



# ANALYSIS OF CONTRACTING FIRE SERVICES TO THE CONSOLIDATED FIRE PROTECTION DISTRICT OF THE COUNTY OF LOS ANGELES

REDONDO BEACH, CA

APRIL 10, 2024



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## TABLE OF CONTENTS

| <u>Section</u>  | <u>Page</u> |
|---|-------------|
| <b>Executive Summary .....</b>  | <b>1</b>    |
| Policy Choices Framework.....   | 1           |
| Contract for Fire Service Overview.....   | 1           |
| Key Differences .....   | 2           |
| Citygate's Findings.....  | 4           |
| Concluding Observation .....  | 5           |
| <b>Section 1—Background and Review Methods .....</b>                                      | <b>7</b>    |
| 1.1    Background .....   | 7           |
| 1.2    Citygate Review Methods .....  | 7           |
| <b>Section 2—Review of the Fire District's Proposal .....</b>                             | <b>9</b>    |
| 2.1    How a Contract is Structured .....   | 9           |
| 2.2    Response and Headquarters Services Provided by the City.....                       | 9           |
| 2.2.1    Redondo Beach Fire Field Services .....  | 9           |
| 2.2.2    Redondo Beach Fire Prevention .....  | 11          |
| 2.2.3    Redondo Beach Fire King Harbor Patrol.....                                       | 12          |
| 2.3    Fire District Services Proposal .....  | 12          |
| 2.4    Service Differences Between the City's Current and the County Proposal .....       | 13          |
| <b>Section 3—Fiscal Review of the Contract Proposal and City Budget Impacts .....</b>     | <b>15</b>   |
| 3.1    Overtime.....  | 16          |
| 3.2    Current Department Fiscal Operations vs. County Fire Proposal .....                | 17          |
| 3.2.1    Comparison Factors .....   | 17          |
| 3.3    Leave-Behind Costs .....   | 18          |
| 3.3.1    Lease Revenue Bonds Debt Service .....   | 18          |
| 3.3.2    Workers' Compensation and General Liability Claims.....                          | 19          |
| 3.3.3    Facilities and Equipment Maintenance/Replacement.....                            | 19          |
| 3.3.4    Administrative Overhead .....  | 20          |
| 3.3.5    9-1-1 Dispatch / Communication Services .....                                    | 20          |
| 3.3.6    Emergency Management Programs .....  | 20          |
| 3.3.7    Potential Information Technology Operations Savings .....                        | 20          |
| 3.4    Estimated District-Proposed Start-Up Contract Costs to the City .....              | 21          |
| <b>Table of Tables</b>  |             |
| Table 1—Staffing Comparison .....   | 2           |
| Table 2—Current Service Cost versus Proposed Contract .....                               | 3           |
| Table 3—Key City Leave-Behind Cost Obligations .....                                      | 4           |
| Table 4—Fire Department Facilities, Response Resources, and Daily Response Staffing ..... | 11          |

**City of Redondo Beach**

Analysis of Contracting Fire Services to the Consolidated Fire Protection District of the County of Los Angeles

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Table 5—Staffing Comparison ..... 14

**Table of Figures**

Figure 1—Organizational Chart – Redondo Beach Fire Department ..... 10

## **EXECUTIVE SUMMARY**

The City of Redondo Beach (City) Fire Department (Department) retained Citygate Associates, LLC (Citygate) to conduct a Fire Services Comparative Analysis of a contract-for-services option with the Consolidated Fire Protection District of the County of Los Angeles (District or County Fire) and a separate Redondo Beach Fire Department Deployment and Organizational Analysis to guide the provisions of fire service decisions should the City not contract with the County.

This document is Citygate's analysis of contracting fire services to the District.

### **POLICY CHOICES FRAMEWORK**

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There are no mandatory federal or state regulations directing the level of fire service staffing, response times, or outcomes related to fire services. If services are provided at all, local, state, and federal regulations must be followed for the safety of the public and for the personnel providing the services.

Thus, the level of fire protection services provided is a *local policy decision*. Communities have the level of fire services they can afford and choose to purchase, which may not always be the level desired.

### **CONTRACT FOR FIRE SERVICE OVERVIEW**

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The District, also known as the Consolidated Fire Protection District of Los Angeles County, or the Los Angeles County Fire Department, serves 122 unincorporated areas within Los Angeles County, as well as 60 incorporated cities, one of which is in Orange County. Thirteen of the 60 cities utilize a fee-for-service contract like that which the City is considering. The City understands that contracting for fire services is common throughout California and elsewhere.

There are multiple benefits to a city contracting for regional fire services, from economies of scale to redundancy of staff and technical services and avoiding employment and retention issues for some smaller agencies. There is no question that the quality, depth, and type of services meets the City's needs, given 60 other cities contract with the District.

There are cost and small service differences. This report will help the City Council understand the differences to make a policy choice for its community. Either choice before the City offers best practices based services for firefighting, rescue, first responder EMS, and fire prevention. The Council can consider not only short- or long-term costs, but long-term responsibility and local choice as both the City and the District evolve. Two key issues to remember follow: Contracting can and does provide explicit local control via specific measurable provisions in a contract. In addition, transferring a workforce has considerable impacts, and should not be seen as something in which to frequently engage. That is why the District and other departments desire long-term

## City of Redondo Beach

Analysis of Contracting Fire Services to the Consolidated Fire Protection District of the County of Los Angeles

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contracts. In this case, the City is considering contracting with a large, experienced, legacy provider, and thus should be able to make a long-term decision if it chooses to contract.

### KEY DIFFERENCES

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The District's regional stations network allows it to deploy resources from outside the City limits to the City as needed.

**Table 1—Staffing Comparison**

| Station Number                                     | Address                 | City Resources                                       | City Minimum Daily Staffing | District Proposed Resources   | District Minimum Staffing |
|--|-------------------------|--|-----------------------------|---|---------------------------|
| 1  | 401 South Broadway Ave. | Engine 61<br>Truck 61<br>Rescue 61<br>Batt. Chief 61 | 3<br>4<br>2<br>1            | Engine<br>Quint Ladder<br>Rescue Squad<br><b>Shared</b> Batt. Chief | 3<br>4<br>2<br>1          |
| 2  | 2400 Grant Ave.         | Engine 62<br>Engine 64<br>Rescue 62                  | 3<br>3<br>2                 | Engine<br><b>Eliminated</b><br>Rescue Squad                         | 3<br>-<br>2               |
| 3  | 280 Marina Way          | Squad 63<br>Harbor Boat 63                           | 2<br>**                     | <b>Shared</b> PAU<br>Squad & Baywatch                               | 2                         |
| <b>Total Daily Response Staffing – City Limits</b> |                         | <b>20</b>  |                             | <b>17</b>   |                           |
| <b>Adjoining Fire Stations Outside North City</b>  |                         | 2 Engines  |                             | <b>6</b>  |                           |
| <b>Total District In/Nearby City</b>               |                         |  |                             | <b>22</b>   |                           |

\*\* Cross-staffed as needed by on-duty personnel based on incident type

The District's proposal eliminates an engine company and shares three positions for the Battalion Chief and Harbor Patrol function. Thus, of the 17 positions in the contract, a total of 14 are stationed inside City limits.

Under the proposal, the District has adjacent fire stations outside the City that would respond into the City if needed for any emergency. The Battalion Chief serving the City would be provided from an adjacent fire station. If the closest Battalion Chief is not available for an emergency response, the next closest District Battalion Chief would respond.

The District's Baywatch Redondo, serving out of Fire Station 3, would be shared with the City and provide a Rescue Boat Captain and a Paramedic Ocean Lifeguard Specialist, deckhand. Both are trained and certified in marine firefighting and equipped with all firefighting protective clothing, including breathing apparatus for any environment.

Fire prevention services for the City will be provided out of the District's office in nearby Carson. The current Redondo Beach fire prevention staff of 2.5 full-time employees will be transitioned into the District. The District's proposed costs only charge the City for 1.75 fire prevention staff. When capacity is needed beyond that, the District can distribute the workload to prevention staff covering nearby communities.

As the detailed fiscal review in **Section 3** of this report will show, the proposed contract cost is less than the City's budgeted cost due to the reduction of one City-based engine company and sharing other services with adjoining service areas. However, contained **in** the City's Fire Department budget are large pension liability costs that run for 29 more years. These and other smaller "leave behind" costs to the City are not transferred or eliminated by contracting; they are an ongoing cost to the City. Therefore, the City's Fire Department *budget cannot simply be compared* to the District's proposal. The District initially proposed to provide fire services via contract to the City at an annual cost of \$20,274,822.

**Table 2—Current Service Cost versus Proposed Contract**

| Component   | Current Fire Department Budget | Fire Department Budget After Contract | Added Cost Difference or (Savings) |
|---|--------------------------------|---------------------------------------|------------------------------------|
| <b>Base Budget Comparison Before Adjustment for Leave-Behind City Costs</b>   | <b>23,184,042</b>              | <b>20,274,822</b>                     | <b>(2,909,220)</b>                 |
| <b>YEAR-ONE COUNTY CONTRACT</b>   |                                |                                       |                                    |
| Net cost <u>without</u> the City reducing an engine in its own services and all other leave behind adjustments that must be added to the District's contract cost | 23,184,042                     | 27,962,079                            | 4,778,037                          |
| <b>TEN-YEAR COUNTY COST INCREASE AFTER STARTUP COSTS STOP</b>   |                                |                                       |                                    |
| Year-four cost in present value dollars after startup costs are paid  | 23,184,042                     | 24,566,135                            |                                    |
| Year-four through year-ten costs after startup  | 162,288,294                    | 171,962,945                           | 9,674,651                          |
| Three-year cost difference + remaining seven years cost difference  |                                | 4,146,279                             | <b>13,820,930</b>                  |

The figures in the right column above show how a County contract is more expensive to the General Fund for the first year. Further, after all startup costs are paid by the end of the third year, a straight-line run-out to ten years still shows a total added expense of \$13,820,930 for a County contract. Based on all cost differences, led by a significant pension "leave-behind" cost, a contract with County Fire is more expensive *for fewer personnel on duty in the City limits* considering the reduction of a three-firefighter engine company. Even if the City chose to reduce the engine company at a savings of almost \$2,000,000 per year, the year-one and startup costs amortized over three years with a County Fire contract are still more expensive than the City's total costs.

While the fiscal section of this report details all the cost differences, the largest reason the City's fire budget is higher than the County's costs, even after the County reduces one engine and shares

chief officer and Harbor Patrol costs, are the unfunded pension obligations alone *that must be paid in addition to the District's contract costs.*

In the year-two through year-ten projections above, all costs use today's present values. It is impossible for Citygate or City and County staffs to accurately predict personnel and operating costs for labor agreements not yet bargained, as well as other, inflation-driven costs for operating equipment or stations.

**Table 3—Key City Leave-Behind Cost Obligations**

| Component  | Current Fire Department Budget | Fire Department Budget after Contract | Difference (Savings) / Cost |
|--|--------------------------------|---------------------------------------|-----------------------------|
| Debt payment tied to existing Lease Revenue Bonds (LRBs) for 2021 pension obligation payoff or other fire services debt not absorbed by County Fire through 2049 | -                              | 3,301,399                             | 3,301,399                   |
| CalPERS pension unfunded accrued liability cost after 2021 payoff of liability with 2021 Lease Revenue Bonds (LRBs)  | -                              | 373,000                               | 373,000                     |
| <b>Total</b>   |                                | <b>3,674,399</b>                      | <b>3,674,399</b>            |

The City is to be commended for dealing with its unfunded pension liability and financing it at better terms. Further, it is a best practice to place these costs into each department's budget. However, many cities do not do this, and the District would not have been expected to look for it. This possibly means that early, informal conversations with the District about a contract cost comparison were not fully informed **if** the contract cost was compared to the City's Fire Department budget without the common understanding that the contract cost was only for *operational costs* the District would be providing.

### **CITYGATE'S FINDINGS**

- Finding #1:** The District's proposal eliminates a three-person engine company, a command chief officer inside the City, and shares the County Baywatch boat crew in King Harbor.
- Finding #2:** While Baywatch Redondo is based out of Fire Station 3 in King Harbor, the District's boat has a larger response area and may not be available at times.
- Finding #3:** Additional District resources, including a command officer, would come from adjacent fire stations close to the City.

**Finding #4:** The District's fire prevention proposal maintains a comparable level of fire prevention service for the City based on an initial understanding of the City's workload data for fire prevention.

**Finding #5:** City savings from the District's contract cost are negated by it being unable to reduce all its Fire Department budget, due mostly to legacy unfunded pension liability cost payments.

## **CONCLUDING OBSERVATION**

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The City has received an implementable contract-for-fire-services proposal from the District. While there are differences for deployment and headquarters inside the City limits, these are mitigated by the District's regional shared services approach, which is proven to work well across the County.

There are other policy choices for the City Council to consider other than the bottom-line cost. Contracting eliminates the City's entire burden of managing fire services, freeing up City Hall capacity for other civic issues. The District provides an immense, integrated team to serve the City.

The City has a strong fire department that does not need a major overhaul. The City also has maximum control over the design and cost of its fire services. The employees have chosen to work for and stay in the City.

It is impossible for any model to forecast City and District personnel costs many years into the future. Historic experience is that public safety cost increases track with general inflation at a minimum, and typically exceed it. If the City's fire costs perspective were to "set aside" the pension liability payments from this analysis, the District contract costs are much closer to the City's. However, its contract proposal fields six fewer *dedicated* personnel (engine, Chief, Harbor Patrol) inside City limits in a shared model. For base operational costs, either agency could be more expensive in just a few years due to differing personnel cost changes.

Based on these intangibles in addition to the bottom-line, General Fund fiscal impact, the City has two capable, but different, fire service provision options before it.

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## **SECTION 1—BACKGROUND AND REVIEW METHODS**

### **1.1 BACKGROUND**

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The Consolidated Fire Protection District of Los Angeles County (District) is a dependent special district formed under California law. The Board of Supervisors acts as its board of directors.

Prior to the passage of Proposition 13 in the late 1970s, the District had the ability to levy a property tax rate to fund services. When unincorporated areas were annexed or a city contracted with the District, the District levied its tax rate to generate funding for services. This changed when the passage of Proposition 13 restricted the total property tax levy to 1 percent of a property's assessed value. As with all existing taxing agencies, the District was proportionally allocated a share of the 1 percent property tax in existing district areas. The nexus of cost to revenues was lost. Today, the District collects and expends revenues on a District-wide basis, providing a consistent level of service regardless of revenues derived.

In areas where the District receives property tax, the District receives an average of 17 percent of the 1 percent property tax. The District also receives a Special Tax on eligible parcels passed by Los Angeles County voters in 1995.

With the passage of Proposition 13 changes to property taxation, the Fire District lost its ability to levy taxes to fund fire protection in incorporated cities within the District. Therefore, in the early 1980s, a concept was developed to charge annual fees to all cities that desired to contract for services from that point forward. Today, thirteen cities have “fee-for-service” contracts with the District. These are cities that contracted with the Fire District via an annexation or service agreement after the passage of Proposition 13.

### **1.2 CITYGATE REVIEW METHODS**

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Citygate's public safety and general government principals conducted this review consistent members' experience in fire services and local government finance administration. Citygate is deeply experienced with contracting for fire services for cities, counties, districts, and Joint Power Authorities, as well as the services and costing methods of several of the largest fire departments in the state, including the Fire District.

Citygate requested a large variety of City budget documents in addition to the Fire District's contract and start-up cost proposal. Citygate staff also interviewed all City department managers as well as City finance staff and City management.

Citygate recently conducted a fire services operational analysis for the City of Hermosa Beach in 2017 where Hermosa Beach chose to contract with the Fire District. That review, and other Citygate studies in coastal Los Angeles County, also provided valuable background experience

regarding how cities in the south bay provide fire protection and EMS services and depend on automatic and mutual aid from one another.

In parallel with this review, Citygate conducted a fire services operational analysis for the City of Redondo Beach and acquired a robust operational understanding of fire and EMS issues and challenges. The review included discussing with the City's Interim Fire Chief, the current operational staffing, fire station building issues, and harbor operations. Once Citygate completed the preliminary assessment, Citygate discussed the observations with the City team to fact-check the information and understanding obtained.

## **SECTION 2—REVIEW OF THE FIRE DISTRICT'S PROPOSAL**

### **2.1 HOW A CONTRACT IS STRUCTURED**

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In the proposed contract, the District bills the City an annual fee for the cost of services. Annual fees are based upon the positions and cost-shares established at the time the contract is approved by the City Council using current personnel and overhead costs in 12 monthly installments for a 10-year term. In addition to the annual fees, one-time start-up conversion costs are charged to and paid by the City of Redondo Beach in thirty-six (36) equal monthly payments. This amount is added to each monthly invoice for the annual fee commencing with the first month's annual fee invoice.

In prior contracts, the County placed an Annual Fee Limitation or “soft cap” on increases in the Annual Fee to be paid by cities each year. For Redondo Beach, the County wants to negotiate a cap formula during contract negotiations. Annual fees are revised per the stipulations in the agreement between the District and the respective city.

District contracts are typically for a 10-year initial agreement, with the option to terminate upon a 365-day notice. The County does annually review costs and did increase contract fees for the existing 13 fee-for-service cities in 2023/2024.

### **2.2 RESPONSE AND HEADQUARTERS SERVICES PROVIDED BY THE CITY**

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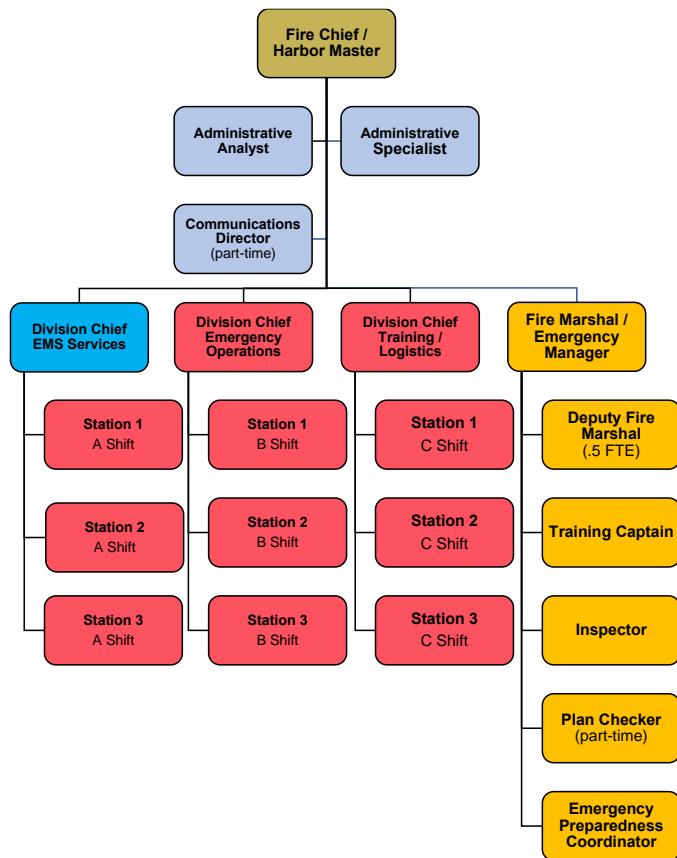
#### **2.2.1 Redondo Beach Fire Field Services**

The Department, operating under authority of the City Charter, provides fire suppression, Basic Life Support (BLS) and Advanced Life Support (ALS) pre-hospital emergency medical, rescue, initial hazardous materials response, fire prevention, disaster preparedness / emergency management, community outreach, and related fire and life safety services, such as the harbor patrol, with a staff of 67 personnel, organized as shown in the following figure.

## City of Redondo Beach

Analysis of Contracting Fire Services to the Consolidated Fire Protection District of the County of Los Angeles

**Figure 1—Organizational Chart – Redondo Beach Fire Department**



Service capacity for fire and non-fire risk consists of 20 response personnel on duty daily staffing three engines, one aerial ladder truck, two paramedic rescue squads, one marine rescue/harbor boat/squad, plus one Battalion Chief, all operating from the Department's three fire stations.

All response personnel are trained to either the emergency medical technician (EMT) level, capable of providing BLS pre-hospital emergency medical care, or the EMT-P (Paramedic) level, capable of providing ALS pre-hospital emergency medical care. All engines and the ladder truck are staffed with at least one paramedic, and the rescue squads are staffed with two paramedics. Ground ambulance transportation services are provided by McCormick Ambulance under an agreement with the Los Angeles County Emergency Medical Services Agency.

Response personnel are also trained to the U.S. Department of Transportation Hazardous Material First Responder Operational (FRO) level to provide initial hazardous material incident assessment, hazard isolation, and support for a hazardous material response team. When needed, a hazardous materials technical response team is available through automatic aid from the District in Rancho Dominguez.

All response personnel are further trained in Confined Space Awareness, Low-Angle/High-Angle Rope Rescue Technician, Confined Space Operational, and Trench Rescue Operational levels. When needed, additional technical rescue services are available through automatic aid from the District in Pico Rivera.

The Department has automatic mutual aid agreements with the cities of Torrance and Manhattan Beach, as well as the Los Angeles County Fire Department. The daily staffing component for the Redondo Fire Department is in the following table.

**Table 4—Fire Department Facilities, Response Resources, and Daily Response Staffing**

| Station Number                       | Address                 | Assigned Response Resources                          | Minimum Daily Staffing |
|--------------------------------------|-------------------------|--|------------------------|
| 1                                    | 401 South Broadway Ave. | Engine 61<br>Truck 61<br>Rescue 61<br>Batt. Chief 61 | 3<br>4<br>2<br>1       |
| 2                                    | 2400 Grant Ave.         | Engine 62<br>Engine 64<br>Rescue 62                  | 3<br>3<br>2            |
| 3                                    | 280 Marina Way          | Squad 63<br>Harbor Boat 63                           | 2<br>**                |
| <b>Total Daily Response Staffing</b> |                         |  | <b>20</b>              |

\*\* Cross-staffed as needed by on-duty personnel based on incident type

## 2.2.2 Redondo Beach Fire Prevention

Before July of 2023, the Fire Marshal's duties were assigned to one of the three Division Chiefs in the organization. Effective July 1<sup>st</sup>, 2023, a fourth Division Chief position was created and titled the Administrative Chief. Subsequently, the Fire Marshal's duties shifted to the Administrative Chief.

The City's Fire Prevention staffing is as follows:

1. Administrative Chief and Fire Marshal (Division Chief, 40-hour)
2. Deputy Fire Marshal (Fire Captain, 40-hour)
3. Fire Inspector (one civilian inspector)
4. Plan Checker (Part-Time)

In 2023, the Redondo Beach Fire Department completed 100 percent of the annual fire inspections required by State legislation.

The District's fire prevention estimate maintains a comparable level of fire prevention service for the City based on an initial understanding of the City's workload data for fire prevention. That staffing is as follows:

1. Fire Captain – Shared (.25)
2. Fire Fighter Specialist (Inspector) – Shared (.50)
3. Fire Prevention Engineering Assistant II (Plan Check)

As the Fire Captain position and Fire Specialist position are shared, they are not full-time, dedicated personnel to the City. The Fire Prevention Engineering Assistant is full-time City dedicated.

### **2.2.3 Redondo Beach Fire King Harbor Patrol**

The Fire Department staffs two personnel that are fully credentialed firefighters, EMTs, or paramedics on a smaller fire/rescue boat and a squad truck for landside response. The harbor personnel also occasionally respond with a paramedic squad on land-based calls in the area.

The Department maintains two boats: one 29-foot Rescue Boat built in 2004, and a reserve boat, a 27-foot Boston Whaler built in 2008. Both boats have smaller fire pumps for pleasure boat firefighting, EMS, and rescue equipment. They also have dewatering pumps to assist boats taking on water, equipment to deploy a rescue swimmer in the water, and small firefighting foam and spilled oil containment tools.

Fire Station 3, out on a wharf, currently houses the Department's two Harbor Patrol members and two District Lifeguards for their regional Baywatch boat 24/7.

## **2.3 FIRE DISTRICT SERVICES PROPOSAL**

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Under the proposal, the District has adjacent fire stations outside the City that would respond into the City if needed for any emergency. The Battalion Chief serving the City would be coming from an adjacent fire station. If the closest Battalion Chief is not available for an emergency response, the next closest District Battalion Chief would respond.

The north-central and northeast edges of the City are 1.5 miles distance or less from one of two District stations deploying fire engines: Station #160 at 5323 Rosecrans Avenue, Hawthorne on the north, and Station #121 at 4312 W. 147th Street, Lawndale to the northeast. The District's Battalion Chiefs would respond from either Fire Station #161 on 4475 W. El Segundo Blvd. in Hawthorne or Fire Station #106 on 27413 Indian Peak Road in Rolling Hills Estates.

The District's Baywatch Redondo, serving out of Fire Station 3, would be shared with the City and provide a Rescue Boat Captain and a Paramedic Ocean Lifeguard Specialist, deckhand. Both are trained and certified in marine firefighting and equipped with all firefighting protective

clothing, including breathing apparatus for any environment. Fire District Boat crews enforce County Title 17 safe boating ordinances. For the District assigned boat crews to enforce City codes as a “Harbor Patrol” resource, the County code would need to be amended. The City can continue to provide Harbor Master functions via another City employee or negotiate with the District to provide these functions services.

Fire prevention services for the City will be provided out of the District’s office in nearby Carson. The current Redondo Beach fire prevention staff of 2.5 full time employees will be transitioned into the District. The District’s proposed costs only charge the City for 1.75 fire prevention staff. When capacity is needed beyond that, the District can distribute the workload to prevention staff covering nearby communities. Any applicable fire prevention fees related to Fire Prevention staffing allocated to the City which will be passed through as an annual credit to the City by the District via a credit on the City’s Annual Fee, minus a five percent administrative charge retained by the District.

First responder ambulance service pass-through fees will be collected by the County from McCormick Ambulance. They will be passed through as an annual credit to the City by the District via a credit on the City’s Annual Fee, minus an eight percent administrative charge retained by the District.

Both sworn and non-sworn City employees will be offered employment upon passing background and medical exams. They would be brought into the County with a “Y” rated salary to match current salary, or at the County salary schedule if this amount is higher than the current City salary.

## **2.4 SERVICE DIFFERENCES BETWEEN THE CITY’S CURRENT AND THE COUNTY PROPOSAL**

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The following table compares the Firefighting, EMS and Harbor Patrol staffing plans between the City and the District’s proposal:

**City of Redondo Beach**

Analysis of Contracting Fire Services to the Consolidated Fire Protection District of the County of Los Angeles

**Table 5—Staffing Comparison**

| Station Number                                     | Address                 | City Resources                                       | City Minimum Daily Staffing | District Proposed Resources   | District Minimum Staffing |
|--|-------------------------|--|-----------------------------|---|---------------------------|
| 1  | 401 South Broadway Ave. | Engine 61<br>Truck 61<br>Rescue 61<br>Batt. Chief 61 | 3<br>4<br>2<br>1            | Engine<br>Quint Ladder<br>Rescue Squad<br><b>Shared</b> Batt. Chief | 3<br>4<br>2<br>1          |
| 2  | 2400 Grant Ave.         | Engine 62<br>Engine 64<br>Rescue 62                  | 3<br>3<br>2                 | Engine<br><b>Eliminated</b><br>Rescue Squad                         | 3<br>-<br>2               |
| 3  | 280 Marina Way          | Squad 63<br>Harbor Boat 63                           | 2<br>**                     | <b>Shared</b> PAU Squad & Baywatch                                  | 2                         |
| <b>Total Daily Response Staffing – City Limits</b> |                         |  | <b>20</b>                   |   | <b>17</b>                 |
| <b>Adjoining Fire Stations Outside North City</b>  |                         |  |                             | 2 Engines   | <b>6</b>                  |
| <b>Total District In/Nearby City</b>               |                         |  |                             |   | <b>22</b>                 |

\*\* Cross-staffed as needed by on-duty personnel based on incident type

The District's proposal eliminates an engine and shares three positions for the Battalion Chief and Harbor Patrol function. Thus, of the 17 positions in the contract, a total of 14 are stationed inside City limits.

## SECTION 3—FISCAL REVIEW OF THE CONTRACT PROPOSAL AND CITY BUDGET IMPACTS

An essential component of this analysis is the identification and review of the fiscal elements that will provide an accurate comparison of the City's fire service costs versus the outsourcing proposal provided by County Fire. Citygate reviewed fiscal documentation provided by City personnel at our request, interviewed City fiscal personnel, and reviewed the County's proposals and prior staff reports on County Fire services to the City Council.

The City's fire services budget, per the posted FY 23/24 budget document, consists of 67 total FTEs (62 sworn; 5 non-sworn) supported by a budget of approximately \$21.5 million for all fire-related items/funds. However, Citygate was informed based on later discussions with City Finance Department staff that, due to a system posting error, the posted budget, at least as it related to the Fire Department, did not reflect approximately \$305,000 of unspecified anticipated expenditures which had been approved during the initial budget process. As a result of the expedited budget process and turnover within the Finance Department, this error was not identified until after the FY 23/24 budget document had been posted.

Additionally, Citygate was informed that the Council had approved budget revisions for the Fire Department after the initial budget process which totaled approximately \$1.4 million. These revisions are itemized in the following table.

**Table 1—Council-Approved Expenditure Budget Revisions – FY 23/24**

| Description   | All Funds        |                |                  |
|---|------------------|----------------|------------------|
|   | One-time         | Ongoing        | Total Change     |
| <b>Operating Cost Changes</b>   |                  |                |                  |
| Fire Department SCBA Replacement  | 266,765          | -              | 266,765          |
| New Firefighter Outfitting  | 100,000          | -              | 100,000          |
| Fire Department Replacement PPE   | 50,000           | -              | 50,000           |
| New Fire Training Captain / Emergency Preparedness Coordinator                                | -                | 268,000        | 268,000          |
| Trial Administrative Fire Division Chief Position – Combined Emergency Manager / Fire Marshal | 86,000           | -              | 86,000           |
| Overtime  | 438,137          |                | 438,137          |
| PERSable Vacation/Holiday Cash out  | 219,656          |                | 219,656          |
| <b>Total</b>  | <b>1,160,558</b> | <b>268,000</b> | <b>1,428,558</b> |

Consequently, the final revised FY 23/24 budget totals approximately \$23.2 million supported by 68 FTEs (63 sworn; 5 non-sworn) and represents the status quo amount for comparison purposes. Citygate was informed by Finance Department staff that the budget document containing these

revisions was later posted to the public documents, replacing the initial budget document. The following table reflects a reconciliation of the posted FY 23/24 Fire Department budget and the revised Fire Department budget per additional information received by Finance Department staff.

**Table 2—Budget Reconciliation – FY 23/24**

| Description   | Amount            |
|---|-------------------|
| Posted FY 23/24 Fire Budget   | 21,449,988        |
| Minor Fire Department System Posting Omissions                                  | 305,496           |
| Corrected Initial FY 23/24 Fire Department Budget Amount                        | 21,755,484        |
| Council-Approved Budget FY 23/24 Revisions Subsequent to Initial Budget Process | 1,428,558         |
| <b>Total Revised FY 23/24 Fire Services Budget</b>                              | <b>23,184,042</b> |

The Department also has direct revenues which partially offset operating costs. These revenues are anticipated to total approximately \$1.55 million in FY 23/24 consisting of paramedic-related charges (approximately \$1.14 million), fire prevention inspection/permit fees (approximately \$364,400), and other revenues (approximately \$45,600). These amounts are unaffected by the budget revisions discussed previously. Under a contract with the County, any applicable fire prevention fees related to Fire Prevention staffing allocated to the City will be passed through as an annual credit to the City by the District via a credit on the City's Annual Fee (minus a five percent administrative charge retained by the District).

### 3.1 OVERTIME

Citygate found that although actual overtime expenditures have averaged over \$3 million per year since FY 19/20, the posted FY 23/24 budget only reflects an overtime budget estimate of approximately \$389,000. However, Citygate was informed that budget revisions have been made and approved by the Council to correct omissions in the currently posted budget. Approximately \$438,000 of these revisions resulted in overtime budget increases, bringing the total overtime budget for all funds to almost \$833,000. However, even with these revisions, the revised budget estimate is still below historical trends.

Overtime budgeting is one of the primary reasons for the approximately \$2.5 million, or almost 25 percent budget reduction from the prior year actuals of approximately \$3.3 million. Currently, the Department has 11 vacancies. However, this number may not equate to dollar-for-dollar salary savings to address potential under-budgeted overtime costs if the Department has also been authorized to overfill positions to address service gaps. Sworn benefits average approximately 54 percent in the City, which makes the potential salary-related savings for a sworn vacant position about equal to the overtime rate needed to provide required sworn position coverage.

Citygate was informed by City staff that this practice of purposely under-budgeting overtime is due, primarily, to the length of time required to fill vacancies. Consequently, Citygate did not adjust net operating costs to address overtime budget overages.

### **3.2 CURRENT DEPARTMENT FISCAL OPERATIONS VS. COUNTY FIRE PROPOSAL**

The latest proposal provided by the District reflects an annual fee for service of approximately \$20.3 million for FY 23/24. City Department FY 23/24 revised operating costs of approximately \$23.2 million indicate an initial savings of approximately \$2.9 million. However, there are several factors that must be considered to create an accurate comparison. The following section discusses some of the major comparison factors.

#### **3.2.1 Comparison Factors**

The District's proposal includes the elimination of an engine company at Station #2 that is currently staffed by the Department at an estimated cost of approximately \$2 million. Per County Fire, this unit is unnecessary to provide adequate coverage given nearby District fire stations. The following table reflects the estimated costs for City engine company reduction. This is a fiscal comparative exercise as if the City reduced the engine without a District contract, it would not enjoy the immediate response of the nearest District engines.

**Table 3—City Engine Reduction Calculation**

| Position                       | Top Step Annual Salary | Average Benefit (55% of Salary) | Total Salary / Benefits | FTE Reduction | Total Salary / Benefits | Overhead and Support (\$65,200 per FTE) | Total Fully Loaded Cost |
|--------------------------------|------------------------|---------------------------------|-------------------------|---------------|-------------------------|---|-------------------------|
| <b>Captain</b>                 | 110,520                | 60,786                          | 171,306                 | 3             | 513,918                 | 195,600                                 | 709,518                 |
| <b>Engineer</b>                | 92,976                 | 51,137                          | 144,113                 | 3             | 432,338                 | 195,600                                 | 627,938                 |
| <b>Firefighter / Paramedic</b> | 96,696                 | 53,183                          | 149,879                 | 3             | 449,636                 | 195,600                                 | 645,236                 |
| <b>Total</b>                   | <b>300,192</b>         | <b>165,106</b>                  | <b>465,298</b>          | <b>9</b>      | <b>1,395,893</b>        | <b>586,800</b>                          | <b>1,982,693</b>        |

Benefit average based on FY 23/24 budget numbers for the Operations Division. Budgeted benefits are approximately 55 percent. Overhead includes all other Operations Division excluding POB expenses and adding back emergency communications operations, which was moved to the Administration Division in the FY 23/24 budget. This total of about \$3.8 million was divided by the 58 FTEs budgeted for the Operations Division, equating to approximately \$65,200 per FTE.  $\$65,200 \times 9 \text{ FTE}$  proposed reduction equals approximately \$587,000.

This exercise is included in Table 4 to show that even if the City reduced an engine company, the District's proposal is still slightly more expensive.

Since a formal service provision agreement has not been finalized relating to factors such as transfer of personnel and benefits, equipment, facilities, and other liabilities such as fire-related debt, workers' compensation, and general liability claims, etc., Citygate's analysis is not inclusive of these further unknown items.

### **3.3 LEAVE-BEHIND COSTS**

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There are several potential costs that the City would have to retain even with an annexation into County Fire. Citygate refers to these costs as “leave-behind costs.” Some of these leave-behind costs are discussed in the following.

#### **3.3.1 Lease Revenue Bonds Debt Service**

In 2021, the City issued 30-year lease revenue bonds (LRB) in the amount of approximately \$226 million to pay off the City’s unfunded accrued pension liability at that point in time with California Public Employees Retirement System (CalPERS). The total annual debt service on the LRBs is approximately \$13.1 million and a proportionate share allocated to the Department in the amount of approximately \$3.3 million based on actuarial reports used by the City. Based on the call and refunding provisions of the debt, this debt service for the Fire Department portion of the debt will remain for several years and must be paid even if Department personnel are transferred to County Fire. In Citygate’s experience, typically where two different pension systems are involved, the City would retain all pension liability prior to the actual date of transfer of the applicable employees. Consequently, this would be a cost that the City would continue to pay and must be worked into the cost comparison process.

Department employees are part of CalPERS and, as a result, have accumulated applicable benefits. These benefits are generated through contributions that have been made by the City and its employees under the contract with CalPERS. County Fire employees are part of the Los Angeles County Employees Retirement Association (LACERA); in LACERA, benefits in some cases vary from those of the CalPERS system.

Typically, when contracting for services, the City would freeze contributions to CalPERS for the applicable employees and maintain the applicable assets and liabilities for these employees until their respective retirement through CalPERS; the applicable employees would start fresh in LACERA as of the effective date reflected in the agreement. Consequently, the City would continue to be responsible for additional CalPERS liability due to CalPERS actuarial assumptions and investment results after the liability pay-down accomplished with the issuance of the LRBs. The City’s latest CalPERS actuarial report for its safety group (dated July 23, 2023, using data as of June 30, 2022) reflects the safety plan status following the 2021 payoff. This report sets the required unfunded accrued liability payment for FY 24/25 at approximately \$1.13 million. In future years, this amount will continue to change, likely increasing, based on a variety of factors, including CalPERS investment returns and any actuarial assumption changes. Per the FY 23/24 budget, fire salaries make up about 33 percent of total safety salaries, which would mean that approximately \$373,000 of this liability is associated with the Department.

Leave balance credit for sick, vacation, and other leave balances values are assumed to be monetized and the amount is transferred to County Fire for applicable employees. Based on

another agreement between a city and County Fire, transferred hours would be limited to 240 hours for vacation hours and 240 hours for sick leave hours. Using an average hourly rate of \$34, based on a 2912-hour annual work schedule for the average top step salaries for the positions of Captain, Engineer, and Firefighter/Paramedic, and assuming 68 positions, the estimated dollar transfer to County Fire would be approximately \$1.1 million (32,640 hours times \$34 per hour average rate). However, per information provided by Finance Department staff, existing City leave balances for fire personnel total approximately 177,000 hours, which indicates that the City would have a larger upfront cost associated with handling leave balances to keep transferred employees whole. For the purposes of this comparison, however, *only* the \$1.1 million amount was used.

### **3.3.2 Workers' Compensation and General Liability Claims**

The Department self-insures for workers' compensation and general liability claims up to \$750,000 and \$500,000, respectively. Excess coverage above these self-insured maximums is covered by Public Risk Innovations, Solutions, and Management (PRISM) and an insurance pool for workers' compensation (up to \$50 million per claim) and California State Association of Counties Excess Insurance Authority (CSAC-EIA) for general liability (up to \$30 million per claim). Per the FY 23/24 Department budget, the City is budgeted to pay almost \$800,000 in premium contributions for workers' compensation and general liability combined. Based on a City-provided worker's compensation actuarial report reflecting experience and exposure data as of March 2021, anticipated total losses expected through the full term of the existing claims are estimated to be approximately \$7.4 million. Using the recent services agreement with another city, the City would retain the liability for these existing Fire Department claims and continue to pay premiums to address these existing claims until closed.

### **3.3.3 Facilities and Equipment Maintenance/Replacement**

The Fire Department currently pays approximately \$1.2 million of its budget for items related to facilities and equipment maintenance and replacement. Assuming the terms of another services agreement between County Fire and the other city previously mentioned, all fire-related equipment would be transferred with a clear title and in satisfactory working order to County Fire, with the City responsible for any repairs or replacement required for such equipment at the time of transfer. For the purposes of this review, Citygate assumes that equipment maintenance would be the responsibility of County Fire, and major equipment replacement would remain the responsibility of the City.

It is assumed that fire stations would be leased to the District at \$1 per year, per station. Any non-routine maintenance and repair/replacement would be the responsibility of the City. Currently, the City does not specifically identify funding allocations for capital replacement reserves; however, Citygate recommends that such an allocation be made, regardless of the option chosen, to conform with best practice. As a ballpark estimate, Citygate is assuming that the City will continue to pay approximately \$120,000, or 10 percent of current budget amounts, and add a designation of

approximately \$200,000 to an annual capital replacement reserve. The amount and duration would, of course, depend on the condition of the equipment and facilities and the actual terms negotiated with County Fire.

The City, through its employees and outside vendors, occasionally conducts fire apparatus maintenance. The City would not save any full-time employees if fire services were contracted out. The already stretched repair staff would simply recover time towards other City fleet and facility needs.

### **3.3.4 Administrative Overhead**

Although the current City Hall services administrative overhead of approximately \$1.4 million would be reduced because of the transfer of services, it would not be eliminated. Some administrative overhead relating to oversight of the services agreement with the District to ensure service levels are provided, payment processing, legal activities such as agreement modifications, processing of pension and other benefit activity, etc., would remain with the City. For this review, Citygate is simply estimating that approximately \$210,000, or 15 percent of this amount, will remain.

Citygate did not model what costs, if any, would occur with the transfer of the administrative functions of Harbor Master to another City department.

### **3.3.5 9-1-1 Dispatch / Communication Services**

The City's police department provides fire dispatch services and fire/EMS calls are a smaller percent of overall dispatcher workload. As such, there would be no dispatcher savings should fire services leave the center. The current computer-aided dispatch system cost would remain with the City.

### **3.3.6 Emergency Management Programs**

The City has budgeted approximately \$394,000 for the Emergency Management Program in the Fire Department budget. Based on the recent services agreement terms with another city previously mentioned, the City would be required to pay the cost of maintaining its emergency management programs. These costs would also need to be determined as the services agreement is finalized with the applicable leave-behind costs included in the comparison calculation.

### **3.3.7 Potential Information Technology Operations Savings**

City staff identified Information Technology (IT) as an area in which potential savings exist. A list of specific IT item savings was provided to Citygate, which totaled approximately \$183,086.

### **3.4 ESTIMATED DISTRICT-PROPOSED START-UP CONTRACT COSTS TO THE CITY**

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In addition to the proposed annual cost of \$20,274,822, the District contract requires the City to fund the following start-up costs to transfer the City's employees to the District, and to convert apparatus, equipment, and fire station rehabilitation to meet Fire District standards. The District identified approximately \$4.6 million in startup costs. This cost is amortized over a three-year (36 month) period. This would equate to an annual payment of approximately \$1.54 million per year:

1. Facilities: \$1,471,095
2. Communications: \$1,025,968
3. Training: \$1,278,449
4. Vehicles: \$9,000
5. Vehicles – Credit: \$(322,756)
6. Equipment: \$586,220
7. PPE & Uniforms: \$564,475
8. Grand Total Estimated Conversion Costs: \$4,612,451

Per the District, these conversion costs will be updated to reflect the actual cost incurred by the District at the time of the transition of service.

In addition, there are other known and unknown startup costs:

1. \$24,000 incurred by the District to evaluate facilities, fire apparatus, and equipment that can be used by the District, and which equipment will need to be replaced to ensure it meets the standard safety and/or functional specifications of similar District equipment.
2. Accumulated vacation and sick leave time per transferred employee to ensure that no employee is transferred to the District without a leave balance. For each employee that has accumulated unused vacation and sick leave time, a maximum of ten vacation shifts and six sick shifts will be credited to each employee. These costs may be payable to the District over an initial three- to five-year contract period, based upon the final contract negotiations between the City and the District. Additionally, the City will owe fire employees transferring to the District funds for unused vacation and sick leave payout as they leave City employment.
3. Annual cost of major maintenance and rehabilitation of the fire stations that exceeds a negotiated cap. Daily wear-and-tear repairs will be the District's responsibility.

4. The City's interest, right, and title, which shall be free and clear, for specified pieces of vehicular equipment which will be necessary for the fire operations within the City as staffed by the District. This includes fire apparatus and other equipment essential to the operation of the vehicles or fire stations.
5. The cost of site abatement and mitigating environmental hazards found on the City fire station sites.

The District initially proposed to provide fire services via contract to the City of Redondo Beach at an annual cost of \$20,274,822. Depending on fire prevention program needs of the City, the annual cost may be increased or reduced. The District fire prevention estimate maintains a comparable level of fire prevention service for the City and is based on an initial understanding of the City's workload data for fire prevention.

The following table summarizes the comparison of District proposal costs against the current services costs paid by the City adjusted for the estimated City "leave-behind cost," which the City will continue to pay *after contracting*. In other words, the comparison of costs cannot be the current fire services budget against the District contract cost because there are legacy costs the City cannot abandon after contracting.

**City of Redondo Beach**

Analysis of Contracting Fire Services to the Consolidated Fire Protection District of the County of Los Angeles

**Table 4—Current Service Cost vs. Proposed Contract**

| Component   | Current Fire Department Budget | Fire Department Budget After Contract | Difference (Savings) / Cost |
|---|--------------------------------|---------------------------------------|-----------------------------|
| <b>Base Budget</b>  | <b>23,184,042</b>              | <b>20,274,822</b>                     | <b>(2,909,220)</b>          |
| Engine company reduction to match county fire proposal  | 1,982,693                      | -                                     | (1,982,693)                 |
| Revised comparison base budget  | 21,201,349                     | 20,274,822                            | (926,527)                   |
| <b>Ongoing Leave-Behind Costs/(Savings)</b>   |                                |                                       |                             |
| Debt payment tied to existing Lease Revenue Bonds (LRBs) for 2021 pension obligation payoff or other fire services debt not absorbed by County Fire through 2049  | -                              | 3,301,399                             | 3,301,399                   |
| CalPERS pension unfunded accrued liability cost after 2021 payoff of liability with 2021 Lease Revenue Bonds (LRBs)   | -                              | 373,000                               | 373,000                     |
| Annual workers' compensation general liability cost for existing claims and liabilities not absorbed by County Fire (actual cost will depend on disposition of each claim)  | -                              | 800,000                               | 800,000                     |
| Information technology support savings  | -                              | (183,086)                             | (183,086)                   |
| <b>Ongoing costs total</b>  | <b>-</b>                       | <b>4,291,313</b>                      | <b>4,291,313</b>            |
| <b>Subtotal after ongoing costs <u>without</u> engine company reduction</b>   | <b>23,184,042</b>              | <b>24,566,135</b>                     | <b>1,382,093</b>            |
| <b>Subtotal after ongoing costs <u>with</u> engine company reduction</b>  | <b>21,201,349</b>              | <b>24,566,135</b>                     | <b>3,364,786</b>            |
| <b>One-time / Limited-Time Costs/(Savings)</b>  |                                |                                       |                             |
| Annual startup cost (\$4,612,451 amortized over three years)  | -                              | 1,537,484                             | 1,537,484                   |
| One-time annexation costs   | -                              | 25,000                                | 25,000                      |
| One-time leave balance payment to County Fire   | -                              | 1,109,760                             | 1,109,760                   |
| <b>One-time / limited-time costs/(savings) total</b>  | <b>-</b>                       | <b>2,672,244</b>                      | <b>2,672,244</b>            |
| <b>Subtotal after ongoing and one-time costs <u>without</u> engine company reduction</b>  | <b>23,184,042</b>              | <b>27,238,379</b>                     | <b>4,054,337</b>            |
| <b>Subtotal after ongoing and one-time costs <u>with</u> engine company reduction</b>   | <b>21,201,349</b>              | <b>27,238,379</b>                     | <b>6,037,030</b>            |
| <b>Unknown/Estimated Costs By Citygate Or Absorbed Into Another Department</b>  |                                |                                       |                             |
| Fire contract and leave-behind issues administration costs (Administrator position and support cost, general other administrative overhead retained by city (legal, finance, City Manager, risk management, etc.) | -                              | 210,000                               | 210,000                     |
| City emergency management preparedness program  | -                              | 393,700                               | 393,700                     |
| Leave balance difference between transfer limit and labor agreement payout requirements   | Unknown                        |                                       |                             |
| County Fire minor repair costs of stations depending on condition of facilities and replacement reserve allotment   | -                              | 120,000                               | 120,000                     |
| <b>Unknown/estimated costs by Citygate or absorbed into another department total</b>  | <b>-</b>                       | <b>723,700</b>                        | <b>723,700</b>              |

**City of Redondo Beach**

Analysis of Contracting Fire Services to the Consolidated Fire Protection District of the County of Los Angeles

| Component  | Current Fire Department Budget | Fire Department Budget After Contract | Difference (Savings) / Cost |
|--|--------------------------------|---------------------------------------|-----------------------------|
| <b>YEAR ONE</b>  |                                |                                       |                             |
| <b>Net cost <u>without</u> engine company reduction</b>              | <b>23,184,042</b>              | <b>27,962,079</b>                     | <b>4,778,037</b>            |
| <b>Net cost <u>with</u> engine company reduction</b>                 | <b>21,201,349</b>              | <b>27,962,079</b>                     | <b>6,760,730</b>            |
| <b>ONGOING TEN-YEAR COST AFTER STARTUP COSTS STOP</b>                |                                |                                       |                             |
| Year-four cost in present value dollars after startup costs are paid | 23,184,042                     | 24,566,135                            |                             |
| Year-four through year-ten costs after startup                       | 162,288,294                    | 171,962,945                           | 9,674,651                   |
| Three-year cost difference + remaining seven years                   |                                | 4,146,279                             | <b>13,820,930</b>           |

Based on the “leave-behind” costs, a contract with County-fire is more expensive *for fewer personnel on duty in the City limits* considering the reduction of a three-firefighter engine company. Even if the City chose to reduce the engine company at a savings of almost \$2 million per year, the year-one and post-startup costs with a County Fire contract still are higher. If the City were to reduce the engine company now to match the proposal provided by County Fire, the negative variance would be almost \$3.4 million *greater*, as the City’s budget (in the first row of the previous table) would be almost \$2 million less.

The largest driver of the cost imbalance with a County Fire contract is the annual total payment to CalPERS for fire safety pension liabilities of \$3,674,399, consisting of the LRB payment and estimated ongoing pension liabilities not covered by the lease revenue bonds issued for pension unfunded accrued liability payoff (Table 1). The lease revenue bond alone has 29 more years. The County Fire costs are just a little higher than the City’s before the addition of the pension payments and leave-behind costs, which makes a first-year difference of \$4,054,337 substantial over ten years even if a policy choice were to be made to not include the one-time startup costs from City reserves.