

CITYGATE ASSOCIATES, LLC

■ FOLSOM (SACRAMENTO), CA

MANAGEMENT CONSULTANTS ■



EVALUATION OF FIRE SERVICE PROPOSALS

CITY OF SAN BERNARDINO, CA

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■ 2250 East Bidwell St., Ste #100 ■ Folsom, CA 95630
(916) 458-5100 ■ Fax: (916) 983-2090



CITYGATE ASSOCIATES, LLC
FIRE & EMERGENCY SERVICES

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SECTION 1—EXECUTIVE SUMMARY

Citygate Associates, LLC was retained by the City of San Bernardino to assist with the review of fire services proposals received after the City issued a Request for Proposal in April 2015, with responses due on May 20, 2015. Citygate reviewed the proposals and found the respondents each offered very different service levels and cost. Without comparable proposals, this made it difficult to assess which service level and cost would be best for the City. Citygate then suggested, and the City agreed, that the City issue a clarifying set of instructions to the three respondents, requiring two standard services packages with complete costs, and allowing a third option that would be the respondents' view of the best services-to-cost proposal they could offer. The second round of proposals was received on July 24th for evaluation by Citygate.

The purpose of the fire services RFP process was to determine if the City had choices for a fire services provider and, if so, evaluate whether the cost structure be significantly better than a City-provided department. The result of this process finds the City does have choices, and all three come with significant differences, both positive and negative. This report, and other companion consultant studies on the City's fire services, does not ask the Common Council to make the final provider decision.

The Common Council needs to choose a *preferred provider* at this point and direct staff to work with that provider to set final service level choices and costs for the Common Council to consider for implementation. In the case of the County Fire District, a LAFCO process also has to be undertaken. Any changes from City-provided services will take many months and several more incremental Common Council decisions before the final decision is made.

1.1 WHAT THIS REVIEW IS

Three complete responses were received from the City of San Bernardino Fire Department (City), the County of San Bernardino Fire District (County Fire), and the Centerra Corporation (Centerra), based in Florida. This report summarizes the responses received from the perspectives of service levels and impacts on the affected employees.

In their revised proposals, the respondents were required to offer pricing on three service level options. The following is an excerpt from the pricing clarification letter and describes the three service level options:

Option A: *Cost to provide the City with the level of fire service it is now providing. This includes:*

1. *Only closing Station 230 and reducing Engine 223 to a 2-person squad consisting of a Captain and Firefighter.*

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2. *Operating the administrative and fire prevention functions at their current staffing levels.*
 3. *If you choose to provide dispatch services using the current City dispatch location and staffing, please also include this cost in your proposal. If you choose, instead, to contract with another agency (such as the County fire dispatch operation), ensure that the cost of that service is included in your cost proposal and indicate the cost of that contracted dispatch service based on the 2014 number of incidents in San Bernardino (32,243).*

If there are any costs (except CalPERS expenses) that will be borne by the City, such as purchasing additional fire apparatus, be specific regarding what these costs are for, the expected year(s) in which the costs will be incurred, and the assumptions for arriving at the costs to be borne by the City.

Option B: *The station closure recommendations from the prior Citygate study, consisting of:*

1. *Closing Stations 230, 231 and 223.*
2. *Operating the administrative and fire prevention functions at their current staffing levels.*
3. *Dispatch and fleet cost disclosures as well as any costs to be borne by the City, as requested in Option A.*

Option C: *A separate deployment cost option proposal that you feel best meets the City's needs to lower costs without reducing services to grossly insufficient levels.*

The total operational deployment proposal may not reduce more than a total of two engines, one ladder truck and one of the two daily Battalion Chief assignments. Squads or Quints, as additional services, can be included in your service plan. Your option may include a different arrangement of providing fire prevention and dispatch services than is now being provided by the City.

This separate deployment option needs to be specific in terms of the staffing and level of service for operating the stations, apparatus at each station, dispatch, fire prevention, and administrative functions.

Dispatch and fleet cost disclosures as well as any costs to be borne by the City, as requested in Option A.

In each service level option, the respondents were required to state which stations were to be operated, the station crews' work schedule, the quantity and rank of personnel on each type of apparatus, and how incident command will be provided.

The respondents were also given a list of items to be included in their cost proposal, such as fire apparatus, station repairs, small tool and equipment replacement, etc.

1.2 WHAT THIS REVIEW IS NOT

Citygate's review of the proposals to date is *not* a complete audit of the backup data for every item priced in each proposal. Each proposal contains elements that will require some degree of negotiation before a final price and refined service level can be finally selected by the City. This review is intended instead to provide the Common Council with a clear picture of the basic services and costs being proposed so that the Common Council has the clarity to choose a preferred provider. City staff can then negotiate final options, pricing, and an implementation schedule that can be returned to the Common Council for a final decision.

1.3 CITYGATE'S CAPSTONE OPINIONS

The cost of firefighters greatly increased since the 1970s. Prior to the most recent recession, the cost of pensions and health care exploded. Cities and fire districts in the state were led to believe that these pension costs were sustainable. The national recession has now taught otherwise.

During the economic downturn, and then in bankruptcy, the City made reductions to staffing and support service costs for stations, apparatus, tools, equipment, and protective clothing. Regardless of the final fire department provider choice, these components must be funded back at the necessary levels to maintain effective, safe, sustainable operations.

The RFP process has illustrated for the Mayor and Common Council that, for similar levels of services, any of four basic cost choices is within the margin of current cost estimation error, pending final decisions. However, there is a significant difference in operational cost savings to the City among the four choices. The following table compares the basic cost choices and highlights the advantages or disadvantages of each option:

Table 1—Basic Cost Choices

	Option A Current Service Level	Option A Current Service Level	Option C County Fire Alternative Service Level	City FY 2015-16 Cost Current Service Level
Provider	County Fire	Centerra	County Fire	City
Net Cost	\$27,623,255	\$26,120,972	\$26,707,731	\$28,619,411
Firefighters On Duty	38	38	41	38
Details	See notes below. The costs above reflect cost minus revenues.			
<p><i>County Fire – Option A: The proposed cost is \$996,156 less than City’s cost for the current level of service. Additionally, the County Fire proposal properly funds facility and apparatus replacement, adequately funds other capital expenses, converts dispatch over to County Fire and transfers future pension and health costs to County Fire. Includes shared response use of County Fire Station 75. Actuarial estimates also reflect contracting with County Fire will save the City an additional \$2,700,000 per year in pension costs.</i></p> <p><i>Centerra – Option A: The first-year cost is \$2,498,439 less than the City’s cost and \$1,502,283 less than County Fire Option A cost. While Centerra costs decline in the third year, Centerra cannot ensure during the ten-year contract that the City will receive mutual aid. The cost retains the present dispatch, requires the City to fund any apparatus replacement and major rehabilitation as well as the replacement of fire stations, provides fewer employee positions than the City now budgets, and requires impact bargaining at conversion with no assurance that State legislation will continue to allow Charter Cities to contract for private fire services. At the conclusion of the contract, the City may need to pick up future pension and health costs if a contract is not renewed with Centerra.</i></p> <p><i>County Fire – Option C: While the cost is \$586,759 higher than Centerra’s first-year cost and \$1,851,498 higher than the Centerra third-year cost, the County Fire proposal not only provides three more firefighters on duty each day, and one additional fire apparatus, but also offers the City all of the benefits described under County Fire Option A. Centerra continues to have the shortcomings described in the Centerra Option A alternative. The County Fire proposal includes shared response use of County Fire Station 75.</i></p> <p><i>City – Current: The City cost, while adjusting for City-received Fire Department revenue, is still higher than that of the County Fire proposal A, largely because the City FY 2015-16 budget does not adequately cover an estimated \$1,300,000 annual apparatus, equipment, and facility rehabilitation and replacement which has been added to the City costs in this report. The City proposal also continues dispatch under the present City system, continues exposure to long-term pension, health, and workers’ compensation costs and has fewer fire personnel and apparatus on duty each day.</i></p>				

Why is the private sector option not much less expensive? Several reasons drive this, including that the base pay was set near local market conditions; health benefits have similar costs to private-sector employers; and while the private-sector pension costs are less, there is some erosion of those savings given the private sector overhead costs and their earned performance bonus. Additionally, both Centerra and County Fire have funded, in the early years of the contract, restoration of maintenance and operating expense cuts that the recession forced on the Department.

While in year three and later years Centerra's costs do decrease some, they still do not include the fire apparatus, station replacement, and repair expenses that County Fire has included in its cost model starting at year one. In addition, with Centerra there is some uncertainty regarding the availability of mutual aid, and the results of employee conversion impacts. There could be legal challenges implementing the Centerra choice; these costs, and whether these legal challenges will succeed or fail, cannot be estimated at this point because there is no precedent in the state.

While the cost differences between County Fire-provided and Centerra-provided fire services are modest, County Fire is a stronger, more assured path to further explore. This assessment is based on the uncertainties described with a Centerra contract; and because County Fire can transfer the City's employees into a similar public employee retirement system, offer large department career development opportunities, absorb fire apparatus and station costs at present value and condition, and is already in the mutual aid system:

The best cost-to-services choice is County Fire's Option C for 14 units and 41 firefighters at \$26,307,731 which includes sharing the use of a nearby County Fire station and Battalion Chief that can assist with covering part of the western City. Interestingly, this provides a higher level of service at a lower cost than County Fire Option A because it shares Battalion Chief services with the adjoining County areas and replaces a Fire Captain on the Squad with a Firefighter.

If, to restore fire services to sustainable levels, the City must raise additional revenues, then the annexation process to the County Fire District serves two purposes: (1) it provides economy of scale with County Fire operations, and (2) it provides an assessment process that permits the community to decide if an added modest fire service assessment would help reduce the overall County Fire service cost to the City General Fund.

The annexation process with County Fire also provides the City the opportunity to further negotiate the details of the level of service and ultimate cost with County Fire. In selecting a preferred fire service provider, the City has the requirement to negotiate the finer details of the service arrangement reflective of both providing adequate fire protection and meeting the cost needs of the City.

Based on our ongoing understanding of the risks to be protected and emergency incident workloads, Citygate does not recommend closing more than two fire stations—if that. While Option B required the costs of a 3-station closure, and Centerra Option C replaces the dedicated

ladder trucks with Quints (combination engines/ladders with one crew), Citygate is of the opinion that a 3-station and/or 2-ladder crew closure would be significantly deficient for the City's current situation. As such, services reduction of more than two engine companies, in two stations, should be considered only in the most extreme circumstances.

1.4 NEXT STEPS

1. Choose a preferred fire services provider and direct staff to work with that provider to set final service levels and costs;
2. If the choice is the County Fire District, pursue annexation into the County Fire District at the best pace possible and:
 - a. Keep operating the City Fire Department and fund needed equipment and safety repairs;
 - b. Contract with County Fire for a full-time, temporary Fire Chief to run the existing fire headquarters team;
 - c. If annexation is ultimately not approved, there are still two choices: a City-provided fire service, or revisiting the conversion to a private-sector fire service provider.

SECTION 2—BACKGROUND

2.1 CITYGATE'S DOCUMENT REVIEW AND PROJECT METHODS

Citygate's review process consisted of obtaining the City's Fire Services RFP, the Fire Department's current operational plan, staffing and cost information, and current incident workload information from which to review the potential impacts of service reductions. We requested additional information from the respondents and conducted clarifying phone calls as needed. Citygate also used our June 2014 Fire Services Study for the City as a services baseline.

2.2 REGULATORY AND POLICY CHOICES FRAMEWORK

As the Mayor and Common Council understand, there are no mandatory federal or state regulations directing the level of fire service response times and outcomes. The body of regulations on the fire service provides that *if fire services are provided at all, they must be done so with the safety of the firefighters and citizens in mind.*

While historically the City has made significant investments in its fire services, the recession-induced fiscal crisis has already lowered the Fire Department's daily staffing. In addition, several factors have dramatically increased the emergency medical services incident demand on the Department. Citygate continues to find that the challenge of providing fire services in San Bernardino is similar to that found in many urban communities: providing an adequate level of fire services within the context of limited fiscal resources, competing needs, changing and aging populations, plus uncertainty surrounding the exact timing of fiscal recovery following the recession.

Providing fire services in any urban area, and in particular wildfire-prone California, is further complicated by the need to be part of the mutual aid system in which fire departments assist each other in a coordinated, seamless manner. If one city were to reduce fire services to only a rural level, rather than a more typical urban level, neighboring agencies might find a point where they no longer consider responding into a city a mutual or reciprocal benefit. Instead, they may require a subsidy payment to offset their increased level of mutual aid, or the City may have to accept only a limited mutual aid response from neighboring fire departments. Clearly, reducing service levels to balance a budget deficit becomes more and more difficult, and challenges the City with difficult choices regarding its fire service level, cost, and the opportunities for mutual aid from neighboring fire departments.

There are also economic impacts of reduced service levels as retailers, manufacturers, and distributors relocate where they can feel protected and obtain fire insurance. When a community cannot protect its residents and employees at a level comparable to that of neighboring cities, it could impact whether a company moves or remains there.

SECTION 3—PROPOSAL COMPARISON

3.1 CITY OF SAN BERNARDINO FIRE DEPARTMENT

In late April, when the Fire Services RFP was issued, the City's Fire Department was operating at the *Option A* level with Station 230 closed and Engine 223 reduced to a 2-person squad consisting of a Captain and firefighter. This plan provides **13** Total Response Units consisting of 10 Engines, 2 Ladder Trucks, and 1 Squad. This results in a total of 38 firefighters on duty each day.

At this level of service, the FY 2014-15 budget was **\$30,271,469**. Because of a shrinking workforce due to resignations and retirements, along with curtailing supply and repair expenses, the actual FY 2014-15 year-end expense on July 14, 2015 was \$27,740,587.

The Fire Department has provided its FY 2015-16 budget of \$30,425,255 as a cost to provide the current Option A fire service level for FY 2015-16. However, that adopted budget *underfunds* necessary capital and equipment expenses, which would add an estimated \$1,300,000 to the City budget. With this addition, the City would be providing Option A services after adjusting for various revenue sources the City receives through the Fire Department, at an estimated *net* General Fund cost of **\$28,619,411**.

As an alternative in Option B, the Fire Department could be directed by the Common Council to close a total of three fire stations, thus operating with only nine, at a *net* annual cost of **\$26,237,856**. That option would provide **11** Response Units consisting of 9 Engines and 2 Ladder Trucks. This results in a total of 33 firefighters on duty each day.

In all City alternative service levels, there is also no budget to consider transferring fire dispatch services, under a contract to the County Fire Dispatch JPA, which was previously suggested in a study by Citygate.

3.2 COUNTY OF SAN BERNARDINO FIRE DEPARTMENT—ANNEXATION

The San Bernardino County Fire Protection District (County Fire) is a dependent special fire district, and the Board of Supervisors sits as the Fire District Directors. County Fire is one of the largest departments in California and provides a full range of services, from firefighting to specialty teams, fire prevention, fire investigation, First Responder EMS, and ambulance response in some communities. Overall, County Fire serves 800,000 residents in 50 cities, towns, and unincorporated communities.

County Fire responded to over 78,000 emergency incidents throughout its fire protection area during FY 2013-14. County Fire is staffed with 865 employees including safety personnel, paid call firefighters, and non-safety staff.

Fire districts can contract to provide fire services to neighboring communities or, alternatively, they can allow cities and other fire districts to actually annex into the County Fire District. County Fire is now in the process of phasing out short-term fire service contracts because moving personnel in and out of its workforce as fire contracts are not renewed or modified by a city becomes problematic for County Fire.

County Fire has proposed a direct annexation of the City into County Fire so that it then becomes the long-term fire service provider responsible for all aspect of the fire service, including not just station staffing, but also fire prevention, dispatching, apparatus replacement, and maintenance of all fire stations.

Many larger cities in California do receive their fire services from a much larger provider, such as County Fire. Examples are found among many cities who receive fire services from a larger agency, particularly in Riverside, Orange, and Los Angeles Counties.

Annexation into County Fire by the City can occur by using a standard LAFCO annexation process. The City would submit an application to LAFCO requesting annexation to County Fire. Through appropriate hearings, the LAFCO Board would determine if annexation is appropriate. If approved, the annexation would normally be accompanied by various conditions. These may include agreements regarding how employees are to be transferred to County Fire, ownership of fire stations and apparatus, and any revenue considerations. LAFCO must ensure that County Fire can financially provide the required level of fire service to the City, and will review the provisions regarding the City providing such revenue to County Fire. These provisions may include an assessment hearing over any proposed inclusion of a broader Fire District parcel tax on property within the City, and the amount of City property tax to be allocated annually to County Fire.

The LAFCO process, timing, and potential LAFCO provisions will be discussed more fully in a separate report from the City Manager and other consultants.

3.2.1 County Fire Proposed Cost and Services Summary

This section briefly lists the core County Fire proposals and costs. **Section 4** of this report will more fully detail the County Fire proposal and contrast it to the other proposals. County Fire did provide a cost and service level description for all three of the required service and cost options in the most recent City RFP clarification request letter.

Option A: Cost – \$27,623,255 after adjusting for the Community Facilities District (CFD) revenue the City can use in providing fire services. This alternative provides the current level of fire service of 11 fire stations, with Station 230 remaining closed. The one adjustment provided by County Fire is that the Squad is moved from Station 223 to downtown for peak hour-of-the-day use. County Fire Station 75, just to the west of the City, will cover Station 223’s area. Thus, there are **13** Response Units consisting of 10 Engines, 2 Ladder Trucks, and 1 Squad. This results in a total of 38 firefighters on duty each day.

Option B: Cost – \$24,404,283. This was priced as requested, but County Fire stated that it did not support, and would not implement, an alternative that closes 3 fire stations and serves the City with only 9 fire stations. It felt this left so large a hole in the southern City that even mutual aid response would not provide an adequate response time to emergencies. The County Fire plan for Option B provides a total of **11** Response units consisting of 9 Engines and 2 Ladder Trucks. This results in a total of 33 firefighters on duty each day.

Option C: Cost – \$26,707,731. This would close, as requested, Stations 223 and 230. The Squad unit now at Station 223 would be placed at Station 226, the busiest in the City, for peak hour coverage. County Station 75 would cover Station 223's area. This option thus provides **10** City fire stations and an 11th from County Fire, at its cost. This plan, including coverage from County Fire Station 75, provides **14** Response Units consisting of 11 Engines, 2 Ladder Trucks, and 1 Squad. This results in a total of 41 firefighters on duty each day.

Generic to all Options: Each of County Fire's options include the shared use of County Fire Station 75 just to the west of the City. All three County Fire options include administration staffing with a Division Chief as the City Fire Chief, supported with a Staff Analyst and an Office Assistant at the City's Fire Headquarters. These positions are in turn supported by County Fire Administration also located in the City of San Bernardino.

County Fire would operate the City's fire prevention services out of its current Fire Prevention Bureau on E Street in the City. Dedicated City staffing would vary depending on workload, however all services are delivered in a timely manner with an emphasis on customer service. In the annexation process, County Fire's fee system would replace the City's fees for all fire prevention and related fire fee services. The collected fees would offset the cost of fire prevention activities including wild land/urban interface inspections and enforcement, state and local mandated fire and life safety inspections, plan checking, new construction inspection, builder consultation, inspection management and coordination, public education, and fire cause and origin determination.

All fees collected by County Fire would be kept to partially offset the cost of City prevention services. County Fire's costs for fire prevention services are fully funded by fees and therefore all three County Fire options show no staff costs for fire prevention, nor do they show the offsetting revenue. The proposed fire prevention staffing for the City is detailed below.

Table 2—Proposed City Fire Prevention Staffing

Position	Number
Deputy Fire Marshal	1
Fire Prevention Supervisor	1
Fire Prevention Specialist	2
Fire Prevention Officer/Arson	1
Fire Prevention Officer	3
Office Assistant III	1

Fire dispatch and information technology (IT) functions would be moved to the successful Confire Communications JPA that serves most of the County’s fire departments. The full cost of dispatch and IT is included in each of County Fire’s priced options. In comparison, both the City proposal and the Centerra proposal costs reflect continuing to use the current City-operated Computer Aided Dispatch and City or Centerra staff. County Fire headquarters services included in each cost option are daily operations and logistical support such as:

- ◆ Maintenance and fuel for all vehicles
- ◆ Radio maintenance and replacement
- ◆ Fleet facilities and equipment
- ◆ Maintenance and repairs of all facilities
- ◆ Breathing and air compressors system repair and replacement
- ◆ Dispatch hardware and software
- ◆ IS/IT services
- ◆ Human resources
- ◆ Emergency Medical Continuous Quality Improvement (CQI)
- ◆ All mandated training
- ◆ EMS continuing education (EMT and paramedic)
- ◆ Cost accounting / budgeting
- ◆ All insurances
- ◆ Wild land / urban interface inspections and enforcement

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- ◆ State- and local-mandated fire and life safety inspections
 - ◆ Plan checking
 - ◆ New construction inspection
 - ◆ Builder consultation
 - ◆ Inspection management and coordination of inspections by station personnel
 - ◆ Development and provision of public education services to targeted audiences; public education activity coordination
 - ◆ Fire cause and origin determination and investigation of fires within the City; coordination of activities with the local police agency
 - ◆ Community CERT training provision and coordination
 - ◆ Service as part of the command staff within the City's Emergency Operations Center
 - ◆ Inspection, clearance, and issuance of fire permits.

After reviewing the City's current fire apparatus fleet, County Fire stated it would downsize it significantly because the depth of the County Fire District's fleet would not necessitate as many reserve units or staff vehicles that the City is presently maintaining. Once the annexation process is complete, if chosen, all City units would become part of County Fire and would be placed into County Fire's vehicle replacement plan. The cost of vehicle replacement is also included in the County Fire proposals.

The County Fire District anticipates owning the City fire stations if annexation to County Fire occurs. County Fire would then be responsible for station maintenance costs and, as proposed in all options, County Fire would allocate \$70,000 per year per station to be placed into a station replacement fund and increased with inflation each year. This was based on a base amount of \$3.5 million for a community fire station with a 50-year life span. Both station maintenance and replacement costs are included in the County Fire proposal.

County Fire physically inspected all fire stations and fire apparatus, and the review revealed no significant start-up costs.

3.3 CENTERRA CORPORATION

The following introduction to Centerra was taken from its proposal:

Founded in 1960, Centerra is one of the world's largest providers of technical support services with more than five decades of experience in Fire Protection, Fire Prevention, Fire Protection Engineering, Emergency Medical Response, ALS Transport, Technical Rescue and Training,

Structural Fire Fighting, and Aircraft Rescue and Firefighting (ARFF), to include NASA's Shuttle Rescue Team. Centerra also provides Dispatch and 911 Call Center Operations, Safety and Equipment Inspections, Testing, Spill Response, Hazardous Materials Technician Response, Training, and Certifications. Centerra provides regulatory compliant Fire and EMS to multiple Federal and commercial facilities, spanning all levels of response and complexity in the protection of some of the nation's most sensitive and critical assets, facilities, and infrastructure. Centerra has successfully transitioned multiple sites from government-to-private, public-to private and corporate to contracted Fire and EMS. Collectively, Centerra:

- ◆ Employs more than 500 Fire and EMS personnel enterprise-wide.
- ◆ Operates 13 different Fire and EMS Departments, the largest of which is located at the DOE Hanford Site in Richland, Washington. The Hanford Fire Department (HFD) is comprised of 125 personnel who provide emergency response support to the 560-square-mile facility, including a substantial wildland interface area.
- ◆ Operates 19 fire stations containing 110 diverse types of fire response apparatus
- ◆ Is responsible for fire and EMS response coverage for over 900 square miles (roughly the size of Rhode Island).

Through the operation of its 19 fire stations and more than 500 Fire and EMS personnel, Centerra has developed the industry standard for private sector Fire and EMS management. Centerra maintains company-wide fire service Standard Operating Procedures (SOPs), Standard Operating Guidelines (SOGs) and a Performance-Based Fire Service Training and Certification Program. The result is standardization of training, interoperability of personnel and the resultant issuance of National Fire Protection Association (NFPA) National Professional Qualification System (NPQS) Fire Service Certifications.

Centerra will pursue the accreditation of the fire department by the Commission on Fire Accreditation International to ensure the City of San Bernardino that the community / Centerra Fire and EMS team remain in compliance with accepted NFPA regulations and standards and are kept informed of any changes that could potentially affect public safety and community interests. It additionally provides a basis for strategic planning and budgeting by having an established baseline to measure against other programs, conduct trend analysis of local, state, and national fire and public safety incidents and share lessons learned in proactive planning, not just reactive response.

Centerra responded to all three required service and cost options. Summarized, its three service levels are:

Option A: Cost – \$26,120,972. This alternative provides the current level of City fire service of 11 fire stations, with Station 230 remaining closed. Station 223 is reduced to a 2-person Squad.

Thus, there are **13** Response Units consisting of 10 Engines, 2 Ladder Trucks, and 1 Squad. This results in a total of 38 firefighters on duty each day.

Option B: Cost – \$23,550,111. This was priced as requested to operate 9 stations. Stations 223, 230, and 231 are closed. Thus, there are **11** Response Units totaling 9 Engines and 2 Ladder Trucks. This results in a total of 33 firefighters on duty each day.

Option C: Cost – \$24,595,734. This was priced to operate 9 stations. Stations 223, 230, and 231 are closed. Two-person Rescue Squads replace engines at Stations 221, 224, and 226. Centerra also replaces 2 Ladder Trucks with Quints at Stations 221 and 224. Thus, there are **12** Response units totaling 7 Engines, 2 Quints, and 3 Squads. The Trucks can remain at their current stations for use as needed, but are not directly staffed. This results in a total of 33 firefighters on duty each day.

Generic to all Options: Centerra included in each cost option the daily operations and logistical support such as:

1. Dispatch to be the City's existing center. Dispatchers to be Centerra personnel.
2. Centerra to maintain and rehab as needed City fire apparatus. Replacement costs are not included. Replacement costs for fire apparatus will be the City's responsibility, except for the Centerra proposal to replace 14 small utility service vehicles through a lease arrangement after 5 years.
3. Radio repair and replacement.
4. Repair and replacement of fleet maintenance equipment, and maintenance of fleet facilities.
5. Repair/refurbishment of any current fire station facilities (\$2 million dollars within the first 24 months).
6. Breathing air compressor system repair and replacement.
7. Dispatch hardware (CAD) maintenance and upgrades, software licenses, maintenance, and technical support.
8. Approximately \$800,000 in year one in replacement of firefighter's protective equipment to include: structural and wildland turnouts, self-contained breathing apparatus, breathing air compressors, and safety equipment.
9. One Mobile Mechanics service truck in year one.
10. 72-hour work week for fire station crews.
11. Salaries and wages are positioned competitively with the City, County, and surrounding locales based on salary surveys of the same or similar jobs.

SECTION 4—COST COMPARISONS

4.1 CURRENT SERVICE LEVEL – OPTION A

The following table compares the Option A service-to-cost levels for all three bidders. In the first year, the cost difference between the proposals is a modest \$1,502,283.

However, as will be discussed in *Section 5—Proposal Pros and Cons*, a direct cost comparison is still not exactly possible because the County Fire proposal includes long-term replacement and maintenance costs (transferred from the City) for apparatus and fire stations. In the City and Centerra proposals, the City continues to carry these costs. Additionally, County Fire’s cost includes moving fire dispatch to the Countywide Fire Communications JPA and sharing the use of County Fire Station 75 to the west of the City, while the City and Centerra proposals continue to use the present City dispatch system.

Table 3—Current Service Level – Option A

- Fire Stations** Operate 11 stations. Station 230 Closed. Station 223 reduced to a two-person squad.
- Fire Units** 10 Engines, 2 Ladder Trucks, and 1 Squad. 13 Total Response Units.
- On Duty FF** 38 firefighters on duty each day.

Element	Respondent			
	County Fire	Centerra (First Year Cost)	Centerra (Third Year Base Line Cost After Initial Startup Expenses)	City
Year One Gross Cost	\$28,223,255	\$28,571,972	\$27,307,233	\$30,425,255
Addition of City Underfunded Capital and Equipment Expenses				\$1,300,000
Less City Fire Department Retained Revenue	\$0—County Fire Did Not Include Revenue in its Cost Proposal	\$1,851,000	\$1,851,000	\$2,505,844
Less Community Facility District Revenue to City to Support Fire Services	\$600,000	\$600,000	\$600,000	\$600,000
Net Annual Estimated Cost	\$27,623,255	\$26,120,972	\$24,856,233	\$28,619,411

4.2 OPTION B

The following table compares the Option B service-to-cost levels for all three bidders. In the first year, the cost difference between proposals is \$1,951,558. The cost difference between the two lower cost proposals of County Fire and Centerra is \$854,172. The County Fire service plan shares the use of County Fire Station 75 to the west of the City.

Table 4—Option B

Fire Stations	Operate 9 stations. Stations 223, 230, and 231 closed.
Fire Units	9 Engines and 2 Ladder Trucks. 11 Total Response Units.
On Duty FF	33 firefighters on duty each day.

Element	Respondent			
	County Fire	Centerra (First Year Cost)	Centerra (Third Year Base Line Cost After Initial Startup Expenses)	City
Year One Gross Cost	\$25,004,283 Not Willing to Support This Service Level	\$26,001,111	\$24,695,956	\$28,043,700
Addition of City Underfunded Capital and Equipment Expenses				\$1,300,000
Less City Fire Department Retained Revenue	\$0—County Fire Did Not Include Revenue in its Cost Proposal	\$1,851,000	\$1,851,000	\$2,505,844
Less Community Facility District Revenue to City to Support Fire Services	\$600,000	\$600,000	\$600,000	\$600,000
Net Annual Estimated Cost	\$24,404,283	\$23,550,111	\$22,244,956	\$26,237,856

4.3 OPTION C

The following tables compare the Option C service-to-cost levels as uniquely designed by the County Fire and Centerra respondents. The County Fire service plan shares the use of County Fire Station 75 to the west of the City.

Table 5—Option C – County Fire

Fire Stations Operate 10.5 stations. Station 223 and 230 closed. A two-person squad is located at Station 226 to supplement capacity. County Fire Station 75 covers City Station area 223.

Fire Units 11 Engines, 2 Ladder Trucks, and 1 Squad. **14** Total Response Units.

On Duty FF 41 firefighters on duty each day.

Element	Respondent
	County Fire
Year One Gross Cost	\$27,307,731
Less City Fire Department Retained Revenue	\$0—County Fire Did Not Include Revenue in its Cost Proposal
Less Community Facility District Revenue to City to Support Fire Services	\$600,000
Net Annual Estimated Cost	\$26,707,731

Table 6—Option C – Centerra

Fire Stations Operate 9 stations. Stations 223, 230, and 231 closed. Two-person Squads at Stations 221, 224, and 226. Replace two Ladder Trucks with Quints at Stations 221 and 224.

Fire Units 7 Engines, 2 Quints, and 3 Squads. **12** Total Response Units.

On Duty FF 33 firefighters on duty each day.

Element	Respondent	
	Centerra (First Year Cost)	Centerra (Third Year Base Line Cost After Initial Startup Expenses)
Year One Gross Cost	\$27,046,734	\$22,878,931
Less City Fire Department Retained Revenue	\$1,851,000	\$1,851,000
Less Community Facility District Revenue to City to Support Fire Services	\$600,000	\$600,000
Net Annual Estimated Cost	\$24,595,734	\$20,427,931

It may be easier to compare the Option C proposals by the two agencies in a side-by-side comparison shown in the following table.

Table 7—Option C – County Fire vs. Centerra

	County Fire	Centerra
Fire Stations	Operate 10.5 stations. Station 223 and 230 closed. A two-person Squad is located at Station 226 to supplement capacity. County Fire Station 75 covers City Station area 223.	Operate 9 stations. Stations 223, 230, and 231 closed. Two-person Squads are at Stations 22, 224, and 226. Replace two Ladder Trucks with Quints at Stations 221 and 224.
Fire Units	11 Engines, 2 Ladder Trucks, and 1 Squad. 14 Total Response Units.	7 Engines, 2 Quints, and 3 Squads. 12 Total Response Units.
On Duty FF	41 firefighters on duty each day.	33 firefighters on duty each day.

Element	County Fire	Centerra (First Year Cost)	Centerra (Third Year Base Line Cost After Initial Startup Expenses)
Year One Gross Cost	\$27,307,731	\$27,046,734	\$22,878,931
Less City Fire Department Retained Revenue	\$0—County Fire Did Not Include Revenue in its Cost Proposal	\$1,851,000	\$1,851,000
Less Community Facility District Revenue to City to Support Fire Services	\$600,000	\$600,000	\$600,000
Net Annual Estimated Cost	\$26,707,731	\$24,595,734	\$20,427,931

In the first year, the cost difference is \$2,111,997. The County Fire proposal is very different from Centerra’s because it includes replacement and dispatch obligations, and an increased number of fire personnel available each day.

It must be pointed out that unless the City’s fiscal situation is absolutely so bad as to force a lowering of fire services to a light suburban level of effort, Citygate cannot support the level of station closures in the Centerra Option C proposal. Citygate suspects that no other municipal fire department would support that level of closures either. That level of service will also significantly increase the mutual aid that the City needs from its neighboring agencies.

SECTION 5—PROPOSAL PROS AND CONS

5.1 CITY FIRE SERVICES ASSESSMENT

The City Fire Department pricing in this analysis does include added funding to the City proposed budget to meet the under-met capital and equipment needs of the Department. Additionally, the long-term repair and replacement of fire stations has not been expensed and saved for annually, and as such those costs are not included. County Fire and Centerra conducted on-site inspections and made macro assumptions regarding the restoration of capital and equipment replacement funds.

The City's cost does include the expense of maintaining the City-based police/fire dispatch center, as does Centerra's. However, County Fire's cost includes moving fire dispatch to the regional fire service communications Joint Powers Authority (JPA) center, where the staffing and technology costs are shared across a much larger number of subscribers.

5.1.1 Pros to City Fire Services

- ◆ The City will maintain full direct budgetary control over all costs and service levels.
- ◆ Employees will be focused solely on the City's needs.
- ◆ There will not be issues with participation in the mutual aid system because the City is already an active member of the local mutual aid arrangements.

5.1.2 Cons to City Fire Services

- ◆ The City is now critically short of firefighters due to turnover and job uncertainty. Hiring, training, and promoting personnel will take time, fire management leadership, and money. While the training costs may not be extensive, the operational problems now being experienced by the City Fire Department will continue if the City decides to continue operating its own Fire Department in the long term, and determines to fully staff the Department. Due to staff shortages, the Fire Department has already temporarily closed other stations because low staffing levels makes that necessary.
- ◆ The City will continue to be responsible for pension, health, and workers' compensation costs. Public safety pension costs are currently projected to reach 50 percent per employee in the next few years. Either annexing to County Fire or contracting with Centerra will allow the City to cap its obligation for fire and health costs at the present unfunded liability and cap workers' compensation costs to current cases, while shifting future pension, health, and workers' compensation costs to County Fire or Centerra.

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- ◆ The City will need to include an estimated \$1,300,000 per year in additional funding to meet the underfunded capital and equipment needs of the Department.

5.2 COUNTY FIRE SERVICES ASSESSMENT

Annexation of City fire service responsibility into the County Fire District presents a unique approach to providing fire services in public agency setting. Under annexation, County Fire becomes solely responsible for funding and operating all fire services for the City.

5.2.1 Pros to County Fire Services

- ◆ All fire service costs are transferred to County Fire at present value.
- ◆ All City firefighters, if cleared medically, are eligible for transfer to County Fire at the rank of Captain or below.
- ◆ As a large regional provider, County Fire can offer expanded career development opportunities. County Fire is also less sensitive to employee turnover. As vacancies exist, County Fire can transfer employees throughout the system.
- ◆ Annexing to County Fire for fire services will save the City an additional estimated \$2,700,000 per year in pension costs, based on a recent actuarial analysis provided by a separate consultant to the City.
- ◆ If the City needs to increase revenues to fully support sustainable fire services, then a choice under annexation is to approve a Fire District Assessment adding revenues at the time of annexation.
- ◆ The City no longer handles fire department labor relations.
- ◆ The City does not have to pre-fund future fire apparatus and station repairs/replacements. There is a complete transfer of all obligations at current cost and condition to County Fire.
- ◆ There is no increased cost exposure to pension, health, and workers' compensation cost escalation.
- ◆ The City exits the fire business and County Fire cannot ask the City for more City General Fund revenues in the future. The County Fire District must live within its means, or discuss changes with its voters in the Fire District, which would include the City. In fact, under annexation given the City's population, its voters could have the largest say if County Fire needed a revenue adjustment someday in the distant future.
- ◆ Shared service areas exist with County fire stations and chief officers.

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- ◆ Full fire prevention is provided at County Fire’s costs if the City permit revenues are insufficient.
 - ◆ Fire dispatch costs are merged into the effective regional JPA.
 - ◆ No issues exist with participation in the mutual aid system.
 - ◆ County Fire can re-staff, as needed, the City’s firefighting force and leadership team.
 - ◆ Since County Fire already provides ambulance transport in some areas, the possibility exists to pursue regional ambulance service re-structuring as a partnership between the fire department and transport provider, which can yield increased Medicare/Med-Cal revenues.

5.2.2 Cons to County Fire Services

- ◆ There will be no Common Council direct control over the provision and costs of fire services. Policy direction for the County Fire District comes from the Board of Supervisors.

5.3 CENTERRA FIRE SERVICES ASSESSMENT

As an alternative to operating the City’s own Fire Department or annexing to the County Fire District, the City can choose to contract with Centerra to provide for services. The proposal received from this private firm is to provide services to the City over a ten-year period at prices fixed in a contract.

Centerra is a firm with long and extensive experience in providing fire protection services. Its proposal to the City is well thought out and provides a comprehensive level of service, reflecting Centerra’s experience in fire protection.

As with proposals from the City and County Fire, a final decision by the City should reflect not just a consideration of cost, but other factors. In assessing the proposal by Centerra, the following additional elements can be considered by the Common Council.

5.3.1 Pros to Centerra Fire Services

- ◆ Centerra is a capable provider.
- ◆ Centerra took responsibility to fund, up front, station and maintenance and operations (M&O) repairs that will offset some of the funding shortfalls in current City fire operation.
- ◆ The City no longer handles fire department labor relations during the ten-year life of the contract. All fire employees will be employees of Centerra and negotiate labor issues with Centerra.

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- ◆ There is no increased cost exposure to pension, health, and workers' compensation cost escalation, because all personnel will be employees of Centerra and not employees of the City.
 - ◆ Centerra provides a full fire prevention effort with all related revenue available to the City to help offset the cost of the Centerra contract. This revenue offset is shown in earlier tables in this report.

5.3.2 Cons to Centerra Fire Services

- ◆ Serious issues exist with gaining access to the mutual aid system. There is no proven, assured method to have other agencies agree to provide mutual aid. If it is not available, an alternative might be for the City to pay for mutual aid on a per-call basis to the providing neighboring fire department.
- ◆ Centerra Option C is an inadequate level of fire protection and will most likely require a much greater degree of mutual aid assistance, since it will be operating with only 9 fire stations, no dedicated truck companies, and only 33 people on duty each work day.
- ◆ The City will need to conduct impact bargaining with the current fire union prior to agreeing to a contract with Centerra to provide fire services.
- ◆ No funding has been provided to replace the current dispatch hardware, which will be 15 years old at the conclusion of the Centerra contract.
- ◆ While Centerra will rehabilitate existing City-owned fire apparatus, this will not necessarily be effective for all apparatus. The ten-year Centerra contract will have most of the fire apparatus beyond the standard ten-year life cycle.
- ◆ The City will have to pay to replace fire apparatus that cannot or should not be rehabilitated.
- ◆ While Centerra will maintain and perform some rehabilitation to City fire stations, this does not represent a Centerra commitment to pay for major rehabilitation or replacement of fire stations. While an ongoing City Fire Department also will retain these cost responsibilities, annexation to County Fire will shift all of these cost burdens to County Fire.
- ◆ Centerra will be providing a 72-hour work week and thus will require fewer employees than the number currently budgeted by the City's 56-hour work week schedule.
- ◆ Centerra is not providing a CalPERS retirement system, which could make it less likely that Centerra can attract and retain fire personnel from other agencies who have a CalPERS retirement program benefit.

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- ◆ General Law Cities cannot contract with a private provider for fire services. The State Legislature has not yet addressed the possibility of blocking the privatization of fire services in Charter Cities.

SECTION 6—CONCLUDING OPINION AND RECOMMENDED NEXT STEPS

The City of San Bernardino has long understood the need for effective fire services. The Fire Department has served the City since 1878 and the first career firefighters were hired in 1889. So for 126 years the City has seen the need for an effective, professional fire department. As Citygate observed in our May 2014 fire services deployment study, given the City's diverse size, geography, and commerce, it has suffered catastrophic fires over its history, as summarized below:

- ◆ In November of 1980, the Panorama Fire swept down upon the City, destroying 286 homes and taking four lives. At the time, this was the most devastating fire to strike the City of San Bernardino, and it went on for over three days. At the same time, the Sycamore Fire was burning at the northeast end of the City.
- ◆ On May 12, 1989, a runaway Southern Pacific freight train with 69 hopper cars carrying a product called "Trona" derailed in the Muscoy area. Seven homes were destroyed and four others extensively damaged. Of the five crewmembers aboard the train, two were killed and the other three injured. Two residents were killed and one was seriously injured.
- ◆ On May 25, 1989, a California/Nevada gasoline pipeline, located directly beneath the point of impact of the previously derailed train, exploded with a fire column spurting over 1,000 feet in the air. Subsequently, two residents were killed, three received serious injuries, and 16 received minor injuries. Eleven homes were destroyed and six received moderate fire and smoke damage.
- ◆ On Sunday, October 25, 2003, a vegetation fire was reported in the area of Old Waterman Canyon Road, north of the City. The Old Fire, as it is called, began to rapidly spread since it was being fanned by north winds gusting to 30 mph, 90-degree temperatures and, 6 percent humidity. The fire burned approximately 91,000 acres of wildland and in the City of San Bernardino itself, 330 homes were destroyed, and property damage was over 126 million dollars.

The cost of firefighters greatly increased since the 1970s. Prior to the most recent recession, the cost of pensions and health care exploded. Cities and fire districts in the state were led to believe that these pension costs were sustainable. The national recession has now taught otherwise.

During the economic downturn, and then in bankruptcy, the City made reductions to staffing and support service costs for stations, apparatus, tools, equipment, and protective clothing. Regardless of the final fire department provider choice, these components must be funded back at the necessary levels to maintain effective, safe, and sustainable operations.

Based on our ongoing understanding of the risks to be protected and emergency incident workloads, Citygate does not recommend closing more than two fire stations—if that. While Option B required the costs of a three-station closure, and Centerra Option C replaces the dedicated ladder trucks with Quints (combination engines/ladders with one crew), Citygate is of the opinion that a 3-station and/or 2-ladder crew closure would be significantly deficient for the City’s current situation. As such, services reduction of more than two engine companies, in two stations, should be considered only in the most extreme circumstances.

6.1 CITYGATE’S INTEGRATED OPINION

The RFP process has illustrated for the Mayor and Common Council that, for similar levels of services, any of four basic cost choices is within the margin of current cost estimation error, pending final decisions. However, there is a significant difference in operational cost savings to the City among the four choices. The following table compares the basic cost choices and highlights the advantages or disadvantages of each option:

Table 8—Basic Cost Choices

	Option A Current Service Level	Option A Current Service Level	Option C County Fire Alternative Service Level	City FY 2015-16 Cost Current Service Level
Provider	County Fire	Centerra	County Fire	City
Net Cost	\$27,623,255	\$26,120,972	\$26,707,731	\$28,619,411
Firefighters On Duty	38	38	41	38
Details	See notes below. The costs above reflect cost minus revenues.			
<p><i>County Fire – Option A: The proposed cost is \$996,156 less than City’s cost for the current level of service. Additionally, the County Fire proposal properly funds facility and apparatus replacement, adequately funds other capital expenses, converts dispatch over to County Fire and transfers future pension and health costs to County Fire. Includes shared response use of County Fire Station 75. Actuarial estimates also reflect contracting with County Fire will save the City an additional \$2,700,000 per year in pension costs.</i></p> <p><i>Centerra – Option A: The first-year cost is \$2,498,439 less than the City’s cost and \$1,502,283 less than County Fire Option A cost. While Centerra costs decline in the third year, Centerra cannot ensure during the ten-year contract that the City will receive mutual aid. The cost retains the present dispatch, requires the City to fund any apparatus replacement and major rehabilitation as well as the replacement of fire stations, provides fewer employee positions than the City now budgets, and requires impact bargaining at conversion with no assurance that State legislation will continue to allow Charter Cities to contract for private fire services. At the</i></p>				

conclusion of the contract, the City may need to pick up future pension and health costs if a contract is not renewed with Centerra.

County Fire – Option C: While the cost is \$586,759 higher than Centerra’s first-year cost and \$1,851,498 higher than the Centerra third-year cost, the County Fire proposal not only provides three more firefighters on duty each day, and one additional fire apparatus, but also offers the City all of the benefits described under County Fire Option A. Centerra continues to have the shortcomings described in the Centerra Option A alternative. The County Fire proposal includes shared response use of County Fire Station 75.

City – Current: The City cost, while adjusting for City-received Fire Department revenue, is still higher than that of the County Fire proposal A, largely because the City FY 2015-16 budget does not adequately cover an estimated \$1,300,000 annual apparatus, equipment, and facility rehabilitation and replacement which has been added to the City costs in this report. The City proposal also continues dispatch under the present City system, continues exposure to long-term pension, health, and workers’ compensation costs and has fewer fire personnel and apparatus on duty each day.

Why is the private sector option not much less expensive? Several reasons drive this, including that the base pay was set near local market conditions; health benefits have similar costs to private-sector employers; and while the private-sector pension costs are less, there is some erosion of those savings given the private sector overhead costs and their earned performance bonus. Additionally, both Centerra and County Fire have funded, in the early years of the contract, restoration of maintenance and operating expense cuts that the recession forced on the Department.

While in year three and later years Centerra’s costs do decrease some, they still do not include the fire apparatus, station replacement, and repair expenses that County Fire has included in its cost model starting at year one. In addition, with Centerra there is some uncertainty regarding the availability of mutual aid, and the results of employee conversion impacts. There could be legal challenges implementing the Centerra choice; these costs, and whether these legal challenges will succeed or fail, cannot be estimated at this point because there is no precedent in the state.

While the cost differences between County Fire-provided and Centerra-provided fire services are modest, County Fire is a stronger, more assured path to further explore. This assessment is based on the uncertainties described with a Centerra contract; and because County Fire can transfer the City’s employees into a similar public employee retirement system, offer large department career development opportunities, absorb fire apparatus and station costs at present value and condition, and is already in the mutual aid system:

The best cost-to-services choice is County Fire's Option C for 14 units and 41 firefighters at \$26,307,731 which includes sharing the use of a nearby County Fire station and Battalion Chief that can assist with covering part of the western City. Interestingly, this provides a higher level of service at a lower cost than County Fire Option A because it shares Battalion Chief services with the adjoining County areas and replaces a Fire Captain on the Squad with a Firefighter.

If, to restore fire services to sustainable levels, the City must raise additional revenues, then the annexation process to the County Fire District serves two purposes: (1) it provides economy of scale with County Fire operations, and (2) it provides an assessment process that permits the community to decide if an added modest fire service assessment would help reduce the overall County Fire service cost to the City General Fund.

The annexation process with County Fire also provides the City the opportunity to further negotiate the details of the level of service and ultimate cost with County Fire. In selecting a preferred fire service provider, the City has the requirement to negotiate the finer details of the service arrangement reflective of both providing adequate fire protection and meeting the cost needs of the City.

6.2 NEXT STEPS

1. Choose a preferred fire services provider and direct staff to work with that provider to set final service levels and costs;
2. If the choice is the County Fire District, pursue annexation into the County Fire District at the best pace possible and:
 - a. Keep operating the City Fire Department and fund needed equipment and safety repairs;
 - b. Contract with County Fire for a full-time, temporary Fire Chief to run the existing fire headquarters team;
 - c. If annexation is ultimately not approved, there are still two choices: a City-provided fire service, or revisiting the conversion to a private-sector fire service provider.