



FINANCE COMMITTEE
Tuesday, November 2, 2021
Special Meeting
Virtual Meeting
6:00 PM

*****BY VIRTUAL TELECONFERENCE ONLY*****

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Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, to prevent the spread of Covid-19, this meeting will be held by virtual teleconference only, with no physical location. The meeting will be broadcast on Midpen Media Center at <https://midpenmedia.org>. Members of the public who wish to participate by computer or phone can find the instructions at the end of this agenda. Members of the public may speak to agenda items; up to three minutes per speaker, to be determined by the presiding officer. All requests to speak will be taken until 5 minutes after the staff's presentation. Public comment may be addressed to the full Finance Committee via email at City.Council@cityofpaloalto.org and available for inspection on the City's website. Please clearly indicate which agenda item you are referencing in your email subject line.

CALL TO ORDER

ORAL COMMUNICATIONS

Members of the public may speak to any item NOT on the agenda.

ACTION ITEMS

1. [Presentation](#) Receive and Discuss Report on Public Safety Long Term Financial Trends

FUTURE MEETINGS AND AGENDAS

ADJOURNMENT

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to virtual meetings via email, teleconference, or by phone.

1. **Written public comments** may be submitted by email to city.council@cityofpaloalto.org.
2. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
 - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Or download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below
 - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
 - When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
 - When called, please limit your remarks to the time limit allotted.
 - A timer will be shown on the computer to help keep track of your comments.
3. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

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City of Palo Alto

Finance Committee Staff Report

(ID # 13499)

Report Type: Action Items

Meeting Date: 11/2/2021

Title: Receive and Discuss Report on Public Safety Long Term Financial Trends

From: City Manager

Lead Department: Administrative Services

Recommendation

Discuss the Finance Committee referral to review Public Safety long-term financial trends, beginning with the Fire Department.

Executive Summary

This report is intended to facilitate a more detailed discussion of the impact of personnel-related costs rising faster than revenues and the resulting service adjustments, including availability of resources, beginning with the Fire Department as an example. Specifically, the Council referred to the staff a discussion to *'explore changing delivery of services from a dominant fire-oriented model to a dominant medical-oriented model,'* which staff completed in February 2021. As a result of that discussion, the Committee initiated this new referral for additional research and review. This report includes a summary of services provided, significant service delivery and staffing changes, and the primary revenue and expense drivers that impact cost recovery. A financial summary is provided in **Attachment A** that includes ten years of historical actuals and a five-year projection, and a staffing summary is included in **Attachment B**.

Overall, the baseline costs for major expense categories such as salary and benefits have steadily increased due to changes in employment terms, increasing benefit costs, and proactive measures to contribute to pension liabilities above the required payment amounts. Although the department generates revenues through an agreement with Stanford University for fire services, medical transport fees, and state reimbursements, historical trends suggest that these sources are not keeping pace with escalating expenses. The Department is in the process of implementing new ongoing revenue sources and evaluating service delivery model updates; however, if trends persist it may be necessary to balance net cost increases through additional General Fund support, increasing revenues, managing expenses, or a combination of all these options. Although this report focuses on revenues and expenses in the Fire Department, similar trends persist across the organization. There is no one solution to address these issues, and staff continues to work with the Council on a number of different avenues in the General Fund to increase revenues and manage expenses.

Background

At the February 2, 2021 meeting, the Finance Committee approved a staff referral to return to the Finance Committee to review Public Safety long-term financial trends, beginning with the Fire Department. As part of the discussion, the Finance Committee acknowledged that net costs in the Public Safety departments are increasing at a faster rate than the General Fund and that the need for additional General Fund support has been largely curbed by reducing staffing levels. Further, the Finance Committee identified the need for the City to develop a plan to maintain and sustain service delivery, understand costs, and reach a steady-state of financial sustainability.

PAFD provides various services to the community, including emergency medical services (EMS), fire suppression, technical rescue, hazardous materials mitigation, fire investigation, and public fire and life safety education, among others. Unlike most other municipal fire departments, PAFD provides paramedic transport services and generates associated revenue. Through a fire protection agreement with Stanford University, the Department provides services to the University and receives payment for these services per the contract terms. PAFD also participates in mutual aid agreements with neighboring municipalities and is a member of the California master mutual aid agreement. As discussed in the most recent semi-annual performance report in April 2021 ([CMR 12065](#)), the Department eliminated eight sworn firefighter positions through attrition and brown-out of Fire Station 2 – College Terrace as part of the City’s efforts to adjust to the financial impacts of the pandemic. During the first half of FY 2021 (July 2020 through December 2020), the Department responded to the following:

- 3,678 total calls for service
- 2,120 rescue and EMS incidents (58% of all calls for service)
- 1,104 good intent¹ and false alarm/false calls (30% of all calls for service)
- 277 service calls (8% of all calls for service)
- 105 hazardous condition, no fire calls
- 72 fire calls

During this period, a total of 1,502 paramedic transports were provided, with 71% of EMS calls resulting in hospital transport. Additionally, the Department responded to 57 calls for mutual and auto aid at the municipal, county, and state levels.

Over the past ten years, several significant changes to services have occurred, such as the renegotiation of the Stanford fire services agreement and subsequent staff right-sizing, closure of the fire station at the Stanford Linear Accelerator Center (SLAC), the transition of Fire Prevention services to the Planning and Development Services Department, the creation of the Office of Emergency Services as a stand-alone department, and staffing reductions following the pandemic. Since 2012, staffing levels have decreased from 121.74 full-time equivalents

¹ A good intent call is made in good faith that a true threat of fire, gas, or other emergency hazard requires response and are found to be nonemergent after investigation of the situation.

(FTE) to 90.25 FTE. Other notable changes, include a new partnership with neighboring jurisdictions to staff Fire Station 8 in the foothills and the recently awarded SAFER grant for staffing resources.

Discussion

The subsequent sections of this report include a more detailed discussion of the individual revenue and expense categories and the strategic actions the City is taking in the near and long-term to address fiscal sustainability. Fiscal sustainability is a value to which the City of Palo Alto has demonstrated continued diligent dedication. In addition to ensuring balanced annual budgets, the City has also implemented proactive measures to anticipate and position the City for changes in financial assets and liabilities. For example, the City increased its hotel tax rate to provide a stable ongoing source of funding for needed infrastructure investments. Most notably, the City has been a leader in proactively addressing its largest General Fund cost as a service-driven organization: the cost of employee salaries and benefits. This is evident through changes in compensation agreements, such as employee pick-up of a portion of the employer's PERS contribution and proactively addressing long term liabilities such as pensions and other post-employment benefits (OPEB) through establishment of a Section 115 Trust.

Overall, based on staff's review of the variables impacting the long term financial sustainability of the organization, continued diligence in managing both the near term and long term financial projects through a myriad of strategies will be necessary to continue to address the balance of resources, revenues, and services.

General	Fund	Status
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Since the onset of the COVID-19 pandemic in March 2020, the City has experienced significant financial constraints resulting from state and county health orders and declines in major revenue categories such as sales and hotel tax. Overall, revenues in the General Fund have reduced from adopted levels of \$232.1 million in FY 2020 to \$206.5 million in FY 2022, a \$25.6 million or 12.4% reduction. As part of the FY 2022 Adopted Budget, nearly \$20 million in services and staffing reductions were made on an ongoing basis to balance expenses with lower revenue estimates. Other strategies to balance the budget included the use of one-time federal funding relief, use of reserves, a zero percent general wage assumption for employee groups out of contract (subject to negotiations), and reduced investments in Capital infrastructure. The City continues to prioritize services with the greatest community impact, maintain essential services, and manage risks associated with a shrinking organization. While these actions address the near-term financial constraints, they are not sustainable in the long term. As such, the City Council engaged in Community and Economic Recovery (CER) workplan in Fall 2020 ([webpage](#)) and identified economic recovery as the top priority for 2021 ([At places memo](#)). This workplan includes revenue generation ideas to explore a potential ballot measure for the 2022 election and adds economic development staff that will connect with the business community to advise on shifts caused by the pandemic and strategies to bolster revenues. Recognizing that the pace and level of recovery is still uncertain, the City is exploring other options to evaluate and modernize service delivery, diversifying the City's revenue mix, increasing revenues, and

managing expenses across the organization.

Fire Department Fiscal Sustainability

The Palo Alto Fire Department prides itself on its innovative practices. It is one of the few departments to operate with only three personnel to a Fire Engine or Truck; run an all-Advanced Life Support operation; and cross-staff engines with ambulances. It recently became one of the rare fire departments to operate a two-person squad unit. It was also one of the first departments to establish an ambulance service in the 1970s, and the only fire department in the County operating its own ambulance service. Over the last decade the Department has reduced the number of units and personnel that are staffed 24 hours each day. This has enabled the Department to be a leader in innovation, but has also impacted response times, workload and training operations.

From a financial perspective, the Department's net cost to the General Fund has ranged from a low of 7.5 percent to a high of 12.8 percent over the past ten years. This is low for a city fire department. For comparison to other local jurisdictions, the Redwood City Fire Department accounts for 26 percent of its city's general fund, Mountain View 22 percent, and Santa Clara 21 percent. In comparison to other larger Palo Alto departments, Community Services is a net cost to the General Fund of 8.3 percent, and the Police Department is 18.2 percent for Fiscal Year 2022. Contributing to this increase, the baseline costs for major expense categories such as salary and benefits have steadily increased due to changes in employment terms, increasing benefit costs, and proactive measures to contribute to liabilities above the required payment amounts. Although the department generates revenues through an agreement with Stanford, medical transport fees, and state reimbursements, historical trends suggest that these are not keeping pace with escalating expenses.

As previously discussed, the Department is continuing the process to establish an ambulance subscription fee in FY 2022 to generate additional ongoing revenue. Updates to service delivery are implemented where possible. In FY 2022, the Department updated its fire alarm response policy in order to mitigate emergency response service impacts and ensure that units are readily available for confirmed emergencies. Further service delivery model changes will continue to be evaluated to ensure the Department is providing the highest quality services with the resources available. Additionally, the City will engage in a collective bargaining process with all safety groups to negotiate new agreements and terms for wages, hours, and other terms and conditions of employment upon expiration of the current agreements on June 30, 2022. Over the next five years, staff expects that pension expense will continue to increase, peaking in FY 2025 and tapering thereafter. However, this trajectory may change due to favorable investment returns in the most recent valuation period and ALM and Experience Studies that CalPERS will complete in November 2021. Ultimately, these studies will inform the discount rate and other economic and demographic assumptions for future pension costs. Longer-term, the City continues to take measures to proactively contribute above and beyond the required payments to manage liabilities such as pensions and OPEB.

Ultimately, if trends persist it may be necessary to balance net cost increases through additional General Fund support, increasing revenues, managing expenses, or a combination of all these options. Although this report focuses on revenues and expenses in the Fire Department, it should be noted that the trends are not unique to the Fire Department. There is not one solution to address these issues, and staff continues to work with the Council on a number of different avenues in the General Fund to increase revenues (ballot measures, new and updated cost recovery fees), and manage expenses (pension funding policy, service delivery prioritization and changes, public private partnerships).

Fire Department: Revenues

Stanford Fire Services

The City has provided fire protection services to Stanford University since 1976, when the respective fire departments merged. The agreement was subsequently amended four times, in 1981, 2006, [2016](#), and [2017](#). On July 1, 2018, a new agreement was developed as terms were renegotiated to right-size revenue with current service levels and provide a new cost allocation methodology as a baseline for agreement costs. The current fire services agreement extends through June 30, 2023, with renewal through 2028 unless otherwise terminated. As part of this agreement, a new staffing deployment model for suppression and medical services was approved by the City Council in October 2017 and deployed in January 2018 ([CMR 8530](#)), which reduced the level of service and staff in order to reduce expenses, offsetting a reduction in revenues for fire services from Stanford. Moving forward, under this current agreement, this forecast assumes increases in revenue from Stanford in alignment with the average growth of the expenses in the Fire Department. These services generate approximately 61% of overall department revenues and recover staffing and administrative costs to provide service to the campus. Revenues have remained relatively consistent at \$6.2 million during the course of the current agreement and include a \$1.0 million credit to Stanford for apparatus overcharges (allocated over four years). FY 2022 is the last year this credit will be applied.

Paramedic Transport Services

Unlike most traditional fire departments, the PAFD provides paramedic transport services to individuals within the city limits. The Department has the ability to deploy up to four ambulances at any given time to provide medical personnel and supplies to sick or injured persons and transport them to hospital emergency departments. During the period of FY 2012 to FY 2022, this revenue source has gradually increased from 20% to 34% of overall department revenues. Annual revenue generated from this service is approximately \$3.4 million and includes approximately \$150,000 in federal and state funding through Ground Emergency Medical Transportation (GEMT) and Intergovernmental Transfer (IGT) programs.

Ambulance Subscription Program

In September 2021 the Finance Committee approved a recommendation to implement an optional ambulance subscription program for residents and businesses ([CMR 13469](#)). The voluntary program consists of a participation fee that would waive the insurance co-pay

participants would otherwise be charged when transported to a hospital by ambulance. The flat monthly participation fee will be collected through household or business utility bills and is estimated to generate \$1.2 million annually. The program has the potential to reduce revenue generated by the City’s paramedic transportation service fees by an estimated annual amount of no greater than \$15,000 to \$25,000. Other expenses related to marketing and program administration expenses may further offset the revenue generated.

State of California
PAFD participates in the County's North Santa Clara County Strike Team - XSC 2301A, as part of a mutual aid group that provides available resources for requests from neighboring counties within the California Office of Emergency Services (CAL OES) region for major incidents on a short-term basis and requests by CAL OES for major incidents under the California Fire Service and Rescue Mutual Aid Plan. When responding to requests, a fire engine and associated staff are provided. As a result, the State provides reimbursement revenue for overtime costs and administrative overhead. This revenue source varies from year-to-year and is based on the number and severity of incidents. Requests are anticipated to increase in the coming years as the effects of climate change impact California fire seasons.

Plan Check and Inspection Fees
Revenues in this category are attributed to plan checks, reviews, permitting, and field inspections completed by the Fire Prevention Division. In FY 2015, this division was reallocated from the Fire Department to the newly created Development Services Department to centralize development partners across the City and work more comprehensively as a “one-stop shop” service model. This cost-neutral action reallocated nearly \$2.0 million in staff, non-salary expenses, and corresponding revenues. In FY 2020, the Development Services Department, including the Fire Prevention team, was merged with the Planning and Community Environment Department to create the Planning and Development Services Department. Fire prevention services remain a cost-neutral service in the General Fund.

Other Revenue
This category includes revenue from miscellaneous fees and makes up the minority of overall revenues, an example of which is the five new fees related to false fire alarm registrations and false alarms were added in the FY 2022 Adopted Budget. The new fees replaced a fee range and increased cost recovery levels by aligning fee amounts with what is currently billed by equivalent Police Department fees. False alarm fees will apply to repeat offenders (typically construction sites) as fees will be assessed and collected through the Department’s external vendor. These new fees are expected to impact the number of false alarm response calls and allow for resources to be available for more urgent types of calls.

Fire Department: Salary & Benefits and Staffing

Salaries

The two primary labor groups within the Fire Department are the International Association of

Firefighters (IAFF) and the Fire Chiefs' Association (FCA). Detailed below, each group has had three Memorandum of Agreements (MOA) since FY 2012, consisting of negotiation terms including salary increases and total compensation market studies. As part of citywide strategies to offset major tax revenues losses resulting from the COVID-19 pandemic, side letters were signed with IAFF and FCA in 2020 to extend the terms of the current agreements through June 2022 and defer scheduled wage and step increases by one year, from July 2020 to July 2021. The savings generated from this wage deferral were used to offset an attrition period that allowed the Fire Department to delay the separation of filled positions identified to be held vacant in FY 2021 (position freezes) and eliminated in FY 2022.

The City Council adopted new IAFF MOAs in 2011 ([CMR 2191](#)), 2016 ([CMR 6789](#)), and 2018 ([CMR 9583](#)). Associated salary increases occurred in June 2014 (2% cost of living increase), April 2016 (2.5% salary increase and 5% market adjustment), June 2016 (2.5% salary increase and 8% market adjustment), June 2017 (2.5% salary increase), October 2018 (3% salary increase and 2.5% market increase), July 2019 (3% salary increase), and July 2021 (3% salary increase; [side letter](#)). Additionally, a total compensation market study was completed in the summer of 2015 that evaluated the total package of salary, other cash benefits, and insurance for employees in comparison to similar positions in sixteen comparable Bay Area agencies. Employees below the median received additional market increases of 5% following the June 2016 salary increases.

The City Council adopted new FCA MOAs in 2012 ([CMR 2599](#)), 2017 ([CMR 7840](#)), and 2018 ([CMR 9583](#)). Associated salary increases occurred in June 2016 (6.22% salary increase), April 2017 (6.28% salary increase), July 2017 (3% salary increase), October 2018 (3% salary increase and 2.5% market increase), July 2019 (3% salary increase), and July 2021 (3% salary increase; [side letter](#)). Similarly, a total compensation study was completed in the fall of 2017 that provided up to 2.5% market adjustment in December 2017 to place the benchmark to the median of the market for those employees below the median.

During FY 2022, the City will engage in a collective bargaining process with all safety groups to negotiate new agreements and terms for wages, hours, and other terms and conditions of employment upon expiration of the current agreements on June 30, 2022.

Overtime

Overtime costs are primarily driven by vacancies in order to keep units staffed at minimum levels and in service. During instances when positions are vacant or staff leave is utilized (e.g. sick, vacation, disability, light duty, workers' compensation, new hire academies) back-fill positions are utilized. When back-fill positions are unavailable, overtime pay is provided for other staff to fill vacancies. Additional overtime costs are incurred when the Strike Team is deployed, though these costs are reimbursed by the State. In general, overtime costs vary from year to year based on the number of vacancies in the department.

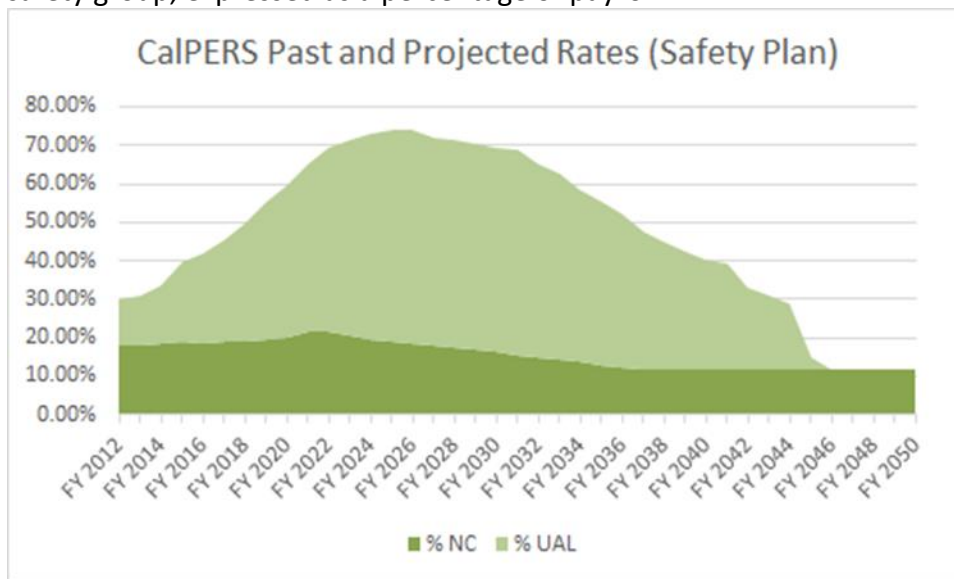
Pensions

The City of Palo Alto provides a defined pension benefit to its employees through the State of California Pension Retirement System (CalPERS), which manages and administers a trust for

safety and miscellaneous employees. With the passage of the California Public Employees’ Pension Reform Act (PEPRA), the City has three retirement benefit tiers for miscellaneous and safety plans.

Annually, CalPERS provides actuarial reports detailing the latest status of the City of Palo Alto pension trust plans. These actuarial reports calculate the Actuarial Determined Contribution (ADC), which reflects the blended or combined cost of both the Normal Cost (NC) and Unfunded Accrued Liability (UAL) used in the annual billing of employer contributions. The most recent report was brought forward in September 2021 for the valuation period ending June 30, 2020 ([CMR 13440](#)).

The following graph provides a summary of past and projected employer payments for the safety group, expressed as a percentage of payroll:



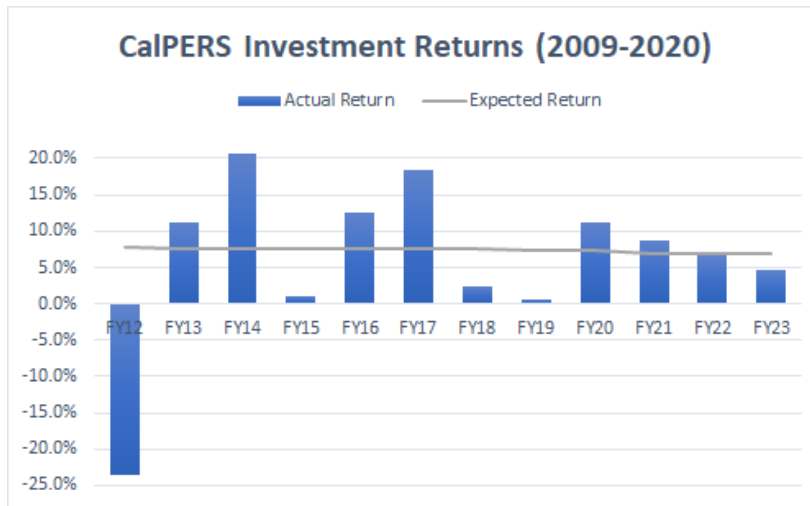
Total ADC has increased in the safety group from 30.1% in FY 2012 to 69.6% in FY 2022. These costs are anticipated to peak in FY 2025 at 74.0% and taper over the horizon of the amortization period. It is important to note that calculations for annual employer contributions are based on a set of actuarial assumptions for demographic (e.g., mortality, retirement, termination, and disability rates) and economic factors (e.g., future investment earnings, inflations, salary growth). These assumptions reflect CalPERS’s best estimate for future experience and vary from one year to the next due to assumption or method changes, changes in plan provisions, and experience that is different than anticipated.

Since 2012, notable assumption changes include:

- Lowering the discount rate: The discount rate was reduced from 7.75 to 7.50% in FY 2012 and 7.50 to 7.00% phased in over three years in FY 2018, FY 2019, and FY 2020. The liabilities generated from the 7.00% phase-in are subject to a five-year ramp-up period (20%

cost increase each year), peaking in FY 2025, and remaining steady over the amortization period.

- Changing the amortization period: Beginning with the June 30, 2019 valuation (FY 2022), the amortization period was changed from 30 to 20 years for new bases, shortening the period in which actuarial gains and losses are amortized.
- CalPERS investment returns that differ from assumed rates of returns:



Looking forward, CalPERS is anticipated to complete an Asset Liability Management (ALM) and Experience Study in November 2021 that will consider changes to the discount rate and other economic and demographic assumptions. Several outcomes are anticipated but not limited to:

- Preliminary investment return of 21.3% for the period ending June 30, 2020
- Reduction in the rate of return from 7.00 to 6.80% as triggered by the CalPERS Risk Mitigation Policy; this may be adjusted further in final ALM decisions.
- Budget impact beginning in FY 2024

The City has taken several proactive steps to address pension obligations, including negotiating terms with labor groups to pick up a portion of the employer share of pension costs, establishing an irrevocable section 115 Pension Trust, and adopting a Pension Funding Policy. Over the last several years there has been a consistent movement for employees to contribute more to the employer side of pensions. Employees in PAFD safety groups have increased contributions to the employer share of normal cost from 1% in 2015 to 4% in 2020. Additionally, the City established a Pension Trust Fund in 2017 to begin proactively saving for growing pension costs. In total, the City has made \$37.3 million in principal contributions to the pension trust since its inception. In 2019, the City Council identified “Fiscal Sustainability” as one of four priorities, including initiatives to develop a policy that addresses unfunded pension liabilities. Subsequent discussions with the Finance Committee and City Council ultimately resulted in the adoption of a formalized Pension Funding Policy in 2020 ([CMR 11722](#)). As part of the policy goals, the City seeks to reach a 90 percent funded status by FY 2036. This policy outlines a practice to budget pension normal costs at a more conservative discount rate than

CalPERS and contributes savings into the pension trust as part of the regular budget process. Additionally, one-time contributions continue to be made to this fund when the Budget Stabilization Reserve exceeds target levels. Several other funding mechanisms considered in the development of this policy included the issuance of Pension Obligation Bonds (POBs), a “fresh start” to re-amortize pension obligations over a shorter time period, and contributions to the pension trust using a more conservative discount rate for UAL. This policy is subject to modification at City Council discretion and requires that staff report the status of the funding goal every three years. Staff anticipates returning in Fall 2022 with this analysis. In FY 2022, supplemental pension contributions are \$3.1 million in the General Fund (\$5.1 million Citywide), including \$0.8 million in the Fire Department.

Other Post Employment Benefits (OPEB)/Retiree Health
 The City of Palo Alto offers its employees and retirees a Retiree Healthcare benefit plan which is managed and administered by CalPERS. The City uses actuarial studies to inform the development of annual operating budgets, the most recent report was completed in May 2020 ([CMR 11284](#)). Beginning in FY 2021, the City has taken proactive steps to fund retiree health costs at a more conservative discount rate than required and uses those savings as an additional payment to the California Employers’ Retiree Benefit Trust (CERBT) Fund. In FY 2022, this additional contribution is approximately \$1.4 million in the General Fund (\$2.2 million Citywide), including \$0.4 million in the Fire Department.

Workers’ Compensation
 The City is self-insured for Workers’ Compensation and provides wage and medical benefits for employees who sustain an injury or develop an occupational illness within the course and scope of employment. This program uses an 85 percent confidence level to determine funding levels, calculated by an outside actuarial consultant, and assesses costs to departments based on their respective utilization. These costs fluctuate depending on the number and dollar amount of claims in a given period. In the past few years, the Fire Department has experienced increasing costs due to several factors such as increases in strains (back, knees, shoulders), which have the highest claim frequency and severity and require a high number of lost work days. Also, cumulative trauma claims including multiple body parts from long-term injuries. In FY 2019-2020, several claims were filed for Post Traumatic Stress (PTS) as a new presumption injury type in California. There has been a wide variation in the claim cost for these instances but the most severe cases are expected to result in permanent disability.

Healthcare and Other Benefits:
 Expenses in this category include healthcare (medical, dental, and vision), pay differentials, and other terms of employment. These terms are negotiated as part of the collective bargaining process and outlined in the various labor group MOA's. Links to MOA's can be found in the previous section for salaries. Beginning January 2017, the safety groups agreed to move from a 90/10 percentage share of medical premiums to a flat dollar rate, capping the limit on medical premiums paid by the City. Other actions include but are not limited to: capping differential pay for specialty training and certification (17.5% of base pay), eliminating tuition reimbursement

(\$1,000 per employee), and adding City contributions towards employee 457 plans (1%).

Staffing

Levels

Since 2012, staffing levels have decreased from 121.74 full-time equivalents (FTE) to 90.25 FTE, a 31.49 FTE or 26% reduction. Several actions have taken place in prior years that significantly adjusted staffing levels, most notably is the elimination of 20.00 positions in FY 2013 and FY 2018 due to changes in Stanford fire services and the elimination of 8.60 positions in FY 2022 to offset major tax revenue losses resulting from the COVID-19 pandemic. Additionally, a cost-neutral action in FY 2015 reallocated 8.74 positions from the Fire Department to the Development Services Department. A summary of these changes are discussed in more detail below and presented in **Attachment B**:

- In FY 2013, Stanford initiated the closure of Fire Station 7 located at the Stanford Linear Accelerator Center (SLAC) resulting in the elimination of 9.00 Fire Captain and Firefighter positions. These staff reductions were made by reducing the equipment and daily staffing available to respond to emergencies, specifically eliminating the Fire Rescue Unit which responded to technical rescue incidents, car accidents, etc. Additionally, 1.00 Fire Inspector and several other administrative staff were added in this period, partially offsetting reductions.
- In FY 2015, 6.00 Fire Inspectors, 1.00 Deputy Chief/Fire Marshall, and several administrative positions in the Fire Prevention Division were reallocated from the Fire Department to the newly established Development Services Department. This cost-neutral action reallocated nearly \$2.0 million in staff, non-salary expenses, and corresponding revenues. Additionally, the department reduced 3.0 FTE part-time emergency medical technician positions and eliminated the Basic Life Support (BLS) program. This program staffed a BLS Ambulance with EMTs in order to relieve the Advanced Life Support (ALS) paramedic staffed ambulances from low-acuity calls.
- In FY 2019, elimination of 4.00 Apparatus Operators and 7.00 Firefighters as a result of the current Stanford Fire Services agreement and staffing redeployment model ([CMR 8530](#)). This action resulted in salary and benefit savings of approximately \$1.5 million. Daily staffing was reduced by removing the fourth Firefighter on the Fire Truck, eliminating a full-time ambulance, and staffing a 12-hour ambulance during the day on overtime only. This required some creative shifting of personnel to allow for a full technical rescue team and shifted the workload of ambulance response to the remaining crews during evening hours.
- In FY 2022, elimination of 5.00 Firefighters, 1.00 Fire Captain, 1.00 Deputy Chief, 1.00 Administrative Associate II, 0.40 Fire Inspectors, 0.20 Deputy Director Technical Services. The FY 2021 Adopted Budget included position freezes that generated cost savings equivalent to holding positions vacant to offset revenue losses resulting from the COVID-19

pandemic. Per City Council’s direction, these positions were fully eliminated in FY 2022 (CMR 11872). As a result, Fire Station 2 was browned-out, staffed only when no vacancies or leaves were impacting daily staffing. During FY 2021, Fire Station 2 was browned out 91% of the time after the reductions went into effect in August 2020. The administrative duties of staff were reassigned, and outreach, training, and strategic planning were eliminated or limited to available resources. In total, 2.00 of the 4.00 Fire Inspectors were eliminated (1.60 positions in Planning and Development Services) which resulted in delayed inspection and plan check services. In total, this action resulted in salary and benefit savings of \$1.6 million.

Fire Department: Non-salary Expenses

Allocated Charges

Allocated charges are billed internally from one department to another for the provision of services. The Department is billed for many of the same services as other City departments, such as information technology (support, equipment, software, infrastructure), building maintenance and custodial services, utilities, print and mail services, and radios. The largest allocated charge is for the maintenance and replacement of vehicles and equipment. As part of cost savings strategies in FY 2021 and FY 2022, the allocations for vehicle maintenance were reduced by nearly 50% citywide and services limited to regulatory or critical maintenance issues. These costs are anticipated to return to normal levels in FY 2023. All ambulances and were deferred for replacement in outer years, and two administrative vehicles associated with eliminated positions were auctioned and removed from the replacement list.

Contract Services

The Department engages in various contracts for services during the course of ongoing operations. For example, the billing component of paramedic transport services is provided by an ambulance billing company for a cost of approximately \$150,000 annually. The Foothills Fire Management Plan is developed by external consultants for approximately \$60,000 (excluding Community Services Department costs). The Plan, a Council directive, provides a formal program to manage and mitigate fire in the wildland area of the city by Foothills Park through weeding, brush clearing, and fire prevention outreach. Additionally, physical testing for firefighters is provided by a medical laboratory for an annual cost of approximately \$40,000. These and related lower dollar amount contracts are utilized when the Department is unable to provide a specific service in-house or it is less cost-effective to do so.

Other

Other costs are incurred on a regular basis for items such as fire equipment, personal protective equipment, training, uniforms, other small equipment, facilities, and station maintenance.

Resource Impact

There are no immediate budgetary adjustments recommended as a result of this report.

Stakeholder Engagement

External stakeholder outreach was not necessary to respond to the Finance Committee referral to review Public Safety long-term financial trends, beginning with the Fire Department. This report was generated through coordination between the Fire Department and the Office of Management and Budget.

Environmental**Impact**

This report is not a project for the purposes of the California Environmental Quality Act. Environmental review is not required.

Attachments:

- Attachment A: Fire Department Financial Summary
- Attachment B: Fire Department Staffing Summary

Attachment A: Fire Department Financial Summary

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	5-Yr	10-Yr
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Prelim	Adopted	Projected*	Projected*	Projected*	Projected*	CAGR	CAG
REVENUE																	
Stanford Fire Services	8,461	7,162	6,740	8,120	6,768	6,136	6,774	6,211	6,240	6,253	6,102	6,515	6,712	6,915	7,124	0%	-
Paramedic Transport Fee	2,777	2,991	2,922	3,373	3,408	3,473	3,722	3,758	3,165	3,014	3,494	3,599	3,725	3,855	3,990	-3%	-
Ambulance Subscription Program	-	-	-	-	-	-	-	-	-	-	550	1,200	1,242	1,285	1,330	-	-
State of California (Strike Team)	-	-	51	185	557	279	489	257	191	739	-	-	-	-	-	22%	-
Plan Check & Inspection Fees	2,299	2,212	2,068	461	-	-	-	-	-	-	-	-	-	-	-	-	-10%
Other Revenue	188	173	170	194	50	50	105	197	186	169	215	221	229	237	245	28%	-
TOTAL REVENUE	13,725	12,539	11,951	12,333	10,783	9,937	11,089	10,423	9,783	10,177	10,360	11,534	11,907	12,292	12,689	0%	-
EXPENSE																	
Salary	11,982	12,023	11,786	10,943	11,197	13,059	13,191	13,685	14,540	13,648	13,761	14,197	14,551	14,880	15,178	1%	-
Overtime	3,401	1,812	2,561	2,171	2,595	3,248	3,568	2,914	1,910	2,823	1,931	1,993	2,043	2,090	2,132	-3%	-
Pension	3,610	3,618	4,017	4,209	4,277	5,562	6,030	6,665	8,052	8,517	8,595	9,181	9,565	9,870	9,986	9%	-
Supplemental Pension Contributions	-	-	-	-	-	-	-	-	973	826	787	777	756	739	715	-	-
Retiree Medical	2,200	2,330	2,222	2,288	2,034	2,433	2,560	2,223	2,290	2,187	2,223	2,270	2,330	2,395	2,475	-2%	-
Workers' Compensation	1,490	1,090	1,082	793	853	628	1,028	754	1,491	1,330	1,368	1,405	1,443	1,482	1,522	16%	-
Healthcare	1,931	1,959	2,028	1,857	1,900	1,954	1,952	1,992	2,073	2,074	2,215	2,298	2,380	2,463	2,546	1%	-
Other Benefits	341	603	327	307	316	274	352	340	350	419	499	513	526	538	549	9%	-
Salary & Benefits	24,954	23,434	24,023	22,567	23,171	27,158	28,681	28,573	31,679	31,824	31,379	32,635	33,594	34,457	35,102	3%	-
Allocated Charges	2,964	2,959	2,872	2,655	3,132	2,912	3,145	3,072	3,213	2,213	2,739	3,407	3,464	3,518	3,571	-5%	-
Contract Services	340	291	535	350	453	456	762	591	726	268	576	542	561	580	601	-10%	-
Other Expense	556	582	764	618	794	1,005	1,050	1,713	985	775	984	1,002	1,024	1,047	1,070	-5%	-
Non-Salary	3,860	3,832	4,171	3,623	4,380	4,373	4,957	5,376	4,924	3,256	4,298	4,951	5,049	5,145	5,242	-6%	-
TOTAL EXPENSE	28,815	27,267	28,195	26,191	27,552	31,530	33,639	33,949	36,603	35,079	35,677	37,586	38,643	39,602	40,343	2%	-
NET INCOME/(LOSS)	(15,090)	(14,727)	(16,244)	(13,858)	(16,769)	(21,593)	(22,549)	(23,526)	(26,820)	(24,902)	(25,317)	(26,052)	(26,736)	(27,311)	(27,654)		
<i>* Projected values reflect the most recent estimates in the FY 2022 - FY 2031 Long Range Financial Forecast (CMR 11954)</i>																	
Total General Fund Revenue (\$)	159,364	166,690	171,052	185,223	194,179	196,475	214,271	225,756	209,669	196,973	206,452						
Net Cost as % of General Fund	9.5%	8.8%	9.5%	7.5%	8.6%	11.0%	10.5%	10.4%	12.8%	12.6%	12.3%						
Total Full-time Positions (FTE)	121.74	116.24	115.74	107.50	106.50	108.65	108.65	97.85	97.85	97.85	90.25						

Attachment: Attachment A: Fire Department Financial Summary (13499 : Public Safety Long Term

Attachment B: Fire Department Staffing Summary

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2012-22		
												FTE Chg	%	
40-Hour Training Battalion Chief	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	100%
40-Hour Training Captain	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Administrative Assistant	-	0.50	1.50	1.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	100%
Administrative Associate II	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.20	2.20	2.20	2.20	2.20	(1.80)	(45)%
Battalion Chief	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	-	-
Business Analyst	-	0.40	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	100%
Deputy Director Technical Services	-	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-
Deputy Chief/Fire Marshal	0.84	0.84	0.84	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	(0.79)	(94)%
Deputy Fire Chief	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	(1.00)	(50)%
Emergency Medical Service Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Emergency Medical Services Coordinator	1.00	-	-	-	-	-	-	-	-	-	-	-	(1.00)	(100)%
Emergency Medical Services Data Specialist	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	100%
Emergency Medical Services Manager	-	1.00	-	-	-	-	-	-	-	-	-	-	-	-
Fire Apparatus Operator	30.00	30.00	30.00	30.00	30.00	30.00	30.00	26.00	26.00	26.00	26.00	26.00	(4.00)	(13)%
Fire Captain	27.00	22.00	22.00	22.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	20.00	(7.00)	(26)%
Fire Chief	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Fire Fighter	45.00	41.00	41.00	40.00	40.00	41.00	41.00	34.00	34.00	34.00	34.00	29.00	(16.00)	(36)%
Fire Inspector	3.00	4.00	4.00	-	-	0.80	0.80	0.80	0.80	0.80	0.80	0.40	(2.60)	(87)%
Geographic Information System Specialist	-	1.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	100%
Hazardous Materials Inspector	1.90	1.90	1.90	0.01	-	0.30	0.30	0.30	0.30	0.30	0.30	0.30	(1.60)	(84)%
OES Coordinator	1.00	1.00	-	-	-	-	-	-	-	-	-	-	(1.00)	(100)%
Police Chief	-	0.50	0.50	-	-	-	-	-	-	-	-	-	-	-
Program Assistant	-	1.00	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety Dispatcher Lead	-	0.40	-	-	-	-	-	-	-	-	-	-	-	-
Senior Management Analyst	-	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	100%
Subtotal: Full-Time Positions	121.74	119.24	115.74	107.01	106.50	108.65	108.65	97.85	97.85	97.85	90.25	90.25	(31.49)	(26)%
Temporary/Hourly	5.55	4.07	5.03	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.07	(5.48)	(99)%
Total Positions	127.29	123.31	120.77	107.56	107.05	109.20	109.20	98.40	98.40	98.40	90.32	90.32	(36.97)	(29)%
<i>year-over-year change</i>		<i>(3.98)</i>	<i>(2.54)</i>	<i>(13.21)</i>	<i>(0.51)</i>	<i>2.15</i>	<i>-</i>	<i>(10.80)</i>	<i>-</i>	<i>-</i>	<i>(8.08)</i>			

Attachment: Attachment B: Fire Department Staffing Summary (13499 : Public Safety Long Term