



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** OCTOBER 18, 2022

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** ERIC LEVITT, CITY MANAGER

**PREPARED BY:** ADAM LOESER, FIRE CHIEF

**SUBJECT:** FUTURE OF FULLERTON FIRE AND EMERGENCY MEDICAL SERVICES

---

### **SUMMARY**

The Orange County Fire Authority (OCFA) presented a proposal for fire and emergency medical services to City Council on January 18, 2022. Management Partners, who the City utilized to evaluate the OCFA proposal against the current Fullerton Fire Department, presented to City Council on September 6, 2022. Staff seeks City Council direction on whether to provide future fire and emergency medical services through the Fullerton Fire Department or OCFA.

### **RECOMMENDATION**

Reject the Orange County Fire Authority proposal, affirm that Fullerton Fire Department will continue providing fire and emergency medical services to the City of Fullerton and direct City Manager to schedule a closed session discussion regarding the Fullerton Firefighters Memorandum of Understanding.

OR

Direct City Manager to enter into contract negotiations with OCFA to deliver fire and emergency medical services to the City of Fullerton.

### **CITY MANAGER REMARKS**

The City Manager sees advantages and challenges to both potential decisions.

If the City Council approves moving forward with maintaining our own department, this appears to be the lower cost over the next 10 years for the City by approximately \$5 million in the first year and decreasing to approximately a saving of \$1 to \$2 million in future years.

If the City Council approves moving forward with OCFA, this appears to be an option that would bring stability to the fire service. Currently the department is down

approximately 25% of their staff, which means if we maintain the current department, we will see short-term volatility which could impact service levels. Long term it would likely even out, but in the next few years there will be challenges with service level and coverage.

Both options have variables in the future. The OCFA option may see the need to add a unit in Station 1 in the future for service levels. (This would be at City Council discretion in negotiations with OCFA).

If the City were to maintain our own department, the City Manager recommends coming back to evaluate changes recommended in the Fire Chief's roadmap and bringing back specific decisions on apparatus.

## PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Public Safety
- Fiscal and Organizational Stability
- Infrastructure and City Assets.

## FISCAL IMPACT

The fiscal impact will vary based on the outcome of the direction provided. In the Management Partners' report the estimated net high-cost for fiscal year 2023-24 for OCFA is \$27.86 million and for the City is \$23.21 million.

If the direction is that the City contract with OCFA, while OCFA's proposed cost for fiscal year 2023-24 is capped at \$22.8 million, the annual ongoing City costs for fiscal year 2023-24 are estimated at a net cost of \$27.86 million when including City costs remaining of \$10.5 million and estimated revenue of \$5.45 million. Thus, while the initial net City cost of contracting with OCFA beginning in fiscal year 2023-24 is estimated at \$27.86 million, the outcome of negotiations with the affected labor groups and the Fire Chief would need to be evaluated.

If the direction is that the City retains its independent Fire Department, Management Partners' net high-city cost estimate for fiscal year 2023-24 is \$23.21 million inclusive of the CalPERS annual unfunded accrued actuarial liability of \$5.4 million.

The current contracts with the Fullerton Fire Management Association (FFMA) and the Fullerton Firefighters' Association (FFA) expire on June 30, 2023 and the outcome of negotiations would need to be evaluated.

## DISCUSSION

City Council authorized the City Manager to request a Fire Services Proposal from the Orange County Fire Authority on March 2, 2021, to determine their cost for providing emergency fire and paramedic services to the City of Fullerton. The OCFA proposal received offers to contract emergency services including all-hazard emergency response, fire prevention, public education, and fire dispatch services. The City's receipt of OCFA's

proposal does not bind the City Council as to future provision of fire and emergency medical services. Staff has attached OCFA's Fire Service Proposal dated October 2021 to this agenda report (Attachment 5).

OCFA presented its emergency fire and paramedic services proposal to the City of Fullerton on January 18, 2022. City Council then directed staff to retain an external firm to compare the cost of providing emergency fire and paramedic services in-house versus contracting with OCFA. The City retained Management Partners on March 15, 2022, to conduct this analysis.

The MP report concludes that OCFA contract costs will not cost less than costs associated with a *sustainable* City of Fullerton independent Fire Department (Fullerton Fire Department or FFD).

Management Partners developed a financial model to evaluate various scenarios for OCFA and *sustainable* independent Fire Department costs. Under the conditions most favorable to a contracting approach over the next ten years, high costs for a *sustainable* independent Fire Department and relatively low-cost increases for the OCFA contract, the OCFA contract costs are projected to exceed City costs by \$3.8 million to \$5.8 million per year. Under reasonably-high-cost increases for both the City and OCFA, the OCFA costs are also projected to be higher by \$5.0 million to \$7.0 million per year.

This result is at variance from the OCFA proposal as presented to City Council. The OCFA proposal stated that an OCFA contract would save the City approximately \$5.7 million annually to start. This variance, which the OCFA proposal disclosed in footnotes, occurs because it did not account for the legacy costs the City would continue paying in connection with the FFD. These costs include the unfunded actuarial accrued liability (UAAL) on pensions owed to current fire employees, ambulance transport and billing costs, workers' compensation costs for existing cases, retiree healthcare, property insurance and the one-time costs to transition to OCFA (amortized over eight years). Several of these non-OCFA contract costs are significant. For example, the UAAL costs about \$5.4 million per year (UAAL is the accrued liability of a defined benefit plan for the pensions it owes relative to the actuarial value of its assets). Management Partners estimated that the City will pay the UAAL costs for at least the next 20 years, while it would pay off the workers compensation costs over a shorter time frame. The ambulance costs will continue indefinitely. Management Partners included all these costs to get a true picture of the actual costs of delivering fire services even though they do not all stem from OCFA operations.

Management Partners' evaluation also assumed that Fullerton would need to invest more going forward to retain a sustainable independent Fire Department. The City has not kept up with other comparable employers in terms of compensation to department employees over the last several years which has resulted in significant problems with employee retention, particularly at the firefighter level position. For many reasons, this is not compatible with long-run sustainable operations. While the City Council took initial steps this year to address this situation, Management Partners' financial model assumed a continued heightened investment in fire operations to maintain sustainability.

The Management Partners' report also considered service level issues with a City Fire Department and OCFA contract services, but there are not many differences to discuss.

Service levels would remain the same overall, although OCFA would upgrade the ladder truck deployed from Station 6 to full advanced life support (ALS). Station 6 is not able to offer this level of service under current operations. The City would likely face pressure to upgrade stations under a contract with OCFA as it hires more female firefighters, but presumably this will also occur for an independent City Fire Department.

Finally, the report discussed that the City may wish to consider the contract with OCFA even though it would cost more than an independent City Fire Department. The cost differential is significant, but not substantial, given the basic costs of City fire services. Contracting would also relieve the City of responsibility for fire service delivery, freeing time and energy for other priorities. It is also worth noting that Fullerton support staff (Finance, Human Resources, etc.) is already stretched thin. 25 of 34 Orange County cities choose to contract with OCFA and many do not point to cost savings as the primary motivation for this service delivery arrangement. In many cases it may not be the least costly approach possible. The report concluded that contracting with OCFA or committing to funding a sustainable City Fire Department are both solid public policy options.

The Management Partners' final report dated August 11, 2022, is attached to this agenda report (Attachment 4).

#### COST SCENARIOS

As presented by Management Partners on September 6, 2022, regardless of how scenarios were calculated, contracting out to OCFA was found to be more costly than retaining fire services in-house. While the decision to contract out is not solely financial, there are cost implications whether fire services are provided by City staff or by contracting out.

#### Management Partners' Report

The Management Partners' presentation and report (Attachment 4) included a high-cost City and a high-cost OCFA comparison (MP report Table 7). The MP scenario included 7.50% cost of living adjustments (COLA) for FY 2023-24, 2024-25, 2025-26 and annual COLAs of 3.25% thereafter. The Health, Other, Revenue utilized in the MP report were respectively 3.50%, 3.00%, and 2.25% for the high-cost City. The high-cost OCFA scenario had the annual service charge increase at 4.50% from FY 2023-24 through FY 2025-26 (OCFA 1), at 4.25% from FY 2026-27 through FY 2029-30 (OCFA 2), and at 4.00% beginning in FY 2030-31 and thereafter.

Growth Scenario Variables:								
	COLA1	COLA2	Health	Other	Revenue	OCFA1	OCFA2	OCFA3
High	7.50%	3.25%	3.50%	3.00%	2.25%	4.50%	4.25%	4.00%
Medium	5.00%	3.00%	3.00%	2.50%	2.00%	4.00%	3.75%	3.50%
Low	3.50%	2.75%	2.50%	2.00%	1.75%	3.50%	3.25%	3.00%

#### ADDITIONAL SCENARIOS

The MP report noted that Fullerton suppression compensation is approximately 16.0% below market. As such, the following additional scenarios were run as an example scenario for the future with an 8.0% COLA in FY 2023-24 and 2024-25 and with 3.25% (high-cost) or 3.00% (medium-cost) or 2.75% (low-cost) COLAs thereafter compared with

a high-cost OCFA as well as with a low-cost OCFA (Attachment 2). Table A below provides a summary of the City and OCFA cost variations. The bottom row indicates which fiscal year these assumptions are for each of the high, medium, and low-cost assumptions.

**Table A:**

City Growth Scenario Variables:						OCFA Growth Scenario Variables:		
	COLA1	COLA2	Health	Other	Revenue	OCFA1	OCFA2	OCFA3
High	8.00%	3.25%	3.50%	3.00%	2.25%	4.50%	4.25%	4.00%
Medium	8.00%	3.00%	3.00%	2.50%	2.00%	4.00%	3.75%	3.50%
Low	8.00%	2.75%	2.50%	2.00%	1.75%	3.50%	3.25%	3.00%
	FY24 & 25	FY26>				FY24-26	FY27-30	FY31>

A summary of the scenarios presented in Attachment 2 is provided below.

The table and chart below demonstrate that whether City costs at high, medium, or low are compared against contrasting OCFA costs at high, medium, or low, there is an ongoing cost increase to the City to contract out above the cost to retain services in-house even with bringing suppression personnel costs up to market over the next two fiscal years.

In comparing the High-City cost with the Low-OCFA cost, on average contracting out costs about \$4.2 million more per year through FY 2031-32.

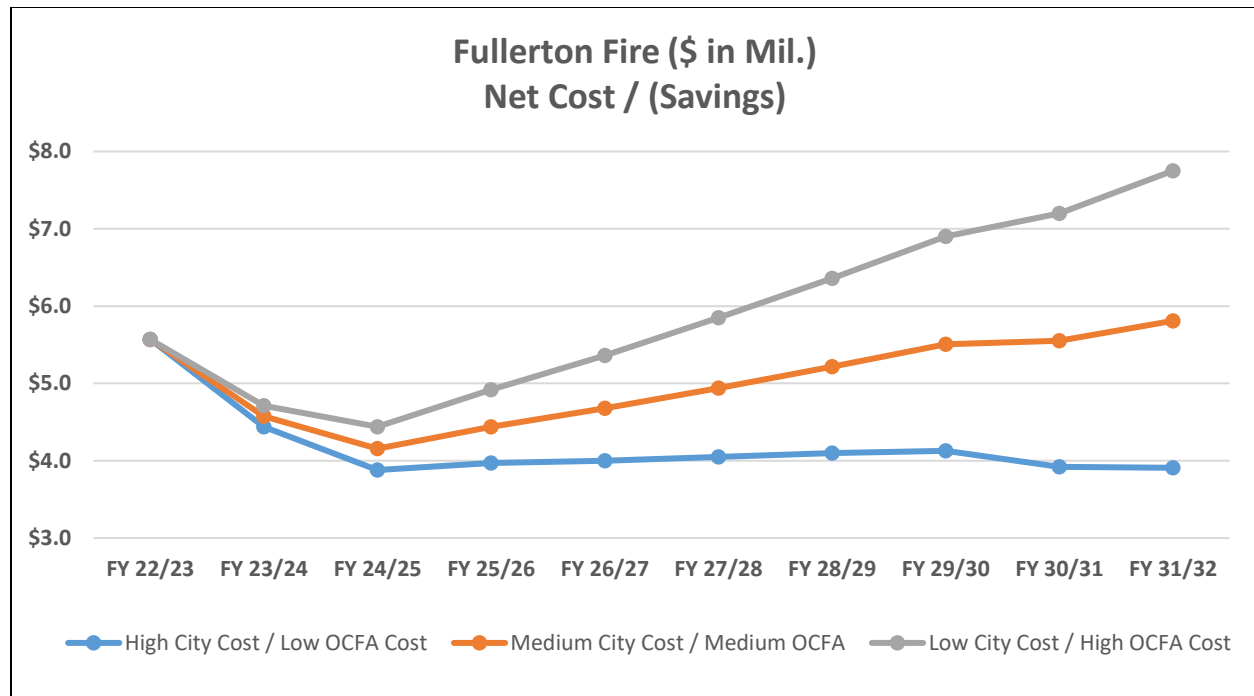
In comparing the Medium-City cost with the Medium-OCFA cost, on average contracting out costs about \$5.0 million more per year through FY 2031-32.

In comparing the Low-City cost with the High-OCFA cost, on average contracting out costs about \$5.9 million more per year through FY 2031-32.

The chart of Table B demonstrates this with the different scenarios diverging over time.

**Table and Chart B:**

Net Cost / (Savings) (in millions)										
	Year 1 FY 22/23	Year 2 FY 23/24	Year 3 FY 24/25	Year 4 FY 25/26	Year 5 FY 26/27	Year 6 FY 27/28	Year 7 FY 28/29	Year 8 FY 29/30	Year 9 FY 30/31	Year 10 FY 31/32
High City Cost / Low OCFA Cost	5.57	4.44	3.88	3.97	4.00	4.05	4.10	4.13	3.92	3.91
Medium City Cost / Medium OCFA	5.57	4.57	4.16	4.44	4.68	4.94	5.22	5.51	5.55	5.81
Low City Cost / High OCFA Cost	5.57	4.71	4.44	4.92	5.36	5.85	6.36	6.90	7.20	7.75



## PROPOSED ROADMAP FOR THE FULLERTON FIRE DEPARTMENT

Based on City Council discussion, and to aid in the decision-making process, the Fire Chief developed a Proposed Roadmap to rebuild the organization and provide for long-term stability. This plan discusses the components of compensation, apparatus replacement, and deployment as mechanisms to meet the current and future needs of the City and fire personnel.

This Proposed Roadmap of how the FFD could be stabilized over the next few years is provided in Attachment 3 and is summarized below. The cost of the Proposed Roadmap is also presented below and is also compared against the high, medium, and low OCFA costs utilized in the scenarios above (Attachment 3a).

Based upon the Management Partners' report, the FFD appears to be roughly 16.0% below market in salary compared to other fire departments of similar size in our labor market. The department has been under market for salaries for many years. If the City Council votes to maintain our current department, the City Council may want to consider taking steps to secure a multi-year labor agreement that moves the City's pay schedule for the Fire Department closer to market-rate compensation and internal compaction between ranks. As mentioned earlier, the current labor agreements with the Fullerton Fire Management Association (FFMA) and the Fullerton Firefighters' Association (FFA) expire on June 30, 2023. As such, any adjustment to compensation would require the City and the labor groups to meet and confer over new successor agreements.

It has been communicated to the City Manager from Fire management that many of the fire apparatus vehicles currently in use have exceeded their useful life and should be replaced immediately. The roadmap proposes ordering two engines and a quint for replacement by January 2023.

Finally, to address the high level of turnover that the fire department has recently experienced, the Chief is proposing a six-year deployment plan to bring staffing levels back to pre-2018 levels, including reinstating the administrative support staff. This would be achieved with a combination of 3 and 4 person ALS crews. In addition, to address the high call volume that exists at Station 1, the initial redeployment plan includes an additional 4-person ALS truck (See Attachment 3a – Fire Proposed Roadmap Scenario #1 – Initial Redeployment Plan). Again, this would be subject to the meet and confer process with the impacted bargaining units and City Council approval.

## PROPOSED ROADMAP COST SCENARIOS

The Proposed Fire Roadmap for the future of the Fullerton Fire Department are presented into two (2) scenarios (Attachment 3a): 1) Initial Redeployment Plan; and 2) Proposed Future Fire Staffing Plan. Both scenarios are compared to the Low-OCFA Cost scenario assumptions (as outlined in Attachment 2) and are based on the High-City Cost scenario. This includes factoring in the High-City COLA increase of 3.25% for its safety members for Years 3-Years 10 and Low-OCFA contract assumption increases ranging from 3.5%-3.0%.

Both Fire Proposed Roadmap scenarios include the 8.0% base compensation increase in FY 2023-24 and additional 8.0% increase in FY 2024-25 consistent with the cost-of-living adjustments (COLA) in Attachment 2. This is factored into any new fire suppression positions proposed to be added in the Fire Roadmap scenarios. The detailed breakdown for each scenario is included as Attachment 3.

When comparing the City's in-house Fire Services with Proposed Fire Initial Redeployment Plan, the City's projected savings against the Low OCFA Proposal reduces from \$5.4M to \$2.2M by Year 10 (FY 31-32) in the projected forecast. While there is an addition of 1 fire apparatus included in the Initial Redeployment Plan, the staffing cost of this additional unit is offset with the reduction of personnel from 4 to 3 in three other units.

**Table 1 – Fire Roadmap Scenario #1 – Initial Redeployment Plan: Net Cost / (Savings) Summary (in millions)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32
<b>Low OCFA</b>	<b>27.44</b>	<b>27.64</b>	<b>28.51</b>	<b>29.32</b>	<b>30.03</b>	<b>30.77</b>	<b>31.39</b>	<b>31.95</b>	<b>32.11</b>	<b>32.52</b>
<b>High City &amp; Fire Roadmap Plan</b>	<b>22.07</b>	<b>23.91</b>	<b>26.14</b>	<b>26.87</b>	<b>27.66</b>	<b>28.86</b>	<b>28.84</b>	<b>29.37</b>	<b>29.76</b>	<b>30.29</b>
<b>High City Base</b>	<b>21.87</b>	<b>23.21</b>	<b>24.64</b>	<b>25.37</b>	<b>26.06</b>	<b>26.76</b>	<b>27.34</b>	<b>27.87</b>	<b>28.26</b>	<b>28.69</b>
<b>Fire Initial Redeployment Plan</b>	<b>0.20</b>	<b>0.70</b>	<b>1.50</b>	<b>1.50</b>	<b>1.60</b>	<b>2.10</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>	<b>1.60</b>
<b>Adjusted Net Cost / (Savings)</b>	<b>5.37</b>	<b>3.73</b>	<b>2.37</b>	<b>2.45</b>	<b>2.37</b>	<b>1.91</b>	<b>2.55</b>	<b>2.58</b>	<b>2.35</b>	<b>2.23</b>

When comparing the City's in-house Fire Services with the Proposed Future Fire Staffing Plan layered on top of the Initial Redeployment Plan, the City's projected savings against the Low OCFA Proposal reduces from \$5.4M to \$0.9 M by Year 10 (FY 31-32) in the projected forecast. It is important to note that while the OCFA proposal does not include



a 7th unit, the OCFA proposal did indicate that the need for additional 7th unit would be evaluated, and such an addition would increase the OCFA service charge cost.

**Table 2 – Fire Roadmap Scenario #1 – Initial Redeployment Plan: Detail of Fire Initial Redeployment Plan**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32
<b>Personnel</b>	<b>99,730</b>	<b>143,700</b>	<b>801,385</b>	<b>849,177</b>	<b>871,553</b>	<b>897,529</b>	<b>924,299</b>	<b>951,887</b>	<b>980,317</b>	<b>1,009,618</b>
Re-Instate CSR and Plan Check Specialist <sup>1</sup>	99,730	243,700	252,790	256,827	261,964	267,203	272,547	277,998	283,558	289,229
Plan Check Contract Services Offset <sup>2</sup>	-	(100,000)	(102,000)	(104,040)	(106,121)	(108,243)	(110,408)	(112,616)	(114,869)	(117,166)
Initial Redeployment (Add 3 Firefighters)	-	-	507,123	541,434	555,330	573,378	592,013	611,253	631,119	651,631
Upgrade to ALS (Paramedic Pay-12 Persons)	-	-	143,472	154,956	160,380	165,191	170,147	175,252	180,509	185,924
<b>O&amp;M</b>	<b>150,000</b>	<b>561,564</b>	<b>659,064</b>	<b>622,314</b>	<b>749,889</b>	<b>1,239,534</b>	<b>606,564</b>	<b>561,564</b>	<b>561,564</b>	<b>561,564</b>
Quint Truck Lease Purchase-Debt Service	-	280,782	280,782	280,782	280,782	280,782	280,782	280,782	280,782	280,782
Quint Truck-Modifications to Station 3 <sup>3</sup>	150,000	-	-	-	-	-	-	-	-	-
1 Fire Engine Lease Purchase-Debt Service	-	140,391	140,391	140,391	140,391	140,391	140,391	140,391	140,391	140,391
1 Fire Engine Lease Purchase-Debt Service	-	140,391	140,391	140,391	140,391	140,391	140,391	140,391	140,391	140,391
Upgrade ALS Paramedic Equipment <sup>3</sup>	-	-	75,000	-	-	-	45,000	-	-	-
PPE Equipment per New Firefighter <sup>3</sup>	-	-	22,500	60,750	188,325	677,970	-	-	-	-
<b>Net Additional Costs</b>	<b>249,730</b>	<b>705,264</b>	<b>1,460,449</b>	<b>1,471,491</b>	<b>1,621,442</b>	<b>2,137,064</b>	<b>1,530,863</b>	<b>1,513,451</b>	<b>1,541,882</b>	<b>1,571,182</b>

**Footnotes:**

1. Miscellaneous Employees are projected to increase by a 5% step increase in Year 3 and 2% thereafter to factor in any projected COLA.
2. Professional Services factor in an annual 2% cost of doing business increase in every year of forecast.
3. Denotes one-time purchase.

Ultimately, based on all the scenarios considered by Management Partners and city staff, contracting with OCFA was more expensive than operating an independent sustainable City Fire Department. There are other factors to consider besides costs, including OCFA's "Standards of Cover" and access to regional resources.

## NEXT STEPS

At this City Council Meeting, staff is seeking direction from City Council on a determination of which option the City Council approves in providing fire and emergency medical services to the City of Fullerton.

## Attachments:

- Attachment 1– Additional Scenarios
- Attachment 2 – Proposed Roadmap for the Fullerton Fire Department
- Attachment 3 – Proposed Roadmap Cost Scenarios
- Attachment 3a – Management Partners' Report
- Attachment 4 – OCFA Fire Service Proposal
- Attachment 5 – OCFA Updated Fire Services Proposal Cost for FY 2022-23

cc: City Manager Eric J. Levitt