Orinda Emergency Services Task Force

Report to the Community on the State of Emergency Services 2013 update

In September 2012, a group of Orinda residents (The Orinda Emergency Services Task Force) presented its report on the state of our emergency services provider, The Moraga-Orinda Fire District (MOFD) to the Orinda City Council. The formation of the Task Force and the creation of the report resulted from a petition by 220 residents in 2011 requesting that the City review the service provided to Orinda residents by MOFD, which was formed fourteen years ago.. The City declined to act on the residents' request, therefore a grassroots group was formed to take on the responsibility.

This update discusses the status and developments within MOFD since the release of the Task Force report. Both that report and this update can be found on the Task Force web site, www.OrindaTaskForce.org.

The September 2012 report was divided into five sections:

* Organization
* Incidents Served
* Operational Costs
* Tax Funding Allocation
* Financial Stability

This update will comment on each section.

Organization

In the past 15 months MOFD has experienced substantial organizational changes. In September 2012, when the Task Force report was released, the five-person board had two vacancies. In the November 2012, general election two new Directors were elected, Alex Evans and Steve Anderson, both of whom ran unopposed. They were seated on the Board in December 2012.

In May 2013, Director Frank Sperling, representing part of Moraga, announced that he was leaving the area and thus needed to resign from the board. In August the Board selected Kathy Famulener to fill the position for the remainder of his term; through 2014.

In June, Chief Randy Bradley announced he would be leaving effective July 15. Division Chief Stephen Healy was appointed Interim Chief and in October he was given a contract as Chief. The contact gave him a $220,000 base salary, a 16% raise over Chief Bradley and a 44% raise over his previous base salary (although about the same as his 2012 total compensation including overtime). One of his first acts was to present the Board with a 2013/14 budget containing a $1.25 million deficit.

About the same time, Administrate Services Director (CFO) Sue Casey also announced her resignation. She was replaced in September by Gloriann Sasser who, within the first month of her employ, discovered that $2 million of the general fund reserve had been accounted for incorrectly and that MOFD's general reserve fund was fully depleted.

As reported in the original Task Force report, MOFD had no citizen committees and that condition has not changed. In January, the second meeting for new Directors Evans and Anderson, the citizen Task Force's report was reviewed by Chief Bradly and the Board (mainly Directors Weil and Sperling) and was thoroughly discredited (summary on the Task Force web site). Director Weil termed it a polemic. However, none of the facts reported were questioned as untrue. Since that time, after the Task Force reported serious financial issues, the District's finances have gone from bad to worse. But despite the fact that there is an abundance of the highest quality of financial expertise within the District's population, the District continues to ignore that resource. Both Orinda and Moraga are well served by citizen committees, but MOFD refuses to move into the future and continues to flounder on its own. It should reconsider.

Incidents Served

The demand and description of incidents served contained in the original Task Force report has probably changed little in the past 15 months as the population is stable. However, as an emergency cost saving measure, in November 2013 the dedicated ambulance staff (two paramedic firefighters) at Orinda's station 45 was removed. The Station 45 (downtown) ambulance is now "cross staffed" by the remaining three Station 45 firefighters, at least two of which are paramedics. In addition, there is a cross-staffed ambulance at Orinda's Station 44 on Moraga Way (which has always been there but historically only responded to about 10% of all incidents even though over 75% are medical in nature). And, there is now a third cross-staffed ambulance at Station 43 off of St. Stephens Drive.

Will this reduction in staff negatively impact service in Orinda? With three ambulances that are actually being used as opposed to one dedicated ambulance and one seldom-used ambulance (at Station 44), the service might actually be better in Orinda. 75% of all incidents and 90% of emergencies are medical in nature. There are about 1,200 incidents annually in Orinda. With three rescue units, that equates to about eight incidents per week per unit. With the standard protocol being to send two units to most incidents, that still means only 2.2 incidents per day per unit. This is up from an average of 1.7 incidents per unit when we had four units in Orinda. However, while there is now a greater chance of the closest unit being unavailable, that chance is still slim.

The major issue the Task Force report noted with regards to service in Orinda was that response times to Code 3 emergencies in Orinda did not meet the six minute MOFD and industry standard benchmark 40% of the time. So far, nothing has been done to address this problem. A 40% failure to meet the benchmark is not something that should be ignored by MOFD, the community, or the Orinda City Council which represents the community.

It is relatively apparent that emergency responders can only get "out the door" so fast (1.5 minutes as reported by MOFD seems pretty good) and they can only travel so fast on city streets, especially Orinda's many winding roads. It is possible that Orinda's three stations are misplaced, but that has been reviewed and the benefit of re-placement, especially the downtown station, would be expensive and marginally effective (but should be considered as part of a downtown re-development plan). The largest benefit would come from an additional station in Orinda's worst-served area, Orinda Downs and Sleepy Hollow. An additional station near the intersection of Lombardy and Miner would have the additional benefit of serving the Miner Road area that will be negatively impacted if/when Station 43 is closed in favor of a more efficient Station 46 shared with Lafayette.

But MOFD does not have the resources to build, and more importantly staff, a traditional three-person, or even a two-person, fire station.

However, with 75% of all incidents, and 90% of code-3 emergencies being medical, the Task Force recommended siting a first responder paramedic station in the underserved area. It could be staffed by a single paramedic, the cost of which could be borne by cost savings elsewhere or increased revenue from Moraga's parcel task if Moraga taxpayers were asked to pay their fair share of MOFD's operating expenses. MOFD's response to this Task Force suggestion came from Director Fred Weil who sarcastically pointed out all of the things a single first responder could NOT do, included in his statement "*how does this lone firefighter paramedic physically move the man out of his room, downstairs, into an ambulance, at the same time maybe operating a defibrillator, starting an IV, possibly administering a clot busting drug, driving to a hospital emergency room*." In addition to the fact that this statement exemplifies Director Weil's disdain for any thoughts emanating from outside of MOFD, it is also an indication of his lack of understanding of the emergency response system. An advance first aider can tell you that the ABC's of emergency response are A – open airway; B – start rescue breathing; C – restore circulation (CPR and bleeding control). This is what keeps a patient alive until backup response arrives. None of the items Director Weil noted that a first responder cannot do are on this list of what he needs to do. But these steps need to be done in a timely manner. In the one year of incidents which the Task Force examined, only one response to the Sleepy Hollow / Orinda Downs area made it within the benchmark six minutes. This is an area at risk and is home to about ten percent of Orinda's residents. They should not be ignored until an ugly incident arises.

A positive comment: The Task Force report also stated that MOFD's periodic response time report was masking the problem. The definition of response time is from the time MOFD receives a call to when the first unit arrives at the scene. In their periodic response time report, MOFD was only reporting travel time, excluding "turnout time" which averages about 1.5 minutes. Thus they were reporting an 88% district-wide compliance to the six minute benchmark instead of the 67% that the Task Force report determined. Immediately following the release of the Task Force report, MOFD revised their response time report to include turnout times and their on-time performance dropped to about the level which the Task Force reported.

Operational Costs

For fiscal year 2012/2013 MOFD had budgeted an $800,000 deficit for its general fund: $18.6 million in expenses with only $17.8 million in revenue. For its capital fund, it had planned a $1.5 million deficit, using half of its capital reserve fund, using $2 million to start rebuilding Station 43 off of St. Stephens in Orinda.

But the year did not go as planned. Revenues actually exceeded projections by $300,000 but expenditures used this and more, exceeding projections by $800,000; resulting in a $1.3 million deficit. Virtually all of the excess came from overtime needed to maintain the staff of 19 after three firefighters were injured in a traffic accident in December (2012). On the plus side, Station 43 rebuilding plans were canceled and the capital fund ended up with a $500,000 gain instead of a $1.5 million deficit so the capital reserve fund grew to $3.6 million. However, the combined result for the general fund and the capital fund for the year was an $800,000 loss with the combined reserve fund being reduced to $5.6 million.

This drawdown of reserves in fiscal year 2012/13 did not stop the District from initially looking at 2013/14 budget with a $1.25 million general fund deficit and a $600,000 capital fund deficit; almost $2 million in the red. (The fifth deficit, planned or experienced, in seven years.) The agreed-upon budget was revised to include "only" a $950,000 general fund deficit but they could not do much about the capital account deficit as they had already spent the money; purchasing land for a new station on the Lafayette border (to replace Station 43 off of St. Stephens with the new station being shared with Lafayette which will save MOFD over $1 million per year in operating costs.) This total $1.5 million deficit would draw the total reserve down to $4.1 million.

Then in October more bad news came out. The new Administrative Services Director, Gloriann Sasser, determined that $2 million of the reserve fund was, in fact, restricted funds required to service Pension Bond debt. This fact should have been identified a long time ago by staff and the District's accountant, but wasn't. On reflection, it should have also been realized by long-standing members of the Board and, to be fair, by the Task Force, as we should have noted that the day after the fiscal year close there is a $2 million debt service payment due; so including those funds as part of a standing reserve is smoke-and-mirrors accounting.

So while the District's reserves may have been $5.6 million on 6/30/2013, the next day they were drawn down to $3.6 million. If the Board had known this, would they have agreed to a $1.5 million deficit budget for 2013/14, reducing MOFD's reserves to about $2 million, or would they have advanced $1.2 million for the Lafayette property, regardless of its long-range benefit?

In response to these cascading "disasters", MOFD finally made the first serious step to reducing expenditures. As described above, they deleted one of the District's dedicated ambulances which will save about $550,000 for fiscal year 2013/14 and over $800,000 for a full year. But they will still have a general fund deficit of $400,000 which without the temporary FEMA grant would be approaching $1 million.

The final blow of the year came from MOFD's actuary, Bartel, whom MOFD had commissioned (to their credit) to review their pension obligations. For the calendar year ending 12/31/2012 MOFD's pension plan administrator (CCCERA) announced that MOFD's pension liabilities had increased $17 million while their assets had decreased $4 million for a net increase in unfunded liabilities of $21 million; from $24 million to $45 million. This additional liability would cost MOFD an additional $1.5 million per year, on top of the $2 million they already need to pay each year, to fully fund their pension. And these payments will increase at 4% each year for the next 18 years.

MOFD has to do some serious belt tightening.

Tax Funding Allocation

Despite the fact that the number of firefighters servicing Orinda has decreased 18% from 11 to 9 with the removal of the dedicated ambulance crew; the tax revenues that Orinda property tax payers contributed to MOFD increased 5.4% this year. For each firefighter stationed in Orinda, taxpayers are paying $1,315,000. In comparison, Moraga lost no service and they are only paying $835,000 per firefighter.

The Task Force continues to ask, "why are Orinda taxpayers paying almost 60% more for the same service that Moraga taxpayers receive?" The original Task Force report demonstrated that the assertion that Moraga-based firefighters provided significant service into Orinda without reciprocal service provided in return was, in fact, not true. Now, with three ambulances in Orinda and only one in Moraga, and with Moraga having virtually the same number of medical emergencies per year as Orinda, if anything it will be Orinda-based units providing net service to Moraga.

MOFD can obviously not afford to charge Orinda less. But Moraga needs to pay its fair share and anticipated such a need before MOFD was even formed. They voted in a parcel tax with a cap at "30 cents", five times the rate they are currently paying or ever have paid since MOFD was formed. If both Orinda and Moraga taxpayers paid the same average $1,100,000 per firefighter which MOFD is currently collecting in taxes, Moraga would have to pay an additional $265,000 per firefighter for the eight firefighters stationed in Moraga. That totals an extra $2.1 million per year which is more than what increasing the Moraga Fire Flow Parcel Tax to "30 cents" would generate. To really generate funding equality which Orinda voters were promised when they formed the District, MOFD would have to devise cost saving measures to not just to pay its bills but to make the service affordable for the users. As it is, we are all paying more for the service, as a percent of our total local spending including the Orinda and Moraga budgets, than any other community in the Bay Area or in the Country, as far as we can determine.

Financial Stability

When questioned about their new year's resolutions by the Lamorinda Weekly, three of MOFD's five Directors said "financial sustainability for the District." It sounds like a majority of the Directors and the Task Force are on the same page, and hopefully they really understand what needs to be done. However, the Task Force is not yet convinced of this.

The only way for the Board to work MOFD out of this mess is to fully understand the mess. This does not mean just balancing this year's or next year's budget, it means looking as far down the road as necessary until our debts are finally paid off.

To his credit, former Chief Bradley presented to the Board a Long Range Financial Plan (LRFP) extending 15 years, days before the Task Force released their report in September 2012. The form was good but the "numbers", in many cases, were questionable and with the latest pension report, obviously understated. This report has been updated since then with the latest update in September.

The Task Force has reviewed the latest version of the LRFP and, for the most part, it tells "the story" fairly accurately. It shows the impending disaster coming if nothing is done to contain costs with MOFD reserves being drawn down to zero within two years and then continual deficits for six more years which are, obviously, impossible with no reserves to draw on unless the Moraga fire flow parcel tax is increased and no benefits accrue to Orinda.

But even though this bleak but realistic picture departs from MOFD's record of ignoring impending doom, the Task Force believes revisions to the LRFP need to be made to more accurately project the future so appropriate cost saving measures can be implemented. We suggest the following:

* The LRFP assumes that tax revenues will increase at 4 percent. While this is a good, conservative assumption, the Task Force believes it is too conservative. Both Orinda and Moraga have large "unclaimed" value in their tax bases due to Proposition 13. The assessed value of Orinda homes is only slightly greater than 50 percent of their market value. On average, when a home is sold in Orinda, its assessed value doubles. If 4 percent of Orinda homes sell in a year and their assessed value increases 100 percent, while the other 96 percent of the homes increase the statutory 2 percent, the result is a total 6 percent tax base increase. And this does not take into account the new developments of Wilder, Orinda Oaks, Orinda Grove and general reconstruction. The Task Force would suggest a range of revenue increases, from 4 percent to 6 percent.

* The LRFP assumes that costs, from salaries and benefits to other operating costs, will increase from between 0.5 percent to 2.0 percent annually over the next 15 years. Over the past 15 years the Bay Area consumer price index has increased an average of 2.7 percent per year and CCCERA is assuming 3.25 percent inflation when projecting benefits. Unless the District realistically believes it can constrain certain cost increases to below inflation over the long term, the Task Force suggests a more conservative growth factor of 3.0 percent be utilized.

* A major source of MOFD's fiscal distress comes from the cost of paying off its debts. There are three components:

1) Pension Obligation Bond – There is a pre-defined schedule of payments increasing from $2.6 million in 2013/14 to $3.8 million in 2021/22 with the debt being fully paid off in 2022/23. The LRFP accurately reflects these obligations.

2) Pension funding – Each year the pension plan (CCCERA) recalculates MOFD's position as to whether it is overfunded or underfunded. Since 2007 it has been underfunded and that underfunding has been increasing each year. CCCERA requires that MOFD correct each year's incremental change in the underfunding over an 18 year period, assuming that the insufficient funds are not earning the 7.25 percent rate of return which CCCERA currently projects (thus adding that to the amount due) and increasing repayments at 4 percent per year. The resulting 18 year repayment schedule for the current $45 million liability adds up to $80 million, the first 15 years of which is fairly well reflected in the current LRFP. However, if CCCERA changes assumptions, like assumed earning rate or life expectancy as they did this year, this obligation could change.

One note: There was a possibility, which is now remote, that the courts could revise down the benefits due to "spiking", which is no longer allowed. Those who have already retired took a significant advantage of this "opportunity". This could drastically reduce MOFD's unfunded liability. However, the latest news is that the court will not retroactively force this benefit reduction, although the final decision has not been made.

3) Retiree medical benefits – Retirees get equivalent medical benefits as current employees. The last determination of the "value" of these benefits was made as of 6/30/2009 and they had a

discounted present value (using a 4.25% discount rate) of $24 million. Last fiscal year, MOFD paid almost 40% more for this benefit than it did in 2008/09 plus prevailing interest rates have dropped a fully percent since the last determination. The Task Force estimates that a recalculation today would put this liability at about $37 million. While MOFD is not obliged to pre-fund this future benefit given to current employees, the Task Force believes it is this generation's obligation to "pay its bills" and not pass them on to future generations. If this $37 million obligation was funded with the same asset pool used for the pension obligations, earning an assumed 7.25%, it would need to invest in $21 million of assets. To purchase these assets over 18 years in the same manner the pension shortfall is being cured, it would cost about $40 million over the next 18 years. The current LRFP has only included $14 million to settle this debt. It is possible that current and future labor negotiations may reduce this benefit and thus the liability, but it is hard to imagine it can be reduced by 65%.

MOFD is currently in labor negotiations and has been so continually for years. The last contract was signed in 2007 and it ran through 2008. That contract is still in effect but it is obviously costing too much money. How does MOFD know what concessions it needs from its employees to create the sustainable financial picture the Directors have wished for the coming year?

Maybe MOFD is altering its LRFP as it negotiates with its employees but, if so, it is all "behind the scenes" and out of view of the residents of MOFD who pay the taxes and depend on the service. They deserve better. While it might not be the best negotiating tactic to lay your cards on the table for the whole world to see, MOFD's past financial performance, including the deals they have cut in the past with their employees, has not been exemplary. The Task Force believes that the process should be brought more into the open. If the District makes an offer to their employees, they should not do it in a back room, they should do it in the open and explain to the employees and the community the rationale behind the offer including an analysis of how that offer will balance the budget and pay down the District's debt so it can continue to provide service and fulfill retirement benefit promises made in the past.

MOFD has vast financial resources. Its annual revenues equate to about $1,500 per household serviced. This is four times ConFire's equivalent revenues. There is no reason MOFD cannot pay its debts and provide acceptable service. Since its formation it has created future liabilities far in excess, possibly twice as great, as the revenues it has received. This out of control spending of future revenues has to be brought under control. Reasonable salaries, including the ability to have a reasonable retirement, are to be expected. However, expectations remain out of alignment with the reality of what is possible. These need to be brought back into realignment.