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FIRE DEPARTMENT CONSOLIDATION FEASIBILITY ANALYSIS FOR THE CITIES OF MONTEREY, PACIFIC GROVE AND CARMEL

Final Report

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CITYGATE ASSOCIATES, LLC
FIRE & EMERGENCY SERVICES

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EXECUTIVE SUMMARY

The cities of Carmel, Monterey and Pacific Grove retained Citygate Associates, LLC to conduct a high level assessment of the feasibility to fully or partially consolidate their fire agencies. This study is presented in several sections including: an operational review of line and headquarters staff resources and organization, an assessment of the ability of the present fire services to meet the community's needs, advantages and disadvantages to consolidation, a fiscal analysis, a review of governance alternatives if consolidation is desired, impediments to a consolidation, cost sharing models and then concludes with a recommended approach and next steps.

POLICY CHOICES FRAMEWORK

First, an important understanding is that there are no mandatory Federal or State regulations directing the level of fire service response times and outcomes. The body of regulations on the fire service provides that *if fire services are provided at all, they must be done so with the safety of the firefighters and citizens in mind (see regulatory discussion on page 8).* Given this situation, agencies are challenged to design fire services in an era of fiscal constraints that hamper their ability to properly staff, train and equip a safe and effective fire/medical response force.

OVERALL CITYGATE OPINIONS ON POSSIBLE FIRE SERVICES CONSOLIDATION

In this Executive Summary, instead of citing all the findings and recommendations, Citygate will highlight the most critical ones. Overall, Citygate finds that creating a consolidated fire management team or fully consolidated fire department are clearly both operationally and fiscally feasible. While there is hard work ahead to decide final details, Citygate sees this three-city fire consolidation as a very cost effective way to improve the coordination, command and control of fire services. While no fire station locations or fire station staffing is affected by a consolidation (due to geography), the operational and service level benefits to consolidation are many, as this report will review.

This report summarizes the increased regulatory challenges in providing safe fire services -- for the citizen and the firefighter. The increased training and competency burden is significantly reducing the numbers of volunteer firefighters and increasing the need for the quantity of, and quality of, chief officers to supervise fire departments. Cities now are liable to safely operate fire services. In an era of reduced revenues, this "perfect storm" of increased safety regulations and need for more supervisors has really impacted how small cities can afford to continue operating one to three station fire departments. Small cities now only have two choices: (1) find the revenue to add career firefighters in lieu of volunteers and add more chief officers; or (2) transition their fire services to a regional model. As such all three cities in this study share a burden to continue the status quo.

Thus, Citygate's **key** findings and recommendations are summarized below. For reference purposes, the findings and recommendation numbers refer to the sequential numbers in the main body of the report. Note that not all findings and recommendations that appear in this report are listed in this Executive Summary.

Finding #2: Today's regulations, responsibilities and competencies mean that a minimum command staff of seven chief officers – one fire chief, an assistant chief, three shift supervising chiefs, a training officer and a fire marshal, supported by clerical staff and inspectors can manage a five-station department. This represents a significant reduction from the number required in each city to separately administer that city's fire department.

Finding #3: Given the current fire station spacing and topography, there is *not* an opportunity in a consolidation to re-locate or share fire stations, thus lowering the number of firefighters on-duty.

Finding #4: Given the considerable sharing that already exists at the operational levels, the three cultures have already taken many of the needed steps to operate more as one department.

Finding #9: A consolidation of the headquarters functions of the three cities would provide enough personnel that could more effectively handle both the field command and the specialty assignments than is presently done by each city separately or through the current contract arrangements.

Finding #16: A merger of line and/or headquarters fire personnel will require some adjustment in cost for each city. However, as this report illustrates in a later section, the total cost of at least a single headquarters unit will be less than what is spent in combination by all three cities and represent a savings to each city even if the salaries and benefits paid to headquarters personnel is at the level of the highest paying city.

Finding #17: Without the reduction of personnel, there would little savings and the salaries and benefits for line personnel of the merged fire department would likely be that of the highest paying agency at the time of merger.

Finding #18: While there will be little, if any dollar cost savings from line merger, the three cities can expect an improvement in operational response to emergencies, employee retention and promotion opportunities.

Finding #19: Merged headquarters functions will save $1,300,000 at current salary and benefits compared to the staffing level that will be needed if each agency operates a separate fire department. In addition to the cost savings, the operational improvements argue in favor of merging all of the headquarters functions into a single unit.

Recommendation #1: The best-fit governance model for this consolidation effort would be Joint Powers Authority. The JPA Board's powers would be limited in the JPA agreement so that the Board could not unilaterally impose costs on the cities without their advice and co-ratification.

Recommendation #2: Regardless of whether the three cities consolidate fire operations, Carmel and Monterey should pay off their CalPERS side fund obligation by issuing bonds at a lower interest rate than is being charged by CalPERS.

Recommendation #3: Merge the fire management teams of the three cities to provide an immediate improvement in management support services and the structure to conduct the long range planning necessary to actually merge the operating portions of the three city fire services.

SECTION 1—INTRODUCTION AND BACKGROUND

1.1 REPORT ORGANIZATION

This report and future planning document is structured into the following sections that group appropriate information together for the reader.

This report includes:

Section 1 Introduction and Background: Background facts about the cities' current fire services.

Section 2 Deployment Summary and Assessment: An examination of the Fire Departments' deployment ability to meet the community's risks, expectations and emergency needs.

Section 3 Operational Advantages to Consolidation or Contract for Services: A review of the Fire Departments' non-emergency operations and headquarters functions.

Section 4 Overview of Types of Consolidation and Governance Structures: A recommendations and conclusions section.

Section 5 Impediments to Consolidation: A summary of roadblocks and difficult issues.

Section 6 Cost Savings from Consolidation: A fiscal analysis of separate and merged costs.

Section 7 Cost Sharing: A discussion of the various methods and formulas for allocating costs if consolidation is pursued.

Section 8 Integrated Findings and Recommendations: Summary opinions and a listing of all report findings and recommendations.

Section 9 Next Steps: What needs to be done in sequence if the parties decide to proceed?

As information is presented in each of the sections mentioned above, this report will cite findings and make recommendations, if appropriate, that relate to each finding. All of the findings and recommendations will be sequentially numbered throughout the first three sections of this report. These same findings and recommendations will be completely listed, in order, in Section 8 of this report to provide a comprehensive summary. Finally, attention will be brought to the highest priority needs and possible timing.

This document provides technical information about how fire services are structured and could be consolidated. This information is presented in the form of recommendations and policy choices for the cities' leadership and community members to discuss.

The result is a solid technical foundation upon which to understand the advantages and disadvantages of the choices facing both the cities' leadership and the community's members on how best to provide fire services, and more specifically, at what level of desired outcome and expense.

In the United States, there are no federal or state regulations on what a minimum level of fire services has to be. Each community through the public policy process is expected to understand the local fire risks, their ability to pay, and then to choose their level of fire services. **If** fire services are provided at all, the Federal and State regulations specify how to do it safely for the personnel involved.

While this report and technical explanation can provide a framework for the discussion of fire services consolidation for the cities, neither this report nor the Citygate consulting team can make the final decisions or cost out in detail every possible alternative. Once final policy choices are given elected official approval, staff can conduct any final implementation work.

1.2 BACKGROUND

This project involved gaining an understanding of how fire services are provided, led and expensed in each of the cities. In this report, the term "department" will be used when referring to the fire agency itself, and the term "city" will be used when referring to one of the three cities.

The cities commissioned this study to evaluate the possibility of consolidating part or all of their fire department services. Given the increasingly expensive and regulated nature of fire services, this makes sense. In its entirety, this analysis and corresponding findings and recommendations will allow the city councils to make informed policy decisions about the level of fire, rescue, and emergency medical services desired and the best method to deliver and fund them.

The challenges facing the cities are not unique. Since the Proposition 13 property tax limitation measures and subsequent further limitations on local government taxation authority, smaller jurisdictions, such as the cities, find the property tax rate and other sources of local government revenue will not support modern fire services at a level desired by many communities. This is not the cities' fault. The cities function within the highly restrictive fiscal rules that govern local government finance in California.

To undertake this consolidation review, this study had to review the following strategic issues:

- Organization and management structure options
- Personnel assignment: remain as separate agencies or single employer
- Disposition and maintenance of existing property and equipment
- Dispatch options
- Station staffing and coverage (# at each rank)
- Training
- Funding and cost sharing options
- Differential levels of service in each city
- How to provide 24/7 chief officer coverage
- Support services: Purchasing, Administrative Assistant/Clerical
- Evaluate potential for additional agencies to join later.

1.3 FIRE SERVICES PROVIDED BY THE DEPARTMENTS

Each of the fire departments in this study has in place a service delivery system consisting of one or more engine and truck companies with various types of headquarters or management systems. The headquarters staff is budgeted to consist of a fire chief, some means of providing a chief officer to serve as "incident commander" at all but the minor emergency occurrences, fire code, prevention and public education services, hazardous materials response preparation and training, community emergency preparedness, specialized rescue, planning and executing training for line personnel, personnel management, budgeting and purchasing, and coordination with other agencies who provide mutual aid, contract fire dispatch services, and ambulance services. So many additional emergency functions have been added to fire department responsibilities over the years that the typical fire department has become an emergency response organization requiring skill, knowledge and planning/readiness in a myriad of subjects.

What follows below is a brief overview of how each fire department is staffed and organized to provide emergency services in each city.

All three cities have a long and proud tradition of providing fire services. In Carmel and Pacific Grove, this includes an early reliance upon, and continued participation of, volunteer fire fighters. As will be reviewed in later sections of this study, each of the departments is under stress to adequately provide the full range of necessary emergency services. At the beginning of a consolidation, it is Citygate's opinion that any merger or contract for services has to provide at least the existing baseline of services to each community. In other words, the re-organization should first "do no harm." Once up and running, the new organization can re-align for improved cost efficiencies and even new services that were not possible as separate agencies. The brief organizational description below thus becomes the baseline by which a merger or contract for service is to be measured.

1.3.1 Carmel

Carmel operates one fire station in the core of the community. As fiscal and other issues in society over the years have reduced the community's ability to field enough volunteer firefighters, the City has partnered at times with other agencies, added some limited career staff and strived to operate its own town fire services. This is summarized below.

- Contract fire administrative services from Pacific Grove
- Contract shared Duty Chief services with Monterey and Pacific Grove
- Contract Fire Marshal services with a private consultant
- 0.5 - Administrative Coordinator (clerical)
- 2 - Career firefighters on duty each day staffing 1 engine
- 6 - Line firefighters total
- 1 - Ambulance staffed with 1 FF-EMT and 1 FF-Paramedic, shared agreement with Ambulance Joint Powers Authority (JPA)
- 10 - Paid Call Firefighters (part-time from $7.25 to $9.25 per hour)
- 5 - Intermittent Engineers (part-time $18.50 per hour)

- Remodeled building and older apparatus.

1.3.2 Monterey

Being the largest city in the study, Monterey has an overall larger, multi-station fire department. This size has required a larger headquarters and command staff. The salient facts are summarized below.

- Fire Chief
- 3 - 24-hour shift-based Division Chiefs
- 1 - 40-hr/week Division Chief – Training
- 1 - 40-hr/week Deputy Fire Marshal
- .5 - 20-hr/week Fire Inspector
- 1 - Administrative Analyst
- 2 - Office support staff (clerical)
- 12 - Career firefighters on duty each day staffing 3 engines and 1 ladder truck
- 48 - Line firefighters (including the 3 Operations Division Chiefs)
- Newer apparatus.

1.3.3 Pacific Grove

Pacific Grove, like the other fire departments, has an equally impressive legacy of volunteer-based fire services as well as a nationally known water and diver rescue program operated mainly by part-time (volunteers). Pacific Grove is between Carmel and Monterey in size, and is under the same fiscal and volunteer pressures as the other departments are. Details are summarized below.

- Fire Chief
- Asst Chief
- Division Chief/Fire Marshal (recently retired and has not been replaced)
- 1 - Part-time fire prevention officer
- Chiefs live in the City and share Duty Chief coverage as well as contract for shared Duty Chief services with Monterey
- 4 - Career staff on duty each day, staffing 1 engine and 1 truck
- 15 - Line career firefighters
- 1 - Clerical support positions
- 22 - Paid call firefighters (part-time $8.00 an hour)
- 20 - Ocean Rescue (part-time at $8.00 an hour - volunteers)
- 1 - Adequate, central fire station location
- Newer front line engine and truck; older reserve engines.

1.4 THE CITIES' PROJECT APPROACH AND RESEARCH METHODS

Citygate used several methods to gather, understand, and model information about the three fire departments for this study. We started by making a large document request to the departments to gain background information on costs, current and prior service levels, the history of service level decisions and what other prior studies, if any, had to say.

In a subsequent site visit, Citygate team members followed up on this information by conducting focused interviews of fire management team members and other appropriate staff from the three agencies. We reviewed demographic information about the cities that drive need for fire services.

Citygate also constructed fiscal models to enable comparisons of personnel costs and what one consolidated agency would need to operate safely and effectively. Citygate also retained the services of a private CalPERS actuary to study the options and constraints the parties would have in merging their state pension contracts.

1.5 NEWER LEGAL CHANGES AND CHALLENGES TO THE PROVISION OF FIRE SERVICES

In addition to the Constitutional and State Government Code restrictions on local government finance, there have been a number of new state and federal laws, regulations, and court cases that limit the flexibility of cities in determining their staffing levels, training, and methods of operation. These are given an abbreviated overview below:

1. 1999 OSHA Staffing Policies – Federal OSHA applied the confined space safety regulations for work inside tanks and underground spaces to America's firefighters. This requires in atmospheres that are "IDLH" (Immediately Dangerous to Life and Health) that there be teams of two inside and two outside in constant communication, and with the outside pair equipped and ready to rescue the inside pair. This situation occurs in building fires where the fire and smoke conditions are serious enough to require the wearing of self-contained breathing apparatus (SCBA). This is commonly called the "2-in/2-out" policy. This policy requires that firefighters enter serious building fires in teams of two, while two more firefighters are outside and immediately ready to rescue them should trouble arise.

   While under OSHA policy one of the outside "two-out" personnel can also be the incident commander (typically a chief officer) or fire apparatus operator, this person must be fully suited-up in protective clothing, have a breathing apparatus donned except for the face piece, meet all physical requirements to enter IDLH atmospheres and thus be ready to help immediately with the rescue of interior firefighters in trouble. However, given these stipulations and the operating complications they cause, the 4-city automatic aid partnership to which the cities belong, does not recognize the incident commander as one of the "two out" personnel, since to send the incident commander inside to perform a firefighter rescue means the incident totally loses command and control, generating more safety problems.

2. May 2001 National Staffing Guidelines – The National Fire Protection Association (NFPA) Standard on Career Fire Service Deployment was issued five years ago. While *advisory* to local governments, as it starts to become locally adopted and used, it develops momentum, forcing adoption by neighboring communities. NFPA 1710 calls for four-person fire crew staffing, arriving on one or two apparatus as a "company." The initial attack crew should arrive at the emergency within four minutes travel time, 90 percent of the time, and the total effective response force (first alarm assignment) should arrive within eight minutes travel time, 90 percent of the time. These guidelines will be explained and compared to the cities in the deployment measures section of this document.

3. October 1999 California OSHA Changes – Governor Davis signed Assembly Bill 1127, authored by Assembly member Steinberg, into law (Chapter 615, Statutes of 1999). AB 1127 makes changes to twelve (12) sections of the California Labor Code. Except for one statutory change to Labor Code Section 98.7, all of the changes to AB 1127 involve the California Occupational Safety and Health Act (Labor Code Section 6300 et seq.).

   This legislation made all of the OSHA regulations applicable to local government, including fines and a huge increase in criminal penalties under Cal/OSHA. Individual managers and supervisors (*fire chiefs – incident commanders*) may now be fined up to $250,000 and be imprisoned for up to four years for failure to take appropriate safety precautions. Criminal fines range up to a maximum of $3.5 million for corporations and limited liability companies (Labor Code 6423 and 6425). This makes experience, training, and education critical for supervisors and necessitates that the fire agency have an effective, well-documented training program.

   This "sea change" in personal and agency liability means that not just any firefighter can, or should, be an Incident Commander on significant, sustained incidents. Along with increasing firefighter deaths nationally with Federal OSHA citations to fire commanders, the trend starts for significant training and certification of Incident Commanders (battalion chiefs and above).

   Further, the on-scene Incident Commanders (battalion chiefs) at Hazardous Materials Incidents must have certification compliant with NFPA 472, Standard for Emergency Response to Hazardous Materials Incidents. This is also now a Cal-OSHA requirement.

1.6 NEGATIVE PRESSURES ON VOLUNTEER-BASED FIRE SERVICES

Since for decades the three cities have relied on a volunteer firefighter system, wholly or in part, a common question is why not continue to solve some of a city's fire staffing problems with volunteers? To pre-address this question, here is a brief overview of the ability to depend on volunteer firefighters.

All volunteer-based fire departments are under great pressure today to maintain an adequate roster. The reasons for this are not unique to any one type of community and are placing pressure on small community volunteer systems across the State and nation:

1. Economic pressures result in more two-income families and less time to volunteer.

2. In a commuter economy, more jobs are clustered in metropolitan and dense suburban areas. Communities like the cities increasingly have residents who work elsewhere; and especially in the cities' case are active duty military. Given the pace of overseas deployment, many of the younger age people who would consider volunteering are just too busy.

3. Due to the growth in society of complex systems and technology, the fire service was given more missions, like emergency medical services, hazardous materials response, and technical rescue. This dramatically increased the legally mandated training hours for volunteers, causing many to drop out as the time commitments became unbearable.

4. Early in this decade, due to rising firefighter injuries and deaths, especially in the volunteer ranks, more safety regulations and training minimums were placed on all firefighters:

   January 2004 California Volunteer Firefighters – New laws (Assembly Bills 2118 and SB 1207) require volunteer firefighters to receive *the same level of training* that the full-time staff receives. AB 2118 was Chaptered in 2002, and was delayed to 2004. In part it "*…provides that the California Occupational Safety and Health Act applies to volunteer firefighters. Equipment and training for volunteers to meet the same requirements as regular firefighters*."

This change, coupled with all the other factors, means that volunteer firefighter programs dry up due to lack of members. Additional training and additional responses mean a significant time commitment for "true" volunteers, who are serving for love of community and to give something back. Most departments feel that it takes 100-120 hours of training per year to meet safety minimums, and this time is before a volunteer goes on a single incident.

In addition, most employers today are unwilling to allow volunteers to leave their jobs to respond to an emergency dispatch. Across the fire service, volunteer programs have been changing and adapting to a different model. The current model understands the commitment needed, and usually includes two types of volunteers: the first is the usual community-based person; the second is a younger person who desires to be a career firefighter. While the younger person is going through community college fire science classes, after obtaining basic firefighter certification, they work "part-time" for shift stipend or for an hourly wage, without benefits. These personnel are used successfully to increase daily station staffing and are called "reserve" firefighters or part-time firefighters. They do not need to live in the community they serve, as they are often not needed to respond from home with quick travel times. Community-based volunteers can be used from home for major emergencies, within their limited training as they gain certifications and experience. Once they meet state minimums, they also can be used for per diem shifts.

Finding #1:	The availability of volunteers in communities like those on the Monterey Peninsula is rapidly diminishing and is not likely to provide an effective long-term solution to the need for readily available and trained firefighters.

More importantly, just continually recruiting and operating such a program would seriously drain the already thin headquarters staffing from managing critical day-to-day operations.

1.7 Impacts of these Regulatory Changes on the Three Fire Departments

Given the above pressures on adequately providing fire services, the departments in this study are affected by them profoundly. The volunteer programs are waning, even with good recruitment efforts. It is very expensive to provide full chief officer and headquarters staffing for fire departments of 1 to 3 fire station in size. As such, small fire departments around the state have been disappearing into larger existing agencies, through consolidations or by contracts with the California Department of Forestry and Fire Protection (CalFire). These headquarters staffing pressures are evident in Carmel and Pacific Grove, which continue to share and contract out some of these positions.

Given the cost of housing, it is unlikely to assume that another generation of chief officers similar to those in Pacific Grove today will be found that would live in these communities and be able to respond quickly to emergencies from home after business hours.

Finding #2:	Today's regulations, responsibilities and competencies mean that a minimum command staff of seven chief officers – one fire chief, an assistant chief, three shift supervising chiefs, a training officer and a fire marshal, supported by clerical staff and inspectors can manage a five-station department. This represents a significant reduction from the number required in each city to separately administer that city's fire department.

SECTION 2—DEPLOYMENT SUMMARY AND ASSESSMENT

This section serves as a descriptive summary and an assessment of the current deployment situation in the three cities. Its purpose is first to provide an understanding of any upcoming major changes or challenges that would dramatically affect the sizing of a headquarters staff; second, where communities can share or consolidate fire stations, or specialty response programs, there can be further economies of scale; and third, to help each of the three parties in this study to understand things about each other that they would not readily know.

In undertaking this assessment, Citygate asked for several types of records from the three fire departments:

- Risk Assessment – what is being protected
- Current emergency response workload and response statistics
- Allocation of staff and stations
- Volunteer availability and role.

2.1 GENERAL FIRE DEPLOYMENT BACKGROUND INFORMATION

The Commission on Fire Accreditation International recommends a systems approach known as "Standards of Response Coverage" to evaluate deployment as part of the self-assessment process of a fire agency. This approach uses risk and community expectations on outcomes to assist elected officials in making informed decisions on fire and EMS deployment levels. Citygate has adopted this methodology as a comprehensive tool to evaluate fire resources. Depending on the needs of the study, the depth of the components can vary.

Such a systems approach to deployment, rather than a one-size-fits-all prescriptive formula, allows for local determination of the level of deployment to meet the risks presented in each community. In this comprehensive approach, each agency can match local need (risks and expectations) with the costs of various levels of service. In an informed public policy debate, a City Council "purchases" the fire, rescue, and EMS service levels (insurance) the community needs and can afford.

Fire department deployment, simply stated, is about the ***speed*** and ***weight*** of the attack. Speed calls for first-due, all risk intervention units (engines, trucks and ambulance companies) strategically located across a department. These units are tasked with controlling everyday average emergencies without the incident escalating to second alarm or greater size, which then unnecessarily depletes the department resources as multiple requests for service occur. Weight is about multiple-unit response for significant emergencies like a room and contents structure fire, a multiple-patient incident, a vehicle accident with extrication required, or a heavy rescue incident. In these situations, departments must assemble enough firefighters in a reasonable period in order to control the emergency safely without it escalating to greater alarms.

Thus, small fires and medical emergencies require a single- or two-unit response (engine and ambulance) with a quick response time. Larger incidents require more crews. In either case, if the crews arrive too late or the total personnel sent to the emergency are too few for the emergency type, they are drawn into a losing and more dangerous battle. The art of fire crew deployment is to spread crews out across a community for quick response to keep emergencies

small with positive outcomes, without spreading the stations so far apart that they cannot amass together quickly enough to be effective in major emergencies.

The residents, if asked, would probably expect that fires be confined to the room or nearby area of fire origin, and those medical patients salvageable upon arrival have their injuries stabilized and be transported to the appropriate care location. Thus, the challenge faced by the departments is to maintain an equitable level of fire service deployment across their entire community area without adding significantly more resources as demand for services grows and traffic congestion increases, slowing response times.

The Insurance Services Office (ISO) Fire Department Grading Schedule would like to see fire stations spaced 1.5 miles apart, which given travel speeds on surface streets, is a 3- to 4-minute travel time. The newer National Fire Protection Association (NFPA) guideline 1710 on fire services deployment, suggests a 4-minute travel time for the initial fire apparatus response and 8 minutes maximum for the follow-on units.

More importantly, within the Standards of Response Coverage Process, positive outcomes are the goal, and from that crew size and response time can be calculated to allow efficient fire station spacing. Emergency medical incidents have situations with the most severe time constraints. In a heart attack that stops the heart, a trauma that causes severe blood loss, or in a respiratory emergency, the brain can only live 8 to 10 minutes maximum without oxygen. Not only heart attacks, but also other events can cause oxygen deprivation to the brain. Heart attacks make up a small percentage; drowning, choking, trauma constrictions, or other similar events have the same effect on the brain and the same time constraints. In a building fire, a small incipient fire can grow to involve the entire room in a 4- to 5-minute time frame. The point in time where the entire room becomes involved in fire is called "flashover" when everything is burning, life is no longer possible and the fire will shortly leave the room of origin.

If fire service response is to achieve positive outcomes in severe EMS situations and incipient fire situations, ***all*** the crews must arrive, size-up the situation and deploy effective measures before brain death occurs or the fire leaves the room of origin.

Given that the emergency started before or as it was noticed and continues to escalate through the steps of calling 911, dispatch notification of the crews, their response and equipment set-up once on scene, there are three "clocks" that fire and emergency medical crews must work against to achieve successful outcomes:

1. The time it takes an incipient room fire to fully engulf a room in 4 to 5 minutes thus substantially damaging the building and most probably injuring or killing occupants.
2. When the heart stops in a heart attack, the brain starts to die from lack of oxygen in 4 to 6 minutes and brain damage becomes irreversible at about the 10-minute point.
3. In a trauma patient, severe blood loss and organ damage becomes so great after the first hour that survival is difficult if not impossible. The goal of trauma medicine is to stabilize the patient in the field and get them to the trauma surgeon inside of one hour.

Somewhat coincidently, in all three situations above, the first responder emergency crew must arrive on-scene within 5 to 7 minutes of the 911-phone call to have a chance at a successful

resolution. Further, the follow-on (additional) crews for serious emergencies must arrive within the 8- to 11-minute point. These response times have to include the time steps for the dispatcher to process the caller's information, alert the stations needed, allow the crews to don OSHA mandated safety clothing and then drive to the emergency. The sum of these three time steps – dispatch, crew turnout and drive time comprise "total reflex, or response time." Thus, getting the first firefighters on-scene within only 5 to 7 minutes of the 911 call being answered is very challenging to all parts of the system as this study will describe later in detail.

The three event timelines above start with the emergency happening. It is important to note the fire or medical emergency continues to deteriorate from the time of inception, not the time the fire engine actually starts to drive the response route. It is hoped that the emergency is noticed immediately and the 911 system is activated. This step of awareness – calling 911 and giving the dispatcher accurate information – takes, in the best of circumstances, 1 minute. Then crew notification and travel take additional minutes. Once arrived, the crew must walk to the patient or emergency, size-up the problem and deploy their skills and tools. Even in easy to access situations, this step can take 2 or more minutes. It is considerably longer up long driveways, apartment buildings with limited access, multi-storied office complexes or shopping center buildings such as those found in parts of the cities.

Thus, from the time of 911 receiving the call, an effective deployment system is ***beginning*** to manage the problem within 7 to 8 minutes total reflex time. This is right at the point that brain death is becoming irreversible and the fire has grown to the point to leave the room of origin and become very serious. Thus, the cities first-due response goal is within the range to give the situation hope for a positive outcome. Yes, sometimes the emergency is too severe even before the fire department is called in for the responding crew to reverse; however, given an appropriate response time policy and if the system is well designed, then only issues like bad weather, poor traffic conditions or a significant number of multiple emergencies will slow the response system. Consequently, a properly designed system will give the citizen the hope of a positive outcome for their tax dollar expenditure.

2.2 CURRENT DEPLOYMENT SYSTEM AND RISKS

The fire and emergency medical risks to protect in all three communities is diverse, typical and also unusual as compared to similarly sized California suburban communities. The largest risk is building fire and all three cities are comprised mostly of typical housing stock. There are significant exceptions – the older commercial buildings dating to the twenties and thirties and historic heritage homes in all three cities, plus 24 mid-rise buildings 4 stories or taller in Monterey. There are wildfire risks at the edges of the developed areas. All three departments serve as emergency medical incident first responders in conjunction with the regional ambulance system. There are unique risks however not present in other communities of similar size:

- Significant tourism
- The piers, Cannery Row, Aquarium areas
- Multiple water rescue hazards
- Difficult topography to serve with few stations, aggravated by traffic congestion at rush hour and peak tourist periods

- A military facility presence.

Another serious limitation to adequate fire deployment is that all three cities are isolated from significant, close, mutual aid fire assistance. While there are other fire departments in the county, many are only marginally staffed, and other than Seaside, not in close proximity to the three cities in this study. Thus, the cities cannot depend on immediate help from others as if they were in the middle if a large metropolitan area. Yes, mutual aid will arrive, but not in time to avoid catastrophic fire loss to the building of origin.

The sum of these hazards means that each community has significant fire and emergency medical risk potential and, in fact, generates calls for fire services in each community. Fortunately, the majority of these are emergency medical and small fires, so the communities do not typically notice how serious fires can challenge the few firefighters.

The smaller footprint cities of Carmel and Pacific Grove can each be served with adequate fire unit travel time from one central fire station. This delivers the "speed" of response for single unit, small emergencies. What both these communities lack is the "weight" of response with multiple units and enough staffing to handle serious incidents. While Pacific Grove fields **four** career personnel per day, which allows for a prompt interior fire attack, Carmel does not, with only **two** career personnel per day. Therefore, of the three departments, Carmel is the most dependent on its volunteers, which is increasingly problematic.

While Carmel does use the JPA Ambulance personnel as two other "on-duty" firefighters, this is not a complete solution as the ambulance covers a much larger area than the community of Carmel by the Sea. Given this, the ambulance crew is not always available for structure fire staffing. Of the departments reviewed in this study, Carmel has the most "fragile" line firefighter staffing situation and, regardless of consolidation, should strive to add a 3rd full-time firefighter to the engine every day to staff this unit more effectively and at a level comparable to its neighboring fire departments.

While Monterey is much larger in size and population, having three fire stations with four units staffed with a total of **twelve firefighters**, even this is only adequate for small building fires and two small emergency calls at once. More than three small incidents or a large fire will exhaust even Monterey's on-duty resources. Additionally, Monterey is challenged to cover all of the community with good first-due unit travel times from only three fire stations. Monterey would like to expand its coverage with a 4th fire station to the eastern side, when and if fiscal resources allow.

The result of the current deployment situation is that all three departments have had to become very co-dependent on each other to jointly staff serious or multiple emergencies. As such they:

- All participate in the regional dispatch system to speed coordination
- Share a common response plan system
- Cross train somewhat to work effectively together at serious incidents
- Share via mutual aid ladder truck, special rescue and hazardous materials equipment and trained personnel
- In the past combined chief officers at major incidents and now Carmel and Pacific Grove contract with Monterey for improved duty chief coverage

- The cities' apparatus, tools and operating policies are more similar than not.

Finding #3:	Given the current fire station spacing and topography, there is *not* an opportunity in a consolidation to re-locate or share fire stations, thus lowering the number of firefighters on-duty.
Finding #4:	Given the considerable sharing that already exists at the operational levels, the three cultures have already taken many of the needed steps to operate more as one department.
Finding #5:	Among all three agencies, the equipment and special training exists to a substantial degree to handle the risks present in the combined department area.

2.3 STAKEHOLDER EMPLOYEE PERCEPTIONS

As important as aligned procedures and equipment are, in a consolidation, the attitude and willingness of the three workforce cultures to make the consolidation work is critical. Citygate interviewed the management team members and fire association leaders from each of the departments. They all expressed not only willingness not just to study consolidation, but also the appropriate attitudes to make it work. While all the parties know there will be compromises ahead and hard work in the details, they all want to make a consolidation work. Both line and management personnel know that small departments struggle to provide training, career development, promotions and effective leadership. They understand that all these issues would be more effectively handled in an appropriately merged organization of five fire stations and approximately 69 line firefighters plus management and support staff.

This means that the opportunity exists in a positive environment to determine the implementation issues of merging wages, hours and working conditions in a meet and confer process (which is required), instead of a situation where one or more parties is philosophically opposed from the start and, in fact, works to defeat even the merger discussions.

Finding #6:	The three cultures understand the need to discuss in a positive format a consolidation and know if the technical details can be solved without harming the three cities' services, that in the long run, a consolidated department has more positives than negatives.

2.4 HEADQUARTERS STAFFING

In the area of headquarters staffing lay the most significant problems facing all three cities, as well as providing the most opportunities for cost-effective sharing in a consolidation. As stated in the overview section, Carmel has no management staff members of its own and likely would have trouble, given its size and fiscal situation, in recruiting several chief officers. Pacific Grove

has seen the recent retirement of one of its three long-term, resident chief officers, all of whom need to reside in the City in order to provide adequate 24-hour incident command coverage at significant emergencies. These staffing issues have resulted first in Carmel contracting with Pacific Grove for fire chief services and then, as of March 2007, Pacific Grove has contracted with Monterey for duty chief coverage from their 24/7/365 shift-based chief officers. In addition, Carmel has also finalized access to this Monterey chief officer coverage.

Both Carmel and Pacific Grove have limited clerical support positions, given the size of the departments and fiscal situation. Monterey, due to its size, has a more effectively staffed support staff situation.

As for Fire Prevention services, all three departments individually are thin. Carmel contracts out new construction fire code issues. Pacific Grove expected one of the three chiefs (currently two) to handle fire prevention along with several other duties. Monterey at least has a full-time deputy fire marshal and half-time inspector, who is supervised by the fire chief. Given the age and commercial building diversity in all three communities, even if prevention is combined at the current staffing levels, fire prevention is understaffed for the risks present. This is increasingly a complex field and best not staffed by a field operations chief who handles fire code issues on a secondary effort basis.

In all three departments, public education efforts depend on station crews to design and deliver programs as a third tier responsibility after emergency response and training. And yet, it is a combination of modern fire codes, fire prevention activities and public education that has limited the number and damages associated with fires.

In an increasingly complex and regulated fire service, it becomes very problematic to expect and train chief officers to completely handle multiple specialty assignments such as prevention, disaster preparedness, training and emergency medical services oversight programs. Small departments make do with this problem, but the impact is that no one program is done well.

Each of the cities currently has a fire headquarters arrangement or staffing level that is not adequate to meet the needs of the community. Below we briefly describe the present staffing level and Citygate's recommendations for appropriately staffed headquarters function in each city should consolidation not occur. A further discussion is in the next section of this report as we explore the advantages of headquarters consolidation.

2.4.1 Monterey

While Monterey presently has five chief officers, one is the fire chief, a second is responsible for training and the other three are on 24-hour shift duty, each supervising the three fire stations during that period and serving as incident commander at each significant emergency response. The fire prevention and fire education function is not well staffed, with only a deputy fire marshal and part-time fire inspector serving a city that has significant fire risk, both from the wildland interface along its borders as well as the numerous facilities that serve the City's many daily visitors. On an interim basis the City provides incident command coverage to Pacific Grove and Carmel. Citygate recommends that the City should add a full-time fire marshal position if it retains its own stand-a-lone fire department.

Additionally, having the most chief officers at the moment, Monterey is contracting out its duty chiefs to both Pacific Grove and Carmel as an interim measure while this consolidation study is

concluded. While this is a very nice "mutual aid" effort, in Citygate's opinion it is not safe as a permanent solution to the chief officer staffing issues in Pacific Grove and Carmel. Given the current safety regulations on fire incident commanders it is increasingly problematic that a chief officer can be in effective command when they do not train with and intimately know the safety procedures of the other agency, nor can they directly evaluate or hold accountable in a discipline system another agency's employee. Such a "shared chief" system is best reserved for in-frequent mutual aid greater alarm fires, not daily operations.

2.4.2 Pacific Grove

The Pacific Grove Fire Department budget authorizes three chief officer positions, all of whom have rotated to serve as incident commanders and carry the training, fire marshal, operations supervision and other specialty assignments that are an integral part of fire and other emergency response operations. Given the size of the City, its population, the specialty functions such as water rescue, fire prevention/education workload, pre-fire planning for the number of dwelling units, and supervision of two engine companies per day, this headquarters staffing level is inadequate.

Recruiting for chief officers to fill vacancies in this work environment is difficult at best. Pacific Grove can no longer expect to operate a headquarters function with three chief officers. Even a small one station fire department with this workload today requires enough chief officers to provide a full-time supervisor/incident commander on each shift who will also assume some ancillary or specialty assignments, a fire marshal and a fire chief for a total of five, or two more than is presently budgeted.

For Pacific Grove, this means that a stand-a-lone fire department headquarters staff will be much more expensive than the City has been able to operate with three chief officers who were willing to live in the City and devote much of their off-duty time to being available for emergency response. Headquarters costs, later in this report, represent this more appropriately-sized organizational structure for Pacific Grove.

Presently, the City has one of its chief officer positions vacant and has contracted on an interim basis with the City of Monterey to provide daily incident command coverage. However, this does not provide adequate chief officer staffing for non-emergency shift operations supervision and to cover the other critical functions such as fire marshal/public education activities, pre-fire planning, water rescue volunteer coordination, training planning and implementation, equipment maintenance oversight, etc. Additionally, Pacific Grove is providing interim headquarters staff assistance under contract to Carmel with only the two remaining chief officers.

2.4.3 Carmel

Presently, Carmel contracts with Pacific Grove for chief officer assistance and is working on contracting with Monterey for daily incident command coverage. However, Pacific Grove does not really have the appropriately sized fire management staff to continue this arrangement in the long term. If Carmel were to operate its own stand-a-lone headquarters staff, it would need a minimum of three chief officers who agree to provide the 24-hour incident command coverage. This number is adequate for the workload of a small community of about 4,000 permanent residents (about a one-fourth the size of Pacific Grove and one-eighth the size of Monterey) with the low number of commercial buildings to inspect and the lack of specialty programs such as

water rescue. Three chief officers can provide fire chief functions, a fire marshal, and training/operations supervision of one three-person fire company on duty each day.

However, this arrangement of three chief officers only works if all are residents of the City proper. Such a system will be difficult to sustain in the long term because it will be hard to find chief officer candidates willing to live locally and constantly share 24-hour incident command coverage. For costing purposes in this report, we have used the three chief officer model for Carmel, but note again that these positions will be difficult for the City to fill and retain qualified chief officer personnel. If the City cannot do so due to residency issues, then Carmel will have to also deploy a five chief officer model like Pacific Grove and have one chief officer always on-duty 24/7/365 from the fire station. This would allow the chief officers to live elsewhere and commute into Carmel.

In a small agency consolidation such as these three departments, consolidating all three departments and forming one management and support team would provide just enough personnel that would more effectively handle the field command and specialty assignments. As such, all the program areas would receive much more attention than they currently do. Having a 24-hour shift-based duty chief would take some of the pressure away from having to recruit all the chief officers with a strict residency requirement.

The main drawback to such a headquarters consolidation for these three departments is one of geography and road network. An effective management and support team should all be located in one location. Wherever the headquarters is located, there will be lost time in driving to the other two core city areas. An emergency incident duty chief will also have longer response times to two of the three agencies. However, in Citygate's opinion, this can be tolerated, given the size, smaller incident workload issues in Carmel and Monterey, plus the current fiscal constraints to provide more. If there were ample revenue in any of these three communities, there already would be a full headquarters team in each department.

Finding #7:	Due to revenue limitations in all three cities, none of the departments has an adequately staffed fire prevention and public education function.
Finding #8:	Due to city size and revenue limitations, even Monterey does not have the needed compliment of chief officers for a small department and should add a full-time fire marshal position. Given residency and increasing technical requirements on chief officers, both Carmel and Pacific Grove will have trouble replacing and maintaining a well trained and adequately sized chief officer team.
Finding #9:	A consolidation of the headquarters functions of the three cities would provide enough personnel that could more effectively handle both the field command and the specialty assignments that are presently done by each city separately or through the current contract arrangements.

SECTION 3—OPERATIONAL ADVANTAGES TO CONSOLIDATION OR CONTRACT FOR SERVICES

The first two sections of this report described background, station/crew deployment and headquarters staffing information on fire services in the cities. The purpose of this section is to use this information as the basis for examining the details of a merged headquarters and line staff.

3.1 HEADQUARTERS STAFF MERGER

Two of the three cities in this study have already recognized that they have difficulties in finding qualified command staff and bearing the cost of a full command staff for a fire department with a small number of line firefighters. In addition to the decline of volunteer firefighters, Citygate sees the problem of affording an effectively sized command staff becoming very difficult for all small agencies. These pressures have combined to reduce drastically the number of career fire departments in the state that operate three or fewer fire stations by themselves. Over the last decade, many small agencies have merged into larger existing agencies or done sub-regional consolidations such as this one being studied.

The other increasing issue for command staff is to be trained, competent and certified to safely supervise emergency operations as was reviewed in Section 1.5. It is becoming very difficult for small agencies to provide adequate training to "grow" their command staff internally. At the same time, recruiting many command capable personnel from other fire agencies is increasingly difficult because many are no longer willing to relocate their families late in their career due to the cost of housing and the fact that with the 3 percent at 50 retirement plan, they are close to retirement just when they advance finally to the command ranks.

Carmel has clearly recognized that it cannot provide even the minimally necessary range of headquarters staff functions listed in Section 1.3 of this report and has contracted with the City of Pacific Grove. This is even without considering the provision of specialized services such as hazardous waste response, public education, pre-fire planning, etc. While the call volume and workload of the Carmel Fire Department is small, recruitment of command capable people into a work environment requiring chief officers to share rotating weekend duty and on-call service is difficult at best. There is clear recognition that neither operationally nor with appropriate cost effectiveness can Carmel maintain its own fire headquarters function basically from now on.

Pacific Grove's situation is only marginally better. Its workload call volume and population is almost four times higher than Carmel, and the Department provides more fire prevention services and operates a large water rescue program. Until the recent retirement of one of their three chief officers, the City was providing all headquarters functions with only these three and 1.5 clerical staff. The three chief officers lived within the City and shared incident command responsibility, with nighttime and weekend duty rotating and on-call. The City has been very fortunate that it had three chief officers who could live within the City and agreed to work at this constant pace. Recruiting to fill these positions with someone both qualified and willing to live and work under those conditions is highly problematical and certainly not a long-term viable solution to meeting the headquarters function needs of the Fire Department and the emergency response needs of the City. Pacific Grove has recognized this in its contract for duty chief services with the City of

Monterey. But now Pacific Grove will be trying to fulfill all of the headquarters functions listed in Section 1.3 with only two chief officers. Doing this effectively for two people in a city the size of Pacific Grove, with over 1,600 calls for service per year, is simply not possible. And this will not improve with time. Instead, the fire service is finding safety regulations, certification requirements and emergency planning demands increasing steadily.

Merger of the headquarters functions into a single consolidated unit is clearly an alternative to the service level problems faced by Carmel and Pacific Grove. However, there are also clear operational advantages for Monterey as well.

In the three departments, there are already only two fire chiefs. Consolidating to one fire chief would not be too taxing in a department with only five fire stations. Instead of three "part-time" training chiefs having to design, deliver and measure three training programs, especially for a small quantity of personnel, one training chief could easily handle the training coordination for five fire stations. There is the same benefit for any of the line support services such as emergency medical and specialty rescue programs.

Fire Prevention services could be improved with a dedicated fire marshal, and as workload and revenues dictated, increase to more than one half-time fire inspector. In a small department, without the workload for even one inspector, it makes sense to share such technical positions across a larger workload base. Fire Prevention codes are, as are the building codes, increasingly complex, and it takes time to learn them and how to effectively coordinate with city planning and the development community. It does not do this issue justice to frequently rotate part-time fire operations oriented personnel into the prevention position. All three cities will benefit from a strong, shared fire prevention program, not the understaffed and part-time ones currently operated. Fire Prevention and inspection programs have been a principal reason for the reduction of fires in urban areas over the past decades.

With three incident command qualified duty chiefs, there would always be one on duty 24/7/365 to immediately respond for command, coordination and required safety oversight issues. Other staff chief officers could live, if needed, in the general area, not one specific community and respond with a longer, but more reasonable, travel times to more serious incidents requiring several chief officers. Staffing this one position jointly reduces several of the three cities headaches with fire command staff:

- Trained and certified incident commanders are always available
- Being on-duty in a fire station, they do not have to reside inside any one city's city limits
- If the line workforce is consolidated, there is a larger inside pool from which to train future chief officers
- With a larger department, there are more senior line fire captains to draw from if acting chief officers are needed
- With a larger, common chief officer pool, there is more opportunity to train and develop future assistant and fire chief officers.

The existing office support positions are enough to effectively support the combined management team, plus enhance support to field operations, fire prevention, community outreach programs and coordination of volunteers. Currently, in two of the three departments, there is so

little office support that the chief officers do many of the routine functions themselves. This is not timely or cost-effective, when the agency is already short management staff to train and coordinate fire operations. A common office support staff can handle day-to-day budgeting, procurement, training documentation, fire prevention plan processing and public education requests, freeing up much of the command staff's time to focus on their assigned areas.

One last issue to consider is the impact of the safety issue if Carmel and Pacific Grove were to choose to continue to contract the duty chief function from Monterey, but not fully consolidate the headquarters functions. Without a full merger of the three agency headquarters into a single unit, the duty chief does not really know or can enforce the training and safety policies of each separate agency, and he/she does not know the personnel, their level of training or equipment. In a dangerous environment increasingly regulated by OSHA, this type of contract supervision in Citygate's opinion exposes all concerned to more liability than benefit. It can be done for interim periods while personnel are hired, or for mutual aid, but not forever without substantially increasing liability for the agencies and the individuals. For all of the above reasons, it makes very good operational sense to cost share one right-sized headquarters staff.

3.1.1 Consolidated Headquarters Staff Form

To merge the fire department headquarters staffs of the three cities, the existing personnel could be combined into the following structure:

- 1 Fire Chief
- 1 Asst Fire Chief – Operations (2nd in command to cover absences and supervise the 3-Duty Chiefs, plus special programs such as water rescue)
- 3 Division Chiefs – One per duty platoon on 24/7/365 coverage
- 1 Division Chief – Training Officer
- 1 Fire Marshal – in time transitioned from a chief officer to a civilian
- 1 Deputy Fire Marshal
- 1.5 Fire Inspector
- 1 Administrative Analyst
- 4 Office support (clerical).

The above headquarters team would absorb the existing personnel. There would, of course, need to be some re-assignments, and these can be handled in a variety of ways from assignments to formal promotional processes. It is important to note that, given the attrition that has already occurred in both Carmel and Pacific Grove, there is not too many headquarters staff at this point in the aggregate among all three agencies. The above plan absorbs them all into critically needed positions.

With the above staffing plan, there would finally be full-time, trained managers working each of the important functions of a modern, regulated fire department. It needs to be remembered that the regulatory burden on a one-station fire department is just the same as is placed on the City of Los Angeles. While another agency may have more fire stations and, for example, have a larger training staff, even small agencies have to prepare a training plan, execute it and document it.

There are no "small rules for small agencies" that allow for inadequate headquarters staffing due to economic pressures.

3.2 CONSOLIDATED FIRE STATION LINE STAFF

The next step beyond consolidation of headquarters functions is a full consolidation of both headquarters and line staff of the three fire departments to create one workforce, under one labor agreement, with one employer relationship and set of operating rules and regulations. As such, the personnel assigned to one "new" department could, after a period of cross training, transfer or promote to positions anywhere in the single organization.

To accomplish this full consolidation into a single fire department serving all three cities, there has to be created one new employer relationship after the necessary "meet and confer" obligation is done over wages, hours and working conditions. There are several choices open to the three cities.

Technically the "new" single employer can be any of the partner cities in this study or all the consolidated employees can be moved to a Joint Powers Authority (JPA), which is operated, by the three cities. However, from a practical fiscal perspective, the retirement rate may vary depending on which city is chosen, and there may be impacts on the police portion of the public safety retirement contract. Alternatively, moving all of the employees to a JPA as a separate employer will permit the JPA to "fresh start" the retirement plan, which could result in lower retirement rates. The answer as to which is the most cost effective solution requires a full formal actuarial study, once the three cities have made the basic policy decision of whether to merge all three fire departments into a single department. But the answer may also rest in the policy decision of all three cities regarding which will be the administrative lead in a merged organization and how will representation of all three cities be accomplished. The governance choices are discussed further in Section 4 of this report.

A line personnel merger would greatly increase career development and exposure to a greater variety of emergency situations by serving three communities. It would be much easier to have stable promotional and relief coverage overtime lists for a five-station department, as compared to a one station, 6-person department such as Carmel. In such instances, it does not take very much long-term illness or injury leave to place a severe strain on the remaining employees to safely staff the units, even with endless overtime. At some point, all employees need time off, and overtime is not always the safest answer.

Over time, the purchase of protective clothing, tools and apparatus can be standardized and pooled generating cost efficiencies through more volume purchasing than one small agency could achieve. While the individual agencies may today be buying as part of multi-agency pools, they are still buying items to their sole requirements, not that of a large, multi-station department.

As operating policies and training is standardized, emergency effectiveness will improve over that delivered by the mutual aid system. All the firefighters will be of the same "team" with a common understanding of all apparatus, tools, emergency operating techniques and expectations of the duty chief (incident commander). As the safety regulations have increased in the fire service, training and operating procedures have become critical to safe, effective operations. You simply cannot throw firefighters together without a common system and expect a high level

of coordination. Mutual aid does this, but for very large fires, where the loss is already great and the on-scene timelines can run a little more slowly. On small, first alarm fires, an effective, coordinated, timely fire attack can make all the difference and prevent the fire from growing to greater alarm proportions.

3.3 Summary of Benefits of Full Consolidation

A full consolidation of both headquarters and line staff would deliver over time:

- A consolidated headquarters staff operating with fewer positions than budgeted in the three cities prior to the latest round of vacancies, and operating with the same number of positions as now remain filled collectively in all three cities. Cost savings associated with this are discussed in Section 6 of this report.
- Pacific Grove and Carmel would no longer be dependent upon hiring chief officers who could agree to share 24-hour duty chief coverage and whom could afford to live in the community to provide adequate response times after office hours.
- A full-time, dedicated duty chief would be available at all times.
- A full-time, dedicated division chief would be available to manage each of the specialty areas requiring full-time technical attention, such as training and fire prevention.
- Adequate administrative support staff.
- Adequate prevention and training programs.
- Common training and focus for line personnel and also for staff seeking promotion into the chief ranks.
- Ability to standardize operations and equipment, resulting in both improved emergency scene coordination and a potential for cost savings.
- A larger pool for career development, promotions and backfill when vacancies occur.

Finding #10: If a full consolidation occurred, there are enough office support (clerical) positions to adequately support the combined command and fire prevention functions. Over the long term, if Carmel and Pacific Grove could agree to one consolidated headquarters office location in a three-department consolidation, perhaps one half to one of the office support positions could be transitioned away.

Finding #11: A consolidation of headquarters positions would not only save significant money for all three cities, but there *would be a significant increase* in supervision and program effectiveness by combining for the common benefit the existing headquarters staff.

SECTION 4—OVERVIEW OF TYPES OF CONSOLIDATION AND GOVERNANCE STRUCTURES

4.1 CONSOLIDATION STRUCTURE

Consolidation of fire service can take three basic forms:

1. Full
2. Functional
3. Contract.

In a full consolidation, two or more fire agencies combine completely to create a single fire department. The department then has a single budget, all personnel are employees of the one fire agency functioning under a single labor agreement and operating with a single payroll, finance, personnel and purchasing support system.

In a functional consolidation, two or more agencies share functions such as having a combined training officer and or a fire marshal function, or even combining all headquarters functions and sharing all administrative functions and reporting to a single fire chief. They may share a fire station, each operating their own fire company out of the single station or actually share the cost of a single fire company that serves areas in each agency.

Under contract for services, one agency contracts with another for full fire services and instead of shared governance, and ability to set internal policies and costs, the agency pays for service levels via contract terms.

Full consolidation usually is done with the creation of a new Fire District or Joint Powers Authority while functional consolidation is more often undertaken with some form of Joint Powers Authority or contractual relationship in which one agency may provide the fire marshal function for the entire area while the other agency provides the joint training officer function, for example.

It is not uncommon for agencies that want full consolidation, to use functional consolidation as an interim step to assess the viability of consolidation or to provide time for one or the other partner to gather the necessary long-term financing to pay their full share of a joint fire department. With the recent contractual relationship between the three cities for fire chief and duty chief services, the cities have already taken a significant step by engaging in initial functional consolidation of some activities through a "contract for services" form of consolidation.

Governance is often the most critical issue in consolidation. Preserving the autonomy and ability to choose levels of service is important to communities. Actual consolidation is not that difficult if the issues of local fiscal and policy control can be resolved by selecting an appropriate governance model.

In any of the models presented below, Citygate advises that the system be designed so that each partner city continues to control the number of fire stations within the city limits, station staffing and to have the ability to concur as a full council on the joint budget and operating program of the shared fire department. To create a totally independent JPA where that Board can dictate all

operational levels and resultant costs to the member councils is not a recipe for long-term consolidation success as it becomes insulated too much from the appropriate input of each community's elected officials.

4.2 GOVERNANCE MODELS

There are several models for the governance and operation of shared or consolidated fire services. Each has its strengths and shortcomings. The principal models are:

An Independent Fire District: Establishment of an independent fire district to serve all three cities would require LAFCO agreement and two-thirds local voter approval for a new tax rate to support the district, which will require independent funding. An independent district will require a larger administrative structure because it will have a separate and independent board, be responsible for its own personnel, finance and purchasing functions plus not be accountable to the local city elected officials. Its advantage, if approved by the voters with an adequate revenue base, is that it has as its principle focus the provision of fire service that is appropriately funded without using current city General Fund revenues that might be devoted to other purposes such as police services.

Dependent Fire Districts: A dependent district is usually operated by County Boards of Supervisors serving as the board of directors. While dependent districts have most of the same advantages and disadvantages of independent districts, uniquely the governing board is not composed of people wholly elected from within the area served by the district. The only direct representation is the supervisor or supervisors whose district(s) cover the three-city area.

Joint Powers Authorities: When several cities or other local government agencies seek to provide consolidated services and yet want to retain a greater measure of fiscal and operational oversight than either an independent or dependent district would allow, they usually turn to the creation of a Joint Powers Authority. California law allows an almost infinite variety of shared services between governmental agencies and permits the partners to create almost any governing structure that meets the local needs for fiscal and operational control. For example, a JPA with a board composed of elected officials from each of the partner agencies is the most common form. Funding for the combined service can similarly be provided to the JPA by each partner agency according to whatever formula the parties may find agreeable.

Contract for services: Frequently, the shared fire service may be best provided by having one agency take the lead and act as the service provider while the other agency pays a 'fair share" under contract arrangements. It is not uncommon for one city to provide fire service to a portion of or all of a neighboring city at an agreed contractual cost. All of the savings and operational efficiencies that might be found in consolidation under a JPA can be realized in a contractual arrangement. However, the disadvantage is that day-to-day policy control rests with the elected officials of the agency providing the service. Unless there is a close and common vision regarding how to operate the service, conflict can arise between the partners, with the city "buying" the fire service from their neighbor feeling they "pay" but have little control over the nature and quality of the service.

Contract for service was the tool used for Carmel to contract with Pacific Grove for fire chief services and for Carmel and Pacific Grove and Monterey to contract with Monterey for duty chief services.

Given the above brief overview, based on Citygate's experience with other consolidations, we recommend that the parties in this consolidation effort strongly consider:

Recommendation #1:	The best-fit governance model for this consolidation effort would be Joint Powers Authority. The JPA Board's powers would be limited in the JPA agreement so that the Board could not unilaterally impose costs and service level changes on the cities without their advice and co-ratification.

While there are a variety of forms that a JPA might take, one example would be to form a Joint Powers Authority with a Board composed of two members from each City Council.

The Board could have the responsibility to review the budget and operational policy, but only the power to then recommend approval by each of the three full City Councils. Thus, the JPA Board of Directors would be the fire "sub-committee" of the full set of elected officials. The JPA Board could work on the consensus model, where there would be six JPA Board members, two per agency. It would take a three-fourths vote to advance the budget and goals for full ratification. If that were not possible, staff and the Board would have to work the issue to consensus. In this model, there is equal representation, and one agency does not get more votes based on its population size or some other weighted metric.

Example JPA Policies are:

- The three city managers would jointly appoint the fire chief and on an annual or every two-year rotation, exercise direct oversight on major fiscal and personnel issues for the JPA Board.
- The JPA would have two choices for the employment of the firefighters – they could become JPA personnel, or one existing agency could employ them, providing payroll and personnel services, reimbursed by the other partners. This decision is both one of best fit, given the existing city abilities to support the Fire JPA, as well as the State Retirement System requirements. The only way to know the exact costs would be to perform a retirement system actuarial analysis to see which is less expensive: starting a new retirement contract with the JPA; or having one existing city retirement contract absorb the firefighters.
- The fire chief and JPA Joint Executive Directors (city managers) would set the annual budget and objectives. The JPA Board would consider it and recommend co-ratification by each of the partner agencies.
- Budget expenses could be shared based on one of the formulas discussed in the fiscal section of this report. Each agency could continue to separately own, fund, repair and replace its capital assets like fire stations and fire apparatus, under the fire department's common specifications.

This is only one example of how a JPA might be arranged. The specific details and authority would need to be worked out through discussion by the three cities to reach a "best fit."

SECTION 5—IMPEDIMENTS TO CONSOLIDATION

While there are opportunities for improvement with a partial or full consolidation, there are also several technical and cost issues that may be impediments to agreement.

This consolidation analysis is intended as a first phase in which the parties can identify these principal issues in consolidation at a macro level and determine whether and how they might like to proceed toward full consolidation of fire services. While ultimately the three agencies will likely want a detailed fiscal analysis in order to establish a budget for consolidated services, at this stage of policy discussion, it appears to Citygate that a macro fiscal analysis providing costs at a reasonable order of magnitude will be sufficient to permit initial decision-making on fire service consolidation. The cost of a full fiscal analysis does not seem justified at this juncture in the project. The policy issues arising from the governance structure alternatives and the order of magnitude of costs of consolidation are clear from the data made available to Citygate.

5.1 COST ISSUES AND THE FISCAL CAPACITY OF THE THREE CITIES

While consolidation may be principally about "improving fire service for the three cities," the question of whether some form of consolidation will cost more or save money is important as is the question of what "fair share" will each city pay. The most critical cost element in the fire service is salary and benefit expenses. While precise numbers are elusive until the cities actually get to the point of consolidation with accompanying negotiated salaries and benefits with employee groups and have obtained actual quotes for health and retirement related costs, the current salaries and benefits in existing MOUs for each city do provide a fairly clear picture of the fiscal costs and benefits of consolidation. Below we discuss the major cost elements and a discussion of their importance in a policy discussion of consolidation.

5.1.1 State Retirement System (CalPERS)

All three cities participate in the CalPERS retirement system and offer approximately the same level of benefits to their fire safety employees:

- 3 percent at 50 (A retirement allowance calculated as 3 percent for each year of service by the employee who retires at age 50 or later
- 1 Year Final Compensation (Retirement benefits are calculated on the employees' highest 12 months of compensation, usually the final year of employment)
- 2 percent COLA (An annual increase in retirement allowance after retirement, based on the inflation rate but not to exceed a 2 percent increase per year).

Since each of the cities individually have fewer than 100 fire safety employees, CalPERS determines the annual retirement rate to be charged each city based on a common rate that is paid by all similarly small agencies. This is called "pooled risk." Agencies with more than 100 fire safety employees pay a rate based on their own individual projected retirement experience. In addition to this common rate or percentage, each agency also pays an additional amount based on particular enhanced retirement benefits they may have given their employees and an amount to amortize any "deficiency" that existed to account for the difference between the funded status of

the city's retirement plan and the funded status of the small agency risk pool at the time the city joined that pool (which was mandatory several years ago for all small agencies).

This deficiency payment is known as the "side fund" and is presently a significant part of the retirement rate paid by each of the three cities. Although this past year Pacific Grove chose to pay off their side fund to CalPERS by issuing a bond whose interest payment is lower than the interest charged by CalPERS on the side fund amount, this is still a retirement obligation that is being paid by Pacific Grove, although executed as payment to bond holders.

Below are several tables that illustrate that although each agency offers nearly the same level of retirement benefits, the cost to each agency differs significantly, largely as a result of the difference in "side fund" obligation of each agency, the period of time over which that side fund is amortized and the number of employees over which the side fund obligation is spread. The side fund adds a significant percentage to the cost of each city's retirement rate.

CalPERS Retirement Rate Charged to Each City

City	Rate
Carmel	33.872%
Monterey	25.685%
Pacific Grove	38.852%

Side Fund Obligation (June 30, 2004)

City	Cost	Side Fund %
Carmel	$ 3,025,371	13.245%
Monterey	$12,248,249	8.714%
Pacific Grove[1]	$11,502,056	20.905%

[1] Bond Financed.

Even if the three cities were to completely merge their fire departments into a single agency, the number of fire safety employees would be significantly short of the 100 required to leave the small agency risk pool and fresh start the combined retirement plan at an initially lower rate. Even so, an actuarial study of the new combined fire department might well show little or no long-term retirement cost savings, depending on the age and expected retirement plans of current employees.

Citygate asked Bartel and Associates, a well respected actuarial firm that does CalPERS studies for local agencies, to review the cities' retirement plans. This firm observed that "While contribution rates are noticeably different, I believe this can be easily addressed by requiring each city to pay off the existing side fund and Normal Cost phase out." Pacific Grove has already done this through a bond issue. Both Carmel and Monterey could do the same, resulting in each agency separately paying their side fund obligation and any fully or partially merged fire department reflecting only the remaining rate, which would have been approximately 18 percent for the current fiscal year. Another benefit to the two cities in using a bond to pay down their

existing side funds is that the borrowing rate on such a bond is typically less than what CalPERS charges.

Finding #12: The difference in retirement rates paid by the three cities is largely due to a difference in side fund obligation. If the cities decide to merge all or part of their fire departments, the disparate impact of this side fund obligation can be relieved by Carmel and Monterey funding this through a bond issue as Pacific Grove has already done.

Recommendation #2: Regardless of whether the three cities consolidate fire operations, Carmel and Monterey should pay off their CalPERS side fund obligation by issuing bonds at a lower interest rate than is being charged by CalPERS.

In addition to the retirement rate charged to employers, which has been discussed above, CalPERS also charges a 9 percent rate on eligible salary to the employee. Many agencies in California have negotiated to pay this rate on behalf of the employees. However, Pacific Grove does not and instead several years ago negotiated to pay a higher salary to employees in lieu of the City taking on the payment obligation. This difference in pay practice will be seen later in this report when we review salary differences between agencies.

5.1.2 Benefit Differences

In addition to retirement, each agency also provides other benefits to employees, including health and educational incentives. Here there are substantial differences between what is provided by each agency. A principal difference is that Pacific Grove not only chose to pay a higher salary in lieu of paying the 9 percent employee retirement rate obligation, but also chose to pay a higher salary in lieu of any more than the CalPERS required minimum payment. The major differences between benefits can be seen in table below. *(Table continued on following page)*

Benefit Differences between Agencies

Benefit	Monterey	Pacific Grove	Carmel
Health Care Contribution by City	$451.17-933/mo	$64.60/mo	$291-685.75/mo
Vision Care Contribution by City	$20.23/mo		
LTD		$16/mo	$12/mo
Dental Care Contribution by City	$64.33/mo		
Orthodontics Care by City	$3,000 cap		
Retiree Health		Up to $150/mo for five years or age 65	
Tuition Reimbursement	$500	$750	

Benefit	Monterey	Pacific Grove	Carmel
Educational Incentive Pay	BA/BS 5% MA 7.5%	30 Units 2.5% 60 Units or a Degree 5%	30 Units 2.5% 60 Units 7%
Out of Class Pay	After 3 shifts	After 10 shifts	After 1 hour
Minimum Call Out Pay	2 hours	2.8 hours	1 hour

Finding #13: A merger of either all employees or even simply a merger of the headquarters units of the three cities will necessitate consideration with the employees of how to combine the different benefit structures. This is a "meet and confer" obligation for each city and may result in all of the cities agreeing to a higher benefit than they now provide in one or more of the benefit categories.

Finding #14: While combining or merging benefits from each of the cities could represent an added cost, once we compared the combination of salary and benefits for each agency, we found that the added cost is not likely to be an overall significant number.

5.1.3 Salary and Benefit Cost Differences

The salaries paid by each city differ as well. The largest difference to understand is that Pacific Grove salaries include a factor that then requires employees to pay a portion of their retirement and health benefit costs as discussed above. The salary table below illustrates the differences between fire safety personnel salaries using the 2006-07 salary schedules for employees at the "E" step on the salary Schedule for each agency and does not reflect any increase that a city may expect to give this year. Monterey and Pacific Grove, for instance, are negotiating salaries as this report is being written and so any increase for their employees is not reflected in this table.

Base Annual Salary for Fire Safety Positions

	Monterey	Pacific Grove	Carmel
Fire Chief	148,3200	139,536[1]	
Asst Fire Chief		127,920[1]	
Fire Marshal/Division Chief	121,872	Position Eliminated	
Deputy Fire Marshal	84,192		
Station Captain		82,740	76,368
Engine Captain	80,160	77,820	
Fire Engineer	69,240	72,732	66,084
Fire Fighter	65,952	65,880	

[1] Salary based on current pay level of incumbent employees.

Carmel currently contracts with Pacific Grove to provide some administrative services and incident command services from a Monterey duty chief 24/7/365. As a result, they currently budget for 6 full-time line personnel, engine captains and engineers. In these categories their base salaries are clearly lower than those paid by Monterey and Pacific Grove.

The next table provides an alternative picture of the employee cost by including the benefits that are common to all three agencies for an employee who is eligible for "E" step in the salary schedule and is receiving medical insurance benefits for both the employee and immediate family members.

Combined Salary and Benefit Costs including CalPERS Rates

	Monterey	Pacific Grove	Carmel
Fire Chief	204,140	204,795[1]	
Asst. Fire Chief		187,917[1]	
Fire Marshal/Division Chief	167,597	Position Eliminated	
Deputy Fire Marshal	132,648		
Station Captain		122,269	120,877
Engine Captain	122,909	115,121	
Fire Engineer	107,934	107,728	106,461
Fire Fighter	103,425	97,772	

[1] Salary based on current pay level of incumbent employees.

This table, using 2006-07 salaries and benefits, continues to reflect that Carmel experiences a lower cost for fire safety personnel. Preparing a table comparing salary and benefit differences between cities is complicated by the way in which each agency provides the benefits, differing retirement rates and workers compensation insurance costs paid by each agency. For example, the California Public Employees Retirement System (CalPERS) latest valuation report charges Monterey 25.685 percent of salary for the retirement benefits available to its employees. This is about 13 percent lower than the rate quoted for Pacific Grove, even though the retirement benefits provided by each agency are about the same. The difference is derived largely from the actuarial valuation of cost based on the age and history of retirement of previous employees.

Finding #15: Carmel experiences a lower total cost for its 6 full-time fire safety personnel than do Monterey or Pacific Grove for their combined 63 line staff. The apparent difference as well between Monterey and Pacific Grove is partially due to a difference in the way each agency funds benefits, so that the actual difference to employees may depend on the tax status of each employee.

Finding #16: A merger of line and/or headquarters fire personnel will require some adjustment in cost for each city. However, as this report illustrates in a later section, the total cost of at least a single headquarters unit will be less than what is spent in combination by all three cities and represent a savings to each city even if the salaries and benefits paid to headquarters personnel is at the level of the highest paying city.

5.2 BINDING ARBITRATION

The City of Monterey is a Charter City and the voters there approved a Charter Amendment that calls for wage, hour and working condition disputes with its firefighters to be finally determined by a neutral party, or an arbitrator. This step occurs after the City Council and employees have reached an impasse point.

Without meet and confer with all three employee groups to determine consolidated wages, hours and working conditions and without a final CalPERS Actuarial Study to determine which city or a new Joint Powers Authority (JPA) would be fiscally the best to become the consolidated employer, it cannot be determined at this point if Binding Arbitration may or may not be an issue for consolidation. There are several possibilities: the combined firefighters and/or management personnel may choose to no longer need it; the two other partner cities in this consolidation effort could agree to leave it in place if Monterey were to become the consolidated employer; or if Monterey was not to become the consolidated employer, then binding arbitration would not have to be included in a new labor relations agreement.

It is important to recognize that any form of consolidation is hard on the affected employees due to the uncertainty of changes to working conditions. For some of these changes, the cities, as employers under state law, have a meet and confer obligation. Therefore, if the cities opt for consolidation, the next steps have to include not only deciding final governance and cost sharing agreements, but in spending extensive time communicating with the affected employees to design what final operational details are needed and to address meet and confer obligations.

It has been proven in multiple private and public sector mergers that significant employee involvement by those actually doing the work in the systems and procedures to be blended yield a successful and sustainable merger.

5.3 FACILITIES, APPARATUS, AND INSURANCE COVERAGE

In a full fire department consolidation, there are two ways for the partner agencies to handle their capital facility and fire equipment needs. The first and easiest is for each city to retain ownership of their fire stations and fire apparatus. Each would continue to fund major repairs and/or replacements based on their existing budget processes. The consolidated fire chief would make recommendations to each City Council during the budget process. Whether maintenance and repair is then actually performed by each city or whether the consolidated fire department arranges for the repairs and charges the costs directly back to the city is a relatively small detail

that may well depend on the capacity of each city to continue this work or the willingness of the lead city to absorb that as contract work within its own fleet and building maintenance functions.

The second method would transfer all the capital assets to a new Joint Powers Authority that would have to charge back each partner agency for repairs and eventual replacement. This can become complicated to determine fair share cost allocation.

If the cities retained ownership, their existing insurance plans would continue to cover these assets. If employees are merged, they are covered by liability insurance from the joint budget and employer of record. As operators of other cities' fire apparatus, the consolidated insurance plan names the other cities as additional insureds, or whatever variation the three cities insurance carriers would prefer.

SECTION 6—COST SAVINGS FROM CONSOLIDATION

Consolidations usually result in salaries and benefits being paid at the greatest level now being provided among the merging agencies. For instance, combining all three cities into a single fire department might well result in a salary level equal to that of Pacific Grove in most fire safety job classifications. Citygate anticipates, however, that with the present labor negotiations in Monterey, that the total salary and benefit costs of the two agencies for each job classification will come close enough that the difference will likely be insignificant. And the experience of other agencies in California is that fire safety salaries and benefits within a geographic area are becoming nearly equal as fire personnel more easily are able to change jobs between agencies and even live a long distance from their employment. Smaller agencies, such as Carmel, often lag behind as a result of a lower fiscal capacity; and as a consequence, they frequently experience a high turnover rate that provides less experienced personnel responding to emergencies.

6.1 LINE STAFF MERGER

If the three cities were to merge line personnel into a single fire department, Citygate earlier noted that this would not result in any reduction of personnel, because the number of stations in each city is a function of the geographic distance between fire stations now. No fire station could be closed with a corresponding staff savings without substantially increasing the response time to emergencies in the area being served by the closed station. While each fire station provides much needed additional "second-due" engine staff and equipment at a fire or major accident, the likelihood of obtaining a positive outcome in the emergency is dependent upon the timely arrival of the first emergency crew.

> **Finding #17:** Without the reduction of personnel, there would be little savings and the salaries and benefits for line personnel of the merged fire department would likely be that of the highest paying agency at the time of merger.

If we assume that Monterey and Pacific Grove effectively are paying nearly the same salary and benefit costs at the time of merger as a result of the current or next round of compensation negotiations in each city, then there would be little cost savings from a merger of line personnel for those two cities. In the table below we indicate both the current # of line firefighter positions and the number recommended by Citygate. Earlier in this report we noted that with or without consolidation, Carmel needs to have 3 career firefighters assigned daily to the engine company rather than the present 2 in order to have an effective fire and EMS presence at the scene of an emergency. While this represents an added cost of about $400,000 per year to the City of Carmel, this added staffing need would be there regardless of whether Carmel operated its own fire department or merged line operations with Monterey and Pacific Grove.

Full-Time Line Personnel

City	Current # of Personnel	Recommended # of Personnel
Monterey	48	48
Pacific Grove	15	15
Carmel	6	9

Benefits of merging line operations into a single fire department come largely from improved operations at the fire scene when all of the personnel have been trained and supervised under common headquarters leadership and equipment is standardized. This results in fewer mistakes from directions, less need for coordination as personnel have trained as a unit under common standards, and no time is lost mistaking one brand of equipment for another as the equipment is expected to function as automatically anticipated. Communications flow more smoothly and each firefighter knows more assuredly what to expect of the others as they work as a team.

Finding #18: While there will be little, if any dollar cost savings from line merger, the three cities can expect an improvement in operational response to emergencies, employee retention and promotion opportunities.

6.2 Headquarter Staff Merger

Given some of the difficulties of arriving at an arrangement for governing a combined fire department among two or more agencies, and some of the concern over how you untangle a merger if it appears not to be working, some agencies consider taking the interim step of consolidating only the headquarters functions. This begins to provide the benefits of common training and supervision and improving communications. The idea is that if this proves to be workable, then full consolidation may be advisable. In the meantime, the elected officials have had some leisure to discuss not only how to merge salaries and benefits, but also what governance structure would oversee the merged operation while retaining some local control/oversight for each City Council.

As discussed elsewhere in this report, there are serious drawbacks to permanently operating a partial merger. There is difficulty of a headquarters staff supervising three different line operations under different labor agreements. It also limits the flexibility of personnel moving between stations and limits the opportunities for promotion, since each of the three work forces continue to function as their own fire department for employment, salary and benefit, promotion, overtime assignment, and temporary reassignment to handle a critical daily staff shortage.

With this discussion as background, a merger of the headquarters operations for the three departments makes increasing logical sense, particularly in light of the fact that Carmel now has no full-time headquarters staff and both Pacific Grove and Carmel are relying on Monterey for daily duty chief coverage, also called “incident command.” Training and fire marshal activities, most notably, remain with each agency.

Below is a table reflecting the current cost of the headquarters function (including contracted services) with the cost of a consolidated or merged fire department headquarters staff. The salaries and benefit costs reflect absorbing all current HQ staff and also the higher compensation scale among the three cities.

Cost of Needed HQ Function for Each City Compared with Cost of Consolidated Staff

Headquarters Staff	Consolidated HQ	Monterey as it Should be Staffed	PG as it Should be Staffed	Carmel as it Should be Staffed
Fire Chief	204,851	204,140	204,795	189,026
Asst. Fire Chief	204,140			
Fire Marshal/Division Chief	167,597	167,597	172,556	
Division Chief/Battalion Chief	502,791 (3)	502,791 (3)	517,668 (3)	318,538 (2)
Training Battalion Chief	167,597	167,597		
Deputy Fire Marshal	132,648	132,648		
Fire Prevention Officer PT				
Fire Inspector	117,843(1.5)	32,590 (.5)		
Admin Analyst (1) & Clerical (4)	383,405 (5)	219,198 (3)	90,843 (1.5)	73,364 (1)
SUBTOTAL	**1,880,872**	**1,426,561**	**985,862**	**580,979**
Supplies and other OH	376,174	285,312	197,172	116,196
NET TOTAL COSTS	**2,257,046**	**1,711,873**	**1,183,034**	**697,175**

Finding #19: Merged headquarters functions will save $1,300,000 at current salary and benefits compared to the staffing level that will be needed if each agency operates a separate fire department. In addition to the cost savings, the operational improvements argue in favor of merging all of the headquarters functions into a single unit.

Throughout this report, the difficulties facing each of the three cities in fielding a headquarters staff large enough to perform all of the needed emergency management functions has been reviewed from a number of different angles. Additionally, the difficulty that Carmel and Pacific Grove particularly have in recruiting chief officers exacerbates the problem for them. As a result of these earlier observations and the fiscal analysis above, we recommend as follows:

Recommendation #3:	Merge the fire management teams of the three cities to provide an immediate improvement in management support services and the structure to conduct the long range planning necessary to actually merge the operating portions of the three city fire services.

SECTION 7—COST SHARING

An important element in determining the cost implications of consolidation is deciding what formula to use in allocating costs. If the agencies were to decide to pursue consolidation of either the Headquarters Management Function or a Full Consolidation, the costs would need to be allocated among the agencies by a formula that is perceived as fairly representing the degree of benefit received by the residents and property owners in each agency.

There are four basic approaches that we include here for illustration purposes, along with a discussion of combining several formulas in a "weighted" approach. While any number of additional permutations could be negotiated among the parties, these approaches illustrate generally how the costs will impact each agency in comparison to the costs they are now incurring for fire services.

Costs can be allocated by:

- Population
- Assessed valuation
- Fire resources (or amount of local "consumption" i.e. # of firefighters in a city)
- Calls for service.

In the section below, we illustrate the application of each of these cost-sharing approaches using the cost of a merged headquarters function to show not only how costs could be allocated but also the comparison to the present amount being spent by each city separately. The relative cost/savings to each city would be roughly the same for a merged line operation as well.

7.1 COST SHARING FORMULAS

7.1.1 Population

Population is a good measure of fire emergency service need, since people are usually the cause or the need for the service. Using the cost of a consolidated headquarters function staffed as suggested in this report, below is how this might be divided among the agencies based on the 2006 population estimate from the State.

Consolidated Headquarters Cost Allocated by Population

	Monterey	Pacific Grove	Carmel
Population	30,161	15,305	4,038
% of Population Total[1]	61%	31%	8%
Share of Consolidated HQ Staffing	$ 1,375,137	$ 697,804	$ 184,105
HQ Cost for each City with its own Fire Department	$ 1,711,873	$ 1,183,034	$ 697,175
Savings for each City	$ 336,736	$ 485,230	$ 513,070

[1] Percentages are rounded.

Using population to allocate the cost of a consolidated headquarters functions among the three agencies results in Pacific Grove and Carmel experiencing the greatest savings because each agency would need to add significantly more headquarters staff in order to provide an appropriate supervision and risk/liability control.

7.1.2 Assessed Valuation

Assessed valuation may be used to reflect the property value protected. This makes some sense from the perspective that the greater the potential value loss, the more value there may be placed on adequate fire service. But assessed value does not take into account the fact that typically two-thirds of fire calls are medical emergencies and auto accidents, which are unrelated to property value. Nevertheless, if the agencies choose to mix several potential formulas in some weighted fashion, the following table reflects how assessed value impacts the allocation of costs.

Consolidated HQ Cost Allocated by Assessed Value

	Monterey	Pacific Grove	Carmel
Assessed Value[1]	$3,375,662,795	$1,834,872,326	$2,035,330,295
% of Assessed Value Total[2]	47%	25%	28%
Share of Consolidated HQ Staffing	$ 1,051,500	$ 571,552	$ 633,994
Current HQ Cost for each City	$ 1,711,873	$ 1,183,034	$ 697,175
Savings for each City	$ 660,373	$ 611,482	$ 63,181

[1] From May 31, 2006 Annual Report of the State Controller's Office.
[2] Percentages are rounded.

Carmel, although the smallest in population of the three cities, has very high residential property values, which results in the cost to them under this formula being nearly the same as operating their own fire department headquarters services.

7.1.3 Fire Resources

The number of on duty line personnel stationed in a city represents the weight and speed of the first line of response to an emergency. Back up from one or more other agencies is the second-due company, but this latter relies upon the first responding personnel to assess, set up and begin the initial response that can keep the emergency to a manageable size and increase the likelihood of a positive outcome. Allocating costs of a consolidated headquarters function on this basis results in the following distribution.

Consolidated HQ Cost Allocated by Line Fire Resources

	Monterey	Pacific Grove	Carmel
Daily # of Line FF on Duty	12	4	3[2]
% of Total[1]	63%	21%	16%
Share of Consolidated HQ Staffing	$ 1,425,503	$ 475,168	$ 356,376
Current HQ Cost for each City	$ 1,711,873	$ 1,183,034	$ 697,175
Savings for each City	$ 286,370	$ 707,866	$ 340,799

[1] Percentages are rounded.
[2] Staffing level recommended by Citygate as minimum needed for an effective emergency response.

Here all cities experience a significant dollar cost savings, although the percentage savings is less for Monterey because it has the greatest number of on duty firefighters.

7.1.4 Calls for Service

Like population, calls for service may reflect more closely the need for emergency response, although it does not reflect the magnitude of potential property loss like assessed valuation does. The table below illustrates how using calls for service affects the allocation of costs of a consolidated headquarters function.

Consolidated HQ Cost Allocated by Calls for Service

	Monterey	Pacific Grove	Carmel
Calls for Service (2006)	4,538	1,630	695
% of Total[1]	66%	24%	10%
Share of Consolidated HQ Staffing	$ 1,492,419	$ 536,061	$ 228,566
Current HQ Cost for each City	$ 1,711,873	$ 1,183,034	$ 697,175
Savings for each City	$ 219,454	$ 646,973	$ 468,609

[1] Percentages are rounded.

While calls for service generally follow population size, there is some difference in the percentage distribution of calls for service between the three cities compared to population. This may reflect a relatively heavier tourist volume in Monterey and more responsibility of the Monterey and Carmel fire departments for response to accidents on Highway 1.

7.1.5 Combination of Formulas

There is not so much an intrinsic "fairness" in any one formula that makes it superior to the others in allocating costs; but it is more a function of which factor each community thinks more fairly represents its need and desire for emergency services. In some instances, a multi-part formula is used that provides weights to different factors. For instance, a quarter of the costs may be allocated based on assessed valuation, a quarter based on the line staff stationed in each city and half based on population. This formula would result in cost savings as follows:

	Monterey	Pacific Grove	Carmel
Savings for each City	$405,054	$572,452	$357,530

7.2 COST ALLOCATION CONCLUSIONS

While the cost savings to each City from the allocation of costs is significant, under most of the allocation formulas, what is important is that the cities have recognized that neither Carmel nor Pacific Grove can continue to provide cost-effective stand-alone headquarters supervision and incident command for their fire departments at their present headquarters staffing levels. Each city has taken the first steps toward some form of consolidation using the contract for services form discussed earlier in this report by contracting for headquarters services. The operational advantages of this are significant both from the standpoint of more effective and standardized training, communications and incident command, but also because Carmel and Pacific Grove fire services simply cannot continue to provide cost effective fire service into the future in the form they have used for the past decades. The fiscal, legal and operational changes in the fire service make small departments no longer viable in providing fully effective emergency services.

Finding #20: A cost formula can be devised which will result in significant cost savings to each city. The more critical issue is the perception of "fairness" that each city has for the formulas.

Finding #21: Far more important than fiscal considerations are the operational advantages of consolidation and the creation of a fire department that is sized to provide effective service throughout the three-city area well into the foreseeable future.

SECTION 8—INTEGRATED FINDINGS AND RECOMMENDATIONS

Findings and recommendations have been made throughout this report in the context of the specific subjects covered in each section. However, an overview of all findings and recommendations in one place is helpful in getting an overall picture of the condition of the fire service in the three cities, the issues surrounding consolidation and Citygate's specific recommendation. Below these are listed in the order of their appearance in the report.

8.1 FINDINGS

Finding #1: The availability of volunteers in communities like those on the Monterey Peninsula is rapidly diminishing and is not likely to provide an effective long-term solution to the need for readily available and trained firefighters.

Finding #2: Today's regulations, responsibilities and competencies mean that a minimum command staff of seven chief officers – one fire chief, an assistant chief, three shift supervising chiefs, a training officer and a fire marshal, supported by clerical staff and inspectors can manage a five-station department. This represents a significant reduction from the number required in each city to separately administer that city's fire department.

Finding #3: Given the current fire station spacing and topography, there is *not* an opportunity in a consolidation to re-locate or share fire stations, thus lowering the number of firefighters on-duty.

Finding #4: Given the considerable sharing that already exists at the operational levels, the three cultures have already taken many of the needed steps to operate more as one department.

Finding #5: Among all three agencies, the equipment and special training exists to a substantial degree to handle the risks present in the combined department area.

Finding #6: The three cultures understand the need to discuss in a positive format a consolidation and know if the technical details can be solved without harming the three cities' services, that in the long run, a consolidated department has more positives than negatives.

Finding #7: Due to revenue limitations in all three cities, none of the departments has an adequately staffed fire prevention and public education function.

Finding #8: Due to city size and revenue limitations, even Monterey does not have the needed compliment of chief officers for a small department and should add a full-time fire marshal position. Given residency and increasing technical requirements on chief officers, both Carmel and Pacific Grove will have trouble replacing and maintaining a well trained and adequately sized chief officer team.

Finding #9: A consolidation of the headquarters functions of the three cities would provide enough personnel that could more effectively handle both the field command and the specialty assignments that are presently done by each city separately or through the current contract arrangements.

Finding #10: If a full consolidation occurred, there are enough office support (clerical) positions to adequately support the combined command and fire prevention functions. Over the long term, if Carmel and Pacific Grove could agree to one consolidated headquarters office location in a three-department consolidation, perhaps one half to one of the office support positions could be transitioned away.

Finding #11: A consolidation of headquarters positions would not only save significant money for all three cities, but there *would be a significant increase* in supervision and program effectiveness by combining for the common benefit the existing headquarters staff.

Finding #12: The difference in retirement rates paid by the three cities is largely due to a difference in side fund obligation. If the cities decide to merge all or part of their fire departments, the disparate impact of this side fund obligation can be relieved by Carmel and Monterey funding this through a bond issue as Pacific Grove has already done.

Finding #13: A merger of either all employees or even simply a merger of the headquarters units of the three cities will necessitate consideration with the employees of how to combine the different benefit structures. This is a "meet and confer" obligation for each city and may result in all of the cities agreeing to a higher benefit than they now provide in one or more of the benefit categories.

Finding #14: While combining or merging benefits from each of the cities could represent an added cost, once we compared the combination of salary and benefits for each agency, we found that the added cost is not likely to be an overall significant number.

Finding #15: Carmel experiences a lower total cost for its 6 full-time fire safety personnel than do Monterey or Pacific Grove for their combined 63 line staff. The apparent difference as well between Monterey and Pacific Grove is partially due to a difference in the way each agency funds benefits, so that the actual difference to employees may depend on the tax status of each employee.

Finding #16: A merger of line and/or headquarters fire personnel will require some adjustment in cost for each city. However, as this report illustrates in a later section, the total cost of at least a single headquarters unit will be less than what is spent in combination by all three cities and represent a savings to each city even if the salaries and benefits paid to headquarters personnel is at the level of the highest paying city.

Finding #17: Without the reduction of personnel, there would be little savings and the salaries and benefits for line personnel of the merged fire department would likely be that of the highest paying agency at the time of merger.

Finding #18: While there will be little, if any dollar cost savings from line merger, the three cities can expect an improvement in operational response to emergencies, employee retention and promotion opportunities.

Finding #19: Merged headquarters functions will save $1,300,000 at current salary and benefits compared to the staffing level that will be needed if each agency operates a separate fire department. In addition to the cost savings, the operational improvements argue in favor of merging all of the headquarters functions into a single unit.

Finding #20: A cost formula can be devised which will result in significant cost savings to each city. The more critical issue is the perception of "fairness" that each city has for the formulas.

Finding #21: Far more important than fiscal considerations are the operational advantages of consolidation and the creation of a fire department that is sized to provide effective service throughout the three-city area well into the foreseeable future.

8.2 RECOMMENDATIONS

Recommendation #1: The best-fit governance model for this consolidation effort would be Joint Powers Authority. The JPA Board's powers would be limited in the JPA agreement so that the Board could not unilaterally impose costs on the cities without their advice and co-ratification.

Recommendation #2: Regardless of whether the three cities consolidate fire operations, Carmel and Monterey should pay off their CalPERS side fund obligation by issuing bonds at a lower interest rate than is being charged by CalPERS.

Recommendation #3: Merge the fire management teams of the three cities to provide an immediate improvement in management support services and the structure to conduct the long range planning necessary to actually merge the operating portions of the three city fire services.

SECTION 9—NEXT STEPS

Citygate recommends that Carmel, Pacific Grove and Monterey strongly consider forming a Fire Services Joint Powers Authority to:

- Provide the governance/policy structure for one sub-regional fire agency.
- Properly designed, the JPA would have elastic cost sharing policies, so that other nearby fire agencies could join in the future.

Merge the fire management teams of the three cities to provide an immediate improvement in management support services and the structure to conduct the long range planning necessary to actually merge the operating portions of the two city fire services. Issues such as the following need to be resolved before operating services are merged.

- Which agency will provide payroll, finance, personnel and purchasing support to the joint department?
- Salaries and benefits.
- Final position assignments.

With a common management team overseeing both departments for the next few years, many of the operational effectiveness benefits of full consolidation can begin to be realized. This will represent a significant cost savings and will represent a solid service improvement at a lesser expense than if each city provided separate, full management services.

9.1 NEXT STEPS – IN PRIORITY ORDER

1. The cities need to absorb the findings and recommendations in this report.
   a. They can continue with detailed consolidation planning; or
   b. Do nothing further.
2. If further planning is indicated the cities could:
   a. Facilitate a joint planning meeting to identify policy questions that must be addressed for the JPA to be drafted and costed out.
   b. The cities should consider appointing a JPA advisory committee comprised of two City Council members per city, the city managers and fire chiefs.
   c. Once the JPA principals and cost sharing formulas are agreed to by the steering committee, draft a detailed JPA agreement, implementation timeline and initial, specific costing out for the positions that will be shared.
   d. Conduct, as appropriate, "meet and confer" with any represented employees.
   e. Ask the two City Councils to adopt the final JPA Agreement, cost sharing plan and resolution of the initial employee issues.
   f. Implement a consolidated management team.