

**A REPORT BY  
THE 2011-2012 CONTRA COSTA COUNTY GRAND JURY**  
725 Court Street  
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**Report 1211**

**Contra Costa County Fire Protection and  
Emergency Response Services**

**Leveraging Combined Strengths to Address Individual  
Weaknesses**

APPROVED BY THE GRAND JURY:

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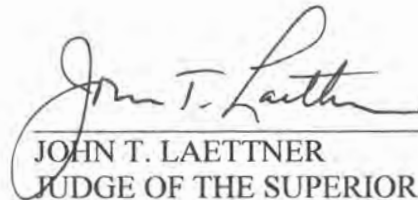


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JOHN T. LAETTNER  
JUDGE OF THE SUPERIOR COURT

Contra Costa County Grand Jury Report 1211

**Contra Costa County Fire Protection and Emergency Response  
Services**

**Leveraging Combined Strengths to Address Individual Weaknesses**

**TO: Contra Costa County Fire Protection Districts and Agencies  
Contra Costa County Board of Supervisors  
Contra Costa County Local Agency Formation Commission (LAFCO)**

**SUMMARY**

Fire protection and emergency response service providers (fire agencies) in Contra Costa County (County) are under pressure to align their reduced revenue bases, severely depleted by lower property taxes, with the costs required to operate at a level consistent with citizen expectations. Concurrently, these fire agencies are faced with significant pension obligations committed to during prosperous times. The result is that some agencies are nearly broke and the others are rapidly depleting their reserves while hoping the recession will end soon. With no assurances as to when a significant recovery may arrive, it is time for fire agencies to rethink their operating approach.

Simply asking the taxpayers for more money to fund old service models and support burdensome labor agreements is not the answer.

Other California fire agencies have taken innovative, new approaches to providing services in a manner that allows the elimination of operating deficits without compromising recognized standards for response time. These examples are available for fire agencies in this County to review and evaluate.

Most fire agencies are trying to solve their problems individually. The County and these fire agencies should collaborate on an independent study to determine which, if any, of the new approaches to service delivery, both structural and operational, can help and how the common issues of current and future deficits should be addressed.

They should leverage their collective strengths to identify and implement the best way to address their collective weaknesses.

**BACKGROUND**

Fire agencies in the County find themselves in the same position as most of the cities because reductions in the assessed values of property have resulted in reduced tax revenues. Required contributions to support future retiree pension and healthcare benefits have necessitated immediate increases in payments into those funds. The combination of these two events, and the

constraint of labor contracts with fixed salary escalation clauses, has challenged the fire agencies to find ways to pay for the levels of fire and emergency response services expected by citizens.

Prior to the current recession, accumulated reserves could be used to cover operating deficits and maintain services. However, those funds are now depleted. The East Contra Costa, Rodeo-Hercules, Pinole, and Contra Costa County Fire Protection Districts already face exhausted reserves or will find themselves in that situation as they prepare projections for Fiscal Year 2012-13. Though somewhat better positioned than the others, the Moraga-Orinda and the San Ramon Fire Protection Districts also find themselves in a downward reserves trend and may be only a few years behind the others in exhausting their reserves.

As a first response, the fire agencies have tried to reduce the expenses under their control, such as supplies, overtime, accrual for future equipment replacement, and community outreach. In several cases, they have closed stations and reduced the amount of equipment in service. To a lesser extent, and within their contractual constraints, salary, pension, and healthcare costs have also been targeted. These efforts have not resolved the problem. A review of the financial status of the fire agencies in the County reinforces this point.

- Contra Costa County Fire Protection District has had to reduce salaries by 10% for all current fire fighters, postponed capital expenditures, and temporarily de-staffed some engine companies. Despite all of these actions, the District has had to utilize reserves over the past three years in order to balance the budget. It has stated its intention to address the only major cost component left, retirement benefits, in July of this year.
- East Contra Costa Fire Protection District has closed stations, reduced firefighter personnel and consumed almost all its reserves to keep the budget balanced.
- Pinole Fire Department has acknowledged it is under financial pressure. It sought advice from a consultant regarding the alternatives available. It still faces deficits and is currently evaluating contracting for fire and emergency response service from another district.
- Rodeo-Hercules Fire Protection District's financial condition has been described as "catastrophic." Announcements have been made regarding upcoming "extraordinary measures" to bridge the District's budget gap and reduce its ongoing deficit. This includes heavy reliance on automatic and mutual aid from other fire agencies, shared service agreements, and, starting in January 2012, temporary fire station closures. In Fiscal Year 2010-11, the District's general fund expenses of just over \$5 million exceeded revenue by \$567,000. The current budget projects a deficit of \$131,000.
- San Ramon Valley Fire Protection District has extensive funds from a service area that generally covers high-value housing. Its operating expense per capita is almost twice that of Contra Costa County Fire Protection District. However, San Ramon's reserves have declined significantly, and its forecasts indicate continuing decline. It has made some effort to reduce pension costs in the future but this does not offset the millions of dollars used from reserves.

- Moraga-Orinda Fire Protection District also has extensive funds due to high value housing. Nevertheless, its financial forecast indicates a steady decrease in reserves from Fiscal Year 2010-11 through Fiscal Year 2014-15.

Fire agencies have explored the traditional ways to reduce costs and have not solved the problem of operating deficits. The Grand Jury found little evidence that fire agencies have moved “outside the box” to implement alternative service delivery models that might match available revenue with the costs of maintaining existing level of services. Instead, they are turning to the usual solutions: parcel taxes without “sunset clauses” and bonds paid for by the taxpayers. The East Contra Costa, Rodeo-Hercules, and Contra Costa County Fire Protection Districts have announced plans to put parcel tax initiatives in front of voters, as soon as June in the case of East Contra Costa Fire Protection District, in November for the others. Several fire agencies have already secured pension obligation bonds in order to fund some future liabilities.

Fire protection in the County reflects the growth from a sparsely populated rural county to one that is urbanized, with the exception of some parts of East County. This change has affected how fire protection services have been structured. It also offers an opportunity to rethink how these services may be changed.

In 2009, the Contra Costa Local Agency Formation Commission (LAFCO) issued a 342-page comprehensive review (Municipal Service Review) of all fire and emergency medical service providers in the County, including cities, special districts, other public agencies, and private companies. The purpose of a Municipal Service Review (MSR), prepared by an outside consulting firm, is to better inform LAFCO, local agencies, and the community about the provision of different kinds of municipal services. Such reviews include analysis of the governance structures and efficiencies of service providers, and are intended to identify opportunities for greater coordination and cooperation among providers.

The MSR included eleven “policy options” for LAFCO’s consideration, which focused on the consolidation of various fire agencies. To date, few of these changes have been implemented.

Over the past decade, the number of fire incidents has decreased significantly to about 5-6% of all responses. Concurrently, the number of medical emergency calls has risen to over 70% of all responses. Typically about half of these medical emergencies require ambulance transport. This shift does not change the expectation that structures should be saved from fire or that life-saving capabilities should be accessible when and where needed. However, this is a significant shift in the type of equipment and skill set of the responders needed at most incidents.

What is happening to fire agencies in the County is not unique. Almost every fire agency in the state finds itself in the same position. However, some of those fire agencies, recognizing the extraordinary times and the need for a change in how things are done, have introduced new service models that align costs, service requirements, and revenues, often after engaging industry experts who bring an external perspective. Fire agencies in Los Angeles and Alameda Counties have evaluated alternative service models and selectively implemented new approaches. Some of the changes are structural (consolidation and contract services) and some are operational.

Regionalization and consolidation have also been used to reduce costs. For instance, the Los

Angeles, Orange, Alameda, and Sacramento Counties have adopted forms of regionalization. This has allowed many cities in those counties to save 10-20% per year in operating expenses for fire protection by reducing overhead, achieving economies of scale in areas such as purchasing and standardization of equipment, and improving service delivery coordination. Cost allocation models have been developed and implemented to facilitate an equitable distribution of shared expenses.

Though the prescription for fighting fires is well known, many fire agencies have not exploited the use of new technology. For example, some fire agencies in the state have used a combination of enhanced dispatch practices, vehicles better suited to medical emergencies, and evaluation of incident patterns to better allocate staffing.

Los Angeles City Fire Department undertook new deployment procedures to adjust staffing for active time periods, called "cyclic staffing". They also deployed some engines based on incident patterns rather than on where stations are located. At last report, these actions have saved money and not significantly impacted quality of response.

Feedback received from service providers that have been through the change process suggest that a prerequisite for the successful implementation of any of these potential, cost-saving alternatives to structural and/or operational service delivery models is the political will to recognize and overcome the stakeholders' resistance to change.

## **FINDINGS**

1. Declining revenue and increasing personnel costs have placed many of the County's fire agencies in a challenging, and sometimes dire, financial position.
2. There is a need to examine alternatives to how County fire agencies are structured and how they should most effectively deploy their equipment for the services they deliver.
3. Under their current operating models, it is not feasible for some fire agencies to reduce expenses enough to meet projected revenue without impacting service levels.
4. In the short term, to provide the service levels that the public currently expects, additional revenue must be found for some individual fire agencies.
5. In the long term, approaching common problems at a County-wide regional level could offer additional solutions.
6. Other California fire agencies have successfully implemented innovative cost reduction models and strategies, often by consolidating fire agencies, after engaging external consultants with industry expertise.
7. Creating and pursuing a County-wide strategy will require extraordinary leadership and cooperation at both the County and individual district levels.

## RECOMMENDATIONS

1. Any proposed parcel tax by any fire agency seeking immediate relief for current deficit issues should include a “sunset clause” limiting duration.
2. Any proposed parcel tax by any fire agency seeking immediate relief for current deficit issues should include a commitment to promptly undertake identification and evaluation of alternative service delivery models.
3. All fire agencies and the County should conduct, on an individual agency and county-wide basis, evaluations of alternative service models utilizing independent consultants with a history of analyzing fire agency challenges.
4. Fire agencies, LAFCO, and the County should find ways to cooperate with one another in the evaluation and adoption of alternative service delivery models.

## REQUIRED RESPONSES

<u>Fire Agencies</u>	<u>Findings</u>	<u>Recommendations</u>
Contra Costa Board of Supervisors	1, 5, 6, 7	3, 4
Contra Costa County LAFCO	1, 5, 6, 7	3, 4
San Ramon Fire District	1 through 5, 7	1 through 4
Contra Costa County Fire Protection District	1 through 7	1 through 4
Crockett-Carquinez Fire Protection District	1 through 7	1 through 4
East Contra Costa Fire Protection District	1 through 7	1 through 4
Kensington Fire Protection District	1 through 7	1 through 4
Moraga-Orinda Fire District	1 through 7	1 through 4
Rodeo-Hercules Fire Protection District	1 through 7	1 through 4
City of El Cerrito Fire Department	1 through 7	1 through 4
City of Pinole Fire Department	1 through 7	1 through 4
City of Richmond Fire Department	1 through 7	1 through 4