



Newark ACFD Fire Contract

December 10, 2020



CITY OF
NEWARK





AGENDA

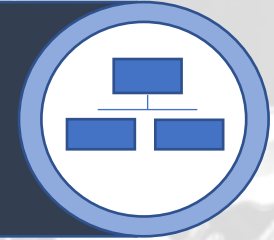
Background



Summary of Proposed Agreement



Governance Structure



OPEB Liability





Background



- Contract was for 5 years

- Parties signed indefinite extension when 2010 contract expired



Service were and have always been excellent however...

Governance Structure

- Contract agencies had little influence in major decisions made by Board of Supervisors

Unfunded Retiree Health Care

- Generous retiree health care benefit
- Long term cost unsustainable

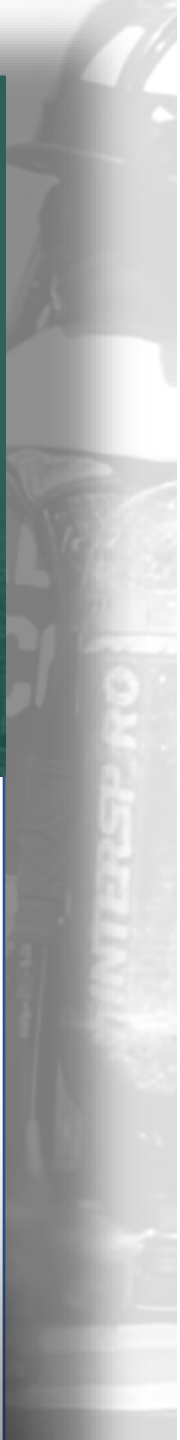
STUDY



CITYGATE ASSOCIATES, LLC

- Not feasible to select another provider
- City could start a new fire department with Union City but significant start-up costs

AGREEMENT





AGENDA

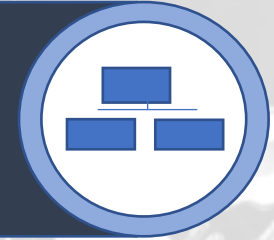
Background



Summary of Proposed Agreement



Governance Structure



OPEB Liability





Summary of Proposed Agreement



Term	Scope of Services	Personnel	Response Times	Cost	Facilities/ Equipment
<p>Through <u>June 2025</u></p> <p>City Manager and Fire Chief could extend an additional five years</p>	<p>ACFD continue to provide services including fire suppression, ALS, haz. mat. & disaster preparedness</p>	<p>Each station would have:</p> <ul style="list-style-type: none">• 1 Captain• 1 Engineer• 1 Firefighter at all times• 2 Fire Prevention staff at City Hall	<p>Clarified to specify turnout time; total response time will not change.</p>	<p>\$11 million for FY 2020-2021 with increases up to \$12.7 for FY 2024-2025.</p>	<p>City to continue owning stations and equipment.</p> <hr/> <p>ACFD would conduct light maintenance repairs.</p>



AGENDA

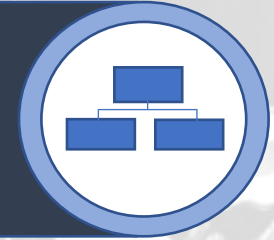
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Summary of Proposed Agreement



Governance Structure

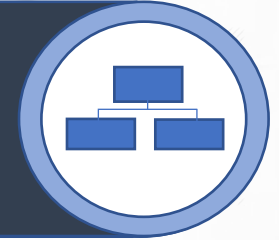


OPEB Liability





Governance Structure



Executive Management
Oversight Committee

“EMOC”

Consists of

- City Managers
- ACFD Administrative Staff

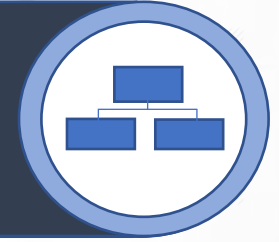


Meet & discuss

ACFD common issues



Governance Structure



Existing “EMOC” provision:



1 paragraph

Requires discussion of potential increases or important matters through unspecified “consensus process”



AGREEMENT



- Contains **four paragraphs**.
- Requires **quarterly meetings**.
- EMOC allowed to **issue reports** and communications to Board of Supervisors (BOS).
- Anything that costs **more than \$50k** would have to be taken to EMOC and Chief obligated to relay EMOC's written comments to BOS before taking action.



AGENDA

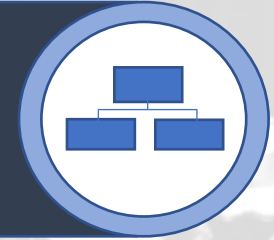
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Summary of Proposed Agreement



Governance Structure



OPEB Liability





OPEB Liability



Unfunded Retiree Health Care Liabilities

- ACFD offers other Post-Employment Benefits (“**OPEB**”), specifically retiree health care benefits
- Existing agreement does not specify to **what extent city is liable** for OPEB benefits





OPEB Liability



Unfunded Retiree Health Care Liabilities

Liability	Newark's Share	City's share	Trust Account
Total ACFD unfunded OPEB liability is \$117 million	Newark's proportionate share of unfunded liability is around \$5 million	City's proportionate share of total liability is \$7.6 million	City has \$2.6 million in trust account, leaving around \$5 million unfunded



OPEB Liability



Unfunded Retiree Health Care Liabilities



ACFD STEPS

2014

Required employees to pay a portion of wages towards liability

2015

New tier of benefits for new employees
90% Kaiser – 2 party rate



KAISER
PERMANENTE®



OPEB Liability



Unfunded Retiree Health Care Liabilities



CITY STEPS

New agreement has language that OPEB is “rapidly increasing”.

Newark and ACFD will work towards reducing liability.



OPEB Liability



Unfunded Retiree Health Care Liabilities

Upon separation

City pays remaining liability.

Two options

1. "walk-away" amount
2. Continue making annual payments.





OPEB Liability



Unfunded Retiree Health Care Liabilities

**City selects
“walk-away”**

Discount rate is
used to calculate



**Contract calls for
CalPERS “walk-away”
rate plus one-percent**





OPEB Liability



Unfunded Retiree Health Care Liabilities

Another agency
secures more
favorable rate

City would
automatically
receive that rate

If City overpays
ACFD would have to
return overpayment





Summary

- ACFD fire services continue to be excellent
- Continue existing relationship and services
- Strengthen governance structure
- Clarify and define OPEB obligations



Questions?

