

**PLACER COUNTY
OFFICE OF EMERGENCY SERVICES**

M E M O R A N D U M

To: **Honorable Board of Supervisors**

From: Thomas Miller, County Executive Officer
 by: Rui Cunha, Assistant Director of Emergency Services

Date: December 13, 2011

Subject: Report on Dry Creek Fire and North Auburn Ophir Fire fiscal studies

ACTION REQUESTED

That your Board:

- Receive information on completed studies associated with the North Auburn Ophir Fire and Dry Creek Fire Zone's of Benefit within County Service Area 28.
- Direct staff to complete necessary actions that will allow the North Auburn Ophir Community to determine its future level of fire service through a special tax initiative on the June 5, 2012 primary election.
- Authorize staff to continue the use of one time reserves to fund operations in the preparation of the FY 2012/13 Dry Creek Fire Budget.

BACKGROUND

During the fiscal year 2011/12 budget cycle the Board of Supervisor was briefed in April, May and August on revenue challenges resulting from the decline in property values and the resulting reduction in property tax revenues for fire service. The two hardest hit areas within the Placer County Fire system are Dry Creek and North Auburn Ophir Fire (CSA Zones 165 and 193 respectively). During the May 2011 presentation where the Board of Supervisors approved the 2011/12 contract with CAL FIRE, staff presented information on shortfalls in the two CSA Zones and provided information on plans to conduct studies that looked at a ten year time horizon intending to inform both short term and longer term actions related to both Dry Creek and North Auburn Ophir Fire.

The Dry Creek and North Auburn Ophir Fire studies are complete. A summary of findings is presented below with recommendations.

DRY CREEK FIRE

A number of assumptions were required to complete a ten year projection that considered future costs, future development, future annexation of areas currently in the Dry Creek Fire area and resulting impacts to revenues. Most assumptions are moderately conservative resulting in what staff would assess as a reasonable projection of fiscal impacts going forward.

Dry Creek Fire is expected to have a revenue shortfall of \$154,600 in fiscal year 2011/12. This budget is balanced for FY 2011/12 using reserves that have been accumulated over several years for operating contingencies.

Dry Creek Fire is expected to remain in deficit spending over the next nine years when in year 10 (FY 2021/22), due to new development and associated revenue increases, Dry Creek Fire is expected to have a small operating surplus. This operating surplus is expected to grow during the years beyond FY 2021/22 as long as service levels remain stable. By FY 2021/22, combined debt obligations, considering the existing loan balance of \$215,000, would be just over \$1,000,000.

Capital replacement expenditures contribute \$535,000 to the projected future debt obligation of \$1,000,000. It may be possible to delay these expenditures resulting in a reduced debt obligation. In this scenario, existing reserves that are currently designated for capital replacement would be used to offset operating shortfalls. By fiscal year 2021/22, Dry Creek Fire would have exhausted all reserves and would have delayed replacement of its front-line Type I engine (projected to be replaced new) and two additional apparatus that are projected to be replaced with newer used engines. Full assessment of a scenario that delays apparatus replacement was beyond the scope of the recently completed study effort. Staff, working closely with CAL FIRE, will assess and refine the apparatus replacement schedule with the goal of maintaining a safe, effective and fiscally feasible operation in the Dry Creek CSA.

Analysis

Fire Service from Station 100 in Dry Creek Fire is staffed by two firefighters, augmented by community and resident volunteers. Cost reduction options that would eliminate the current and projected ongoing deficit would require the elimination of a shift of firefighters, resulting in one or more days when the station was not staffed. Within a fire protection system where stations have adequate density (are closer together), it might be possible to brown-out a station. Within the Placer County Fire System this is assessed as unsuitable for the provision of service in the Dry Creek Fire area. CAL FIRE, working with Placer County has managed to keep costs flat over the past four years, but the pace of revenue reductions (down 29.4%) due to reductions in property values has significantly affected the fiscal viability of Dry Creek Fire.

The study confirms that the existing reserve balance designated for operating contingencies can be used to fund operating shortfalls through fiscal year 2013/14 without increasing the current loan balance and without affecting reserves designated for capital replacement. The annual operating deficit is projected to peak at \$171,000 in fiscal year 2015/16 and is expected to decline until an operating surplus is achieved in 10 years.

It is staff's assessment that it is possible to continue the use of reserves through fiscal year 2013/14. In the preparation for the fiscal year 2014/15 budget, it will be necessary to reassess Dry Creek Fire. In the reassessment of Dry Creek Fire, staff will bring forward a range of options aimed at ensuring safe and effective fire service within the area.

NORTH AUBURN OPHIR FIRE (NAOF)

Fiscal Summary

Over the 10 year time period assessed in the NAOF study effort, the NAOF CSA is not expected to achieve an operating surplus at any time. With current operating and capital replacement reserves totaling approximately \$1,160,000, NAOF is expected to exhaust reserves by the end of FY 2013/14. By the end of FY 2020/21, the NAOF study projects an operating shortfall of approximately \$1,600,000 and a capital replacement shortfall (assumes most capital assets are replaced new) of \$3,000,000 (see Capital Replacement below). The study indicates that NAOF requires an additional \$570,000 in annual revenues in order to avoid these funding shortfalls. As an alternative, \$570,000 in service reductions will maintain the fiscal viability of the CSA over the coming 10 years (see Service Reduction Discussion below).

The North Auburn Ophir Fire study conservatively assumes that operating costs increase at a slightly higher pace than increases in property tax revenues. The study further assumes that capital replacement is funded according to the normal schedule. Lastly, the study assumes that development from smaller projects will be complete in the fiscal year 2015/16 timeframe.

Capital Replacement

At the time of dissolution of Placer Consolidated Fire Protection District, Placer County accepted into its fire fleet 21 vehicles of various types. Since acceptance of fire service responsibilities in NAOF, CAL FIRE leadership under the Placer County Fire Contract has reduced the NAOF fleet to 14 vehicles. The current mix and stationing of vehicles is designed to meet insurance best practices in an area with a mix of hydranted and non-hydranted communities and mixed residential and commercial/industrial uses.

The reduction from 21 to 14 vehicles in NAOF has reduced capital replacement costs. Due to an aged fleet, however, 11 of the 14 vehicles would be scheduled for replacement over the 10 years analyzed. Eight of the 14 vehicles in NAOF are 21 years old or older with the ladder truck being 30 years old.

A commonly used replacement schedule would replace frontline engines every 15 years and a ladder truck every 20 years. While this schedule is an industry accepted guideline, it is also not uncommon to extend the life of non-frontline engines and ladder trucks by ten years. The replacement guideline above ensures that annual

maintenance costs are minimized, parts are readily available and safety standards remain current. In NAOF's case Ladder Truck 180 is 30 years old and frontline Engine 181 is 21 years old. The other two frontline engines, 180 and 182 are 11 years and one year old respectively.

Ladder Truck 180 and Engine 181 should be replaced this coming fiscal year. The estimated cost to replace these two vehicles new would be \$1,300,000. CAL FIRE working with staff believes that the Ladder Truck could be purchased used saving an estimated \$350,000. Efforts are underway to assess a newer used option in the case of Ladder Truck 180. Staff will make recommendations in the 2012/13 budget for a replacement ladder truck, depending on the outcome of assessments associated with purchasing a newer used model. Staff will recommend replacement of Engine 181 in final budget, depending on the Boards approval and final outcome of the revenue initiative discussed in this report.

Current Service

There are three fire stations in NAOF. The Atwood station is staffed full time with four firefighters; the Ophir station is staffed full time with two firefighters; the Lone Star station is unstaffed. Analyzing call data over the past four years, North Auburn Ophir Fire responds to just under 2400 calls for service annually, with station 180 (Atwood) responding to nearly 2000 of these calls. NAOF with its total six firefighters on duty and three frontline engines is able to meet call needs 84% of the time. Sixteen percent of the time, either because the call requires more than six firefighters and three engines or because a call comes in when all resources are already committed, NAOF must request assistance from outside agencies.

The study analyzed NAOF's service level and concluded that while the three stations and the apparatus mix was appropriate for the area, the depth of resources was below optimal. The study analyzed that 10 firefighters on duty at all times would improve call outcomes on a larger percentage of calls.

Service Reduction Discussion

The Study examined two service delivery reduction options. The first option reduced the current staffing from six firefighters on fulltime duty to four. This option would save in excess of \$510,000 in annual operating costs. The second option would reduce the current staffing from six firefighters on fulltime duty to five. This option would save approximately \$220,000 in annual operating costs.

Option two would address the expected operating shortfall over the 10 year time horizon, but would not address capital replacement needs. Option two would have to be combined with creative capital replacement efforts and would likely have to be combined with a revenue initiative that would need to generate approximately \$350,000 annually. With five firefighters on duty it is not possible to staff three frontline engines.

Option one, when combined with a likely further reduction in capital assets (resulting in reduced replacement costs) would ensure the fiscal viability of NAOF over the coming 10 years. With four fighters on duty it is not possible to staff three frontline engines.

Both service reduction options will result in increased response times, reduced depth of resources and impacts to neighboring fire jurisdictions that have routinely assisted NAOF with mutual aid. As insurance companies continue to work to reduce risk exposure, it is also likely that many more residents of North Auburn Ophir Fire will find difficulty obtaining insurance, or will be charged increased premiums commensurate with increased risk due to reduced fire service capabilities.

Analysis

The study indicates that the existing reserve balance can be used to fund operating shortfalls through fiscal year 2013/14. This assumes that a portion of reserves designated for capital replacement are re-designated for operations/contingencies. This also assumes that the most critical capital replacement need, a Ladder Truck and a frontline engine at station 180, is replaced new with a lease purchase. If a newer used Ladder Truck becomes available, it is more likely that it will be purchased with a one-time payment, allowing for significant long-term savings but drawing down reserves more quickly than indicated in the study. It is staff's assessment that reserve balances will actually be exhausted early in FY 2013/14 due to the necessary purchase of replacement apparatus.

While service reduction options may be required, all options result in a further decline in what is already a less than optimal depth of resources. Staff, working with CAL FIRE and the current ambulance service provider, would seek to influence daily ambulance stationing so that the impacts to emergency medical calls could be reduced. Any contingency that affects current ambulance positioning, however, will have to involve Sierra - Sacramento Valley EMS to ensure no other areas of the County are affected. While it is certain that the current ambulance provider would be cooperative, any potential impacts to another area would likely require mitigation, which could manifest itself in a separate contract with the ambulance provider and additional costs to NAOF. Staff will assess this option, in advance of any service reduction decisions.

The alternative to service reductions is to seek necessary revenue increases. Options available to fire services are extremely limited. With the exception of charging fees for service (a very inefficient use of public funds, due to the cost of administration, collection, impact on firefighters as they are focusing on their life safety priority and other necessary actions), fire service is left with requesting that a super-majority (66.7%) of their served registered voters agree to assess themselves a special tax. While a special tax initiative requiring a super-majority vote is difficult, it will represent

the community's support for sustaining services at current levels.

RECOMMENDED NEXT STEPS

Dry Creek Fire

It is recommended that the Board approve the use of Dry Creek Fire reserves to fund ongoing operations through FY 2012/13.

North Auburn Ophir Fire

It is recommended that the Board direct staff to bring forward a Resolution authorizing a CSA Zone 193 special tax initiative to be considered by the Board of Supervisors at the January 24, 2012 Board of Supervisors regular meeting.

It is further recommended that the Board direct staff to complete necessary actions that will allow the North Auburn Ophir Community to determine its future level of fire service through a special tax initiative on the June 5, 2012 primary election.

Available for Public Review at the Office of the Clerk of the Board

Dry Creek Fire County service Area Fire Protection Services and Revenue Assessment
North Auburn Ophir Fire, County of Placer Fiscal Impact Analysis