

November 24, 2014

To: His Worship the Mayor
and Members of City Council

Re: Fire Services Agreement – Global Transportation Hub Authority

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE
- NOVEMBER 12, 2014**

1. That the Deputy City Manager & Chief Operations Officer be authorized to resolve and approve the final terms and conditions of a definitive Fire Services Agreement between the City of Regina and the Global Transportation Hub Authority based on the general and key commercial terms and conditions as outlined in this report.
2. That the City Clerk be authorized to execute the Fire Services Agreement after review by the City Solicitor.

EXECUTIVE COMMITTEE – NOVEMBER 12, 2014

The Committee adopted the following resolution:

1. That the Deputy City Manager & Chief Operations Officer be authorized to resolve and approve the final terms and conditions of a definitive Fire Services Agreement between the City of Regina and the Global Transportation Hub Authority based on the general and key commercial terms and conditions as outlined in this report.
2. That the City Clerk be authorized to execute the Fire Services Agreement after review by the City Solicitor.

Mayor Michael Fougere, Councillors: Bryon Burnett, John Findura, Shawn Fraser, Bob Hawkins, Terry Hincks, Wade Murray, Mike O'Donnell and Barbara Young were present during consideration of this report by the Executive Committee.

The Executive Committee, at its meeting held on November 12, 2014, considered the following report from the Administration:

RECOMMENDATION

It is recommended that City Council:

1. Direct the Chief Legislative Officer & City Clerk to sign the finalized agreement on behalf of the City.
2. Direct the City Solicitor to prepare the necessary bylaw for the Fire Services Agreement between the City of Regina and the GTHA.

CONCLUSION

An agreement to provide Fire Services to the GTHA will support the fire protection and code enforcement requirements that the GTHA desires. The GTHA has been provided the jurisdiction to determine such code enforcement requirements in the legislation establishing it as an authority. The agreement would reflect the cost recovery for direct response services provided, including both fixed, variable and overhead costs for the City.

BACKGROUND

The Provincial Government enacted *The Global Transportation Hub Authority Act* in August of 2013, which in part directed the GTHA to seek agreements with providers for various services, including fire protection. Since then, Administration has been negotiating with the GTHA towards a Fire Services Agreement with an interim agreement in place to ensure continuation of fire protection services. The interim agreement established a fee of \$10,000 per month while analysis was completed on a comprehensive agreement. The interim agreement also identified a mechanism for the City to retroactively recover additional fees negotiated above the agreed interim rate. The interim agreement is set to expire at the end of 2014.

DISCUSSION

Prior to the enactment of *The Global Transportation Hub Authority Act*, the City and GTHA were in talks to determine the level of service, range of services and remuneration for the City to provide the GTHA. The timeline to negotiate an agreement changed rapidly as *The Global Transportation Hub Authority Act* was brought forward in August of 2013. As a result, the negotiation changed from a formal long term agreement to an interim agreement with an arbitrary service fee with provisions to retroactively bill for the difference in the permanent agreement and the interim agreement.

Because the cost of fire service is not a direct user pay system, determination of fees for service is not a straightforward exercise. The Administration negotiated with the GTHA to reach an agreement that accounts for all costs associated with maintaining and operating a fire service. Specifically, the terms of the agreement take into consideration full cost recovery of fixed and variable costs. Since there is a standing cost of maintaining a Fire Service regardless of frequency of use, there is a general fixed cost that should be attributed to all properties that are afforded access to the service regardless of the level of use of each property, similar to an insurance policy.

Administration has determined an Assessed Value approach to calculating a fee as the most practical. Assessed Value is comparable to a 'per capita' approach in that it reflects a proportionate representation. The GTHA in their leading practice research found examples in which smaller municipalities paid large municipalities a fee based on per capita share of costs. The assessment approach provides a similar method to sharing costs as it represents assets protected and the valuation system is consistent across all areas of Saskatchewan and provides a measure that equitably addresses the GTHA's lack of a permanent population. The City approached negotiations with the assessed value in mind. While the parties have explored a number of options, this approach has remained the most viable. These options included the following:

- 1) Assessed Value of all properties and lands regardless of tax status;
- 2) Determining a per response fee for all calls in a given year; and
- 3) Assessed Value of all properties including assessment eligible for grant in lieu (excluding exempt vacant lands) and pooling all the assessments to determine a factor. In addition, a per response fee for all exempt vacant land responses.

The final agreement addressed three key areas. The first area was to determine an appropriate formula that could be replicated and provides cost certainty. The formula, based on assets protected, this was agreed to be a fair approach to determining a fee. The formula is predictable as the components are based on assessment growth and cost of establishing and running a modern fire service. The second area was to determine the services to be provided. While Fire & Protective Services provides an array of services only some services were included in the agreement. Services such as Bylaw Enforcement and Emergency Management are not included in the agreement. Lastly, the legal agreement addresses risk management and outlines the terms of the agreement. The agreement reached provides mutual benefit to both the City and GTHA.

Table 1, below, summarizes the proposed calculation to determine the annual fire services agreement fee. The City and GTHA assessments (excluding vacant exempt land) are pooled together and are divided by the total cost of providing fire services. This creates a factor that is applied against the assessment of each member (excepting the exempt vacant land) of the Fire Services Agreement. The sums of all fees are equal to the total cost of providing the service; thus, representing a cost recovery model where each user pays their share based on the assessments or, put alternatively, assets protected.

- (A) The aggregate cost of running the fire service is:
- i. Fire Department Operating Budget (excluding emergency management) + Facility Operating Costs + Capital Renewal + City Overhead;
- (B) The taxable assessments including assessment eligible for grant in lieu of all who receive fire services is pooled;
- (E) Exempt Vacant Land is excluded from the formula;
- (F) A factor is generated by taking $A / (B-E)$; and
- (R) The annual fee charged is the factor (F) times the taxable assessment including assessment eligible for grant in lieu (excluding exempt vacant land) for each individual participant.

$R = (A / B-E) * \text{GTHA Assessed Value} - \text{exempt vacant land}$

$R = (\$50,205,923 / 23,944,903,100) * 113,557,800$

$R = .21\% * 113,557,800$

$R = \$238,099.70$

Fire Service Agreement Fee Formula			
	GTHA	City	City + GTH
Assessed Value (2014) (B-E)	113,557,800	23,831,345,300	23,944,903,100
RFPS Gross Operating (2014)	\$ 40,205,650	\$ 40,205,650	\$ 40,205,650
City Overhead 22%	\$ 8,845,243	\$ 8,845,243	\$ 8,845,243
Capital Renewal	\$ 1,155,030	\$ 1,155,030	\$ 1,155,030
Total Cost (A)	\$ 50,205,923	\$ 50,205,923	\$ 50,205,923
Ratio to Pooled Assessed Value (F)	0.210%	0.210%	0.20967%
Annual Fee (R) = (Total Cost (A) * Ratio to Pooled Assessed Value (F))	\$ 238,099.70	\$ 49,967,823.30	\$ 50,205,923.00

Table 1

The response fee for exempt vacant lands is based on all apparatus responses for the given year divided into the total cost of running the fire service. The fee is multiplied by each apparatus response to exempt vacant land. For example in 2013, the per apparatus response fee would have been approximately \$6,900.

RECOMMENDATION IMPLICATIONS

Financial Implications

This agreement generates general revenue of \$238,099.70 per year with variable revenue based on apparatus responses to exempt vacant land.

Additionally, the differential between the interim payments of \$10,000 per month since August 1, 2013 and the final negotiated price will be retroactively adjusted once the agreement is signed. This results in a one time differential payment of \$147,624.17 as of October 31, 2014.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

Fire Administration views the provision of fire services as a system. Entering into a Fire Service Agreement with another jurisdiction has a direct impact on the capacity of the department to meet existing citizen requirements and requirements of existing fire protection agreements, Mutual Aid Agreements or other fee for service arrangements. As a part of the evaluation of these agreements, fire must balance the availability and deployment of resources. As fire begins to revisit existing agreements and enters into new agreements, this principle will be considered to ensure the community receives the highest level of service and uncompromised response. We will also be applying the formula to existing fire service agreements.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

The Regina Administration Bylaw allows the Administration to enter into revenue agreements that do not exceed \$100,000 in value or five years in length. In the case of the GTHA, the value of the agreement will be in excess of \$100,000 and therefore requires Council approval.

Respectfully submitted,

EXECUTIVE COMMITTEE

A handwritten signature in dark ink, appearing to be 'J. Nicol', written in a cursive style.

Jim Nicol, Secretary

/mrt