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**DATE:** August 8, 2016

**TO:** The Honorable Pedro Nava, Chair, Little Hoover Commission

**FROM:** Michael Schwartz, Fire Chief

**RE:** Little Hoover Commission Review of Special Districts

Thank you for inviting me, a Fire Chief from a California fire district, to participate in the Little Hoover Commission's (Commission) August 25 public hearing on special districts in California. I appreciate the opportunity to share my story with the Commission, a unique perspective on the advantages of fire districts, and the challenges facing many of these districts as they struggle to provide public safety services to millions of Californians.

California's fire districts play a critical role in the state's public safety system, often filling a service gap left between the state's fire resources and those provided by municipal and county fire departments. Characterized as agile and efficient, fire districts fill a service gap with tailored organizations providing value added services to their communities. Adept at working together with other fire agencies, including state, federal and other local governments, they make up a key fiber in the complex weave of fabric that forms California's fire service tapestry; a safety blanket, so to speak.

California's fire, rescue and emergency medical services are delivered through a combination of many different models, state fire services (California Department of Forestry and Fire Protection -CAL FIRE), fire departments operated by counties, cities and community service districts, and fire districts. While part of the greater fire system, fire districts are unique in that they have a singular focus and mission. By focusing only on providing the highest level of emergency services to the communities they serve, they avoid being sidetracked or competing for resources with other governmental services. Along with a focused mission comes a certain level of organizational expertise, do one thing, do it efficiently and do it well.

In 1921, a state law permitted the organization of special fire districts and empowered them with the authority to levy a tax for their support. Now known as the Fire Protection District Law of 1987 (Health & Safety Code §13800, et seq.), this law is the source of statutory authority for more than 380 fire protection districts. Fire districts range in size from single station all volunteer services to very-large multi-station services with hundreds of full time paid professional firefighters, each individually tailored to the individual communities needs.

The North Tahoe Fire Protection District was founded in 1993 through the consolidation of two smaller districts, Tahoe City Fire (Established 1948) and North Tahoe Fire "Kings Beach" (Established 1957). The North Tahoe Fire Protection District has since partnered with two neighboring districts, Alpine Springs County Water Service District (2006) and the Meeks Bay Fire Protection District (2014), to provide fire, rescue, EMS and related services through contracts for services. These cooperative agreements build upon a history

of mutual aid and auto aid contracts that have further increased services and provided greater value through a variety of economy of scale savings.

NTPFD is an all-risk service provider that protects various communities within two counties on the north and west shores of Lake Tahoe, covering an area of approximately 50 square miles and over 30 miles of shoreline. The district, located in California but bordering Nevada, is geographically isolated and vulnerable to natural disasters such as avalanches, landslides, severe winter storms, high mountain passes, summertime electrical storms, flooding, wildland fires and earthquakes, which leave the region dependent upon local agencies for emergency incident response.

NTPFD currently operates eight stations, five of which are staffed full time, and is a career fire department, with 47 operational career personnel and a daily constant staffing of 12 firefighters. The district responds to more than 2,000 calls annually, and during 2015, NTPFD responded to 234 fire-related calls, an increase of 15 percent from 2014.

The district is always available to supply personnel, equipment, and expertise to neighboring departments in California and Nevada. NTPFD provides ALS paramedic and ambulance transport service not only within district boundaries, but also to one neighboring county and three surrounding districts. Through mutual and automatic aid agreements, the district also assists other local, county and federal agencies, indirectly covering more than 200 square miles.

Lake Tahoe is a popular travel destination and the district experiences huge increases in population due to tourism. While the district's resident population is just over 13,700 people, our community can swell to well over 75,000 people on any given day during the busy winter and summer tourist seasons. Additionally, many large scale special events are held within district boundaries each year, primarily between May and October. These events, e.g., Ironman Triathlon, AMGEN Tour of California Bike Race, Trans Tahoe Swim, and the Lake Tahoe Marathon, all bring a large influx of visitors and create an additional 30-40 percent increase in calls for service daily.

The continuing challenge for California's fire districts is meeting the ever increasing demands for service and the increased scope of these services with limited opportunities to increase revenue.

The majority of the NTPFD's operating revenue (~80%) comes from property taxes. However, in accordance with Proposition 13, property taxes in CA are capped at a 2 percent growth per year unless the property is sold or has been previously devalued under Proposition 8. Since many of the homes sold during the recession were sold for less than their previous tax value, the property tax revenue received by the district was subsequently lowered. Between FY 2008/09 to FY 2012/13, property taxes decreased approximately 6 percent. The economy has begun to slowly recover and modest increases have been realized.

In general, AB 8 provides a share of the total collected property taxes to each local government that provides services. These proportionate shares of property taxes were determined during the mid-1970s, a time when rural fire districts were often volunteer or part time paid and required lower tax rates, these tax rates are now their historical percentages.

Additionally, the State of California has been shifting property tax revenue earmarked for fire and law enforcement to backfill the state general fund through the Educational Revenue Augmentation Fund (ERAF) and redevelopment projects through Redevelopment Agencies (RDA). Between 2013 and 2016,

revenues have been shifted from the district for ERAF II funds in the amount of \$2,356,497. Additionally, for the same time period, the revenue shift from the district for RDA is \$1,880,349. This loss has been continuous, and over the past 10 years, the district has been forced to turn over a total of \$12,843,397 or approximately 13 percent of our revenues.

As a special district, NTFPD operates a highly efficient administrative and support division despite the challenges of being located in a resort community. Sharing services with neighboring fire districts increases efficiencies and decreases costs by diffusing expenses. On average, the district's salaries, wages and benefits are approximately 70 percent of the total budget. Our high alpine environment requires additional costs for appropriate 4x4 equipment, snow removal equipment and contracts, and facilities able to withstand severe winter storms, all of which add to the larger percentage used for operational expenses. Operational expenses also include apparatus, facilities and large capital replacements. Post-recession, the cooperative district continues to diversify its revenue streams and explore alternative revenue opportunities. These alternative revenue streams include EMS transport services, cost-recovery for services, mitigation programs, Mello-Roos, grants, contracts and regional cooperative initiatives.

Over the past 38 years, many of these communities have grown up, going from rural to suburban communities, with a community expectation that their fire districts would grow along in step with them. But hampered by the limitations inherent in Proposition 13 and AB 8, and with limited options to collect fees for services, fire districts requiring increased revenue to sustain critical services looked to special taxes or benefit assessment to close these operational funding gaps. As discussed earlier, the State of California has been shifting tax revenue earmarked for fire and law enforcement to fund state general fund obligation needs (ERAF), redevelopment projects through (RDA) and has not exempted special districts from paying sales tax on all purchases. Besides the difficulty of obtaining the super majority two-thirds vote necessary to pass these measures, the nail in the coffin for fire district funding might just be the 2012 CAL FIRE STATE RESPONSIBILITY AREA (SRA) fire prevention fee. This state (SRA) fee is often mistaken for a local fire district's fee and has undoubtedly led to the increase in failed local fire measures.

Changes taking place in our nation's healthcare system is further stressing our fire service. Throughout the 1980's, many fire agencies expanded their emergency medical services capabilities to include paramedic transport ambulance services. Providing paramedic ambulance transport services presented an additional revenue stream to these agencies. By utilizing cross-trained firefighter-paramedics, fire agencies could increase their safety staffing and firefighting capabilities by providing these expanded EMS services within their existing infrastructure. The Affordable Care Act (ACA) and "Covered California" successfully increased the number of insured citizens within the state. Enrollment in the Medi-Cal program grew by 30 percent, or 2.8 million people, between October 2013 and the end of 2014. Medi-Cal program reimbursements are at some of the lowest levels, causing some fire districts post-ACA EMS revenues to further decline stressing already tight budgets.

As a fire chief serving citizens in rural areas of two California counties, I have had the opportunity to participate with a great number of Fire Chiefs, County Boards of Supervisors and administrators. These dedicated professionals have all been struggling with the same issue; how to best meet their community's future needs and fund the associated increasing operational costs. Lack of credible and sustainable fire protection services will not only affect public safety, but the associated increase in Insurance Service Office (ISO) Public Protection Class ratings causes increased difficulty obtaining affordable fire insurance and may stifle future economic prosperity.

Built on a proud history of neighbor helping neighbor, mutual and automatic aid agreements, California's fire districts are ideally positioned to meet the ever increasing demands for fire protection within the state, but not without the necessary resources. To accomplish this mission, a dedicated and sustainable revenue stream for fire protection will need to be identified. This might be accomplished by redirecting the SRA fee back to fire districts that are already providing those same services at the local level or alternative methodologies; as an example the 2009 Emergency Response Initiative (ERI) proposed a 4.8% emergency response surcharge on all new or renewed commercial and residential fire or multi-peril insurance premiums in California. Right sized fire protection districts provide effective emergency services in an economically efficient manner. To meet these standards, systems need to be strengthened that encourage greater intragovernmental shared services, provide efficient economy of scales and demands accountability and transparency. Absent these types of system investments, a road forward for some smaller fire districts may not exist, leaving whole communities with diminished fire protection and emergency services. Thank you for allowing me to participate in this important public hearing. I hope you will join me in making sure that fire districts are resources for California's future and not relics of the past.