

# **Management Audit of the County of Santa Clara South Santa Clara County Fire District**

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

**December 19, 2019**



**Prepared by the  
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# County of Santa Clara

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December 19, 2019

Supervisor Dave Cortese, Chair  
Supervisor Cindy Chavez, Vice Chair  
Board of Supervisors' Finance and Government Operations Committee  
70 West Hedding Street  
San Jose, CA 95110

Dear Supervisors Cortese and Chavez:

We have completed the Management Audit of the South Santa Clara County Fire District. This audit was part of the Management Audit Division's Fiscal Year 2018-19 work plan by the Board of Supervisors of the County of Santa Clara, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the Santa Clara County Charter.

This audit was conducted in conformity with generally accepted government auditing standards as set forth in the 2011 revision of the "Yellow Book" of the U.S. Government Accountability Office.

The purpose of the audit was to examine the administration, finances, and management practices of the South Santa Clara County Fire District, and to identify opportunities to increase the efficiency, effectiveness and economy of the District. This report on the Management Audit of the South Santa Clara County Fire District details six findings and 15 recommendations, of which nine were directed to the Fire District's Board of Commissioners and six were directed to the Board of Supervisors. In her response, the Fire District's Board of Commissioners Chair agreed or partially agreed with all the recommendations.

If implemented, the recommendations in this report would, among other improvements:

- More clearly define the operational and funding agreement between the Fire District and City of Morgan Hill to ensure that Morgan Hill continues to support Fire Station 1 staffing, and funds a portion of Engine 67 (stationed at Fire 1) maintenance, repair, and upkeep to account for Morgan Hill's benefit from Engine 67.

- Better plan for the Fire District's future financial condition through (a) development of a long term financial plan that evaluates the District's options to increase revenues and contain expenditures, including potential consolidation of fire prevention and communications functions with the cities of Gilroy and Morgan Hill; and (b) consideration of options for increasing District revenues, and consolidating fire districts in the County given the difference in tax allocations to each of Santa Clara County's four fire districts.
- Better plan for the financing of the Fire District's repair, replacement, and expansion of facilities and assets, including categorizing all assets and developing policies on issuing debt and drawing on reserves.
- Better ensure adequate year-round fire protection and first responder coverage to residents of unincorporated areas of the County, including potential merger and expansion of four existing fire districts to better allocate resources across the unincorporated areas.
- Provide for more uniform mitigation of fire risks and provision of fire prevention services among the four existing fire districts and in uncovered areas of the County through (a) forming a Joint Powers Authority responsible for mitigating fire risks, (b) considering consolidating existing fire districts under the Board of Supervisors authority, and (c) allocating a portion of public safety sales tax revenue to fire safety.

We would like to thank the Fire District Board of Commissioners, Cal Fire representatives, and City staff for the assistance provided during this audit process. We also appreciate the time and input of various peer jurisdictions and staff of other departments and agencies, both County and non-County, who responded to our survey and interview requests.

If you have any questions regarding this report, please call me at (408) 299-6435.

Respectfully submitted,



Cheryl Solov  
Management Audit Manager

Cc:  
Supervisor Susan Ellenberg  
Supervisor S. Joseph Simitian  
Supervisor Mike Wasserman



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## Executive Summary

### Finding 1: Fire District Responses to Morgan Hill Incidents

In 2016, the South Santa Clara County Fire District (District) and the cities of Gilroy and Morgan Hill entered into a boundary drop agreement in the closest appropriate available District, Morgan Hill, or Gilroy resource responds to emergencies, regardless of the geographic jurisdiction. Both the District and Morgan Hill contract with the California Department of Forestry and Fire Protection (Cal Fire) to provide fire and emergency medical services. The two fire departments operate jointly under a single command and organizational structure, allowing for coordination and sharing of resources. The District, Morgan Hill, and Gilroy are planning to conduct a Standards of Cover study to evaluate fire services and improve coordination in South County.

Under the boundary drop agreement, the District and Morgan Hill respond to calls within the other district's jurisdiction. In 2018 South Santa Clara County Fire District responded to 2.6 times the number of emergency incidents in Morgan Hill than the city of Morgan Hill responded to incidents in the District. In particular, Engine 67, which is owned and maintained by the District, at Station 1 spent 58 percent of its total annual hours and 66 percent of its total annual runs responding to Morgan Hill in 2015. In calendar year 2018, Engine 67 made 1,397 runs to Morgan Hill, which accounted for 72 percent of its total 1,949 annual runs, an increase from 2015, when 66 percent of Engine 67's total annual runs were to Morgan Hill. To account for this level of response, the engine company staffing at Station 1 is partially funded by Morgan Hill and partially funded by the District. However, this funding arrangement is not formalized in any agreement between Morgan Hill and the District, and does not account for costs incurred by the District in the form of fuel, maintenance and repair, and general wear and tear on the engine. As a result, the District's expenditures to respond to incidents in Morgan Hill under the boundary drop agreement exceed benefits that the District receives from Morgan Hill responses to incidents in the District.

The District should formalize in the boundary drop agreement the arrangement with Morgan Hill for the 50 percent funding of the engine company at Station 1 and consider an arrangement with Morgan Hill to reimburse the costs of a portion of Engine 67's maintenance, repair, and upkeep. The District should also use the Standards of Cover study to assess the boundary drop agreement and whether further adjustments to compensations arrangements are appropriate.

Formalization of the funding arrangement at Station 1 will ensure that Morgan Hill continues to support Station 1 staffing under future cooperative agreements. An arrangement with Morgan Hill for the funding of a portion of Engine 67's maintenance, repair, and upkeep will offset some of those costs to the District and account for Morgan Hill's benefit from Engine 67.

## **Finding 2. South Santa Clara County Fire District Future Financial Uncertainty**

The South Santa Clara County Fire District's actual revenues in FY 2017-18 were \$5.8 million, of which nearly 85 percent were the property tax allocation to the District. The District's actual expenditures in FY 2017-18 were \$5.2 million, of which 87 percent were for the cooperative agreement with Cal Fire.

While the District had sufficient revenues in FY 2017-18 to pay for expenditures for fire services, the District's future revenue growth may not be sufficient to cover increases in expenditures. The District's FY 2017-18 property tax allocations of \$89 per person are lower than in the other fire districts in the County, which range from \$226 per person in the Saratoga Fire District to \$1,000 per person in the Los Altos Hill Fire District, or more than 10x the allocation of the South Santa Clara County Fire District. The District's property tax allocation is lower per person than other County fire districts because more than 40 percent of the District's land is agricultural which is taxed at a lower rate; the District's tax allocation may be further constrained in future years by the Farmland Security Zone Program, if implemented, which further reduces taxes on certain agricultural lands. Also, the District's future revenues under its first responder contract with the County are not guaranteed upon expiration of the County's current agreement for ambulance services in June 2019.

The District's expenditures to Cal Fire, its most significant expense, are projected to increase by 13 percent over the next five years, largely due to increases in staff salary and benefit costs and in the number of Cal Fire staff allocated to the agreement. The growth in expenditures and constraint in revenues makes the future financial stability of the District uncertain.

To better plan for its future financial condition, the District's Board of Commissioners needs to develop a long term financial plan that evaluates the District's options to increase revenues and contain expenditures, including potential consolidation of fire prevention and communications functions with the cities of Gilroy and Morgan Hill. The Board of Supervisors should consider options for increasing District revenues, and consolidating fire districts in the County given the difference in tax allocations to each of Santa Clara County's four fire districts.

The Board of Commissioners will require support from District staff to develop and update the long range financial plan. While the cooperative agreement between the District and Cal Fire provides for an increase in analytical support staff in future years, the costs funding such staff in FY 2019-20 to support financial planning would likely be offset by other salary savings. Potential consolidation of fire prevention and communication resources with the cities of Morgan Hill and Gilroy will streamline these services and control costs.



### **Finding 3. Multi-Year Capital Planning and Asset Management**

The South Santa Clara County Fire District's capital assets consist of one fire station, fire engines, command vehicles, water tenders and specialized vehicles, and fire suppression and emergency medical equipment. Under the cooperative agreement between the District and Cal Fire, the District and Cal Fire are each responsible to maintain and replace their property and equipment.

The District has limited financial resources to replace assets when needed. In the five-year period between FY 2012-13 and FY 2013-14, the District spent \$1.2 million on replacing vehicles and other fire suppression apparatus, using lease financing. A consultant's study estimates an additional \$10.3 million in capital repair and replacement costs between 2015 and 2035.

The District does not have an asset management plan to account for repair and replacement of existing assets, the associated costs, and potential funding sources. Cal Fire is in the process of categorizing all District inventory and assets and estimating annual costs to replace assets at the end of their useful life, but has not yet completed the categorization. Even with the completion of the categorization of assets and replacement costs, the District will not have a plan to match funding with asset repair and replacement. The District also does not have a process for validating their inventory of materials and equipment. While Cal Fire is responsible for maintaining their own capital assets as well as District vehicles and equipment under the cooperative agreement, the cooperative agreement does not address planning for asset repair and replacement and the associated funding. Nor does the cooperative agreement address responsibility for District assets not defined in the agreement, even though the District has no staff other than Cal Fire staff. The lack of an asset management plan and inventory validation puts the District at risk of unexpected costs for inventory loss or unplanned asset failure.

The South Santa Clara County Board of Commissioners should request the District Fire Chief to provide the timeline to complete the detailed categorization of assets, and submit the completed categorization of assets to the Board of Commissioner's for review and endorsement. The Board of Commissioners should also develop a (1) financing plan for the repair, replacement, and expansion of District facilities and other capital assets; and (2) financial policies that include policies relating to debt issuance and drawing on reserves. The Board of Commissioners should further request the District Fire Chief to complete an annual inspection to validate a sample of the inventory in order to ensure the existence and condition of assets.

The Board of Commissioners will require support from District staff to develop a financing plan for capital asset repair and replacement. Managing inventory and planning for asset repair and replacement will reduce costs for inventory loss or unexpected asset failure.

#### **Finding 4. Santa Clara County Areas without Year-Round Fire/ Emergency Medical Services**

The County of Santa Clara has a population of approximately 1.9 million people, 1.7 million of whom live in one of the County's fifteen incorporated towns and cities and approximately 0.2 million (11 percent) of whom reside in unincorporated County areas. Of the County's 1,310 square miles, 943 square miles (72 percent) are unincorporated. The County has four fire districts that cover some portions of the County's unincorporated areas, as well as some cities.

County residents who reside within a city or within a fire district receive full-time, professional fire protection and emergency services from a local fire protection agency. However, approximately 543 square miles and 33,000 residents in Santa Clara County reside within neither a city nor a fire district, and therefore are not covered by any local government fire protection organization. These uncovered areas lie outside the jurisdiction of any local government fire protection district in unincorporated areas of the County. As a result, these areas, which have fire risks ranging from low to extreme fire risk and hazard, do not have year-round fire protection coverage. While the California Department of Forestry and Fire Protection (Cal Fire) is responsible for wild-land areas in the State Responsibility Area, which covers most of the unincorporated area of the County, no agency is responsible for structure fires or first responder coverage.

A survey of other large and populous California counties found that it is unusual to have large areas of the county that are not covered by any local government fire protection organization.

The Santa Clara County Board of Supervisors should evaluate options to ensure adequate year-round fire protection and first responder coverage to residents of unincorporated areas of the County, including potential merger and expansion of four existing fire districts to better allocate resources across the unincorporated areas.

A formal evaluation of options to ensure year-round fire protection and first responder coverage to residents of unincorporated areas of the County would require County staff resources, and potentially consultant resources. If the Santa Clara County Board of Supervisors were to determine that merging and expanding the existing four fire districts into one countywide district was preferred, the County would incur costs to obtain approval from the Local Agency Formation Commission (LAFCo), which governs special districts in Santa Clara County, and voter approval of the residents of the areas in question. The benefit of such a merger and expansion would be to better allocate property tax dollars across the County, while streamlining the governance and operations of fire districts.

### **Finding 5. Coordination and Funding of Fire Risk Mitigation Services**

The Board of Supervisors is the board of directors and is responsible for the oversight and coordination of three of the County's four fire districts. In addition, fire services within the County are provided by 10 cities and by the State.

As a practical matter, a *response* to a large fire would be a Countywide or regional response. However, *mitigation* of fire risks is based on jurisdictional boundaries established when the County was home to a smaller population and when fire risk overall was lower. There is no central coordination of the numerous fire services within the County with respect to mitigating overall fire risks. Although the County agency receives dedicated sales tax funds for public safety – including “fire protection” – it allocates these monies entirely to law enforcement, although the rate of violent and property crimes in Santa Clara County decreased by 40 percent and 56 percent respectively since implementation of the public safety sales tax in 1993. Fifteen of the 20 largest fires in California history have occurred since 2000. Despite a population of nearly two million people residing in the County today, and the increased risk of large fires spreading into urbanized areas, there are hundreds of square miles of the County – including areas of high fire risk – still are not covered by any fire agency. Through its three fire Districts, the County Board of Supervisors oversees almost \$95 million of annual property tax revenues that are paid by County residents to the Fire Districts. Yet there is no multi-District assessment and prioritization of risks based on objective measures; each District addresses risks *within its boundaries* with the resources that are available. The boundaries of existing Districts are not necessarily related to fire risk, and some Districts may not use funds consistent with risk mitigation. The absence of a comprehensive approach to mitigation increases the potential for major fires throughout the County, including in fire districts, cities, and open spaces.

The Board of Supervisors should direct the County Administration in conjunction with County Counsel to present proposals for fire risk-mitigation models for the County. The Board should consider consolidating all of the existing districts under its authority and assess the feasibility of expanding district boundaries. Additionally, the Board should assess whether a multi-agency approach, such as development of a County-wide fire-risk mitigation Joint Powers Authority – akin to the multi-agency model that already exists for emergency services interoperability – could be implemented. The Board should also consider re-allocating a modest portion of public safety sales tax revenue to mitigation of fire risk.

Implementation of these recommendations would potentially improve the efficiency and effectiveness of existing fire services and reduce the damage from major fires.

## **Finding 6. Lack of Independent Review of Cal Fire Invoices**

The California Department of Forestry and Fire Protection (Cal Fire) provides fire protection services and administration services to the South Santa Clara County Fire District (District) under cooperative agreements. Cal Fire invoices the District on a quarterly basis for actual services rendered. When Cal Fire submits an invoice for payment to the District, District administrative staff process and code the invoice, and the District's Fire Chief reviews and approves the invoice for payment. Once the invoice has been approved by the Chief, District staff prepare a payment voucher cover sheet and send the invoice to the County Finance Agency for entry into SAP, the County's accounting system, for payment.

Because all of the District's administrative staff are provided by Cal Fire under the cooperative agreement between Cal Fire and the District, the individuals approving the Cal Fire invoices to the District are Cal Fire employees. The District has no non-Cal Fire employee who can review the invoice details, including level and type of services, equipment, staffing levels, and rates, to ensure that the invoice is within the terms of the agreement approved by the Board of Supervisors. As a result, Cal Fire functions as both the vendor and invoice approver.

To ensure adequate oversight, the District's Board of Commissioners should Request the County's Office of Budget Analysis in the County Executive's Office to review and approve Cal Fire invoices before invoices are sent to the Controller's Office for payment.

The District would incur new costs for Office of Budget Analysis to review and approve Cal Fire invoices, which are expected to be minimal. The District currently pays for Office of Budget Analysis staff time as an indirect overhead/support service cost per the Countywide Cost Allocation Plan, which was \$10,623 in FY 2018-19. The estimated additional Office of Budget Analysis cost allocation is estimated to be between \$1,200 to \$2,400 per year, based on 16 to 32 hours per year of staff time to review and approve Cal Fire invoices.

The benefit to the District of an independent, third-party review of Cal Fire invoices would be the assurance of adequate oversight of Cal Fire invoices to the District.

## INTRODUCTION

This *Management Audit of the South Santa Clara County Fire District* was added to the Management Audit Division's Fiscal Year (FY) 2018-19 work plan by the Board of Supervisors, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the County of Santa Clara Charter. The Board added this audit after considering the annual County-wide audit risk assessment conducted by the Management Audit Division in accordance with Board policy.

## PURPOSE, SCOPE, AND OBJECTIVES

The purpose of the audit was to examine the administration, finances, and management practices of the South Santa Clara County Fire District, and to identify opportunities to increase the efficiency, effectiveness and economy of the District. Work on this audit began with an entrance conference on August 18, 2018, and a draft report was issued to the South Santa Clara County Fire District on September 5, 2019.

We sent the draft audit report to the South Santa Clara County Fire District, Office of the County Counsel, and relevant sections of the draft audit report to the Deputy County Executive for review and comment.

An exit conference was held with the South Santa Clara County Fire District on September 20, 2019.

A revised (final) report incorporating feedback from the exit conferences was issued to the South Santa Clara County Fire District on October 21, 2019.

The audit's main objectives were to assess the District's governance, administrative, and management practices, including:

- Role of the District Board of Commissioners in overseeing District performance;
- District's role in meeting countywide fire coverage and planning for future growth and fire risks;
- Performance of agreements with the California Department of Forestry and Fire Protection (Cal Fire) and other fire jurisdictions; and
- District's management of District assets and planning for future financial stability.

## AUDIT METHODOLOGY

In the initial phase of the management audit, we collected documents detailing (i) legal statutes governing the District; (ii) strategic, operational, and capital plans; (iii) financial performance; (iv) agreements with the County, Cal Fire, and other local fire agencies; (v) inventory and asset management; (vi) recruiting, training, and retention of fire suppression staff; and (vii) other assessments, audits, and documents evaluating the District's performance. We conducted survey interviews with key District (Cal Fire) staff, County Counsel, Deputy County Executive, Central Fire District, members of the Board of Commissioners, LAFCo, and other fire agencies. We conducted site visits of the three fire stations within the District.

At the end to the initial phase, we conducted a risk assessment and identified the main areas requiring further evaluation. We conducted follow up interviews with the District Chief, Assistant Chief, Office of Budget and Analysis, and other District staff to gain a more in-depth understanding of District policies and practices. We collected additional documentation on performance of the District's cooperative agreement with Cal Fire, boundary drop agreements with Morgan Hill and Gilroy, and automatic aid agreements with other fire agencies. We collected detailed budget and other information on fire agencies within the County, and calculated square mileage and population covered by each fire agency, as well as square miles and population not covered by a fire agency.

We surveyed 10 counties in California to identify and compare practices to ensure fire protection coverage in all areas of the County. The results of this survey are provided as Attachment C on page 73.

We conducted two status updates with the District Chief and his staff on November 27, 2018, and March 28, 2019.

### **Compliance with Generally Accepted Government Auditing Standards**

This management audit was conducted under the requirements of the Board of Supervisors Policy Number 3.35 as amended on May 25, 2010. That policy states that management audits are to be conducted under generally accepted government auditing standards (GAGAS) issued by the U.S. Government Accountability Office. We conducted this performance audit in accordance with GAGAS as set forth in the 2011 revision of the "Yellow Book" of the U.S. Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In accordance with these auditing standards, we performed the following procedures:

Audit Planning - The task plan for this audit was developed after reviewing available documentation on statutes governing the Fire District; the mission and purpose of the District; the District's service area; and other available District information.

Entrance Conference – We held an entrance conference with the District Fire Chief, Assistant Fire Chiefs, and president of the Board of Commissioners to introduce the audit team, describe the audit program and scope of review, and to respond to questions. We provided a letter of introduction from the Board of Supervisors, the audit work plan and a request for background information at the entrance conference.

Pre-Audit Survey - Audit staff reviewed documentation and other materials to obtain an overall understanding of the District's operations, and to isolate audit areas that warranted more detailed assessments.

Field Work – We conducted detailed field work after completion of the pre-audit survey, which included: (a) interviews of District staff, including the Fire Chief, Assistant Fire Chiefs, staff responsible for asset management, training, fire prevention, and other activities; (b) interviews with representatives from fire agencies and districts in Santa Clara County; (c) analyses of budget, inventory, aid to other jurisdictions, and other data; (d) tours of the three fire stations; (e) detailed mapping of fire coverage in Santa Clara County; and, (f) peer benchmarking to identify how other governments organize and execute their facilities maintenance function.

Draft Report – On September 5, 2019, we provided a draft report on our audit findings and recommendations to the District Fire Chief. We also provided the draft report to County Counsel.

Exit Conference – We held an exit conference with the District Fire Chief and Assistant Fire Chief on September 20, 2019 to discuss the report findings, conclusions and recommendations, and to make fact-based corrections and clarifications as appropriate. Following these meetings, we provided a revised draft to the District Fire Chief and President of the Board of Commissioners on October 21, 2019 for use in preparing their formal written responses.

Final Report - We issued the final report on December 19, 2019. Written responses attached to the final report.

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

The South Santa Clara County Fire District (“District”) is a dependent district of the County of Santa Clara, authorized under the State’s Health and Safety Code 13800 – 13970 and responsible for fire protection and emergency medical services within the District. The County Board of Supervisors serves as the board of directors of the District; the Supervisor representing District 1, which incorporates the South Santa Clara Fire District, appoints the seven-member commission to oversee the District.<sup>1</sup>

### **District Area**

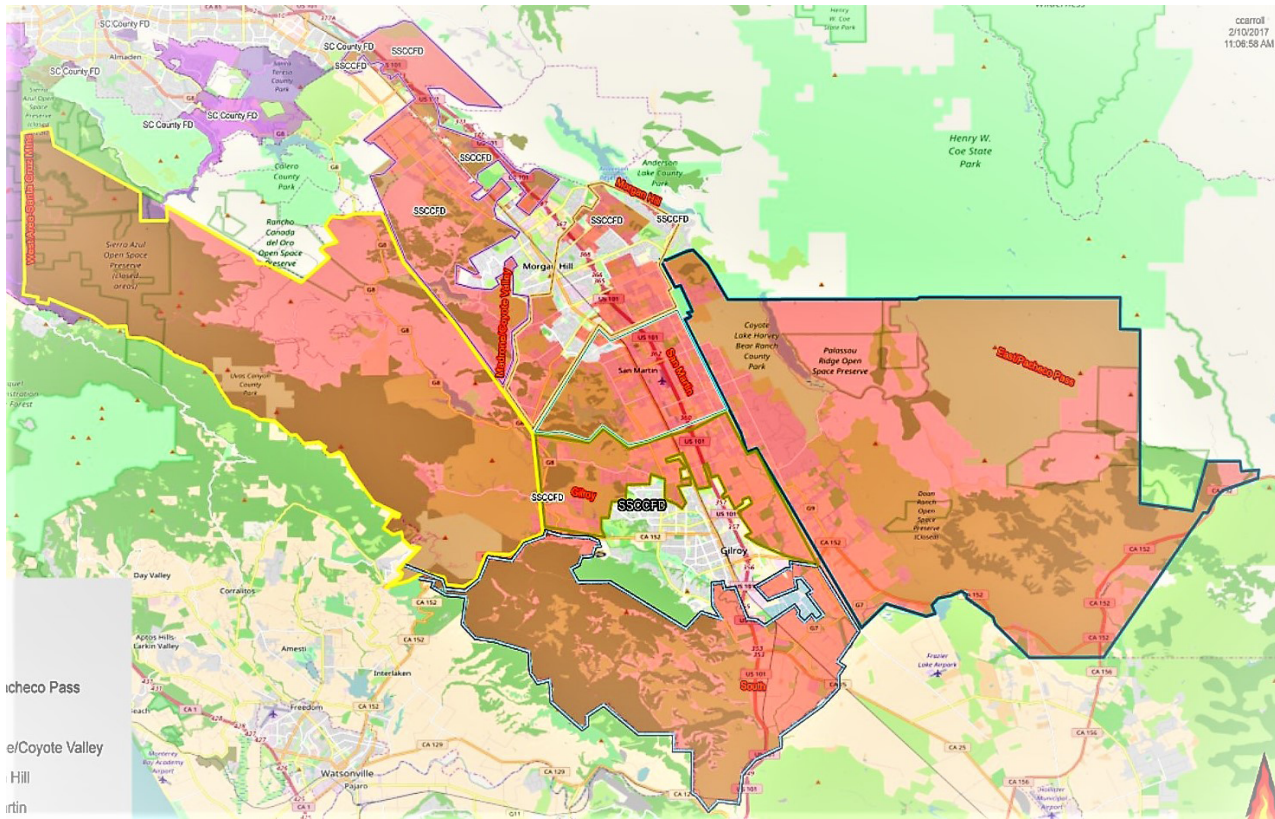
The South Santa Clara County Fire District covers approximately 289 square miles of unincorporated areas in southern Santa Clara County, with a population of approximately 53,784.<sup>2</sup>

<sup>1</sup> May 20, 2003 resolution of the Board of Supervisors.

<sup>2</sup> Population estimate is based on 2016 American Community Survey five-year estimates.



Figure I.1: Map of the South Santa Clara County Fire District



### *Annexation of Land to the District in 2014*

According to the Santa Clara County Local Agency Formation Commission's (LAFCo) Service Review in 2010, the District's "sphere of influence" was established in 1983 and extended beyond the District's boundaries, including areas to the west of the District adjacent to Santa Cruz County, and areas east of the District extending into Henry Coe State Park. State law defines "sphere of influence" as the service area of a local district, even if the service area is outside of the district's boundaries. LAFCo recommended and the Santa Clara County Board of Supervisors, acting as the board of directors of the South Santa Clara County Fire District, approved annexation to the District in 2014 of 36,800 acres that were considered to be in the sphere of influence but were outside the boundaries of the District. This area was adjacent to Santa Cruz County and covered Loma Prieta, Hicks Road, and Uvas Road. The area east of the District continues to be considered within the "sphere of influence" of the District but outside of the District boundaries.

### **District Revenues and Expenditures**

The District's FY 2017-18 revenues were \$5.8 million and expenditures were \$5.2 million, as shown in Figure I.2 on page 11. Because District revenues exceeded District expenditures, the fund balance increased between FY 2014-15 and FY 2017-18 by 67 percent, from \$1.6 million to \$2.7 million. The District's net revenues of \$610,425 in FY 2017-18 included approximately \$230,000 for equipment that was budgeted but had not yet been purchased.



**Figure I.2: District Revenues and Expenditures FY 2014-15 to FY 2017-18**

	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
<b>Revenues</b>				
Property Taxes	\$4,344,498	\$4,498,980	\$4,783,414	\$4,949,307
Development Impact Fees/ Special Revenue	\$16,913	\$42,776	\$63,508	\$101,072
First Responder Contract	\$231,154	\$205,575	\$215,204	\$253,801
Other	\$335,271	\$526,113	\$369,422	\$549,136
<i>Total Revenues</i>	<b>\$4,927,836</b>	<b>\$5,273,444</b>	<b>\$5,431,548</b>	<b>\$5,853,316</b>
<b>Expenditures</b>				
Cal Fire	\$4,126,785	\$4,296,027	\$4,407,188	\$4,550,890
Materials and Supplies	\$503,721	\$588,979	\$609,630	\$525,182
Debt Service	\$126,325	\$215,653	\$210,794	\$130,816
Capital Outlay	\$0	\$0	\$0	\$36,003
<i>Total Expenditures</i>	<b>\$4,756,831</b>	<b>\$5,100,659</b>	<b>\$5,227,612</b>	<b>\$5,242,891</b>
<b>Net Revenues</b>	<b>\$171,005</b>	<b>\$172,785</b>	<b>\$203,936</b>	<b>\$610,425</b>

Source: Audited Financial Statements

**Figure I.3: District Fund Balances FY 2014-15 to FY 2017-18**

	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Fund Balance Beginning of Year	\$1,461,031	\$1,632,036	\$1,804,821	\$2,107,126
Fund Balance Restatement	\$0	\$0	\$98,369	\$0
Fund Balance Beginning of Year as Restated	\$1,461,031	\$1,632,036	\$1,903,190	\$2,107,126
<i>Net Revenues</i>	<b>\$171,005</b>	<b>\$172,785</b>	<b>\$203,936</b>	<b>\$610,425</b>
<b>Fund Balance End of Year</b>	<b>\$1,632,036</b>	<b>\$1,804,821</b>	<b>\$2,107,126</b>	<b>\$2,717,551</b>

Source: Audited Financial Statements

### *District Revenues*

#### Property Taxes

The District is funded largely by a portion of the base 1 percent property tax.<sup>3</sup> The assessed value of properties within the District in 2018 was \$5.0 billion. Property tax revenues to the District in FY 2017-18 as of June 30, 2018 were \$4.9 million, an increase of approximately 2.8 percent from prior year property tax revenues of \$4.8 million.

Approximately 41 percent of the District's land area is considered agricultural land. Under the 1965 Williamson Act, agricultural land is assessed for property tax purposes based on income generated by the land, rather than on potential market value, which results in a lower property tax levy for agricultural land. As a result, the District receives lower total property tax revenues than if all District land was assessed based on potential market value.

<sup>3</sup> The portion of the base 1 percent property tax allocated to the District ranges from 8.1 percent (\$0.081 per \$1.00 in property taxes) to 10.5 percent (\$0.105 per \$1.00 in property taxes), depending on the Tax Rate Area.

### First Responder Contract

The District has a contract with the County's Emergency Medical Services Agency in which the District provides emergency medical services (basic life support, limited advanced life support, advanced life support) on behalf of the County. These emergency medical services are pre-hospital services (excluding ambulance transport) to support or augment services provided by Rural/Metro under contract to the County. Funding to the District for emergency medical services is based on a formula that includes authorized billing charges and Consumer Price Index (CPI) adjustments.

### Development Impact Fees

The Board of Supervisors authorized fees on new development in the County in 2004 to mitigate the impact of new development on County services. These development impact fees included fees to fund new fire protection facilities and equipment. The Board of Supervisors adopted legislation in 2015 to modify the South Santa Clara County Fire District's development impact fees, and to accept the District's Fire Facilities Capital Improvement Plan.<sup>4</sup> The development impact fees range from \$0.49 per square foot for residential development, to \$0.99 per square foot for moderate commercial/industrial development and \$1.48 per square foot for heavy commercial/industrial development.

### *District Expenditures*

#### Cooperative Agreement with Cal Fire

The District does not have staff. Fire protection and emergency medical services are provided to the District through a cooperative agreement with the California Department of Forestry and Fire Protection (Cal Fire). Cooperative agreement expenditures in FY 2017-18 were \$4.55 million.

The cooperative agreement is a standard Cal Fire agreement subject to approval by the Santa Clara County Board of Supervisors, acting as the District's board of directors. The most recent agreement was approved for five years from July 1, 2018 through June 30, 2023 for an amount of \$29.1 million. Under the cooperative agreement, Cal Fire provides to the District fire suppression management and line staff, including staff qualified in advanced life support, and support staff. The cooperative agreement covers Cal Fire's expenses for uniform allowances, satellite phones, and other operating expenses shared by the County and Cal Fire. Materials and supplies, debt service, and capital outlay are paid directly by the County, as shown in Figure I.2 on page 11. Cal Fire staff maintain specific District-owned vehicles identified in the cooperative agreement (fire engines, water tenders, service vehicles).

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<sup>4</sup> The District's 2015 Fire Facilities Capital Improvement Plan provided for \$11.5 million in capital and equipment repairs and replacement over 20 years through 2035, of which \$1.1 million was allocated to new development to be funded by development impact fees.

### Amador Plan

The California Public Resources Code Section 4144 allows local governments to enter into agreements with Cal Fire to provide year-round fire protection at Cal Fire stations that would normally be closed during the “non-fire” season. These agreements are known as the “Amador Plan”. The District has an Amador Plan with Cal Fire from January 1, 2018 through June 30, 2022 for an amount of \$2.1 million. Under this agreement, Cal Fire is financially responsible for protecting natural resources and the District is financially responsible for protecting life and property during non-fire season.<sup>5</sup>

### District Expenses

The District budgets for other expenses not included in the cooperative agreement, including purchase and maintenance of District vehicles and equipment and other operating expenses, and debt service on purchase of District vehicles.

### **Fire Suppression and Emergency Medical Services**

Cal Fire has provided fire suppression services to the South Santa Clara County Fire District through a cooperative agreement since 1980. Under the current cooperative agreement, Cal Fire is responsible for fire suppression, basic and advanced life support, and dispatch services. The District staffs three fire stations, each with one engine company, and minimum staffing of three, including one paramedic.

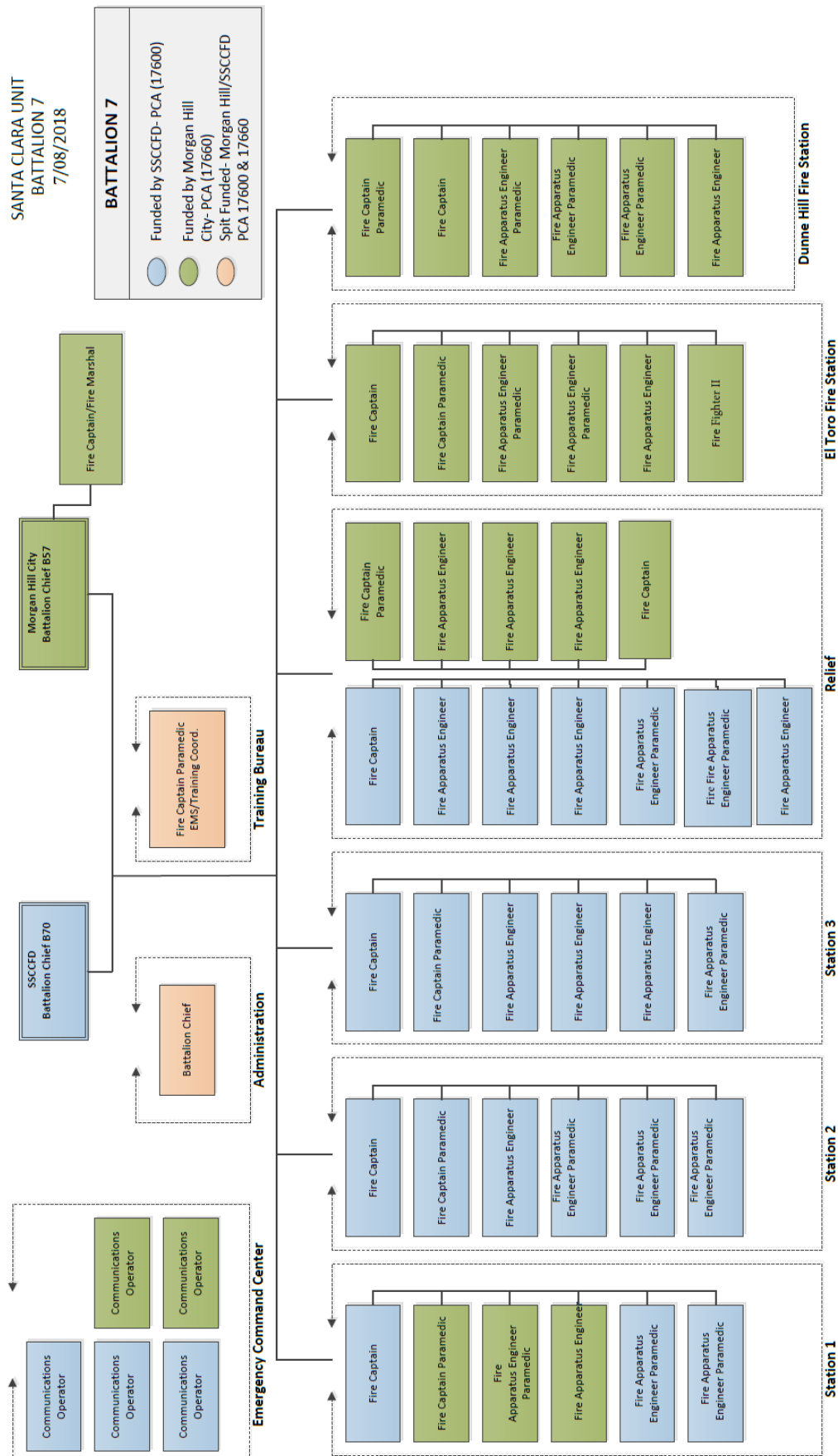
- Morgan Hill Station 1, 15670 Monterey Street, Morgan Hill
- Masten Station 2, 10810 No Name Uno Avenue, Gilroy
- Treehaven Station 3, 3050 Hecker Pass Highway, Gilroy

In 2013, the city of Morgan Hill entered into an agreement with Cal Fire for Cal Fire to provide fire services to the city. As part of that agreement, the city of Morgan Hill and South Santa Clara County Fire District began sharing resources, including the South Santa Clara County Fire District’s Station 1 serving as the city of Morgan Hill’s third fire station. Cal Fire’s shared staffing arrangement between the South County Fire District and the city of Morgan Hill is shown in Figure I.4 on page 14.

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<sup>5</sup> The Santa Clara Unit of Cal Fire is based in Morgan Hill and co-located with the South Santa Clara County Fire District’s facilities in Morgan Hill.

Figure I.4: Cal Fire Organization &amp; Staffing for South County Fire District &amp; Morgan Hill



Source: Cal Fire

### *Emergency Dispatch*

Cal Fire provides 24 hour, year-round 9-1-1 emergency dispatch coverage for emergency calls under the cooperative agreement with the South Santa Clara County Fire District. According to the agreement, Cal Fire uses an integrated Computer Aided Dispatch system to direct the closest available resources to emergency incidents.

Santa Clara County Communications provides 24 hour, year-round emergency medical dispatch services to the South Santa Clara County Fire District under an agreement with the County. The agreement defines the process for transferring emergency medical events from County Communications to the District's emergency communications center in Morgan Hill (staffed by Cal Fire dispatchers under the cooperative agreement).

### **Shared Responsibility Agreements**

Fire agencies in Santa Clara County and the surrounding counties share responsibilities through a number of agreements.

#### *Mutual Aid*

Fire agencies in Santa Clara County entered into a mutual aid plan in 1997.<sup>6</sup> According to the plan, because no community or agency has sufficient resources to respond to all emergencies or extraordinary events, fire and rescue officials must pre-plan emergency operations to ensure efficient utilization of available resources. Mutual aid responsibilities are defined in the California Disaster and Civil Defense Master Mutual Aid Agreement between the State, the counties, cities, and fire districts. The Santa Clara County mutual aid plan defines the process for a local agency to request aid and for responding agencies to provide aid.

According to the mutual aid plan, fire agencies must first rely on their own resources prior to asking for aid. No responding agency is required to deplete its own resources in order to respond to the mutual aid request. Responding agencies are not reimbursed for mutual aid responses unless State monies become available through a governor's disaster proclamation, or in accordance the cooperative agreement between federal forest agencies (the U.S. Forest Service, the Bureau of Land Management, the Bureau of Indian Affairs, the National Parks Service, and the U.S. Fish and Wildlife Service), California Department of Forestry, and Office of Emergency Services.

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<sup>6</sup> Participating agencies include Central Santa Clara County Fire District (Santa Clara County Fire Department), South Santa Clara County and Saratoga Fire Districts, Moffet Fire Department, and the fire departments of the cities of Gilroy, Milpitas, Sunnyvale, Santa Clara, Palo Alto, Mountain View, and San Jose.

*Automatic Aid*

The South Santa Clara County Fire District has ongoing agreements with other fire agencies to provide reciprocal aid in the event of fires or emergencies requiring the respective fire agencies' response. These reciprocal agreements (automatic aid agreements) are with the Pajaro Valley Fire District (Santa Cruz County), city of Hollister (San Benito County), Santa Cruz County Fire Department, and the city of San Jose, including responses to emergency calls on Highway 101.<sup>7</sup> Each automatic aid agreement defines the service area and specific level of emergency response to be provided by each party to the agreement.

According to the agreement between the District and Santa Cruz County, because the District is not likely to respond equally to Santa Cruz County, Santa Cruz County invoices the District for \$10,000 in services each year. The agreements between the District and Pajaro Valley Fire District and the city of Hollister do not allow for compensation.

*Boundary Drop*

The South Santa Clara County Fire District had automatic aid agreements with the cities of Gilroy and Morgan Hill dating back to 1992 and 1994 respectively. In 2016 the District entered into a boundary drop agreement, replacing the prior automatic aid agreements, with Gilroy and Morgan Hill with the purpose of eliminating geographic boundaries and streamlining delivery of service to provide the most efficient emergency response service. Under the boundary drop agreement, the closest appropriate available resource responds to emergencies, regardless of the geographic jurisdiction. The boundary drop agreement defines location and responses for each of the three fire agencies, and describes minimum service levels to be provided by each of the three fire agencies.

Because the agreement anticipated that the city of Gilroy would provide more responses to the District than the District would provide to the city of Gilroy, the District is to provide 25 days of Battalion Chief coverage to the city of Gilroy.

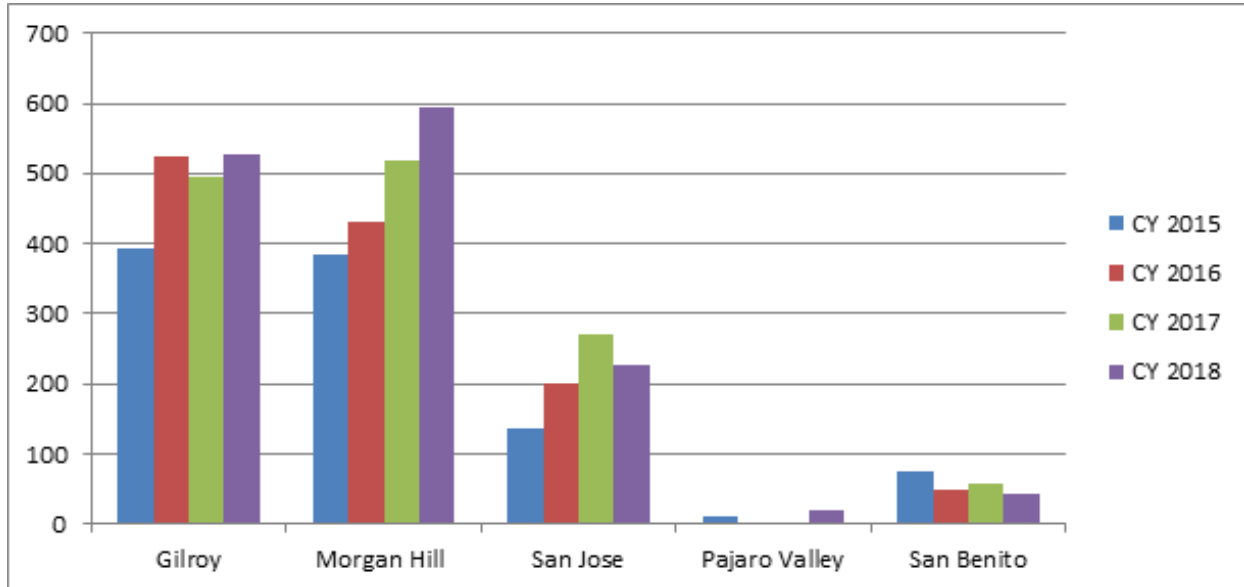
**Emergency Responses under the Shared Responsibility Agreements**

Overall, the South Santa Clara County Fire District responded to more emergency events in other agencies' jurisdictions between 2015 and 2018 than other fire agencies responded to the District, largely due to responses to the city of Morgan Hill. The South Santa Clara County Fire District responded to 1,330 emergency events in the city of Morgan Hill in 2015, increasing to 1,544 in 2018. The city of Morgan Hill responded to 389 emergency events in the District in 2015, increasing to 594 in 2018, as shown in Figure I.5 and Figure I.6 on page 17.

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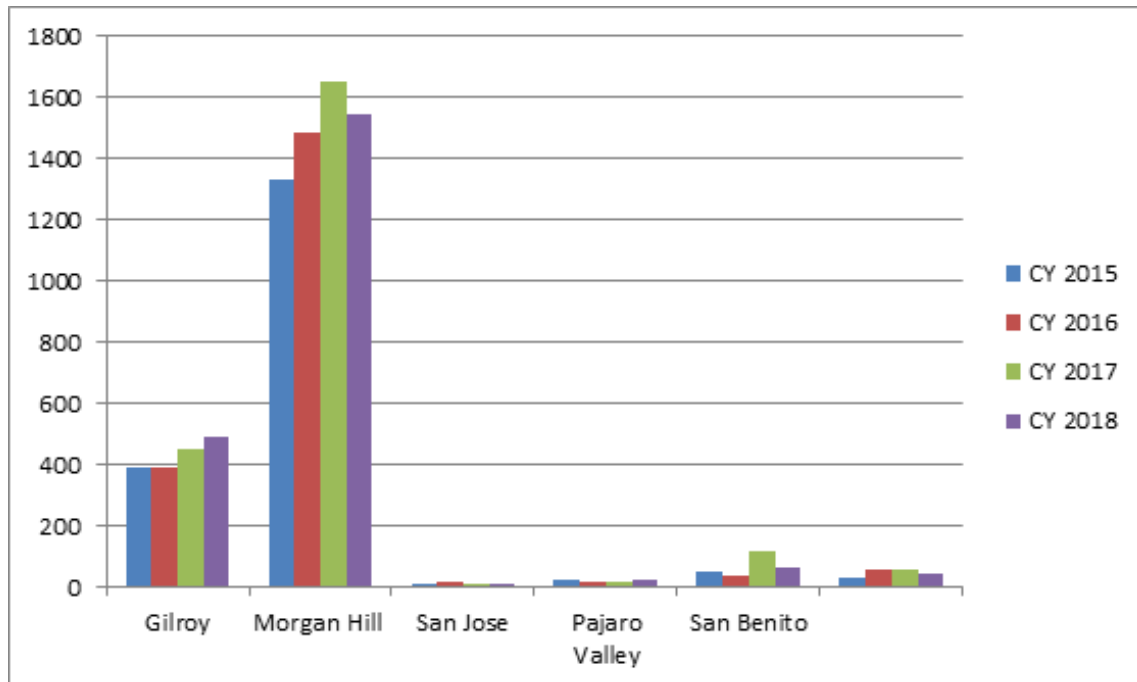
7 The District also provides automatic aid to Gilroy and Morgan Hill under a boundary drop agreement.

**Figure I.5: Emergency Response Provided to South Santa Clara County Fire District by Other Local Agencies 2015 to 2018**



Source: Cal Fire data for calendar years 2015, 2016, 2017, and 2018, reported to Board of Commissioners

**Figure I.6: Mutual and Automatic Aid Provided by South Santa Clara County Fire District to Other Local Agencies 2015 to 2018**



Source: Cal Fire data for calendar years 2015, 2016, 2017, and 2018, reported to Board of Commissioners

## Responses to Incidents

In 2018 the South Santa Clara County Fire District responded to 2,064 incidents, an increase of 24 percent from 2015, as shown in Figure I.7 below. Responses to fires, which remained generally unchanged between 2015 and 2018, made up 18 percent of total responses, and responses to medical emergencies made up 62 percent of total responses. The increase in medical emergency responses was the main reason for the overall increases in responses.

**Figure I.7: Annual Responses to Incidents Calendar Year 2015 to Calendar Year 2017**

	2015	2016	2017	2018	% Change 2015 to 2018
Structure Fire	19	14	18	15	-21%
Vegetation Fire	45	44	56	52	16%
Other Fires	271	172	294	265	-2%
<i>Subtotal Fires</i>	<i>335</i>	<i>230</i>	<i>368</i>	<i>332</i>	<i>-1%</i>
Public Assistance/Other	74	50	261	169	128%
Medical Response	1,257	914	1,384	1,563	24%
<b>Total</b>	<b>1,666</b>	<b>1,194</b>	<b>2,013</b>	<b>2,064</b>	<b>24%</b>

*Source: Cal Fire data for calendar years 2015, 2016, 2017, and 2018, reported to Board of Commissioners*

## Operational Studies and Reports

### *Fire Operational and Administrative Analysis*

The Morgan Hill Fire Department and South Santa Clara County Fire District jointly contracted with the Center for Public Safety Management, LLC to conduct a comprehensive analysis of fire department operations provided by Cal Fire. The *Fire Operational and Administrative Analysis* report was released in January 2017. According to the report, “The working relationship observed between the City, District, and Cal Fire is impressive and is one of the more proficient cooperative arrangements for fire and pre-hospital emergency medical care that we have observed nationally”. The report made 13 recommendations regarding inspection, prevention, training, and other programs. Two recommendations specific to our audit scope included:

- The city of Morgan Hill and the Fire District should continue the contractual relationship with Cal Fire; and
- The city of Morgan Hill and the Fire District should initiate discussions with Cal Fire regarding options that can achieve greater efficiencies and operability in their fire and EMS dispatch operations.

### *Standards of Cover Study*

The District’s Board of Commissioners authorized the District Fire Chief to enter into negotiations with Citygate Associates to conduct a “standards of cover” study. This study will evaluate fire and emergency medical service needs in southern Santa Clara County (including the District, Morgan Hill, and Gilroy), and address cooperative planning and financial issues in the southern County. At the time of the audit field work, the study had not yet begun.



## Department Accomplishments

Audits typically focus on opportunities for improvements within an organization, program or function. To provide additional insight into the South Santa Clara County Fire District, we requested that it provide some of its noteworthy achievements. These are highlighted in Attachment D on page 81.

## Recommendation Priorities

The priority rankings shown for each recommendation in the audit report are consistent with the audit recommendation priority structure adopted by the Finance and Government Operations Committee of the Board of Supervisors, as follows:

**Priority 1:** Recommendations that address issues of non-compliance with federal, State and local laws, regulations, ordinances and the County Charter; would result in increases or decreases in expenditures or revenues of \$250,000 or more; or, suggest significant changes in federal, State or local policy through amendments to existing laws, regulations and policies.

**Priority 2:** Recommendations that would result in increases or decreases in expenditures or revenues of less than \$250,000; advocate changes in local policy through amendments to existing County ordinances and policies and procedures; or, would revise existing departmental or program policies and procedures for improved service delivery, increased operational efficiency, or greater program effectiveness.

**Priority 3:** Recommendations that address program-related policies and procedures that would not have a significant impact on revenues and expenditures, but would result in modest improvements in service delivery and operating efficiency.

## Acknowledgments

We would like to thank the South Santa Clara County Fire District Chief, Assistant Chiefs, and District staff for their assistance with this analysis, including providing data and feedback for this report. We would also like to thank the staff of the Office of Budget and Analysis for their assistance in reviewing the invoice process.

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## Section 1: Fire District Responses to Morgan Hill Incidents

### Background

In 2016, the South Santa Clara County Fire District (District) and the cities of Gilroy and Morgan Hill entered into a boundary drop agreement in the closest appropriate available District, Morgan Hill, or Gilroy resource responds to emergencies, regardless of the geographic jurisdiction.

Both the District and Morgan Hill contract with the California Department of Forestry and Fire Protection (Cal Fire) to provide fire and emergency medical services. The two fire departments operate jointly under a single command and organizational structure, allowing for coordination and sharing of resources. The District, Morgan Hill, and Gilroy are planning to conduct a Standards of Cover study to evaluate fire services and improve coordination in South County.

### Problem, Cause, and Adverse Effect

Under the boundary drop agreement, the District and Morgan Hill respond to calls within the other district's jurisdiction. In 2018 South Santa Clara County Fire District responded to 2.6 times the number of emergency incidents in Morgan Hill than the city of Morgan Hill responded to incidents in the District. In particular, Engine 67, which is owned and maintained by the District, at Station 1 spent 58 percent of its total annual hours and 66 percent of its total annual runs responding to Morgan Hill in 2015. In calendar year 2018, Engine 67 made 1,397 runs to Morgan Hill, which accounted for 72 percent of its total 1,949 annual runs, an increase from 2015, when 66 percent of Engine 67's total annual runs were to Morgan Hill. To account for this level of response, the engine company staffing at Station 1 is partially funded by Morgan Hill and partially funded by the District. However, this funding arrangement is not formalized in any agreement between Morgan Hill and the District, and does not account for costs incurred by the District in the form of fuel, maintenance and repair, and general wear and tear on the engine. As a result, the District's expenditures to respond to incidents in Morgan Hill under the boundary drop agreement exceed benefits that the District receives from Morgan Hill responses to incidents in the District.

### Recommendations

The District should formalize in the boundary drop agreement the arrangement with Morgan Hill for the 50 percent funding of the engine company at Station 1 and consider an arrangement with Morgan Hill to reimburse the costs of a portion of Engine 67's maintenance, repair, and upkeep. The District should also use the Standards of Cover study to assess the boundary drop agreement and whether further adjustments to compensations arrangements are appropriate.

### Savings, Benefits, and Costs

Formalization of the funding arrangement at Station 1 will ensure that Morgan Hill continues to support Station 1 staffing under future cooperative agreements. An arrangement with Morgan Hill for the funding of a portion of Engine 67's maintenance, repair, and upkeep will offset some of those costs to the District and account for Morgan Hill's benefit from Engine 67.

## FINDING

### South Santa Clara County Fire District and Morgan Hill Agreements

#### *Boundary Drop Agreement*

The South Santa Clara County Fire District (District) had automatic aid agreements with the cities of Gilroy and Morgan Hill dating back to 1992 and 1994, respectively. In 2016, the District, Gilroy, and Morgan Hill entered into a boundary drop agreement, replacing the automatic aid agreements, with the purpose of eliminating geographic boundaries to provide the most efficient emergency response service. Under the boundary drop agreement, the closest appropriate available District, Morgan Hill, or Gilroy resource in the area of the three jurisdictions will respond to emergencies, regardless of the geographic jurisdiction. The boundary drop agreement defines location and responses for each of the three fire agencies, and describes minimum service levels to be provided by each of the three fire agencies. The boundary drop agreement was recognized as a best practice in the 2017 Fire Operational and Administrative Analysis of the District and Morgan Hill conducted by the Center for Public Safety Management, LLC.

Because the agreement anticipated that Gilroy would provide more responses to the District than the District would provide to Gilroy, the District provides provide 25 days of Battalion Chief coverage to Gilroy under the agreement. There is no provision in the boundary drop agreement for any compensation arrangement between the District and Morgan Hill.

#### *Cal Fire Agreements*

Both the District and Morgan Hill contract with the California Department of Forestry and Fire Protection (Cal Fire) to provide fire and emergency medical services, and the two fire departments operate jointly under a single command and organizational structure. The District's Fire Chief is also Morgan Hill's Fire Chief, as well as the Unit Chief for Cal Fire's Santa Clara Unit. This arrangement allows for significant coordination and sharing of resources between Morgan Hill and the District. The 2017 Fire Operational and Administrative Analysis study concluded that services provided by Cal Fire are cost effective and less expensive than if Morgan Hill and/or the District were to individually attempt to staff their own fire departments.

### Resource Allocation Between Morgan Hill and the District

Cal Fire operates out of five fire stations under its cooperative agreements with Morgan Hill and the District.<sup>8</sup> The District has three stations: Station 1 in Morgan Hill, owned by Cal Fire and serving as both the unit headquarters for Cal Fire and the District's headquarters; Station 2 in Gilroy, owned by the District, and Station 3 in Gilroy, leased by the District. Morgan Hill owns Stations 4 ("El Toro") and 5 ("Dunne Hill"). Station 1 functions as the District's main station, and District engines and other apparatus are housed in and dispatched from Station 1. The engine company at Station 1 is partially funded by Morgan Hill and partially funded by the District.

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<sup>8</sup> The District also has an Amador agreement with CAL FIRE for the year-round staffing of CAL FIRE Station 31 on Pacheco Pass Highway in the south eastern area of the District, which would otherwise be closed during "non-fire" season.

As shown in Figure 1.1 below, in 2018 South Santa Clara County Fire District responded to 2.6 times the number of emergency incidents in Morgan Hill than the city of Morgan Hill responded to incidents in the District.

**Figure 1.1: Responses by the District to Morgan Hill Compared to the Responses by Morgan Hill to the District 2015 to 2018**

	Number of Responses by Calendar Year			
	CY 2015	CY 2016	CY 2017	CY 2018
District Responses to Morgan Hill	1,330	1,488	1,650	1,544
Morgan Hill Responses to District	383	432	517	594
<b>Ratio of Responses</b>	<b>3.47%</b>	<b>3.44%</b>	<b>3.19%</b>	<b>2.60%</b>

Source: Cal Fire data for calendar years 2015, 2016, 2017, and 2018, reported to Board of Commissioners

Note: The number of responses by Morgan Hill and the District are for responses in accordance with the boundary drop agreement.

According to discussions with the District Fire Chief and Assistant Fire Chief, the number of hours involved in an emergency response, as well as the number of responses, is an indicator of service levels. The 2017 Fire Operational and Administrative Analysis of the District and Morgan Hill analyzed workload distribution between the District and Morgan Hill under the boundary drop agreement between January and December 2015. As shown in Figure 1.2 below, based on the 2017 Fire Operational and Administrative Analysis, the District made up 45 percent of the hours responding to emergencies and Morgan Hill made up 40 percent.

**Figure 1.2: Percent of Hours by Station Responding to Incidents in Morgan Hill and District, January-December 2015**

Station	Apparatus Owned By	Company Staffing	Percent of Hours by Jurisdiction			Hours
			Morgan Hill	District	Other	
1	District	50% District, 50% Morgan Hill	36%	43%	21%	1,638.5
2	District	100% District	4%	78%	18%	836.6
3	District	100% District	7%	67%	26%	422.7
4	Morgan Hill	100% Morgan Hill	78%	18%	4%	886.7
5	Morgan Hill	100% Morgan Hill	67%	29%	4%	560.0
<b>Total</b>			<b>40%</b>	<b>45%</b>	<b>15%</b>	<b>4,344.5</b>

Source: 2017 Fire Operational and Administrative Analysis, page 36

Note: The hours data is for all hours responding to incidents, including but not limited to boundary drop and automatic aid responses.

According to the 2017 Fire Operational and Administrative Analysis, Station 1 was the busiest station, and Engine 67, which is owned by the District and operated out of Station 1, made the most runs. Engine 67, which is owned and maintained by the District, at Station 1 spent 58 percent of its total annual hours and 66 percent of its total annual runs responding to Morgan Hill in 2015, as shown in Figure 1.3 below.

**Figure 1.3: Percent of Hours and Runs by Engine 67, Station 1, Responding to Incidents in Morgan Hill and District, January-December 2015**

Station 1 Apparatus Owned by District	Staffing	Percent of Hours by Jurisdiction			Hours
		Morgan Hill	District	Other	
Engine 67	50% District 50% Morgan Hill	58%	39%	3%	901.0
Reserve Engines & Water Tender	100% District	10%	49%	42%	738.5
<b>Total (weighted)</b>		<b>36%</b>	<b>43%</b>	<b>21%</b>	<b>1,638.5</b>

Source: 2017 Fire Operational and Administrative Analysis, page 36

In calendar year 2018, Engine 67 made 1,397 runs to Morgan Hill, which accounted for 72 percent of its total 1,949 annual runs, an increase from 2015, when 66 percent of Engine 67's total annual runs were to Morgan Hill.

To account for the high number of runs and hours provided to Morgan Hill by the District Engine 67 from Station 1, half of the engine company in Station 1 is funded by Morgan Hill. However, unlike the provision in the boundary drop agreement in which the District compensates Gilroy for the difference in the number of runs and hours provided by Gilroy to the District by assigning District battalion chief days to Gilroy, the boundary drop agreement does not provide for Morgan Hill to compensate the District for the excess runs.

The shared staffing of Engine 67 does not fully compensate the District for the number of runs and hours spent by the District in responding to Morgan Hill incidents. Nor is there a formal shared staffing agreement between the District and Morgan Hill, although the shared staffing of Engine 67 is included in the respective cooperative agreements between Cal Fire and the District and Morgan Hill. The District and Morgan Hill should formalize the shared staffing in the boundary agreement to ensure future agreements with Cal Fire continue to account for the shared responsibility for responding to incidents from Station 1.

### Unaccounted for costs of Engine 67

Although one-half of Station 1 Engine 67 staffing is funded by Morgan Hill, the District pays for the costs of maintenance and repairs. Between 2015 and 2017, Engine 67 averaged 12,454 miles annually, as shown in Figure 1.4 below.

**Figure 1.4: Engine 67 Annual Mileage**

	2015	2016	2017	Average
Engine 67 annual mileage	12,974	13,348	11,041	12,454

*Source: South Santa Clara County Fire District*

The percentage of Engine 67's annual mileage spent responding to calls in Morgan Hill is unknown. However, more than 70 percent of Engine 67's runs in 2018 were to Morgan Hill, as noted above, indicating that the District incurs uncompensated maintenance and repair costs for Engine 67 responses to Morgan Hill. The formal shared staffing agreement, recommended above, should also include sharing of costs for maintenance and repair of Engine 67.

### Opportunity to Address Shared Resources in Standards of Coverage Study

The District, Morgan Hill, and Gilroy are conducting a Standards of Cover study to evaluate fire services and coverage in the southern part of Santa Clara County. Among other information, the study will assess fire station location and staffing, the financial condition of the jurisdictions, and whether adjustments to fire station location or operations should be made to increase efficiency, improve coordination, and lower response times and costs. This Standards of Cover study will inform the District's relationships with Gilroy and Morgan Hill, and all three jurisdictions should use its findings to address regionalization, improve coverage, and further integrate fire services in the southern part of the County. In particular, the District should use the information to assess the boundary drop agreement and whether further adjustments to compensations arrangements are appropriate.

### CONCLUSION

The joint operation of the Morgan Hill and District fire departments allows for increased efficiency and facilitated communications, planning, and the sharing of resources. However, our analysis of each fire department's responses to the other jurisdiction show that the District responds to more emergency calls on behalf of Morgan Hill and incurs more total response hours than Morgan Hill. In addition to formalizing the sharing of staffing for Engine 67 at Station 1 in the boundary drop agreement, the District should negotiate sharing of costs for maintenance and repair of Engine 67.

## RECOMMENDATIONS

### The South Santa Clara County Board of Commissioners should:

- 1.1 Formalize in the boundary drop agreement the arrangement with Morgan Hill for the 50 percent funding of the engine company at Station 1. (Priority 2)
- 1.2 Consider an arrangement with Morgan Hill for the costs of a portion of Engine 67's maintenance, repair, and upkeep. (Priority 2)
- 1.3 Use information from the Standards of Cover study to assess the boundary drop agreement and whether further adjustments to compensations arrangements are appropriate. (Priority 2)

## SAVINGS, BENEFITS, AND COSTS

Adjustments to the boundary drop agreement will incur costs in the form of staff administrative time. Formalization of the funding arrangement at Station 1 will ensure that Morgan Hill continues to support Station 1 staffing under future cooperative agreements. An arrangement with Morgan Hill for the funding of a portion of Engine 67's maintenance, repair, and upkeep will offset some of those costs to the District and account for Morgan Hill's benefit from Engine 67.



## Section 2: South Santa Clara County Fire District Future Financial Uncertainty

### Background

The South Santa Clara County Fire District's actual revenues in FY 2017-18 were \$5.8 million, of which nearly 85 percent were the property tax allocation to the District. The District's actual expenditures in FY 2017-18 were \$5.2 million, of which 87 percent were for the cooperative agreement with Cal Fire.

### Problem, Cause, and Adverse Effect

While the District had sufficient revenues in FY 2017-18 to pay for expenditures for fire services, the District's future revenue growth may not be sufficient to cover increases in expenditures. The District's FY 2017-18 property tax allocations of \$89 per person are lower than in the other fire districts in the County, which range from \$226 per person in the Saratoga Fire District to \$1,000 per person in the Los Altos Hill Fire District, or more than 10x the allocation of the South Santa Clara County Fire District. The District's property tax allocation is lower per person than other County fire districts because more than 40 percent of the District's land is agricultural which is taxed at a lower rate; the District's tax allocation may be further constrained in future years by the Farmland Security Zone Program, if implemented, which further reduces taxes on certain agricultural lands.

The District's expenditures to Cal Fire, its most significant expense, are projected to increase by 13 percent over the next five years, largely due to increases in staff salary and benefit costs and in the number of Cal Fire staff allocated to the agreement. The growth in expenditures and constraint in revenues makes the future financial stability of the District uncertain.

### Recommendations

To better plan for its future financial condition, the District's Board of Commissioners needs to develop a long term financial plan that evaluates the District's options to increase revenues and contain expenditures, including potential consolidation of fire prevention and communications functions with the cities of Gilroy and Morgan Hill. The Board of Supervisors should consider options for increasing District revenues, and consolidating fire districts in the County given the difference in tax allocations to each of Santa Clara County's four fire districts.

### Savings, Benefits, and Costs

The Board of Commissioners will require support from District staff to develop and update the long range financial plan. While the cooperative agreement between the District and Cal Fire provides for an increase in analytical support staff in future years, the costs funding such staff in FY 2019-20 to support financial planning would likely be offset by other salary savings. Potential consolidation of fire prevention and communication resources with the cities of Morgan Hill and Gilroy will streamline these services and control costs.

## FINDING

### District Revenues and Expenditures

The District's FY 2017-18 revenues were \$5.9 million and expenditures were \$5.2 million, as shown in Figure 2.1 below. Between FY 2014-15 and FY 2017-18, District revenues increased by 19 percent and expenditures increased by 10 percent. Because District revenues were more than District expenditures, and because revenues increased at a faster rate than expenditures, the District's fund balance increased by 67 percent between FY 2014-15 and FY 2017-18.

**Figure 2.1: Actual District Revenues and Expenditures, FY 2014-15 to FY 2017-18**

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>Revenues</b>				
Property Taxes	\$4,344,498	\$4,498,980	\$4,783,414	\$4,949,307
Development Impact Fees/Special Revenue	\$16,913	\$42,776	\$63,508	\$101,072
First Responder Contract	\$231,154	\$205,575	\$215,204	\$253,801
Other	\$335,271	\$526,113	\$369,422	\$549,136
<i>Total Revenues</i>	<i>\$4,927,836</i>	<i>\$5,273,444</i>	<i>\$5,431,548</i>	<i>\$5,853,316</i>
<b>Expenditures</b>				
Cal Fire	\$4,126,785	\$4,296,027	\$4,407,188	\$4,550,890
Materials and Supplies	\$503,721	\$588,979	\$609,630	\$525,182
Debt Service	\$126,325	\$215,653	\$210,794	\$130,816
Capital Outlay	\$0	\$0	\$0	\$36,003
<i>Total Expenditures</i>	<i>\$4,756,831</i>	<i>\$5,100,659</i>	<i>\$5,227,612</i>	<i>\$5,242,891</i>
<b>Net Revenues</b>	<b>\$171,005</b>	<b>\$172,785</b>	<b>\$203,936</b>	<b>\$610,425</b>

Source: Audited financial statements

**Figure 2.2: Actual District Fund Balances, FY 2014-15 to FY 2017-18**

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Fund Balance Beginning of Year	\$1,461,031	\$1,632,036	\$1,804,821	\$2,107,126
Fund Balance Restatement	\$0	\$0	\$98,369	\$0
Fund Balance Beginning of Year as Restated	\$1,461,031	\$1,632,036	\$1,903,190	\$2,107,126
Net Revenues	\$171,005	\$172,785	\$203,936	\$610,425
<b>Fund Balance End of Year</b>	<b>\$1,632,036</b>	<b>\$1,804,821</b>	<b>\$2,107,126</b>	<b>\$2,717,551</b>

Source: Audited financial statements

As shown in Figure 2.1 and Figure 2.2 on page 28, the District's main revenue source is property taxes and its main expenditure is payments to Cal Fire for fire protection services. In FY 2017-18, property taxes accounted for 85 percent of the District's revenue, and payments to Cal Fire accounted for 87 percent of the District's expenditures. Because these two line items represent a large portion of the District's revenues and expenditures, future changes in property tax revenue or Cal Fire expenditures have the potential to affect the District's long-term financial stability.

### Future Revenues Constraints and Expenditure Increases

The District is facing low property tax revenue, potential future constraints on property tax revenue, and the potential loss of first responder contract revenue. At the same time, Cal Fire cooperative agreement expenditures are expected to increase between FY 2018-19 and FY 2021-22. As a result, the future financial stability of the District is uncertain.

### Low District Property Tax Revenues Compared to Other County Fire Districts

The District's main revenue source is property taxes from a portion of the 1 percent property tax levied on properties within the District.<sup>9</sup> The District's property tax revenue increased on average by 4.4 percent per year or \$201,603 each year between FY 2014-15 and FY 2017-18.

As shown in Figure 2.3 below, the District's FY 2017-18 property tax allocations per population and per square mile are lower than in the other fire districts in the County. The District's allocation is \$89 per resident (compared to \$1,000 per resident in the Los Altos Hills Fire District) and \$16,503 per square mile (compared to \$916,207 per square mile in the Los Altos Hills Fire District). See Attachment A on page 69 for the methodology used to calculate square miles, population, and budgets of fire agencies and fire districts in the County.

**Figure 2.3: County Fire Districts' Populations, Area, and Budgets in FY 2017-18**

County Fire District	Population Estimate <sup>a</sup>	Square Miles <sup>a</sup>	FY 2017-18 Tax Allocation <sup>b</sup>	Allocation/Population	Allocation / Square Miles
Los Altos Hills Fire Dist.	10,722	11.7	\$10,719,618	\$1,000	\$916,207
Central Fire Dist.	180,836	124	\$79,062,615	\$437	\$637,602
Saratoga Fire Dist.	31,813	24.3	\$7,180,799	\$226	\$295,506
South County Fire Dist.	53,784	289.5	\$4,777,593	\$89	\$16,503

*a: Population estimates were calculated using (a) 2016 American Community Survey 5-year population estimates by census tract, and (b) shapefiles of city and fire district jurisdictional boundaries, provided by Central Fire Protection District.*

*b: Property tax allocations are from the Controller's Office, and vary slightly from the property tax revenue reported in the District's audited financial statements.*

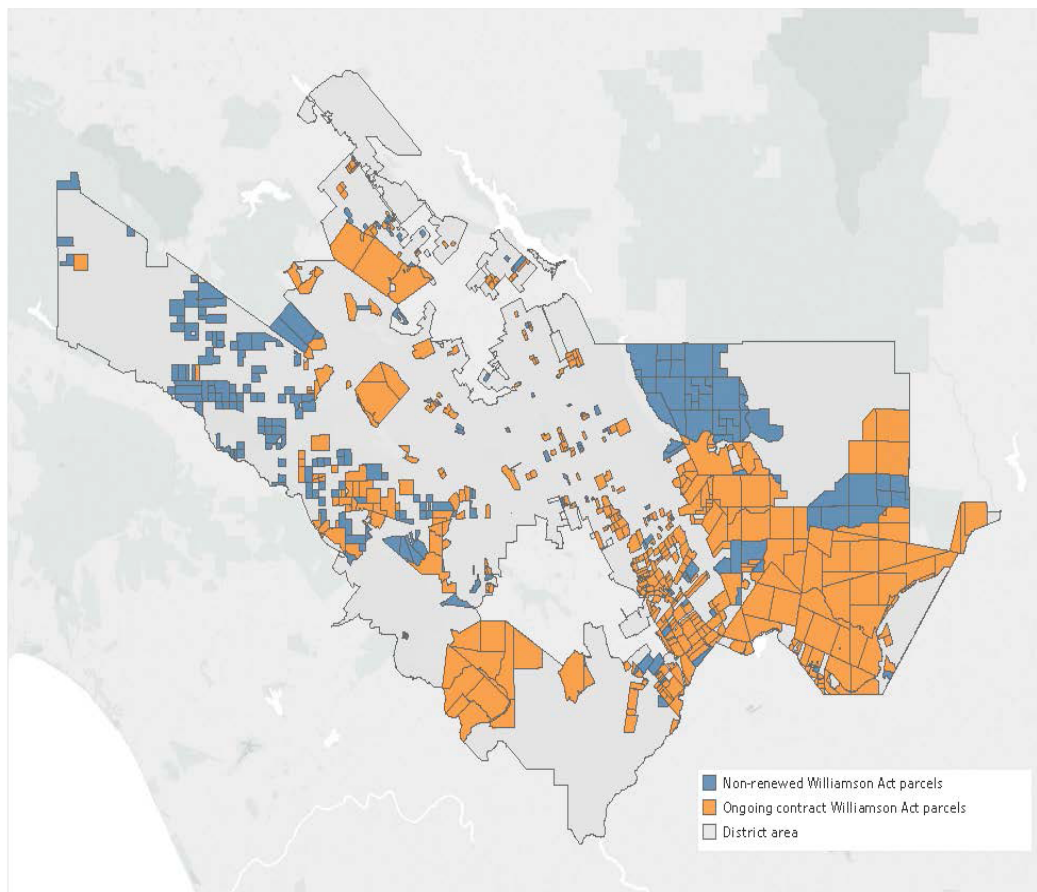
<sup>9</sup> The portion of the 1 percent property tax allocated to the District ranges from 8.1 percent (\$0.081 per \$1.00 in property taxes) to 10.5 percent (\$0.105 per \$1.00 in property taxes), depending on the Tax Rate Area.

## Potential Reduction in Property Tax Revenues due to the Farmland Security Zone Program

The Williamson Act, or the California Land Conservation Act of 1965 (Government Code Section 51200 et. seq.), is a state agricultural land protection program in which local governments elect to participate. The Williamson Act Program enables the County to enter into contracts with private landowners for the purpose of restricting specific parcels of land to agricultural or related open space use. Landowners receive reduced property tax assessments in return for enrollment under a Williamson Act contract because property tax assessments of Williamson Act contracted land are based upon generated income as opposed to potential market value of the property.

Approximately 120 square miles, or 41 percent of the District's total area, is under a Williamson Act contract as of October 2018.<sup>10</sup> Williamson Act parcels within the District are shown in Figure 2.4 below.

**Figure 2.4: Williamson Act Parcels in South Santa Clara County Fire District October 2018**



Source: County Open Data Source; Williamson Act areas calculated by HMR using Tableau

<sup>10</sup> The minimum term for Williamson Act contracts is ten years; however, unless notice of non-renewal is given by either party, the contract term automatically renews on each anniversary date of the contract, and as a result the actual term of Williamson Act contracts may be essentially indefinite.

Since the enactment of Senate Bill 182 in 1998, another option within the Williamson Act Program is the creation of Farmland Security Zones and contracts. Under a Farmland Security Zone contract, the landowner agrees to restrict the use of the land to commercial agricultural production for a term of 20 years, rather than 10 under a traditional Williamson Act contract, in exchange for a more substantial reduction on their assessed property tax rate. Land under a Farmland Security Zone contract is valued for property assessment purposes at 65 percent of its Williamson Act valuation or 65 percent of its Proposition 13 valuation, whichever is lower.

The Santa Clara Valley Agricultural Plan, adopted by the Board of Supervisors in January 2019, recommended establishing a Farmland Security Zone in the County. Because of the large portion of South Santa Clara County designated as agricultural land, establishing a Farmland Security Zone Program could reduce property tax revenues to the South Santa Clara County Fire District.

### **Projected Increase in Cal Fire Cooperative Agreement Expenditures**

The South Santa Clara County Fire District has two agreements with Cal Fire – the cooperative agreement to provide fire and emergency services to the District, and the Amador agreement to provide fire and emergency services on behalf of the District to residents and property in the State Responsibility Area.<sup>11</sup> The Board of Supervisors approved a new Amador agreement between the District and Cal Fire for 4 ½ years from January 2018 through June 2022, and a new cooperative agreement between the District and Cal Fire for 5 years from July 1, 2018 through June 2023.

The cooperative agreement budget increases by 13 percent over 5 years, from \$5.5 million in FY 2018-19 to \$6.2 million in FY 2022-23. The increase in expenditures is due largely to increases in staff salary and benefit costs and in the number of Cal Fire staff allocated to the agreement. In FY 2018-19, 25.5 full time positions are allocated to the agreement, and in FY 2022-23, 28.3 full time positions are allocated to the agreement.

The Amador agreement budget increases by 28 percent over 4 years from \$409,703 in FY 2018-19 to \$532,205 in FY 2021-22.<sup>12</sup> Cal Fire staff are allocated to the agreement for six months each year from November to April – the non-fire season when Cal Fire does not provide services in the State Responsibility Area. The increase in expenditures is due largely to increases in staff salary and benefit costs and in Cal Fire staffing from three firefighter positions from January to April 2018 to five firefighter/paramedic positions beginning in November 2018.

<sup>11</sup> Attachment B on page 71 to this report, prepared by HMR based on shape files provided by the Central Fire Protection District, shows the overlap of the South Santa Clara County Fire District and the State Responsibility Area. The Fire District and State Responsibility Area overlap in the unincorporated areas (1) west of the cities of Morgan Hill and Gilroy and Highway 101, extending to the Santa Cruz County line; and (2) south/southeast of the cities of Morgan Hill and Gilroy and Highway 101, extending to the San Benito County line. Cal Fire is responsible for fire services to wildlands in the State Responsibility Area during the fire season, and through the Amador agreement with the District provides fire and emergency services to residents and property in the State Responsibility Area during the non-fire season.

<sup>12</sup> The agreement is for 4 ½ years from January 2018 (one half of FY 2017-18) through FY 2021-22. The agreement budget between January 2018 and June 2018 is approximately \$159,000. The budget in the first full fiscal year of the agreement in FY 2018-19 is \$409,703.

## **First Responder Revenues**

In December 2010, the Board of Supervisors approved an agreement with Rural/Metro of California for the provision of advanced life support first response and advanced life support emergency ambulance transportation services in the County. In addition, fire departments in the County could contract directly with the County's Emergency Medical Services Agency to provide first responder emergency medical services, and the agreement specified that Rural/Metro would pay \$5 million annually in first responder fees, as long as the fire department holds a valid agreement with the County to provide emergency medical services. In 2011, the District entered into an agreement with the County's Emergency Medical Services Agency to provide non-transport emergency advanced life support first response services in order to support and/or augment the services provided by Rural/Metro. (Gilroy, Milpitas, Morgan Hill, Mountain View, San Jose, Santa Clara, Sunnyvale, and Central Fire Protection District have also entered into first responder agreements with the County.) As shown in Figure 2.1 on page 28, the District received \$253,801 in FY 2017-18 for providing first responder services.

The Board of Supervisors approved the seventh amendment to the agreement in June 2019, increasing the total amount of first responder fees that Rural/Metro would pay in FY 2019-20 to \$6.1 million.

## **Higher Per Capita Budget for Other Fire Agencies in Santa Clara County**

A survey of the adopted budgets of other cities and fire services agencies in Santa Clara County shows that the District has a lower budget per square mile and per population than other agencies in the County. South Santa Clara County Fire District's budget in FY 2018-19 of \$120 per person is lower than the countywide average of \$307 per person, as shown in Figure 2.5 on page 33.



**Figure 2.5: County-wide Survey of Fire Jurisdictions, Populations, Areas, and Budgets**

Legal Jurisdiction	Population Estimate <sup>a</sup>	Square Miles <sup>a</sup>	Budget For Jurisdiction <sup>b</sup>	Budget/ Population	Budget/ Square Miles
<b>Cities With Fire Depts.</b>					
Sunnyvale	157,652	22.2	\$36,979,747	\$235	\$1,665,754
Santa Clara	126,986	18.2	\$47,356,831	\$373	\$2,602,024
San Jose	957,001	180.4	\$230,278,660	\$241	\$1,276,489
Palo Alto   Stanford Univ. <sup>c</sup>	78,199	29.9	\$32,131,365	\$411	\$1,074,628
Mountain View	75,115	12.1	\$27,825,777	\$370	\$2,299,651
Morgan Hill	32,378	12.9	\$6,758,182	\$209	\$523,890
Milpitas	55,960	13.5	\$21,510,345	\$384	\$1,593,359
Gilroy	28,352	16.5	\$11,324,707	\$465	\$799,856
<b>Contracting Cities</b>					
Campbell	52,074	6.1	\$8,591,974	\$165	\$1,408,520
Los Altos	32,050	6.5	\$7,127,000	\$222	\$1,096,462
<b>Fire Districts</b>					
<i>South County Fire Dist.</i>	<i>53,784</i>	<i>289.5</i>	<i>\$6,428,429</i>	<i>\$120</i>	<i>\$22,205</i>
Central Fire Dist.	180,836	124	\$115,252,747	\$637	\$929,458
Los Altos Hills Fire Dist.	10,722	11.7	\$11,142,998	\$1,039	\$952,393
Saratoga Fire Dist.	31,813	24.3	\$7,827,925	\$246	\$322,137
<b>Total</b>	<b>1,872,922</b>	<b>767.8</b>	<b>\$574,327,362</b>	<b>\$307</b>	<b>\$749,017</b>

*Note: Total population and square mileage represent only areas covered by municipal fire departments or fire districts, not the total population of Santa Clara County. The cities of Cupertino, Los Gatos, Monte Sereno, and Saratoga and the Town of Los Altos Hills are covered by fire districts.*

*a: Except where indicated, population estimates were calculated using (a) 2016 American Community Survey 5-year population estimates by census tract, and (b) shapefiles of city and fire district jurisdictional boundaries, provided by Central Fire Protection District.*

*b: Except where indicated, the jurisdiction's budget reflects the adopted fire department/agency FY 2018-19 operating budget. To avoid double-counting contract revenue and contract expenditures in the total sums, and to ensure correspondence between expenditures and jurisdictional boundaries, amounts paid to a jurisdiction for contract services by another jurisdiction were subtracted from the budget of the jurisdiction providing coverage. (For example, Campbell pays Central Fire Protection District to provide its fire services, and that expenditure is included both as a contract cost in Campbell's budget and as salaries/equipment costs in Central Fire Protection District's budget. To avoid double-counting this expenditure, Central Fire Protection District's budgeted revenue from the City of Campbell was subtracted from its FY 2018-19 adopted operating budget.)*

*c: The Palo Alto Fire Department contracts with Stanford University to cover the university campus, which is unincorporated. To reflect this coverage, Palo Alto's population estimate and square mileage figures include the covered parts of Stanford University in addition to the legal jurisdictional area of the city of Palo Alto. Accordingly, the Department's budgeted revenue from Stanford University has not been subtracted from its budget.*

In total, cities and fire districts in Santa Clara County budgeted \$574,327,362 for fire services in FY 2018-19. As can be seen in Figure 2.5 on page 33, the South Santa Clara County Fire District has the lowest budget per population (\$120 per capita, with a County-wide range of \$120 to \$1,039) and per square mile (\$22,205 per square mile, with a County-wide range of \$22,205 to \$2,602,024). County-wide, the average expenditure of public fire service agencies is \$307 per capita and \$749,017 per square mile.

## CONCLUSION

In the past four fiscal years the District's revenues have been able to cover its expenses, allowing the District's fund balance to increase by 67 percent between FY 2014-15 and FY 2017-18. However, the long-term financial stability of the District is uncertain because the District's future revenues may not be sufficient to cover its future expenses.

To better plan for its future financial condition, the District's Board of Commissioners needs to develop a long term financial plan that evaluates the District's options to increase revenues and contain expenditures. Ballot measures to increase revenues to fund fire services through parcel or other special taxes could be successful with support from the County Executive and the Board of Supervisors.

Managing expenditures through sharing resources with other fire districts in the County and with the cities of Morgan Hill and Gilroy would be a first step in increasing the cost effectiveness of fire protection services. The 2017 Fire Operational and Administrative Analysis report<sup>13</sup> recommended that the city of Morgan Hill and the District consider consolidating fire prevention and communications operations. According to our discussion with the District Fire Chief, increased sharing of communications operations with the cities of Morgan Hill and Gilroy are a feasible first step in greater sharing of resources.

Given the large difference in property tax allocations to each of Santa Clara County's four fire districts, as shown in Figure 2.3 on page 29, the Board of Supervisors should consider options for consolidating fire districts in the County. As an example, the Sonoma County Board of Supervisors, in response to the devastation of the 2017 fires, approved a fire deployment plan in August 2018 to consolidate 39 fire agencies in unincorporated areas.

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<sup>13</sup> Fire Operational and Administrative Analysis, prepared by the Center for Public Safety Management LLC for the Morgan Hill Fire Department and South Santa Clara County Fire District, January 2017.



## RECOMMENDATIONS

### The South Santa Clara County Fire District's Board of Commissioners should:

- 2.1 Develop a five-year financial plan and annual update to the financial plan that evaluates the District's options to increase revenues and contain expenditures, including potentially consolidating fire prevention and communications operations with the cities of Morgan Hill and Gilroy. (Priority 2)

### The Santa Clara County Board of Supervisors should consider:

- 2.2 Options for increasing revenues, including a ballot measure to increase parcel or other special taxes to pay for fire protection services. (Priority 2)
- 2.3 Options for consolidating fire districts in the County, as further recommended in Section 4, Recommendation 4.1 of this report. (Priority 2)

## SAVINGS, BENEFITS, AND COSTS

The Board of Commissioners will require support from District staff to develop and update the long range financial plan. The cooperative agreement between the District and Cal Fire provides for 0.5 FTE Associate Governmental Program Analyst position beginning in FY 2021-22, who could provide analytical support to the Board of Commissioners. Funding this position at half-time in FY 2019-20 and FY 2020-21 would cost an estimated \$35,000 to \$40,000 per year, which could be paid for from salary savings.<sup>14</sup>

The recommendation to develop long range plans allows the Board of Commissioners to better plan for revenue shortfalls and expenditure increases. Potential consolidation of fire prevention and communication resources with the cities of Morgan Hill and Gilroy will streamline these services and control costs.

A formal evaluation of potentially consolidating existing fire districts in the County would require County staff resources, and potentially consultant resources. If the Santa Clara County Board of Supervisors were to determine that consolidating the existing four fire district into one countywide district, the County would incur costs to obtain LAFCo and voter approval for the consolidation. The benefit of such a consolidation would be to better allocate property tax dollars across the County, while streamlining the governance and operations of fire districts

<sup>14</sup> According to discussions with Fire District staff, positions are budgeted at top step but generally filled at a lower step, resulting in annual salary savings.

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## Section 3: Multi-Year Capital Planning and Asset Management

### Background

The South Santa Clara County Fire District's capital assets consist of one fire station, fire engines, command vehicles, water tenders and specialized vehicles, and fire suppression and emergency medical equipment. Under the cooperative agreement between the District and Cal Fire, the District and Cal Fire are each responsible to maintain and replace their property and equipment.

The District has limited financial resources to replace assets when needed. In the five-year period between FY 2012-13 and FY 2013-14, the District spent \$1.2 million on replacing vehicles and other fire suppression apparatus, using lease financing. A consultant's study estimates an additional \$10.3 million in capital repair and replacement costs between 2015 and 2035.

### Problem, Cause, and Adverse Effect

The District does not have an asset management plan to account for repair and replacement of existing assets, the associated costs, and potential funding sources. Cal Fire is in the process of categorizing all District inventory and assets and estimating annual costs to replace assets at the end of their useful life, but has not yet completed the categorization. Even with the completion of the categorization of assets and replacement costs, the District will not have a plan to match funding with asset repair and replacement. The District also does not have a process for validating their inventory of materials and equipment. While Cal Fire is responsible for maintaining their own capital assets as well as District vehicles and equipment under the cooperative agreement, the cooperative agreement does not address planning for asset repair and replacement and the associated funding. Nor does the cooperative agreement address responsibility for District assets not defined in the agreement, even though the District has no staff other than Cal Fire staff. The lack of an asset management plan and inventory validation puts the District at risk of unexpected costs for inventory loss or unplanned asset failure.

### Recommendations

The South Santa Clara County Board of Commissioners should request the District Fire Chief to provide the timeline to complete the detailed categorization of assets, and submit the completed categorization of assets to the Board of Commissioner's for review and endorsement. The Board of Commissioners should also develop a (1) financing plan for the repair, replacement, and expansion of District facilities and other capital assets; and (2) financial policies that include policies relating to debt issuance and drawing on reserves. The Board of Commissioners should further request the District Fire Chief to complete an annual inspection to validate a sample of the inventory in order to ensure the existence and condition of assets.

### Savings, Benefits, and Costs

The Board of Commissioners will require support from District staff to develop a financing plan for capital asset repair and replacement. Managing inventory and planning for asset repair and replacement will reduce costs for inventory loss or unexpected asset failure.

## FINDING

### South Santa Clara Fire District's Capital Assets

The South Santa Clara County Fire District's capital assets consist of fire stations, fire engines, command vehicles, water tenders and specialized vehicles, and fire suppression and emergency medical equipment. Under the cooperative agreement between the District and Cal Fire, the District and Cal Fire are each responsible to maintain, operate, and replace their property and equipment.<sup>15</sup> The cooperative agreement, however, specifically provides for Cal Fire to maintain vehicles owned by the District, consisting of six engines, two water tenders, two service vehicles, and four pick-up trucks and sports utility vehicles.

The District operates three fire stations:

- Station 1 (Morgan Hill) is located in the city of Morgan Hill and owned by Cal Fire, and shared by the District and the Morgan Hill Fire Department, which each have cooperative agreements with Cal Fire.
- Station 2 (Masten) is located within and owned by the District.
- Station 3 (Treehaven) is located in the City of Gilroy and leased by the District from the City of Gilroy.

The District is responsible to maintain Station 2, Masten Station, which is owned by the District.<sup>16</sup> Under the lease agreement between the District and Gilroy Gardens for Station 3, the Treehaven Station, the District is responsible for basic repairs, the HVAC system, the hot water heater, and the maintenance and replacement of plumbing fixtures and floor coverings, while the landlord is responsible for preexisting contamination, structural repair, and parking lot repair. In addition if the tenant wishes to alter the property, the lease allows them to do so with written consent.<sup>17</sup> Cal Fire is responsible for paying for Station 1 upgrades and repairs as specified in the cooperative agreement.

### Spending for Replacement of Vehicles and Other Equipment

The District generally pays for replacement of vehicles and other equipment through lease financing.<sup>18</sup> Between 2012 and 2018, the District funded approximately \$1.2 million in equipment purchases through lease financing, as shown in Figure 3.1 on page 39.

<sup>15</sup> Cooperative Agreement Between Cal Fire and the South Santa Clara County Fire District, p. 8 and p.37

<sup>16</sup> Cooperative agreement between Cal Fire and South Santa Clara County Fire District,

<sup>17</sup> Lease between SSCCFD and Gilroy Gardens p. 3 and p. 4

<sup>18</sup> Under lease financing agreements, the lender purchases the equipment and leases the equipment to the District in exchange for annual lease payments, consisting of principal and interest.

**Figure 3.1: Equipment Purchases Through Lease Financing**  
FY 2012-13 to FY 2017-18

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Total
Self-contained breathing apparatus	\$323,260						
Vehicle	\$62,197		\$507,388				
Pumper apparatus			\$274,546				
Copier				\$8,400			
<b>Total</b>	<b>\$385,457</b>	<b>\$0</b>	<b>\$781,934</b>	<b>\$8,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,175,791</b>

Source: Audited Financial Statements

The District paid an average of \$170,755 per year on principal and interest for the lease financing agreements between FY 2014-15 and FY 2017-18, as shown in Figure 3.2 below.

**Figure 3.2: Lease Financing Agreement Principal and Interest Payments**  
FY 2014-15 to FY 2017-18

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Annual Average Payment
Principal	\$111,652	\$186,042	\$184,869	\$112,848	\$148,853
Interest	\$14,673	\$29,311	\$25,925	\$17,698	\$21,902
<b>Total Payment</b>	<b>\$126,325</b>	<b>\$215,353</b>	<b>\$210,794</b>	<b>\$130,546</b>	<b>\$170,755</b>

Source: Audited Financial Statements

### Planning for Capital Assets' Repair and Replacement

In order to plan for expanded fire facilities to provide fire protection for new commercial and residential development in the District, the District contracted with a consultant in 2015 to evaluate potential imposition of development impact fees on new development. The consultant prepared the *South Santa Clara County Fire District Development Impact Fee Justification Study*, which included a formal needs assessment. The study identified anticipated capital needs and upgrades necessary to maintain existing services and meet new service demands caused by new development. The study included projections of new development within the district provided by Santa Clara's Planning and Development Department. Projections included estimates of growth in housing, commercial, and industrial development.

The study outlined 14 facility and equipment needs over the 20-year period from 2015 to 2035, which included renovation of Station 2, relocation costs for Station 3, potential construction of an additional fire station, and replacement of engines and water tenders, replacement of command vehicles, and other needs. The study estimated costs to the District over 20 years to renovate or replace District facilities and equipment of \$10.3 million, of which \$1.1 million is to be paid for by development impact fees.<sup>19</sup>

In addition to the facility and equipment needs identified in the *South Santa Clara County Fire District Development Impact Fee Justification Study*, Cal Fire is in the process of categorizing all District inventory and assets and estimating annual costs to replace assets at the end of their useful life. Cal Fire has not yet completed the categorization of District inventory and assets, and the estimation of annual replacement costs, but has completed a similar categorization and cost estimation for the Morgan Hill Fire Department under the cooperative agreement between Morgan Hill and the Department. The new inventory of District assets will include the cost of smaller needs (e.g. mattresses, dish washer, freezers, hoses, etc.) as well as larger facility and equipment needs (e.g. re-flooring, painting, replacing roofs, replacing engines, etc.), and identify the year that the asset in question should be replaced.

### **The District's Equipment and Materials Inventory**

In defining capital asset management best practices the Government Finance Officers Association (GFOA) recommends that agencies have a complete inventory and periodic measurement of all capital assets that includes: the asset description, location, warranty information, maintenance history, date placed in service, original value, and anticipated useful life. The District maintains a detailed inventory of vehicle status and repairs, and inspects vehicles daily. The District uses Cal Fire's policy on managing vehicles (including engines, other fire apparatus, and passenger vehicles), and updated the District's policy on vehicle replacement in 2018.

The District does not have a documented policy on maintaining inventory of other equipment and materials, although the District has maintained an inventory of durable goods (e.g. refrigerators, hoses, medical equipment, rescue equipment, etc.) for many years. The District does not have a process for validating their inventory of materials and equipment. The County's Controller-Treasurer Department requires that County departments conduct an annual physical inventory certification to verify the existence and condition of their fixed assets, defined as equipment over \$5,000 in value.<sup>20</sup> While the District is not required to follow this policy, the District should adopt a similar policy to conduct an annual inventory certification of materials and equipment. The annual inventory certification safeguards against the risk of misappropriation of District materials and equipment, and may decrease long term costs from loss of materials and equipment.

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19 Taussig Study p.13. According to the study, the district anticipates spending \$2.5 million for building a station, replacing Station 1, to be jointly used by Cal Fire and Morgan Hill, which will potentially be located on Uvas Road. The district would incur costs of \$1.25 million for this project. In addition, the study anticipates the district may spend \$2.5 million to relocate the Treehaven Station (Station 3). Both projects are contingent upon the Standards of Cover study which will be undertaken in the near future.

20 Fixed Assets Administrative Guide, Santa Clara County, p. 36, September 2018.

## Best Practices in Multi-year Capital Planning

GFOA identifies several steps in developing a multi-year capital plan as outlined below<sup>21</sup>:

1. **Identify needs** - Identifying needs includes planning for the life cycle of an asset including the cost to operate, maintain, administer, and renew/replace the asset. Using development projections, strategic plans, and regional plans to identify current and future service needs and account for any necessary changes.
2. **Determine the financial impact of needs** - In building a plan, agencies should consider what the timing and scope of projects will be, identify the appropriate approach to estimating costs and revenues, identify funding for projects, adjust cost estimates with inflation, and determine how lifecycle costs impact the overall budget of an agency.
3. **Prioritize capital requests** - Evaluate capital needs based on priorities such as legal requirements/mandates, health and safety, asset preservation, service/asset expansion/addition.
4. **Develop a comprehensive financial plan** - In building a multi-year financing plan agencies should ensure the proposed capital plan is achievable given the expected available resources in the identified time frame. Agencies should anticipate expected revenue and expenditure trends, prepare cash flow projections, consider and estimate funding amounts from all appropriate funding alternatives, consider sources and uses for debt service, evaluate affordability of financing strategy, and ensure the stability/reliability of identified funding strategies.

While the District's *Development Impact Fee Justification Study* identified the District's need to repair, replace, and expand District facilities and equipment over the 20 year period from 2015-2035, and the associated costs, the District needs to take further steps to plan for capital asset repair and replacement. Cal Fire has begun a more detailed categorization of District assets, including identifying when assets need to be repaired or replaced and the annual cost of repair and replacement, although this categorization was not completed at the time of the audit. Cal Fire should inform the District's Board of Commissioners of the timeline to complete the detailed categorization of assets, and submit the completed categorization of assets to the Board of Commissioner's for review and endorsement. The Board of Commissioners should also develop a financing plan for the repair, replacement, and expansion of District facilities and other capital assets.

<sup>21</sup> Government Finance Officers Association, Multi-year Capital Planning, May 2016.

## Matching Needs with Financing

The District has limited sources to finance major capital repair and replacement projects. The District does not have the ability to impose assessments on properties within the District or issue bonds to finance projects.<sup>22</sup> The District has generally financed major equipment purchases through lease financing agreements, as noted above. In FY 2017-18, the District spent \$36,003 from operating revenues for capital outlay.

As noted in Figure 3.2 on page 39 in the Introduction to this report, the District's fund balance in FY 2017-18 was \$2.7 million. Of the \$2.7 million fund balance at the end of FY 2017-18, \$302,239 was restricted for expansion of Fire District facilities, and \$2.4 million was unrestricted. The District's policy is to maintain an unrestricted fund balance of 20 percent of the previous year's actual expenditures. Based on the District's policy, the District would need to retain \$1.0 million of the \$2.4 million in unrestricted fund balance, making \$1.4 million available for capital repair and renovation. The District has not defined criteria under which they are able to draw on unrestricted fund balance in order to meet the District's needs. In addition, the District does not have a policy on debt, providing guidelines on issuing debt and how much debt the District can accumulate.

While the District's *Development Impact Fee Justification Study* developed a short list of anticipated capital needs through 2035 that included estimated costs, the study did not identify funding sources or clarify a schedule of when the costs would be incurred. The District needs to develop a financing plan for the capital needs identified in the study, as recommended by the GFOA. The financing plan should incorporate the categorization of the District's materials and equipment inventory and capital assets and associated annual costs for repair and replacement, currently being prepared by Cal Fire. The financing plan should account for inflation over time.

## CONCLUSION

While the South Santa Clara County Fire District has taken initial steps to develop an asset management plan, the District needs to further develop the plan to prioritize and schedule major capital repair and replacement projects, and match these projects and schedules to funding sources.

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<sup>22</sup> According to discussions with District representatives, while the District could conduct a study on the feasibility of seeking voter approval for a parcel tax to pay for capital repairs and renovation, the District considers it unlikely that the study would find a parcel tax to be feasible.



## RECOMMENDATIONS

### The South Santa Clara County Board of Commissioners should:

- 3.1 Request the District Fire Chief to provide the timeline to complete the detailed categorization of assets, and submit the completed categorization of assets to the Board of Commissioner's for review and endorsement. (Priority 3)
- 3.2 Develop a financing plan for the repair, replacement, and expansion of District facilities and other capital assets. (Priority 3)
- 3.3 Develop financial policies that include policies relating to debt issuance and drawing on reserves. (Priority 3)
- 3.4 Direct the Fire Chief to complete an annual inspection to validate a sample of the inventory in order to ensure the existence and condition of assets. (Priority 3)

## SAVINGS, BENEFITS, AND COSTS

The Board of Commissioners will require support from District staff to develop a financing plan for capital asset repair and replacement. The District staff have already begun to categorize assets and the associated costs of replacement. Developing a financing plan and identifying financing sources for asset repair and replacement will require additional staff report. As noted in Section 2 of this report, additional analytical staff resources to assist with financial planning would cost an estimated \$35,000 to \$45,000 per year, which could be funded through salary savings. Both Cal Fire and the County have policies on debt, reserves, and inventory that can be used to develop District policies. Managing inventory and planning for asset repair and replacement will reduce costs for inventory loss or unexpected asset failure.

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## Section 4: Santa Clara County Areas without Year-Round Fire & Emergency Medical Services

### Background

The County of Santa Clara has a population of approximately 1.9 million people, 1.7 million of whom live in one of the County's fifteen incorporated towns and cities and approximately 0.2 million (11 percent) of whom reside in unincorporated County areas. Of the County's 1,310 square miles, 943 square miles (72 percent) are unincorporated. The County has four fire districts that cover some portions of the County's unincorporated areas, as well as some cities.

### Problem, Cause, and Adverse Effect

County residents who reside within a city or within a fire district receive full-time, professional fire protection and emergency services from a local fire protection agency. However, approximately 543 square miles and 33,000 residents in Santa Clara County reside within neither a city nor a fire district, and therefore are not covered by any local government fire protection organization. These uncovered areas lie outside the jurisdiction of any local government fire protection district in unincorporated areas of the County. As a result, these areas, which have fire risks ranging from low to extreme fire risk and hazard, do not have year-round fire protection coverage. While the California Department of Forestry and Fire Protection (Cal Fire) is responsible for wildland areas in the State Responsibility Area, which covers most of the unincorporated area of the County, no agency is responsible for structure fires or first responder coverage.

A survey of other large and populous California counties found that it is unusual to have large areas of the county that are not covered by any local government fire protection organization.

### Recommendations

The Santa Clara County Board of Supervisors should evaluate options to ensure adequate year-round fire protection and first responder coverage to residents of unincorporated areas of the County, including potential merger and expansion of four existing fire districts to better allocate resources across the unincorporated areas.

### Savings, Benefits, and Costs

A formal evaluation of options to ensure year-round fire protection and first responder coverage to residents of unincorporated areas of the County would require County staff resources, and potentially consultant resources. If the Santa Clara County Board of Supervisors were to determine that merging and expanding the existing four fire districts into one countywide district was preferred, the County would incur costs to obtain approval from the Local Agency Formation Commission (LAFCo), which governs special districts in Santa Clara County, and voter approval of the residents of the areas in question. The benefit of such a merger and expansion would be to better allocate property tax dollars across the County, while streamlining the governance and operations of fire districts.

## FINDING

### Fire Jurisdictions and Providers in Santa Clara County

The County of Santa Clara has a population of approximately 1.9 million people, 1.7 million of whom live in one of the County's fifteen incorporated towns and cities and 0.2 million (11 percent) of whom reside in unincorporated County areas. Of the County's 1,310 square miles, 943 (72 percent) are unincorporated. The County has four fire districts that cover some portions of the County's unincorporated areas, as well as some cities.

In the County, some cities and fire districts provide their own fire services through municipal fire departments, some cities are included in fire districts that provide fire services, and some cities contract for services with other fire service providers, including other local fire agencies and the California Department of Forestry and Fire Protection (Cal Fire). Figure 4.1 on page 47 outlines the jurisdictional responsibility for and the service providers of fire protection services in the County. As shown on page 47, approximately 543 square miles and 33,000 residents in Santa Clara County are within neither a city nor a fire district, and therefore are not covered by any local government fire protection organization.<sup>23</sup> These uncovered areas lie outside the jurisdiction of any local government fire protection district in unincorporated areas of the County.

Although they have no formal government jurisdiction within the County, several private non-profit volunteer fire companies are also involved in planning and response to emergencies in their communities:

- The Uvas Volunteer Fire Department (Morgan Hill area within the District's boundaries);
- The Casa Loma Volunteer Fire Association (Croy area within the District's boundaries);
- The Spring Valley Volunteer Fire Department (San Jose/Milpitas area); and
- The Stevens Creek Volunteer Fire Department (Cupertino area).

In addition, the area of Moffett Field under federal jurisdiction is covered by the NASA/Ames Fire Department.

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<sup>23</sup> As of December 2018, a portion of the unincorporated area of the Stanford University campus is covered by the Palo Alto Fire Department under a contract between the Department and the University. This area covered by the Palo Alto Fire Department is excluded from the uncovered area calculation.

**Figure 4.1: Responsible Jurisdictions and Fire Protection and Emergency Services Providers**

<b>Jurisdiction</b>	<b>Service Provider</b>	<b>Population</b>	<b>Square Miles</b>
City of Campbell	Central Fire Protection District (contract)	52,074	6.1
City of Gilroy	Gilroy Fire Department	28,352	16.5
City of Los Altos	Central Fire Protection District (contract)	32,050	6.5
City of Milpitas	Milpitas Fire Department	55,960	13.5
City of Morgan Hill	Cal Fire (contract)	32,378	12.9
City of Mountain View	Mountain View Fire Department	75,115	12.1
City of Palo Alto   Stanford University <sup>a</sup>	Palo Alto Fire Department	78,199	29.9
City of San Jose	San Jose Fire Department	957,001	180.4
City of Santa Clara	Santa Clara Fire Department	126,986	18.2
City of Sunnyvale	Sunnyvale Department of Public Safety	157,652	22.2
Santa Clara County Central Fire Protection District <sup>b</sup>	Central Fire Protection District, San Jose Fire Department (contract) <sup>c</sup>	180,836	124
Los Altos Hills County Fire District <sup>d</sup>	Central Fire Protection District (contract)	10,722	11.7
Saratoga Fire Protection District <sup>e</sup>	Central Fire Protection District (contract)	31,813	24.3
South Santa Clara County Fire Protection District <sup>f</sup>	Cal Fire (contract)	53,784	289.5
<b>Totals within legal jurisdiction of local fire protection agency</b>		<b>1,872,922</b>	<b>767.8</b>
<b>County-wide totals, including unincorporated areas</b>		<b>1,906,074</b>	<b>1,310.5</b>
<b>Totals outside of legal jurisdiction of local fire protection agency</b>		<b>33,152</b>	<b>542.7</b>

Population and square mileage estimates were calculated using (a) 2016 American Community Survey 5-year population estimates by census tract, and (b) shapefiles of city and fire district jurisdictional boundaries, provided by Central Fire Protection District.

*a The Palo Alto Fire Department contracts with Stanford University to cover the university campus, which is unincorporated. To reflect this coverage, Palo Alto's population estimate and square mileage figures include the covered parts of Stanford University in addition to the legal jurisdictional area of the city of Palo Alto.*

*b Santa Clara County Central Fire Protection District includes the cities of Cupertino, Los Gatos, Monte Sereno, part of the City of Saratoga, and some unincorporated areas.*

*c Central Fire Protection District also includes the area of Moffett Field, which is under federal jurisdiction and covered by the federal government by the NASA/Ames Fire Department.*

*d Los Altos Hills County Fire District includes the Town of Los Altos Hills and some unincorporated areas.*

*e Saratoga Fire Protection District includes part of the City of Saratoga and some unincorporated areas.*

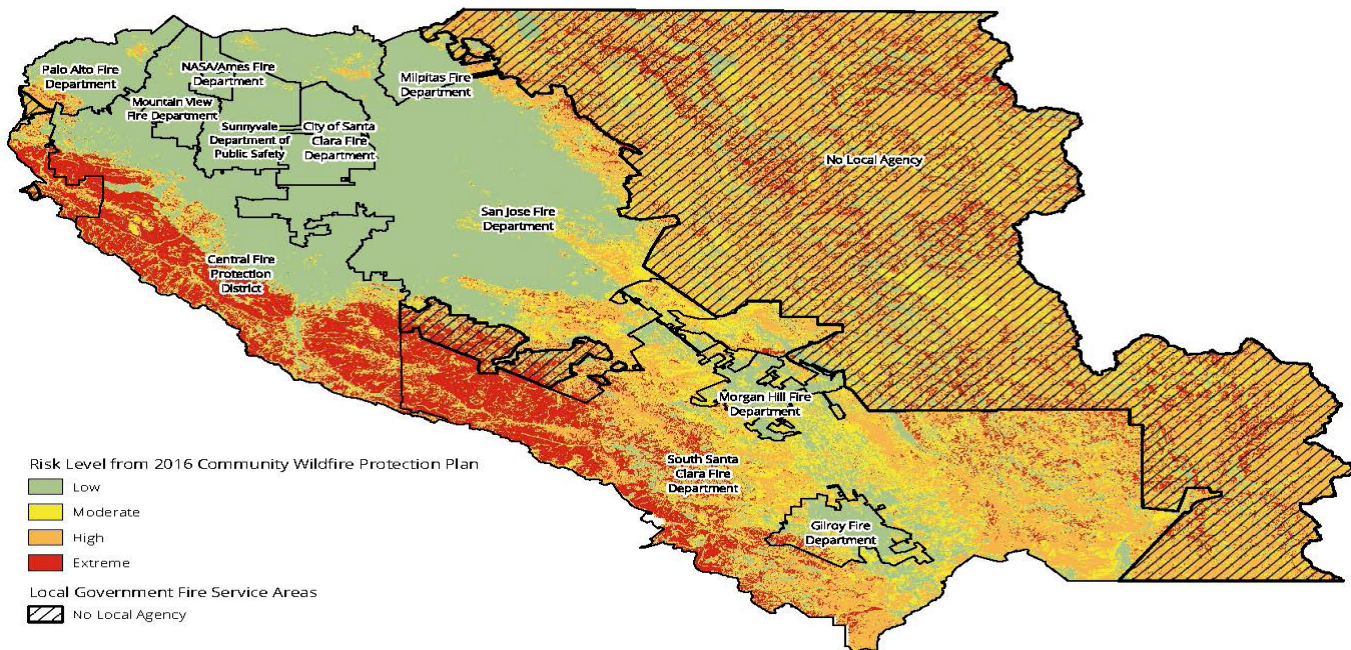
*f South Santa Clara County Fire Protection District includes unincorporated areas in the southern part of the County.*

## Uncovered Areas of the County

As shown in Figure 4.1 on page 47, in total, local government fire protection organizations in the County of Santa Clara serve approximately 768 square miles and 1,872,922 people in the County<sup>24</sup>. Approximately 543 square miles and 33,152 people are not covered by any local government fire protection organization. These uncovered areas lie outside the jurisdiction of any local government fire protection district in unincorporated areas of the County, in (a) the eastern part of the County in the areas known as the Mt. Hamilton area, San Antonio Valley, and Pacheco Pass; (b) portions of Almaden Valley; and (c) portions of the Stanford University campus. Figure 4.2 below displays these uncovered areas.

The Composite Risk/Hazard Assessment completed for the 2016 Santa Clara County Community Wildfire Protection Plan (CWPP) modeled fire risk based on fire behavior parameters and fire occurrence density. The CWPP's final Composite Risk/Hazard Assessment for the county classifies areas of the county into low, moderate, high, and extreme fire risk categories.<sup>25</sup> As shown in Figure 4.2 below, the uncovered areas in Santa Clara County have fire risks ranging from low to extreme fire risk and hazard, due to the area's varying topography and aspect that results in a patchwork of vegetation types and fuel conditions.

**Figure 4.2: Areas of Santa Clara County Without Year-Round Fire Coverage**



Source: 2016 Santa Clara County Community Wildfire Protection Plan

<sup>24</sup> See Attachment A on page 69 for the methodology used to calculate square miles, population, and budgets of fire agencies and fire districts in the County.

<sup>25</sup> For a complete description of the Composite Risk/Hazard Assessment, sources, and methodology, refer to the 2016 Santa Clara County Community Wildfire Protection Plan.



Most of these uncovered areas, including the Mt. Hamilton area, San Antonio Valley, Pacheco Pass, and the Almaden Valley area (but excluding Stanford University and small parcels of federally owned land near Henry Coe State Park), are designated State Responsibility Areas by Cal Fire.<sup>26</sup> Cal Fire has jurisdictional responsibility for wildland fire protection in State Responsibility Areas and staffs fire stations in these areas during declared fire season, generally between April and November of each year. However, no agency has jurisdictional responsibility for non-wildland fire emergencies, including structure fires and emergency medical services, in these areas.<sup>27</sup>

### **Large Uncovered Areas Unusual in Other California Counties**

A survey of other large and populous California counties found that it is unusual to have large unprotected areas of the county that are not covered by any local government fire protection organization. The 10 counties that responded to the survey San Diego, Orange, Riverside, San Bernardino, Alameda, Sacramento, Contra Costa, Kern, Ventura, and Stanislaus counties.<sup>28</sup>

No county reported having areas that are not covered by a fire protection and emergency medical services provider year-round and 24 hours a day, with the exception of Contra Costa County, which has approximately 20 square miles of uncovered area, or 0.2 percent of the county's area.<sup>29</sup> Counties address fire protection coverage in unincorporated areas in a variety of ways, and multiple strategies are typically used within one county. Fire protection for unincorporated areas is typically funded with property taxes, although some counties supplement the funding with general fund contributions.

Special districts: As shown in Figure 4.3 on page 50, most counties use independent or dependent special districts or county service areas to provide coverage to unincorporated areas. These districts or service areas are funded with a portion of the base 1 percent property tax collected from properties within the area's boundaries. These districts either contract for fire protection services (typically from Cal Fire or a local municipal fire department) or use the property tax revenue to directly fund a district fire department. The districts may also enter into Amador agreements with Cal Fire for coverage at Cal Fire stations during "non-fire" season, from approximately November to April each year.

26 California Public Resources Code sections 4125-4128 describe State Responsibility Areas, which include (a) lands covered or partially covered by forests; (b) lands covered or partially covered by timber, brush, undergrowth, or grass; and (c) lands in areas principally used for range or forage purposes. Lands within city boundaries or in federal ownership are not State Responsibility Areas.

27 Cal Fire will respond as a "good Samaritan" or through mutual aid during fire season when they staff their fire stations. Portions of the northern part of the Mt. Hamilton and San Antonio Valley areas receive response from the Spring Valley Volunteer Fire Company, a private not-for-profit volunteer fire company. Spring Valley does not have government jurisdiction, but responds as a public benefit.

28 Counties included were any county with more than one million residents and any county that was larger than Santa Clara County in area with over 500,000 residents. The counties that were surveyed were: Los Angeles, San Diego, Orange, Riverside, San Bernardino, Alameda, Sacramento, Kern, Fresno, Ventura, Sonoma, Stanislaus, and San Joaquin counties. Los Angeles County, Fresno County, Sonoma County, and San Joaquin County did not respond to the survey.

29 Some counties have areas that, while technically covered by a local government fire protection organization, may be under-served. For example, Kern County has an area within the county in which there is just one fire station for a 750 square mile area, and San Bernardino County noted that their county also had areas they believe are inadequately covered.



The organization and size of the districts varies by county. Some counties use one large main district to cover all unincorporated areas of the county: the Alameda County Fire Department, a dependent special district, covers nearly all the unincorporated areas of Alameda County (excluding the Fairview area, which is covered by a separate special district). Other counties use a combination of multiple fire districts and/or county service areas to cover unincorporated areas: San Diego County has multiple fire protection/water districts that provide coverage to unincorporated San Diego County in parts of the county closer to urban areas, in addition to a county service area provided by the County that contracts with Cal Fire to provide fire protection and emergency medical services.

Other coverage models: The Orange County Fire Authority, a joint powers authority, covers 23 cities and the unincorporated area of Orange County. The operations of the fire authority are funded with a portion of property taxes collected by the County for the unincorporated county area and on behalf of member cities. In Kern County, the Kern County Fire Department is funded primarily by property taxes collected by the County in a special revenue fund,<sup>30</sup> plus a County General Fund contribution.

Figure 4.3 below summarizes common coverage options or structures, funding sources, and examples from surveyed counties.

**Figure 4.3: Coverage Options for Unincorporated Areas and Funding Sources**

Coverage Provider	Legal Structure	Main Funding Source	County Example
Special district fire department	Fire protection district or community services district	Property tax allocation to the district	San Diego, Santa Clara, Alameda, Contra Costa, Sacramento, Stanislaus
Cal Fire via cooperative agreement	Fire protection district	Property tax allocation to the district	Santa Clara, Alameda
Cal Fire via cooperative agreement	County service area	Property tax allocation to county service area and general fund	San Diego
Cal Fire via Amador agreement	Fire protection district	Property tax allocation to the district	Santa Clara, Contra Costa, San Diego
County fire department	County department (Chapter 2.26 of County Municipal Code)	Property taxes collected by the County held in a special fire fund; supplemental general fund contributions	Kern
Fire authority fire department	Joint powers authority	Property taxes collected by the County held in a special fire fund	Orange

Source: Benchmarking survey of other California counties

<sup>30</sup> Kern County's Fire Fund is a special revenue fund used to account for those property taxes and other revenue that are designated for use for structural fire protection.

In addition to these legal jurisdictional options, other counties, including Contra Costa, Sacramento, and Stanislaus counties, also make use of joint/paid volunteer fire companies. Responses from each county on the provision of services to unincorporated areas are included in Attachment C on page 73.

## CONCLUSION

The Santa Clara County Central Fire Protection District Fire Chief reported to the Board of Supervisors in April 2019 on the increasing threat of wildland fire driven by a changing climate. The Board of Supervisors adopted 2019 Legislative Policies to better address fire protection in open space areas, with a focus on increased state resources.

Uncovered areas in Santa Clara County have fire risks ranging from low to extreme fire risk and hazard. Cal Fire provides wild land fire suppression to much of the uncovered areas during fire season, but the approximately 33,000 residents of the uncovered areas lack fire coverage for structures and emergency medical response services. Other populous California counties have developed a number of legal structures to ensure fire protection and emergency medical response coverage in unincorporated areas. If the Santa Clara County Board of Supervisors were to determine the necessity of expanding fire protection and emergency medical response coverage to uncovered areas, one option is to consolidate the existing four fire districts into one district and expand district coverage to the currently uncovered areas. The benefit of such a consolidation and expansion would be to better allocate property tax dollars across the County, while streamlining the governance and operations of fire districts. This option would require coordination with Santa Clara Local Agency Formation Commission (LAFCo), which governs special districts in Santa Clara County, and voter approval of the residents of the areas in question.

## RECOMMENDATIONS

**The Santa Clara County Board of Supervisors should:**

- 4.1 Evaluate options to ensure adequate year-round fire protection and first responder coverage to residents of unincorporated areas of the County, including potential consolidation and expansion of four existing fire districts to better allocate resources across the unincorporated areas. (Priority 2)

## SAVINGS, BENEFITS, AND COSTS

A formal evaluation of options to ensure year-round fire protection and first responder coverage to residents of unincorporated areas of the County would require County staff resources, and potentially consultant resources. If the Santa Clara County Board of Supervisors were to determine that consolidating and expanding the existing four fire district into one countywide district, the County would incur costs to obtain LAFCo and voter approval for the consolidation. The benefit of such a consolidation and expansion would be to better allocate property tax dollars across the County, while streamlining the governance and operations of fire districts.

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## Section 5: Coordination and Funding of Fire Risk Mitigation Services

### Background

The Board of Supervisors is the board of directors and is responsible for the oversight and coordination of three of the County's four fire districts. In addition, fire services within the County are provided by 10 cities and by the State.

### Problem, Cause, and Adverse Effect

As a practical matter, a response to a large fire would be a Countywide or regional response. However, mitigation of fire risks is based on jurisdictional boundaries established when the County was home to a smaller population and when fire risk overall was lower. There is no central coordination of the numerous fire services within the County with respect to mitigating overall fire risks. Although the County agency receives dedicated sales tax funds for public safety – including “fire protection” – it allocates these monies entirely to law enforcement, although the rate of violent and property crimes in Santa Clara County has decreased significantly since the implementation of public safety sales tax: for example, violent and property crimes reported within the Sheriff's Office jurisdiction decreased by 40 percent and 56 percent respectively. In contrast, fifteen of the 20 largest fires in California history have occurred since 2000. Despite a population of nearly two million people residing in the County today, and the increased risk of large fires spreading into urbanized areas, there are hundreds of square miles of the County – including areas of high fire risk – that are still not covered by any fire agency. Through its three dependent fire districts, the County Board of Supervisors oversees almost \$95 million of annual property tax revenues that are paid by County residents to the fire districts. Yet there is no multi-district assessment and prioritization of risks based on objective measures; each district addresses risks within its boundaries with the resources that are available. The boundaries of existing districts are not necessarily related to fire risk, and some districts may not use funds consistent with risk mitigation. The absence of a comprehensive approach to mitigation increases the potential for major fires throughout the County, including in fire districts, cities, and open spaces.

### Recommendations

The Board of Supervisors should direct the County Administration in conjunction with County Counsel to present proposals for fire risk-mitigation models for the County. The Board should consider consolidating all of the existing districts under its authority and assess the feasibility of expanding district boundaries. Additionally, the Board should assess whether a multi-agency approach, such as development of a County-wide fire-risk mitigation Joint Powers Authority – akin to the multi-agency model that already exists for emergency services interoperability – could be implemented. The Board should also consider re-allocating a modest portion of public safety sales tax revenue to the mitigation of fire risk.

### Savings, Benefits, and Costs

Implementation of these recommendations would potentially improve the efficiency and effectiveness of existing fire services and reduce the damage from major fires.

FINDING

Increase in Fire Risk

Over the past 50 years, researchers have documented widespread increases in areas burned, the number of large fires, and the length of fire seasons throughout the Western United States.<sup>31</sup> Within California, according to the California Department of Forestry and Fire Protection (Cal Fire), 15 of the 20 largest fires (by acres burned) in California history have occurred since 2000. In 2018, the State experienced its largest fire ever (the Mendocino Complex fire, which burned 459,123 acres in July), its seventh-largest fire (Carr Fire, also in July), and the most deadly large fire (the Camp Fire), which killed at least 85 people in November. The second-largest fire in State history (the Thomas Fire) occurred in December 2017.

The Santa Clara County population increased by 8.8 percent between 2010 and 2018. Some communities, such as Gilroy, have seen population growth exceeding 20 percent. Others, such as Saratoga, with an increase of just two percent, have grown at a rate slower than the County as a whole. These changes are shown in Figure 5.1 below, which was taken from the U.S. Census website, Census.gov.

Figure 5.1: Population Changes in the County and Selected Locations Since 2010

	Population			
	April 1, 2010	July 1, 2018	Increase	Percent
Santa Clara County	1,781,672	1,937,570	155,898	8.8%
City of Saratoga	29,993	30,599	606	2.0%
City of Gilroy	48,888	58,756	9,868	20.2%
Town of Los Altos Hill	8,057	8,559	502	6.2%

Source: U.S. Census

The growth in population, the growth in fire risk, and the addition of homes and businesses in areas that were previously not heavily populated all increase the risk of destruction from fires. As noted in Section 4, approximately 543 square miles and 33,000 residents in Santa Clara County are within neither a city nor a fire district, and therefore are not covered by any local government fire protection organization.

A fire could begin anywhere within the County, or in another County, and be spread by wind or other forces to locations within the County that are home to numerous residents and businesses. The locations and boundaries of existing political boundaries have no direct relationship to potential ignition sites or other factors that may affect fire risk.

31 Proceedings of the National Academy of Sciences (PNAS) of the United States of America. 11770–11775 October 18, 2016, vol. 113, no. 42.

## Wildland Urban Interface

In Santa Clara County, there are about 304 square miles along the Wildland Urban Interface, defined as the area “where homes and wildlands meet or intermingle.”<sup>32</sup> Wildland Urban Interface is either interface or intermix. Homes in the intermix are interspersed with wildland, whereas homes in the interface are adjacent to wildland. The County’s Wildland Urban Interface areas are noncontiguous and represent about 23.3 percent of the County when they are aggregated. In 2010, there were 7,198 homes in the intermix and 32,792 homes in the interface.<sup>33</sup>

## Fire Hazard Severity Zones

In 2017, Cal Fire estimated that 88 percent of the 7,198 homes in Santa Clara County’s intermix were also in a “high” or “very high” fire hazard severity zones, defined as areas of significant fire hazard based on fuels, terrain, weather and other factors.<sup>34</sup> In addition, Cal Fire estimated that 67 percent of the 32,792 homes in the interface were also in “high” and “very high” fire hazard severity zones.

## Size, Population, and Funding of Dependent Districts in Santa Clara County Vary Widely

Of the four fire districts in Santa Clara County, three – Los Altos Hills County Fire District (Los Altos Hills), South Santa Clara County Fire District (South County) and the Santa Clara County Central Fire Protection District (Central Fire) – are dependent districts, meaning that the Board of Supervisors is their board of directors and is responsible for their oversight and coordination and owes them a fiduciary duty. The fourth district is the Saratoga Fire Protection District (Saratoga), which is independent of the County.

### *How Much Property Value Results in \$1 for Each District?*

The property tax allocation varies by fire district<sup>35</sup>. In FY 2017-18, for each \$903.34 of assessed property value in the Los Altos Hills County Fire District, taxpayers provided \$1 of net property tax revenue. In contrast, property taxpayers in the Central Fire Protection District paid their district \$1 for each \$656.29 of assessed value. Property taxpayers in South County paid their district \$1 for each \$980.62 of assessed value. Relative to the value of their property, therefore, property owners in the Central Fire Protection District area provide more funding than do payers in either Los Altos Hills or South County.

32 Bramwell, L.; Carr, M.; Comas, S.; Cleveland, H.; Menakis, J.; Radeloff, V.; Stein, S.; Stewart, S. “Wildfire, Wildlands, and People: Understanding and Preparing for Wildfire in the Wildland-Urban Interface—a Forests on the Edge Report,” (January 2013), U.S. Department of Agriculture, Forest Service.

33 Ibid.

34 Ferkovich, R.; Hartman, L.; Johnson, J.; Keithley, C.; Klaas-Shultz, M.; Larvie, K.; Marose, R.; Meriam, E.; Meyer, T.; Moody, T.; Ong, A.; Passovoy, D.; Rosenberg, M.; Sapsis, D.; Spero, J.; Tase, N.; Tyukayev, D.; Walker, R. “California’s Forests and Rangelands: 2017 Assessment,” (August 2018), California Department of Forestry and Fire Protection, Fire and Resource Assessment Program.

35 As noted in Section 2 of this report, the portion of the 1 percent property tax varies by Tax Rate Area; each fire district is comprised of several Tax Rate Areas.

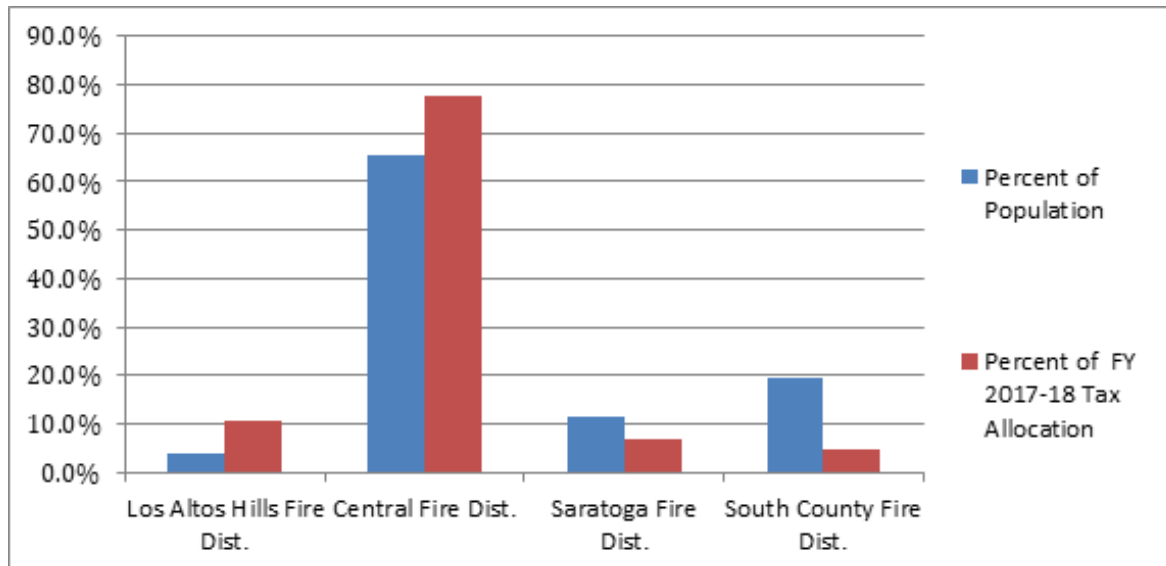
### How Much Does Each Resident Contribute?

Property tax allocations to each fire district vary even more widely by population. The average property tax allocation per person in FY 2017-18 ranged from a high of \$1,000 in Los Altos Hills to \$89 in South County, as shown in Figure 2.3 on page 29 of this report. The variance among the four fire districts in Santa Clara County in property tax allocation per person does not reflect the fire risk of each fire district.

### Funding Relative to Population and Land Area

South County Fire District has nearly 20 percent of the total population of the four fire districts in the County, but has less than 5 percent of the total FY 2017-18 property tax allocation to the four fire districts, as shown in Figure 5.2 below. Both Los Altos Hills County Fire District and Central Fire Protection District receive proportionately greater shares of FY 2017-18 property tax allocations compared to their population shares.

**Figure 5.2: County Fire Districts' Percentage of Total District Population and FY 2017-18 Property Tax Allocations**



- Population estimates were calculated using (a) 2016 American Community Survey 5-year population estimates by census tract, and (b) shapefiles of city and fire district jurisdictional boundaries, provided by Central Fire Protection District.
- Property tax allocations are from the Controller's Office and vary slightly from the property tax revenue reported in the Districts' audited financial statements.

### Insufficient Fire Service Coordination

Fire services in the County are coordinated among the cities, the state, and the districts, and suppression services are provided to the districts by Cal Fire or by Central Fire Protection District. While the fire jurisdictions in the County, including the four fire districts, have mutual aid and service agreements to share resources and staff when fighting fires, each jurisdiction is responsible for mitigating its own fire threats with its own resources. Addressing fire hazards across the County is not coordinated, not systematic, and does not result in the allocation of funds to the areas of highest risk or need.



### Fuel Reduction Services

For example, spending by each fire district for fuel reduction services in FY 2017-18 ranged from \$1.45 million in Los Altos Hills to none in South County. Los Altos Hills is the only dependent fire district with a program to remove dead or otherwise fire prone trees on private property, as shown in Figure 5.3 below. In FY 2017-18, Los Altos Hills spent nearly \$1.1 million on tree removals. Saratoga spent \$5,000 in the same year for that purpose. Neither Central Fire nor South County offers the service.

Three districts (Central Fire, Los Altos Hills, and Saratoga) fund a brush chipping service to reduce fuel loads on private property. However, in FY 2017-18, Los Altos Hills spent six times as much as Central Fire (\$50,000) and 12 times as much as Saratoga (\$25,000) on chipping. South County does not offer the service. Lastly, Los Altos Hills runs both a yard waste program and a brush goat program. The three other districts (Central Fire, Saratoga, and South County) run neither.

**Figure 5.3: Spending on Fuel-Reduction Programs by Fire District FY 2017-18**

	Tree Removal	Brush Chipping	Yard & Waste Removal	Brush Goat Program	Total
Central Fire	-	\$50,000	-	-	\$50,000
Los Altos Hills	\$1,084,844	\$316,904	\$33,098	\$17,738	\$1,452,584
Saratoga	\$5,000	\$25,000	-	-	\$30,000
South County	-	-	-	-	-
<b>Total</b>	<b>\$1,089,844</b>	<b>\$391,904</b>	<b>\$33,098</b>	<b>\$17,738</b>	<b>\$1,532,584</b>

Source: Los Altos Hills figures: the LAHCFD financial consultant. Central Fire figures: Central Fire. Saratoga figures: Saratoga Fire District budget. South County figures: South County Fire District.

Through its three dependent fire districts, the County Board of Supervisors, based on FY 2017-18 allocations, oversees almost \$95 million of annual property tax revenues that are paid by County residents to the districts for fire protection. Yet there is no multi-district assessment and prioritization of risks based on objective measures; each district addresses risks within its boundaries with the resources that are available. The boundaries of existing districts are not necessarily related to fire risk, and districts may not use funds consistent with risk.

The Bay Area is likely to experience a major earthquake in the next quarter century and is likely to become hotter and drier as a result of climate change. The absence of a comprehensive approach to mitigation of increasing fire risks leaves residents throughout the County, including those served by a fire district and by municipal and state fire agencies, at greater risk of being affected.

## Potential Solutions

There are a variety of potential ways to increase coordination and mitigation efforts for the purpose of reducing the risk of large fires and the resulting damage in the event of a large fire. We recommend that the Board of Supervisors consider the following options, which could be carried out individually or collectively.

- *Consolidation of the existing three dependent fire districts under the Board's authority*

Consolidation could enable the single district to better match resources to fire risks, and to consider expanding the boundaries of the single district to address areas of the County not currently directly under the jurisdiction of any fire department. The uncovered areas represent a threat to the rest of the County, including cities and existing districts. Such consolidation would not necessarily require or result in changes to existing contracts or services offered currently, although such changes may be warranted if resources are used inefficiently.

The Board should direct the Administration and Counsel to examine consolidation of the three fire districts under its existing authority. Consolidation could enable the existing approximately \$95 million of revenue to the three agencies to be deployed to the greatest needs, rather than "silo-ed" within each organization.

- *Establishment of a Joint Powers Authority (JPA) or other mechanism to empower multiple agencies to work together to identify and reduce fire threats through mitigation efforts and coordination of resources*

A similar model now exists among numerous local agencies for emergency services "interoperability." The Silicon Valley Regional Interoperability Authority (SVRIA) was formed through a Joint Powers Agreement established to design and fund a regional interoperable communications network known as Silicon Valley Regional Communications System (SVRCS). Our proposal is to establish a Regional Fire Prevention group through a JPA, which would facilitate efforts to create defensible space and take other preventive actions intended to reduce the potential for catastrophic fires and fire spread. The JPA would include the County, special districts, cities, fire districts, Cal Fire, and possibly other agencies that could jointly work to reduce the risks of fires occurring and reduce the effects of fires that do occur. As we envision it, the group's focus would be to proactively reduce the factors that may result in massive fires (such as by increasing defensible space), improve the ability to fight fires (such as by making interfacing structures more resistant to burning), or impact survival of populations in the event of a large fire (such as by ensuring the adequacy of escape routes).

The Board of Supervisors should direct County Administration and County Counsel to examine the formation of a Joint Powers Authority (JPA) with all of the fire agencies within the County, including the Los Altos Hills County Fire District, and other relevant entities to improve fire prevention throughout the region. Orange County has a JPA in place for its various fire agencies, although that JPA covers all fire-related services, including fire suppression and emergency medical services. While we do not oppose the development of a JPA that would address other aspects of fire services, our recommendation is expressly to develop a JPA to address Countywide fire prevention efforts, inclusive – to the extent legally feasible – of the involvement of relevant non-fire agencies, such as open space districts, water districts, or others. In addition, the Board should direct the Administration and Counsel to examine consolidation of the three fire districts under its existing authority. Consolidation would enable the existing approximately \$95 million of revenue to the three agencies to be deployed to the greatest needs, rather than “silo-ed” within each organization.

- *Reallocation of a portion of public safety sales tax revenue to address public safety threats due to fire*

Addressing the increased risks of fire can be fostered in low-cost ways, such as by improving communication. More robust efforts likely will require funds. The Board of Supervisors should consider allocation of a modest amount of public safety sales tax monies to fire protection. In FY 2018-19, the County received almost \$220 million in revenue from this tax. The monies from this public safety sales tax must be spent on “public safety services” as defined by Government Code Section 30052 (b) 1:

*“Public safety services’ includes, but is not limited to, sheriffs, police, fire protection, county district attorneys, county corrections, and ocean lifeguards. ‘Public safety services’ does not include courts.”*

In 1993, the County established a Public Safety Sales Tax Fund (1476) to manage these monies.<sup>36</sup> Currently, the County’s share of these funds is deposited into the County General Fund and effectively spent on law enforcement. None of these County monies are allocated to fire protection, and the fire districts are not eligible to receive their own, direct allocations of these tax monies. The County allocates these monies to services such as the Sheriff’s Office, the District Attorney, and the Probation Department via Budget Unit 217 – Criminal Justice Support. Although the public safety sales tax revenues in Santa Clara County are allocated entirely to law enforcement, reported crimes and crime rates are down significantly, which is a trend throughout the State.

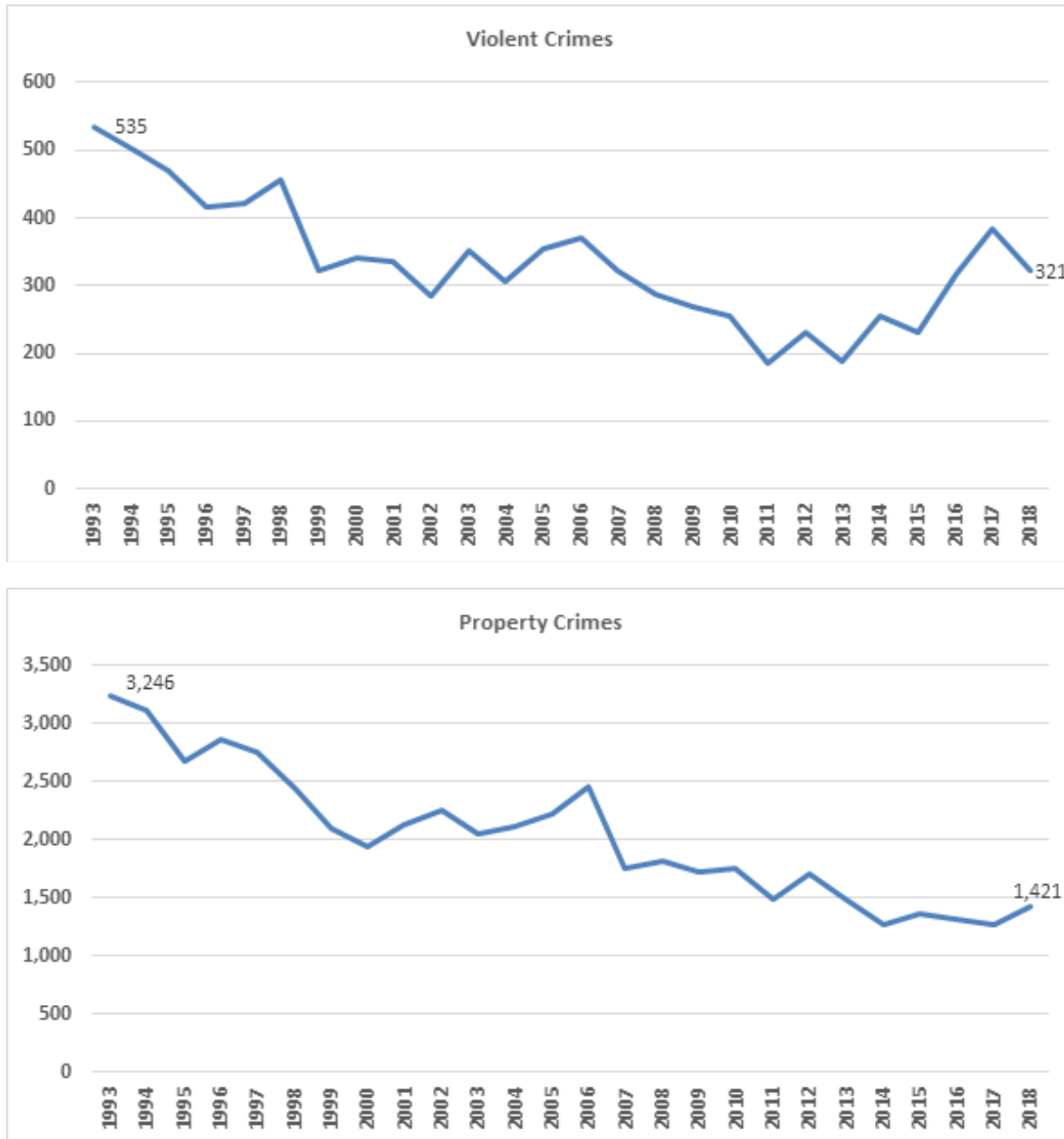
In 1993, for every 100,000 Californians, there were about 1,059 violent crimes reported that year. There have not been more than 500 violent crimes reported per 100,000 Californians since 2008. Property crime rates have also fallen significantly.

According to the Public Policy Institute of California, in 2017, there were 308.2 violent crimes and 2,310.7 property crimes per 100,000 people in the County of Santa Clara.

<sup>36</sup> Some cities are also eligible for a share of this sales tax revenue. The County receives the total allocation of these monies for all jurisdictions within the County from the State, and then apportions the share for each receiving city as well as its own share. This fund still exists but is used to allocate the share of funds collected by the County but remitted to eligible cities. We are not proposing changes to municipal allocations.

Crimes reported by the Sheriff's Office to the State Department of Justice reflect these trends. Since the County established the Public Safety Sales Tax Fund in 1993, violent crimes reported by the Sheriff's Office decreased by 40 percent and property crimes decreased by 56 percent, as shown in the two graphs that make up Figure 5.4 below.

**Figure 5.4: Number of Crimes Reported by the Sheriff's Office Since Implementation of the Public Safety Sales Tax (1993-2018)**



Source: California Department of Justice

Crime rates in the County were below the statewide average in 2017, according to the Public Policy Institute of California, which found that Santa Clara County had the 10th lowest rate of violent crime of the 58 California counties, and was below the statewide average for both violent crime rates and property crime rates.

In the past five years, the number of individuals incarcerated and on probation in the County of Santa Clara has declined. For example, the number of individuals on adult probation in FY 2015-16 was more than 14,000. As of September 26, 2019, that number had declined to 8,458.

In short, the risk of being the victim of a serious crime has decreased while the risk of being the victim of a major fire has increased. As previously noted, 75 percent of the largest fires in the State's history have occurred since 2000. Our recommendation is to consider allocation of a small portion of public safety sales tax funds to address the increasing potential for a major wildfire in the County. Based on actual receipts in FY 2018-19, each one percent of these monies equals about \$2.2 million. Put another way, for each one percent of these monies allocated to fire protection would increase the total, Countywide amount of funds available to the Board of Supervisors for fire protection functions by about 2.3 percent, while decreasing spending on law enforcement by a fraction of a percent.

## CONCLUSION

The potential for a large, destructive fire within the County of Santa Clara is growing. The County population is also growing. There are significant resources available for addressing the increasing threat of risk from fires. However, these resources are managed by more than a dozen different agencies, and potential funding from the public safety sales tax to address fire risks is currently deployed exclusively to law enforcement needs. Meanwhile, there is no agency to actively mitigate risks in some of the most fire-prone areas of the County. As the size of fires increases, the risk that a fire that begins in a high-risk area may damage areas miles away from its origin also increases. The allocation of resources for identifying and addressing the conditions that may result in fires that may begin in one area and "travel" to other areas is not systematic or efficient. Some resources are wasted on mitigation of "low risk" areas, while areas of very high risk are entirely unaddressed. This leaves 276,700 residents and \$66.3 billion of real property located in the three districts that are under the jurisdiction of the Board of Supervisors more vulnerable to fire threats. The Bay Area is likely to experience a major earthquake in the next quarter century and is likely to become hotter and drier as a result of climate change, all of which increase fire risk. The absence of a comprehensive approach to mitigation increases the potential for major fires throughout the County, including in fire districts, cities, and open spaces.

## RECOMMENDATIONS

**The County of Santa Clara Board of Supervisors should:**

- 5.1** Direct County Administration and County Counsel to examine consolidation of the three Fire Districts under its authority to more effectively and efficiently provide fire prevention and emergency medical services. This assessment should also explore the potential benefits and drawbacks to the expansion of District boundaries. (Priority 1)
- 5.2** Direct County Administration and County Counsel to examine establishment of a Joint Powers Authority for the purpose of coordinating various fire and non-fire agencies to commence fire prevention activities Countywide. (Priority 1)
- 5.3** Direct County Administration and County Counsel to examine re-allocation of a modest percentage of the \$220 million of annual Public Safety Sales Tax revenues from exclusively law enforcement needs to the proposed fire-prevention Joint Powers Agreement to fund construction of defensible space or other mitigating work. (Priority 1)

## SAVINGS, BENEFITS, AND COSTS

Taken together, these recommendations would enable the Board of Supervisors to ensure that the funds under its authority are deployed to the greatest effect to protect the public from the growing threat of large fires and would provide a mechanism to proactively address these threats.

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## Section 6: Lack of Independent Review of Cal Fire Invoices

### Background

The California Department of Forestry and Fire Protection (Cal Fire) provides fire protection services and administration services to the South Santa Clara County Fire District (District) under cooperative agreements. Cal Fire invoices the District on a quarterly basis for actual services rendered. When Cal Fire submits an invoice for payment to the District, District administrative staff process and code the invoice, and the District's Fire Chief reviews and approves the invoice for payment. Once the invoice has been approved by the Chief, District staff prepare a payment voucher cover sheet and send the invoice to the County Finance Agency for entry into SAP, the County's accounting system, for payment.

### Problem, Cause, and Adverse Effect

Because all of the District's administrative staff are provided by Cal Fire under the cooperative agreement between Cal Fire and the District, the individuals approving the Cal Fire invoices to the District are Cal Fire employees. The District has no non-Cal Fire employee who can review the invoice details, including level and type of services, equipment, staffing levels, and rates, to ensure that the invoice is within the terms of the agreement approved by the Board of Supervisors. As a result, Cal Fire functions as both the vendor and invoice approver.

### Recommendations

To ensure adequate oversight, the District's Board of Commissioners should request the County's Office of Budget Analysis in the County Executive's Office to review and approve Cal Fire invoices before invoices are sent to the Controller's Office for payment.

### Savings, Benefits, and Costs

The District would incur new costs for Office of Budget Analysis to review and approve Cal Fire invoices, which are expected to be minimal. The District currently pays for Office of Budget Analysis staff time as an indirect overhead/support service cost per the Countywide Cost Allocation Plan, which was \$10,623 in FY 2018-19. The estimated additional Office of Budget Analysis cost allocation is estimated to be between \$1,200 to \$2,400 per year, based on 16 to 32 hours per year of staff time to review and approve Cal Fire invoices.

The benefit to the District of an independent, third-party review of Cal Fire invoices would be the assurance of adequate oversight of Cal Fire invoices to the District.



## FINDING

### Cal Fire Invoice Processing

The California Department of Forestry and Fire Protection (Cal Fire) provides fire protection services and administration services to the South Santa Clara County Fire District (District) under cooperative agreements. The agreements state that Cal Fire shall invoice the District on a quarterly basis for actual services rendered. Invoices from Cal Fire to the District show detailed breakdowns of actual expenditures by type and by month, including actual personnel hours, overtime, and rates.

Cal Fire employee timesheets are approved by the employee's supervisor. Timesheets are linked to Cal Fire's personnel accounting program, which generates reports of actual personnel hours. These reports, called AO-17s, are printed and reviewed by a Cal Fire analyst and then the Administrative Officer or the Cooperative Program Coordinator. Once approved, the AO-17s are sent to Cal Fire's Sacramento Departmental Accounting Office, where they are reviewed again, and then an invoice is generated. The invoice is sent back to the Cal Fire Santa Clara Unit to invoice the District. The AO-17 reports are provided as backup documentation to the invoice along with additional documentation from Sacramento.

When the invoice is submitted for payment to the District, District administrative staff process and code the invoice, and the District's Fire Chief reviews and approves the invoice for payment. Once the invoice has been approved by the Chief, District staff prepare a payment voucher cover sheet and send the invoice to the County Finance Agency for entry into SAP, the County's accounting system, for payment. The Controller's Office verifies that the dollar amount of the invoice matches the dollar amount on the invoice cover sheet and that the amount has been approved for payment, but does not review invoice details and does not verify that the invoice is within the terms of the agreement approved by the Board of Supervisors.

This approval process for Cal Fire invoices to the District is different than the invoice approval process for Cal Fire invoices to the County under other agreements.<sup>37</sup> When Cal Fire submits invoices for payment to the County, rather than the District, the Office of Budget Analysis in the County Executive's Office serves as contract manager and invoice approver, and the Office of Budget Analysis ensures that the invoice is within the terms of the agreement approved by the Board of Supervisors. The Office of Budget Analysis reviews invoice details, including types of services, equipment, and staff, and asks questions if necessary. For District agreements with Cal Fire, the Office of Budget Analysis only reviews the initial agreements when they come to the Board of Supervisors for approval, but is not in the routing for reviewing or approving any invoices submitted to the District.

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<sup>37</sup> For example, the County has an agreement with CAL FIRE for the training of volunteer fire companies.

Because all of the District's administrative staff are provided by Cal Fire under the cooperative agreement between Cal Fire and the District, the individuals approving the Cal Fire invoices to the District are Cal Fire employees. In other words, Cal Fire functions as both the vendor and invoice approver. Because the Office of Budget Analysis does not review Cal Fire invoices to the District and the Controller's Office only verifies the invoice dollar amount and approvals, no non-Cal Fire individual reviews the invoice details, including level and type of services, equipment, and staffing levels and rates, to ensure that the invoice is within the terms of the agreement approved by the Board of Supervisors.

## CONCLUSION

The South Santa Clara County Fire District's invoice approval process does not conform to the County's policy requiring segregation of duties to ensure the integrity of financial transactions. The County's Internal Control Policy states that County entities, including special districts, should establish policies and procedures to implement control activities, including those pertaining to the segregation of duties, which are "shared responsibilities of a key process that disperses the critical functions of that process to more than one person or operating department." For non-Cal Fire invoices, the process of invoice approval and invoice recording are segregated: a vendor prepares an invoice, the District's administrative staff prepare the invoice for payment and the Fire Chief approves the invoice, and the County Finance Agency records and reconciles the invoice into the County's accounting system. However, when the District receives an invoice from Cal Fire, there are no non-Cal Fire personnel in the District to review and approve the invoice. As a result, both the administrative personnel who prepare the invoice for payment and the individual who approves the invoice and validates that it is within the terms of the agreement, the District's Fire Chief, is employed by the same agency that prepared and is paid under the invoice.

To ensure adequate oversight, the District's Board of Commissioners should direct the District's administrative personnel to have Cal Fire invoices reviewed and approved by the Office of Budget Analysis in the County Executive's Office before invoices are sent to the Controller's Office for payment.

## RECOMMENDATIONS

**The South Santa Clara County Fire District's Board of Commissioners should:**

- 6.1 Request the County's Office of Budget Analysis in the County Executive's Office to review and approve Cal Fire invoices before invoices are sent to the Controller's Office for payment. (Priority 3)

## SAVINGS, BENEFITS, AND COSTS

The District would incur new costs for Office of Budget Analysis to review and approve Cal Fire invoices, which are expected to be minimal. The District currently pays for Office of Budget Analysis staff time as an indirect overhead/support service cost per the Countywide Cost Allocation Plan, which was \$10,623 in FY 2018-19. The estimated additional Office of Budget Analysis cost allocation is estimated to be between \$1200 to \$2400 per year, based on 16 to 32 hours per year of staff time to review and approve Cal Fire invoices.<sup>38</sup>

The benefit to the District of an independent, third-party review of Cal Fire invoices would be the assurance of adequate oversight of Cal Fire invoices to the District.

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<sup>38</sup> The District has two agreements with Cal Fire, and Cal Fire sends quarterly invoices for each agreement, for a total of eight agreements received by the District from Cal Fire each year. If each invoice requires two to four hours of review, Office of Budget Analysis staff time would be 16 to 32 hours. Based on an estimated position cost in FY 2018-19 of \$152,000, 16 hours of staff time equals \$1,169 and 32 hours of staff time equals \$2,338.

## Attachments A-D

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**This report calculates square mileage and populations for areas within Santa Clara County used in the following Figures:**

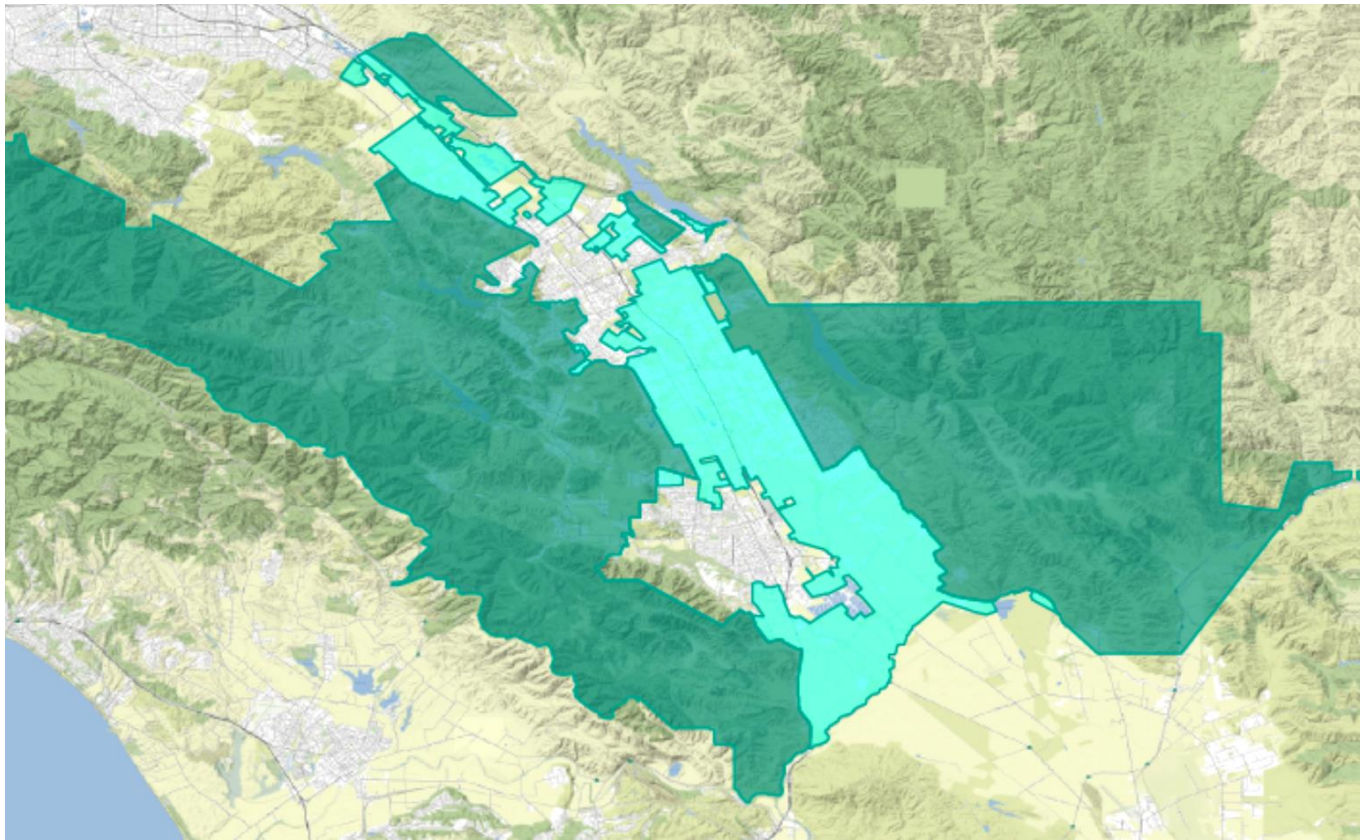
*"Figure 2.3: County Fire Districts' Populations, Area, and Budgets in FY 2017-18" on page 29.*

*"Figure 4.1: Responsible Jurisdictions and Fire Protection and Emergency Services Providers" on page 47.*

- The Santa Clara County Central Fire Protection District provided the audit team shape files from the District's Geographic Information System (GIS). Shape files store non-topological geometry and attribute information for spatial features in a data set. The geometry for a feature is stored as a shape comprising a set of vector coordinates.
- The audit team used the shape files to calculate square mileage of fire jurisdictions and service areas for fire agencies, fire districts, and uncovered areas in the County. For fire districts, we used actual boundaries; we did not extend the estimate to "spheres of influence," which are areas outside of a district's official boundaries but which may be annexed by the district at a future date.
- The audit team used 2016 American Community Survey five-year population estimates developed by the U.S. Census Bureau. The American Community Survey reports population estimates by census tract, which we overlaid on the boundaries of the maps created from the shape files. Because the census tract boundaries do not specifically align with the jurisdictions in the County, we estimated population based on the proportion of the census tract that lay within the boundaries of the jurisdiction.
- The audit team combined the population and square mileage data in Tableau (a software analytics tool) to create maps showing district boundaries and uncovered areas.

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Source: HMR, based on shape files provided by the Central Fire Protection District

South Santa Clara County Fire District



Combined South Santa Clara County Fire District  
and State Responsibility Area



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County	Population <sup>a</sup>	Area <sup>b</sup>	Uncovered Areas <sup>c</sup>	Estimated Size of Uncovered Areas <sup>d</sup>	Services to Unincorporated Areas <sup>e</sup>	Funding for Unincorporated Areas <sup>f</sup>	Coverage in Difficult to Reach Areas <sup>g</sup>
San Diego	3,283,665	4,207	Coverage is provided throughout the county year round. There are areas where coverage occurs from CAL FIRE stations (Joint facilities on the map), however, those stations remain open during the winter period through an AMADOR agreement, or they are funded by the State to remain open.	none	There are 10 Fire Protection Districts/ Water Districts that provide coverage to unincorporated San Diego County in addition to the coverage of County Service Area (CSA) 135 provided directly by the County of San Diego. The Fire Protection Districts operate independently with their own employees in areas closer to the urban areas while the county fire authority manages a contract with CAL FIRE to provide fire service to CSA 135. The county contracts with Cal Fire to hire fire fighters and provide services for approximately 1.5 million acres within the county. In addition, EMS services are provided through ambulance providers that are contracted through HHS. On the attached map of CSA 135, ALS service is provided from County Fire Stations, and BLS service is provided from the Joint Facilities and CAL FIRE stations. Fire Protection Districts all provide ALS service.	Independent Fire Protection and Water Districts receive a portion of the property taxes to fund their service. Fire service to CSA 135 areas is provided out of general purpose revenues because it is considered an essential service. Services to CSA 135 cost about 40million/year, two million of which are provided by tax revenues from the areas being protected by these monies. In many areas of CSA 135, there are voter approved assessments that pay a very small portion, in addition to Community Facilities Districts paying for some operating costs.	The attached map for CSA 135 shows the locations of the fire stations. We do our best to provide adequate responses in compliance with the County's General Plan which defines areas as urban, semi-rural, rural and outlying, with travel times associated with each area type.  The county also has a boundary drop agreement that uses the closest engine concept.  The county can also draw on county resources to provide helicopter services if needed; the county owns 3 helicopters that can be used to drop water or complete hoist rescues. There are also EMS helicopters.

County	Population <sup>a</sup>	Area <sup>b</sup>	Uncovered Areas <sup>c</sup>	Estimated Size of Uncovered Areas <sup>d</sup>	Services to Unincorporated Areas <sup>e</sup>	Funding for Unincorporated Areas <sup>f</sup>	Coverage in Difficult to Reach Areas <sup>g</sup>
Orange	3,190,400	791	No, Orange County Fire Authority serves 23 Cities and the County of Orange unincorporated area. The remaining Orange County cities have their own fire departments to serve their communities. All fire departments within Orange County provide mutual aid to each other, responding to calls regardless of jurisdictional boundaries ensuring no parts of the County go without service.	n/a	Orange County Fire Authority is responsible for providing emergency services to the unincorporated areas of Orange County, however, all fire departments within Orange County provide mutual aid to each other, responding to calls regardless of jurisdictional boundaries ensuring no parts of the County go without service.	The operations of the OCFA are funded with a portion of property taxes collected by the County (Structural Fire Fund) for the unincorporated area and on behalf of all member cities except for the cities of Buena Park, Placentia, San Clemente, Santa Ana, Seal Beach, Stanton, Tustin and Westminster, which are considered to be cash contract cities. The County pays all Structural Fire Fund taxes it collects to the OCFA. The cash contract cities make cash contributions based on OCFA's annual budget. (2015-2016 CAFR)	Due to the regional nature of OCFA and the pooling of resources of its member agencies, the services provided to OCFA residents also include swift water rescue, urban search and rescue (US&R), aircraft rescue firefighting (ARFF), and helicopter firefighting and evacuation. (FY 2017-18 OCFA Adopted Budget)
Riverside	2,355,002	7,206	No	n/a	All unincorporated areas are covered by CAL Fire/ Riverside County Fire	Property Tax/Structure Fire Tax	We have response standards for our County in three different configurations (Suburban, Rural, Outlying) to determine response times. In outlying areas with high determinate trauma calls (1-10 @ Cactus City Grade) we utilize auto launch with an air ambulance.

County	Population <sup>a</sup>	Area <sup>b</sup>	Uncovered Areas <sup>c</sup>	Estimated Size of Uncovered Areas <sup>d</sup>	Services to Unincorporated Areas <sup>e</sup>	Funding for Unincorporated Areas <sup>f</sup>	Coverage in Difficult to Reach Areas <sup>g</sup>
San Bernardino	2,212,220	20,057	No: The county fire department covers 19,293 of 20,160 square miles within the county. Several cities maintain their own fire companies and make up the remainder of the coverage. Additionally, many local agencies contract with county fire.	None	The county fire agency addresses coverage in these areas.	San Bernardino County Fire is funded by property taxes, with augmentation by the County Board of Supervisors when needed.	There are several remote parts of the county that are inadequately covered. We are currently working with County Supervisors to try and secure funding for additional fire stations in these areas. Until such times, our response times in those specific areas do not meet State standards.
Alameda	1,629,615	739	There are no areas of the County that are considered unprotected. ACFD has a "contract with CalFire to provide service to the Sunol area. CalFire has a fire station in Sunol that is staffed year round by the "Schedule A" company and additional staffing ("schedule B") during the fire season. The latter "Schedule B" is at state cost.	None	The ACFD is responsible for all unincorporated areas with the exception of Fairview. CalFire protects the State Responsibility Areas (aka watershed) during declared fire season for vegetation fire suppression.	The ACFD primary funding source is property taxes (~12% ad valorem) with one supplemental benefit unit assessment for paramedic services. The ACFD also provides services to five cities and three national laboratories on a contract for service basis.	Rural areas typically have longer response time standards. EMS services are provided by the ACFD and the County EMSA's private ambulance contractor. The ACFD is responsible for emergencies on roadways and at structures. Fire responses for vegetation fires are responded to by both the ACFD and CalFire. Helicopters maybe utilized in rural areas depending on traffic and weather conditions.

County	Population <sup>a</sup>	Area <sup>b</sup>	Uncovered Areas <sup>c</sup>	Estimated Size of Uncovered Areas <sup>d</sup>	Services to Unincorporated Areas <sup>e</sup>	Funding for Unincorporated Areas <sup>f</sup>	Coverage in Difficult to Reach Areas <sup>g</sup>
<b>Sacramento</b>	1,495,400	965	No. All of Sacramento County is covered by a fire agency. The majority of the county has a full-time/paid fire agency that provides service (see #3), but there are portions that have volunteer departments. Metro Fire does not serve the entire County, but we will respond to calls through our auto-aid agreements we have with the other agencies in the County.	none	The Sacramento Metropolitan Fire District is a special district that provides fire & EMS service to the majority of unincorporated Sacramento County as well as the cities of Citrus Heights and Rancho Cordova and a portion of unincorporated Placer County. We have 494 full-time/career suppression personnel and 9 volunteer firefighters (operating out of station 112 in North Highlands) who serve a population of about 745,000 people in 359 square miles. Cosumnes CSD Fire Department is also a special district that provides Fire/EMS services to the city of Elk Grove and the community of Galt. Folsom Fire Department serves the city of Folsom, and the city of Sacramento is covered by Sacramento Fire Department. Part of Sacramento Fire's jurisdiction is unincorporated Sacramento County. The south part of the county is covered by multiple volunteer fire departments and combination paid/volunteer departments.	Metro Fire is primarily funded by property taxes. There is an additional assessment in one portion of our area (Rancho Murietta). Another source of funding is cost recovery from EMS. We also have bonds, etc. A good source of information for any of these items is our CAFR; FY2016-17 is available online and FY2017-18 will be published in January & posted in the same location - <a href="http://www.metrofire.ca.gov/index.php/about-us/financial-category/76-comprehensive-annual-financial-report">http://www.metrofire.ca.gov/index.php/about-us/financial-category/76-comprehensive-annual-financial-report</a>	For Metro Fire's jurisdiction, we have fire stations in those parts of the county. We also have auto aid agreements with the three other agencies in our county, so we will be dispatched to their areas if we are the next available unit, and vice versa. All agencies in the county share a single Fire/EMS dispatch center, which is a JPA, to provide continuous service to our communities ( <a href="https://www.srfec.ca.gov/the-jpa/">https://www.srfec.ca.gov/the-jpa/</a> ).

County	Population <sup>a</sup>	Area <sup>b</sup>	Uncovered Areas <sup>c</sup>	Estimated Size of Uncovered Areas <sup>d</sup>	Services to Unincorporated Areas <sup>e</sup>	Funding for Unincorporated Areas <sup>f</sup>	Coverage in Difficult to Reach Areas <sup>g</sup>
<b>Contra Costa</b>	1,147,439	716	One petrochemical refinery in northern unincorporated Concord, the C&H Sugar facility in Crockett, and a few islands in the Delta are outside of any governmental fire jurisdiction. Other than that, all areas of the county are covered by a Fire District, Federal Fire Department (MOTCO), or City Fire Department.	20 square miles	Crockett-Carquinez FPD (Volunteer fire district), and East Contra Costa FPD (paid fire district) are BLS fire first responders.  All other agencies are fully paid and provide ALS fire first response for the unincorporated areas.	All fire protection districts are funded directly by property taxes. A small amount of additional revenue is received from Measure H funds via the Contra Costa Health Department for ALS first responders. The City of El Cerrito provides service to the Kensington FPD under contract (Kensington FPD is funded by property taxes).	Per the contract with Contra Costa County EMS, the 911 Emergency Ambulance providers have minimum response time requirements to all areas of the county, regardless of remoteness. East Contra Costa FPD contracts with CalFire under the "Amado" plan to staff a remote area of their district during the non-fire season. Contra Costa County FPD relies on one volunteer/reserve station in the Briones Valley which is remote, and the San Ramon Valley FPD has a volunteer/reserve station in a remote area of their district to provide fire response. Air ambulances are dispatched based on trauma protocols or as requested by responding fire resources for rural and remote areas.
<b>Kern</b>	878,744	8,132	Entire County covered all year. One additional seasonal station is staffed for fire season in a mountain community.	0%	Kern County is protected by Kern County Fire. Bakersfield City has its own as does California City.	KCFD has a fire fund covering the entire county. In addition, we have protection contracts with each of the incorporated cities we protect. Additionally, Kern is a Contract County with Cal Fire. They provide seasonal funding for 15 fire stations.	One station has a 150 square mile "First in" response area. County has two air ambulance providers (both private) and all transport is handled by private ambulances. Response times for these are regulated by Kern County EMSA. Fire has two helicopters for transport if the privates are unavailable. EMD protocols determine the response that includes response times.



County	Population <sup>a</sup>	Area <sup>b</sup>	Uncovered Areas <sup>c</sup>	Estimated Size of Uncovered Areas <sup>d</sup>	Services to Unincorporated Areas <sup>e</sup>	Funding for Unincorporated Areas <sup>f</sup>	Coverage in Difficult to Reach Areas <sup>g</sup>
Ventura	847,834	1,843	Our county is covered by - Local government 100% of the time in Ventura, Oxnard and Fillmore (LRA) - The remaining seven cities, the unincorporated and all State Responsibility Area (SRA) is covered by County Fire 100% of the time. - We have a piece of US Forest that is covered by local agreement and USFS Fire during declared fire season.	98% of populated area. 60% of land mass is covered by LRA or SRA.	LRA 100% Fire and EMS SRA and unincorp. 100% Fire and EMS USFS Land only during Fire Season, although we will send a local response year round by request for Fire All other hazards (Medical, Structure Fires, Vehicle accidents, rescues) are covered 100% by County Fire	County Fire is a Special District funded by a percentage of the property tax. The three cities we do not cover does not pay that percentage.	ALS Helicopter operated in partnership with our Sheriff Department.

County	Population <sup>a</sup>	Area <sup>b</sup>	Uncovered Areas <sup>c</sup>	Estimated Size of Uncovered Areas <sup>d</sup>	Services to Unincorporated Areas <sup>e</sup>	Funding for Unincorporated Areas <sup>f</sup>	Coverage in Difficult to Reach Areas <sup>g</sup>
Stanislaus	535,684	1,495	Stanislaus County has 100% coverage for Fire responses. We are separated into 15 different Fire Agencies that cover 19 separate Cities or Fire Districts. There is one area referred to as Division 1 North that is an unincorporated area of the county that is not covered by a Fire District but receives responses through a contract between Stanislaus County and the Stanislaus Consolidated Fire Protection District. There is talk of the area being annexed into their district but it hasn't gone through LAFCO as of yet.	none	As stated above there are 15 different Fire Agencies. There is a mix between Fully Paid City Fire Departments, Fully Paid Fire Districts, Combination Departments and Fully Volunteer. CalFire has responsibility for the State Responsibility Area (SRA). For The Westside SRA (Interstate 5 to the West) CalFire has responsibility for Vegetation Fire or threats to the vegetation responses) All other responses (EMS, Vehicle Accident, Structure Response, etc.) is the responsibility of the local fire district. This are of SRA is covered by the CalFire, Santa Clara Unit (SCU) out of North Ops.	The City agencies are funded through their general fund or some cities have special funds for their public safety responses (City of Ceres has Measure H funding which is a sales tax specific for public safety) The unincorporated areas are funded through property tax. Stanislaus County has a "Less than Countywide Fire Tax". Only Modesto City and Turlock City have opted out of this tax. (Sometime in the 1950s if I remember correctly). This tax is specific to "non-suppression" functions. Funds are used to provide Prevention, Investigation, Communication Support and Administrative support to the agencies whose population pay into that tax.	In certain rural areas of the county Air Ambulance is on an "Auto" dispatch for specific calls (mostly trauma related). These are being revisited due to the close proximity of some of the Level 2 Trauma Hospitals to the areas and the transport times of the ground ambulance providers. We have specific response time standards depending on population per square mile and adjust the required response time for the transport ambulance based on that. We currently have a fine system in place for when the ambulance providers do not meet the response times. This is all up in the air currently. The ALS transport contract is going to RFP which is currently being written.

County	Population <sup>a</sup>	Area <sup>b</sup>	Uncovered Areas <sup>c</sup>	Estimated Size of Uncovered Areas <sup>d</sup>	Services to Unincorporated Areas <sup>e</sup>	Funding for Unincorporated Areas <sup>f</sup>	Coverage in Difficult to Reach Areas <sup>g</sup>
			EMS also has 100% coverage for Stanislaus County. This is provide through Three Separate Hospital Districts that provide ALS Transport Ambulance Services, an area covered by AMR through Historical Recognition for the ALS Transport Ambulance Services Exclusive Operating Area and an undefined area that does not fall into any ambulance providers Exclusive Operating Area currently covered by ProTransport 1.				

<sup>a</sup> 2017 American Community Survey

<sup>b</sup> CA State Association of Counties: <http://www.counties.org/pod/square-mileage-count>

<sup>c</sup> Are there any parts of the county that are not covered by a fire or EMS service agency/provider, or that only receive coverage during declared fire season as defined by Cal Fire?

<sup>d</sup> If yes, can you estimate (an approximation is fine) the percentage and/or square mileage of the uncovered area?

<sup>e</sup> If the entire county is covered, how is fire and EMS service provided to unincorporated areas (local fire agencies, county fire agency, Cal Fire, volunteer fire agencies/districts, federal agencies)?

<sup>f</sup> How are the agencies that provide fire-EMS service in unincorporated areas funded (a portion of the property tax funds a fire district; a portion of the property tax funds another type of special district; there's an additional assessment on properties in unincorporated areas; the County pays for it; etc.)?

<sup>g</sup> How do you provide fire and EMS coverage to the most rural or difficult to reach parts of your county and how do you ensure that your response time to calls in these areas meets your standards (e.g. helicopters to ensure faster response times, placing fire districts in those parts of the county, etc)?



## South Santa Clara County Fire District

15670 Monterey Street Morgan Hill, CA 95037 • (408) 779-2121 • www.sccfd.com

Jake Hess, Fire Chief

Date: December 4, 2019  
 To: Board of Supervisors Management Audit Division  
 From: Joan Marfia-Lewis, Board President *Joan Marfia-Lewis*  
 South Santa Clara County Fire District Board of Commissioners  
 Subject: Response to the Management Audit of the South Santa Clara County Fire District

Below, please find our formal response to the Board of Supervisors Management Audit Division's *Management Audit of the South Santa Clara County Fire District*.

### Section 1: Fire District Responses to Morgan Hill Incidents

Recommendation 1.1: The South Santa Clara County Board of Commissioners should formalize in the boundary drop agreement the arrangement with Morgan Hill for the 50 percent funding of the engine company at Station 1.

*SSCCFD Response:* Partially Agree.

A formal agreement would memorialize the existing arrangement. The Three-Department Operational Agreement requires the approval of three governing bodies to make changes to policy. Currently cost of fuel and personnel are already split administratively. Outstanding costs that are not shared are related to maintenance, repair and upkeep of the District Engine. Another alternative would be to have a separate agreement to share costs that is just between the District and City of Morgan Hill.

Recommendation 1.2: The South Santa Clara County Board of Commissioners should consider an arrangement with Morgan Hill for the costs of a portion of Engine 67's maintenance, repair, and upkeep.

*SSCCFD Response:* Partially Agree.

A formal agreement would memorialize the existing arrangement. The current arrangement already divides the costs of operation between the two departments. The one outstanding cost that is not captured today as part of the shared costs to operate the apparatus and the Station 1 location, is cost of maintenance, repair and upkeep of the apparatus.

Recommendation 1.3: The South Santa Clara County Board of Commissioners should use information from the Standards of Cover study to assess the boundary drop agreement and whether further adjustments to compensations arrangements are appropriate.

*SSCCFD Response:* Agree.

The Final Draft of the Standards of Coverage provided by Citygate Associates, LLC was delivered in November 2019 and it supports the concept that further strengthening of the cooperative relationship in writing ensures the business practices of the current cooperative relationship are memorialized.

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## **Section 2: South Santa Clara Fire District Future Financial Uncertainty**

**Recommendation 2.1:** The South Santa Clara County Fire District's Board of Commissioners should develop a five-year financial plan and annual update to the financial plan that evaluates the District's options to increase revenues and contain expenditures, including potentially consolidating fire prevention and communications operations with the cities of Morgan Hill and Gilroy.

*SSCCFD Response:* Agree.

A 5-year financial plan and annual update to illustrate the District financial position is appropriate. Options to increase revenues are being researched now with County Counsel, in anticipation that a revenue measure will be proposed to the voters in 2020. All opportunities to create efficiency in administration and operations is appropriate. Morgan Hill and District Fire operations, support and dispatch already are co-located. In some cases, the inefficiency of prevention/inspection/building is outside the scope of the Fire District and would require support from other governing bodies. Supervisory responsibility or oversight in a single office, Fire Marshal for example, may help create efficiencies, but each of the three governed entities has different business practices to address fire engineering and risk reduction. Staff will need to remain focused on the differences between the different jurisdictions, communications with local jurisdictions; dedicated staff will still be needed to address each jurisdiction.

**Recommendation 2.2:** The Santa Clara County Board of Supervisors should consider options for increasing revenues, including a ballot measure to increase parcel or other special taxes to pay for fire protection services.

*SSCCFD Response:* Agree.

District Staff is currently in communication with County Counsel and the Registrar of Voters Office in preparation to propose a revenue measure in 2020. There are many cost-savings efficiencies in the current staffing model, but growth and demand for services is out-pacing revenues. The creation of a mobile equipment replacement fund and capital/facilities replacement fund also need to be addressed to ensure that there is sustainability in the future of the Districts replacement of apparatus and fire stations. Sufficient revenues are not available to fund the replacement funds today. Future increases in revenues through a revenue measure would be used to fund mobile and facility replacement.

**Recommendation 2.3:** The Santa Clara County Board of Supervisors should consider options for consolidating fire districts in the County, as further recommended in Section 4, Recommendation 4.1 of this report.

*SSCCFD Response:* Partially agree.

Consolidation to streamline government should be reviewed regularly. The consolidation of departments alone will not solve the financial challenges of the District. The suppressed assessed value and consideration of a change to address shortfalls in revenue should be



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addressed by the District Board of Directors. While the Williamson Act helps sustain valuable agricultural land in South County, it has had a negative impact on public safety services revenue. As a measure to help prop up the loss of revenue, considering there is still a strong need for public safety services, the County should consider other revenues to offset the loss. Consolidation of the Fire Districts in the County is not a certain fix to address service levels. The outcome of the consolidation and level of services are not known.

### **Section 3: Multi-Year Capital Planning and Asset Management**

**Recommendation 3.1:** The South Santa Clara County Board of Commissioners should request the District Fire Chief to provide the timeline to complete the detailed categorization of assets, and submit the completed categorization of assets to the Board of Commissioner's for review and endorsement.

*SSCCFD Response:* Agree.

An accountability of assets is essential. While we have personnel that are in contact regularly with all District assets, having a formal inventory is important for recordkeeping and accounting/auditing. District staff will investigate a cloud based solution to address the inventory of assets and from accurate asset accounting can build a durable goods replacement policy.

**Recommendation 3.2:** The South Santa Clara County Board of Commissioners should develop a financing plan for the repair, replacement, and expansion of District facilities and other capital assets.

*SSCCFD Response:* Partially agree.

A formal approved plan would be used as a roadmap to identify current needs and future projects to allocate revenues to address repair, replacement and expansion of current facilities. In 2014 the District hired Taussig and Associates to develop a growth impact study from which the District Board of Directors approved amendments to the existing Development Impact Fee Structure. As part of the study the District Staff created a facility and capital asset replacement plan. Further work using the information in that document could be used to create a more defined replacement strategy.

**Recommendation 3.3:** The South Santa Clara County Board of Commissioners should develop financial policies that include policies relating to debt issuance and drawing on reserves.

*SSCCFD Response:* Partially agree.

District should enhance its financial policies to include addressing the subject of debt issuance. District already has policies to address drawing on reserves.

**Recommendation 3.4:** The South Santa Clara County Board of Commissioners should direct the Fire Chief to complete an annual inspection to validate a sample of the inventory in order to ensure the existence and condition of assets.

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*SSCCFD Response: Agree.*

As stated above an accountability of assets is essential. While we have personnel that are in contact daily with all District assets, having a formal inventory is necessary. District Staff will be investigating potential solutions to address this and propose them to the District Board of Commissioners. A request will be made to the Fire Chief by the Commission to inventory all assets of the District to review with existing inventory documents and update the list of District assets.

#### **Section 4: Santa Clara County Areas without Year-Round Fire/ Emergency Medical Services**

Recommendation 4.1: The Santa Clara County Board of Supervisors should evaluate options to ensure adequate year-round fire protection and first responder coverage to residents of unincorporated areas of the County, including potential consolidation and expansion of four existing fire districts to better allocate resources across the unincorporated areas.

*SSCCFD Response: Agree.*

All property in the County should be under the protection of a local fire protection jurisdiction. The subject has been reviewed by County in the past. This is not a District program issue, but since the District responds for the county to areas not in a fire district, it will have a positive effect on the District.

#### **Section 5: Coordination and Funding of Fire Risk Mitigation Services**

Recommendation 5.1: The County of Santa Clara Board of Supervisors should direct County Administration and County Counsel to examine consolidation of the three Fire Districts under its authority to more effectively and efficiently provide fire prevention and emergency medical services. This assessment should also explore the potential benefits and drawbacks to the expansion of District boundaries.

*SSCCFD Response: Agree.*

The County Board of Supervisors should evaluate the consolidation of the three fire districts and annexation of areas of the County that are not in a fire protection district. Disparate revenues exist in each of the districts and no revenue is received for areas that are not in a fire protection district. Reallocation of revenues from one area of the County to other areas that receive less or no revenue for fire services is likely to be challenging. The public may be challenged to see the benefit of reallocation of revenues from existing districts to other areas of the County with less revenue.

Recommendation 5.2: The County of Santa Clara Board of Supervisors should direct County Administration and County Counsel to examine establishment of a Joint Powers Authority for the purpose of coordinating various fire and non-fire agencies to commence fire prevention activities Countywide.

*SSCCFD Response: Agree.*



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Regardless of jurisdiction, all areas of the county are at risk of large damaging fires. Mega-Fires have become all too common in California and Santa Clara County is no exception to the risk. It's not a matter of if, but when. Fires have no regard for jurisdictional boundaries; to provide a governing body to address the recent adoption of the Countywide Community Wildfire Protection Plan, the institution of a joint powers authority (JPA) would bring all stakeholders together to address risk mitigation across the County. The authority could assess its participants for revenue to address projects, seek grants for revenue as a unified force with other entities in the County and work to address resiliency projects based on JPA established policy.

**Recommendation 5.3:** The County of Santa Clara Board of Supervisors should direct County Administration and County Counsel to examine re-allocation of a modest percentage of the \$220 million of annual Public Safety Sales Tax revenues from exclusively law enforcement needs to the proposed fire-prevention Joint Powers Agreement to fund construction of defensible space or other mitigating work.

*SSCCFD Response:* Agree.

Public Safety Sales Tax revenue is not provided to the county fire departments, but is used to provide enhanced services for Sheriff and District Attorney's Office. A modest increase to the revenues and an incremental increase of future revenues will help to address fire risk to life and property. The measure was passed with public safety (fire) as a focus and fire has not received any revenue from the tax in Santa Clara County. The allocation could be used to staff the JPA and allocated to community risk reduction projects, reducing the risk for large fires.

## **Section 6: Lack of Independent Review of Cal Fire Invoices**

**Recommendation 6.1:** The South Santa Clara County Fire District's Board of Commissioners should request the County's Office of Budget Analysis in the County Executive's Office to review and approve Cal Fire invoices before invoices are sent to the Controller's Office for payment.

*SSCCFD Response:* Agree.

A procedure has already been implemented and will be memorialized to ensure that review and separation of duties in the CAL FIRE Administration are in place; review by the Office of Budget Analysis as well as the District Board of Commissioners will ensure oversight of invoicing by CAL FIRE to the District. The current process includes several steps:

- Human Resources staff enter employee information from State Controller's Office into the timekeeping/payroll system;
- Field supervisors approve employee created timesheet information after auditing;
- Timekeeping information is reviewed by personnel prior to issuance of payroll;
- An analyst reviews all entries and audits against the schedule (just like the supervisor);
- A CAL FIRE chief officer reviews and approves the report. The report is forwarded to CAL FIRE Departmental Accounting Office in Sacramento for review and creation of the invoice to South Santa Clara County Fire District

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- The analyst reviews the invoice and processes the County payment voucher which is then reviewed/approved by a CAL FIRE chief officer and forwarded to County Controller for processing.

The new process includes the following additional steps:

- County Executive OBA will review of all invoice and time report documentation prior to the voucher being sent to County Finance. Any concerns in the documentation will be communicated between OBA and the Fire Chief or designee; and
- Related Documents will be provided to the District Board of Commissioners at their regular bi-monthly meeting for review, comment and correction if needed.
- District Board of Commissioners will approve expenditures of the District at their regular meeting

## **DEPARTMENT ACCOMPLISHMENTS**

The California Department of Forestry and Fire Protection (CAL FIRE) has provided fire protection and emergency medical services to the South Santa Clara County Fire District under a cooperative agreement since the District was formed (from the old Morgan Hill Rural and Gilroy Rural Fire Districts) in 1980.

Contracting with CAL FIRE allows the District to deliver these services at a lower cost than if it were to hire its own fire department staff or contract with another local fire protection agency. In 1998 the District was one of the first agencies in South County to provide Advanced Life Support First Responder Services (Paramedic Response). This is the standard for Santa Clara County and most populated areas of California.

A 2017 Management and Operational Analysis of the District and the City of Morgan Hill (which also contracts with CAL FIRE) found that the cost of services provided by CAL FIRE is cost effective and less expensive than if the District were to stand up its own fire department. Employees can be co-funded by both entities, scaling the staffing needed to be effective for both programs. In addition, the expertise in command functions and financial oversight provided by CAL FIRE and the sharing of resources between Morgan Hill and District is a key efficiency and benefit to the District.

The cooperative agreement with CAL FIRE also allows the District to leverage CAL FIRE resources during larger or more complex incidents. It would be impossible for the District to replicate the amount and type of resources maintained by CAL FIRE, but these resources are available to the District if needed because of the District's relationship with CAL FIRE. From a human resources (HR) perspective, all personnel items (Recruitment, retention, pay, benefits and discipline) are addressed by CAL FIRE, not the County. One significant County benefit is no unfunded liability for defined benefits of the CAL FIRE employees placed on the County.

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The CAL FIRE personnel who staff the South Santa Clara County Fire District view themselves as a part of the community and the District, rather than outside contractors, and have full and successful working relationships with other fire protection agencies in Santa Clara County and with other County agencies. These relationships are particularly critical in the District's location in the southern part of Santa Clara County due to the area's relative geographic isolation from other fire protection agencies.

The Cities of Gilroy and Morgan Hill and the District jointly retained a consultant to conduct a comprehensive Hazard-Risk Assessment and Standards of Cover Study (SOC) to provide a foundation for future local and regional fire service planning in south Santa Clara County. The completion of the SOC will allow the District policy makers to plan for future service level needs and take a proactive approach to local and regional planning for fire protection.

Three major subjects of the 40 findings and 10 recommendations (see Study at: [www.sccfd.com/standardsofcoverage](http://www.sccfd.com/standardsofcoverage))

- 1) Daily Staffing Capacity. All three departments are dependent on each other to meet Effective Response Force industry standards to address multi-company calls for service. Gilroy and Morgan Hill and encouraged to staff an additional resource each as soon as possible and to each build a new station as soon as possible. The new staffing and stations would maintain same level of demand (based on increased population) or reduce demand of District resources to support the two cities.
- 2) Fire Station Locations of the District benefit the two cities (Morgan Hill and Gilroy). urban and suburban (Morgan Hill, Gilroy and San Martin) response "best practices" is to have a fire resource at scene within 7:30 minutes 90% of the time. Rural (District, except for the San Martin Area) performance standards are 10:30 minutes 90% of the time. Both cities are not able to meet the best practices standard even with the District's provision of response to the cities.
- 3) Mutual Aid Isolation. The agencies have existing Mutual and Automatic-Mutual Aid agreements in place with adjoining fire jurisdictions (Merced County, Hollister, Aromas-Tri-County, Pajaro Valley, Santa Cruz County and San Jose City), however, the travel times for those resources (if available) is far longer than the three south county department's resources and are not able to provide a timely effective response force to a rapidly expanding incident.

One significant recommendation in the SOC is for the District, Gilroy, and Morgan Hill to participate in a policy-level strategic planning team to evaluate potential cooperative service opportunities, which will allow all three agencies to deliver efficient and cost-effective fire services in southern Santa Clara County.