

# Supplemental Funding of Fire Districts – Background and Recommendations

Staff Report for 3-30-09 BOS meeting Agenda Item #1  
By Ronald Grassi, ACAO

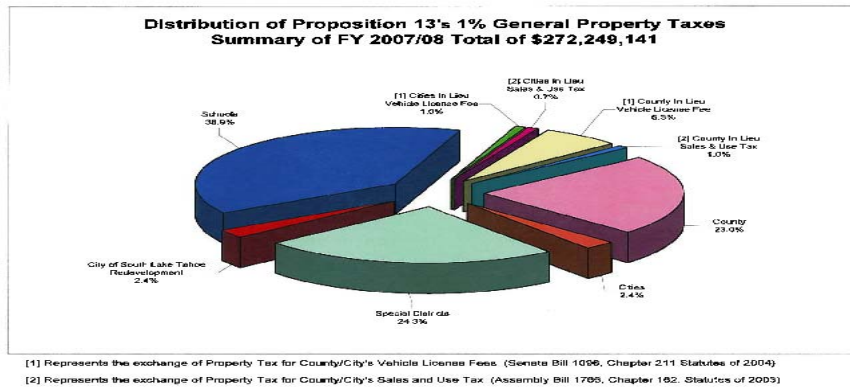
El Dorado County is currently experiencing competing demands for County resources. Supplemental funding for fire protection and emergency medical service may impact other important services, and the achievement of County objectives. The expected budget shortfall for fiscal year 2009/2010 is over 4 million dollars. The supplemental funding of fire districts amounts to a \$1.3 million general fund contribution equivalent to 17 full time positions based on the calculation of \$80K salary/benefits per FTE.

## El Dorado County Fire Districts

Prior to 1991 El Dorado County had 19 different Fire Districts. In the spring of 1991 the El Dorado County Fire District began a consolidation process which resulted in 6 districts being combined. Today, El Dorado County has 13 different fire districts for 1,711 square miles and approximately 180,000 residents. Fire and EMS response time differs based on different terrains which range from urban, semi –rural, rural and wilderness.

## Property Tax and Proposition 13

Prior to the passage of Proposition 13 local governments were authorized to set the property tax rates. The total tax rate to any individual parcel was the total of the separate rates levied by each local jurisdiction serving the property such as the County, City, Special District, School District, Community College and Office of Education. After June of 1978 with the passage of Proposition 13 the California ad valorem (based on value) property tax rate was limited by the State Constitution to 1% plus any voter-approved bonded indebtedness, special taxes or benefit assessments. State and local governments became prohibited from imposing any new ad valorem taxes on real property. The following is a graphic depiction of El Dorado County’s Proposition 13’s 1% General Property Taxes. It is noteworthy that a majority (38%) of the funds are directed towards education. The Special Districts receive 24.3% and the County receives only 23%.



**Tax Rate Area (TRA) & Assembly Bill (AB 8)**

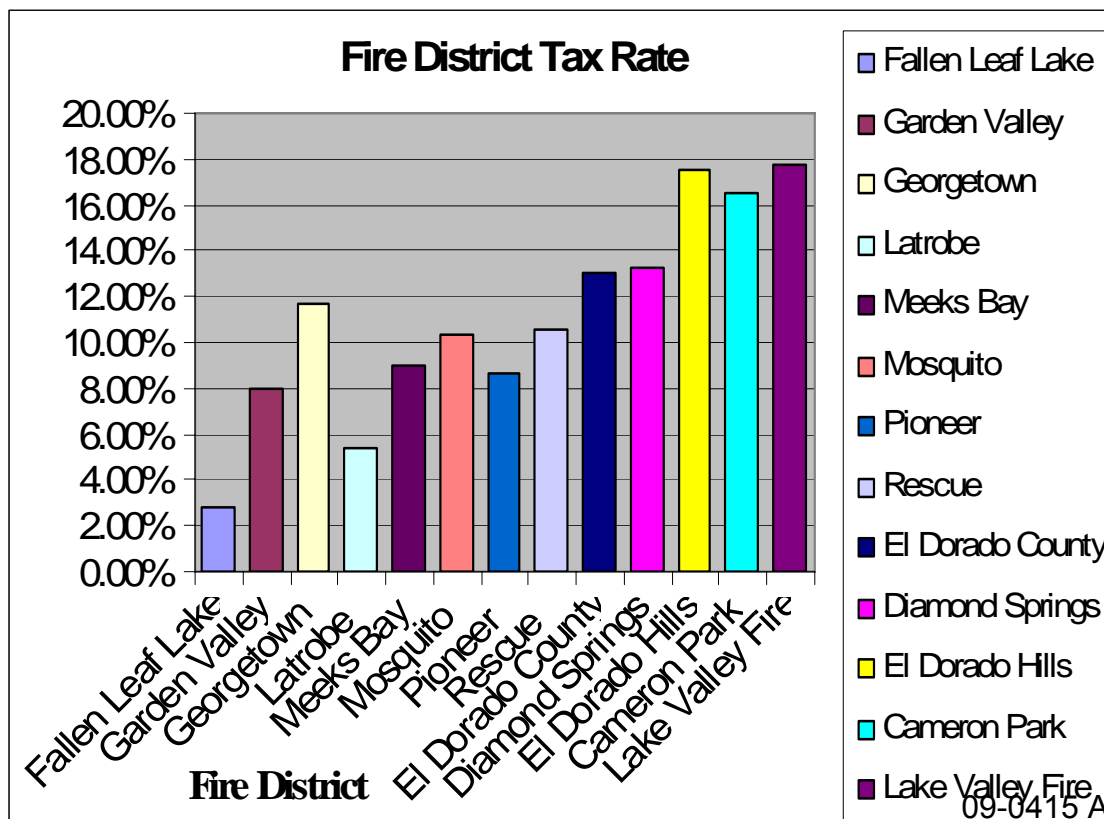
A Tax Rate Area (TRA) is a geographical area composed of unique combination of taxing jurisdictions. In 1979, Assembly Bill 8 (AB 8) was adopted to provide procedures for counties to allocate taxes in a TRA. The base year for AB 8 was the 1978/1979 fiscal year. The basic premise of AB 8 allocates to each taxing jurisdiction the amount it received in the prior year, plus the change that has occurred in the current year within its boundaries. This established the property tax allocation percentage for each agency within a TRA. Due to annexations and detachments a property may move from one TRA to another from year to year. The State Board of Equalization is the governing authority. Currently, El Dorado County has over 400 TRAs.

**Teeter Program**

El Dorado County does participate in the teeter program. The teeter program was established because not everyone pays their property taxes on time. The traditional method to allocate funds was when they actually were received and then allocate any delinquent payments or penalties later. Under the Teeter Plan, the County sends each local entity the revenues it's entitled to receive. The County then collects and keeps the delinquencies and penalties once they are received. This program guarantees the Fire Districts receive the full value of their TRA property tax; however, in the current fiscal climate, as delinquencies rise the Teeter Program provides Fire Districts with stable funding while the County potentially absorbs the delayed payments. The Teeter program does not directly correlate to the supplemental funding agreement.

**Fire District Tax Rates**

The various Fire Districts receive a percentage of property tax based on the make up of the TRAs in their district. The following chart reflects the fire district tax rate based on their respective TRAs.



**Supplemental Funding of Fire Districts**

On May 12, 1998 in an effort to help stabilize the level of fire protection services the Board of Supervisors determined that a constructive minimum tax rate of 13% would be phased in over a three year period for productive fire prevention and fire protection purposes. The initial request was for the western slope districts. However the Tahoe basin districts were added at the request of Supervisor John Upton District V. It is noted that in the letter dated May 11, 1998 Supervisor Upton request that the Board of Supervisors also consider consolidation of fire districts similar to that of El Dorado County Fire along with the possible expansion of the Emergency Medical Services (EMS) Joint Powers Authority (JPA). (Exhibit B, Board Transmittal dated May 12, 1998 page 3)

**Fire District Supplemental Funding Contract**

On January 30, 2001 the Board of Supervisors directed the Chief Administrative Officer, County Counsel and the Auditor-Controller to negotiate a long-term (five or more years) contract with Fire Districts that were currently subsidized by County General Fund. The purpose of the contract was to secure enhanced services to residents of rural regions in the County. On August 28, 2001 the Board of Supervisors approved a contract with Fire Districts for enhanced services to residents of the rural regions in the County. The funds were deemed exclusively for the purpose of providing equipment and manpower for enhanced fire protection and emergency services to their residents. On October 9, 2001 the contracts were amended to reflect more accurate TRA tax rates. (Exhibit C 1-3, Board Transmittal dated January 30, 2001, August 28, 2001 and October 9, 2001)

**Trust Fund**

In addition to the funding stream, the Supplemental Funding Agreement established a trust fund. The intent of the trust fund was, in the event the County canceled the agreement, fire districts would have sufficient revenue to fund an additional year of service. This would allow time for the districts to seek alternative funding sources, adjust levels of service, make appropriate staffing adjustments and implement a phase –out period of the service, if necessary. Currently there is \$963,516 in the trust fund.

**Fire District Tax Rate and County General Fund Contribution**

The following table reflects the Fire Districts Tax Rate and General Fund contribution as a percentage and as a contribution in dollars for fiscal year 2008/2009.

<b>Fire District</b>	<b>Property Tax Rate as a %</b>	<b>Property Tax Received in \$</b>	<b>General Fund Contribution as Percentage (%)</b>	<b>General Fund Contribution in Dollars (\$)</b>
Fallen Leaf Lake	2.84%	\$19,489	10.16%	\$60,454
Garden Valley	7.95%	\$348,994	5.05%	\$205,285
Georgetown	11.70%	\$405,157	1.30%	\$36,240
Latrobe	5.41%	\$111,993	7.59%	\$168,978
Meeks Bay	8.96%	\$546,806	4.04%	\$312,945
Mosquito	10.29%	\$133,972	2.71%	\$35,047
Pioneer	8.65%	\$617,540	4.35%	\$279,047
Rescue	10.55%	<u>\$877,554</u>	2.45%	<u>\$202,351</u>
<b>Total</b>		<b>\$3,061,505</b>		<b>\$1,300,347</b>

**Districts not receiving Supplemental Contributions:**

El Dorado County	13.00%	\$7,867,961	
Diamond Springs	13.30%	\$3,008,753	
El Dorado Hills	17.50%	\$13,535,767	
Cameron Park	16.50%	\$2,598,298	
Lake Valley Fire	17.70%	\$3,439,296	
The Average of all 13 Fire District's Tax Rate			11.10%
The Median of all 13 Fire District's Tax Rate			10.55%

Currently, the County is contributing an amount to bring the 8 Fire Districts up to a 13% property tax rate. The average of all 13 fire districts is only 11.10%. The median which implies 50% is above and 50% is below amounts to 10.55% therefore, the basis for using 13% is unclear.

**Contribution as % of District Operating Budget**

The general fund contribution to fire districts as percentage of their operating budget is reflected in the following table:

<b>Fire District</b>	<b>FY 08/09 Operating Budget</b>	<b>General Fund Contribution in \$</b>	<b>General Fund Contribution as % of Operating Budget</b>
Fallen Leaf Lake	\$235,184	\$60,454	25.71%
Garden Valley	\$2,175,771	\$205,285	9.44%
Georgetown	\$1,047,576	\$36,240	3.46%
Latrobe	\$433,452	\$168,978	38.98%
Meeks Bay	\$1,222,161	\$312,945	25.61%
Mosquito	\$381,500	\$35,047	9.19%
Pioneer	\$1,026,489	\$279,047	27.18%
Rescue	\$1,912,972	\$202,351	10.58%

**Fire Districts Fund Balances as of June 30, 2008 compared to 08/09 Budget**

In order to provide a snap shot of the Fire Districts financial condition below is a table reflecting the June 30, 2008 ending fund balance as it compares to the 2008/2009 fiscal year operating budget. (Information partially compiled from Schedule 14, Exhibit D)

<b>Fire District</b>	<b>FY 08/09 Operating Budget</b>	<b>Fund/Reserve as of 6/30/2008</b>	<b>Ending Fund Balance as a % of Budget</b>
Fallen Leaf Lake	\$235,184	\$145,622	61.92%
Garden Valley	\$2,175,771	\$386,009	17.74%
Georgetown	\$1,047,576	\$21,055	2.01%
Latrobe	\$433,452	\$153,020	35.30%
Meeks Bay	\$1,222,161	\$2,026,695	165.83%
Mosquito	\$381,500	\$133,288	34.94%
Pioneer	\$1,026,489	\$291,789	28.43%
Rescue	\$1,912,972	\$775,756	40.55%

As you can see some districts appear to be financially stable while others would surely suffer from any loss of income.

### **Research and Summary Reports**

As part of the preparation for the March 30, 2009 workshop on the supplemental funding for Fire Districts each Fire Chief and any of their board members were given an opportunity to present their perspective. A letter and questionnaire was sent regular mail and by electronic mail to each of the 8 districts receiving supplemental funding. The letter requested an opportunity to meet and a response to the following five basic questions:

- 1) Since 2001 your district has received funds from El Dorado County, what has been the historical use of these funds?
- 2) What would be the impact on your district if funding was reduced for fiscal year 2009/2010? (This question was geared toward using the trust balance of \$963,516 for the 2009/2010 contribution.)
- 3) What would be the impact on your district if funding was not available for fiscal year 2010/2011?
- 4) What alternatives solutions can you offer to the current funding structure?
- 5) What other comments or suggestions can you offer which may assist the County in the decision making process?

The Fire Chiefs and their respective Fire Board members were very cooperative. I was able to discuss individually the district's concerns and response to the questions. Exhibits E 1-8, reflects each district's response and concerns.

### **Historical use of Funds**

The use of the general fund supplemental funding varies by fire district; some districts use the funds to purchase or lease equipment, others supplement their work force with additional seasonal firefighters, and others use the funds for daily operations.

Fallen Leaf reported the funds provide for a seasonal EMT/firefighter 24/7 from May 15 to October 15 every year. Purchase personal protective equipment and improve volunteer recruitment and training. Plus provide for an experienced fire chief. For more detailed information please refer to (Exhibit E-1 Fallen Leaf)

Garden Valley reported the funds staff two full time 24/7 firefighter positions, for equipment and to provide a volunteer stipend. For more detailed information please refer to (Exhibit E-2 Garden Valley)

Georgetown reported the funds are used to provide two seasonal fire fighters. For more detailed information please refer to (Exhibit E-3 Georgetown)

Latrobe reported the funds have been used to support the day to day operations of the Latrobe Fire District. For more detailed information please refer to (Exhibit E-4 Latrobe)

Meeks Bay reported the funds are used for additional seasonal firefighters, improvement of volunteer recruitment, refurbish and purchase additional equipment. For more detailed information please refer to (Exhibit E-5 Meeks Bay)

Mosquito reported the funds are used solely to fund the purchase of new, used or refurbished fire apparatus. For more detailed information please refer to (Exhibit E-6 Mosquito)

Pioneer reported the funds are used for day-to-day staffing, for maintenance and upkeep of equipment and to purchase personal protective equipment. For more detailed information please refer to (Exhibit E-7 Pioneer)

Rescue reported the funds allowed them to institute a full time paramedic (ALS) engine company program and an apprentice firefighter program, along with a match for grant funding. For more detailed information please refer to (Exhibit E-8 Rescue)

**Impact of reduction in funding**

The survey question regarding a reduction in funding or reduced contribution amount for fiscal year 2009/2010 was calculated based on a movement from a 13% apportionment to an approximate 12%. This would equate to the \$963,516 Trust fund balance. The impacts of reductions vary by district however most of the districts could absorb a one time reduction in funding. Georgetown was the main exception since a reduction in funding using this methodology practically reduced the entire contribution. The following table reflects the reduction in funding by a 1% of property tax calculation.

<b>Fire District</b>	General Fund Contribution in Dollars (\$)	Reduction in Funding based on approximately 12% of property tax	Percentage (%) decrease in Funding	Trust Fund Allocation Fiscal Year 2009/2010
Fallen Leaf				
Lake	\$60,454	\$6,427.85	10.63%	\$54,027
Garden Valley	\$205,285	\$43,034.82	20.96%	\$162,251
Georgetown	\$36,240	\$33,570.62	92.63%	\$2,669
Latrobe	\$168,978	\$22,428.99	13.27%	\$146,549
Meeks Bay	\$312,945	\$67,809.79	21.67%	\$245,135
Mosquito	\$35,047	\$12,421.28	35.44%	\$22,625
Pioneer	\$279,047	\$68,661.76	24.61%	\$210,385
Rescue	\$202,351	\$82,476.26	40.76%	\$119,875
<b>Total</b>	<b>\$1,300,347</b>	<b>\$336,831.38</b>		<b>\$963,516</b>

Another methodology is to reduce funding to the level of the trust fund level is a straight across percentage decrease. The current contribution of \$1,300,347 would go to \$963,516 which represents a 25.9% decrease. The following table represents the straight across methodology.

<b>Fire District</b>	General Fund Contribution in Dollars (\$)	Reduction in funding based on straight across percentage	Percentage(%) decrease in funding	Trust Fund allocation for Fiscal Year 2009/2010
Fallen Leaf				
Lake	\$60,454	\$15,659.60	25.90%	\$44,795
Garden Valley	\$205,285	\$53,175.40	25.90%	\$152,110
Georgetown	\$36,240	\$9,387.32	25.90%	\$26,853
Latrobe	\$168,978	\$43,770.66	25.90%	\$125,207
Meeks Bay	\$312,945	\$81,062.54	25.90%	\$231,882
Mosquito	\$35,047	\$9,078.21	25.90%	\$25,969
Pioneer	\$279,047	\$72,281.95	25.90%	\$206,765
Rescue	\$202,351	\$52,415.36	25.90%	\$149,936
<b>Total</b>	<b>\$1,300,347</b>	<b>\$336,831.03</b>		<b>\$963,516</b>

A compromise solution may be to use the trust fund for the 2009/2010 contribution and add a general fund contribution of \$336,831 to make the districts whole for the 2009/2010 Fiscal Year.

**Impact of Discontinued General Fund Contribution**

If the County decided to completely discontinue supplemental funding for the Fire Districts then the general consensus from the Fire Districts was that the impacts would be devastating. Some of the smaller less financially stable districts would revert to a 100% volunteer supported department. The others would experience a shortage of staff which would effect their response times and service to the community. Others would not be able to purchase equipment or personal protection devices. It could bring some districts to the point where they are no longer a viable fire district. This would place a greater burden on the remaining districts and could result in a chain reaction leaving residents unprotected or with deteriorated fire protection service. The complete discontinuation within a one year time frame may be too drastic of a change for some fire districts to absorb. However, a change in the structure of the supplemental funding with specific goals, objectives and time frames may in the long run be a benefit to El Dorado County.

**Alternative Solutions**

From the perspective of the Fire Districts the general consensus was it does not matter what you call the program or what you use to fund it just don't discontinue the financial support. Other input brought up issues like consolidation of services; the expansion of services offered through the Joint Powers Authorities (JPAs); the centralization of administration, and purchasing, all which could result in saving tax dollars.

**Joint Power Authority (JPA)**

There are two Joint Power Authorities; one is the El Dorado County Emergency Services Authority (or "West Slope JPA") formed in 1996 to provide pre-hospital service to the

Western Slope service area of El Dorado County. The other is the California Tahoe Emergency Services Operations Authority (or "Cal Tahoe") a Joint Powers Authority (JPA) formed in 2001 to provide pre-hospital service to the Tahoe South Shore service area and parts of northwestern Alpine County. Both JPAs contract with the County of El Dorado for pre-hospital advanced life support and dispatch services. Program funding for fiscal year 2008/2009 comes from an ad valorem property tax of \$2,785,351 and special tax of \$1,669,438 totaling \$4,454,789 under County Service Area 7 (CSA7). A benefit assessment of \$682,526 under County Service Area 3(CSA3); and a General Fund contribution of approximately \$600,000 to support Emergency Medical Services (EMSA) through the Public Health Division. This division was previously fully funded through the CSA3 and CSA7 revenue streams.

### **Consolidation**

Consolidation is not a new topic; there have been many discussions on this issue. Just last year the Grand Jury issued a report recommending consolidation of El Dorado's fire districts. As mentioned earlier, in the letter which requested supplemental funding dated May 11, 1998, Supervisor Upton requested the Board of Supervisors consider consolidation of fire districts similar to that of El Dorado County Fire along with the possible expansion of the Emergency Medical Services (EMS) Joint Powers Authority (JPA) (Exhibit B, Board Transmittal dated May 12, 1998 page 3). The issue of consolidation is a topic many residents have very strong feelings about. There is a fear that the local identity would be lost. The idea of local control and that service will no longer be personalized. For long time residents personal knowledge of who are the local firemen or paramedics is important. One can truly empathize with these citizens however; there are many forms of consolidation. The need for a local fire station may not change through consolidation. The local station could maintain its current name, and the local firefighters may still work there. The need for community support is crucial. The volunteer program is a critical component for many districts. The word "consolidation" may have a stigmatism attached. A merger, partnership, joint venture, or affiliation may be more palatable. Currently, dispatch services are consolidated on the west slope and it has increased efficiency. The Fire Districts functionally operate on a collaborative basis engine company locations are monitored and who ever is closest to an incident is dispatched. The consolidated pre-hospitalization emergency services JPA on the west slope and Tahoe Basin work very well together. Most residents probably don't realize that the Fire Districts currently collaborate on a daily basis and are functionally consolidated.

### **Future of Supplemental Funding for Fire Districts**

| How does supplemental funding for fire districts fit with the County's responsibilities, goals and priorities now and into the future? The supplemental funding for fire districts has been a topic of discussion since 1998. Currently the parameters established for use of the funds are broad and not performance based. How does the topic of consolidation link with this funding process? To what extent will LAFCO's review of consolidation fit with this process? The economy is changing, currently El Dorado County is experiencing some tough economic times. Some fire districts are operating based on the good will and



support of their community yet, with an increase in training requirements volunteers are becoming harder to find.

### **Total Cost to the County General Fund**

The total proposed cost for Supplemental Funding to the County for FY 2009/10 is \$1,300,347. Continuation of funding leaves the projected budget deficit for FY 2009/10 at \$4 million. The \$1.3M equates to 17 full time positions at an average of \$80K salary/benefits. El Dorado County has already reduced its work force by 172 positions in the last six months.

### **Opportunity for Change**

Cancellation of the current fire district supplemental funding contract and using the existing trust fund to support services in the upcoming year addresses two problems: first it helps close the over 4 million dollar 2009/ 2010 budget deficit, and it provides an opportunity for change over the upcoming year. The current fire district contract requirements are very broad: the funds are intended for enhanced fire protection and EMS services. Staff could work with the Districts over the upcoming year to establish specific goals and priorities that are equated with time frames. Funding could be tied to the identified performance.

### **Options:**

The Board has a number of options available. Staff has identified the following: One is to continue to fund at FY 08/09 levels of \$1.3 M. Two is to cancel the contract and pay out the trust fund as the final payment \$963,516. Three is to cancel the contract, fund at FY 08/09 level with \$963,516 from the trust and a general fund contribution of \$336,831. There may be others that the Board wishes to consider.

### **Requested Board Action**

- 1) Determine that the County is experiencing competing demands for County resources and supplemental funding for Fire Protection and EMS may impact other services and the achievement of County Objectives.
- 2) Effective July 1, 2009 cancel the current agreement to provide funding for fire protection and emergency medical services
- 3) Distribute Trust Fund Balance of \$963,516 for FY 09/10 contribution based on one of the following:
  - a. a 12% of property tax methodology or
  - b. a straight 25.90% decrease of funding
- 4) Consider utilizing \$336,831 in General Fund to bring funding to FY 08/09 level
- 5) Consider the Board's vision for the future which may include:
  - a. Desire to continue funding in future years
  - b. Exploration of alternative funding solutions
  - c. Exploration of all the potential options for consolidations such as mergers, partnerships, joint ventures, or affiliations
  - d. Exploration enhanced services offered through existing or maybe a new JPA
  - e. Establishing Priorities, Goals, and Time Lines
  - f. Others