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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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# Preliminary Report on Fire-Rescue Needs and Funding Plan

## OVERVIEW

On November 29, 2007, following the November 27 meeting of the U.S. Senate Interior Appropriations Subcommittee chaired by California Senator Diane Feinstein, Council President Peters requested a study from the IBA, outlining “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.”

Accordingly, the IBA has initiated a review of costs associated with fulfilling the present and anticipated future needs of the San Diego Fire-Rescue Department, as well as an analysis of potential sources of new revenue to fund such expenditures, specifically the issuance of a new public safety bond and/or potential tax increases to raise new revenue.

This preliminary report is not necessarily new information, but a consolidated overview of past studies that have addressed the needs and potential new sources of funding to the Fire-Rescue Department. It should be noted that 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 to be considered by the citizens of San Diego: Proposition C in the March 2004 elections and

Proposition J in the November 2004. Though both ballot measures proposed a 2.5% increase in Transient Occupancy Tax (TOT), the measures differed in their proposal to fund Fire-Rescue. Proposition C specifically earmarked a percentage of funding for Fire Rescue and therefore needed a 2/3<sup>rd</sup> majority vote, while Proposition J allocated all new revenue to the General Fund, without earmarking funds and therefore required a majority vote to pass. In both cases, the propositions failed to receive the necessary majority to pass.

Although both measures failed to attract enough public support, the urgent demand to address the ongoing needs was further reaffirmed in the following year. In February 2005, the Commission on Fire Accreditation International concluded its Standards of Response Coverage study that outlined the specific needs of the Fire-Rescue Department, particularly its inability to provide the necessary services to the residents of San Diego as a result of its serious funding deficiencies.

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 Fire-Rescue Department. However, as prior reports and the most recent 2007 fires 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.

In this report, the IBA offers a summary of the past needs assessments and funding proposals, as well as an outline of our proposed next steps in updating these reports. Our task in this report is to communicate to the Committee the information we have been able to compile, as well as request direction on our final task.

## **FISCAL/POLICY DISCUSSION**

### **OVERVIEW OF PAST NEEDS AND FUNDING STUDIES**

#### **2004 Public Safety Needs Assessment**

According to the 2004 Public Safety Needs Assessment, Public Safety expenses between FY 2005 and FY 2009 were projected to total \$478 million, with approximately \$159 million projected for Fire-Rescue. Eight categories of needs were identified – Personnel, Communications, IT, Supplies and Services, Equipment, Fleet, Facilities and Emergency Preparedness/Homeland Security. The chart below outlines these needs:

***San Diego Fire-Rescue Needs Assessment Summary, March 12, 2004.***

Category	Need by Fiscal Year				
	2005	2006	2007	2008	2009
<b>Personnel</b>	15,743,880	18,871,000	7,635,000	7,153,000	4,191,000
<b>Communications</b>	697,000	147,000	224,000	210,000	148,000
<b>Information Technology</b>	392,000	303,000	242,000	95,000	0
<b>Supplies and Services</b>	1,136,000	267,000	0	0	0
<b>Equipment</b>	660,000	695,000	459,000	145,000	0
<b>Fleet</b>	16,553,000	4,376,000	6,342,000	5,349,000	4,288,000
<b>Facilities</b>	11,405,000	10,003,000	20,000,000	10,000,000	10,000,000
<b>Emergency Preparedness/ Homeland Security</b>	642,000	258,000	414,000	26,000	0
<b>ANNUAL NEEDS ASSESSMENT</b>	<b>\$47,228,880</b>	<b>\$34,920,000</b>	<b>\$35,316,000</b>	<b>\$22,978,000</b>	<b>\$18,627,000</b>
<b>TOTAL NEEDS FY 2005- FY 2009</b>	<b>\$159,069,880</b>				

The report highlighted that “Expenditure reductions have been required during the last several years to balance the budget though departments’ operating needs have not diminished.” Since San Diego has not had a strong revenue base, “the result of these revenue losses and budget reductions is an increase in unmet needs, particularly for public safety department” (City Manager Report 04-057). At the time of publication, it was noted that further details on needs were to follow in the Accreditation Study in early 2005. As a part of the planned IBA analysis, we will review which of the needs identified in 2004 have been fulfilled and as well as update this needs assessment report to reflect present needs and identify needs since 2004.

**May 7, 2004, Public Safety Funding Plan**

Past reports, including above-discussed 2004 Needs Assessment study and additional reports from the City Manager addressed the funding of public safety in 2003 and 2004 and reiterated that the cost of providing City services had outpaced General Fund revenue growth. Specifically, that “inflationary increases, the provision of competitive compensation to City staff, and the constant struggle to keep abreast of deferred maintenance of the City’s infrastructure have had the effect of eroding revenues that are available for discretionary allocation to merging needs and priorities” (City Manager Report 03-020). San Diego does not charge for residential refuse collection and has never implemented a Utility User Tax as many California cities have done. Furthermore, San Diego has relatively low Transient Occupancy Tax and Business License Fees.

In 2004, the City Manager initiated a comprehensive three-tier funding plan that recommended that the City Council use a combination of financing options to address the growing needs of Public Safety departments. These consisted of bond and financing mechanisms, new and/or increased taxes, including increases to the existing property transfer tax and the Transient Occupancy Tax. On October 9, 2003, the City Manager released a Financial Analysis of the Proposed Transient Occupancy Tax that evaluated the potential revenue from the proposed TOT increase as proposed by Proposition C on the March 2004 ballot. At the time, it was reported that the 2.5% increase in TOT would have resulted in approximately \$26 million additional annual revenue, with approximately \$8 million allocated to the Fire-Rescue Department (City Manager Report 03-202). Proposition J on the November 2004 ballot, on the other hand, did not earmark specific funds for Fire-Rescue, but would have allocated this revenue to the General Fund and funding to Fire-Rescue would have had to been allocated at a later date.

In the coming weeks, the IBA intends to review the above-mentioned funding options in conjunction with updating and quantifying the needs of the Fire-Rescue Department. The IBA intends to update past data based on new information, input from the Fire-Rescue Department and existing standards identified by the newly identified CFAI Standards of Response.

### **Commission on Fire Accreditation International (CFAI), San Diego Fire-Rescue Department Standards of Response Coverage Report**

The Standards of Response report was “designed to evaluate the performance of a fire agency to determine if the programs and services provided are effective in meeting the needs of the community it protects” (CFAI Report, February 2005). Overall, the Commission concluded that there exist “significant gaps in delivering effective response coverage citywide” (Ibid). The City has been unable to keep pace with the growth of San Diego in the areas of infrastructure, capital improvements projects, staffing and other critical resources. As a result, there exist:

- serious reduction of service levels
- serious gaps in coverage: inadequate number of fire stations, engines, trucks and staffing
- there are very few measurable objectives regarding response coverage
- there is no comprehensive plan to improve coverage
- there are no objectives in place to capture qualitative data relative to measuring performance effectiveness
- the department is not involved in the City planning process (Department has not communicated risks and losses, as well as known community needs and expectations)
- there is insufficient staff to analyze data such as response times, compliance with goals and objectives, incident reporting and trends

In response, the CFAI recommended that the Fire-Rescue Department identify measurable fire service objectives and that the Department strive to achieve National Fire Protection Association Standards. Additionally, assets must be added to the department to respond to risks associated with the region and address the gaps in service levels. Furthermore, the department should develop a comprehensive, prioritized list of fire stations, staffing, engines, trucks and other apparatus and equipment to ensure appropriate service levels citywide. As the next step in this study, the IBA is currently working with the fire department to update this information, however at this present time new data is not available.

## CONCLUSION

In our effort to provide the most comprehensive and complete report to the Committee, the IBA recommends and requests that Committee members provide additional input and direction to this preliminary proposal. The IBA welcomes further comment and feedback and hopes that this report serves both as a review of recent history and as an opportunity to discuss the direction of further IBA analysis.

In compiling our final report, it is imperative that the IBA consider the upcoming After Fire Action Report, as well as the ongoing findings and recommendations of the Mayor's newly-established "regional fire protection committee" to offer a more comprehensive report and avoid unnecessary redundancy between the efforts of the City, County and other regional fire departments. The IBA anticipates two months for the final release of our report.

The IBA looks forward to working with the Committee and the Fire-Rescue Department to address this critical issue.

**[SIGNED]**

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