

Fire Service Mergers - Lessons Learned to Date

El Dorado LAFCO

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The Business of Better Government

Key Observations

- Are there compelling reasons?
- Not all mergers save serious money
- Savings are also operational improvements
- If the parties are operationally co-dependent
 - Is it most cost-effective for the parties to provide fire services in a partnership via either:
 - A full contract for service?
 - Or as a full merging of two or more agencies?

Key Questions

- How does each party continue to have input into service level and cost containment issues?
 - Factor in political acceptance versus rationality
 - Can the parties define what “control” is?
- Can a regional government or fire department provide “inducements” to encourage *sub-regional mergers*:
 - Financing
 - Regional dispatch support
 - On-going regional staff for training/EMS/other
 - One-time capital expense financing

Two Phases to a Merger Study

Phase I: Review

1. Fire agency services, future needs and costs
 - Station location, community growth forecasts, new stations and equipment
2. Fiscal condition of each partner:
 - Reserves, long-term forecast
3. Ownership and condition of equipment and stations

Two Phases to a Merger Study

Phase I (cont.)

4. Identify critical issues in a full merger or a contract for service:
 - Salary and benefit (Medical, PERS, Stipend) differences
 - Unfunded liabilities: PERS, retiree medical, leave payoff
 - Equipment and station condition and ownership
 - Unique tax structures
 - Cost-sharing alternative formulas: assessed value, calls for service, population, firefighters on-duty
 - Status and future of volunteers in each agency

Two Phases to a Merger Study

Phase II: Details for Implementation

1. Assess forms of increased cooperation: annexation, consolidation, full or partial contract for service
2. Define governance arrangement
3. Identify costs and savings of alternative arrangements
4. Refine cost-sharing formulas
5. Review options and, if recommended, next steps to develop the preferred form of cooperation

Forms of Merger and Governance



Full Contract for Service

- One agency stops providing the service directly and contracts with a neighbor to provide the service at an annual cost
 - Management of employees is simplified under a single MOU and set of personnel rules
 - A single accounting system is maintained by District providing the service, avoiding duplication
 - One agency will no longer need to negotiate with Fire employees
 - Both agencies can adopt performance measures to gauge the delivery of services

Annexation or Consolidation of One Agency into Another Agency

- The boundaries of one agency are expanded to encompass the second agency
 - One agency no longer is fiscally responsible for fire services as regulations and needs change
 - Transfer of property tax allocation and possible extension of any special tax
 - There is a single layer of representation between the voters and the District Board, compared to a full contract-for-service or JPA arrangement that has an appointed governance committee

Stability and Governance Issues

- Annexation or Consolidation
 - Most stable long term
 - All residents and property subject to the same tax and fees
 - District Board is elected by residents of both the on-going District and City/other District areas
- Contract for Service
 - Governance model requires consensus management, sometimes with some form of JPA
 - Cost-sharing formula must be fair and stable

Fire Service Merger Track Record

- Still infrequent due to the challenges, even during the recession
- Very difficult to bridge serious pay, benefit and agency revenue differences
- District-City mergers most difficult due to property tax loss to cities
- Partial (functional) mergers and contracts for service easier
- Or large agency contracts to smaller agency – CAL FIRE, LA County, etc.

Fire Service Case Studies

- Cities and Districts
 - Eureka, Sonoma, Sausalito, SF Peninsula area
- Contracts, regional JPAs
 - Very common for training, EMS, Dispatch
 - More CAL FIRE mergers
 - Legacy cities in southern California questioning regional cost-share amounts, formulas
- Successful regional strategic plans for training and communications
 - LA County Fire Training
 - Regional replacement radio systems in LA and Bay Area

Factors for Sustaining Success

- Work the merging cultures into one
- Educate, listen, educate some more
- Be willing to occasionally re-visit cost-sharing formulas if in a contract for service
- Devise ways that those being served have input
- Trapped parties who feel helpless will lash out irrationally, which leads to divorce
- This is more about relationships than exact cost
- Consider starting with functional areas via contracts

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