

Five Cities Fire Authority Analysis of Fire Services

April 2023

April 13, 2023

Mr. Matthew Bronson
City Manager
City of Grover Beach
154 S. Eighth Street
Grover Beach, CA 93433

Dear Mr. Bronson:

Baker Tilly is pleased to transmit this report on our assessment of the Five Cities Fire Authority (FCFA). The focus of this engagement was to provide an overall assessment of the financial impacts associated with the departure of the Oceano Community Services District (OCSD) from the FCFA based on OCSD's initiation of the divestiture process with the San Luis Obispo County Local Agency Formation Commission (LAFCO). In this report, we identified staffing and fire service options and developed options for a new governance structure. In all, our report includes 18 recommendations for organization enhancements and efficiencies. In addition, we also created a user-friendly and multi-faceted fiscal model for the FCFA and the cities of Arroyo Grande and Grover Beach to use in their respective budget forecasting. This fiscal model will be provided to you separate from this report.

Our review found that the FCFA has done a commendable job in providing basic fire suppression service to its partner agencies, given its limited financial resources, constrained operating budget, and organizational challenges. While the FCFA is an improvement over the previous separate city department model, like other small fire agencies, the FCFA has many operational challenges. However, we feel that we have made several recommendations in this report to help the FCFA address the challenges.

We appreciate the FCFA staff and staff from the cities of Arroyo Grande and Grover Beach for providing us with a variety of information and for having very candid discussions with our team members. In addition, we valued the feedback we received from both the Arroyo Grande City Council and the Grover Beach City Council on our observations and preliminary recommendations presentation, and please be advised that this report provides updated data based on information we received since those presentations were made.

Sincerely,



Carol Jacobs
Managing Director

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Executive Summary

Baker Tilly was engaged by the cities of Arroyo Grande and Grover Beach to assist with an analysis of fire services provided by the Five Cities Fire Authority (FCFA).

The objective of this engagement was to:

- Provide an assessment of the financial impacts of the departure of the Oceano Community Services District (OCSD) from the FCFA;
- Provide the options available to the FCFA to address the financial gap as a result of OCSD's withdrawal from the FCFA; and
- Recommend a new governance structure upon the departure of OCSD.

Major Observations

Through our data gathering and analysis, we made numerous detailed observations described further in this report. Major observations that informed our recommendations are provided below.

- ***The need for an ongoing dedicated revenue source to finance operational and capital costs.*** With the exception of grant funding and state strike team reimbursements, all operations and capital expenses are financed directly by participating agencies. Each agency makes a financial contribution based on a pre-determined funding allocation amount; however, recent annual financial contributions have not sufficiently financed operations or capital costs. Consequently, a dedicated revenue source is both needed and warranted.
- ***The divestiture of OCSD fire service responsibility will take time to resolve.*** The process for divestiture was initiated by the OCSD Board of Directors on January 11, 2023, and now the San Luis Obispo Local Agency Formation Commission (LAFCO) will decide on this matter. However, this decision will not be made before the end of this fiscal year; thus, options for fire service in the Oceano area will need to be explored.
- ***The FCFA does not meet National Fire Protection Association (NFPA) 1710 standards.*** NFPA sets standards for fire suppression, emergency medical operations, and special operations through

NFPA 1710 which requires, amongst other things, four-person response units with a total of 17 personnel required for structure fires. FCFA does not meet this standard.

- ***The FCFA faces numerous operational challenges.*** Operational challenges include inconsistent staffing levels on all units, insufficient resources devoted to training (especially high-risk/low frequency calls), the lack of a dedicated revenue source to help finance operations and capital costs, inadequate fire prevention programs and managerial oversight, and an outdated communication system.
- ***A Standards of Cover and Community Risk Assessment are needed.*** Both a Standards of Cover and Community Risk Assessment are essential for determining the appropriate staffing and deployment needs of the agency. A Standards of Cover report would identify response time objectives, establish standards for measuring the effectiveness of department resources, and evaluating the deployment of those resources. A Community Risk Assessment would provide the FCFA with recommendations of how to prepare their community to respond to emergency events and develop community resilience.
- ***The number of calls for service for the existing service population is consistent with industry standards; however, public service or non-emergent calls represent 40% of total calls, which is relatively high compared to surrounding agencies.*** For example, the percentage of non-emergent calls in surrounding agencies are Paso Robles 19.1%, Morro Bay 20.2%, San Luis Obispo 23.8%, and Atascadero 30.7%. It is our understanding that the reporting software has a coding issue that needs to be addressed and may result in an increase in emergency medical calls and a corresponding decrease in non-emergent calls.

Organization of the Document

The remainder of this report is organized into the following major sections:

- Background
- Project Approach
- Service Level Analysis
- Fire Chief's Recommended Staffing Plans
- Fiscal Analysis
- Alternative Models
- Governance Structure
- Conclusion

Background

In 2004, the cities of Arroyo Grande and Grover Beach initiated a partnership to provide fire services. This partnership included sharing personnel such as a fire chief and training officer and was later expanded to include equipment sharing, a consolidation of their reserve firefighter programs, and a change in how 9-1-1 calls were dispatched with the closest fire resource responding regardless of community boundaries. In 2009, the Oceano Community Services District joined the partnership leading to a complete consolidation of the fire departments on July 9, 2010, and the establishment of the Five Cities Fire Authority.

The Five Cities Fire Authority serves a 10 square mile area, which includes the communities of Arroyo Grande, Grover Beach, and Oceano, with a population of approximately 38,000. The area is served by three fire stations. The mission of the Five Cities Fire Authority is *“to provide the highest level of service possible by mitigating threats to life, property, and the environment while meeting the growing needs of our communities.”*

After a special tax measure failed in the Oceano Community Services District (OCSD) in June 2022, the OCSD took action to withdraw from the Five Cities Fire Authority effective June 30, 2023. As a result, Grover Beach and Arroyo Grande requested an assessment of the financial impacts associated with the OCSD’s departure and the staffing and fire service options available in order to continue to provide fire prevention and suppression services to their respective communities be prepared by an independent third party.

Project Approach

In 2015, the fire chief performed a Strengths, Weakness, Opportunities, and Threats (SWOT) analysis of the FCFA. Later, in 2017, the FCFA Board hired a consultant to assist the Board with the development of a Five-Year Strategic Plan that assessed the agency's staffing, equipment, personnel deployment, and resource needs. This previous work provided Baker Tilly with background information and context for this engagement. Baker Tilly also obtained additional information through interviews and review of operations-related documents which informed the recommendations in this report.

Interviews

To inform our analysis, Baker Tilly conducted individual and group interviews with the following:

1. CALFIRE representatives
2. City Managers
3. City finance directors
4. FCFA command staff
5. FCFA firefighters' union representatives which included captains, engineers and firefighters
6. Former FCFA Board Members
7. OCSO General Manager
8. San Luis Obispo County Fire Chief
9. San Luis Obispo County Local Agency Formation Commission (LAFCO) Executive Director

The purpose of the interviews was to obtain insight on:

- Strengths, weaknesses, and opportunities for improvement inside and outside the organization;
- Organization structure and staffing;
- Interagency collaboration and communication;
- Technology systems and staff development opportunities;
- Financial management and reporting; and
- Assessment of best practices.

Interview Themes

The following major themes emerged from our interviews.

- FCFA personnel take great pride in the service they provide and are passionate about enhancing service levels.
- The departure of OCSO is a concern from a fire service delivery and funding perspective.
- Board members, city management, fire command staff, and floor personnel are concerned about the availability of funding to properly finance operations and capital costs.
- According to floor personnel, they are overworked and stressed due to operational challenges and lack of resources.
- A low level of collaboration exists between FCFA personnel and the JPA member agencies which has caused frustration amongst floor personnel leading to a lack of harmony and mutual understanding in the workplace.
- Continued consolidation of fire resources from neighboring agencies makes the most sense rather than having standalone city fire departments.

Document Review

Baker Tilly reviewed a wide range of documents to help inform our analysis. The documents are listed below.

- Budgeting and financial-related information including CalPERS Actuarial Reports
- CALFIRE Emergency Command Center Contract
- CALFIRE Pismo Beach Contract
- Citygate Pismo Beach Analysis
- Calls for service data and associated call volume information
- Emergency Command Center Three Year Data Run by Unit
- FCFA Joint Powers Agreements and associated amendments
- La Verne Fire Department Community Risk Assessment/Standards of Cover
- NFPA 1500 Firefighter Safety and Wellness
- NFPA 1710 Standard for Deployment
- NFPA 1730 Community Risk/Fire Prevention
- Public Protection Classification Summary Report by the Insurance Services Office
- Santa Maria Fire Department Community Risk Assessment/Standards of Cover
- Special District Fire Projection Study
- Strategic planning and associated fire study documents
- Various FCFA operations documents

Service Level Analysis

Since 2010, the FCFA has provided fire prevention and suppression service to the cities of Arroyo Grande, Grover Beach, and the unincorporated area of Oceano. Their service area boundary covers almost 10 square miles. FCFA serves a population of over 38,000 and personnel respond from three separate fire stations.

The FCFA has a total of 26.5 full-time equivalent (FTE) budgeted positions. The FY 2022-23 annual budgeted revenues are \$6.3 million with \$6.9 million in appropriations resulting in budgeted deficit of \$616,000. The annual capital budget for the FCFA is slightly over \$250,000. This represents an increase from prior years, which averaged about \$100,000 per year over the last three years. The FCFA does not currently have an established asset replacement program for equipment and apparatus which makes it challenging to replace mission-critical assets when needed. In addition, there is no current long-term capital plan for fire station renovations or improvements.

Given their limited financial resources, the FCFA provides basic fire suppression service to the community and maintains a positive relationship with the public. There also exists a non-profit group called “Friends of the Five Cities Fire Authority” that is made up of community volunteers designed to help provide additional funding to the agency as well as support its goal of providing effective fire protection services to the residents of the central coast. The FCFA model enables the cities to provide fire protection services in a cost-effective manner. The department could be characterized as a home-grown department with many local employees. The majority of those in a supervisory capacity have been promoted through the ranks of the organization. Like many small fire agencies, the operational design and organization make the FCFA unique while also creating challenges for service delivery which are discussed later in this report.

Because of the topography and vast service boundaries of the FCFA, automatic and mutual aid resources have lengthy response times. As such, the FCFA does not currently meet the National Fire Protection Association (NFPA) standards for fire suppression, emergency medical

operations, and special operations as outlined in NFPA 1710 for public career fire organizations. Specifically, the daily unit staffing is not at the required level to meet this standard. NFPA requires four personnel on each unit with 17 personnel required for structure fires within 8 minutes of being dispatched. Rather than being at the required 17 personnel, the FCFA has only 11 personnel, thus requiring assistance from other outside fire agencies to properly attack a structure fire as illustrated in Table 1 below.

Table 1. First Alarm Residential Staff Assignments

Assignment	Standard	FCFA ¹
Incident Commander	1	2 ²
Pump Operator	1	1
Fire Attack	2	2
Back-Up Crew (BUC) ¹	2	2
Attack/BUC Support	2	
Victim Search & Rescue	2	
Ladders and Ventilation	2	2
Truck Operator	1	
Rapid Intervention Crew (RIC)	4	2 ²
Subtotal	17	11

¹When Oceano is open, there exists 1 additional Fire Engineer

²Automatic Aid - One Battalion Chief, One Engine Company with staffing of two

The NFPA 1710 requirement is based on operational studies conducted by the NFPA and the National Institute of Standards and Technology (NIST) on fireground and emergency medical services field experiments. These experiments defined the number and types of tasks specific fire personnel are required to perform for successful outcomes during fire and emergency medical service (EMS) calls for service. They compare staffing of two, three, four, and five firefighters with varying arrival times of each apparatus. In addition, there is a Cal OSHA regulation in place requiring four personnel to be on scene and available for rescue before entering a hazardous environment. With the current FCFA configuration and staffing model this is not easily met, and the only permitted exception is entry to rescue a victim.

With regards to the current NFPA standard, Table 2 on the following page compares the NFPA standard with the current complement of FCFA.

Table 2. Current FY 2022-23 Budgeted Staffing

Current	Station Companies					
	A/P/T ¹	Arroyo	Grover	3rd	4th	Total
Chief	1					1
Admin	1.5					1.5
Fire Marshal						0
Prevent Spec						0
EMS Coord						0
Batt Chief	2					2
Captain		3	3	3		9
Engineer		3	3	1		7
Firefighter		3	3			6
Total	4.5	9	9	4		26.5

¹ A/P/T = Administration/Prevention/Training

Of the 26.5 full-time equivalent (FTE) positions, 22 FTEs are sworn positions that provide a three-company deployment with two three-person companies (one assigned to each City) and one two-person company on "B" shift only that is assigned to the Oceano area. In addition, there are 2.5 FTE positions assigned to administration (including the fire chief), along with 2 battalion chiefs, as illustrated in Table 2.

While the FCFA has a three-company deployment, because of the current staffing pattern illustrated in Table 2 above, the FCFA unit assigned to Oceano is out of service approximately 66% of the time. Taking this unit out of service puts a greater demand on the two remaining units. The logical result is an increase in simultaneous calls and dependance on automatic and mutual aid.

The constant staffing provision in the current memorandum of understanding (MOU) is two positions short of staffing all three units every day. The delivery of safe and efficient fire suppression and emergency service is based on the time and weight of responding resources, leading to effective mitigation. The varying and low level of staffing puts firefighters and the public at greater risk of injury and contributes to a low level of incident control and desired outcomes. If funding was not an issue, the ideal staffing would be for all front-line engines and trucks to be staffed by four full-time sworn personnel. And while this staffing model has proven to be the safest and most effective way to mitigate emergencies, many agencies are unable to provide this level of service. In fact, agencies of similar size and call volumes to FCFA commonly use a staffing pattern of three per unit as illustrated in Table 3.

Table 3. Comparison of FCFA Service Area and Staffing Model to Nearby Agencies

Agency	Population	Area (Square Miles)	Fire Stations	2022 calls for Service	Staffing Model
FCFA w/ OCSD (Plan A-4) ¹	38,154	9.65	3	4,154	Two three-person companies and one two-person squad
FCFA w/o OCSD (Plan A-5)	31,000	8.15	2	3,326	Two three-person companies ²
Pismo Beach	8,000	13.5	2	2,487	Two two-person companies
Atascadero	30,500	26.13	2	3,453	Two three-person companies
Lompoc	43,800	11.67	2	4,201	Two three-person companies and one two-person squad
Paso Robles	31,759	19.65	2 ³	4,748	Two three-person companies and a two-person squad

¹ The FCFA calls for service are from 2021; calls for 2022 have not yet been received.

² Calls for service do not reflect mutual aid as data was not provided by jurisdiction.

³ Fire Station 3 is currently under construction with an estimated completion date of summer 2023. The fire station at the airport is not staffed.

The management complement in the FCFA consists of two battalion chiefs and a fire chief. Currently, the work schedules for the two battalion chiefs do not align with the three shift schedules of suppression personnel resulting in communication challenges. Furthermore, program management and oversight responsibilities are currently being delegated to floor personnel. While this is not uncommon in smaller fire agencies that have limited management resources, it is an inefficient practice and leads to communication and operational issues.

Recommendation 1. Add an additional battalion chief to the full-time complement of management personnel and assign each battalion chief to a shift schedule.

There is an immediate need for an additional battalion chief to balance program oversight and operational responsibilities. This was cited in the 2017 Strategic Plan and has yet to be addressed. Once an additional battalion chief is hired, all battalion chiefs should then convert to the 56-hour shift schedule to provide better operational safety through consistent and timely command and control on emergency scenes.

During our engagement, Baker Tilly also noted that most administrative and operational programs necessary to run the department have been subordinated to captains with a battalion chief being the liaison for management and oversight. While the captains may be capable of managing these tasks, the additional responsibilities and required time commitment limit their ability to effectively complete their

responsibilities and address issues related to their respective crews resulting in miscommunication and uncertainty. The addition of a battalion chief will position the command staff to lead the organization by setting goals, assist with policy development, identifying needs, developing plans, monitoring performance, and creating systems of accountability.

Future Staffing Priorities

As the organization continues to grow and the service population increases, a training officer/emergency medical services (EMS) coordinator, a full-time fire inspector, and an additional fire unit may be necessary to assure administrative compliance, unit coverage, and response capabilities. However, we do not foresee this type of increased staffing being needed in the near future based on the average annual growth in calls for the two cities. As illustrated in Table 4, the average annual growth in calls in the cities from 2012 to 2021 is 3.6%.

Table 4. Annual Calls for Service¹

Year	Arroyo Grande	Grover Beach	Cities Total	Annual Change	OCS D	Grand Total	Annual Change
2012	1,521	903	2,424	18.10%	513	2,937	
2013	1,537	882	2,419	-0.20%	515	2,934	-0.10%
2014	1,562	908	2,470	2.10%	573	3,043	3.72%
2015	1,724	1,084	2,808	13.70%	528	3,336	9.63%
2016	1,824	1,152	2,976	6.00%	521	3,497	4.83%
2017	1,987	1,198	3,185	7.00%	583	3,768	7.75%
2018	1,856	1,098	2,954	-7.30%	566	3,520	4.58%
2019	1,814	1,049	2,863	-3.10%	570	3,433	-2.47%
2020	1,964	1,077	3041	6.20%	712	3,753	9.32%
2021	2,125	1,201	3326	9.40%	631	3,957	5.44%
CAGR²	3.79%	3.22%	3.58%		2.33%	3.37%	

¹ These numbers do not include automatic or mutual aid since we were only provided that information for partial years.

² Compound annual growth rate.

Table 4 reflects the annual calls for service over the last ten years. Since Baker Tilly only received automatic or mutual aid data for the last three years and not the entire ten-year period, we did not include any automatic or mutual aid data in the above table as that would have skewed the annual compounded growth rate analysis. However, it should be noted that the average automatic or mutual aid calls during the last three-year period were not significant – reflecting less than five percent of total call volume.

It was difficult for Baker Tilly to analyze call utilization and track productive and non-productive work hours, as neither the FCFA nor the City of Arroyo Grande's Accounting Services Division track working hours by category. Accordingly, a recognized best practice in fire service is a staffing program that documents and displays daily staffing hours and locations. Such a program tracks and audits all hours charged to the individual employees and can be set up by specific categories for the type of work performed or leave taken. This allows the administrative staff to track all hours charged to daily staffing and specific events or programs in the FCFA budget, providing for immediate oversight and recognition of abnormal or unexpected hours used or accrued. The accounting of all hours by category can also provide for a more accurate budget forecast.

Recommendation 2. Acquire a staffing program to manage and track all working and nonworking hours for all FCFA personnel.

Another best practice is to know unit hour availability. Currently, the FCFA does not utilize a program to track activities and hours daily for each unit. Reliable data and statistics are necessary to evaluate the true time spent on calls for fire personnel to determine unit hour utilization. While these numbers are available from the CALFIRE Emergency Command Center, they could be more easily accessed in a daily unit history program. Daily workload including fire prevention, training, station and apparatus maintenance, and public education are also tracked in these types of programs and is then demonstrated in a unit hour availability summary in addition to the unit hour utilization.

Recommendation 3. Improve the ability to track company activity by developing or purchasing a program capable of tracking all unit and personnel activity, including apparatus and equipment.

The 2017 Strategic Plan recommended conducting an operational/financial analysis of the FCFA as well as a Standards of Cover. This will assist in determining whether current service levels adequately address the service demand. In addition, a Community Risk Assessment is also warranted.

Recommendation 4. Conduct a Standards of Cover and Community Risk Assessment to determine the appropriate level of service to provide the community.

The Standards of Cover would be created using data provided by FCFA and others used to determine the current levels of response performance as quantified statistics. From this analysis, factors will be identified that

would influence response performance and opportunities for delivery system improvement. The Standards of Cover would identify response time objectives, standards for measuring the effectiveness of department resources, and the deployment of those resources. A Standards of Cover is a best practice, and the report should be consistent with the format recommended by the Center for Public Safety Excellence, *Community Risk Assessment: Standards of Cover*, 6th Edition.

A Community Risk Assessment is based on numerous factors, including socioeconomic status, household composition, minority status and language, population and density, housing types, local land use and development, and the geography and natural hazards present throughout the community. These factors affect the number and type of resources, both personnel and apparatus, necessary to control or mitigate an emergency. A community risk assessment provides relevant information to the FCFA with recommendations of how to prepare their community to respond to emergency events and develop community resilience.

Both a Standards of Cover and Community Risk Assessment are essential for determining the appropriate staffing and deployment needs of the agency and should be performed by an outside independent third-party consultant. For planning purposes, we have added \$50,000 to the FY 2023-24 FCFA budget forecast as an estimate for the cost of such a study.

Clerical and Administrative Support Staff

In the FY 2022-23 budget, there are 1.5 positions identified as administrative. As the organization continues to grow and the fire prevention program creates a more robust fee service program, there will eventually be a need to increase the current complement of staff to two full-time positions. It should be noted that in the fire chief's proposed staffing plans, he recommends increasing the one part-time clerical staff to full-time in FY 2024-25. For planning and staff projection purposes, we have included the fire chief's recommendation in our alternative staffing models later in this report.

Fire Prevention and Community Risk Reduction

Currently, member agencies use their building official or contract building official for new construction plan review, permit requests, and field inspections. These building officials are identified as fire marshals. Baker Tilly believes the position of a state-certified fire marshal as a position within the FCFA is necessary to conduct state-mandated fire inspections, as well as high-hazard occupancy inspections. These are technical inspections that take several hours each and require specialized training and education to interpret and enforce the appropriate Uniform Fire Code sections.

The FCFA is responsible for approximately 1,900 annual fire prevention inspections: 200 multi-unit and hotel inspections, 50 new business inspections, 1,500 annual business inspections, and roughly 30 plan check inspections. The FCFA is also responsible for over 165 state-mandated inspections such as schools, hospitals, care facilities, high-rise, and high-hazard occupancies that require specialized permits. Currently, over 70% of business inspections are not being conducted. Consequently, fire prevention is not currently being supported at an acceptable level which creates a risk and liability concern.

There is a justifiable need for two positions responsible for fire prevention activities. The annual small business inspection load is approximately 1,500, which would normally be assigned to the field units. However, due to the low level of field staffing and unit availability, these inspections have not been done. In communities that have low field staffing levels, fire prevention is as equally important as fire suppression. One of the most effective ways to reduce fire calls is to have a strong prevention presence in the community. The result is a greater understanding of the community's hazards/risks and mitigating contributory factors before they become a call for service. For these reasons, a full-time fire marshal position and a part-time inspector are warranted. However, due to the FCFA's limited financial resources, contracting for these services would be more economical.

Recommendation 5. Contract for fire marshal and fire inspection services.

Baker Tilly also recommends completion of NFPA 1730 Standard on Organization and Deployment of Fire Prevention Inspection and Code Enforcement, Plan Review, Investigation, and Public Education Operations. This document provides a structured process to guide a fire prevention professional to work through a prevention-based community

risk assessment. Once the NFPA 1730 Standard is completed and/or the standards of cover or community risk assessment has been performed, a more thorough understanding of prevention staffing needs would be identified and would serve as the basis to guide future fire prevention needs.

Departmental Training

A battalion chief manages fire related training. Each employee is responsible for entering their training hours into an automated program as they complete the hours. The battalion chief has audit and oversight responsibilities to assure compliance standards. FCFA currently meets mandatory hourly requirements for the county and state.

FCFA contracts with a nurse educator to manage the requirements of the Local Emergency Medical Services Area (LEMSA) quality assurance review process and reporting while providing the required continuing education to remain an EMS provider. This arrangement addresses the requirements, but there is an ongoing commitment for staff oversight, control, and scheduling of this program.

Providing training on all shifts and dealing with the logistical issues such as identifying and obtaining permission to use various sites for training are challenging. Currently, OCSD provides a site for the ventilation prop and coordinates fire hydrant use for water flow evolutions. These are two of the most crucial functions that require reoccurring training. They are high risk/low frequency manipulative evolutions. Pumping water through hose lines and master stream appliances along with ventilation of a roof structure are critical to the mission of saving lives and property within the first few minutes of a fire. When OCSD is no longer a partner, the nearest option for this type of training is in Lompoc. Logistically, this is impractical due to driving time and a lack of coverage units for the FCFA. With limited options for local training sites there is little opportunity for live fire training. In most organizations these evolutions are conducted with a staff of evaluators on a routine basis. Staffing a reserve unit with overtime personnel or asking for a cover unit from CALFIRE would be the only option to meet the time commitment necessary for this type of training. We commend the FCFA for being highly active in the San Luis Obispo Training Officers group as well as having representatives on many special operations teams and oversight working groups within the County fire system. However, we noted that there is less than \$15,000 budgeted annually for agency training, which is low, even for a smaller agency.

Recommendation 6. Increase the amount budgeted annually for departmental training.

Additional funding for securing training sites and staffing is necessary in order to properly provide the necessary training staff, especially suppression personnel, need.

During our interviews with FCFA union representatives, they voiced their concern that leadership development and succession planning-related training was not afforded to floor personnel.

There are skill-set requirements for each position in the suppression ranks, but there is frustration in the lack of funding for the necessary technical training required of floor personnel that is not provided by FCFA. Their MOU allows for educational and training reimbursement only if funding is available, and there is not enough budgeted to address this demand. This has resulted in a financial cost for anyone taking a promotional exam that requires additional certifications. Additionally, there does not appear to be any leadership programs offered to floor personnel to encourage and develop the future leaders of the organization.

Recommendation 7. Develop a comprehensive training program to address succession planning, and increase the budget for tuition reimbursement, thereby allowing employees to complete the necessary certifications and education required to advance through the ranks.

Management positions in FCFA should also be included in any leadership and management training opportunities offered by partner agencies to their managers and department heads.

Building and Facilities

During our onsite visit to the FCFA facilities, it was noted that the Oceano station is not in alignment with modern fire service standards or response criteria. The temporary housing unit is currently too far away from where the apparatus room is located, resulting in delayed response times during emergency calls, i.e., increased turnout times (time from dispatch to leaving the station). Turnout times should be no more than 60 seconds for emergency medical calls and 80 seconds for fire calls.

Recommendation 8. Move the OCSD station housing closer to the apparatus room.

The OCSD station's administrative office is also in the same physical location as the fire apparatus and equipment. This is an unsafe and unhealthy working condition, as employee workstations should not be in close proximity or exposed to diesel exhaust and byproducts, or carcinogens.

Recommendation 9. Install a sealed door and/or wall to separate the office and living quarters from the apparatus room and turnout storage areas.

Currently, there are no female firefighters in the FCFA which is not unusual for a smaller agency. Modern station design creates privacy and personal space for each member on duty.

Recommendation 10. Assess the living quarters to determine if creating separate quarters for female firefighters is feasible.

Evaluating and planning for modification to existing facilities to create separate living quarters for female firefighters would demonstrate the commitment of the organization to creating a supportive and inclusive work environment and would enhance recruitment of candidates.

During our visits to each station, we learned that the Motorola radio system platform upgrade has been budgeted and will be addressed soon. However, we also discovered that the existing station alerting system needs repair at station 1 and upgrading is needed at stations 1 and 2 to allow for multi-unit dispatch. The phone system is an analog system and fails during significant rain occurrences. A voice over internet protocol (VoIP) system allows for greater clarity and dependability than the analog system. Increased functionality enhances efficiency by allowing call forwarding, routing, recording, online meetings, app integration, and can reduce ongoing costs as opposed to traditional infrastructure and hardware.

Recommendation 11. Allocate appropriate funding to repair and/or upgrade the station alerting systems and the existing phone system.

Vehicles and Equipment

Currently, there is no option for local routine maintenance of agency apparatus or vehicles. FCFA personnel must schedule all repairs and maintenance with a vendor in Paso Robles. This creates both a financial and operational burden on the agency. A firefighter must drive the apparatus, along with personnel following in a different vehicle, in order to transport the firefighter back to the station. Depending on traffic this could take up to two hours of overtime for each or require taking a unit out of service. While major repairs must be done at the vendor's, regular maintenance and minor repairs could be done by either a qualified local vendor or by the City of Grover Beach's mechanic. We learned that the fire chief is researching a mobile mechanic for the routine maintenance service. A mobile maintenance service is a more effective way to address

routine maintenance and minor repairs of fire vehicles rather than driving them out of the area.

Recommendation 12. Request proposals from local vendors, as well as the City of Grover Beach, to perform minor repairs and regular maintenance on agency vehicles.

FCFA staff should compare any maintenance service proposals with the cost for the City of Grover Beach to perform similar maintenance services. Since the City of Grover Beach is a participating member of the FCFA, collaborating on vehicle repairs could be a viable alternative. However, should it be decided to have the City of Grover Beach assist in minor repairs, it is recommended that the mechanic obtain their California State Fire Training Emergency Vehicle Technician 1 (EVT) certification. Any collaboration between agency partners and the FCFA could assist in increasing the organization's efficiency and effectiveness.

During our engagement, concern regarding the lack of interagency collaboration was expressed, leading to a lack of harmony and mutual understanding in the workplace. Opportunities exist to open the lines of communication between partner agencies and Baker Tilly recommends steps in this direction.

Recommendation 13. Strengthen interagency relationships and collaboration between FCFA personnel and member agencies.

The 2017 Strategic Plan discussed the need for a vehicle replacement program; however, the agency still does not have one. The fire chief is to be commended for using Office of Emergency Service (OES) funding and other creative measures to fund vehicle repairs and obtain replacement vehicles when possible. However, an established vehicle replacement program and the funding of it is still needed.

Recommendation 14. Develop an equipment replacement fund for all mission critical equipment and apparatus.

We reviewed the agency's written operational policies and procedures and concluded additional work in this area is needed. This topic was also addressed in the 2017 Strategic Plan. Currently, the FCFA staff are in the process of transferring the existing documents to Lexipol, an electronic records system. While some progress has been made, there are only about 30 established policies and procedures in place, and according to floor personnel, some are either not current or are in direct conflict with one another.

Recommendation 15. Develop a comprehensive policy and procedures manual, building upon efforts currently underway.

Fire Chief's Recommended Staffing Plans

At the onset of this engagement, the fire chief provided Baker Tilly with two proposed staffing models that he would like to implement over the next several years. For the purposes of illustration, we refer to these plans as Plan A and Plan B.

Plan A – Incremental staffing increase with a 4th Company in FY 2029

The fire chief's Plan A adds a total of 22.5 FTE new positions over the next six years and a 4th engine company in FY 2029 as illustrated in Table 5 below.

Table 5. Plan A – Incremental staffing increase with 4th Company in FY 2029

PLAN A	Station Companies						Staffing Additions				
	A/P/T	Arroyo Grande	Grover Beach	3rd	4th	Total	FY24	FY25	FY26	FY29	Total
Chief	1					1					0
Admin	2					2		0.5			0.5
Fire Marshal	1					1			1		1
Prevent Spec	1					1		1			1
EMS Coordinator	1					1		1			1
Batt Chief	3					3	1				1
Captain	1	3	3	3	3	13			1	3	4
Engineer		3	3	3	3	12	2			3	5
Firefighter		3	3	3	6	15	3			6	9
Total	10	9	9	9	12	49	6	2.5	2	12	22.25

We have reviewed and researched the FCFA 2017 Strategic Plan and other supporting documents. As the organization continues to grow and the community expands, a training officer/emergency medical services coordinator, a full-time fire inspector, and a fourth company may be necessary to assure administrative compliance, unit coverage, and response capabilities. However, as was cited in the 2017 Strategic Plan, Community Risk Assessment/Standards of Cover (CRA/SOC) study would need to be conducted to identify the type of resource, fire station location, and staffing levels to suit the communities' needs.

Plan B – An immediate staff increase of 12 and adding a 4th Company in FY 2027

Plan B is a more aggressive staffing plan that adds a total of 24.5 FTE positions over the next four years and a 4th engine company in FY 2027

as illustrated in Table 6 below. While the fire chief's plan also called for an additional company in FY 2032, these proposed staffing increases are beyond the scope of our forecast period and are therefore not included in Table 6 or in cost estimates.

Table 6. Plan B – Immediate staff increase of 12 with 4th Company in FY 2027

PLAN B	Station Companies						Staffing Additions		
	A/P/T	Arroyo Grande	Grover Beach	3rd	4th	Total	FY 24	FY 27	Total
Chief									0
Deputy Chief	1					1		1	1
Admin	2					2	0.5		0.5
Fire Marshal	1					1	1		1
Prevent Spec	2					2	2		2
EMS Coordinator	1					1		1	1
Battalion Chief	3					3	1		1
Captain		3	3	3	3	13		4	4
Engineer		3	3	3	3	12	2	3	5
Firefighter		4	4	4	3	15	6	3	9
Total	10	10	10	10	9	51	12.5	12	24.5

As indicated above, Baker Tilly recommends completing a CRA/SOC before considering either of these plans, Plan A or Plan B. And while our assessment did not allow us the ability to analyze unit hour utilization, consecutive call patterns, and overall community risk assessment, a standards of cover report would allow for this assessment. However, based on the information we have reviewed, including current run loads and type of calls, it is our position that a fourth company is not currently warranted at this time.

Costs associated with these two plans are substantial, as illustrated in Table 7 below. In fact, operating costs would double in about five years under Plan A with costs doubling in four years under Plan B.

Table 7. Total Cost

	FY 22 Actual	FY 23 Budget	FY 24 Estimate	FY 25 Estimate	FY 26 Estimate	FY 27 Estimate	FY 28 Estimate	FY 29 Estimate
Plan A	\$6,771	\$7,214	\$9,119	\$10,120	\$11,700	\$11,805	\$12,415	\$15,512
Plan B	\$6,771	\$7,214	\$10,203	\$10,874	\$11,905	\$14,729	\$15,051	\$15,592

Fiscal Analysis

Both cities of Arroyo Grande and Grover Beach will face significant increases in fire contributions to the FCFA, even if fire staffing remains at its current level, for three reasons:

- Contributions have remained fixed for four years while FCFA expenditures have continued to rise. This is unsustainable. The only reason that FCFA is not already in deficit is that actual expenditures have come in around \$310,000 under budget per year over the past three years;
- OCSD intends to withdraw from FCFA and that will reduce FCFA revenues by \$1,138,000, with the potential of no corresponding reduction in FCFA expenditures to serve the two remaining members; and
- FCFA expenditures will rise further due to the need to increase salaries to a level that allows for the recruitment and retention of personnel as well as CalPERS investment losses that will continue to increase pension contributions.

As part of this engagement, Baker Tilly has prepared a user-friendly and multi-faceted fiscal model for FCFA and the two cities, which can be used to run numerous scenarios showing the impact on all three agencies given various outcomes regarding the following key variables:

- **OCSD:** Their intention is to leave the FCFA effective July 1, 2023. On January 11, 2023, the OCSD Board approved the initiation of the divestiture process with the San Luis Obispo Local Agency Formation Commission (LAFCO). The OCSD's divestiture application was received by LAFCO on February 6, 2023. Divestiture is a discretionary action on the part of LAFCO. Part of that process will likely involve commissioning a study of OCSD's options. This study, together with the LAFCO decision-making process, may take 6-12 months. If the decision is for another agency to take on the responsibility of providing fire service to the Oceano area, that transition may take another 12 to 18 months. Therefore, OCSD may be dependent upon FCFA for fire service for another year or two. The OCSD contribution of \$1,138,000 is approximately equal to their current property tax revenue. Their property tax revenue is what they would give up should the County take over responsibility for providing fire service. Therefore, FCFA could likely expect to receive at least an amount

comparable to OCSD's property tax revenue for each additional year OCSD remains either a member of FCFA or contracts back fire service, if not more. The forecast currently assumes OCSD is no longer a member effective July 1, 2023, but the first step is determining whether OCSD remains or contracts back services with FCFA, and when.

- **Staffing:** The FCFA fire chief has proposed two options for increases in station staffing, administration, fire prevention, and training, based on OCSD remaining in FCFA. Since staffing is the main cost driver, it will be a major determinant of the future level of city contributions. Thus, the FCFA Board must determine the appropriate level of staffing, with or without OCSD, given the current trend in call volume. Baker Tilly has examined several alternative staffing packages, and the fiscal model can select any one of these options (the fire chief's two plans and Baker Tilly's five plans) and show the resulting cost impact over time. The current forecast assumes the lowest staffing cost option (Baker Tilly plan A-5, which assumes the FCFA not providing any first responder fire service to the Oceano community, reducing staffing to two 3-person companies, adding a battalion chief, and contracting for fire marshal and fire inspector services).
- **Salaries:** FCFA staff appear to be below the average level of salaries for comparable agencies within the central coast region. Inflation has been high for two years, but while long-term estimates assume the CPI will fall back to the 2 to 3% range, this recent inflationary rise adds pressure to increase wage levels. Salaries are a meet and confer item, but it seems reasonable to assume annual increases in excess of the Federal Reserve's inflation goal of 2%. The fiscal model can select wage growth amounts by year, and the forecast is based on salary and benefits as recommended by the City of Arroyo Grande's director of administrative services who serves as the FCFA finance director. This increase includes COLAs, merit/step increases, and savings from employee turnover.
- **Reserves:** An appropriate reserve level must be identified and maintained for FCFA. While contribution levels are a known quantity, the major risk is that higher costs may be incurred that are not reimbursed by the state for wildfire strike team related overtime. The fiscal model assumes that contributions are set to maintain a 10% reserve for FCFA over time.
- **Grants:** The potential exists for SAFER grants to be received from the federal government to offset the cost of eligible new staffing increases. SAFER grants are competitive, and thus their receipt is

not guaranteed. They also offset costs for only three years and after that FCFA must maintain that higher staffing level and absorb the resulting cost. Thus, these grants are short term, and not an ongoing benefit. However, if qualifying staff increases are going to be approved, even the short-term benefit would help offset the rise in contribution levels that would otherwise be required to be financed by the FCFA. The fiscal model can show the impact of SAFER grants based on proposed staffing increases, but the current forecast assumes no receipt of such grants.

- Cost Allocation:** Costs are currently allocated between member agencies based one-third on population, one-third calls for service and one-third on station staffing levels. There are also direct allocations regarding HazMat and debt service costs. The fiscal model assumes these allocation factors are updated for recent population and service calls, and to omit the OCSD. Consequently, the resulting allocation is between only the two cities, and would result in a small percentage shift from Grover Beach to Arroyo Grande, as shown in Table 8 below.

Table 8. Percentage Allocation of Contributions Between Member Agencies

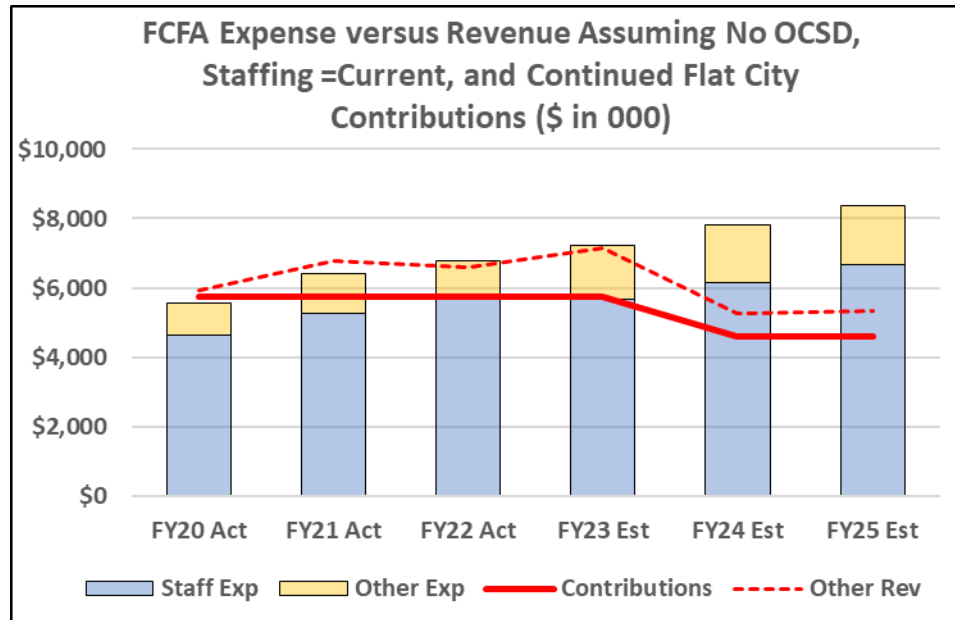
Cost Allocation Share	Current w/OCSD	Revised w/OCSD	Current w/o OCSD	Revised w/o OCSD
Arroyo Grande	45.01%	44.99%	56.16%	57.65%
Grover Beach	35.14%	32.23%	43.84%	42.35%
Oceano CSD	19.85%	22.68%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%

- OCSD Obligations:** The third amendment to the current FCFA agreement provides for the possible departure of OCSD and a negotiation that would define a contribution by OCSD for unfunded liability, equipment, and debt service contributions upon leaving FCFA. These amounts are unknown at this time and thus excluded from the forecast and, while unlikely to make a major difference in the ongoing level of contribution by the two cities, this financial obligation may result in an increase in reserves.

Given these assumptions, FCFA costs will continue to rise, and the loss of OCSD reduces revenues by \$1,138,000. Figure 1 shows the resulting impact of current staffing with *no change* in city contribution levels (solid red line) compared to costs (see bars, split between staffing and all other costs). Even when other revenues such as state reimbursements for strike

team overtime are added in (dotted red line), total revenues are expected to fall below the anticipated expenditures in FY 2022-23 and well below those in the next two fiscal years.

Figure 1. FCFA Expense versus Revenue Assuming no OCSD, Current Staffing Levels, and Continued Flat City Contributions



Clearly, continuing the flat contributions by the two cities is not sustainable. Absent new FCFA funding, the contributions from member agencies will have to increase to fill the gap. The impact on the two cities can be determined by the factors entered in the FCFA fiscal model. There are many potential scenarios to consider using the forecast assumptions noted above, but the two most important are what happens with OCSD, and what level of staffing is proposed for FCFA. The two issues are interwoven in that if OCSD is to be serviced, there will have to be a higher staffing level. However, at the two recent council meetings by the two cities on the issue of fire services, it was also proposed that staffing be increased even if OCSD is not being serviced.

Accordingly, we have prepared three scenarios involving OCSD, and under each scenario we show the impact of a high, medium, and low level of staffing. These plans do not include the fourth engine company, training captain, EMS coordinator, and deputy chief that are contained in the Fire Chief’s Plans A and B. However, they do include an additional battalion chief, as well as fire prevention services and clerical support. The potential levels of staffing included in these three scenarios are shown in the following four tables.

Plan A-2 provides three 3-person companies, an additional battalion chief, contractual costs associated with fire marshal/fire inspector services, and an additional 0.5 FTE clerical position. A-2 staffing is shown in Table 9.

Table 9. Plan A-2 Staffing Configuration and Additions by Year

PLAN A-2	Station Companies						Staffing Additions				
	A/P/T	Arroyo Grande	Grover Beach	3rd	4th	Total	FY 24	FY 25	FY 26	FY 29	Total
Chief	1					1					0
Admin	2					2		0.5			0.5
Fire Marshal	C					0					0
Inspector - PT	C					0					0
EMS Coordinator						0					0
Battalion Chief	3					3	1				1
Captain		3	3	3		9					0
Engineer		3	3	3		9	2				2
Firefighter		3	3	3		9	3				3
Total	6	9	9	9	0	33	6	0.5	0	0	6.5

C = Fire Marshal and Inspector functions provided by contract service (assumes \$100,000)

Plan A-3 provides two 3-person companies and one 2-person company, an additional battalion chief, a fire marshal, a half-time fire inspector, and an additional 0.5 FTE clerical position. A-3 staffing is shown in Table 10.

Table 10. Plan A-3 Staffing Configuration and Additions by Year

PLAN A-3	Station Companies						Staffing Additions				
	A/P/T	Arroyo Grande	Grover Beach	3rd	4th	Total	FY 24	FY 25	FY 26	FY 29	Total
Chief	1					1					0
Admin	2					2		0.5			0.5
Fire Marshal	1					1			1		1
Inspector - PT	0.5					0.5		0.5			0.5
EMS Coordinator						0					0
Battalion Chief	3					3	1				1
Captain		3	3	3		9					0
Engineer		3	3	3		9	2				2
Firefighter		3	3			6					0
Total	7.5	9	9	6	0	31.5	3	1	1	0	5

Plan A-4 provides two 3-person companies and one 2-person company, an additional battalion chief, and fire marshal/fire inspector services pursuant to a contract and an additional 0.5 FTE clerical position. And while the FCFA has chosen to run a similar two-person staffing model for the OCSO area, it should be noted that staffing an engine with two personnel might not be considered a best practice in an urban fire organization. A-4 staffing is shown in Table 11.

Table 11. Plan A-4 Staffing Configuration and Additions by Year

PLAN A-4	Station Companies						Staffing Additions				
	A/P/T	Arroyo Grande	Grover Beach	3rd	4th	Total	FY 24	FY 25	FY 26	FY 29	Total
Chief	1					1					0
Admin	2					2		0.5			0.5
Fire Marshal	C					0					0
Inspector - PT	C					0					0
EMS Coordinator						0					0
Battalion Chief	3					3	1				1
Captain		3	3	3		9					0
Engineer		3	3	3		9	2				2
Firefighter		3	3			6					0
Total	6	9	9	6	0	30	3	0.5	0	0	3.5

C = Fire Marshal and Inspector functions provided by contract service (assumes \$100,000)

Plan A-5 provides the lowest level of staffing: two 3-person companies, an additional battalion chief, fire marshal/fire inspector services pursuant to a contract and an additional 0.5 FTE clerical position. This staffing model would only be an option if just the two cities were being served and not providing first responders fire service in the Oceano area. In addition, it should be noted that this staffing model results in the elimination of 2.5 FTE positions. A-5 staffing is shown in Table 12.

Table 12. Plan A-5 Staffing Configuration and Additions by Year

PLAN A-5	Station Companies						Staffing Additions				
	A/P/T	Arroyo Grande	Grover Beach	3rd	4th	Total	FY 24	FY 25	FY 26	FY 29	Total
Chief	1					1					0
Admin	2					2		0.5			0.5
Fire Marshal	C					0					0
Inspector - PT	C					0					0
EMS Coordinator						0					0
Battalion Chief	3					3	1				1
Captain		3	3			9	-3				-3
Engineer		3	3			9	-1				-1
Firefighter		3	3			6					0
Total	6	9	9	0	0	24	-3	0.5	0	0	-2.5

C = Fire Marshal and Inspector functions provided by contract service (assumes \$100,000)

The OCSD scenarios depend upon the outcome of the LAFCO process as well as whether San Luis Obispo County might provide a long-term fire service solution for the Oceano area. In addition, providing fire service to the Oceano area would be in excess of the OCSD’s property tax revenue, so the question is whether the County would be willing to augment the funding FCFA receives on behalf of OCSD in an amount beyond the property tax revenue of the OCSD.

Scenario 1. OCSD stays under contract with FCFA for up to another year, then leaves.

This is a likely outcome given the 6 to 12 months a LAFCO decision is expected to take. The payment to FCFA would be the amount OCSD receives in property tax. No OCSD revenue would be received in FY 2024-25 and thereafter. The three preferred staffing levels proposed for this scenario are as follows:

- Low Cost: Plan A-4 (two 3-person companies and one 2-person company, contract prevention staff) shown in Table 13
- Medium Cost: Plan A-3 (two 3-person companies and one 2-person company, in-house prevention staff) shown in Table 14
- High Cost: Plan A-2 (three 3-person companies, contract prevention staff) shown in Table 15

Table 13. Low-Cost Option: FCFA forecast with OCSD scenario 1/staffing Plan A-4 (\$ in 000)

Staffing Plan A-4, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,796	4,931	5,399	5,370	5,706	5,884
Grover Beach	2,015	2,015	2,015	2,015	2,812	3,646	3,990	3,968	4,215	4,346
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	-	-	-	-	-
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	956
Total Revenues	5,945	6,790	6,590	7,151	8,475	9,311	10,279	10,250	10,855	11,187
Salaries & Benefits	3,786	3,976	4,527	4,445	5,568	6,041	6,545	6,830	7,384	7,590
Overtime-Regular	771	790	709	928	919	1,001	1,087	1,143	1,238	1,270
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	8,741	9,262	10,190	10,245	10,802	11,154
Net Annual	399	383	(181)	(63)	(266)	49	88	5	53	33
Beginning Balance	605	1,004	1,388	1,206	1,143	877	927	1,015	1,020	1,073
Ending Balance	1,004	1,388	1,206	1,143	877	927	1,015	1,020	1,073	1,106
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	10.0%	10.0%	9.9%	9.9%

*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

Note that in this and subsequent forecast tables, Other Revenue for FY23 includes a one-time \$887,401 transfer from the City of Arroyo Grande to reimburse prior year pension unfunded accrued liability (UAL) costs which should have been paid by the city. Other revenue also includes inspection fees (expected to increase in FY24 due to more inspections being conducted), fire prevention program revenues, and strike team reimbursements. (NOTE – this financial information and associated tables have been updated since the City Council presentations in late February.)

Table 14. Medium-Cost Option: FCFA forecast with OCSD scenario 1/staffing Plan A-3 (\$ in 000)

Staffing Plan A-3, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,733	4,991	5,664	5,625	5,970	6,157
Grover Beach	2,015	2,015	2,015	2,015	2,766	3,690	4,185	4,156	4,409	4,547
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	-	-	-	-	-
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	957
Total Revenues	5,945	6,790	6,590	7,151	8,365	9,414	10,739	10,693	11,313	11,661
Salaries & Benefits	3,786	3,976	4,527	4,445	5,568	6,115	6,911	7,207	7,774	7,993
Overtime-Regular	771	790	709	928	919	1,013	1,150	1,207	1,305	1,339
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,172	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	8,641	9,347	10,618	10,687	11,259	11,626
Net Annual	399	383	(181)	(63)	(276)	67	121	6	54	35
Beginning Balance	605	1,004	1,388	1,206	1,143	868	935	1,056	1,062	1,116
Ending Balance	1,004	1,388	1,206	1,143	868	935	1,056	1,062	1,116	1,151
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	9.9%	9.9%	9.9%	9.9%

*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

Table 15. High-Cost Option: FCFA forecast under OCSD scenario 1/staffing Plan A-2 (\$ in 000)

Staffing Plan A-2, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	4,098	5,447	5,935	5,921	6,276	6,474
Grover Beach	2,015	2,015	2,015	2,015	3,034	4,025	4,383	4,374	4,634	4,779
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	-	-	-	-	-
Other Revenue	211	1,056	855	1,416	655	734	890	912	934	957
Total Revenues	5,945	6,790	6,590	7,151	8,999	10,206	11,208	11,207	11,845	12,210
Salaries & Benefits	3,786	3,976	4,527	4,445	5,973	6,768	7,326	7,637	8,218	8,452
Overtime-Regular	771	790	709	928	992	1,134	1,230	1,291	1,391	1,428
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	9,219	10,120	11,114	11,199	11,789	12,173
Net Annual	399	383	(181)	(63)	(221)	86	94	8	56	37
Beginning Balance	605	1,004	1,388	1,206	1,143	923	1,008	1,103	1,111	1,167
Ending Balance	1,004	1,388	1,206	1,143	923	1,008	1,103	1,111	1,167	1,203
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	9.9%	9.9%	9.9%	9.9%

*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

Scenario 2. OCSD stays under contract with FCFA for an indefinite term with OCSD’s funding capped at their total property tax revenue amount.

This could be the outcome if LAFCO and the County decline to assign a new fire service provider for OCSD. The payment to FCFA would be limited to the amount OCSD receives in property tax, which is less than the proportion that would be assigned if OCSD remained a member of FCFA, and it is assumed that no additional funding is provided by the County. The three preferred staffing levels proposed for this scenario are as follows:

- Low Cost: Plan A-4 (two 3-person companies and one 2-person company, contract prevention staff) shown in Table 16
- Medium Cost: Plan A-3 (two 3-person companies and one 2-person company, in house prevention staff) shown in Table 17
- High Cost: Plan A-2 (three 3-person companies, contract prevention staff) shown in Table 18

However, should the FCFA provide first responder fire services to the Oceano area for an indefinite period, Baker Tilly recommends Plan A-2 as the ideal staffing deployment.

Table 16. Low-Cost Option: FCFA forecast under OCSD scenario 2/staffing Plan A-4 (\$ in 000)

Staffing Plan A-4, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,796	4,212	4,658	4,607	4,920	5,075
Grover Beach	2,015	2,015	2,015	2,015	2,812	3,118	3,446	3,408	3,638	3,752
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	1,248	1,285	1,324	1,363	1,404
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	956
Total Revenues	5,945	6,790	6,590	7,151	8,475	9,311	10,279	10,250	10,855	11,187
Salaries & Benefits	3,786	3,976	4,527	4,445	5,568	6,041	6,545	6,830	7,384	7,590
Overtime-Regular	771	790	709	928	919	1,001	1,087	1,143	1,238	1,270
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	8,741	9,262	10,190	10,245	10,802	11,154
Net Annual	399	383	(181)	(63)	(266)	49	88	5	53	33
Beginning Balance	605	1,004	1,388	1,206	1,143	877	927	1,015	1,020	1,073
Ending Balance	1,004	1,388	1,206	1,143	877	927	1,015	1,020	1,073	1,106
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	10.0%	10.0%	9.9%	9.9%

*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

Table 17. Medium-Cost Option: FCFA forecast under OCSD scenario 2/staffing Plan A-3 (\$ in 000)

Staffing Plan A-3, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,733	4,272	4,924	4,862	5,184	5,348
Grover Beach	2,015	2,015	2,015	2,015	2,766	3,162	3,641	3,596	3,832	3,952
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	1,248	1,285	1,324	1,363	1,404
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	957
Total Revenues	5,945	6,790	6,590	7,151	8,365	9,414	10,739	10,693	11,313	11,661
Salaries & Benefits	3,786	3,976	4,527	4,445	5,568	6,115	6,911	7,207	7,774	7,993
Overtime-Regular	771	790	709	928	919	1,013	1,150	1,207	1,305	1,339
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,172	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	8,641	9,347	10,618	10,687	11,259	11,626
Net Annual	399	383	(181)	(63)	(276)	67	121	6	54	35
Beginning Balance	605	1,004	1,388	1,206	1,143	868	935	1,056	1,062	1,116
Ending Balance	1,004	1,388	1,206	1,143	868	935	1,056	1,062	1,116	1,151
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	9.9%	9.9%	9.9%	9.9%

*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

Table 18. High-Cost Option: FCFA forecast under OCSD scenario 2/staffing Plan A-2 (\$ in 000)

Staffing Plan A-2, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	4,098	4,728	5,194	5,158	5,490	5,664
Grover Beach	2,015	2,015	2,015	2,015	3,034	3,497	3,839	3,813	4,057	4,185
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	1,248	1,285	1,324	1,363	1,404
Other Revenue	211	1,056	855	1,416	655	734	890	912	934	957
Total Revenues	5,945	6,790	6,590	7,151	8,999	10,206	11,208	11,207	11,845	12,210
Salaries & Benefits	3,786	3,976	4,527	4,445	5,973	6,768	7,326	7,637	8,218	8,452
Overtime-Regular	771	790	709	928	992	1,134	1,230	1,291	1,391	1,428
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	9,219	10,120	11,114	11,199	11,789	12,173
Net Annual	399	383	(181)	(63)	(221)	86	94	8	56	37
Beginning Balance	605	1,004	1,388	1,206	1,143	923	1,008	1,103	1,111	1,167
Ending Balance	1,004	1,388	1,206	1,143	923	1,008	1,103	1,111	1,167	1,203
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	9.9%	9.9%	9.9%	9.9%

*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

Scenario 3. OCSD stays under contract with FCFA for an indefinite term with appropriate county financial support.

This could be the outcome if LAFCO and the County decline to assign a new fire service provider for OCSD, and the County agrees to supplement the payment to the FCFA so that an amount equal to the proportional allocation to the two cities is paid. The three preferred staffing levels proposed for this scenario are as follows:

- Low Cost: Plan A-4 (two 3-person companies and one 2-person company, and contract fire prevention) shown in Table 19
- Medium Cost: Plan A-3 (two 3-person companies and one 2-person company, in house prevention staff) shown in Table 20
- High Cost: Plan A-2 (three 3-person companies, contract prevention staff) shown in Table 21

However, as with Scenario 2, should the FCFA provide first responder fire services to the Oceano area for an indefinite period, Baker Tilly recommends Plan A-2 as the ideal staffing deployment.

Table 19. Low-Cost Option: FCFA forecast under OCSD scenario 3/staffing Plan A-4 (\$ in 000)

Staffing Plan A-4, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA w/ County Support										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,621	3,978	4,354	4,331	4,601	4,745
Grover Beach	2,015	2,015	2,015	2,015	2,633	2,893	3,167	3,150	3,346	3,451
Oceano CSD*	1,138	1,138	1,138	1,138	1,553	1,706	1,868	1,858	1,974	2,035
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	956
Total Revenues	5,945	6,790	6,590	7,151	8,462	9,311	10,279	10,250	10,855	11,187
Salaries & Benefits	3,786	3,976	4,527	4,445	5,568	6,041	6,545	6,830	7,384	7,590
Overtime-Regular	771	790	709	928	919	1,001	1,087	1,143	1,238	1,270
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	8,741	9,262	10,190	10,245	10,802	11,154
Net Annual	399	383	(181)	(63)	(279)	49	88	5	53	33
Beginning Balance	605	1,004	1,388	1,206	1,143	864	914	1,002	1,007	1,060
Ending Balance	1,004	1,388	1,206	1,143	864	914	1,002	1,007	1,060	1,094
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	9.9%	9.9%	9.8%	9.8%	9.8%	9.8%

*Assumes OCSD contracts with FCFA with contribution based on allocation share (paid with property tax plus County support).

Table 20. Medium-Cost Option: FCFA forecast under OCSD scenario 3/staffing Plan A-3 (\$ in 000)

Staffing Plan A-3, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA w/ County Support										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,463	3,906	4,432	4,401	4,670	4,816
Grover Beach	2,015	2,015	2,015	2,015	2,490	2,808	3,186	3,164	3,357	3,462
Oceano CSD*	1,138	1,138	1,138	1,138	1,744	1,967	2,232	2,217	2,352	2,426
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	957
Total Revenues	5,945	6,790	6,590	7,151	8,351	9,414	10,739	10,693	11,313	11,661
Salaries & Benefits	3,786	3,976	4,527	4,445	5,568	6,115	6,911	7,207	7,774	7,993
Overtime-Regular	771	790	709	928	919	1,013	1,150	1,207	1,305	1,339
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,172	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	8,641	9,347	10,618	10,687	11,259	11,626
Net Annual	399	383	(181)	(63)	(289)	67	121	6	54	35
Beginning Balance	605	1,004	1,388	1,206	1,143	854	921	1,042	1,048	1,103
Ending Balance	1,004	1,388	1,206	1,143	854	921	1,042	1,048	1,103	1,138
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	9.9%	9.9%	9.8%	9.8%	9.8%	9.8%

*Assumes OCSD contracts with FCFA with contribution based on allocation share (paid with property tax plus County support).

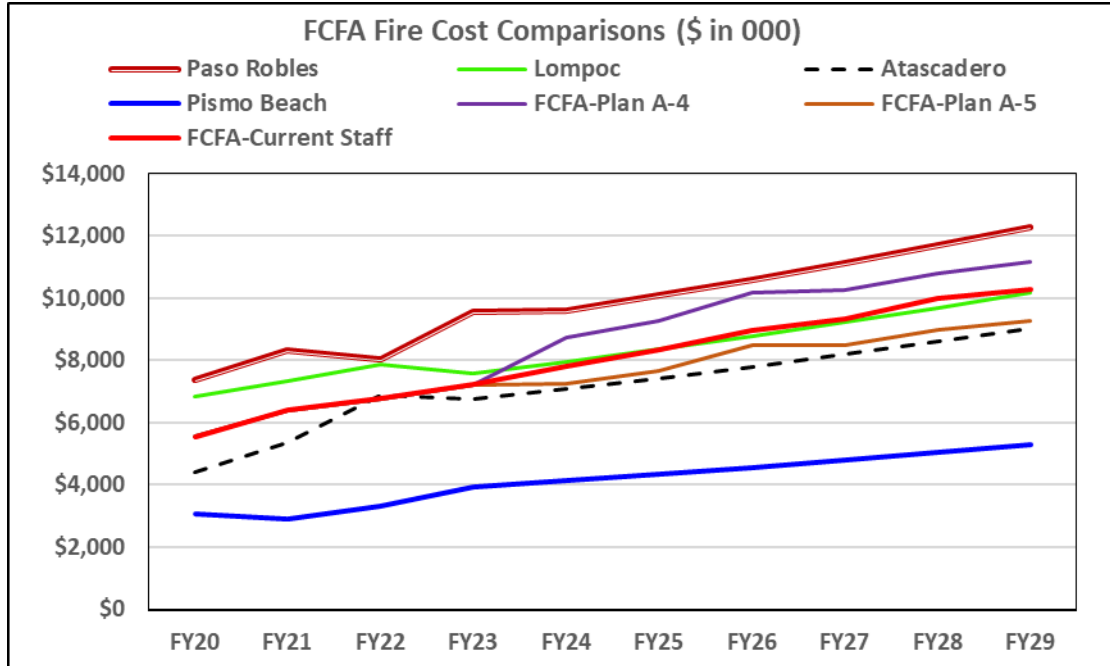
Table 21. High-Cost Option: FCFA forecast under OCSD scenario 3/staffing Plan A-2 (\$ in 000)

Staffing Plan A-2, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA w/ County Support										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,748	4,262	4,643	4,632	4,909	5,063
Grover Beach	2,015	2,015	2,015	2,015	2,695	3,064	3,337	3,330	3,529	3,639
Oceano CSD*	1,138	1,138	1,138	1,138	1,888	2,147	2,338	2,333	2,473	2,550
Other Revenue	211	1,056	855	1,416	655	734	890	912	934	957
Total Revenues	5,945	6,790	6,590	7,151	8,985	10,206	11,208	11,207	11,845	12,210
Salaries & Benefits	3,786	3,976	4,527	4,445	5,973	6,768	7,326	7,637	8,218	8,452
Overtime-Regular	771	790	709	928	992	1,134	1,230	1,291	1,391	1,428
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	9,219	10,120	11,114	11,199	11,789	12,173
Net Annual	399	383	(181)	(63)	(234)	86	94	8	56	37
Beginning Balance	605	1,004	1,388	1,206	1,143	909	995	1,089	1,097	1,153
Ending Balance	1,004	1,388	1,206	1,143	909	995	1,089	1,097	1,153	1,190
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	9.9%	9.8%	9.8%	9.8%	9.8%	9.8%

*Assumes OCSD contracts with FCFA with contribution based on allocation share (paid with property tax plus County support).

For the purpose of comparison, we examined the trend in fire costs of nearby cities to those of FCFA. Figure 2 compares projected FCFA costs under staffing plans A-4 and A-5, and its current level of staffing, to the projected costs for Paso Robles, Lompoc, Atascadero, and Pismo Beach. Note that Pismo Beach only has 2-person companies, and under its special “Amador Plan” contract with CALFIRE, one of its fire companies is considered a “state asset” that responds to wildfires as needed, resulting in Pismo Beach paying less as a result. We have been informed that any future CALFIRE contract arrangement will no longer include the Amador Plan provision resulting in higher contractual costs.

Figure 2. Projected Costs for FCFA and Nearby Cities (\$ in 000)



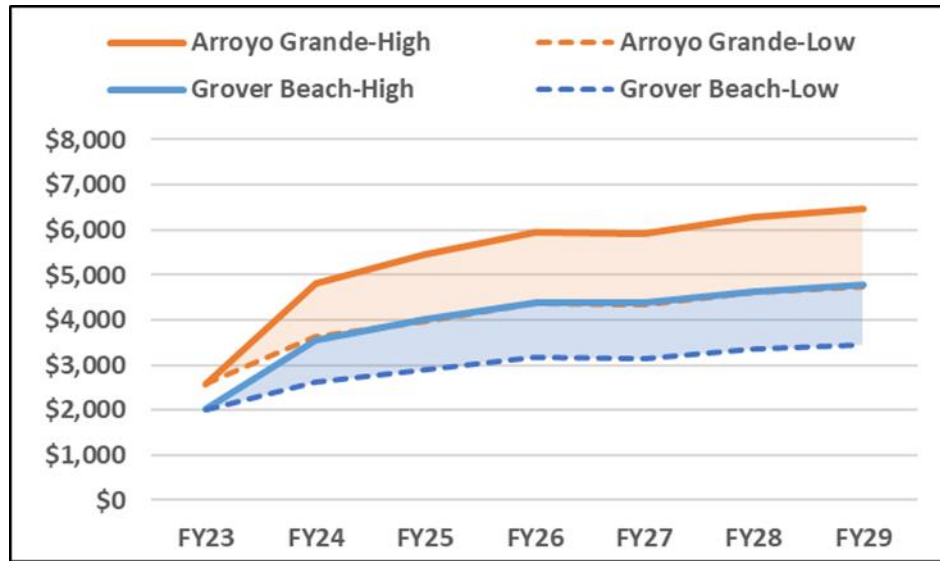
For budget planning purposes, Table 22 shows the FY 2023-24 impact on the two cities depending on the OCSD scenario and the corresponding preferred FCFA staffing plan. Scenarios 1 and 2 have the same effect in FY 2023-24, but Scenario 2 results in a lower burden on the cities in future years.

Table 22. FY 2024 Contribution by Cities and Increase Over FY 2023 (\$ in 000)

Plan	FY 2024 Contribution		Increase from FY 2023		Table Number
	Arroyo Grande	Grover Beach	Arroyo Grande	Grover Beach	
OCSD stays for a limited period of time - up to 12 months (Scenario 1):					
Plan A-4	\$3,796	\$2,812	\$1,215	\$797	13
Plan A-3	\$3,733	\$2,766	\$1,152	\$751	14
Plan A-2	\$4,098	\$3,034	\$1,517	\$1,019	15
OCSD stays for an indefinite period with a capped financial contribution (Scenario 2):					
Plan A-4	\$3,796	\$2,812	\$1,215	\$797	16
Plan A-3	\$3,733	\$2,766	\$1,152	\$751	17
Plan A-2	\$4,098	\$3,034	\$1,517	\$1,019	18
OCSD stays with financial contribution from the County (Scenario 3):					
Plan A-4	\$3,621	\$2,633	\$1,040	\$618	19
Plan A-3	\$3,463	\$2,490	\$882	\$475	20
Plan A-2	\$3,748	\$2,695	\$1,167	\$680	21

Figure 3 shows the range of potential FCFA contribution levels by the two cities through FY 2028-29, depending on OCSD scenario and preferred FCFA staffing level. The low level is Staffing Plan A-4 with OCSD Scenario 3 (County support), and the high level is Staffing Plan A-2 with no service to OCSD.

Figure 3. Range of FCFA Contributions by Cities Through FY 2029 (\$ in 000)



The actual impact on the two cities will depend upon:

- Whether FCFA obtains a new revenue source that would allow city contributions to increase slowly over time and avoid the shock of a large increase in contribution starting in FY 2023-24.
- Lacking added FCFA revenue, whether each city can get approval of increased revenues for itself. The revenue generating capacity and voter preferences has varied between the two cities in the past, so their respective revenue-generating capacities may differ. The local voter-approved sales tax in Grover Beach is 1.5%, and in Arroyo Grande it is 0.5% (and in that city a recent ballot measure to increase the tax another 1.0% was narrowly defeated in 2022).
- Lacking additional revenue, each city would make its own judgments about the priority of non-fire services, and the areas in which to make expenditure reductions. On a short-term basis each has capacity to defer capital projects. Arroyo Grande has its local sales tax in a separate fund which could bear a greater share than it presently contributes; however, that would be at the expense of other services. However, this is not a sustainable long-term

strategy as the cities must continue to invest in the upkeep of its transportation, parks, and public building infrastructure.

One revenue option is a parcel tax or a Mello-Roos assessment that would provide a dedicated funding source for FCFA, but this requires a two-thirds voter approval. A 2020 California Court of Appeals ruling currently allows for a majority vote if the tax is enacted through the voter initiative process, but an initiative planned for the ballot in November 2024 seeks to repeal that ruling retroactively. Of the 29 parcel tax ballot measures placed on the November 2022 ballot statewide by a local non-school agency, 14 were successful, eight of which were tax renewals, and six were new taxes. Such a parcel tax would require an annual inflation adjustment that would allow it to address higher fire costs over time. The timing of such a vote is an issue as higher contributions are needed starting FY 2023-24, and there is a lag time getting onto the next property tax bill.

Another revenue option is a sales tax. If imposed by the FCFA, it would be a special tax and require a two-thirds voter approval. The maximum allowed in a district comprising both cities would be a 0.5% rate, because Grover Beach accounts for 1.5% of the 2.0% local sales tax capacity available under state law, and the rate would need to be uniform across both cities. Of the 10 special sales tax ballot measures placed on the November 2022 ballot statewide (requiring a two-thirds vote), four were successful and six failed. If a 0.5% tax were placed on the same ballot independently by both cities, it could be done as a general tax for each, as has previously been done in both cities.

Recommendation 16. Assess the viability and potential of a revenue enhancement measure to adequately finance the operational and capital needs of the FCFA.

Alternative Models

The FCFA has done a commendable job in providing basic fire suppression services to its partner agencies given the limited financial resources, constrained operating budget, and organizational challenges.

With OCSD submitting an application for divestiture of fire service responsibilities, FCFA is entering a period of uncertainty. It will take from 6 to 12 months for LAFCO to take action on this application and longer for the successor fire service provider in Oceano to come on-line. LAFCO's analysis will inform the options available, but the list of alternatives is not that long. They include:

1. Maintain the JPA pooled FCFA structure to serve the two cities (Plan A-5) and possibly provide limited term (Plan A-4) or longer-term service (Plan A-2) to service the Oceano community via contract;
2. Revert to two stand-alone independent city fire departments;
3. Contract out service delivery to CALFIRE;
4. Dispense with the JPA structure and simply have one city (Grover Beach) contract for fire service delivery with Arroyo Grande (currently the employer);
5. Pursue a broader regional service delivery model to include Pismo Beach and/or the Nipomo area.

Baker Tilly recommends Option 1 in the near / medium term with a focus on Option 5 in the longer term to maximize regional efficiencies.

Each Option is reviewed in more detail below.

Maintain the JPA pooled FCFA structure to serve the two cities and possibly provide short-term or longer-term service to Oceano via contract

Providing Service to Oceano on a Short-Term Basis

This is essentially the status quo condition. Since it is not likely that OCSD will be able to obtain approval for its divestiture application by the end of June 2023, it will likely have to provide fire services into the next fiscal year. The easiest way to provide for this would be via a contract with FCFA whereby the Authority would provide staffing at the Oceano

station commensurate with what OCSD could afford, which is assumed to be the level of their property tax revenue. This would likely result in a two-person company at the Oceano station on a 24/7 basis. This option would be an enhancement of the existing service as the Oceano station is only staffed 1/3 of the time. This alternative staffing option (Plan A-4) provides two 3-person companies (one in each city) and one two-person unit (in Oceano), plus a battalion chief and contract for fire marshal and inspection services. This staffing model is being recommended as a temporary measure until a permanent decision of fire service for the Oceano community can be determined. The cost for this alternative is reflected in Table 23 below.

Table 23. Plan A-4 Two Three-Person and One Two-Person Companies Without Added County Funding Support (\$ in 000)

Staffing Plan A-4, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,796	4,212	4,658	4,607	4,920	5,075
Grover Beach	2,015	2,015	2,015	2,015	2,812	3,118	3,446	3,408	3,638	3,752
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	1,248	1,285	1,324	1,363	1,404
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	956
Total Revenues	5,945	6,790	6,590	7,151	8,475	9,311	10,279	10,250	10,855	11,187
Salaries & Benefits	3,786	3,976	4,527	4,445	5,568	6,041	6,545	6,830	7,384	7,590
Overtime-Regular	771	790	709	928	919	1,001	1,087	1,143	1,238	1,270
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	8,741	9,262	10,190	10,245	10,802	11,154
Net Annual	399	383	(181)	(63)	(266)	49	88	5	53	33
Beginning Balance	605	1,004	1,388	1,206	1,143	877	927	1,015	1,020	1,073
Ending Balance	1,004	1,388	1,206	1,143	877	927	1,015	1,020	1,073	1,106
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	10.0%	10.0%	9.9%	9.9%

*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

However, it should be noted that the above level of service is not consistent with what Baker Tilly would find satisfactory on a longer-term basis, but it may have to suffice until LAFCO determinations are finalized and a successor service provider is ready to step in with additional funding.

Baker Tilly believes the JPA structure is worth keeping in place, mostly to support a future broader regional service provider, perhaps with the County to include both Oceano and Nipomo or with these latter two stations and the City of Pismo Beach.

Providing Service to Oceano on a Longer-Term Basis

Should a decision be made resulting in the FCFA providing fire service to the Oceano community on a more permanent basis, then Baker Tilly would recommend a three 3-person company deployment (Plan A-2). This deployment would provide a 3-person company at each station

(Arroyo Grande, Grover Beach and Oceano). This deployment would be more consistent with industry practices and would result in the following costs as illustrated in Table 24.

Table 24. Plan A-2 – Three Three-Person Companies Without Added County Funding Support (\$ in 000)

Staffing Plan A-2, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	4,098	4,728	5,194	5,158	5,490	5,664
Grover Beach	2,015	2,015	2,015	2,015	3,034	3,497	3,839	3,813	4,057	4,185
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	1,248	1,285	1,324	1,363	1,404
Other Revenue	211	1,056	855	1,416	655	734	890	912	934	957
Total Revenues	5,945	6,790	6,590	7,151	8,999	10,206	11,208	11,207	11,845	12,210
Salaries & Benefits	3,786	3,976	4,527	4,445	5,973	6,768	7,326	7,637	8,218	8,452
Overtime-Regular	771	790	709	928	992	1,134	1,230	1,291	1,391	1,428
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	9,219	10,120	11,114	11,199	11,789	12,173
Net Annual	399	383	(181)	(63)	(221)	86	94	8	56	37
Beginning Balance	605	1,004	1,388	1,206	1,143	923	1,008	1,103	1,111	1,167
Ending Balance	1,004	1,388	1,206	1,143	923	1,008	1,103	1,111	1,167	1,203
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	9.9%	9.9%	9.9%	9.9%

*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

Providing Service to Only the Two Cities

Based on call volume, Baker Tilly would recommend a two 3-person company deployment to service the two cities (Arroyo Grande and Grover Beach) until such time a Standards of Cover can be performed and determine the staffing and station location for a two-station model. The cost for this model is depicted in Table 25 and includes an additional battalion chief and contracting for fire marshal and inspection services.

Table 25. Plan A-5 – Two 3-Person Engine Companies, Added Battalion Chief and Contracted Prevention Services, Service Only the Two Cities, Without OCSD (\$ in 000)

Staffing Plan A-5, Higher Wage Growth, No FEMA/SAFER Grants										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,798	4,260	4,672	4,620	4,931	5,082
Grover Beach	2,015	2,015	2,015	2,015	2,814	3,153	3,455	3,418	3,646	3,757
Oceano CSD	1,138	1,138	1,138	1,138	-	-	-	-	-	-
Other Revenue	211	1,056	855	1,416	215	284	431	444	457	470
Total Revenues	5,945	6,790	6,590	7,151	6,826	7,698	8,558	8,482	9,033	9,309
Salaries & Benefits	3,786	3,976	4,527	4,445	4,565	4,961	5,382	5,628	6,141	6,306
Overtime-Regular	771	790	709	928	731	798	867	916	1,004	1,028
Overtime-Strike Teams	63	489	446	286	-	-	-	-	-	-
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	7,235	7,657	8,480	8,482	8,985	9,281
Net Annual	399	383	(181)	(63)	(409)	40	78	0	48	28
Beginning Balance	605	1,004	1,388	1,206	1,143	734	774	852	853	900
Ending Balance	1,004	1,388	1,206	1,143	734	774	852	853	900	929
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.1%	10.1%	10.1%	10.1%	10.0%	10.0%

It should be noted that with a two-engine company model, receiving a strike team and overhead reimbursement might be challenging, given staffing resources. Therefore, to be conservative, we have excluded both strike team overtime costs and associated state reimbursements from Plan A-5. Should FCFA staff want to adjust this amount prospectively, this can easily be adjusted in their fiscal model.

Revert to stand alone independent city fire departments

Under this alternative, the JPA would be dissolved, and the cities would revert to independent non blended services. This would result in cost increases as currently shared services would have to be delivered on an independent non-shared basis. Management, support and training costs would increase - leaving no economies of scale. Consequently, Baker Tilly does *not* believe that having individual, stand-alone fire departments in each city is a viable alternative for fire protection and suppression services from both a cost and operational perspective. And since the shared services arrangement has worked well for over ten years, Baker Tilly believes this would be a step backwards.

Contract out service delivery to CALFIRE

The State Department of Forestry and Fire Protection, otherwise known as CALFIRE, is the largest fire department in California, and it commonly provides services via a cooperative agreement to local governments. Currently, CALFIRE serves the following local governments via a cooperative agreement:

- 31 out of 58 counties (*including San Luis Obispo County*)
- 39 out of 482 cities (*including Pismo Beach in SLO County and 19 cities in Riverside County*)
- 25 fire districts
- 42 special districts

CALFIRE is very experienced with wildland interface and rural areas and much of its service area tends to be in such areas. Generally, it provides less contract services in more urbanized areas. Large fire service providers either via contract or via a tax share agreement to urbanized cities include the Orange County Fire Authority, the Los Angeles County Fire Protection District, and the San Bernardino County Fire Protection District. Collectively, these large fire service providers serve far more cities than does CALFIRE.

CALFIRE might be willing to provide a bid to FCFA for services, but in the view of Baker Tilly it is unlikely to reduce costs relative to current FCFA costs. In addition, contracting with CALFIRE would reduce local

control relative to the shaping of service levels and other similar matters. CALFIRE is not a common choice for California cities when it comes to a service provider. It is much more common for counties to work with CALFIRE. This probably reflects the rural/urban split mentioned above.

One City to contract for fire service delivery with the other City

Should the JPA structure cease to exist at some point in the future, since all FCFA employees are technically employees of the City of Arroyo Grande, another alternative delivery model could have the City of Grover Beach contracting for fire service from the City of Arroyo Grande. This would not be a unique arrangement as cities throughout the State contract for various municipal services with neighboring jurisdictions. For example, the cities of Pacific Grove and Carmel both contract for fire service with the City of Monterey, and Stanford University contracts for fire service with the City of Palo Alto. And while shifting fire service to one city may address a number of operational and organizational issues, it would also shift a lot of liability and financial risks to one city as well; namely, Arroyo Grande. Consequently, should the cities decide to explore this alternative service delivery model, more extensive fiscal and operational assessment would be warranted.

Regional Consolidation

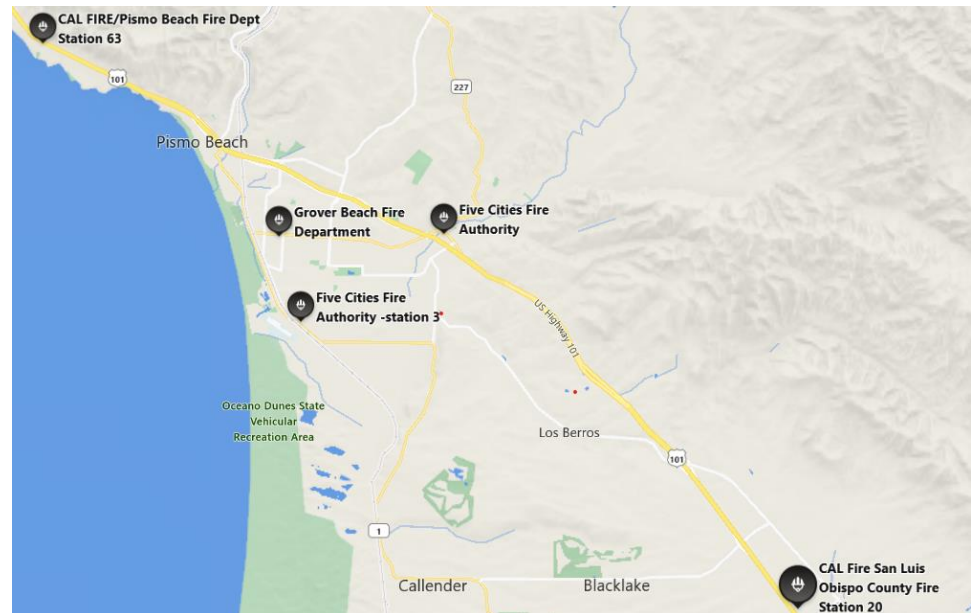
Regionalizing service delivery can often result in savings from economies of scale in such areas as management, technology, and specialized services. In the fire service, local service delivery from neighborhood fire stations typically does not change much in terms of staffing or apparatus types, although improvements in training, career opportunities, and some support services can be found. Most savings will be from shared support services, and overall management and regional consolidation is becoming quite common in the fire service. The primary reason is obtaining economies of scale in operations primarily in management and technical areas. Currently, the Orange County Fire Authority serves 23 of the 34 cities in the County and approximately 2 million out of the 3.2 million of the residents of the County. The even larger Los Angeles County Fire Protection District serves 57 out of the 88 cities in that county either via contract or by tax share.

Regional fire service delivery makes intuitive sense in the Five Cities area of southern San Luis Obispo County, because it is a geographically distinct area being composed of a broad coastal plain running north from the Santa Barbara County line to Pismo Beach where the coastal mountains march down to the Pacific Ocean and force Highway 1/101 to turn inland. The map on the following page shows the five fire stations

found in this region. Two are operated under cooperative agreement by CALFIRE for the County of San Luis Obispo and the City of Pismo Beach, and three are operated by FCFA.

Pursuing this type of regional consolidation would enable the area to maximize economy of scale savings for management and technology while also growing local control via the FCFA JPA.

Figure 4. Regional Map¹



¹Map provided by the County of San Luis Obispo

As was mentioned previously, the OCSD has initiated a divestiture application with the San Luis Obispo LAFCO. This process is expected to take 6 to 12 months. Public input will be solicited as part of the process, and it is quite possible LAFCO will decide to retain a consultant to explore fire service options.

There will be a period of uncertainty as the OCSD pursues the divestiture process since fire service delivery for Oceano will be in limbo, but during the study process OCSD will be responsible for continuing to deliver services to the best of its ability. FCFA has determined that it will provide contract services to the OCSD during the interim, which is certainly a good approach, given the circumstances. FCFA is not under any statutory obligation to deliver services via contract but, given its long running partnership with the OCSD, some support will probably be expected by LAFCO and the County, and such support will build support for a regional approach in the future. FCFA is certainly free to advocate for the benefits of a regional approach as LAFCO processes the divestiture application.

Governance Structure

The current governing board of the FCFA consists of three members, an elected official from each member agency. With the departure of the OCSD from the FCFA, we recommend restructuring the board to consist of either a five-member or three-member board made up of equal representation from each city and a mutually agreed-upon board member. Some examples of a mutually agreed-upon board member could consist of:

- A rotating member of the public;
- The San Luis Obispo County fire chief;
- A representative of the San Luis Obispo County administrative office; or
- A rotating member of the Board of Supervisors from Districts 3 and 4.

Recommendation 17. Restructure the FCFA Board to consist of either a five-member or three-member board.

In addition, the fire chief currently reports to the three-member FCFA Board (which is comprised of elected officials from each member agency). Having the fire chief, who routinely deals with administrative and operational matters, report directly to three elected officials is not an effective reporting structure and it creates operational challenges, the least of which is no direct supervisory oversight and limited communication abilities due to Brown Act restrictions. Instead, Baker Tilly recommends that the fire chief report directly to either one or both city managers.

Recommendation 18. Reorganize the reporting relationship of the fire chief and have that position report directly to either one or both city managers.

Conclusion

The FCFA has had its share of operational and organizational challenges over the last several years, and while there have been prior assessment reports and studies on its operations, because of limited financing, no significant recommendations from these reports and/or studies have been implemented to date. Now, with the imminent departure of the OCSD and the potential loss of \$1.1 million in annual revenue contributions, decisive operational decisions by the cities of Arroyo Grande and Grover Beach are in order.

Baker Tilly has completed an assessment of the financial impacts associated with the departure of the OCSD and has put forward realistic staffing and fire service delivery options for consideration by key stakeholders. The assessment concludes that maintaining a regional service delivery approach makes sense for the cities of Arroyo Grande and Grover Beach, and indeed, building on it in time, if possible, would be a net benefit. We also believe that a new dedicated revenue source is necessary to support fire service delivery and that a joint parcel tax may be a good opportunity for the FCFA to pursue. Action on this should be considered no later than the summer of 2024 for possible consideration at the general election in November 2024. Making these efforts will build support for a possible revenue measure in 2024.

Attachment A – List of Recommendations

- Recommendation 1.** Add an additional battalion chief to the full-time complement of management personnel and assign each battalion chief to a shift schedule.
- Recommendation 2.** Acquire a staffing program to manage and track all working and nonworking hours for all FCFA personnel.
- Recommendation 3.** Improve the ability to track company activity by developing or purchasing a program capable of tracking all unit and personnel activity, including apparatus and equipment.
- Recommendation 4.** Conduct a Standards of Cover and Community Risk Assessment to determine the appropriate level of service to provide the community.
- Recommendation 5.** Contract for fire marshal and fire inspection services.
- Recommendation 6.** Increase the amount budgeted annually for departmental training.
- Recommendation 7.** Develop a comprehensive training program to address succession planning, and increase the budget for tuition reimbursement, thereby allowing employees to complete the necessary certifications and education required to advance through the ranks.
- Recommendation 8.** Move the OCSO station housing closer to the apparatus room.
- Recommendation 9.** Install a sealed door and/or wall to separate the office and living quarters from the apparatus room and turnout storage areas.
- Recommendation 10.** Assess the living quarters to determine if creating separate quarters for female firefighters is feasible.
- Recommendation 11.** Allocate appropriate funding to repair and/or upgrade the station alerting systems and the existing phone system.
- Recommendation 12.** Request proposals from local vendors, as well as the City of Grover Beach, to perform minor repairs and regular maintenance on agency vehicles.
- Recommendation 13.** Strengthen interagency relationships and collaboration between FCFA personnel and member agencies.
- Recommendation 14.** Develop an equipment replacement fund for all mission critical equipment and apparatus.
- Recommendation 15.** Develop a comprehensive policy and procedures manual, building upon efforts currently underway.
- Recommendation 16.** Assess the viability and potential of a revenue enhancement measure to adequately finance the operational and capital needs of the FCFA.
- Recommendation 17.** Restructure the FCFA Board to consist of either a five-member or three-member board.
- Recommendation 18.** Reorganize the reporting relationship of the fire chief and have that position report directly to either one or both city managers.