



Latrobe Fire Protection District

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August 12, 2008

El Dorado County Grand Jury
P.O. Box 472
Placerville, CA 95667-0472

Ladies & Gentlemen of the Grand Jury:

Please find attached Latrobe Fire Protection District's response to the 2008 Grand Jury Report. Should you have any questions, or require further information, please feel free to contact me at the telephone number or address listed above.

Respectfully,

John J. Haverty
Chairman
Latrobe Fire Protection District
Board of Directors

JJH:ms

Latrobe Fire Protection District Responses as required in accordance with the California Penal Code §933.05.

FINDINGS

In accordance with the California Penal Code §933 and §933.05, each finding will be responded to by the government entity to which it is addressed. The responses are to be submitted to the Presiding Judge of the Superior Court. The 2007-2008 El Dorado County

Grand Jury has arrived at the following findings:

1. Either a fire protection district or LAFCO can initiate a consolidation study including a cost/benefit analysis. LAFCO has been reluctant to aggressively pursue consolidation of fire protection districts, waiting instead for one or more of them to initiate movement toward consolidation.

The LFPD agrees that we can initiate a consolidation study that includes a cost/benefit analysis or many other factors important to consolidation at any time. Historically we have done this every few years either formally or informally. To date none of the possible consolidation studies have proven to be more effective than our current organizational model.

The LFPD has no comment on the statement that LAFCO has been reluctant to aggressively pursue consolidation of fire protection districts.

2. There is often institutional resistance to changing the status quo of an organization. Consolidation and reorganization are likely to lead to elimination of redundant positions, which typically will not be well received by current employees. Should consolidation occur, these difficulties can be ameliorated by a) selecting at least one director from the district to be a director of the new district, and b) continuing former district volunteer firefighter associations, such as was done with the mergers to form the El Dorado County FPD.

While in general consolidations of organizations with a significant number of paid administrative positions will benefit from a reduction in those administrative positions, this is not the case with the LFPD. The LFPD has only a few part time administrative positions. Most of the department staff is operational, of which there is no redundancy that could be offset by consolidation. In fact most of the operational positions are either being done by volunteers or underpaid staff. If the LFPD were to consolidate with another fire district there would not be any significant cost savings.

The LFPD believes the examples given for amelioration are not good examples of best practices nor would they result in a positive impact to the community nor a savings to the citizens of El Dorado County, but in fact would decrease services and/or increase costs.

3. The County Board of Supervisors supplements revenues for six FPDs on the County west slope and two small districts providing fire protection in the Tahoe Basin, Fallen Leaf Lake CSD and the Meeks Bay FPD. This is a subsidy by the County at large to these particular fire districts. These subsidies raise a fairness issue for taxpayers outside these districts who are supporting their own fire protection district through various taxes while also contributing, through the County's General fund, an extra amount of money to these subsidized districts. These subsidies are based on an agreement between the County Board of Supervisors and the eight districts, "Supplemental Funding Agreement for Rural Fire Districts for Enhanced Fire Protection and Emergency Medical Services." This agreement was amended by an Auditor-Controller memo of October 4, 2001, Board of Supervisors' action on 10-9-01, to provide for a correction in tax rates for fire protection in some of these districts. Under this agreement, the eight districts receiving less than 13 percent of the ad valorem property tax revenue collected within their boundaries will receive a supplemental contribution from the County general fund. This supplement is intended to be sufficient to provide the district with revenue for fire protection services equal to approximately 13 percent of their tax revenue base. The amount of this subsidy is calculated by the Auditor-Controller each year using the final assessed property valuation from the prior year to establish the 13 percent threshold. The difference between the 13 percent threshold and the prior year estimated actual tax revenue plus the prior year subsidy is the basis for the current year subsidy. For the eight subsidized districts, their percentage of total Tax Rate Area (TRA) taxes is always less than 13 percent; whereas for the five non-subsidized fire districts the percentage exceeds 13 percent. Exhibit A, column D, shows the amount of the County supplemental contribution to bring all fire protection districts up to the equivalent of 13 percent of the total TRA taxes for FY 2006/07. The supplemental amounts contributed by

the County to all eight subsidized districts in FY 2006/07 totaled \$1,188,142. The share of this amount received by the six West slope FPDs was \$856,908, which is 72.2 percent of the total subsidy for FY 2006/07. The County supplemental in FY 2006/07 for all eight subsidized districts was \$1,188,242. The subsidy for the six FPDs in the present year, FY 2007/08, is \$926,948, an 8.2 percent increase over the previous year. The subsidy for all eight districts in FY 2007/08 is \$1,300,347, which is a 9.3 percent increase over FY 2006/07.

This analysis does not include any effort to understand the value of services provided. There are many factors not properly included such as the frequent response of a district like Latrobe to the adjacent districts. The value of this service is not evaluated. The entire fire protection service evaluation requires a much more sophisticated and detailed approach than is provided here.

The use of the terms "subsidized district" and "subsidies" is, in our opinion, a poor choice of words. The augmentation funds are not a subsidy, but an effort to provide for a minimal value of compensation for services. The Grand Jury should have compared the tax basis that all of the fire districts in the county receive. The value of the service to ALL citizens of El Dorado County is clearly not included in this "discussion of numbers".

Funds are allocated from a tax revenue pool, based on certain criteria using an allocation basis. This criteria and allocation base is a good faith attempt to allocate funds in a manner as equitable as possible, to enable different districts, ranging from lightly populated rural districts, to densely populated suburban districts, to provide an acceptable level of service under normal day to day conditions.

Funding allocations are at best subjective and open to criticism, but in the final analysis, the question should be, "how much does it cost to provide an acceptable level of service?" This question should be the starting point, not the allocation basis used.

One size does not fit all. A fire is a moving target recognizing no boundaries, or cost allocation methods. We should be guided by common sense principles rather than rules that give rise to the use of the term "subsidy."

There is a finite pool of funds (tax revenues) available, none of which should be looked upon as a "subsidy". Ask the residents of Butte County, Paradise, Concow, and other areas hard hit by fires, and find out how they feel about being subsidized by the services provided by "out of town" districts.

A wildfire recognizes no jurisdiction, boundaries, districts, county lines or other man made attempts to divide, allocate, and apportion responsibility for service. This has been eminently demonstrated in the current series of fires engulfing Northern California. Not only are fire districts, including Latrobe, crossing county lines to render assistance, but out of state districts and foreign countries are also providing support.

4. All of the subsidized FPDs receive "special taxes" and/or "special assessments" except Pioneer FPD. These funds are not considered when the subsidy calculation is made. These special funds have been previously authorized on a continuing basis by an election of property owners within the districts. Special taxes require a vote of 2/3 of the property parcel owners. Special assessments are "fire suppression assessments," which are allowed under State law and require only a property parcel vote of 50 percent plus one.

It is proper that these funds are not included in the analysis because they were put in place by the citizens of the respected communities in order to deal with issues specific to their needs. The LFPD would like to note that while the current State law requires only a simple majority to pass a special tax of this type, at the time the LFPD special assessment as established, State law required greater than a 2/3 majority.

5. The tax revenues for FY 2006/07 for the West Slope FPDs are summarized in Exhibit B. The tax revenues for each district, including special taxes and special assessments, are combined in one column. Note that all but Pioneer FPD and Latrobe FPD receive tax revenues exceeding 13 percent of their tax base, and all but Pioneer FPD have total funding including the County Supplemental Contribution that exceeds 13 percent of their tax base. With the exception of Pioneer FPD and Latrobe FPD, the County supplemental is much smaller than the other tax revenue received by the subsidized districts.

The LFPD agrees with the statements made in point 5. We do however do not agree that the value of 13% has any bearing on the issue. While the Grand Jury report indicated that all fire districts except for Pioneer and Latrobe receive tax revenues in excess of 13 percent of their tax base that in itself is not sufficient enough to determine need.

There are many factors to determine the costs of fire related services. Amongst them are the density of the population (rural versus urban), the call volume, the types of possible incidents, the types of structures in the district, the fire hazard severity zone value, the distance from other possible districts resources, etc. A detailed analysis by knowledgeable persons is required to determine what the tax basis should be for any fire district and cannot be done simply by using the same value across the entire county.

6. With advance notification, the Board of Supervisors can discontinue these subsidies. The County has a fiduciary responsibility to minimize them, preferably without degrading fire protection capabilities. Elimination of the subsidies would require these fire protection districts to either find other sources of revenue in a similar amount, or find equivalent budget savings that would not degrade fire protection capability.

The LFPD agrees that while it is true that the Board of Supervisors can discontinue these subsidies and perhaps should in certain cases, it should only be done with consideration on how it will affect the level of services to the community. The discrepancy is in what should be the minimal level of service that the county should support and what are the costs are to provide that service? If a fire district has identified a need for funds to support that minimal level of service, then the most logical funding source should be the tax base.

The fire services are not a profit motivated business and our funding sources are extremely limited. The LFPD does agree that all the fire districts, including those that do not receive the augmentation funds, should operate in the most efficient manner possible resulting in the best possible savings to the budget. The county should review the requirements and funding for all districts, not just those that are receiving augmentation funds, to determine what tax revenues are used for what services.

7. Consolidation of the six West Slope subsidized fire districts, and especially mergers into the three financially stronger fire districts on the West Slope, should allow elimination of the fire chiefs and other administrative positions in the subsidized districts. The potential personnel savings that could result are shown in Exhibit C, where the administrative personnel costs for each fire district are shown in column L, with a total amount of \$944,084. The County supplemental contributions for these fire districts are shown in column M, and the total amount is similar to the total administrative personnel costs shown in column L.

The LFPD disagrees with the analysis. There is no data to support the result of same or increased levels of service by reducing operational personnel by any title. Small district chiefs and other "Administrative" personnel do not perform "redundant" chores that can be instantly absorbed into a larger organization. These people predominantly perform significant operational activities as well as response operations that still need to be performed regardless of title or agency.

In fact evidence through many studies has shown that when consolidation occurs between organizations where much of the services were performed by volunteers in one organization with paid personnel in another organization, costs to the community increase and the level of services decreases. This is the major factor that eliminates most of the potential value of consolidation of special districts. Any consolidation needs to fully analyze the value provided by volunteers or underpaid services as compared to the same services paid for by full market value professionals.

A consolidation study must include the total value of all services performed, which services could be eliminated by reduction of redundant positions, and which services might be affected if the current volunteer positions are no longer being provided by the community. Our study has shown that many volunteers will not be interested in performing the roles they are currently providing if those same services are provided by fully funded professional staff in the parent organization.

We support, in principle, the idea of consolidation, but we feel that the Grand Jury has been misinformed as to the immediate financial benefits of consolidation. In our opinion, after considering the data for the smaller districts with budgets under \$500,000 there would be little, in any, financial savings.

Consolidation should result in lower administrative costs, but unless appropriate policies and procedures are revised to meet the newly consolidated organizational structure, the perceived benefits will never materialize. In addition, the operational policies and procedures, which differ from district to district need examining to ensure that there will be operational benefits from future consolidations.

In conclusion, it is believed, by some, that if the county is really interested in cost benefits, there should be, in time, a major consolidation of all districts, resulting in one district for the West Slope that would also include ambulance services.

8. *If supplemental payments to the six West Slope fire protection districts are eliminated, the savings to the County general fund will be recurrent, rather than one-time. Over ten years and with an annual increase of 9 percent, the SAVINGS will amount to \$14,018,235. If supplemental payments to all eight subsidized fire districts are eliminated, the SAVINGS over ten years will amount to \$19,665,148.*

We hold serious reservations as to the calculations and assumptions. We believe this analysis is over simplified. The only appropriate approach to evaluating this entire issue would be with a professional group performing the analysis. Professional fiscal evaluation tools need to be coupled with a keen understanding of all levels of fire service delivery operations including the value of volunteer service.

For example, as was pointed out above, most of the services provided to the LFPD are done through volunteer or significantly underpaid staff. If the county removed the supplemental payments it would probably result in removing the funding required to provide the minimal level of service to the community. This in turn would prohibit the current staff to operate safely and with state required resources and cause the department to collapse, thus eliminating the services to the Latrobe and surrounding communities. In turn the county would have to provide these services with one or more of the surrounding districts that are predominantly based on paid staff. This in turn would cost the county significantly more money than what is spent today.

RECOMMENDATIONS

1. *The El Dorado County Board of Supervisors should discontinue the "Supplemental Funding Agreement for Rural Districts for Enhanced Fire Protection and Emergency Medical Services" as it pertains to the following six fire protection districts: Pioneer, Rescue, Garden Valley, Mosquito, Georgetown, and Latrobe.*

The LFPD disagrees that the El Dorado County Board of Supervisors should discontinue the "Supplemental Funding Agreement for Rural Districts for Enhanced Fire Protection and Emergency Medical Services" as it pertains to the Latrobe Fire Protection District for the reasons cited in above.

2. *LAFCO and the El Dorado County Board of Supervisors should actively encourage consolidation or merger agreements between these presently subsidized fire protection districts and any of the following fire protection districts: El Dorado County Fire Protection District, Diamond Springs-El Dorado Fire Protection District, and El Dorado Hills County Water District.*

The LFPD is already in discussion with other fire districts to the applicability of consolidation and do not require encouragement from either LAFCO or the El Dorado County Board of Supervisors.

3. *The boards of directors of the following nine fire protection districts should make a good faith effort to reach consolidation agreements: Rescue, Pioneer, Mosquito, Latrobe, Georgetown, Garden Valley, El Dorado County, Diamond Springs, and El Dorado Hills. Each of these nine fire protection districts should report the results of their efforts to the Grand Jury within the Penal Code timeframe requirements.*

We agree that it is always appropriate for a public service agency to periodically evaluate performance delivery. From the LFPD perspective, the evaluation of potential for reorganization with another agency does not, and has never needed a politically motivated Grand Jury report to provide the stimulus to perform the evaluation.

The LFPD has historically performed periodic evaluations of service levels and optional approaches to organization and agency affiliation. When the agency was formed in 1981 we had detailed discussions with multiple existing agencies to understand how we could provide the best possible service with virtually no resources available. These discussions included CDF, Cameron Park, Shingle Springs, and El Dorado Hills. There were no better options at that time for the funds available than to form our own district.

We have subsequently had detailed discussions with other agencies. Those included detailed presentations made to the LFPD Fire Board from the former Shingle Springs Fire Protection District, a discussion without a formal analysis with Cameron Park Fire, an evaluation of possible reorganization with the current El Dorado County Fire Protection District at the time that district was organized and a formal presentation made by the El Dorado Hills Fire Department approximately 6 years ago. The fire board evaluations continued to show that we were performing at an acceptable level of service for the resources available and that consolidation would not provide an increase level of service nor a reduction in costs. In fact in all cases just the opposite was indicated.

Prior to the receipt of this report, two officers and a board member of Latrobe Fire Protection District had already started informal discussions with El Dorado Hills Fire Department board members and officers to explore reorganization possibilities. Subsequent to the informal discussion both boards agreed to meet formally to discuss the issues of organization and delivery of emergency response services to the citizens in both of our agencies. This "good faith" effort is ongoing and will continue with the LFPD evaluations of other organization possibilities beyond the timeframe for response to this Grand Jury report.

