

## 2 Background

### 2.1 Introduction

The mandate for LAFCOs to conduct service reviews is part of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), California Government Code §56000 et seq. LAFCOs are required to conduct service reviews prior to or in conjunction with sphere of influence updates and are required to review and update the sphere of influence for each city and special district as necessary, but not less than once every five years. LAFCO of Santa Clara County completed and adopted its first round of service reviews and sphere of influence updates prior to January 1, 2008, as required by state law. LAFCO must complete its next round of required service review and sphere of influence updates for all cities and special districts prior to January 1, 2013.

LAFCO of Santa Clara County is responsible for establishing, reviewing and updating spheres of influence for 44 public agencies in Santa Clara County (15 cities and 29 special districts). LAFCO's service reviews work plan calls for the completion of four studies over the next three calendar years. The first priority, a review of countywide fire protection service in Santa Clara County and sphere of influence updates for fire districts, is the subject of this report.

The Countywide Fire Protection Service Review Report provides an overview of fire protection and emergency medical services in the County along with profiles of each agency/department that provides fire protection and emergency medical services in the County, evaluates the provision of these services, and identifies alternative models that may result in more efficient service delivery. The report does *not* make any specific recommendations with regard to the alternatives proposed. Further research and analysis will be required to evaluate the feasibility of each of the alternatives. The report includes service review determinations for each service provider as required by statute, and sphere of influence recommendations and determinations for each of the four fire districts.

#### **Service Reviews and Sphere of Influence Updates**

Service reviews are intended to serve as a tool to help LAFCO, the public and other agencies better understand the public service structure and to develop

information to update the spheres of influence of special districts and cities in the County. Government Code Section 56430 requires LAFCO to conduct a service review and adopt a written statement of determination for each of the following categories:

- Growth and population projections for the affected area.
- Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
- Financial ability of agencies to provide services.
- Status of, and opportunities for, shared facilities.
- Accountability for community service needs, including governmental structure and operational efficiencies.
- Any other matter related to effective or efficient service delivery, as required by commission policy.

State law defines “sphere of influence” (SOI) as the probable physical boundaries and service area of a local agency. In Santa Clara County, this definition is relevant for special districts; however, for cities, the inclusion of an area within a city’s SOI should not necessarily be seen as an indication that the city will either annex or allow urban development and services in the areas. The urban service area is the more critical boundary considered by LAFCO for the cities, and serves as the primary means of indicating whether an area will be annexed to a city and provided with urban services.

Government Code Section 56425 requires LAFCO, when determining the sphere of influence of each local agency, to prepare and adopt a written statement of determinations regarding the following considerations:

1. The present and planned land uses in the area, including agricultural and open-space lands; growth and population projections for the affected area.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency; status of, and opportunities for, shared facilities.
5. The nature, location, and extent of any functions or classes of services provided by existing districts.

## 2.2 Purposes of the Report

### To Update Spheres of Influence

LAFCO will use this report as a basis to update the spheres of influence of the four fire districts. With regard to the cities' spheres of influence, LAFCO will use information from this report along with the information gathered in subsequent service reviews to update the spheres of influence of cities.

### To Initiate or Consider Jurisdictional Boundary Changes

The Report contains a discussion of various alternative government structures for efficient service provision. LAFCO is *not* required to initiate any boundary changes based on service reviews. However, LAFCO, other local agencies (including cities, special districts or the County) or the public may subsequently use this report together with additional research and analysis, where necessary, to pursue changes in jurisdictional boundaries. Government Code Section 56375(a) gives LAFCO the power to initiate certain types of boundary changes consistent with a service review and sphere of influence study. These boundary changes include:

- Consolidation of districts (joining two or more districts into a single new successor district);
- Dissolution (termination of the existence of a district and its corporate powers);
- Merger (termination of the existence of a district by the merger of that district with a city);
- Establishment of a subsidiary district (where the city council is designated as the board of directors of the district); or
- A reorganization that includes any of the above.

Any local agency (cities, special districts or the County) which contains, or would contain, or whose sphere of influence contains, any territory within the proposal to be reviewed by LAFCO may apply to LAFCO for a boundary change with a resolution adopted by its legislative body. Registered voters within the proposal area or property owners owning property within the proposal area may petition LAFCO for a boundary change. The following boundary changes in addition to those listed above may be proposed to LAFCO:

- Formation of a new district/city;
- Annexation or detachment to/from a city/district; or
- A reorganization that includes any of the above.

### **To Consider Other Types of LAFCO Applications**

LAFCO may also use the information presented in the service reviews in reviewing future proposals for annexations or extensions of services beyond an agency's jurisdictional boundaries or for proposals seeking amendment of urban service area boundaries of cities or sphere of influence boundaries of districts.

### **Resource for Further Studies**

Other entities and the public may use this report as a foundation for further studies and analysis of issues relating to fire protection and emergency medical services in this County.

## **2.3 Project Approach and Methodology**

Management Partners used standard analytical tools and practices to gather and analyze information for the fire service review.

### **2.3.1 Information Gathering**

The following information was gathered from all municipal fire departments and fire districts:

1. Governance and Organization
2. Financial
3. Staffing
4. Calls for Service
5. Response Standards and Performance
6. Mutual/Automatic aid
7. Labor Agreements
8. Compensation information
9. Station information
10. Apparatus information

A dedicated area to allow departments to upload requested information was established through Management Partners' SharePoint site. The information was then put into a standard format and sent to the fire departments for verification.

EMS performance response data were obtained from the County EMS agency. Information regarding communications interoperability was provided by the County of Santa Clara Communications Department (County Comm.). Population information and projections, developed by the Association of Bay Area Governments (ABAG), were obtained through the County of Santa Clara Planning Department.

### **2.3.2 Gathering information for the review was complicated**

Departments have their own practices regarding what information is tracked and how it is reported. This inherently results in some inconsistencies. After initial data collection, a decision was made to re-gather information based on the 2010-11 budgets for each department. This resulted in numerous changes. The budget, staffing and apparatus data reflect the 2010-11 fiscal year. Call information is for calendar year 2009.

Interviews were conducted with a number of stakeholders, including:

- Chiefs and other chief officers from all providers' fire departments
- Representatives from four of the volunteer fire companies – Casa Loma, Stevens Creek, Spring Valley and Ormsby
- Staff from the County Office of Emergency Medical Services
- Staff from the County Communications Division
- Office of Emergency Services staff
- The County Counsel's Office
- Staff from fire departments in other counties

The interviews were focused on developing a broad understanding of the operation of each department, the overall countywide fire and emergency services system and identifying opportunities for efficiencies and economies. Attachment B lists the individuals interviewed during the engagement.

### **2.3.3 Development of Determination Criteria**

Preliminary criteria to be used in making the determinations required under the laws governing service reviews were developed. These criteria were presented to the LAFCO staff and Technical Advisory Committee for review and comment.

### **2.3.4 Data Analysis and Service Review Determinations**

Information gathered from the agencies and the interviews was analyzed and applied to the determination criteria to make the required determinations for each agency and reach conclusion about the focus issues identified in the RFP. This is a complex service review, involving more than a dozen agencies reporting financial and call response information data from different financial and management information systems. Agencies responded to information requests in varying levels of detail.

Different budgeting practices, service program structures and categorization of service calls and responses make precise assessment and comparison impossible in the scope of the assignment. For example: some fire agencies include the move-ups of apparatus to cover for a responding apparatus in their response

statistics while others do not; the cost structure of fire districts is different from that of municipal departments, as the full cost of general management and administrative support functions may not be included in municipal department budgets; some agencies track response time from the time of a 911 call to arrival at the incident, others measure only unit travel time. Reasonable efforts were taken to obtain a level of consistency in the data to make the required determinations and analyze issues.

## 2.4 Financial Environment

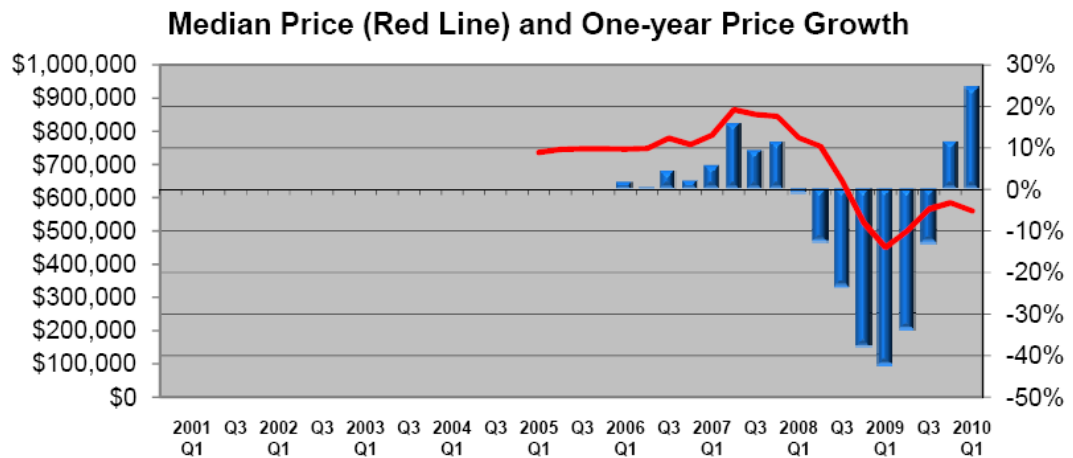
For most of the past 30 years, California public agencies have operated in an environment of increasing financial resources fueled by population and economic growth. Although there were periodic downturns in the economy and local revenue, generally, increasing revenue was the trend. This condition allowed for the continued expansion of municipal services. The financial environment facing local government changed dramatically with the beginning of the Great Recession in 2008. This recession saw economic declines, financial losses, unemployment, foreclosures and property value declines unprecedented since the 1930s. Figure 1 shows the unemployment rate in Santa Clara County over the past 20 years.

Figure 1: Santa Clara County Unemployment Rate from 1990 To 2010



Figure 2 charts the mean housing prices from 2005 to 2010 in the San José-Santa Clara-Sunnyvale metropolitan statistical area.

Figure 2: San José-Santa Clara-Sunnyvale Area Local Market Report



Source: National Association of Realtors

The result of the economic decline on California local government has been a dramatic decrease in the revenue available to provide local services; property taxes, sales taxes, business taxes, utility taxes and hotel taxes were all negatively impacted. Concurrent with the significant loss of revenue, local governments experienced continued increases in their cost of operations. These were primarily due to employee compensation increases agreed to in multi-year contracts prior to the recession and, following the loss of value in public pension funds, significant increases in required employer contributions to pension funds to maintain the defined benefits of these plans.

Beginning in FY 2008-2009, local governments began making unprecedented cuts in expenditures. Some California cities have cut their general fund budgets by as much as 25% to 30%. Layoffs, concession bargaining, cuts in public services and changes in service delivery models have occurred throughout the state.

It should be noted that property tax based special districts, including the fire protection districts in Santa Clara County, have not been impacted as hard as cities and counties. Property tax is the most stable of local revenues and is not subject to the rapid decline of the more consumer-driven revenues of sales, business and hotel taxes relied upon by cities and counties. The decline in property values and impact of foreclosures has started to impact fire district revenue and districts are subject to the same upward pressures on costs.

As most economists project a prolonged economic recovery, it is unlikely local governments will see revenue return to more robust levels for several years. There has been much talk about the “new normal,” reflecting a sense that generally reduced local revenue will be the norm for a long time. The current

and projected financial condition has caused local governments to look for new ways of providing services that are less costly than current service delivery models. This includes challenging assumptions about established practices, looking for opportunities to consolidate or share services with other jurisdictions and outsourcing various services and support functions.

Fire and emergency services are essential local government services, necessary to protect life and property. They are also costly services, typically consuming around 20% of a full-service city's budget. They are labor-intensive with relatively higher compensation than most public employee groups and require the construction, purchase and maintenance of significant infrastructure including stations and apparatus. Given the current and projected financial environment, cities, counties and fire districts are looking for opportunities to reduce and contain the cost of providing these essential services.