Final Report

Cities of Albertville and Otsego, Minnesota

Shared Fire Services Study

June 17, 2016
LETTER OF TRANSMITTAL

June 17, 2016

Re: Cities of Albertville and Otsego, Minnesota Shared Fire Services Study

Dear Mr. Nafstad:

Springsted Incorporated was retained to assist the Cities of Albertville and Otsego with a Shared Fire Services Study. The overall objective of the study was to evaluate the possibility of a joint powers agreement for shared fire services between the two cities.

The consultant team’s findings are based on our meetings with each City, an analysis of information provided to us, information drawn from a variety of pertinent documents, reports, and internet resources, and our experience in assisting local governments develop joint powers agreements. The potential terms of a joint powers agreement contained in this report for consideration by the two Cities are based upon our understanding of the terms acceptable to each City and represents what we believe, in our professional judgment, to be in the long-term and best interest of both Cities.

The consultant team expresses our thanks to you and to the staff in both the City of Albertville and the City of Otsego for the cooperation and support provided throughout this engagement. Springsted Incorporated hopes that it will be our privilege to serve City of Albertville and the City of Otsego again in the future.

I want to thank you for giving us the opportunity to work with you on this study. I hope our services exceeded your expectations.

Respectfully submitted,

Nicholas R. Dragisich, Executive Vice President
Manager of Consulting Services
1. Introduction

The City of Albertville Fire Department applied for and was awarded a grant from the State Fire Marshall’s office to contract for a Shared Services Study by an outside consultant to study and evaluate the possibility of a joint powers agreement between the Cities of Albertville and Otsego for a joint Fire Department. The grant specifically required the Shared Services Study to address options for both cities who each identified difficult issues needed to be addressed as part of a joint powers agreement (JPA). These issues were identified to include:

- Determining value of existing assets, including an appraisal of the City of Albertville Fire Department property, vehicles, and equipment
- Determine the buy-in formulas
- The number of voting members/board representation
- A process for establishing the annual operating and capital budgets
- Dispute resolution
- Timing/location of new facilities
- Otsego Station location
- Ownership of assets, etc.

The grant also required a feasibility study be performed by the consultant which was to include ways to increase efficiency, effectiveness and/or cost saving methods through voluntary and cooperative shared services and include possible alternatives for the entities to share fire and rescue services.
2. Background

The City of Albertville Fire Department has been providing fire and rescue services to the City of Otsego for approximately thirty years through a contract for services. As the two cities continue to grow and develop, the working relationship they have built has led them to explore the possibility of entering into a JPA that would create a shared Fire Department with representation from each City.

Springsted Incorporated was retained to assist the two cities in the evaluation of a joint powers agreement for a joint Fire Department. The scope of our work included identifying issues that will need to be addressed as part of any JPA and developing options for each city to consider in forming the JPA. These issues include:

- Determining value of the City of Albertville’s existing assets:
  - Fire Department property
  - Vehicles
  - Equipment
- Buy-in formulas
- Board representation and voting members
- Budget process
- Dispute resolution
- Timing/location of new facilities
- Ownership of assets
- Terms of Dissolution of the JPA

The timing and location of the Otsego Fire Station was removed from the scope of services by the City of Otsego because it would have only recommended a location for a Fire Station within the fire district covered by the Albertville Fire Department. The Otsego City Council believed it is important to include the entire city in any Fire Station Location study to ensure the best locations for the entire City are determined.
3. Current Fire Services

City of Albertville Fire Department

The City of Albertville Fire Department is a well-established department that services the City of Albertville and portions of the City of Otsego. The Department includes thirty paid-on-call firefighters and three reserve firefighters. Each member is trained and state certified to a minimum requirement of Firefighter I and II and Minnesota State Emergency Medical Services Regulatory Board Certified as First Responder or EMT. The Fire Hall, built in 1999, has 5,580 square feet of garage space for the storage of fire equipment and 2,160 square feet of office and training space.

City of Albertville Fire Hall

The Fire Department’s major equipment includes:

- 2011 F250 pickup
- 2016 Chevrolet Tahoe Command Vehicle
- Gator ATV
- 1999 IHC 4900 Ambulance Rescue Truck #5389
- 2002 Spartan Ladder Truck
- 1995 IHC Tender
- 2006 Spartan Midship Pumper
In addition, they have the necessary turn-out gear, hoses, air packs and other equipment needed for their firefighting and life-saving operations.

**City of Otsego Fire Protection**

The City of Otsego contracts for fire protection services from three adjoining cities including Albertville, Elk River, and Rogers. The City of Elk River currently provides fire protection to the eastern portion of City which includes the largest area of the City currently developed. The City of Rogers provides fire protection to a small section in the southeast corner of the City. The City of Albertville provides fire protection to the western portion of the City containing some areas with development and large undeveloped areas. The areas served by each of these adjoining cities is shown on the map provided on the following page.
City of Otsego, Minnesota Fire Districts
4. Joint Powers Agreement

Process

The process of developing the terms of a mutually acceptable JPA involved meetings with each City individually and a joint meeting with the administrative staff of the two cities. The first meeting was with the consultant team and the City of Otsego on March 22, 2016. A similar meeting was held on April 4, 2016 that included the consultant team and the City of Albertville. A joint meeting with the administrative staff of each City and the consultant team was held on May 16, 2016. The terms that were reviewed and discussed included:

- Board representation
- Board authority
- Voting
- Budget process
- Buy in of the City of Albertville’s current assets
  - Fire Department equipment
  - Fire Department property
- Timing/location of new Fire Station
- Dispute resolution
- Support functions
  - Accounting
  - Payroll
  - Human resources
  - Insurances
  - Purchasing
  - Communications
  - Legal
  - Annual audit
  - Other
- Cost allocation formula
  - Operating
  - Capital
- Dissolution

The initial meetings with each City individually provided an opportunity for the City Councils and their administrative staff to discuss and consider their position on, concerns with, and acceptability of each these terms. The consultant team offered possible solutions to the above list of terms for inclusion in the JPA based on their experience and research of similar JPA’s for fire services.

Initial Matrix of Terms

After meeting with each City individually, a matrix was developed to show the areas of agreement and disagreement on the potential terms of a JPA. The matrix from the first round of individual meetings showed some disagreements in the following areas:

- Board representation
- Board authority
- Operating cost formula
- Dissolution

The specific differences in these four areas as well as areas of agreement are shown in the matrix on the following page. The areas of disagreement are shaded.
<table>
<thead>
<tr>
<th>JPA Term</th>
<th>Otsego</th>
<th>Albertville</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Representation</td>
<td>• 7 total (2 from each City, 1 based on tax base, 1 based on population, 1 impartial)</td>
<td>• Equal representation from each City</td>
</tr>
<tr>
<td></td>
<td>• Equal representation from each City</td>
<td>• 3/3 would have a majority of each council on board and 1 impartial to break ties</td>
</tr>
<tr>
<td>Board Authority</td>
<td>• Budgets approved by each City Council</td>
<td>• Board sets preliminary budget</td>
</tr>
<tr>
<td></td>
<td>• Board hires and fires employees</td>
<td>• Goes to City Council for comments</td>
</tr>
<tr>
<td></td>
<td>• Board develops C.I.P.</td>
<td>• Annual increases of 3% or 5-year average of change in American City and County Municipal Cost Index whichever is higher would need no City approval</td>
</tr>
<tr>
<td></td>
<td>• Board sets preliminary budget</td>
<td>• Board hires and fires employees</td>
</tr>
<tr>
<td></td>
<td>• Budgets approved by each City Council</td>
<td>• Board develops C.I.P.</td>
</tr>
<tr>
<td></td>
<td>• Budgets approved by each City Council</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Board hires and fires employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Board develops C.I.P.</td>
<td></td>
</tr>
<tr>
<td>Fire Stations</td>
<td>• Each City builds and owns its own Fire Station</td>
<td>Each City builds and owns its own Fire Station</td>
</tr>
<tr>
<td>Fire Department Assets</td>
<td>• Been in cooperative arrangements for 30 year.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• How much of Otsego's contributions were used to pay for assets in the past?</td>
<td>• City to review how much of Otsego's contributions have gone into assets</td>
</tr>
<tr>
<td>Appraisal of the City of Albertville’s Equipment</td>
<td>• Acceptable as a basis for payment</td>
<td>Acceptable as a basis for payment</td>
</tr>
<tr>
<td>Dispute Resolution</td>
<td>• Mediation</td>
<td>Mediation</td>
</tr>
<tr>
<td>Payment for Support Functions</td>
<td>• OK as part of cost allocation formula</td>
<td>OK as part of cost allocation formula</td>
</tr>
<tr>
<td></td>
<td>• City to review costs to include all into formula</td>
<td></td>
</tr>
<tr>
<td>Operating Cost Formula</td>
<td>• Market value not so good</td>
<td>Based on tax capacity</td>
</tr>
<tr>
<td></td>
<td>• Tax capacity not so good</td>
<td>• Ag land already has reduced tax capacity - Ag property classified as 2a tax capacity rate is 1.00%</td>
</tr>
<tr>
<td></td>
<td>• Lots of agricultural property which is important in cost sharing formula because it requires little or no fire protection</td>
<td>• Commercial-Industrial classified as 3a tax capacity rate is 1.5% of first $150,000 and 2.00% over $150,000</td>
</tr>
<tr>
<td></td>
<td>• Should value of tax exempt land be included in cost sharing formula?</td>
<td></td>
</tr>
<tr>
<td>Capital Asset Costs</td>
<td>• Equal cost sharing</td>
<td>Based on tax capacity same as operating budget</td>
</tr>
<tr>
<td>Dissolution</td>
<td>• Assets divided on costs paid</td>
<td>Assets divided on costs paid</td>
</tr>
<tr>
<td></td>
<td>• Minimum 2 year notice</td>
<td>Minimum 5 year notice</td>
</tr>
<tr>
<td></td>
<td>• Special legislation to convert into fire district if desired or if irreconcilable differences between cities</td>
<td>Special legislation to convert into fire district if desired or if irreconcilable differences between cities</td>
</tr>
</tbody>
</table>
Value of the City of Albertville’s Fire Equipment

Valuing the assets of the Albertville Fire Department presented a challenge because we were unable to locate an experienced appraiser of fire equipment in the State of Minnesota. Some of the appraisers we contacted indicated they value the equipment based on photographs. One appraiser we contacted, Paul Batista, who is the owner of Fire Trucks Plus in Rancho Cucamonga, California, advised us that a reasonable value could be estimated using a depreciation curve he developed and which has been published on the FireRescue 1 website. We also researched other depreciation curves for fire equipment including those developed by the United States Bureau of Economic Analysis. All of these depreciation curves provided similar values based on estimated asset lives of approximately 20 years.

We decided to use the depreciation curve developed and recommended by Paul Batista to estimate the value of the Albertville fire equipment excluding the 2011 F250 pickup and the 2016 Chevrolet Tahoe Command Vehicle. The depreciation curve is shown in the chart below.

![Depreciation Curve Chart]

The value of the 2011 Ford F250 pickup and the 2016 Chevrolet Tahoe Command Vehicle were determined based on the Kelly’s Blue Book private party values. The total estimated value of the equipment was estimated to be $477,732 based on information related to the cost of each unit provided by the City of Albertville. The table below shows the estimated value for each vehicle and in total.
The values determined above only include the vehicle chassis and do not include the equipment and appurtenances that were subsequently added to the chassis.

Value of City of Albertville’s Fire Station

The initial scope of work included valuing the City of Albertville’s Fire Station to determine what portion the City of Otsego should pay the City of Albertville for this asset. However, in our initial meeting with the City of Otsego they indicated they would prefer to build and pay the total cost for a new fire station in the City of Otsego for the joint Fire Department and not pay for a portion of the City of Albertville’s Fire Station. Their reasoning was that if each City owned its own fire station it would enable them to have the option of combining it with other City-owned facilities like a community center. In addition, in the event of dissolution of the joint fire department, each City would have its own fire station and these assets would not need to be divided.

The timing and location of the Otsego Fire Station was removed from the scope of services by the City of Otsego because it would have only recommended a location for a Fire Station within the fire district covered by the Albertville Fire Department. The Otsego City Council believed it is important to include the entire city in any Fire Station Location study to ensure the best locations for the entire City are determined.

The City of Albertville was agreeable to this concept.

Joint Powers Agreement - Second Matrix of Proposed Terms

Subsequent discussions both within each City and between the Cities attempted to resolve these differences with the proposed terms of a JPA. However, after this second round of discussion there remained some differences in the agreeable terms as shown in the matrix on the following pages.

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Value at end of 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 Ford F250</td>
<td>$20,800</td>
</tr>
<tr>
<td>2016 Chevrolet Tahoe Command Vehicle</td>
<td>$41,850</td>
</tr>
<tr>
<td>Gator ATV</td>
<td>$8,262</td>
</tr>
<tr>
<td>1999 IHC 4900 Ambulance Rescue Truck #5389</td>
<td>$45,374</td>
</tr>
<tr>
<td>2002 Spartan Ladder Truck</td>
<td>$160,912</td>
</tr>
<tr>
<td>1995 IHC Tender</td>
<td>$9,595</td>
</tr>
<tr>
<td>2006 Spartan Midship Pumper</td>
<td>$190,940</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$477,732</strong></td>
</tr>
</tbody>
</table>
# Revised Matrix of JPA Terms

<table>
<thead>
<tr>
<th>JPA Term</th>
<th>Otsego</th>
<th>Albertville</th>
</tr>
</thead>
</table>
| **Board Representation** | - 4 with equal representation from each City  
  - An impartial mediator to break ties | - Either 4 or 6 with equal representation from each City  
  - An impartial mediator to break ties |
| **Board Authority** | - Hiring and firing employees  
  - Developing capital improvement program  
  - Developing preliminary budgets for consideration by the two City Councils  
  - Developing operational policies and other policies as needed | - Hiring and firing employees  
  - Developing capital improvement program  
  - Developing preliminary budgets for consideration by the two City Councils  
  - Developing operational policies and other policies as needed |
| **Budget Impasse** | - In the event a budget cannot be agreed upon by the two City Councils, the operating costs at the most recent approved budget level and funding for previously purchased but not fully paid for capital equipment of the Fire Department will continue to be funded under the current formula until a new budget is approved by both City Councils. | - In the event a budget cannot be agreed upon by the two City Councils, the Fire Department will continue to be funded under the current formula at a level that results in no reduction in the current level fire protection services until a new budget is approved by both City Councils. |
| **Fire Stations** | - Each City builds and owns its own Fire Station(s). Each City is responsible for the operating costs and capital costs of their Fire Station(s). Until Otsego builds its first Fire Station, the operating cost of the Albertville Fire Station will be an operating cost of the Joint Fire Department with the costs shared under the operating cost formula.  
  - The Joint Fire Board will have input into the location of the Otsego Fire Station, but the final decision will be made by the City of Otsego. | - Each City builds and owns its own Fire Station. Operating costs are paid by the Joint Fire Department.  
  - Capital Costs (repairs) associated with the Fire Hall would be the responsibility of each individual City, not the Joint Fire Department  
  - The location of the Otsego Fire Station will be approved by the Joint Fire Board. |
### Revised Matrix of JPA Terms (continued)

<table>
<thead>
<tr>
<th>Fire Department Assets</th>
<th>• The City of Otsego will compensate the City of Albertville for value of the current assets of the Fire Department based on the current funding formula less any amounts previously paid for by the City of Otsego. The assets will be valued based on original costs less depreciation using the schedule prepared by Springsted. The City of Otsego capital contributions will be valued at their depreciated level using the same formula to be consistent with the value of City of Albertville’s contributions.</th>
<th>• The City of Otsego will compensate the City of Albertville for value of the current assets of the Fire Department based on the current funding formula less any amounts previously paid for by the City of Otsego. The assets will be valued based on original costs less depreciation using the schedule prepared by Springsted. The City of Otsego capital contributions will be valued at their depreciated level using the same formula to be consistent with the value of City of Albertville’s contributions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal of the City of Albertville’s Equipment</td>
<td>• Acceptable as a basis for payment</td>
<td>• Acceptable as a basis for payment</td>
</tr>
<tr>
<td>Dispute Resolution</td>
<td>• Any disputes that cannot be resolved between the Cities will be submitted to mediation. The Cities will select a mediator acceptable to both Cities. In the event they cannot agree, each City will present the names of three potential mediators. From these, five names shall be selected by lot. Each City will then alternately strike a name until only one name remains. This person will be the mediator. The City to strike the first name will be selected by the flip of a coin.</td>
<td>• Any disputes that cannot be resolved between the Cities will be submitted to mediation. The Cities will select a mediator acceptable to both Cities. In the event they cannot agree, each City will present the names of three potential mediators. From these, five names shall be selected by lot. Each City will then alternately strike a name until only one name remains. This person will be the mediator. The City to strike the first name will be selected by the flip of a coin.</td>
</tr>
<tr>
<td>Payment for Support Functions</td>
<td>• OK as part of cost allocation formula</td>
<td>• OK as part of cost allocation formula</td>
</tr>
<tr>
<td>Operating Cost Formula</td>
<td>• Costs will be shared based on the total taxable tax capacity in the two Cities with each City’s share determined by their portion of the combined total taxable tax capacity.</td>
<td>• Costs will be shared based on the total taxable tax capacity in the two Cities with each City’s share determined by their portion of the combined total taxable tax capacity.</td>
</tr>
<tr>
<td>Capital Asset Costs</td>
<td>• Based on tax capacity same as operating budget</td>
<td>• Based on tax capacity same as operating budget</td>
</tr>
</tbody>
</table>
Revised Matrix of JPA Terms (continued)

<table>
<thead>
<tr>
<th>Dissolution</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• A five-year notice will be required for either City to withdraw from the Joint Powers Agreement.</td>
<td>• Assets will be divided based on the amount each City contributed to their acquisition. However, the division of assets will not result in either City having a dysfunctional Fire Department.</td>
<td>• A five-year notice will be required for either City to withdraw from the Joint Powers Agreement.</td>
</tr>
<tr>
<td>• Assets will be divided based on the amount each City contributed to their acquisition. However, the division of assets will not result in either City having a dysfunctional Fire Department.</td>
<td>• Assets will be divided based on the amount each City contributed to their acquisition. However, the division of assets will not result in either City having a dysfunctional Fire Department.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amending JPA</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• The JPA can only be amended by mutual agreement of the two Cities.</td>
<td>• The JPA can only be amended by mutual agreement of the two Cities.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fire District Areas</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Fire Department Service areas in each City covered by the JPA cannot be reduced.</td>
<td></td>
</tr>
</tbody>
</table>
Joint Powers Agreement -
Proposed Terms

Additional discussions were held with each City in an attempt to resolve the differences with the proposed terms of a JPA. Discussions with the City of Albertville took place on June 6, 2016 and discussion with the City of Otsego were held on June 13, 2016. The proposed terms are listed below with areas of disagreement noted.

Board Representation
There remains a small difference of opinion on board representation. The Albertville City Council supports a board with either four or six members with equal representation from each city. The Otsego City Council prefers to limit the board to four members with equal numbers appointed from each City. Both agree that an impartial mediator would be selected to break tie votes.

Board Authority
The board will have full authority to oversee the operations of the Joint Fire Department including:

- Hiring and firing employees
- Developing capital improvement program
- Developing preliminary budget for consideration by the two City Councils
- Developing operational policies and other policies as needed

The City Councils differ in how to continue operating the Joint Fire Department in the event a budget cannot be agreed upon by the two City Councils. The Albertville City Council would prefer that the Fire Department would continue to be funded under the current formula at a level that results in no reduction in the current level fire protection services until a new budget is approved by both City Councils. The Otsego City Council would prefer that operating costs at the most recent approved budget level and funding for previously purchased but not fully paid for capital equipment of the Fire Department will continue to be funded under the current formula until a new budget is approved by both City Councils.

Fire Stations
Some level of difference remains in how to fund and operate fire stations. The Albertville City Council’s position is that each City builds and owns its own Fire Station. Operating costs would be paid by the Joint Fire Department, but capital costs (repairs) associated with the Fire Hall would be the responsibility of each individual City, not the Joint Fire Department. They also believe the location of the new Fire Station in the City of Otsego should be approved by the Joint Fire Board.

The Otsego City Council position is that each City builds and owns its own Fire Station(s). Each City is responsible for the operating costs and capital costs of their Fire Station(s). Until the City of Otsego builds its first Fire Station, the operating cost of the City of Albertville Fire Station will be an operating cost of the Joint Fire Department with the costs shared under the operating cost formula. They support the Joint Fire Board having input into the location of the City of Otsego Fire Station, but the final decision will be made by the City of Otsego.
City of Albertville Fire Department Assets
The City of Otsego will compensate the City of Albertville for value of the current assets of the Fire Department based on the current funding formula less any amounts previously paid for by the City of Otsego. The assets will be valued based on original costs less depreciation using the schedule prepared by Springsted. The City of Otsego capital contributions will be valued at their depreciated level using the same formula to be consistent with the value of City of Albertville’s contributions.

Dispute Resolution
Any disputes that cannot be resolved between the Cities will be submitted to mediation. The Cities will select a mediator acceptable to both Cities. In the event they cannot agree, each City will present the names of three potential mediators. From these, five names shall be selected by lot. Each City will then alternately strike a name until only one name remains. This person will be the mediator. The City to strike the first name will be selected by the flip of a coin.

Payment for Support Functions
The City that provides support functions to the Joint Fire Department will be compensated for these support services. A cost allocation of these services will be made to include all direct and indirect costs associated with providing the support. The costs will be part of the Joint Fire Department annual budget. Initially, the City of Albertville will provide these support services.

Operating Cost Formula
Costs will be shared based on the total taxable tax capacity in the two Cities with each City’s share determined by their portion of the combined total taxable tax capacity.

Otsego’s share of cost:

\[
\frac{\text{City of Otsego’s Total taxable tax capacity}}{\text{(Otsego’s total taxable tax capacity + Albertville’s total taxable tax capacity)}}
\]

Albertville’s share of cost:

\[
\frac{\text{City of Albertville’s Total taxable tax capacity}}{\text{(Otsego’s total taxable tax capacity + Albertville’s total taxable tax capacity)}}
\]

Capital Asset Costs
The cost of new capital assets will be shared based on taxable tax capacity using the operating cost formula.

Amending the JPA
The JPA can only be amended by mutual agreement of the two Cities.
Fire District Areas
The Albertville City Council supports the concept that the Fire Department service areas in each City covered by the JPA cannot be reduced. The Otsego City Council is not supportive of this restriction.

Dissolution
A five-year notice will be required for either City to withdraw from the Joint Powers Agreement. Assets will be divided based on the amount each City contributed to their acquisition; however, the division of assets will not result in either City having a dysfunctional Fire Department.

Alternatives for Shared Services

The State grant received by the City of Albertville requires that the study include possible alternatives for the cities to share fire and rescue services. The alternatives that exist would include alternatives other than a joint powers agreement between the two cities as well as alternative ways each City could provide fire services.

Alternatives to shared fire services between the two Cities would include either the current contractual arrangement or some variation that would define how the contract would change as the two communities grow and develop. The continuation of the current contractual arrangement does not appear to be the most favorable for the City of Otsego because it does not allow them any control or direct input into the management and operation of the Fire Department. The JPA they are currently contemplating gives the City of Otsego a say directly into the management and operation of the Fire Department. This is particularly important based on the projected growth of their City.

Another alternative would have the City of Otsego start its own Fire Department and enter a mutual aid agreement with the City of Albertville which would provide for back-up and enable them each to have a somewhat smaller department as they could draw on each other’s resources when needed. This alternative would also allow them to share some equipment reducing each of their capital costs. However, this alternative would be more costly than either the current contractual arrangement or the JPA as it would require duplicating administrative and equipment costs and would eliminate the benefit of a larger pool of potential paid-on-call firefighters.

A third alternative would be for the two Cities to have special legislation enacted creating a fire district under statute. That would provide for shared fire services similar to the JPA being contemplated. However, it would also remove the elected City Councils from control of the fire services as control would pass to the directors of the fire district. This concept was not viewed favorable by the two cities as a starting point.

The City of Otsego could consider contracting for all its fire services from either the City of Elk River or the City of Rogers since they both provide fire protection to portions of Otsego. This option would leave Albertville to bear the entire cost of its Fire Department which would place a greater financial burden on its taxpayers. In addition, it could reduce the available pool of potential paid-on-call firefighters as those in Otsego would be more likely to enlist with the Fire Department that protects their City. A contract with Elk River or Rogers would also not allow Otsego any direct input into the Fire Department management and operations. That could only come about through a JPA with
one of them. In either case, Albertville is left orphaned and would incur significant cost increases to operate its Fire Department.

Albertville and Otsego have been working together on fire services for over 30 years. The proposed JPA provides a framework for long-term benefits for both Cities that other alternatives simply cannot match, at least in the near term. A joint powers agreement between the two Cities will strengthen the fire protection their citizens receive and will also enable them to consider expansion of these services through future arrangement with neighboring fire departments to create an even greater regional fire service if that is determined to be desirable and economically beneficial.
5. Conclusions and Recommendations

This study was undertaken to assist the Cities of Albertville and Otsego in evaluating a potential JPA for shared fire services. The intended result was an outline of the major terms of a JPA that would be acceptable to both Cities and that would provide a framework for the drafting of the legal document. However, after several meetings there remains some differences in the position of each city on some of the terms.

The study following conclusions were found as a result of this study.

1. The Albertville Fire Department has been providing fire and rescue services to the City of Otsego for approximately thirty years through a contract for services. The two cities have a well-established working relationship that simplifies the transition into a JPA.

2. The City of Albertville Fire Department is a well-established department that services the City of Albertville and portions of the City of Otsego.

3. The total estimated value of the City of Albertville’s Fire vehicles was estimated to be $477,732. This value is for the chassis and does not include any equipment or appurtenances added to the chassis.

4. The City of Otsego will build and pay the total cost for a new fire station in the City of Otsego for the joint Fire Department and not pay for a portion of the City of Albertville’s Fire Station.

The terms of a potential JPA which are agreeable to each city include:

1. City of Albertville Fire Department Assets - The City of Otsego will compensate the City of Albertville for value of the current assets (other than the Fire Station) of the Fire Department based on the current funding formula less any amounts previously paid for by the City of Otsego. The assets will be valued based on original costs less depreciation using the schedule prepared by Springsted. The City of Otsego’s capital contributions will be valued at their depreciated level using the same formula to be consistent with the value of City of Albertville’s contributions.

2. Dispute Resolution - Any disputes that cannot be resolved between the Cities will be subject to mediation. The Cities will select a mediator acceptable to both Cities. In the event they cannot agree, each City will present the names of three potential mediators. From these, five names shall be selected by lot. Each City will then alternately strike a name until only one name remains. This person will be the mediator. The City to strike the first name will be selected by the flip of a coin.

3. Payment for Support Functions - The City that provides support functions to the Joint Fire Department will be compensated for these
support services. A cost allocation of these services will be made to include all direct and indirect costs associated with providing the support. The costs will be part of the Joint Fire Department annual budget. Initially, the City of Albertville will provide support services.

4. Operating Cost Formula - Operating costs will be shared based on the total taxable tax capacity in the two Cities with each City’s share determined by their portion of the combined total taxable tax capacity.

5. Capital Asset Cost - The cost of new capital assets will be shared based on taxable tax capacity using the operating cost formula.

6. Dissolution - A five-year notice will be required for either City to withdraw from the Joint Powers Agreement. Assets will be divided based on the amount each City contributed to their acquisition.

7. Amending the JPA - The JPA can only be amended by mutual agreement of the two Cities.

The terms of a potential JPA where some disagreement remains include:

1. Board Representation - There remains a small difference of opinion on board representation.

   a. The Albertville City Council supports a board with either four or six members with equal representation from each city.
   b. The Otsego City Council prefers to limit the board to four members with equal numbers appointed from each City. Both agree that an impartial mediator would be selected to break tie votes.

2. Board Authority – there is agreement on the authority of the board as it related to overseeing the operations of the Joint Fire Department. The board will have full authority to oversee the operations of the Fire Department including:
   - Hiring and firing employees
   - Developing capital improvement program
   - Developing preliminary budget for consideration by the two City Councils
   - Developing operational policies and other policies as needed

The City Councils differ in how to continue operating the Joint Fire Department in the event a budget cannot be agreed upon by the two City Councils.

   a. The Albertville City Council would prefer that the Joint Fire Department would continue to be funded under the current formula at a level that results in no reduction in the current level of fire protection services until a new budget is approved by both City Councils.
   b. The Otsego City Council would prefer that the Joint Fire Department operating costs at the most recent approved budget level and funding for previously purchased but not fully paid for capital equipment of the Fire Department would continue to be
funded under the current formula until a new budget is approved by both City Councils.

3. Fire Stations – Some level of difference remains in how to fund and operate fire stations.
   a. The Albertville City Council’s position is that each City builds and owns its own Fire Station. Operating costs would be paid by the Joint Fire Department, but capital costs (repairs) associated with the Fire Hall would be the responsibility of each individual City, not the Joint Fire Department. They also believe the location of the new Fire Station in the City of Otsego should be approved by the Joint Fire Board.

   b. The Otsego City Council position is that each City builds and owns its own Fire Station(s). Each City is responsible for the operating costs and capital costs of their Fire Station(s). Until Otsego builds its first Fire Station, the operating cost of the Albertville Fire Station will be an operating cost of the Joint Fire Department with the costs shared under the operating cost formula. They support the Joint Fire Board having input into the location of the City of Otsego Fire Station, but the final decision will be made by the City of Otsego.

4. Fire Department Service Areas
   a. The Albertville City Council’s supports the position that Fire Department service areas in each City covered by the JPA cannot be reduced.
   b. The Otsego City Council supports Fire Department service areas could be modified in the future.

The Cities of Albertville and Otsego have been working together on fire services for over 30 years. The proposed joint powers agreement will provide a framework for long-term benefit for both Cities that other alternatives simply cannot match, at least in the near term. While there are still some terms that the City’s differ on, these can be resolved in the development of the JPA.

The conclusions and recommendations contained in this report are based, in part, on information provided to Springsted Incorporated by the Cities of Albertville and Otsego.