



August 20, 2018

The Honorable City Council  
Palo Alto, California

## **Approval of Amendment Number Five to the Palo Alto-Stanford Fire Protection Agreement With the Board of Trustees of the Leland Stanford Junior University Extending the Term to June 30, 2018 for an Additional Fee of \$6,773,624**

### **Recommendation**

Staff recommends the City Council approve the attached Fifth 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 \$6,773,624 for the extended term of twelve (12) months through June 30, 2018.

### **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. The City and Stanford entered into a fire services Agreement for a term of 50 years, providing however that either party could 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 did not select an alternative provider.

In January 2016, Stanford and Palo Alto agreed that Palo Alto would continue to provide fire services to Stanford through October 8, 2016 through a Third Amendment, and would continue to negotiate for a new long term agreement to be effective thereafter. In December 2016, the parties once again continued negotiations and approved a Fourth Amendment to continue services through June 30, 2017. The parties have continued these negotiations through FY 2018 despite the term of the fourth amendment lapsing; however, eventually City and Stanford were able to reach an agreement for prospective fire protection services and the agreement will be considered by Council on August 20, 2018.

### **Discussion**

The City and Stanford have met periodically to discuss alternative service and cost allocation models for current and future service requirements. While progress was made, the parties did not reach agreement on a full set of terms and the proposed alternative service and cost models were not implemented during the term of the Fourth Amendment ending June 30, 2017. However, over the course of June 30, 2017 and June 30, 2018, the City and Stanford have reached agreement on both a full set of terms for fire services moving forward and a settlement to terminate the original agreement from 1976. The two agreements recommended to be approved will maintain the partnership between the City and Stanford however, update for new terms based on current staffing, deployment models, and revised costing models.

The Palo Alto Fire Department continued to provide fire services to Stanford University during these ongoing negotiations. The recommended Fifth Amendment (Exhibit A) will ensure full continuity of agreements for fire services rendered by the City up to the start of the recommended new Agreement for Service beginning on July 1, 2018 through 2023. The amount of \$6.8 million recommended for this extension is based on the fire staffing models in place over the course of FY 2018. The new staffing model and revised cost allocation methodology was not implemented until January 2018. This amendment recognizes this timeframe and level of services through the quarterly invoice levels. Lastly, this amendment identifies two capital improvement projects and additional fees for these projects – Self-Contained Breathing Apparatus (SCBA) and a Ringdown System (an audible alert and dispatching system). Both of these capital improvement projects were scheduled for implementation during FY 2018. In this amendment and the Agreement for Services in the future, capital investments will be invoiced based on actual costs.

### **Resource Impact**

City and Stanford negotiators agree that the City continued to provide fire protection services during the twelve month extension period for the fee of \$6,773,624 and will be accounted for in the City's FY 2018 financials to be reported in the Comprehensive Annual Financial Reports.

### **Policy Implications**

The recommended Fifth Amendment provides the contract bridge for the time that was necessary for the City and Stanford to reach mutually agreeable terms for the continued provision of fire protection services into the future as outlined in the separate staff report for the new Agreement for Services.

### **ATTACHMENTS:**

- Attachment A: Fifth Amendment to Fire Services Contract (1976 agreement) (PDF)

Department Head: Molly Stump, City Attorney



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

This Fifth Amendment to the Palo Alto-Stanford Fire Protection Agreement is made effective as of July 1, 2017, 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 protection 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. In January 2016, Stanford and Palo Alto further amended the Agreement to provide that Palo Alto would continue to provide fire services to Stanford continuously through and including October 8, 2016, for a fixed fee ("Third Amendment").

E. In October 2016, the parties further amended the Agreement ("Fourth Agreement") to provide for an additional temporary extension of services under terms described in the amendment.

F. The parties now wish to further amend the Agreement through this Fifth Amendment to provide for an additional temporary extension of services under terms described herein. During the extension period, it is the parties' intention to negotiate the terms of a long-term agreement to provide fire services.

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

SECTION 1. Article 1 is amended by adding Section 1.2.3 to read as follows:

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

1.2.3 July 1, 2017 through June 30, 2018

Notwithstanding any notices of termination issued under the Agreement, the parties agree that the Agreement shall remain in force and effect through and including June 30, 2018. Unless extended by mutual agreement of the parties, the Agreement shall terminate at the close of business on June 30, 2018.

SECTION 2. Article 3 is amended by adding Section 3.14 to read as follows:

**“Article 3: Funding**

3.14 Fees for Fire Services from July 1, 2017 through June 30, 2018:

(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 in the amounts described in Section 3.14(c) below for the services described in this Agreement for the period July 1, 2017 through June 30, 2018, less revenue received for medical transport generated from calls for service on the Stanford campus for this period. This fee includes all costs and revenues for the identified period, including but not limited to personnel, vehicles, IT and revenue credits.

(b) Additional Fees for Capital Projects. In addition to the fees in subsection (a) above, the parties agree that Stanford will pay Palo Alto the following fees for two capital improvement projects:

(1) Self-Contained Breathing Apparatus (SCBA). Stanford shall pay 23% of the cost of replacing SCBA equipment for fire protection personnel. The total cost of the project is estimated at \$800,000. Palo Alto will invoice Stanford based on actual expenditures with each installment billing.

(2) Ringdown System. Stanford shall pay 16.7%, or one sixth of the total system costs of replacing the Ringdown System, an audible alert and dispatching system, to be installed in the six fire stations. The total cost of the project is estimated at \$400,000. Palo Alto will invoice Stanford based on actual expenditures with each installment billing.

(c) For the extension period beginning July 1, 2017 and ending June 30, 2018, Stanford shall pay Palo Alto the fee for fire service in the amounts set forth below, to be paid by the 10th day following the payment date below or by the 10th day following Stanford's receipt of an invoice for the payment, whichever is later.

Invoices (Service Period)	Expected Invoice Date	Amount
First Payment (July 1-Sept 30, 17)	September 30, 2017	\$1,818,534
Second Payment (Oct 1-December 31, 2017)	December 31, 2017	\$1,818,534
Third Payment (Jan 1-March 31, 2018)	March 31, 2018	\$1,568,278
Fourth Payment (April 1-June 30, 2018)	June 30, 2018	\$1,568,278

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

(d) 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. The City acknowledges the receipt of the first two payments described above and hereby waives the late fees for such payments, if any.

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

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

CITY OF PALO  
ALTO

THE BOARD OF TRUSTEES OF THE  
LELAND STANFORD JR. UNIVERSITY

\_\_\_\_\_  
James R. Keene,  
Jr. City Manager

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

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Eric Nickel  
Palo Alto Fire Chief

APPROVED AS TO FORM:

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Molly S. Stump  
City Attorney