

MEMORANDUM

TO: CITY COUNCIL

FROM: WHITNEY McDONALD, CITY MANAGER

SUBJECT: CONSIDER REPORT REGARDING FIVE CITIES FIRE AUTHORITY SERVICE DELIVERY MODELS AND COST ANALYSIS

DATE: AUGUST 10, 2021

SUMMARY OF ACTION:

Consider and receive a report on the results of a cost and service delivery model analysis conducted by the Five Cities Fire Authority (FCFA).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Receipt of the report will not create any fiscal impacts to the City. City staff assisted in the preparation of the data and analysis provided to the FCFA. Under the terms of the Third Amendment to the Joint Exercise of Powers Agreement governing the FCFA, costs to the City for fire and emergency response services are fixed at \$2,580,955 per fiscal year through at least June 30, 2022. If the Oceano Community Services District (OCSD) is successful in passing a new special tax measure in 2022, the new funding formula set forth in the Third Amendment will take effect on July 1, 2022. This new funding formula will result in a slight decrease in costs to the City based on increases in the OCSD's contribution rate. If the 2022 ballot measure fails, the City's costs will remain at current levels through a one-year wind down period that will end on June 30, 2023.

RECOMMENDATION:

It is recommended that the City Council receive and file the report from the FCFA regarding fire and emergency service delivery models and an analysis of associated costs.

BACKGROUND:

The Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande (City), the City of Grover Beach, and the Oceano Community Services District (OCSD). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital

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equipment, including fire engines and self-contained breathing apparatus, and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment to the Joint Exercise of Powers Agreement (Second Amendment¹) was approved that altered the funding formula used to determine each member community’s share of the FCFA’s costs and ensure funding consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. To account for the time that was necessary for OCSD to seek additional revenue through a special tax measure, the Second Amendment included a “transitional” funding formula to be used through at least June 30, 2020. Applying this transitional formula to FCFA’s Fiscal Year 2019-20 budget, the Second Amendment then identified specific funding amounts required of each party as follows:

A. City of Arroyo Grande 45.01%	\$2,580,955
B. City of Grover Beach 35.14%	\$2,015,115
C. Oceano Community Services District 19.85%	\$1,138,148

Table 1 depicts the funding impacts of the transitional and final revised formulas provided in the Second Amendment:

Table 1

Example Funding Amounts Applying Original, Transitional, and Final Revised Funding Formulas Using FY19-20 Budget

	Original	Transitional (Current)	Final Revised
Arroyo Grande	\$2,728,142	\$2,580,955	\$2,501,964
Grover Beach	\$1,943,693	\$2,015,115	\$1,936,123
<u>Oceano</u>	<u>\$1,062,383</u>	<u>\$1,138,148</u>	<u>\$1,296,131</u>
Total	\$5,734,218	\$5,734,218	\$5,734,218
Percentage Allocation			
Arroyo Grande	47.6%	45.0%	43.6%
Grover Beach	33.9%	35.1%	33.8%
Oceano	18.5%	19.9%	22.6%

¹ The First Amendment was a Memorandum of Agreement approved in May 2018, which was intended to facilitate a negotiation of the existing cost sharing methodology in light of the increased investment called for in the Strategic Plan.

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The Second Amendment also identified a defined “wind-down” process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would increase up to 2% annually.

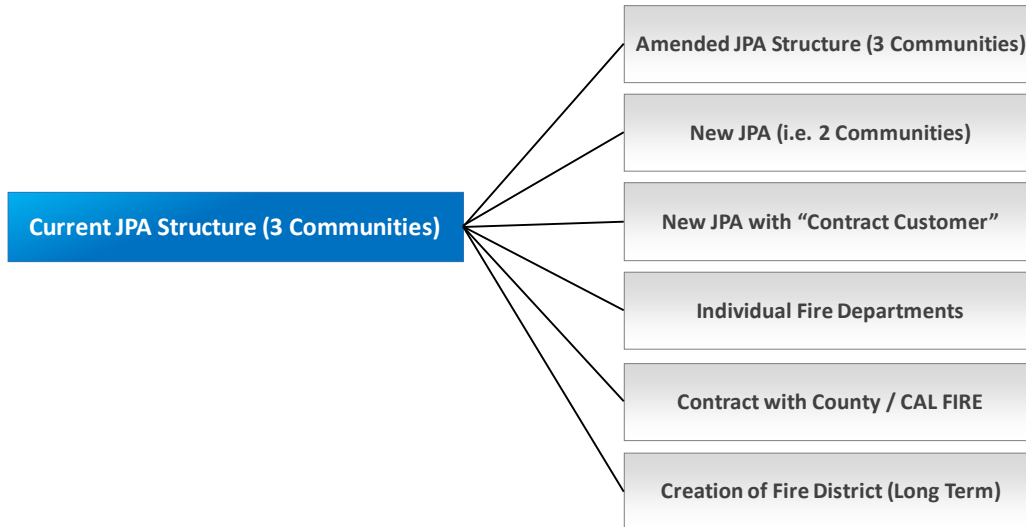
Following the outcome of the OCSD’s 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020 through which the OCSD committed to seek a new special tax measure in 2022. The Third Amendment continued the funding formulas set forth in the Second Amendment, including the transitional formula that specified the parties’ funding amounts based on the FCFA’s Fiscal Year 2019-20 budget. The Third Amendment also included the following terms:

- Should the OCSD’s 2022 ballot measure pass, the same modified funding formula identified in the Second Amendment will be implemented beginning July 1, 2022.
- Should the OCSD’s 2022 ballot measure fail, the following provisions apply:
 - The same “transitional” funding formula and fixed cost allocation will apply through June 30, 2023, continuing the City’s fixed contribution of \$2,580,955 per fiscal year through this time.
 - A wind-down period (and related work program) will result in the OCSD no longer being part of the JPA effective June 30, 2023. Work program elements of the wind-down process include:
 - A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

During Council’s consideration of the Third Amendment on July 14, 2020, staff reported that, following approval, staff of the FCFA and the three member agencies would evaluate options for the future delivery of fire and emergency services, including the following:

Five Cities Fire Authority

Potential Options for Service Delivery



Following approval of the Third Amendment, the Fire Chief worked with the FCFA Treasurer (Arroyo Grande’s Administrative Services Director) and Grover Beach’s Administrative Services Director during Fiscal Year 2020-21 to analyze the estimated costs, and the associated operational impacts, of certain service delivery options. The findings of this analysis were then reviewed with the member agencies’ managers and presented to the FCFA Board of Directors on July 16, 2021 (see Attachment 1).

ANALYSIS OF ISSUES:

The staff report presented to the FCFA Board of Directors on July 16, 2021, provided in Attachment 1, details the outcome of the cost analysis conducted regarding the following service delivery models:

- FCFA “Status Quo” – Current staffing levels as reflected in the FY 2020-21 budget.
- FCFA “Fully Staffed” – Three-person staffing at all stations, elimination of the Reserve Firefighter position, and completed transition of overhead staff (Battalion Chief, Fire Marshall, Administrative Manager).
- FCFA “Fully Staffed and Stand Alone” – Reflects an independent JPA that does not rely on member agency staff for support (“Fully Staffed” plus Accounting Clerk, contract HR, IT and Payroll services).
- CAL FIRE Local Government Contract – Reflects permanent three-person staffing and added administrative/overhead positions.

Two models were not presented, including the FCFA “Contract Customer” and fire protection district models, for the reasons explained further in the report. The FCFA’s Fiscal Year 2020-21 costs were used to project and compare costs for each model. The

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report also evaluates cost and service delivery implications for single-station/individual fire department models, including information regarding current calls for service at each station. In addition, CAL FIRE contract costs were estimated using current and projected increases to evaluate the costs and benefits of a CAL FIRE contract service delivery model for the three FCFA agencies.

The report concludes that the current three-station model utilized by the FCFA provides the most cost-effective and efficient service to residents, businesses, and visitors in Arroyo Grande, Grover Beach, and Oceano. In light of this information, it is recommended that the current three-station JPA model be retained and the current provisions of the Third Amendment be utilized to allow OCSD to seek additional funding through a special tax measure. If the OCSD ballot measure fails, the City and its FCFA partners may desire to pursue one of the alternatives discussed in the report following completion of the wind-down process.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Receive and file the report from the FCFA providing an analysis of service delivery models and associated costs;
2. Do not receive and file the attached report; or
3. Provide other direction to staff.

ADVANTAGES:

Receipt and consideration of the report of the FCFA's service delivery models and cost analysis will provide relevant and timely information regarding the City's fire and emergency service provider. This information will be particularly helpful in the event that the OCSD special tax measure is unsuccessful and the parties are required to wind down OCSD's involvement in the JPA. At that time, the parties may wish to pursue one of the other options identified in Attachment 1 for the future provision of fire and emergency service to their communities.

DISADVANTAGES:

No disadvantages are identified to receive and file the attached report.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

ATTACHMENTS:

1. July 16, 2021 Staff Report to FCFA Board of Directors



STAFF REPORT

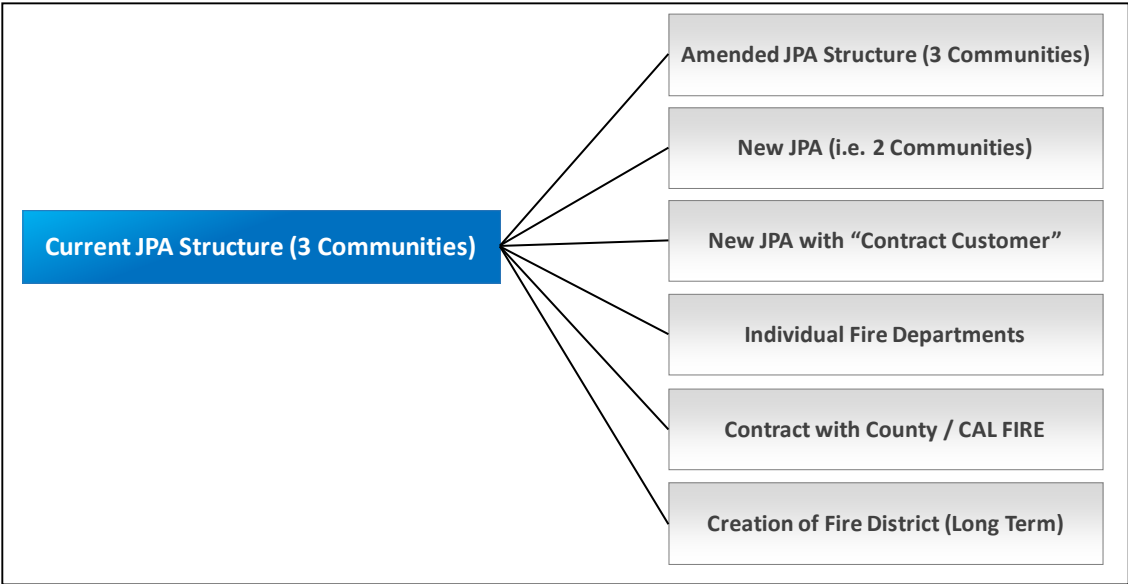
TO: Chair and Board Members **MEETING DATE:** July 16, 2021
FROM: Stephen C. Lieberman
SUBJECT: Fire Station Cost/Data Analysis and Comparison to CAL FIRE Pismo Beach Contract

RECOMMENDATION

It is recommended that the Board receive and file the staff report.

BACKGROUND

The member communities approved a third amendment to the Five Cities Fire Authority (FCFA) Joint Powers Authority (JPA) agreement in July 2020. Related to the execution of the Memorandum of Agreement (MOA), the Fire Chief, along with the Administrative Services Directors of Arroyo Grande and Grover Beach were requested to analyze various fire and emergency response models including a review of the CAL FIRE / City of Pismo Beach contract. There existed interest in potential alternative models to the existing JPA structure included a reduced number of community partners and the consideration of contracts for service. The Fire Chief reviewed response data and has included a summary to reflect potential operational impacts associated with changes in service delivery models. This report does not address known staffing needs or other capital investment.



Process

The Fire Chief met with finance staff from Arroyo Grande and Grover Beach on multiple occasions to discuss the analytical process, secure financial information from Arroyo Grande, and to receive assistance related to capital replacement funding options, and finally validation of the analytical process the Fire Chief utilized for this project.

Pismo Beach / CAL FIRE State Contract

The City of Pismo Beach contracts for fire and emergency services directly with CAL FIRE (as opposed through the County of San Luis Obispo). The current 4-year contract will expire June 30, 2021. The contract defines specific services that will be provided by CAL FIRE, and also defines specific operating expenditures that Pismo Beach would be responsible for that are not included in the contract. The Pismo Beach contract does not include apparatus and capital equipment replacement funding, or operating expenses as that obligation falls to the City. In essence, the CAL FIRE contract with the city provides personnel for fire and emergency services response, fire prevention, administration and dispatch services (along with some funding for uniforms, personal protective equipment, and communications).

The FCFA Fire Chief met with the former County of San Luis Obispo / CAL FIRE Unit Chief to review the current contract, and subsequently validated the analysis with the current County / CAL FIRE Unit Chief. The State of California “Amador Agreement” was removed from the contract to maintain a more consistent comparison, and the Unit Chief also shared that any future “Local Agency” contract would require additional CAL FIRE supervisory staff that are not included in the existing contract with Pismo Beach.

Assumptions

- Cost Basis – Costs were based on the FCFA FY 20-21 budget and the projected costs of the final year (FY 20-21) of the Pismo Beach contract.
- Capital Equipment Funding/Replacement – These costs are not reflected in the models presented. Estimated annual costs that should be anticipated for FCFA (not currently budgeted) are approximately \$240,000.
- Operating Expense – as the CAL FIRE contract does not fully identify other operating costs for a fire department, the analysis uses those costs as identified in the FCFA FY 2020-21 budget. Operating expenses were allocated to a “single station” estimate.
- Automatic Aid Agreements – Automatic Aid agreements are intended to provide “like resources” for larger incidents that challenge the capabilities of the requesting fire department. These agreements are not intended for “routine” calls for service, and must be equitable in frequency between the participating agencies.

Models Presented

- FCFA “Status Quo” – Current staffing levels as reflected in the FY 2020-21 budget.
- FCFA “Fully Staffed” – Reflects 3 person staffing at all stations, elimination of the Reserve Firefighter position, and completed transition of overhead staff (Battalion Chief, Fire Marshall, Administrative Manager).
- FCFA “Fully Staffed and Stand Alone” – Reflects an independent JPA that does not rely on member agency staff for support (“Fully Staffed” plus Accounting Clerk, contract HR, IT and Payroll services).
- CAL FIRE Local Government Contract – Reflects permanent 3 person staffing and added administrative/overhead positions.

Models Not Presented

- FCFA “Contract Customer” – Assuming that a jurisdiction wished to have the FCFA provide contract services (as opposed to being a JPA partner), staff would work with the interested party to determine what specific services were being requested and to quantify a cost estimate based on both the potential jurisdictions funding limitations, and FCFA actual costs for response personnel and administrative support. Depending on the scope of the request, additional FCFA staff and equipment could be required.
- Creation of a Fire Protection District – Dating back to the initial discussions and planning for the creation of the JPA, the eventual formation of a self-sustaining fire protection district was discussed. The analysis required for this study exceeds the capacity/capabilities of the Fire Chief and would require the services of a consultant. The formation of a fire protection district would result in the permanent transfer of a defined level of property tax revenue from the identified jurisdictions to the district, along with the formation of an elected Board of Directors. The district would also use the election process to request future additional funding.

ANALYSIS

The results of the analysis identify the economies of scale realized by sharing/spreading administrative and shared operating expenditures over a number of fire stations. For example, a single fire station requires Fire Chief, Battalion Chief, Fire Marshall, and administrative management positions, along with the funding to cover operating expenditures. These “fixed costs” can be shared/spread over multiple fire stations/communities, which creates the benefit of shared services. While a cost analysis is a critical component when contemplating service levels, response patterns and calls for service data presents an accompanying perspective. Operational data is presented later in this report.

	<u>Single Station Cost</u>	<u>Two Station Cost</u>	<u>Three Station Cost</u>
Five Cities Fire Authority (Status Quo)	\$2,516,360	\$4,220,775	\$5,898,598
Five Cities Fire Authority (Fully Staffed)	\$3,106,410	\$4,815,574	\$7,450,740
Five Cities Fire Authority (Fully Staffed Stand Alone)	-	-	\$7,731,097
CAL FIRE - Local Government Contract	\$3,744,371	\$6,056,373	\$8,368,376
\$ Increase/(Decrease) - FCFA vs CAL FIRE (Status Quo)	\$1,228,010	\$1,835,598	\$2,469,778
\$ Increase/(Decrease) - FCFA vs CAL FIRE (Fully Staffed)	\$637,960	\$1,240,799	\$917,635
\$ Increase/(Decrease) - FCFA vs CAL FIRE (Stand Alone)	-	-	\$637,279

Service Delivery Models

Single and Multiple Fire Station model comments are based upon the total call volume as reflected below, with a focus on 2020:

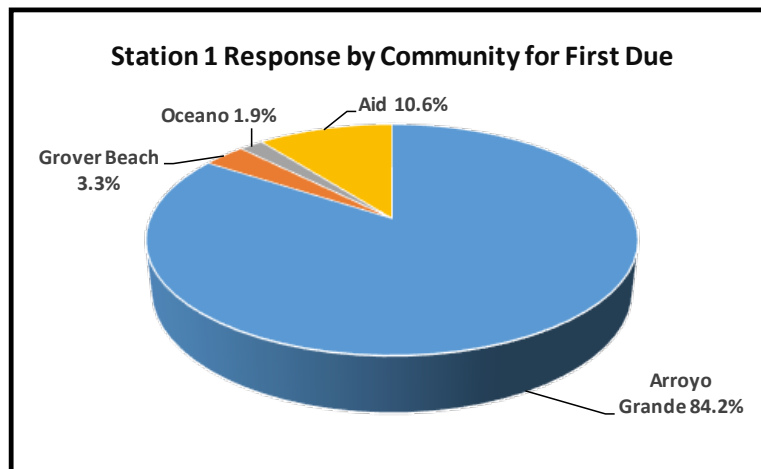
Yr.	Total Incidents								Total Call Volume	
	FCFA	Change	AG	Change	GB	Change	OCE	Change	Aid	Change
2018	3520		1856		1098		566		164	
2019	3406	-3.2%	1814	-2.3%	1049	-4.5%	543	-4.1%	199	21.3%
2020	3719	9.2%	1963	8.2%	1077	2.7%	679	25.0%	263	32.2%
									3684	
									3605	-2.1%
									3982	10.5%

% of Incidents per Community			
Yr.	AG	GB	OCE
2018	52.7%	31.2%	16.1%
2019	53.3%	30.8%	15.9%
2020	52.8%	29.0%	18.3%

Single Fire Station Fire Department

The single fire station fire department model is intended for a community that experiences call volume that can be handled by a single engine company, or multiple crews responding to incidents from the same fire station. This analysis is based upon a single fire station having one crew of three personnel plus administrative oversight and support. Listed below are charts reflecting the response patterns of each of the three FCFA fire stations (2018-2020):

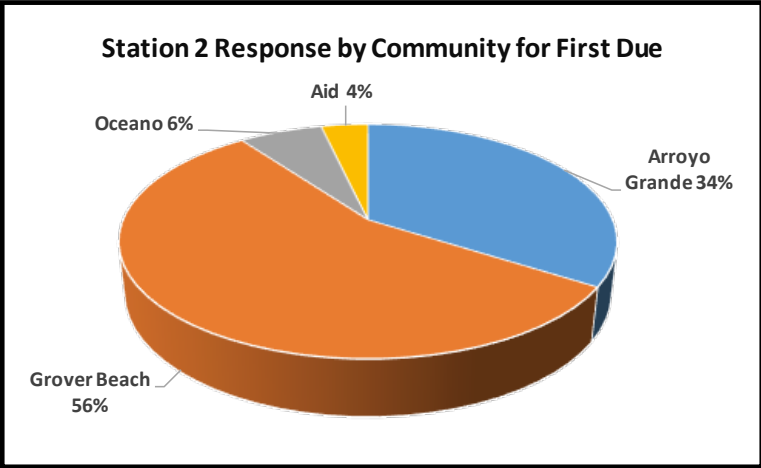
Arroyo Grande Station 1



The Arroyo Grande fire station responded within the city limits nearly 85% of the time, providing limited coverage to Grover Beach and Oceano residents (5%). "Aid" relates to Automatic and Mutual Aid requests along the Highway 101 corridor and into East unincorporated Arroyo Grande.

Station 1 Response by Community for First-Due									
Yr.	AG	% of Calls	GB	% of Calls	OCE	% of Calls	Aid	% of Calls	Total Station Calls
2018	1247	87.4%	63	4.4%	27	1.9%	89	6.2%	1426
2019	1143	88.1%	51	3.9%	19	1.5%	84	6.5%	1297
2020	1119	84.2%	44	3.3%	25	1.9%	141	10.6%	1329

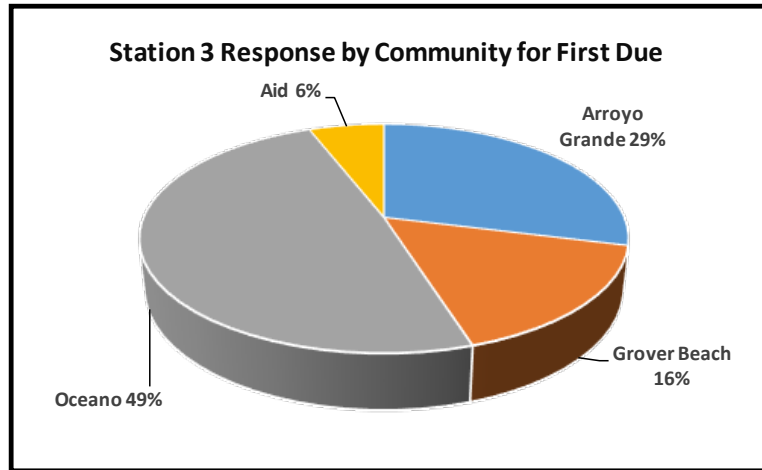
Grover Beach Station 2



The Grover Beach fire station responded within the city limits 56% of the time while covering Arroyo Grande (34%) and Oceano (6%) residents for a combined 40% of total station response. Aid related to Pismo Beach Highway 1/101 corridors, and incidents in the dunes area between Oceano and Grover Beach. It should be noted that response into Arroyo Grande and Oceano increased in 2020 related to the increased Oceano station “brown-outs.”

Station 2 Response by Community for First-Due									
Yr.	AG	% of Calls	GB	% of Calls	OCE	% of Calls	Aid	% of Calls	Total Station Calls
2018	256	21.3%	877	72.8%	33	2.7%	38	3.2%	1204
2019	314	26.4%	781	65.6%	46	3.9%	50	4.2%	1191
2020	516	34.0%	848	55.9%	98	6.5%	55	3.6%	1517

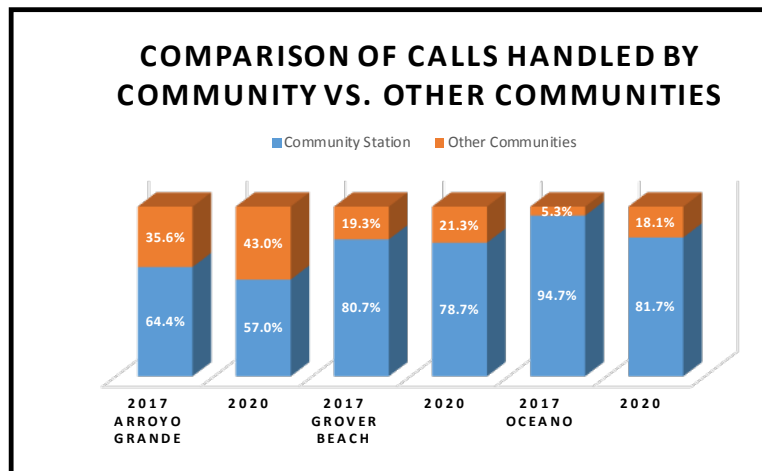
Oceano Station 3



The Oceano fire station responded within CSD limits 49% of the time, while covering Arroyo Grande (29%) and Grover Beach (16%) a combined 45% of total station response. Aid requests were related to the dunes area between Oceano and Grover Beach, along with a portion of the Nipomo Mesa.

Station 3 Response by Community for First-Due

Yr.	AG	% of Calls	GB	% of Calls	OCE	% of Calls	Aid	% of Calls	Total Station Calls
2018	353	33.5%	158	15.0%	506	48.0%	37	3.5%	1054
2019	357	32.1%	217	19.5%	478	42.9%	61	5.5%	1113
2020	328	28.9%	185	16.3%	555	48.9%	67	5.9%	1135



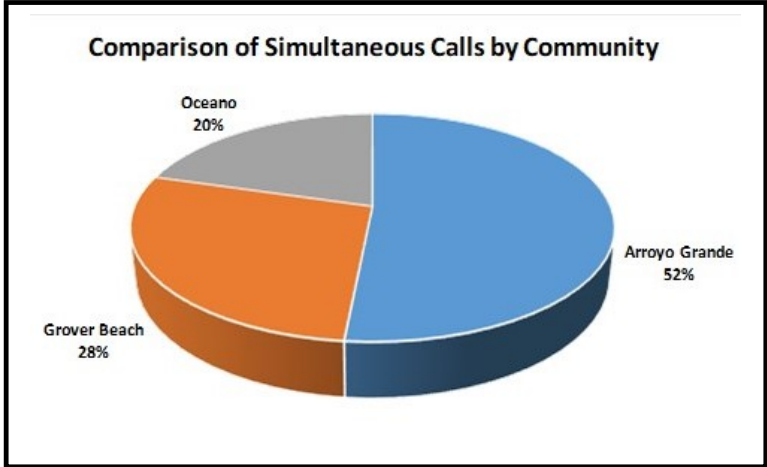
This chart depicts the efficiencies of having multiple stations with response patterns focused on having the closest available unit respond without regard to community boundary. Comparing 2017 to 2020, each community experienced an increase in having neighboring stations respond into their communities. It should be noted that the metrics related to the increase in Oceano is attributed to the increased instances of station brown-outs related to the current Memorandum of Agreement.

Comparison of Response by Community and Other Community Coverage						
Yr.	AG	Other	GB	Other	OCE	Other
2018	1247	609	877	221	506	60
2019	1143	671	781	268	478	65
2020	1119	844	848	229	555	123

Comparison of Response by Community and Other Community Coverage by Percentage						
Yr.	AG	Other	GB	Other	OCE	Other
2018	67.2%	32.8%	79.9%	20.1%	89.4%	10.6%
2019	63.0%	37.0%	74.5%	25.5%	88.0%	12.0%
2020	57.0%	43.0%	78.7%	21.3%	81.7%	18.1%

Multiple Fire Station Department

An emergency response organization with multiple resources is able to respond to both simultaneous and “multi-company” requests for emergency services. Examples of multi-company incidents include vehicle accidents, wildland and structure fires, hazardous materials, and rescue incidents. Having multiple resources available for the initial response provides a more effective “time and weight” benefit to the member communities as opposed to a single station relying on the availability and time of response of automatic aid resources. Additionally, the added resources including staffing, water distribution systems, fire engines and a ladder truck all contribute to a better ISO rating (Insurance Service Office), which results in lower fire insurance rates for community members.

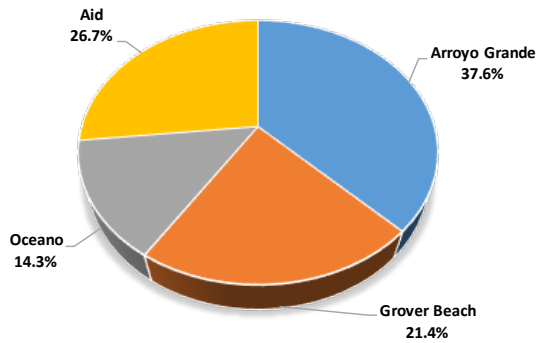


The chart to the left reflects the instances of simultaneous calls for service by community.

Within each community, the percentage of simultaneous calls for service as compared to total calls for service are listed below (2020):

Arroyo Grande	36%
Grover Beach	35%
Oceano	41%

Multi-Company Incidents by Community



The chart to the left reflects the instances of calls for service requiring multiple FCFA resources by community. These types of calls reduce capacity for subsequent requests.

Within each community, the percentage of calls requiring multiple FCFA resources as compared to total calls (2020):

Arroyo Grande	6.2%
Grover Beach	6.4%
Oceano	6.8%

Multi-Company Incidents

Yr.	FCFA	AG	% of Calls	GB	% of Calls	OCE	% of Calls	Aid	Total
2018	9.6%	168	9.2%	97	8.8%	52	9.2%	33	298
2019	9.4%	153	8.4%	82	7.8%	46	8.5%	57	338
2020	8.1%	121	6.2%	69	6.4%	46	6.8%	86	323

Multi-Company Incidents by Community Percentage

Yr.	Arroyo Grande	Grover Beach	Oceano	Aid
2018	56.4%	32.6%	17.4%	11.1%
2019	45.3%	24.3%	13.6%	16.9%
2020	37.5%	21.4%	14.2%	26.6%

Simultaneous Incidents

Yr.	Arroyo Grande	% of Calls	Grover Beach	% of Calls	Oceano	% of Calls	Aid	% of Calls	FCFA
2018	170	9.3%	62	5.6%	15	2.7%	31	18.9%	16%
2019	736	40.6%	399	38.0%	185	34.1%	94	56.6%	39%
2020	699	35.6%	379	35.3%	278	41.1%	173	84.8%	38%

FINDINGS & CONSIDERATIONS

Staff analyzed the current cost structure of the FCFA as well as the Pismo Beach CAL FIRE contract, focused on providing a comparable product. Given input from the current and former CAL FIRE Unit Chiefs, modifications to the existing Pismo Beach contract were reflected in the analysis. With an increased call volume (10% increase in 2020), staff believes that this financial analysis affirms the efficiency that exists by “sharing” operating costs, specialized equipment, and a response design that is not defined by community boundaries in the provision of emergency services. The data clearly identifies the regional benefit by having multiple stations in the service area. As an example, the City of Arroyo Grande has a single fire station that responds within its city limits nearly 85% of the time. The Grover Beach and Oceano fire stations provided faster service to Arroyo Grande residents or covered a simultaneous emergency call for service to over 40% of Arroyo Grande’s calls for service in 2020. This type of organization allows any one of the member communities to avoid the expense of building and staffing a second fire station. The Five Cities Fire Authority will require additional investment in staffing and capital equipment in order to appropriately protect the service area, but remains a cost effective example of regional partnership.

FISCAL IMPACT

None at this time.

ALTERNATIVES

The following alternatives are provided for the Board’s consideration:

1. Receive and file report.
2. Provide other direction.

ATTACHMENTS

None

PREPARED BY

Stephen C. Lieberman, Fire Chief

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