

Cost Avoidance Opportunities

Purpose: To identify practices or opportunities that may aid in eliminating unnecessary costs

OPR Definition: Actions to eliminate unnecessary costs derived from, but not limited to, duplication of service efforts, higher than necessary administration/operation cost ratios, use of outdated or deteriorating infrastructure and equipment, underutilized equipment or buildings or facilities, overlapping/inefficient service boundaries, inefficient purchasing or budgeting practices, and lack of economies of scale.

Because the level of cooperation among fire agencies has increased over recent years, they are already in the process of exchanging best practices and sharing information that help the agencies reduce or avoid unnecessary costs. For example, Meeks Bay FPD has assisted other FPDs with grant writing. Other FPDs have banded together and submitted joint applications for grants or have made joint purchases. Many agencies noted that they make some of their purchases through associations in order to take advantage of discounts or lower prices. In addition, several agencies conduct joint training exercises, share classes, facilities (such as air filling stations) and mechanic, auditing and legal services.

One cost that plagues certain districts is that they spend limited resources to train volunteer personnel only to have those qualified volunteers leave. As noted earlier, some volunteers join an agency to learn, train for the job but leave for higher salaried positions elsewhere. A possibility is for geographically close districts to coordinate benefits offered to volunteers (such as paying for training courses or for PPE) so that they inadvertently do not compete with each other at the recruitment stage. They could also have benefit contracts so that a volunteer agrees to be with the district for a certain tenure or reimburse the district. A further step is for districts to create a joint "Pool of Volunteers" that they may share and assign based on the needs of the participating districts. DSP has created such a pool to a certain extent. The benefit is that it would be a rotating pool that could be utilized to support a district that is short staffed.

The biggest, and most cited, cost avoidance opportunity is agency consolidation. There have been various consolidation efforts, such as a proposed Rescue FPD/EI Dorado Hills CWD merger, the Lake Valley FPD/Fallen Leaf Lake CSD and several attempts to reorganize the FPDs on the Georgetown Divide. The preliminary information regarding the Rescue FPD/EI Dorado Hills consolidation suggested that the reorganization would result in significant cost avoidance and higher levels of service.

It must be kept in mind, however, reorganizations do not, on the whole, lead to substantial cost savings. The biggest expenditure for any agency is the cost of labor, and a consolidated district would face the same costs associated with on-the-

line personnel salary, if any, if the number of firefighters remains the same. There would also be little cost reduction in the maintenance of facilities if the number of stations remains the same, as is the current experience with ECF in maintaining a high number of stations.

Savings can be achieved if the number of personnel is cut, if management levels are reduced or flattened, through economies of scale for purchasing and equipment maintenance and through a reduction in administrative and facilities costs:

- The combined district could hire one or two mechanics who could maintain all vehicles and machinery beyond the maintenance levels currently realized.
- A larger district would be in a better position to reallocate existing resources in a more cost-effective manner. For example, three districts may need to maintain a total of six stations to obtain a moderate ISO service level. A consolidated district may only need three stations to maintain the same level of service if those stations are strategically located so as to triangulate coverage over the entire service area.
- A larger district may also find it easier to reassign or deploy volunteer forces across the service area as the need arises.
- Many agencies with outdated equipment, especially engines which are older than industry standards, may find it easier to replace in a consolidated district with a combined revenue base and larger pool of funds.

In addition, consolidation can be best achieved among agencies that have cooperated, shared and coordinated resources significantly in the past. Districts whose main communities of interest have deep historical and social ties or, conversely, districts where the communities of interest are too new to have formed distinct identities from its neighbors have a successful consolidation track record. In either case, a consolidation would have to demonstrate that service levels would increase or remain the same; that it would reduce redundancies in resources by a noticeable amount and that the service area would be a well-defined geographic area.

Consolidation would also entail a combination of the oversight boards and an expanded administration overseeing the combined firefighting corps. A consolidated district would need to address what would happen with the fire chiefs currently in place. An agreement amongst the incumbents would have to be set up for the administrative structure of the combined force. Some possible solutions would be for the selection of one chief and two or three assistant chiefs to ensure efficiency, accountability and delegation of duties to both the firefighters and the oversight board.

Further, the merger of the oversight boards could be a politically sensitive since most FPDs have communities of interest with distinct identities and may wish to retain local oversight of their fire districts. In the instance of the Rescue FPD/El Dorado Hills CWD consolidation, an advisory vote on the matter was held on the Rescue side and residents there indicated that they did not wish to combine with EDHCWD. The vote may have been based more on community and political factors than the opportunity to reduce cost and increase service. Nevertheless, such sentiments cannot be easily dismissed.

Determinations Related to Cost Avoidance Opportunities

Determination 4-1

Low administrative cost is not necessarily an indication of efficiency.

Determination 4-2

The relationship between cost and service levels is important. Where simple services are provided to a small stable neighborhood, basic administrative functions may be efficiently performed at a low cost by volunteers. In areas with growing populations or complex service needs, it may become difficult or impossible for a small agency to administer needed services efficiently at the lowest possible cost.

Determination 4-3

Adequate insurance is an effective cost avoidance measure.

Determination 4-4

Integrated planning, especially long range planning, is an important part of cost avoidance.

Determination 4-5

Use of volunteers is an appropriate cost avoidance strategy to the extent that volunteers possess adequate knowledge, skills, and experience.

Determination 4-6

In some cases, consolidation of districts may be an appropriate method of lowering or avoiding cost. However, consolidation efforts must be approach in a methodical fashion to ensure the objectives of achieving cost savings, retaining or improving service levels and among agencies where the combined service area is logical.

Government Structure Options

Purpose: To consider the advantages and disadvantages of various government structures to provide service

Existing Government Structure

Government Code §56001 declares the policy of the State is to encourage orderly growth and development essential to the social, fiscal, and economic well-being of the State. The Code further states that “this policy should be effected by the logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the expansion of, the boundaries of those local agencies which can best accommodate and provide necessary governmental services.”

Fire and emergency services are directly provided by a diversity of local government agencies in El Dorado County including fire protection districts, a county water district, community services districts and a city. Other related service agencies include County Service Areas 3 and 7, El Dorado County, CDF, USFS, joint powers authorities and others. Because of LAFCO’s role in evaluating boundaries, services and spheres of influence, this discussion of government structure options will focus on the local agencies which are direct providers of fire and emergency services which are:

- Cameron Park Community Services District
- City of South Lake Tahoe Fire Department
- Diamond Springs/El Dorado Fire Protection District
- El Dorado County Fire Protection District
- El Dorado Hills County Water District
- Fallen Leaf Lake Community Services District
- Garden Valley Fire Protection District
- Georgetown Fire Protection District
- Lake Valley Fire Protection District
- Latrobe Fire Protection District
- Meeks Bay Fire Protection District
- Mosquito Fire Protection District
- Pioneer Fire Protection District
- Rescue Fire Protection District

County Service Areas #3 and #7 do not directly provide service and are not analyzed under the nine factors framework.

Of the various types of districts of limited purposes, community services districts are empowered to provide the greatest range of services to their communities. Most

CSDs in El Dorado County exercise only one or two of the powers authorized under Government Code §61000 et seq. Cameron Park and Fallen Leaf Lake exercise their powers for fire protection and emergency services along with parks and recreation. Cameron Park CSD also provides other supporting services. Fire protection districts in the county exercise a wide range of powers, but not emergency medical functions. Those functions and services are provided by El Dorado County through its CSAs and the two JPAs.

This government structure arrangement allows for centralized medical emergency services and decentralized fire protection/suppression services provided by different agencies and different types of agencies. The structure of local government in El Dorado County consists of many overlapping single purpose special districts. Other special districts exist within the boundaries of each fire protection provider.

In regions with separate, distinct communities that are geographically remote from each other, services are most logically provided by several local single purpose agencies. Among such communities, service needs may vary widely based on community preferences, civic cooperation and available revenues. In this setting single purpose special districts may be the best arrangement for providing desired governmental services, customized to the needs of the area and financial resources available.

In contrast, the most rapidly growing areas of the County that once contained several distinct communities now contain developed areas between the original small communities. Growth that will occur under the 2004 County General Plan will likely to diminish the distance between distinct historic communities. Agencies that once reflected the core community have become mismatched to areas that have "grown up" since the agencies were created. There is no longer a universal understanding of the location of community boundaries. For example, some residents who reside in the Cameron Park CSD perceive that they live in the community of Rescue, and vice versa. Service needs of populations inside and outside of one agency's boundaries may be exactly the same. New residents who have moved into areas with recent rapid growth are demographically more homogenous to each other, have generally similar service needs and may have expectations for higher levels of service than can easily be provided by individual special districts designed and funded for lower levels of service. The decentralized government structure that may have been most effective in providing services historically to unique, separate communities may no longer be the best structure for public services where development and growth have created a larger population base with homogenous service needs. Consequently, districts should consider consolidation as a way to achieve economies of scale, realize cost savings and have the ability to respond to increased service needs among the population.

Government Structure and Cost Effectiveness

Multi-purpose service providers and larger agencies generally have the advantage of economies of scale, cohesive planning and fundraising capability. Administration and overhead costs for several separate agencies may be higher than those for a single larger agency. Within a highly populated urban area where service needs are relatively homogenous, segmenting service among several providers will be unlikely to result in the highest service levels at the lowest possible cost. Where service levels vary among the agencies, as in the study area, the service cost burden is not equitably distributed among residents, even when fire suppression and emergency medical services are accessible to all.

Typically for consolidations to occur there has to be significant (and popularly desired) cost savings or increase in service:

1. A reduction in the number of stations where service coverage might create unnecessary overlap.
2. An increase in the staffing of stations where currently staffing is limited (e.g. the station is seasonal or not staffed 24-hours a day). The issue of unmanned or undermanned stations is most likely to occur in rural districts.
3. An increase in staffing that reduces response times can be achieved.
4. A reduction in the number of senior administrative staff can be achieved. Consolidations often occur, or at least are considered, when a chief is retiring.
5. Economies of scale for costly services can be attained. Such services include mechanics shops and SCBA filling stations. These types of facilities and equipment can be costly to purchase or maintain. Currently, some of the smaller agencies avoid these costs by outsourcing their mechanic services to another agency. For example, Fallen Leaf Lake CSD uses Lake Valley FPD's facilities; Garden Valley, Georgetown and Mosquito FPDs already have a shared Mobile Air Filling Station.

As noted earlier, there might be some difficulties with consolidating districts. Certainly roadway infrastructure may limit the ability for some districts to consolidate, even if those agencies are viable candidates in every other respect. For some, it may be technically feasible but not politically feasible. In all cases, the issue of consolidation raises these questions:

- What happens to community identity in a larger district? Communities, especially in rural areas or where volunteers are active, often look to fire protection providers as a center of community identity. These agencies provide opportunities for citizen participation. In areas where the fire agency is the most visible government entity, the agency often functions as a social center as well

as a center of public safety. In very remote areas, the fire agency is often seen as the heart of the community and the steward of community life. In every case, fire departments provide vital services to communities that encompass more than saving lives and structures from fire. They provide the extent and range of services that individual communities need and are willing to support.

- Should a fire suppression agency's boundary conform to community lines? In rural areas, this is highly probable because the fire provider may be the only government agency or may be the only *visible* public entity. This may result in the district encapsulating community pride given the emotional nature of emergency services and that volunteers connect the district to the community. However, having a community-based district may not result in cost effective services as defined as highest service at lowest cost. This is especially true when communities undergo the historic transformation from a village to a town to a larger community. Growth has an interim effect in that it leads to a regionalist reality intermixed and mismatched with a community mentality: a functional community is much broader (market areas, shopping access, location of jobs versus housing) than the traditional idea of a small historic/rural community or neighborhood. Eventually, people come to identify themselves with a larger area. Whereas a citizen of Kelsey would think of himself as "from Kelsey" in the early 1900s, one hundred years later he would describe himself as a resident from the (Georgetown) Divide; a person born in Grizzly Flats now would say she is from "the South County."
- What would be the fiscal effects of consolidation? There would be legal and fiscal consequences to reorganization: If an agency that's not exempt from ERAF annexes to one that is (bi-county agencies were exempted from the ERAF shift), will the tax base remain the same in the newly added territory? In the Citygate South Lake Tahoe study, the County Auditor explains the uncertainty of this situation. It is unknown whether the Auditor has the discretion to adjust property tax base for annexations to an ERAF-exempt district.
- Would the cost savings of combined agencies offset the costs of retiree health benefits? Retiree health benefits are ongoing costs and the proportion of these costs against all expenditures vary from district to district. The benefits and benefit programs being offered may also differ between those agencies looking to combine. This could result in a significant cost, especially if the firefighting bargaining groups demand that the combined district adopt the costlier plan. The PERS valuation of new employees transferring into a different system with years of service also drives up the retirement unfunded obligation. Usually the consolidated district adopts the better benefits and the higher salary schedule as an incentive to staff members to support the reorganization, but somebody has to pay for those costs.

Agencies whose geographic location, history of shared facilities and/or community ties would make them candidates for consolidation include the following. As noted

earlier, careful and methodical consideration would be advised before a consolidation effort is attempted:

- Fallen Leaf Lake CSD and Lake Valley FPD
- Lake Valley FPD and South Lake Tahoe Fire Department
- Diamond Springs/EI Dorado DPF and EI Dorado County FPD
- Garden Valley, Mosquito and Georgetown FPD

If consolidation is not a feasible option, then the readjustment of service boundaries would be needed in the near future in order to ensure that:

- Growing communities of interest are not split between service agencies. In other words, residents may have a community identity with one service provider while services are actually delivered by another.
- Issues of fiscal inequity brought to the surface by mutual aid are removed.
- Remove issues of increasing service demand upon districts that currently do not have the capacity or resources to address this increase.
- Remove any issues of “free riders”.

In that respect, based on the concept of community identity, location of fire stations and mutual aid calls given and received, the following agencies are candidates for a readjustment of service boundaries, including lands already in an agency and lands that are currently outside of any fire suppression agency:

- EI Dorado Hills CWD and Rescue FPD
- Cameron Park CSD and Rescue FPD
- Cameron Park CSD and EI Dorado Hills CWD
- Cameron Park CSD and EI Dorado County FPD
- EI Dorado County FPD and Garden Valley FPD
- Diamond Springs/EI Dorado DPF and EI Dorado County FPD
- Latrobe FPD and EI Dorado County FPD

When considering consolidations or service area adjustments, the Commission will need to draw distinctions between:

- § Short term allocation problems that should be addressed by the affected agencies themselves (with additional growth and investment) and long term problems that require boundary changes;
- § The need for changes of organization that equitably re-allocate revenues and the simple need for increased revenues; and
- § The extent to which special district boundaries and jurisdiction can or should be used to define and reinforce the identities of the unincorporated communities and instances in which district boundaries must extend to wider areas.

Finally, all agencies that currently have service area islands should pursue annexation of those islands.

Determinations Related to Government Structure Options

Determination 7-1

The structure of local government in the study area consists of many agencies whose boundaries no longer reflect service capability, current infrastructure realities, development patterns and social and community ties.

Determination 7-2

In regions of the county with separate, distinct communities that are geographically remote from each other, public services are most logically provided by a combination of several single purpose special districts.

Determination 7-3

The decentralized government structure that may have been most effective in providing services to separate communities may no longer be the best structure for public services in places where development and growth have created a population with similar service needs both inside and outside of district boundaries.

Determination 7-4

Multi-purpose service providers and larger agencies generally have the advantages of economies of scale, cohesive planning and greater fundraising capability. Assuming the same levels of service, administration and overhead costs for several separate agencies will likely be higher than those for a single larger agency. Within a highly populated region segmenting service among several providers is unlikely to result in high service levels at the lowest possible cost.

Determination 7-5

Mutual aid imbalance between given and received may signal that service area coverage may no longer reflect current service area boundaries, requiring a re-evaluation of those service area boundaries.

Determination 7-6

Changes to the organization and structure of government alone cannot address the problem of insufficient revenues to support desired services.

Determination 7-7

Service area islands and developed lands outside of any fire suppression agency introduce "free rider" problems where a district becomes responsible for providing service but does not receive revenues from those lands to offset service provision cost.

Determination 7-8

Attempts at reorganization should be conducted in a methodical manner to ensure the best outcome for both the agencies involved and the residents of El Dorado County.