

City of SeaTac

Council Study Session Minutes Synopsis

August 13, 2013
4:00 PM

City Hall
Council Chambers

CALL TO ORDER: The SeaTac City Council Study Session (CSS) was called to order by Deputy Mayor (DM) Mia Gregerson at 4:00 p.m.

COUNCIL PRESENT: Mayor Anthony (Tony) Anderson (*participated via phone from 5:16 to 5:25 p.m.*), Deputy Mayor (DM) Mia Gregerson, Councilmembers (CMs) Barry Ladenburg, Rick Forschler, Terry Anderson, Dave Bush, and Pam Fernald.

STAFF PRESENT: City Manager Todd Cutts, City Attorney Mary Mirante Bartolo, City Clerk Kristina Gregg, Assistant City Manager (ACM) Gwen Voelpel, City Engineer Susan Sanderson, Assistant City Engineer Florendo Cabudol, Civil Engineer 2 Toli Khlevnoy, Fire Chief Jim Schneider, Assistant Fire Chief Brian Wiwel, Police Chief Lisa Mulligan, Finance & Systems Director Aaron Antin, Community & Economic Development (CED) Director Joe Scorcio, Economic Development (ED) Manager Jeff Robinson, and Facilities Manager Pat Patterson.

PUBLIC COMMENTS (related to the agenda items listed below): Earl Gipson spoke regarding Agenda Bill #3529 [Contractual Consolidation Interlocal Agreement (ILA) with the Kent Regional Fire Authority (RFA)]. He questioned who will verify that the contract breaks even in 2020.

PRESENTATION:

●Debriefing on 2013 Washington State Legislature and Interim City of SeaTac Actions

ACM Voelpel introduced Gordon Thomas Honeywell Senior Governmental Affairs Consultant Briahna Taylor.

Ms. Taylor reviewed the following legislative priorities and their outcomes: (1) Transportation Revenue Package: Funding State Route 509 and King County (KC) Local Option Motor Vehicle Excise Tax (MVET); (2) Public Records Act Reform - House Bill (HB) 1128; (3) Protecting Local State-Shared Revenues; and (4) KC Lodging Tax Revenues.

Council discussion ensued regarding the legislative priorities.

Agenda Bill #3524; A Motion authorizing the City Manager to execute a Construction Contract and authorize expenditures for the Military Road South Improvements, South 176th to 166th Streets

Summary: The Military Road South Improvements includes new sidewalks and bicycle lanes, adds a center two-way left-turn lane, new street lighting, undergrounding of overhead utilities and storm water facilities improvements. The project limits are between South 176th and 166th Streets. This project continues from the previous phase of improvements, South 188th to 176th Streets, and improves safety, access, and mobility. The project also provides alternative modes of travel along this busy corridor.

The Military Road South Improvement project was advertised on July 9, 2013 and eight bids were opened on July 3. The lowest responsible bidder, Johansen Excavating, submitted a bid 4% below the Engineer's Estimate. References were checked and were all positive. Johansen Excavating is experienced and qualified to perform the work and has constructed successful projects with several city municipalities in the region.

The total construction cost is anticipated to be \$9,710,957.27. The project will be partially funded by a State Transportation Improvement Board (TIB) grant, a Washington State Department of Ecology (WSDOE) Stormwater grant, utility reimbursements, and City funds (parking tax). The current biennium budget line item balance is \$6,900,000. The remaining project budget will be reflected in the 2015/2016 Biennial Budget.

The project construction expenditure authorization and funding are as follows:

Expenditure Authorization:

Construction Contract	\$7,972,052.06
Contingency (10%)	\$ 797,205.21
KC Materials Testing and Inspection	\$ 43,200
Construction Inspection Overtime	\$ 25,000
Puget Sound Energy (PSE) Conversion Project	<u>\$ 873,500</u>
Total	\$9,710,957.27

Agenda Bill #3524 (Continued):

Revenue Estimate:

TIB Grant	\$2,950,560
WSDOE Stormwater Grant	\$ 887,970
Highline Water District Reimbursement	\$ 978,742.21
Comcast Reimbursement	\$ 111,325
City Fund 307 (Parking Tax)	<u>\$4,782,360.06</u>
Total	<u>\$9,710,957.27</u>

City Engineer Sanderson stated that Agenda Bill #'s 3524 and 3528 are being requested to be discussed at this CSS and then voted on at the August 13, 2013 Regular Council Meeting (RCM) due to the City Council recess which would then delay the projects by one full month.

Assistant City Engineer Cabudol reviewed the agenda bill summary.

Council discussion ensued regarding the project.

Council consensus: Refer this to the 08/13/13 RCM Consent Agenda

Agenda Bill #3528; A Motion authorizing the City Manager to execute a Construction Contract and authorizing expenditures for the South 188th Street Overlay Project

Summary: The project was advertised for bids July 3 - 31, 2013. The bid opening took place on July 31. Four bids were received. The Engineer's opinion of probable construction cost was \$890,200. The lowest responsible bidder, Icon Materials, doing business as CPM Development, submitted a bid in the amount of \$730,406.50, which is 18% below the Engineer's Estimate. Icon Materials is experienced and qualified to perform the work. The references submitted by Icon Materials were checked and were positive. The work included in this project is located on South 188th Street between International Boulevard (IB) and 46th Avenue South and includes sidewalk ramp retrofitting, pavement planing and paving.

The budget for this project is \$1,100,000 from Street Fund 102. The City has received a Federal Surface Transportation Program grant in the amount of \$585,000. With contingency, inspection and testing costs, the total construction cost is \$813,447.15.

Expenditure Authorization:

Construction Contract	\$730,406.50
10% Contingency	\$ 73,040.65
Materials Testing Service (Estimate)	\$ 5,000.00
Inspection Overtime (Estimate)	<u>\$ 5,000.00</u>
TOTAL	\$813,447.15

Revenue Estimate:

City Street Fund 102	\$228,447.15
Federal STP Fund	<u>\$585,000.00</u>
TOTAL	\$813,447.15

City Engineer Sanderson reviewed the agenda bill summary.

Council discussion ensued regarding the project.

Council consensus: Refer this to the 08/13/13 RCM Consent Agenda

Agenda Bill #3529; A Motion establishing a Contractual Consolidation Interlocal Agreement (ILA) between the City of SeaTac and the Kent Regional Fire Authority (RFA)

Summary: The City has been discussing consolidating its fire services with surrounding jurisdictions for a number of years. In the 1990's, the City participated in an exploration of regional consolidation called Saltwater Ridge. In the mid-2000's, the City engaged a third party consultant to explore fire consolidation with the City of Tukwila. Those efforts did not lead to consolidation.

At a June 2010 City Council retreat, potential fire consolidation was again discussed at the request of the Council. Staff provided Council with background on the existing state of fire services. While minimum staffing levels for effective fire suppression and emergency medical services have always been maintained, resources to provide services such as fire prevention, public education, training, and emergency management were either eliminated or

Agenda Bill #3529 (Continued): have never been funded. Staff also presented Council with four scenarios to provide fire services: (1) City retain fire services; (2) explore consolidation with the City of Tukwila; (3) explore consolidation with South King Fire; (4) explore consolidation with the Kent RFA. At that time, Council directed staff to explore consolidation with the Kent RFA.

During the commencement of exploration of the merger, in consideration of the services that were not currently being provided (as highlighted above) and the existing Fire Chief vacancy, the City entered into an ILA concerning discrete services with the Kent RFA that commenced in 2011 and is still presently in place. This contract includes provision of the following services: Chief Administrative Services, Emergency Management Services, Fire Prevention Services, Fire Investigation Services, and Training Services. The Kent RFA has advised that it will be unable to continue providing services under the current contract terms beyond December 31, 2013. Above listed services are in addition to a pre-existing contract with the Kent RFA for Fleet Maintenance.

On a parallel track, the exploration of the Kent RFA providing a complete suite of fire services to the City of SeaTac commenced. Throughout 2011 and 2012, the two entities worked through an exploratory process utilizing a stakeholder task force to consider how to address consolidated operations, administration, labor issues, logistic, governance and information technology. In addition, a Citizen’s Advisory Committee was assembled to provide input from citizens and businesses. While the parties involved agreed that the concept of consolidation was worth exploring, it was discovered that fiscally it was unfeasible to merge SeaTac fire services with the Kent RFA. This became apparent when the fiscal analysis brought to light that the Kent RFA does not collect personal property tax in the context of its Fire Benefit Charge and that SeaTac collects a large amount of property tax from personal property tax assessed at the airport. As such, this exploratory process ceased and a recommendation was made to the Council in December of 2012 for the two agencies to explore contractual consolidation. Council concurred with the recommendation and directed staff to explore contractual consolidation.

CONTRACTUAL CONSOLIDATION PROCESS

Early in 2013, the City and the Kent RFA commenced exploration of a contractual consolidation. A contractual consolidation steering committee was formed including staff from the City and the RFA and a resident and business representative. The first step in this process was to create the Contractual Consolidation Plan. The plan served as the foundation for defining the need for consolidation, outlining the formation authority, jurisdictional boundaries, governance model and organizational structure. It also highlighted financial implications of the consolidation and the services to be provided. The plan, along with the fiscal implications and pros and cons of implementation, were presented at the June 2013 City Council retreat to a joint meeting of the Council and the RFA Board of Directors.

During the time the plan was being developed, both International Association of Fire Fighters (IAFF) Kent Local Number 1747 and SeaTac Local Number 2919 were meeting to discuss how labor contracts would be merged. Shortly after the Council retreat, both locals voted to approve a Memorandum of Understanding (MOU) on a common contract.

The next step was to draft an ILA between the City and the RFA to formalize the contractual consolidation. The ILA serves to flesh out what had been developed in the aforementioned plan. The intention is to bring this ILA to the City Council Study Session on August 13 for review and discussion, with the potential to bring the ILA forward at the September 10 RCM for action.

ANALYSIS

Below is a qualitative analysis of the pros and cons of contractual fire consolidation with the RFA. Items with asterisks indicate when items adjacent are related:

PROS	CONS
Decreased costs to operate fire services in the long term* <ul style="list-style-type: none"> • Economies of scale with Fire Chief, Fire Marshal, public education • Ability to take advantage of early retirement program 	Increased costs to operate fire services in the short term* <ul style="list-style-type: none"> • Significant increase in labor costs
Annual increases to operating and administrative costs capped at Consumer Price Index (CPI)*	Loss of direct ability to bargain labor contracts*
Offers flexibility to revert back to City administered fire services*	Conversion back to City administered fire services would be onerous*

Agenda Bill #3529 (Continued):

Liability shifts to the RFA	Loss of local control (City would hold one nonvoting advisory position on RFA Board)
Increased ability to perform Emergency Management regional integration	Loss of local in-house fire service expertise in emergency management discipline
Proven and effective RFA leadership*	No direct control over decision regarding future department leadership*
Efficiency in regional services coordination	Annual "B" business inspections currently performed by firefighters no longer conducted
All current SeaTac employees would retain positions within the Kent RFA	
Kent RFA takes on some of the support services work currently performed by the various City departments, including Finance, Human Resources (HR), and Legal; helping balance capacity within available resources	
Greater depth of service (hazmat, technical rescue, water rescue)	

Staff recommends that Council authorize approval of this ILA. Over the life of the existing ILA, the RFA has exhibited quality leadership for fire services in SeaTac, including fire suppression and emergency medical services. The RFA would provide a depth of services and existing extensive knowledge base beyond the capabilities of a department the size of SeaTac. This depth of services and knowledge base would extend to fire prevention, emergency management, public education and fire investigation. The RFA also would provide both general training for firefighters as well as opportunities for firefighters to participate on technical teams (hazmat, technical rescue, water rescue), which SeaTac firefighters would not otherwise have the opportunity to participate on. Considering the above factors holistically, the RFA has the ability to provide higher quality service to the citizens of SeaTac.

This recommendation does not come without some reservations. While fiscal projections indicate cost savings in the future, projections such as these can be difficult to predict given the volatile nature of variables such as future inflationary factors and labor costs. SeaTac also loses direct control over its fire services. (However, as always in a contract situation, SeaTac has the option to terminate this agreement after a period of time.)

The fiscal impact analysis of contractual consolidation is driven by the implications of the ILA. Finance personnel from the City and the RFA worked together to compile the estimated costs for 2014. A joint effort was also used to develop the schedule for capital costs, deducing the City's annual capital contribution to the RFA.

Given the long-term nature of this agreement, it is responsible to consider the long-term fiscal impact to the City. As such, the City modeled consolidation costs for the next ten years. When creating a ten year model, it should be noted that assumptions are made based on existing data, historical trends, and market projections. However, these are assumptions, and changes when actual costs are available will certainly alter current projections.

The City projected costs over a ten year period for two scenarios, a City base scenario and a Kent RFA consolidation scenario, include the following assumptions:

- The City base scenario represents:
 - The City retaining its fire services
 - 4% annual increase assumed
 - Delayed equipment replacements and no dedicated funding stream for this in the future
 - This cost is \$480,000 higher than the 2014 adopted budget amount due to service adds (Fire Chief, Fire Marshal, Fire Investigation, Emergency Manager, Public Education) included in ILA service levels.
 - Kent RFA early retirement program not feasible at non-regional level (8 spots per 175 fire FTE's, utilization of overtime, 6-month academy plus 12-month training program for recruits)

Agenda Bill #3529 (Continued):

- The Kent RFA consolidation scenario represents:
 - The service levels detailed in the ILA
 - 2.1% annual increase assumed
 - Cost savings realized through:
 - RFA early retirement program
 - RFA absorbing new firefighter training costs
 - Less overtime costs given larger organization to absorb absences
 - Indirect costs on City are removed (insurance liability, negotiations, etc.)
 - Labor cost (44 firefighters) higher initially, level of service changes done via ILA
 - Cost increase for maintenance & operations and administration capped at CPI (2.1%)
 - City passes through \$600,000 for purchase of ladder truck in 2014 (from Sound Transit mitigation)
 - City pays Unfunded Liabilities (\$1.3M) and RFA pays for current capital equipment (\$1.1M)
 - Dedicated funding for equipment replacement (\$460,000 annually) with provisions for return of fund balance and inventory buy back at end of contract

In the scenarios above, the City could anticipate the following fiscal impact:

- Total cost in year one of the City base scenario is projected to be \$9 million. (It should again be emphasized that fully funding a standalone fire department in the City of SeaTac would cost approximately \$480,000 more than what the City is expending today.)
- Total cost in year one of the Kent RFA consolidation scenario is projected to be \$9.7 million. Fire reserve budget could cover onetime cost of \$200,000 (this is the net of City unfunded liability and RFA purchasing City current capital equipment), yielding an impact to the City's general fund of \$9.5 million.
- Assuming projections are accurate, the City would begin to save money on an annual basis with the ILA model in 2017. The cumulative breakeven point for this cost projection is 2020.

ALTERNATIVE(S):

- (1) City retains fire services, attempting to increase service levels commensurate with RFA, in which case costs would increase approximately \$480,000 over what the City is spending today.
- (2) City attempts to negotiate similar agreement with RFA as exists currently. (RFA has been clear about its lack of interest in this alternative.)
- (3) City revisits other consolidation opportunities. This may or may not yield better value for the City, but will likely require a similar prolonged timeline for an exploratory and negotiating process to what was experienced during this process.

City Manager Cutts, Fire Chief Schneider, Finance & Systems Director Aaron Antin, and RFA Attorney Brian Snure reviewed the agenda bill summary and the proposed ILA.

Chief Schneider introduced Covington Mayor Margaret Harto. Mayor Harto explained her role as an RFA member serving in an advisory non-voting position. She also discussed the benefits Covington receives.

Mayor A. Anderson participated by phone from 5:16 – 5:25 p.m.

Council discussion ensued regarding the proposal.

Council consensus: Refer this to a Special Council Study Session (SCSS) to be held prior to 09/10/13. Council requested the SCSS also be videotaped.

PRESENTATIONS:

•**Public Safety Statistics**

Fire Chief Schneider reviewed the statistics for July 2013. He also mentioned upcoming public education events: (1) Back to School Fair; (2) Just Drive: Train the Trainer; and (3) Touch-a-Truck.

RECESS: DM Gregerson recessed the meeting to an Executive Session to review the performance of a public employee at 6:12 p.m.

EXECUTIVE SESSION: Review the Performance of a Public Employee (17 minutes) (RCW 42.30.110 [1] [g])

RECONVENED: DM Gregerson reconvened the meeting at 6:29 p.m.

ADJOURNED: DM Gregerson adjourned the Council Study Session at 6:29 p.m.