute resolution.
- Consolidate previous agreement and amendments into a single contract document.

As the above changes show, the overall impact of this amendment is to update and clarify the fire services contract so that it is consistent with current practices for both fire services and contract administration. Through the communication and information sharing process cited in this amendment, the City and the University will continue to ensure that current practices are reflected in the contract.
**RESOURCE IMPACT**
The Stanford Fire agreement is estimated to be $6.6 million in 2006-07 (total payments made by Stanford to Palo Alto). The changes included in the attached amended contract will not significantly impact this amount. The financial impacts of these changes are not expected to significantly impact the overall cost of the contract for either party on an ongoing basis.

**POLICY IMPLICATIONS**
These recommendations are consistent with existing City policies.

**ENVIRONMENTAL REVIEW**
Adoption of the contract amendment does not represent a project under California Environmental Quality Act (CEQA).

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**ATTACHMENTS**
Attachment 1: Amendment to Stanford Fire Agreement