
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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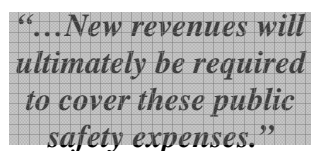
Report on San Diego Fire-Rescue Needs and Funding Plan

OVERVIEW

On February 7, 2008, the IBA presented to the Ad Hoc Fire Prevention and Recovery Committee its report, "Preliminary Report on Fire-Rescue Needs and Funding Plan" (IBA Report 08-12), which was the initial response to Council President Peters' November 29, 2007, request to the IBA to provide "a list of alternative measures and relevant costs to implement the Fire-Rescue Department Station Master Plan to eliminate the City's fire station and staffing deficits within the next ten years."

In our preliminary report, the IBA offered a summary of the past needs assessments and funding proposals, as well as an outline of our proposed next steps in updating these reports. We noted that our report was not necessarily new information, but a consolidated overview of past studies that have addressed the needs and potential new sources of funding to the San Diego Fire-Rescue Department.

The last comprehensive Public Safety Needs Assessment (City Manager Report 04-057) was released March 17, 2004, and addressed anticipated needs ranging from FY 2005 to FY 2009. In May 2004, following the release of this study, the City Manager released a Public Safety Funding Plan (City Manager Report 04-101), which proposed a new funding approach designed to address the above-mentioned deficiencies in service. As had been stated in the past, the report emphasized that "new revenues will ultimately be required to cover these public safety expenses." In response, the City Council approved two ballot propositions; however, both propositions failed to receive the necessary votes to pass.



"...New revenues will ultimately be required to cover these public safety expenses."

Although both measures failed, the urgent demand to address the ongoing needs was further reaffirmed in the following year. In February 2005, the Commission on Fire Accreditation International (CFAI) concluded its Standards of Response Coverage study

that outlined the specific needs of Fire-Rescue, particularly its inability to provide the necessary services to the residents of San Diego as a result of its serious funding deficiencies.

As we noted in our preliminary report (IBA Report 08-12), in recent years it has been necessary to shift the City's immediate focus to address fiscal reforms and recovery and primarily to fund critical legal and financial obligations, including deferred maintenance in many of its departments. Thus attention has been forced away from conducting further investigations into the needs and possible solutions to the funding problem of the San Diego Fire-Rescue Department. However, as prior reports and the most recent 2007 wildfires have clearly shown, identifying the needs and sources of funding for the Fire-Rescue Department remains one of the City's highest priorities for the community and therefore an issue that demands to be readdressed.

At the presentation of the IBA preliminary report at the February 7, 2008, meeting of the Ad Hoc Fire Prevention and Recovery Committee, we made recommendations and requested further direction from the committee regarding the following next steps to address this issue:

- I. Work with San Diego Fire-Rescue to analyze, update and prioritize findings of past reports
- II. Review and incorporate the findings of the After Action Fire Reports into our final report
- III. Review and incorporate findings of Mayor's Regional Fire Committee into our final report

Committee members requested that the IBA to address the following two significant areas:

- I. Complete an update of the Comprehensive Public Safety Needs Assessment of Fire-Rescue, including:
 - a. Offer an overview of existing needs that have not been addressed since the completion of the 2004 Public Needs Assessment, including identifying one-time capital and annual operating costs
- II. Provide an outline of a funding plan, including:
 - a. Funding estimates based on the 2004 Public Safety Funding Plan
 - b. A comparison of how other municipalities are funding their efforts of funding fire and rescue needs
 - c. Address the use of Proposition 172 funding to fund Fire-Rescue
 - d. Discuss the possible use of FEMA grants

In response, in this report we provide the most up-to-date overview of Fire-Rescue needs and identifies possible funding solutions to be considered by the Committee. In completing this report, we aim to fulfill the requests of the Committee, as well as incorporate other significant reports and developments regarding the issues central to addressing this issue.

In the first part of this report, we have outlined major areas of needs and associated costs by revising and updating previous needs assessments, including the 2004 Comprehensive Public Safety Needs Assessment for Fire-Rescue. Our office also provides an overview of the impacts that these unfunded needs have had on the service levels, illustrating the deficiencies resulting from ongoing unmet needs. Additionally, we address the needs identified in the 2007 After Action Report, as well as those identified in reports presented at the Mayor's Regional Fire Committee and the SANDAG Conference on Fire Safety and Prevention.

Secondly, we have reviewed previous funding studies, including the 2004 Public Safety Funding Study, and have developed scenarios for possible funding increases to address the unfunded needs. Furthermore, we highlight other municipalities' solutions to similar unmet needs.

The IBA recognizes that this information will be augmented by ongoing and future reports, including the 2008 Fire Station Master Plan. This report can serve as baseline information in the interim and can be easily updated pending this additional information.

FISCAL/POLICY DISCUSSION

PART I. IDENTIFYING UNFUNDED NEEDS

History

In 2002, the Fire and Lifeguard Facilities Improvement Program was developed to address the rehabilitation of aging fire and lifeguard facilities. The Fire-Rescue Department identified needs and prioritized them in conjunction with Local 145, the labor organization representing sworn fire personnel. Although this program was initiated with a series of bonds, it was never completed as a result of the City losing its ability to access the public bond market.

In 2004, the Public Safety Needs Assessment (Report 04-057) was developed and projected that a total of \$478 million in public safety expenses would be needed between Fiscal Year 2005 and 2009, with approximately \$159 million identified for Fire-Rescue in that five-year period. Eight categories of needs were identified – Personnel, Communications, Information Technology (IT) Supplies and Services, Equipment, Fleet, Facilities and Emergency Preparedness/Homeland Security. The 2004 Needs Assessment report highlighted that “Expenditure reductions have been required during the last several years to balance the budget though departments’ operating needs have not diminished.” At the time the report was released, it was noted that further details on needs were to follow in the Accreditation Study in early 2005.

Additional details on identifying unmet needs followed in the Commission for Fire Accreditation International (CFAI) study in early 2005. The report stated that although “the department has a plan in place for the addition of several new stations... the data contained in this report indicate a need for more stations than those currently planned.” Accordingly, in the following year, in its annual report to Council, Fire-Rescue

specifically identified the need for 22 additional stations: “Fire-Rescue staff’s analysis of City-wide response times indicated that an additional 22 fire stations would need to be built and appropriately staffed to meet this [National Fire Protection Association] national standard” (Report to the City Council, 06-170, November 13, 2006). This finding was reiterated in *The City of San Diego 2007 General Plan*, which states that “in order to meet National Fire Protection Association (NFPA) 1710 standards for emergency response times and to assure adequate emergency response coverage, the Fire-Rescue Department has identified the need to construct additional fire stations in several presently underserved communities.”

Unfunded Needs

To begin the development of the current needs, the IBA reviewed the information previously reported on in the Fire and Lifeguard Facilities Improvement Program and the 2004 Public Safety Needs Assessment. Also, we worked with Fire-Rescue to update figures on needs not yet addressed and to identify new needs that now need to be included.

While progress has been made in addressing the structural underfunding of overtime costs and the need to maintain and replace the existing fleet, new equipment, vehicles, and significant capital and/or one-time expenses, still need to be addressed. The tables on the following pages have been created to identify the unfunded needs in the following eight categories (not in priority order):

- **Fire Facilities** includes the capital and operational expenses needed to complete those projects originally identified in the Fire and Lifeguard Facilities Improvements Program and the staffing associated with these facilities.
- **Lifeguard Facilities**, similar to the Fire Facilities category, include the capital expenses needed to complete projects in the Fire and Lifeguard Facilities Improvement Program. Also, the expense for seasonal lifeguard towers is included.
- **Deferred Maintenance** expenses were previously identified in the Blue Ribbon Task Force report on Deferred Maintenance (Report No. 03-191) and included in the 2004 Needs Assessment. These numbers for fire and lifeguard facilities have not been changed and will need to be updated upon completion of the City’s Deferred Maintenance Assessment. Also, recent Council action has authorized bonding for deferred maintenance. However, the specific impact on the data in this report is not included at this time.
- **Staffing needs** identify expenses for additional support positions, including additional battalion chiefs to manage the additional fire stations.
- **Helicopter** category includes the expenses associated with the lease payments for the City’s second helicopter that are expected to be funded by the general fund once the current funding (grants/donations) expires.
- **Brush Management** includes the additional expenses necessary to improve the city’s Brush Management Program. However, the IBA believes additional analysis is needed to determine the most effective level of brush management and the additional costs needed to fully implement. The number has been revised to

account for the Mayor’s proposed addition of six code compliance officers in the Fiscal Year 2009 Budget.

- **Operational needs** reflect additional expenses needed for replacement of furnishings and appliances in fire stations, exercise equipment, community outreach, and health management.
- **Infrastructure needs** reflect primarily one-time expenses to improve communications and purchase specialized equipment.

Appendix A provides additional information on the assumptions used to develop these costs.

TABLE 1. San Diego Fire Rescue Updated Needs Assessment (Not in priority order)

Identified Unfunded Needs	CAPITAL	OPERATING
	COST	COST
	(or one-time)	(annual)
FIRE FACILITIES (Detailed in Table 3)	83,999,930	11,407,556
LIFEGUARD FACILITIES (Detailed in Table 3)	25,918,902	
DEFERRED MAINTENANCE	10,000,000	
STAFFING NEEDS		12,995,500
HELICOPTER (Copter 2)	12,900,000	
BRUSH MANAGEMENT		600,000
OPERATIONAL NEEDS	381,000	441,000
INFRASTRUCTURE NEEDS	11,010,000	173,000
SUBTOTAL	\$144,209,832	\$25,617,056

In addition to the above unfunded needs, the following table identifies the costs needed to build and operate an additional 22 stations to achieve NFPA Accreditation. The ability to build all 22 stations in one year is unrealistic; as such, we’ve calculated a phased-in approach, wherein the cost to build and operate five stations are identified for each of the first three years and seven in the fourth year. Operating costs would not be necessarily immediately as construction has been estimated to take 18-24 months; however, we’ve included the costs to understand the obligation.

TABLE 2. Additional stations needed to achieve Accreditation

Identified Unfunded Needs (Phased in approach)	CAPITAL	OPERATING
	COST	COST
	(or one-time)	(annual)
Additional 5 Fire Stations (Total of 5)	42,500,000	11,400,000
Additional 5 Fire Stations (Total of 10)	42,500,000	13,300,000
Additional 5 Fire Stations (Total of 15)	42,500,000	13,300,000
Additional 7 Fire Stations (Total of 22)	59,500,000	17,100,000
Total of 22 Additional Fire Stations	\$187,000,000	\$55,100,000

TABLE 3. Detail of Fire and Lifeguard Facilities Needs (Not in priority order)

Identified Unfunded Needs	CAPITAL	OPERATING
	COST (or one-time)	COST (annual)
FIRE FACILITIES		
Major Fire Station Component Replacement	1,718,722	
Fire Station No. 2 Mission Valley	10,640,000	
Fire Station No. 5 Hillcrest	8,944,740	24,547
Fire Station No. 22 Point Loma	4,058,535	17,984
Fire Station No. 1 Downtown	5,825,988	
Fire Station No. 32 Skyline	8,264,471	1,951,440
Fire Station No. 54 Paradise Hills	9,800,613	1,951,440
Fire Station No. 17 Mid-City	5,287,264	15,086
Kearny Villa Repair Facility	612,532	
Fire Station No. 45 West Mission Valley	9,709,078	3,544,179
Fire Station No. 28 Kearny Mesa	6,240,000	
Fire Station No. 39 Tierrasanta	5,897,987	
Fire Station No. -- North Park/Golden Hill	2,000,000	
Fire Station No. 48 Black Mountain Ranch		1,951,440
Fire Station No. 49 Otay Mesa		1,951,440
Relocate Station 28 to Montgomery Field	5,000,000	
Subtotal	83,999,930	11,407,556
LIFEGUARD FACILITIES		
North Pacific Beach	2,851,000	
La Jolla Shores	2,613,781	
South Mission Beach	2,980,064	
La Jolla Cove	3,000,000	
Children's Pool	3,684,561	
Ocean Beach	2,300,000	
Mission Beach	769,496	
Lifeguard Headquarters	7,400,000	
16 Seasonal Towers for additional lifeguard staffing	320,000	
Subtotal	25,918,902	-

Other Needs

Fire prevention and brush management are two other critical areas that require additional analysis and are, therefore, not fully developed in this report. A brief overview follows below:

Fire Prevention

Wildland Urban Interface (WUI) is defined as “the area where structures and other human development meet or intermingle with undeveloped wildland” (California Fire Alliance). According to research conducted by the U.S. Fire Administration, “development in the WUI is growing. In the western U.S. alone, 38% of new home construction is adjacent to or intermixed with the WUI.” The agency notes that actors at the local, state, and federal levels need to work together to define areas as being in the WUI and find ways to provide services, including fire protection, to developments on

these lands. Moreover, individual communities and homeowners must be willing to accept a high degree of responsibility for protecting their homes from wildfire.

At the March 11, 2008, SANDAG Fire Forum, the consensus among many of the participants was that some homeowners in the City of San Diego are receiving conflicting messages regarding fire prevention, and residents need more information on how to practice effective brush management and other preventative measures. Therefore, one of the many alternative ways to address the growing list of needs is to increase the effort on fire prevention and brush management.

Brush Management

As mentioned previously in the Unfunded Needs Section, a preliminary number for brush management has been included. This number reflects the current proposal to add additional funds for this critical effort in the Fiscal Year 2009 Budget. The IBA reiterates the need for additional analysis to determine the most effective level of citywide brush management and the additional costs needed to fully implement over the long-term.

Fire Station Master Plan

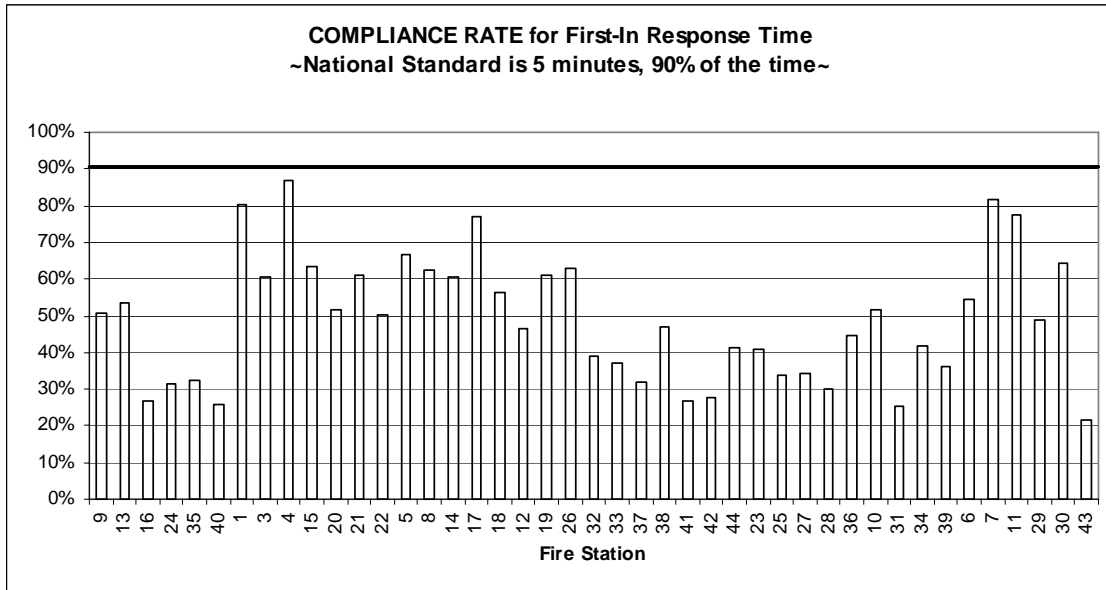
The IBA notes that figures in this report may change in the near future due to completion of the Fire Station Master Plan that is currently being developed by the Fire-Rescue Department. It is anticipated that the Master Plan will be completed in July of August of 2008.

Additionally, as part of the development of the Fire Station Master Plan, a decision will need to be made to determine the level of support necessary to provide adequate levels of coverage. Specifically, Fire-Rescue may determine that its priorities no longer reflect the levels of coverage recommended by the Accreditation Study (CFAI) and accreditation may no longer remain a viable and attainable City goal. As a part of our research for this report, the IBA learned that only four out of approximately 250 fire agencies in California have successfully attained accreditation since the inception of the CFAI program.

Overview of Service Impacts Resulting from Unmet Needs

As a municipality facing a growing list of unmet needs San Diego is not alone. In a survey conducted by the National Fire Protection Association, *2007 Review of US Fire Stations*, the Association estimated that 82-90% of cities with a population of one million or more people have too few fire stations to provide enough coverage and proper response times to serve its community. This survey also showed that 42.6% of these stations are over 40 years old. These and other related trends of deficiencies resulting from continuing needs were first identified in the above-mentioned 2005 CFAI study, which stated that there exist “significant gaps in delivering effective response coverage citywide.” The results of the 2005 CFAI study have been used to construct the charts below, which show how the City compares to national standards. As illustrated, the City does not meet the national standard for first-in response time at any of its 47 fire stations.

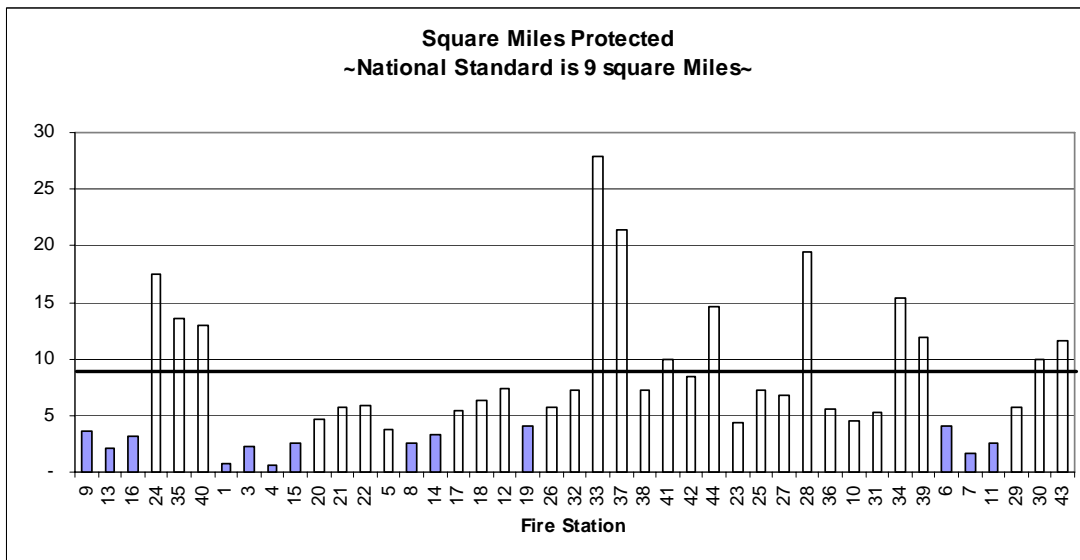
CHART 1. Compliance Rates by Fire Station (Fiscal Year 2005 data)



Source: San Diego Fire-Rescue

San Diego is also deficient in meeting national standards for fire station coverage. At 11 of 43 or 26% of fire stations, the national standard of nine square miles per station is exceeded.

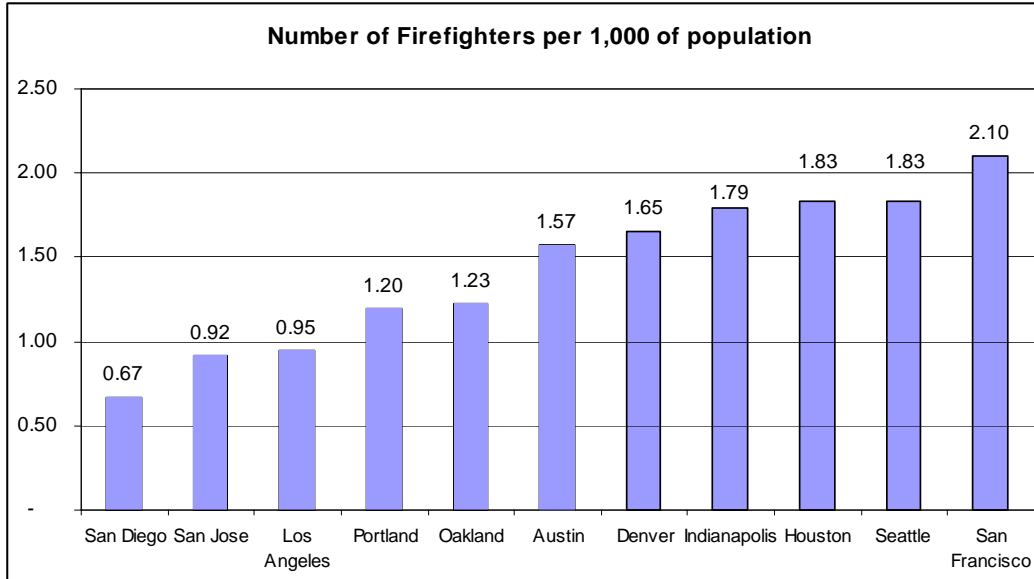
CHART 2. Area of Protection by Fire Station (Fiscal Year 2003 data)



Source: San Diego Fire-Rescue

The two following charts illustrate how San Diego compares to ten other large fire departments in the United States. The first chart below captures the need for more personnel. When compared to these cities, San Diego has the fewest number of firefighters per 1,000 of the population. The average of 1.43 firefighters per 1,000 of population is twice that of San Diego.

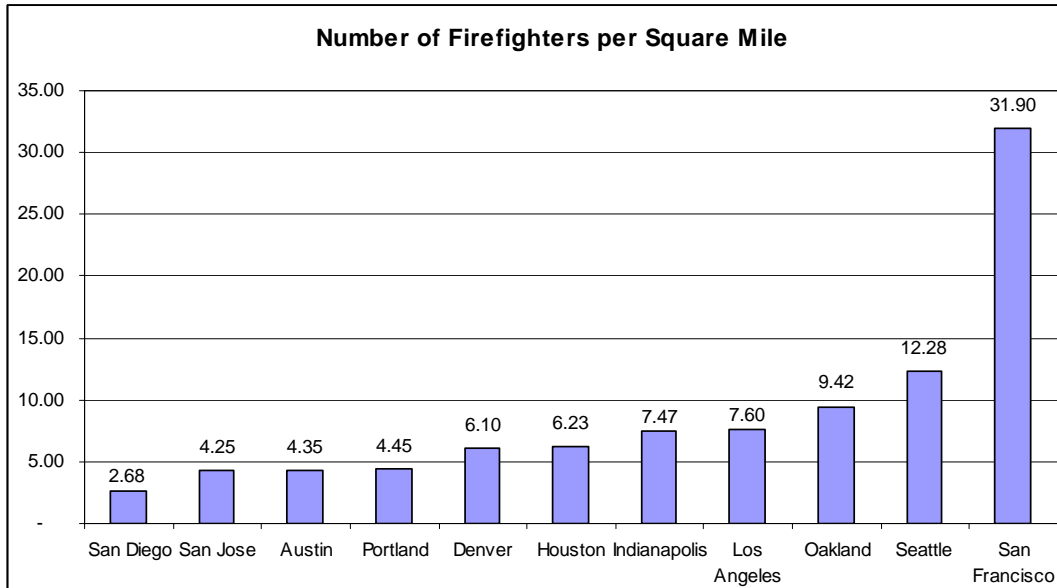
CHART 3. Firefighters per 1,000 of Population (Fiscal Year 2008 data)



Source: Office of the Independent Budget Analyst analysis

The chart below shows that San Diego has 2.68 firefighters per square mile of the city, compared to the average of 8.80 firefighters per square mile. Again, San Diego is the lowest of all cities surveyed.

CHART 4. Firefighters per Square Mile (Fiscal Year 2008 data)



Source: Office of the Independent Budget Analyst analysis

2007 After Action Report

According to the 2007 After Action Fire Report, lack of funding was the most commonly cited reason for not meeting previous Cedar Fire Recommendations. As Fire-Rescue noted in the presentation of the After Action Report, there have been a number of positive changes to the department. For example, there has been a 12% increase in Fire-Rescue's budget from the approximately \$160 million budgeted in Fiscal Year 2006 to the nearly \$180 million in Fiscal Year 2008. However, as demonstrated in the previous sections and concluded in the After Action report, this increase has not addressed the long-term needs and deferred maintenance needs.

The 2007 After Action Report also referred to the pressing need to develop a Fire Station Master Plan to help prioritize the citywide needs, address day-to-day coverage issues and develop a long range plan to begin to incrementally meet the needs. However, according to the report "had the twenty-two fire stations been built, they would have provided only 4-5 additional strike teams, well short of the 20 strike teams [San Diego Fire-Rescue] requested through the Unified Command process set up by following the National Incident Management System." Therefore simply having more equipment and facilities may not be enough to address the needs that arise during a major fire emergency. As is discussed below in greater detail, other needs may have to be addressed to develop an "apparatus surge capacity" to enable the department to leverage the off-duty workforce that is available.

Mayor's Regional Fire Committee

The findings presented at the Mayor's Regional Fire Committee further underscore the need for additional staffing and apparatus, at both the City and County level. San Diego County does not have a fire department; therefore the Committee has been dedicated to reviewing regional fire needs and possible solutions. The Committee has received information from local and state fire officials and plans on issuing its final recommendations and report on June 30, 2008.

At the April 3, 2008, meeting of the Committee, The San Diego Regional Fire Safety Forum, an independent group established by former Chief Bowman and other members of the community, stressed the need for a regional approach. According to the Fire Safety Forum Report, the County funds only \$8 million annually for fire equipment and one possible solution is to purchase reserve apparatus to be used in the case of an emergency "since two-thirds of every fire department's suppression staff are off-duty at any given time, a plan needs to be created to equip an off-duty division with apparatus to deploy in the event of a major incident."

Chief Jarman, who presented the findings of the Fire Chiefs' Subcommittee of the Mayor's Regional Fire Committee, further elaborated on the need for a "surge capacity" and the necessity to continue in our efforts to address the needs from a regional perspective. According to Fire Chiefs' Status Report, a recent survey of all regional fire departments and protection districts has been conducted to assess the ability to house and staff additional fire engines to meet the need for an immediate surge capacity for the City and the County. The survey indicates a minimum of 25 additional fire engines could be

housed immediately if they were available today; 19 of those within the City of San Diego. The estimated timeframe to build and deliver a fire engine is at least 18 months and preliminary estimates to purchase 25 fire apparatus is approximately \$13-15 million. The cost to maintain 25 additional apparatus on an annual basis is estimated to be an additional \$250,000, approximately \$10,000 per unit.

The IBA will be tracking the developments of the Regional Fire Protection Committee and will be reporting back on significant needs and funding alternatives that will be proposed by the committee. It is anticipated that the committee will be considering solutions that would best meet the needs of the San Diego region.

PART II. FUNDING SOLUTIONS

History

City Council Report 02-063, Fire and Lifeguard Facility Improvements, identified \$34.3 million in projects to construct and rehabilitate aging fire and lifeguard stations. It was planned that two series of bonds would be issued to fund this program. In 2002, the City issued \$25.1 million in lease revenue bonds to finance the initial phase of the fire and lifeguard facility improvements program. Revenues from Proposition 172 were identified to fund the bond payments.

Status: Although the first issuance of bond occurred in 2002, the suspension of the City's bond rating has delayed the issuance of the second series. In reviewing the Mayor's Financial Outlook, it is not clear whether or not these bonds are anticipated to be issued or if this program will be resumed once the City is able to re-enter the public bond market.

In addition to the outstanding items from the City's Fire and Lifeguard Facility Improvements Program, additional needs for operational and capital improvements were identified in the 2004 Public Safety Needs Assessment (Report 04-057) following the devastating wildfires of 2003.

To address these needs, a comprehensive funding plan (Report 04-101) was developed and recommended that the City Council use a combination of financing options to deal with the growing public safety needs. Options consisted of bond and other financing mechanisms with support from new and/or increased taxes, including increases to the City's existing Property Transfer Tax and the Transient Occupancy Tax (TOT). In response, the City Council approved two ballot propositions to be considered by the citizens of San Diego: Proposition C, in March 2004 specifically earmarked a 2.5% increase in TOT and required a two-thirds voter approval, failed (Yes-61.76%, No-38.24%) and Proposition J, in November 2004 which eliminated the earmarking and identified the proposed 2.5% increase in TOT for support of general fund operations, thus requiring only a simple majority, also failed (Yes-41.59%, No-58.41%).

Status: Until a significant new form of revenue is identified, needs for public safety must be funded from existing resources. This could necessitate the reduction of services in other general fund programs.

Funding Options

Sales Tax Increase

Sales taxes are collected as a percentage of taxable retail and business-to-business sales. The state’s sales tax rate is 7.25 percent; in San Diego, the countywide sales tax rate of 7.75 percent includes an additional 0.5 percent to fund the San Diego Transportation Improvement Program (TransNet). Distribution of sales tax collected within the City is as follows:

TABLE 4. Sales Tax Allocation

SALES TAX ALLOCATION	
State	5.50%
Safety Sales Tax (Prop. 172)	0.50%
County (for Transportation)	0.25%
TransNet	0.50%
City*	<u>1.00%</u>
TOTAL	7.75%

*The City’s one cent allocation includes the property tax reimbursement that the City will receive as a result of the “triple-flip”, in which one-quarter of a cent in Sales Tax is shifted from local governments to the State in exchange for an equivalent amount of property tax.

An increase in sales tax would require voter approval, two-thirds for a special tax and a majority vote for a general tax. In Table 5, estimates are provided for the additional revenue generated by an increase in the City’s sales tax based on the Fiscal Year 2008 sales tax budget of \$239.5 million:

TABLE 5. Scenarios for various Sales Tax Increases

SALES TAX SCENARIOS	
Proposed Increase	Additional Revenue Generated
0.10%	\$23.9 m
0.15%	\$35.9 m
0.25%	\$59.9 m

Parcel Tax Increase

Parcel Taxes are a non-ad valorem property tax levied for a specific purpose and requires two-thirds voter approval. In Table 6, estimates are provided for the annual parcel tax that could be assessed for residential units and commercial/industrial parcels for various revenue options.

TABLE 6. Scenarios for various Parcel Tax Increases

PARCEL TAX SCENARIO					
Annual Tax Assessed by Residential Units and Commercial Parcels:					
Single Family Detached Homes	\$54.49	\$108.98	\$163.47	\$217.96	\$326.94
Attached Homes/Mobile Homes	\$57.23	\$114.47	\$171.70	\$228.93	\$343.40
Commercial/Industrial	\$445.56	\$891.11	\$1,336.67	\$1,782.22	\$2,673.33
NET REVENUE COLLECTED	\$25 m	\$50 m	\$75 m	\$100 m	\$150 m

Transient Occupancy Tax (TOT) Increase

TOT is the hotel/motel tax imposed on visitors for the privilege of occupying rooms in hotel, motels, inns and other lodging facilities for 30 days or less. The current rate is levied at 10.5 cents per dollar of the daily room price. As noted above, the City has previously tried to increase TOT to address public safety needs and both measures failed in 2004. If the increase is earmarked for a specific purpose, then a two-thirds voter approval is required; if the increase is identified for general operations, then a majority voter approval is required.

Based on the existing revenue generated by TOT, the following table identifies the additional revenue generated given the options.

TABLE 7. Scenarios for various Transient Occupancy Tax Increases

TRANSIENT OCCUPANCY TAX SCENARIOS		
Current Rate	Total City Revenue Generated	
10.50%	\$162,625,787	
Proposed Increase to TOT	Additional Revenue Generate	New TOT Rate
1.00%	\$15,488,170	11.50%
1.61%	\$25,000,000	12.11%
3.23%	\$50,000,000	13.73%

In December 2007, the City Council approved the creation of a Tourism Marketing District (TMD). The TMD established a self-imposed special assessment in order to secure a source of funding for marketing and promotional programs. The assessment, two percent, is levied on the daily room rate charged at hotels with 70 or more rooms.

The above scenario depicts the TOT increase (and anticipated revenue to the City) on top of the City’s base rate of 10.5 percent (exclusive of the TMD). However, if the rate was increased, this would be in addition to the City’s base rate and the TMD rate.

Property Transfer Tax Increase

A property transfer tax is levied on the sale of real property. The County levies a “conforming” tax at \$1.10 per \$1,000 of the sales price. The City’s tax of \$0.55 per \$1,000 is credited against the amount due to the County, with the result that both the city and the county each receive \$0.55 per \$1,000. The City could institute a “non-conforming” tax, as a rate above \$0.55 per \$1,000, in which no credit would be applied. A majority voter approval is required. To generate various levels of revenue, the following non-conforming rates could be levied.

TABLE 8. Scenarios for various Property Transfer Tax Increases

PROPERTY TRANSFER TAX SCENARIOS				
City's Rate	<u>\$0.55</u> \$1,000	<u>\$0.89</u> \$1,000	<u>\$1.48</u> \$1,000	<u>\$2.95</u> \$1,000
Total City Revenue*	\$9,307,713	\$15,000,000	\$25,000,000	\$50,000,000
City charge on the sale of a \$500,000 home	\$275	\$443	\$739	\$1,477
County's Rate	<u>\$0.55/</u> \$1,000**	<u>\$1.10/</u> \$1,000	<u>\$1.10/</u> \$1,000	<u>\$1.10/</u> \$1,000
County charge on the sale of a \$500,000 home	\$275	\$550	\$550	\$550
Total rate charged to public	<u>\$1.10/</u> \$1,000	<u>\$1.99/</u> \$1,000	<u>\$2.58/</u> \$1,000	<u>\$4.05/</u> \$1,000
Total charge to public on the sale of a \$500,000	\$550	\$993	\$1,289	\$2,027

* Based on Fiscal Year 2007 revenue; Source: Financial Performance Report (Charter Section 39 Report)

** The county's rate is actually \$1.10 per \$1,000, but the City's conforming rate of \$0.55 per \$1,000 is credited against the county rate.

Proposition 172 Funds

In 1993, voters approved Proposition 172, which provides a half-cent sales tax to primarily maintain, not increase, local public safety services, including services provided by sheriffs, police, fire, county district attorneys, corrections, and ocean lifeguards. Proposition 172 was essentially a mitigation measure by the State for funds diverted as part of the Educational Revenue Augmentation Funds (ERAF). Counties, who were impacted on a greater scale by ERAF, were the primary beneficiaries of the sales tax revenue generated by the passage of Proposition 172. San Diego County's share of Proposition 172 funds is 94.35%, with the cities in the county collectively receiving the remaining 5.65%.

City Council Policy 500-07, which directs the use of Proposition 172 funds for new public safety expenditures thereby ensuring an augmentation of existing General Fund public safety expenditure levels, was adopted in June 1994. In actuality, increases to public safety expenditures in the Police and Fire-Rescue departments have far exceeded the revenue growth of Safety Sales Tax, ensuring the City's compliance with Council Policy 500-07.

For Fiscal Year 2009, \$8.1 million is projected to be received by the City from Proposition 172 or Safety Sales Tax. The total combined general fund budget for Police and Fire-Rescue Departments is \$597.5 million.

Financing Mechanisms

In order to address the major capital needs identified in this report, the City will need to utilize some type of long term financing mechanism.

TABLE 9. Types of Financing Mechanisms

FINANCING MECHANISMS		
Type	Description	Example
General Obligation Bonds	Under the California Constitution, the City may issue General Obligation Bonds subject to the approval of two-thirds of those voting on the bond proposition.	GOBs were issued in 1991 for the Public Safety Communications Project.
Lease Revenue Bonds	Under State law, the City may also enter into long-term lease obligations without obtaining voter approval. These obligations are secured by an installment sale agreement or by a lease-back arrangement with a public entity, where the general operating revenues are pledged to pay the lease payments, which are, in turn, used to pay debt service on the bonds. Payments to be made under valid leases are payable only in the year in which use and occupancy of the leased property is available, and lease payments may not be accelerated.	Lease Revenue Bonds were issued in 2002 for the Fire and Lifeguard Facility Improvements Project.

In addition to the large capital that can be raised by financing, fire departments can generate additional funding, on a smaller scale, by instituting fees to offset the costs of various services. For instance, the San Antonio Fire Department has instituted the following service fees:

Service	Fee
Hazardous Materials Response Fee	\$400 for first four hours plus \$25 for each 15-minutes increment over four hours
Water Rescue Fee	\$400 per rescue
EMS Fee	\$250 per call
Fire Protection System Reset	\$100
Fire Inspection Reschedule (without 24-hours advance cancellation)	\$100
Fire Prevention Reinspection	\$40
Permits	Varies

Source: US Fire Administration, *Funding Alternatives for Fire and Emergency Services*

The City of San Diego has similar fees to some of these, including Hazardous Materials Response, Fire Prevention Reinspection and Permit fees. Previous discussions have looked at new fees and revising existing fees. It is our understanding that of the existing fees the Fire-Rescue Department currently imposes, some have not been updated in numerous years. The IBA has previously recommended that all City fees be reviewed by the CFO to determine current cost recovery levels.

Grant Funding

Another option, that the City has sought and been successful at, is grant funding. Recently the City was awarded \$2.36 million from the Federal Emergency Management Agency (FEMA) for brush management to clear 1180 acres of city-owned open space over the next two years. Grant funding is highly competitive and the process is time consuming. Also, grants received either for specific projects or ongoing operations may require a match requirement from the general fund. As the City pursues these opportunities, the requirements on the general fund, if any, will need to be clearly identified and addressed. The IBA encourages the City to continue its pursuit of grants to supplement its efforts to address the needs identified in this report. However, this source of funding is unlikely to be a primary element of long-term funding.

Examples of Fire Department Funding Solutions

City of Los Angeles

Proposition F - 2000 Fire Facilities Bond – In November 2000, 75.41% of voters in Los Angeles approved a \$537.6 million bond - \$378.5 million of which were designated to fund fire facilities. The following year, the City Council adopted a resolution providing for the issuance and sale of the City of LA General Obligation Bonds, Series 2001-A. The proceeds of this bond sale have been or are being used to fund an Air Operations Facility, 18 fire stations and one regional fire station and training facility. The LA City Council has adopted a Master Schedule, which provides for all fire stations to be completed within 8.5 years from November 8, 2000.

Proposition Q – 2002 Citywide Public Safety Bond – In May 2002, 67% of the voters in Los Angeles passed a Citywide Public Safety Bond Measure, for \$600 million dollars in General Obligation Bonds to renovate and expand Police, Fire and Paramedic Facilities. The Bond Measure is being used to fund land acquisition, design and construction of 13 Public Safety projects, including the renovations of fire and police facilities, replacement of a new fire dispatch center and the construction of new replacement police stations and jails.

City of El Cajon

Proposition O – Upgrade of Public Facilities – In November 2004, 68.92% of the voters (2/3rd required) in El Cajon approved a half-cent sales tax (rate increase from 7.75 to 8.25 percent) increase for a 10-year period to fund police and fire facilities and equipment, as well as a new animal shelter. It was estimated that approximately \$62 million was necessary to fund the building and repair of facilities. El Cajon was the first city to implement a sales-tax increase under a new state law that went into effect in January 2004, which allows local governments to place sales-tax measures on the ballot without the approval of the State legislature.

CONCLUSION

The City of San Diego has significant unmet fire safety needs that impact the City's ability to meet national standards for service. The goal of our report is to quantify the needs to the extent possible, demonstrate how this need impacts services, and review possible funding scenarios that may be put into action to address these needs.

[SIGNED]

Dominika Bukalova
Research Analyst

[SIGNED]

APPROVED: Andrea Tevlin
Independent Budget Analyst

[SIGNED]

Lisa Celaya
Fiscal & Policy Analyst

Attachment: Appendix A