

6.0 KEY ISSUES

The purpose of the South County Fire Service Study is to evaluate whether there are opportunities to improve efficiencies and service levels (or sustain current service levels with increasing funding constraints) through organizing fire protection services differently. A number of issues have been identified through the service review process and in discussions with representatives from each of the agencies. Any reorganization should provide a net benefit to the residents and property owners within the affected area and should improve conditions related to the following issues:

6.1 Service Level Differences

Fire and emergency medical service levels vary within the more populated areas of the Study Area, which is a direct function of cost and available funding. Watsonville and Corralitos (County Fire) have 3-person engine staffing, while PVFPD and Pajaro Dunes have 2-person staffing. Watsonville provides Advanced Life Support (ALS) and the other areas have Basic Life Support (BLS). Watsonville is serving the Freedom area and adjacent communities, which offers higher service levels to those urban communities than are available in other rural areas within the PVFPD. Although these differences do not indicate that service is inadequate in any given area, it does demonstrate an opportunity for service levels to be equalized, particularly within the more developed areas.

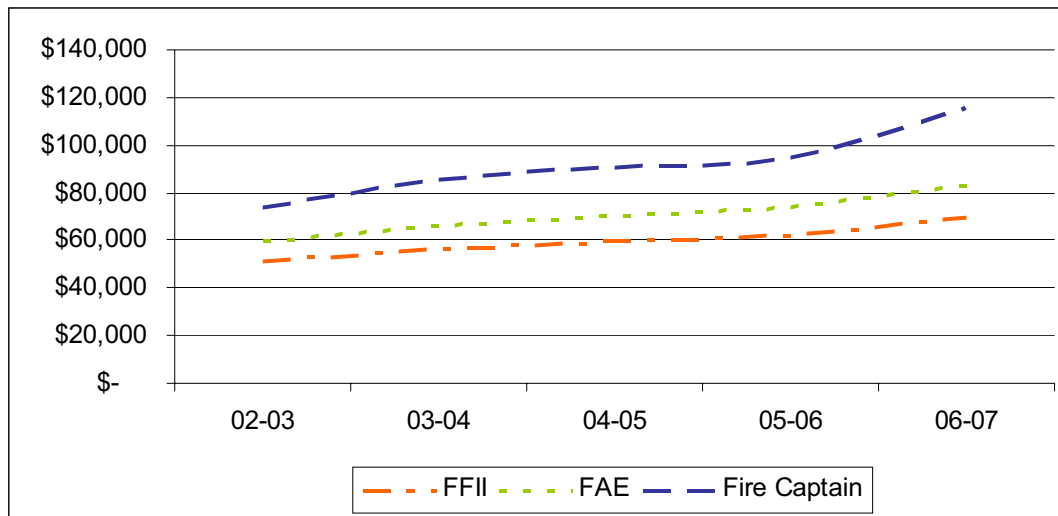
6.2 Increasing Personnel Costs for State Negotiated Contracts

Fire protection is labor-intensive, and personnel costs comprise a major portion of fire protection expenditures. Within the Study Area, labor represents approximately 91% of the aggregate cost. CAL FIRE personnel are employees of the State with most rank-and-file classifications represented by Bargaining Unit 8. Salary rates and benefits are negotiated by the State in fulfillment of the State's responsibility to provide for wildland fire protection. Local governments that contract with CAL FIRE to provide services are subject to the salary rates and costs adopted by the State; rates are not negotiable for local fire protection.

In 2001 the State entered into a Memorandum of Understanding (MOU) with Unit 8 that significantly changed the compensation for CAL FIRE personnel. A negotiated base compensation increase of 5% became effective July 1, 2003. Planned and unplanned overtime expenditures represent a significant portion of total costs. Planned overtime is the portion of the regularly scheduled work week for which staff is compensated at overtime rates (1.5). Due to federal labor law and contract obligations, planned overtime pay applies to scheduled work shifts that exceed 53 hours. Regular shifts for CAL FIRE staff are 72 hours, so 19 hours per shift are paid at overtime rates. Effective November 1, 2005, the compensation for the overtime hours changed from half time to time and a half. At the same time the method for determining hourly rates changed from weekly base salary divided by 72 hours to weekly base salary divided by 56 hours. Per the analysis done by the Legislative Analyst's Office, the 2001 Unit 8 MOU "will result in significant compensation increases for employee classifications within Unit 8". As

an example, from Year 2002-03 to 2006-07, the trend in total compensation for three major employee classifications is shown below:

Figure 6.1
CAL FIRE Compensation Changes



FFII = Firefighter II; FAE = Fire Apparatus Engineer

Retirement benefits have increased as well. Prior to Year 2000, the firefighter retirement benefit was 2.5% at 55 years. Beginning in 2000, Chapter 555, Statutes of 1999 (SB 400, Ortiz) allowed for a benefit increase to 3% at 55 years, which was included in the 1999 and 2000 Unit 8 MOUs. In 2003, Unit 8 renegotiated the 2001 MOU to 3% at 50 years beginning January 1, 2006.

This has had a significant impact on local governments contracting with CAL FIRE as those costs are passed through. The Legislative Analyst's Office estimated that the 2001 MOU increased costs to local governments by \$9 million in 2003-04, and may have reached \$22 million annually by 2005-06.

A new MOU is now in place that extends to June 30, 2008. It continues most of the provisions in the 2001 MOU including the 3% at 50 retirement benefits. It does not include changes to the basic compensation package; however, it does reduce the scheduled work week for newly appointed Battalion Chiefs to relieve a compaction problem that was a disincentive to seek promotion.

Effective July 1, 2006, CAL FIRE revised its station staffing so that core employees will staff SRA stations year round, and local governments will pay for supplemental employees through the Amador Plan. This change benefits local governments as it reduces the personnel cost that they are responsible for in the non-fire season. In addition, the set minimum charge for Amador Plan services has been eliminated and replaced by an at-cost billing system. These changes do not benefit Schedule A (year-round)

agreements and the rates for providing service with local facilities and equipment. For FY 2006/07, the County realized a net reduction of \$403,762 in CAL FIRE costs, which consists of a reduction of approximately \$656,000 in Amador Plan costs and an increase of \$253,000 in Schedule A costs. However, as noted above in the September 2006 report to the Board of Supervisors, the cost to maintain current service levels is expected to increase in FY 2007/08 and may necessitate an increase in the assessment for CSA 48.

In September 2006, the Governor vetoed AB 2683, which would have required the State to pay rank and file members of Bargaining Unit 8 (CAL FIRE) the estimated average total compensation (for each rank) of the average salary and benefits received by other jurisdictions employing 75 or more full-time firefighters within California. It was estimated that salary costs for CAL FIRE firefighters would have increased 20% under this legislation. Because personnel is the most significant cost for fire service, this type of legislation has the potential to significantly impact the fiscal stability of local agencies that contract with CAL FIRE.

It should be noted that the limited ability for local governments to affect these State-directed costs in the future is through legislative action and not annual contract negotiations at the local level.

6.3 Adequate Fire Service Funding

Adequate funding for fire services is a challenge for local governments across the state, particularly with the trend toward increasing costs and limited opportunities to increase revenue. Within the Study Area, fire service is funded through property taxes and assessments as shown below in *Table 6.1*:

Table 6.1
Fire Service Funding Sources

| Agency | Funding Sources |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| County of Santa Cruz – CSA 48 | Portion of 1% Property Tax Fire Marshal fees, Proposition 172 funds, plus Assessments = \$56.68 per fire flow unit ¹² (2 X \$56.68 = \$113.36 per single family dwelling) |
| County of Santa Cruz - CSA 4 (Pajaro Dunes) | Portion of 1% Property Tax plus Assessments = \$324.52 per fire flow unit (2 x \$324.52 = \$649.04 per single family dwelling) |
| City of Watsonville | General Fund, Prop 172 funds, fees |
| PVFPD | Portion of 1% Property Tax, fees, CAL-Star Dispatch contract plus Fire Protection Tax (\$30 per single family dwelling) |

State law determines the exchange of property tax revenues among local agencies in conjunction with jurisdictional boundary changes. When territory is detached or annexed to a district or a new fire agency

¹² A fire flow unit is a volume of water necessary to extinguish a structural fire within a given time period. The units are used to ensure adequate water service capacity as well as to quantify fire service demands. Most single-family residential properties are assigned two (2) fire flow units.

is formed, the County Board of Supervisors negotiates an exchange of property tax revenue on behalf of the districts. The exchange is limited to revenue from the annual increase in assessed value that is attributable to the affected tax rate area, referred to as the annual tax increment.

As discussed above, fire service expenditures are trending upwards faster than revenues. This is largely due to labor costs; increasing professional standards in the fire industry, changes in community demographics, and rising service level expectations are all making it more difficult to field paid-call and volunteer staff, and many local governments find this model increasingly difficult to sustain. A few years ago Watsonville ended its paid call and volunteer programs as the cost outweighed the benefits; however, in March 2007 the Watsonville City Council identified renewal of the City's volunteer firefighter program as one of the Council's priorities.

Population and level of development is a factor in fire service funding. Greater density provides increased funding due to the number of developed parcels. The 1% property tax is also a factor – increased property values provide more funding as well. As experienced by the property owners in Pajaro Dunes, spreading fire service costs over a small number of developed parcels results in higher assessments. In the Corralitos response area, there are an estimated 156 people per square mile, which represents a challenge to fund an urban level of fire service.

There are three ways to balance fire service funding with costs: 1) reduce expenditures by streamlining operations, 2) reduce expenditures by reducing services, or 3) obtain additional revenues. Revenue increases require voter or landowner approval; assessments require approval by a majority of the property owners, weighted by assessed value, and special taxes need approval by 2/3 of the registered voters. The following *Table 6.2* provides a history of the public's acceptance of fire protection assessments over the past 25 years.

**Table 6.2
Successful Fire Protection Assessments**

| District | Election | Type | Yes Vote | Total Raised | Typical Single Family Dwelling in 2006-07 |
|---------------------|------------|----------------------|------------------------------------------------|--------------|-----------------------------------------------------|
| Aptos (La Selva) | 1982 June | Special tax | 76% voters | \$110,000 | \$60 |
| Aptos (Day Valley) | 1988 June | Special Tax | 71% voters | | \$60 |
| Branciforte | 1981 Nov. | Special Tax | 81% voters | \$78,814 | \$100 |
| Branciforte | 1988 | Special Tax increase | 92% voters | | |
| Branciforte | 1996 Nov. | Special Tax increase | 78% voters | | |
| Branciforte | 2005 | Continue Special Tax | 89% voters | | |
| Pajaro Valley | 1996 March | Benefit Assessment | 56% (majority required) | \$140,000 | \$30 |
| Salsipuedes | 1982 June | Special Tax | 70% voters | | (was \$60 until reduced by 1996 PV assessment vote) |
| Zayante | 1992 June | Special Tax | 78% voters | \$68,000 | \$35 |
| CSA 48/ County Fire | 1997 June | Benefit Assessment | 67% weighted by assessment (majority required) | \$895,508 | \$111 |
| Pajaro Dunes | 1997 June | Benefit Assessment | 96% weighted by assessment (majority required) | \$368,655 | \$649 |
| Pajaro Dunes | 2006 Feb | Benefit Assessment | 85% weighted by assessment (majority required) | | |