



# City of Palo Alto

## City Council Staff Report

(ID # 6502)

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**Report Type: Consent Calendar**

**Meeting Date: 1/25/2016**

**Summary Title: Stanford Fire Agreement 3rd Amendment**

**Title: Approval of Amendment Number Three to the Palo Alto-Stanford Fire Protection Agreement With the Board of Trustees of the Leland Stanford Junior University Extending the Term for One Year for a Total Fee of \$6.5 Million, and Amendment of the FY 2016 Budget to Reduce the General Fund Budget Stabilization Reserve by \$675,000 to Offset a Reduction in FY 2016 Fire Department Revenues (CONTINUED FROM DECEMBER 7 14, 2015)**

**From: City Manager**

**Lead Department: City Manager**

### **Recommendation**

Staff recommends the City Council:

- 1) Approve the Third Amendment to the Palo Alto-Stanford Fire Protection Agreement with the Board of Trustees of the Leland Stanford Junior University ("Stanford") in the amount of \$6.5 million for the extended term of one year through October 8, 2016 (Attachment A); and
- 2) Amend the FY 2016 Budget by:
  - a. Reducing the Fire Department revenue estimate for providing fire services to Stanford by \$675,000; and
  - b. Decreasing the Budget Stabilization Reserve by \$675,000.

### **Background**

The City of Palo Alto has provided fire protection services to Stanford University since 1976, when the City's fire department and Stanford's private fire protection company were consolidated. Under the fire services agreement between the City and Stanford, either party may terminate the Agreement by providing written notice to the other party. The Agreement was amended in 1981 and restated in 2006 related to services

provided to the Stanford Linear Accelerator (SLAC). In 2012, fire protection services to SLAC were transitioned from the City of Palo Alto to the Menlo Park Fire Protection District.

On October 8, 2013, Stanford notified the City that it was exercising its option to terminate the Agreement effective at least one year, and no more than two years, from the date of notice. Stanford subsequently solicited proposals from other fire protection service providers, but to date has not selected an alternative provider.

### **Discussion**

Representatives from the City and Stanford have met periodically to discuss alternative service and cost allocation models for current and future service requirements, but were unable to reach agreement on terms prior to termination of the Agreement. The recommended Third Amendment (attached) will provide for continuation of fire services for one year at a fixed fee of \$6.5 million, while allowing the time needed to facilitate negotiation of financial terms for a new long term agreement.

### **Resource Impact**

City and Stanford negotiators have agreed that the City will continue to provide fire protection services during the one-year extension for the fee of \$6.5 million. In agreeing to this fee, the parties have acknowledged that a new long term agreement could result in a different prospective annual cost allocation to Stanford, and that the parties may discuss adjustment of payments made by Stanford under the Third Amendment.

The current fiscal year 2016 budget anticipates a higher revenue from Stanford equal to \$7.4 million. Since the contract extension is effective Oct. 9, 2015, the revenue loss for Fiscal Year 2016 is approximately \$675,000. In order to reflect the lower revenues during the one-year Amendment, the Fire Department is developing an alternative staffing strategy intended to maintain response performance while reducing expenses. Implementation of alternative staffing will involve meeting and conferring with the International Association of Fire Fighters, Local 1319.

Staff anticipates bringing forward for City Council consideration staffing reductions to offset the revenue loss as part of the Fiscal Year 2016 Midyear Budget Review report. In the meantime, the Fire Department will continue to keep six positions vacant. To address the revenue loss for Fiscal Year 2016, staff recommends amendment of the 2016 General Fund Budget to reduce revenues by \$675,000 with a corresponding reduction to the Budget Stabilization Reserve.

### **Policy Implications**

The recommended Amendment will provide for continuation of fire services to Stanford while allowing time for the City and Stanford to reach mutually agreeable terms for the continued provision of fire protection services into the future. The current Agreement has demonstrated the efficiency and mutual benefit to both agencies gained by integrated services on campus and throughout the City; therefore, approval of the Amendment is in the City's best interest to complete negotiations and establish a new agreement.

**Attachments:**

- Attachment A: Third Amendment to the Palo Alto-Stanford Fire Protection Agreement with the Board of Trustees of the Leland Stanford Junior University (PDF)

**THIRD AMENDMENT TO PALO ALTO-STANFORD FIRE  
PROTECTION AGREEMENT**

This Third Amendment to the Palo Alto-Stanford Fire Protection Agreement is entered into this \_\_\_\_\_, 2016, between the BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY ("Stanford"), a body having corporate powers under the laws of the State of California, and the CITY OF PALO ALTO ("Palo Alto"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of California.

**RECITALS**

A. Stanford and Palo Alto agreed for Palo Alto to provide fire protection services for the Stanford Campus for a term of fifty years and entered into the "Palo Alto-Stanford Fire Protection Agreement" dated October 1, 1976, as amended on September 1, 1980 and June 26, 2006 ("Agreement").

B. In 2012, the parties agreed that Palo Alto would no longer provide fire service to the Stanford Linear Accelerator Center ("SLAC").

C. In 2013, Stanford notified Palo Alto that it intended to terminate the Agreement. Under the terms of the Agreement and the notice of termination, the effective termination date was October 8, 2015.

D. Stanford and Palo Alto now agree that Palo Alto will continue to provide fire services to Stanford continuously through and including October 8, 2016, for a fixed fee described here. The parties have retained a mediator and intend to continue negotiating towards a new agreement for fire services that will begin on October 9, 2016 and continue thereafter, if the parties reach an agreement.

E. The parties acknowledge that "Section 2: Services" and Exhibit B of the Agreement contain terms that may be inconsistent with the parties' interpretation and performance of the contract, including but not limited to: Palo Alto does not operate and Stanford does not maintain a fire station at SLAC; staffing, equipment configurations, response times and response resources have been updated consistent with service levels provided within the City of Palo Alto; and fire prevention services are no longer provided. The parties are negotiating for a new agreement to be effective beginning October 9, 2016, and intend to update these and other terms as part of that process. Between October 9, 2015 and October 8, 2016, it is the parties' intention to maintain the status quo of services at Stanford that are substantially equivalent to those provided within the City of Palo Alto.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree to amend the Agreement as follows. Except as amended, the Agreement shall remain in full force and effect:

**SECTION 1.** Article 1 is amended by adding Section 1.2.1 to read as follows:

**“Article 1: Operative Date and Termination**

1.2.1 October 9, 2015 through October 8, 2016.

Notwithstanding any notices of termination issued under the Agreement, the parties agree that the Agreement shall remain in force and effect through and including October 8, 2016. Unless extended by mutual agreement of the parties, the Agreement shall terminate at the close of business on October 8, 2016.”

**SECTION 2.** Article 3 is amended by adding Section 3.12 to read as follows:

**“Article 3: Funding**

3.12 Fees for Fire Services from October 9, 2015 through October 8, 2016.

(a) Notwithstanding the terms of any other Section of this Article, including but not limited to Sections 3.2, 3.3, 3.4, 3.5, 3.6, and 3.8, the parties agree that Stanford will pay Palo Alto a fixed fee of \$ 6.5 million for the services described in this Agreement for the period October 9, 2015 through October 8, 2016. This fee includes all costs and revenues for the identified period, including but not limited to personnel, vehicles, capital costs, IT and revenue credits.

(b) For the one year beginning October 9, 2015 and ended October 8, 2016, Stanford shall pay Palo Alto the fee for fire service in equal quarterly installments, each installment to be paid by the 10th day following the quarterly payment date or by the 10th day following Stanford's receipt of an invoice for the quarterly payment, whichever is later. The payment dates for each quarter shall be as follows, unless revised in writing by Palo Alto and Stanford:

First payment	February 1, 2016
Second payment	March 31, 2016
Third payment	June 30, 2016
Fourth payment	September 30, 2016

Payments shall be delivered to:  
Administrative Services Director  
250 Hamilton Avenue  
Palo Alto, California 94301

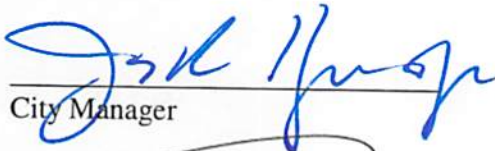
(c) If Stanford shall fail to pay any sum to Palo Alto when due, then such late payment shall accrue interest on a daily basis at the rate equal to the current annualized yield earned by the City's investment Portfolio for the prior fiscal quarter, until fully paid.


(d) At the time of this Third Amendment, the parties have a good faith disagreement about the appropriate amount of the fees for fire protection services for the Stanford campus. The parties have agreed to the fixed fee in Section 3.12(a) for one year as a compromise in order to secure continuation of services pending further negotiation over fees. If the parties reach agreement on fees for continuation of fire services after October 9, 2016, it is the parties' intention to revisit the fee in Section 3.12(a) in light of that agreement. Otherwise, to the extent permitted under the Agreement or by applicable law, a party may challenge the fee in Section 3.12(a)."

SECTION 3. Except as herein modified, all other provisions of the Agreement, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

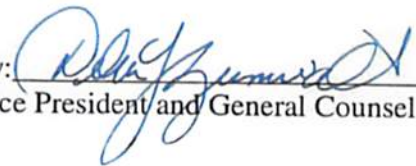
IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment on the date first above written.

CITY OF PALO ALTO


  
\_\_\_\_\_  
City Manager

  
\_\_\_\_\_  
Fire Chief

THE BOARD OF TRUSTEES OF THE  
LELAND STANFORD JR. UNIVERSITY

By:   
\_\_\_\_\_  
Vice President and General Counsel

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney 1/15/2016