



Lou Ann Texeira  
Executive Officer

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August 8, 2012

August 8, 2012  
Agenda Item 8

Contra Costa Local Agency Formation Commission  
651 Pine Street, Sixth Floor  
Martinez, CA 94553

**Contra Costa County 2011-12 Grand Jury Report No. 1211**  
**“Contra Costa County Fire Protection and Emergency Services, Leveraging Combined Strengths to Address Individual Weaknesses”**

Dear Members of the Commission:

SUMMARY

On June 7, 2012, Contra Costa LAFCO received Contra Costa County Grand Jury Report No. 1211, “Contra Costa County Fire Protection and Emergency Services, Leveraging Combined Strengths to Address Individual Weaknesses” (Attachment 1). The report speaks to fiscal and service challenges facing fire and emergency service providers, and encourages collaboration on new approaches to service delivery.

Contra Costa LAFCO is required to respond to Report No. 1211 by September 6, 2012. The California Government Code requires that the responding entity reply to each finding and recommendation. LAFCO staff has drafted a response (Attachment 2) for the Commission’s consideration.

DISCUSSION

The Grand Jury report discusses fiscal challenges facing fire service providers, including recent reductions in property tax revenues, increased costs associated with pension and other post-employment benefits, and the combined impact on services delivery.

The Grand Jury report recognizes the more “traditional” efforts by service providers to reduce expenses, and concludes that these efforts have not resolved the problem. The report also notes that some agencies are turning to “usual” solutions such as parcel taxes and bonds to address the ongoing financial challenges.

The Grand Jury report references the LAFCO Municipal Service Review (MSR) covering fire and emergency medical services, which was completed in 2009, along with the 11 policy options contained in the MSR report. As noted in the MSR, these policy options require cooperation by the affected local agencies, and most would require initiation by affected parties.

The draft response highlights LAFCO's ongoing role in putting forward ideas and facilitating ongoing discussions relating to fire and emergency medical services, including those presented in the MSR report, which served as a catalyst for future discussions via the LAFCO Ad Hoc Committee meetings and LAFCO facilitated fire service workshops.

As discussed in the draft response, LAFCO continues to play an important role in facilitating ideas and discussions regarding issues and opportunities relating to fire and emergency medical services.

### RECOMMENDATION

It is recommended that the Commission approve the attached response to Grand Jury Report No. 1211 entitled "*Contra Costa County Fire Protection and Emergency Services, Leveraging Combined Strengths to Address Individual Weaknesses*", with any changes as desired, and direct LAFCO staff to forward the response prior to September 6, 2012.

Sincerely,

LOU ANN TEXEIRA  
EXECUTIVE OFFICER

c: Distribution

Attachments:

1. Grand Jury Report No. 1211 "*Contra Costa County Fire Protection and Emergency Services, Leveraging Combined Strengths to Address Individual Weaknesses*"
2. Draft Response to Grand Jury Report No. 1211



June 6, 2012

Lou Ann Texeira, LAFCO  
Contra Costa County  
651 Pine Street – 6<sup>th</sup> Floor  
Martinez, CA 94553

Dear Ms. Texeira:

Attached is a copy of Grand Jury Report No. **1211**, “**Contra Costa County Fire Protection and Emergency Response Services, Leveraging Combined Strengths to Address Individual Weaknesses**” by the 2011-2012 Contra Costa Grand Jury.

In accordance with California Penal Code Section 933.05, this report is being provided to you at least two working days before it is released publicly.

Section 933.5(a) of the California Government Code requires that (the responding person or entity shall report one of the following actions) in respect to each finding:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees with the finding.
- (3) The respondent partially disagrees with the finding.

In the cases of both (2) and (3) above, the respondent shall specify the portion of the finding that is disputed, and shall include an explanation of the reasons therefore.

In addition, Section 933.05(b) requires that the respondent reply to each recommendation by stating one of the following actions:

1. The recommendation has been implemented, with a summary describing the implemented action.
2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
3. The recommendation requires further analysis. This response should explain the scope and parameters of the analysis or study, and a time frame for the matter to be prepared for discussion. This time frame shall not exceed six months from the date of the publication of the Grand Jury Report.

4. The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation thereof.

Please be reminded that Section 933.05 specifies that no officer, agency, department or governing body of a public agency shall disclose any contents of the report prior to its public release. Please insure that your response to the above noted Grand Jury report includes the mandated items. We will expect your response, using the form described by the quoted Government Code, no later than **SEPTEMBER 6, 2012.**

It would be greatly appreciated if you could send this response in hard copy to the Grand Jury as well as by e-mail to [clope2@contracosta.courts.ca.gov](mailto:clope2@contracosta.courts.ca.gov) (Word document).

Sincerely,



Lloyd Bell, Foreperson  
2011-2012 Contra Costa County Civil Grand Jury

A REPORT BY  
THE 2011-2012 CONTRA COSTA COUNTY GRAND JURY  
725 Court Street  
Martinez, California 94553

Report 1211

**Contra Costa County Fire Protection and  
Emergency Response Services**  
**Leveraging Combined Strengths to Address Individual  
Weaknesses**

APPROVED BY THE GRAND JURY:

Date: May 24, 2012



\_\_\_\_\_  
LLOYD D. BELL  
GRAND JURY FOREPERSON

ACCEPTED FOR FILING:

Date: \_\_\_\_\_

5/31/12



\_\_\_\_\_  
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

## CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION

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**Lou Ann Texeira**  
Executive Officer

## MEMBERS

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Special District Member

August 8, 2012

Lloyd Bell, Foreperson  
2011-2012 Contra Costa County Civil Grand Jury  
725 Court Street  
P.O. Box 911  
Martinez, CA 94553-0091

Dear Mr. Bell:

On June 7, 2012, the Contra Costa Local Agency Formation Commission (LAFCO) received Grand Jury Report No. 1211, dealing with fire protection and emergency response services. The report speaks to fiscal and service challenges facing fire and emergency service providers, and encourages collaboration on new approaches to service delivery.

On August 8, the Commission reviewed the draft response to the Grand Jury. The Commission provided input and directed LAFCO staff to submit a response by the September 6<sup>th</sup> deadline.

We hereby submit the response below, which addresses the applicable findings and recommendations contained in Grand Jury Report No. 1211, *Contra Costa County Fire Protection and Emergency Services, Leveraging Combined Strengths to Address Individual Weaknesses.*

## FINDINGS

- Declining revenue and increasing personnel costs have placed many of the County's fire agencies in a challenging, and sometimes dire, financial position.

**Response:** *The respondent agrees with the finding. East and West Contra Costa County have been particularly hard-hit by significant declines in property tax revenue.*

- In the long term, approaching common problems at a County-wide regional level could offer additional solutions.

**Response:** *The respondent agrees with the finding. In 2009, LAFCO completed a comprehensive Municipal Service Review (MSR) covering fire and emergency medical services. The MSR report highlighted resource sharing and showcased best practices relating to services; identified service, infrastructure, fiscal and other challenges; and provided a basis for future boundary changes. The MSR report also identified countywide and agency-specific options relating to government*

*efficiencies, ranging from various types of consolidation, forming joint powers authorities, and expansion of service contracts, to needed long-term capital and growth planning, reconfiguration of fire station locations, and various cost-saving measures.*

*The LAFCO MSR served as a catalyst for future discussions relating to fire and emergency medical services. Following completion of the MSR, LAFCO formed an Ad Hoc Committee which held five meetings to continue the dialogue on fire service issues.*

*In 2010, LAFCO hosted two Fire Workshops, which were attended by County, city and special district officials and staff, fire commissioners, representatives from labor, and members of the Grand Jury, the public and the media.*

*The workshops included discussions, information sharing, and identification of key issues and potential opportunities for fire and emergency medical services. Recurring issues included:*

- *funding*
- *fiscal sustainability*
- *service efficiency, equity and consistency*

*Some **potential opportunities** to address these issues included:*

- ❖ *evaluating service efficiencies*
- ❖ *establishing baseline and/or service standards*
- ❖ *centralizing dispatch services*
- ❖ *pursuing best practices and governance/service models*
- ❖ *continuing public relations/education efforts and community involvement*

*In November 2010, LAFCO continued the dialogue with fire service providers and discussed potential short-, mid- and long-term goals for service providers.*

6. Other California fire agencies have successfully implemented cost reduction models and strategies, often by consolidating fire agencies, after engaging external consultants with industry expertise.

**Response:** *The respondent agrees with the finding. The issues facing local fire service providers are not unique to Contra Costa County. Fire service challenges and discussion of alternative service models and other cooperative solutions are being discussed throughout the State and have been at the forefront of CALAFCO's educational program for the past year. Further, consolidation of fire services is not new to Contra Costa County. In 1960, there were 25 agencies that provided fire service in Contra Costa County; today, there are 10. Since LAFCO was formed in 1963, there have been over 20 major fire agency consolidations and reorganizations in Contra Costa County.*

*The Grand Jury suggests that external consultants with industry expertise be engaged to aid in implementing cost reduction and other strategies. It is important that any consultants retained by the local fire service providers have expertise in fire and emergency medical services, as well as financial expertise. Challenges associated with consolidations include significant variations in service models unique to each community, as well as disparities in funding among the service providers.*

7. Creating and pursuing a County-wide strategy will require extraordinary leadership and cooperation at both the County and individual district levels.

**Response:** *The respondent agrees with the finding. This is a critical component of implementing any significant change in the provision of fire and emergency medical services.*

## **RECOMMENDATIONS**

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.

**Response:** *The recommendation requires further analysis by the County and individual fire agencies, who would be responsible for establishing the scope, parameters, and time frame for such an evaluation.*

4. Fire agencies, LAFCO, and the County should find ways to cooperate with one another in the evaluation and adoption of alternate service delivery models.

**Response:** *This recommendation has been implemented. LAFCO has and will continue to cooperate with the County and fire and emergency medical service providers.*

*LAFCO law requires that every five years, the Commission review and update local agency spheres of influence (SOIs), as necessary. In conjunction with SOI updates, LAFCO must conduct MSR's. As discussed above, in 2009 LAFCO completed a MSR covering fire and emergency medical services. The MSR served as a catalyst for ongoing discussions through the LAFCO Ad Hoc Fire Committee, LAFCO-hosted fire workshops, and ongoing discussions regarding fire and emergency medical services, with the most recent discussion on August 8, 2012.*

*While LAFCO is limited in its ability to initiate significant change in service and funding models, as these must come directly from the service providers, LAFCO continues to provide a forum for discussion and ideas.*

Please contact the LAFCO office if you have any questions or if we can be of further assistance.

Sincerely,

Don Tatzin  
Chair, Contra Costa LAFCO