



**CITY OF FOUNTAIN VALLEY
CITY COUNCIL
COUNCIL ACTION REQUEST**

To: Honorable Mayor and
Members of the City Council

Agenda Date: October 25, 2011

SUBJECT: Fire Service Delivery Models for the City of Fountain Valley

EXECUTIVE SUMMARY:

In 2009 the Fountain Valley Firefighters Association, IAFF Local 4530, requested that the City evaluate contracting services with the Orange County Fire Authority (OCFA). After an internal review, the City opted to continue serving the community through services provided by the members of the Fountain Valley Fire Department (FVFD). Recent changes (e.g., reduction in the OCFA contract costs, fiscally favorable labor agreements, staff reductions, and pending retirements) have highlighted the opportunity for the City to holistically re-examine the future fire service needs of the community. Three options have been given merit (1) maintain existing organizational structure as the Fountain Valley Fire Department, (2) consolidate administrative services with the City of Huntington Beach, and (3) contract for services with the Orange County Fire Authority. Each option is valid and accomplishes the objective through a variation of delivery models. The City Council has been briefed on the broad concepts of each plan. This report emphasizes key issues that have changed since the City's last evaluation in 2009.

DISCUSSION:

It is recognized that this report is very limited in scope; however, this is done with the understanding that the issue of fire service delivery options is not new to the City, and with the exception of financial considerations, the concepts of fire protection, emergency medical service, dispatch, and fire prevention services are virtually unchanged since its first exploration and evaluation in 2009.

Fountain Valley Fire Department

Since 2009 the City has eliminated three positions in the Fire Department: division chief, administrative captain, and office specialist II. Additionally, recent labor agreements will decrease the fire department budget by \$265,000 in FY 11/12 and another \$20,000 in FY 12/13. If the City Council chooses to retain the Fountain Valley Fire Department then the City should strongly consider adding a minimum of two positions: nurse educator and training officer. The fully burdened cost is approximately \$160,000 for

each full-time position. The option exists to contract the employees on a part-time basis.

Administrative Consolidation with the Huntington Beach Fire Department

In 2010, Fire Chief Bill Walker offered a plan to reorganize the Department through consolidating administrative and operational (i.e., battalion chief) staff. Options can range from a partial consolidation wherein both the FVFD and HBFD are served by the fire chief of Huntington Beach to a more widespread consolidation wherein all administrative and staff positions are contracted through the HBFD. There are numerous iterations of the potential organizational structure; however, Figure 1 and Figure 2 demonstrate the most conservative and most aggressive options respectively.

Figure 1. FVFD Organizational Chart – Partial Administrative Consolidation

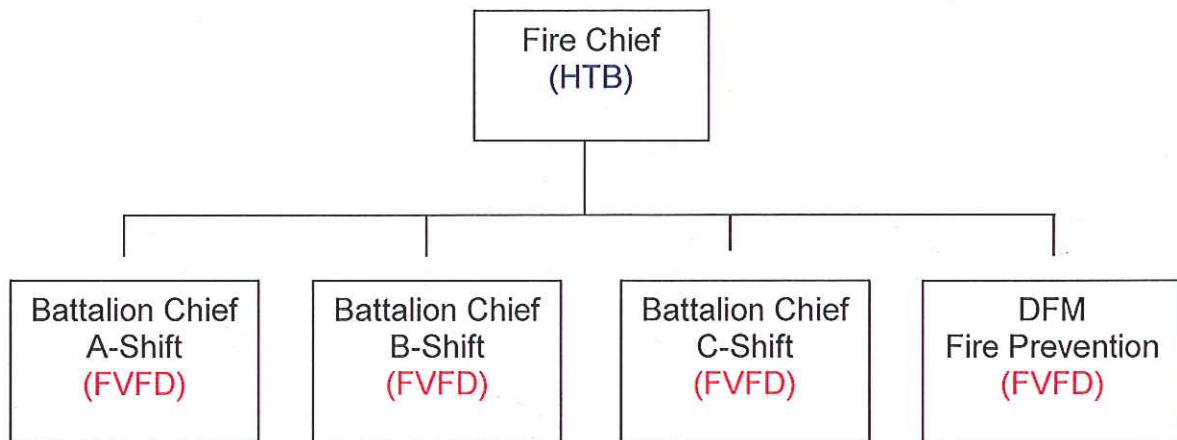
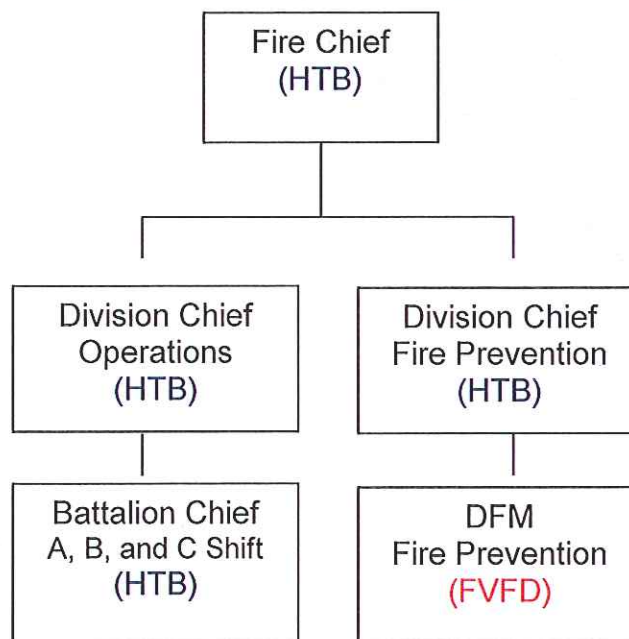


Figure 2. FVFD Organizational Chart – Complete Administrative Consolidation



Contract with the Orange County Fire Authority (OCFA)

The OCFA offers a regional approach to fire service in Orange County and recently provided a favorable economic adjustment to their *Proposal* for providing fire services in the City of Fountain Valley. In the *Proposal*, the OCFA presented three service options. The service options offered by the OCFA are a result of their own internal standards of cover analysis and integrating the City of Fountain Valley into their regional service delivery system. The service options proposed by the OCFA are a variation from the existing model employed by the FVFD. The *Proposal* states: *All of the service options presented maintain the high level of emergency and community service that is currently provided to the citizens of Fountain Valley.*

One aspect that has garnered considerable debate is the concept of measuring *level of service*. Generally, discussion on levels of service include standards of cover (written procedure that establish the distribution and concentration of resources) and time standards (quantitative performance of written procedures). Thus, it is important to recognize that levels of service are established by a governance process and the delivery of service is the operational implementation of established policy.

One common performance measure is to track *travel time* which is defined as: "The time that begins when units are en route to the emergency incident and ends when units arrive at the scene." For the period from June 20, 2010, through June 19, 2011, FVFD's fractal travel time for five minutes was established at the 79.29 percentile as measured for all calls. This is nearly identical to the level of service indicated in the *Proposal* wherein, OCFA's travel time *goal* throughout their urban service areas is for the first-due unit to arrive on scene within five-minute travel time for 80 percent of the emergency calls for service. The theoretical outcome would suggest that the OCFA's predictive standards of coverage as outlined in the *Proposal* would result in nearly an identical level of service to that which currently exists with the FVFD when examined only from a travel time point of view. Finally, Table 1 outlines the three options provided in the OCFA proposal.

Table 1. OCFA: Station, Unit, and Staffing Configurations

Option	Station 1	Station 2	Personnel
1	Paramedic Engine (4) Truck (4)	Paramedic Engine (4)	12 Positions 4 Paramedics 36 Personnel
2	Truck (4) Paramedic Van (2)	Paramedic Engine (4)	10 Positions 4 Paramedics 30 Personnel
3	Truck (4) Paramedic Van (2)	Engine (3) Paramedic Van (2)	11 Positions 4 Paramedics 33 Personnel

Transitional Considerations

Fountain Valley

1. Hire a new fire chief
2. Determine how to fill the functions of nurse educator and training officer

Note: The City anticipates implementation of the second tier retirement formula for the Fire Department (i.e., 2% at 50 Formula) by the end of December 2011. Consideration may be given to hire a fire chief under existing 3% at 50 formula if the emphasis is on a seasoned and qualified fire chief.

Huntington Beach

1. Meet and confer with the labor groups on the impacts to contracting with HBFD
2. Demote the battalion chiefs to fire captain and continue the bumping process

Note: Item 2 is based on the assumption the City opts for a full administrative and operational consolidation with HBFD. Based on existing vacancies and anticipated retirements it is likely that no layoffs would occur.

Orange County Fire Authority (OCFA)

1. Meet and confer with labor groups.
2. Complete transition by 07-01-2012 or employees are subject to 3% at 55 formula
3. Close CalPERS Fire fund and begin paying \$409,000 unfunded liability (18 yrs)

FINANCIAL ANALYSIS

Fountain Valley Fire Department and Orange County Fire Authority

A financial analysis was completed on the OCFA Proposal. Table 2 represents a comparative review of the City's net financial impact for year one of the contract. As in all comparisons, the review is adjusted for unfunded actuarial accrued liability (UAAL). The UAAL represents the removal of OCFA's existing unfunded liability and the insertion of FVFD's existing unfunded liability. FVFD's UAAL is estimated at \$409,304 annually for 18 years.

Table 2. Net Financial Impact for Year One of the Contract

	FVFD	OCFA			Differential Costs		
		Option-1	Option-2	Option-3	Option-1	Option-2	Option-3
Annual Revenue ¹	1,375,500	1,111,000	1,111,000	1,111,000	(264,500)	(264,500)	(264,500)
Operating Cost	9,620,644	8,398,426	6,856,053	7,474,051	1,222,218	2,764,591	2,146,593
Operating Margin	(8,245,144)	(7,287,426)	(5,745,053)	(6,363,051)	957,718	2,500,091	1,882,093
Transition Cost	0	163,563	163,563	163,563	163,563	163,563	163,563
Net Fiscal Impact	(8,245,144)	(7,450,989)	(5,908,616)	(6,526,614)	384,851	1,927,224	1,309,226
City's one-time transitional cost of \$1,231,000				Total	(846,149)	696,224	78,226

Table 3 represents a comparative review based on an assumption of a 4.5% annual inflationary rate applied to both the FVFD and the OCFA. The 4.5% rate represents the contractual cap established in the *Proposal*. It should be noted that the OCFA has projected its annual increases to average 2.2% over the next five years; therefore, the 4.5% calculation noted in Table 3 represents the most fiscally conservative projection.

¹ The City of Fountain Valley will retain "estimated" paramedic related revenues.

Table 3. Annual Growth Rate of 4.5%: FVFD and OCFA

	FVFD	OCFA			Differential Costs		
		Option-1	Option-2	Option-3	Option-1	Option-2	Option-3
Yr-1 (2011/12)	8,245,144	7,450,989	5,908,616	6,526,614	384,851	1,927,224	1,309,226
Yr-2 (2012/13)	8,616,175	7,615,360	6,003,580	6,649,388	591,511	2,203,291	1,557,483
Yr-3 (2013/14)	9,003,903	7,958,051	6,273,742	6,948,611	636,548	2,320,858	1,645,989
Yr-4 (2014/15)	9,409,079	8,316,164	6,556,060	7,261,298	683,611	2,443,715	1,738,477
Yr-5 (2015/16)	9,832,488	8,690,391	6,851,083	7,588,057	732,793	2,572,101	1,835,127
				Subtotal	3,029,314	11,467,189	8,086,302
City's one-time transitional cost of \$1,231,000				Total	<u>1,798,314</u>	<u>10,236,189</u>	<u>6,855,302</u>

Subsequent to the validation of the data in Table 2 and 3, the labor groups (Individually Represented Battalion Chief and The Fountain Valley Firefighters Association, IAFF Local 4530) signed agreements that reduce salary and benefit costs by approximately \$285,000 over the next two fiscal years. Therefore, it is suggested that the City Council take this reduction into consideration when examining financial impacts.

Additionally, contracting with the OCFA would reduce the City's Other Post Employee Benefits (OPEB) liability by approximately \$2.8 million.

Fountain Valley Fire Department and Huntington Beach Fire Department

There are no written agreements with the City of Huntington Beach; however, conceptual discussions have concluded that a reasonable financial agreement could be reached using a formula wherein the City of Fountain Valley would be required to pay twenty-five percent of an employee's fully burdened cost. For example, the fully burdened cost for a fire chief is approximately \$300,000; therefore, if the City were to consolidate one fire chief the cost to the City of Fountain Valley would be approximately \$75,000, or twenty-five percent of \$300,000.

Consolidating single resources (e.g., fire chief) is fairly straightforward in estimating costs. As more personnel are consolidated, the complexity of the financial agreement

increases. Based solely on a best estimate, the City of Huntington Beach has suggested that a complete administrative consolidation would require the City of Fountain Valley to pay its portion (25%) of 1 fire chief, 1 division chief, 1 training chief, 1 training captain, 3 battalion chiefs, 1 part-time nurse educator, and 1 part-time office assistant. The annual cost for the consolidation is estimated at \$630,000 to \$650,000. Currently, the City of Fountain Valley's fully burdened cost for 1 fire chief and 3 battalion chiefs is approximately \$1,080,000. Therefore, under the fully consolidated scenario the City of Fountain Valley would net approximately \$430,000 to \$450,000 annually.

ATTORNEY REVIEW: Not required

ALTERNATIVES:

Alternative No. 1: Maintain fire service through the FVFD

Alternative No. 2: Consolidate Administrative Services with the HBFD

Alternative No. 3: Contract fire service through the OCFA

RECOMMENDATION:

It is recommended that the City Council (1) receive the report and (2) provide direction on a fire service delivery model (i.e., FVFD, HBFD, OCFA).

Prepared By: Mike Macey, Interim Fire Chief

Fiscal Review by: Sherri Holman, Finance Director/ Treasurer

Approved By: Raymond H. Kromer, City Manager/Executive Director