



Agenda

**San Mateo Consolidated Fire Department
Board of Directors
Regular Meeting
Monday, September 23, 2024 – 4:00 P.M.**

Consistent with Government Code Section 54953, this meeting will be conducted both in person and also via Zoom Teleconferencing to promote public participation at public meetings while maintaining compliance with local, state, and federal guidelines and social distancing recommendations for the containment of the coronavirus. Department officials and members of the public are invited to attend and give public comment either in person or via teleconference. Comments may also be submitted prior to the meeting by email to: nmorales@smcfire.org

To Attend in-person

Foster City EOC, 1040 East Hillsdale Blvd., Foster City, CA 94404

To Observe and Participate via Video Teleconference

Register in advance for this Zoom webinar:

https://us06web.zoom.us/webinar/register/WN_j3pnN_08TOqpBzqwEwlj1g

1. OPENING

- 1.1 Call to Order & Determination of a Quorum
- 1.2 Pledge of Allegiance
- 1.3 Roll Call

2. PUBLIC COMMENT ON CLOSED SESSION ITEMS

3. CLOSED SESSION

- 3.1 Consideration of a public employment - personnel matter pursuant to Government Code section 54957(b): Department Fire Chief Position.
- 3.2 Conference with Legal Counsel: Anticipated Litigation – Authorized pursuant to Government Code Section 54956.9(d)(2) - *Two matters*

4. RETURN FROM CLOSED SESSION

- 4.1 Report from Closed Session

5. AGENDA CHANGES

The Chair/Board Member may change the order of the Agenda or request discussion of a Consent Item. A member of the public may request discussion of a Consent Item by emailing the Board Clerk Nicole Morales at nmorales@smcfire.org prior to Public Comment.

6. PUBLIC COMMENT

Public Comment is limited to 15 minutes, with a maximum of three (3) minutes per speaker. If you wish to address the hearing body, please notify the Department as soon as practical by emailing the Board Clerk of the Fire Board at nmorales@smcfire.org. If you are addressing the Board of Directors on a non-agenda item, the Board of Directors may, but is not required to, briefly respond to statements made or questions posed as allowed by the Brown Act (GC 54954.2). The Board of Directors may refer items to staff for attention, or have a matter placed on a future Board of Directors Meeting, for more comprehensive action or report.

7. CONSENT

[7.1](#) Approval of Fire Board Meeting Minutes from August 20, 2024.

8. NEW BUSINESS

[8.1](#) Adopt a resolution approving a hiring plan for selection of a new Fire Chief and directing Legal Counsel to prepare materials for future Board consideration that would authorize the Chief to work as Interim Chief if recruitment efforts for a new Fire Chief is still ongoing

[8.2](#) Adopt a resolution authorizing the Fire Chief to amend the current Finance/Human Resource contract and allocate funding to support the reclassification of San Mateo's Senior Human Resources Analyst position to Human Resources Manager.

9. REPORTS AND ANNOUNCEMENTS

9.1 Board Members and Department Management Staff will have an opportunity to make announcements.

9.2 Fire Chief update (*verbal only*)

10. ADJOURNMENT

I, Nicole Morales, Board Clerk of the San Mateo Consolidated Fire Department, hereby declare that the foregoing Agenda was posted in compliance with the Brown Act prior to the meeting date.

In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact the Fire Board Clerk at (650) 522-7900 no less than 72 hours prior to the meeting. Notification in advance of the meeting will enable the Fire Department to make reasonable arrangements to ensure accessibility to this meeting.

Copies of documents distributed at the meeting are available in alternative formats upon request. Any writing or documents provided to a majority of the Board regarding any item on this Agenda will be made available for public inspection at the Department Fire Administration Office located at 1040 E. Hillsdale Blvd., Foster City, CA 94404, during normal business hours. In addition, most documents will be posted on the Department's website at <https://www.smcfire.org/meeting-dates-agendas-minutes/>



Meeting Minutes
San Mateo Consolidated Fire Department
Board of Directors Regular Meeting
Tuesday, August 20, 2024 – 4:00 P.M.
Hybrid Remote Teleconference Meeting
Foster City EOC

1. OPENING

The meeting was called to order at 4:00 pm by Board Chair Mates

1.1. Call to Order & Determination of a Quorum

1.2. Pledge of Allegiance

1.3. Roll Call

Board Members Present: Mates, Newsom, Froomin

Board Members Absent: None

2. AGENDA CHANGES

None

3. PUBLIC COMMENT

None

4. PRESENTATIONS

Item 4.1 Human Resources and Finance Staffing & Service Level Analysis by DKG Consultant Mr. Drew Corbett

DKG Consultant Mr. Drew Corbett provided a PowerPoint presentation of the analysis. The Board agrees with the recommendation to reclassify the HR position and to consider amendments to the current contract that are more in line with the needs of SMC Fire and the staffing levels required to provide the appropriate level of support.

Board Member Froomin asked clarifying questions regarding Finance's process for delinquencies compared to the number of billings for service, and asked if there was a better way to manage collections possibly through property taxes. Mr. Corbett clarified that the delinquencies count all that is outstanding including numerous contacts with customers, whereas billings are for a discrete period. Deputy Fire Chief Marshall stated it would be complicated to separate billings due to State laws and we do not have any tax authority. Board Member Froomin asked if we could consider in sourcing tasks such as invoicing and delinquency management. Mr. Corbett stated it would just move the costs of service and is more efficient for the City to manage. Board Member Froomin asked if establishing levels of service would show we are doing more than needed while still protecting the Department. Mr. Corbett stated the audit must be done, but the Annual Financial Report could be discussed further for consideration. Board Member Froomin asked if it was worth considering changing from fiscal year to calendar year. Mr. Corbett stated that Fire is tied to each City which would make it impractical to change. Board Member Froomin asked if the other two cities are doing their fair share. Mr. Corbett

stated it works like a city budget relying on various members of Fire to create the ultimate outcome.

Board Chair Mates stated that vacancies and Workday issues, and more help would result in resolution within time. Mr. Corbett stated it was not about disliking the services, but different perspectives regarding things taking longer when in reality everyone is working hard. Board Chair Mates asked if we would use outside consultants to support scope of services. Chief Thrasher stated we'd utilize Mr. Corbett's expertise to bring efficiencies to the contract. Board Chair Mates asked if all City Managers were consulted. CAO Khojikian stated all were advised to ensure alignment and additional discussions regarding adding resources is needed.

Board Member Newsom stated he is in support of bringing additional staffing in the City of San Mateo for services to SMC Fire.

Board Member Froomin stated when staffing is short for San Mateo, the City realizes savings, Fire is shorted, and the other Cities are still paying the same price. CAO Khojikian stated we still provide the level of support. Board Member Froomin stated only San Mateo experiences savings; contracting for services can be difficult when paying the full amount for a level of staffing with the level of services. Mr. Corbett stated that Fire should worry about how much it costs when the jobs getting done; proposing the list of things that need to be done, timing expectations, and the level of service, then the contract is being met or not at the end of the day. The value is in if the contract is met.

Board Member Froomin stated institutional knowledge is important, along with new insights, but is there anything that can be handled differently to make it easier for all staff. Mr. Corbett stated the groups will have to discuss expectations and agree upon an appropriate level of service. Fire Chief Thrasher stated we meet regularly with City Manager's and Finance, we recognize how hard all work, and this process is merited.

Board Member Froomin stated the main point of contract should be identified in Finance. He also suggested advertising the scope of work in a request for proposal (RFP) to not drain San Mateo's resources. Mr. Corbett stated the RFP route would be either prohibitively expense or a worse level of service.

Board Chair Mates stated after 5 years in, it makes sense to reassess and agrees with Mr. Corbett's recommendations. Mr. Corbett stated the nature of the business is to always consider improving processes and efficiencies.

5. CONSENT

Board Chair Mates asked if there was any public comment on this item, which there was not. Board Member Newsom moved to approve the Consent calendar; Board Member Froomin seconded. The Board Secretary took a roll call vote, and the Consent calendar items were approved 3-0.

6. NEW BUSINESS

Item 6.1 Adopt a resolution authorizing a revision to the Compensation and Benefits Plan for the Fire Chief, Deputy Fire Chiefs, and Business Manager to provide for payment of Deputy Fire Chiefs who are deployed under the California Master Mutual Aid Agreement

Fire Chief Thrasher provided an overview of the staff report.

Board Chair Mates asked if there was any public comment on this item, which there were none. Board

Member Froomin moved to adopt the resolution; Board Chair Mates seconded. The Board Secretary took a roll call vote, and the resolution was approved 3-0.

7. REPORTS AND ANNOUNCEMENTS

Fire Chief Thrasher provided a brief organizational update:

- In June, Fire Marshal Workman shared that Fire Inspectors placed door hangers regarding defensible space wildland inspections. The Fire Board provided feedback and recommended considering QR codes, improved branding, and addition background on future notices.
- There will be a September Fire Board meeting; date to be determined.
- SMC Firefighters' Association Chili Cook-Off on August 24th at Central Park.
- Fire Board meeting dates in 2025 to be increased from 4 scheduled to 6. Will bring potential dates to October's meeting.

8. ADJOURNMENT

The Board meeting was adjourned at 5:15 p.m.



STAFF REPORT

To: San Mateo Consolidated Fire Department Board of Directors

From: Alex Khojikian, Chief Administrative Officer

Date: September 23, 2024

Subject: Hiring Plan for Selection of New Fire Chief

RECOMMENDATION

- 1) Select a hiring plan option and adopt a resolution authorizing San Mateo Consolidated (SMC) Fire Department and San Mateo Human Resources (HR) Department to implement the selected plan for hiring a new Fire Chief; and
- 2) Direct Legal Counsel to present a resolution for future Board consideration as required by CalPERS to allow for Chief Thrasher to work as Interim Fire Chief as a retired annuitant in the event his services are needed beyond December 30, 2024 to complete the recruitment process.

BACKGROUND

At the Fire Board Meeting on September 23, 2024, current Fire Chief Kent Thrasher shared his intention to retire from his role as the SMC's Fire Chief effective December 30, 2024. In anticipation of the Fire Chief's announcement, the Chief Administrative Officer (CAO) and HR Staff prepared the below listed options for filling the position.

ANALYSIS

Multiple hiring plan options are available for Board consideration:

Hiring Plan Options:

- Conduct an internal-only recruitment where only current SMC Fire employees can apply (method used in the past).
- Conduct an open recruitment for which anyone can apply and appoint an Interim Fire Chief if a recruitment cannot be completed by the time of the current Fire Chief's retirement.
- Appoint a new Fire Chief without conducting a recruitment process.

The Department has a successful history of facilitating an internal recruitment process for appointing a Fire Chief. It is important to note that HR staff reviewed the Fire Chief's job classification and determined there are currently multiple internal employees that meet the position qualifications.

If the Board chooses to hold an open recruitment process it is recommended that the Department utilize a professional recruitment firm to assist with the recruitment and hiring process. The cost of using an

executive recruiter to perform this recruitment which involves extensive candidate sourcing and outreach would range from \$35,000 to \$45,000 with the process taking approximately 6 months. Should this approach be taken, the Department will screen professional recruitment firms so that a qualified firm with experience in recruiting executive-level fire positions in California is selected.

Should the recruitment process take a full 6 months to complete, Chief Thrasher has graciously offered to stay on in an Interim Fire Chief capacity until a new Fire Chief is hired. In order to allow for this arrangement, the Department's Legal Counsel would need to bring forward a resolution for the Board's consideration at a subsequent meeting, as is required by CalPERS to allow for Chief Thrasher to work as a retired annuitant in the event his services are needed during the recruitment process.

FISCAL IMPACT

Costs associated with holding an internal recruitment and testing process would be less than five hundred dollars, and those funds would come out of the current operating budget.

Costs associated with an open recruitment and hiring an executive recruiter would range from \$35,000 to \$45,000 and may require a supplemental appropriation from member agencies.

ATTACHMENTS

A. Resolution

RESOLUTION NO. 2024-

**A RESOLUTION OF THE SAN MATEO CONSOLIDATED FIRE DEPARTMENT
BOARD OF DIRECTORS APPROVING A HIRING PLAN FOR INTERNAL
RECRUITMENT OF QUALIFIED COMMAND STAFF EMPLOYEES FOR
POSITION OF FIRE CHIEF**

WHEREAS, on September 23, 2024, at the Meeting of the San Mateo Consolidated Fire Department (“Department”) Board of Directors, current Fire Chief Kent Thrasher gave notice of his intent to retire from his role as Fire Chief for the Department, effective December 30, 2024; and,

WHEREAS, as the Fire Chief position is the operational head of the Department and its day-to-day operations, it is pivotal that recruitment be initiated in order to identify and fill the Fire Chief position with a qualified candidate; and,

WHEREAS, possible options for filling the pending Fire Chief vacancy include appointing a new Fire Chief without conducting a recruitment process, conducting an internal-only recruitment for which only current Department employees can apply, or conduct an open recruitment for any qualified individual to apply; and,

WHEREAS, there are current Department employees that meet the qualifications for the position, including the knowledge and skills required for consideration for the position; and,

WHEREAS, should an internal candidate ultimately be chosen for the position, the Department would benefit due to avoiding costs associated with retaining an executive recruiter, as well as facilitating a more seamless transition due to the institutional knowledge possessed by qualified internal candidates; and,

WHEREAS, Department Staff has prepared a recruitment plan and anticipated time frames for conducting internal recruitment.

WHEREAS, in the event that the recruitment process is still ongoing when Chief Thrasher’s retirement becomes effective, Department Legal Counsel will bring forth a Resolution for the Board to consider which would authorize Chief Thrasher to work as a retired annuitant as Interim Fire Chief until the recruitment process has been completed,

NOW, THEREFORE, the Board of Directors of the San Mateo Consolidated Fire Department hereby resolves as follows:

1. Department Staff is authorized and directed to conduct internal recruitment for the Fire Chief position and approving a recruitment plan and anticipated timeline.
2. Should the recruitment process still be ongoing at the Department’s next Regular Meeting on October 23, 2024, Legal Counsel will present a Resolution for the Board to consider which, if approved, would appoint Chief Thrasher to serve as Interim Fire

Chief as a retired annuitant in the event his services are needed beyond December 30, 2024 to complete the recruitment process.

PASSED AND ADOPTED as a resolution of the Board of Directors of the San Mateo Consolidated Fire Department at the regular meeting held on the 23rd day of September, 2024 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Board Secretary

Board President

APPROVED AS TO FORM:

William D. Ross, General Counsel



STAFF REPORT

To: San Mateo Consolidated Fire Department Board of Directors

From: Kent Thrasher, Fire Chief

Meeting Date: September 23, 2024

Subject: **Human Resources Manager Reclassification & Authority to Amend the Finance/HR Contract**

RECOMMENDATION

Adopt a resolution authorizing the Fire Chief to amend the current Finance/Human Resource contract and allocate funding to support the reclassification of San Mateo's Senior Human Resources Analyst position to Human Resources Manager.

BACKGROUND

The San Mateo Consolidated Fire Department (SMC) has been in contract with the City of San Mateo for Human Resources and Finance services since its inception in January 2019. To fulfill the contractual Human Resources (HR) needs, a Senior Human Resources Analyst has been the dedicated on-site resource, providing professional level support to the Fire Chief and HR generalist services to all SMC personnel.

ANALYSIS

The initial contract estimated the need for HR support to be at 75% of 1 full-time employee (FTE) at the Senior Analyst level. Over the past several years the level of needed support has been more significant in both the service level and time commitment. The Senior Human Resources Analyst specification does not fully describe the incumbent's duties related to operating with considerable independence, and developing and implementing goals, objectives, policies, and priorities related to Human Resources for SMC Fire. To support these findings, the Fire Board authorized the Fire Chief to commission a study to analyze the current contract and provide recommendations.

Amongst other recommendations, the study recommended that the HR position be reallocated from a Senior Analyst position to an HR Manager position to appropriately reflect the full scope of the actual duties and responsibilities of the position.

Following the presentation of the Finance/HR contract study and analysis at the August 20, 2024 Fire Board meeting, the Fire Board supported moving forward with action to address the immediate HR related recommendations as well as providing staff support to continue the process of a more comprehensive amendment to the overall contract for Finance/HR services with the City of San Mateo. It is anticipated the remaining recommendations will be fully evaluated and brought back to the Fire Board for action by early 2025.

FISCAL IMPACT

The reallocation of the Senior Human Resources Analyst to Human Resources Manager position is estimated to have a cost of \$50,000 for fiscal year 2024-25.

ATTACHMENTS

- A. Resolution
- B. Finance/HR Staffing & Service Level Analysis by DKG

RESOLUTION NO. RES-2024-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN MATEO CONSOLIDATED FIRE DEPARTMENT AUTHORIZING THE FIRE CHIEF TO AMEND THE CURRENT FINANCE/HUMAN RESOURCE CONTRACT AND SUPPORT THE RECLASSIFICATION OF SAN MATEO'S HUMAN RESOURCES SENIOR ANALYST POSITION TO HUMAN RESOURCES MANAGER

WHEREAS, San Mateo Consolidated Fire Department (SMC) has been in contract with the City of San Mateo for Human Resources and Finance services since its inception in January 2019; and,

WHEREAS, the Board supported the Fire Chief to commission a study to analyze the current contract and provide recommendations; and,

WHEREAS, the study recommended that the HR position be reallocated from a Senior Analyst position to a HR Manager position to appropriately reflect the full scope of the actual duties and responsibilities of the position; and,

WHEREAS, at the August 20, 2024 Fire Board meeting, the Fire Board supported the immediate HR related recommendations and to continue the process of a more comprehensive amendment to Finance/HR contract; and,

WHEREAS, reallocation of the Senior Human Resources Analyst to Human Resources Manager position is estimated to have a cost of \$50,000 for fiscal year 2024-25.

NOW, THEREFORE, the Board of Directors of the San Mateo Consolidated Fire Department resolves as follows:

1. Authorize the Fire Chief authority to amend the current Finance/Human Resource contract.
2. Allocate funding to support the reclassification of San Mateo's Human Resources Senior Analyst position to Human Resources Manager.
3. Authorize the Fire Chief to take any additional actions as needed to facilitate the goals of this Resolution.

PASSED AND ADOPTED as a resolution of the Board of Directors of the San Mateo Consolidated Fire Department at the regular meeting held on the 23rd day of September, 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Board Secretary

Board President

APPROVED AS TO FORM:

William D. Ross, General Counsel



FINANCE AND HUMAN RESOURCES SERVICES

STAFFING AND SERVICE LEVEL ANALYSIS

EXECUTIVE SUMMARY

The San Mateo Consolidated Fire Department (SMCFD) contracts with the City of San Mateo (City) for finance and human resources services. The current contract runs through June 30, 2026. Based on the current contractual service level and staffing resources dedicated by the City to SMCFD, the services provided by the City are struggling to meet the overall needs of SMCFD. This analysis evaluated the current service model and alternate models to determine if there are better options for SMCFD. The analysis concluded that continuing the contract for services model with the City of San Mateo being the contract service provider is the most cost-effective and administratively efficient model. However, after over five years of utilization of the current service model, a re-evaluation of the scope of services and the corresponding amount of staffing resources to execute to that scope is warranted. With two years remaining on the existing contract, the recommendation is to move forward with this re-evaluation during the 2024-25 fiscal year and get a new contract in place in advance of 2025-26. This will help ensure resources are aligned with the desired and agreed upon scope of services without waiting for the current contract to expire.

BACKGROUND

As a part of the creation of SMCFD, representatives from each of the member agencies recommended that the model for finance and human resources services be one where SMCFD contracts with one of the member agencies for those services. As the largest city served by SMCFD, the City of San Mateo was determined to be the agency with the capacity to provide these services. The original contract covered inception of SMCFD (January 2019) through June 30, 2020. There was a one-year extension through June 30, 2021, and a five-year extension was approved in April 2021, taking the contract for services through the end of fiscal year 2025-26. The annual contract amounts are provided in the table on the following page:

Fiscal Year	Contract Amount	Dollar Increase	Percent Increase
2018-19 (1/2 year)	\$345,000		
2019-20	\$690,000		
2020-21	\$716,000	\$26,000	3.8%
2021-22	\$746,304	\$30,304	4.2%
2022-23	\$776,156	\$29,852	4.0%
2023-24	\$807,202	\$31,046	4.0%
2024-25	\$839,490	\$32,289	4.0%
2025-26	\$873,070	\$33,579	4.0%

The initial cost estimate for services was based on a model developed by the City’s Finance and Human Resources (HR) Departments. For Finance, the estimate was derived based on the work related to SMCFD being divided up amongst staff, with no resources specifically dedicated to SMCFD. For HR, the estimate was derived based on one dedicated senior analyst being assigned to SMCFD, with support provided by other members of the department. Based on these estimates and the amount of the initial contract, the total hours dedicated between Finance and HR equated to approximately 4.0 full-time equivalent (FTE) staffing. Both Finance and HR had one additional FTE added to account for the additional support required as a result of the contract with SMCFD; however, staffing levels, particularly in Finance, have not remained constant since the initial resources were added to serve SMCFD.

Budgeted FTE	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Finance	18.0	18.0	19.0	19.0	18.0	17.0	17.0	18.0
HR	10.2	10.2	11.2	12.2	11.2	11.2	11.2	11.5

When the contract was up for renewal in 2021, the baseline staffing resources allocated to SMCFD remained the same, with 4% annual increases proposed to cover expected increases in the cost of existing staffing. At the time, San Mateo management (Finance Director and City Manager) were aware that the contract was not likely covering the full cost of staffing dedicated to SMCFD; however, the decision was made to keep the contractual increases at 4% to avoid a more significant increase in costs to SMCFD and the member agencies. Additionally, the relative newness of SMCFD was also a factor, as the thought process at the time was that once the department had been in operation longer, some economies of scale would develop operationally in Finance and HR that would eventually bring workloads down closer to existing projections.

Subsequent to the contract renewal, in fiscal year 2021-22 San Mateo Finance and HR staff performed an updated analysis of staff time required to support SMCFD. That analysis estimated that the actual cost, in 2022, was closer to \$879,000, or \$133,000 greater than the contractual amount. This estimate was distributed across all positions in HR and Finance that provided

support to SMCFD and equated to nearly 5.0 FTE staffing as opposed to the approximately 4.0 FTE staffing contemplated in the contract.

CURRENT STATE

To gather information about the current service level and degree of satisfaction with the execution of the existing contract, staff from both SMCFD and the City of San Mateo were interviewed. The list of interviewees is provided in the table below.

San Mateo Consolidated Fire Department	City of San Mateo
Kent Thrasher, Fire Chief	Alex Chan, Accounting Assistant II (AP)
Robert Marshall, Deputy Fire Chief	Tim La, Accountant (Accounting and Financial Reporting)
Nicole Morales, Business Manager	Sabrina Lee, Senior Accountant (Accounting and Financial Reporting)
	Renee Eshun, Accounting Manager (Accounting and Financial Reporting)
	Karley Toffey, Senior Management Analyst (Budget, Treasury, Revenue)
	Samantha Wong, Senior Accounting Assistant (Purchasing, Budget Book Production)
	Erin Offield, Payroll Supervisor (Payroll)
	Renee Halcon, Budget Manager (Budget)
	Karen Huang, Finance Director (Management Oversight)
	Jennifer Crims, Senior HR Analyst (Dedicated HR Resource to SMCFD)

SUMMARY OF FEEDBACK FROM SMCFD

The feedback from SMCFD staff and Jennifer was consistent and focused on the following themes:

- The Workday implementation has been extremely challenging from the perspective of the staff resources that have been required for testing and implementation, and the challenges of learning and working with a new system. This has also impacted SMCFD’s ability to get information on their own.
- Vacancies in the City’s Finance and HR Departments have impacted service levels, and the loss of institutional knowledge has also had an impact on the evolution of SMCFD.
- Transaction volume has been very high and difficult to keep up with for the City, particularly in HR-related functions; the initial expectation that economies of scale would develop over time has not come to fruition.
- Responsiveness is sometimes an issue, and the concern is that this is a function of SMCFD being a contracted service.

- The City's perception of SMCFD is that they are expected to be just like the City from a transactions and process perspective, but SMCFD's perception is that they are a separate entity and need to be treated as such.
- Overall resources, particularly resources dedicated to SMCFD, are an issue impacting the provision of services.
- Both the City and SMCFD need to be aligned on the service level expectations based on the contractual scope of services.
- It would be helpful for Finance to consider a dedicated resource or single point of contact model.

SUMMARY OF FEEDBACK FROM CITY OF SAN MATEO

- The implementation of Workday has taken significant staffing resources, which has affected HR and Finance's ability to serve both internal clients (City departments) and SMCFD.
- Vacancies within the Finance Department, as well as the reduction in budgeted FTEs since fiscal year 2022-21, have also created significant challenges.
- Finance believes that utilizing a similar service model as HR, where there is one primary contact for SMCFD, could have benefits, but the challenge is determining where in Finance that resource would be (Budget, Accounting, Treasury) and if someone with the appropriate skill set could be hired into that role.
- Finance attempts to provide a service level to SMCFD that is commensurate with the service level it provides other City departments. Finance's impression is that SMCFD expects a higher level of service because it is contracting with the City to provide services.
- Service level expectations should be clarified in the next contract, as resource and cost estimates need to consider specifics of service levels (i.e. level of effort for developing a budget document with graphics and pictures versus a simpler document).
- In some areas it is feasible to set aside specific time during the day/week to work on SMCFD activities (Accounts Payable), in other areas, that does not work as well as the overall workload is prioritized and reprioritized.
- Generally speaking, the City believes it is very responsive to SMCFD.
- Year-end, month-end, quarterly reporting (Payroll), and budget production are challenging because two separate resource-intensive processes are being conducted simultaneously.
- With Workday, there needs to be time to carve out to train SMCFD so that they can 'serve themselves' in terms of pulling reports (this applies to the departments as well).

CITY/SMCFD COMPARISON

The below table compares the City of San Mateo and SMCFD transaction volume for finance and human resources services and considers those comparisons in relation to the relative size of SMCFD to the City in terms of budget and FTE count.

Measure	Timeframe	City of San Mateo	SMCFD	Ratio – SMCFD as a % of City
Operating Budget	FY 24-25 Budget	\$256.1M	\$52.6M	20.5%
FTE Count	FY 24-25 Budget	638.11	164.85	25.8%
Adjusted Finance FTE*	FY 24-25 Budget	15.25	2.75	18.0%
Adjusted HR FTE*	FY 24-25 Budget	10.23	1.25	12.2%
Adjusted Finance Budget**	FY 24-25 Budget	\$3.8M	\$577K	15.1%
Adjusted HR Budget**	FY 24-25 Budget	\$2.3M	\$262K	11.3%
Audits/ACFR Completed	FY 22-23 Actual	1	1	100%
Budgets Produced	FY 24-25 Budget	1	1	100%
Paychecks Issued	FY 22-23 Actual	16,500	4,238	25.7%
Post-Payroll Benefit Pymts.	FY 22-23 Actual	650	312	48.0%
Federal/State Tax Filings	FY 22-23 Actual	34	34	100%
W-2s Issued	FY 22-23 Actual	907	177	19.5%
Billings for Service	FY 22-23 Actual	1,109	3,517	317.1%
Delinquencies Processed	FY 22-23 Actual	2,004	3,460	172.3%
Invoices Paid	FY 22-23 Actual	11,600	2,160	18.6%
Purchasing Cards	FY 22-23 Actual	134	55	41.0%
Recruitments Conducted	FY 22-23 Actual	61	10	16.4%
Employee Perf. Reviews	FY 22-23 Actual	482	162	33.6%
Workers' Comp. Claims	FY 22-23 Actual	50	41	82.0%

*Finance and HR FTE count for the City reduced by estimated FTE count dedicated to SMCFD.

**Finance and HR budgets reduced by pro rata share of total SMCFD contract amount for fiscal year 24-25.

As the table demonstrates, the volume of activity for SMCFD in a number of areas exceeds its proportionate size in relation to the City. For example, while SMCFD's FTE count is approximately 26% the size of the City's, its number of workers' compensation cases is 82% of the City's total. This is not surprising given the nature of the work of SMCFD employees; however, it does highlight the fact that many areas served under the contract are not proportionate to the size of SMCFD. The other area this information highlights is related to the tasks such as the audit and the production of the ACFR and the budget. These are also areas where there is not proportionate transactional volume, as, for example, one ACFR is produced for the City and one is produced for SMCFD. And while the related effort to complete the ACFR for SMCFD is less than the comparable effort for completing the ACFR for the City, it is not 26% of the effort (the proportionate total staffing between SMCFD and the City). This type of challenge is exacerbated by the fact that the ACFR for the City and the ACFR for SMCFD (and the budget, audit, etc.) need to be completed on

the same general timeline. This data also lends credibility to the perception that was noted during the interviews with staff that the economies of scale that would develop over time and were an assumption in the resourcing model and corresponding cost estimates have not come to fruition.

ANALYSIS OF ALTERNATIVE SERVICE MODELS

For comparison purposes, the administrative services model from two other Fire agencies in San Mateo County were evaluated and compared against the contract for services model used by SMCFD. The two comparison models were the Menlo Park Fire Protection District (MPFPD) and Central County Fire Department (CCFD).

MPFPD is a special district providing fire protection and prevention services to the cities of Menlo Park, Atherton, East Palo Alto, and portions of unincorporated San Mateo County. MPFPD was formed in 1916, its funding comes from a dedicated share of property tax, and its Board of Directors is directly elected. This is dissimilar from SMCFD, which is funded by allocations from its member cities (San Mateo 60%, Belmont 20%, and Foster City 20%), and whose Board consists of one appointed member from each city's City Council.

MPFPD's administrative services are provided by dedicated MPFPD staff. As of the fiscal year 2023-24 budget, the Administrative Services Department had a total of 15.0 FTE across four divisions (Finance, Human Resources, Clerk, Information Technology). This includes four employees in Finance (Finance Manager, Senior Accountant, 2 Accounting Technicians) with a total division budget of \$1.8 million, and three employees in HR (Human Resources Manager and 2 Senior HR Analysts) with a total budget of \$2.6 million. This staff serves a total FTE population of 152 and an operating budget of just over \$66 million.

The most significant benefit of the MPFPD service model in comparison to the SMCFD contract for services model is having staff who work directly for MPFPD and are dedicated entirely to the human resources and finance functions of MPFPD. This allows for complete alignment with MPFPD activities and initiatives, the ability to prioritize and re-prioritize as necessary to suit the needs of one operation, and the lack of competition for the attention of limited administrative resources. The predominant downsides of this model in comparison to the contract for services model are the cost of an in-house operation and the lack of specialization and economies of scale in a smaller administrative operation. From a cost perspective, on the surface it is significantly more expensive for MPFPD to have in-house human resources and finance functions (\$4.4 million annually) than it is for SMCFD to contract with the City of San Mateo for those functions (\$840,000 in FY 2024-25). A large portion of this cost difference is related to contractual services, which in 2023-24 totaled \$954,000 in the Finance Division and \$1.57 million in the Human Resources Division. This includes workers' compensation insurance expenditures being included in the Human Resources Division budget for MPFPD. With a lack of detail related to some of the other contractual services in the Finance and Human Resources Division budgets for MPFPD, the most useful cost comparison is related to the number of FTE required to provide finance and human resources services, which is covered later in this report. Further, an estimate of the one-time and

ongoing costs to transition to an in-house model as compared to the existing costs for the contract-for-services model is included in the 'Alternatives' section of this report.

The other downside of MPFPD's model in comparison to the SMCFD model is the FTE count utilized to serve the finance and human resources functions. With 7.5 FTE managing these functions for MPFPD, there is less ability to specialize in certain areas and more of a need to be able to manage multiple roles and responsibilities while maintaining appropriate separation of duties for internal controls purposes. In contrast and under the contract for services model, there are 18.0 budgeted FTE in the City's Finance Department (as of FY 2024-25), most of whom have specialized assignments across the divisions. In Human Resources, there is 1.0 FTE serving as a "generalist" who is dedicated to SMCFD, including being located on site at SMCFD headquarters, as well as the remaining Human Resources Department staff (10.5 FTE total) who are available for support and specialized assistance. This creates a much larger pool of resources and specialties for the City to draw upon to support SMCFD.

CCFD was formed in 2004 when the City Councils of Burlingame and Hillsborough approved an agreement to form a Joint Powers Authority that merged the two cities' fire departments. CCFD is governed by a four-person Board of Directors that consists of two councilmembers from each member city. The funding for the JPA comes from the General Fund of the member cities and from the City of Millbrae, which contracts for fire protection services from CCFD. The overall structure of CCFD is very similar to that of SMCFD.

CCFD's model is a hybrid model where day-to-day administrative tasks are handled by staff who work directly for CCFD, with higher-level financial oversight and transactional work provided by the Town of Hillsborough's (Town) Finance Director and Assistant Finance Director. Further, the Burlingame City Manager serves as CCFD's Chief Administrative Officer. There are a total of 6.0 FTE that work under the administrative function of CCFD, which also includes Clerk duties. These positions include an Administrative Services Manager, Management Assistant, Administrative Assistant, Office Assistant, Senior Accounting Technician, and Accounting Technician. Oversight of the human resources function had also previously resided with staff from the Town; however, the recruitment of a person to manage this function as an employee of CCFD is currently underway. Based on an updated organizational chart on the CCFD website, this HR Manager position replaces the Administrative Assistant position, leaving the total administrative function with 6.0 FTE.

Financial oversight, which includes activities such as budget development, accounting operations (including internal controls), audit management, and ACFR development, as well as day-to-day transactional work such as banking and bank reconciliations, general ledger maintenance, and statutory reporting, continue to be provided by the Town. The total annual General Fund budget for CCFD is approximately \$33 million, and there are 90 total FTE in the department. The annual budget for the administrative function of CCFD is not specifically identified in the budget document. The Town charges CCFD 15% of the Finance Director's total compensation cost and 5% of the Assistant Finance Director's total compensation cost for the services it provides, which

equates to approximately \$65,000 annually. CCFD has its own financial, human resources, and payroll software.

Similar to MPFPD, CCFD has its own employees who handle some of the day-to-day administrative, finance, and human resources work, which provides similar advantages and disadvantages to those identified for MPFPD. However, because oversight of the finance function and much of the more technical finance work is handled by Hillsborough staff, there are more similarities to the contract for services model used by SMCFD and the City, especially for finance-related work.

OBSERVATIONS FROM THE ANALYSIS

Contract for Services Model Cost/Benefit

Based on the analysis of the performance of the existing model and a review of the finance and human resources service models for two other agencies, the existing contract for services model provides the best overall cost/benefit to both SMCFD and its three member agencies.

The MPFPD model of in-house finance and human resources services would not only be expensive to replicate (see 'Alternatives' section), the size of the administrative function (four personnel in finance and three in human resources) also has some disadvantages when compared to what the City can provide. With a smaller administrative function, employees are required to have more functional responsibilities and not be as specialized. This can potentially create issues with establishing appropriate separation of duties to maintain internal controls, and it can create challenges with respect to finding employees with the right knowledge, skills, and abilities to handle multiple functional areas. With a service provider like the City, which has a Finance Department staff of 18.0 FTE and a Human Resources Department staff of 11.5 FTE, there are enough people to have established separation of duties and specialization within functional areas; however, SMCFD is only paying for a fractional portion of these employees. So while the in-house MPFPD model does have some operational advantages over the contract for services model as discussed earlier in this report, those advantages when considered in conjunction with the cost of the in-house model do not create a better cost/benefit than the existing contract for services model.

With respect to CCFD, there are a number of similarities to SMCFD in how services are provided to the fire operation, especially with CCFD hiring a dedicated Human Resources Manager. While the CCFD model has administrative staff working directly for the agency, many of the more technical aspects of the finance function are handled by staff of the Town, which is more aligned with the contract for services model utilized by SMCFD. Moving to a model similar to that of CCFD would likely still cost more than an enhanced service level provided by the City to SMCFD, as discussed further later in this report, and it would also not likely create a material difference in overall performance.

Maintaining the City of San Mateo as the Contract Services Provider

The City of San Mateo continuing as the contract service provider is the best option for a variety of reasons. First and foremost, the model works, and the City of San Mateo is the best option for providing the services. With the relative size of the other two agencies in SMCDF, it would be difficult for them to replicate what the City can do for SMCDF at a comparable cost and without additional staffing and infrastructure costs (financial and human resources systems, for example).

The other compelling reason to retain the services of the City is that the existing model is not one that is broken and instead is one that requires some modifications to perform more optimally. The feedback from both SMCDF employees and City employees does not suggest there are issues that cannot be resolved in order to provide better service delivery going forward. Additionally, and as cited in multiple instances during interviews with employees, the implementation of Workday has added to the burden for both the City and SMCDF. This will not be a permanent condition, and it should be expected that once Workday is fully implemented, staff will be able to re-focus on day-to-day operational responsibilities, including service delivery to SMCDF.

Resources

Based on the interviews with staff from SMCDF and the City, as well as a comparison of workload data for both SMCDF and the City, additional resources are necessary to meet contractual obligations to SMCDF. The scope of this analysis is the contractual services provided by the City to SMCDF, and as such, the discussion of resources is limited to the resources required by the Finance and Human Resources Departments to serve SMCDF now and into the future. With that said, based on the service model, particularly for the Finance Department where SMCDF-related duties are split amongst a number of staff, the resources required to serve SMCDF have to be considered within the context of the overall departmental staffing. This will be covered as a part of the 'Recommended Next Steps' as discussed in detail later in this report.

As noted previously, to provide finance-related services to SMCDF, the City added 1.0 FTE in its Finance Department in fiscal year 2019-20, bringing the FTE count to 19.0. Since the initiation of operations of SMCDF, the Finance Department's FTE count has been reduced from 19.0 to 17.0. The FY 2024-25 budget adds 1.0 FTE to Finance to bring the department to 18.0 FTE; however, 18.0 was the baseline FTE count for the department prior to the contract being established to serve SMCDF. Based on current demand for services, both for City-related work and to fulfill the scope of services for SMCDF, City Finance staff do not feel they are adequately resourced. This resource challenge is evidenced not only by the transactional volume required to serve SMCDF (payroll, payables, invoicing), but also the lack of scalability for certain aspects of the operation like budget development, the audit process, and the financial statements/ACFR. While these documents and processes are less complex than the comparable version for the City, they are not proportionately less complex in relation to the staffing allocated to SMCDF.

For the Human Resources Department, the total staffing has remained relatively stable; however, similar to the Finance Department, there is concern about the ability to meet the demands of

both the City workload and the SMCFD workload with existing resources. This is especially the case for Jennifer Crims, who serves as SMCFD's primary resource. Also similar to the Finance Department, there is a lack of scalability for certain aspects of work related to SMCFD in comparison to the same work that has to be done for the City, as well as a disproportionality of certain work in relation to the size of the organization. For the latter, this is particularly the case for workers' compensation claims administration, where due to the nature of the work, SMCFD workers' compensation claims as a percentage of the total employee base is much higher than that of the City.

Service Model – Allocation of Staffing

The Finance and Human Resources Departments chose different models to serve SMCFD, with Finance choosing to split all of the work amongst its entire staff, and HR choosing to dedicate one employee entirely to SMCFD. The HR model includes having that dedicated employee physically located at SMCFD headquarters, and then supplementing that employee with resources as needed from the remaining HR staff. During the course of the interviews with both SMCFD and City staff, it was clear that the dedicated HR employee was the preferred option for SMCFD. Replicating this model with the Finance Department was considered and discussed in these interviews. When updating the staffing allocation estimates amongst assigned tasks, Finance should consider allocating a dedicated resource to SMCFD in the same way that HR has done, or if that is not workable, consider having one single point of contact for SMCFD to facilitate timely resolution of issues and avoid any confusion of the correct contact(s) in the department. Ultimately, once Finance and SMCFD agree upon a service level that is workable for both, Finance should then determine how to best execute that service level.

With respect to HR resources and as noted previously, the dedicated resource model has worked well for SMCFD, although it has created some challenges. Most notably have been the demands on the dedicated HR resource, Jennifer Crims. While Finance has a larger department and can spread support to SMCFD amongst its entire staff, the HR model relies on Jennifer being the main resource for SCMFCD, serving as a 'generalist' and utilizing her City HR colleagues as needed. A drawback to this model is that with the reliance on Jennifer to provide HR services to SMCFD, it is more difficult for City HR employees to see their role in the support of SMCFD. As the updated analysis is completed in consideration of a new contract with a new scope of services, more clearly delineating the role of the other HR employees as it relates to services to SMCFD is warranted.

Further, the HR model puts Jennifer in a position where she is relied upon for a broad scope of human resources duties and functions. And while Jennifer has the HR Director at her disposal for advice and guidance, she is often serving in a capacity that is likely beyond the scope of her title (Senior Human Resources Analyst). Since this model seems to be working well for SCMFCD and appears certain to continue going forward, a class and compensation study for Jennifer's role with the department should be considered to ensure she is appropriately classified and compensated for the work that she does.

Workday Implementation and Vacancies

The implementation of the Workday system was cited throughout the interviews with City and SMCFD staff as a significant constraint on their ability to complete their day-to-day assignments. This has exacerbated the concern SMCFD has expressed regarding the service level provided by the City, and it has also created another competing demand for City staff in terms of its prioritization (City work, SMCFD work, Workday testing and implementation). With the Workday implementation expected to be substantially complete by the end of 2024 or early 2025, this should take a significant constraint off of staff as a new contract is evaluated.

In addition to the Workday implementation, vacancies in the Finance and Human Resources Departments have also made day-to-day work, including service delivery to SMCFD, challenging. It has also exacerbated the issue with competing demands for staff time, as there has been less aggregate staff time available as a result of the vacancies. With vacant positions remaining in the budget for 2024-25, these vacancies should be filled over time and relieve some of the issues with the maintenance of day-to-day tasks.

Going forward, neither the Workday implementation nor the vacancies should be a factor in the City developing an updated estimate for the resources required to serve SMCFD at the agreed upon service level, as these constraints should be considered temporary.

Status of Contract

The current contract has two more years remaining on it; however, reworking the analysis of the resources it takes to support SMCFD, updating and clarifying the scope of services, and establishing a new contract prior to the end of 2025-26 has a number of benefits. These benefits include:

- Starting early allows appropriate time to analyze total staffing between both the Finance and Human Resources Departments to determine how best to provide the services and any resulting changes to the service model.
- It aligns the service level expectations and ability to meet those expectations sooner.
- It provides flexibility if the process to execute a new contract, as described in the 'Timeline' section of this report, takes longer than expected.

COST IMPACT

Based on the analysis conducted, including the City's review of the 2021-22 staffing time estimates to serve SMCFD, the estimated number of additional staffing resources needed to serve SMCFD is 1.5 to 2.0 FTE. Utilizing the weighted average of fully benefitted staffing costs from the City's 2021-22 analysis (\$86.95/hourly) and inflating that 3% per year for three years to arrive at a current estimate for 2024-25, the assumed average hourly rate for this additional staffing is \$95.01. This results in an additional cost to SMCFD of approximately \$300,000 to \$400,000 annually, which would equate to additional costs to the agencies of:

- Belmont: \$60,000 to \$80,000
- Foster City: \$60,000 to \$80,000
- San Mateo: \$180,000 to \$240,000

For the City, the above cost estimates assume that these are all net new resources added to serve SMCFD. Should a portion of the new resources to serve SMCFD be reallocated from existing staffing, the net cost to San Mateo would be reduced.

The table below compares the estimated staffing-only costs for SMCFD with two additional FTE with the staffing-only cost estimates for MPFPD and CCFD.

Agency	FTE Assumptions	Estimated Annual Cost
City of San Mateo serving SMCFD	6.0 FTE (4.0 existing allocation + 2.0 new)	\$1,190,000
Menlo Park Fire Protection District	7.5 FTE (4.0 in Finance; 3.0 in HR; 0.5 Administrative Services Director)	\$1,612,000
Central County Fire Department w/Hillsborough Finance	6.0 FTE+ (6.0 CCFD administrative personnel + \$65,000 charge from Hillsborough)	\$1,255,000

As noted, these costs are rough estimates of the staffing costs related to the different service models and do not include other costs such as overhead, services and supplies, and internal services such as information technology equipment. While the staffing cost for CCFD may be slightly overstated because the administrative staff do more than just provide finance and human resources services, the agency is also significantly smaller than SMCFD (90 FTE/\$33 million operating budget for CCFD; 165 FTE/\$52.6 million operating budget for SMCFD).

RECOMMENDED NEXT STEPS

Should SMCFD agree that retaining finance and human resources services from the City of San Mateo is in its best interests, the following next steps are recommended and will need to be conducted in cooperation and conjunction with the City of San Mateo:

1. Begin the Scoping of the Next Contract – With over five years of partnership between SMCFD and the City, there is a much greater understanding of the desired service level of SMCFD and the resources required from the City to provide that level of service. The first step in extending this partnership is for both parties to review the existing scope and make desired adjustments. This includes adding new services and/or eliminating services not needed, and it also includes documenting the expected level of service to ensure clarity on both sides. As an example, the sides need to determine if a full-scale Annual Comprehensive Financial Report will be produced for SMCFD or if the City will manage the audit on behalf of SMCFD and produce audited financial statements. The level of work required between the two is different, and in order for the City to properly determine

resources required to support the agreed upon scope, these details will need to be clearly established.

2. Identify Resources Required to Support Desired Scope of Services – This will largely be a task undertaken by the City and will require time to complete given competing demands, including the Workday implementation. This should include a detailed estimate of hours needed by each applicable employee for the responsibilities identified in the proposed scope of services. As a part of this analysis, the Finance Department should identify whether its service model will remain the same, with tasks split amongst members of the department staff, or whether it will have dedicated resource(s) specific to SMCFD. If the department opts to maintain its existing model, another option would be to assign a single point of contact to SMCFD.
3. Develop a Detailed Cost Proposal – Based upon the resources that would be utilized to serve the agreed upon scope of services with SMCFD, the City will need to develop a cost proposal that covers these staffing costs. Based on the interviews and analysis, the agencies should expect that the additional resources needed to meet the desired service level for SMCFD will equate to approximately 1.5 to 2.0 FTE. Depending on the level of the classification of the position(s) and assuming these would need to be net new resources (and not existing resources reallocated from the City to SMCFD), the cost can be expected to be in range of \$300,000 to \$400,000 annually.

IMPLEMENTATION TIMELINE

Should the three member agencies concur with the conclusions of this analysis and conceptually agree to the recommendations that are likely to increase member contributions for finance and human resources services, the proposed timeline for the development and execution of a new contract is as follows:

Quarter 1 – FY 2024-25

- SMCFD reviews existing scope of work and makes edits and revisions to reflect desired level of service.
- City reviews SMCFD revisions and provides input and additional information/edits as needed.
- City and SMCFD agree upon proposed scope of work.
- City begins development of resource estimate to execute to updated scope of work.

Quarter 2 – FY 2024-25

- City reconciles resource estimate to serve SMCFD scope of work with existing FTE count and resource requirements for service to the City to determine need for net new staffing resources.
- City confirms financial capacity to provide staffing resources to provide finance and human resources services to the City and SMCFD.

Quarter 3 – FY 2024-25

- SMCFD and member agencies introduce revised service level and cost estimates to respective Councils and Board for concerns, input, feedback.
 - o This could be done via the mid-year budget process.
 - o It is assumed that the Fire Chief and the City Managers will have already introduced this informally to their Board/Councils through routine 1:1 meetings and/or updates at regular meetings prior to Q3 of FY 2024-25.
- The City develops FY 2025-26 operating budget for both the City and SMCFD with updated staffing information based on revised scope of services.

Quarter 4 – FY 2024-25

- Updated contract is approved by SMCFD Board and San Mateo City Council for an effective date of July 1, 2025.
 - o Recommendation is for a minimum five-year term to ensure San Mateo's investment in resources is made worthwhile.
- City hires resources required to meet services for both the City and SMCFD in preparation for commencement of new contract on July 1, 2025.

ALTERNATIVES TO RECOMMENDED NEXT STEPS

Reduce Service Levels

Should the member agencies determine that they are not interested in taking on the additional costs of a re-scoped service contract, the existing service contract can remain in place until its expiration date of June 30, 2026. Going forward under these circumstances and assuming conditions do not change such that an alternative option such as bringing these services in house becomes less expensive, SMCFD and the member agencies would need to negotiate a new contract with a scope of services that provides a reduced level of services that decreases the demand on City staff. If that is the chosen direction, it is recommended that this process start early in fiscal year 2025-26 to ensure a new contract is ready to commence on July 1, 2026.

Insource Finance and Human Resources Services

Should the member agencies determine that the contract for services model is not the appropriate service model for SMCFD, finance and human resources services would need to be insourced, with personnel dedicated to these functions being employees of SMCFD. To do so, the following are some of the major cost considerations that should be further evaluated:

- Staffing: For reasons discussed previously, staffing finance and human resources services within SMCFD would require more resources than the current model (approximately 4.0 FTE budgeted across the Finance and Human Resources Departments) or the estimated staffing resources required to meet desired service levels (5.5 to 6.0 FTE across the Finance and Human Resources Departments). Using the in-house model of MPFPD as an

example, the estimated FTE count and staffing cost would be 8.0 FTE and approximately \$1.75 million annually.

- **Contract Services:** In fiscal year 2023-24, the MPFPD budget for the Finance and Human Resources Divisions included approximately \$2.5 million in contractual services. A portion of that amount is for expenditures that are also applicable to SMCFD, such as workers' compensation. However, without further detail related to MPFPD budgeted expenditures, it is not possible to determine if any of the other contractual services are primarily the result of the in-house staffing model. This would require additional analysis should SMCFD proceed with the consideration of insourcing finance and human resources services.
- **Space/Location:** With SMCFD headquarters not able to accommodate all existing SMCFD staffing, office space at an alternative location would need to be secured. Unless one of the member agencies had available space that it could provide at no cost, SMCFD would need to lease space from a private entity to house the Finance and Human Resources Department staff. Based on an assumption of 1,500 square feet of office space being necessary for 8.0 FTE¹ at between \$4.00 (Class C) and \$5.50 (Class B)² per square foot per month, the cost for office space would be approximately \$72,000 and \$99,000 annually. Based on the estimated tenant improvement and furniture costs for the prior SMCFD lease at 1900 O'Farrell, one-time move-in costs are estimated to be \$100,000.
- **IT Equipment:** Equipment such as laptops, printers, and other accompanying accessories would need to be procured. Estimating \$2,500 per FTE for IT equipment, the one-time cost would be approximately \$20,000. Annual maintenance, such as collections for replacement laptops and printers, is estimated at approximately \$4,000 annually.
- **Systems:** The City is in process of implementing an Enterprise Resource Planning (ERP) system, and SCMF D's share of the one-time implementation cost was approximately \$945,000. This was paid in fiscal year 2022-23 out of the Equipment Replacement Fund. SMCFD's share of the annual subscription cost for the system is approximately \$110,000. These costs were derived based on SMCFD's FTE count in relation to the City's FTE count. Based on the configuration of the Workday system, with SMCFD being another entity separate from the City, the City believes that SMCFD could be split from the City from a systems perspective and not require SMCFD to procure its own new standalone ERP. As such, for the purposes of this estimate, it is assumed that there would be no new ERP-related costs for SCMF D insourcing the finance and human resources functions.
- **Overhead:** This analysis assumes that there would be no material cost related to overhead for SMCFD insourcing the finance and human resources operations. The current contract for services model is based on direct costs, with no charge for administrative overhead, and as such, there would be no cost savings to SMCFD if it no longer contracted with the City for services. Similarly, as an existing operation, the analysis assumes there would not

¹ Original O'Farrell lease was for 3,300 square feet to accommodate 14 employees.

² Based on Kidder Mathews Q1 2024 market report for the Peninsula.

be additional overhead costs incurred by SMCFD as a result of bringing these operations in house.

As shown below, the high-level estimate for insourcing the finance and human resources functions is \$1 million higher annually the current contractual amount and more than \$600,000 higher annually than the estimate for adding resources to the existing contract for services model. Should SMCFD and the member agencies be interested in pursuing an insourced model, it is recommended that a more detailed cost estimate be developed prior to finalizing the decision.

Service Model	One-Time Costs	Ongoing Costs
Current Contract-For-Services	\$0	\$840,000
Estimated Contract-For-Services w/Additional Resources	\$0	\$1,200,000
In-House		
Staffing	\$0	\$1,750,000
Office Lease, Tenant Improvements, Furniture	\$100,000	\$85,500 ³
IT Equipment	\$20,000	\$4,000
In-House Total	\$120,000	\$1,839,500

³ Average of current market rate for Class B and Class C office space.