

SELECTION OF A
LONG TERM FIRE SERVICE PROVIDER

DRAFT

Gold Mountain Community Services District

September 1, 2009

TABLE OF CONTENTS

I.	Objective of the Report	Page 1
II.	Background	Pages 1-2
III.	Services and Standards For Long Term Fire Protection	Pages 2-3
IV.	Research Effort	Page 4
V.	Special Discussion Areas	Pages 4-9
VI.	Selection Factors	Pages 9-10
VII.	Analysis of Alternatives	
	A. Eastern Plumas Rural Fire Protection District	Pages 10-12
	B. City of Portola Volunteer Fire Department	Pages 12-13
	C. Graeagle Fire Protection District	Pages 14-15
VIII.	Conclusions	Pages 15-16
IX.	Exhibits	

SELECTION OF A LONG TERM FIRE SERVICE PROVIDER

I. OBJECTIVE OF THE REPORT

The objective of this report is to provide information to the Board of Directors and the community regarding selection of a long term fire protection and medical emergency provider.

II. BACKGROUND

When the Gold Mountain development was approved by the Plumas County Board of Supervisors in 1996 the Gold Mountain Community Services District (GMCS D) was assigned the “fire protection” power. If the Gold Mountain development were to be approved today, there would likely be a requirement to annex to the Eastern Plumas Rural Fire Protection District (Eastern Plumas), similar to the requirement for the neighboring Ridges at Twin Peaks development.

There was no funding source for fire protection until 2006 when the community passed a fire parcel tax which yields about \$70,000 annually. Since 1997 the GMCS D has had an agreement with the City of Portola to provide fire protection. On July 14, 2008 the Plumas County Local Agency Formation Commission (LAFCo) asked the GMCS D to begin discussions with potential fire protection agencies in order to:

1. Annex to either Eastern Plumas or the Graeagle Fire Protection District (Graeagle Fire); or
2. Form a joint powers agency with Portola or one of the existing districts.

Continuing the current contractual agreement beyond June, 2010 was not an option. LAFCo established a timeline of July 1, 2009 for the GMCS D to make a decision. It was recognized that once a decision was made, implementation would take time.

The LAFCo Executive Director left the Commission in April/May, 2009. An interim Executive Director has been appointed. The President of GMCSO has met briefly with him to ascertain whether Graeagle Fire is an option since Gold Mountain is not in Graeagle's sphere of influence. The interim Director indicated that if the Gold Mountain CSD decided that Graeagle was its choice for annexation, then it would be LAFCo's responsibility to determine if an accommodation could be reached. For the purposes of this report the assumption is made that Graeagle is a viable option. Exhibit A depicts the geographic relationship between Gold Mountain and the three alternatives.

III. SERVICES AND STANDARDS FOR LONG TERM FIRE PROTECTION

In August 2005 a number of Gold Mountain property owners met to develop a Fire Service strategic plan. Out of those meetings came a draft mission statement:

- To provide fire protection and emergency services;
- To reduce combustible/natural fuels within and adjacent to the community;
- To optimize the cost of services; and
- To educate constituents regarding fire.

This mission statement is intended as a work in progress.

On December 5, 2008 the Gold Mountain Fire Safe Committee hosted a workshop to determine the fire-related services the community desires from a long term provider and to the extent possible develop performance measures. Several property owners contributed via e-mail and 11 attended the meeting.

The following services and standards were drafted, presented to the Board of Directors and adopted on December 13, 2008. The Board's intent was to collect data from each of the agencies and compare what was received to the services and standards.

1. **Structural Fire Protection and Suppression**

Definition: This service includes defending homes and other structures from wildfire (protection) and suppressing existing structural fire.

Standards: One engine and one tender within 10 minutes 85% of the time (measured at the Nakoma clubhouse).

One driver and two additional staff on the engine and one driver on the tender.

A designated incident commander on site.

2. **Emergency Medical Service**

Definition: This service includes both basic life support (BLS) and advanced life support (ALS).

Standards: Equipped vehicle response within 10 minutes 85% of the time (measured at Nakoma).

Two staff with at least one trained at the ALS level.

3. **Maintenance**

Definition: Fire hydrant and standpipe maintenance

Standard: Annual inspection/testing

4. **Administration**

Definition: This activity includes enforcement of existing laws (4291) regarding defensible space, Fire code, etc., review of proposed development plans and residential structures, long range and strategic planning, inspections, grant and loan expertise and emergency evacuation planning.

Standard: Existence of the above elements in the agency.

IV. RESEARCH EFFORT

The research effort focused initially on collecting data from each of the three entities. Requests for the following data were transmitted in January, 2009:

- Budget
- Calls for Service/Response Times
- Personnel
- Facilities and Equipment

Meetings were then held with each agency to discuss the data and request additional information. The second phase of the process was to establish mutual interest and discuss pros and cons of a potential relationship and define next steps.

Exhibit B is a summary of the data collected.

V. SPECIAL DISCUSSION AREAS

- a. Why doesn't Gold Mountain form its own department and provide the service? The trend in the fire service is to consolidate small volunteer departments into larger service units. This affords economies of scale and likely is the only way most departments will be able to afford full time staff. Plumas County LAFCo and the Board of Supervisors have advocated this concept for several years.

Informal discussions have been held among the various agencies and there appears to be growing interest.

One of Gold Mountain's disadvantages is the nature of the population – older and often part time. A successful volunteer department needs able-bodied people who are available for calls. That resource is presently very limited at Gold Mountain.

In addition, Gold Mountain does not have the financial resources to build a station and buy the requisite equipment. Even if Gold Mountain had the money it would not have the personnel resources. However, discussions have taken place with each of the three

agencies regarding storage of equipment and perhaps providing a limited amount of Gold Mountain personnel in the future.

- b. What is the future of fire service in Eastern Plumas County? Past territorialism and competing egos appear to have dissipated. Informal discussions have begun between Graeagle Fire and Plumas Eureka, Graeagle Fire and Eastern Plumas and Eastern Plumas and Beckwourth. What's missing at this point is the leadership and incentive to do it – and begin serious discussions. It is hoped that the Gold Mountain decision on a service provider could be a catalyst in these discussions.
- c. What is Gold Mountain's financial future with regard to fire service? In 2006 Gold Mountain passed a parcel tax on all properties within the District which yields about \$70,000 annually, of which \$25,000 is used to pay for the Portola contract. Depending upon which service provider is selected, the District will either have sufficient funds in the case of Portola or will need to pass a "benefit assessment" to pay for annexation to Graeagle Fire and likely for Eastern Plumas.

Future financial opportunity for Gold Mountain lies with the property tax. In 2007 the District negotiated with Plumas County for a six percent share of the property tax generated at Gold Mountain. Normally, these negotiations take place when a new entity is formed—1996 in Gold Mountain's case.

Here's how property tax distribution works in Plumas County. Property tax payments from Gold Mountain are allocated to a number of agencies: schools, hospital district, county, etc. The majority of the property tax goes to schools (50%) and 30% goes to the County. When an agency such as Gold Mountain wishes to receive a share, none of the existing agencies wish to give up what they currently receive. Gold Mountain's task was to work with the County to determine whether/how a portion of the County's 30% share could be allocated to Gold Mountain (approximately \$360,000). The County's position was and still is that it will not give up any of the property tax it currently receives. However, the County did agree to give up 6% of future property tax receipts originating in Gold Mountain. The base year was 2006-07. Since

the assessed valuation of Gold Mountain property increased in 2007-08, the property tax yield also increased and Gold Mountain received \$4,327.

Since then properties have been reassessed downward so the District received no property tax in 2008-09 and will not receive anything in 2009-10. As the economy recovers and the bankruptcy and ownership of the golf course, clubhouse and adjacent properties is resolved, building will resume and assessed value of property will rise. If the assessed value of land and improvements at Gold Mountain increases from the 2005-06 base of \$121,000,000 to \$200,000,000, the property tax yield to Gold Mountain would be approximately \$14,000 annually. Upon annexation to another district those funds would accrue to that district. If Gold Mountain enters a joint powers agreement with any of the three entities, the use of the property tax would remain at the discretion of Gold Mountain.

- d. What is “ISO” and how does it potentially affect the decision on a long term provider? The Insurance Services Office (ISO) is a private entity which conducts studies of fire departments and provides the results to insurance companies. ISO has three major criteria which it uses to rate fire departments. They are:

Fire alarm and communications system -- 10%;
Fire department – 50%; and
Water supply system – 40%.

A more detailed description of ISO criteria is included in Exhibit C.

Using these criteria ISO studies each department and awards points based on what it finds during its research. The outcome is an overall rating of the fire department from 1 to 10, called a Public Protection Class. The lower the number the better the rating and greater potential savings to property owners. This information is available to insurance companies to use as a basis for premium charges to customers. As departments change, new ratings can be assigned.

In practice there are several caveats:

1. Not all insurance companies use the ratings;
2. Some companies blend the ratings and end up with perhaps three categories instead of 10;
3. Specific areas of agencies may be assigned a different rating based on known deficiencies. For example, a department within it's own home district may receive a “6” rating but a portion of a community which it serves may have an inferior water system which results in a “9” rating for that particular area; and
4. Some insurance companies do not wish to write policies in rural, fire prone areas so the rating system becomes meaningless to those companies.

Recently, ISO adopted a new classification (8B) which deals with rural areas such as Gold Mountain. Rating factors for this classification are included as Exhibit D.

The ISO ratings for the three agencies are as follows:

Eastern Plumas	6/9
Portola	5/8B
Graeagle Fire	4/8B

These ratings are helpful in that they are an objective measure of each department developed by an independent agency. Beyond that, selection of a service provider largely based on ISO ratings in order to reduce insurance premiums is problematic.

- e. What options does Gold Mountain have? Based on the LAFCo directive Gold Mountain must choose a partner and do it in the near future. There are two “structural” options: annexation to an existing district, either Eastern Plumas or Graeagle Fire, or a joint powers agreement with Portola or either of the districts.

Annexation is permanent, almost impossible to reverse. Upon annexation, the “fire” powers of the District as provided in State law transfer to the annexing district and funds collected for fire service purposes go to that district. Gold Mountain registered voters can run for office in the new district. Water and sewer powers would continue to reside with Gold Mountain. It is likely that the District

can negotiate to retain some functions and supporting revenue (ex. hazardous fuel reduction).

The annexation process includes several steps:

1. Application to LAFCo for annexation by the annexing District and/or GMCSD (resolution or petition);
2. An engineering study to determine Gold Mountain's "buy-in cost" and to set in motion a process to establish a special benefit assessment;
3. LAFCo public hearing and decision on the annexation; and
4. Public hearing to approve the special benefit assessment (majority protest).

This process normally takes at least one year. The cost to Gold Mountain to conduct this process will be in the \$25,000 range primarily for engineering studies and LAFCo fees. Payment is "up front" and is not part of the assessment.

A key requirement in the annexation process is that Gold Mountain must be in the "sphere of influence" of the agency to which it wishes to annex. Sphere of influence establishment is part of LAFCo's responsibility. Gold Mountain is contiguous to Eastern Plumas and within its sphere of influence. If Gold Mountain wishes to annex to Graeagle Fire the latter's sphere of influence would need to be amended to include Gold Mountain.

The second option is to enter into a joint powers agreement with one of the three agencies. A joint powers agreement can be established when at least two agencies have the same powers (fire service) and wish to work together in some fashion. In this case Gold Mountain would be "purchasing" fire service from one of the entities. It would be fairly easy to convert Gold Mountain's current agreement with Portola into a joint powers agreement. Discussions to that end have been held with Portola officials. Neither of the other two agencies has indicated any interest in this approach.

A second, optional, phase of a joint powers agreement is to establish a legal entity called an authority to govern the agreement. This authority would take on a formal nature; both entities would be

represented. This group would then govern fire service activities. Gold Mountain is not considering this option at this time.

On one hand the joint powers option is fairly easy to do. The annexation process is more lengthy and expensive but is permanent and builds equity for the community.

f. How does the special assessment annexation formula work?

There are three elements to the calculation:

1. The Past Expense Component is based on the depreciated value of a District's assets divided by the number of existing parcels in the District. This produces a per parcel investment, the cost of which is spread over 20-25 years for the annexing District.
2. The Service Component is based on a three-year average of District income plus cash reserves used for operations and maintenance, minus capital outlay. This number is divided by the number of parcels in the District. Added to this number is the County's \$2.50 administrative fee.
3. The Future Cost Component is based on the current cost of additional capital assets purchased to serve the sphere of influence. This number is divided by the estimated number of parcels within the sphere.

These three numbers represent the first year special assessment per parcel. An inflation factor is added annually.

VI. SELECTION FACTORS

These data collection activities have been focused on facts to the extent to which they can be obtained. In some cases no data exists; in other cases the basis and methodology for collecting the data differs among agencies.

A. Objective Factors

- Facilities – Number, size and age of stations
- Equipment – Pumpers, water tenders, quick attack vehicles, miscellaneous vehicles

- Personnel – Number; training level
 - Budget
 - Cost to join – Quantifiable within 10%
- B. Less Objective Factors
- Response time
 - On site performance
 - Management
- C. Subjective Factors
- Leadership
 - Control/Influence
 - Political climate

Exhibits E and F define fire service terminology.

VII. ANALYSIS OF ALTERNATIVES

A. Eastern Plumas Rural Fire Protection District

Eastern Plumas is a district which provides fire protection and medical emergency services to an area that nearly surrounds Portola. It has three stations, one in Delleker, one at Lake Davis and a third at Ironhorse, 2.4 miles from Gold Mountain's Nakoma Clubhouse.

The District's annual budget is \$96,763 and is funded primarily by property tax. The Lake Davis area pays a fee of \$20 per parcel annually. Several potential developments in the Delleker – Maybe area will add to property tax revenues for the District. The Ridges at Twin Peaks, adjacent to Golf Mountain, is in the process of annexing to Eastern Plumas.

Gold Mountain is in the District's sphere of influence meaning that annexation is feasible. If Gold Mountain annexed to Eastern Plumas, it would give up its fire protection powers. An engineering study would be conducted to determine how much Gold Mountain parcels would pay to be part of the Eastern Plumas District. Three factors prescribed by State law come in to play: past investment in physical plant and equipment; current budget; and future development. Without having completed such a study it is likely

that the cost would be in the range of \$150 per parcel per year for 20 years. In addition, Gold Mountain would give up its share of the property tax. Negotiations would also take place regarding retention of some of the parcel tax for specific projects such as hazardous fuel reduction. As part of the Eastern Plumas district Gold Mountaineers who are registered voters would be eligible to run for the Eastern Plumas district board.

For the past several years the GMCSD has been attending Eastern Plumas board meetings. Possible annexation has been discussed as far back as 2006. Eastern Plumas has been in a state of change at both the Board, Chief and staff levels for two years. New leadership has asserted itself and the District is moving in a positive direction.

Pros

Gold Mountain is in Eastern Plumas' sphere of influence and would receive the blessing of the Plumas County LAFCo.

One station and equipment are located close to Gold Mountain at A-15 and the Iron Horse subdivision.

The buy in cost is generally within Gold Mountain's current ability to pay. Gold Mountain's 2009-10 parcel tax is \$148.57 for undeveloped residential parcels.

Gold Mountain would make a permanent investment in fire service.

Gold Mountain would be a big boost to Eastern Plumas financially.

Cons

Eastern Plumas is in the process of "becoming". There is much work to be done.

The District is severely underfunded. Gold Mountain's annual payment would constitute over half of Eastern Plumas' annual

budget; all of the Gold Mountain property tax would accrue to Eastern Plumas.

Gold Mountain would give up control of the fire service function.

B. City of Portola Volunteer Fire Department

The City of Portola, the only incorporated city in Plumas County, has provided fire protection to Gold Mountain since its inception. Initially, the service agreement provided for a fee per service call. For the past several years the agreement has been based on assessed valuation of property at Gold Mountain and has been capped at \$25,000 annually. This represents 23% of the Portola Fire Department budget of \$108,645, the funds for which come largely from property tax.

Historically, there have been limited calls for service to the Gold Mountain area: two each in 2007 and 2008 and five thus far in 2009.

The Fire Department has become increasingly professional, hiring a part-time, paid Chief two years ago. The Chief has assisted the GMCSD in fire hydrant placement, hydrant flow testing and other fire related matters. The relationship between Portola and GMCSD has been excellent.

Portola responds to Gold Mountain primarily from its south station at the corner of Pacific and First Streets. The station is 4.5 miles from Nakoma. Response times averaged 11 minutes in 2007 and 2008.

Since Portola is a city and Gold Mountain is a non-contiguous area, annexation cannot take place. The only feasible legal relationship would be a joint powers agreement. Such an agreement can take place when both governmental entities have the same powers (in this case fire protection) and they choose to work together. An agreement adopted by both agencies would be required. It would be similar to the agreement currently in place and could be dissolved at any time by either party.

Portola has indicated its desire to increase the annual cost of fire protection from \$25,000 to \$35,000. Gold Mountain is developing a rationale or formula to justify the cost of service.

Pros

There is a current positive relationship between the entities.

Portola is familiar with Gold Mountain's fire service needs.

Gold Mountain would retain its property tax share.

Gold Mountain might continue to benefit from Portola's overall ISO rating of 5/8B.

While response time is not within Gold Mountain's standard of ten minutes, it is close.

Portola is the lowest cost alternative.

Portola's part time Chief also heads the Eastern Plumas Hospital paramedic program.

There would be potential to purchase other services.

Cons

The cost of service would not be stabilized and could continue to rise.

The agreement would not be permanent and could be subject to the vagaries of politics.

The cost would be for annual service and not a long term investment.

C. Graeagle Fire Protection District

The Graeagle department is the most professional and best equipped department in the eastern portion of Plumas County. With an annual budget of \$376,825 it is well-funded.

The District has annexed a number of developments in recent years – Whitehawk and Valley Ranch. Annexations of Clio and Feather River Inn project are now being discussed. Graeagle is very familiar with the annexation process. In fact, the Graeagle Board has adopted an annexation policy which is included as Exhibit G.

Graeagle has one station located on State Route 89 in Graeagle proper. In order to better serve Whitehawk and adjacent Mohawk Valley areas a second station will be built either at Whitehawk or near the intersection of State Route 89 and A-15. Currently, Graeagle has two pieces of equipment stationed at the Whitehawk facility.

Preliminary discussions have taken place between Graeagle and Gold Mountain. There is interest on both sides. One of the issues is response time affected by distance and travel time and terrain. The distance from A-15/89 to Nakoma is 4.1 miles. Travel time from Graeagle's primary station to Gold Mountain is estimated at 12 minutes and the distance is 8.8 miles.

Currently, Gold Mountain is not within Graeagle's sphere of influence. LAFCo would need to approve a sphere change.

The cost to annex to Graeagle would be in the range of \$185 per parcel. This is based on a study completed in 2006 for the Whitehawk annexation. This would be in excess of the current parcel tax for undeveloped properties (\$148.57) but less than the tax for developed parcels (\$222.85). Graeagle has shown interest in working with Gold Mountain to carve out some funds for Gold Mountain's special projects such as hazardous fuel reduction.

Pros

Graeagle has the best resources.

Graeagle has strong leadership.

The ISO rating is 4/8B.

Gold Mountain would not have to invest major time and energy. Everything is there.

Gold Mountain meets the Graeagle criteria for annexation.

Cons

Response time falls short of the Gold Mountain standard based on current station location.

At approximately \$185 per parcel Graeagle has the highest cost.

Gold Mountain would be a small part of the Graeagle district with limited influence.

Exhibit H compares buy in costs between Eastern Plumas and Graeagle and applies the annexation formula to Portola as well.

VIII. CONCLUSIONS

In reviewing the data there does not appear to be a clear cut answer on the best alternative. Graeagle is the most established, best managed, most financially sound department. However, its station is the furthest away and location of a second station nearer Gold Mountain (at A-15 and Route 89) or on A-15 toward Gold Mountain is still in the planning stages. Moreover, Graeagle is the highest cost alternative.

If Gold Mountain wants stability, the least amount of change and the lowest cost, Portola is a viable alternative. The problem here is the limited permanency of the joints powers agreement.

Finally, there's Eastern Plumas. With its proximity to Gold Mountain good planning suggests it's the most prudent choice. The cost is manageable within Gold Mountain's current financial framework. Currently, with limited financial

resources, Eastern Plumas' potential is yet to be realized. With the annexation of Gold Mountain and likely development in the Delleker – Maybe area Eastern Plumas will be in an excellent position to improve facilities, equipment and operations.

How much does Gold Mountain want to be involved in fire service decision making? If Gold Mountain doesn't want heavy involvement and wishes to align with a sure thing, Graeagle Fire would be the obvious choice. The current relationship with Portola suggests that Gold Mountain could work productively with Portola, given the current political climate in Portola. With respect to Eastern Plumas the opportunity is there to make an impact in decision making (perhaps on the Board of Directors) and at the management level. But this would require a major commitment on the part of Gold Mountain property owners.

This draft report was prepared by a sub committee comprised of Mike Callaghan, Steve Fuqua and George Sipel.