

**Management Audit  
of the  
Santa Clara County  
Central Fire Protection District**

Prepared for the  
Board of Supervisors of the  
County of Santa Clara

Acting as the  
Board of Directors of the  
Central Fire Protection District

Prepared by the

Board of Supervisors Management Audit Division  
County Administration Building, 10th Floor, East Wing  
70 West Hedding Street  
San Jose, CA 95110

(408) 299-6436

November 22, 2005

# County of Santa Clara

Board of Supervisors  
Management Audit Division

County Government Center, East Wing  
70 West Hedding Street  
San Jose, California 95110-1770  
(408) 299-6436 FAX 299-5004 TDD 993-8272  
E-mail: Roger.Mialocq@bos.co.scl.ca.us



Contract Auditor: Harvey M. Rose Accountancy Corporation

November 22, 2005

Supervisor Pete McHugh, Chair  
Supervisor James T. Beall, Jr., Member  
Board of Supervisors Finance and Government Operations Committee  
70 West Hedding Street  
San Jose, CA 95110

Dear Supervisors McHugh and Beall:

At the direction of the Board of Supervisors, we have completed a comprehensive management audit of the Santa Clara County Central Fire Protection District. This study was conducted pursuant to Section 13806 of the California Health and Safety Code, and under the authority of the Board of Supervisors in accordance with the Board's power of inquiry, as provided in Article III, Section 302 (c) of the County Charter. The audit was conducted in conformity with the United States Government Accountability Office (GAO) Audit standards. This audit was selected through the Board of Supervisor's management audit program risk assessment analysis that identifies and prioritizes areas of County government for future audits. The Santa Clara County Fire Protection District had not been previously audited under the Board of Supervisors' management audit program. Because of the critical emergency service nature of the District's services, and due to the extent of the annual taxpayer cost of the Santa Clara County Central Fire Protection District, this audit was classified as a high priority audit.

The scope of this audit included a detailed review of the operations of the Santa Clara County Central Fire Protection District, which was organized in 1947 and provides fire suppression, fire prevention inspection and education, hazardous materials response, emergency medical aid and rescue services. The purpose of this audit was to identify opportunities for increased efficiency, effectiveness and economy, and to assist the Board in balancing the District's revenues and expenditures, which have resulted in deficits totaling approximately \$4.7 million during the past three years.

The audit fieldwork commenced on March 14, 2005. A draft report was issued on September 16, 2005, and the exit conference was concluded on October 18, 2005. This audit report includes 15 sections pertaining to budget, fee and other financial issues; personnel practices, compensation and other staffing issues; and various operational and planning issues, including the need to assign structural fire protection

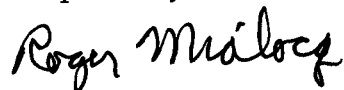
Supervisor Pete McHugh  
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responsibility to the Santa Clara County Central Fire Protection District or another fire protection agency for the estimated 6,000 residents of the unincorporated area who are currently without such protection. During the audit, District staff and staff of other departments were interviewed, operational reports and related documents were analyzed, and various legal issues were reviewed with County Counsel. In addition, a survey of 14 fire protection agencies throughout California was conducted to obtain comparable information on specific areas of operations, and to identify specific policies and procedures utilized by these other jurisdictions.

Based on the audit procedures, surveys, and other audit techniques described above, a total of 15 findings with 54 corresponding recommendations were developed. In addition, four issues that warrant further review by the District, were identified. The District indicated partial agreement or agreement with 43 of the recommendations, disagreement with two recommendations and expressed no opinion on nine recommendations that it considered to be policy decisions for the Board of Directors. The implementation of the recommendations in the report would increase reimbursements and revenues, and reduce operating expenditures by approximately \$4.1 million annually

Although most of the recommendations contained in this report are directed to the District, there are also recommendations related to other County departments and agencies, including the Controller-Treasurer, the Office of Budget and Analysis, and the Human Resources Department. The written response from the Fire Chief begins on page 229 of this report. We would like to thank the Fire Chief, the Director of Business Services and staff throughout the District for their cooperation and assistance throughout the audit.

Respectfully Submitted,



Roger Mialocq  
Board of Supervisors Management Audit Manager

c:  
Supervisor Alvarado  
Supervisor Gage  
Supervisor Kniss

Project Staff:  
Jeff Segol  
Nicole Coburn  
Paul Murphy  
Cheryl Solov

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## **Executive Summary**

The Santa Clara County Board of Supervisors authorized a management audit of the Central Fire Protection District in FY 2004-05. This audit was conducted in accordance with generally accepted government auditing standards of the United States Government Accountability Office. The audit was performed pursuant to Section 13806 of the California Health and Safety Code and under the Board's power of inquiry specified in Article III, Section 302 (c) of the Santa Clara County Charter.

The purpose of the management audit was to examine the operations, management practices and finances of the Central Fire Protection District, and to identify opportunities to increase the District's efficiency, effectiveness and economy. The financial focus of this review is reflective of the District's critical need for revenue increases and cost reductions. Over the last five years, District expenses have increased by 44 percent, while revenues have grown by 20.5 percent. For the last three fiscal years, the District has operated at a substantial deficit totaling \$4.7 million. This deficit spending has reduced District reserves to \$10.3 million as of the beginning of FY 2005-2006, of which \$8.6 million is uncommitted. If losses continue at the three-year average pace of \$1.58 million per year, the District will exhaust undesignated reserves by the end of the decade. If reserves are depleted, the District will be forced to cut services, charge more for services, or obtain funds from the County.

This audit report includes findings related to the District's service areas and its relationship to other fire departments within the County, its contractual reimbursements, its personnel, purchasing, pay and budgeting practices, fire prevention services, false alarms, medical insurance costs, funding of capital improvements and retiree medical care, use of sworn versus civilian positions, and general policies.

The recommendations pertaining to these findings present numerous potential strategies for cost reduction and revenue enhancement. If all of the recommendations in this report were implemented, the District would reap an estimated \$4.09 million in cost savings or increased revenues every year. Assuming no other changes in District expenditures or revenues, implementation of the recommendations in this report would bring revenues and expenditures into balance, without requiring layoffs or other drastic measures. In addition, we have determined that some services provided by County departments are not fully reimbursed, resulting in a County General Fund subsidy to the District.

A synopsis of each of the findings and related recommendations is provided below.

### **Section 1: Compliance with State Budget Requirements**

Section 13890 of the Health and Safety Code, and Section 1121 of the California Code of Regulations require special districts governed by a county board of supervisors to comply with minimum budget standards specified in Sections 29000 through 29010 of the California Government Code.

However, the FY 2005-06 Central Fire Protection District budget document does not include the following basic budgetary information: 1) fund balances, 2) description and amount of reserves, 3) description and amount of designations, 4) amount of undesignated surplus, 5) estimated amount of expenditures and revenues by object for the current fiscal year, and 6) a schedule of authorized positions by classification, including the applicable salary range.

In addition, the budget document identifies the total FY 2005-06 expenditure requirement of \$66.4 million, which exceeds the total available resources included in the budget by \$8.7 million, resulting in a deficit budget. Due to these deficiencies, the FY 2005-06 Central Fire Protection District published budget does not comply with State law.

By revising future budget documents to include all of the required information, the Central Fire Protection District budget will be more comprehensive, facilitate public review and analysis, result in the adoption of a balanced budget, ensure the ongoing solvency of the District and comply with State law.

Based on these findings, it is recommended that the Board of Directors of the Central Fire Protection District:

- 1.1 Carefully review the FY 2006-07 and subsequent annual budgets of the Central Fire Protection District to ensure that the budgeted resources equal the authorized expenditures, and that the budget is supported by a detailed schedule of positions, including the number of positions authorized for each classification and the approved salary range. Furthermore, the Board should review and approve any reserves and designations of fund balance. (Priority 1)

It is recommended that the Central Fire Protection District:

- 1.2 Revise its FY 2006-07 and subsequent annual budget documents to include all of the information required by State law and described in this section. (Priority 1)
- 1.3 Prepare written budget justifications for the two supernumerary Captain positions and submit these justifications to the Board of Directors for its immediate review and consideration to determine if the continuation of these positions should be authorized. (Priority 1)
- 1.4 Prepare a proposed FY 2005-06 resolution for the Board of Directors of the Santa Clara County Central Fire Protection District establishing job classifications, the maximum number of District employees per classification, and the approved salary ranges. (Priority 1)
- 1.5 Prepare semi-annual financial reports showing actual and projected revenues, expenditures, unrestricted cash balance, and changes in fund balance, and submit these reports to the County Executive and the Board of Directors. (Priority 2)

The implementation of these recommendations would result in District compliance with State law pertaining to the minimum required information to be included in budget documents. In addition, the review and analysis of the annual budget by the District Board of Directors and the public would be facilitated and would ensure the adoption of a balanced budget.

## **Section 2: Reimbursement from City Fire Service Contracts**

The Santa Clara County Central Fire Protection District provides fire protection and related services to Campbell, Los Altos, the Los Altos Hills Fire Protection District and Morgan Hill under contracts. These contracts provided for a flat reimbursement amount to the District for the first year of service, inflated each year thereafter by the lesser of the District's annual increase in pay and benefits for firefighters, or the annual increase in the Consumer Price Index (CPI) for the San Francisco Bay Area. The District's costs for firefighter compensation have risen 43 percent since FY 1996-97, while the CPI has risen only about 29 percent.

As a result, reimbursement from the four cities does not recover all of the District's costs for providing services. A cost model prepared for this audit found that in FY 2003-04, District costs to serve the cities, including a portion of fixed costs allocated to each city, exceeded the reimbursement received by a combined \$4.18 million. Furthermore, in the City of Los Altos and the Los Altos Hills Fire Protection District, the reimbursement did not recover the variable costs of staff and materials needed to serve the cities, falling short by about \$461,000. These shortfalls represent a portion of the District's shortfall of revenues relative to expenditures in the last three years, which has required the District to spend an average of more than \$1.7 million in reserve funds annually.

For FY 2005-06, the District renegotiated its contract with Morgan Hill in which it implemented a new indexing methodology designed to reasonably and equitably increase annual contract reimbursements. By successfully negotiating similar provisions in the contracts with the other contract cities, the District would increase the reimbursement it receives, helping to reduce the existing revenue shortfall. In conjunction with expenditure control measures recommended elsewhere in this audit, this would permit the District to annually balance its expenditures and revenues, while maintaining prudent reserves.

Based on these findings, it is recommended that the Central Fire Protection District:

- 2.1 Pursue, during renegotiation of its city contracts, the same reimbursement approach recently adopted for the Morgan Hill contract, which increases the reimbursement to the District by the average of the annual percentage increase in the Bay Area CPI, the annual percentage increase in the District's firefighter compensation costs, and the annual percentage increase in assessed value for secured property within a city. (Priority 1)
- 2.2 Develop, at least every five years, a detailed cost model to determine the cost of providing service to each of its contract cities, as information to be used in



renegotiating the contracts with each city, and present such information to the cities to facilitate open and equitable negotiations. (Priority 1)

It is recommended that the Board of Directors of the Central Fire Protection District:

- 2.3 Adopt a policy requiring that any contracts negotiated to provide service to cities be negotiated on the basis of at least recovering the variable costs of services, as well as a reasonable and equitable share of fixed costs. (Priority 1)

By adopting the recommendations of this section, the Fire District will receive greater compensation from the city contracts, covering all the variable costs of serving them, and some of the fixed costs. Had these recommendations been in effect during FY 2003-04, the District would have received additional compensation of \$2.13 million. Had the recommendations been in effect for all years from FY 1996-97 to FY 2005-06, the District would have received additional reimbursement totaling \$11.28 million, an average of \$1.25 million annually. The recommended approach reasonably balances the District's need for additional reimbursement with the cities' desire for cost certainty, limits to cost increases, and higher quality, more comprehensive services at a lower cost than the cities could achieve on their own. Furthermore, the successful implementation of these recommendations would assist the District in emerging from three successive years in which annual expenditures exceeded annual revenues, and avoid the need to significantly reduce the scope and quality of District services.

### **Section 3: Central County Administrative and Support Costs**

The Countywide Cost Allocation Plan accounts for and distributes 72 separate categories of central administrative and support costs to the benefiting departments and agencies in accordance with their proportionate measure of usage or benefit. A review of these administrative and support costs determined that the District is currently charged for only 14 of the 72 categories, and is not charged for County Executive administrative support, Public Information Office services and Office of Emergency Services coordination and support.

In addition, during the past several years, the General Fund subsidized the development of the County Geographic Information Services (GIS) technology that is projected to be fully operational by FY 2006-07. The Central Fire Protection District will be one of the primary daily users of the precision address and photographic maps. However, no cost plan charges for the \$450,000 annual maintenance cost of this system have been previously allocated to the users.

As a result, the Countywide Cost Allocation Plan does not fully account for and distribute approximately \$24,000 of administrative and central service costs to the Central Fire Protection District, which are consequently subsidized by the County General Fund. Beginning FY 2006-07, GIS address and photographic map costs will be distributed among public entities based on usage, and should include the Central Fire Protection District.

By the County charging the Central Fire Protection District for its fair share of central administrative and support service costs, the County General Fund would not have to continue to divert resources from other County programs to subsidize the District, saving at least \$24,000 annually.

Based on these findings, it is recommended that the Controller:

- 3.1 Include the Central Fire Protection District in the apportionment of all Countywide Cost Plan costs for any services provided to the District. (Priority 3)

The implementation of this recommendation would ensure the fair and equitable distribution of all County central administrative and support service costs to all County funds, special districts and other governmental agencies that benefit from and receive such services. In addition, the County General Fund would have increased reimbursements available to fund other County services.

#### **Section 4: Growing Health Care Costs**

The Central Fire Protection District provides health insurance benefits to approximately 405 employees and retirees, and their dependents. These benefits are provided through two plans: a Kaiser Health Maintenance Organization (HMO) plan, and the District's self-funded Preferred Provider Organization (PPO). In Fiscal Year 2004-2005, the District's combined cost for these plans was \$4.87 million. In its Kaiser plan, the District's cost averaged \$615 a month per subscriber, a better rate than obtained by many other Kaiser participants.

However, the District's own medical plan cost the District an average of \$1,230 per subscriber per month, significantly more than many other available plans. In addition to its high cost, the self-funded plan exposes the District to annual losses of up to \$125,000 per claim. Further, the cost of this plan has increased dramatically in recent years; the year-over-year cost was nearly 57 percent higher in FY 2004-2005.

By comparison, the District's own Kaiser plan is half the cost of its self-funded plan. Further, of the seven other fire agencies for which we were able to obtain cost data, the average monthly cost per subscriber was approximately \$696, or 43.4 percent less than the District's self-funded plan. In addition, all of these agencies cap their premium costs. This is consistent with the County's practice of capping the amount of employer-paid health care premiums at the Kaiser family plan rate. In contrast, the District fully pays medical insurance costs for employees, their dependents, and retirees.

A variety of alternatives to the District's self-funded plan are available. One option is to replace the District's self-insured plan with coverage in the County's existing Health Net preferred provider plan and place a cap on District premium payments. This option would provide District employees with access to flexible, out-of-area care with excellent benefits, eliminate the risks inherent in the District acting as the insurer, and reduce District costs by an estimated \$1.7 million annually.

Based on these findings, it is recommended that the Central Fire Protection District and the County Human Resources Department meet and confer with the District's labor union as part of the FY 2006-07 labor contract renewal to:

- 4.1 Convert employees and retirees now in the self-funded health plan into a sub-plan of the County's Health Net or similarly priced plan, providing comparable coverage to that provided by the County for its employees. (Priority 1)
- 4.2 Establish in the labor agreement a maximum amount, set at the District's Kaiser family plan rate, that the District will pay toward health premiums. (Priority 1)

Implementation of these recommendations would reduce District costs by an estimated \$1.7 million compared to its Fiscal 2004-2005 costs. In addition, converting employees from the self-funded plan to an outside insurance plan also would eliminate the District's exposure to high claims costs, while still enabling subscribers to access care through a choice of doctors and a choice of locations.

Because the savings would be on-going, this change would narrow significantly the District's structural gap between revenues and expenses. This change should also protect the District from the extraordinarily large cost increases it experienced in FY 2003-2004 and FY 2004-2005. In addition, this change would bring the District benefits into line with County employee benefits, in keeping with Board policy, and the practices of other California fire departments. These recommendations also would ensure District compliance with the labor agreement's restriction of premium payments for retiree dependents.

## **Section 5: Retiree Health Insurance Funding**

The Santa Clara County Central Fire Protection District provides health insurance benefits for qualifying employees upon retirement, but has not budgeted or reserved monies to pay for the cost of this benefit as it was incurred. Furthermore, the District has not obtained an actuarial analysis of this substantial unfunded liability.

However, based on the County's actuarial analysis of the cost of its retiree health insurance liability, as of June 30, 2004, it is projected that the District had an unfunded liability amounting to an estimated \$13.1 million to \$16.6 million.

The Central Fire Protection District should engage an actuary to perform a valuation of the District's retiree health insurance liability. Based on the valuation, the District should establish a trust fund and make annual contributions to the fund to pay for the normal annual cost of this benefit and to amortize the existing unfunded liability over a 30-year period. Implementation of this recommendation would result in additional investment income estimated to amount to more than \$600,000 annually, once the unfunded liability is fully funded.

Based on these findings, it is recommended that the Central Fire Protection District:

- 5.1 Hire an actuarial consultant to prepare an actuarial valuation report of the District's retiree health insurance benefit liability. (Priority 1)
- 5.2 Hire a pension fund investment consulting firm to assist the District Board of Directors to establish investment policies and procedures for retiree health fund investments, and hire one or more professional pension fund investment management firms to invest the District's funds once the District is able to begin funding this liability. (Priority 1)

The implementation of these recommendations would result in the funding of a significant unfunded liability and additional investment income once the retiree health insurance benefit trust fund is funded.

## **Section 6: Setting and Budgeting Fire Prevention Fees**

The Central Fire Protection District charges fees for fire prevention services, including plan reviews, inspections and permits. However, these fees are not regularly reviewed or based on costs, and the District Board of Directors has not approved a District fee schedule, contrary to California Health and Safety Code Section 13916 (b). In addition, the District's published budget documents do not include fee revenue, and the District does not monitor actual collections in relation to fire prevention service activity.

In Calendar Year 2004, the District spent an estimated \$378,486 in personnel costs to review, inspect and permit land development, construction, hazardous materials and special events as well as provide consultations, complaint response and public education in the non-contract cities and unincorporated areas directly served by the District. The District recovered less than \$156,000 of these costs through fees, meaning that taxpayers subsidize at least \$200,000 annually in private development costs in these areas alone. This loss of revenue is contributing to the District's current financial crisis.

The District should calculate the direct and indirect costs to perform fire prevention services, propose a fee schedule to recover these costs to the District Board of Directors and review and update its fees at least biennially. The District should also budget fees in the appropriate revenue accounts and develop written procedures on setting, budgeting and collecting fees. Implementation of these recommendations would help the District to improve its financial condition and internal control.

Based on these findings, it is recommended that the Central Fire Protection District:

- 6.1 Calculate the direct and indirect costs to provide fire and life safety and hazardous materials services. (Priority 1)
- 6.2 Propose a fee schedule to recover costs to the Board of Directors and conduct a regular review of all fees based on costs. For each service provided, the proposal should state what the fee would be based on actual costs, and what the District recommends and why. (Priority 1)

- 6.3 Present the District Board-approved fee schedule to the contract cities and work with them to adopt the same schedule. (Priority 2)
- 6.4 Review and update fees at least biennially. Since anticipated changes in costs are estimated each year as part of the budget process, these same estimates should be included in the cost basis for development of fees. (Priority 1)
- 6.5 Develop a budget for each revenue account in which fees are collected. These fees should be included in the Recommended and Approved Budgets. (Priority 1)
- 6.6 Develop written procedures on setting, budgeting and collecting fees. The procedures should require a staff person to monitor receipts against transactions and be included in the policy on fees and charges recommended in Section 15. (Priority 2)

The District has lost \$4.7 million over the past three fiscal years, but the District would improve its financial position by implementing the recommendations above. The District would receive at least an additional \$200,000 annually by setting fees based on costs and reviewing fees at least every other year. Proposing a fee schedule to the Board of Directors would also bring the District into compliance with State law. Finally, the District would improve internal control by budgeting and monitoring fee revenue.

## **Section 7: Purchasing Practices**

The Central Fire Protection District does not adhere to County purchasing practices and policies as mandated by State law and as directed by the Board of Supervisors acting in its capacity as the District Board of Directors. Service agreements requiring Board approval and other agreements requiring approval by Procurement and the County Office of Budget and Analysis (OBA) have not been presented to Procurement, the Board or OBA as mandated by the County's policies. The District does not have written purchasing policies and procedures and internal controls regarding inventory and purchase/payment authority are inadequate.

As a result, purchase prices for certain supplies and equipment exceed prices available through the County's existing contracts that have been secured by the County's Procurement Department. Furthermore, District purchases and competitive quotations are not always obtained or documented and purchasing practices are inconsistent among the organizational divisions of the District.

By following County purchasing practices and policies the District would comply with State law and take advantage of lower prices. The implementation of the recommendations in this section of the report could result in annual savings estimated to equal as much as \$50,000.

Based on these findings, it is recommended that the Board of Directors of the Central Fire Protection District:

- 7.1 Clarify its intent that the Central Fire Protection District follow County purchasing practices and policies in accordance with California Public Contracts Code by adopting a resolution amending the 1981 resolution to include the language "in a manner consistent with Public Contracts Code Section 20812." (Priority 1)

It is recommended that the Board of Supervisors:

- 7.2 Direct the County Executive to review the County's Direct Pay List, revising the List to include only those purchases of the Fire Protection District that meet the County's standards. (Priority 2)

It is recommended that the Central Fire Protection District:

- 7.3 Review all current service contracts, and forward contracts to the County Procurement Department, the Office of Budget & Analysis or the Board of Supervisors as appropriate based on the size of the contract, along with required information on the contracting process for each contract, and the basis for that process. (Priority 1)
- 7.4 Enter into a Memorandum of Understanding (MOU) with the Santa Clara County Procurement Department. The MOU should include the basis for allocation of costs to the District, the availability of Procurement Department staff as consultants to the District in major purchasing activities and the inclusion of the Central Fire Protection District on all relevant master contracts. (Priority 3)
- 7.5 Include policies and procedures for the purchasing of equipment and services consistent with those in place at the County in the overall policy and procedure update to be completed according to Recommendation 15.3. (Priority 3)
- 7.6 Develop and distribute a policy to segregate purchase authority from payment authority at all times, and update Controller payment signature cards accordingly. (Priority 2)
- 7.7 Develop and implement an inventory control system for all District supplies including its Central Supply room. (Priority 3)

The implementation of these recommendations would ensure that the District complies with State law pertaining to purchasing practices of fire protection districts. In addition, the District would reduce the cost of its services and supplies by an estimated \$50,000 annually, improve purchasing documentation, ensure consistency of procedures throughout the District and strengthen internal controls. The District will incur an undetermined cost when the Procurement Department allocates costs for its efforts on behalf of the District, and District staff efforts will be required to develop the policies, procedures and internal controls as recommended.

## **Section 8: Personnel Practices**

The Santa Clara County Central Fire Protection District, though governed by the County Board of Supervisors, maintains a separate personnel function with its own two-person staff, including a Personnel Services Manager, and its own set of job descriptions and personnel procedures. During a recent two-year period, the Personnel Services Manager position was vacant, and its duties dispersed among other District management staff.

Weaknesses of this separate Fire District personnel system included the following. First, non-firefighter employees in the District earn much higher salaries than do County staff in similar positions, with pay scales in the Fire District ranging from 4 percent to nearly 30 percent higher than the similar County jobs, even though under the County charter, the negotiated pay rates for County positions are presumed to represent prevailing wage rates. Second, the District has failed to receive, since FY 2002-03, approval from the Board of Directors (the Board of Supervisors) for an annual resolution, required by State law, establishing the number and classifications of District staff. As a result, the current staffing for Fire Captains exceeds the most-recently authorized staffing by two positions. Third, the District does not maintain and prepare detailed justification for reclassifications of staff, as the County does. As a result, the reasons for such reclassifications were not made clear to the Board when such changes were requested, and insufficient assurance was provided that the duties and qualifications of reclassified staff matched their new job descriptions. This reclassification issue may have resulted from the lengthy vacancy of the Personnel Services Manager position.

The District Board of Directors should request the County Employee Services Agency (ESA) assess the feasibility and cost of providing the District's personnel services via a contract, rather than having such services provided by District staff. By contracting with the County Employee Services Agency (ESA) for its personnel functions, the District will ensure greater continuity of its personnel function, increase the potential for conforming future District pay for non-firefighter positions to the pay scales for similar County jobs through the collective bargaining process, and adopt existing County practices that fully document the basis for all reclassifications. Furthermore, eliminating the two positions now required for the District personnel function would result in net savings of about \$165,000 annually, assuming ESA is required to create a new management analyst position to serve the District. Assuming negotiations to conform District pay for non-firefighter positions to County pay rates are unsuccessful, the District should also seek State legislation establishing that in a dependent fire district governed by a County board of supervisors, salaries should be based on prevailing wages as determined by the wage scale for similar County positions.

Based on these findings, it is recommended that the Central Fire Protection District:

- 8.1 Pursue future negotiations with International Association of Firefighters Local 1165 on the basis of putting fire protection and fire prevention staff and administrative and support staff in separate units for wage negotiation purposes. These negotiations should be conducted on the basis of freezing salaries of administrative and support staff until parity is reached between District salaries

and salaries for similar positions in the County. Thereafter, negotiations should be based on providing administrative and support staff raises similar to those received by County staff in similar jobs. (Priority 2)

- 8.2 Pursue State legislation, assuming the negotiations suggested in Recommendation 8.1 are unsuccessful, providing that salaries for fire districts that are dependent special districts governed by a County Board of Supervisors should be based on prevailing wages as determined by the wage scale for similar positions in the County. (Priority 2)
- 8.3 Obtain annual approval from the District Board of Directors of a resolution establishing the number of staff, job classifications and pay levels for all District positions, as required by State law. (Priority 1)
- 8.4 Develop written procedures for handling situations where employees must be moved from one existing job classification to another, or to a newly created job classification, as their duties change, modeled on procedures followed by the County under its contract with SEIU Local 715. (Priority 2)

It is recommended that the Board of Directors of the Central Fire District:

- 8.5 Request the County Employee Services Agency to Assess the human resources requirements of the Central Fire District, including the advantages, disadvantages and costs associated with ESA providing these services on a contractual basis, and issue a report to the Board within six months. (Priority 2)

By making the changes in its personnel practices and procedures recommended in this section, the Fire District would pay its staff comparably to what County staff are paid in similar positions, and would be assured that the number, job classifications and pay rates of staff had been approved by the Board of Directors, based on proper justification for job classifications of District staff. Purchasing personnel services from the County Employee Services Agency would provide better continuity of the District personnel function, better separation of the that function from District operations staff, make it more likely that the other changes recommended in this section would be expeditiously implemented. Purchasing these services from the County also could provide up to \$173,000 of savings annually in the cost of providing these services.

## **Section 9: Pay Practices Increase Costs**

In Calendar Year 2004, the District paid \$3.95 million in time-and-one-half pay to employees, including an estimated \$3.57 million paid to firefighting crews. There are two means by which eligible employees are entitled to such pay. First, federal law mandates extra compensation for working more than a specified number of hours in a given work period. Second, the District's labor agreement requires time-and-one-half payments in specified instances.

However, the District pays fire crews extra amounts beyond what is required by law or what is authorized by the labor agreement. This is because District management



erroneously interpreted the labor agreement as requiring extra pay for employees who work a shift outside their regular schedule, whether or not they also work their regular shifts. The County Counsel's Office, the County Human Resources Department, and the District's Personnel Manager have indicated that the agreement does not require this pay.

In addition, District practices increase the amount of required overtime pay. These practices include counting as hours "worked" vacation time that falls at the end of the 27-day federal work period, and permitting shift trades with off hours added to the hours "worked" tally. As a result of these practices, employees are paid overtime for hours in which they are off work. In total, the District incurred approximately \$470,000 of unnecessary overtime costs during Calendar Year 2004.

In addition to the substantial cost to the District, these practices are inequitable to employees. For instance, a Captain whose salary was 28 percent more than a Firefighter's earned 12 percent less than the Firefighter for working the same number of hours over the same payroll and federal overtime work periods in 2004.

By restricting time-and-one-half payments to those required by law and the District's labor agreement, and permitting shift trades only to the extent that they do not increase overtime costs, District overtime costs would be reduced by approximately \$470,000 per year.

Based on these findings, it is recommended that the Central Fire Protection District and the County Human Resources Department meet and confer with the District's labor union to change the 2006 Memorandum of Agreement to:

- 9.1 Define permissible justifications for the payment of overtime and limit overtime only to such situations. (Priority 1)
- 9.2 Define "work hours" for purposes of calculating overtime payments as time actually worked, rather than inclusive of paid leave time, such as vacation. (Priority 2)

It is recommended that the Central Fire Protection District:

- 9.3 Modify Section 7.2 of the District's Operational Rules and Regulations to restrict shift trades to those trades that are cost-neutral to the District. (Priority 2)
- 9.4 Confer with legal counsel for all interpretations of provisions and requirements of the Memorandum of Agreement. (Priority 3)

The implementation of these recommendations would reduce the District's \$3.95 million overtime costs by an estimated \$1.4 million annually. Since two-thirds of this cost would then be paid in the form of regular pay, however, the resulting net savings would be approximately \$470,000. In addition, although use of sick leave is already relatively low, it would probably be slightly reduced, since there would no longer be a financial incentive associated with working unscheduled shifts that do not qualify for

overtime compensation under the law. Lastly, by conferring with legal counsel over all future interpretations of the labor agreement, District management can avoid incorrect interpretations that result in pay practices unnecessarily costing the District hundreds of thousands of dollars annually.

## **Section 10: Civilianization of Safety Positions**

The Support Services Division of the Central Fire Protection District is responsible for maintenance of District vehicles, equipment and facilities; procurement, inventory and distribution of operating materials and supplies; and, in combination with County Communications, maintenance of the District's communications infrastructure. The Division has nine civilian employees and one safety employee. These employees are supervised by a Deputy Chief, even though most of the staff supervised are civilians, and the oversight duties for this division do not require the skills of a trained fire fighter or response to fire and non-fire emergencies.

Although it is common practice for fighting agencies to designate a safety position to manage support services organizational units, based on the functions and responsibilities of the Central Fire Protection District Support Services Division, the designation of a safety manager is unnecessary.

By moving the single safety position in this Division to the Operations Division, and reclassifying the Deputy Chief position to an appropriate civilian classification of Support Services Division Manager, the District could provide an equal or greater level of service by persons specifically trained in maintenance and related support services. Based on setting the new manager's salary at a rate 5 percent in excess of the highest rate paid to a civilian employee of the Division, this action would result in salary and benefit savings of approximately \$79,000 annually.

Based on these findings, it is recommended that the Central Fire Protection District:

- 10.1 Upon the vacancy of the existing Support Services Deputy Chief position, replace that position with a civilian Support Services Division Manager position. (Priority 2)
- 10.2 Transfer the existing Captain position in the Support Services Division, who serves as the District's communications officer, to the Operations Division, where a safety Deputy Chief supervisor is provided. (Priority 2)
- 10.3 If the Board of Directors chooses not to implement Recommendation 10.1, pursue reimbursement, from cities with whom the District contracts to provide fire protection services, of the excess costs to maintain a Deputy Chief as the manager of the Support Services Division. (Priority 2)

Based on Step 5 pay and benefits for both the existing Deputy Chief position, and a civilian position reflecting a pay rate 5 percent above the rate of the highest paid position who would report to the new manager, civilianizing this position would result in savings estimated at \$79,000 per year. If the general pay disparity between District

pay and County pay, discussed in Section 8 of this report, were rectified, and the pay for the manager's position were further reduced, additional savings would be achieved.

## **Section 11: County Residents Without a Designated Fire Protection Agency**

Fire protection services in the County of Santa Clara are fragmented and include four fire protection districts established between 1923 and 1972, seven city fire departments, several volunteer organizations and the California Department of Forestry. This dilution of fire protection responsibility in the County has resulted in inherent administrative duplication, inefficiency and a lack of cost effectiveness.

Approximately 627 square miles, or 48 percent of the land area of the County of Santa Clara lies outside of the geographic boundaries of the 11 local fire protection agencies in the County, and the California Department of Forestry is not responsible for structure fires within this area. Based on information provided by County Communications, the volume of emergency calls from unprotected areas of the County has increased significantly, and the absence of a responsible fire protection agency heightens the risk to both persons and property due to the inability of County Communications to initiate a timely emergency response. Consequently, more than 6,000 County residents who live in these areas do not receive reliable emergency fire suppression response to structural fires.

As a result, the County of Santa Clara is the only Bay Area county, and the only county among the 10 most populous counties in the State, with large areas inhabited by more than 6,000 county residents whose homes are not the fire protection responsibility of any fire protection agency.

The Board of Supervisors should consider pursuing a governmental reorganization to resolve the existing deficit in fire protection, planning and services within the County, including (1) consolidation and expansion of the Central and South County fire protection districts into a unified Countywide district, including areas currently unprotected, (2) creation of a new rural area fire protection district, and (3) creation of a Countywide assessment district to provide funding for fire protection services in all currently unprotected areas of the County.

Based on these findings, it is recommended that the Board of Supervisors:

- 11.1 Direct staff to conduct or arrange for a special study to determine the best method of providing a reasonable and cost-effective level of fire protection services to the unprotected areas of the County. The study should consider all options including contracting with the California Department of Forestry, building and staffing new fire stations, training and equipping volunteer fire protection organizations or a combination of any of the above approaches. In addition, the study should provide specific cost estimates and potential funding methodologies. (Priority 2)

- 11.2 Conduct hearings to develop and evaluate options to provide fire protection services to areas of the County that are currently unprotected. (Priority 2)

The implementation of this recommendation would enable the Board of Supervisors to reorganize fire protection services within the County and eliminate a deficit in such services that represents a significant risk to persons and property in unprotected areas of the County. The cost of implementing this recommendation would depend on the option selected for implementation and is unknown at this time. Such costs would probably be funded from a combination of property taxes and special assessments.

## **Section 12: Annual Inspections by Fire Station Companies**

Fire station companies continue to juggle hundreds of annual fire and life safety inspections with other duties, such as fulfilling training requirements, when not responding to emergencies. For certain types of occupancies, the Central Fire Protection District could allow qualifying businesses to conduct their own inspections so that fire station companies could focus on more complex occupancies and other responsibilities. However, the District has implemented such a Self-Inspection Program in only two of eight cities served.

Because fire station companies must balance their emergency and non-emergency workload, they do not always complete their inspections by the end of the quarter in which they are scheduled. For example, during the second quarter of CY 2005, companies completed only 71.5 percent of their inspections on average, and the percent of completed inspections varied widely by station. In CY 2004, companies spent 4,230 hours on inspections and re-inspections at a cost of at least \$736,000.

The District should expand the Self-Inspection Program to all eight cities served. With the program's expansion, fire station companies would have at least 1,700 hours annually to devote to other duties. The District should also solicit bids for developing an on-line form for businesses to submit their self-inspections. Additional savings related to reduced usage of fire station companies and administration of the Self-Inspection Program via the Internet would also be realized.

Based on these findings, it is recommended that the Central Fire Protection District:

- 12.1 Expand the Self-Inspection Program to all eight cities served by the District. An additional city should be phased in each quarter, or as soon as possible in the contract cities, until all cities are participating in the program. (Priority 2)
- 12.2 In accordance with the County's purchasing policies and procedures, solicit bids for developing an on-line form with individual access codes for businesses to submit their self-inspections. (Priority 3)

Implementation of the recommendations above would give fire station companies at least 1,700 hours annually to devote to other duties. Meanwhile, businesses selected for the Self-Inspection Program would enjoy the benefits of having fewer disruptions with self-inspections, learning first-hand how to determine if their workplace complies with

local and State codes, and having more access to District staff during business hours when questions arise. By developing an on-line form for the program, both businesses and the District would benefit from a more streamlined process for submitting self-inspection results.

### **Section 13: False Alarm Policies and Recovery of Costs**

In Fiscal Year 2004-2005, the Central Fire Protection District responded to 1,416 false alarms, approximately 10 percent of all service calls. The majority of these were due to malfunctioning systems, accidental activation, or maliciousness. The District lacks policies, procedures and penalties aimed at management and reduction of false alarms. The District does not penalize repeat offenders and does not recover the costs of responding to repeated, preventable false alarms. Instead, the District's approach to mitigating the effects of false alarms is to reduce the number of units responding at emergency speeds to locations that produce frequent false alarms.

Although it is not a violation of standards or other requirements to step down the response because the call is assumed to be false, this approach means that in the event of an actual fire, full response would be delayed. Delays increase the chance of loss of life and property, and negate the early notification benefit derived from alarm systems. By not charging those responsible for repeat false alarms, owners have little incentive to fix malfunctioning systems or alter behaviors that cause frequent, false activation.

Responding to false alarms increases wear and tear on vehicles, unnecessarily risks injury and death to both the responding fire crew and motorists, and makes resources that may be needed in the event of a true emergency unavailable. Numerous firefighters in other jurisdictions have died during responses to false alarms, and national data show that firefighters are more likely to die while responding to or returning from calls than they are to die while fighting a fire.

The number of false fire alarms has risen steadily since 1982, prompting fire departments around the nation and in the Bay Area to charge for these responses. The fire departments of Redwood City, Sunnyvale, San Francisco, Sacramento, Salinas, Menlo Park, Orange County and the City of San Mateo are among those that have enacted fees for certain false fire alarms. The District Board of Directors should enact a false alarm ordinance and false alarm fee schedule for the Fire District similar to the model ordinance shown in Attachment 13.1. Such an ordinance would enable the District to recover a portion of preventable costs, estimated at \$200,000 per year, and possibly reduce the number of false alarm responses.

Based on these findings, it is recommended that the Central Fire Protection District:

- 13.1 Establish written policies and procedures governing response to presumed false alarms. The policy should express the District's intent to reduce false alarms, assign responsibility for alarm reduction efforts, define appropriate strategies and tactics, and establish alarm-reduction goals. Procedures should specify what criteria are used to determine that an alarm qualifies for stepped-down response, and should define the appropriate level of response. (Priority 3)

- 13.2 Amend the contract with the City to Campbell to memorialize the District's unwritten agreement allowing the District to retain false alarm fees, and collect all false fire alarm fees due pursuant to the fire protection contract between the District and the City. (Priority 1)
- 13.3 After conferring in the Spring with County Counsel regarding which negligent incident charges are appropriate to bill, the District should establish and implement a policy to recover costs as appropriate, utilizing the Office Assistant II in Fire Prevention to bill those charges, with delinquent collections managed by the County Department of Revenue. (Priority 2)
- 13.4 Utilize the Office Assistant II in Fire Prevention to bill those responsible for repeated false alarms, pursuant to the District's false alarm ordinance per Recommendation 13.6, with delinquent collections managed by the County Department of Revenue. (Priority 2)
- 13.5 Contract with the County Department of Revenue to manage collections per recommendations 13.3 and 13.4. (Priority 3)

It is recommended that the Board of Directors of the Central Fire Protection District:

- 13.6 Adopt a false fire alarm ordinance and establish fees for responding to preventable, repeat false alarms, and a surcharge for the cost of billing the fee. We recommend fees be imposed beginning with the fourth and subsequent false alarm within 12 months at either actual cost or with rate increases similar to those shown in Table 13.2. (Priority 2)

The implementation of these recommendations would improve District policies and procedures by formalizing existing unwritten policies pertaining to false alarm responses. In addition, the establishment of a false alarm fee would enable the District to recover currently unreimbursed emergency response costs estimated to amount to approximately \$200,000 annually and possibly reduce the number of alarms. When collection efforts are required, the County Department of Revenue could provide such services on a contract basis with collection costs added to bills of false alarm and DUI violators.

## **Section 14: Capital Improvement Planning and Reserves**

The Central Fire Protection District lacks a capital improvement plan, and has not established reserves to fund the replacement of essential vehicles and facilities. As a result, the District has deferred some facility and vehicle replacements. Most fire stations fall short of the square footage the District's records indicate are needed. In addition, numerous vehicles exceed the District's replacement policy age guidelines. Consequently, District equipment and facilities will become increasingly more expensive to maintain and less reliable and less safe to operate.

We estimate that the cost to replace outdated vehicles and facilities, and set aside reserves for future replacements, is approximately \$5 million per year over the next five years, or about nine percent of the District's annual expenditures.

Because District expenditures have exceeded revenues for the past three fiscal years, the District cannot commence funding a capital program and reserve fund at this time. However, the District should develop and maintain a five-year capital plan and commence funding capital replacements and a reserve fund as soon as possible.

Based on these findings, it is recommended that the Central Fire Protection District:

- 14.1 Develop and maintain a five-year Capital Improvement Plan and present the plan to the Board of Directors for approval annually. The plan may be a separate document, but should be integrated into the District's annual budget. (Priority 3)
- 14.2 Seek to reduce expenses and increase revenues such that adequate funding of the plan is possible. The plan should be funded to the extent that revenues exceed expenses and other, higher priority reserve requirements. (Priority 3)

The implementation of these recommendations would enable the District to anticipate and plan for capital needs. Knowing what its current and future costs are for capital projects should help management set aside funds to meet these needs. Having a plan will ensure that the District's true costs and revenue needs are illuminated. To the extent that the District is able to earmark funds for capital needs, the District will ensure that its facilities and vehicles are safe, well maintained, and modern. Operating with modern and safe vehicles and equipment maximizes efficiency and reduces hazards.

## **Section 15: Updating the District's Policy Manual**

The Central Fire Protection District's Policy Manual is in need of review and revision. While 35 percent of the 227 policies were revised within the last five years, some policies date back to 1963. There is also no indication as to when any of the 148 remaining policies were last reviewed, and policies pertaining to at least 10 important subjects are missing entirely.

By lacking a current and complete Policy Manual, District staff have not adhered to all legal requirements and have approached some tasks without direction and consistency. For example, the District's published budget document does not include basic budgetary information required by State law, and the District does not always identify the best value for purchases given its decentralized approval process.

The District should conduct a thorough review of its Policy Manual in order to revise outdated policies. In addition, each division should be included in the review to determine what policies pertaining to their operations should be added. Updating the Policy Manual will ensure that the District is meeting local, State and federal requirements and consistently fulfilling its operational and managerial responsibilities in an efficient, effective and economical manner.

Based on these findings, it is recommended that the Central Fire Protection District:

- 15.1 Conduct a thorough review of the Policy Manual in order to revise outdated policies. In the introduction, the definition of a policy should also be rewritten so that deviation from policies included in the manual are only permitted as specifically provided for in each policy. (Priority 2)
- 15.2 Following this and any subsequent updates, indicate the date on which each policy was last reviewed in the table of contents and provide an alphabetical index of all policies by subject. (Priority 3)
- 15.3 Involve each division in the review to determine what policies pertaining to their operations should be added. Added policies should include, but not be limited to, budget development, contracts, purchasing, vendor payments, cost recovery, fees and charges, position control, insurance, audits and false alarms. (Priority 2)
- 15.4 Give immediate consideration to any policies, such as those related to the fire investigation function, that document existing practices and have been drafted but not formally authorized. (Priority 2)

By implementing these recommendations, the District will ensure that it meets local, State and federal requirements and consistently fulfills its operational and managerial responsibilities in an efficient, effective and economical manner.



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## Introduction

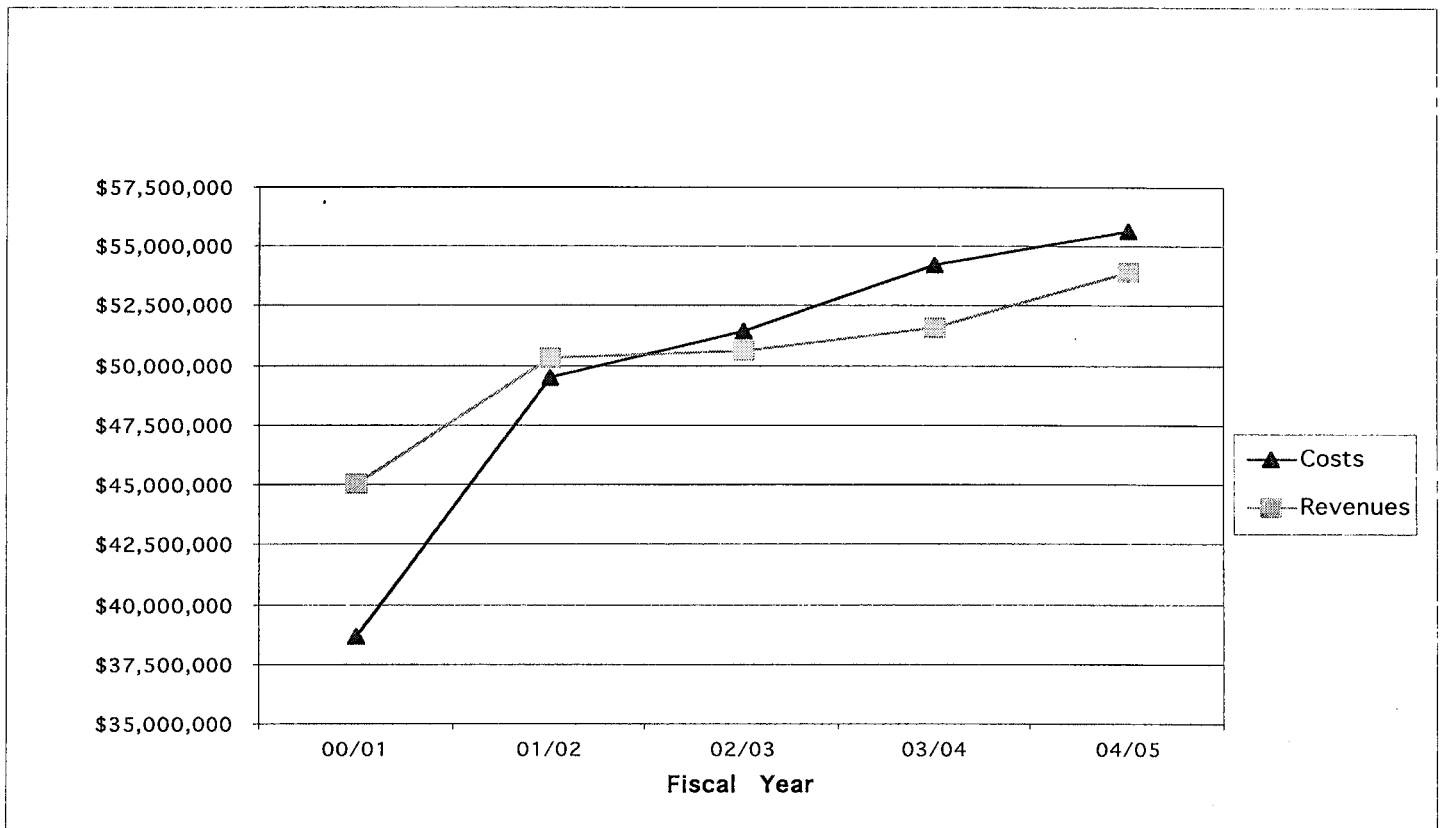
This *Management Audit of the Santa Clara County Central Fire Protection District* was authorized by the Board of Supervisors of the County of Santa Clara, as part of the County's FY 2004-2005 management audit program, pursuant to Section 13806 of the California Health and Safety Code and the Board's power of inquiry specified in Article III, Section 302 (c) of the Santa Clara County Charter.

## Purpose and Scope

The purpose of the management audit was to examine the operations, management practices and finances of the Central Fire Protection District, and to identify opportunities to increase the Department's efficiency, effectiveness and economy. The financial focus of this review is reflective of the District's critical need for revenue increases and cost reductions. Over the last five years, District expenses have increased by 44 percent, while revenues have grown by 20.5 percent. For the last three fiscal years, as shown in Chart I.1 below, the District has operated at a substantial deficit totaling \$4.7 million.

Chart I.1

**County of Santa Clara  
Central Fire Protection District  
5-Year Revenue and Expense Comparison**



This deficit spending has reduced District reserves to \$10.3 million as of the beginning of FY 2005-2006, of which \$8.6 million is uncommitted. If losses continue at the three-year average pace of \$1.58 million per year, the District will exhaust undesignated reserves by the end of the decade. If reserves are depleted, the District will be forced to cut services, charge more for services, or obtain funds from the County.

This audit report includes findings related to the District's service areas and its relationship to other fire departments within the County, its contractual reimbursements, its personnel, purchasing, pay and budgeting practices, fire prevention services, false alarms, medical insurance costs, funding of capital improvements and retiree medical care, use of sworn versus civilian positions, and general policies.

The recommendations pertaining to these findings present numerous potential strategies for cost reduction and revenue enhancement. If all of the recommendations in this report were implemented, the District would reap an estimated \$4.09 million in cost savings or increased revenues every year. Assuming no other changes in District expenditures or revenues, implementation of the recommendations in this report would bring revenues and expenditures into balance, without requiring layoffs or other drastic measures. In addition, we have determined that some services provided by County departments are not fully reimbursed, resulting in a County General Fund subsidy to the District.

## **Audit Methodology**

As part of this management audit, we interviewed District employees throughout all levels and divisions of the organization, as well as representatives of other fire departments. We also interviewed or obtained data from relevant County departments, including Risk Management, County Communications, Employee Services Agency, Information Services Department, Department of Revenue, Purchasing, the Controller-Treasurer and County Counsel.

We met with representatives of the cities that the District serves through contract. We visited several District fire stations and District headquarters, and interviewed staff in these facilities. We traveled with a Deputy Fire Marshal as he worked the plan check counter at Cupertino and conducted inspections of residential and mixed-use developments. We reviewed documentation provided by the District and County departments, and surveyed other California fire departments to enhance our understanding of District operations. We also reviewed extensive background materials, including audits of other fire agencies and research and statistical reports related to fire and emergency medical service provision from a variety of agencies and associations.

The audit was conducted in accordance with generally accepted government auditing standards issued by the United States Government Accountability Office. Pursuant to these requirements, we performed the following management audit procedures:

- Audit Planning – The management audit was selected by the Board of Supervisors using a risk assessment tool and estimate of audit work hours developed at the

Board's direction by the Management Audit Division. After audit selection by the Board, a detailed management audit work plan was developed and provided to the District.

- Entrance Conference – An entrance conference was held with senior District management to introduce the management auditors, describe the management audit program and scope of review, and respond to questions. A letter of introduction from the Board, a management audit work plan, and a request for background information were also provided at the entrance conference.
- Pre-Audit Survey – A preliminary review of documentation and interviews with managers were conducted to obtain an overview understanding of the District, and to identify areas of operations that warranted more detailed assessments. Based on the pre-audit survey, the work plan for the management audit was refined.
- Field Work – Field work included: (a) interviews with management and line staff of the District; (b) a further review of documentation and other materials provided by the District and available from other sources; (c) analyses of data collected manually and electronically; (d) surveys of other jurisdictions to measure performance and to determine organizational and operational alternatives that might warrant consideration by the District, and (e) visits to District fire stations and other facilities.
- Status Reporting – In August, discussions were held with the District's Business Services Manager to describe the study progress and provide general information on our preliminary findings and conclusions.
- Draft Report – A draft report was prepared and provided to the District. The draft report was also provided to County Counsel and the Employee Services Agency to obtain input regarding legal and labor issues that surfaced during the course of the study. Other internal and external organizations described or discussed substantively in the draft report were provided applicable sections of the report for their review and comment.
- Exit Conference – An exit conference was held with District managers to collect additional information pertinent to our report, and to obtain their views on the report findings, conclusions and recommendations.
- Final Report – A final report was prepared after review and discussion of the report content with responsible managers and the District. Management was requested to provide a written response, which is attached.

## **Overview of the Fire District and Its Services**

The County of Santa Clara Central Fire Protection District is a dependent district authorized by the Fire Protection District Law, Section 13801, of the California Health and Safety code. In operation since 1947, the District currently provides fire suppression, fire prevention inspection and education, hazardous materials response, emergency medical aid and rescue services. The District serves about 271,000 people

who reside in 137 square miles. Of these 271,000 people, approximately 112,000 live within the District's boundaries and are directly served by the District. Another 111,000 live in cities outside the District, which have contracted with the District to provide fire service to their residents. Another 48,000 persons reside in scattered unincorporated areas within the District, but do not receive their fire protection directly from the District. For these County residents, the District contracts with nearby cities to provide fire protection services to them.<sup>1</sup> Therefore, about half of the people the District directly serves are within its boundaries, about half live outside of its boundaries, and many within the boundaries receive fire service from other agencies.

Operating out of 16 fire stations, there are at least 65 suppression staff on duty at all times. In conjunction with numerous other agencies that serve the District through mutual and automatic aid agreements, these personnel respond to approximately 14,600 calls for service per year, the great majority of which are emergency calls. When someone who is served by the District calls 9-1-1, help usually arrives in less than seven minutes. Paramedics and Emergency Medical Technicians provide emergency medical care, but ambulance transport is provided through a contract with American Medical Response (AMR).

The District serves as the fire department for the cities of Los Gatos, Cupertino, part of Saratoga, and Monte Sereno, and portions of the unincorporated area. Pursuant to contracts, the District also operates as the Fire Marshal for the County and Stanford University. Dispatch services are provided by contract to the District by County Communications. The District's approximate boundaries, excluding its contracted service areas, are shown in Attachment I.1.

From 1947 until 1993, the District received nearly all of its funding from property taxes. With property tax receipts eroded first by Proposition 13 in 1978 and again 15 years later by the State's re-allocation of local property taxes to schools, the District needed an alternative revenue. The revenue source pursued by the District was contract payments for services. Currently, the District operates by contract as the municipal fire service for the cities of Campbell, Morgan Hill and Los Altos and the Los Altos Hills Fire Protection District, and, as previously mentioned also has contractual receipts from provision of fire marshal services to the County and Stanford. Its revenues from fire protection services accounted for 24 percent of all revenues in FY 2004-2005.

### *Budgeted Revenues and Expenditures*

Despite prior year actual expenditures of \$54.4 million, the FY 2005-2006 Recommended Budget allocates \$67.6 million to the District, offset by \$57.7 million in revenues. The District's budget is further discussed in Section 1 of this report.

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<sup>1</sup> Countywide Fire Protection Service Review, LAFCO of Santa Clara County, November, 2003, page 48

### *Organizational Placement and Structure*

Residents of Santa Clara County are served by 18 different fire fighting entities, including the Central Fire Protection District. Seven municipalities operate their own fire departments, and parts of the County are served by the California Department of Forestry. Besides Central Fire, three other fire protection districts serve the County, and there are an additional six volunteer fire agencies.

Fire districts are authorized pursuant to Section 13801 of the State Health and Safety code. On February 20, 1979, the Santa Clara County Board of Supervisors, serving as the District Board of Directors, dissolved the Board of Fire Commissioners and resumed full responsibility for the management and operation of the District. Pursuant to a 1981 Board resolution, the directors appoint the Fire Chief, who is under the supervision of the County Executive and functions at a level equivalent to a County department head.

The District employs approximately 276 people, most of whom are covered under a labor agreement with the International Association of Firefighters, Local 1165. The current agreement expires in 2006. The District utilizes another 40 people as volunteers. A current organizational chart is shown as Attachment I.2.

Staff are organized in six functional areas. These areas are briefly summarized below.

#### Administration and Personnel

The District is headed by a Fire Chief, whose duties primarily encompass serving as the point of contact for the department and participating in ceremonial duties, establishing the vision and culture of the District, serving as the regional fire coordinator, serving on the board of directors for an organization that oversees the incident command system, and serving on a task force that allocates Homeland Security grant funds.

The Assistant Fire Chief is responsible for the day-to-day operations of the department, and the four deputy chiefs report to the Assistant Chief. The Assistant Chief focuses efforts on long-range and strategic planning, handles complaints, coordinates budget requests by division managers, serves as the Fire Chief in the absence of the Chief and is on call on a rotational basis with the deputy chiefs.

The District's personnel function is managed by a Personnel Manager, with assistance from a management analyst and a half-time secretary. Personnel is responsible for recruitment of firefighters and miscellaneous employees, promotional and other testing, and aspects of labor negotiations and worker's compensation claims management. Personnel provides training on sexual harassment, diversity, and progressive discipline. Personnel provides analysis of job classifications and prepares job specifications, as well as personnel policies and rules and regulations. The unit also assists in the management of discipline issues, and is responsible for handling grievances.

### Fire Prevention

The Fire Prevention Division is located at headquarters and employs 22 staff, including a Deputy Fire Chief, to provide fire, safety and hazardous materials inspection services for building construction and annual building reviews. It provides plan reviews for new building construction, remodeling projects, fire suppression and fire alarm systems. Existing commercial buildings are inspected by fire prevention staff and fire station-based personnel. Hazardous Materials Specialists promote compliance with materials storage laws and ordinances and through plan reviews and inspections. This unit coordinates with County weed abatement and environmental services personnel. The Fire Prevention Division serves the same geographical areas as the District's fire suppression personnel, as well as the County Fire Marshal's Office and Stanford University pursuant to contracts.

### Training

With eight staff positions, a Deputy Fire Chief and 40 volunteers, the Training Division is responsible for providing training in fire fighting, emergency medical care, and other specialized training for the District's personnel, as well as providing safety education to high-risk segments of the public. Internal training includes training tower drills and use of a simulated "burning" house for fire training, and classes on the provision of emergency medical aid. Public education initiatives include Sober Graduation, Safe Sitter, elementary school and pre-school visits, and other outreach programs.

### Support Services

Eleven staff, including a Deputy Chief, ensure that the District is properly supplied and equipped, and makes repairs to District vehicles, fire apparatus, facilities and equipment, such as radios. These staff are situated in headquarters and various repair facilities.

### Business Services

Located at headquarters, a dozen personnel, headed by the Director of Business Services, run the District's accounting, clerical, payroll and information systems functions. The Director of Business Services functions as the District's accountant, contract manager, financial analyst, and a key labor negotiator. Clerical staff interact with the public and provide essential support to each of the other divisions.

### Operations

Fire suppression and emergency medical staff work under the leadership of the Deputy Chief of Operations. The Operations Division is organized in three battalions, plus an additional Captain and an Arson Investigator. There are eight Battalion Chiefs, 66 Captains – including six relief Captains – and 144 Firefighter/Engineers, including 12 relief Firefighters. The Operations Division receives and provides aid to other jurisdictions through a variety of assistance agreements. Most Operations personnel

work out of one of the District's 16 fire stations. Twenty-four hours a day, seven days a week, there are at least 64 fire suppression, paramedic and emergency medical technicians on duty. If a major event occurs, Operations personnel may call other staff in, or utilize aid from other agencies.

## **Fire District Accomplishments**

Management audits typically focus on opportunities for improvements within an organization. To provide a broader perspective on operations, this section summarizes some of the most important accomplishments of the District. In addition, pursuant to our request, the Fire Chief provided a memo, incorporated herein as Attachment I.3, highlighting those accomplishments he feels are most important.

Some of the District's accomplishments are provided below:

- The District conducts extensive, random surveys of the customers it has interacted with, and these surveys reveal extremely high satisfaction ratings. In 2004, 99.7 percent of the customers the District surveyed reported satisfaction with the services they received, with nearly 90 percent reporting that they were "very" satisfied.
- In August, 2005, the District became one of only a handful of California fire departments to attain accreditation by the Commission on Fire Accreditation International. In addition, the District's most recent overall fire insurance rating was good.
- Continuing a long tradition of leading-edge provision of emergency medical services, the District has had paramedic first responders since 1995. In addition, the District is one of the few Bay Area agencies to staff a full-time arson investigator.
- According to County Risk Management personnel and Central Fire Protection District staff, the District is highly proactive in minimizing worker's compensation costs.
- The District usually achieves its overall response time goals. In 2004, the first responding fire crews arrived to emergencies in less than seven minutes 91 percent of the time, and paramedics arrived at medical emergencies in less than seven minutes nearly 93 percent of the time.
- During this audit, the District demonstrated the ability to provide extensive documentation of both typical and extreme response times. The ability to quickly and accurately query incidents to understand the reasons for delayed response times is a critically important and well-used management tool for the District.

At the time the draft report was completed, three Fire Captains and a firefighter for the Central Fire Protection District had been deployed to the region affected by Hurricane Katrina to assist with rescue and other relief efforts.



## **Topics Requiring Additional Review**

During the course of a management audit, certain issues may be identified and brought to the attention of the department or agency being audited and the Board of Supervisors, even though a specific finding is not included in the report. Discussed below are topics for which we did not develop specific findings, but are important issues of which the District should be aware.

### *Parcel Audits*

The District reports that it has performed limited review of parcel coding, but has never hired an audit firm to conduct a parcel audit, ensuring that properties are accurately coded to the District. The District's primary revenue source is property tax payments. Given the fact that there has never been an - audit of District parcels, it is possible that such a review would identify errors. If errors are in the District's favor, the District would realize new revenue. If errors are not in the District's favor, District officials would then at least be aware of the extent to which existing property tax revenues are vulnerable to reclamation by the rightful recipients. The District should consider hiring a firm experienced in parcel audits to identify any errors in coding of revenue due to the District.

### *Fire Investigations*

The Santa Clara County Fire Marshal's Office handled all fire prevention in the County prior to 1981. However, in response to the reduction of local revenues following the passage of Proposition 13, the County Fire Marshal's Office disbanded. This gave local fire departments or districts the responsibility of investigating all fires within their jurisdiction, so the Central Fire Protection District developed a Fire Investigation Program. At the time, one full-time Arson Investigator employed by the District handled approximately 50 to 60 investigation events annually in the cities of Cupertino, Los Gatos and Monte Sereno and portions of Saratoga and the unincorporated area, which were indigenous to the District or brought in through annexation. By 1992, the Arson Investigator reported that he was handling 70 investigations annually.<sup>2</sup>

Then, starting in 1993, additional cities began to contract with the District for fire services. The first city to enter into a contract was Campbell followed by Morgan Hill in 1995 and Los Altos and the Los Altos Hills Fire Protection District in 1996. In Campbell, alone, the annual number of fires needing investigation was at least 10, even though the Campbell Fire Department reported having only one or two arson fires a year.<sup>3</sup> In 2004, approximately 40 percent of the 190 investigation events resulted from fires that occurred in Morgan Hill or Campbell – both contract cities. Furthermore, because the District has the only dog in the County that can detect flammable accelerants, the Arson Investigator and dog also respond to requests for aid investigating fires from other fire

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<sup>2</sup> "Fire Investigation Program Report," January 25, 1995

<sup>3</sup> "Arson Investigation Program: Staffing Level Report and Recommendations," Marsh 25, 2002

protection agencies in the County and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), which entered into a Memorandum of Agreement with the District.

To meet an increase in the number of fires needing investigation, the District developed an on-call investigator program in the mid-90s. The program started with safety personnel serving as on-call investigators between the hours of 5 p.m. and 7:30 a.m. when the Arson Investigator was off-duty. Therefore, safety personnel who worked a 40-hour schedule at headquarters would be on-call after regular business hours, and safety personnel who worked a 56-hour schedule at fire stations would be on-call during the first three of their four days off. Nine positions were identified to cover each of the three shifts for each of the three battalions. Initially, a dozen staff signed up for the program but only two staff – both on "C" shift in Battalion 7 – have remained. The lack of coverage makes it difficult to investigate fires when the Arson Investigator is already responding to an incident, such as ATF events, or otherwise unavailable due to being out sick, on vacation or in training. The reduction in the number of safety personnel willing to remain in or sign up for the on-call investigator program has resulted from:

- The difficulty in finding time to conduct interviews and write a report after the initial investigation;
- A lack of continuing education, mentoring and other support provided by the District; and,
- More than half of staff living more than one hour in travel time or 50 miles in driving distance of headquarters, a requirement of being on-call per Policy 2-17.

A proposal was drafted to replace on-call investigators with on-duty investigators. In other words, trained investigators could respond with their assigned fire station company to the fire scene. Under this type of program, the fire station company with the investigator could be the first-in unit or respond separately and then clear the scene when the investigation is complete and the scene is safe. Although this type of program would help solve the problem of safety personnel not meeting the on-call residency requirements, on-duty investigators would still be faced with having to complete the follow-up work necessary to write a report while on duty. For several years in a row, the Battalion Chief who oversees the Fire Investigation Program has recommended that the District hire an additional full-time Arson Investigator to take over a portion of the investigation workload and provide training, oversight and mentoring to on-call and/or on-duty investigators, but this request has been denied.

Because the Fire Investigation Program appears to be understaffed, the District should further consider how the on-call investigator program might be improved and whether to hire additional full-time staff to conduct investigations. Although the District is already operating with a deficit, the District could recover a portion of the costs associated with adding a staff person and supporting the existing staff person through fire service contracts. In other words, the portion of salaries and benefits expended by the District in performing fire investigations within a contracting entity's jurisdiction

should be recovered from that entity. Section 2 further discusses the city fire service contracts and recovering variable costs.

### *Timekeeping Records*

The District uses a commercially available timekeeping system called TeleStaff. This is a computer-based timecard, calendar and scheduling system. Since it was installed a few years ago, the system has greatly enhanced efficiency, with dramatic improvements in scheduling and payroll processes. One advantage of the system is its ability to store every employee's regular work schedule and planned absences. For instance, an entire year of vacation time for fire crews is loaded into the system at the start of the year. The system requires supervisory approval of all absences, such as vacation and sick leave.

The system "defaults" to a show employees present and working or on leave as scheduled. Exceptions to the schedule, such as sick days, must be actively entered by either the employee or a supervisor. That is, in the event of unscheduled absences, staff must actively "override" the default settings. Although supervisors must approve absences recorded in the system, the system does not require approval by either the employee or a supervisor of the default "present-and-working" setting. If no one overrides the default setting, the payroll will reflect that hours were worked or taken off as scheduled.

In other words, if an employee records a sick day in the system, this leave time is an exception to the default and must be approved by a supervisor. If approved, this exception then is processed as sick leave pay. But if an employee reported that he wouldn't be coming to work due to illness – and this "exception" was for some reason not typed into the TeleStaff system – the employee's absence would not be recorded. The payroll and timekeeping records would show the sick employee was working as scheduled.

It would be almost impossible for such a scenario to occur in the case of fire station staff. This is because every scheduled fire suppression position must be filled in order to meet minimum staffing requirements, and, in order to fill the vacancy, the vacancy would have to be recorded in the system.

However, there are numerous positions in the District that do not require "back filling." Since there is no requirement that employees affirm that they worked the regular hours for which they are paid, an absent employee could either forget to update the system, or, a dishonest employee could intentionally fail to change the record. Under the existing system, the records would show that the employee was at work. As such, the existing system has an internal control weakness. The District should evaluate requiring employees to print their electronic calendars on at least a monthly basis and affirm by signature that the work hours recorded in the system are correct. Five of nine other fire protection agencies surveyed during this audit indicated that they require employees or supervisors to certify the actual hours worked.

## Training

The Central Fire Protection District has a division that coordinates the training of first responders. Over the last 15 years, the District, along with all of the nation's other fire departments, has experienced a large expansion in the duties of firefighters. For instance, fire crews are trained on hazardous materials management, weapons of mass destruction detection and response, rescue techniques, an ever-changing array of medical equipment, medications and medical techniques, the operation of fire rigs, personal safety skills and equipment, wildland firefighting, and structural firefighting. Many of these skills have not historically been a part of fire training.

In addition to the expansion in the skills needed, over the years, the District has experienced a growth in the number of training topics that are mandated by law. These two changes mean that fire department training programs must cover an ever larger number of skills, and that basic skills that are not mandated receive less focus than they might have a decade ago.

In Calendar Year 2004, the District reported that personnel were unable to successfully complete its own hands-on, first-responder skill tests on the first try 12 percent of the time.<sup>4</sup> In addition, numerous District personnel from all levels of the organization have stated in interviews that they require more training time devoted to structural firefighting. Earlier this year, a Fire Captain was electrocuted at a structure fire, prompting regulators to cite the District for related – workplace violations. According to the California Occupational Safety and Health Administration (Cal-OSHA), the District lacked “written procedures for employees when exposed to downed energized high-voltage power lines during firefighting. The failure to implement procedures for dealing with downed energized high-voltage power lines resulted in the fatality of a firefighter.” Cal-OSHA also cited the District for failure to cordon off the downed power line, and for failure to prevent employees from working in proximity to the downed line. However, the District is appealing the citations and could be exonerated of the Cal-OSHA assertions. If affirmed, the citations carry cumulative penalties of \$44,100.

Several staff interviewed indicated that the District does its best to provide adequate training in structural firefighting, but have not been able to fully meet the need for a variety of reasons. Reasons cited by District personnel include the following:

- For the last decade, costs, environmental regulations, liability issues, and other barriers have precluded the District from burning donated structures for training purposes.
- Over the last decade, the District's Training Division has become necessarily focused on mandated training. This means that the degree to which structural firefighting

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<sup>4</sup> Results reflect data for only a portion of the year.

skills are maintained is dependent on the level of training provided through the individual companies.

- There are fewer and fewer fires that the District is called to fight, and the fires that occur are smaller than they would have been prior to the advent of sprinkler systems and other improvements. In 2004, the District responded to 176<sup>5</sup> structure fires, meaning that approximately one percent of all reported incidents were structure fires. The average estimated property damage from these fires was less than \$49,000. Based on the number of staff, there is on average 1.1 significant structure fires per year per firefighter. It is therefore likely that some firefighters would experience one or more significant structure fires in a given year, while others would experience none. This lack of “on-the-job” experience is likely to increase as older firefighters retire and are replaced by younger personnel.

The District should explore creative options for expanding the structural firefighting training and experience received by District fire suppression personnel. Due to time constraints, an examination of the range of options available was not conducted as part of this audit. However, the District should consider options such as the possibility of sending fire crews or captains to either busier jurisdictions in California where they are more likely to experience a fire, or to other states to conduct “live” burns of donated structures.

## **Survey of Other Jurisdictions**

To gain an understanding of distinctions and similarities across fire departments, we developed a survey and solicited responses from 14 agencies. We received 10 responses, including a response from the Central Fire Protection District.

Where appropriate, information from the surveys has been included in the body of the audit report. It should be noted that the survey responses are self-reported information. Auditor staff did not verify the accuracy of the information reported. A summary of survey responses from each agency is incorporated as Attachment I.4. Copies of the full response by each jurisdiction are available upon request.

Highlights from the survey responses include:

- Only one of the nine outside respondents reported permitting qualifying businesses to use a fire agency checklist to perform their own inspections, a service the District provides.
- Four of the outside respondents have instituted fees applicable to repeated false alarms. Central Fire also does not charge for repeated false alarms.

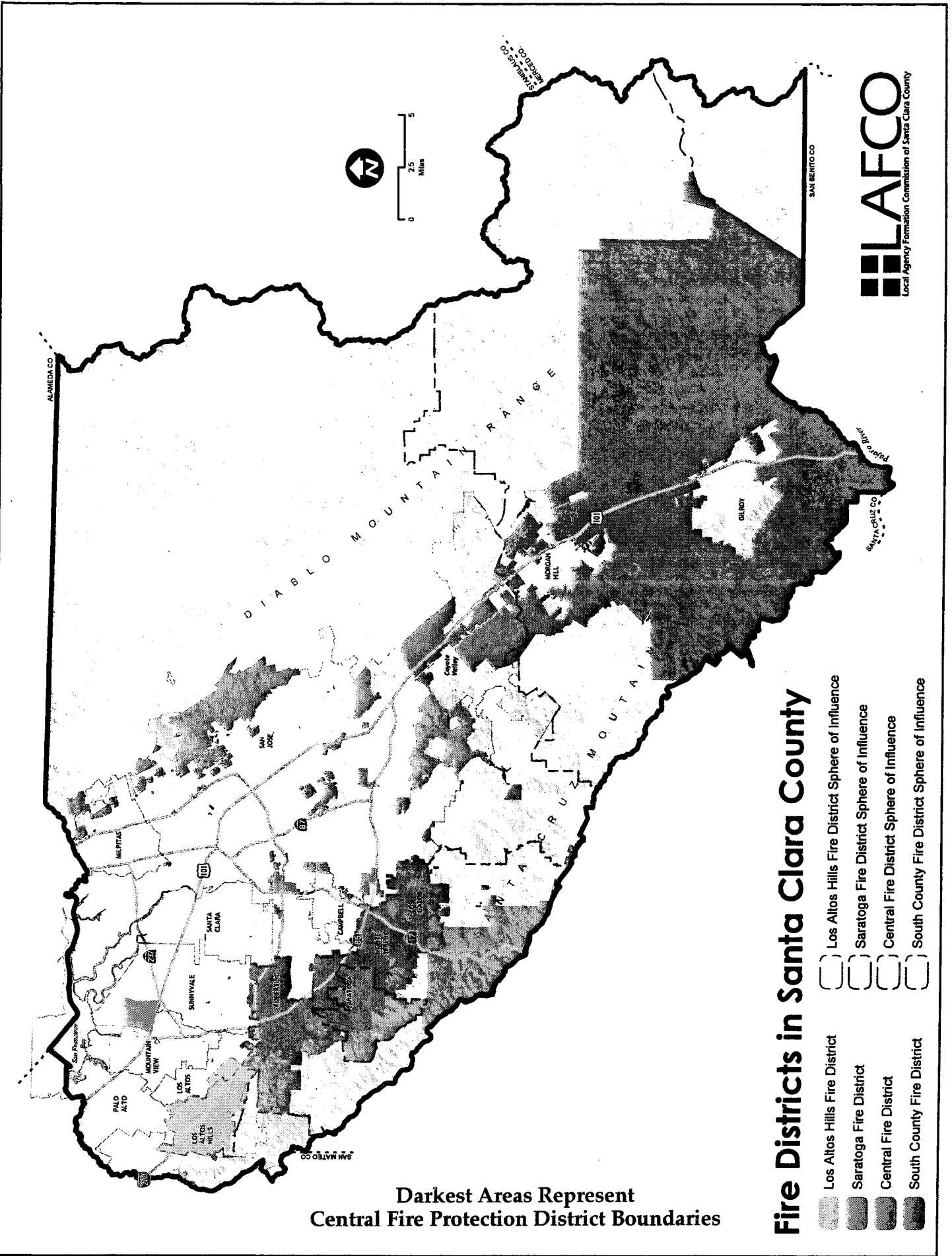
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<sup>5</sup> At least 13 of these fires resulted in damages estimated at less than \$5,000, suggesting that the fires were small and likely provided limited opportunity for skill building. Therefore, there were not more than 163 “significant” fires in 2004.

- All nine of the outside respondents reported setting their own fees for revenues they retain. Central Fire permits the cities it serves to set fees on its behalf.
- With the exception of San Francisco County, all of the outside respondents reported having capital improvement reserves, which the District lacks.
- Of the five outside respondents that provide services by contract, three reported contracts requiring reimbursement of their year-end actual costs. The District's contracts for a fixed fee that may or may not cover its actual costs.
- Of the eight agencies that responded to the question, five reported requiring employees and/or supervisors to sign off on actual hours worked. The District does not have such a requirement.
- Of the seven outside agencies that responded, only Los Angeles County Fire reported operating its own health insurance plan as its primary insurance, as does the District.
- Six of eight applicable respondents reported having the same salaries for similar classifications as are paid by their associated county. The District's salaries are higher than comparable County positions.
- With the exception of San Francisco and Ventura County, all respondents reported having an internal personnel function, similar to the District's.

## **Acknowledgements**

We would like to thank the Fire Chief and his staff for their cooperation and assistance throughout this audit. Staff were cooperative, courteous, and generous with their time. Some recommendations are the result of interviews with District staff, and the majority of the data contained in the report was provided by District personnel, who often went out of their way to make information available.



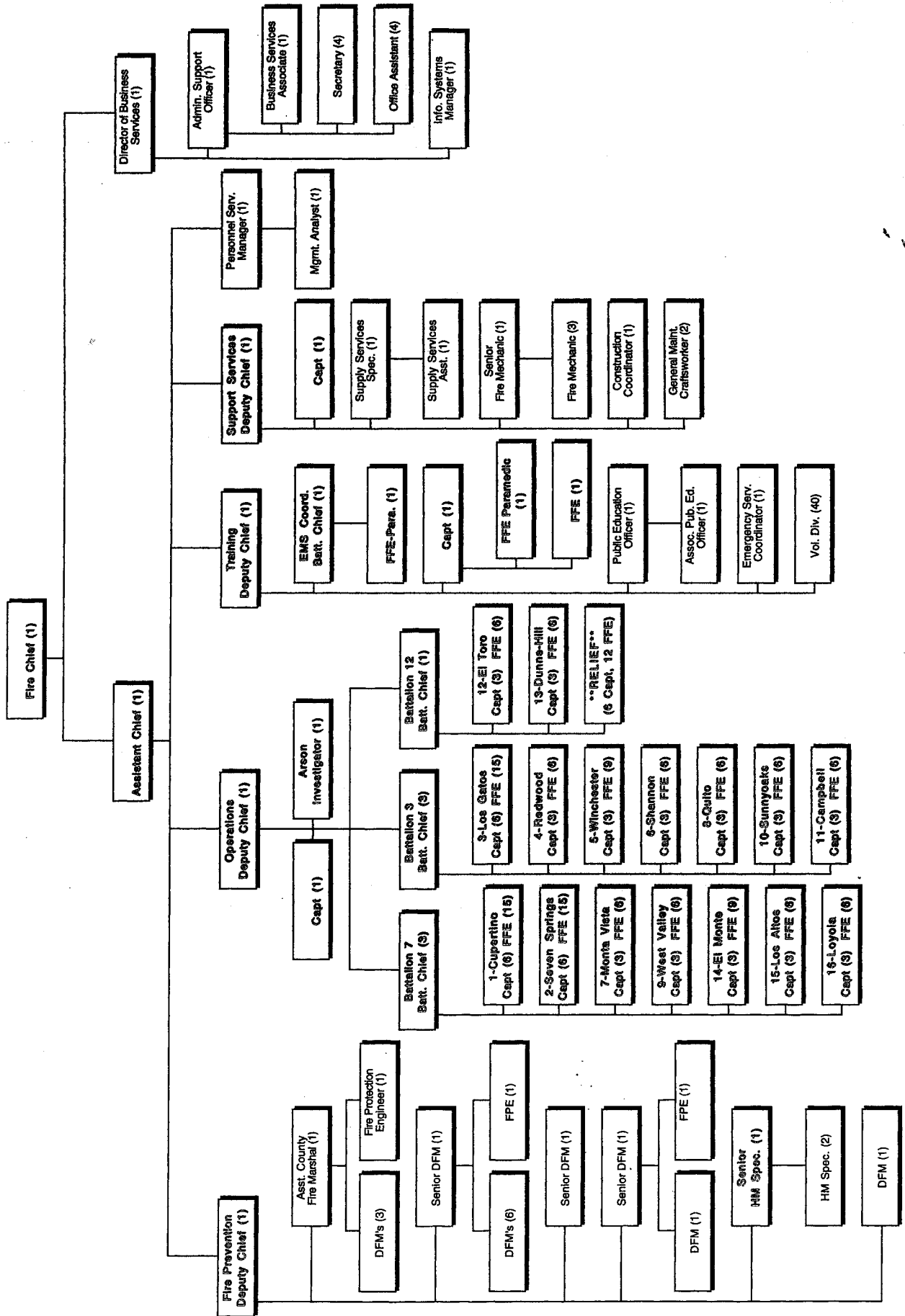
Darkest Areas Represent  
Central Fire Protection District Boundaries

- Fire Districts in Santa Clara County**
- Los Altos Hills Fire District Sphere of Influence
  - Saratoga Fire District Sphere of Influence
  - Central Fire District Sphere of Influence
  - South County Fire District Sphere of Influence
- Los Altos Hills Fire District
  - Saratoga Fire District
  - Central Fire District
  - South County Fire District



ORGANIZATION CHART

Revised 01/02/04



FIRE DEPARTMENT  
SANTA CLARA COUNTY






## FIRE DEPARTMENT SANTA CLARA COUNTY

14700 Winchester Blvd., Los Gatos, CA 95032-1818  
(408) 378-4010 • (408) 378-9342 (fax) • www.sccfd.org

### MEMORANDUM

September 8, 2005

TO: Santa Clara County Board of Supervisors Management Audit Division

FROM: Benjamin F. Lopes, Fire Chief 

SUBJECT: List of Accomplishments

The Santa Clara County Central Fire Protection District, AKA Santa Clara County Fire Department, is a dependent fire district. As a special district, it has certain advantages and responsibilities as it fills its role as a regional fire department, which is atypical of most fire agencies in the Bay Area. This distinction, along with the Department's motto, *Courtesy and Service*, guides the Department in its short-term and long-term goals and objectives. Our mission statement drives every decision made by every employee. And, while costs are important, ultimately, we are here to serve the public with the resources that they entrust to us. Our desire is to deliver the best service that the agency can afford.

With that general philosophy in mind, I am proud to highlight some of the Department's accomplishments during the recent years.

#### I. Fire Department Accreditation

In August 2005, County Fire received the prestigious Accreditation Award from the Commission of Fire Accreditation International, Inc (CFAI). County Fire's Board of Directors (Supervisors) is scheduled to publicly accept the award on September 27, 2005. County Fire is only the third California fire department to attain this award. There just over 100 recipients in the world. The CFAI award is verification that County Fire is organized, staffed and trained to the highest standards and that its performance is first rate.

#### II. Annual CPA Report

For well over a decade, the Department has been audited by independent Certified Public Accountants (CPA) and has received 'clean' reports, otherwise referred to as an Unqualified Opinion. These reports assert that the financial statements prepared by the Department are fair and that the financial internal control processes are appropriate to safeguard the taxpayers' funds.

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Organized as the Santa Clara County Central Fire Protection District

*Serving Santa Clara County and the communities of Campbell, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga*

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### III. Customer Satisfaction Surveys

The above awards and ratings suggest that independent outside professional reviewers consistently rate County Fire as a top performer. But what do our citizens think? County Fire introduced the concept of soliciting comments from our citizens who received our emergency service. Each week we randomly survey over 100 of our customers to determine their level of satisfaction. The 2004 customer satisfaction report indicated that 99.7% of the citizens were satisfied with the service we provided.

### IV. Long Term Plans

County Fire has been fortunate because the Board has preserved continuity in the administrative staff during the past several decades. This continuity has allowed the Department to achieve goals that were set several years earlier. To that end the Department has created several working documents to keep the organization focused including: 5-year strategic plan and 5-year business plan. These documents serve as a blueprint for succession planning, and include performance goals that are measured by staff.

The Department has also developed four major documents to guide the employees in day-to-day operations: Standards of Response Coverage, Occupancy Risk Analysis report and Standard Operating Guidelines, and the Employer-Employee Relations Resolution.

In 2005 the Department's 40-hour employees created individual desk manuals that will be crucial in the event a staff person resigns or is incapacitated to perform daily duties. The desk manual will provide general instructions to the replacement person with the hope of mitigating service decline during the transition period. The manuals also serve as an element of succession planning.

### V. Unique Programs

The Department has programs that are not intended to be cost-recovery. They are intended to provide important services that a modern fire department should provide, either directly or through contract.

County Fire has a specially trained canine (and handler) that are deployed to determine whether an accelerant was used in an arson fire. The Canine program is funded in part by the Department of Alcohol, Tobacco and Firearms.

County Fire's Special Operations Task Force is capable of providing local Urban Search and Rescue (US&R) resources during the first 48-72 hours of a major event. The Department also participates in the federal US&R program, and works in conjunction with Federal Emergency Management Agency (FEMA) Task Force 3 headquartered in Menlo Park. County Fire's US&R team participated in the rescue efforts in Louisiana and Mississippi in the aftermath of Hurricane Katrina.

County Fire has received almost \$500,000 in federal grants to purchase portable radios, and to train and equip the Department to respond to attacks of weapons of mass destruction.

## VI. Daily Reporting

In 2003 the Department installed an automated, computerized program called Telestaff. Telestaff has relieved the on-duty Battalion Chiefs of laborious and imprecise scheduling of employees to cover vacation, sick and other leaves. Telestaff provides audit trails to determine which employee is scheduled to be on which fire engine on any given day at any given hour. It has improved the accuracy of payroll and reduced overstaffing, which used to be caused by slow, imprecise telephone calls and messaging.

In 2004 the Department installed a computerized management reporting system called Firehouse. Firehouse has enabled County Fire to comply with the State Fire Marshal's reporting requirement.

## VII. Other Significant Achievements

Within the past five years, County Fire has completed negotiations with other local and state agencies to ensure optimum service to the citizens. Some examples are: five year extension to a fire service contract with San Jose, three year extension to a fire service agreement with Morgan Hill, a new three year management agreement with the Saratoga Fire District, a five year extension for fire prevention service with County Fire Marshal, and a five year extension agreement with County Communications.

Attachment I.4

Fire Protection Agency Survey Results

	Alameda County Fire Department	Los Angeles County Fire Department	Menlo Park Fire Protection District	Novato Fire Protection District	Orange County Fire Authority	Sacramento Metropolitan Fire District	San Bernardino County Fire Department	San Francisco Fire Department	San Mateo County Fire Protection District	Ventura County Fire Protection District
1. How does your agency provide personnel services, such as classification analysis and collective bargaining?	An internal personnel department provides these services.	An internal personnel department and a centralized county personnel department provide these services.	An internal personnel department provides these services.	An internal personnel department provides these services.	An internal personnel department provides these services.	An internal personnel department provides these services.	An internal personnel department provides these services.	A centralized city personnel department provides these services.	An internal personnel department provides these services.	A centralized county personnel department provides these services with input and/or participation of the Fire District.
2. Are salaries between your agency and your associated county or city the same for similar job classifications, such as clerical or craft positions?	Yes	Yes	No	Yes	No	No	Yes	Yes	No	Yes
3. What percentage of worker's compensation claims does your agency pay for the administration of claims?	10 percent	100 percent	100 percent	10 percent	4 percent	0 percent	0 percent	18 percent	35 percent	No response
4. Who is the primary health insurance provider for your agency based on the number of active and retired employees covered?	Kaiser	LA County Fire Fighters Local 1014 Health Insurance for active employees	PERS/Blue Shield	Blue Shield	Blue Cross	PERS	Health Net	No response	Central Fire	Ventura County Medical Center, Pacific Care PPO and Fire and Firefighter Union's health plan.
5. What is the approximate monthly premium paid by your agency?	\$301-500 per month	\$301-500 per month	Over \$700 per month	\$301-500 per month	\$501-700 per month	Over \$700 per month	\$301-500 per month	No response	\$301-500 per month	\$301-500 per month
6. How long is your agency's Fair Labor Standards Act (FLSA) work period in hours?	648 hours (27 days)	192 hours (24 days * 8 hours)	576 hours (24 days)	648 hours (27 days); FLSA is built into base salary	576 hours (24 days)	648 hours (27 days)	576 hours (24 days)	212 hours (28 days)	648 hours (27 days)	304 hours (27 days); actual hours is 216 with 12 hours of FLSA overtime.
7. Under which circumstances, if any, would a firefighter in your agency be eligible for FLSA coverage for time not actually worked by that firefighter?	Flat rate	The firefighter's schedule normally included FLSA overtime, and a shift included vacation leave. All paid leave is included in FLSA.	The firefighter's schedule normally included FLSA overtime, and a shift was worked by another firefighter, and the firefighter's schedule normally included FLSA overtime, and a shift included vacation leave.	FLSA is built into base salary.	The firefighter's schedule normally included FLSA overtime, and a shift was worked by another firefighter, and the firefighter's schedule normally included FLSA overtime, and a shift included vacation leave.	No response	The firefighter's schedule normally included FLSA overtime, and a shift was worked by another firefighter, and the firefighter's schedule normally included FLSA overtime, and a shift included vacation leave.	The firefighter's schedule normally included FLSA overtime, and a shift included vacation leave or other non-work related activities including sick, jury duty, 4850 etc.	Only 1 day of vacation is counted as "worked." All other non-work related activities are "unworked."	The firefighter's schedule normally included FLSA overtime, and a shift included vacation leave or other non-work related activities including sick, jury duty, 4850 etc.
8. Must your employees or their supervisors sign or initial a paper or electronic timecard to indicate that they have worked their regularly scheduled shifts?	No	Yes	No	Yes	Yes	Yes	Yes	No	No	No
9. What restrictions, if any, does your agency place on shift trades?	We require that both sides of the trade be completed within a specified timeframe.	Unlimited trades	Unlimited trades cannot exceed 96 hours on-duty without 12 hours off-duty	Unlimited trades	Very few	Unlimited trades	We restrict the number of trades or the number of sides of a trade be completed within a specified timeframe.	We restrict the number of trades or the number of hours that may be traded, and we require that both sides of the trade be completed within a specified timeframe.	We restrict the number of trades or the number of hours that may be traded.	We restrict the number of trades or the number of hours that may be traded, and we require that both sides of the trade be completed within a specified timeframe.
10. To which type of academy do you send your firefighter recruits?	We send recruits to our own academy.	We send recruits to our own academy.	We send recruits to our own academy.	We send recruits to our own academy.	We send recruits to our own academy.	We send recruits to our own academy.	We hire academy graduates and put them through a 2-week orientation academy.	We send recruits to our own academy.	We send recruits to our own academy, to an academy jointly with other agencies and to another agency's academy.	We send recruits to our own academy.
11. What is the length in weeks of the academy that your recruits attend?	12 weeks	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks	The local college is 13 weeks. We accept any State fire training approved academy.	12-16 weeks	12 weeks	No response
12. When recruits graduate from the academy, what certifications, if any, do they receive?	None	EMT, FRD, ICS-190, Class "T" Permit	FF-1, RS-1, ICS-100 and 200, Haz Mat First Responder	None	FF-1, EMT, Haz Mat First Responder, Confined Space, ICS-200 and 290, WMD	EMT-1, RS-1, Swift Water-1, Fire Control-5 (Aircraft), ICS-200	Wildland FF-2, FF-1, Haz Mat First Responder, RIC (ICS-200), EMT, Confined Space	FF-1	None, because a firefighter needs 6 months paid experience in order to qualify.	None
13. Does your agency submit claims to the State for reimbursement or mandated costs?	Yes	Yes	No	Yes	Yes	Yes	Yes	Not applicable	Yes	Yes, only if the State has budgeted appropriations for the mandate.
14. Which methods do you use to carry out major purchasing activities, including solicitation of requests for proposal?	We use outside entities to conduct major purchasing activities.	We conduct major purchasing activities in-house.	We conduct major purchasing activities in-house.	We conduct major purchasing activities in-house.	We conduct major purchasing activities in-house.	We conduct major purchasing activities in-house.	We conduct major purchasing activities in-house.	We use outside entities (i.e. central city major purchasing activities).	We conduct major purchasing activities in-house.	We conduct major purchasing activities in-house for construction major purchasing for some services and all equipment.

Attachment I.4

Fire Protection Agency Survey Results

	Alameda County Fire Department	Los Angeles County Fire Department	Menlo Park Fire Protection District	Novato Fire Protection District	Orange County Fire Authority	Sacramento Metropolitan Fire District	San Bernardino County Fire Department	San Francisco Fire Department	Santa Clara County Central Fire Protection District	Ventura County Fire Protection District
15. If your agency has any cities, districts or other agencies that are reimbursed for fire prevention activities and/or other safety services by contract, how is your agency reimbursed under the contract?	We are reimbursed annually for the actual cost of providing services (this usually is done through a series of payments during the year and a final year-end reconciliation payment).	We are reimbursed annually for the actual cost of providing services (this usually is done through a series of payments during the year and a final year-end reconciliation payment).	Not applicable	We receive dedicated percentage of the agency's property tax.	We receive dedicated percentage of the agency's property tax and we receive a negotiated reimbursement each year under the contract, with an annual inflation factor determined pursuant to the contract.	Not applicable	We are reimbursed annually for the actual cost of providing services (this usually is done through a series of payments during the year and a final year-end reconciliation payment).	Not applicable	We receive a negotiated reimbursement each year under the contract, with an annual inflation factor determined pursuant to the contract.	We have no contracts for providing fire protection. However, we are a contract county for CDF for wildland protection.
16. If your contracts with cities, districts or other agencies have an annual inflation factor, on what is the inflation factor based?	Not applicable	Not applicable	Not applicable	Annual increase in assessed value in an agency	4.5 percent	We have two cities in the District that have not been audited for which we receive property taxes.	Local Consumer Price Index and annual increase in personnel costs	Not applicable	Local Consumer Price Index, annual increase in personnel costs, and annual increase in assessed value in a city	Not applicable
17. Does your agency have reserves for capital improvements or vehicle/equipment replacement?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes
18. Who sets the fees that are charged by your agency for fire prevention activities and other services?	Every agency served sets its own fees. The contract cities set their own fees, and we set fees for the area that is legally part of the District. We make a proposal to the Board of Supervisors and they adopt the fees.	We set all fees charged by our agency.	We set all fees charged by our agency.	We set all fees charged by our agency.	We set all fees charged by our agency.	We set all fees charged by our agency.	We set all fees charged by our agency.	Not applicable	Every city served sets its own fees.	We set all fees charged by our agency. They are then approved by the Board of Supervisors, which is the District's Board of Directors.
19. If your agency provides regional services, do the fees charged vary by area served?	No, fees do not vary within our jurisdiction.	No	Not applicable	Not applicable	No	No	No	Not applicable	Yes	No
20. Does your agency charge a fee for false alarms?	No	No	No	No	Yes	Yes	No	Yes, over 5 false alarms per year.	No	No
21. If your agency charges a false alarm fee, how many false alarms are permitted before a fee is charged, and what is the fee?	Not applicable	Not applicable	2 false alarms permitted in a 12-month period. Additional false alarms are \$250 per alarm	Not applicable	1 every 6 months	Depends on situation, very seldom used	Not applicable	Only 2 false alarms are free; thereafter, it's \$250 per false alarm up to 5 alarms and \$500 on the 6th alarm or more.	Not applicable	Not applicable
22. What was your total call volume in 2004, and what portion of these calls were emergency versus non-emergency?										
a. Total call volume	21,029	270,661	7,751	4,545	79,913	65,532	50,000	142,830	12,972	28,512
b. Emergency	82 percent	No response	93 percent	74 percent	69 percent	63 percent	85 percent	85 percent	91 percent	86 percent
c. Non-emergency	18 percent	No response	7 percent	26 percent	31 percent	37 percent	15 percent	15 percent	9 percent	14 percent
23. Are variations in staffing used by your agency in response to variation in call volume?	No	No	No	No	Yes	No	Yes	We maintain our minimum staffing level; however, during special events, we may staff additional units and assign them to that event.	We will call in extra staff if we experience a protracted event such as the 1989 earthquake.	No, but a fourth person is put on some engines when the moisture index is at a certain level.
24. How are fire protection services structured in terms of the number and type of companies and how each company is staffed?										
a. Engine companies:	17 each with 1 Captain, 1 Engineer and 1 Firefighter	234 each with 1 Captain, 1 Engineer and 1-2 Firefighters	3 each with 1 Captain, 1 Engineer and 1 Firefighter	5 each with 1 Captain, 1 Engineer and 1 Firefighter	3 each with 1 Captain, 1 Engineer and 1 Firefighter	39 each with 1 Captain, 1 Engineer and 1 Firefighter	11 each with 1 Captain, 1 Engineer and 1 Firefighter	42 each with 1 Officer (Captain or Lieutenant), 1 Driver, 1 EMT and 1 Firefighter or Paramedic	14 each with 1 Captain, 1 Firefighter/Engineer and 1 Firefighter/Paramedic	28 each with 1 Captain, 1 Engineer and 1 Firefighter
b. Ladder companies:	4 each with 1 Captain, 1 Engineer and 1 Firefighter	20 each with 1 Captain, 1 Engineer and 2 Firefighters	3 each with 1 Captain, 1 Engineer and 1 Firefighter	1 with 1 Captain and 2 Engineers	4 each with 1 Captain, 1 Engineer and 2 Firefighters	6 each with 1 Captain, 1 Engineer and 2 Firefighters	3 each with 1 Captain, 1 Engineer and 2 Firefighters	18 each with 1 Officer (Captain or Lieutenant), 1 Driver, 1 EMT, 1 Tiller and 1 Firefighter	2 each with 1 Captain, 2 Firefighter/Engineers and 1 Firefighter/Paramedic	2 each with 1 Captain, 1 Engineer and 2 Firefighters

Attachment I.4

Fire Protection Agency Survey Results

	Alameda County Fire Department	Los Angeles County Fire Department	Menlo Park Fire Protection District	Novato Fire Protection District	Orange County Fire Authority	Sacramento Metropolitan Fire District	San Bernardino County Fire Department	San Francisco Fire Department	Santa Clara County Central Fire Protection District	Ventura County Fire Protection District
c. Rescue companies:	1 with 1 Captain, 1 Engineer and 2 Firefighters	1 USAR with 2 Captains, 2 Engineers and 2 Firefighters	Not applicable	Not applicable	Not applicable	4 each with 1 Captain, 1 Engineer and 2 Firefighters	3 each with 1 Captain, 1 Engineer and 2 Firefighters	2 each with 1 Officer (Captain or Lieutenant), 1 Firefighter/EMT and 1 Firefighter	2 each with 1 Captain, 2 Firefighter/Engineers and 1 Firefighter/Paramedic	4 each with 1 Captain, 1 Engineer and 2 Firefighters
d. Haz mat companies:	3 each with 3 Captains, 3 Engineers and 3 Firefighters	4 each with 2 Captains, 1 Engineer and 6 Firefighters	Not applicable	Not applicable	7 each with 2 Captains, 2 Engineers and 3 Firefighters	1 with 1 Captain, 1 Engineer and 2 Firefighters	1 with 1 Captain, 1 Engineer and 2 Firefighters	1 with 1 Officer (Captain or Lieutenant), 1 Driver, 1 Firefighter/EMT and 1 Firefighter	1 with 1 Captain, 2 Firefighter/Engineers and 1 Firefighter/Paramedic	1 with 1 Captain, 1 Engineer and 2 Firefighters
e. Other, please explain:	No response	No response	No response	2 paramedic units each with 2 Firefighter/Paramedics	No response	12 paramedic units each with 2 Firefighter/Paramedics	Haz Mat and rescue units are cross staffed from engine companies; additional engine company assignments include six that are brought into person and two one-person companies	We have a variety of specialized units. Members that are on-duty on another unit will be assigned to these units as they are put into service, as needed.	No response	2 squads each with 2 Firefighters
25. Does your agency have responsibility for emergency medical services transport?	No	No	No	Yes	Yes	Yes	Yes	Yes	No	No
26. Do firefighters assigned to stations also perform fire inspection and code enforcement functions?	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
27. Have you established a self-inspection program within any or all of the areas that you serve?	No	No	No	No	No	No	No	No response	Yes	Yes

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## Section 1. Compliance with State Budget Requirements

- Section 13890 of the Health and Safety Code, and Section 1121 of the California Code of Regulations require special districts governed by a county board of supervisors to comply with minimum budget standards specified in Sections 29000 through 29010 of the California Government Code.
- However, the FY 2005-06 Central Fire Protection District budget document does not include the following basic budgetary information: 1) fund balances, 2) description and amount of reserves, 3) description and amount of designations, 4) amount of undesignated surplus, 5) estimated amount of expenditures and revenues by object for the current fiscal year, and 6) a schedule of authorized positions by classification, including the applicable salary range.
- In addition, the budget document identifies the total FY 2005-06 expenditure requirement of \$66.4 million, which exceeds the total available resources included in the budget by \$8.7 million, resulting in a deficit budget. Due to these deficiencies, the FY 2005-06 Central Fire Protection District published budget does not comply with State law.
- By revising future budget documents to include all of the required information, the Central Fire Protection District budget will be more comprehensive, facilitate public review and analysis, result in the adoption of a balanced budget, ensure the ongoing solvency of the District and comply with State law.

### Minimum State Requirements for Recommended and Final Budget Documents

The State of California Health and Safety Code, Code of Regulations and Government Code require special districts, whose affairs and finances are under the supervision and control of a county board of supervisors, to comply with the accounting standards and procedures prescribed by the State Controller. Specifically, Health and Safety Code Section 13890 states:

“On or before June 30 of each year, a district board shall adopt a preliminary budget which shall conform to the accounting and budgeting procedures for special districts contained in ... Chapter 2 of Division 2 of Title 2 of the California Code of Regulations.”

Section 1121 of Chapter 2 of Division 2 of Title 2 of the California Code of Regulations states:

“Section 53065, Government Code, states that provisions of law relating to budgets which apply to counties shall also apply to any district whose governing body is the board of supervisors ...”



Government Code Section 29002 states:

“This chapter shall apply to counties and to special districts whose affairs and finances are under the supervision and control of the board.”

Government Code Section 29005 states:

“...The Controller shall prescribe the forms required to be used in presenting the required information in the budget document...” “Any county may add to the information required, or show it in more detail, providing that the financial information and the classifications or items required to be included in the budget are clearly and completely set forth.”

The following specific requirements of the Government Code are minimum content standards that were not met by the District’s FY 2005-06 Recommended and Final Annual Budget Documents that were adopted by the County Board of Supervisors acting as the Board of Directors of the District.

Government Code Section 29006 states:

“Dependent on the stage of development of the budget the various forms, as prescribed by the Controller pursuant to Section 29005, shall provide for the presentation of data and information to include, as a minimum, estimated or actual amounts of the following items:

- (a) Fund balances.
  - (1) Reserved or designated.
  - (2) Unreserved and undesignated.
- (b) External financing sources...For comparative purposes the amounts of external financing sources shall be shown as follows:
  - (2) On an actual basis, except for those sources that can only be estimated, for the first fiscal year preceding that to which the budget is to apply.
- (d) The amounts proposed to be provided as appropriations for contingencies.
- (e) The amounts proposed to be provided as provisions for reserves and designations.”

Government Code Section 29007 states:

“There shall be a schedule in or supporting the budget document or separate ordinance or resolution, setting forth for each budget unit the following data for each position classification:

- (a) Salary rate or range, as applicable.
- (b) Number of positions currently approved.
- (c) Number of positions requested or recommended by the administrative officer if designated by the board.
- (d) Number of positions approved by the board.”

Government Code Section 29008 states:

“At a minimum, within the object of fixed assets, the estimates for:

- (a) Land shall be shown in lump-sum amounts, except when included as a component of a project.
- (b) Buildings and improvements shall be shown separately as to each project, except that minor improvement projects may be given in totals.
- (c) Equipment shall be shown in a lump-sum amount by budget unit.”

Government Code Section 29009 states:

“In the proposed and final budgets the budgetary requirements shall equal the available financing.”

### **Need for Disclosure and Analysis of Required Budget Information**

The Central Fire Protection District Recommended and Final budget documents do not comply with minimum State standards for disclosure of required financial information pertaining to revenues, expenditures, fund balances, reserves, designations, contingencies, fixed assets and staffing. The absence of this information precludes the performance of a thorough analysis of the District budget. For example, the FY 2005-06 budget document (Attachment 1.1) was difficult for the Board of Directors and the public to analyze due to the following omissions of pertinent budget data:

#### *Fund Balance*

The FY 2005-06 Central Fire Protection District Budget did not identify any unreserved, undesignated prior-year fund balance as a funding source for Recommended or Final adopted budgets. Therefore, it was impossible for the Board of Directors and the public to determine if the District had a fund balance, and how much was reserved or designated for future expenditures, versus available as surplus that could be appropriated for the FY 2005-06 budget.

*Source of Revenues*

The FY 2005-06 Central Fire Protection District Budget identified \$57,742,000 in revenues, but did not identify these revenues by source such as State and federal, taxes, charges for services, etc. Therefore, there was no way of determining if the \$57.7 million included or excluded any unreserved, undesignated prior year fund balance or to compare FY 2005-06 projected revenue to prior year amounts by funding source.

*Comparison of Prior-Year to Projected Revenues*

The FY 2005-06 Central Fire Protection District Budget identified \$57,742,000 in revenues, but did not include estimates of prior-year amounts for the same revenue sources that would have enabled year-to-year comparisons to determine increases and decreases in funding sources.

*Contingencies*

The FY 2005-06 Central Fire Protection District Budget did not disclose the amount, if any, of a proposed contingency appropriation, or the status of any contingency appropriation in the FY 2004-05 budget.

*Provision for Reserves and Designations*

The FY 2005-06 Central Fire Protection District Budget did not identify the amount of any reserves or designations that remained from the prior year budget, or any proposed additions or deletions thereto, or any modifications to the amount of existing reserves and designations.

*Recommended and Authorized Staffing*

The FY 2003-04, 2004-05 and 2005-06 Central Fire Protection District Budgets were not supported by a schedule of currently authorized positions, positions requested for the oncoming budget year, and Board-approved positions. Consequently, the absence of detailed information by classification, including the maximum number of positions authorized for each classification and the approved salary range, prevented the Board and the public from determining that the District had exceeded the maximum number of Captain positions by two, at an annual cost of approximately \$345,000.

*Fixed Assets*

The 2005-06 Central Fire Protection District Budget does not include any detail of \$2,025,000 included in the Recommended and Final budgets for fixed assets. As a result, the Board of Directors and the public did not know how much of the amount requested was for land acquisition, capital improvements or equipment.

*Balanced Budget*

The 2005-06 Central Fire Protection District Budget included expenditures of \$66,441,236 and revenues of \$57,742,000. No other financing resources, such as available prior year fund balance, were included in the budget document. Therefore,

the adopted budget deficit amounted to \$8,699,236. If the expenditure appropriations related to reserves were assumed to be funded from fund balance, which is not disclosed in the budget document, the adopted budget deficit amounted to \$2,077,152.

### **Balancing the District Budget to Avert the Need for a County General Fund Loan**

The need for the more comprehensive inclusion of budget information as described above is illustrated by the actual performance of the District during the past three fiscal years:

**Table 1.1**

**Central Fire Protection District  
Analysis of Actual Revenues and Expenditures  
FY 2002-03 through FY 2004-5**

	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>3-Yr Total</u>
Revenues	\$50,653,363	\$51,667,093	\$54,424,494	\$156,744,950
Expenditures	<u>51,475,388</u>	<u>54,287,414</u>	<u>55,675,962</u>	<u>161,438,764</u>
Deficit	<u>\$ (822,025)</u>	<u>\$ (2,620,321)</u>	<u>\$ (1,252,468)</u>	<u>\$ (4,694,814)</u>

Since FY 2001-02, the Central Fire Protection District has experienced financial losses totaling \$4.7 million. These losses have been caused primarily by sharp increases in retirement and health insurance costs. However, the District has been unable to bring actual costs into line with its revenues, despite deferral of capital and equipment purchases and other cost cutting measures. As of June 30, 2005, the District fund balance had declined to a total of \$15,521,124. However, the District financial statements substantially underestimated the workers' compensation liability, by not accounting for estimated liabilities related to existing claims that will be paid in future years. Only \$682,206 was reserved for outstanding workers' compensation claims that were estimated by the District actuary in October 2004 to amount to \$7,195,000. In addition, the \$505,973 fund balance in the Health Benefit Internal Service Fund did not account for any future health insurance claims. The remaining \$8,522,357 fund balance was insufficient to cover future retiree health insurance premium costs, which are also not recognized on the District financial statements. Although the District has not had an actuarial valuation conducted of the projected future liability related to retiree health insurance premium costs, based on the per employee cost included in the most recent actuarial report prepared for the County, these costs for the District are projected to range from \$13.1 million to \$16.6 million. Lastly, accumulated, but unpaid vacation balances of District employees total \$4,812,862, but no monies have been reserved for this liability. The table on the following page presents an adjusted estimate of the Central Fire Protection District fund balance as of June 30, 2005.

Table 1.2

**Central Fire Protection District**  
**Adjustments to Fund Balance Reported in June 30, 2005 Financial Statements**

District June 30, 2005 Fund Balance	\$15,541,124
Less Workers' Comp Liability (not reported)	(6,512,794)
Less Health Insurance Claims (not reported)	(505,973)
Less Retiree Health Insurance Liability (not reported*)	<u>(14,977,740)</u>
<b>Adjusted District June 30, 2005 Fund Balance</b>	<b><u>\$(11,268,245)</u></b>

\* Mandatory reporting of this liability is required by GASB 44 effective FY 2006-07.

On a cash basis, the District had \$16.6 million as of June 30, 2005, but that amount is reduced to \$8.9 million after accounting for existing workers' compensation and health insurance liabilities. The \$8.9 million is insufficient to fund the projected future cost of retiree health insurance premiums, accumulated vacation liabilities, building, vehicle and equipment renovation and replacement, continuing annual operating losses, or any other unanticipated costs. Although the costs associated with these liabilities will be paid in future years, the liabilities represent operating costs previously incurred but not paid, thereby placing an increased burden on future District resources. The District must begin to address this burden on future resources now, by increasing its revenues and/or decreasing its operating costs.

Therefore, when all of the District's existing known liabilities are accounted for, the District has a significant **deficit fund balance** and very limited available resources to cover unanticipated costs or additional future operating losses. Consequently, there is a very real possibility that the District will require financing by the County General Fund during the next five years, if the Board of Directors does not make structural changes to the District's operating budget. In that regard, it is important to note that the management audit work plan emphasized areas with the greatest potential to reduce District expenditures or increase revenues, in order to reduce or eliminate the structure imbalance that exists.

## CONCLUSION

The Central Fire Protection District budget does not comply with State law due to the omission of substantial expenditure, revenue, fund balance, staffing and other budgetary information. The inadequacy of this budget has impaired Board and public review and contributed to the ongoing losses experienced by the District during the past three fiscal years that have continued unabated. The District and the Board should pursue immediate remedial actions to ensure the future financial stability of the District.

## **RECOMMENDATIONS**

It is recommended that the Board of Directors of the Central Fire Protection District:

- 1.1 Carefully review the FY 2006-07 and subsequent annual budgets of the Central Fire Protection District to ensure that the budgeted resources equal the authorized expenditures, and that the budget is supported by a detailed schedule of positions, including the number of positions authorized for each classification and the approved salary range. Furthermore, the Board should review and approve any reserves and designations of fund balance. (Priority 1)

It is recommended that the Central Fire Protection District:

- 1.2 Revise its FY 2006-07 and subsequent annual budget documents to include all of the information required by State law and described in this section. (Priority 1)
- 1.3 Prepare written budget justifications for the two supernumerary Captain positions and submit these justifications to the Board of Directors for its immediate review and consideration to determine if the continuation of these positions should be authorized. (Priority 1)
- 1.4 Prepare a proposed FY 2005-06 resolution for the Board of Directors of the Santa Clara County Central Fire Protection District establishing job classifications, the maximum number of District employees per classification, and the approved salary ranges. (Priority 1)
- 1.5 Prepare semi-annual financial reports showing actual and projected revenues, expenditures, unrestricted cash balance, and changes in fund balance, and submit these reports to the County Executive and the Board of Directors. (Priority 2)

## **SAVINGS AND BENEFITS**

The implementation of these recommendations would result in District compliance with State law pertaining to the minimum required information to be included in budget documents. In addition, the review and analysis of the annual budget by the District Board of Directors and the public would be facilitated and would ensure the adoption of a balanced budget.

# County Fire Districts

## Public Purpose

➔ Protect life and property



## Description of Major Services

Pursuant to state and local Health and Safety Code-related legislation, the residents of Santa Clara County are served by four fire protection districts: Santa Clara County Central Fire Protection District, Los Altos Hills County Fire District, South Santa Clara County Fire Protection District, and Saratoga Fire District.

The districts are empowered to establish, equip, and maintain a fire department. Each district may operate rescue and first-aid services, and may provide and maintain all functions necessary for the prevention of fire, and for the protection of life and property from fire.

## Santa Clara County Central Fire Protection District

The Santa Clara County Central Fire Protection District provides services to the communities of Campbell, Cupertino, Los Altos, Monte Sereno, Morgan Hill, half of Saratoga, the Town of Los Gatos, the Town of Los Altos Hills, and unincorporated areas generally west of these cities. The Board of Supervisors, sitting as the Board of Directors, hears all concerns at their regularly agendized meetings.

Section 5: Housing, Land Use, Environment & Transportation



Health and Safety Code Section 13862 empowers the Department to provide services for fire protection, rescue, emergency medical, hazardous materials emergency response, and others related to the protection of life and property.

The organization is structured around five distinct service divisions:

- Fire Prevention Division provides public fire education, inspection services, and code enforcement
- Operations Division coordinates resources for emergency response
- Training Division coordinates and delivers training to District Employees
- Administrative Services Division provides general management and administrative support
- Support Service Division administers supplies, apparatus maintenance, and facility maintenance personnel

Prior to 1978, the Santa Clara County Fire Marshal's Office operated as a stand-alone agency reporting to the Board of Supervisors. Following Proposition 13, the agency was eliminated, and Central Fire began its own Fire Prevention Division. In 1987, the Santa Clara County Fire Department began providing fire marshal services to County facilities and unincorporated County areas under a contract administered by the Environmental Resources Agency. Beginning in FY 2006 this contract will be administered by the Department of Planning and Development, as the Environmental Resources Agency has been dissolved as an organizational entity.

Revenues include local property taxes, contract revenues, Homeowners Property Tax Replacement, supplemental property taxes, and miscellaneous revenues.

### **Saratoga Fire District**

The Saratoga Fire District is governed by a three member Board of Fire Commissioners elected by the voters of the district. Vacancies are filled by appointment of the remaining directors.

The district may establish, equip, and maintain a fire department, may enter into contracts for the purpose of fire protection, and may perform any or all activities necessary for the prevention of fires.

The district provides fire protection for one half of the City of Saratoga, comprising the central, western, and southerly sections, and serves approximately 20,000 people.

Revenues include local property taxes, Homeowners Property Tax Replacement, supplemental property taxes, and miscellaneous revenues.

### **Los Altos Hills County Fire District**

The Los Altos Hills County Fire District is empowered to establish, equip, and maintain a fire department. It may enter into contracts for the purpose of fire protection and may perform any or all activities necessary for the prevention of fires. The Board of Supervisors, as a governing body, appoints seven district commissioners for four-year terms.

The district provides fire protection to the unincorporated area adjacent to the City of Los Altos and approximately 12 square miles in the Town of Los Altos Hills bounded by Arastradero Road, Permanente Creek, the City of Palo Alto, and the Mid-Peninsula Regional Park District and Permanente properties. The district serves approximately 13,000 people. Fire protection services are provided through a contract with the Santa Clara County Fire Department.

Revenues include local property taxes, contract revenues, Homeowners Property Tax Replacement, supplemental property taxes, and miscellaneous revenues.

### **South Santa Clara County Fire District**

The South Santa Clara County Fire District operates under the provisions of the California Health and Safety Code commencing at Section 13801. The Board of Supervisors, as the governing body, appoints seven district commissioners to four-year terms.

The district is empowered to establish, equip, and maintain a fire department. It may enter into contracts for the purpose of fire protection and may perform any or all activities necessary for the prevention of fires. The district provides fire protection, first responder





defibrillator medical services, and advanced life support to the unincorporated rural areas of South Santa Clara County.

The district includes the unincorporated County area south of Metcalf Road and serves approximately 35,000 county residents.

The district's employees are California Department of Forestry and Fire Protection personnel whose salaries and wages are reimbursed to the State by the district

through a contractual arrangement. The district currently maintains three fire stations: one on Highway 152 west of Gilroy, one near San Martin, and one in Morgan Hill.

Revenues include local property taxes, Homeowners Property Tax Replacement, supplemental property taxes, and miscellaneous revenues.

## County Executive's Recommendation

### Santa Clara County Central Fire Protection District

**Recommendation:** Increase appropriations for minor remodel projects and fixed assets.

Minor Remodels	
Craftworker's Shops Remodel	\$350,000
Quito and Winchester Station Repair	300,000

Minor Remodels	
El Toro Fire Prevention Office Repair	25,000
Winchester Station Driveway Repair	20,000
<b>Total Minor Remodels</b>	<b>\$695,000</b>
Fixed Assets	
Replace Two Fire Engines	\$730,000
Replace Four Smaller Vehicles	50,000
Replace Safe House Educational Fire Safety Trailer	50,000
Replace 66 Computers and Related Hardware	400,000
Replace Smaller Assets	100,000
<b>Total Fixed Assets</b>	<b>\$1,330,000</b>

**Impact on Services:** These appropriations will allow the Fire Department to make necessary operational and safety improvements.

**Total One-time Cost: \$2,025,000**

### Los Altos Hills County Fire District

### Santa Clara County Fire Dept — Budget Unit 904 Net Expenditures by Cost Center

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9104	CFD Admin Gen Dist Fund 1524	\$ 15,964,595	\$ 64,586,085	\$ 64,586,085	\$ 66,441,205	\$ 1,855,120	2.9%
9144	General Support Svcs Fund 1524	1,219,627	—	—	—	—	—
90403	Operations Div Fund 1524	33,285,598	—	—	31	31	—
90404	Training Div Fund 1524	933,249	—	—	—	—	—
90405	Prevention Div Fund 1524	2,884,346	—	—	—	—	—
<b>Total Net Expenditures</b>		<b>\$ 54,287,414</b>	<b>\$ 64,586,085</b>	<b>\$ 64,586,085</b>	<b>\$ 66,441,236</b>	<b>\$ 1,855,151</b>	<b>2.9%</b>



**Santa Clara County Fire Dept — Budget Unit 904**  
**Gross Expenditures by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9104	CFD Admin Gen Dist Fund 1524	\$ 16,650,062	\$ 65,759,780	\$ 65,759,780	\$ 67,614,900	\$ 1,855,120	2.8%
9144	General Support Svcs Fund 1524	1,219,627	—	—	—	—	—
90403	Operations Div Fund 1524	33,284,748	—	—	31	31	—
90404	Training Div Fund 1524	933,249	—	—	—	—	—
90405	Prevention Div Fund 1524	2,884,345	—	—	—	—	—
<b>Total Gross Expenditures</b>		<b>\$ 54,972,031</b>	<b>\$ 65,759,780</b>	<b>\$ 65,759,780</b>	<b>\$ 67,614,931</b>	<b>\$ 1,855,151</b>	<b>2.8%</b>

**Santa Clara County Fire Dept — Budget Unit 904**  
**Expenditures by Object**

Object	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
		Approved	Adjusted			
Salaries And Employee Benefits	\$ 43,759,969	\$ 47,225,000	\$ 47,225,000	\$ 49,537,000	\$ 2,312,000	4.9%
Services And Supplies	4,397,639	8,867,542	8,867,542	9,002,847	135,305	1.5%
Other Charges	6,311,793	427,000	427,000	428,000	1,000	0.2%
Fixed Assets	502,629	2,210,000	2,210,000	2,025,000	(185,000)	-8.4%
Reserves	—	7,030,238	7,030,238	6,622,084	(408,154)	-5.8%
<b>Subtotal Expenditures</b>	<b>54,972,031</b>	<b>65,759,780</b>	<b>65,759,780</b>	<b>67,614,931</b>	<b>1,855,151</b>	<b>2.8%</b>
Expenditure Transfers	(684,617)	(1,173,695)	(1,173,695)	(1,173,695)	—	—
<b>Total Net Expenditures</b>	<b>54,287,414</b>	<b>64,586,085</b>	<b>64,586,085</b>	<b>66,441,236</b>	<b>1,855,151</b>	<b>2.9%</b>

**Santa Clara County Fire Dept — Budget Unit 904**  
**Revenues by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9104	CFD Admin Gen Dist Fund 1524	\$ 51,110,750	\$ 55,229,698	\$ 55,229,698	\$ 57,742,000	\$ 2,512,302	4.5%
90403	Operations Div Fund 1524	9,778	—	—	—	—	—
90405	Prevention Div Fund 1524	546,565	—	—	—	—	—
<b>Total Revenues</b>		<b>\$ 51,667,093</b>	<b>\$ 55,229,698</b>	<b>\$ 55,229,698</b>	<b>\$ 57,742,000</b>	<b>\$ 2,512,302</b>	<b>4.5%</b>

**CFD Admin Gen Dist Fund 1524 — Cost Center 9104**  
**Major Changes to the Budget**

	Positions	Appropriations	Revenues
<b>Central Fire District (Fund Number 1524)</b>			
FY 2005 Approved Budget	—	\$ 64,586,085	\$ 55,229,698
Board Approved Adjustments During FY 2005	—	—	—
<b>Cost to Maintain Current Program Services</b>			
Salary and Benefit Adjustments	—	2,312,000	—
Internal Service Fund Adjustments	—	(391,260)	(36,000)



**CFD Admin Gen Dist Fund 1524 — Cost Center 9104**  
**Major Changes to the Budget**

	Positions	Appropriations	Revenues
Other Required Adjustments	—	(2,090,551)	2,548,302
Subtotal (Current Level Budget)	—	\$ 64,416,274	\$ 57,742,000
<b>Recommended Changes for FY 2006</b>			
<b>Internal Service Fund Adjustments</b>			
FY 2006 Data Processing Rate Adjustment	—	(69)	—
<b>Decision Packages</b>			
1. FY 2006 Fixed Asset Purchases	—	1,330,000	—
This appropriation supports the purchase of the following fixed assets for FY 2006:			
◆ Replace 2 fire engines - \$730,000			
◆ Replace 4 smaller vehicles - \$50,000			
◆ Replace safe house trailer - \$50,000			
◆ Replace computer equipment - \$400,000			
◆ Replace various small assets - \$100,000			
2. FY 2006 Minor Remodels	—	695,000	—
This action appropriates funds for minor remodel projects:			
◆ Remodel craftworker's shop - \$350,000			
◆ Repairs to Quito and Winchester stations - \$300,000			
◆ El Toro fire prevention office repairs - \$25,000			
◆ Winchester station driveway repair - \$20,000			
Subtotal (Recommended Changes)	—	\$ 2,024,931	\$ —
<b>Total Recommendation</b>	—	\$ 66,441,205	\$ 57,742,000

**Operations Div Fund 1524 — Cost Center 90403**  
**Major Changes to the Budget**

	Positions	Appropriations	Revenues
<b>Central Fire District (Fund Number 1524)</b>			
FY 2005 Approved Budget	—	\$ —	\$ —
Board Approved Adjustments During FY 2005	—	—	—
<b>Cost to Maintain Current Program Services</b>			
Salary and Benefit Adjustments	—	—	—
Internal Service Fund Adjustments	—	31	—
Other Required Adjustments	—	—	—
Subtotal (Current Level Budget)	—	\$ 31	\$ —
<b>Recommended Changes for FY 2006</b>			
<b>Internal Service Fund Adjustments</b>			
<b>Decision Packages</b>			
Subtotal (Recommended Changes)	—	\$ —	\$ —
<b>Total Recommendation</b>	—	\$ 31	\$ —



**Los Altos Hills County Fire District — Budget Unit 979**  
**Net Expenditures by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9114	Los Altos Co Fire Protect Dist Fund 1606	\$ 3,859,344	\$ 14,929,257	\$ 14,929,257	\$ 19,900,359	\$ 4,971,102	33.3%
<b>Total Net Expenditures</b>		<b>\$ 3,859,344</b>	<b>\$ 14,929,257</b>	<b>\$ 14,929,257</b>	<b>\$ 19,900,359</b>	<b>\$ 4,971,102</b>	<b>33.3%</b>

**Los Altos Hills County Fire District — Budget Unit 979**  
**Gross Expenditures by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9114	Los Altos Co Fire Protect Dist Fund 1606	\$ 3,859,344	\$ 14,929,257	\$ 14,929,257	\$ 19,900,359	\$ 4,971,102	33.3%
<b>Total Gross Expenditures</b>		<b>\$ 3,859,344</b>	<b>\$ 14,929,257</b>	<b>\$ 14,929,257</b>	<b>\$ 19,900,359</b>	<b>\$ 4,971,102</b>	<b>33.3%</b>

**Los Altos Hills County Fire District — Budget Unit 979**  
**Expenditures by Object**

Object	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
		Approved	Adjusted			
Services And Supplies	3,859,344	4,829,257	4,829,257	6,400,359	1,571,102	32.5%
Reserves	—	10,100,000	10,100,000	13,500,000	3,400,000	33.7%
<b>Subtotal Expenditures</b>	<b>3,859,344</b>	<b>14,929,257</b>	<b>14,929,257</b>	<b>19,900,359</b>	<b>4,971,102</b>	<b>33.3%</b>
<b>Total Net Expenditures</b>	<b>3,859,344</b>	<b>14,929,257</b>	<b>14,929,257</b>	<b>19,900,359</b>	<b>4,971,102</b>	<b>33.3%</b>

**Los Altos Hills County Fire District — Budget Unit 979**  
**Revenues by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9114	Los Altos Co Fire Protect Dist Fund 1606	\$ (2,913,065)	\$ 5,460,000	\$ 5,460,000	\$ 5,720,400	\$ 260,400	4.8%
<b>Total Revenues</b>		<b>\$ (2,913,065)</b>	<b>\$ 5,460,000</b>	<b>\$ 5,460,000</b>	<b>\$ 5,720,400</b>	<b>\$ 260,400</b>	<b>4.8%</b>

**Los Altos Co Fire Protect Dist Fund 1606 — Cost Center 9114**  
**Major Changes to the Budget**

	Positions	Appropriations	Revenues
<b>Los Altos Fire District (Fund Number 1606)</b>			
FY 2005 Approved Budget	—	\$ 14,929,257	\$ 5,460,000
Board Approved Adjustments During FY 2005	—	—	—
<b>Cost to Maintain Current Program Services</b>			
Salary and Benefit Adjustments	—	—	—



**Los Altos Co Fire Protect Dist Fund 1606 — Cost Center 9114**  
**Major Changes to the Budget**

	Positions	Appropriations	Revenues
Internal Service Fund Adjustments	—	—	—
Other Required Adjustments	—	4,971,102	260,400
Subtotal (Current Level Budget)	—	\$ 19,900,359	\$ 5,720,400
<b>Recommended Changes for FY 2006</b>			
Internal Service Fund Adjustments			
Decision Packages			
Subtotal (Recommended Changes)	—	\$ —	\$ —
<b>Total Recommendation</b>	—	\$ 19,900,359	\$ 5,720,400

**South Santa Clara County Fire District — Budget Unit 980**  
**Net Expenditures by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9118	South Santa Clara Co Fire Dist Fund 1574	\$ 3,126,999	\$ 3,473,873	\$ 3,473,873	\$ 4,296,824	\$ 822,951	23.7%
9120	South Santa Clara Co Fire Dist Fund 1574	34,020	127,732	127,732	152,000	24,268	19.0%
	<b>Total Net Expenditures</b>	\$ 3,161,019	\$ 3,601,605	\$ 3,601,605	\$ 4,448,824	\$ 847,219	23.5%

**South Santa Clara County Fire District — Budget Unit 980**  
**Gross Expenditures by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9118	South Santa Clara Co Fire Dist Fund 1574	\$ 3,126,999	\$ 3,473,873	\$ 3,473,873	\$ 4,296,824	\$ 822,951	23.7%
9120	South Santa Clara Co Fire Dist Fund 1574	34,020	127,732	127,732	152,000	24,268	19.0%
	<b>Total Gross Expenditures</b>	\$ 3,161,019	\$ 3,601,605	\$ 3,601,605	\$ 4,448,824	\$ 847,219	23.5%

**South Santa Clara County Fire District — Budget Unit 980**  
**Expenditures by Object**

Object	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
		Approved	Adjusted			
Salaries And Employee Benefits	\$ 33,586	\$ 20,000	\$ 20,000	\$ —	\$ (20,000)	-100.0%



**South Santa Clara County Fire District — Budget Unit 980**  
**Expenditures by Object**

Object	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
		Approved	Adjusted			
Services And Supplies	295,244	563,232	563,232	798,750	235,518	41.8%
Other Charges	2,669,211	3,018,373	3,018,373	3,615,074	596,701	19.8%
Fixed Assets	162,969	—	—	35,000	35,000	—
<b>Subtotal Expenditures</b>	<b>3,161,019</b>	<b>3,601,605</b>	<b>3,601,605</b>	<b>4,448,824</b>	<b>847,219</b>	<b>23.5%</b>
<b>Total Net Expenditures</b>	<b>3,161,019</b>	<b>3,601,605</b>	<b>3,601,605</b>	<b>4,448,824</b>	<b>847,219</b>	<b>23.5%</b>

**South Santa Clara County Fire District — Budget Unit 980**  
**Revenues by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9118	South Santa Clara Co Fire Dist Fund 1574	\$ 2,976,174	\$ 2,948,334	\$ 2,948,334	\$ 3,058,334	\$ 110,000	3.7%
9120	South Santa Clara Co Fire Dist Fund 1574	129,700	127,732	127,732	127,732	—	—
	<b>Total Revenues</b>	<b>\$ 3,105,873</b>	<b>\$ 3,076,066</b>	<b>\$ 3,076,066</b>	<b>\$ 3,186,066</b>	<b>\$ 110,000</b>	<b>3.6%</b>

**South Santa Clara Co Fire Dist Fund 1574 — Cost Center 9118**  
**Major Changes to the Budget**

	Positions	Appropriations	Revenues
<b>So. Santa Clara County Fire (Fund Number 1574)</b>			
FY 2005 Approved Budget	—	\$ 3,473,873	\$ 2,948,334
Board Approved Adjustments During FY 2005	—	—	—
<b>Cost to Maintain Current Program Services</b>			
Salary and Benefit Adjustments	—	(20,000)	—
Internal Service Fund Adjustments	—	18,642	—
Other Required Adjustments	—	789,369	110,000
Subtotal (Current Level Budget)	—	\$ 4,261,824	\$ 3,058,334
<b>Recommended Changes for FY 2006</b>			
Internal Service Fund Adjustments			
Decision Packages			
1. Equipment Acquisition	—	35,000	—
Special District Equipment Acquisition	—	—	—
Subtotal (Recommended Changes)	—	\$ 35,000	\$ —
<b>Total Recommendation</b>	—	<b>\$ 4,296,824</b>	<b>\$ 3,058,334</b>



**South Santa Clara Co Fire Dist Fund 1574 — Cost Center 9120**  
**Major Changes to the Budget**

	Positions	Appropriations	Revenues
<b>So. Santa Clara County Fire (Fund Number 1574)</b>			
FY 2005 Approved Budget	—	\$ 127,732	\$ 127,732
Board Approved Adjustments During FY 2005			
<b>Cost to Maintain Current Program Services</b>			
Salary and Benefit Adjustments			
Internal Service Fund Adjustments	—	—	—
Other Required Adjustments		24,268	
Subtotal (Current Level Budget)	—	\$ 152,000	\$ 127,732
<b>Recommended Changes for FY 2006</b>			
Internal Service Fund Adjustments			
Decision Packages			
Subtotal (Recommended Changes)	—	\$ —	\$ —
<b>Total Recommendation</b>		\$ 152,000	\$ 127,732

**Saratoga Fire District — Budget Unit 981**  
**Net Expenditures by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9250	Saratoga Fire Dist Fund 1894	\$ 3,779,371	\$ 4,111,384	\$ 4,111,384	\$ 4,111,384	—	—
	<b>Total Net Expenditures</b>	\$ 3,779,371	\$ 4,111,384	\$ 4,111,384	\$ 4,111,384	—	—

**Saratoga Fire District — Budget Unit 981**  
**Gross Expenditures by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9250	Saratoga Fire Dist Fund 1894	\$ 3,779,371	\$ 4,111,384	\$ 4,111,384	\$ 4,111,384	—	—
	<b>Total Gross Expenditures</b>	\$ 3,779,371	\$ 4,111,384	\$ 4,111,384	\$ 4,111,384	—	—

**Saratoga Fire District — Budget Unit 981**  
**Expenditures by Object**

Object	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
		Approved	Adjusted			
Salaries And Employee Benefits	\$ 3,375,297	\$ 3,528,561	\$ 3,528,561	\$ 3,528,561	—	—



**Saratoga Fire District — Budget Unit 981  
Expenditures by Object**

Object	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
		Approved	Adjusted			
Services And Supplies	275,350	512,156	512,156	512,156	—	—
Other Charges	128,724	53,167	53,167	53,167	—	—
Fixed Assets	—	17,500	17,500	17,500	—	—
<b>Subtotal Expenditures</b>	<b>3,779,371</b>	<b>4,111,384</b>	<b>4,111,384</b>	<b>4,111,384</b>	—	—
<b>Total Net Expenditures</b>	<b>3,779,371</b>	<b>4,111,384</b>	<b>4,111,384</b>	<b>4,111,384</b>	—	—

**Saratoga Fire District — Budget Unit 981  
Revenues by Cost Center**

CC	Cost Center Name	FY 2004 Actuals	FY 2005 Appropriations		FY 2006 Recommended	Amount Chg From FY 2005 Approved	% Chg From FY 2005 Approved
			Approved	Adjusted			
9250	Saratoga Fire Dist Fund 1894	\$ 3,580,411	\$ 3,995,000	\$ 3,995,000	\$ 3,995,000	—	—
	<b>Total Revenues</b>	<b>\$ 3,580,411</b>	<b>\$ 3,995,000</b>	<b>\$ 3,995,000</b>	<b>\$ 3,995,000</b>	—	—

**Saratoga Fire Dist Fund 1894 — Cost Center 9250  
Major Changes to the Budget**

	Positions	Appropriations	Revenues
<b>Saratoga Fire District (Fund Number 1894)</b>			
FY 2005 Approved Budget	—	\$ 4,111,384	\$ 3,995,000
Board Approved Adjustments During FY 2005	—	—	—
<b>Cost to Maintain Current Program Services</b>			
Salary and Benefit Adjustments	—	—	—
Internal Service Fund Adjustments	—	—	—
Other Required Adjustments	—	—	—
Subtotal (Current Level Budget)	—	\$ 4,111,384	\$ 3,995,000
<b>Recommended Changes for FY 2006</b>			
Internal Service Fund Adjustments	—	—	—
Decision Packages	—	—	—
Subtotal (Recommended Changes)	—	\$ —	\$ —
<b>Total Recommendation</b>	—	<b>\$ 4,111,384</b>	<b>\$ 3,995,000</b>





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## Section 2. Reimbursement from City Fire Service Contracts

- The Santa Clara County Central Fire Protection District provides fire protection and related services to Campbell, Los Altos, the Los Altos Hills Fire Protection District and Morgan Hill under contracts. These contracts provided for a flat reimbursement amount to the District for the first year of service, inflated each year thereafter by the lesser of the District's annual increase in pay and benefits for firefighters, or the annual increase in the Consumer Price Index (CPI) for the San Francisco Bay Area. The District's costs for firefighter compensation have risen 43 percent since FY 1996-97, while the CPI has risen only about 29 percent.
- As a result, reimbursement from the four cities does not recover all of the District's costs for providing services. A cost model prepared for this audit found that in FY 2003-04, District costs to serve the cities, including a portion of fixed costs allocated to each city, exceeded the reimbursement received by a combined \$4.18 million. Furthermore, in the City of Los Altos and the Los Altos Hills Fire Protection District, the reimbursement did not recover the variable costs of staff and materials needed to serve the cities, falling short by about \$461,000. These shortfalls represent a portion of the District's shortfall of revenues relative to expenditures in the last three years, which has required the District to spend an average of more than \$1.7 million in reserve funds annually.
- For FY 2005-06, the District renegotiated its contract with Morgan Hill in which it implemented a new indexing methodology designed to reasonably and equitably increase annual contract reimbursements. By successfully negotiating similar provisions in the contracts with the other contract cities, the District would increase the reimbursement it receives, helping to reduce the existing revenue shortfall. In conjunction with expenditure control measures recommended elsewhere in this audit, this would permit the District to annually balance its expenditures and revenues, while maintaining prudent reserves.

### Background

The Santa Clara County Central Fire Protection District serves all or portions of the communities of Campbell, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill and Saratoga, as well as portions of the unincorporated area of the County. Cupertino, Monte Sereno and a portion of Saratoga are original parts of the District, having been included in its boundaries prior to those cities' incorporation. The Town of Los Gatos has been included in the District under a 1970 agreement. In these four cities, the District receives a dedicated percentage of the property tax on all properties that fall within District boundaries.

In Campbell, Los Altos, the Los Altos Hills Fire Protection District and Morgan Hill, the District provides fire protection and related services under contracts negotiated with each city. In each case, the District was approached by city representatives wishing to contract with the District in lieu of continuing to operate their own local fire

department, hoping to improve service and operate more efficiently to limit rising costs. Campbell contracted with the District to provide firefighting service starting in July 1993, renewing the relationship in 1998 and 2003. Los Altos and the Los Altos Hills Fire Protection District contracted with the District for service starting in 1997, the Los Altos Hills district becoming part of the relationship by virtue of its prior contract with the City of Los Altos to provide the Los Altos Hills Fire Protection District's fire service. The Los Altos/Los Altos Hills Fire Protection District contract with Central Fire is scheduled for renegotiation in 2006. Morgan Hill contracted with the District to provide firefighting services starting in 1995, and recently renewed the contract. In all these cases, staff of the previous city fire departments joined the Fire District, receiving pay and benefits commensurate with other District staff at similar experience levels.

Each of the City contracts has generally had a similar structure. The first year of service was provided at a flat price negotiated between the District and the city. In the case of Los Altos/Los Altos Hills Fire Protection District and Campbell, the negotiations followed a formal request for proposal process each city went through before selecting the District to provide service. The reimbursement for subsequent years was based on the first-year amount, inflated using a formula included in the contract. In all the contracts initially, that inflator was the lesser of the annual percentage increase in the Consumer Price Index-Urban for the San Francisco/Oakland/San Jose-Bay Urban Area, reported annually by the U.S. Bureau of Labor Statistics, or the annual percentage increase in the District's total compensation cost provided to non-management fire suppression employees, based on a formula included in the contract that encompassed both salary and medical and dental benefit increases.

A review of the annual documents provided by the District to each city memorializing the annual change in reimbursement from the cities shows that District personnel costs have rarely been the basis for the change, District personnel costs used in only one of the last nine as the basis for adjusting the annual reimbursement provided by the four contract cities. Furthermore over that time period the District's personnel costs rose by more than 43 percent, while the reimbursement it received from the cities, based on the Consumer Price Index (CPI), rose only about 29 percent.

District staff has acknowledged that it conducted only very limited analysis of service costs at the time the city contracts were negotiated, based on comparing the populations of those cities to the District's then-service area, and applying the District's existing per capita cost for service. Staff also acknowledged that given the District's financial position at the time, the primary goal in negotiating the contracts was to recover variable costs, those costs that would not be incurred if the new clients were not served. The contracts were negotiated prior to a property tax allocation error that was discovered in 1997, which reduced the District's discretionary revenues, and prior to increases in firefighter pension benefits and other actions which increased District costs and reduced revenues. They were also negotiated in a competitive environment with other fire service providers that were being considered by the contracting cities, all of whom insisted on contracts providing a flat price for the services provided.

Even assuming that the original city contract amounts were based on actual District costs, the differences in the percentage rate increases between CPI and District

personnel cost suggest that the reimbursement received from the cities may be insufficient to recover even the variable costs of providing the services.

## Comparison of City Contract Costs and Reimbursements

To further assess whether costs of the contracts with Campbell, Morgan Hill and the combined Los Altos/Los Altos Hills Fire Protection District contract are being recovered from the reimbursements paid by the cities, we developed a model showing the District's cost to serve each city in FY 2003-04. Our initial objective in creating the model was to determine if the contract reimbursement at least recovers "variable costs," which we defined as the cost of salaries and benefits paid to firefighters working in the fire stations that serve each of the cities, as well as fire marshals that provide fire prevention services in each city, along with the services and supplies costs to operate the fire stations. Our assumption is that other costs of the district, such as the costs for its administrative staff, are "fixed" in that they would not be significantly reduced were the contracts terminated, reducing the size of the District's responsibilities and its staffing requirements.

The model we developed included the following elements:

**Regular salary and benefit costs**—We received a list from the District showing the firefighters regularly assigned to each firehouse during FY 2003-04, and a similar list showing fire marshal assignments. Using these lists, and FY 2003-04 payroll data provided by the Controller's Office, we determined the actual costs for regular pay, sick leave pay, vacation pay, uniform allowance and employee share of pension contributions incurred by the Fire District for each of the cities in FY 2003-04. Costs for medical benefits, employer share of pension contributions, worker's compensation, unemployment insurance and Medicare were calculated for each firefighter based on benefits formulas provided by the District. In the City of Morgan Hill, we also included the costs for a battalion chief, since the 40-hour battalion chief that serves Morgan Hill exclusively serves that city.

**Overtime**—As discussed in Section 9 of this report, a District firefighter that works overtime frequently does so in a fire station other than the station to which the firefighter is regularly assigned. As a result, overtime costs for each city cannot be calculated simply based on the firefighters who regularly work there. Accordingly, we calculated overtime costs in each city by determining, across the District as a whole in FY 2003-04, the average number of overtime hours (365), and average hourly overtime pay (\$49.48), received by all firefighters. Because some of the overtime pay does not have a specific number of hours associated with it, we also calculated that cost based on an average per firefighter. We then applied those averages to the number of firefighter positions assigned to each of the fire stations within each of the contract cities. For example, the City of Morgan Hill, with nine positions was estimated to generate 3,282 hours of overtime cost, totaling \$162,363, and an additional \$15,073 in overtime not associated with a specific number of hours. We then calculated the benefits (Medicare, worker's compensation and unemployment insurance) attributable to the overtime, for a total estimated overtime cost in Morgan Hill of \$177,436.

**Variable Services and Supplies**—We allocated services and supplies costs from the District’s Operations Cost Center, Paramedic Program Cost Center, the Fire Marshal General Prevention Cost Center and the Hazardous Materials Program Cost Center, which are the budget cost centers that supported direct fire protection and fire prevention services provided in each of the cities. We allocated these costs to the cities in various ways, depending on the particular cost item being reviewed. For example, costs for clothing, safety shoes, food, etc., in the Operations Fund were allocated to each city based on its firefighter staffing as a percentage of firefighter staffing in the District as a whole. By contrast, costs for telephones, building maintenance, equipment maintenance and office expense in that fund were allocated based on the number of fire stations serving each city, as a percentage of the number of stations in the District as a whole.

**Fixed Costs**—Fixed costs allocated as part of the model included the cost of battalion chiefs that serve the cities of Campbell, Los Altos and the Los Altos Hills Fire Protection District, and other cities; District management staff and administrative functions; its Support Services Division that provides vehicle maintenance, facility maintenance and similar functions; and its training staff including its disaster preparation and public education functions. Again, these costs were viewed as fixed, in that they were unlikely to decline significantly if the four contract cities no longer received services from the District. As in the case of the variable services and supplies costs previously discussed, how a particular fixed cost item was allocated among the contracting cities depended on the nature of the item. For example, the cost of battalion chiefs serving Campbell, Los Altos and the Los Altos Hills Fire Protection District were allocated based on the number of staff positions supervised by the battalion chiefs, as a percentage of all positions the battalion chiefs supervised. Administrative costs were allocated by the line staffing provided in each city as firefighters and fire marshals, as a percentage of total firefighter and fire marshal staffing in the District, while support services costs were allocated based on the number of fire stations serving each city, as a percentage of the fire houses serving the entire district.

Results of the cost model are shown in the following table, which totals the variable and fixed cost for each city, and compares it to the reimbursement received under each contract. Because Los Altos and Los Altos Hills are served under a single contract between the District and both cities, costs for that contract are shown in a single column.

Table 2.2

**Comparison of FY 2003-04 Costs for Services and Contract Reimbursement  
By the Central Fire Protection District in Campbell, Los Altos,  
Los Altos Hills Fire Protection District and Morgan Hill**

<u>Cost</u>	<u>Campbell</u>	<u>Los Altos/ Los Altos Hills</u>	<u>Morgan Hill</u>
<b><u>Variable Costs</u></b>			
Line Salary/Benefits, excl. OT	\$3,034,250	\$4,420,861	\$3,268,049
Estimated Overtime, w. benefits	<u>372,841</u>	<u>621,402</u>	<u>186,420</u>
<b>Subtotal-Variable Staffing Cost</b>	<b>3,407,091</b>	<b>5,042,263</b>	<b>3,454,469</b>
Services and Supplies-Ops. Fund	271,594	340,726	263,647
Services and Supplies-Paramedics	8,843	13,264	8,843
Services and Supplies-FM Gen. Prev.	4,627	4,627	4,627
Services and Supplies-HazMat Prog.	<u>2,362</u>	<u>0*</u>	<u>2,362</u>
<b>Subtotal-Variable Services &amp; Suppl.</b>	<b>287,427</b>	<b>358,618</b>	<b>279,479</b>
<b>Total 2003-04 Variable Costs</b>	<b>3,694,518</b>	<b>5,400,881</b>	<b>3,733,948</b>
FY 2003-04 Contract Reimb.	<u>4,275,014</u>	<u>4,940,253</u>	<u>3,744,977</u>
<b>Surplus/(Deficit)</b>	<b>580,496</b>	<b>(460,627)</b>	<b>11,028</b>
<b><u>Fixed Costs</u></b>			
Battalion Chiefs	137,729	154,446	0**
Administrative General Dist. Fund	975,324	1,625,541	975,324
General Support Services Fund	152,453	228,680	152,453
General Training Fund	78,640	131,066	78,640
Disaster Preparation Fund	7,347	0*	6,465
Public Education Fund	<u>98,697</u>	<u>101,710</u>	<u>86,839</u>
<b>Total 2003-04 Fixed Costs</b>	<b>1,450,191</b>	<b>2,241,442</b>	<b>1,299,722</b>
<b>Variable and Fixed Costs-FY 03-04</b>	<b>5,144,709</b>	<b>7,642,322</b>	<b>5,033,671</b>
Less: Revenue Offsets***	194,934	289,592	190,727
FY 2003-04 Contract Reimb.	<u>4,275,014</u>	<u>4,940,253</u>	<u>3,744,977</u>
<b>Surplus/(Deficit)</b>	<b>(674,761)</b>	<b>(2,412,477)</b>	<b>(1,097,967)</b>
<b>Total Shortfall, all three contracts</b>		<b>(4,185,205)</b>	

\*Hazardous materials and disaster preparation functions are not included in the District's contract with Los Altos and Los Altos Hills.

\*\*The 40-hour Battalion Chief for Morgan Hill serves only that city. Fire chiefs in other parts of the District provide supervision in Morgan Hill at other times on an as-needed basis.

\*\*\*Allocation of total revenues less reimbursement under city contracts, property taxes, which are not received for these cities, interest and permitting fees received for these cities in lieu of contract reimbursement. Allocated by District cost for each city as a percentage of total District costs.

A review of this table leads to several conclusions. First, the rows roughly in the middle of the table, comparing variable costs and reimbursement received for each city by the District, show that two of the three contracts, with Campbell and Morgan Hill, provide sufficient reimbursement to cover variable costs of providing fire protection and related services. In the Campbell contract, reimbursement is sufficient to pay for the variable

service cost, as well as approximately 40 percent of the fixed costs, while the Morgan Hill contract is roughly sufficient to pay for variable costs, but virtually none of the fixed costs. By contrast, the reimbursement received from the Los Altos/Los Altos Hills Fire Protection District contract in FY 2003-04 did not recover even the variable costs of providing service, falling short by approximately \$461,000, or 8.5 percent.

It is crucial that each city contract at least provide sufficient reimbursement to pay for the Fire District's variable costs of providing service to the contracting city. Without such reimbursement, the contracts represent a poor business decision by the District, because these variable costs would not be incurred except for the contracts.

The bottom rows of the table show that none of the city contracts cover a significant share of the fixed costs allocated to each city through our cost model. The collective shortfall in fixed costs among the three contracts is approximately \$4.18 million. While not essential, it is preferable that the reimbursement from the city contracts recovers some or all of the fixed costs allocated to each city. Failure to recover these costs through the contracts creates an inequity in which other portions of the district, through property taxes, subsidize these costs for the contract cities. The appropriate balance of contract reimbursement from each city would be an amount at which the Fire District fully recovers its variable costs, and recovers a portion of the fixed costs, while still providing more comprehensive, higher quality services at a lower cost than the contracting city could provide itself.

### **Alternatives to Current City Contract Reimbursement Indexes**

As noted earlier in this section, the current city contracts for fire protection services were originally negotiated for a flat first-year reimbursement, increased annually by the lesser of the percentage increase in the Bay Area's Consumer Price Index, or the District's annual percentage increase in compensation costs for firefighters.

The District recently implemented a change to its contract with Morgan Hill that should increase reimbursement, and make it more likely that, if implemented with the other contract cities, the contracts will recover some of the fixed costs allocated to each city. Starting in FY 2005-06, the District's reimbursement under the Morgan Hill contract increases annually by the average of the percentage increase in the Bay Area CPI, the District's percentage increase in firefighter compensation costs and the percentage increase in assessed valuation for secured property in the City of Morgan Hill, based on data reported by the County Controller's Office each July. For assessed valuation, the statistics used for the adjustment have a one-year lag, so that the increase in assessed valuation for FY 2004-05 was used to adjust the contract for FY 2005-06. Combined with a substantial increase in the first-year (FY 2004-05) reimbursement provided by Morgan Hill under the new contract, this change in terms increased the District's reimbursement under that contract from \$3.74 million in FY 2003-04, to \$4.37 million in FY 2005-06, a 16.7 percent increase.

The table on the next page shows, for each of the four contract cities, the change in reimbursement that would have occurred had the new provision in Morgan Hill's contract been in effect for all cities starting in FY 1997-98.

Comparison of the actual percentage increase used for each of the contracts in the fiscal years 1997-98 to 2005-06, with the percentage that would have been used had the provisions now included in the Morgan Hill contract been in effect, shows that in every case the percentage increase in the reimbursement to the Fire District would have been higher.

Because the percentage increases would have been higher each year, the amount of reimbursement would have been higher as well. In FY 2003-04, shown in bold print for each city in the table, the cumulative increase in reimbursement would have been \$2.1 million. Comparing this figure with the results of Table 2.2, had this change in the reimbursement formula been in effect, each of the city contracts would have more than covered the FY 2003-04 variable costs of services, and would have covered a portion of the District's fixed costs. Furthermore, had this provision been in effect for all years since FY 1997-98, the District cumulatively would have received additional reimbursement from the four cities totaling \$11.28 million, or an average of \$1.25 million annually.

Based on this analysis, we recommend that the Fire District, when negotiating new contracts with Campbell, Los Altos and the Los Altos Hills Fire Protection District, pursue similar language to that provided in the most recent Morgan Hill contract, providing that annual increases in reimbursement to the District under these contracts be based on the average of the percentage increase in the Bay Area Consumer Price Index, the District's annual percentage increase in firefighter compensation costs, and the percentage increase in assessed valuation for secured property in each city.

We view this approach to indexing reimbursement under these contracts as reasonably balancing the Fire District's need to recover its costs, against the need of the contracting cities to have some certainty regarding their costs, a desire to limit the scope of cost increases, and the goal of receiving higher quality, more comprehensive services at a lower cost than the cities could provide on their own. We also acknowledge that these contracts are the result of bargaining between the Fire District and the cities. While in theory the District could insist that each city annually pay its full share of fixed costs allocated to that city, we believe that this approach could make it uneconomical for cities to contract with the District, leading them to instead contract with other cities, or re-institute their own fire departments. This is a particular concern for the Los Altos/Los Altos Hills contract, where news coverage from 1996, when the contract was being negotiated, indicated that some citizens preferred to contract with the City of Palo Alto, rather than the Fire District, even though the District's proposal was cheaper. We view it as preferable for the District to have a contract that recovers all variable costs of serving these cities, and some reasonable and equitable amount of fixed costs, than to lose the city contracts, and be left with 100 percent of its existing fixed costs.



Section 2: Reimbursement from City Fire Service Contracts

Table 2.3

Actual Contract City Reimbursement vs. Indexing Alternative FY 1997-98 to FY 2005-06

City of Campbell

Year	Pct. Increase Actual	Pct. Increase Alternative	Reimbursement Actual	Reimbursement Alternative	Difference
97-98	4.02%	4.76%	\$3,297,744	\$3,321,204	\$23,460
98-99	3.36%	5.10%	3,529,139*	3,586,520	57,381
99-00	3.80%	5.76%	3,663,246	3,793,103	129,857
00-01	4.19%	5.84%	3,816,736	4,014,621	197,885
01-02	6.46%	8.25%	4,063,298	4,345,827	282,529
02-03	1.81%	7.77%	4,136,843	4,683,498	546,655
<b>03-04</b>	<b>3.34%</b>	<b>4.23%</b>	<b>4,275,014</b>	<b>4,881,610</b>	<b>606,596</b>
04-05	0.20%	2.98%	4,283,564	5,027,082	743,518
05-06	1.57%	3.21%	4,350,816	5,188,451	837,635
<b>Cumulative Difference, All Years</b>					<b>3,425,514</b>

\*Included addition of paramedic first responder costs to contract.

Los Altos Hills Fire Protection District

Year	Pct. Increase Actual	Pct. Increase Alternative	Reimbursement Actual	Reimbursement Alternative	Difference
97-98	2.01%*	2.88%	\$1,577,687	\$1,591,096	\$13,409
98-99	3.36%	5.16%	1,631,328	1,673,148	41,820
99-00	3.80%	6.67%	1,693,318	1,784,681	91,362
00-01	4.19%	6.30%	1,764,269	1,897,026	132,758
01-02	6.46%	9.84%	1,878,240	2,083,656	205,415
02-03	1.81%	10.22%	1,912,236	2,296,626	384,390
<b>03-04</b>	<b>3.34%</b>	<b>3.73%</b>	<b>1,976,105</b>	<b>2,382,267</b>	<b>406,162</b>
04-05	0.20%	3.40%	1,980,057	2,463,336	483,279
05-06	1.57%	4.22%	2,011,045	2,567,313	556,268
<b>Cumulative Difference, All Years</b>					<b>2,314,863</b>

City of Los Altos

Year	Pct. Increase Actual	Pct. Increase Alternative	Reimbursement Actual	Reimbursement Alternative	Difference
97-98	2.01%*	2.42%	\$2,366,530	\$2,376,065	\$9,535
98-99	3.36%	4.97%	2,446,992	2,494,250	47,258
99-00	3.80%	6.12%	2,539,978	2,646,998	107,020
00-01	4.19%	5.78%	2,646,403	2,799,942	153,539
01-02	6.46%	10.25%	2,817,360	3,086,880	269,519
02-03	1.81%	5.86%	2,868,355	3,267,771	399,416
<b>03-04</b>	<b>3.34%</b>	<b>4.66%</b>	<b>2,964,158</b>	<b>3,420,049</b>	<b>455,891</b>
04-05	0.20%	4.23%	2,970,086	3,564,546	594,460
05-06	1.57%	4.06%	3,016,568	3,709,409	692,841
<b>Cumulative Difference, All Years</b>					<b>2,729,481</b>

\*The Los Altos/ Los Altos Hills contract limited the first increase to half the calculated percentage.

Table 2.3 (continued)

<u>City of Morgan Hill</u>					
Year	Pct. Increase Actual	Pct. Increase Alternative	Reimbursement Actual	Reimbursement Alternative	Difference
97-98	4.02%	6.21%	\$2,900,499	\$2,957,085	\$56,586
98-99	3.36%	4.03%	2,999,116	3,076,256	77,140
99-00	3.80%	7.13%	3,113,082	3,295,593	182,510
00-01	4.19%	7.68%	3,343,521	3,548,694	205,174
01-02	6.46%	8.90%	3,559,511	3,864,528	305,017
02-03	1.81%	7.14%	3,623,938	4,140,456	516,518
<b>03-04</b>	<b>3.34%</b>	<b>6.53%</b>	<b>3,744,977</b>	<b>4,410,827</b>	<b>665,850</b>
04-05	N/A	4.00%	4,194,374*	4,587,260	392,886
05-06	1.57%	4.22%	4,371,544	4,781,026	409,482
<b>Cumulative Difference, All Years</b>					<b>2,811,164</b>

\*Includes a flat increase in reimbursement for the first year of the new contract.

<b>Additional Reimbursement, All Cities, FY 1997-98 through FY 2005-06</b>	<b>11,281,022</b>
<b>Average Annual Increase from Reimbursement Alternative</b>	<b>1,253,447</b>

There is also precedent for the District to take a more aggressive approach in its negotiations with the contracting cities in the responses of other California fire departments to a survey question regarding their practices in this regard. Of seven departments responding to the survey, five provided services to cities under contracts. Of the five, three departments, Alameda County, Los Angeles County and San Bernardino County, receive full reimbursement annually for the costs of providing services to cities, via a series of payments during the year and a final year-end reconciliation payment to recapture all costs. A fourth department, Sacramento Metropolitan Fire District, serves two cities on a similar arrangement as the Santa Clara County district has with Los Gatos and Monte Sereno, where a percentage of property tax revenues is received. Only the Orange County Fire Authority has a similar arrangement to Santa Clara County, where its annual reimbursement is determined by an inflation adjustment. The amount of the adjustment in that agency, 4.5 percent annually, is higher than the adjustment the Santa Clara County Fire District received from its contract cities in every year but one since FY 1997-98.

We also recommend that the District, at least every five years, in anticipation of negotiations with the cities, develop a detailed cost model, similar to that we prepared for this audit, in order to identify as specifically as possible the costs of serving each city, versus the contract reimbursement being received. This would permit the District to enter negotiations fully informed as to its financial objectives, and to present this actual cost information to the cities that the District serves.

Lastly, we recommend that the Board of Supervisors, in its capacity as directors of the Santa Clara County Fire District, adopt a policy requiring that District contracts to provide fire services to cities always be negotiated on the basis of recovering the variable costs of providing those services, as well as some reasonable and equitable share of fixed costs.

## CONCLUSION

The Fire District provides fire protection and related services to Campbell, Los Altos, the Los Altos Hills Fire Protection District and Morgan Hill based on contracts. The contracts provide for annual increases based on the lesser of the annual percentage increase in the Consumer Price Index for the Bay Area, or the District's annual percentage increase in firefighter compensation costs. Since FY 1997-98, the District's firefighter compensation costs have increased 43 percent, while the CPI has increased only about 29 percent. Furthermore, a cost model prepared for this audit found that the reimbursement under the contracts did not recover the District's cost of serving the cities. In the City of Los Altos and the Los Altos Hills Fire Protection District, the reimbursement fell \$461,000 short of recovering even the variable costs of providing the services. For the four cities as a whole, reimbursement fell \$4.18 million short of recovering all costs, including a portion of the District's fixed costs allocated to the cities through the cost model.

## RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 2.1 Pursue, during renegotiation of its city contracts, the same reimbursement approach recently adopted for the Morgan Hill contract, which increases the reimbursement to the District by the average of the annual percentage increase in the Bay Area CPI, the annual percentage increase in the District's firefighter compensation costs, and the annual percentage increase in assessed value for secured property within a city. (Priority 1)
- 2.2 Develop, at least every five years, a detailed cost model to determine the cost of providing service to each of its contract cities, as information to be used in renegotiating the contracts with each city, and present such information to the cities to facilitate open and equitable negotiations. (Priority 1)

It is recommended that the Board of Directors of the Central Fire Protection District:

- 2.3 Adopt a policy requiring that any contracts negotiated to provide service to cities be negotiated on the basis of at least recovering the variable costs of services, as well as a reasonable and equitable share of fixed costs. (Priority 1)

## SAVINGS AND BENEFITS

By adopting the recommendations of this section, the Fire District will receive greater compensation from the city contracts, covering all the variable costs of serving them, and some of the fixed costs. Had these recommendations been in effect during FY 2003-04, the District would have received additional compensation of \$2.13 million. Had the recommendations been in effect for all years from FY 1996-97 to FY 2005-06, the District would have received additional reimbursement totaling \$11.28 million, an average of \$1.25 million annually. The recommended approach reasonably balances the District's

need for additional reimbursement with the cities' desire for cost certainty, limits to cost increases, and higher quality, more comprehensive services at a lower cost than the cities could achieve on their own. Furthermore, the successful implementation of these recommendations would assist the District in emerging from three successive years in which annual expenditures exceeded annual revenues, and avoid the need to significantly reduce the scope and quality of District services.

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### Section 3. Central County Administrative and Support Costs

- The Countywide Cost Allocation Plan accounts for and distributes 72 separate categories of central administrative and support costs to the benefiting departments and agencies in accordance with their proportionate measure of usage or benefit. A review of these administrative and support costs determined that the District is currently charged for only 14 of the 72 categories, and is not charged for County Executive administrative support, Public Information Office services and Office of Emergency Services coordination and support.
- In addition, during the past several years, the General Fund subsidized the development of the County Geographic Information Services (GIS) technology that is projected to be fully operational by FY 2006-07. The Central Fire Protection District will be one of the primary daily users of the precision address and photographic maps. However, no cost plan charges for the \$450,000 annual maintenance cost of this system have been previously allocated to the users.
- As a result, the Countywide Cost Allocation Plan does not fully account for and distribute approximately \$24,000 of administrative and central service costs to the Central Fire Protection District, which are consequently subsidized by the County General Fund. Beginning FY 2006-07, GIS address and photographic map costs will be distributed among public entities based on usage, and should include the Central Fire Protection District.
- By the County charging the Central Fire Protection District for its fair share of central administrative and support service costs, the County General Fund would not have to continue to divert resources from other County programs to subsidize the District, saving at least \$24,000 annually.

The County of Santa Clara provides 72 distinct administrative and support services for the operating departments and agencies of the County, and for various other entities, including cities and special districts throughout the County. These specific administrative and support services are grouped into 20 major categories of central County services, including:

- |                              |   |
|------------------------------|---|
| 01) Building Use             | 11) Facilities/Fleet Administration     |
| 02) Equipment Use            | 12) Information Services Department     |
| 03) Space Rental             | 13) Intergovernmental Services          |
| 04) County Executive         | 14) Intergovernmental Services-CJIC     |
| 05) Budget and Analysis      | 15) Intergovernmental Services-GIS      |
| 06) Controller-Treasurer     | 16) Intergovernmental Services-CLARAnet |
| 07) Internal Audit           | 17) Department of Revenue               |
| 08) Procurement              | 18) Emergency Dispatching               |
| 09) County Counsel           | 19) Facilities and Fleet                |
| 10) Employee Services Agency | 20) Other Central Services              |

Section 3: Central County Administrative and Support Costs

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The Central Fire Protection District is currently charged for 14 of the 72 County services that are available, including:

	<u>Description of Service</u>	<u>Annual Cost</u>
05)	Budget and Analysis:	
	Budget Analysis	\$ 633
	Policy Analysis	21,095
06)	Controller-Treasurer:	
	General Accounting	30,779
	Disbursements	2,593
	Payroll	38,164
	SAP/TCS	107,606
	Cost Plan	1,314
09)	County Counsel:	
	Attorney	(2,593)
	Paralegal	6
10)	Employee Services Agency:	
	Labor Relations	28,123
	Records	18,628
18)	Emergency Dispatching:	
	Technical Services	9,130
	Fire Console	117,600
	Local Government Console	<u>299,518</u>
	<b>Total FY 2005-06 County Services</b>	<b><u>\$672,596</u></b>

Each of these charges was reviewed with the Cost Plan Accountant to determine the basis of the charges. In most cases, the charges were supported by actual hours reported by the service departments, or were apportionments that were calculated based on activity volume or the proportionate number of employees in the District compared to total employees.

Of the 58 administrative and support services for which no charges were assessed the District, three areas within the Office of the County Executive were identified that do provide ongoing services to the District. However, the Central Fire Protection District was excluded from the schedule of users to be charged that was transmitted to the Controller's Cost Plan Accountant for the preparation of the FY 2005-06 and prior year cost plans. The unbilled central services included administrative support of the County Executive, planning and coordination services provided by the Office of Emergency Services, and public relations services provided by the County Executive's Public Information Office. Staff of all three offices were contacted to discuss the role of the

Central Fire Protection District in the County and nature of support services provided by the County to the District.

*County Executive Administrative Support*

On February 3, 1981, the Board of Directors of the Central Fire Protection District designated the County Executive as the supervisor of the Fire Chief of the District. In that capacity, the County Executive meets and communicates regularly with the Fire Chief, who is included in all County department head meetings and other meetings as appropriate. The FY 2005-06 annual County-wide cost of County Executive administrative support apportioned through the Cost Plan amounted to \$219,316. This cost was distributed based on the total number of positions in the County and the other districts and entities that shared in the cost of this service. The District's proportionate share of this cost amounts to \$3,703.

*Office of Emergency Services*

The Central Fire Protection District and the Fire Chief have critical roles in the County's planning, coordinating and delivery of emergency services. Section A8-7 of the County Ordinance Code names the Chief of the Santa Clara County Fire Department as one of seven County officials responsible to coordinate emergency mutual aid requests through established State procedures. Ordinance Code Section A8-8 creates the Santa Clara County Disaster Council, which is responsible to develop emergency and mutual aid plans and agreements, ordinances and resolutions and rules and regulations for consideration and adoption by the Board of Supervisors in order to implement such emergency plans. The Chief of the Santa Clara County Fire Department is one of 11 County officials designated as a member of the Disaster Council.

In addition to the emergency planning and coordinating responsibilities contained in County law, the Director of the Office of Emergency Services reported that Central Fire Protection District staff play an integral role in the County's emergency planning efforts. These efforts are designed to fulfill the legally required emergency planning responsibilities of all of the emergency service providers in the County, including the Central Fire Protection District. The FY 2005-06 annual County-wide cost of the Office of Emergency Services planning and coordination services apportioned through the Cost Plan amounted to \$767,562. This cost was distributed based on the total number of positions in the County and the other districts and entities that shared in the cost of this service. The District's proportionate share of this cost amounts to \$12,961.

*Office of Public Information*

The County Office of Public Information responds to all public and media inquiries relating to significant events that occur in the County. The Office coordinates with public information officers in County departments that have a dedicated position, and provides that function for smaller departments that do not. The Office also trains and provides advice, planning and other assistance as may be appropriate. This support is continuously available to and has been provided to the Central Fire Protection District in the past during major emergencies, such as wildland fires and other events that have



resulted in significant media interest. The FY 2005-06 annual Countywide cost of the Office of Public Information Services apportioned through the Cost Plan amounted to \$396,248. This cost was distributed based on the total number of departments, districts and other entities in the County that shared in the cost of this service. The District's proportionate share of this cost amounts to \$7,476.

In addition to the three County central services provided to the District that were not previously charged, a new Information Services Department service will be coming on-line in FY 2006-07. That service is the Geographic Information Services (GIS) technology, which provides electronic remote access to precise address and photographic information of the entire County, with accuracy of plus or minus three inches. While more than 130 applications have been identified for this technology among County departments, special districts and other government agencies, the primary day-to-day users that will receive the greatest on-going benefit will be communications, fire, medical emergency and law enforcement agencies. Although the County General Fund has funded much of the cost of development of this technology, and all of the \$450,000 annual maintenance and updating costs, once fully implemented in FY 2006-07, these costs should be apportioned to the users, as with all other central and support service costs. The amount of the Central Fire Protection District's proportionate share of the cost of maintaining the GIS system is unknown at this time and would depend on the extent to which the District uses the system. Including the services previously not charged to the District under the Cost Plan would result in additional County General Fund reimbursements of approximately \$24,000.

## **CONCLUSION**

The Central Fire Protection District currently receives County administrative and support services pertaining to accounting, payroll, budget, legal counsel, labor relations, personnel records, emergency dispatching, administration, emergency planning and coordination, and public relations. However, the County does not charge the District for administration, emergency planning and coordination, and public relations services. As a result, the County General Fund subsidizes approximately \$24,000 of District support service costs annually.

## **RECOMMENDATION**

It is recommended that the Controller:

- 3.1 Include the Central Fire Protection District in the apportionment of all Countywide Cost Plan costs for any services provided to the District. (Priority 3)

## **SAVINGS AND BENEFITS**

The implementation of this recommendation would ensure the fair and equitable distribution of all County central administrative and support service costs to all County funds, special districts and other governmental agencies that benefit from and receive

such services. In addition, the County General Fund would have increased reimbursements available to fund other County services.

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## Section 4. Growing Health Care Costs

- The Central Fire Protection District provides health insurance benefits to approximately 405 employees and retirees, and their dependents. These benefits are provided through two plans: a Kaiser Health Maintenance Organization (HMO) plan, and the District's self-funded Preferred Provider Organization (PPO). In Fiscal Year 2004-2005, the District's combined cost for these plans was \$4.87 million. In its Kaiser plan, the District's cost averaged \$615 a month per subscriber, a better rate than obtained by many other Kaiser participants.
- However, the District's own medical plan cost the District an average of \$1,230 per subscriber per month, significantly more than many other available plans. In addition to its high cost, the self-funded plan exposes the District to annual losses of up to \$125,000 per claim. Further, the cost of this plan has increased dramatically in recent years; the year-over-year cost was nearly 57 percent higher in FY 2004-2005.
- By comparison, the District's own Kaiser plan is half the cost of its self-funded plan. Further, of the seven other fire agencies for which we were able to obtain cost data, the average monthly cost per subscriber was approximately \$696, or 43.4 percent less than the District's self-funded plan. In addition, all of these agencies cap their premium costs. This is consistent with the County's practice of capping the amount of employer-paid health care premiums at the Kaiser family plan rate. In contrast, the District fully pays medical insurance costs for employees, their dependents, and retirees.
- A variety of alternatives to the District's self-funded plan are available. One option is to replace the District's self-insured plan with coverage in the County's existing Health Net preferred provider plan and place a cap on District premium payments. This option would provide District employees with access to flexible, out-of-area care with excellent benefits, eliminate the risks inherent in the District acting as the insurer, and reduce District costs by an estimated \$1.7 million annually.

### Overview of Health Care Benefits

The Central Fire Protection District provides health insurance benefits to approximately 405 employees and retirees, and their dependents. These benefits are provided through two plans: a Kaiser Health Maintenance Organization (HMO) plan, and the District's own Preferred Provider Organization (PPO). The total cost of these two plans in FY 2004-2005 was \$4.87 million.

The Kaiser plan provides benefits as summarized in Attachment 4.1, with actual costs paid by Kaiser in exchange for monthly premiums. The District's net monthly cost per subscriber was \$615 in Fiscal Year 2004-2005 for this plan. This plan provided coverage for approximately 150 District employees and retirees, plus their dependents. A subscriber is a single individual or an individual with dependents. Because some

subscribers have dependents, the total number of persons covered is greater than the number of subscribers. For instance, the District's Kaiser plan provides benefits to approximately 391 people.

The District's self-funded plan provides benefits as summarized in Attachment 4.2, with actual costs of medical claims and administration funded by the District. The District plan covers approximately 255 employees and retirees, and their dependents, for a total of approximately 656 covered persons. Coastal Health Care, a third-party manager based in Salinas, administers the plan. Since the District is the insurer, it does not pay premiums. The District's average net cost to provide this plan was \$1,230 per month per subscriber in Fiscal 2004-2005. The District is liable for claims costing up to \$125,000 in a plan year, after which re-insurance reimburses for claim costs.

Although the Kaiser plan is considerably less expensive and subjects the Department to less risk, its major drawback is that subscribers must access care through Kaiser providers within the Kaiser service area. This option is therefore not practical for retirees who live out of State or in-State employees who live outside the Kaiser service area. The self-funded plan solves these problems by giving subscribers the ability to choose their own doctors and facilities, and to obtain care anywhere.

Under the District's labor agreement, the District pays the full cost of health plan premiums for active employees, their dependents, and eligible retirees. The District does not, however, pay premiums for the dependents of retirees who separated after 1977. Given that there are no premiums in the self-funded plan, however, the District charges retiree dependents an amount in lieu of premiums. These payments may be higher or lower than the District's medical bills for those dependents. Therefore, to the degree that dependent medical bills are higher than the in lieu payments, those costs exceed the benefit levels authorized by the labor agreement.

#### *The District's Costs Compared to County Costs*

The County currently provides its subscribers with access to a Kaiser plan, the Valley Health plan, and a Health Net plan that offers a preferred provider option. The County began contracting with Health Net in 1999 as an alternative to its own self-funded plan, which had become insolvent.

The Health Net benefits provided by the County are summarized in Attachment 4.3. The County pays the Health Net premiums up to the highest Kaiser family plan rate. When the Kaiser rate is less than the Health Net cost, the subscribing employee pays the difference. County Health Net subscribers therefore may choose to have their health insurance fully covered through Kaiser or Valley Health, or may choose to access to their own doctors and obtain care anywhere, but if their plan cost exceeds the Kaiser rate, they must pay the cost difference for this choice. This arrangement enables the County to provide employees and retirees with flexible health care options, while ensuring that the County does not incur the increased cost of this flexibility.

The difference between what the District paid in FY 2004-2005 through its self-funded plan and what it would have paid if it had provided coverage for the same subscribers

in the Health Net PPO option under a cost-capping policy akin to the County's is approximately \$1.68 million.

Therefore, the level of the District's health benefits appears to be inconsistent with a February 3, 1981 resolution of the Board of Directors. The resolution states that the Fire Chief "shall administer the fiscal affairs of the District by managing the current budget, where feasible, in the same manner and within the same limits allowed County department heads."

The District's practice of providing fully paid health benefits is also inconsistent with the practices of the majority of State and local government employers nationwide. According to the Federal Bureau of Labor Statistics (BLS), which last surveyed State and local government employers in 1998, 51 percent of full-time workers who participated in medical plans were then required to make payments toward premiums for single coverage, and 75 percent were required to contribute for family coverage. The average monthly contribution seven years ago was \$32 for single coverage and \$152 for family coverage.<sup>1</sup>

In addition, we contacted numerous other fire departments in an effort to determine their primary health insurance providers, the maximum dollar amounts or percentages that the agencies contribute toward their employees' health premiums, and the per-subscriber cost of these plans. We obtained at least partial data from eight departments, as summarized in Table 4.1 on the following page.

In summary, in the seven departments for which data was available, all reported that they cap the cost that their agency pays toward premiums. In addition, the average FY 2004-2005 monthly subscriber cost in the four departments for which data was available was \$696, or 43.4 percent less than the District's self-funded plan cost.

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<sup>1</sup> <http://www.bls.gov/opub/cwc/print/cm20040326ar01p1.htm>.

Table 4.1

**Health Insurance Providers and Costs in Selected  
California Fire Agencies**

<b>Fire Agency</b>	<b>Primary Provider</b>	<b>FY 2004-2005 Monthly Premium Payment Maximum</b>	<b>Average Monthly Cost Per Subscriber in Primary Plan</b>
Alameda County Fire Department	Kaiser	100% of Single Plan; 100% of Kaiser Family Plan	\$719
City of San Jose Fire Department	Kaiser/Blue Shield	\$767 toward POS/PPO Family Plan	Exact Amount Not Available, But Less Than \$767 per Month
Menlo Park Fire Protection District	CalPERS	\$700	Less Than \$700*
Novato Fire District	CalPERS	100% of Single Plan; 83.29% of Family Plan	\$735
Orange County Fire Authority	Blue Cross for Firefighters; CalPERS for Management and Administrative Personnel	100% for Single Firefighters, and 75% to 78% for Firefighter Family Plans; 100% of Single Management and Administrative Personnel, 75% of Management and Administrative Family Plans	Firefighter Amount Not Available; Approximately \$678 for Management and Administrative Personnel
Sacramento Metropolitan Fire District	CalPERS	\$1,014	\$715
San Bernardino County Fire Department	Health Net (HMO only)	\$460 per month for Management; \$416 per month for Fire Suppression; \$380 per Month for Other Staff	\$559**
Santa Clara County Fire District	Santa Clara County Fire District	No Maximum	\$1,230

\*Menlo Park paid \$700 per month toward a cafeteria plan that includes medical insurance and other benefits. The average amount of the medical portion alone is not available, but is less than \$700 per month.

\*\*The average San Bernardino cost reflects department-wide coverage in three plans: Blue Cross PPO, Health Net HMO, and Kaiser HMO. There were seven people in the PPO, at a cost to the employer of approximately \$424 per month.

Furthermore, as indicated earlier, the District is liable for up to \$125,000 per year per claim. As a result of this provision, if there were a major earthquake or other large-scale disaster, the District's medical costs could increase dramatically overnight. In the event of a disaster, the District would have to pay \$1.25 million for every 1.5 percent of covered individuals that sustained injuries sufficient to require long-term hospitalization.

The District's health care bills are of particular concern for two reasons. First, since FY 2001-2002, the District's total expenses have substantially exceeded its revenues. Second, the District expects to experience a greater number of retirements in the next few years. The District has declined to provide detailed information on pending retirements. However, according to the District's 2004 Business Plan, retirement rates in 2009 will be four times higher than in 2000.<sup>2</sup> As such, the District will provide health care for a growing number of people. Since the District has already lost \$4.7 million over the last three years, there is a pressing need to reduce per-subscriber health costs.

Therefore, we recommend that the District management meet and confer with union representatives to change the District's labor agreement to restrict the District's medical premium costs to the maximum Kaiser family rate. This monthly rate in FY 2005-2006 is \$856.84, or approximately 30 percent less than the monthly self-funded plan average cost in FY 2004-2005. Since it is not possible to cap premium amounts in a plan that has no premiums, we also recommend that the District cease acting as insurer and instead purchase insurance from an outside provider. There are a variety of insurance plans on the market, offering widely varying benefits and cost structures. Some of these alternatives are briefly discussed below.

### **Potential Alternatives to the Self-Funded Plan**

We examined multiple alternatives to the existing plan. Potential alternatives include providing only the Kaiser plan, buying insurance through Blue Shield, buying insurance through CalPERS, and "piggybacking" on the County's Health Net plan. These options are discussed below.

#### *Eliminating the Self-Funded Plan in Favor of Kaiser Only*

Although moving all subscribers into the existing Kaiser plan would result in savings, it would effectively eliminate coverage for any individuals who live outside the Kaiser service area, and particularly for retirees who reside out of State. This alternative is therefore not practical.

#### *Buying Preferred Provider Insurance Through Blue Shield*

The District could purchase insurance through Blue Shield, which offers a nationwide preferred provider/point of service plan. However, this plan is expensive. For instance, the family rate charged to City of San Jose employees, including firefighters, for this plan is currently \$1,270 per month. Assuming the District paid \$857 of this cost,

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<sup>2</sup> 2004 Business Plan, page 9.



employees with families would then have to pay \$413 per month for coverage. This expense is excessive compared to other alternatives.

*Buying Insurance Through CalPERS*

The California Public Employees Retirement program also operates as a large insurance provider. CalPERS offers multiple insurance options, some of which would represent savings to the District if they could be purchased independently. However, CalPERS has numerous restrictions to which contracting agencies must adhere.

For instance, purchasing insurance through CalPERS would require moving all District subscribers onto a CalPERS plan. The District currently provides insurance to 150 Kaiser subscribers and dependents at excellent rates. It would have to give up this savings in order to attempt to gain savings for the 255 subscribers on its self-funded plan. This option would therefore result in significantly more upheaval for District employees, and would negate the benefits of having some subscribers on an already competitive plan.

*“Piggybacking” on the County’s Health Net Plan*

As previously described, the County currently provides employees with access to a Health Net preferred provider plan. The benefits of this plan, which was made available to County employees after the County’s self-funded plan became insolvent, are summarized in Attachment 4.3. If the District moved its 255 PPO subscribers into a “sub-plan” of the County’s Health Net plan, its estimated savings would be substantial.

The estimated savings was projected by applying the County’s actual Health Net premium costs to the District’s subscribers according to subscriber type. That is, the Health Net cost for an active employee without dependents was multiplied by the number of active employees in the District’s self-funded plan. Assuming that the Fire District’s rates would be similar to the County’s rates, the District would realize an estimated \$1.7 million annually if the District both converted employees to Health Net and capped premiums at the maximum Kaiser family rate. Table 4.2 on the next page illustrates the estimated difference between the District’s actual costs and the estimated Health Net costs. The estimates in the table reflect the following assumptions:

- That the District caps its premium payments at the highest Kaiser family plan rate; and,
- Retiree costs are the average of the highest and lowest retiree plan options.

**Table 4.2**

**District's Estimated Costs for Health Net PPO with Premium Cap versus Self-Funded PPO without Cap**

	<b>FY 2002-2003</b>	<b>FY 2003-2004</b>	<b>FY 2004-2005</b>	<b>3-Year Total</b>
<b>Health Net Estimated</b>	\$1,635,573	\$1,826,432	\$2,083,297	\$5,545,302
<b>Self Funded Actual</b>	\$1,785,707	\$2,400,305	\$3,764,391	\$7,950,403
<b>Difference</b>	<b>\$150,134</b>	<b>\$573,874</b>	<b>\$1,681,094</b>	<b>\$2,405,101</b>

Table 4.2 shows that Health Net with a premium cap would have been cheaper by an estimated \$150,000 in FY 2002-2003, and cheaper by an estimated \$574,000 in FY 2003-2004. In FY 2004-2005, the Health Net plan with premium cap would have saved the District an estimated \$1.7 million. Had the District capped its premium amounts and covered its subscribers in the Health Net plan for the last three years instead of through its own self-funded plan, it would have saved an estimated \$2.4 million.

As indicated by the figures in the table, the District's Health Net cost would have risen an estimated 11.7 percent in FY 2003-2004 and 14.1 percent in FY 2004-2005. The District's actual cost increases for the self-funded plan rose much more – 34.4 percent in FY 2003-2004, and 56.8 percent in FY 2004-2005.

Whether the District's self-funded plan or the County's Health Net plan would provide "better benefits" for subscribers would vary by individual and by year, depending on the type and amount of services used. Some individuals currently in the District's self-funded plan might spend more for their care in Health Net, while others might experience savings. However, implementation of a premium cost cap would shift a portion of the cost of premiums to employees with families and to retirees who selected the most expensive retiree plans. Table 4.2 below reflects estimated out-of-pocket premium costs that retirees and employees would pay under Health Net assuming that the District capped its contribution at the Kaiser family plan rate.

**Table 4.3**

**Subscriber Premium Costs Under Capped Health Net Plan  
FY 2004-2005**

Type of Coverage	Maximum Premium Paid by District	Health Net Premium Amount	Monthly Out of Pocket Subscriber Cost
Retiree - Most Expensive Option	\$803	\$879.80	\$76.80
Retiree - Least Expensive Option	\$803	\$331.56	\$0
Single Active Employee	\$803	\$465.80	\$0
Employee and Dependents	\$803	\$986.22	\$183.22

The advantages of using Health Net with a maximum premium paid instead of the District's self-funded plan include the ability of the District to provide flexible, out-of-area coverage at reduced cost and without incurring exposure to large claims. In addition, the future growth in premiums in the Health Net plan is likely to be slower than the future growth in claims costs in the District's plan. This arrangement also would improve the equitability of benefits across employees within the District, and between District employees and County employees.

The disadvantages of Health Net with a premium cap compared to the District's self-funded plan include that an undetermined number of the District's subscribers could face higher medical costs if their doctor was not a participating physician in the County Health Net plan. In addition, by capping benefits at the Kaiser rate, employees with families would pay approximately \$183 per month for coverage, and retirees who selected the most expensive Health Net option would pay almost \$77 for coverage, based on FY 2004-2005 rates.

We recommend that the District cease provision of its own insurance plan, and instead provide an alternative insurance plan, such as Health Net, beginning in Fiscal 2006-2007. The alternative coverage should be consistent with the benefits provided to County employees, and the District's share of costs should not exceed the District's Kaiser family plan rates. The District's existing labor agreement already permits the District to provide insurance through Kaiser or another plan. However, it requires that the District fully pay the premiums. Therefore, implementation of the premium cap would require agreement by the District's represented employees.

**CONCLUSION**

At present, the Central Fire Protection District has large, growing costs in its self-funded health insurance plan, and significant financial exposure of up to \$125,000 per claim per year. Unlike the costs paid by most public employers nationwide, the County of Santa

Clara, and every other California fire department surveyed, the District's premium contributions are not capped.

In part due to the growth in its health costs, the District's expenses have exceeded revenues by approximately \$4.7 million over the last three years.

Purchasing insurance through Health Net or a similarly priced provider and establishing maximum premium payments would save the District an estimated \$1.7 million per year, which would reduce its ongoing structural deficit and bring its benefits in line with those provided by the County and other California fire departments. These savings would improve the District's ability to maintain existing service levels.

In addition, having a defined premium would ensure that the District is able to comply with the labor agreement's exclusion of premium payments for retiree dependents. At present, to the degree that dependent medical bills are higher than the in lieu payments, those costs exceed the benefit levels authorized by the labor agreement.

## **RECOMMENDATIONS**

It is recommended that the Central Fire Protection District and the County Human Resources Department meet and confer with the District's labor union as part of the FY 2006-07 labor contract renewal to:

- 4.1 Convert employees and retirees now in the self-funded health plan into a sub-plan of the County's Health Net or similarly priced plan, providing comparable coverage to that provided by the County for its employees. (Priority 1)
- 4.2 Establish in the labor agreement a maximum amount, set at the District's Kaiser family plan rate, that the District will pay toward health premiums. (Priority 1)

## **SAVINGS AND BENEFITS**

Implementation of these recommendations would reduce District costs by an estimated \$1.7 million compared to its Fiscal 2004-2005 costs. In addition, converting employees from the self-funded plan to an outside insurance plan also would eliminate the District's exposure to high claims costs, while still enabling subscribers to access care through a choice of doctors and a choice of locations.

Because the savings would be on-going, this change would narrow significantly the District's structural gap between revenues and expenses. This change should also protect the District from the extraordinarily large cost increases it experienced in FY 2003-2004 and FY 2004-2005. In addition, this change would bring the District benefits into line with County employee benefits, in keeping with Board policy, and the practices of other California fire departments. These recommendations also would ensure District compliance with the labor agreement's restriction of premium payments for retiree dependents.

## Attachment 4.1

### Disclosure Form Part One — Principal Benefits and Copayments for Kaiser Permanente Traditional Plan (7/1/02–6/30/03)

The services and supplies described below are covered only if all the following conditions are satisfied:

- A Plan Physician determines that the services and supplies are medically necessary to prevent, diagnose, or treat your medical condition
- The services and supplies are provided, prescribed, authorized, or directed by a Plan Physician
- You receive the services and supplies at a Plan Hospital, Plan Medical Office, or skilled nursing facility inside our Service Area, except where specifically noted to the contrary in your *Evidence of Coverage*

CATEGORY	SERVICE	COPAYMENT
<b>Hospital Inpatient Care</b>	Room and board, including obstetrics	No charge
	Physician, surgeon, and surgical services	No charge
	Nursing care, anesthesia, x-rays, lab tests, and medications	No charge
<b>Outpatient Care</b>	Primary and specialty care visits (includes routine and urgent care appointments)	No charge
	Well-child preventive care visits (23 months or younger)	No charge
	Pediatric visits	No charge
	Outpatient surgery	No charge
	Allergy testing and injection visits	No charge
	Immunizations	No charge
	Routine physical exams	No charge
	Scheduled prenatal care and first postpartum visit	No charge
	X-rays and lab tests	No charge
	Eye exams to provide a prescription for eyeglasses	No charge
	Hearing exams	No charge
	Physical, occupational, and speech therapy visits	No charge
	Health education for specific conditions	No charge
<b>Emergency Department</b>	Emergency Department visits	\$50 per visit (waived if admitted directly to the hospital)
<b>Prescription Drugs</b>	Covered prescription drugs in accord with our formulary when obtained at Plan pharmacies	\$1 up to a 100-day supply (or 3-cycles for oral contraceptives)
	In addition, the following are provided in accord with our formulary at Plan pharmacies: Drugs related to the treatment of sexual dysfunction disorders (episodic drugs are limited to 27 doses in any 100-day period)	50% of Non-Member Rates up to a 100-day supply
<b>Mental Health Services</b>	Inpatient psychiatric care (up to 45 days per calendar year)	No charge
	Outpatient visits: Up to a total of 20 individual and/or group therapy visits per calendar year	No charge
	Up to 20 additional group therapy visits that meet Medical Group criteria in the same calendar year	No charge
	Note: Visit or day limits do not apply to certain mental health care described in the <i>Evidence of Coverage</i> .	
<b>Chemical Dependency Services</b>	Inpatient detoxification	No charge
	Outpatient individual therapy visits	No charge
	Outpatient group therapy visits	No charge
	Transitional residential recovery services (up to 60 days per calendar year, not to exceed 120 days in any 5-year period)	\$100 per admission
<b>Infertility Services</b>	Covered services related to the diagnosis and treatment of infertility	No charge
<b>Additional Benefits</b>	Skilled nursing facility care (up to 100 days per benefit period)	No charge
	Home health care	No charge
	Hospice care	No charge
	Ambulance service when medically necessary	\$50 per trip
	Durable medical equipment in accord with our formulary	20% of Non-Member Rates
	External prosthetic and orthotic devices	20% of Non-Member Rates
	Coordination of benefits	Included

This is a summary of the most frequently asked about benefits and their Copayments. This chart does not describe benefits. Please refer to the *Evidence of Coverage* to learn about what is covered under each benefit (including exclusions and limitations) and additional benefits that are not included in this summary. Note: We cover benefits in accord with applicable law (for example, diabetes supplies).

## Attachment 4.2

### IV SCHEDULE OF BENEFITS

#### Verification of Eligibility

Supplies  
services.

Call the number on the I.D. Card to verify eligibility for Plan benefits before the charge is incurred.

#### MEDICAL BENEFITS

How that  
number

Please refer to information given to Plan Participants from the Plan Administrator regarding the Participating Provider Organization (PPO).

1 until  
materials

The Plan has entered into an agreement with certain Hospitals, Physicians and other health care providers, which are called Participating Providers. Because these Participating Providers have agreed to charge reduced fees to persons covered under the Plan, the Plan can afford to reimburse a higher percentage of their fees. These reduced fees are called "contracted rates"

member  
(tion) or  
Health

Therefore, when a Plan Participant uses a Participating Provider, that Plan Participant will receive a higher payment from the Plan than when a Non-participating Provider is used. It is the Plan Participant's choice as to which Provider to use.

#### Deductibles payable by Plan Participants

Deductibles are dollar amounts that the Plan Participant must pay before the Plan pays.

or her

A deductible is an amount of money that is paid once a Calendar Year per Plan Participant before any money is paid by the Plan for any covered services. Each January 1st, a new deductible amount is required.

Plan Participant deductible, per Calendar Year.....	\$100, waived for accidental injury
Family Unit deductible, per Calendar Year.....	\$300
Inpatient deductible per Hospitalization.....	\$400; \$200 is waived if pre-certification is received; another \$200 is waived if PPO facility is used or hospitalization is out-of-area

#### Percentage Payable by the Plan, per Calendar Year

##### Participating Providers

Hospital care and services .....	90% of covered charges
Physician care and services .....	90% of covered charges
Outpatient care and services .....	90% of covered charges
Non-participating Providers .....	80% of covered charges
Out-of-area/Medical Emergencies .....	90% of covered charges

**Maximum covered charges Incurred, per Calendar Year**

**All Providers**

per Plan Participant .....\$5,000 (excluding deductible)

**Note: After \$5,000 in total covered charges have been incurred by a Plan Participant during a Calendar Year, covered charges will be paid at 100% for that Plan Participant for the rest of the year.**

The following is a partial list of items that do not apply to the 100% benefit limit and are never paid at 100%.

- (1) deductible(s)
- (2) substance abuse treatment charges
- (3) cost containment penalties
- (4) surgery charges if mandatory second surgical opinion not received

**Maximum Benefit Amounts**

Lifetime, while covered .....\$1,000,000

There are other maximums on individual benefits. These follow under Benefit Limits.

**Benefit Limits**

**Hospital Daily Room and Board**

Payment rate:

Participating Providers .....90% of covered charges  
Non-participating Providers .....80% of covered charges

**Intensive Care Unit**

Daily limit:

Participating Providers .....100% of covered charges  
Non-participating Providers .....three times the average semi-private room rate

**Hospital other charges:**

Participating Providers .....90% of covered charges if billed per PPO contract  
Non-participating Providers .....80% of covered charges if billed

**Skilled Nursing Facility**

Covered daily charge limit:

Maximum number of days payable.....180 days per Calendar Year

**Percentage payable:**

First 10 days .....	100%
Next 170 days .....	90% for Participating Providers; 80% for Non-participating Providers

**Home Health Care (Precertification is required)**

Visit limit .....	100 visits per Calendar Year; maximum one visit per day
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**Outpatient Private Duty Nursing**

Percentage payable.....	80% of covered charges
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**Hospice Care**

Outpatient benefit payment limit .....	\$100 a day
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**Bereavement Counseling**

Percentage payable .....	100%, up to \$25.00 per session
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Lifetime maximum.....	six sessions
-----------------------	--------------

**Ambulance Service**

Per trip maximum .....	80% of covered charges
------------------------	------------------------

**Mental Disorders and Substance Abuse Treatment Limits**

Current employees should also refer to information given to them from the Employer regarding the psychology health care plan. Lifetime maximum for substance abuse is \$25,000; lifetime maximum for mental disorders is the same for any physical illness.

**Inpatient percentage payable:**

Participating Providers .....	90% of covered charges
Non-participating Providers .....	80% of covered charges
Calendar Year maximum .....	45 days

**Outpatient percentage payable:**

Participating Providers .....	90% of covered charges
Non-participating Providers .....	80% of covered charges
Calendar Year maximum .....	\$1,000 and one visit per week Outpatient

**Podiatry Care**

Medically necessary treatment and care of the feet, including medically necessary supplies and orthopedic devices which are only available with a prescription are covered, subject to a Calendar year maximum of \$1,000 as follows:

Participating Providers .....	90% of covered charges
Non-participating Providers .....	80% of covered charges



**Spinal Manipulation/Chiropractic Services**

Participating Providers .....90% of covered charges  
Non-participating Providers .....80% of covered charges  
Maximum covered visits per Calendar Year .....twelve

**Routine Nursery Care (see discussion of Nursery Care in Section V, Medical Benefits)**

Percentage payable:

Participating Providers .....90% of covered charges  
Non-participating Providers .....80% of covered charges

**Inpatient Prescription Drugs**.....Covered under Hospital  
Other Charges

**Alternative Birthing Center**

Percentage payable .....100% of usual and  
reasonable, deductible  
waived

**Organ Transplant Coverage Limits**

Covered Transplant Procedures:

Organ and tissue transplants are covered except those that are classified as "Experimental and/o  
Investigational."

Transplant Lifetime maximum  
Benefit.....part of Plan maximum

Donor coverage maximum .....covered under the  
Transplant Lifetime  
Maximum of \$100,000

Plan covers a donor only when the recipient is also a Plan Participant

**PRESCRIPTION DRUG BENEFIT**

**Refer to Prescription Drug Plan**

**Pharmacy Option**

\ Copayment, per prescription

For name brands.....\$5.00

For Generic drugs.....\$1.00

**Mall Order Prescription Drug Option**

Copayment, per prescription

Amount.....none

**Inpatient prescriptions are covered under Hospital Other Charges**

**WELLNESS PROGRAM**

**Well Child Care Benefits**

Participating Providers .....90% of covered charges

Non-participating Providers .....80% of covered charges

Well Child Care services are for children, until their 5th birthday for periodic physical examinations and laboratory services in connection with periodic physical examinations. Each child is limited up to \$600 lifetime, for any combination of well child services for physician and laboratory.

Immunizations required by federal, state or local government, including school districts for admittance into a pre-ninth grade class will be covered up to \$150 per year per child, subject to the Plan's copays and deductibles, without regard to medical necessity. Immunizations described in this paragraph are not applied to the Well Child Care cap.

**Female Wellness Benefits**

Participating Providers .....90% of covered charges

Non-participating Providers .....80% of covered charges

Female wellness benefits cover one annual cervical cancer-screening test (including PAP Smear, and breast exam); there is no age limit. Female wellness benefits also include one mammogram, annually for women who reach age 35.

**Male Wellness Benefit**

Participating Providers .....90% of covered charges

Non-participating Providers .....80% of covered charges

Male wellness benefit means the physician and laboratory charge for the PSA blood test for men who have reached age 40.

**Attachment 4.3**

**Health Net Plan Benefits Summary**

Plan Type:	Members may select from HMO, PPO or out-of-network services
Service Area:	No service area restrictions
Deductibles:	HMO: \$0; PPO: \$0; Out-of-network, \$200 per member per year
Office Visits:	HMO: \$5, PPO, \$10, Out-of-network, 30% of usual and customary charges
Hospital Services:	HMO: No charge if referred by primary care doctor; PPO, 10% with prior authorization; Out-of-network, 30% of usual charges
Prescriptions:	Generic: \$5 for 30-day supply; Brand: \$10 for 30-day supply; Non-formulary - \$20 for 30-day supply
Mail-away Prescriptions:	Generic: \$10 for 90-day supply; Brand: \$20 for 90-day supply; Non-formulary, \$40 for 90-day supply
Chiropractic Services:	HMO: \$5, 20 visits per year; PPO, not covered; Out-of-network, not covered
Emergency Services:	HMO: \$35 at participating hospital, waived if admitted; PPO, 10% of usual and customary, Out-of-network, 30% of usual and customary
Durable Medical Equipment:	HMO, 100% covered; PPO, 10% covered, Out-of-network, 30% covered
Mental Health, Outpatient:	HMO, \$35; PPO and Out-of-network, 30% of usual and customary to a maximum of \$50 per visit; up to 20 visits per year
Mental Health, Inpatient:	HMO, \$0 for 30 days per year; PPO, 30% of usual and customary for 30 days per year; Out-of-network, 30% of usual and customary for 30 days per year
Well Woman Care:	HMO, \$5; PPO, \$10; Out-of-network, not covered
Well Baby Care:	HMO, \$5; PPO, \$10; Out-of-network, 30% of usual and customary

## Section 5. Retiree Health Insurance Funding

- **The Santa Clara County Central Fire Protection District provides health insurance benefits for qualifying employees upon retirement, but has not budgeted or reserved monies to pay for the cost of this benefit as it was incurred. Furthermore, the District has not obtained an actuarial analysis of this substantial unfunded liability.**
- **However, based on the County's actuarial analysis of the cost of its retiree health insurance liability, as of June 30, 2004, it is projected that the District had an unfunded liability amounting to an estimated \$13.1 million to \$16.6 million.**
- **The Central Fire Protection District should engage an actuary to perform a valuation of the District's retiree health insurance liability. Based on the valuation, the District should establish a trust fund and make annual contributions to the fund to pay for the normal annual cost of this benefit and to amortize the existing unfunded liability over a 30-year period. Implementation of this recommendation would result in additional investment income estimated to amount to more than \$600,000 annually, once the unfunded liability is fully funded.**

The Central Fire Protection District provides health insurance benefits for its active and retired employees. For FY 2004-05, the total cost of health insurance benefits was approximately \$4.9 million, or an average of about \$12,025 per employee. As of June 30, 2005, the District had approximately 141 retired employees receiving this benefit. However, the District has not funded this liability and has not had an actuarial valuation to determine the extent of its liability. The County of Santa Clara provides a similar benefit for its 6,197 retired employees and has had actuarial valuations every two years. Based on the latest valuation report, the County's retiree health liability amounts to between \$575 million and \$730 million. Using this average cost data per covered employee, it is projected that the corresponding liability of the Central Fire Protection District would range from \$13.1 to \$16.6 million. Consequently, because this is such a significant liability, the District should engage an actuarial consultant to conduct an actuarial valuation for the District.

Once the District has received its actuarial valuation report, it should develop a plan to begin funding this liability on an annual basis as does the County. Further, the District should create a special trust fund for these monies so that it can invest them in a manner consistent with pension fund type investments. The option to invest monies in retirement type investments, including corporate bonds, common stock, real estate and other investments, is provided for by Government Code Sections 53620 to 53622 (Attachment 5.1). If the District began a funding plan by setting aside \$700,000 per year over the next 20 years, once fully funded, the District would realize an annual benefit of approximately \$600,000 per year more than would otherwise be achieved if the District were to merely deposit the money in a trust fund for the County Treasurer to invest as a part of the County Commingled Fund. Whereas the County Treasurer earned an average of 7.12 percent during the past 25 years, CalPERS was able to earn and average

of 11.03 percent, or 3.91 percent more during the same period by investing in pension fund type investments. To implement this recommendation, the District should engage a pension fund investment consulting firm to assist the District Board of Directors to establish investment policies and procedures for retiree health fund investments, and one or more professional pension fund investment management firms to perform the investment function. A list of several such firms that have been thoroughly screened by CalPERS and which have established performance records is available by contacting the CalPERS investment division.

## **CONCLUSION**

The Central Fire Protection District has a significant unfunded liability pertaining to its retiree health insurance benefit program. However, the District has not established any reserves for this liability and has not had an actuarial analysis prepared to determine the extent of the liability. By establishing a trust fund for such monies and investing these funds in pension fund type investments, the District can realize substantial additional investment income once the retiree health insurance benefit liability is fully funded.

## **RECOMMENDATIONS**

It is recommended that the Central Fire Protection District:

- 5.1 Hire an actuarial consultant to prepare an actuarial valuation report of the District's retiree health insurance benefit liability. (Priority 1)
- 5.2 Hire a pension fund investment consulting firm to assist the District Board of Directors to establish investment policies and procedures for retiree health fund investments, and hire one or more professional pension fund investment management firms to invest the District's funds once the District is able to begin funding this liability. (Priority 1)

## **SAVINGS AND BENEFITS**

The implementation of these recommendations would result in the funding of a significant unfunded liability and additional investment income once the retiree health insurance benefit trust fund is funded.

## Section 6. Setting and Budgeting Fire Prevention Fees

- **The Central Fire Protection District charges fees for fire prevention services, including plan reviews, inspections and permits. However, these fees are not regularly reviewed or based on costs, and the District Board of Directors has not approved a District fee schedule, contrary to California Health and Safety Code Section 13916 (b). In addition, the District's published budget documents do not include fee revenue, and the District does not monitor actual collections in relation to fire prevention service activity.**
- **In Calendar Year 2004, the District spent an estimated \$378,486 in personnel costs to review, inspect and permit land development, construction, hazardous materials and special events as well as provide consultations, complaint response and public education in the non-contract cities and unincorporated areas directly served by the District. The District recovered less than \$156,000 of these costs through fees, meaning that taxpayers subsidize at least \$200,000 annually in private development costs in these areas alone. This loss of revenue is contributing to the District's current financial crisis.**
- **The District should calculate the direct and indirect costs to perform fire prevention services, propose a fee schedule to recover these costs to the District Board of Directors and review and update its fees at least biennially. The District should also budget fees in the appropriate revenue accounts and develop written procedures on setting, budgeting and collecting fees. Implementation of these recommendations would help the District to improve its financial condition and internal control.**

### Fire Prevention Services

The Fire Prevention Division provides a variety of fire and life safety and hazardous materials services within its base communities and contract cities. The base communities consist of Cupertino, Los Gatos, Monte Sereno and portions of Saratoga and the unincorporated area, which are legally part of the District.<sup>1</sup> Campbell, Los Altos, the Los Altos Hills Fire Protection District and Morgan Hill have also contracted with the District for fire services.<sup>2</sup> The following list summarizes the major services provided in these areas:

- **Annual Inspections:** Deputy Fire Marshals and fire station companies together administer the annual inspection program for existing commercial buildings. Annual inspections are conducted to ensure compliance with local and State building and fire codes. The occupancies with more hazards are inspected by the

<sup>1</sup> Cupertino, Monte Sereno and portions of Saratoga became part of the District in 1947, Los Gatos entered the District in 1970, and portions of the unincorporated area were included in the District in various years.

<sup>2</sup> Campbell, Los Altos/Los Altos Hills Fire Protection District and Morgan Hill have contracted with the District since 1993, 1996 and 1995, respectively.

Deputy Fire Marshals, while fire station companies handle the less complex occupancies, as discussed in Section 12.

- **Land Development and Construction:** Deputy Fire Marshals provide fire and life safety plan review, inspection and permit services for land development, new building construction, interior remodel projects, fire suppression systems and fire alarm systems. Periodic construction inspections are also performed to ensure that completed projects conform to local and State fire safety regulations.
- **Hazardous Materials:** Hazardous Materials Specialists provide plan review, inspection and permit services for hazardous materials system installations, modifications and closures so that they comply with hazardous materials storage ordinances set by cities and hazardous materials regulations set by State and federal law.<sup>3</sup>
- **Hazardous Brush Abatement:** Each year, clerical staff and fire station companies implement a hazardous brush abatement program for hillside areas. This involves notifying homeowners to remove native brush and vegetation from around their home, inspecting hillside properties to ensure they are in compliance with the Uniform Fire Code, and authorizing the removal of any vegetation not removed by homeowners.
- **Special Events:** Deputy Fire Marshals provide plan review, inspection and permit services for a variety of special events, such as carnivals, fairs, festivals, firework displays and haunted houses.

Similar to other fire protection agencies, fees are charged for many of these services. We attempted to reconcile all of the fees charged for District services but found this to be extremely difficult since the District does not have a fee schedule. Instead, clerical staff, who handle fee collection, have a binder full of various documents, including guidelines, memorandums and e-mails, many of which contain handwritten notes with changes to or comments on fees. Staff who have been with the District for several years seem to understand these documents and the fees charged in each of the District's service areas, but commented that a fee schedule would be helpful. A new staff person would also find existing fee documents hard to comprehend and would benefit from a fee schedule.

Based on the various fee documents, we were able to piece together a comparison of some of the fees charged for District services. For example, Table 6.1 on the next page lists the fees for inspecting and permitting places of assembly and institutional facilities. Within the District's base communities, the fees are the same in each of the four cities and nonexistent in the unincorporated area. Campbell, in comparison, charges much higher fees. City staff recently solicited the advice of District staff in association with a consultant's review of all of Campbell's fees. When seeking advice, cities typically ask the Deputy Chief of Fire Prevention how long it takes to conduct an inspection of a

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<sup>3</sup> Four cities, Cupertino, Los Gatos, Campbell and Morgan Hill, have passed local hazardous materials storage ordinances.

particular type of business or residence, then calculate the cost of that time based on a Deputy Fire Marshal's salary and benefits, and set the fee based on these costs and what city staff thinks their council will approve. Consequently, Campbell's fees, which are updated annually, likely reflect the District's costs with more but not complete accuracy. The District's costs that would not be reflected in the fees charged in Campbell would be any supervision, administration and supplies used in delivering services and County overhead costs.

Table 6.1

**Fees for Inspecting and Permitting Assemblies and Institutions**

Fee Category	Base Communities					Contract Cities			
	Unincorp	Cupertino	Los Gatos	Monte Sereno	Saratoga	Campbell	Los Altos	Los Altos Hills	Morgan Hill
Place of Assembly 50-300	No fee	\$50	\$50	\$50	\$50	\$193	\$130 per hour	No fee	No fee
Place of Assembly >300	No fee	\$85	\$85	\$85	\$85	\$321	\$130 per hour	No fee	No fee
Institutional Facility 7-50	No fee	\$75	\$75	\$75	\$75	\$290	\$130 per hour	No fee	No fee
Institutional Facility >50	No fee	\$100	\$100	\$100	\$100	\$386	\$130 per hour	No fee	No fee

Source: Fire Prevention Division

Note: Los Altos requires a half-hour minimum for fees charged.

Additional examples of fees charged in the unincorporated area and each of the cities served by the District are provided in Attachments 6.1 and 6.2. It is unknown when most of the fees charged in the District's base communities were established or last updated, but they appear to be obsolete based on the fees charged in Campbell. Having outdated fees means that they do not recover the costs of providing the services the fees were intended to reimburse, many of which are provided to private contractors and developers for remodeling or constructing buildings. In the pages that follow, we will discuss how much the District is subsidizing these services and the need for the District to take ownership over setting, budgeting and monitoring fees.

**Revenue Received vs. Services Provided**

In FY 2004-05, the Fire Prevention Division expended more than \$2 million on salaries, benefits, services and supplies, while it collected only \$389,052 in fees.<sup>4</sup> For the cities that contract for fire services, the District recovers its costs from the agreed upon

<sup>4</sup> Figures taken from FY 2004-05 actuals from Cost Centers 9180 and 9182 in Budget Unit 904, the Central Fire Protection District.



payments specified by the contracts. Any fees generated in those areas are treated as a credit against contractually required payments. Whether or not the contracts fully recover the District's costs is discussed more fully in Section 1. Comparatively, within the base communities, fees directly offset the District's costs. District staff provided us with a breakdown of fee revenues by city, which we then used to apportion to the base communities and contract cities. As shown in Table 6.2, the District collected less than \$156,000 in fees to cover the cost of services provided in the base communities.

**Table 6.2**

**Fire Prevention Fee Revenue in Fiscal Year 2004-05**

<b>Revenue Account</b>	<b>Base Communities</b>	<b>Contract Cities</b>	<b>Unknown</b>	<b>Total Service Area</b>
Hazardous Materials	\$30,400	\$147,273	\$0	\$177,673
Plan Review	\$103,268	\$53,895	(\$700)	\$156,463
Assembly Permits	\$15,190	\$17,763	\$0	\$32,953
Institutional Permits	\$5,894	\$5,914	\$0	\$11,808
Misc Fire Fees	\$946	\$4,790	\$566	\$6,301
High Rise Buildings	\$0	\$3,854	\$0	\$3,854
<b>Total Revenue</b>	<b>\$155,698</b>	<b>\$233,489</b>	<b>(\$134)</b>	<b>\$389,052</b>

Source: FY 2004-05 Commitment/ Actual Line Items by Document Number

To estimate whether the amount of revenue seemed reasonable compared to the volume of services being provided, we analyzed activity logs from CY 2004. Based on this analysis, we determined that staff spent 5,887 hours reviewing, inspecting and permitting land development, construction, hazardous materials and special events as well as providing consultations, public education and complaint response within the base communities. These hours represented \$378,486 in personnel costs based on the hourly rate, including salary and benefits, of the appropriate line staff who provide each service.<sup>5</sup> Our calculation of personnel costs did not take into account the higher hourly rate of any supervisors who may have filled in for line staff when they were on vacation, out sick or otherwise absent from the Fire Prevention Division.

Furthermore, after subtracting the amount of revenue collected annually and the cost of educating the public and responding to complaints, we estimate that the District is subsidizing at least \$200,000 of the annual cost to provide fire prevention services in the base communities, as shown in Table 6.3 on the next page. The amount subsidized is undoubtedly higher depending on the amount of supervision, administration and supplies – the additional direct and indirect costs – that are necessary to provide these services as well as County overhead costs. Taxpayers of the contract cities are further subsidizing development costs, since the fees charged in contract cities do not fully

<sup>5</sup> The hourly rate of a Deputy Fire Marshal, Fire Protection Engineer and Hazardous Materials Specialist is \$68 during regular business hours and \$93 outside of regular business hours.

recover District costs. However, the District's financial condition should not be affected in the contract areas, since payments received by the District from the contracting entities are designed to fully recover District costs whether or not those entities recover District inspection and review costs through fees or provide the full payment from their general funds.

**Table 6.3**

**Personnel Costs to Provide Services in Calendar Year 2004**

Activity	Base Communities	Contract Cities	Total Service Area
Building Plan Review	\$145,605	\$102,857	\$248,462
Annual Inspections	\$79,844	\$109,813	\$189,656
Construction Inspections	\$77,786	\$75,859	\$153,645
Site Plan Review	\$38,442	\$41,479	\$79,921
Consultations	\$11,937	\$19,595	\$31,532
Public Education	\$9,795	\$16,518	\$26,313
Special Events	\$6,905	\$4,153	\$11,059
Complaints	\$3,976	\$5,758	\$9,734
Site Inspections	\$4,196	\$4,641	\$8,837
<b>Total Costs</b>	<b>\$378,486</b>	<b>\$380,673</b>	<b>\$759,159</b>
Minus Revenue	(\$155,698)	(\$233,489)	(\$389,052)
Minus Public Education	(\$9,795)	(\$16,518)	(\$26,313)
Minus Complaints	(\$6,905)	(\$4,153)	(\$11,059)
<b>Costs Subsidized</b>	<b>\$206,088</b>	<b>\$126,513</b>	<b>\$332,735</b>

In a conversation about the District's approach to fees, the Business Services Director explained that they have chosen to keep fees low to encourage building, which they believe will increase the assessed valuation of properties and subsequently property tax revenue. The Director opined that it didn't seem right to raise fees when the District receives so much money from property taxes. Unfortunately, this approach is costing the District hundreds of thousands of dollars during a time when it cannot afford to be so generous. As stated in the introduction, the District has lost \$4.7 million over the past three fiscal years, and its financial condition is expected to continue to deteriorate unless the District changes how it manages its finances.

**Establishing a Fee Schedule**

In addition to wanting to keep fees low, District staff also believe that each of the cities served are responsible for setting fees charged for District services. This is true of contract cities, which retain control over how they raise revenues and to what extent

they subsidize services. However, cities that are legally part of the District should not be allowed to make these decisions. The District needs to take ownership over fee setting. All other fire protection agencies that we surveyed responded that they set all fees for services provided within their jurisdiction. Alameda County Fire Department further explained that it has two contracts with cities for the provision of fire and medical services and those cities set their own fees, but the Department retains the responsibility for setting fees charged within its base communities. The Department, like the other agencies that we surveyed, recommends fees to its Board of Directors, and the Board adopts a fee schedule.

California Health and Safety Code Section 13916 (a) authorizes the board of directors of a fire district, which is the Santa Clara County Board of Supervisors for the Central Fire Protection District, to charge fees for services as specified below:

A district board may charge a fee to cover the cost of any service which the district provides or the cost of enforcing any regulation for which the fee is charged. No fee shall exceed the costs reasonably borne by the district in providing the service or enforcing the regulation for which the fee is charged. A district board shall not charge a fee on new construction or development for the construction of public improvements or facilities or the acquisition of equipment.

In general, fees should take into account the direct and indirect costs to perform a particular service without exceeding those costs. However, some fees, such as those for conducting a pre-inspection of a State licensed care facility, are regulated by statute and may not recover costs.<sup>6</sup>

If a board of directors decides to charge fees for services, Health and Safety Code Section 13916 (b) requires it to adopt an ordinance establishing a fee schedule. Prior to the hearing, the board must make public its data regarding the cost to provide the service and the revenue sources, including General Fund revenues, to fund the service. Health and Safety Code Section 13917 further allows the board to charge residents or taxpayers of the district fees that are less than those charged to non-residents or non-taxpayers. The board may also waive payment of a fee when it would not be in the public interest and after passing a resolution specifying the policies and procedures governing waivers, as required by Health and Safety Code Section 13919.

Accordingly, the Central Fire Protection District should calculate the direct and indirect costs to provide fire prevention services. The District should then propose a fee schedule to recover these costs to the Board of Supervisors, acting as the District Board of Directors. For each service provided, the proposal should state the fee based on actual costs and the fee that the District recommends and why. The Board will then have the responsibility for approving a fee schedule. We received fee schedules from several other fire protection agencies and attached copies of those from the Novato Fire Protection District and Ventura County Fire Protection District (refer to Attachments 6.3 and 6.4, respectively).

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<sup>6</sup> Health and Safety Code Section 13235 (a) states, "A fee of not more than fifty dollars (\$50) may be charged for the pre-inspection of a facility with a capacity to serve 25 or fewer persons. A fee of not more than one hundred dollars (\$100) may be charged for the pre-inspection of a facility with a capacity to serve 26 or more persons."

We also recommend that the District present the District Board-approved fee schedule to the contract cities and work with them to adopt the same schedule. The District currently takes a reactive approach in providing these cities with information on the cost to perform services and the fees that should be charged. However, we see no reason why the District cannot, or should not, provide this information to these cities, since the information will be produced in preparing and submitting a proposed District fee schedule.

Because salaries, health insurance premiums and other costs tend to rise annually, fees that are appropriately calculated initially but not updated annually are unlikely to recover costs. At present, the District does not initiate fee changes. Every time costs increase without a corresponding increase in fees, the District loses revenue and the taxpayer subsidy of private enterprises and individuals increases. Therefore, District fees should be reviewed and updated at least every other year. Since anticipated changes in costs are estimated each year as part of the budget process, these same estimates should be included in the cost basis for developing fees.

### **Collecting and Monitoring Fee Revenue**

Fee collection activities are performed primarily by the District's clerical staff.<sup>7</sup> For annual inspections, they bill fees to businesses whose permits are expiring each month.<sup>8</sup> Permit expiration dates are staggered throughout the year to facilitate inspections and billing. After each month has passed, they also check who has paid and not paid, make courtesy phone calls and send letters to delinquent businesses and send unpaid bills to the respective cities for collection. For bills that are paid, they prepare and copy a receipt, enter the date and amount paid into a permits database, and file copies of the receipt and check. Lastly, they log the checks and send them to the Business Services Division to be deposited. For plan reviews, inspections and permits related to land development and construction, clerical staff informed us that they collect fees before services are provided.

Similar to annual inspections, there are also several steps to collecting fees for services related to hazardous materials. On a quarterly basis, clerical staff compile a spreadsheet of businesses with expiring permits that is sent to the County Environmental Health Department, which is then responsible for sending invoices and collecting payments from businesses. The Fire Prevention Division eventually receives a check for all payments received that quarter with a breakdown of who paid and how much from the Environmental Health Department. Clerical staff then enter the payment information into a hazardous materials database and give the check to the Business Services Division for deposit. The Environmental Health Department also provides a list of business that did not pay so clerical staff can follow-up.

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<sup>7</sup> Other staff in the Fire Prevention Division may get involved when they work overtime for special events, such as fireworks, and must bill their time.

<sup>8</sup> Businesses in Los Altos are billed quarterly because there are not enough to justify monthly billing, and inspections by fire station companies are not billed since the occupancies they inspect do not receive permits.

Despite these activities to collect payments for fees, no one monitors how much should be collected based on the number of activities (e.g., plans reviewed, inspections performed, permits issued). For instance, there is no budget against which to compare the intake of funds. Both conversations with District staff and a review of budgeted and actual financial information revealed that fees are not budgeted in the Recommended and Approved Budgets, but may be included in the Modified Budget, as the year goes on. When asked why the District does not budget fees at the start of each year, the Business Services Director replied that the fees currently collected are immaterial amounts. The Director added that the District focuses on monitoring the large revenues – property taxes and contract payments – and presenting these revenues to the Board.

The lack of monitoring volume of activities to volume of receipts is an internal control weakness. It would be relatively easy for someone to offer a discount by asking contractors or developers to pay in cash at half price, then keeping the cash and indicating the project was paid in the database. This risk is especially high since the same customers and employees interact on a regular basis and clerical staff report directly to the Administrative Support Officer, who does not monitor collections, and indirectly to the Business Services Director, who questions the materiality of fees. Supervisors in the Fire Prevention Division also pay little attention to collections because the clerical staff do not report to them. No one at the District presently ties the number of activities at a given cost to the revenues logged to determine whether they match. We attempted to do this when we analyzed the activity logs and came up with a conservative estimate that the District is subsidizing at least \$200,000 of fire prevention services that could be recovered by fees.

In contrast to the District's current practices, County departments are required to budget all revenues regardless of whether they amount to thousands or millions of dollars. This aides the Board of Supervisors in determining where services can be added or should be reduced to balance the budget. In 1981, the District Board of Directors approved a resolution on the administration of the District in which the Fire Chief was appointed its executive officer and given the following responsibility:

The Fire Chief shall administer the fiscal affairs of the District by managing the current budget, where feasible, in the same manner and within the same limits allowed county department heads.<sup>9</sup>

To comply with this requirement, the Fire Chief should direct the appropriate District staff to develop a budget for each revenue account in which fees are collected. The budgeted fee amounts should be included in the Recommended and Approved Budgets. Furthermore, to prevent any future confusion and to ensure adequate monitoring, the District should develop written procedures on setting, budgeting and collecting fees. The procedures should require a staff person to monitor receipts against transactions and be included in the policy on fees and charges recommended in Section 15. Similar procedures were provided by the San Bernardino County Fire Department and are included as Attachment 6.5.

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<sup>9</sup> “Resolution of the Board of Directors of the Central Fire Protection District Relating to Administration of the District,” February 3, 1981

## **CONCLUSION**

The Central Fire Protection District has not set fees for fire prevention services based on costs, has not proposed a fee schedule to the Board of Directors and does not conduct a regular review of fees. The District also does not budget fee revenue and consequently does not monitor actual revenue against a budget. Because of these practices, the District is subsidizing at least \$200,000 of the services provided in its base communities that could be covered by fees. Per State law, the District should calculate the direct and indirect costs to perform these services, propose a fee schedule to recover these costs to the Board of Directors and review and update its fees at least biennially. The District should also budget fees in the appropriate revenue accounts and develop written procedures on setting, budgeting and collecting fees. Recovering the costs to provide fire prevention services would help the District to improve its financial condition and internal control.

## **RECOMMENDATIONS**

It is recommended that the Central Fire Protection District:

- 6.1 Calculate the direct and indirect costs to provide fire and life safety and hazardous materials services. (Priority 1)
- 6.2 Propose a fee schedule to recover costs to the Board of Directors and conduct a regular review of all fees based on costs. For each service provided, the proposal should state what the fee would be based on actual costs, and what the District recommends and why. (Priority 1)
- 6.3 Present the District Board-approved fee schedule to the contract cities and work with them to adopt the same schedule. (Priority 2)
- 6.4 Review and update fees at least biennially. Since anticipated changes in costs are estimated each year as part of the budget process, these same estimates should be included in the cost basis for development of fees. (Priority 1)
- 6.5 Develop a budget for each revenue account in which fees are collected. These fees should be included in the Recommended and Approved Budgets. (Priority 1)
- 6.6 Develop written procedures on setting, budgeting and collecting fees. The procedures should require a staff person to monitor receipts against transactions and be included in the policy on fees and charges recommended in Section 15. (Priority 2)

## **SAVINGS AND BENEFITS**

The District has lost \$4.7 million over the past three fiscal years, but the District would improve its financial position by implementing the recommendations above. The District would receive at least an additional \$200,000 annually by setting fees based on

*Section 6: Establishing and Budgeting Fire Prevention Fees*

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costs and reviewing fees at least every other year. Proposing a fee schedule to the Board of Directors would also bring the District into compliance with State law. Finally, the District would improve internal control by budgeting and monitoring fee revenue.

Attachment 6.1

Examples of Fees for Fire and Life Safety Services

Fee Category	Base Communities						Contract Cities			
	Unincorporated	Cupertino	Los Gatos	Monte Sereno	Saratoga	Campbell <sup>1</sup>	Morgan Hill	Los Altos	Los Altos Hills	
Year Last Updated	Unknown	Unknown	Unknown	Unknown	Unknown	2005	1995	1996	Unknown	
Fire Alarm System (Commercial)	Based on valuation	Based on valuation	Based on valuation	Based on valuation	Based on valuation	\$289 + \$5/device	Based on valuation			
Fire Alarm System (Residential)	Based on valuation	Based on valuation	Based on valuation	Based on valuation	\$200	\$289 + \$5/device	Based on valuation			
Fire Hydrant System	Based on valuation	Based on valuation	Based on valuation	Based on valuation	Based on valuation	\$359 + \$60/hydrant	Based on valuation			
Consultation		\$50	\$50	\$50	\$50					
Day Care Facility Annual Inspection >7		\$35	\$35	\$35	\$35					
Day Care Facility Annual Inspection <50						\$108				
Day Care Facility Annual Inspection >50						\$163				
Institutional Facility Annual Inspection 7-50		\$75	\$75	\$75	\$75	\$290		\$130/hr with half-hour min		
Institutional Facility Annual Inspection >50		\$100	\$100	\$100	\$100	\$386		\$130/hr with half-hour min		
Institutional Facility Pre-Inspection <=25 <sup>2</sup>	\$50					\$50				
Institutional Facility Pre-Inspection >25 <sup>2</sup>	\$100					\$100				
Place of Assembly 50-300		\$50	\$50	\$50	\$50	\$193		\$130/hr with half-hour min		
Place of Assembly >300		\$85	\$85	\$85	\$85	\$321		\$130/hr with half-hour min		
Re-Inspection		\$30	\$30	\$30	\$30	\$74/hr for 4th and subsequent		\$130/hr		
Special Event (During Hours)								\$50/hr		
Special Event (After Hours) <sup>3</sup>	\$75/hr	\$75/hr	\$75/hr	\$75/hr	\$75/hr	\$75/hr	\$75/hr	\$75/hr	\$75/hr	
Special Systems	Based on valuation	Based on valuation	Based on valuation	Based on valuation	Based on valuation	\$321	Based on valuation			
Sprinkler System (Commercial)	Based on valuation	Based on valuation	Based on valuation	Based on valuation	Based on valuation	\$154 + \$1.25/head	\$90			
Sprinkler System (Residential)	Based on valuation	Based on valuation	Based on valuation	Based on valuation	Based on valuation	\$154 + \$1.25/head	\$90			
Tent or Canopy	\$150/first + \$25/additional	\$85	\$85	\$85	\$85	\$193				

Note:  
 1. Campbell's fees, excluding penalties, cannot exceed \$700 per business location.  
 2. Fee is capped by California Health and Safety Code Section 13235.  
 3. The District's overtime rate is currently set at \$75 per hour, and the District retains all revenue collected for services provided after hours.



## Attachment 6.2

### Examples of Fees for Hazardous Materials Services

Fee Category	Base Communities		Contract Cities	
	Cupertino	Los Gatos	Campbell <sup>1</sup>	Morgan Hill <sup>2</sup>
Year Last Updated	1987	1987	2005	1996
Aboveground Facility Closure			\$70	
Aboveground Closure	\$90/site	\$90/site	\$257/tank	\$200/1st tank + \$100/addl tank
Aboveground Installation	\$90/site	\$90/site	\$386/tank	\$200/1st tank + \$100/addl tank
Aboveground Modification	\$90/site	\$90/site	\$257/tank	\$200/1st tank + \$100/addl tank
Haz Mat - Long Form	\$100 + \$30/hr	\$100 + \$30/hr	\$359	
Haz Mat - Short Form	\$50	\$50	\$193	
Haz Mat - Short or Long Form - Level 1				\$175
Haz Mat - Short or Long Form - Level 2				\$350
Haz Mat - Short or Long Form - Level 3				\$440
Underground Tank Annual Permit			\$359	
Underground Closure	\$90/site	\$90/site	\$257/tank	\$200/1st tank + \$100/addl tank
Underground Installation	\$90/site	\$90/site	\$386/tank	\$200/1st tank + \$100/addl tank
Underground Modification	\$90/site	\$90/site	\$257/tank	\$200/1st tank + \$100/addl tank

Notes:

1. Campbell's fees, excluding penalties, cannot exceed \$700 per business location.
2. Morgan Hill may increase fees in September or October 2005.

### **Attachment 6.3**

#### **RESOLUTION NO. 2004-1** **RESOLUTION OF THE BOARD OF DIRECTORS** **NOVATO FIRE PROTECTION DISTRICT** **ESTABLISHING A NEW MASTER FEE SCHEDULE FOR** **SERVICES PROVIDED BY THE DISTRICT**

WHEREAS, Novato Fire Protection District has conducted an analysis of its services, the costs reasonably borne, the beneficiaries of those services, and the revenues produced by those paying fees and charges for special services; and

WHEREAS, the District wishes to comply with both the letter and the spirit of Article XIII B of the California Constitution and limit the growth of taxes; and

WHEREAS, the District desires to establish a policy of recovering the full costs reasonably borne of providing special services of a voluntary and/or limited nature, such that general taxes are not diverted from general services of a broad nature and thereby utilized to subsidize unfairly and inequitably such special services; and

WHEREAS, it is the intention of the Novato Fire Protection District Board to develop a schedule of fees and charges based on the District's budgeted and projected costs reasonably borne; and

WHEREAS, all requirements of California Government code Sections 6062a, 66016 and 66018 and other applicable laws are hereby found to have been complied with;

**NOW, THEREFORE, THE BOARD OF NOVATO FIRE PROTECTION DISTRICT DOES RESOLVE, DETERMINE AND ORDER as follows:**

#### **Section 1. Fee Schedule Adoption**

The following schedule of fees and charges, as shown in Table 1, is hereby directed to be computed by and applied by the District, and to be collected by the District for the herein listed special services when provided by the District or its designated contractors.

#### **Section 2. Separate Fee for Each Service**

All fees set by this resolution are for each identified service; additional fees shall be required for each additional service that is requested or required. Where fees are indicated on a per unit

measurement basis, the fee is for each identified unit or portion thereof within the indicated ranges of such units.

### Section 3. Basis of Charges

The Board of the Novato Fire Protection District finds and determines that the charges imposed by this resolution are necessary to cover the costs of providing the specified services, and that such charges do not exceed the reasonable costs of providing said services.

### Section 4. Interpretation

This resolution may be interpreted by the Fire Chief or duly authorized representatives thereof. Should there be a conflict between two fees applicable to the same service, then the lower in dollar amount of the two shall be applied.

### Section 5. Waiver of Permit Fees and Charges

The Board of Fire Directors may, on a case-by-case basis, grant a waiver of payment of all or a portion of the fees established by this resolution when it determines that it is in the public interest to do so.

### Section 6. Repealer

Resolutions and other prior actions of the Board of Fire Directors in conflict with the contents of this Resolution are hereby repealed.

### Section 7. Severability

If any portion of this Resolution is held to be invalid or unconstitutional by any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions and all other portions shall remain in full force and effect. The Board of Fire Directors declares that it would have adopted this Resolution and each section or portion thereof irrespective of the validity of any other section or portion.

Section 8. Exemption from California Environmental Quality Act.

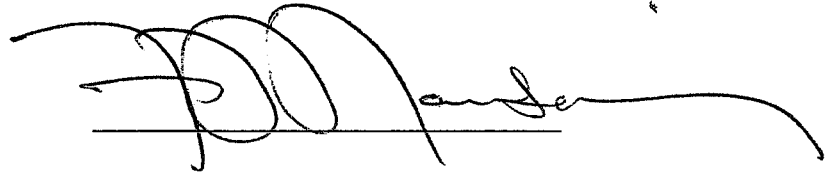
The adoption of this Resolution, including the fees and charges provided herein, is statutorily exempt from the California Environmental Quality Act under Public Resources Cost Section 21080(b)(8), as the establishment and modification of charges by a public agency to meet operating expenses.

PASSED AND ADOPTED by the Board of Directors of the Novato Fire Protection District, County of Marin, State of California, this 7<sup>th</sup> day of January, 2004, by the following vote:

AYES: Directors Beedle, Horick, Mansourian,  
Metcho, Silverman

NOES: None

ABSENT: None

A handwritten signature in black ink, appearing to read "J. Mansourian", written over a horizontal line.

President, Board of Directors

ATTEST:

Nancy R Roberts  
Clerk

**Table 1**

**MASTER FEE SCHEDULE**

**Plan Check and Inspections**

Residential Sprinkler System:	2-hour minimum
Commercial Overhead System:	3-hour minimum
Commercial Underground System:	2-hour minimum
Commercial TI less than 3 heads	No Charge
Commercial TI 3-10 heads	1-hour minimum
Commercial TI 11-30 heads	2 hour minimum
Other Pre-Engineered Systems	1 ½ hour minimum
Fire Alarm and Detection Systems	1 ½ hour minimum
Uniform Fire Code Permits	1-hour minimum*
Vegetation Management Plan-SFD	1-hour minimum
Vegetation Management Plan-Subdivision	3-hour minimum

\* If more than one fire code permit is required, the minimum hourly rate applies and then the services will be charged at the hourly rate to the nearest ¼ hour based on actual time spent at the facility.

All categories above include plan check and required inspections.

All categories represent the minimum charge plus actual costs to the nearest ¼ hour.

If plans are sent out for review, the charge will be the actual cost plus the District time that is charged to the project.

**State Fire Marshal Inspection CA Health and Safety Code Section 13235**

25 or fewer clients-residents	\$ 50.00
26 or more clients-residents	\$100.00

**HEART and CPR Class Materials**

CPR or First Aid class per student charge	\$ 15.00
HEART Program per student charge	\$ 40.00

The current fully-burdened hourly rate is \$109.00 per hour.

Novato Fire Protection District  
Fiscal 2003-04

Fully Burden Hourly Rate

**Proposed 2004 hourly rate**

Fully burden hourly rate as of September 01, 2003

Position	Annual Salary	Micro	Hourly			Total
		Fische	Salary	Benefits	Overhead	
Fire Marshal	\$ 113,196.10	\$ 3.70	\$ 62.89	\$ 14.90	\$ 27.41	\$ 108.90
Proposed 2004 fully burden hourly rate \$109.00/hour. (Reflects 4.82% increase)						

**2002/03 fully burden hourly rate**

Position	Annual Salary	Micro	Hourly			Total
		Fische	Salary	Benefits	Overhead	
Fire Marshal	\$ 108,842.40	\$ 3.70	\$ 60.47	\$ 14.33	\$ 26.35	\$ 104.85
2002-2003 fully burden hourly rate \$104.00/hour.						

**2000/01 fully burden hourly rate**

Position	Annual Salary	Hourly			
		Salary	Benefits	Overhead	Total
Fire Marshal	\$ 99,124.48	\$ 55.07	\$ 13.05	\$ 24.00	\$ 92.12
2000-2001 fully burden hourly rate \$92.00/hour					

**1998/99 fully burden hourly rate**

Position	Annual Salary	Hourly			
		Salary	Benefits	Overhead	
Fire Marshal	\$ 91,164.00	\$ 50.65	\$ 12.00	\$ 22.07	\$ 84.72
1998-1999 fully burden hourly rate \$85.00/hour.					

**Notes:**

Benefit and overhead rates are actual District costs based on 1989 Business Cost Study DMG Associates

Annual salary based on actual cost to the Fire District.

Hourly salary is based on 1,800 productive hours.

Hourly benefit rate based on multiplying hourly salary by the benefit rate of 23.7%

Hourly overhead rate based on multiplying hourly salary by the overhead rate of 43.58%

The hourly rate increase reflects a 4.82% increase between 2002-3 and 2004.

**Attachment 6.4**

**VENTURA COUNTY FIRE PROTECTION DISTRICT**

**SCHEDULE OF 2005 - 2006 SERVICE FEES**

<i>Note: All service fees are presented on an hourly basis unless otherwise indicated.</i>			
<i>Fees for 2004-05 are shown for comparison purposes only.</i>			
		<b>2004-05</b>	<b>2005-06</b>
<b>EMERGENCY SERVICES:</b>			
Firefighter		93	96
Firefighter Paramedic Premium		7	8
Engineer		118	111
Captain		138	128
Battalion Chief (out of county)		143	147
ICS Command and General Staff Position		142	144
ICS Unit/Group/Division Supervisor		136	124
ICS Support Position		79	79
Arson Investigator		122	131
Fire Control Worker		49	46
Senior Fire Control Worker		52	54
Fire Crew Supervisor		81	144
Fire Equipment Operator		143	124
Fire Prevention Staff (includes prevention overhead fee)		112	96
Prevention Standby		28	N/A
Prevention Safety Officer (includes prevention overhead fee)			58
Reserve Firefighter		10	N/A
Engine		349	335
Engine Strike Team		2,028	1,950
Dozer		192	170
Dozer Strike Team		523	468
Water Tender		93	207
Squad		211	208
Ladder Truck (Tiller)		443	431
Light and Air		349	335
HIRT		488	463
Utility Truck		93	207
Command Vehicle		138	147
Loader		192	170
Grader		192	170
Backhoe		192	170
LOGS 1 Truck		39	83
GIS Tech/Mapping Specialist		75	85
<b>SHOP FEES*:</b>			
Vehicle Repair		76	75
Information Specialist		110	86
Mapping Specialist		125	85
Telecommunications Specialist		118	89
*Rates for specific contracted services may vary from these fees.			
<b>Use of Fire Protection District Property or Apparatus for Filming and Other Purposes</b>			
All fees are for a ten (10) hour day or any portion thereof. Usage charge for property or apparatus for greater than 10 hours will be proportionate on an hourly basis. Apparatus fees include mandatory driver costs.			
Buildings or County Property		500	500
Audio/Visual Equipment		70	70
<b>Fee for Vehicle and Full Staffing:</b>			
Chief's Staff Car		1,384	1,280
Chief's Suburban		1,384	1,280

**VENTURA COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF 2005 - 2006 SERVICE FEES**

*Note: All service fees are presented on an hourly basis unless otherwise indicated.  
 Fees for 2004-05 are shown for comparison purposes only.*

		2004-05	2005-06
Rescue Truck		1,869	1,920
Utility Truck		491	460
Fire Engine		3,494	3,350
Crew Transport		491	460
Brush Truck		1,176	1,110
Ladder Truck		4,429	4,310
Plans Trailer - fully equipped (daily rate)		275	N/A
<b>EQUIPMENT ONLY FEES:</b>			
Per current Federal Emergency Management Agency (FEMA) Schedule of Equipment Rates			
<b>HELICOPTER FEES:</b>			
Per current Operational Agreement between Ventura County Fire Protection District and Ventura County Sheriff			
<b>PREVENTION FEES:</b>			
<b>I. ENGINEERING</b>			
<b>1. COMMERCIAL SPRINKLER SYSTEMS (NEW BUILDINGS)</b>			
Note: Based on square footage per building.			
A. One contractor doing overhead and underground.			
1 - 26,000 sq. ft.	1.5 hr. for plan review + 5hr. for the first 5 inspections.	6.5 hrs	725 624
>26,000 sq. ft.	0.75 hr. (0.25 hr. for plan review + 0.5 hr. for inspections) for each additional 26,000 sq. ft.		\$112/hr \$96/hr
>the initial 5 insp.	1 hr. for the first 52,000 sq. ft. and 0.25 hr. for each additional 52,000 sq. ft.		\$112/hr \$96/hr
B. Contractor doing overhead only.			
1 - 26,000 sq. ft.	1hr. for plan review + 4hr. for the first 4 inspections.	5 hrs	558 480
>26,000 sq. ft.	0.75 hr. (0.25 hr. for plan review + 0.5 hr. for inspections) for each additional 26,000 sq. ft.		\$112/hr \$96/hr
>the initial 5 insp.	1 hr. for the first 52,000 sq. ft. and 0.25 hr. for each additional 52,000 sq. ft.		\$112/hr \$96/hr
C. Contractor doing underground only.			
1 - 52,000 sq. ft.	0.5hr. for plan review + 1.5hr. for the first 4 inspections.	2 hrs	223 192
>52,000 sq. ft.	1 hr. (0.5 hr. for plan review + 0.5 hr. for inspections) for each additional 52,000 sq. ft.		\$112/hr \$96/hr
>the initial 2 insp.	1 hr. for the first 104,000 sq. ft. and 0.25 hr. for each additional 104,000 sq. ft.		\$112/hr \$96/hr
<b>2. TENANT IMPROVEMENT (EXISTING BUILDINGS)</b>			
Note: Based on the number of heads added or relocated.			
A. Without hydraulic calculations			
1 - 20 Heads	No plan review. Two inspections only.	1.5 hrs	129 144
B. With hydraulic calcs. or without calcs. over 20 heads.			
1 - 100 Heads	0.5hr. for plan review + 1.5hr. for the first 3 inspections.	2 hrs	223 192
>100 heads	0.75 hr. (0.25 hr. for plan review + 0.5 hr. for inspections) for each additional 100 heads.		\$112/hr \$96/hr
>the initial 3 insp.	1 hr. for the first 400 heads and 0.25 hr. for each additional 200 heads.		\$112/hr \$96/hr
<b>3. FIRE ALARM SYSTEMS</b>			
Note: Based on the number of initiating devices per system.			



**VENTURA COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF 2005 - 2006 SERVICE FEES**

*Note: All service fees are presented on an hourly basis unless otherwise indicated.*

*Fees for 2004-05 are shown for comparison purposes only.*

				2004-05	2005-06
	1 - 10 Devices	0.75 hr. for plan review + 1 hr. for the first 2 inspections.	1.75 hrs	196	168
	>10 Devices	0.75 hr. (0.25 hr. for plan review + 0.5 hr. for inspections) for each additional 10 devices.		\$112/hr	\$96/hr
	>the initial 2 insp.	1 hr. for the first 10 devices and 0.25 hr. for each additional 10 devices.		\$112/hr	\$96/hr
<b>4. HOOD SYSTEMS</b>					
Note: Based on the number of nozzles per system.					
	1 - 10 Nozzles	0.5 hr. for plan review + 1 hr. for the first 2 inspections.	1.5 hrs	179	144
	>10 Nozzles	0.75 hr. (0.25 hr. for plan review + 0.5 hr. for inspections) for each additional 10 nozzles.		\$112/hr	\$96/hr
	>the initial 2 insp.	1 hr. for the first 10 nozzles and 0.25 hr. for each additional 10 nozzles.		\$112/hr	\$96/hr
<b>5. SPRAY BOOTH SYSTEMS</b>					
	Dry Chemical agents. (Based on Hood Systems fees)			Based on # 4	Based on # 4
	Sprinkler systems. (Based on Tenant Improvement fees)			Based on # 2	Based on # 2
<b>6. SPECIALIZED FIRE PROTECTION SYSTEMS</b>					
	Pre-action systems (existing sprinklered bldgs.)		4 hrs	446	384
	Private water systems serving hydrant(s)		2 hrs	223	192
	Smoke management systems		2 hrs	223	192
	In-rack systems		4 hrs	446	384
	Small hose cabinets (not submitted with in-rack plans)		2 hrs	223	192
	All others		2 hrs	223	192
<b>7. RESIDENTIAL SPRINKLER SYSTEMS</b>					
<b>A. Single Family Dwellings (Custom Homes)</b>					
	<5,000 sq. ft.	0.75 hr. for plan review + 3 hr. for the first 4 inspections.	3.75 hrs	446	360
	>5,000 sq. ft.	1.25 hr. for plan review + 3.75 hr. for the first 4 inspections.	5 hrs	491	480
	>Initial 4 insp.	0.75 hr. for the under 5000 sq. ft. and 1 hr. for over 5,000 sq. ft.		\$112/hr	\$96/hr
<b>B. Single Family Dwellings (Tract Homes)</b>					
Note: Based on each phase of the tract.					
	Model Homes (Based on Residential Sprinkler System fees)			N/A	Based on # 7
	The rest of the homes within the tract. (2 hours per building)			2 hrs	N/A 192
<b>II. NEW CONSTRUCTION</b>					
<b>1. FIRE HYDRANT SYSTEMS</b>					
Note: Based per project/tract					
	1 -10 Hydrants		1 hr	112	96
	Each additional hydrants		0.25 hr	28	24
<b>2. INSPECTION &amp; PLAN CHECK</b>					
Note: Requirements for Const.(VCFD 126); for other than SFD tracts.					
One form 126 is required per building.					
	* Single family dwelling (R-3) & "U" occupancy not otherwise listed. May include a detached garage on same application. Include lot sale tracts.		2 hrs	223	192
	*Single family dwelling (R-3). Additions less than or equal to 50% of legal existing sq. ft.		0.5 hr	56	48
	Any building less than or equal to 700 sq.ft.		0.5 hr	56	48
	"U" Occupancies less than or equal to 1,500 sq.ft.		0.5 hr	56	48
	"U" greenhouse occup. under 3,000 sq. ft. (greenhouse as defined by VCFPD Ord.)		0.5 hr	56	48

**VENTURA COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF 2005 - 2006 SERVICE FEES**

*Note: All service fees are presented on an hourly basis unless otherwise indicated.*

*Fees for 2004-05 are shown for comparison purposes only.*

			<b>2004-05</b>	<b>2005-06</b>
	*Tracts, LD's, PM's: 1 to 10 units on same application (SFD R-3 only; same developer)	2 hrs	223	192
	Tracts - each additional 5 units over initial 10 units on same application (includes 1 additional inspection)	1 hr	112	96
	Planning Condition Review Includes variance & zone change review	1 hr	112	96
	*Multi-family, Commercial/Industrial * Includes 1 application/plan review and 2 inspections.	2.5 hrs	279	240
<b>3. BUILDING PLAN REVIEW</b>				
Note: Based on 1,725 sq. ft.				
	Fire Code & State Fire Marshal Regulations	\$0.06/sq. ft. for the initial 2 plan reviews + 2 hrs. for the first 2 inspections.	\$112/hr	\$96/hr
		Additional reviews: 0.25 hr. increments with 1 hr. minimum.	\$112/hr	\$96/hr
		Additional inspections: 1 hr. per inspection.	\$112/hr	\$96/hr
<b>4. MISCELLANEOUS</b>				
	Environmental Impact Report Review*	1 hr	112	96
	Zone Clearance	0.5 hr	37	48
	Access Roadway Grading and Gates Plan Check (Not part of VCFD #126)	1 hr	112	96
	General Plan-Amendment	1 hr	112	96
	Specific Plan Review* (also includes amendments to plan)	1.25 hrs	132	120
	Occupant Load Review	1 hr	112	96
	Fire Safety Inspection	1 hr	112	96
	Address Number Request:			
	Each single address number	0.5 hr	56	48
	tracts, apartment complexes	1.5 hrs	167	144
	* Additional plan review/inspections	0.25 hr	28	24
<b>III. CODE ENFORCEMENT</b>				
<b>1. FIRE CLEARANCE INSPECTIONS FOR STATE LICENSING &amp; PRIVATE</b>				
<b>A. Licensed Care Pre-Inspections</b>				
	Licensed Care Pre-Inspection - 25 or less (residents). Per state law		50	50
	Licensed Care Pre-Inspection - 26 or more. Per state law		100	100
<b>B. Fire Clearance Inspection</b>				
	1 - 6 (per individual/per establishment - no fee per state law)		0	0
	7 - 25	2 hrs	223	192
	26 - 50	2.5 hrs	279	240
	Over 50	3 hrs	335	288
<b>C. Annual Licensed Care Inspections</b>				
	7 - 25 beds	1.5 hrs	167	144
	26 - 50 beds	2 hrs	223	192
	Over 50 beds	2.5 hrs	279	240
	All other reviews	1 hr	112	96
<b>2. UNIFORM FIRE CODE PERMIT</b>				
	Aerosol products (retail storage) - Under exempt amount per control area	1 hr	112	96
	Aerosol products (warehouse & storage)	2 hrs	223	192
	Aircraft repair hanger	1 hr	112	96
	Aircraft refueling vehicle (initial)	1.5 hrs	167	144
	Aircraft refueling vehicle (renewal)	1 hr	112	96
	Asbestos removal	1.5 hrs	167	144
	Automobile wrecking yard	1.5 hrs	167	144
	Battery system	2 hrs	223	192
	Bowling pin or Alley refinishing (initial)	2 hrs	223	192
	Bowling pin or Alley refinishing (renewal)	1.5 hrs	167	144

**VENTURA COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF 2005 - 2006 SERVICE FEES**

*Note: All service fees are presented on an hourly basis unless otherwise indicated.*

*Fees for 2004-05 are shown for comparison purposes only.*

		<b>2004-05</b>	<b>2005-06</b>	
	Candles/open flame in assembly areas - single use	0.5 hr	56	48
	Candles/open flame in assembly areas - on going facility permit	1.5 hrs	167	144
	Carnivals & Fairs	1 hr	112	96
	Cellulose nitrate film	2 hrs	223	192
	Cellulose nitrate storage	2 hrs	223	192
	Combustible fiber storage	2.5 hrs	279	240
	Combustible material storage	1 hr	112	96
	Compressed gas (store/handle/use) (initial)	2 hrs	223	192
	Compressed gas (store/handle/use) (renewal)	1 hr	112	96
	Commercial rubbish handling operation (initial)	1.5 hrs	167	144
	Commercial rubbish handling operation (renewal)	1 hr	112	96
	Cryogen use (plan check, installation, inspection, use) (initial)	3 hrs	335	288
	Cryogen use (plan check, installation, inspection, use) (renewal)	1.25 hrs	139	120
	Dry cleaning plants (initial)	2 hrs	223	192
	Dry cleaning plants (renewal)	1.5 hrs	167	144
	Dust producing operation (initial)	2 hrs	223	192
	Dust producing operation (renewal)	1.5 hrs	167	144
	Explosive or blasting agents	2 hrs	223	192
	Fireworks:			
	Ground display**	1.25 hrs	132	120
	Pyrotechnic Special Effects (Theatrical/Movies)**	1.25 hrs	132	120
	Aerial display** (includes ground display)	2.5 hrs	262	240
	Flammable or combustible liquids:			
	Retail storage - under exempt amount per control area	1 hr	112	96
	Pipelines (operations/excavation)	1 hr	112	96
	Containers/tanks (initial)	2.5 hrs	279	240
	Containers/tanks (renewal)	1.5 hrs	167	144
	Underground tanks	1 hr	112	96
	Tank removal	1.5 hrs	167	144
	Tank vehicles (initial)	1.5 hrs	167	144
	Tank vehicles (renewal)	1 hr	112	96
	Fruit ripening	1 hr	112	96
	Fumigation or thermal insecticides fogging	2 hrs	223	192
	Hazardous materials (retail storage) - under exempt amount per control area	1 hr	112	96
	Hazardous materials (store/handle/use) (initial)	4 hrs	446	384
	Hazardous materials (store/handle/use) (renewal)	1.5 hrs	167	144
	Hazardous production materials	3 hrs	335	288
	High piled combustible stock (initial)	3 hrs	335	288
	High piled combustible stock (renewal)	2 hrs	223	192
	LPG - non SFD	2 hrs	223	192
	LPG - SFD	1 hr	112	96
	Liquid or gas fueled vehicles or equipment in assembly buildings	1 hr	112	96
	Lumber yards	1.5 hrs	167	144
	Magnesium working	2 hrs	223	192
	Mall covered	2 hrs	223	192
	Motor vehicle fuel dispensing station	1 hr	112	96
	Motor vehicle refueling unit	2 hrs	223	192
	Oil Wells	2 hrs	223	192
	Organic coatings (initial)	4 hrs	446	384
	Organic coatings (renewal)	3 hrs	335	288
	Ovens, industrial baking or drying (initial)	1.5 hrs	167	144
	Ovens, industrial baking or drying (renewal)	1 hr	112	96

**VENTURA COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF 2005 - 2006 SERVICE FEES**

*Note: All service fees are presented on an hourly basis unless otherwise indicated.*

*Fees for 2004-05 are shown for comparison purposes only.*

		<b>2004-05</b>	<b>2005-06</b>
	Places of assembly: (not part of "A" occupancy plan review)		
	50-100 people	1 hr	112
	101-300 people	2 hrs	223
	Over 300 people	3 hrs	335
	Radioactive materials (initial)	2 hrs	223
	Radioactive materials (renewal)	1 hr	112
	Refrigeration equipment install or operate (initial)	2.5 hrs	279
	Refrigeration equipment install or operate (renewal)	1.5 hrs	167
	Repair garages	1 hr	112
	Special use/event permit	0.5 hr	56
	Spraying or dipping (initial)	3 hrs	335
	Spraying or dipping (renewal)	1.5 hrs	167
	Tents, canopies, & membrane structures-non high fire hazard area & < 100 occupants	1 hr	112
	Tents, all others	3 hrs	335
	Tire storage	1.5 hrs	167
	Wood products	2 hrs	223
	Hot work & cutting operations (within occupancy & mobile)	1.5 hrs	167
	<b>** Plus Safety Officer cost of \$58/hr.</b>		
	Note: Hourly rate, at 15 minute increments, shall be charged for permit activities that exceed the norm.		
	-Inspection and plan reviews required to take place after hours will be charged at the hourly overtime rate with a 4 hours minimum.		
	-For permits issued over the counter, but requiring an inspection, an initial permit fee shall be charged.		
	-Fire Prevention Standby, except for Fireworks, is at a Fire Prevention Staff rate of 0.25/hr. for a minimum of one hour.		
<b>IV. COMMUNITY EDUCATION SERVICES</b>			
	Captain	0.44 hr	49
	Engineer	0.38 hr	42
	Firefighter	0.30 hr	34
<b>V. MISCELLANEOUS</b>			
<b>1. COPIES OF REPORTS</b>			
	1 page		3
	2 or more pages		3
	File search fee	\$3+\$0.5/pg	\$3+\$0.5/pg
	File search fee	\$8/address	\$8/address
	Fire Rescue Incident Report Copying: 1-5 pages	3	3
	6 or more pages	\$3+0.5/pg>5	\$3+0.5/pg>5
	Fire Rescue Incident Report Copying: Retrieval media, CD	1	1
	Fire Investigation Report fee (includes copying fee)	33	33
	<b>2. Fire Hazard Reduction Admin. Fee</b>	<b>635</b>	<b>635</b>
	<b>3. Subpoena (per request)</b>	<b>8</b>	<b>8</b>
	<b>4. Tape Copying</b>	<b>34</b>	<b>34</b>
	<b>5. Fire Training Facility Classroom Rental</b>		
	Other Fire Agencies (per rental day)	50	50
	All Other Requests (per rental day)	100	100
	<b>6. Code Enforcement</b>		
	Bill the fully allocated hourly rate for all personnel used to bring an occupancy into compliance for all time after the second inspection.		
	Additional fees and/or fines may be imposed when a citation is issued.		
	<b>7. DUI Accident Response</b>		
	Bill the fully allocated hourly rate for personnel used		

**VENTURA COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF 2005 - 2006 SERVICE FEES**

<i>Note: All service fees are presented on an hourly basis unless otherwise indicated.</i>			
<i>Fees for 2004-05 are shown for comparison purposes only.</i>			
		<b>2004-05</b>	<b>2005-06</b>
8. False Alarm/Prank Call Response			
Malicious False Alarm:			
Hourly rate of all responding personnel with one hour minimum.			
All other:			
1-3: No charge			
>3: Hourly rate of all responding personnel with one hour minimum.			
9. Non-Emergency Public Assistance			
Charge hourly rate for all responding personnel in 15 minute increments.			
10. Fire Protection Standby:			
Hourly rate of all personnel and equipment used.			
11. Hazardous Materials Squad Services:			
Residential Household Spills: No Charge			
All other spills: Charge the fully allocated hourly rate of all responding personnel.			
12. Fire Investigation:			
Charge the fully allocated hourly rate for all personnel used if the fire was determined to be arson-related and the arsonist can be identified.			
13. Film Review/Inspection Fee			
Initial fee is for application review and one on-site inspection; additional inspections will be charged at 1 hr. with 0.25 hr. increments.			
14. Community Room Rates			
Govt. Org./Youth Non-profit		No charge	No charge
Non-profit/ Community		\$10/hr	\$10/hr
Others (\$100 cleaning/security deposit required)		\$15/hr+\$100	\$15/hr+\$100
<b>OVERHEAD RATES:</b>			
Administrative Overhead Charge:		13.60%	
In County Overhead Rate:			14.88%
Out-of-County Overhead Rate:			7.94%
Shop Overhead Rate:			5.18%
<b><i>All fees are based on a finite level of effort and time to complete the task. Any task included herein for which the level of effort exceeds that which is incorporated in the fee shall be charged at a rate that is equal to the appropriate department personnels' hourly cost.</i></b>			

Attachment 6.5

**SAN BERNARDINO COUNTY FIRE DEPARTMENT  
OPERATIONS DIRECTIVES**



**5009 IMPLEMENTATION OF COUNTY ORDINANCE 3342  
FIRE PROTECTION USER FEES**

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VII	ADVISEMENT OF FEE SCHEDULE
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XI	COUNTY ORDINANCE #3442, SECTION 16.0211A

**I. BACKGROUND**

As of July 1, 1991, San Bernardino County Ordinance 3442, Section 16.0211A, allows for the collection of fees for specialized services rendered by Community Safety staff, San Bernardino County Fire Department.

**II. PURPOSE:**

To provide clear and concise direction in the implementation of ordinance 3442 in the collection of fees.

**III. BRIEF EXPLANATION OF SECTIONS**

**IV. FEE SCHEDULE**

The adopted fee schedule is arranged into categories for simplicity and to furnish the capability for accelerated reference. These categories include:

**A. PLANNING**

Site Plan Review Fees

**B. STRUCTURAL & ENGINEERING**

Plan Checking, Fire Inspections & Consultation Fees

**C. EVENTS AND SPECIAL HAZARD PERMITS**

Fire Permits Required by the Uniform Fire Code

**V. INTERPRETATION OF FEE SCHEDULE CATEGORIES**

The Division Chief in charge of the Community Safety Division's clarification of each section and category for Fire Department staff's comprehension.

**VI. GENERAL ORDERS OF PROCEDURES**

Guidelines and procedures for all Fire Department personnel to follow regarding the collection and processing of fees.

**VII. ADVISEMENT OF FEE SCHEDULE**

Letter of fee schedule to local Developers, Fire Protection Engineers and Architects of the community.

**VIII. NOTICE OF PERMIT REQUIREMENTS**

For Fire Inspectors to provide to individuals who require a permit established by the Uniform Fire Code.

**IX. APPLICATIONS FOR FIRE PERMITS**

Specific application questionnaires for required Fire permits.

**X. FIRE INSPECTION INVOICE**

Sample Fire inspection bill to be left for the collection and payment of fees.

**XI. COUNTY ORDINANCE 3442, SECTION 16.0211A**

Actual section of the San Bernardino County Ordinance authorizing revenues to be collected for special services provided by Fire personnel.

**XII. FEE SCHEDULE**

San Bernardino County Ordinance #3442, Section 16.0211A

**A. PLANNING: SITE PLAN REVIEW**

Pre-application and application review fees.

1.	Tentative Parcel Maps	\$100.00
2.	Tentative Tract Maps	\$200.00
3.	Site Plan Approval, Conditional Use Permits	\$160.00
4.	Planned Unit and Residential Development Plans	\$500.00
5.	Special Project Review (Outside of County process where the County is not the Clearing House)	\$500.00

**B. STRUCTURAL & ENGINEERING:**

Structural Building Plans and Fire Protection Systems Plan Review and Fire Safety Inspections

STRUCTURAL:

Residential Buildings

1.	Multi-Family Dwellings (per Unit)	\$40.00
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Commercial Buildings

2.	5,000 Sq. Ft. and under	\$100.00
3.	5,001 Sq. Ft. and over (per Sq. Ft.) Industrial buildings	\$.02
4.	5,000 Sq. Ft. and under	\$100.00
5.	5,001 Sq. Ft. and over (per Sq. Ft.)	\$.02
6.	Interior and/or Exterior Building Alterations (per Suite or Floor)	\$80.00



ENGINEERING:

7.	Automatic Sprinkler System(s)	
	a. All new and altered systems with 21 or more sprinkler heads	\$160.00
	b. 20 sprinkler heads or less, alterations only	\$60.00
8.	Engineered and Pre-Engineered Automatic Suppression Systems (Excluding Water)	\$10.00
9.	Fire Alarm Systems	\$80.00
10.	Approved map or plan revisions shall be \$ 40.00 per hour but in no case less than 25% of the original fee.	

FIRE SAFETY INSPECTIONS AND CONSULTATION FEES

11.	Failure to hold field inspection without notice (one hour minimum charge)	\$40.00/hr
12.	Short notice inspection request (One hour minimum charge)	\$40.00/hr
13.	Division consultation fees not otherwise listed shall be one hour minimum (phone consultations, counter information and Branch Office assistance exempt)	\$40.00/hr
14.	Fire flow test (one hour--two people)	\$ 80.00
15.	When an outside consultant is used for plan check review, the fee required by the consultant shall be paid by the developer/applicant directly to the consultant prior to plan approval.	
16.	Additional field inspection fee.	
	a. For the St. and 2nd inspections for new Fire protection systems and buildings.	No charge
	b. Any additional inspections shall be	\$40.00/hr
	c. All chargeable inspections shall round off to the nearest ½ hour.	

C. EVENTS AND SPECIAL HAZARD PERMITS:

Fire Safety Permits (Single Issuance or as otherwise Noted)

1.	Installation of Aboveground Flammable and Combustible Liquid Storage Tanks (per Tank) - Annual Inspection	\$160.00
2.	Liquefied Petroleum Gas - Storage or Transport (per 500 gallon Tanks) Annual Inspection	\$60.00
3.	Fire Works -- Public Display (Includes Inspection)	\$80.00
4.	Massage Parlors - Annual Inspection	\$60.00

- |    |   |            |
|----|---|------------|
| 5. | Explosives and Blasting Agents (Includes Inspection)<br>Annual Inspection   | \$60.00    |
| 6. | Removal of Flammable and Combustible Storage Tanks<br>(per Tank)  | \$60.00/ea |
| 7. | Hazardous Chemicals - Storage of Liquids, Gases or<br>Solids other than Underground Tanks (per Permit)<br>Annual Inspection | \$60.00    |
| 8. | Inspection of Suppression Extinguishing Systems per<br>Riser (Fees not to exceed 5 Risers or \$300.00) Annual<br>Inspection | \$60.00/ea |
| 9. | Title #19 Inspections - Shall include A-1, A-2, A-2.1<br>(excluding Churches), E-3 and I Occupancies Annual<br>Inspection   | \$60.00    |
- D. All checks and money orders shall be made payable to the San Bernardino County Fire Department.
- E. All fees shall be paid, by mail or in person, directly to the Fire Department Headquarters - Located at 385 N. Arrowhead Ave., San Bernardino, CA 92415-0179.
- F. No fees will be accepted in the field by Fire Personnel.
- G. Plan approval and permits shall not be issued until fees have been collected.
- H. Only a check or money order will be acceptable.
- I. All checks and Money orders shall reference issued file number assigned to specific project.

## II. INTERPRETATION OF FEE CATEGORIES - FEE SCHEDULE CLARIFICATION

The following information is to provide the interpretation of the Division Chief in charge of the Community Safety Division on the sections which establish guidelines and procedures for collecting and processing fees regarding Fire Protection Planning and other Fire Prevention Services, as described in County ordinance #3442 Section 16.0211A.

### A. PLANNING

Section (A): Fire safety requirement pre-application and application review fees.

Category A Items 1 through 5 shall include fees collectable for site plan review of conceptual drawings prepared and submitted to the County Service counter for all Minor Subdivisions, Tract Maps, Conditional Use Permits, Planned Unit and Residential Development Plans and Special Project Review projects. These plans are reviewed and provided with F-Conditions and Fire Department Standards that apply to development requirements needed for project sites and building Fire protection.

**B. STRUCTURAL & ENGINEERING**

Section (B): Structural Building Plans, Fire Protection System Plan Review and Fire Safety Inspections.

Category B Items 1 through 6 shall include fees collectable for architectural plan review required by the Community Safety Division Senior Fire Protection Planner and/or the Fire Marshal. This could include fees above and beyond what is required by the Fire consultant. This category specifically covers architectural plans for Multi-Family Dwellings, Commercial Buildings and Industrial Buildings. Single-Family Dwellings are exempt.

Category B Items 7 through 10 shall include fees collectable for Engineered and Pre-Engineered Fire Protection Systems such as Automatic Fire Sprinkler Plans (excluding Single-Family Dwellings), Halon Systems, Hood/Duct Fire Protection Systems, Automatic Fire Alarm Systems, Nitrous Oxide Systems, etc. Item 10 may also include fees collectable for revised plans under Category IA Items 1 through 5. These fees could be above and beyond Fire consultant fees.

Category B Items 11 through 14 shall include fees collectable for Fire Safety Inspections for new construction. Also covered in this section are fees required for failure to hold field inspections, short notice inspection requests, consultation fees and Fire flow testing.

Category B Item 15 is advisement of Fire consultant fee requirements.

Category B Item 16 shall include fees collectable for additional inspections exceeding one return visit for Fire protection system inspections and building permit clearances.

**C. EVENTS AND SPECIAL HAZARD PERMITS**

Section (C): Fire Permits required by the Uniform Fire Code.

Category C Items 1 through 9 include fees collectable for Fire Safety Permits issued for events and special hazards. Specific permit issuance shall be for annual permits for aboveground flammable and combustible liquid storage in containers or tanks greater than 60 gallons, annual permits for liquefied petroleum gas storage or transport per 500 gallons, per event Fire works public displays, annual permits for massage parlors, annual permits for the use, handle and storage of explosives and blasting agents, the removal of flammable and combustible storage tanks, annual permits for storage of hazardous chemicals, annual inspections of suppression extinguishing systems (limited to \$300.00 or 5 Risers) and annual inspections for Title 19 such as A-1, A-2, A-2.1, E-3 and I Occupancies.

**III. GENERAL ORDER OF PROCEDURES**

**ESTABLISHED GUIDELINES FOR FIRE DEPARTMENT STAFF**

**A. CATEGORY A - PLANNING: SITE PLAN REVIEW**

The following policy establishes guidelines and procedures for all Fire Department personnel to follow regarding the collection and processing of fees for Fire Protection Planning and services, as described in County Ordinance #3442, Section 16.0211A.

**SITE PLAN PROCESSING:**

Site Plan processing begins when the proposed Land Use application is submitted to the Public Information Counter in the Government Center. Fees for this type of plan review are found in Category A: PLANNING, Items 1 through 5.

1. The Public Information Center Representative will direct the applicant to all departments requiring fees prior to the County Planning Department accepting the Land Use Application Questionnaire for review.
2. Fees shall be paid, in person or by mail, by the Applicant/ Developer, to Community Safety Division Headquarters only.
3. Site plan review fees shall be paid by check or money order only. The Applicant is required to provide the appropriate assessors parcel number for the project on each check/money order (Reference Fee Schedule Page #3).
4. All checks and money orders shall be made payable to the, "San Bernardino County Fire Department"
5. Development projects withdrawn may be eligible for up to 100% fee refund after a written request is received and approved by the Fire Chief. Refunds shall be based on the amount of work already performed by Fire Department Staff.
6. The Fire Chief may waive fees for other governmental agencies with reciprocal agreements.

**B. CATEGORY B - STRUCTURAL & ENGINEERING**

The following policy establishes guidelines and procedures for all Fire Department personnel to follow regarding the collection and processing of fees for Fire Protection Planning and Services, as described in County ordinance #3442, Section 16.0211A.

1. **STRUCTURAL:**

By the time architectural building plans are submitted, the Applicant has already received an approved site plan and is seeking authorization for the proposed buildings to be constructed on a particular site. The architectural building plans provided to the Building & Safety Department may require review by the Division Chief in charge of Community Safety Division, Senior Fire Protection Planner or Fire Consultant. This review shall take place prior to release for Building Permits. Category B, Items 1 through 6 provides fee requirements for Fire Safety Staff review. The letter prepared by Fire Department staff for architectural plan review, comments and corrections shall stipulate required fees to be paid prior to building permit release.

2. **ENGINEERING:**

Engineering plans required to be reviewed by the Fire Safety Staff or Fire Consultant shall be approved prior to installation and occupancy. Fire Protection system fees for Fire Safety Staff review and inspections shall be addressed in Category B, Items 7 through 10.

3. **ORDER OF PROCESSING**

- a. Upon receipt of building plans, and/or Fire protection system plans and application, a notice or invoice of payment shall be presented to the applicant for the review and two inspections.
- b. The approved set of plans shall not be released until payment is received for said services. Construction of buildings or the installation of Fire protection systems shall not be granted until plans are approved and provided to the Contractors. Field inspections shall not be scheduled until fees are paid and plans are approved.

- c. Building and Fire protection system fees will be paid by check or money order only. The Applicant is required to provide the appropriate file number and log number for the project on each check/money order.
- d. All checks and money orders shall be made payable to "San Bernardino County Fire Department" prior to project release.
- e. When all requirements are met for building permit or occupancy clearance, a Release form (Form #: FI-18) shall be sent to Building and Safety. This form shall be sent after all fees are paid and final inspections are complete.
- f. Fire Department project release letters shall include the date fees are paid, amount, and fee item identified prior to issuance.
- g. The Fire Department Branch offices Fire Inspectors will contact the Planning and Engineering Clerk for confirmation on fee payment prior to release.
- h. All Fire safety branch offices are to refer payment of all fees to the Community Safety Division Headquarters.
- i. Development projects withdrawn may be eligible for up to 100% fee refund after a written request is received and approved by the Fire Chief. Refunds shall be based on the amount of work already performed by Fire Department Staff.
- j. The Fire Chief may waive fees for other governmental agencies with reciprocal agreements.

4. **FIRE DEPARTMENT RELEASE FORM**

This form, Form #FI-18 (Page 12) is to be used to release projects for Fire Department clearances as needed for confirmation to the County Building and Safety office for building permit and occupancy final or the Survey Department for recordation of tract and parcel maps.

5. **APPLICATION FOR PLAN REVIEW**

This application, Form #: FI-19 (Page 13) shall be required for all plans submitted for review for Fire protection systems and structural building plans. All applicants and Fire Department branch offices shall present this application with the set of plans to be reviewed to the Planning and Engineering clerical staff.

**RELEASE FORM**

DATE: \_\_\_\_\_

TO: BUILDING AND SAFETY - SAN BERNARDINO COUNTY

TO: SURVEY DEPARTMENT - SAN BERNARDINO COUNTY

RE: PROJECT NAME: \_\_\_\_\_

LOCATION: \_\_\_\_\_

PROJECT COUNTY NUMBER: \_\_\_\_\_

FIRE DEPARTMENT NUMBER: \_\_\_\_\_

This letter is to inform your department that the above mentioned project is released for the following clearance:

RECORDATION: \_\_\_\_\_ FIRE REP: \_\_\_\_\_

BUILDING PERMIT: \_\_\_\_\_ FIRE REP: \_\_\_\_\_

OCCUPANCY: \_\_\_\_\_ FIRE REP: \_\_\_\_\_

All fees have been paid and all Fire protection has been provided for this stage of development. If you have any questions regarding the release of said project, please call our office at (909) 387-5372.

**\* ONLY ONE TYPE OF FIRE CLEARANCE IS PROVIDED WITH THIS FORM.**

9/97  
Form #: FI-18

**APPLICATION FOR PLAN REVIEW**

Date: \_\_\_\_\_ Log Number: \_\_\_\_\_

TYPE OF PLANS SUBMITTED: \_\_\_\_\_

NAME OF BUSINESS: \_\_\_\_\_ PHONE: \_\_\_\_\_

BUSINESS ADDRESS: \_\_\_\_\_

NAME OF OCCUPANT: \_\_\_\_\_

BUILDING OWNER: \_\_\_\_\_ PHONE: \_\_\_\_\_

CONTRACTOR: \_\_\_\_\_ PHONE: \_\_\_\_\_

CONTRACTOR'S ADDRESS: \_\_\_\_\_

**CONTRACTOR'S LICENSE: \_\_\_\_\_ EXPIRATION \_\_\_\_\_**

PLAN CHECK FEES: \_\_\_\_\_ DATE PAID: \_\_\_\_\_

CHECK NUMBER: \_\_\_\_\_ RECEIPT NUMBER: \_\_\_\_\_

Please make the check/money order payable to: **San Bernardino County Fire Department.**

All plan corrections must be clearly identified with next submittal.

Plans illustrating corrections needed must be returned.

**All** requested inspections require a minimum of 48 hours notice.

9/97  
Form #: FI-19

**C. CATEGORY B, FIRE INSPECTION AND CONSULTATION FEES AND CATEGORY C, EVENTS AND SPECIAL HAZARDS PERMITS**

**1. FIRE SAFETY INSPECTIONS, AND CONSULTATION FEES**

Fire safety inspections shall be for various requirements mandated by the Uniform Fire Code, local ordinances or recognized standards. Inspections shall be conducted, by Field Inspectors, upon request by the owner/applicant. Fees required for inspections are addressed in Category B, Items 11 through 16 (excluding 13). Item 13 addresses fee requirements for consultations requested by the applicant.

**2. EVENTS AND SPECIAL HAZARD PERMITS**

During annual inspections of existing facilities or upon request of the applicant, permits shall be issued for engaging in activities, operations, practices or functions. Fees required for permit can be located in Category C.

- a. Applications for permits issued for special events, activities, operations, practices or functions shall be provided by Fire Safety Staff or Engine Companies during inspections or upon contact with Community Safety Branch Offices. All permit applications with the appropriate site plan for the proposed special event or activity shall be referred to Fire Department Headquarters.
- b. All Fire Safety Inspectors and Engine Companies shall be responsible for the issuance of "Notice of Permit Requirements" (Reference Section V) to all existing facilities requiring permits.
- c. When compliance is required due to violation of, permit requirements as specified in the Uniform Fire Code, Article 4 Section 4.102(c), a notice shall be presented to the applicant/owner designating permit fee requirement, compliance date and return inspection.
- d. After the approval of permits and the payment of fees are received the Planning and Engineering Secretary shall notify the Field Inspector by sending a copy of the approved permit with the application. The Field Inspector will return for the final inspection.
- e. Fire Department project release forms and permits shall include the date fees are paid, amount, and fee item identified prior to issuance.
- f. Permit fees will be paid by check or money order only. The Applicant is required to provide the appropriate permit or invoice number for the project on each check/money order (Reference Fee Schedule Page #3).
- g. All checks and money orders shall be made payable to "San Bernardino County Fire Department" prior to project/permit release. All Fire Personnel are to refer payment of all fees to the Fire Department Headquarters.
- h. Development projects withdrawn may be eligible for up to 100% fee refund after a written request is received and approved by the Fire Chief. Refunds shall be based on the amount of work already performed by Fire Department Staff.
- i. The Fire Chief may waive fees for Events and Special Hazard Permits required for other governmental agencies with reciprocal agreements.
- j. Issuance of Events or Special Hazard permits shall not be granted until fees are paid.



- k. Invoices, Events and Special Hazard permits shall be sequentially numbered and the amount of fees paid with the date of payment included on each permit released.
- l. Consultation fees will include meetings with Fire Department Staff. Staff members shall include the Division Chief in charge of Fire Safety Division, Senior Fire Protection Planner, and/or Fire Chief Is participation. Consultation fees may be required for meetings over 15 minutes at a minimum rate of one hour (refer to B13).

**D. PROJECT PROCESSING, FEE COLLECTION AND DEPOSIT  
PLANNING & ENGINEERING CLERICAL RESPONSIBILITIES**

- 1. The Planning and Engineering Clerk shall be responsible for the collection of fees, issuance of Fire Department receipts, and the transfer of funds to the County. The Fiscal Administrative Analyst will review all deposits prior to submittal to the County for deposit.
- 2. The Planning and Engineering Clerk shall be responsible for coordinating and processing all correspondence and documentation between the Applicant/Developer and Fire Department staff for review and approval.
- 3. The Planning and Engineering Secretary shall be responsible for maintaining a ledger (amount of funds received, permit numbers, by whom, date received, and for what project) for all fees collected.
- 4. The Planning and Engineering Secretary shall be responsible for the following procedures:
  - a. APPLICANT SHALL RECEIVE the original of the:
    - (1) Fee Receipt
    - (2) Event or Special Hazard Permit, approved structural building plan or Fire protection system plan.
  - b. COUNTY SHALL RECEIVE THE FOLLOWING FOR DEPOSIT:
    - (1) Original of the check/money order
    - (2) Original of the appropriate deposit forms
  - c. FIRE SAFETY DIVISION MAIN OFFICE OCCUPANCY FILES - One copy each of the:
    - (1) Application
    - (2) Event or Special Hazard Permit or the approved structural building or Fire protection plans
    - (3) Shall be filed in all applicable occupancy files.
  - d. FIRE SAFETY BRANCH OFFICES SHALL RECEIVE One (1) copy each of the:
    - (1) Application
    - (2) Event or Special Hazard Permit or the approved structural building plans or Fire protection system plan.
- 5. The Planning and Engineering Clerk shall provide an itemized statement of charges to all persons requesting statements.

#### ADMINISTRATION STAFF RESPONSIBILITIES

6. The Fiscal Administrative Analyst shall coordinate transactions for deposit and provide an overview of all deposits before processing.
7. Two (2) separate accounts shall be used (Category A - Planning and Categories B and C - Engineering and Permits combined) for tracking purposes

#### IV. ADVISEMENT OF FEE SCHEDULE

**The following letter is to be distributed to Developers, Fire Protection Engineers and Architects of the community.**

September 1, 1997

TO: CORPORATIONS ASSOCIATED WITH COMMUNITY DEVELOPMENT

RE: COUNTY ORDINANCE #3442

Ladies and Gentlemen:

This letter is to acquaint you with the fee requirements that will be requested for services rendered by the Community Safety Division Staff, San Bernardino County Fire Department.

The San Bernardino County Ordinance #3442, Section 16.0211A addresses fees for specialized services provided by Fire Service personnel that took effect on July 01, 1991. The fees mentioned in Section 16.0211A shall be paid to the San Bernardino County Fire Department located at 385 N. Arrowhead Avenue, 3rd Floor San Bernardino, California 92415-0179 prior to or upon completion of said performed services.

If you have any further questions regarding this matter, please feel free to call my office.

Sincerely,

COMMUNITY SAFETY DIVISION CHIEF

Attachment: Fee Schedule

**V. NOTICE OF PERMIT REQUIREMENTS - UNIFORM FIRE CODE, ARTICLE #4**

**COUNTY ORDINANCE #3442, SECTION 16.0211A**

**The following is to be released with permit application and compliance orders to all existing facilities.**

October 21, 1997

DEAR APPLICANT:

This correspondence is to act as an official notice of permit requirements mandated by the adopted Uniform Fire Code, Article #4 and payment of fees under the authority of the County Board of Supervisors amending Chapter 2 of Division 6 of Title 1 of the San Bernardino County Code.

You are requested to apply within two (2) weeks of legal notice, by application provided with this correspondence, for a permit to conduct activities, operations, practices and/or functions within the jurisdiction of the San Bernardino County Fire Department. Fees shall be paid to the San Bernardino County Fire Department, Community Safety Division, located at 385 N. Arrowhead Ave., 3rd Floor, San Bernardino, California 92415-0179, prior to approval of the permit request.

Failure to comply with these requirements may result in additional fee charges for non-compliance inspections and may result in legal action against you personally and/or the corporation which you represent.

Sincerely,

COMMUNITY SAFETY DIVISION CHIEF

od/fee

## VI. APPLICATIONS FOR FIRE PERMITS

1. ABOVEGROUND STORAGE OF FLAM/COMB LIQUIDS: Application provided in this section.
2. LIQUEFIED PETROLEUM GAS: Application provided in this section.
3. FIREWORKS Application provided in this section.
4. MESSAGE PARLORS: No Fire hazards exist for application approval.
5. EXPLOSIVE AND BLASTING AGENTS: Application provided in this section.
6. TANK REMOVAL: Application provided in this section.
7. HAZARDOUS CHEMICALS: Application provided in this section (excluding underground tanks).
8. EXTINGUISHING SYSTEMS: No explanation of operation required prior to inspection.
9. TITLE 19 INSPECTIONS: Application is provided by the Department of Social Services upon request for inspection (Example Provided).

**APPLICATION FOR PERMIT  
STORAGE, HANDLING, USE OR SALE OF FLAMMABLE COMBUSTIBLE  
LIQUIDS IN COMMERCIAL AND INDUSTRIAL ESTABLISHMENTS  
UNIFORM FIRE CODE, ARTICLE #79**

COMPANY NAME: \_\_\_\_\_ PHONE NO.: \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_ CITY, ZIP: \_\_\_\_\_  
 OWNER OF BUSINESS OR OFFICER OF CORPORATION: \_\_\_\_\_ EMERGENCY PHONE NO.: \_\_\_\_\_

LIST TYPE AND AMOUNTS OF FLAMMABLE AND COMBUSTIBLE LIQUIDS TO BE USED OR STORED ON PREMISES:

TYPE	FLASH POINT	UNDERGROUND STORAGE	INSIDE STORAGE	OUTSIDE STORAGE
_____		GALS. _____	GALS. _____	GALS. _____
_____		GALS. _____	GALS. _____	GALS. _____
_____		GALS. _____	GALS. _____	GALS. _____
_____		GALS. _____	GALS. _____	GALS. _____
_____		GALS. _____	GALS. _____	GALS. _____

PLEASE COMPLETE THE FOLLOWING QUESTIONS:

1. Is the building equipped with an approved automatic sprinkler system?  
 Yes \_\_\_\_\_ No \_\_\_\_\_  
 If yes, please state the designed density: \_\_\_\_\_
2. Does electrical wiring and equipment in building comply with the National Electric Code?  
 Yes \_\_\_\_\_ No \_\_\_\_\_  
 If yes, provide class designator: \_\_\_\_\_
3. Indicate number, size, and type of Fire extinguishers on premises:  
 Co2 \_\_\_\_\_ Press. Water \_\_\_\_\_ Dry Powder \_\_\_\_\_ Other \_\_\_\_\_
4. Are "NO SMOKING" signs installed in storage, dispensing, or mixing areas?  
 Yes \_\_\_\_\_ No \_\_\_\_\_
5. Are flammable or combustible liquids dispensed into smaller containers?  
 Yes \_\_\_\_\_ No \_\_\_\_\_
6. When dispensing flammable or combustible liquids, is an approved dispensing devise used?  
 Yes \_\_\_\_\_ No \_\_\_\_\_

**Continued on Back  
9/91**

A diagram of premises indicating area or room to be used for storage and/or dispensing of flammable or combustible liquids, placement of extinguishers and exits shall be attached to this application. NOTE: conditions, surroundings and arrangements shall be in accordance with the Uniform Fire code.

NAME OF APPLICANT (PRINT): \_\_\_\_\_

SIGNATURE OF APPLICANT: \_\_\_\_\_

TITLE OF APPLICANT: \_\_\_\_\_

DATE: \_\_\_\_\_

APPLICATION APPROVED: \_\_\_\_\_ DENIED: \_\_\_\_\_

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

TITLE: \_\_\_\_\_

**APPLICATION**  
ANY TANK(S) USED FOR STORAGE OF FLAMMABLE LIQUIDS  
UNIFORM FIRE CODE - ARTICLE #79

TO: Remove \_\_\_\_\_ or Place Temporarily out of Service \_\_\_\_\_

LOCATION OF TANK(S): \_\_\_\_\_

ABOVE GROUND: \_\_\_\_\_ UNDERGROUND: \_\_\_\_\_

COMPANY /OWNER NAME: \_\_\_\_\_ PHONE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_ CITY/ZIP: \_\_\_\_\_

NAME OF CONTRACTOR: \_\_\_\_\_ PHONE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_ CITY/ZIP: \_\_\_\_\_

---

**THE FOLLOWING PROVISIONS SHALL BE ADHERED TO:**

1. The San Bernardino County Environmental Health Services shall be notified 24-hours in advance of removal of tank(s).
2. Fire Safety Division shall be notified twenty-four (24) hours in advance of removal of tank(s).
3. All residual liquids, solids or sludge shall be removed from the underground tank(s) and the tank(s) rinsed with water. All material removed from the tank(s) shall be disposed of as hazardous waste. A copy of all Uniform Hazardous Waste Manifests used for the disposal shall be presented to the Fire Inspector at the job site and retained by him.
4. Underground tank(s) shall be purged to render a safe, non-explosive atmosphere in the tank(s). (a) Dry ice at the rate of 15 pounds per 1000 gallon capacity of the tank(s) shall be added in the presence of a Fire Inspector 8 - 12 hours before the tank(s) is/are moved. (b) Explosive meter reading of 6% or less with reading taken at three levels inside the tank(s) in the presence of a Fire Inspector.
5. All excavations of underground tank(s) shall be secured with adequate barricades until properly filled and completed.
6. Tank(s) removed from the ground shall not be allowed to remain at the site overnight unless approved by the Fire Inspector.

Continued on back  
9/91  
Form #: FI-22

NAME OF APPLICANT (PRINT): \_\_\_\_\_

SIGNATURE OF APPLICANT: \_\_\_\_\_

TITLE OF APPLICANT: \_\_\_\_\_

DATE: \_\_\_\_\_

APPLICATION APPROVED: \_\_\_\_\_ APPLICATION DENIED: \_\_\_\_\_

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

FOR FIRE INSPECTOR:

TANK(S): U/L NO.(S) #1 \_\_\_\_\_ #2 \_\_\_\_\_ #3 \_\_\_\_\_ #4 \_\_\_\_\_

TANK CAPACITY: #1 \_\_\_\_\_ #2 \_\_\_\_\_ #3 \_\_\_\_\_ #4 \_\_\_\_\_

FIRE INSPECTOR WITNESSING REMOVAL: \_\_\_\_\_ DATE: \_\_\_\_\_



**APPLICATION FOR PERMIT  
LIQUEFIED PETROLEUM GAS  
TO STORE, HANDLE OR USE LIQUEFIED PETROLEUM GASES  
UNIFORM FIRE CODE, ARTICLE 82**

NAME OF BUSINESS: \_\_\_\_\_

BUSINESS ADDRESS: \_\_\_\_\_ CITY/ZIP: \_\_\_\_\_

OWNER OF BUSINESS: \_\_\_\_\_ PHONE: \_\_\_\_\_

1. Indicate total capacity of LPG Tanks in cubic feet: \_\_\_\_\_

2. Are tanks approved by a nationally recognized testing Fire Department? \_\_\_\_\_

Name of testing Fire Department: \_\_\_\_\_

Name of Tank Manufacturer: \_\_\_\_\_

Date of Manufacture (new): \_\_\_\_\_ Restored tank test date: \_\_\_\_\_

3. How many tanks will be stored on site: \_\_\_\_\_

	TANK I.D	SIZE ( x )	CAPACITY
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____

1. Provide a diagram showing the location(s) where tank(s) are to be stored on the premises.

2. Provide additional information; zoning, surroundings, conditions, arrangements and other factors in conjunction with this land to be developed for LPG storage.

3. Number and location of on-site Fire hydrants: \_\_\_\_\_

4. Nearest off-site Fire hydrant and location: \_\_\_\_\_

Additional Fire protection: \_\_\_\_\_

**Additional Fire requirements shall be addressed in a letter of corrections and conditions prior to approval of the application.**

NAME OF APPLICANT (PRINT): \_\_\_\_\_

SIGNATURE OF APPLICANT: \_\_\_\_\_ DATE: \_\_\_\_\_

APPLICATION: APPROVED: \_\_\_\_\_ DENIED: \_\_\_\_\_

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

**SPECIAL EVENT APPLICATION  
FIREWORKS PUBLIC DISPLAY  
UNIFORM FIRE CODE, ARTICLE #78**

---

LOCATION: \_\_\_\_\_ CITY/ZIP: \_\_\_\_\_

PYROTECHNICS LICENSE NO. \_\_\_\_\_ NAME: \_\_\_\_\_

PYROTECHNICS BUS. ADDRESS: \_\_\_\_\_

CITY/ZIP: \_\_\_\_\_

SPONSORED BY: \_\_\_\_\_ PHONE NO: \_\_\_\_\_

DATE OF EVENT: \_\_\_\_\_ TIME OF EVENT: \_\_\_\_\_

TYPE OF FIRE WORKS: \_\_\_\_\_ AMOUNT: \_\_\_\_\_

**PROOF OF BOND OR CERTIFICATE OF INSURANCE:**

---

1. Fire works bond shall be no less than \$1,000,000.00.
2. Area must be clear of combustibles including weeds and dried shrub with Fire Safety staff sign-off.
3. All employees involved in Fire works display must be well trained in the use of Fire works and State Fire Marshal Certified.
4. Fire extinguishing equipment must be on-site and in good working condition prior to and during the event.
5. Display must be a safe distance from buildings and reviewing audience.
6. All fire works must be secured when not in use.
7. Any Fire works that remain unfired after the display is concluded shall be immediately disposed of in a way safe for the particular type of Fire works remaining.
8. All fireworks must be stored in a safe manner.

---

**PYROTECHNIC - APPLICANT SHALL SIGN**

I, \_\_\_\_\_, have reviewed all conditions for fireworks display events and will adhere to these conditions.

9/91  
Form #: FI-23

**SPECIAL APPLICATION  
EXPLOSIVE AND BLASTING  
UNIFORM FIRE CODE ARTICLE #77**

---

LOCATION: \_\_\_\_\_ CITY/ZIP: \_\_\_\_\_  
PYROTECHNICS LICENSE: \_\_\_\_\_ NAME: \_\_\_\_\_  
PYROTECHNICS BUSINESS ADDRESS: \_\_\_\_\_ CITY/ZIP: \_\_\_\_\_  
DATE OF EVENT: \_\_\_\_\_ TIME OF EVENT: \_\_\_\_\_  
TYPE OF BLASTING AGENT: \_\_\_\_\_ AMOUNT: \_\_\_\_\_

---

**PROOF OF BOND OR CERTIFICATE OF INSURANCE:**

---

Fire extinguishing equipment must be on-site and in good working condition prior to and during the event.

**PERMITS**

- (a) **Required.** Where permits are required to be issued by the chief, the chief may grant that authority to the Fire Department having enforcement jurisdiction. Permits shall be obtained.
1. To manufacture, possess, store, sell display or otherwise dispose of explosive materials at any location.
  2. To transport explosive materials.
  3. To use explosive materials.
  4. To operate a terminal for handling explosive materials.
- (b) **Unsafe Material or Practice.** Permits for the following materials shall be invalidated and the materials disposed of in an approved, safe manner.
1. Dynamite having an unsatisfactory absorbent or one that permits leakage of a liquid explosive ingredient under any conditions liable to exist during storage.
  2. Nitrocellulose in a dry and uncompressed condition in quantity greater than 10 pounds net weight in one package.
  3. Fulminate of mercury in a dry condition and fulminate of other metals in any condition except as a component of manufactured articles not hereinafter forbidden.
  4. Explosive compositions that ignite spontaneously or undergo marked decomposition, rendering the products or their use more hazardous, when subjected for 48 consecutive hours or less to a temperature of 167F.
  5. New explosive materials until approved by DOT, except that permits may be issued to educational, governmental or industrial laboratories for introduction or research purposes.
  6. Explosive materials condemned by DOT.
  7. Explosives containing an ammonium salt and a chlorate.

\*\* Continued on Back \*\*

Before a permit is used to use explosive materials, the applicant shall file with the jurisdiction a corporate surety bond in the principal sum of \$100,000 or a public liability insurance policy for the same amount for the purpose of the payment of damages to persons or property which arise from, or are caused by, the conduct of an act authorized by the permit upon which a judicial judgment results. The chief is authorized to specify a greater or lesser amount when, in the chief's opinion, condition at the location of use indicated a greater or lesser amount is required.

**EXCEPTION:** Government entities shall be exempt from this bond requirement.

**BLASTING AGENTS**

- (a) **Transportation and Storage.** Blasting agents shall be transported in accordance with DOT regulations and stored in accordance with federal, state and local regulations.
- (b) **Ammonium Nitrate Storage.** Ammonium nitrate stored at a closer distance to the blasting agent storage area shall be calculated in accordance with nationally recognized standards. See Uniform Fire Code, Appendix VI-E (reference only).
- (c) **Intra plant Separation.** Minimum Intra plant separation distances between mixing units and the ammonium nitrate storage areas and blasting agent storage areas shall be in accordance with nationally recognized standards. See Uniform Fire Code, Appendix VI-E.

**SAFETY PRECAUTIONS FOR BLASTING AGENTS**

- (a) **Mixing Facilities.** Buildings or other facilities used for mixing blasting agents shall be located away from inhabited buildings, passenger railways and public highways in accordance with nationally recognized standards. See Uniform Fire Code, Appendix VI-E  
**EXCEPTION:** Bulk mixing and delivery equipment for shot service delivery.
- (b) **Production Quantities.** Not more than eight hours production of blasting agents or the limit determined by nationally recognized standards, whichever is less, shall be located in or near the building used for mixing blasting agents. Larger quantities shall be stored in magazines. See Uniform Fire Code, Appendix VI-E.
- (c) **Construction.** Buildings or other facilities used for the mixing of blasting agents shall be designed and constructed in accordance with the Building Code.
- (d) **Compounding and Mixing.** Compounding and mixing of approved formulations of blasting agents shall be conducted in accordance with federal, state and local regulations.
- (e) **Sources of Ignition.** Smoking and open flames shall be prohibited in or within 50 feet of buildings or facilities used for the mixing of blasting agents.

**PYROTECHNICS - APPLICANT SHALL SIGN:**

I have reviewed all conditions for Explosive and Blasting events and will adhere to these conditions.

\_\_\_\_\_  
**Applicant Signature**

\_\_\_\_\_  
**Approved**

\_\_\_\_\_  
**Fire Representative**

\_\_\_\_\_  
**Date**

9/91

Form 1: FI-24

**PERMIT APPLICATION  
HAZARDOUS MATERIALS UNDERGROUND STORAGE  
UNIFORM FIRE CODE, ARTICLE #79 & 80**

NAME OF BUSINESS: \_\_\_\_\_  
BUSINESS ADDRESS: \_\_\_\_\_  
OWNER OF BUSINESS: \_\_\_\_\_  
CITY/ZIP; PHONE NO. \_\_\_\_\_

1. Indicate total capacity of underground tanks: \_\_\_\_\_
2. Type of materials to be stored: \_\_\_\_\_
3. Name of tank(s) manufacturer: \_\_\_\_\_  
Date of Manufacture (new): \_\_\_\_\_  
Restored tank test date: \_\_\_\_\_
4. How many tanks will be stored on-site: \_\_\_\_\_

<b>TANK I.D.</b>	<b>SIZE ( x )</b>	<b>CAPACITY STORAGE</b>
A. B. C. D. E.		

5. Provide a diagram showing the location(s) where tank(s) are to be stored on the premises.
6. Provide **M.S.D.S.** for all hazardous materials to be stored.
7. Provide additional information; zoning, surroundings, conditions, arrangements and other factors in conjunction with this land to be developed for LPG storage.
8. Provide complete information on tank connections, corrosion protection, location and arrangement of vents, depth of cover and anchorage.
9. Number and location of on-site Fire hydrants: \_\_\_\_\_
10. Nearest off-site Fire hydrant and location: \_\_\_\_\_
11. Additional Fire protection: \_\_\_\_\_

Additional Fire requirements shall be addressed in a letter of corrections and Conditions prior to approval of the application.

NAME OF APPLICANT (PRINT): \_\_\_\_\_

SIGNATURE OF APPLICANT: \_\_\_\_\_

DATE: \_\_\_\_\_

\_\_\_\_\_  
**APPROVED**

\_\_\_\_\_  
**FIRE REPRESENTATIVE**

\_\_\_\_\_  
**DATE**

**VII SAMPLE FIRE INSPECTION INVOICE**

**NOTICE OF PAYMENT DUE**

Inv. No. \_\_\_\_\_

Please Submit Payment To:  
 SAN BERNARDINO COUNTY FIRE DEPARTMENT  
 157 W. 5TH ST., 2ND FLOOR  
 SAN BERNARDINO, CA. 92415

OWNER: \_\_\_\_\_ PHONE: \_\_\_\_\_  
 LOCATION: \_\_\_\_\_

	Fee Schedule	Amount
A-1	MINOR SUB-DIVISIONS	_____
A-2	TRACT MAPS	_____
A-3	CONDITIONAL USE PERMITS	_____
A-4	UNIT & RESID. DEVELOPMENT PLANS	_____
A-5	SPECIAL PROJECT REVIEW	_____
B-1	RES-MULTI FAMILY (PER UNIT)	_____
B-2	COMM-5000 SQ.FT & UNDER	_____
B-3	COMM - >5000 SQ. FT. (PER SQ. FT.)	_____
B-4	IND-5000 SQ. FT. & UNDER	_____
B-5	IND- >5000 SQ. FT. (PER SQ. FT.)	_____
B-6	IND-INT/EXT ALTER (PER STE, FL)	_____
B-7A	SPRKLR SYSTEM - NEW OR ALT W/21 + HEADS OR MORE	_____
B-7B	SPRKLR SYSTEM - ALT FOR 20 OR < HEADS	_____
B-8	SUPPRESSION SYSTEM (NON-WATER)	_____
B-9	FIRE ALARM SYSTEMS	_____
B-10	MAP/PLAN REVISIONS (PER HR/MIN 25%)	_____
B-11	INSPECTIONS, FAILURE TO SHOW W/O NOTICE	_____
B-12	INSPECTIONS, SHORT NOTICE - 1HR MINIMUM	_____
B-13	CONSULTATION FEES - 1 HR MINIMUM	_____
B-14	FIRE FLOW TEST (1 HR - 2 INSPECTORS)	_____
B-15	OUTSIDE CONSUL. - FEE PD DIRECTLY TO CONSULTANT	_____
B-16	ADDITIONAL INSPEC. (3RD+)(PER HR, +RD.5HR)	_____
C-1	INSTALL ABOVEGRD FUEL TANK (EA) (ANNUAL)	_____
C-2	STORE/TRSPT 500 GAL+ LPG (ANNUAL)	_____
C-3	FIRE WORKS - PUBLIC DISPLAY (PER EVENT)	_____
C-4	MESSAGE PARLORS (ANNUAL)	_____
C-5	EXPLOSIVES AND BLASTING AGENTS (ANNUAL)	_____
C-6	REMOVAL FUEL TANKS (EA)	_____
C-7	HAZARDOUS CHEMICALS STORAGE (ANNUAL)	_____
C-8	INSPECT SUPP. EXT SYS-PER RISER (MAX 5) (ANNUAL)	_____
C-9	INSPECTIONS A-1, A-2, A-2.1, E-3, I (ANN)	_____
	Miscellaneous type	_____
	<b>TOTAL</b>	_____

Issuing Inspector \_\_\_\_\_ Date \_\_\_\_\_  
**ALL FEES ARE DUE WITHIN 30 DAYS OF THIS NOTICE**  
 Received By \_\_\_\_\_ Date \_\_\_\_\_

**VIII. COUNTY ORDINANCE 3442, SECTION 16.0211A**

AN ORDINANCE OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AMENDING CHAPTER 2 OF DIVISION 6 OF TITLE 1 OF THE SAN BERNARDINO COUNTY CODE RELATING TO FEES CHARGED BY AGRICULTURE; AIRPORTS; AUDITOR/CONTROLLER-RECORDER; BUILDING INSPECTION AND PLAN REVIEW - BUILDING AND SAFETY DEPARTMENT; COMMUNICATIONS (EQUIPMENT LEASING); FIRE SERVICES; FLOOD CONTROL; HEALTH SERVICES - ENVIRONMENTAL; LAND USE AND DEVELOPMENT REGULATIONS; LIBRARY; MUSEUM; PROBATION; REGIONAL PARKS; REGISTRAR OF VOTERS; TRANSPORTATION; SHERIFF; SPECIAL DISTRICTS - OFFICE OF ENVIRONMENTAL MANAGEMENT GROUP - BUILDING AND SAFETY, PLANNING AND SURVEYOR DEPARTMENTS - MISCELLANEOUS SERVICES; ENVIRONMENTAL MANAGEMENT GROUP - BUILDING AND SAFETY; PLANNING AND SURVEYOR DEPARTMENTS - ACTUAL COST, DEPOSITS, COLLECTION OF ADDITIONAL MONEY AND REFUNDS; WEIGHTS AND MEASURES; AND TREASURER-TAX COLLECTOR.

The Board of Supervisors of the County of San Bernardino, State of California, ordains as follows:

SECTION 1 The index to Chapter 2 of Division 6 of Title 1 describing the sections therein is amended to read as follows:

SECTIONS:

- 16.021 Agriculture
- 16.022 Airports
- 16.023 Assessor
- 16.023A Auditor/Controller-Recorder
- 16.024 Building Inspection and Plan Review - Building and Safety Department
- 16.025 Business and Special Licenses and Regulations
- 16.026 Clerk of the Board
- 16.026A Communications (Equipment Leasing)
- 16.027 County Administrative Office - Personnel
- 16.027A County Fee: Booking or Other Processing Services
- 16.028 County Clerk
- 16.028A County Counsel
- 16.028B Courts
- 16.029 District Attorney
- 16.0210 Economic Development
- 16.0211A Fire Services
- 16.0212 Flood Control

SECTION 7 Section 16.0211A of the San Bernardino County Code is added, to read:

16.0211A Fire Services

(a) Fire safety requirement pre-application and application review fee prior to Development Review Committee

(1)	Minor subdivisions .....	\$100.00
(2)	Tract .....	\$200.00
(3)	Site approval (conditional use permit) .....	\$160.00
(4)	Planned unit and residential developments .....	\$500.00
(5)	Special project review (outside of County process where the County is not the Clearing house) .....	\$500.00

(b) Fire safety requirement plan review, building and/or system(s) inspection

(1)	Multi-family dwellings .....	\$40.00/unit
(2)	Commercial-up to 5,000 sq. ft. ....	\$100.00
(3)	Commercial-over 5,000 sq. ft. .... (No additional fee for building over 250,000 sq.ft.)	\$.02/sq.ft.
(4)	Industrial-up to 5,000 sq.ft. ....	\$100.00
(5)	Industrial-5,001 sq.ft. or over .... (No additional fee for building over 250,000 sq.ft.)	\$.02/sq.ft.
(6)	Interior and/or exterior building alteration .....	\$80.00/individual suite/floor
(7)	Engineered/pre-engineered plans-sprinkler systems Separate underground same as full submittal	
(aa)	All new systems and altered systems more than twenty heads .....	\$160.00
(bb)	Twenty heads or less (alteration only) .....	\$60.00
(8)	Engineered or pre-engineered automatic suppression systems (excluding water) .....	\$80.00
(9)	Fire alarm systems .....	\$80.00
(10)	The charge for any revision of a previously approved plan for any of the above shall be \$40.00 per hour for the time spent in review, but not less than 25% of the original fee.	
(11)	Failure to keep field inspection appointment without notification (one hour minimum) .....	\$40.00
(12)	Same day (short notice or demand) field inspection (one hour minimum) .....	\$40.00
(13)	Division consultation fees not otherwise stated (except phone consultations: one hour minimum).....	\$40.00
(14)	Fire flow test (one hour - two people) .....	\$40.00
(15)	When an outside consultant is used for plan check, the fee shall be paid by the developer/contractor or owner to the consultant prior to plan approval.	
(16)	Additional field inspections required after the initial inspection and one follow up (or portion thereof to the nearest ½ hour).....	\$40.00

(c) Fire safety permits (single issuance or as otherwise noted)

(1)	Above ground storage or use of flammable or combustible liquids (more than 60 gallons) .....	\$100.00
(2)	Liquefied petroleum gas (store, handle, transport or use more than 500 gallons; excluding R-3 occupancies .....	\$60.00



- (3) Fireworks - inspection; public display ..... \$80.00
- (4) Massage parlors ..... \$60.00
- (5) Explosives and blasting agents; permit and inspection ... \$60.00
- (6) Flammable and combustible liquids; tank removal  
inspection ..... \$60.00/tank
- (7) Hazardous chemicals - storage, handling or use of a  
solid, liquid, or gas, other than underground tanks ..... \$60.00/permit
- (8) Industrial operations ..... \$60.00/fire suppression  
extinguishing system
- (9) Title 19 inspections ..... \$60.00/inspection

## Section 7. Purchasing Practices

- **The Central Fire Protection District does not adhere to County purchasing practices and policies as mandated by State law and as directed by the Board of Supervisors acting in its capacity as the District Board of Directors. Service agreements requiring Board approval and other agreements requiring approval by Procurement and the County Office of Budget and Analysis (OBA) have not been presented to Procurement, the Board or OBA as mandated by the County's policies. The District does not have written purchasing policies and procedures and internal controls regarding inventory and purchase/payment authority are inadequate.**
- **As a result, purchase prices for certain supplies and equipment exceed prices available through the County's existing contracts that have been secured by the County's Procurement Department. Furthermore, District purchases and competitive quotations are not always obtained or documented and purchasing practices are inconsistent among the organizational divisions of the District.**
- **By following County purchasing practices and policies the District would comply with State law and take advantage of lower prices. The implementation of the recommendations in this section of the report could result in annual savings estimated to equal as much as \$50,000.**

### Background

In February of 1981 the Board of Supervisors, in its capacity as the Board of the Directors of the Central Fire Protection District, approved a resolution that included the following policy directive:

The Fire Chief shall act as the purchasing agent of the District, and where feasible, shall follow the purchasing practices and policies of the County of Santa Clara.<sup>1</sup>

This resolution is consistent with California Public Contracts Code § 20812 that states any fire protection district with a final budget in excess of one million dollars "shall follow the contracting and purchasing procedures which apply to the county government of its principal county or the procedures in subdivision (c)." This subdivision requires any service contract exceeding \$10,000 to be competitively bid or that the District follow County procedures, a \$25,000 threshold in Santa Clara County.

The Santa Clara County Direct Payment List includes categories of purchases by departments and agencies that do not need to be individually approved by the Board of Supervisors, either as a result of a specific statute or other reason. The Direct Pay List includes the purchases of the Central Fire Protection District under a category called

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<sup>1</sup> Resolution, as approved on February 3, 1981

“Otherwise authorized by the Board of Supervisors.” The transmittal attached to the September 2005 update of the Direct Pay List includes a statement that such purchases are “exempted from the Board’s policy on contracting (adopted in 1994), as well as from the Contracting Principles adopted in 1997, and do not have written contracts.” The addition of the Central Fire Protection District to the Direct Pay List in the early 1990’s is inconsistent with the 1981 resolution directing the Fire Chief in his/her capacity as the District Purchasing Agent to follow the practices and policies of the County. Furthermore, not requiring the District to follow the County’s purchasing procedures violates State law. The Board of Directors of the Central Fire Protection District should formally clarify the language in the original resolution to include the phrase “in accordance with Public Contracts Code § 20812.” The Board of Supervisors should direct the County Executive to amend the Direct Pay List to include only those Central Fire Protection District purchases that are consistent with the County standards.

In Fiscal Year 2004-05, service and supply expenditures of \$8,972,528 represented 13.4 percent of total District budgeted expenditures, and 15.9 percent of total actual expenditures. Table 7.1 depicts these expenditures of the District by category.

**Table 7.1**  
**Central Fire Protection District**  
**FY 2004-05 Service and Supply Expenditures**

<u>Category of Expenditure</u>	<u>Expenditure Total</u>	<u>As a Percentage of Total</u>
Purchased Services	4,713,881	52.5%
Professional Services	582,456	6.5%
Communications	338,901	3.8%
Insurance	277,284	3.1%
Vehicle Parts	233,841	2.6%
Utilities	217,114	2.4%
Education/Training	151,532	1.7%
Bulk Fuel	143,029	1.6%
Clothing & Personal	114,174	1.3%
Maint-Structures & Improvements	117,042	1.3%
Computer Hardware & Software	75,912	0.8%
Food & Station Household Goods	63,136	0.7%
Equipment	51,444	0.6%
Medical Supplies	50,888	0.6%
Office Expense	44,415	0.5%
Linen/Laundry Services	39,898	0.4%
Garbage	33,136	0.4%
Printing External	30,615	0.3%
Postage & Freight	18,842	0.2%
Membership Dues & Fees	8,337	0.1%
Miscellaneous Expenses	1,666,652	18.6%
Overhead Internal	247,894	2.8%
<b>Total Object Two Expenditures</b>	<b>8,972,529</b>	<b>100%</b>

Although much smaller than the salaries and benefit total expenditures of \$46.9 million, services and supply expenditures which total nearly \$9.0 million annually merit review and analysis. In the Central Fire Protection District, staff hand-write purchase orders on District forms. Purchase orders are reviewed and signed by the Assistant Chief, at which time the items are ordered. While the purchasing function in the District is somewhat decentralized, the accounts payable function is centralized. Finance staff review purchase orders after goods have been received or services provided, seeking discounts when terms allow, verifying amount due calculations and presenting invoices to the Director of Business Services for final review and approval. After this approval is obtained, staff process payment vouchers from the Controller through the SAP system. Checks are picked up by District staff, brought back to the District Administrative offices and mailed to vendors. The District has not developed formal policies and procedures to instruct staff in the process of purchasing items and processing payment requests. Staff have begun compiling desk manuals to describe the procedures they carry out, but these manuals do not provide consistent direction to staff in the purchasing of services and supplies nor do they ensure that the District pays the lowest available price. The Property Supply Specialist is authorized to prepare purchase orders for supply room equipment and supplies, and is expected to seek the lowest available price. However, the District reports that it has stopped seeking multiple bids for many purchases, assuming that known vendors and warehouse stores offer the lowest price. The approval of purchases by the Assistant Chief and the approval of invoices by the Director of Business Services does not necessarily include a review of multiple bids for items and does not validate that the purchase has been programmed to identify the lowest available purchase price.

District staff reported limited instances when they utilize County contracts, such as certain computer purchases and the vehicle tire purchases. The District has maintained that it does not regularly utilize the County Procurement Department or the existing master contracts because it views itself as distinct and separate from the County, and therefore not obligated to use this function. Also, District staff indicated inefficiencies have previously resulted when the County Procurement Department was used. The Procurement Department has made progress in improving its services including the integration of inventory and purchasing through the County's SAP system. Other non General-Fund Departments analogous to the Central Fire Protection District utilize the master agreements and services of the Procurement Department. These departments include Parks and Recreation, the County Library and the Superior Court. In Fiscal Year 2004-05, the County Library expended \$323,779 through Procurement and master contracts, and the County Parks and Recreation Department expended \$3,128,034 through the Procurement Department and master contracts. And, as stated, California Public Contracts Law and Board resolution both require the District to follow the County's purchasing policies and procedures.

#### *Santa Clara County Purchasing Practices and Policies*

The purchasing practices, policies and procedures of the County of Santa Clara balance the purchase of goods and services at the lowest available cost with the provision of flexibility to departments to purchase high quality goods and services to meet their individual needs within a reasonable time. In a manner consistent with California law,

the Board has enacted ordinance code sections establishing the position of Procurement Director and the delegation of authority to the Procurement Director to purchase, contract and salvage equipment as specified in the Government code. The ordinance code discusses the warehousing of supplies and the release of such supplies to departments, although the advent of warehouse stores and accelerated delivery by vendors has changed this aspect of procurement in the County. The Board of Supervisors Policy Manual, the County Policies and Procedures Manual and a Purchasing Guide all operationalize the Board's intent to protect the interest of the taxpayers in the purchases made by the County. Attachment 7.1 includes the current requirements for County Departments. Purchases under \$5,000 can be made at the discretion of the Procurement Department Buyer, purchases of equipment between \$5,000 and \$25,000 require three or more informal quotes, and equipment supply and service purchases greater than \$25,000 require competitive sealed bids.

The Procurement Department has worked on behalf of departments to develop master contracts with vendors to enable direct purchasing of regularly needed items. These contracts include price lists, discounts on listed prices or access to an Internet site to submit orders. Departments are expected to use master contracts in the purchase of equipment and supplies, unless justification to order elsewhere exists. When a Department identifies an item(s) they would like to add to a master contract, Procurement staff evaluate the regularity of this purchase to determine if the quantity and use of the item is sufficient to negotiate inclusion of the item(s) on the master contract and price list.

### **Service Contracting Issues**

The Santa Clara County Fire Protection District's contracting for services is governed by Public Contracting Code Section 20812. This section of the Code states that a fire protection district may contract for "special services," including "accounting, administration, ambulance, architecture, custodial, economics, engineering, finance, insurance, labor relations, law, maintenance, mechanics, medicine, planning, science, technology and other services which are incidental to the operation of the district."

In contracting for such services, the District, because it has a final budget exceeding \$1 million annually, must either "follow the contracting and purchasing procedures which apply to the county government of its principal county," or it must follow requirements of Section 20812(c). This section of the code requires service contracts exceeding \$10,000 to be let by competitive bid and awarded to the lowest responsible bidder, following a bidding process described by that section, or that the County's \$25,000 threshold be adhered to if following the local policies is selected.

Assuming the District chooses to follow the County's procedures, it would follow requirements of State law, County ordinance and the Board of Supervisors Policy Manual regarding contracts. The requirements include:

- Government Code Section 25502.5, which requires the Board of Supervisors to approve all contracts exceeding \$100,000.

- County Ordinance Section 34-80, which memorializes the same \$100,000 requirement, and adds other standards, including a requirement that the Director of Procurement present an annual report to the Board's Finance and Government Operations on contracts he/she has approved for less than \$100,000.
- The Board of Supervisors' Policies on Contracting and Bidding, Section 5 of the Board Policy Manual. Policies in the Manual include the Board's Contracting Principles to address impact of contracting on County employees, a requirement that all contracts exceeding \$10,000 be submitted to the Office of Budget and Analysis for approval, standards for evaluating contractor performance, contract lengths, use of a Request for Proposal and other contracting tools, and standards for use of sole source contracts.

To determine whether the District follows County contracting policies, we looked at a sample of service contracts entered into by the District, including the contract documents themselves, invoices related to the contracts, correspondence and other documentation. Our review identified examples where the District is not adhering to County contracting policies, as follows:

**Bradford A. McMullin and Associates**—This firm was contracted to provide computer technical support, hardware and software installation and consultation regarding District computer systems. The contract provides services at an hourly rate of \$90 per hour, with costs for services billed monthly. According to District staff, this contract was awarded on a sole-source basis, based on the firm's familiarity with Apple Macintosh computer systems, which the District uses, and its familiarity with fire protection-related issues, as the firm is operated by a former firefighter. Our review of monthly invoices for this contract from August 2004 through July 2005 found that the firm provided 1,408 hours of service at a cost of \$127,192.50. Based on the value of the services provided, under State law this contract should be presented to the Board of Supervisors for review and approval. Issues that should be addressed in that review is the basis for awarding a sole-source contract, rather than following a Request for Proposal procedure, as well as whether more hours of service could be provided for this cost by hiring staff rather than using a contract.

**Aquent**—This is a temporary employment firm with whom the District contracted to provide an individual that serves as part of the District's information technology staff. A review of monthly invoices for this contract from July 2004 through June 2005 showed that this individual provided 1,128.5 hours of services for the District at a cost of \$57,724.20. Because this contract is for less than \$100,000, approval by the Board of Supervisors is not required. However, this contract should have been approved by the Office of Budget and Analysis and the Director of Procurement. As in the case of the McMullin contract, a key issue that should be assessed is whether these services might be more efficiently provided in-house rather than through a contractor, and the basis for contracting on a sole source basis. This is an issue that should have been assessed prior to entering into this contract, since the terms of the Aquent contract require the District to pay Aquent a fee equal to 20 percent of first-year salary if it decides to hire the individual now performing this work as a District employee. The contract terms also should have been reviewed by the Office of Budget and Analysis and the County

Counsel for enforceability and to determine whether it represents a good business practice for the District.

**Principal Decision Systems International**—This firm sold and maintains the District's Telestaff software package, which is used for scheduling firefighters and other personnel-related functions. The most recent annual maintenance agreement with this firm, for 12 months beginning in February 2005, includes a stated cost of \$12,384. Under County ordinance, the District may arrange this maintenance agreement through the Procurement Department, since it is tied to a past technology acquisition. However, under the Board contracting policies, the contract also should be approved by the Office of Budget and Analysis.

**Kelly Spring**—The District contracted with a fitness trainer to manage its fitness program for firefighters, including overseeing annual fitness testing of firefighters and regular visits to fire stations to monitor the fitness programs carried out by firefighters. The trainer also provides monthly and annual status reports to the District on the program. According to invoices from September 2004 through June 2005, 771.5 hours of service were provided, at a cost of \$30,535.50. Again, this contract should have approved by the Office of Budget and Analysis and the Procurement Department, which should have received an explanation from the District as to the basis for awarding this contract on a sole-source basis.

Based on these examples, we recommend that the District review all service contracts. Contracts should be forwarded to the Procurement Department and either the Office of Budget Analysis or the Board of Supervisors, as appropriate, based on the size of the contract, along with the appropriate information on the contracting process for each contract and the basis for that process. Following these recommendations will ensure that the District meets the requirements of State law regarding service contracting.

## **Other Purchases**

In addition to service agreements, we reviewed a sample of purchase orders and invoices to determine if items purchased by the District were available under the County's existing vendor agreements. Attachment 7.2 includes purchases where the same or similar items and lower per unit prices were identified. The attachment also includes those items where the District's price is less than the County's price. For example, the price of high-risk latex gloves offered by the County's vendor exceeded the price paid by the Central Fire Protection District by 66 percent. However, under the recommended development of policies and procedures, the District would continue to realize these lower prices when their research indicated they could purchase the item at a cost less than the County's price. Additional categories of expenditures where savings are possible were also identified. The review indicates that there were instances where items could be purchased through the County Procurement Department at a lower price or with better terms. Our review of the equipment and supply purchases of the District was not intended to include all purchases; rather it was intended to determine whether or not savings were available to the District through the County's master contracts. Compliance with State law by the District in following the County's

procurement policies and procedures, including the use of master contracts, will provide for the comprehensive review of prices between the two entities.

### *Bulk Fuel*

The County of Santa Clara participated in a reverse auction process in conjunction with several other local entities to purchase fuel. The Central Fire Protection District is not an authorized purchaser on the County's established fuel contracts, and instead has selected its own vendor to deliver diesel and unleaded fuel to the majority of the District facilities. The average County cost per gallon during the second half of FY 2004-05 was compared to the weighted actual average monthly cost per gallon paid by the District during the same period. Although the difference fluctuated from month to month, the District's price for unleaded and diesel fuel exceeded that available to the County by approximately five percent. Based on total fuel purchases of \$143,029 in FY 2004-05, the District could have saved approximately \$7,234. These annual savings would increase in FY 2005-06 given increased fuel costs in the market. The District provided information indicating that procedures are in place to protect the District from staff or others from inappropriately accessing the fuel pumps at the stations. This procedure should be formalized and included in the Department's policies and procedures, as discussed later in this section of the report.

### *Communications*

The District purchases communication services from multiple companies, including SBC/MCI, AT&T and Verizon. During FY 2004-05, the District expended \$338,901 for Communication services. The primary vendor relationship with SBC/MCI is through the CALNet State-wide contract that allows government entities, including Special Districts, to purchase such services at reduced rates. One method of comparing the costs of communication services is to calculate a per-minute average cost. The long distance per minute costs of the County, as reported by the Information Services Department, equal either .041 cents per minute or .0233 cents per minute for calls within California, depending on whether the calls are made from switched or dedicated lines. The County pays .03 cents per minute for many calls that are outside the county but within the SBC toll designated area. Calls to other states result in per minute charges of either .0505 cents per minute or .0415 cents per minute. Based on recent samples of FY 2004-05 District phone bills, its per minute charges appear to exceed the County per minute costs. The District per minute cost for a call outside California appears to exceed the County rate by as much as 70 percent, while the long distance per minute costs for calls within California appear to exceed the County's rate by as much as 54 percent.

The District has complex communication needs, given the importance of its connection to County Communications when alarms are sent to stations, the multiple stations throughout the County where fire apparatus and engines reside, and the pending increased use of GIS, GPS and wireless technologies by the District. While the overall phone services of the District were not reviewed as part of this analysis, the District appears to be paying more on a per minute long distance basis than County departments who are billed under the County's master contracts. ISD staff with extensive experience in establishing phone contracts that provide the necessary service



at the lowest price are available to the assist the District in reviewing their current array of phone services and negotiating contract amendments or new contracts to reduce costs. Based on the FY 2004-05 total communication costs, it is estimated that the District could save as much as \$45,000 annually, although the actual savings may be less than this estimate. Long distance as a percentage of monthly phone bill payments ranged from five percent to 50 percent of total bill amounts, depending on the month and the carrier, as different carriers provide different types of service to the District.

#### *Vehicle Parts*

The District utilizes multiple classes of vehicles to fulfill its mission of fire protection and prevention; thus vehicle maintenance and purchase of parts such as tires and batteries are a regular expenditure of the District. The District realizes the same price discounts in the purchase of tires as the County, and the Shop Manager regularly requests and receives informal quotes on items purchased throughout the year to ensure the District is identifying any available savings. In the repair and maintenance of District vehicles, the Shop Manager assesses the capacity of the shop, the available staff resources and the scope of work to determine whether repairs and maintenance should be performed in-house or be sent out for repair. In some instances the vehicle parts needed on engines are very specialized and do not lend themselves to the identification of multiple price quotes for comparison.

#### *Station Household Goods*

District staff at each station complete inventory lists on a monthly basis for regular items that are restocked from the storeroom by staff who maintain the warehouse inventory. The District and the County purchase paper and cleaning items from the same vendor. However, the District pays more for its items. As an example, the District paid \$17.39 for a case of paper towels, while the County is able to purchase the same exact item for \$13.50, a discount of 22 percent. The District pays \$25.06 per case for Comet cleanser, while the County pays \$15.50. The District also pays 54 percent more for toilet paper than the County. The District could obtain reduced prices by becoming an authorized purchaser on the County contract and working with the County Procurement Department to add its items to the price list, or by adjusting the exact items it orders to those already on the County price list. Additionally, the price lists of the County are less susceptible to price increases. The District cost of a case of toilet paper increased 20 percent from \$50.32 to \$60.38 between December of 2004 and June of 2005. Although the total amount of purchases from this vendor is small, it serves as an excellent example of the savings the District could realize by following the County's purchasing policies and procedures. We contacted the vendor who indicated willingness to extend the County's discounts to the District purchases and work with the County Procurement Department to add necessary items to the County master contract and price list.

Because the County operates institutional settings on a 24-hour per day basis at its jail and Probation Department juvenile ranches, it orders large quantities of food and restaurant supplies. Multiple items were identified that could be purchased through the County's master contract with a restaurant supply vendor at lower prices. In regards to

kitchen supplies, the price list from the County's contract includes many items recently purchased by the District, all of which could have been purchased at prices lower than those paid by the District. As an example, the District paid \$6.95 per measuring cup while the County purchased the same item for \$3.40. While the District paid \$168 for the shipping of their supplies, the County was able to negotiate free freight with its vendor. However, the District receives a slight discount for paying within 30 days, whereas the County has 30-day terms, but does not receive a discount for meeting this payment timeline.

## Internal Controls

Three internal control inadequacies were identified during our review of the equipment and supply purchasing function of the District:

**Inventory System**—There is no formal inventory system in the Supply Room of the Central Fire Protection District. The Support Specialists are very experienced staff who have developed their own informal system, and Department staff at stations report supplied are delivered very quickly when requested. While there is a process in place for Supply Service Specialists to fill orders placed by Station staff, any staff are able to access and take items from the storeroom during regular business hours. Inventory modules exist both in SAP and in the District's Firehouse MIS system. Additionally, a previous unsuccessful attempt to automate the station supply ordering process resulted in the creation of a list of the majority of potential items ordered and the assignment of a unique identifier. The IT services group has also created an inventory database to record items and track those that require depreciation, replacement and disposal. As the District proceeds with implementation of the recommendations in this section of the report, an inventory system for the supply room should be chosen and implemented as resources of the District allow.

**Segregation of Purchase and Payment Authority**—In the District, the final purchasing review and approval is provided by the Assistant Fire Chief, while the final payment review and authority is provided by the Business Manager. When either of these persons is away from the office, the other "fills in" to provide the necessary approval of purchases or payments. This system therefore, by design, causes the same person who is approving a purchase to potentially approve the payment for the same order, and is inconsistent with basic internal control structures that segregate purchasing and payment authority.

**Signature Cards**—The Controller's Office maintains signature cards for each department denoting which staff have the authority to approve payment authorizations, journal entries, affidavits of deposit and accounting document processing. These cards are also intended as a control by which staff can compare initials and signatures to those on payment vouchers and other accounting documents. The Director of Business Services recalled that the Assistant Chief did approve some number of payments in the previous fiscal year. The signature card on file with the Controller for FY 2004-05, however, does not include a signature by the Assistant Chief and instead includes a note that the signature was not available because of illness. Signature cards for the Fire Chief, Assistant Chief and the Director of Business Services are on file for Fiscal Year 2005-06 and should be maintained as current at all times by

District staff. We recommend that the District segregate purchasing and payment approval, develop written policies and procedures describing the purchasing and payment processes, and that the District adhere to the County's policies and procedures as required by State law.

### **Methods of Increased Use of Procurement**

There are reasonable and necessary instances where the District should retain the authority to purchase items other than those included in the County's master contracts. For example, firefighters rely on breathing apparatus and other specialized equipment in the performance of their duties. The District should not be limited by purchasing policies and procedures from acquiring the exact equipment is required to do the job, ensure safety, and reduce injury of firefighters and others. Additionally, there are circumstances that require the District to be able to immediately purchase certain items. A Memorandum of Understanding (MOU) would provide sufficient flexibility for the District to retain its ability to purchase individual items when necessary and to purchase items locally when time is a factor. The MOU should include a provision that the Central Fire Protection District will be included as an authorized purchaser on all master contracts that include items the Central Fire Protection District regularly orders. The development of an MOU between the District and the Procurement Department would operationalize the Board's intent to comply with State law and still provide the Fire Chief with the flexibility in purchasing necessary to ensure that the District has the equipment and services it requires.

The Business Officer and finance staff of the District have access to the County's SAP accounting system from their computers at the District Administrative offices. SAP allows users to identify items that can be purchased through master contracts at reduced and discounted prices. However, many staff of the District who regularly prepare purchase orders have neither access to SAP or knowledge of SAP. The ASAP team has established an external search engine on the County's Intranet site that would make it possible for all District staff to search the County's master vendor and item list without SAP, either from the administrative offices or a station location. As previously discussed, the District already uses SAP to request checks to be issued from the Controller, including the establishment and maintenance of vendor files. Therefore, adding the purchasing function of SAP is reasonable and consistent with the current accounting procedures of the District.

#### *Allocation of Procurement Cost*

In the County's annual cost plan, costs for the services of the Procurement department are currently allocated based on a simple count of the number of purchase orders processed for a given budget unit. This method may not provide for the most accurate and equitable allocation of costs based on the relative effort that is dedicated to each department, or the total value of the purchases for each department. The Procurement Department is currently analyzing alternative methods of allocating costs that would be more reflective of these factors and that would include the master contract purchases of each budget unit. The development of a new cost allocation method should provide the Central Fire Protection District with assurances that they will be charged a cost for

County Procurement Department services that is reasonable and equitable, given the volume and value of purchases they make each year.

## CONCLUSION

In order to comply with State law and the resolution of the Board of Directors of the Central Fire Protection District, the District should begin to follow the purchasing practices, policies and procedures of the County of Santa Clara. By doing so, identified and other potential savings will occur as the District will be included on all appropriate master contracts, and will otherwise identify lower prices for items and services purchased.

## RECOMMENDATIONS

It is recommended that the Board of Directors of the Central Fire Protection District:

- 7.1 Clarify its intent that the Central Fire Protection District follow County purchasing practices and policies in accordance with California Public Contracts Code by adopting a resolution amending the 1981 resolution to include the language "in a manner consistent with Public Contracts Code Section 20812." (Priority 1)

It is recommended that the Board of Supervisors:

- 7.2 Direct the County Executive to review the County's Direct Pay List, revising the List to include only those purchases of the Fire Protection District that meet the County's standards. (Priority 2)

It is recommended that the Central Fire Protection District:

- 7.3 Review all current service contracts, and forward contracts to the County Procurement Department, the Office of Budget & Analysis or the Board of Supervisors as appropriate based on the size of the contract, along with required information on the contracting process for each contract, and the basis for that process. (Priority 1)
- 7.4 Enter into a Memorandum of Understanding (MOU) with the Santa Clara County Procurement Department. The MOU should include the basis for allocation of costs to the District, the availability of Procurement Department staff as consultants to the District in major purchasing activities and the inclusion of the Central Fire Protection District on all relevant master contracts. (Priority 3)
- 7.5 Include policies and procedures for the purchasing of equipment and services consistent with those in place at the County in the overall policy and procedure update to be completed according to Recommendation 15.3. (Priority 3)

- 7.6 Develop and distribute a policy to segregate purchase authority from payment authority at all times, and update Controller payment signature cards accordingly. (Priority 2)
- 7.7 Develop and implement an inventory control system for all District supplies including its Central Supply room. (Priority 3)

## **SAVINGS AND BENEFITS**

The implementation of these recommendations would ensure that the District complies with State law pertaining to purchasing practices of fire protection districts. In addition, the District would reduce the cost of its services and supplies by an estimated \$50,000 annually, improve purchasing documentation, ensure consistency of procedures throughout the District and strengthen internal controls. The District will incur an undetermined cost when the Procurement Department allocates costs for its efforts on behalf of the District, and District staff efforts will be required to develop the policies, procedures and internal controls as recommended.

OFFICE OF THE COUNTY EXECUTIVE  
PROCUREMENT DEPARTMENT  
SOURCING PROCESS LEAD TIME

	Buyer Discretion ≤\$5,000 20 Days	Informal Solicitations >\$5,000, ≤\$25,000 30 Days	Formal Competitive Sealed Bids (ITB) or Competitive Sealed Proposals (RFP) >\$25,000 Not Applicable	UPCCAA Construction Bidding Process >\$30,000, ≤\$125,000 60 Days	Board of Supervisor's Contract >\$ 100,000 (Services) >\$ 500,000 (IT Services) >\$2,000,000 (Product) 90 Days
Construction, Alterations, Renovations, Demolition, Repairs					
Services (Routine/Non-Routine)	20 Days	Facility 30 Days Institutional 25 Days Office Tech 30 Days SCVHHS 25 Days	Facility 60 Days Institutional 60 Days Office Tech 75 Days SCVHHS 75 Days	Not Applicable	Facility 90 Days Institutional 90 Days Office Tech 105 Days SCVHHS 105 Days
Commodities & Equipment	20 Days	30 Days	45 Days	Not Applicable	105 Days
Professional/Consulting Services	7 to 10 Days	7 to 10 Days	7 to 10 Days	N/A	90 Days

Assumptions:

- The number of days to source a requirement, including execution of a contract and/or purchase order, is represented in working days and represents worst-case scenario.
- Timeline based on requesting department providing sufficient information for Buyer to initiate sourcing process.
- Timeline for fulfilling sole source requirements is the same as informal/formal sourcing activity.
- Allowance for 30 working days for completion of the transmittal process for contracts requiring Board approval or delegated authority from the Board.
- Time line assumes no challenges or problems with the insurance verification performed by County service provider, IDS.
- Office Technology and SCVHHS longer lead times for formal solicitations takes into account the complexities of the service additional input required from more than the requisitioner, e.g. user group committees and legal counsel, as well as the development of the contract.
- Facilities routine/non-routine and construction contracts take into account the bidders conference and the site walk-thru/inspection.
- Contracts for Professional/Consulting Services are sourced by the end-using department and executed by Procurement.

Attachment 7.2  
Comparative Prices on Selected Items

<u>Item Description</u>	<u>Fire District Price</u>	<u>County Price</u>	<u>Percent Difference</u>	<u>Category</u>
SHIPPING	168.00	-	100%	Food & Station Household Goods
Tong, cool touch 15	9.45	1.95	79%	Food & Station Household Goods
Peeler, S/S ekco	3.78	1.45	62%	Food & Station Household Goods
Mixing Whip, 12 plano	7.74	3.25	58%	Food & Station Household Goods
Mixing Whip 10 plano	7.11	3.00	58%	Food & Station Household Goods
Tissue TP Multi Layer GP	60.38	27.86	54%	Food & Station Household Goods
Measuring cup, 1 pint	6.95	3.40	51%	Food & Station Household Goods
Meat thermometer	10.15	5.55	45%	Food & Station Household Goods
Pitcher, 64 oz w/ cover	11.10	7.95	28%	Food & Station Household Goods
Cleanser Powder Comet (see Note)	25.06	15.50	38%	Food & Station Household Goods
Towel SF Nat Sk1850E SCA 16/250	17.39	13.50	22%	Food & Station Household Goods
USB Extension Cable 6' BELKIN	5.00	4.00	20%	Computer Hardware & Software
1GB Cruzer Mini USB flash dr	71.00	69.00	3%	Computer Hardware & Software
HP LaserJet 4100 toner	105.00	106.00	-1%	Office Expense
LaserJet 4000 Black Toner cartridge	82.00	83.00	-1%	Office Expense
HP Laser Jet cartridge	96.00	100.00	-4%	Office Expense
Office Mac 2004 Pro	274.95	306.00	-11%	Computer Hardware & Software
400 GB SATA Drive Module	582.50	654.00	-12%	Computer Hardware & Software
CDR-80 48X 100PK Spindle FUJI	21.50	29.00	-35%	Computer Hardware & Software
Gloves Latex Powder Freed Textured High Risk Medium 50	4.75	7.90	-66%	Medical Supplies
Gloves Latex Powder Free Textured High Risk Large 50	4.75	7.90	-66%	Medical Supplies
Gloves Latex Powder Free Textured High Risk EXTRA Large 50	4.75	7.90	-66%	Medical Supplies
Imac 20"/ 2.0 Ghz/512/250/sd Ser #SW85180V2SDZ*	1,755.00	1,710.00	See Note	Computer Hardware & Software

The Computer purchased by the District included additional memory at a cost of \$314, not included in the \$1755 price. We were not able to determine the incremental cost of the additional memory from the County's vendor.

Cases of cleanser were slightly different but quantities were equal.

Glove price per case obtained by County Vendor through Procurement Buyer. The prices represents a discount off the retail price of the item and further discounts may be possible given sufficient volume of purchases.

## Section 8. Personnel Practices

- The Santa Clara County Central Fire Protection District, though governed by the County Board of Supervisors, maintains a separate personnel function with its own two-person staff, including a Personnel Services Manager, and its own set of job descriptions and personnel procedures. During a recent two-year period, the Personnel Services Manager position was vacant, and its duties dispersed among other District management staff.
- Weaknesses of this separate Fire District personnel system included the following. First, non-firefighter employees in the District earn much higher salaries than do County staff in similar positions, with pay scales in the Fire District ranging from 4 percent to nearly 30 percent higher than the similar County jobs, even though under the County charter, the negotiated pay rates for County positions are presumed to represent prevailing wage rates. Second, the District has failed to receive, since FY 2002-03, approval from the Board of Directors (the Board of Supervisors) for an annual resolution, required by State law, establishing the number and classifications of District staff. As a result, the current staffing for Fire Captains exceeds the most-recently authorized staffing by two positions. Third, the District does not maintain and prepare detailed justification for reclassifications of staff, as the County does. As a result, the reasons for such reclassifications were not made clear to the Board when such changes were requested, and insufficient assurance was provided that the duties and qualifications of reclassified staff matched their new job descriptions. This reclassification issue may have resulted from the lengthy vacancy of the Personnel Services Manager position.
- The District Board of Directors should request the County Employee Services Agency (ESA) assess the feasibility and cost of providing the District's personnel services via a contract, rather than having such services provided by District staff. By contracting with the County Employee Services Agency (ESA) for its personnel functions, the District will ensure greater continuity of its personnel function, increase the potential for conforming future District pay for non-firefighter positions to the pay scales for similar County jobs through the collective bargaining process, and adopt existing County practices that fully document the basis for all reclassifications. Furthermore, eliminating the two positions now required for the District personnel function would result in net savings of about \$165,000 annually, assuming ESA is required to create a new management analyst position to serve the District. Assuming negotiations to conform District pay for non-firefighter positions to County pay rates are unsuccessful, the District should also seek State legislation establishing that in a dependent fire district governed by a County board of supervisors, salaries should be based on prevailing wages as determined by the wage scale for similar County positions.



## Background

The Santa Clara County Central Fire Protection District was established under what is now the Fire Protection District Law of 1987. Under that law as adopted by the County of Santa Clara, the Santa Clara County Board of Supervisors serves as the Board of Directors of the Fire District. Because the Fire District is a separate special district, rather than part of the County government itself, the District is not required to follow County personnel policies provided in the County Charter, the Santa Clara County Ordinance Code, or the County's collective bargaining agreements. Instead, Health and Safety Code Section 13861 permits the District, among its other powers:

"To appoint necessary employees, to define their qualifications and duties, and to provide a pay schedule for performance of their duties."

Furthermore, Section 13960 et. seq. establishes for the District the requirements of State law regarding collective bargaining rights for public employees, and also authorizes the District to establish by ordinance a civil service system or a merit system for employees.

Based on interviews and documents reviewed during this audit, the principal personnel policy documents for the Fire District include the following:

- A resolution adopted by the District Board of Directors establishing the number and type of job classifications authorized for the District, including the maximum number of district employees. This is a key document in that the District, like the County, regulates its expenditures in part through a position control system that ties salary and benefit expenditures to the number of positions authorized. The most recent such resolution for the District, according to District staff, was approved by the District Board in June 2002. This document will be discussed further shortly.
- A document entitled *Santa Clara County Fire Department Personnel Rules and Regulations*, dated August 2002. This document includes 18 sections, including a description of the District's classification plan, requirements for promotion and recruitment processes in the District, requirements for promotional and recruitment examinations, requirements for leaves of absences, including disability leaves and vacations, and disciplinary policies. It replaced a previous set of similar rules and regulations.
- A document entitled *Operational Rules and Regulations, Santa Clara County Central Fire District*. This document includes a code of ethics for the District, its mission statement, duties of the District Fire Chief, and various rules and regulations for operation of District fire stations. These rules and regulations included policies regarding trading of duty shifts among firefighters, requirements for meals at stations and other operational requirements, grooming standards for firefighters, and District safety standards. At the time of this audit, the District was in the process of updating this document.
- The *Memorandum of Agreement Between Santa Clara County Central Fire Protection District And International Association of Firefighters Local 1165*, which is the District's sole collective bargaining agreement. This contract covers 24 of the 40 District job

classifications, including not only firefighters and fire captains, but some clerical and support positions, such as secretaries, office assistants and general maintenance craftworkers. This contract addresses pay benefits and other working conditions for these positions. The current contract expires in November 2006.

- An annual listing of the five-step pay scale for all job classifications maintained by the District, on an hourly, biweekly and monthly basis. The version of this document Management Audit staff received reflected pay increases effective December 6, 2004.

Based on reviewing these documents and other materials, interviewing District staff, and comparing District and County practices, we identified a number of weaknesses in District personnel functions. The remainder of this section discusses these problems, and recommends a reorganization of the District personnel function to solve them.

### **Pay Comparability of District and County Job Classifications and Pay**

As stated previously, the Fire District, as an independent entity from the County, does not use County job classifications or pay scales, nor are District employees represented by any of the County's labor organizations. Instead, employees are represented either by the International Association of Firefighters, Local 1165, or are unrepresented by a labor group, because they are management employees, or confidential employees who work for management and have access to sensitive labor-related information.

According to interviews with District managers, the District's practice in labor negotiations has been to treat all firefighters' union classifications as a single bargaining group for pay negotiation purposes, and to provide non-represented staff with the same pay increases granted via the firefighter contract. This contrasts with the County, which has a separate County Employee Management Association, for its "supervisory-administrative" bargaining unit, and divides its main contract with Services Employees International Union Local 715 into five different units for pay purposes, including a clerical unit, a blue collar unit and an administrative, professional and technical unit.

The impact of these differences in approach is demonstrated by the following tables, which compare the pay scales for clerical and support job classifications at the Fire District with similar classifications in the County of Santa Clara. Job descriptions of both the Fire District and County positions were reviewed to ensure that only similar positions were compared, and this review showed that the District descriptions frequently borrow much of their language from the County's documents.

**Table 8.1**  
**Comparison of Biweekly Pay Scales for Fire District Job Classifications**  
**With Similar Classifications in the County of Santa Clara**

<u>Position/Organization</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>	<u>Step 4</u>	<u>Step 5</u>
Admin. Support Officer I-Fire Dist.	2,062.73	2,165.87	2,274.16	2,387.87	2,507.26
Admin. Support Officer I-County	1,984.00	2,083.28	2,187.04	2,296.24	2,410.72
Difference	78.73	82.59	87.12	91.63	96.54
<b>Percent Difference</b>	<b>3.97%</b>	<b>3.96%</b>	<b>3.98%</b>	<b>3.99%</b>	<b>4.00%</b>
Admin. Support Officer II-Fire Dist.	2,475.27	2,599.03	2,728.98	2,865.43	3,008.70
Admin. Support Officer II-County	2,114.48	2,219.84	2,330.56	2,447.12	2,569.76
Difference	360.79	379.19	398.42	418.31	438.94
<b>Percent Difference</b>	<b>17.06%</b>	<b>17.08%</b>	<b>17.10%</b>	<b>17.09%</b>	<b>17.08%</b>
Admin. Support Officer III-Fire Dist.	2,846.58	2,988.91	3,138.36	3,295.28	3,460.04
Admin. Support Officer III-County	2,330.56	2,447.12	2,569.76	2,698.72	2,833.84
Difference	516.02	541.79	568.60	596.56	626.20
<b>Percent Difference</b>	<b>22.14%</b>	<b>22.14%</b>	<b>22.13%</b>	<b>22.11%</b>	<b>22.10%</b>
Fire Mechanic I-Fire Dist.	2,222.18	2,333.29	2,449.95	2,572.45	2,701.07
Heavy Equipment Mechanic-County	1,994.64	2,090.64	2,193.28	2,300.48	2,413.28
Difference	227.54	242.65	256.67	271.97	287.79
<b>Percent Difference</b>	<b>11.41%</b>	<b>11.61%</b>	<b>11.70%</b>	<b>11.82%</b>	<b>11.93%</b>
Construction Coordinator-Fire Dist.	3,351.61	3,519.19	3,695.15	3,879.91	4,073.91
Capital Projects Manager II-County	2,982.64	3,132.80	3,289.44	3,452.96	3,625.28
Difference	368.97	386.39	405.71	426.95	448.63
<b>Percent Difference</b>	<b>12.37%</b>	<b>12.33%</b>	<b>12.33%</b>	<b>12.36%</b>	<b>12.38%</b>
General Maintenance Craftworker*	2,216.74	2,327.58	2,443.96	2,566.16	2,694.47
General Maintenance Mechanic III	1,722.80	1,806.64	1,893.92	1,985.04	2,080.96
Difference	493.94	520.94	550.04	581.12	613.51
<b>Percent Difference</b>	<b>28.67%</b>	<b>28.83%</b>	<b>29.04%</b>	<b>29.27%</b>	<b>29.48%</b>
Information Systems Mgr.-Fire Dist.	3,334.70	3,501.44	3,676.51	3,860.34	4,053.36
Information Systems Mgr. I-County	3,034.24	3,186.00	3,345.36	3,512.64	3,688.32
Difference	300.46	315.44	331.15	347.70	365.04
<b>Percent Difference</b>	<b>9.90%</b>	<b>9.90%</b>	<b>9.90%</b>	<b>9.90%</b>	<b>9.90%</b>
Management Analyst-Fire Dist.	2,846.58	2,988.91	3,138.36	3,295.28	3,460.04
Management Analyst ACE-County	2,353.44	2,471.12	2,594.96	2,725.20	2,861.68
Difference	493.14	517.79	543.40	570.08	598.36
<b>Percent Difference</b>	<b>20.95%</b>	<b>20.95%</b>	<b>20.94%</b>	<b>20.92%</b>	<b>20.91%</b>
Mgt. Analyst Asso. A-Fire Dist.	2,062.73	2,165.87	2,274.16	2,387.87	2,507.26
Mgt. Analyst Asso. A-ACE-County	1,680.56	1,764.48	1,853.12	1,946.08	2,043.60
Difference	382.17	401.39	421.04	441.79	463.66
<b>Percent Difference</b>	<b>22.74%</b>	<b>22.75%</b>	<b>22.72%</b>	<b>22.70%</b>	<b>22.69%</b>
Mgt. Analyst Asso. B-Fire Dist.	2,475.27	2,599.03	2,728.98	2,865.43	3,008.70
Mgt. Analyst Asso. B-ACE-County	1,955.68	2,053.60	2,156.16	2,263.52	2,376.48
Difference	519.59	545.43	572.82	601.91	632.22
<b>Percent Difference</b>	<b>26.57%</b>	<b>26.56%</b>	<b>26.57%</b>	<b>26.59%</b>	<b>26.60%</b>

Table 8.1 (continued)

Director of Business Services-Fire Dist.	4,786.69	5,026.02	5,277.32	5,541.19	5,818.25
Director, Sheriff's Admin. Serv.-County	4,254.60		4,862.40		5,470.20
Difference	532.09		414.92		348.05
<b>Percent Difference</b>	<b>12.51%</b>		<b>8.53%</b>		<b>6.36%</b>
Office Assistant I-Fire District	1,526.37	1,602.69	1,682.82	1,766.96	1,855.31
Office Specialist I-County	1,143.60	1,197.36	1,253.92	1,313.36	1,374.72
Difference	382.77	405.33	428.90	453.60	480.59
<b>Percent Difference</b>	<b>33.47%</b>	<b>33.85%</b>	<b>34.20%</b>	<b>34.54%</b>	<b>34.96%</b>
Office Assistant II-Fire District	1,679.00	1,762.95	1,851.10	1,943.66	2,040.84
Office Specialist II-County	1,225.04	1,283.20	1,343.52	1,406.72	1,474.56
Difference	453.96	479.75	507.58	536.94	566.28
<b>Percent Difference</b>	<b>37.06%</b>	<b>37.39%</b>	<b>37.78%</b>	<b>38.17%</b>	<b>38.40%</b>
Secretary-Fire District	2,031.96	2,133.56	2,240.24	2,352.25	2,469.86
Administrative Assistant-ACE-County	1,592.72	1,672.32	1,755.92	1,844.08	1,936.64
Difference	439.24	461.24	484.32	508.17	533.22
<b>Percent Difference</b>	<b>27.58%</b>	<b>27.58%</b>	<b>27.58%</b>	<b>27.58%</b>	<b>27.58%</b>
<b>Avg. Percent Difference, All Classes</b>	<b>20.46%</b>	<b>21.15%</b>	<b>20.32%</b>	<b>21.31%</b>	<b>20.31%</b>

As illustrated by the bold lines at the end of each job classification, pay scales for positions with the Fire District exceed the pay scales for similar positions with the County. On average across all the classifications reviewed, which were all those classifications which we believe represented comparable jobs, District pay at every step of the pay scale exceeded County pay at the same step by about 20 percent.

These differences have several effects. First, they create inequitable pay between the Fire District and the County government for similar work. These inequities appear to be illogical, given that both the County and the Fire District are governed by the same five legislators, the Board of Supervisors that also serves as the Board of Directors for the Fire District. Second, and related to the first, the inequities create the potential for a drain of experienced staff from County agencies who choose to go to the Fire District in similar jobs, in order to receive higher pay. Lastly, these inequities create higher costs for the Fire District, which ends up paying wages to staff members that are higher than the prevailing wage for particular jobs, as established by the County's labor agreements.

The Fire District has taken some steps to try and rectify these problems. For two job classifications, Fire Mechanic and General Maintenance Craftworker, the District created new pay scales, effective for all new hires into those classifications after November 2004. In the case of the Fire Mechanic position, the District replaced the single classification that existed with a Fire Mechanic I and Fire Mechanic II sequence. These actions created a two-tier system in which new hires to the classifications received lower pay, while existing staff retained their current pay scales, as well as the right to any pay increases provided as the union contract is renegotiated.

Efforts to revise Fire District pay scales to be more in line with County pay for similar jobs should continue, focusing on classifications where attrition is occurring through retirements or separations of staff from the District. Ideally, these efforts would occur through a meet-and-confer process that is separate from the periodic renegotiation of the basic labor agreement, so that these technical issues of job classification and pay scale consistency are not confused with other pay and benefits issues.

In addition, however, the District should try to prevent the current disparity between Fire District pay and County pay for similar jobs from getting any larger. To do this, the Fire District should take the same approach to negotiating its contract with International Association of Firefighters Local 1165 that the County takes to the SEIU Local 715 contract, which is to separate different types of jobs, in this case clerical, administrative and support positions, from direct fire protection and fire prevention positions. This would permit negotiating separate rates of pay increase for each group.

Based on the current disparity between pay scales in the District, and pay scales for similar positions in the County, those negotiations regarding clerical, administrative and support positions should be initially based on freezing pay scales for these employees, until parity is reached between their pay and pay for the similar County positions. Thereafter, pay raises for the clerical, administrative and support positions should be similar to what similar position are receiving in the Local 715 contract. Because the District's contract must be negotiated with the firefighters' union on a variety of issues, the District may not be able to fully achieve these results immediately, but should have them as a key goal of contract negotiations.

Assuming negotiations are unsuccessful in reducing the disparity between District pay scales and County pay scales for similar positions, the only remaining alternative for the District Board of Directors would be to seek State legislation amending the Fire Protection District Law of 1987. Such legislation would amend the law to state that in a fire district which is a dependent special district governed by a county Board of Supervisors, salaries in that district should be based on prevailing wages as determined by the wage scale for similar positions in the associated county.

### **Approval of District Staffing by the Board of Directors**

As previously described, the Santa Clara County Central Fire Protection District is governed by the members of the Board of Supervisors, sitting as the District's Board of Directors. As a result of the Board's direct authority over the District, the District is required to comply with Government Code Section 29007, which requires the District to annually prepare a schedule in or supporting the District budget, which includes, for each District job classification:

- The salary rate or range, as applicable.
- Number of positions currently approved.
- Number of positions requested or recommended by the administrative officer if designated by the board.
- Number of positions approved by the board.

Our research found that the District has a schedule showing the salary rate or range for each classification, which we used in the pay comparisons discussed previously.

However, we were unable to locate information for the current budget, or several years prior budgets, showing the number of positions approved by the Board. The most recent such document provided by the District was dated June 25, 2002, a document titled Resolution of the Board of Directors of the Santa Clara County Central Fire Protection District Establishing Job Classifications and Maximum Number of District Employees. We also located, in records maintained by the Employee Services Agency, an e-mail communication in October 2004 indicating that, as of that date, the District had not updated the June 2002 resolution, and did not anticipate doing so.

Not only does the District's error in not annually updating this resolution violate State law, the June 2002 resolution also does not match the District's current staff make-up, either in the classifications used or in the number of employees established by the resolution. For example, the resolution refers to an Assistant Fire Mechanic classification that is not currently used, but does not include the Fire Mechanic I and II classifications that are now provided. It also refers to a Master Fire Mechanic classification, which has been replaced by a Senior Fire Mechanic classification. Most significantly, the June 2002 resolutions cites District staffing of 64 captain positions, when in fact the District currently operates with 66 captains, according to current organizational charts for the District, and comments of District staff. As a result, the unauthorized cost of two captain positions amounts to approximately \$345,000 annually, and has contributed to the District's annual expenditures exceeding its annual revenues by a combined \$5.2 million during the past three fiscal years.

As discussed in Section 1 of this report, the District's error in not having a current approved Board of Directors resolution creates a gap in budgetary control, based on the County's standard practice of building salary and benefits budgets based on control of the number of positions authorized. It also creates a personnel problem, as the District is in effect exceeding its authority in the number and types of staff that can be hired. The District should, as soon as possible, have the Board of Supervisors, serving as its Board of Directors, adopt a current resolution reflecting the specific job classifications, and the number of positions per classification, the Board wants to authorize the District to hire, and should have such a resolution adopted by the Board annually thereafter.

### **Lack of Procedures for Changes in District Job Classifications**

As previously described, State law provides any fire district with the authority to appoint employees, define their qualifications and duties, and provide a pay scale for them. In the Santa Clara County Fire District, a February 1981 resolution by the Board of Directors, establishing administrative responsibilities for the District, states:

“Subject to provisions of law and collective bargaining agreements and District personnel rules and regulations, the Fire Chief shall have the power to appoint, suspend or remove all employees necessary to conduct the work of the District.”

The District currently has a set of personnel rules and regulations, last revised in August 2002. The rules define the District’s “classification plan” as “the arrangement of positions in classes, together with the title for and specification describing each class,” and further defines a class or classes of positions as “a group of positions having duties and responsibilities sufficiently similar such that the same title, examples of duties, and requirements may be applied.”

Section V of the rules, which discusses the District’s classification plan, assigns the District Personnel Officer the duty of analyzing staff duties to put all staff in the proper classes, establishes the idea that jobs with the same duties should have the same classification, describes the information that should be included to describe each class, and permits the Fire Chief to recommend new or reclassified positions to the Board of Directors, by providing a statement of the duties of the proposed new classifications, which the Board would then be asked to approve.

Missing from the personnel rules, or from any of the other personnel documents used by the District, is a process to be followed by employees who believe that their current assigned job classification does not reflect their current duties, or believe that none of the current District job classifications, including the one to which they are assigned, accurately reflects their duties.

This contrasts significantly with the process used by the County in these situations, as required under its contract with SEIU Local 715. Under the provisions of that contract, a one-month window is provided annually in which employees can request creation of a new job classification reflecting the employee’s duties, with a designee of the County Director of Personnel reviewing and deciding on the claim, and the employee having the right to appeal to the Director. Reclassifications approved by the Director are then researched and devised by Employee Services Agency staff, which interviews the employee, observes them on the job, and prepares a detailed report describing the basis for any reclassification, the new duties and qualifications for a new classification, and its pay scale.

Separately, the SEIU contract also provides a “reallocation” process where employees can seek to have their position changed from its current classification to a higher-paying classification that already exists. This process requires the employee’s “appointing authority,” who is normally their County department head, to either change the employee’s duties to match their current job title, reallocate the current job position to the current job classification, or deny the request for reallocation. Requests that are denied can be appealed by an employee to a review process through the Employee Services Agency that ends with an arbitration panel deciding whether the employee’s job classification should be changed. Decisions of these appeals panels can be appealed by either County management or the employee to the Board of Supervisors.

Although these types of changes are infrequent within the Fire District, they have occurred. Specifically, in April 2001 the Fire District presented to the Board of Supervisors, sitting as directors of the Fire District, what was described as a "Resolution to Add and Delete Positions." However, the staff report for that action stated that the request was not only to delete three unfilled positions and add three new positions in different job classes, but also to "reclassify" eight positions. The reclassifications included:

- Converting an Assistant Fire Mechanic and two Fire Mechanic positions, into three positions alternately staffed with either of those classifications;
- Reclassification of a Training Instructor position to a Fire Captain;
- Reclassification of a Management Analyst position to an Information Systems Manager,
- An increase in the pay scale for the Public Education Officer classification; and,
- Reclassifying a Supervising Administrative Secretary position to a position alternately staffed from the Administrative Support Officer I-II-III series.

Other than classifying these reclassifications as "administrative in nature with minor program impact," the District's staff report to the Board provides no detail as to why the changes were being undertaken, and no analysis of the actual duties and qualifications of the staff being reclassified that would show how their duties and qualifications more closely matched the new classifications than their old ones. In fact, this entire staff report, including the positions added and deleted, is relatively devoid of detail explaining the reason why the changes were necessary, compared to the extensive analysis usually required, including analysis by the Employee Services Agency, when such changes occur in County departments.

It should be noted that this action occurred during a lengthy period, from 1998 to 2002, when the District's Personnel Services Manager position was vacant, and the duties of that position were divided among various command staff. At our request, the current Personnel Services Manager and other District management staff were asked if any additional documentation exists as to the reasoning behind the April 2001 request, but no additional documentation could be found.

Because very little detail was provided to show why the April 2001 reclassification of the eight positions was necessary, or how the duties and qualifications of the staff involved matched the proposed new job titles, the Board of Directors had very little information on which to decide whether to approve the proposed reclassifications. The Board of Directors needs this information to be assured that staff proposed for reclassification meet the qualifications and are carrying out the duties of proposed new job classifications. Conducting this analysis also would make it easier for the Fire



District management to hold reclassified employees accountable for their performance in new job titles, by ensuring that staff meets the qualifications.

In order to avoid future problems related to changes in the job classifications of District staff, we recommend that the District develop a written procedure for determining when employees will be moved from one existing job class to another job class, or when new District job classifications should be created. This procedure should include a detailed written analysis of the actual duties and qualifications of District staff for whom changes are proposed, showing how those staff members' duties do not match their current job classifications, and justifying the changes proposed.

### **Providing a Centralized Personnel Function**

In addition to the previous recommendations for specific changes related to District personnel requirements and functions, we also suggest, based on the personnel concerns expressed previously, that the District Board of Directors consider restructuring the District's personnel function. This could be achieved by asking the County Employee Services Agency (ESA) to assess its cost and feasibility to provide the District's personnel services under contract, in place of the existing Personnel Services Manager and Management Analyst, who are District employees. ESA already provides some services to the Fire District. According to the County's FY 2004-05 Cost Allocation Plan, ESA charged the Fire District \$42,344 for services previously provided. About half of that cost was for the District's use of the PeopleSoft personnel management computer system operated by ESA. The remainder was for assistance with Labor Relations issues, and ESA has a Labor Relations Representative whose assigned duties include assisting the Fire District, working with the District personnel staff on issues related to the collective bargaining agreement, employee grievances, disciplinary matters, etc. The assessment would look at the cost of providing this service, whether personnel staff should be located at District headquarters or elsewhere, and how the agreement for the service should be structured. The assessment could also look at whether there is a way for ESA to provide periodic assistance to the District during peak load periods, or during periods in which the District Personnel Services Manager position is vacant, short of having ESA take over the service permanently.

Assuming ESA assumed the District's personnel function, the District probably would require additional Labor Relations help from ESA, and also would require assistance with classification, health benefits, recruiting, and monitoring of workers' compensation cases within the Fire District. Employee development and educational assistance for employees are already addressed in the District through the training staff it maintains, including a full-time deputy chief overseeing training. Elsewhere in this report, we have recommended that the District could save money by requiring employees to participate in health plans already offered by the County. The transition to these new plans could be eased by the assistance of ESA staff that is already familiar with them.

In addition, we believe purchase of personnel services by the District from the Employee Services Agency would have the following advantages:

- It would ensure continuity of services. As noted previously, the District's previous Personnel Services Manager position was vacant from 1998 to 2002, and the duties dispersed among various command staff. This includes the period when the problematic reclassification action previously discussed occurred. By buying personnel services from ESA, the District would be assured that should its assigned ESA staff leave County service, other ESA staff, experienced in personnel matters, would be available to backfill the vacancy until it could be permanently filled, providing a continuing level of expertise at all times.
- It would provide greater separation, both physically and in terms of perspective, between the District's personnel function and its operations staff, reducing any potential conflict between the personnel staff's duty to represent elected legislators and taxpayers in getting a high quality of service at a cost perceived to be reasonable, and its frequent interaction with District staff who may at times be more concerned with meeting perceived operational needs, regardless of cost. Although current personnel staff appear well able to balance those two roles, there is always a risk of such conflicts, which would be reduced by placing the personnel function outside the District's direct chain of command
- It would increase the likelihood that the other recommendations of this section, which generally amount to conforming the Fire District's practices to the rest of County government, would be expeditiously implemented, because they would be implemented by staff who are intimately familiar with these practices.

Finally, we also believe that the Fire District could purchase additional personnel services from the Employee Services Agency for less cost than it currently incurs by using its own staff. Currently, the District's personnel function is staffed by a Personnel Services Manager and a Management Analyst position. Assuming each are paid at Step 3 on the District's pay scale, and current benefit costs, these two positions have a combined salary and benefit cost of about \$272,000 per year. Currently, the Employee Services Agency operates with a five-person staff for classification functions, and an eight-person staff for recruitment. Given the economies of scale provided by ESA, we believe it is likely that no more than one additional position would have to be added to ESA staff to handle the additional workload provided by the Fire District. A Step 3 Management Analyst in ESA would have salary and benefit costs of about \$99,000, resulting in savings to the Fire District of \$173,000. Even if two positions needed to be added, the combined cost would be \$198,000, resulting in savings of \$74,000 versus the District's current arrangement.

## CONCLUSION

The Santa Clara County Fire District maintains its own two-person personnel function and personnel policies and procedures, separate from the rest of the County. Weaknesses of District personnel practices identified in this audit included pay policies that resulted in District staff receiving much higher pay than other County staff receive in similar jobs; a failure to follow legal requirements regarding annual review and

approval by the Board of Directors of District staffing levels; and, a lack of detailed procedures for addressing positions whose job classifications need to change as their duties change, resulting in an instance where a District staff member holds a position but does not have the technical expertise to fulfill the duties of the position.

## RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 8.1 Pursue future negotiations with International Association of Firefighters Local 1165 on the basis of putting fire protection and fire prevention staff and administrative and support staff in separate units for wage negotiation purposes. These negotiations should be conducted on the basis of freezing salaries of administrative and support staff until parity is reached between District salaries and salaries for similar positions in the County. Thereafter, negotiations should be based on providing administrative and support staff raises similar to those received by County staff in similar jobs. (Priority 2)
- 8.2 Pursue State legislation, assuming the negotiations suggested in Recommendation 8.1 are unsuccessful, providing that salaries for fire districts that are dependent special districts governed by a County Board of Supervisors should be based on prevailing wages as determined by the wage scale for similar positions in the County. (Priority 2)
- 8.3 Obtain annual approval from the District Board of Directors of a resolution establishing the number of staff, job classifications and pay levels for all District positions, as required by State law. (Priority 1)
- 8.4 Develop written procedures for handling situations where employees must be moved from one existing job classification to another, or to a newly created job classification, as their duties change, modeled on procedures followed by the County under its contract with SEIU Local 715. (Priority 2)

It is recommended that the Board of Directors of the Central Fire District:

- 8.5 Request the County Employee Services Agency to Assess the human resources requirements of the Central Fire District, including the advantages, disadvantages and costs associated with ESA providing these services on a contractual basis, and issue a report to the Board within six months. (Priority 2)

## SAVINGS AND BENEFITS

By making the changes in its personnel practices and procedures recommended in this section, the Fire District would pay its staff comparably to what County staff are paid in similar positions, and would be assured that the number, job classifications and pay rates of staff had been approved by the Board of Directors, based on proper justification for job classifications of District staff. Purchasing personnel services from the County

Employee Services Agency would provide better continuity of the District personnel function, better separation of the that function from District operations staff, make it more likely that the other changes recommended in this section would be expeditiously implemented. Purchasing these services from the County also could provide up to \$173,000 of savings annually in the cost of providing these services.

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## Section 9. Pay Practices Increase Costs

- In Calendar Year 2004, the District paid \$3.95 million in time-and-one-half pay to employees, including an estimated \$3.57 million paid to firefighting crews. There are two means by which eligible employees are entitled to such pay. First, federal law mandates extra compensation for working more than a specified number of hours in a given work period. Second, the District's labor agreement requires time-and-one-half payments in specified instances.
- However, the District pays fire crews extra amounts beyond what is required by law or what is authorized by the labor agreement. This is because District management erroneously interpreted the labor agreement as requiring extra pay for employees who work a shift outside their regular schedule, whether or not they also work their regular shifts. The County Counsel's Office, the County Human Resources Department, and the District's Personnel Manager have indicated that the agreement does not require this pay.
- In addition, District practices increase the amount of required overtime pay. These practices include counting as hours "worked" vacation time that falls at the end of the 27-day federal work period, and permitting shift trades with off hours added to the hours "worked" tally. As a result of these practices, employees are paid overtime for hours in which they are off work. In total, the District incurred approximately \$470,000 of unnecessary overtime costs during Calendar Year 2004.
- In addition to the substantial cost to the District, these practices are inequitable to employees. For instance, a Captain whose salary was 28 percent more than a Firefighter's earned 12 percent less than the Firefighter for working the same number of hours over the same payroll and federal overtime work periods in 2004.
- By restricting time-and-one-half payments to those required by law and the District's labor agreement, and permitting shift trades only to the extent that they do not increase overtime costs, District overtime costs would be reduced by approximately \$470,000 per year.

### "Overtime" Pay Required By Law

#### *The Law Generally*

Under the Federal Fair Labor Standards Act (FLSA), employers must provide extra compensation to eligible employees who work more than a specified number of hours in a specified "work period." Employers are not required to include paid leave, such as vacation, in the tally of "work hours" for purposes of determining whether an employee is due overtime pay. Under Section 7 of the Federal law, fire departments may establish a "work period" ranging from 7 to 28 days for their fire suppression crews. The law provides for "overtime" after an average of approximately 7.5 work hours per day, or 53 hours per week. The Central Fire Protection District has established

a 27-day “work period.” Therefore, under the law, the District must pay overtime to any eligible firefighting employee who works more than 204 hours in 27 days.

The Central Fire Protection District operates with three “platoons.” Each platoon has alternating, 24-hour shifts. The platoons alternate the starting weekdays of their schedules, but each works an on/off sequence for five days, followed by four consecutive days off, as illustrated by one platoon’s sequence below:

MON	TUES	WED	THUR	FRI	SAT	SUN	MON	TUES
On	Off	On	Off	On	Off	Off	Off	Off

As a result, fire crews work nine shifts, or 216 hours, in 27 days. Therefore, when District firefighters work their regularly scheduled shifts for 27 days, it triggers 12 hours of overtime pay.

#### *Shift Trades and the Overtime Law*

There is one unique circumstance in which hours that are *not* worked by a firefighter must be counted as work hours for purposes of calculating overtime due. This special circumstance applies to the time in which a firefighter’s shift is worked by a different firefighter by mutual agreement of the firefighters. Such “shift trades” are common in fire departments. The law requires that the employee who is off work receive pay as if he or she worked. The employee who works the shift is *not* paid, but instead receives “payment” when the trade is reciprocated.

Because the law requires an employee who is off work due to a trade to be paid as if he had worked the shift, the traded hours “count” toward the maximum number of work hours in the period. Therefore, if a firefighter works eight of the nine regularly scheduled shifts within 27 days, but enlists another employee to work the ninth shift, the employee who was off work for the ninth shift must be paid overtime for 12 hours in which he did no work.

#### **Time-and-One-Half Pay Required by the Labor Agreement**

The Central Fire Protection District has a labor agreement with those employees who are represented by the International Association of Firefighters union, Local 1165. Section 4 of the labor agreement requires or permits employees on the fire schedule to be paid time-and-one-half under the following circumstances:

- Under Section 4-C, when personnel are completing off-duty medical exams and fitness evaluations, management may authorize time-and-one-half payments at its discretion.
- Under Section 4-B, when personnel are “called back” to work, they must be paid at least two hours of time-and-one-half payments. The term “call back” is not defined in the agreement. The Deputy Chief of Operations has indicated that this refers to off-duty personnel called in to provide additional staffing above minimums in

response to either a significant emergency event or a need to provide coverage in Morgan Hill.

- Lastly, Section 4-A specifies that employees must be paid time-and-one-half with a one-hour minimum for “authorized overtime worked, including overtime resulting from constant staffing.” The term “constant staffing” is not defined in the agreement, but reflects the District’s policy of staffing its 16 fire stations with at least 65 fire suppression personnel at all times.

## District Pay Practices

The term “overtime” is not defined in the labor agreement. Section 4-A has been *interpreted* by District management to require payment of time-and-one-half to non-relief firefighters who work any shift not on their standard schedule, regardless of whether or not they also work their assigned schedule. For instance, a firefighter whose regular schedule would have the firefighter working Monday, Wednesday and Friday may have those days off as vacation. If the vacationing employee then works Tuesday, Thursday and Saturday, with District approval, the firefighter will be paid 150 percent of the regular salary for those days even though the total work time is equal to the time that the firefighter was regularly scheduled to work. It should be noted that this “off shift” work is typically scheduled nine days in advance.

Appropriate personnel from County Counsel, County Human Resources, and the District’s Personnel Office have indicated that the labor agreement does *not* in fact mandate time-and-one-half payments solely for working at times that are not the employee’s regular shift.

We examined records for an entire 27-day federal work period in 2004 for all three platoons. The review covered all overtime-eligible work hours and non-work hours for all of the 189 firefighting employees on 24-hour shifts who worked mid-March to mid-April.

Of the 189 individuals whose records were reviewed, 88 percent received overtime. Of those receiving overtime, 63 percent worked at least enough hours to qualify for overtime under federal law. The remaining 37 percent received overtime as a result of District practices as described below.

### *“Constant Staffing” or Alternate Shift Work*

We estimate that the practice of paying fire crews time-and-one-half for working “off shift” accounted for \$684,000 of the \$3.6 million in time-and-one-half pay. However, in the absence of this practice, the District would have paid for the work at straight time, for two-thirds of the cost. Therefore, the 2004 *net cost increase* of this practice alone is estimated at \$228,000.

### *Vacation “Overtime”*

The District has a practice of including certain vacation hours in the count of hours worked for the purpose of calculating overtime due. This is a traditional practice that is



not required by the labor agreement. This pay, which is applied exclusively to vacation time that falls in the final 12 hours of the federal work period, is therefore also unauthorized. This practice alone resulted in an estimated \$44,400 in time-and-one-half pay, or a net increase in District costs of \$14,700 in 2004.

#### *Overtime Driven by Shift Trades*

Lastly, the District permits firefighters to “trade” shifts with each other. The labor agreement does not address shift trades, which are permitted but not required under federal law. District policy restricts trading to individuals of equal rank and to trades arranged at least 48 hours in advance, unless an exception is granted by a Battalion Chief. Employees may trade up to three consecutive shifts, and four shifts per month, unless an exception is granted by the Fire Chief. Employees are not permitted to work more than 72 hours without at least an eight-hour break. There is no restriction on when the trade must be reciprocated; District staff have indicated that some employees owe other employees for trades that occurred years ago. The fact that employees do not have to pay back the trades within a pay period makes it easier to “max out” the trade off time within the policy limits.

Under federal law, when firefighters trade shifts, the employee who is off work is paid *as if he had worked*. As a result, the hours that employees are off due to trades are included in the tally of hours “worked.” Since overtime under federal law is triggered by the number of hours amassed by each individual, hours off due to shift trades may increase the total overtime-applicable hours.

It should be noted that the hours that are worked by the substitute firefighter are neither paid nor counted toward worked time totals. As such, to the extent that a trade occurs without the off employee then working additional shifts, trading creates no additional cost to the District. However, to the extent that trades occur in conjunction with the “off” employee working other shifts, the traded hours increase the total amount of time for which overtime pay is required.

It is impossible to assess the extent to which employees who, if prohibited from shift trading, would work their regular schedules and the additional shifts as well, thus triggering the same amount of overtime. Therefore, the true cost of shift trading cannot be determined. However, the combination of shift trading and working non-scheduled shifts increased net costs by as much as \$228,000 in 2004. It should be noted that three of the nine outside firefighting agencies surveyed restrict the period of time in which trades must be repaid, thus limiting potential operational and financial consequences. Examples of agency practices are discussed in a subsequent section of this report.

In sum, then, the total increase in District costs due to the combination of extra pay for working outside of the regular schedule, overtime for vacation, and additional pay due to trading off, is estimated at as much as \$470,000 in 2004. At least \$242,000 of this extra pay was *entirely* discretionary and apparently not authorized by the labor agreement. Of the remaining \$228,000, an undetermined amount would likely have been required even in the absence of trades. Table 9.1 summarizes these estimates.

**Table 9.1****Estimated Net Increase in Pay Costs in Calendar 2004 by Source**

<b>Reason</b>	<b>Cost</b>	<b>Net Increase</b>
Call Back or "Medical" Overtime	\$34,835	\$0
Hours Worked Exceeds Federal Maximum	\$2,122,380	\$0
Vacation Overtime	\$44,002	\$14,667
Time Off for Shift Trade	\$682,700	\$227,567
Working Non-Scheduled Shift With Total Hours Less Than Federal Maximum	\$684,235	\$228,078
<b>Total</b>	<b>\$3,568,153</b>	<b>\$470,312</b>

The total unnecessary time-and-one-half pay driven by the District's practices is therefore estimated to be \$1,410,937, resulting in a net increase in District expenses of \$470,312.

### **Pay Practices of Other Entities**

#### *Santa Clara County Agencies*

A review of County labor agreements with other law enforcement and correctional agencies in Santa Clara County indicates pay practices with similar effects as the District's. The agreement between Santa Clara County and the Deputy Sheriffs' Association defines "overtime" as a number of hours exceeding a certain number within a defined number of days, depending on individual schedules. However, the agreement specifies that "time for which pay is received but not worked (such as vacation, sick leave, leave of absence with pay) shall be counted" as hours worked for purposes of determining eligibility for overtime. Such provisions exist in agreements with the County Park Rangers Association, the County Correctional Peace Officers' Association, and the County District Attorney Investigators' Association. Although these agencies provide more pay for hours not worked than does Central Fire, the Central Fire Protection District incurs overtime costs for shift trades. The other agencies prohibit shift trades that cause increased overtime.

#### *Other Fire Departments*

A review of pay procedures in other fire departments indicates that some limit the payment of overtime that is not legally required, while others do not. For example, the City of Los Angeles limits overtime pay. With the exception of off-duty court appearances, emergency call-back time, and vacation time, Los Angeles only pays overtime for hours worked in excess of 204 in a 27-day period.

The City of Fremont labor agreement restricts time-and-one-half payments for fire crews to that required by law, except for two circumstances. It permits time-and-one-half payments for personnel who work "in excess of a 24-hour shift" and for specified

personnel who are “called back.” The agreement defines “hours worked” as time that the employee is “performing services” for the city.

According to the Human Resources Department of the City of Milpitas, firefighters there are only paid overtime as required by law. No paid leave time hours are counted in the total of hours worked, and extra pay is granted only when total hours require it.

Conversely, the Sacramento Fire Department pays overtime on any hours worked that are not part of the employee’s regular schedule, and counts all compensated hours – including sick leave – as total hours worked for purposes of calculating overtime due.

## **Effects of District’s Pay Practices**

### *Negative Effects of Non-Scheduled Shift Pay*

The practice of paying time-and-one-half rates for “constant staffing” when the total work hours would not trigger overtime payments is not authorized by the labor agreement and creates three problems.

First, it increases District costs. The District’s overtime costs were increased by an estimated \$656,000 in 2004 by this practice. However, in the absence of this practice, the District would have paid for the work at straight time, at two-thirds of the cost. Therefore, the 2004 *net cost* of this practice is estimated at \$218,000.

Second, it disrupts the link between hours worked and compensation and creates issues of equity among employees. For instance, according to timekeeping and payroll records, a Captain whose salary was 28 percent higher than a Firefighter’s earned 12 percent less than the Firefighter for working the same number of hours over the same payroll and federal overtime periods in 2004.

In a subsequent work period, the same firefighter worked the same number of hours as scheduled, but nonetheless received overtime pay for an additional 60 hours because the firefighter worked at times other than the firefighter’s regular schedule.

There are numerous instances of employees working relatively few hours, but receiving significant overtime pay. For instance, one firefighter worked an average of 33 hours a week in a pay period, but 18 percent of those hours were paid at “overtime” rates.

Third, the practice creates financial incentives for employees to work shifts other than their scheduled shifts. It is in an employee’s financial interests to work on the days surrounding their vacation days, or to call in sick, or to trade shifts, in order to be available to work other shifts. By creating incentives for employees to avoid their regular shifts, employees are unintentionally encouraged to vacate their assigned shifts. We found no correlation District-wide between the use of sick leave and the receipt of time-and-one-half pay. However, it appears that specific individuals have taken advantage of sick leave to facilitate working non-scheduled shifts.

*Positive Effects of Non-Scheduled Shift Pay*

The practice of paying premium rates over and above what is required also has two advantages. First, presumably it is easier to fill vacancies with volunteers at time-and-one-half, thereby reducing the need to force employees to work shifts that they do not want to work. Filling vacancies with voluntary workers instead of involuntary workers presumably helps morale and contributes toward the Department's low turnover. Second, it increases the total overall pay of fire crews, which also helps morale and contributes toward the Department's low turnover.

Despite these benefits, due to the high costs, we recommend that the District restrict "time-and-one-half" payments to those required by law and to defined circumstances in which additional compensation is reasonable, such as emergency call-back. The permissible circumstances should be defined in the District's labor agreement. If instances arise when it is unclear as to whether overtime is required, legal counsel should be consulted.

*Effects of Other Pay Practices*

The practice of paying overtime rates for certain vacation hours increases District costs by a modest amount, and disrupts the relationship between time worked and pay, but probably enhances morale.

The practice of permitting employees to trade shifts without requiring that trades be "cost neutral" probably increases morale, and may decrease the use of sick leave. It should be noted that shift trades are key to the District's ability to give employees time off for their personal needs. Although firefighters have vacation leave, they must take it at prescribed times in order to ensure adequate staffing throughout the year. As such, shift trades enable firefighters to take time off based on their own needs, because they cannot use accrued vacation at their discretion.

Nonetheless, by not restricting trades to those that are cost neutral, the trades drive up District costs. The increased expense due to this practice was as much as \$233,900 in 2004. In addition, these trades also disrupt the link between time worked and pay amounts, and raise issues of equity among employees. The District should therefore modify Section 7.2 of the District's Operational Rules and Regulations to restrict shift trades to those trades that are cost-neutral to the District.

The combination of these practices results in significant inequities among employees. As previously described, a Captain whose salary was 28 percent more than a Firefighter's earned 12 percent less than the Firefighter for working the same number of hours over the same payroll and federal overtime work periods in 2004.

Records for two other employees, here identified as Firefighter A and Firefighter B, further illustrate this inequity. Firefighter A actually worked 275 hours within a 27-day work period in 2004, with overtime pay due for 71 hours. Firefighter B worked 192 hours, with 72 of those hours at overtime rates. That is, Firefighter A worked 30 percent more hours than Firefighter B, but B received overtime pay for more hours. Note that

the 192 hours worked by Firefighter B is less than the standard work schedule of 216 hours, and less than the 204 hours that would trigger overtime pay under the law.

## **CONCLUSION**

The Central Fire Protection District gives additional pay to employees beyond what is required by law or the labor agreement. The estimated net cost increase to the District of this unauthorized pay is up to \$470,000 per year. Given the District's existing financial crisis, these costs should be eliminated.

## **RECOMMENDATIONS**

It is recommended that the Central Fire Protection District and the County Human Resources Department meet and confer with the District's labor union to change the 2006 Memorandum of Agreement to:

- 9.1 Define permissible justifications for the payment of overtime and limit overtime only to such situations. (Priority 1)
- 9.2 Define "work hours" for purposes of calculating overtime payments as time actually worked, rather than inclusive of paid leave time, such as vacation. (Priority 2)

It is recommended that the Central Fire Protection District:

- 9.3 Modify Section 7.2 of the District's Operational Rules and Regulations to restrict shift trades to those trades that are cost-neutral to the District. (Priority 2)
- 9.4 Confer with legal counsel for all interpretations of provisions and requirements of the Memorandum of Agreement. (Priority 3)

## **SAVINGS AND BENEFITS**

The implementation of these recommendations would reduce the District's \$3.95 million overtime costs by an estimated \$1.4 million annually. Since two-thirds of this cost would then be paid in the form of regular pay, however, the resulting net savings would be approximately \$470,000. In addition, although use of sick leave is already relatively low, it would probably be slightly reduced, since there would no longer be a financial incentive associated with working unscheduled shifts that do not qualify for overtime compensation under the law. Lastly, by conferring with legal counsel over all future interpretations of the labor agreement, District management can avoid incorrect interpretations that result in pay practices unnecessarily costing the District hundreds of thousands of dollars annually.

## Section 10. Civilianization of Safety Positions

- **The Support Services Division of the Central Fire Protection District is responsible for maintenance of District vehicles, equipment and facilities; procurement, inventory and distribution of operating materials and supplies; and, in combination with County Communications, maintenance of the District's communications infrastructure. The Division has nine civilian employees and one safety employee. These employees are supervised by a Deputy Chief, even though most of the staff supervised are civilians, and the oversight duties for this division do not require the skills of a trained fire fighter or response to fire and non-fire emergencies.**
- **Although it is common practice for fighting agencies to designate a safety position to manage support services organizational units, based on the functions and responsibilities of the Central Fire Protection District Support Services Division, the designation of a safety manager is unnecessary.**
- **By moving the single safety position in this Division to the Operations Division, and reclassifying the Deputy Chief position to an appropriate civilian classification of Support Services Division Manager, the District could provide an equal or greater level of service by persons specifically trained in maintenance and related support services. Based on setting the new manager's salary at a rate 5 percent in excess of the highest rate paid to a civilian employee of the Division, this action would result in salary and benefit savings of approximately \$79,000 annually.**

The Santa Clara County Central Fire Protection District has established a Support Services Division whose function is to provide ancillary services in support of the District's primary function of responding to fires, medical emergency calls and other emergency situations. The functions carried out by the Division, and the associated staffing, are as follows:

- A Supply Services Specialist and a Supply Services Assistant take orders from stations to restock items routinely supplied at each station, place those orders with relevant vendors, deliver items supplied by vendors to the individual stations and act as couriers for interdepartmental mail and other items that need to be transported between stations, or between stations and the District headquarters, the County Government Center and other locations.
- A four-person mechanic staff services District vehicles and associated equipment.
- Two General Maintenance Craftworkers are responsible for maintenance of District facilities. A separate Construction Coordinator position is responsible for oversight and contract administration related to renovation and modification of existing District facilities, or construction of new facilities.

- A Captain serves as the District's communications officer. This position is responsible for programming of mobile radios installed in fire trucks and hand-held radios carried by firefighters, maintenance of printers and other computer and telephone equipment at fire stations which is part of the firefighting dispatch system, repairs on cell phones and pagers used by District staff, and maintenance of traffic signal preemption devices installed in District vehicles. This position also serves as a liaison to the County Communications Department, which provides the District's dispatch services, consulting on issues such as programming changes to the Department's Computer Assisted Dispatching system that are required by changes in District procedures. The position also works closely with County Communications to coordinate repairs to District radio equipment that the District cannot complete itself. This position also assisted in the vendor selection and implementation process for Firehouse, the computerized records management system used to implement the National Fire Incident Reporting System in the District under federal law.

A Support Services Deputy Chief supervises the 10 positions. The Captain responsible for communications serves as the supervisor of the unit when the Deputy Chief is off duty or otherwise not available.

The District's approach in using a safety Deputy Chief position to supervise the Support Services Division follows standard practice in California fire agencies, based on information gathered in our survey of other California fire departments. Of the nine fire agencies who responded to the survey, five departments provided an organizational chart or other information that allowed us to determine who supervised functions similar to those in the District's Support Services Division. In all five cases, the supervisor was an assistant chief, deputy chief or similar safety position.

Despite this uniformity of approach, Management Audit Staff believe that, based on the duties of the Support Services Division, the designation of a safety Deputy Chief to supervise it is unnecessary. In this position, we follow the lead of the Comptroller of the City of New York, which last year assessed opportunities for civilianization in administrative units of the New York City Fire Department. In its review, New York's comptroller asked two key questions in deciding whether a given fire department position could be civilianized:

- Does the position involve the duty of responding to fire and non-fire emergencies?
- Does the position require the special skills of a trained uniformed firefighter?

In regard to supervision of the Support Services Division, our answer to both questions is no. This position does not involve responding to fire and non-fire emergencies, because the job of the position is to supervise ancillary functions of the District in support of its emergency response function.

Furthermore, the position does not require the special skills of a trained uniform firefighter. The position oversees a purchasing function that, as described in Section 7 of this audit, is not demonstrably different than the purchasing function carried out by any

County department. In fact, the recommendations of that section call for the District to make greater use of the existing County procurement function, and make the District's purchasing policies more consistent with those of the County. The position also oversees a function to maintain District vehicles and firefighting equipment. While that function requires the repair staff to maintain close liaison with firefighters who use the vehicles and equipment, this liaison does not require a safety staff person to oversee the function. Instead, the liaison role could be carried out by periodically meeting with a committee of firefighters on vehicle and equipment maintenance issues, or through other methods. This is the approach taken by the County in maintaining the fleet of patrol cars operated by the Sheriff's Office. These cars are maintained by the County's Facilities and Fleet Department, which is a civilian-operated department separate from the Sheriff, but meets regularly with several committees of Sheriff's Department staff regarding vehicle-related issues, including a committee now working to standardize the specifications for patrol vehicles and associated equipment. Lastly, the position oversees staff responsible for facility maintenance and for managing facility renovation and construction. Again, while the position requires close liaison with safety staff who will use the facilities, the liaison role does not require that the position be a firefighter. In fact, technical expertise related to purchasing, vehicle maintenance and facility operations would be more important for this position than expertise in fire suppression, emergency medical response or other aspects of District field operations.

The only position in this Division that would presumably require supervision by a safety staff member is the Captain who serves as the communication officer, and then only because of the potential difficulty of having a civilian District employee oversee a firefighter. Based on interviews with the Captain regarding the duties of his position, and discussions with the County Department of Communication about the Captain's role in working on dispatching issues related to the District, we believe it is appropriate for the District's communications officer position to have fire suppression experience. Accordingly, we recommend that this position be transferred from the Support Services Division to the Operations Division, which is headed by a Deputy Chief. While some functions of the communications officer, such as repair of cell phones and pagers, and programming of radios, are definitely akin to other Support Services functions, other jobs of that position, particularly as it relates to changes in the dispatch services provided by County Communications that are required by changes in District emergency response procedures, are clearly related to District operations, making this transfer appropriate. Rather than divide these duties among multiple staff, which could require additional personnel costs by the District, it is preferable to transfer this position to a Division where a safety supervisor is available.

Based on the foregoing analysis, we recommend that, upon the vacancy of the existing Support Services Deputy Chief position, it be replaced by a civilian position of Support Services Division Manager. Based on the current pay scales for the existing positions in the Division, excluding the Captain who would be transferred, the pay scale for this new position should be established at a rate 5 percent in excess of the existing Construction Coordinator position, the highest paid position that position reports to the head of this Division. At that rate, the pay scale for this position would range from \$3,519.19 to \$4,277.61 per biweek. Total costs for the position, including Step 5 pay and



benefits for a non-safety employee, would be approximately \$156,000 annually, versus costs of approximately \$235,000 annually for a Step 5 Deputy Chief without command responsibilities. Total savings from civilianizing this position, therefore, is approximately \$79,000 annually. We also note that at this pay level, this position would earn more than the County's Fleet Manager, who supervises a larger staff, a larger vehicle fleet and is responsible for a much larger budget. This disparity reflects the general disparity between District and County pay scales discussed in Section 8 of this report. Assuming this disparity is reduced, the District could in the future consider further reducing the pay for the Support Services Division Manager position to an appropriate level consistent with the requirements and responsibilities of the position, thereby generating additional savings.

In response to this analysis, Fire District management during the exit conference for this audit said they had previously considered civilianizing the Support Services Deputy Chief position, which they acknowledged primarily oversees functions that do not require a safety-level supervisor. According to District management, this step was not taken because of a concern that, in a major fire or other safety emergency, leading to the activation of emergency operations centers in the cities the District serves, the District would not have sufficient deputy chief level staff to provide leadership to each of those cities' emergency centers, and that this lack of a chief-level incident manager in major incidents would be a significant concern to these cities. In effect, the District acknowledged filling this position with a deputy chief, in order to have an additional deputy chief available for emergencies as described, even though the day-to-day duties of managing the Support Services Division have no relationship to the skills and expertise of a deputy chief. Furthermore, it is our understanding, based on discussions with District management, that this position has not yet, since its creation, been required to respond to a city emergency operations center because of a major multi-city incident. The decision whether to overfill the Support Services Division management position in this manner is a policy decision for the District Board of Supervisors. At a minimum, should the Board and District management determine that this approach to Support Services management must continue, the District should pursue recouping the additional costs of a deputy chief position from the cities to whom the District provides fire protection services under contract.

## **CONCLUSION**

The Support Services Division of the Central Fire Protection District is responsible for maintenance of District vehicles, equipment and facilities; procurement, inventory and distribution of operating materials and supplies; and, in combination with County Communications, maintenance of the District's communications infrastructure. The Division has nine civilian employees and one safety employee, but is supervised by a Deputy Chief, even though most of the staff supervised are civilians. Because the oversight duties for this division do not require the skills of a trained fire fighter or response to fire and non-fire emergencies, the designation of a safety manager is unnecessary, although it follows common practice for firefighting agencies.

## **RECOMMENDATIONS**

It is recommended that the Central Fire Protection District:

- 10.1 Upon the vacancy of the existing Support Services Deputy Chief position, replace that position with a civilian Support Services Division Manager position. (Priority 2)
- 10.2 Transfer the existing Captain position in the Support Services Division, who serves as the District's communications officer, to the Operations Division, where a safety Deputy Chief supervisor is provided. (Priority 2)
- 10.3 If the Board of Directors chooses not to implement Recommendation 10.1, pursue reimbursement, from cities with whom the District contracts to provide fire protection services, of the excess costs to maintain a Deputy Chief as the manager of the Support Services Division. (Priority 2)

## **SAVINGS AND BENEFITS**

Based on Step 5 pay and benefits for both the existing Deputy Chief position, and a civilian position reflecting a pay rate 5 percent above the rate of the highest paid position who would report to the new manager, civilianizing this position would result in savings estimated at \$79,000 per year. If the general pay disparity between District pay and County pay, discussed in Section 8 of this report, were rectified, and the pay for the manager's position were further reduced, additional savings would be achieved.

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## **Section 11. County Residents Without a Designated Fire Protection Agency**

- Fire protection services in the County of Santa Clara are fragmented and include four fire protection districts established between 1923 and 1972, seven city fire departments, several volunteer organizations and the California Department of Forestry. This dilution of fire protection responsibility in the County has resulted in inherent administrative duplication, inefficiency and a lack of cost effectiveness.
- Approximately 627 square miles, or 48 percent of the land area of the County of Santa Clara lies outside of the geographic boundaries of the 11 local fire protection agencies in the County, and the California Department of Forestry is not responsible for structure fires within this area. Based on information provided by County Communications, the volume of emergency calls from unprotected areas of the County has increased significantly, and the absence of a responsible fire protection agency heightens the risk to both persons and property due to the inability of County Communications to initiate a timely emergency response. Consequently, more than 6,000 County residents who live in these areas do not receive reliable emergency fire suppression response to structural fires.
- As a result, the County of Santa Clara is the only Bay Area county, and the only county among the 10 most populous counties in the State, with large areas inhabited by more than 6,000 county residents whose homes are not the fire protection responsibility of any fire protection agency.
- The Board of Supervisors should consider pursuing a governmental reorganization to resolve the existing deficit in fire protection, planning and services within the County, including (1) consolidation and expansion of the Central and South County fire protection districts into a unified Countywide district, including areas currently unprotected, (2) creation of a new rural area fire protection district, and (3) creation of a Countywide assessment district to provide funding for fire protection services in all currently unprotected areas of the County.

### **Description of Current Organization of Fire Protection Services in the County**

Fire protection services in the County of Santa Clara have devolved over the past century from municipal fire departments that served the incorporated areas of the major cities in the County, to a current compilation of seven municipal fire departments, four fire protection districts, six volunteer organizations and the California Department of Forestry. These fire protection agencies include:

Fire Protection Districts:

Los Altos Hills Fire Protection District (1949)	(Los Altos Hills contracted to Central Fire Protection District)
SCC Central Fire Protection District (1947)	(Campbell, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, a portion of Saratoga, and a portion of unincorporated area )
Saratoga Fire Protection District (1923)	(A portion of Saratoga and adjacent unincorporated area)
South SCC Fire Protection District (1924)	(A portion of unincorporated area between Gilroy and Morgan Hill contracted to the California Department of Forestry)

City Fire Departments:

Gilroy  
Milpitas  
Mountain View  
Palo Alto  
San Jose  
Santa Clara  
Sunnyvale

Volunteer Organizations:

Casa Loma Volunteers (mountains west of Uvas Rd.)  
Ormsby Fire Volunteers (Mt. Madonna area)  
San Antone Volunteers (Mt. Hamilton area)  
Spring Valley Volunteers (area east of Milpitas)  
Stevens Creek Volunteers (mountains west of Cupertino/Saratoga)

State of California:

California Department of Forestry

Although the four fire protection districts and seven city fire departments are responsible for approximately 689 square miles within the County's geographic boundary, approximately 627 square miles, or 48 percent of the County land area, is considered unprotected for structure fires, since no fire protection agency is responsible for structural fires in this area as shown in Attachment 11.1. A November 2003 report, issued by the County of Santa Clara Local Agency Formation Commission (LAFCO), estimated the population of the 627 square mile unprotected area to be 6,047 persons.

## **Calls for Emergency Services**

Data on the volume of calls for emergency services originating from residents of the unprotected areas is not readily available, due to the wide geographic dispersion of the unprotected areas and the multiplicity of fire protection agencies that receive such calls. However, for CY 2004, County Communications reported receiving 237 calls, including 175 medical emergencies that would have been responded to by the County ambulance contractor, and 62 fire events. Additional calls would have been received by other agencies, including the California Department of Forestry which serves as the fire protection agency by contract for the South Santa Clara County Fire Protection District, which has no fire fighting personnel of its own. The California Department of Forestry operates its own communications dispatch function for the protection of the residents of the South County Fire Protection District. Similarly, the City of Milpitas operates its own communications dispatching for fire department emergencies for the residents of Milpitas, but may receive calls for emergency services due to the City's proximity to the vast unincorporated area east of the City. Consequently, comprehensive call volume data for the unprotected areas of the County is not currently available.

Although the November 2003 LAFCO report projected a total of 600 calls per year, County Communications reports that the call activity has increased significantly in recent years, and is becoming a critical problem because under mutual aid agreements between the County and cities, none of the fire protection agencies in the County have designated responsibility for structural fires in the unprotected areas. Therefore, when an emergency call is received from a resident of the unprotected area, the County Communications dispatcher must call the California Department of Forestry to see if they have an available engine to respond. If the State has no available engines, the dispatcher must then call other nearby city fire departments or the Central Fire Protection District to determine if anyone has an available engine to send. This process is often quite time consuming and results in emergency response delays that are excessive, putting both persons and property at significant risk. Although the County has not recently experienced significant loss of life due to fires in unprotected areas, the County of San Diego did experience such losses in 2003, when a wildfire in a remote area of the County killed 16 persons and destroyed or damaged many homes. However, the County has experienced prior incidents in which the nearest fire engines were not available for immediate response. By the time an engine could be found to respond, in one incident an individual who had suffered a heart attack died, and in a separate incident a home was lost to a fire. It was determined that the slow response time did not contribute to the cause of death of the individual who had suffered a heart attack, but this did indicate a potential problem.

## **Practices of Other Large Counties**

To determine if other major California counties also have large unprotected areas that are not served by any fire protection agency, we surveyed selected counties by telephone and obtained information pertaining to other counties that was reported by LAFCO in its November 2003 report. The counties surveyed included Alameda, Contra Costa, Los Angeles, Orange, Sacramento and Santa Cruz. All of the six counties

surveyed reported that there are no unprotected areas in any of those counties. The approaches used by these counties to serve the remote areas include contracting with the California Department of Forestry, training and equipping volunteer organizations, forming one or more new fire districts, and forming a county service area as a funding mechanism to provide services in remote areas. As examples, the County of Los Angeles Fire Department reported that it has trained and equipped volunteer fire protection organizations in the County. When calls are received for emergencies in remote areas of the County, the volunteer organizations are always the first to arrive at the scene, but a County fire engine is dispatched in every case. Since the Los Angeles Fire Department has comprehensive responsibility, there are no unprotected areas of the County. The Orange County Fire Department also reported that it had no unprotected areas of the County. It also uses volunteer organizations and contracts with the California Department of Forestry. Although some of the remote areas have significantly higher response times than the urban areas, the County has no unprotected areas. The County of San Diego formed separate fire districts to cover the remote areas of the County and uses trained volunteer organizations. The County is now also considering contracting with the California Department of Forestry to provide fire structural protection services in remote areas of the County throughout the year.

### **Reorganizing County Fire Protection Services**

Due to the critical importance of fire protection services, the serious deficit that currently exists in such services within the County, and the fact that the County's four fire protection districts were created between 56 and 82 years ago, it would be appropriate for the Board of Supervisors as the governing board of the two largest fire protection districts, to take a fresh look at the efficiency, effectiveness and economy of the delivery of fire protection services in the County. There are at least three options available that could resolve the problem of having a substantial number of residents residing in areas of the County with substandard fire protection.

- (1) The Central and South County fire protection districts could be consolidated into a single Countywide fire protection district, including the areas that are currently unprotected.
- (2) A new rural area fire protection district could be created.
- (3) A special assessment district could be created to fund the cost of enhanced fire protection for the currently unprotected areas.

However, although each of these options would resolve the problem of providing structural fire protection to currently unprotected areas of the County, there are significant differences between the options related to cost effectiveness, Countywide efficiency and coordination of fire protection services, governance structure, and implementation requirements.

## **Cost Effectiveness-Elimination of Duplicative Administrative and Overhead Costs**

Given the current structure of fire protection services in the County, comprised of seven municipal fire departments, four fire protection districts, several volunteer organizations and the California Department of Forestry, a substantial amount of administrative and overhead cost duplication is an inherent problem of the County's fragmented fire protection model. Although the Central Fire Protection District has made significant strides to reduce this duplication by convincing several cities to contract with the District to obtain a more comprehensive, higher quality and less costly service, the duplication of administrative and overhead costs incurred by the other three fire protection districts is inefficient and unnecessary.

Neither the Los Altos Hills Fire Protection District, nor the South Santa Clara County Fire Protection District have any fire protection staff. Both districts contract for fire protection services. Los Altos Hills contracts indirectly with the Central Fire Protection District as a part of the contract between the City of Los Altos and the Central Fire Protection District, and the South Santa Clara County Fire Protection District contracts with the California Department of Forestry for its fire protection services. The Saratoga Fire Protection District has its own fire fighting staff, but now contracts with the Central Fire Protection District for its fire chief. However, each of these districts incurs administrative and overhead costs that could be eliminated or reduced if the County consolidated one or more of its fire protection districts. The current administrative and overhead costs of these districts are estimated to amount to at least \$1,000,000, annually.

## **Countywide Efficiency and Coordination of Fire Protection Services**

Due to the current multiplicity of fire protection agencies in the County, efficiency of service delivery is compromised and coordination of services is a continuous challenge requiring extensive planning and ongoing coordination efforts. In addition to periodic meetings of the city, County and State fire protection agencies, mutual aid agreements and operational protocols have been developed and are continually updated to ensure that emergency responses involving multiple agencies occur problem free. The coordination of emergency response by the County's many fire protection agencies also adds complexity to the demands on the County's emergency communications dispatchers.

One current example of these coordination problems pertains to building inspections in the South Santa Clara County Fire Protection District. The County Fire Marshal's Office, whose services are performed under contract by the Central Fire Protection District, retains responsibility for providing fire prevention in the portions of the unincorporated area that are not part of a city fire department or fire protection district. The County Fire Marshal's Office was also conducting inspections within the boundaries of the South Santa Clara County Fire Protection District. However, during last year's contract renegotiations, the Central Fire Protection District gave the County the option to fund activities that the District was conducting within fire district boundaries or those activities would cease. The County decided that the contract with the Central Fire



Protection District would not include inspections in any portion of the unincorporated area that is already covered by a fire district, such as the South Santa Clara County Fire Protection District. Subsequently, the California Department of Forestry, which provides fire services to the area located within the South Santa Clara County Fire Protection District under contract, informed the County that it does not currently have the staff to conduct the area's inspections and would require more compensation to add staff. Resolution on this issue has not yet been reached, so schools and other structures have gone without inspections.

Consequently, of the three suggested alternatives to providing fire protection to the currently unprotected areas of the County, the consolidation of the Central Fire Protection District and the South Santa Clara County Fire Protection District including expanded responsibility for the areas currently unprotected, would be most efficient by reducing the number of agencies in the County and simultaneously resolving the problem of areas of the County with substandard fire protection. The option of creating a new rural fire protection district would eliminate the problem of areas of the County with substandard fire protection, but would add to the coordination problem and administrative overhead by increasing the number of fire protection agencies in the County. The third option of creating a special assessment district encompassing the unprotected areas of the County would provide a funding mechanism to pay for the needed services and would not add to either the existing coordination problems or the administrative duplication that currently exists among the County's many fire protection agencies.

### **Governance Structure Issues**

One of the characteristics of the County's current organizational structure of its fire protection model, is that it reflects the separate community interests of many geographic regions throughout the County. Specifically, 11 local fire protection agencies provide similar, but varying types of fire protection services to the citizens who they serve, and the remainder of the County residents, who number approximately 6,000, reside in unprotected areas of the County and do not have a voice in the type or nature of fire protection services they receive. Each of the three suggested options to provide fire protection services to the existing unprotected areas of the County would impact the current governance structure related to fire protection services.

The option to consolidate the Central Fire Protection District and the South Santa Clara County Fire Protection District, and add responsibility for the existing unprotected areas would dilute the control of persons currently in the two separate districts, and would provide for participation of the persons who now reside in unprotected areas. The second option of creating a new rural fire protection district would not impact the governance over persons served by the existing 11 local fire protection agencies, but would permit currently unrepresented persons residing in the unprotected areas to determine the nature of fire protection services in the new district. The third option of creating a special assessment district to provide a funding mechanism for fire protection services in the currently unprotected areas, would not directly impact the existing governance structure, but would permit the citizens of the unprotected areas to

participate in the determination of the services they would receive through input to the County Board of Supervisors.

### **Implementation Requirements for Governance Revisions**

Implementation of the suggested options to alleviate the deficit in existing fire protection services in the County would require a combination of Board of Supervisor review and hearings, LAFCO review and hearings, and voter elections, depending on the option that was selected.

### **Funding of Fire Protection Services**

The source of funding for fire protection services to the unprotected areas of the County would be based on property taxes or special assessments on property, depending on the option that was selected. In general, fire protection services throughout the County are funded from a portion of the 1.00 percent property tax levy pursuant to Section 13.B of the State Constitution. A portion of the annual 1.00 percent property tax revenue from every parcel of property within any of the 15 incorporated cities or the four fire protection districts is the funding source for fire protection services for that parcel. However, property owners whose properties are not within the boundaries of a fire protection agency have no dedicated fire protection services, even though they annually pay the full 1.00 percent of the assessed value of their properties. Based on data provided by the Controller's Office, that portion of the property taxes that would otherwise have been used to fund fire protection services in a city or fire protection district, results in an extra property tax allocation to the County. If the option to consolidate the Central Fire Protection District and the South Santa Clara County Fire Protection District, and add responsibility for the existing unprotected areas is chosen, the property tax increment from increased assessed value related to the existing unprotected area in the new district could provide a funding source, in combination with administrative cost savings and/or a special assessment of properties in the unprotected area. If the second or third option is selected to create a new rural area fire protection district, or to contract for fire protection services with an existing fire protection agency, a special assessment could be used as the funding source.

### **CONCLUSION**

The County's system of fire protection includes 11 local fire protection agencies, the State of California and volunteer organizations. Despite these numerous fire protection agencies, a substantial area of the County does not have a designated fire protection agency responsible for structural fires in these unprotected areas where an estimated 6,000 residents reside. Santa Clara County is the only county among seven major counties that has a substantial portion of the County and population residing in unprotected areas. As a result, due to an increasing volume of calls for emergency response in these areas, County Communications reports that a significant risk to persons and property exists. The Board of Supervisors should obtain information specifically defining the best method of providing a reasonable and cost-effective level of fire protection services to the unprotected areas of the County, including the cost of

facilities, staffing and contract services as necessary. The Board should then conduct hearings to consider and identify the governmental reorganization option that would be most appropriate to resolve the existing deficit in fire protection services in the County, and submit the proposed reorganization to the voters for consideration.

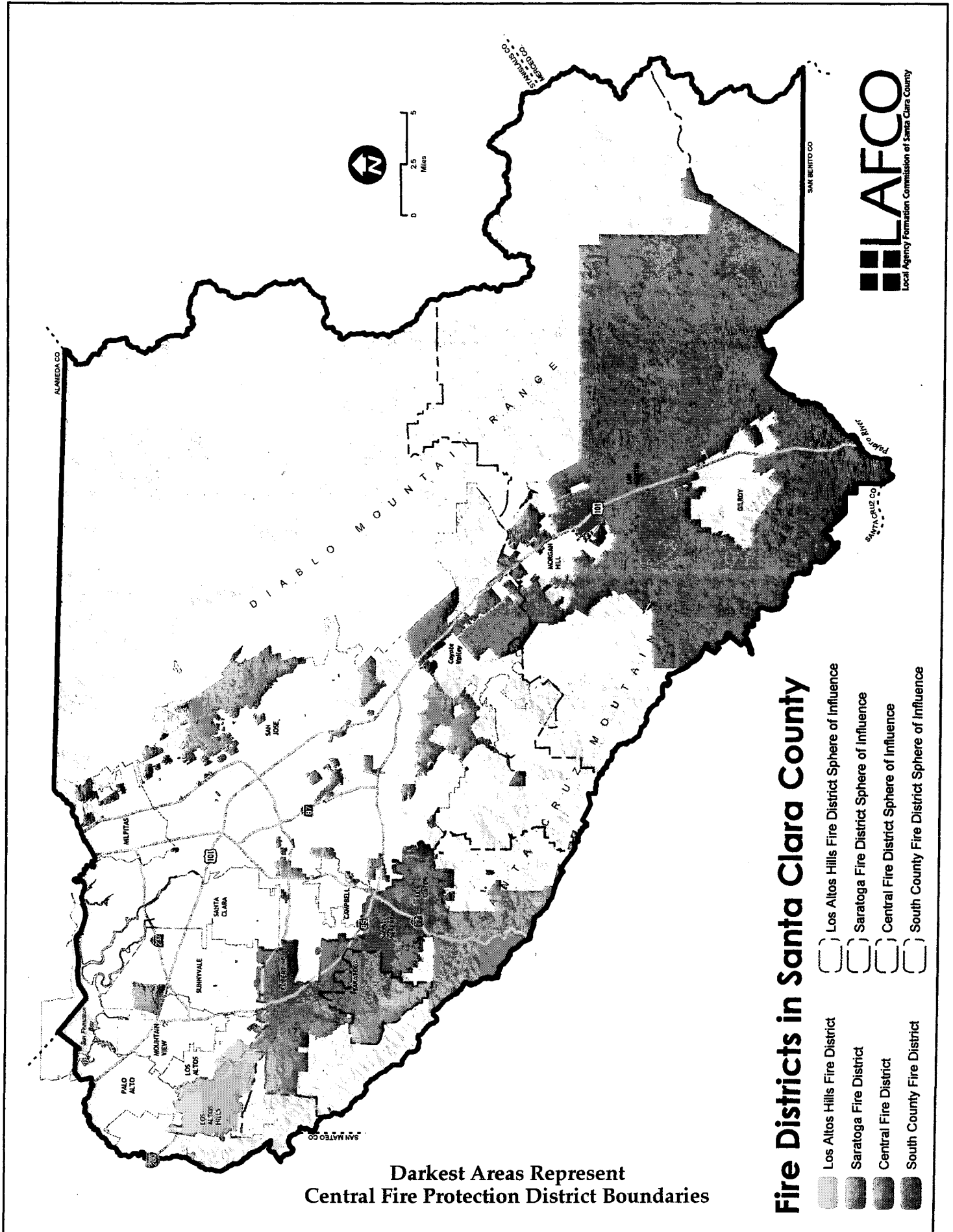
## **RECOMMENDATIONS**

It is recommended that the Board of Supervisors:

- 11.1 Direct staff to conduct or arrange for a special study to determine the best method of providing a reasonable and cost-effective level of fire protection services to the unprotected areas of the County. The study should consider all options including contracting with the California Department of Forestry, building and staffing new fire stations, training and equipping volunteer fire protection organizations or a combination of any of the above approaches. In addition, the study should provide specific cost estimates and potential funding methodologies. (Priority 2)
- 11.2 Conduct hearings to develop and evaluate options to provide fire protection services to areas of the County that are currently unprotected. (Priority 2)

## **SAVINGS AND BENEFITS**

The implementation of this recommendation would enable the Board of Supervisors to reorganize fire protection services within the County and eliminate a deficit in such services that represents a significant risk to persons and property in unprotected areas of the County. The cost of implementing this recommendation would depend on the option selected for implementation and is unknown at this time. Such costs would probably be funded from a combination of property taxes and special assessments.



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## Section 12. Annual Inspections by Fire Station Companies

- Fire station companies continue to juggle hundreds of annual fire and life safety inspections with other duties, such as fulfilling training requirements, when not responding to emergencies. For certain types of occupancies, the Central Fire Protection District could allow qualifying businesses to conduct their own inspections so that fire station companies could focus on more complex occupancies and other responsibilities. However, the District has implemented such a Self-Inspection Program in only two of eight cities served.
- Because fire station companies must balance their emergency and non-emergency workload, they do not always complete their inspections by the end of the quarter in which they are scheduled. For example, during the second quarter of CY 2005, companies completed only 71.5 percent of their inspections on average, and the percent of completed inspections varied widely by station. In CY 2004, companies spent 4,230 hours on inspections and re-inspections at a cost of at least \$736,000.
- The District should expand the Self-Inspection Program to all eight cities served. With the program's expansion, fire station companies would have at least 1,700 hours annually to devote to other duties. The District should also solicit bids for developing an on-line form for businesses to submit their self-inspections. Additional savings related to reduced usage of fire station companies and administration of the Self-Inspection Program via the Internet would also be realized.

### Annual Fire and Life Safety Inspections

Fire station companies are currently responsible for annually inspecting occupancies to ensure they are in compliance with the California Building Code, California Fire Code and related amendments adopted by cities. At the beginning of each quarter in a calendar year, the three shifts at each station receive a list of inspections to be conducted in their area. The Fire Captain of each shift is then responsible for scheduling days on which to conduct the inspections in consideration of other duties. After each inspection is completed, companies must enter the inspection results into a database and inspection file. While companies try to conduct inspections, finish their paperwork and enter inspection results in the database on the same day, they can get behind due to their other emergency and non-emergency workload.

The table on the following page shows the number of occupancies assigned to and completed by each of the stations during the second quarter of CY 2005. As shown, fire station companies completed only 71.5 percent of their inspections on average during this quarter, and the percent of inspections completed in the quarter varied widely by station. We also looked at this data for the first quarter of CY 2005 and the last two quarters of CY 2004 and saw a similar trend. For example, seven of 16 fire stations completed less than three-quarters of their inspections in at least two quarters.

Table 12.1

**Annual Inspections Assigned to Fire Station Companies  
During the Second Quarter of Calendar Year 2005<sup>1</sup>**

Station	Location	Inspections Assigned	Inspections Completed	% Inspections Completed
Los Gatos	Los Gatos	284	277	97.5%
Cupertino	Cupertino	153	145	94.8%
Sunnyoaks	Campbell	50	42	84.0%
Monta Vista	Cupertino	43	36	83.7%
West Valley	Saratoga	69	56	81.2%
Loyola	Los Altos	355	285	80.3%
Campbell	Campbell	74	44	59.5%
Dunne Hill	Morgan Hill	126	73	57.9%
Winchester	Los Gatos	154	86	55.8%
Los Altos	Los Altos	98	53	54.1%
Seven Springs	Cupertino	192	100	52.1%
Quito	Los Gatos	29	10	34.5%
El Monte	Los Altos Hills	80	14	17.5%
El Toro	Morgan Hill			
Redwood	Redwood Estates			
Shannon	Los Gatos			
<b>All Fire Stations</b>		<b>1,707</b>	<b>1,221</b>	<b>71.5%</b>

Source: Quarterly Inspection Report

A Senior Deputy Fire Marshal monitors whether companies are completing their assigned inspections every quarter. About two-thirds through a quarter, she looks up occupancies in the database to determine how the fire station companies are doing on their inspections. She also has access to Telestaff to look up who has been on vacation or out sick in a company and the District's National Fire Incident Reporting System to look up the number of fires and other incidents to which a company has responded. With these three databases, she can get a snapshot of where the company is at and why with respect to their inspections. Then, she may call the Fire Captain of a company who is behind to discuss how the inspections are going to get done. Once a quarter ends, she contacts the Fire Captains of all companies that fell behind and didn't complete their inspections. She gives them at least one more shift to complete their outstanding inspections before they are reassigned to another shift or staff person. All occupancies originally assigned to fire station companies are eventually inspected.

Complicating the situation is that some occupancies may require multiple inspections before they can be passed. Fire station companies that inspect an occupancy and find that it does not comply with local and State codes must return for a re-inspection. The

<sup>1</sup> The Quito Fire Station is located in Los Gatos but also covers Monte Sereno and Saratoga.

business owner or operator is told how to remedy the problem and when to expect another visit. The Senior Deputy Fire Marshal estimated that about 10 percent of occupancies require a re-inspection. Many of the problems, such as exit signs that burned out or fire extinguishers that require servicing, can be fixed right away. However, for problems that are not or cannot be fixed immediately, companies visit the occupancy at least three times before asking the Senior Deputy Fire Marshal to approach the business owner and if necessary involve city code enforcement officers or County building officials. Between conducting 7,535 inspections and re-inspections in CY 2004, fire station companies expended 4,230 hours at a cost of at least \$736,000. This cost is based on the combined hourly rate of an engine company, which consists of a Fire Captain, Firefighter/Engineer and Firefighter/Paramedic.<sup>2</sup> While the hourly rate does not include the cost of any overtime or use of fire apparatus, it does reflect the base salary and benefits of the three positions.

### **Implementing a Self-Inspection Program**

Recognizing the hours and costs expended by fire station companies in annual inspections, the District decided to implement a Self-Inspection Program (SIP) in Morgan Hill and Cupertino beginning in CY 2005. Based on research on similar programs in other jurisdictions, District staff found that some businesses prefer self-inspections over company inspections for all or some of the following reasons:

- Self-inspections are generally less disruptive to conducting business. A letter sent to Morgan Hill businesses stated, "This program enables owners/operators of businesses to conduct their own fire safety inspection at a time convenient to them, thereby eliminating the usual disruption associated with inspections conducted by the Fire Department during the business day."<sup>3</sup>
- Businesses learn first-hand how to make their workplace safe, and they may take that knowledge home. While fire station companies also educate businesses when they are visited for their annual inspection, the freedom of allowing businesses to complete their own inspections imposes fewer limitations on their time and that of fire station companies.
- Businesses that have questions about their inspections can contact the designated liaison at District headquarters during regular business hours five days a week. With company inspections, businesses that call the fire station may have to wait one or more days, depending on shift schedules and a company's workload, to get answers to their questions.

At the same time, not all businesses are eligible to participate in the SIP. Businesses are selected for the program based on whether they have maintained an excellent fire and life safety inspection record and are categorized as a "B" or "M" occupancy, which are defined as follows:

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<sup>2</sup> The salaries of staff on a 56-hour engine company were used in calculating the hourly rate, which is \$174.

<sup>3</sup> Letter to business owners from Deputy Chief Dirk Mattern, January 4, 2005.



- "B" occupancy: A building or structure, or a portion thereof, for office, professional or service-type transactions, including storage of records and accounts, eating and drinking establishments with an occupant load of less than 50. These occupancies are typically professional office buildings but may also include motor vehicle showrooms, banks, beauty shops, florists and post offices.<sup>4</sup>
- "M" occupancy: A building or structure, or a portion thereof, for the display and sale of merchandise, and involving stocks of goods, wares or merchandise, incidental to such purposes and accessible to the public. These occupancies may include department stores, drug stores, markets, shopping centers and sales rooms.<sup>5</sup>

Table 12.2 shows that "B" and "M" occupancies comprise between 48.5 percent and 100 percent of all occupancies currently assigned to fire stations. Furthermore, Campbell Fire Station has the largest number of these occupancies, but the SIP has not been expanded to Campbell. District staff stated they intend to hold off on implementing the program in the contract cities of Campbell, Los Altos and Los Altos Hills until their contracts are renegotiated, as was done in Morgan Hill.

Table 12.2

**Summary of Occupancies Assigned to Fire Stations**

Station	Location	B & M Occupancies	% Total Occupancies	Other Occupancies	% Total Occupancies	Total Occupancies
Campbell	Campbell	775	53.8%	665	46.2%	1,440
Cupertino	Cupertino	573	63.9%	324	36.1%	897
Los Altos	Los Altos	703	79.8%	178	20.2%	881
Los Gatos	Los Gatos	521	69.6%	228	30.4%	749
Sunnyoaks	Campbell	318	48.5%	337	51.5%	655
El Toro	Morgan Hill	407	62.4%	245	37.6%	652
Dunne Hill	Morgan Hill	309	55.7%	246	44.3%	555
Winchester	Los Gatos	351	71.1%	143	28.9%	494
Seven Springs	Cupertino	334	82.7%	70	17.3%	404
Shannon	Los Gatos	262	65.7%	137	34.3%	399
Monta Vista	Cupertino	202	59.6%	137	40.4%	339
West Valley	Saratoga	179	73.7%	64	26.3%	243
Loyola	Los Altos	140	84.8%	25	15.2%	165
Quito	Los Gatos	61	53.0%	54	47.0%	115
Redwood	Redwood Estates	7	63.6%	4	36.4%	11
El Monte	Los Altos	5	100.0%	0	0.0%	5
<b>All Fire Stations</b>		<b>5,147</b>	<b>64.3%</b>	<b>2,857</b>	<b>35.7%</b>	<b>8,004</b>

Source: Fire Prevention Division

<sup>4</sup> 2001 California Building Code, Section 304, "Requirements for Group B Occupancies."

<sup>5</sup> 2001 California Building Code, Section 309, "Requirements for Group M Occupancies."

To date, the District has transferred only 779, or 15.1 percent, of all "B" and "M" occupancies to the SIP, as shown in the following table. Selecting eligible occupancies was done with the help of the Fire Captains in Morgan Hill and Cupertino. The Senior Deputy Fire Marshal sent them a memo with instructions and a list of every occupancy. The Fire Captains reviewed their list and marked occupancies that qualified, according to their inspection record and occupancy type. While the Fire Captains selected occupancies, the Senior Deputy Fire Marshal created a cover letter and checklist to send to business owners (see Attachment 12.1).

Table 12.3

**"B" and "M" Occupancies in and not in the Self-Inspection Program**

Station	Location	B & M Occupancies in SIP	% Total B & M Occupancies	B & M Occupancies Not in SIP	% Total B & M Occupancies	Total B & M Occupancies
Campbell	Campbell	0	0.0%	775	100%	775
Los Altos	Los Altos	0	0.0%	703	100%	703
Cupertino	Cupertino	33	5.8%	540	94%	573
Los Gatos	Los Gatos	0	0.0%	521	100%	521
El Toro	Morgan Hill	310	76.2%	97	24%	407
Winchester	Los Gatos	0	0.0%	351	100%	351
Seven Springs	Cupertino	223	66.8%	111	33%	334
Sunnyoaks	Campbell	0	0.0%	318	100%	318
Dunne Hill	Morgan Hill	131	42.4%	178	58%	309
Shannon	Los Gatos	0	0.0%	262	100%	262
Monta Vista	Cupertino	82	40.6%	120	59%	202
West Valley	Saratoga	0	0.0%	179	100%	179
Loyola	Los Altos	0	0.0%	140	100%	140
Quito	Los Gatos	0	0.0%	61	100%	61
Redwood	Redwood Estates	0	0.0%	7	100%	7
El Monte	Los Altos Hills	0	0.0%	5	100%	5
<b>All Fire Stations</b>		<b>779</b>	<b>15.1%</b>	<b>4,368</b>	<b>85%</b>	<b>5,147</b>

Source: Fire Prevention Division

As mentioned, the SIP was implemented at the beginning of CY 2005. Selected businesses in Morgan Hill started receiving the self-inspection packet during the first quarter of CY 2005, while the program did not start in Cupertino until the second quarter of the same year. During the first quarter, nearly 50 percent of Morgan Hill business owners completed their inspection, corrected any hazards and returned their checklist within 30 days, the deadline specified in the self-inspection packet. Compliance in Morgan Hill grew in the second quarter, as more than 60 percent of business owners submitted their checklist on time. In Cupertino, business owners selected for the first round of self-inspections complied with program requirements at about the same rate as those first selected in Morgan Hill. Program participation is likely to continue to grow as awareness grows about the program.

## Expanding the Self-Inspection Program

In addition to benefiting businesses, the Self-Inspection Program (SIP) is also less costly to the District. The personnel costs to perform company inspections and self-inspections are compared in Table 12.4. The "B" and "M" occupancies that are currently in the program cost \$77,578 to be inspected by companies versus only \$5,206 for staff to administer the SIP. This is a difference of approximately \$72,000. The District could save additional staff time valued at \$203,086 if half of the "B" and "M" occupancies currently inspected by companies qualify for and are transferred to the SIP, and the value of staff time saved would continue to grow as more and more occupancies are eligible for the program. Any savings resulting from the program could then be redirected to the companies' other workload, including fulfilling training requirements, moving up to cover other fire stations as necessary, attending tower drills and performance tests, and conducting fire investigations. In this manner, each of the communities served by the District experience a more robust level of service.

**Table 12.4**

### **Comparison of Annual Personnel Costs to Perform Company Inspections and Self-Inspections**

<b>Program</b>	<b>B &amp; M Occupancies in SIP</b>	<b>50% B &amp; M Occupancies Not in SIP</b>	<b>SIP with Current and Added B &amp; Ms</b>
Company Inspections	\$77,578	\$217,476	\$295,054
Self-Inspections	\$5,206	\$14,390	\$19,595
<b>Difference in Personnel Costs</b>	<b>(\$72,373)</b>	<b>(\$203,086)</b>	<b>(\$275,459)</b>

Because of the advantages of conducting self-inspections, the District should expand the program to all eight cities served by the District. Assuming that 50 percent of "B" and "M" occupancies that are not currently in the program would be eligible for the program, fire station companies would have at least 1,700 hours annually to devote to other duties. This represents a net savings of more than \$275,000 (the combination of "B" and "M" occupancies already in the program and those added to the program) of staff time related to annual inspections. At the same time, the District would encumber a cost of about \$1,500 to purchase stamps and envelopes for mailing the self-inspection packets.

While the District would earn the greatest savings and benefits if this expansion occurred immediately, we recognize that the District will require time to identify eligible occupancies and coordinate the mailing of self-inspection packets to the respective business owners. For the contract cities not already in the program, the District may also need to modify or renegotiate its contracts before businesses in those cities can participate. We recommend that an additional city be phased in each quarter, or as soon as possible in the contract cities, until all cities are participating in the program. For example, since the contract with Los Altos and Los Altos Hills should be

renegotiated by the end of CY 2006, the program could be phased in to these communities once the conditions of the new contract are reached.

### Self-Inspections via the Internet

Following the self-inspections in Morgan Hill and Cupertino, the District submitted a survey to business owners that asked whether they would be interested in an on-line format. Based on responses from the first and second quarter of CY 2005, 76.4 percent of businesses indicated they would be interested in submitting their self-inspection results on-line with an individual access code. Table 12.5 presents the additional savings in staff time that could be achieved by developing an on-line format. As shown, the District would save an additional \$2,116 if the "B" and "M" occupancies currently in the SIP submitted their inspections on-line. The savings would more than triple if at least 50 percent of the other "B" and "M" occupancies were also in the program and using the on-line format.

Table 12.5

#### Comparison of Annual Personnel Costs to Perform Self-Inspections via Mail and the Internet

Program	B & M Occupancies in SIP	50% B & M Occupancies Not in SIP	SIP with Current and Added B & Ms
Self-Inspections via Mail	\$5,206	\$14,390	\$19,595
Self-Inspections via Internet	\$3,089	\$8,456	\$11,546
<b>Difference in Personnel Costs</b>	<b>(\$2,116)</b>	<b>(\$5,933)</b>	<b>(\$8,049)</b>

Of course, some of the savings would be offset by additional one-time and annual costs to develop a database and website to administer the program. Based on a quote developed by the Information Services Manager, the one-time cost of utilizing consultants for the database and website design and server configuration, and purchasing the necessary hardware and software is \$18,300. Other District staff involved in information services have indicated that an on-line self-inspection form could be developed for as little as \$5,000. The District should therefore solicit bids for developing the form in accordance with the County's purchasing policies and procedures, which are discussed in Section 7. On an annual basis, supporting the database, website and server could cost several thousand dollars. However, we estimate that the value of staff time savings would exceed the one-time development costs in less than three years.

### CONCLUSION

Each year, fire station companies continue to juggle hundreds of annual fire and life safety inspections with other duties, such as fulfilling training requirements, moving up to cover other stations and other activities. In CY 2004, companies spent 4,230 hours on inspections and re-inspections at a cost of at least \$736,000. While the District could allow eligible businesses to conduct their own inspections, so that companies could

focus on more complex inspections or their other workload, the District has implemented a Self-Inspection Program in only two of eight cities served.

Because of the numerous benefits to businesses and the District of self-inspections, the District should expand the program to all eight cities served. With the program's expansion, fire station companies would have at least 1,700 hours annually to devote to other duties. The District should also solicit bids for developing an on-line form for businesses to submit their self-inspections. The staff time savings generated from administering the Self-Inspection Program via the Internet exceed its costs within three years.

## **RECOMMENDATIONS**

It is recommended that the Central Fire Protection District:

- 12.1 Expand the Self-Inspection Program to all eight cities served by the District. An additional city should be phased in each quarter, or as soon as possible in the contract cities, until all cities are participating in the program. (Priority 2)
- 12.2 In accordance with the County's purchasing policies and procedures, solicit bids for developing an on-line form with individual access codes for businesses to submit their self-inspections. (Priority 3)

## **SAVINGS AND BENEFITS**

Implementation of the recommendations above would give fire station companies at least 1,700 hours annually to devote to other duties. Meanwhile, businesses selected for the Self-Inspection Program would enjoy the benefits of having fewer disruptions with self-inspections, learning first-hand how to determine if their workplace complies with local and State codes, and having more access to District staff during business hours when questions arise. By developing an on-line form for the program, both businesses and the District would benefit from a more streamlined process for submitting self-inspection results.

**Attachment 12.1**



**FIRE DEPARTMENT  
SANTA CLARA COUNTY**

14700 Winchester Blvd., Los Gatos, CA 95032-1818  
(408) 378-4010 (408) 378-9342 (fax) www.sccfd.org

04 January 2005

Dear business owner:

Beginning in 2005, the Santa Clara County Fire Department is implementing a Self-Inspection Program for selected business occupancies. Your business has been deemed eligible to participate in the self-inspection program due to an excellent fire safety inspection record. This program enables owners/operators of businesses to conduct their own fire safety inspection, at a time convenient to them, thereby eliminating the usual disruption associated with inspections conducted by the Fire Department during the business day. Please note that this is a voluntary program. If so desired, your business will not be placed on the self-inspection program and will receive annual fire safety inspections from Fire Department personnel.

The self-inspection must be conducted by the business owner (or responsible designee) utilizing the enclosed Self-Inspection Checklist. Please complete the Checklist as per the instructions provided. The inspection must be completed, hazards corrected and the Checklist returned to the Fire Department within 30 days from the "issued date" (shown on the upper right-hand corner of the Checklist). If some items requiring correction will take longer to complete, please so state in the "Comments" section on the Checklist and indicate the estimated date of completion. Please note that if the Checklist is returned late or not at all, the business occupancy may no longer be eligible for the Self-Inspection Program.

The Santa Clara County Fire Department greatly appreciates your cooperation in helping to create and maintain a fire-safe community. We hope you will find the Self-Inspection Program convenient and we welcome any comments. Should you desire to not participate in the Self-Inspection Program and prefer to have inspections conducted by Fire Department Personnel or, if you have any questions, please contact the Fire Prevention Division at (408) 378-4010.

Sincerely,

Dirk Mattern  
Deputy Chief  
Fire Prevention Division

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Organized as the Santa Clara County Central Fire Protection District

*Serving Santa Clara County and the communities of Campbell, Cupertino, Los Altos,  
Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga*

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## HOW TO PERFORM YOUR SELF-INSPECTION

1. The self-inspection form is designed to assist you in performing a fire safety inspection. Complete the form by checking the appropriate box, Yes, No, or N/A (not applicable).
2. The person who is responsible for the business must conduct the inspection, such as the owner or manager.
3. Review the report before starting. This way you will know what to look for in advance.
4. Complete the "occupancy information" at the top of the "Self-Inspection Checklist."
5. With your report in hand, walk around and through your business until all statements on the report have been marked "yes," "no," or N/A.
6. If an item is non-compliant, either correct the problem before submitting the form or check "No." For any no answers, indicate in the comment section at the bottom of the form what actions will be taken to correct the condition and estimated date of completion.
7. If you do not have responsibility to maintain any of the items listed in the report, such as a fire sprinkler system, list the responsible party and contact information under the comments section located at the bottom of the form.
8. Please note, the self-inspection form must be completed and returned to the Fire Department within 30 days from the date issued, listed at the top of the checklist.
9. The Fire Department may make a random re-inspection of your business for the purpose of quality control.
10. Return the completed Self-Inspection Checklist to:

**Santa Clara County Fire Department  
Fire Prevention Division  
14700 Winchester Bl  
Los Gatos, CA 95032-1818**

Once again, if you have any questions, please contact the Fire Prevention Division at 408-378-4010 or 800-800-1793.

Thank you for doing your part to maintain a fire-safe community!



**FIRE DEPARTMENT, SANTA CLARA COUNTY**  
14700 Winchester Blvd., Los Gatos, CA 95032-1818

**Issued Date:**  
Jan. 4, 2005

**SELF-INSPECTION CHECKLIST**

Occupancy ID# **7674**

Provide the following information:

Business Name: \_\_\_\_\_

Address: \_\_\_\_\_

Bldg./Room/Suite Numbers: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Business Phone: \_\_\_\_\_

Business Emergency Contact Names & Phone Numbers:

#1: \_\_\_\_\_

#2: \_\_\_\_\_

#3: \_\_\_\_\_

	YES	NO	N/A	ACCESS
1.	_____	_____	_____	Address is located on the exterior of the building, visible from the street, and numbers are on a contrasting background.
2.	_____	_____	_____	All sides of the building are free from weeds, trash, and combustible storage.
3.	_____	_____	_____	Driveway(s) around the building is free of obstructions.

	YES	NO	N/A	EXITS
4.	_____	_____	_____	Exit doors, aisles, corridors and stairways are clear of combustible storage.
5.	_____	_____	_____	Exit doors open easily and latch without difficulty.
6.	_____	_____	_____	Exit door hardware is operable from the inside without the use of a key or special knowledge of the latching devices that may interfere with someone getting out.
7.	_____	_____	_____	No other locking mechanism is used on any exit door with panic-style hardware.
8.	_____	_____	_____	No dead bolt mechanisms of any type are installed on any exit doors other than the main entrance door that has a sign above the door that states "THIS DOOR MUST REMAIN UNLOCKED DURING BUSINESS HOURS."
9.	_____	_____	_____	Front door remains unlocked during business hours.
10.	_____	_____	_____	If exit signs are lighted, all bulbs are working.
11.	_____	_____	_____	Fire rated doors are not blocked open or otherwise prevented from closing.

	YES	NO	N/A	FIRE EXTINGUISHERS
12.	_____	_____	_____	An all-purpose fire extinguisher with a minimum rating of 2:A-10:B-C is located for every 75 feet of travel.
13.	_____	_____	_____	Extinguishers are wall mounted in plain sight and access is clear of obstructions.
14.	_____	_____	_____	Each extinguisher is mounted with the top of the unit not more than 5 feet above floor level.
15.	_____	_____	_____	Each extinguisher is tagged and serviced every 12 months by a State Licensee.
16.	_____	_____	_____	Extinguisher gauges register in the green.

	YES	NO	N/A	FIRE PROTECTION SYSTEMS: If provided
17.	_____	_____	_____	Sprinkler system has been inspected every 3 months and service records are maintained on-site.



- 18. \_\_\_\_\_ A five-year hydrostatic test has been performed by a licensed contractor within the last 5 years.
- 19. \_\_\_\_\_ No ceiling tiles are missing in buildings protected by fire sprinkler or smoke detection systems.

YES NO N/A

**ELECTRICAL**

- 20. \_\_\_\_\_ All electrical cords and extension cords are in good condition.
- 21. \_\_\_\_\_ Extension cords are plugged directly into a wall outlet and serve only one portable appliance unless the extension cord is plugged into an approved fused type multi-plug power strip.
- 22. \_\_\_\_\_ Electrical cords are not placed under rugs, or where subject to damage.
- 23. \_\_\_\_\_ A minimum of 30 inches is maintained clear in front of all electrical panels.

YES NO N/A

**HOUSEKEEPING**

- 24. \_\_\_\_\_ Storage height in buildings with sprinkler systems is eighteen or more inches below fire sprinkler heads.
- 25. \_\_\_\_\_ Storage height in buildings without sprinkler systems is two feet or more below the ceiling.
- 26. \_\_\_\_\_ Minimum distance between heat-producing appliances and combustible materials is 30 inches.
- 27. \_\_\_\_\_ There is no combustible storage in mechanical, boiler, or electrical rooms.
- 28. \_\_\_\_\_ Storage is arranged in an orderly manner and allows for prompt exiting and fire department access.
- 29. \_\_\_\_\_ Dumpsters are located 5 feet or more from the building. (Exception: when fire sprinkler system is installed above dumpsters.)
- 30. \_\_\_\_\_ Recycling containers, over 5-1/3 cubic feet (40 gallons) are provided with lids And not located within corridors or hallways

YES NO N/A

**COOKING OPERATIONS**

- 31. \_\_\_\_\_ Grease filters, hood & duct system(s) over cooking appliances are cleaned regularly.
- 32. \_\_\_\_\_ Automatic hood & duct fire extinguishing system is serviced every 6 months.

YES NO N/A

**OTHER**

- 33. \_\_\_\_\_ All breaches, missing ceiling tiles, holes in walls or ceiling that could allow fire into the hidden spaces have been repaired or replaced.
- 34. \_\_\_\_\_ There are no flammable liquids stored, except in approved cabinets.

**COMMENTS:**

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Signature of responsible party

Title

Print name

Date of self-inspection

## Section 13. False Alarm Policies and Recovery of Costs

- In Fiscal Year 2004-2005, the Central Fire Protection District responded to 1,416 false alarms, approximately 10 percent of all service calls. The majority of these were due to malfunctioning systems, accidental activation, or maliciousness. The District lacks policies, procedures and penalties aimed at management and reduction of false alarms. The District does not penalize repeat offenders and does not recover the costs of responding to repeated, preventable false alarms. Instead, the District's approach to mitigating the effects of false alarms is to reduce the number of units responding at emergency speeds to locations that produce frequent false alarms.
- Although it is not a violation of standards or other requirements to step down the response because the call is assumed to be false, this approach means that in the event of an actual fire, full response would be delayed. Delays increase the chance of loss of life and property, and negate the early notification benefit derived from alarm systems. By not charging those responsible for repeat false alarms, owners have little incentive to fix malfunctioning systems or alter behaviors that cause frequent, false activation.
- Responding to false alarms increases wear and tear on vehicles, unnecessarily risks injury and death to both the responding fire crew and motorists, and makes resources that may be needed in the event of a true emergency unavailable. Numerous firefighters in other jurisdictions have died during responses to false alarms, and national data show that firefighters are more likely to die while responding to or returning from calls than they are to die while fighting a fire.
- The number of false fire alarms has risen steadily since 1982, prompting fire departments around the nation and in the Bay Area to charge for these responses. The fire departments of Redwood City, Sunnyvale, San Francisco, Sacramento, Salinas, Menlo Park, Orange County and the City of San Mateo are among those that have enacted fees for certain false fire alarms. The District Board of Directors should enact a false alarm ordinance and false alarm fee schedule for the Fire District similar to the model ordinance shown in Attachment 13.1. Such an ordinance would enable the District to recover a portion of preventable costs, estimated at \$200,000 per year, and possibly reduce the number of false alarm responses.

### The False Alarm Problem

The primary benefit of fire alarm systems is early notification, which enables firefighters to arrive earlier in the life of a fire and building occupants to escape sooner. Properly functioning fire alarm systems save lives.<sup>1</sup> However, since the early 1980s, fire departments nationwide have experienced a steady increase in the number of false alarms, many of which are directly due to alarm system problems. At present,

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<sup>1</sup> Residential Fire Alarm Systems: The Verification and Response Dilemma, November 2001, p 13.

according to the National Fire Protection Association (NFPA), false alarms account for 10 percent of all calls to U.S. fire departments. The majority of these calls are due to either alarm system malfunctions or accidental activation.<sup>2</sup>

Responding to false alarms consumes fuel, increases mileage on vehicles, subjects equipment to wear, and significantly increases the chance of injury or death to firefighters and members of the community. According to the NFPA, numerous firefighters have died during responses to false alarms, and firefighters are more likely to die while responding to or returning from calls than they are to die while fighting a fire.<sup>3</sup> According to the National Institute for Occupational Safety and Health, about 20 percent of firefighter deaths are due to vehicle accidents every year.<sup>4</sup>

In addition, the response to false alarms increases risks to the general public in three ways. First, false alarms tie up personnel and equipment that may be needed for a real emergency, thus potentially delaying emergency aid. Second, when firefighters respond to false alarms, there is increased risk of injury and death to motorists.<sup>5</sup> Lastly, frequent false calls may generate complacency among building occupants and firefighters. People in other jurisdictions have been killed because repeated false alarms caused firefighters and building occupants to disregard alarms for actual fires.<sup>6</sup>

### **The Central Fire Protection District's False Alarms**

In Fiscal Year 2004-2005, the Central Fire Protection District reported 1,416 false alarms, or approximately 10 percent of its total annual call volume, and almost 14 percent of its emergency calls. If it were possible to have one station handle all false alarms, the "False Alarm Station" would be the busiest among the District's 16 stations in terms of the number of emergency responses it would provide.

More than three-quarters of the District's false alarms were triggered by malfunctioning systems, unintentional activation of systems, or maliciousness. Of the 1,416 responses, 44.5 percent were to residential locations, and the remaining 55.5 percent were to sites such as schools and medical facilities, places of assembly and businesses.

The majority of responses – nearly 60 percent – were to locations that had only one or two false alarms during the year. The remaining responses were to locations that generated between three and 35 false alarms during the year. The single locations generating the most false alarms were two community colleges, a retirement home, an elementary school and strip malls. As shown in Table 13.1, a small portion of locations (7.8 percent) generated a large portion (33.7 percent) of false alarms.

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<sup>2</sup> False Alarm Activity in the U.S., 2003, January 2005, NFPA, Fire Analysis and Research, Quincy, MA

<sup>3</sup> National Fire Protection Association News Release, June 9, 2004: "Vehicle crashes cause more firefighter deaths than fires, NFPA study finds."

<sup>4</sup> Centers for Disease Control, NIOSH Hazard ID 14 – Fire Fighter Deaths from Tanker Truck Rollovers, December 2001.

<sup>5</sup> Psychology Matters, APA Online, "Fire Trucks are Supposed to be Red, Right?"

<sup>6</sup> Residential Fire Alarm Systems: The Verification and Response Dilemma, November 2001, p 23.

**Table 13.1**

**Proportion of False Alarms by Percentage of  
False Alarm Locations, FY 2004-2005**

	Number of False Alarms			
	1	2	3	4 or More
<b>Percentage of Locations</b>	77.19%	11.23%	3.78%	7.80%
<b>Percentage of False Alarms</b>	46.12%	13.42%	6.78%	33.69%

The District does not have written procedures or policies governing responses to presumed false alarms. However, the Deputy Chief of Operations and other knowledgeable District staff have said that, when there is an alarm at a site that has had frequent false alarms, the District sends one unit to the scene at “emergency” response speed. Other units that normally would respond to the emergency are dispatched, but they follow at non-emergency speeds, without lights and sirens.

This approach is acceptable in that it does not violate standards, infringe on contractual agreements or affect insurance ratings or accreditation. However, it also does nothing to reduce costs or the number of false alarms and – in the event of an actual fire – could delay the full response, thereby increasing the risk of loss of property and life.

The District should establish written policies and procedures aimed at reduction of false alarms and establishment of appropriate responses to presumed false alarms. The policy should express the District’s intent to reduce false alarms, assign responsibility for alarm reduction efforts, define appropriate alarm-reduction strategies and tactics, and establish alarm-reduction goals. Procedures should specify what criteria are used to determine that an alarm warrants reduced response, and define the appropriate level of response.

Development of these policies and procedures could be spearheaded by the Department’s Assistant Chief, the Deputy Chief of Operations, or the administrative Captain in Operations. Having policies and procedures in place for handling false alarms is important because these calls represent a significant portion of the District’s emergency responses, and because some of these calls trigger reduced responses to potentially life-threatening events.

In summary, functioning alarm systems save lives, but systems that are frequently set off by accident or malfunction diminish the early notification benefits, while increasing costs and risks to the District and public.

## Charges for Preventable Costs

### *Other Jurisdictions*

Some fire departments have established fees for repeat false alarms. The fire departments of Redwood City, Sunnyvale, Sacramento, Salinas, San Francisco, Menlo Park, Orange County and the City of San Mateo are among the departments that charge for certain false fire alarms. In May 2005, the Salinas City Council approved changing that City's false fire alarm fee from three "free" responses per quarter to a \$200 charge for every false alarm in a commercial facility. The Salinas Fire Chief estimates that the change will reduce false alarms in Salinas by as much as 40 percent.

Typically, however, as shown in the model false fire alarm ordinance in Attachment 13.1, fees are charged after a certain number of "free" responses. The purpose of fees is two-fold. First, fees enable fire departments to recover some of the costs of responding to false calls. Second, fees provide incentives to alter behaviors or repair systems that generate false calls. For example, Sacramento fire officials have indicated that although the City has a false alarm fee, it is rarely billed because the threat of it prompts owners to take steps to stop repeated false alarms.

### *Central Fire Protection District*

Nearly 60 percent of the Central Fire Protection District's false alarms in FY 2004-2005 were first or second occurrences at a given location. It would be impractical for the District to attempt to eliminate such atypical events. However, the District could charge locations that repeatedly generate unfounded calls for emergency service, but it does not. It does not charge for repeated false alarms in those areas where it would retain the revenues. It also does not recover false alarm costs on behalf of its contract entities, even in Campbell, which has established a false alarm fee. Pursuant to Article 13, paragraph 46 of the District's contract with Campbell, the District is responsible for collecting Campbell's fire-service fees and remitting those revenues back to the City. Campbell has established fees in the amount of \$287 for responses to both alarms and drunk-driving incidents.

However, based on interviews with the District's Business Services Manager, the Deputy Chief of Operations, and all clerical staff whose duties include billing and collecting fees, and a review of credits shown on Campbell's invoices, the \$287 fees are not being collected. There were at least 184 false alarms in Campbell in FY 2004-2005. The value that should have been collected and remitted to Campbell to recover the cost of these alarms that year was therefore \$52,808. According to the District's Business Services Manager, the District and Campbell have an unwritten agreement to permit the District to retain fees that are not construction related. The District should amend its contract to be consistent with the unwritten understanding between the parties, and should collect all false alarm fees due, pursuant to the Campbell fee schedule.

In addition, pursuant to Government Code Sections 53150 and 53155, Central Fire may recover its actual costs of responding to an incident caused by a person under the influence of drugs or alcohol, up to a maximum of \$12,000 per incident. The volume of

such responses in FY 2004-2005 is unknown, as this data is not currently tracked by the District. Therefore, the potential value of this cost recovery authority provided in the Government Code cannot be determined. In addition, there are several lawsuits against other emergency response agencies that are currently in the courts. The outcomes of these suits should guide the appropriate billing of such charges by other agencies, including the Central Fire Protection District. According to County Counsel, the outcome of key litigation is expected to be known in the Spring. We recommend that the District first confer in the Spring with County Counsel regarding which charges are appropriate to bill, and then establish and implement a policy to recover costs as appropriate.

#### *Department Concerns*

Senior Central Fire Protection District personnel have expressed fears that, since residential alarm systems are voluntary and installed at the owner's expense, assessing fees for repeat false alarms would discourage such installations. However, a review of the most frequent false alarm responses in FY 2004-2005 shows that these are not residential alarms. In addition, management has expressed concern that false alarm fees would diminish the District's relationship with the public. However, the department responded to more than 14,600 calls in FY 2004-2005. If the District had assessed a fee at those locations that generated four or more false alarms in the year, this would have affected its interactions with approximately 66 property owners. As such, a false-alarm fee would have no bearing on the vast majority of the District's public interactions.

Finally, District management has expressed doubts that charging for drunk driving incidents or false alarms would generate net revenue for the District. District officials have said that they would have to hire someone to bill these costs, and that the expenses for a collections agency to work delinquent accounts would be high. The District has expressed concern that these expenses would result in higher administrative costs than would be recouped through fee receipts. The concern regarding collections is unfounded as the District could contract with the County Department of Revenue for delinquent collections, with the resulting costs assessed to the billed entity as either an administrative surcharge or in the fee amount itself. Although some cost recovery would be "lost" to uncollected accounts, any revenue that is collected would be more than the District's current receipts of zero. The Department of Revenue has indicated, however, that it would not bill the fees. There are three clerical employees in the Fire Prevention Division. One of these is an Office Assistant II, who, until July 2004, had responsibility for billing hazardous materials fees. This billing has since been taken over by the County Environmental Health Department. As such, the District could utilize this Office Assistant II, who has experience billing outside entities, to bill false alarm fees.

#### *Setting Fee Amounts*

False alarm response fees may be set at any amount as long as the fees do not exceed actual costs. The actual costs of responding to false alarms and drunk driving incidents may vary considerably depending on the responding units, the number of staff on the units, the actual pay rates of the responding personnel and the supplies used. The

District has the ability to produce a report by incident that details the cost of the staff and rigs that responded to any given incident.<sup>7</sup> Therefore, fees could readily be charged as actual costs, with caps of \$12,000 for negligent incident response, and a reasonable, not-to-exceed cap for false alarms, such as \$500 per incident. Some fire departments increase the amount of false alarm fees based on the number of false alarms that have occurred at the same location in a given timeframe, such as 12 months.

Table 13.2 depicts the revenues that could be raised if Central Fire charged for the fourth and subsequent false alarms in a given year. The “number of alarms billed” is the actual number of fourth and subsequent alarms that occurred in FY 2004-2005. The fee amounts are hypothetical, beginning with \$287 as authorized for recovery of the District’s costs via the Campbell fee ordinance. The table assumes graduated increases in the fee, up to a maximum of \$500 per false alarm for the seventh and subsequent responses in a year. As the table shows, such billing could generate more than \$200,000 annually.

**Table 13.2**

**Estimated Revenues Based on Billing for the  
Fourth and Subsequent False Alarms**

<b>Location Alarm Number</b>	<b>4th</b>	<b>5th</b>	<b>6th</b>	<b>7th +</b>	<b>Total</b>
Fee Amount	\$287	\$350	\$400	\$500	\$426*
Number of Alarms Billed	96	70	42	269	477
Amount of Cost Recovered	\$27,552	\$24,500	\$16,800	\$134,500	\$203,352
*Weighted average					

We recommend adoption of a false fire alarm ordinance and establishment of fees for responding to preventable, repeat false alarms, with a surcharge for the cost of billing the fee. We recommend fees be imposed beginning with the fourth and subsequent false alarm within 12 months at either actual cost or with rate increases similar to those shown in Table 13.2.

**CONCLUSION**

The Central Fire Protection District is absorbing hundreds of thousands of dollars in unnecessary costs for responding to preventable incidents of persons driving under the influence of alcohol or controlled substances and repeated false fire alarms. Instead of passing these costs on to the parties responsible for them, these expenses are effectively borne by the District’s property owners, whose property tax payments make up the vast bulk of the District’s operating revenue. Every false alarm unnecessarily risks the lives of firefighters and the public, diverts resources from possible emergencies, and increases the likelihood of complacent response to subsequent alarms. Despite the significance of these issues, the District lacks policies and procedures governing reduction of and response to presumed false alarms.

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<sup>7</sup> Fire Incident Cost (manpower and vehicles) Report

Numerous other fire agencies have adopted fees in an effort to reduce repetitive false alarms and recover associated costs. While the District has historically been able to absorb these costs, its expenses have substantially exceeded revenues in each of the three years since FY 2001-2002. Without substantive cost reductions or cost recovery, this deficit will cause the District to exhaust its reserves. We therefore recommend charging a fee to recover some of the costs incurred in responding to repeated false alarms and encourage prevention of false alarms. In addition, we recommend that the District collect false alarm fee revenues per the contract with the City of Campbell.

## RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 13.1 Establish written policies and procedures governing response to presumed false alarms. The policy should express the District's intent to reduce false alarms, assign responsibility for alarm reduction efforts, define appropriate strategies and tactics, and establish alarm-reduction goals. Procedures should specify what criteria are used to determine that an alarm qualifies for stepped-down response, and should define the appropriate level of response. (Priority 3)
- 13.2 Amend the contract with the City to Campbell to memorialize the District's unwritten agreement allowing the District to retain false alarm fees, and collect all false fire alarm fees due pursuant to the fire protection contract between the District and the City. (Priority 1)
- 13.3 After conferring in the Spring with County Counsel regarding which negligent incident charges are appropriate to bill, the District should establish and implement a policy to recover costs as appropriate, utilizing the Office Assistant II in Fire Prevention to bill those charges, with delinquent collections managed by the County Department of Revenue. (Priority 2)
- 13.4 Utilize the Office Assistant II in Fire Prevention to bill those responsible for repeated false alarms, pursuant to the District's false alarm ordinance per Recommendation 13.6, with delinquent collections managed by the County Department of Revenue. (Priority 2)
- 13.5 Contract with the County Department of Revenue to manage collections per recommendations 13.3 and 13.4. (Priority 3)

It is recommended that the Board of Directors of the Central Fire Protection District:

- 13.6 Adopt a false fire alarm ordinance and establish fees for responding to preventable, repeat false alarms, and a surcharge for the cost of billing the fee. We recommend fees be imposed beginning with the fourth and subsequent false alarm within 12 months at either actual cost or with rate increases similar to those shown in Table 13.2. (Priority 2)



## **SAVINGS AND BENEFITS**

The implementation of these recommendations would improve District policies and procedures by formalizing existing unwritten policies pertaining to false alarm responses. In addition, the establishment of a false alarm fee would enable the District to recover currently unreimbursed emergency response costs estimated to amount to approximately \$200,000 annually and possibly reduce the number of alarms. When collection efforts are required, the County Department of Revenue could provide such services on a contract basis with collection costs added to bills of false alarm and DUI violators.

# Model Fire Alarm Ordinance

A Joint Document of  
NBFAA / FARA



National Burglar & Fire Alarm Association  
8380 Colesville Road #750  
Silver Spring, MD 20910  
(301) 585-1855  
Fax: (301)585-1866  
[www.alarm.org](http://www.alarm.org)



False Alarm Reduction Association  
10024 Vanderbilt Circle, Unit 4  
Rockville, MD 20850  
(301) 519-9237  
Fax: (301) 519-9508  
[www.faraonline.org](http://www.faraonline.org)

# NBFAA/FARA MODEL FIRE ALARM ORDINANCE GOVERNING ALARMS RESPONDED TO BY FIRE OFFICIALS

## INTRODUCTION

The attached Model Fire Alarm Ordinance (the "Ordinance") has been prepared through a joint effort between the National Burglar & Fire Alarm Association (NBFAA) and the False Alarm Reduction Association (FARA). The NBFAA is an alarm industry trade association that promotes electronic security and life safety in the United States. The FARA is an organization comprised of law enforcement and fire officials from across the United States and Canada, who administer and implement false alarm reduction programs.

Both the NBFAA and the FARA strongly believe that false alarm reduction should be a cooperative effort among all parties involved (i.e., the alarm industry, fire department officials, and the property owner). To that end, we strongly suggest that, **before** attempting to implement any ordinance designed to reduce the incidence of false alarms, your municipality form a fire alarm advisory board. The fire alarm advisory board should be comprised of representatives from the alarm industry, fire department officials, community and business groups, and any other entity that has a stake in the reduction of false alarms. We believe that the fire alarm advisory board represents a fundamental step in the development and implementation of a good, effective false alarm reduction ordinance. It fosters cooperative relations and provides every group with ownership of the final product.

The Ordinance is based on a registration system with appropriate controls to facilitate false alarm reduction. Local authorities should consider software systems to track and enforce the Ordinance. The Ordinance contains fire official control and administration, fire alarm company responsibilities, and requires the disciplined use of fire alarm systems by owners.

Specific amounts of fees are not listed in the text of this document in order to encourage a dialogue among enforcement official, municipal leaders, alarm owners and alarm companies on the appropriate fee to fit the circumstances of your jurisdiction. NBFAA, FARA and your state alarm association can assist you in establishing the appropriate fees for your jurisdiction.

**PLEASE NOTE:** The Ordinance is intended to serve as a **BASE FRAMEWORK** for fire officials and the fire alarm industry. It contains features that have been proven to reduce false alarms. **It is important that the Ordinance be reviewed carefully before endorsing or recommending that it be adopted either in whole or in part.** There may be aspects of the Ordinance that will pose potential problems in your locale, and you may decide that those characteristics should not be included in your local fire alarm ordinance. As the Ordinance is intended for use as a guide, it is a working draft, subject to changing times, and designed to help you successfully develop and implement a good fire alarm ordinance.

**Throughout the Ordinance there are italicized notes to aid you in drafting an ordinance that best suits your jurisdiction. Anything italicized should not be adopted as part of your ordinance and should be deleted after being considered.**

## **FARA/NBFAA MODEL FIRE ALARM ORDINANCE**

<b>Sec. 1.</b>	<b>Purpose</b>	<b>Page 4</b>
<b>Sec. 2.</b>	<b>Definitions</b>	<b>Page 4</b>
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<b>Sec. 4.</b>	<b>System Certification</b>	<b>Page 6</b>
<b>Sec. 5.</b>	<b>Inspection, Testing and Maintenance</b>	<b>Page 6</b>
<b>Sec. 6.</b>	<b>Fire Alarm Activation; Response</b>	<b>Page 6</b>
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<b>Sec. 11.</b>	<b>Reconnection of Fire Alarm System</b>	<b>Page 9</b>
<b>Sec. 12.</b>	<b>Confidentiality</b>	<b>Page 9</b>
<b>Sec. 13.</b>	<b>Government Immunity</b>	<b>Page 9</b>
<b>Sec. 14.</b>	<b>Severability</b>	<b>Page 9</b>
<b>Appendix A.</b>	<b>Service Fees</b>	<b>Page 10</b>

WHEREAS, this jurisdiction finds that a high incidence of False Fire Alarms and/or Nuisance Fire Alarms causes a significant misuse of the manpower and resources of the fire department by causing the dispatch of emergency units to the scene of a Nuisance Fire Alarm or False Fire Alarm, which renders them out of service and unavailable to respond to legitimate emergency situations; and,

WHEREAS, this jurisdiction finds that the continued high incidence of False Fire Alarms and/or Nuisance Fire Alarms are a threat to the health, safety and welfare of the citizens of the City/County of \_\_\_\_\_, and,

WHEREAS, this jurisdiction finds that the procedures and Fees for multiple False Fire Alarms and Nuisance Fire Alarms would serve the public health, safety and welfare.

NOW THEREFORE, BE IT ENACTED BY THE PEOPLE OF THE CITY/COUNTY OF

## SECTION 1. Purpose

- (A) The purpose of this Ordinance is to encourage Owners and Fire Alarm Businesses to properly use and maintain the operational effectiveness of Fire Alarm Systems in order to improve the reliability of Fire Alarm Systems and reduce or eliminate False Fire Alarms and Nuisance Fire Alarms.
- (B) This Ordinance governs Fire Alarm Systems intended to summon fire department personnel, and requires registration, assessment of fees for excessive False Fire Alarms and Nuisance Fire Alarms, provides procedures for repeat offenders, provides for the severability of the parts hereof if declared invalid, and provides an effective date.

## SECTION 2. Definitions

As used in this Ordinance, the following words and terms shall have the following meanings:

- (A) **Adopted Code(s)** means code adopted by the jurisdiction and in the absence of adopted code, the National Fire Protection Association National Fire Alarm Code 72 (NFPA 72) and the National Fire Protection Association Life Safety Code 101 (NFPA 101).
- (B) **Alarm Initiating Device** means a device that is designed to respond either manually or automatically to smoke, fire, or activation of a fire suppression system.
- (C) **Enforcement Official** means the Fire Chief or his designated representative.
- (D) **False Fire Alarm** means the activation of any Fire Alarm System which results in a response by the fire department and which is caused by the negligence or intentional misuse of the Fire Alarm System by the Owner, its employees, agents or any other activation of a Fire Alarm System not caused by heat, smoke or fire, exclusive of a Nuisance Fire Alarm.
- (E) **Fee** means the assessment of a monetary charge payable to the City/County, Enforcement Official or jurisdiction authorized pursuant to this Ordinance, to defray the expenses of responding to a False Fire Alarm or Nuisance Fire Alarm.
- (F) **Fire Alarm Activation Report** means a document issued by the Enforcement Official indicating that the activation was deemed to be the result of a fire alarm activation due to fire, a Nuisance Fire Alarm, or a False Fire Alarm.
- (G) **Fire Alarm Business** means any individual, partnership, corporation or other entity that is appropriately licensed in the state/jurisdiction and installs, causes to be installed, permits to be installed, alters, maintains, repairs, replaces or services (including Runner Services) any Fire Alarm System.
- (H) **Fire Alarm System** means a system or portion of a combination system consisting of components and circuits arranged to monitor and/or exteriorly announce the status of a fire alarm or supervisory signal-initiating devices and to initiate the appropriate response to those signals.
- (I) **Fire Watch** means an Enforcement Official approved person or persons assigned to the Premises for the purpose of protecting the occupants from fire or similar emergencies. A Fire Watch may

involve at least some special action beyond normal staffing, such as assigning an additional security guard(s) to walk the Premises, who has been specially trained in fire prevention and in the use of fire extinguishers, in notifying the fire department, in sounding the Fire Alarm System located on the Premises, and in understanding the particular fire safety situation.

- (J) **Monitored System** means the process by which a Fire Alarm Business receives signals from a Fire Alarm System and notifies emergency forces.
- (K) **Nuisance Fire Alarm** means the activation of any Fire Alarm System, which results in a response by the fire department, caused by mechanical failure, malfunction, improper installation, lack of proper maintenance or any other response for which the fire department personnel are unable to determine the apparent cause of the alarm activation.
- (L) **Owner** means any person who owns the Premises in which a Fire Alarm System is installed or the person or persons who lease, operate, occupy or manage the Premises.
- (M) **Premises** means any building, structure or combination of buildings and structures which serve as dwelling units such as single-family, multi-family or any other area within a building, structure or combination thereof which is used for any purpose, wherein a Fire Alarm System is installed.
- (N) **Qualified Fire Alarm Technician** means any person who inspects, installs, repairs or performs maintenance on Fire Alarm Systems. This person shall be: a) factory trained and certified; b) National Institute of Certification in Engineering Technologies (NICET) Fire Alarm Level II certified; or c) licensed or certified by state or local authority.
- (O) **Record of Completion** means the completion of a form equivalent to the record of completion form included in the National Fire Protection Association's National Fire Alarm Code (NFPA 72)
- (P) **Registration** means the notification by an Owner to the Enforcement Official that a Fire Alarm System has been installed and is in use.
- (Q) **Report of Service/Repair** means appropriate documentation in a format acceptable to the Enforcement Official that verifies proper repairs or maintenance have been performed by both the Fire Alarm Business and the Owner
- (R) **Runner Service** means the service provided by a runner at the protected premises, including resetting and silencing of all equipment transmitting fire alarm or supervisory signals to an off-premises location.
- (S) **Serve** shall mean hand-delivery of written notification by a representative of the jurisdiction to the Owner or authorized representative who responded to the Premises. In the event the Owner or authorized representative fails to respond to the Premises within one (1) hour, Serve shall mean placing the form or other matter in the United States mail, postage prepaid, addressed to the Owner or authorized representative.

### **SECTION 3. Registration of Fire Alarm System**

- (A) A one-time Registration shall be required for Fire Alarm Systems and whenever a Record of Completion is prepared, in accordance with Adopted Codes.
- (B) The Owner shall be required to re-register whenever there is a change in the Fire Alarm Business responsible for maintaining, servicing, and/or monitoring the Fire Alarm System.
- (C) Registrations shall not be transferable from one Premises to another or from one Owner to another
- (D) Every Fire Alarm Business shall notify the Enforcement Official of the existence of a Fire Alarm System prior to the Fire Alarm System being put into operation. It shall be the responsibility of the installing Fire Alarm Business to provide the Owner with notice of the existence of this ordinance, a Registration form and a copy of the Fire Alarm System operation instructions in accordance with Adopted Codes, and the manufacturer's instructions.
- (E) The Registration form shall include the following information:
  - (1) The name(s), address of the Premises, mailing address (if different from the address of the Premises), business and home telephone number of the Owner, lessee, operator, manager or person in possession of the Premises wherein the Fire Alarm System is installed;
  - (2) The name, address and telephone number of a minimum of two (2) persons who can be notified by the Enforcement Official, in the event of the activation of the Fire Alarm System, who shall be capable of responding to the Premises within one (1) hour, and who are authorized to enter the Premises to ascertain the status thereof;
  - (3) The name, address and telephone number of the Fire Alarm Business which has contracted to service the Fire Alarm System and proof of proper state licensing/registration with the

Enforcement Official, if required. Proof of proper state licensing may be a valid state licensing number

- (4) The date the Registration is signed or the Fire Alarm System is placed in operation for any reason; and
- (5) Any other documentation that is required by Adopted Codes.
- (F) When any of the information required in Section 3(E)(1), 3(E)(2), or 3(E)(3) has changed, it shall be reported to the Enforcement Official by the Owner within fifteen (15) days of the Owner becoming aware of such change;
- (G) The Owner shall complete and deliver the Fire Alarm System Registration in the required format to the Enforcement Official before the Fire Alarm System is activated or placed into service. The Fire Alarm Business, when authorized by the Owner, may assist the Owner in accomplishing this submission of the Fire Alarm Registration to the Enforcement Official.

#### **SECTION 4. System Certification**

All newly installed or re-certified commercial Fire Alarm Systems shall be approved by the Enforcement Official. The certification shall indicate that the Fire Alarm System is in compliance with Adopted Codes. The certification shall be signed by a Qualified Fire Alarm Technician.

#### **SECTION 5. Inspection, Testing and Maintenance**

- (A) The Owner shall ensure that all Fire Alarm Systems are inspected and tested at least once per year in accordance with Adopted Codes.
- (B) The Owner shall ensure that all Fire Alarm Systems are periodically maintained per manufacturer specifications and Adopted Codes.

#### **SECTION 6. Fire Alarm Activation; Response**

- (A) The Owner shall be responsible for the activation of a Fire Alarm System.
- (B) A response to the activation of a Fire Alarm System shall result when any officer or member of the Fire Department is dispatched to the Premises where the Fire Alarm System has been activated.
  - (1) At the time of response, the Enforcement Official shall notify any person identified in the Registration required pursuant to Section 3(E)(1-3) of the activation of the Fire Alarm System and shall require such person to respond to the Premises.
  - (2) In the event the Fire Alarm System is a Monitored System, it is the responsibility of the company monitoring the Fire Alarm System to notify any person identified in the Registration at the request of the Enforcement Official.
  - (3) In the event the household Fire Alarm System is a Monitored System, it is the responsibility of the Fire Alarm Business to offer the Owner the option to verify the Fire Alarm signal before dispatch, as allowed by Adopted Code.
  - (4) In the event the household Fire Alarm System is a Monitored System, it is the responsibility of the Fire Alarm Business to forward cancellation of a Fire Alarm signal to the fire department.
- (C) The officer or member of the fire department who responded to said Premises shall Serve the Owner or authorized representative with a Fire Alarm Activation Report.

#### **SECTION 7 Nuisance Fire Alarms**

- (A) In the event the activation of a Fire Alarm System is deemed by the Enforcement Official to be a Nuisance Fire Alarm, the Owner shall be Served with a Fire Alarm Activation Report by an officer or member of the fire department, indicating that the activation was deemed to be the result of a Nuisance Fire Alarm.
  - (1) This shall require the Owner to return a completed Report of Service/Repair within fifteen (15) days of receipt of the Fire Alarm Activation Report to verify, to the reasonable satisfaction of the Enforcement Official, that:
    - (a) the Fire Alarm System has actually been examined by a Qualified Fire Alarm Technician; and

- (b) a bona fide attempt has been made to identify and correct any defect of design, installation or operation of the Fire Alarm System which was identifiable as the cause of the Nuisance Fire Alarm.
- (2) Failure to return a Report of Service/Repair within said fifteen (15) day period, which is reasonably satisfactory to the Enforcement Official, shall result in assessment against the Owner of a Fee of **(See Appendix A – Service Fees)** for the Nuisance Fire Alarm.

**SECTION 8. Service Fees**

- (A) The provisions of this Section shall not apply to any newly installed Fire Alarm System for a period of forty-five days (45)\* from the date of installation, but shall apply from and after the expiration of the initial forty-five day (45)\* period following installation.

*\*While timeframes have been recommended throughout this Ordinance, all timeframes should be determined on a local basis. Please call FARA, NBFAA and your state alarm association for sample timeframes that are used by other jurisdictions that are similar to yours.*

- (B) Should any Fee assessed pursuant to this Ordinance remain unpaid in excess of ninety (90) days from the date Fee is billed, a late Fee in the amount of **(See Appendix A – Service Fees)** shall be assessed and shall be payable by the Owner of the Premises in addition to the original Fee.
- (C) False Fire Alarm
  - (1) No Fee shall be assessed for the first three (3) False Fire Alarms at the same Premises responded to by the fire department during each calendar year. Thereafter, the Owner shall pay the following Fees for False Fire Alarms responded to by the fire department at the same Premises during each calendar year, except when the Fire Alarm Business is responsible for the False Fire Alarm per Section 8(C)(2).
  - (2) The Fire Alarm Business shall be assessed a Fee of **(See Appendix A – Service Fees)** if an Enforcement Official determines that a False Fire Alarm was directly caused by an onsite employee or representative of the Fire Alarm Business. In this event, no False Fire Alarm shall be counted against the Owner.
  - (3) False Fire Alarms activated by any components connected to the Fire Alarm System shall be included in computing the total number of False Fire Alarms for purposes of this subsection.
  - (4) The activation of a Fire Alarm System will not be considered a False Fire Alarm if the alarm is activated due to malicious causes beyond the control of the Owner.
  - (5) The following fees shall be assessed for False Fire Alarms:

Number of False Fire Alarms	Service Fee Per False Fire Alarm
First to Third	<b>(See Appendix A – Service Fees)</b>
Fourth	<b>(See Appendix A – Service Fees)</b>
Fifth	<b>(See Appendix A – Service Fees)</b>
Sixth and above	<b>(See Appendix A – Service Fees)</b>

- (D) Nuisance Fire Alarms
  - (1) The following fees shall be assessed when a Report of Service/Repair has been returned to the Enforcement Official, but the Nuisance Fire Alarms continue:

Number of Nuisance Fire Alarms	Service Fees
First to Third	<b>(See Appendix A – Service Fees)</b>
Fourth	<b>(See Appendix A – Service Fees)</b>
Fifth	<b>(See Appendix A – Service Fees)</b>
Sixth and above	<b>(See Appendix A – Service Fees)</b>

- (2) In the event the Premises are equipped with a Fire Alarm System with over one hundred (100) Alarm Initiating Devices, the Enforcement Official may waive one Nuisance Fire Alarm per calendar year.



## **SECTION 9. Remedies and Penalties**

- (A) The Enforcement Official has the authority to order a Fire Watch in accordance with Adopted Codes, due to repetitive Nuisance Fire Alarms and/or False Fire Alarms, until corrective action is taken, or to revoke the occupancy certificate for the premises by written notice to the Owner of the Premises, for any of the following reasons:
- (1) Failure to meet all requirements or pay the Fees provided for in this Ordinance within fifteen (15) days after the notice is mailed to the Owner;
  - (2) Failure of the Owner to provide a written Report of Service/Repair required by this Ordinance;
  - (3) A fourth False Fire Alarm or Nuisance Fire Alarm at a Premises for which a Fee is charged pursuant to this Ordinance as a result of the failure of the Owner to take corrective action to eliminate the cause of the False Fire Alarm or Nuisance Fire Alarm; or
  - (4) The failure of a person notified pursuant to Section 3(E)(2) and Section 6(B)(1) of this Ordinance to appear within one (1) hour after being notified to respond, if such failure to timely response occurs four or more times within a calendar year
- (B) The written notice to disconnect or deactivate shall be mailed by certified mail, return receipt requested to the Owner and shall specify the date on which the Owner shall be required to disconnect or deactivate the Fire Alarm System. This date shall be at least fifteen (15) days after the notice is mailed to the Owner. The Owner may appeal the order of the Enforcement Official pursuant to Section 10.
- (C) Each building affected because the signal from the Fire Alarm System has been disconnected or deactivated shall be required to establish a Fire Watch until the Fire Alarm System has been returned to service. Duties of the Fire Watch may include notifying the fire department and building occupants of an emergency, preventing a fire from occurring, or extinguishing small fires.
- (D) The Owner is responsible for paying all costs associated with establishing a Fire Watch.
- (E) The Enforcement Official has the authority to temporarily suspend the occupancy certificate of the Premises until all outstanding repairs are made on the Fire Alarm System or if the Fire Watch is not maintained to the satisfaction of the Enforcement Official.
- (F) The Enforcement Official shall have the authority to direct the Owner of the Premises to silence an activated Fire Alarm System, have corrective action taken and thereafter reset it.
- (G) Anyone convicted of falsifying reports as required under this Ordinance is subject to maximum penalty as established by state or local law.

## **SECTION 10. Appeals**

- (A) An Owner or Fire Alarm Business may appeal the assessment of fees to the Enforcement Official. An appeal fee of (***See Appendix A - Service Fees***) will accompany the appeal. Appeal fees will be returned to the Owner or Fire Alarm Business if the appeal is upheld. The filing of an appeal with the Enforcement Official stays the assessment of the Fee until the Enforcement Official makes a final decision. The Owner or Fire Alarm Business shall file a written appeal to the Enforcement Official by setting forth the reasons for the appeal within fifteen (15) days after notice is mailed.
- (B) An Owner to whom a notice to disconnect or deactivate a Fire Alarm System was mailed, pursuant to Section 9 (B), shall be entitled to appeal the order to the Enforcement Official. An appeal must be in writing, stating the reasons why the order to disconnect or deactivate should be withdrawn. The appeals shall be made within fifteen (15) days after notice to disconnect is mailed to the Owner. The Enforcement Official or his designee shall review the facts and circumstances and shall determine whether the Owner has shown good cause why the order should be withdrawn. If the Enforcement Official affirms the order to disconnect or deactivate a Fire Alarm System, the Owner shall have fifteen (15) days after the written decision is mailed to the Owner to comply with the order. The appeal of an order to disconnect or deactivate shall suspend the effective date of the order until the appeal has been acted upon by the Enforcement Official.
- (C) In the event the appeal is not upheld, the Owner or Fire Alarm Business shall also be responsible for any Fee assessed to reimburse the Enforcement Official for any legal fees or costs incurred by the Enforcement Official in enforcement of this Ordinance.

## **SECTION 11. Reconnection of Fire Alarm System**

- (A) A Fire Alarm System may be reactivated upon a finding by the Enforcement Official that the Owner of the Premises has taken corrective action to remedy the cause of the False Fire Alarms or Nuisance Fire Alarms at the Premises.
- (B) In making a request for such a reactivation, the Owner shall have the burden of showing what corrective action has been taken.
- (C) The Enforcement Official shall have the right to inspect the Fire Alarm System and test it prior to approving a new order to reconnect or reactivate the Fire Alarm System.
- (D) A reconnection fee of **(See Appendix A – Service Fees)** shall be assessed to the Owner before any reconnection of a Fire Alarm System may be made.
- (E) The Enforcement Official shall not approve a new order to reconnect or reactivate if the Owner has failed to pay any Fee pursuant to this Ordinance.

## **SECTION 12. Confidentiality**

Any information supplied to the Enforcement Official shall be held in confidence by all employees or representatives of the Enforcement Official and by any third-party administrator or employees of a third-party administrator with access to such information.

## **SECTION 13. Government Immunity**

Registration of a Fire Alarm System is not intended to, nor will it, create a contract, duty or obligation, either expressed or implied, of response. Any and all liability and consequential damage resulting from the failure to respond to a notification is hereby disclaimed and governmental immunity as provided by law is retained. When registering a Fire Alarm System, the Owner acknowledges that fire department response may be based on factors such as: availability of fire department units, priority of calls, weather conditions, traffic conditions, emergency conditions, and staffing levels. The City/County, its officers, employees and agents shall not assume any duty or responsibility for the installation, maintenance, operation, repair or effectiveness of any privately owned Fire Alarm System, those duties or responsibilities being solely those of the Owner of the Premises.

## **SECTION 14. Severability**

The provisions of this Ordinance are severable. If a court determines a word, phrase, clause, sentence, paragraph, subsection, section, or other provision invalid or that the application of any part of the provision to any person or circumstance is invalid, the remaining provision and the application of those provisions to other persons or circumstances are not affected by that decision.

Ordinances in conflict herewith are hereby repealed to the extent of such conflict.

This Ordinance shall take effect immediately

**Appendix A:**

**Service Fees**

Specific amounts of fees are not listed in the text of this document in order to encourage a dialogue among fire officials, municipal leaders, alarm users and alarm companies on the appropriate fee to fit the circumstances of your jurisdiction.

NBFAA, FARA and your state alarm association can assist you in establishing the appropriate fees for your jurisdiction.

Administration of the ordinance will be simpler if the jurisdiction adopts a uniform period of time (i.e. one year) for the counting of multiple occurrences and the length of the registration period.

**Fees**

Fees are one of several tools to discourage False Fire Alarms and Nuisance Fire Alarms, encourage compliance and hasten the application of corrective actions to avoid False Fire Alarms and Nuisance Fire Alarms. In general;

- Fees should be directed at the individual or company whose behavior you desire to change, even if assess another would be more efficient or easier (i.e. assess the user if the user caused the fire alarm not the alarm company)
- Each fee should be high enough to discourage the behavior that resulted in the fee, but reasonable enough so as to not create an undue hardship on the violator
- Fees for False Fire Alarms and Nuisance Fire Alarms should begin after the third alarm. Allowing a greater number of "free" False Fire Alarms and Nuisance Fire Alarms will only postpone the resolution of the problem(s) causing the False Fire Alarm and/or Nuisance Fire Alarm.
- Fees that are attached to multiple occurrences of the same act (i.e. multiple False Fire Alarms) should escalate after each occurrence. This will further encourage the violator to correct the problem.
- Fees can allow a jurisdiction to recoup some or all of the cost of administering the Ordinance and/or providing response. Some jurisdictions only allow cost recovery to be used as the basis for the fee, in other cases additional fees may be allowed.

**Decisions Required on Fees**

We believe that adopting a consistent ratio of fees will enhance the acceptance of your ordinance and make it more defensible over any objections. We have considered the severity of an offense and the difficulty involved in an action in applying our ratios. As with all other sections of the ordinance you are encouraged to modify this approach to meet the local needs. In the suggested ratios below "X" is used to represent a number selected by the local jurisdiction. A multiplier is used to establish the ratio.

Description	Reference	Suggested Ratio	Example
Failure to Return a Report of Service/Repair	7(A)(1) & (2)	10 X	\$500
False Fire Alarm Caused By On Site Alarm Company Employee	8(C)(2)	10 X	\$500
Service Fee – 1st False Fire Alarm	8(C)(5)	0	\$0
Service Fee – 2nd False Fire Alarm	8(C)(5)	0	\$0
Service Fee – 3rd False Fire Alarm	8(C)(5)	0	\$0
Service Fee – 4th False Fire Alarm	8(C)(5)	X	\$50
Service Fee – 5th False Fire Alarm	8(C)(5)	2 X	\$100
Service Fee – 6th and above False Fire Alarm(s)	8(C)(5)	4 X	\$200
Service Fee – 1st Nuisance Fire Alarm	8(D)(1)	0	\$0
Service Fee – 2nd Nuisance Fire Alarm	8(D)(1)	0	\$0
Service Fee – 3rd Nuisance Fire Alarm	8(D)(1)	0	\$0
Service Fee – 4th Nuisance Fire Alarm	8(D)(1)	X	\$25
Service Fee – 5th Nuisance Fire Alarm	8(D)(1)	X	\$50
Service Fee – 6th and above Nuisance Fire Alarm(s)	8(D)(1)	2 X	\$100
Late Fee	8(B)	X	\$25
Appeal Fee	10(A)	X	\$25
Reconnection Fee	11(D)	X	\$25

## Section 14. Capital Improvement Planning and Reserves

- **The Central Fire Protection District lacks a capital improvement plan, and has not established reserves to fund the replacement of essential vehicles and facilities. As a result, the District has deferred some facility and vehicle replacements. Most fire stations fall short of the square footage the District's records indicate are needed. In addition, numerous vehicles exceed the District's replacement policy age guidelines. Consequently, District equipment and facilities will become increasingly more expensive to maintain and less reliable and less safe to operate.**
- **We estimate that the cost to replace outdated vehicles and facilities, and set aside reserves for future replacements, is approximately \$5 million per year over the next five years, or about nine percent of the District's annual expenditures.**
- **Because District expenditures have exceeded revenues for the past three fiscal years, the District cannot commence funding a capital program and reserve fund at this time. However, the District should develop and maintain a five-year capital plan and commence funding capital replacements and a reserve fund as soon as possible.**

### Background

The value of the District's owned capital assets is estimated at \$23.8 million. This value includes approximately 111 vehicles valued at \$6.3 million, and 10 buildings valued at \$12.3 million. The District also owns \$5.2 million worth of other assets, such as computers, breathing apparatus, and furniture. In addition, there are eight fire stations and a workshop that are owned by other agencies but used and maintained by the Fire District. However, there is no reserve funding available for the minor repair, replacement or renovation of any of these facilities and equipment.

Since Calendar Year 2000, the District has replaced or renovated five fire stations, including construction of the \$3.5 million Cupertino station. It has also replaced at least 16 specialized fire fighting vehicles, and several cars. Despite these improvements, at least 42 percent of its firefighting vehicles exceed the age specified in the District's replacement policy guidelines, and more than half of its stations, some of which are leased, fall short of the 6,423 minimum square footage the District's records indicate is needed.

### Best Practices

According to the Government Finance Officer's Association (GFOA), best practices call for governments to develop capital improvement plans. According to the GFOA:

A government should develop a capital improvement plan that identifies its priorities and time frame for undertaking capital projects and provides a financing plan for those projects.<sup>1</sup>

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<sup>1</sup> GFOA Best Practices in Public Budgeting, Practice 9.6, Develop a Capital Improvement Plan, 2000.

GFOA recommends development of a five-year plan, included in the agency's budget document, that is approved by the governing body. Numerous other fire agencies in the Bay Area and nationally have developed capital plans and reserves.

Having a plan would enable the District to anticipate and fund essential needs, and to set aside funds that would be separate from negotiated salaries and benefits. Since Fire District vehicles and stations are essential to the safety and effectiveness of fire crews, there is a critical need to ensure that these projects are adequately funded. Therefore, the District should Develop and maintain a five-year Capital Improvement Plan and present the plan to the Board of Directors for approval annually. The plan may be a separate document, but should be integrated into the District's annual budget.

### **Funding a Capital Plan**

As of June 30, 2005, the book value of the District's capital assets, excluding significant leased assets, totaled \$23.8 million. Using District records, we developed estimated annual expenditures to replace existing specialized vehicles and essential fire stations and facilities currently due for replacement or major renovation, or for which replacement should occur within the next five years. These estimates are general, and do not incorporate specialized knowledge of Central Fire Protection District needs. Estimated expenditures for fire apparatus is based on historical purchase prices, plus moderate inflation. The cost for facilities was based on estimated costs per square foot for the most recent facility constructed, plus modest inflation and assuming sufficient square footage to meet the District's estimated needs. The cost estimates for leased buildings generally assumed only small amounts for repairs, rather than full replacement of facilities. Estimates for small autos assumed a need to replace 10 vehicles per year, at a cost of \$15,000 per vehicle, consistent with historical prices. These estimated expenditures, averaged over the five-year plan, are presented as Attachment 14.1A. As shown, the District needs a minimum of \$2.3 million in annual capital expenditures over the next five years.

In addition, we estimated annual reserves necessary to ensure funds are available for future replacement of fire apparatus, small autos and fire stations. For instance, if a vehicle is due for replacement in 10 years, one-tenth of the estimated future replacement cost of the vehicle was included in each year of the reserve plan. This estimated reserve was averaged over the five-year plan, and is shown as Attachment 14.1B. As shown, the District needs a minimum of \$2.8 million in annual capital expenditures over the next five years. The combination of minimum expenditures and reserves is shown as Attachment 14.1C, and is just over \$5 million per year. The projected costs of the five-year plan equate to approximately 7.4 percent of the District's current operating budget. It should be noted that this estimate does not incorporate costs to replace every facility, and does not include any costs for equipment such as radios, breathing apparatus, or computers.

Given the District's existing operating shortfall, it is not possible to immediately fund such a capital plan. However, in keeping with best practices, the District should develop a five-year capital plan and present it to the Board of Directors for approval. In addition, the District should attempt to fund the plan to the extent possible, and should

seek to reduce expenses and increase revenues such that adequate funding of the plan is possible. Other sections of this report present several cost-saving and revenue-enhancement strategies that, if implemented, would improve the District's ability to cover day-to-day expenses. To the extent that future revenues exceed expenses and other reserve requirements, the District should earmark these funds for its capital plan and establishment of a capital reserve fund. The District should seek to reduce expenses and increase revenues such that adequate funding of the plan is possible. The plan should be funded to the extent that revenues exceed expenses and other, higher priority reserve requirements.

## **CONCLUSION**

The Fire District lacks a Board-approved capital plan, and has no reserves for capital improvements. A number of vehicles and facilities are presently outdated, and there are no funds available to replace them. To adequately meet its current and expected future needs, the District would have to allocate an estimated \$5 million per year in the near term. Although such a funding commitment is not feasible today, the District should develop a plan and should endeavor to fund it as soon as possible.

## **RECOMMENDATIONS**

It is recommended that the Central Fire Protection District:

- 14.1 Develop and maintain a five-year Capital Improvement Plan and present the plan to the Board of Directors for approval annually. The plan may be a separate document, but should be integrated into the District's annual budget. (Priority 3)
- 14.2 Seek to reduce expenses and increase revenues such that adequate funding of the plan is possible. The plan should be funded to the extent that revenues exceed expenses and other, higher priority reserve requirements. (Priority 3)

## **SAVINGS AND BENEFITS**

The implementation of these recommendations would enable the District to anticipate and plan for capital needs. Knowing what its current and future costs are for capital projects should help management set aside funds to meet these needs. Having a plan will ensure that the District's true costs and revenue needs are illuminated. To the extent that the District is able to earmark funds for capital needs, the District will ensure that its facilities and vehicles are safe, well maintained, and modern. Operating with modern and safe vehicles and equipment maximizes efficiency and reduces hazards.









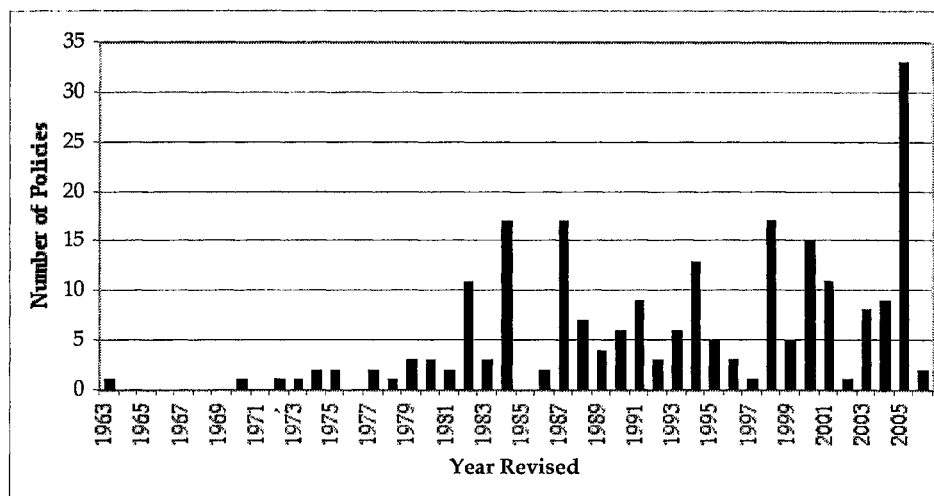
## Section 15. Updating the District's Policy Manual

- The Central Fire Protection District's Policy Manual is in need of review and revision. While 35 percent of the 227 policies were revised within the last five years, some policies date back to 1963. There is also no indication as to when any of the 148 remaining policies were last reviewed, and policies pertaining to at least 10 important subjects are missing entirely.
- By lacking a current and complete Policy Manual, District staff have not adhered to all legal requirements and have approached some tasks without direction and consistency. For example, the District's published budget document does not include basic budgetary information required by State law, and the District does not always identify the best value for purchases given its decentralized approval process.
- The District should conduct a thorough review of its Policy Manual in order to revise outdated policies. In addition, each division should be included in the review to determine what policies pertaining to their operations should be added. Updating the Policy Manual will ensure that the District is meeting local, State and federal requirements and consistently fulfilling its operational and managerial responsibilities in an efficient, effective and economical manner.

The Central Fire Protection District has developed a Policy Manual to which staff can refer in making decisions during the course of daily operations. The manual currently includes a total of 227 written policies. Each written policy identified the date it was created or last revised, but there is no indication of when policies were last reviewed. In our review of the Policy Manual, we found that 35 percent of the policies had been revised within the last five years but some policies date back to 1963, as shown in the following chart.

Chart 15.1

### The Central Fire Protection District's Revision of Policies



More than 90 percent of the 33 policies created or revised in CY 2005 address standard operating guidelines, including how units respond to a weapons of mass destruction event, a hazardous materials incident, an emergency in a high-rise structure and various technical rescues.

Among the 194 policies not revised during the past five years, there is no indication as to when they were last reviewed by the District. Consequently, the District should conduct a thorough review of its Policy Manual in order to revise outdated policies. In the introduction of the District's Policy Manual, the definition of a policy should also be rewritten because it currently allows staff to deviate from policies included in the manual, defining policies as "areas of discretion." In order to ensure consistency in a large organization, there should be no deviation from policies, similar to rules and regulations. If the District wants to allow some flexibility in how a policy is met, then it should indicate the level and nature of flexibility that is acceptable within each specific policy where alternative actions of staff are appropriate and consistent with the best interests of the District. Following this and any subsequent updates, the District should indicate the date on which each policy was last reviewed in the table of contents and provide an alphabetical index of all policies by subject.

We also determined that the Policy Manual is missing policies on at least 10 subjects related to administration, financial management and operations, as follows:

- **Budget Development**, outlining the creation and control of budgets.
- **Contracts**, directing the District to negotiate contracts with cities, districts or other agencies that at a minimum recover its variable costs.
- **Purchasing**, discussing purchase orders, competitive bidding, receiving quotes, contracting process and receipt of merchandise.
- **Vendor Payments**, covering authorized signatures and cash discounts.
- **Cost Recovery**, establishing the criteria and procedures to recover funds expended by the District for incidents caused by negligent, unlawful or careless acts.
- **Fees and Charges**, addressing the calculation of costs, submission to and authorization by the Board of Supervisors, and periodic review.
- **Position Control**, defining how requests for reclassifications and reallocations are going to be processed, and reconciling annual position authorization totals by classification with the payroll.
- **Insurance**, discussing the District's coverage in areas such as worker's compensation, unemployment and general liability.
- **Audits**, covering the annual financial audit, management audits and custody audits.
- **False Alarms**, outlining when and how units respond to a false alarm, and prescribing circumstances when fees would be charged.

By lacking policies on these issues, District staff have not adhered to all legal requirements and approached some tasks without direction and consistency. For example, the District's published budget document does not include basic budgetary information required by State law (Section 5). In addition, the District's fees are not based on costs, not approved by the District Board of Directors and not budgeted (Section 6). The recovery of costs from those who knowingly or carelessly set fires has been similarly unstructured compared to other fire protection agencies (Attachment 15.1). The District also may not always identify the best value for purchases given the decentralized approval process (Section 7). Finally, responding units scale down their response when they believe the call was caused by a false alarm even though they have not been given official instruction on this matter (Section 13). Standard policies in each of these areas will ensure that the District conducts itself in a manner consistent with all local, State and federal requirements and fulfills its operational and managerial responsibilities in an efficient, effective and economical manner.

We recognize that division managers provide staff with "informational bulletins" that instruct them how to perform a particular task or function within their division, and staff maintain "desk manuals" that contain procedures that they have created for their particular role in addition to the informational bulletins provided to them. However, the Policy Manual should provide current and comprehensive guidance on all issues that impact departmental operations. The District should involve each division in the Policy Manual review to determine what policies pertaining to their operations should be added, including policies on the subjects outlined above.

Particular attention should be given to the fire prevention and fire investigation functions for which there are few existing policies in the manual. During our fieldwork, we learned that five new fire investigation policies were developed in 2000 but never formally authorized and incorporated into the Policy Manual, even though they are utilized on a day-to-day basis. These policies established procedures for making arrests, using force and firearms, satisfying training standards and safety requirements, using chemical agents and tear gas, and pursuing vehicles. They also were based on those in the County District Attorney's Investigations Office, since the District Attorney had agreed to provide training mandated by the Commission on Peace Officer Standards and Training to the District's investigators. The proposed policies would document existing practices in the Fire Investigation Program and ensure ongoing consistency of staff assigned to these functions.

## **CONCLUSION**

The Central Fire Protection District's Policy Manual is in need of review and revision. Only 34 percent of the policies were revised within the last five years, there is no indication as to when any of the policies were last reviewed, and policies in at least 10 subjects are missing entirely. To fix these problems, the District should conduct a thorough review of its Policy Manual in order to revise outdated policies and involve all divisions in the review to determine what policies pertaining to their operations should be added. Having an up to date Policy Manual will ensure that the District is meeting local, State and federal requirements and consistently fulfilling its operational and managerial responsibilities in an efficient, effective and economical manner.

## **RECOMMENDATIONS**

It is recommended that the Central Fire Protection District:

- 15.1 Conduct a thorough review of the Policy Manual in order to revise outdated policies. In the introduction, the definition of a policy should also be rewritten so that deviation from policies included in the manual are only permitted as specifically provided for in each policy. (Priority 2)
- 15.2 Following this and any subsequent updates, indicate the date on which each policy was last reviewed in the table of contents and provide an alphabetical index of all policies by subject. (Priority 3)
- 15.3 Involve each division in the review to determine what policies pertaining to their operations should be added. Added policies should include, but not be limited to, budget development, contracts, purchasing, vendor payments, cost recovery, fees and charges, position control, insurance, audits and false alarms. (Priority 2)
- 15.4 Give immediate consideration to any policies, such as those related to the fire investigation function, that document existing practices and have been drafted but not formally authorized. (Priority 2)

## **SAVINGS AND BENEFITS**

By implementing these recommendations, the District will ensure that it meets local, State and federal requirements and consistently fulfills its operational and managerial responsibilities in an efficient, effective and economical manner.

## Attachment 15.1

# SAN BERNARDINO COUNTY FIRE DEPARTMENT OPERATIONS DIRECTIVES



## 5020 COST RECOVERY POLICY

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I. RECOVERY POLICY

A. PURPOSE

To establish the criteria and procedures for the recovery of funds expended by the Fire Department and the Districts for incidents caused by negligent, unlawful or careless acts or in unfunded liability areas.

B. INTENT

It is the intent of the Fire Department to pursue collection of funds expended by the San Bernardino County Fire Department and its Districts for suppression and follow up activities as a result of an emergency or other incident caused by negligent, unlawful or careless acts or in unfunded liability areas.

C. TYPE OF INCIDENTS

The Fire Department's Cost Recovery Field Activity Form shall be filled out to start the recovery process immediately after the incident.

The Fire Department's Cost Recovery Field Activity Form compiled by the Incident Commander will be used to compile the cost information for those incidents where the Fire Department and Districts have expended funds that may be recoverable. The Incident Commander can be Capt., Engineer, FFTR, etc., who ever was in charge of that particular incident requiring cost recovery.

Those incidents that would normally meet these criteria are outlined as follows:

CRIMINAL

1. Unlawful discharge of fireworks resulting in a fire or injury.
2. Intentionally set fires (arson) including juveniles playing with fire.
3. Unlawful or negligent disposal or handling of hazardous chemicals resulting in a spill or contamination.
4. Violations of adopted Government regulations, laws, or ordinances, which result in a response by a District or Fire Department employee to abate the hazard.
5. False Alarms - Malicious - as defined in the UFC.
6. Traffic accident-drug or alcohol related.
7. Friendly fire or controlled/permitted fire allowed to spread to property of others.

CIVIL

8. Inadequate control of open burning.
9. Trespassing in fire closure area resulting in a fire (may be handled criminally).

10. Unsafe or negligent act resulting in a fire injury or Fire District and Fire Department intervention (i.e., welding too close to combustibles, smoking in a hazardous atmosphere, unsafe discharge of legal fireworks, careless handling of hazardous chemicals, power lines and railroad caused fires as a result of a negligent act, etc.).
11. Fire protection services outside fire protection districts, community services area, community service districts, or municipalities.

## II. RESPONSIBILITY

- A. It is the responsibility of the Incident Commander to initiate steps for collection of funds as a result of a negligent or unlawful act. The Incident Commander shall fill out the Cost Recovery Field Activity Form and attach it to the incident report. It is the District Coordinator's responsibility to review the Cost Recovery Field Activity Form for completeness, note any concerns, and forward the Cost Recovery Field Activity Report form and supporting documentation such as alarm reports, CAD print out, etc., to the **Community Safety Division, 385 N. Arrowhead Ave., 3rd Floor, San Bernardino, CA 92415-0179** for processing within five (5) days of incident.
- B. It shall be the responsibility of the Captain in charge of the Cost Recovery Program to review any and all documents pertaining to the Cost Recovery Field Activity Form, make determinations of course of action, and assign and review follow-up activities.

## III. AUTHORITY

- A. Pursuant to Section 13007 to 13009 and 13916a of the California Health and Safety Code, any person who negligently, or in violation of the law, sets a fire, allows a fire to be set, or allows a fire kindled or attended by him/her to escape onto any public or private property, is liable for the fire suppression costs incurred in fighting the fire and for the cost of providing rescue or paramedic services, and those costs shall be a charge against that person. The charge shall constitute a debt of that person and is collectable by the person, or by the Federal, State, County, public or private Fire Department, incurring the costs in the same manner as in the case of an obligation under a contract, expressed or implied.
  1. Pursuant to Section 13009, California Health and Safety Code, (a) Any person (1) who negligently, or in violation of the law, sets a fire, allows a fire to be set, or allows a fire kindled or attended by him or her to escape onto any public or private property, (2) other than a mortgagee, who, being in actual possession of a structure, fails or refuses to correct, within the time allotted for correction, despite having the right to do so, a fire hazard prohibited by law, for which a public Fire Department properly has issued a notice of violation respecting the hazard, fails or refuses to correct the hazard within the time allotted for correction, despite having the right to do so, is liable for both of the following:
    - a. The cost of investigating and making any reports with respect to the fire.
    - b. The costs relating to accounting for that fire and the collection of any funds pursuant to Sections 13009, including, but not limited to, the administrative costs of operating a fire suppression cost recovery program. The liability imposed pursuant to this paragraph is limited to the actual amount expended that is attributable to the fire.
    - c. In any civil action brought for the recovery of costs provided in this section, the court in its discretion may impose the amount of liability for costs described in subdivision (a).
    - d. The burden of proof as to liability shall be on the plaintiff and shall be by a



preponderance of the evidence in an action alleging that the defendant is liable for costs pursuant to this section. The burden of proof as to the amount of costs recoverable shall be on the plaintiff and shall be by a preponderance of the evidence in any action brought pursuant to this section.

- e. Any testimony, admission, or any other statement made by the defendant in any proceeding brought pursuant to this section, or any evidence derived from the testimony, admission or other statement, shall not be admitted or otherwise used in any criminal proceeding arising out of the same incident.
  - f. The liability constitutes a debt of that person and is collectible by the person, or by the federal, state, county, public, or private Fire Department, incurring those costs in the same manner as in the case of obligation under a contract, expressed or implied.
2. Pursuant to Section 13016a a district board may charge a fee to cover the cost of any service that the district provides or the cost of enforcing any regulation for which the fee is charged. No fee shall exceed the costs reasonably borne by the district in providing the service or enforcing the regulation for which the fee is charged. A district board shall not charge a fee on new construction or development for the construction of public improvements or facilities or the acquisition of equipment.
- B. Pursuant to Government Code, Sections 53150, et seq., any person who is under the influence of an alcoholic beverage or any drug, or the combined influence of an alcoholic beverage and any drug, whose negligent operation of a motor vehicle, boat, or vessel, or civil aircraft caused by that influence proximately causes any incident resulting in an appropriate emergency response, and any person whose intentionally wrongful conduct proximately causes an incident, is liable for the expense of an emergency response by a public Fire Department to the incident.
- 1. When a peace officer places a person under arrest for being under the influence that shall be enough cause to initiate the cost recovery process.
- C. Pursuant to Government Code, Section 25210.59 et seq. Board of Supervisors; powers:
- A Board of Supervisors as governing body of a county service area or zone thereof which provides fire protection services shall have the powers authorized by Sections 13910 to 13919, inclusive, of the Health and Safety Code. (Added by Stats, 1989, c. 78 #2. Amended by Stats. 1991, c. 1226 (S.B. 767), #2.)
- D. Pursuant to County Ordinance adopting the UNIFORM FIRE CODE, Section on Liability for Damages, and Health and Safety Code, Section 13009, any person who negligently or intentionally, or in violation of the law, causes an emergency response, including, but not limited to, a traffic accident or spill of toxic or flammable fluids or chemicals, is liable for the costs of securing such emergency, including those costs set out in the Health and Safety Code, and as provided by Government Code Section 53150, et seq. Any expense incurred by the Fire Department for securing such an emergency situation shall constitute a debt of such person and shall be collectible by the public Fire Department in the same manner as in the case of an obligation under contract, expressed or implied.
- E. Pursuant to the California Vehicle Code, Section 23113
- (a) Any person who drops, dumps, deposits, places, or throws, or causes or permits to be dropped, dumped, deposited, placed, or thrown, upon any highway or street any material described in Section 23112 or in subdivision (d) of Section 23114 shall immediately remove the material or cause the material to be removed.

- (b) If the person fails to comply with subdivision (a), the governmental agency responsible for the maintenance of the street or highway on which the material has been deposited may remove the material and collect, by civil action, if necessary, the actual cost of the removal operation in addition to any other damages authorized by law from the person made responsible under subdivision (a).
- F. Pursuant to the San Bernardino County Ordinance 95-8, Section 1(d), 96-8, 96-9, in order to attempt to provide minimum level of emergency response to isolated county areas, County Service Area 70 and cooperating fire agencies need to charge and collect the established fees herein.

#### **IV. FIRE LIABILITY INCIDENTS**

- A. All incidents that involve an unlawful act, including fire prevention violations, which meet the criteria for cost recovery, shall be submitted by the Incident Commander to the District Coordinator then to the Chief Officer in charge of the Community Safety Division.
- B. The Incident Commander shall fill out the Fire Department Cost Recovery Field Activity Form.
- C. The District Coordinator shall review the Cost Recovery Field Activity Form per instructions, and note concerns.
- D. All related reports, i.e., CFIRS, CAD run reports, District Incident Reports, miscellaneous receipts for food, etc., shall be attached to the Cost Recovery Field Activity Form and forwarded to the Chief Officer (or his designee) in charge of the Community Safety Division to be checked for completeness and then forwarded to the Fiscal Division for processing.
- E. The information from the Activity Form shall be used to determine the costs for recovery.
- F. The Fiscal Division staff shall compute the Cost Recovery amount and proceed with billing.
- G. The Chief Officer (or his designee) determines what legal action is to be taken.
- H. If criminal action is to be taken, the Cost Recovery Field Activity Form and all supporting documentation shall be submitted to the District Attorney.
- I. This action shall be so noted in the Cost Recovery Lotus spreadsheets.
- J. If civil action is to be taken:
  - 1. A Demand for Payment shall be sent by the Fiscal Division to the individual responsible for payment of claim.
  - 2. If payment is not received within 30 days a Final Letter for Demand shall be mailed.
  - 3. If payment is not received within 15 days of the Final Demand letter, the Fiscal Division will pursue collection or legal action.

## **V. RECEIPT OF PAYMENT**

The Fiscal Division staff shall:

- A. Match check to status report (Lotus spreadsheet).
- B. Prepare receipt and, if requested, mail copy to payor.
- C. Update Lotus spreadsheet with payment information.
- D. Prepare & process County Deposit Forms.
- E. Determine if partial payment is to be accepted. Fiscal Division shall be responsible for approving partial payment contracts and administering judgments.
- F. Be responsible for allocating monies received to responsible districts.
- G. Make proper notation in the Lotus spreadsheet of any rejected checks.

## **VI. PROGRESS/STATUS REPORTS**

- A. The Fiscal Services Division's staff shall print a monthly report on the status of cost recovery incidents. See attached Cost Recovery Status Report.
- B. The report shall be sent to the County Fire Chief, District Coordinator, Chief Officer in charge of the Community Safety Division, Captain overseeing the Cost Recovery Program, all Deputy Chiefs, Assistant Chief, Fiscal Services Manager, and Fiscal Services Supervisor.

## **VII. CLOSING CASES AND RELEASE OF COST CLAIMS**

- A. If the full amount is recovered, the case is closed.
- B. If less than the full amount is recovered, the case may be closed after review and approval by the Captain in charge of the Cost Recovery Program and the Fiscal Division.

## **VIII. FORMS - See Attached**

## **IX. REPORTS - See Attached**

**COST RECOVERY FEE SCHEDULE  
HOURLY RATES 1995-96  
PERSONNEL**

<u>CLASSIFICATION</u>	<u>HRLY. SAL.</u>	<u>BENEFITS</u>	<u>SAL. &amp; BENEF</u>	<u>OVERTIME HRLY. RATE</u>	<u>TOTAL W/OT</u>
Fire Chief					
Asst. Chief					
Division Chief					
Battalion Chief II					
Battalion Chief I					
Battalion Commander					
Captain					
Engineer					
Firefighter					
Capt/Paramedic					
Engr/Paramedic					
FF/Paramedic					
PCF FF Trainee (117)					
PCF FF I (118)					
PCF FF II EMT I (119)	7.57		7.57		7.57
PCF FFIII EMT II (120)	8.06		8.06		8.06
PCF Engr I (120)	8.06		8.06		8.06
PCF Engr II EMT I (121)	8.43		8.43		8.43
PCF Engr III EMT II (122)	8.97		8.97		8.97
PCF Capt I (122)	8.97		8.97		8.97
PCF Capt. II EMT I (123)	9.35		9.35		9.35
PCF Capt. III EMT II (124)	9.91		9.91		9.91
PCF Batt Chief I (124)	9.91		9.91		9.91
PCF B/C II EMT I (203)	10.26		10.26		10.26
PCF B/C III EMT II (204)	10.26		10.26		10.26
PCF District Chief (205)	12.50		12.50		12.50
Investigation Supervisor	21.72	5.89	27.61	10.86	38.47
Investigation Inspector	16.18	5.03	21.21	8.09	29.30
Mechanic/Shop Foreman	18.90	6.68	25.58	9.45	35.03
Mechanic	17.14	6.60	23.74	8.57	32.31

**UNITS/EQUIPMENT  
ALL INCLS  
TYPE**

	<u>HOURLY RATE</u>		
Engine Company	52.70	Administration	45.00
Truck Company	105.40	Dispatch	31.00
Squad Unit	21.03		
Water Tender	36.35		
B/C Unit Suburban	12.16		
Utility Unit	21.03		
Sedan/Staff	9.80		
Investigator Van	12.16		
Shop Truck	12.16		
Fire Boat	21.03		
Snow Cat	21.03		
Breathing Support Apparatus	15.29		
Loader	38.45		
Ambulance	29.60	Fee	45.00

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## FIRE DEPARTMENT SANTA CLARA COUNTY

14700 Winchester Blvd., Los Gatos, CA 95032-1818  
(408) 378-4010 • (408) 378-9342 (fax) • www.sccfd.org

November 18, 2005

Roger Mialocq, Management Audit Manager  
Board of Supervisors Management Audit Division  
County Government Center, East Wing, 10<sup>th</sup> Floor  
70 West Hedding Street  
San Jose, CA 95010

Subject: Response to Confidential Revised Draft Audit Report

Dear Mr. Mialocq:

The Santa Clara County Central Fire Protection District, also known as the Santa Clara County Fire Department, respectfully submits this response to the Board of Supervisors Management Audit Division following review of the revised draft report dated October 25, 2005.

Administrative staff and all members of the Santa Clara County Fire Department worked closely with the Board of Supervisors audit staff to comply with requests for information, documents, policies, procedures, and detailed information regarding day-to-day Departmental operations. In general, the audit staff's process was conducted in a professional and timely manner and was well received by Department personnel.

The audit team assessed four general areas including financial, personnel, operational management, planning and policies. The Department concurs with the majority of the report, although some areas of concern do exist.

This management audit follows an extensive audit by fire service peer assessors from the Commission on Fire Accreditation International (CFAI) in January of 2005. The CFAI report rated the Department "Credible" in all core competencies including fire suppression, training, and general skills competency. Accreditation is an internationally recognized standard of excellence in overall service delivery. The Santa Clara County Fire Department received accreditation from the CFAI in August 2005. The Department is the only accredited fire department in the Bay Area and one of four accredited departments in California.

Attached are the Department's responses to the recommendations made by the Board's audit team in each of the 15 subsections contained within the revised draft report. Please feel free to contact me for clarification to any of the responses.

Sincerely,

Benjamin F. Lopes III, Fire Chief

BFL:jmt

Attachment

229

c: File

H Rose Response Letter/jmt/11.18.05

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Organized as the Santa Clara County Central Fire Protection District

*Serving Santa Clara County and the communities of Campbell, Cupertino, Los Altos,  
Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga*

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## RECOMMENDATION RESPONSES

### SECTION 1 RECOMMENDATIONS

It is recommended that the Board of Directors of the Central Fire Protection District:

- 1.1 Carefully review the FY 2006-07 and subsequent annual budgets of the Central Fire Protection District to ensure that the budgeted resources equal the authorized expenditures, and that the budget is supported by a detailed schedule of positions, including the number of positions authorized for each classification and the approved salary range. Furthermore, the Board should review and approve any reserves and designations of fund balance. (Priority 1)

CFPD Response. Concur.

It is recommended that the Central Fire Protection District:

- 1.2 Revise its FY 2006-07 and subsequent annual budget documents to include all of the information required by State law and described in this section. (Priority 1)

CFPD Response. Concur.

- 1.3 Prepare written budget justifications for the two supernumerary Captain positions and submit these justifications to the Board of Directors for its immediate review and consideration to determine if the continuation of these positions should be authorized. (Priority 1)

CFPD Response. Concur; resolution in process.

- 1.4 Prepare a proposed FY 2005-06 resolution for the Board of Directors of the Santa Clara County Central Fire Protection District establishing job classifications, the maximum number of District employees per classification, and the approved salary ranges. (Priority 1)

CFPD Response. Concur; resolution in process.

- 1.5 Prepare semi-annual financial reports showing actual and projected revenues, expenditures, unrestricted cash balance, and changes in fund balance, and submit these reports to the County Executive and the Board of Directors. (Priority 2)

CFPD Response. Concur.

## SECTION 2 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 2.1 Pursue, during renegotiation of its city contracts, the same reimbursement approach recently adopted for the Morgan Hill contract, which increases the reimbursement to the District by the average of the annual percentage increase in the Bay Area CPI, the annual percentage increase in the District's firefighter compensation costs, and the annual percentage increase in assessed value for secured property within a city. (Priority 1)

CFPD Response. Concur in concept. Due to political constraints during negotiations, recommend additional wording, "...or equivalent" to meet intent.

- 2.2 Develop, at least every five years, a detailed cost model to determine the cost of providing service to each of its contract cities, as information to be used in renegotiating the contracts with each city, and present such information to the cities to facilitate open and equitable negotiations. (Priority 1)

CFPD Response. Concur in concept. Staff will assess the Department's ability to provide detailed cost information while protecting its ability to effectively negotiate new contracts for service and maintain a fair relationship with communities that are indigenous to the District.

It is recommended that the Board of Directors of the Central Fire Protection District:

- 2.3 Adopt a policy requiring that any contracts negotiated to provide service to cities be negotiated on the basis of at least recovering the variable costs of services, as well as a reasonable and equitable share of fixed costs. (Priority 1)

CFPD Response. Concur.

## SECTION 3 RECOMMENDATION

It is recommended that the Controller:

- 3.1 Include the Central Fire Protection District in the apportionment of all Countywide Cost Plan costs for any services provided to the District. (Priority 3)

CFPD Response. Concur in concept. District also recommends apportionment of overhead cost to County Departments.

## SECTION 4 RECOMMENDATIONS

It is recommended that the Central Fire Protection District and the County Human Resources Department meet and confer with the District's labor union as part of the FY 2006-07 labor contract renewal to:

- 4.1 Convert employees and retirees now in the self-funded health plan into a sub-plan of the County's Health Net or similarly priced plan, providing comparable coverage to that provided by the County for its employees. (Priority 1)

CFPD Response. Board policy decision.



- 4.2 Establish in the labor agreement a maximum amount, set at the District's Kaiser family plan rate, which the District will pay toward health premiums. (Priority 1)

CFPD Response. Board policy decision.

## SECTION 5 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 5.1 Hire an actuarial consultant to prepare an actuarial valuation report of the District's retiree health insurance benefit liability. (Priority 1)

CFPD Response. Concur.

- 5.2 Hire a pension fund investment consulting firm to assist the District Board of Directors to establish investment policies and procedures for retiree health fund investments, and hire one or more professional pension fund investment management firms to invest the District's funds once the District is able to begin funding this liability. (Priority 1)

CFPD Response. Concur.

## SECTION 6 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 6.1 Calculate the direct and indirect costs to provide fire and life safety and hazardous materials services. (Priority 1)

CFPD Response. Concur, and as appropriate coordinate fee analysis with County's fee study effort.

- 6.2 Propose a fee schedule to recover costs to the Board of Directors and conduct a regular review of all fees based on costs. For each service provided, the proposal should state what the fee would be based on actual costs, and what the District recommends and why. (Priority 1)

CFPD Response. Concur, and as appropriate coordinate fee analysis with County's fee study effort.

- 6.3 Present the District Board-approved fee schedule to the contract cities and work with them to adopt the same schedule. (Priority 2)

CFPD Response. Concur.

- 6.4 Review and update fees at least biennially. Since anticipated changes in costs are estimated each year as part of the budget process, these same estimates should be included in the cost basis for development of fees. (Priority 1)

CFPD Response. Concur.

- 6.5 Develop a budget for each revenue account in which fees are collected. These fees should be included in the Recommended and Approved Budgets. (Priority 1)

CFPD Response. Concur.

- 6.6 Develop written procedures on setting, budgeting and collecting fees. The procedures should require a staff person to monitor receipts against transactions and be included in the policy on fees and charges recommended in Section 15. (Priority 2)

CFPD Response. Board decision. Compliance will require adding staff.

## SECTION 7 RECOMMENDATIONS

It is recommended that the Board of Directors of the Central Fire Protection District:

- 7.1 Clarify its intent that the Central Fire Protection District follow County purchasing practices and policies in accordance with California Public Contracts Code by adopting a resolution amending the 1981 resolution to include the language "in a manner consistent with Public Contracts Code Section 20812." (Priority 1)

CFPD Response. Concur.

It is recommended that the Board of Supervisors:

- 7.2 Direct the County Executive to review the County's Direct Pay List, revising the List to include only those purchases of the Fire Protection District that meet the County's standards. (Priority 2)

CFPD Response. Concur.

It is recommended that the Central Fire Protection District:

- 7.3 Review all current service contracts, and forward contracts to the County Procurement Department, the Office of Budget & Analysis or the Board of Supervisors as appropriate based on the size of the contract, along with required information on the contracting process for each contract, and the basis for that process. (Priority 1)

CFPD Response. Concur in concept, but replace "County Procurement Department" with "District's Purchasing Agent."

- 7.4 Enter into a Memorandum of Understanding (MOU) with the Santa Clara County Procurement Department. The MOU should include the basis for allocation of costs to the District, the availability of Procurement Department staff as consultants to the District in major purchasing activities and the inclusion of the Central Fire Protection District on all relevant master contracts. (Priority 3)

CFPD Response. Concur in concept, but modify recommendation to indicate that the District will explore the mutual benefits of entering into a contract with County for consulting services.

- 7.5 Include policies and procedures for the purchasing of equipment and services consistent with those in place at the County in the overall policy and procedure update to be completed according to Recommendation 15.3. (Priority 3)

CFPD Response. Concur.

- 7.6 Develop and distribute a policy to segregate purchase authority from payment authority at all times, and update Controller payment signature cards accordingly. (Priority 2)

CFPD Response. Concur.

- 7.7 Develop and implement an inventory control system for all District supplies including its Central Supply room. (Priority 3)

CFPD Response. Concur.

## SECTION 8 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 8.1 Pursue future negotiations with International Association of Firefighters Local 1165 on the basis of putting fire protection and fire prevention staff and administrative and support staff in separate units for wage negotiation purposes. These negotiations should be conducted on the basis of freezing salaries of administrative and support staff until parity is reached between District salaries and salaries for similar positions in the County. Thereafter, negotiations should be based on providing administrative and support staff raises similar to those received by County staff in similar jobs. (Priority 2)

CFPD Response. Board policy decision.

- 8.2 Pursue State legislation, assuming the negotiations suggested in Recommendation 8.1 are unsuccessful, providing that salaries for fire districts that are dependent special districts governed by a County Board of Supervisors should be based on prevailing wages as determined by the wage scale for similar positions in the County. (Priority 2)

CFPD Response. Board policy decision.

- 8.3 Obtain annual approval from the District Board of Directors of a resolution establishing the number of staff, job classifications and pay levels for all District positions, as required by State law. (Priority 1)

CFPD Response. Concur.

- 8.4 Develop written procedures for handling situations where employees must be moved from one existing job classification to another, or to a newly created job classification, as their duties change, modeled on procedures followed by the County under its contract with SEIU Local 715. (Priority 2)

CFPD Response. Concur in concept.

It is recommended that the Board of Directors of the Central Fire District:

- 8.5 Request the County Employee Services Agency to assess the human resources requirements of the Central Fire District, including the advantages, disadvantages and costs associated with ESA providing these services on a contractual basis, and issue a report to the Board within six months. (Priority 2)

CFPD Response. Concur.

## SECTION 9 RECOMMENDATIONS

It is recommended that the Central Fire Protection District and the County Human Resources Department meet and confer with the District's labor union to change the 2006 Memorandum of Agreement to:

- 9.1 Define permissible justifications for the payment of overtime and limit overtime only to such situations. (Priority 1)

CFPD Response. Board policy decision. Recommend any changes take place during contract negotiations.

- 9.2 Define "work hours" for purposes of calculating overtime payments as time actually worked, rather than inclusive of paid leave time, such as vacation. (Priority 2)

CFPD Response. Board policy decision. Recommend any changes take place during contract negotiations.

It is recommended that the Central Fire Protection District:

- 9.3 Modify Section 7.2 of the District's Operational Rules and Regulations to restrict shift trades to those trades that are cost-neutral to the District. (Priority 2)

CFPD Response. Board policy decision.

- 9.4 Confer with legal counsel for all interpretations of provisions and requirements of the Memorandum of Agreement. (Priority 3)

CFPD Response. Board policy decision.

## SECTION 10 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 10.1 Upon the vacancy of the existing Support Services Deputy Chief position, replace that position with a civilian Support Services Division Manager position. (Priority 2)

CFPD Response. Disagree. Staff understands the issue of Safety employee vs. civilian, however the responsibilities of the SCCFD relative to emergency response, emergency operations, and staff overhead coverage during emergency conditions out weights the argument for civilianization of this position.

- 10.2 Transfer the existing Captain position in the Support Services Division, who serves as the District's communications officer, to the Operations Division, where a safety Deputy Chief supervisor is provided. (Priority 2)

CFPD Response. Disagree. The issue of "span of control" becomes overwhelming given a current daily 6/1 ratio and divisional 10/1 ratio. Staff has taken steps over the past few years to attempt to reduce this problem with the transfer of the EMS Battalion Chief to the Training Division.

- 10.3 If the Board of Directors chooses not to implement Recommendation 10.1, pursue reimbursement, from cities with which the District contracts to provide fire protection services, of the excess costs to maintain a Deputy Chief as the manager of the Support Services Division. (Priority 2)

CFPD Response. Concur.

## SECTION 11 RECOMMENDATIONS

It is recommended that the Board of Supervisors:

- 11.1 Direct staff to conduct or arrange for a special study to determine the best method of providing a reasonable and cost-effective level of fire protection services to the unprotected areas of the County. The study should consider all options including contracting with the California Department of Forestry, building and staffing new fire stations, training and equipping volunteer fire protection organizations or a combination of any of the above approaches. In addition, the study should provide specific cost estimates and potential funding methodologies. (Priority 2)

CFPD Response. Concur in concept. Suggested language: "...the study should consider all options including contracting with existing fire agencies and building new fire stations..."

- 11.2 Conduct hearings to develop and evaluate options to provide fire protection services to areas of the County that are currently unprotected. (Priority 2)

CFPD Response. Concur.

## SECTION 12 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 12.1 Expand the Self-Inspection Program to all eight cities served by the District. An additional city should be phased in each quarter, or as soon as possible in the contract cities, until all cities are participating in the program. (Priority 2)

CFPD Response. Concur.

- 12.2 In accordance with the County's purchasing policies and procedures, solicit bids for developing an on-line form with individual access codes for businesses to submit their self-inspections. (Priority 3)

CFPD Response. Concur.

## SECTION 13 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 13.1 Establish written policies and procedures governing response to presumed false alarms. The policy should express the District's intent to reduce false alarms, assign responsibility for alarm reduction efforts, define appropriate strategies and tactics, and establish alarm-reduction goals. Procedures should specify what criteria are used to determine that an alarm qualifies for stepped-down response, and should define the appropriate level of response. (Priority 3)

CFPD Response. Concur.

- 13.2 Collect and remit all false fire alarm fees due to the City of Campbell, pursuant to the fire protection contract between the District and the City. (Priority 1)

CFPD Response. Not applicable. The Campbell contract does not require Central Fire to collect and remit fines that are extraneous to program fees; rather, the contract allows Central Fire to collect and retain such fines. This interpretation was agreed upon by both parties long ago, and has been consistently applied since 1993.

- 13.3 After conferring in the spring with County Counsel regarding which negligent incident charges are appropriate to bill, the District should establish and implement a policy to recover costs as appropriate, utilizing the Office Assistant II in Fire Prevention to bill those charges, with delinquent collections managed by the County Department of Revenue. (Priority 2)

CFPD Response. District agrees to pursue this recommendation for cost effectiveness.

- 13.4 Utilize the Office Assistant II in Fire Prevention to bill those responsible for repeated false alarms, pursuant to the District's false alarm ordinance per Recommendation 13.6, with delinquent collections managed by the County Department of Revenue. (Priority 2)

CFPD Response. District agrees to pursue this recommendation for cost effectiveness.

- 13.5 Contract with the County Department of Revenue to manage collections per recommendations 13.3 and 13.4. (Priority 3)

CFPD Response. Concur.

It is recommended that the Board of Directors of the Central Fire Protection District:

- 13.6 Adopt a false fire alarm ordinance and establish fees for responding to preventable, repeat false alarms, and a surcharge for the cost of billing the fee. We recommend fees be imposed beginning with the fourth and subsequent false alarm within 12 months at either actual cost or with rate increases similar to those shown in Table 13.2. (Priority 2)

CFPD Response. Concur, but modify to exclude publicly funded agencies.

## SECTION 14 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 14.1 Develop and maintain a five-year Capital Improvement Plan and present the plan to the Board of Directors for approval annually. The plan may be a separate document, but should be integrated into the District's annual budget. (Priority 3)

CFPD Response. Concur.

- 14.2 Seek to reduce expenses and increase revenues such that adequate funding of the plan is possible. The plan should be funded to the extent that revenues exceed expenses and other, higher priority reserve requirements. (Priority 3)

CFPD Response. Concur.

## SECTION 15 RECOMMENDATIONS

It is recommended that the Central Fire Protection District:

- 15.1 Conduct a thorough review of the Policy Manual in order to revise outdated policies. In the introduction, the definition of a policy should also be rewritten so that deviations from policies included in the manual are only permitted as specifically provided for in each policy. (Priority 2)

CFPD Response. Concur. The Peer Assessment Team on Commission on Fire Accreditation made a similar recommendation. On-going Policy Manual updates will be part of an annual compliance report submitted each July to the CFAI in order to maintain Accreditation.

- 15.2 Following this and any subsequent updates, indicate the date on which each policy was last reviewed in the table of contents and provide an alphabetical index of all policies by subject. (Priority 3)

CFPD Response. Concur.

- 15.3 Involve each division in the review to determine what policies pertaining to their operations should be added. Added policies should include, but not be limited to, budget development, contracts, purchasing, vendor payments, cost recovery, fees and charges, position control, insurance, audits and false alarms. (Priority 2)

CFPD Response. Concur.

- 15.4 Give immediate consideration to any policies, such as those related to the fire investigation function, that document existing practices and have been drafted but not formally authorized. (Priority 2)

CFPD Response. Concur.



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## County of Santa Clara

Office of the County Executive  
Procurement Department  
333 West Julian Street, Suite 400  
San Jose, California 95110-2335  
PHONE (408) 491-7400 • FAX (408) 297-7633

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November 21, 2005

TO: Board of Supervisors' Management Audit Division

FROM: Jenti Vandertuig   
Director of Procurement

SUBJECT: Draft Central Fire Protection District Audit Report

The Procurement Department will respond to the Draft Central Fire Protection District Audit Report, Section 7 – Purchasing Practices, prior to the hearing of the audit at the Finance and Government Operations Committee meeting.

Cc: Gary Graves  
Chief Deputy County Executive