



**CITY OF PACIFIC GROVE**  
300 Forest Avenue, Pacific Grove, California 93950

**AGENDA REPORT**

**TO:** HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
**FROM:** SAM MAZZA, FIRE CHIEF  
JAMES L. BECKLENBERG, ACTING DEPUTY CITY MANAGER  
**MEETING DATE:** JANUARY 20, 2010  
**SUBJECT:** CONSIDER A REPORT ON THE FIRST YEAR OF CONTRACT  
FIRE SERVICE PROVIDED BY THE CITY OF MONTEREY.  
**CEQA:** THIS RECOMMENDED ACTION DOES NOT CONSTITUTE A  
“PROJECT” UNDER CEQA GUIDELINES

**RECOMMENDATIONS**

1. Receive the report.
2. Provide direction to staff on fire services interests for future consideration.

**EXECUTIVE SUMMARY**

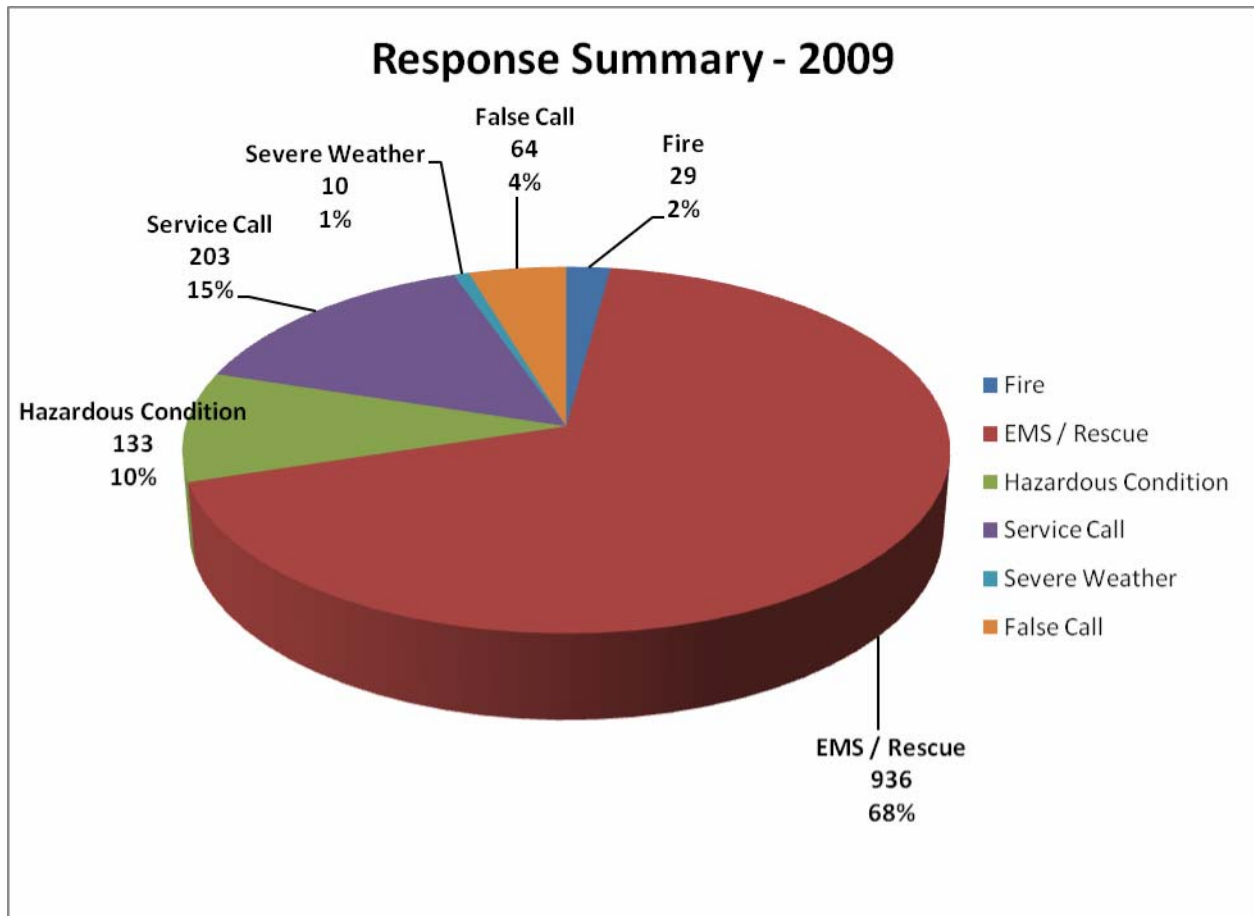
Since December 16, 2008, the City has received fire services by contract with the City of Monterey. After 12 months, staff is reporting on operations and costs during the first year of contract operations. The operational and financial data suggest that the City has more capacity for emergency response at a lower cost than before. Perhaps most importantly, the Fire Department exceeded our standard for emergency response, arriving on scene at 92.7% of calls in fewer than five minutes. In fact, response time data indicate that sections of Pacific Grove near the Monterey border receive faster service under the new model, due to their proximity to Monterey Fire Station #2 located at Hawthorne Street and Hoffman Avenue. Structure fires in Pacific Grove now receive first-call response from 16-18 fire personnel, which compares with 8-12 personnel when the City had an independent department. The data also demonstrate that costs for fire services under the contract model are proving lower than the costs of maintaining an independent fire department. These early results reinforce the promise of additional cost savings as the City pursues an even more robust service model through broader regional shared fire service models.

**DISCUSSION**

After working for several years with the cities of Carmel and Monterey to develop a Joint Powers Authority (JPA) for fire services that would share administrative overhead costs, the City took the first step toward a regional service model by contracting with the City of Monterey for fire services. This model has been in place since December 16, 2008. This report provides an update on results from the first year of operations, from both an operational and fiscal perspective.

**Operational Review:** A review of first-year services and performance indicates 1,375 calls for service for calendar 2009, a 16.6% reduction from 2008 (1,651 calls), and 13.7% less than the

prior five-year annual average (1596 calls). Of these 1,375 service calls, 1,157 (84%) were emergency responses (code-3) subject to city and national response performance standards of five minutes or less, 90% of the time for the first arriving apparatus. Response data for 2009 indicates that 92.7% of all emergency call responses were five minutes or less, exceeding both the city and national standards. Following is a summary of incident responses for 2009:



Incident responses for 2009 included three significant structure fires. Fire losses were for 2008 were \$140,000, while averaging \$400,340 annually over the prior five years.

Some of the operational efficiencies realized over the initial year of the Agreement include:

- Faster response times to the area of Pacific Grove bordered by Eardley, 2<sup>nd</sup>, Laurel, 9<sup>th</sup>, and Oceanview Ave.; this area is geographically closer to Monterey Fire Station #2 at Hawthorne Street and Hoffman Avenue than the Pacific Grove station, and primary response from this station has resulted in faster response times to calls for service within this area, including 129 calls for service in 2009.
- Enhanced staffing/capability of the Pacific Grove fire apparatus; the fire apparatus at the Pacific Grove station is now staffed with a minimum of three personnel compared to a

minimum of two personnel on the first-due apparatus prior to the Agreement. All primary Monterey response resources are staffed with a minimum of three personnel resulting in enhanced operational capability of all emergency system resources.

- Meeting and exceeding all NFPA national deployment standards through enhanced response to major emergency incidents; the initial response to a structure fire or other major incident in Pacific Grove includes 4-5 Monterey resources, one automatic mutual aid resource from an adjoining jurisdiction, and one or more Chief Officers for a combined total of 16-18 personnel. Prior to implementation of the Agreement, Pacific Grove's response to similar incidents was two Pacific Grove resources, one or two automatic mutual aid resources from adjoining jurisdiction(s) and one Chief Officer for a combined total of 8-12 personnel.
- Enhanced system capacity; Pacific Grove has immediate access to all five staffed Monterey fire resources (15 personnel), on-duty Chief Officers (up to five depending on time and day), cross-staffed specialized apparatus and equipment (e.g. fireboat, wild land engine, Urban Search and Rescue, breathing air support unit), and up to 45 off-duty personnel via call-back.

Other operational enhancements of note include:

- The Pacific Grove station is designated as a "core" station in the Monterey Fire Department Deployment Plan, meaning that a "cover" fire apparatus is "moved up" to the Pacific Grove station whenever the crew assigned to the Pacific Grove station is committed to an extended incident or is otherwise unavailable to respond to calls.
- Enhanced communications and interoperability; all fire resources in Monterey and Pacific Grove now operate on a single, common dispatch and command radio frequency as compared to two separate frequencies prior to the Agreement.
- Enhanced training and operational readiness; during the initial year of this Agreement the Operations and Training Divisions have focused specifically on ensuring a very high level of operational readiness through focused training and multi-company drills, including company-level performance standards for 31 basic emergency incident tactical operations, driving and pumping, specialized wild land operations, vehicle extrication, high-rise building , and technical rescue operations.
- 146 fire and life safety inspections performed, with a focus on assembly, business, multi-family, and transient-occupancy buildings.
- Fire and life safety education training was provided to all elementary schools within the Pacific Grove Unified School District.
- Fire Department support for the Good Old Days, Half Marathon, Parade of Lights, and Feast of Lanterns. In addition, the Monterey Firefighters Association, IAFF Local 3707, provided voluntary support to the Pacific Grove community by assisting with the triathlon, cycling race, and through their annual Santa program that distributes Christmas gifts to children in Pacific Grove, Monterey, and Sand City.

All line fire personnel just bid on and received their new station assignments. A significant number of staff who were with Monterey Fire bid to work in Station 4, the Pacific Grove station. Thus, we are, over time, increasing the number of fire personnel who are intimately familiar with Pacific Grove structures and who have built relationships with Pacific Grove citizens. This will further improve fire services as we go forward.

City of Pacific Grove staff feel that the Monterey Fire Department has demonstrated commitment to a seamless transition to the new model. Staff has received no complaints about the quality or responsiveness of our fire services. (We have received complaints by some residents having seen an engine marked “City of Monterey” staffed by personnel wearing badges saying “Monterey Fire Department” responding to calls in Pacific Grove.) The City of Monterey has proven to be a reliable and accountable business partner. So far, it has lived up to its commitment to meet or exceed Pacific Grove’s expectations for professional, efficient, effective, and compassionate services at the same level it does for the residents, businesses, and visitors of Monterey.

***Fiscal Review:*** The contract for service includes a fiscal model, upon which the City of Pacific Grove’s monthly charges are based. The estimates from the model are reconciled at the conclusion of the fiscal year. Experience from the first year indicates that actual annual costs are lower than originally estimated. Current projections suggest that fire services with the contract would also be relatively stable over the five-year period FY 2006/07 – FY 2010/11, growing 5.6%, or an average of 1.1% per year, if we were to continue with the contract. Finally, a comparison of Monterey contract costs for next year compared with a hypothetical independent Pacific Grove Fire Department suggests that contract service is almost 10% less expensive.

***FY 2008/09:*** The original fiscal model for last year, which included only 6.5 months of service (since the agreement became effective on December 15, 2008) projected the City’s costs at \$1,342,000. After reconciling actual costs with the estimate, the City of Monterey refunded Pacific Grove \$192,000, for a net 6.5-month contract cost of \$1,150,000. The difference between the estimate and actual were mostly attributable to one fewer firefighter transferring to Monterey than anticipated, and fewer overtime hours incurred than originally anticipated.

***FY 2009/10:*** The projection from the City of Monterey for the current budget year, delivered in May 2009, indicated services would cost \$2,576,000. As a result of the City of Monterey’s budget reduction strategies and the transfer of one fewer firefighter than originally planned, the estimate for current year service has been reduced by \$171,000.

***FY 2010/11:*** The City of Monterey’s budget reduction strategies have the biggest impact after the current year. The original estimate for costs in FY 2010/11 was \$2,874,000. Refinements to Monterey staffing model and overtime planning have reduced Pacific Grove’s estimated cost by \$94,000. Also, experience revealed that Pacific Grove’s utilization of system-wide resources, such as a ladder truck that serves both communities, is lower than expected, so the City’s allocation of these costs is being reduced by \$187,000. These changes result in a \$281,000 reduction in the projected total contract cost.

The City of Pacific Grove is continuously seeking the most efficient models for service delivery. Reestablishing an independent Pacific Grove Fire Department is among the alternative models. The table below compares the FY 2010/11 estimated cost for the Monterey contract model with a hypothetical independent department. Assumptions for the independent department include:

- Fire administration consistent with the independent Citygate Associates study completed in 2006 (Fire Chief, Assistant Chief, three Battalion Chiefs, one Administrative Assistant)
- Operations staff to match the model in place before merger (six Fire Captains, nine Fire Engineers)
- All salaries, except Administrative Assistant, assume Pacific Grove would pay 10% less than comparable positions in Monterey and that the City would not pay for health insurance.
- Non-staffing costs assumed at PG budget levels before merger, with the following exceptions which have been updated for FY 2010/11 estimated levels: 9-1-1 dispatch services, liability insurance, and vehicle fuel.

**Comparison of Estimated Fire Services Costs for FY 2010/11  
Contract with Monterey vs. City of Pacific Grove Independent Department**

	<b>FY 10/11 Est. with Contract</b>	<b>FY 10/11 est. if PG stand-alone</b>
Salaries	\$0	\$2,025,973
Overtime	0	225,000
Retirement (CalPERS)	0	338,951
Workers Compensation	0	157,791
Other benefits and staffing costs	0	102,187
Contract with the City of Monterey	2,593,000	0
9-1-1 Dispatch services	86,020	86,020
Liability insurance	10,000	35,183
Other services and utilities	130,600	196,900
Major Equipment	0	42,000
Fuel and supplies	26,900	38,750
<b>Subtotal: discretionary costs</b>	<b>\$2,846,520</b>	<b>\$3,248,756</b>
<i>Fixed Costs:</i>		
Pension Bond debt service allocation	446,171	446,171
Fire engine debt service	50,277	50,277
Workers Compensation claims prior to 12-15-09	50,000	50,000
<b>Total budget</b>	<b>\$3,392,968</b>	<b>\$3,795,204</b>

The table suggests that fire service costs for an independent Pacific Grove Fire Department would be \$402,236 (10.6%) higher than the projected costs under the contract model . (In

addition, we would not have the benefit of the service enhancements generated by the Agreement.)

*Relatively stable costs over time:* Staff hears concerns about the rate of growth in fire costs with the contract model, noting that budget for fire services has increased significantly in recent years, especially in reference to the FY 2006/07 costs displayed in the FY 2009/10 budget document. Closer analysis reveals that the most significant factor in fire budget cost increases is the allocated share of Pension Obligation Bond Debt service. These costs represent unfunded employee retirement system costs on CalPERS's books before 2004. The City elected to issue debt to refinance this obligation, and will pay debt service on the bonds for the next 19 years.. The City pays these costs regardless of its fire service model, whether or not it has a fire department. The table below shows fire service costs over the five-year period of FY 2006/07 – FY 2010/11.

**City of Pacific Grove Fire Service Costs  
(FY 2006/07 actual – FY 2010/11 projected)**

	FY 06/07 actual	FY 07/08 actual	FY 08/09 actual (unaudited)	FY 09/10 budget (adopted)	FY 09/10 updated estimate	FY 10/11 projection
<b>MONTEREY CONTRACT</b>	-	-	1,242,237	2,578,000	2,408,000	2,593,000
Staffing subtotal	2,350,295	2,193,267	1,345,850	9,000	9,000	-
Utilities and Services subtotal	162,420	179,326	118,746	139,000	139,000	130,600
Materials/supplies subtotal	25,238	37,246	20,415	26,900	26,900	26,900
Capital subtotal	917	1,555	-	-	-	-
<b>Ongoing direct cost total</b>	<b>2,538,870</b>	<b>2,411,394</b>	<b>2,727,248</b>	<b>2,752,900</b>	<b>2,582,900</b>	<b>2,750,500</b>
<b>Not consistently shown in department budgets until FY 2008/09</b>						
<b>FUND TRANSFERS</b>						
Public Safety Augmentation Fund (9-1-1)	36,300	37,950	60,000	<b>78,200</b>	<b>78,200</b>	86,020
Debt service on fire apparatus	-	50,276	17,987	<b>50,277</b>	<b>50,277</b>	50,277
<b>INTERNAL SERVICE CHARGES</b>						
Liability Insurance	19,004	26,786	35,183	<b>22,479</b>	<b>22,479</b>	10,000
Workers Compensation	189,117	181,902	134,214	<b>116,250</b>	<b>116,250</b>	50,000
Employee Benefits	8,527	9,641	9,184	-	-	-
<b>TOTAL BUDGET FOR CURRENT SERVICES</b>	<b>2,791,818</b>	<b>2,717,949</b>	<b>2,983,816</b>	<b>3,020,106</b>	<b>2,850,106</b>	<b>2,946,797</b>
PENSION OBLIGATION BOND DEBT SERVICE (payable regardless of service model)	-	219,462	379,322	<b>429,011</b>	<b>429,011</b>	446,171
<b>TOTAL BUDGET/COSTS FOR FIRE</b>	<b>2,791,818</b>	<b>2,937,411</b>	<b>3,363,138</b>	<b>3,449,117</b>	<b>3,279,117</b>	<b>3,392,968</b>

When one looks at the “bottom line” for the Fire budget, it appears costs are increasing from \$2.8 million in FY 2006/07 to \$3.4 million estimated for FY 2010/11. However, as the shaded

row of the table shows, when the non-discretionary and increasing costs for POB debt service are excluded, annual costs for “current services” are relatively stable, ranging from \$2.8 million in FY 2006/07 to \$2.9 million estimated for FY 2010/11.

*Public perceptions:* Even with the demonstrated benefits of the fire contract—including enhanced services and lower costs—a portion of the Pacific Grove community still grieves over the loss of the Pacific Grove Fire Department. Some citizens indicate they believe we have sold out on our heritage, and significantly damaged our sense of community. As one of the true strengths of Pacific Grove is our sense of community, that is a very real matter to be addressed. This challenge will become even greater as we move closer towards a potential “Monterey Peninsula Fire Department” (or whatever name may be selected under a broader shared-services model, if it comes to pass) and as we look to shared services in other functional areas as well.

The logic of shared services is inescapable. The population on the entire Monterey Peninsula is under 100,000, less than that of a medium-sized city. In these increasingly fiscally challenged times, none of the peninsula cities independently can afford the level of services and expertise that its citizens have come to expect. We can, however—by using collaboration, consolidation, and other methods of sharing services—offer more of what our citizens deserve, and at a lower cost. We are seeing the benefits already, not only in fire protection, but also in risk management, Police tactical units, building services, and traffic patrol. The ongoing challenge for Pacific Grove, as we continue down this path, will be to retain what is special and unique about our approach to service delivery, to ensure our citizens fully appreciate each of the steps we take, and to take any additional steps necessary to reinforce the sense of community we would otherwise put at risk.

*Next steps:* As previously mentioned, the City must continue seeking new and more efficient ways of delivering all services, including fire. The contract was conceived by both cities as an interim step towards a possible regional shared services model. Such a model would involve additional jurisdictions and would have shared governance, meaning that each City would have a proportional share of authority on a board of directors that would govern fire services for all participating agencies. In addition to shared governance, a broader collaboration of agencies would allow for broader sharing of administrative and command services, which would reduce Pacific Grove’s costs further. Staff is also exploring options for collaboration with CalFire, which provides contract service to Pebble Beach and several other agencies in the area. We will bring back the results of the initial investigation into such options to the Council later this spring.

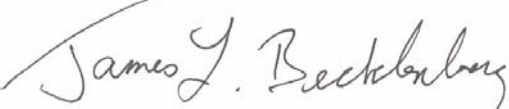
#### **FISCAL IMPACT**

None

#### **ATTACHMENTS**

None

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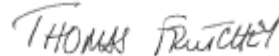


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