

Kenwood Fire Protection District
Board Ad Hoc Consolidation Exploration Committee Report
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Purpose

The purpose of the committee was to fully explore the consolidation of the Kenwood Fire Protection District with another fire district and determine whether or not a consolidation was in the best interests of the Kenwood community. By necessity, our exploration required us to consider the long-term ability of an independent Kenwood District to provide an adequate level of fire and emergency services to the community.

Methodology

We began the effort by creating a list of questions about changes to revenues, expenses and operations of the district that might be expected from consolidation

The second step was to conduct interviews and review documents that provided answers to our questions. We interviewed Chief Bellach, Chief Akre, Bill Adams (District counsel), Mark Bramfitt (Executive Officer of LAFCO). In addition, we met with Matt Atkinson, Mark Emery and Bill Norton, all of whom are currently directors of the Sonoma Valley Fire District (SVFD). Atkinson and Emery were formerly directors of the Glen Ellen Fire District (GEFD). The Glen Ellen district was consolidated into the SVFD in 2020.

We also reviewed a number of documents, including LAFCO applications for other districts' consolidations and the consolidation/reorganization agreement between SVFD, GEFD, Valley of the Moon Fire District (VOMFD) and Mayacamas Fire Company (MFC) among other documents.

Copies of the questions and a list of documents reviewed are contained in the appendix to this report.

Summary Findings & Conclusion

We concluded that if gap funding from the county is available to a consolidated district which would provide the financial resources to raise the service level in Kenwood from 2.0 to 3.0 staffing, including a paramedic on every shift, consolidation is in the best interest of the Kenwood community.

Good decisions require recognition of the alternatives. In this case the alternative would be to remain as an independent fire district. At the time of this report the district is struggling to maintain staffing at a 2.0 level due to a wage structure that is below that of surrounding districts. The chief estimates it would cost about \$330,000 per year to raise wages to a competitive level. To do so would require reducing or eliminating contributions to the capital account for equipment replacement, drawing down operating cash reserves or finding some new, as yet untapped, source of revenue. Such a strategy could be pursued in the short to medium term, possibly as long as five years.

We saw no path to achieve a sustainable higher service level that would include 3.0 staffing or full paramedic capability as an independent district.

It must be emphasized that at this point there have not been any negotiations with the county regarding gap funding. There are reports that the county has declined a request to provide gap funding for

another district to facilitate its consolidation, so the availability of gap funding is a distinct uncertainty. Absent gap funding from the county there is simply no incentive for any other district to add Kenwood's operation into a larger, consolidated district.

Even if Kenwood were to decide to pursue consolidation, the uncertainty of gap funding to make consolidation work makes it imperative the board and the chief continue to manage the district as an independent district to provide the best possible service to the Kenwood community until the funding necessary for consolidation is secured.

District Background & History

The Kenwood District was formed in 1945, and for many years operated largely as a volunteer fire district, with limited paid staff. As the demographics of Kenwood began to change the need arose to rely more on paid staff to provide an adequate response to emergencies. The district hired its first fulltime paid fire fighter in 1995. A parttime fire fighter was added in 2006 and around 2012-2016 11 additional parttime, paid staff were added as the trend away from staffing with volunteers continued. At the beginning of the current fiscal year the district had five fulltime staff, four parttime staff and 20 volunteers.

The district provides what is commonly known as 2.0 staffing, which means every engine call has 2 qualified staff on board to answer calls. It should be noted that staffing at 3.0 level has become a common standard with many fire districts in the area. At the time of this report wage levels for paid staff at Kenwood lag behind wage levels at nearby districts, maybe by as much as 25%. There is no evidence of the trend toward a greater need for paid staff reversing.

Right about the time this report was being finalized the district faced a staffing challenge when three fulltime, paid staff were lost, and replacements were hard to find. The immediate challenge was resolved by entering into a temporary agreement with Sonoma Valley Fire District to provide staffing to maintain service in Kenwood.

Prior to the temporary staffing agreement, there were no paramedics among any Kenwood staff. Under the temporary agreement SVFD has committed to provide one paramedic on each shift. Firefighters who are not paramedics answering emergency medical calls may only provide basic first aid but may not provide any medical assistance for which a paramedic's designation is required.

Summary of District Finances

Due to the declining availability of volunteers and the need for more paid firefighters and higher compensation for them, the Kenwood operating budget has come under pressure. Some relief has come in the past year from several places. Voters in the district approved Measure E, which resulted in an increase in parcel tax revenues for the district. The resulting increase brings the parcel tax rate in Kenwood to a level similar to that in adjacent areas.

In addition, the County entered into an agreement with Kenwood (and other districts) in 2021 to provide some additional revenue. The county agreed to provide an initial amount of \$180,000 a year in

“revenue sharing” payments and \$120,000 a year for an initial period of two years in “stabilization” payments. Under the terms of the agreement, the revenue sharing amount is to continue in perpetuity and contains an escalation clause. The stabilization payments will continue for 10 years, at best, but may be discontinued after only two years.

One measure of financial strength is the substantial cash balance in the operating account, which was approximately \$1.6 million at FYE 6/30/22. In addition, the district maintains a reserve for replacement of facilities and equipment. The balance in that account was about \$2.5 million at the same time. A reserve study performed by the board in 2021 determined the replacement reserve was essentially 100% funded and going forward it would require a contribution of around \$220k annually to remain fully funded. The amount of the required annual contribution may change from year to year based on new equipment acquisitions, earnings on the invested balance in the reserve fund, inflation and useful lives of equipment, among other determinants.

There has been discussion in recent years of a new, county-wide sales tax which would provide some additional revenue to fire districts. Such a measure was on the ballot in 2020 and failed to pass. Whether a sales tax increase to fund fire services will ever be instituted is speculative, at best, and even if it passed, the portion allocated to Kenwood is unknowable.

Analyses of Impacts on Revenues and Expenses

The purpose of this financial analysis was to determine if consolidation with another district would lead to either an increase in revenues available to the consolidated district greater than from simply combining the current level of revenues of the separate districts, or if there would be efficiencies in operations which would reduce the costs to a combined district.

Analysis of Impacts on Revenues

With one significant exception, “gap funding” from the county, we were not able to identify any synergism in revenues that would result from consolidation. Upon consolidation the revenue from normal sources would simply combine the amounts currently available to the individual districts.

In cases in which other independent fire districts have recently consolidated, the county has provided ongoing funding in an amount for the consolidated district to bring the standard for service throughout the consolidated territory up to a consistent level. This is commonly referred to as “gap funding.” While there is no active proposal from the county for gap funding that would benefit the Kenwood community in the event of a consolidation, we worked under the assumption that were Kenwood to consolidate and if the county were to agree to provide gap funding for a consolidated district, the resulting impact on Kenwood would be threefold:

- Wage levels for firefighters in Kenwood would be increased to a competitive level
- Staffing would improve from the current level of 2.0 to a 3.0 staffing
- Staffing on each shift would include at least one certified paramedic

One preliminary estimate of the funding gap to bring the level of service in Kenwood up to a level typical in surrounding districts was \$1.23 million a year. This estimate was prepared by Chief Akre of SVFD. If the revenue sharing and stabilization payments currently coming from the county were discontinued upon any consolidation, the gap could increase by the amount of the discontinued payments.

We did not ask if the county might provide a similar amount to Kenwood if it were to remain independent, but we gauge the likelihood of that to be remote since the objective of the county is to encourage independent districts to consolidate into larger districts.

Analysis of Impact on Expenses

Unlike on the revenue side, we did find that consolidation would likely result in some efficiencies that would reduce overall costs to a consolidated district as compared to two independent districts.

The most obvious savings would be in the reduction in the number of chiefs from two to one. Additionally, there would be some savings in costs associated with administration and governance by combining activities into one organization. We did not try to quantify the actual savings which might accrue to a consolidated district, largely because we did not see the magnitude of the savings to rise to a level that alone would clearly justify consolidation.

Analysis of Impact on Operations

No one we spoke to saw any possibility for changes to operations that would close the Kenwood firehouse, remove equipment resources from Kenwood, or reduce the capacity for firefighting and emergency response to the Kenwood community that would result from consolidation. Any concerns along those lines appeared to us to be unwarranted. Nevertheless, in the final section of this report we make several recommendations, one of which is to include in any consolidation agreement a provision assuring no reduction of staff, equipment, or facilities in Kenwood.

Community Considerations

Without a doubt there is an intangible element to any consideration of consolidating the Kenwood Fire District with a neighboring, larger entity. Consideration for the history of the role of the Kenwood Fire District in the fabric of the Kenwood community must be taken into account.

In the past it was the volunteers who almost exclusively staffed the department who conducted the pillow fights, crab feed and pancake breakfast fundraisers. The fire department has been one of the key pillars of the Kenwood community. Some in the community are concerned this rich legacy will be lost if the district consolidates. However, the fact is that today when an alarm is sounded there are occasions when no volunteers are available to answer the call. In the end, we concluded the ability to provide a more consistent higher level of service to the Kenwood community was best achieved by consolidating.

The Process of Consolidation

Should the Kenwood District decide to pursue consolidation, the process could take one to two years or more to complete. Aside from navigating the legal process, it would also require the county to commit to funding the revenue gap, and there is no assurance that the county would agree or have the funds necessary to make consolidation economical for a consolidated district.

Experience of Other Districts

As part of our investigation, we met with three directors of the SVFD, including two who had formerly been directors of the GEFD, before it was consolidated with SVFD. Our focus in the meeting was to learn about their experience in the recent consolidation and whether they learned any lessons that would help us in addressing this issue. We saw Glen Ellen as having similar characteristics as Kenwood, and therefore a good model for us to evaluate. Several points worth reporting emerged from this meeting.

- Prior to consolidation, Glen Ellen was experiencing similar staffing challenges to the one we currently face. Prior to consolidation they entered into a staffing agreement with SVFD, like the one Kenwood just entered with SVFD.
- Where the community was aware of a higher level of service, the improvement was seen as a welcome development.
- Active and open communication with all stakeholders, including paid and volunteer staff and community members was a key element to making the changes run smoothly and avoiding misunderstanding and dissatisfaction in the community.
- Consolidation has not prevented the continuation of community events like Easter egg hunts, pancake breakfasts and other similar events with long histories at some consolidated districts.
- Three of the seven directors of the new Sonoma Valley district are from the Glen Ellen community. At first this seemed to provide Glen Ellen disproportionately large influence in a district that serves a large part of the Sonoma Valley, including the town of Sonoma. Because Sonoma is served by a services agreement with the SVFD, but the town is not actually within the fire district, Sonoma residents do not vote in elections for directors of the district. There is currently no provision for fire district directors to be elected by geographic districts. The directors we met with volunteered they thought Kenwood deserved to have a couple of directors on the board were Kenwood eventually to consolidate.

Nothing in our meeting raised any concerns about consolidation as a possible path for Kenwood.

Consolidation Candidates

Practically speaking there are only two districts which could be considered viable candidates for consolidation, the Sonoma County Fire District (SCFD) and the Sonoma Valley Fire District (SVFD). Between those two possible candidates, there are several reasons the SVFD is the most suitable district.

- Despite the fact that Kenwood has substantial common boundaries with both districts when observing district boundaries on a map, topographical features make the fit with the adjacent SVFD more practical. Kenwood is separated from portions of the SCFD by the hills that separate Kenwood from Bennett Valley as well as the city of Santa Rosa which separates Kenwood from portions of the SCFD, like Windsor, to the north.

- Sonoma County fire districts have long been organized into regions. Kenwood, like the SVFD, is in Region 3. This commonality of region has made collaboration among the Region 3 districts more natural than similar collaboration with districts in other regions.
- Before LAFCO can consider any application that would result in Kenwood being consolidated with another district, Kenwood must be deemed to be in the same Sphere of Influence (SOI) as the other district. A formal Municipal Services Review (MSR) must be performed to determine the SOI of any agency as part of the consolidation process, under California law. At the time of the recent consolidation of SVFD with GEFD, VOMFD and MFC an MSR was performed, and Kenwood was deemed to be in the SOI as the consolidating districts. In order for Kenwood to even consider consolidation with SCFD a new MSR would need to be performed which would cause delay and for which Kenwood would have to bear the costs. Most importantly it's not clear whether such review would conclude with a finding that Kenwood was in the same SOI as SCFD.

Based on the above three reasons, we concluded that the better situated candidate for consolidation was the SVFD.

Recommendations

It is also our recommendation that should the board decide to pursue consolidation, that several key elements should be a part of any agreements between the county and/or the consolidation partner to insure adequate future fire and emergency services be provided to the Kenwood community.

They include:

- a. Provision that the Kenwood facility remain open and equipped equivalent to the current level or better.
- b. That elections for board directors be by geographic district and that Kenwood will always have at least one representative, and not less than representation proportionate to the Kenwood population as compared to the overall district population.
- c. The consolidated district commits to funding a reserve that is adequate to provide financial resources to maintain facilities and equipment as replacement are needed.

Appendix

List of documents reviewed

- Email from Supervisor Gorin 8/17/2019
- Email from Chief Bellach 12/1/2019
- Email from A. Moretti 12/4/2019
- Draft of A Concurrent Resolution of the Boards of Directors of the Glen Ellen Fire Protection District, the Kenwood Fire Protection District and the Valley of the Moon Fire Protection District; Constituting the Districts' Resolution of Application to the Local Agency Formation Commission of Sonoma County for the Reorganization of the Glen Ellen Fire Protection District. 2019
- Resolution of the Local Agency Formation Commission of the County of Sonoma, State of California, Making Findings and Determinations Related to Information Contained in the Municipal Service Review and Sphere of Influence Study for the Kenwood Fire Protection District, Glen Ellen Fire Protection District, Valley of the Moon Fire Protection District, Schell-Vista Fire Protection District, City of Sonoma (fire and emergency medical services only) and County Service Area 40-Fire Services (Mayacamas Volunteer Fire Department and Incident Response Area 31-75), Determining Exemption from the California Environmental Quality Act, Adopting the Determinations of the Municipal Service Review and Sphere of Influence Study, and Amending the Spheres of Influence of the Subject Agencies. 11/6/2019
- LAFCO Municipal Service Review: Kenwood Fire Protection District, 2019
- Application for Reorganization; Glen Ellen Fire Protection District Reorganization No. 2019-01 Consisting of the Valley of the Moon Fire Protection District; Detachment from County Service Area No. 40 (Fire Services) of the Mayacamas Volunteer Fire Department Service Area; and annexation of the Same Territory to the Glen Ellen Fire Protection District, 2019
- Cal. Gov. Code paragraph 56133
- Notice of Zone 3 master planning group meeting 8/15/2019
- Forestville Fire Protection District Annexation FAQ
- Municipal Service Review & Sphere of Influence Study for North County (Region 6) Fire & Emergency Services; NCFPD Comments, March 2021
- Annexation Fiscal Analysis Report on the Forestville Fire Protection District, July 2020
- Annexation Fiscal Analysis Report on the Rancho Adobe Fire protection District, May 2022
- Application for Reorganization, Bodega Bay FPD & Sonoma County FD, January 2022
- Fire and EMS Agency Sphere of Influence Amendment Criteria Draft, LAFCO, 9/16/2019
- Property Tax Allocation Agreement and Appropriations Limit between Glen Ellen FPD, and the County of Sonoma for the Reorganization of Fire Districts in the Southeastern portion of Sonoma County, 2/11/2020
- Municipal Service Review for Sonoma Valley Fire and Emergency Service Agencies, 2019
- Application for Reorganization, Windsor FPD Reorganization No. 2018-01 Consisting of the Bennett Valley FPD and Rincon Valley FPD; Detachment from County Service Area No. 40 (Fire

Services) of the Mountain Volunteer Department Service Area; and annexation of the Same Territory to the Windsor FPD, 12/12/2018

- Sonoma County Silver Plan fire staffing adopted by Board of Supervisors 8/14/2008
- City of Sebastopol, Short and Long Term Plan for the Future of the Sebastopol Fire Department
- Revenue Sharing Agreement between the Sonoma County Fire District and the County of Sonoma for the Reorganization of the Sonoma County Fire District, 10/19/2021

Consolidation Questions

For Chief Bellach

Revenue

1. Are there sources of additional revenue that would be available if the district consolidated with another district? If so, would it make any difference which district we consolidated with?
2. Are there any circumstances that by combining districts the combined revenue would increase more than adding the current revenues together?
3. Would the consolidation of any districts reduce the revenue by canceling County revenue sharing allotments?
4. Are there any opportunities for enhanced revenues from grants or other sources for a combined district, which are not available to individual districts?
5. How is the funding "gap" calculated? Who determines the method of calculation? Has the gap for Kenwood been calculated for Sonoma Valley District? For other districts? What assumptions are made in the calculations that have been made?
6. In the event of any funding from the County to address funding gaps, how secure is the county funding, and are there provisions for adjustments/increases in the county funding?
7. When gap funding is provided, are there any limitations or restrictions on how it is used?

Expenses

1. Are there possible savings from economies of scale, say from purchasing supplies to equipment? If so identify and estimate the amount.
2. Are there potential savings from reducing duplicate or overlapping facilities or equipment? If so, identify specific savings and estimate the amount of savings.
3. Are there potential savings from efficiencies in staffing? If so, what staff could be eliminated in a consolidation and what is the estimated savings?

Operations

1. Would consolidation result in redeployment of facilities and equipment? If so, how would those changes result in better service and/or more efficient utilization of resources? How would any such redeployment be perceived by the Kenwood community?
2. If consolidation is expected to result in an improvement in the service level, specifically how would that happen? Could these same service improvements be realized in ways other than through consolidation? Would higher level of service entail higher costs, or would they be achievable without higher costs?
3. How would consolidation change the staffing at the Kenwood fire house? Would the staffing changes vary with different consolidation candidates(districts)? Describe the structure of any higher level of staffing.

4. What impact on the volunteers would be expected from consolidation? What impact would there be on the consolidated district's ability to attract and retain volunteers from Kenwood, or to staff the Kenwood area operations?

Other topics

1. Can Kenwood continue to function in the longer term without consolidation?
2. What is the impact, if any, on the insurance rating on the residents in the Kenwood district of consolidation and any potential changes in operations that would result?
3. Which districts might be candidates to consolidate with Kenwood? What would be the benefits of consolidation that could attract a district to consolidate? Which district would provide the most benefits to the Kenwood community?
4. Do any of the candidates for consolidation have a dedicated reserve fund for replacement of equipment and facilities? If so, how well funded is it? If not, what is their strategy to maintain facilities and equipment.

Consolidation Questions

For Bill Adams, District Counsel

1. On what basis does the County conclude consolidation is warranted? Is there research and/or analysis that supports this conclusion?
2. Reportedly the county has provided funding to close a “gap” when other fire districts have consolidated. What does the “gap” measure? In the case of Kenwood has there been any determination of a “gap”? If so, how much is it? How would the County address funding the gap in the event of a consolidation?
3. Are there any efficiencies, costs savings, enhanced revenues or any other financial benefits to Kenwood of consolidating that you know of? If so, what are they?
4. When gap funding is provided, are there any limitations or restrictions on how it is used?
5. In 2020 there was a consolidation process that initially included the Kenwood district, that eventually led to consolidation of Sonoma Valley, VOM, Glen Ellen and Mayacamas. Kenwood was dropped from that process. Can you shed light on what led to Kenwood being dropped from the effort?
6. In your professional practice you represent many, if not all, fire districts that could be consolidation candidates. This presents a potential conflict of interest. How do you propose to address any conflict and assure us you can represent Kenwood’s best interests?

Consolidation Questions

For Mark Bramfitt, Executive Officer of LAFCO

Note: The timing of this meetings was after the district had begun steps leading to a temporary staffing agreement with SVFD.

1. Will we run afoul of the requirement that the staffing agreement being contemplated requires prior LAFCO approval?
2. What is the timeline for LAFCO action on any request we would make for approval of the staffing agreement.

For Mark Emery & Matt Atkinson, Directors of SVFD and former directors of Glen Ellen Fire Protection District, and Bill Norton, President of SVFD

1. Has the consolidation worked out for the benefit of your community?
2. What have you learned that you didn't expect?
3. What would you do differently?
4. What advice would you offer?