

IV. Anticipated Costs and Revenues

A. Process of Analysis

Financial information for forecasting the model budget was based on current and prior year budget documents provided by Central Valley Fire. However, capturing solid revenue figures proved elusive.⁵

To determine the financial feasibility of this proposal, a computer-driven model budget was created. The modeled budget was designed to fairly represent the monetary policies and to neutralize any financial peculiarities (such as budgetary back loading).⁶ This technique assured an accurate estimation of the costs and provided a means for financial evaluation of the outcome. The modeled budget yielded a baseline estimate of the public cost of service. The methodology also provided a method for projected financial costs and revenue into the future.

B. Baseline

Conversion of County Fire to City (Fontana Fire Protection District)

Basic differences exist between the financial systems of cities and those of fire districts. Cities are typically funded from a variety of sources and provide a wide range of sometimes overlapping services. Districts tend to be funded from one or two major sources, and tend to offer a more focused set of services. Frequently, the budgeting policies and methods of cost accounting differ widely between cities and districts. Cities often provide an umbrella of internal administrative and support services to all city departments without complete accounting in the recipient budgets. Consequently, fiscal comparison of the two is difficult without some analysis designed to represent monetary policies fairly, to identify unique fiscal practices or programs influencing cost modeling, and neutralization of any financial peculiarities (such as budgetary back loading and unaccounted municipal overhead).

Budget Assumptions

The adaptation of a budget to estimate public cost required certain conversions and assumptions. Specifically, the current budget of Central Valley Fire of the San Bernardino Fire Department was reformatted, often combining line item expenditures of different funds to reflect total public service

⁵ While the exact revenue figures from San Bernardino County tax records were not available for calculations and analysis, budget documents of the RDAs, County Fire, and the City of Fontana were used in the analysis.

⁶ The City of Fontana's response includes a charge of three percent for administration of the Fontana Fire Protection District. This will reduce any duplication of administrative services and is separate from the monies allocated for administration services to be provided by County Fire.

cost. The process grouped all expenses into three major classifications: personal services, materials/services, and capital outlay. Classifications were then subdivided to permit the tracking of program costs (such as fringe benefits, maintenance, and indirect charges). All jobs were indexed to relevant compensation levels, and salary rates to reflect the full cost of any mid-year contract changes. Each position was extrapolated to the model budget based on the costs associated with the job (salary and benefits) for a full-year and expressed in FTEs (Full Time Equivalency). Last, an estimate was made to add the cost of municipal overhead services (three percent per year).

In the *County Fire Department Financing Study*, San Bernardino County, April 2003, ESCi assumptions included:

- Property tax revenue increases of three percent per year;
- Redevelopment Agency revenue increases of three percent per year; and
- Paramedic revenue (other revenue) increases of three percent per year.

However, for purposes of this analysis, those assumptions have been modified. The justification for changes in the assumptions include: the area analyzed involves a limited part of San Bernardino County (City of Fontana and its SOI) that has exhibited strong growth. The following assumptions were used in the models:

- Property tax revenue increases of four percent per year (Property tax revenue is defined as the allocation factor of the 1% property tax levy assigned to County Fire within the affected territory).
- Redevelopment Agency revenue (pass through amounts) increases of four percent per year; and
- Paramedic (Agreement) revenue for payment from the City to San Bernardino County Fire for enhanced EMS Paramedic Service is factored into these equations (Appendix: K – Four Party Agreements).

A Tax Revenue six-year trend analysis suggests a seven-percent increase in tax revenue. This is considered conservative as increases in property valuation in the City of Fontana and the RDAs have exceeded 12 percent for most recent tax years 2003 and 2004.⁷ For our purposes we assume a four percent increase in tax revenue.

Other Considerations

To better determine the feasibility of establishing a subsidiary fire district, the following considerations were required:

⁷ HdL Coren & Cone, Property Tax Consultants

- Only the six fire stations that are located within the city limits and the SOI of the City of Fontana were used in the budget model.
- Some tax revenue is received on the properties within the City that support the operations of, and receive services from, Fire Station 76 (Bloomington). However, Station 76 is not located within the City or its SOI and to be conservative, those funds were not used in the budget model. An Automatic Aid Agreement and possible transfer of property tax would be appropriate here and would address revenues and costs.⁸ A similar situation occurs with station 77 which is within the City limits, yet provides service outside the City & SOI. These two matters have been addressed in the Draft JPA (Appendix: L – Draft JPA Contract for Services).
- Money currently paid by the City of Fontana to Central Valley Fire for enhanced paramedic services is included in the estimated revenue projections.
- Receipts of tax revenue from the RDA have been included in the estimated total revenue. Under an agreement between the County, Central Valley Fire Protection District, City of Fontana, and Fontana RDA, the City and RDA pays Central Valley Fire for increased level of services (currently Fire Stations 74 and 78) within the redevelopment area. The agreement was first approved on March 11, 1985 and the schedule of increment splits has been amended on several occasions. While it appears that this agreement would be updated as part of this process, the ongoing obligation of the RDA will continue to the benefit of the proposed Fontana Fire Protection District.⁹
- While some revenue figures are combined for forecasting, in each instance base dollar amounts were subtracted before computations were performed. To prevent exponential increases in revenues, the amounts were combined only after all calculations had been completed for each budget year.

C. Comparables and Projections

Currently, Central Valley Fire provides the City of Fontana and the City of Fontana SOI direct fire and emergency response services with 72 FTE (Full Time Equivalency) operational personnel. The following table illustrates the breakdown of personnel by rank for fire stations in the City (71, 74, 77, & 78), as well as those in the SOI (72 & 73).

⁸ This type of agreement (automatic aid) provides for each jurisdiction to automatically be dispatched to the other's calls for service to meet service level objectives. By formalizing an Automatic Aid Agreement, the departments improve levels of service through an increased number of available personnel for response and by dispatching the closest appropriate unit, regardless of geo-political boundaries.

⁹ While the exact revenue figures from San Bernardino County tax records were not available for calculations and analysis, budget documents of the RDAs, County Fire, and the City of Fontana were used in the analysis.

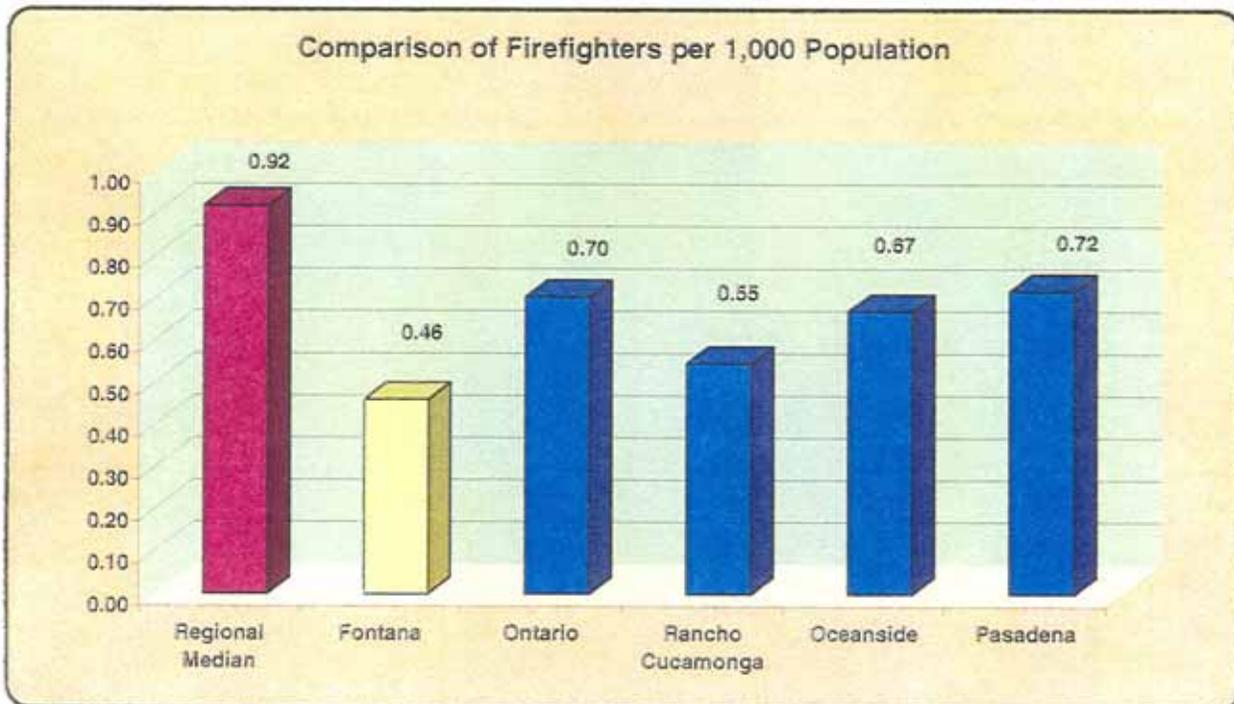
Figure 4: Total Number of Personnel at Fire Stations within the City and SOI

Operations / Field Personnel	
Position Title	Number (FTE)
Battalion Chief ¹⁰	3.00
Captain	18.00
Engineer	18.00
Firefighter/Paramedic	21.00
Firefighter	12.00
TOTAL	72.00

To analyze the Plan for providing Fire and EMS Services, a number of comparisons were made to fully understand the current level of staffing.

A comparison of emergency service staffing begins with an initial comparison of available emergency service personnel to other local communities of similar size and nature (see Figure 5). In addition to a regional median, it illustrates local comparisons on the basis of firefighters per 1,000 population.

Figure 5: Comparison of Firefighters per 1,000 Population



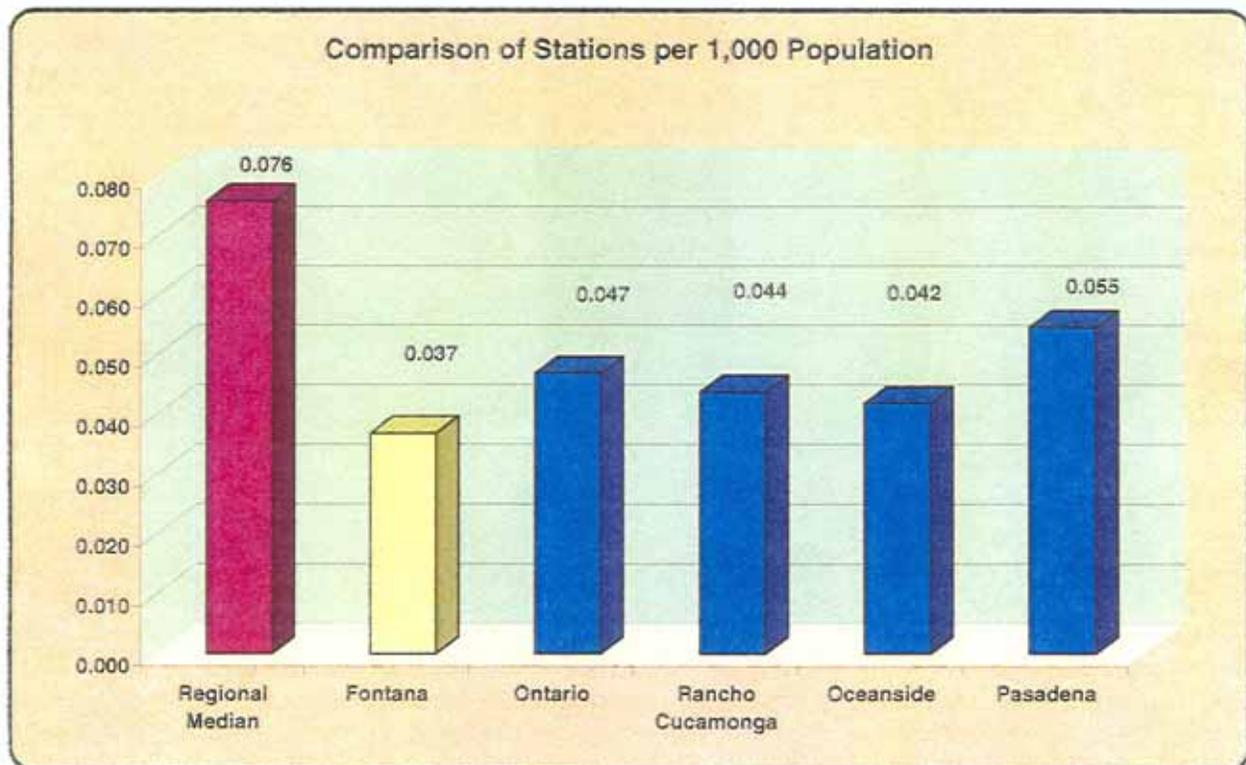
¹⁰ Battalion Chiefs serve as supervision and as incident commanders for the entire Central Valley Fire Protection District.

The following Figure 6 shows a comparison of fire stations per 1,000 population of similar sized communities in the area. This figure however does not include future Fire Station 79, where a contract for construction has recently been awarded.

During the regular meeting of the City of Fontana City Council on August 22, 2006, the City Manager was authorized to execute a construction contract with Erickson-Hall Construction Company for the construction of Fire Station No. 79. The contract to build the fire station, to be located at 5075 Duncan Canyon Road within the Coyote Canyon Specific Plan, is \$3,533,000.

As noted earlier, a second new fire station is currently being planned for development in western Fontana within the City's SOI near San Bernardino Ave and Commerce Way.

Figure 6: Comparison of Fire Stations per 1,000 Population



In reviewing Figure 5 and Figure 6, it should be kept in mind that the City enacted a mandatory Fire Sprinkler Ordinance, for all new construction, in 1986.

One point must be emphasized in that this analysis provides a “snapshot” estimate of the public cost for the subject budgetary year. Many forces may act to change the level of tax support in the future including changes in law, revenue, politics, or contracts. The process uses the best revenue and appropriation figures available to generate an estimate of the amount of tax support relative to existing levels of fire and medical services.¹¹ The analysis allowed comparison with the predicted cost of service but does not predict actual tax rates, current or future.

Expenditures

The source of the data in Figure 7 is from the modeled budget (Appendix: A – Financial Projections and Data). Financial information for forecasting the model budget was based on current and prior year budget documents provided by Central Valley Fire. Additional financial data was sourced from the City of Fontana (specific purchase orders), RDAs, and the County of San Bernardino.

The General Operating and Administration amount of three percent (for the proposed Fontana Fire Protection District) is intended to cover the costs of administering the subsidiary district and is estimated to be \$271,870 (fiscal year 2006/07) as stated in Figure 7.¹² This is the amount likely to be incurred as an expense by the City of Fontana to oversee the proposed fire protection district.

An additional amount of \$134,200 per station (fiscal year 2006/07) was factored into the model budget and used to account for operations and administration (nine percent).¹³ This is the overhead cost projection of the amount to be charged by the County as part of the contract for services with San Bernardino County Fire. The City has a copy of the Adelanto and Hesperia contracts (which do not appear to specify overhead charges).

The modeled budget (Figure 7 as follows) includes staffing at current levels, funding for material and supplies, and the funding of capital replacement items. The forecasted operating budget is for operating fire stations 71, 74, 77, 78 (City) and 72, 73 (SOI) for the fiscal years 2007 – 2011. The budget includes an increase in staffing and related costs associated with the new fire station (Fire Station 79, contract for construction awarded August, 2006) beginning with fiscal year 2007/08.¹⁴

¹¹ While the exact revenue figures from San Bernardino County tax records were not available for calculations and analysis, budget documents of the RDAs, County Fire, and the City of Fontana were used in the analysis.

¹² Overhead for the Fontana Fire Protection District is listed as “Municipal Overhead.”

¹³ Figure is based on Fiscal Year 2007/08 budget model.

¹⁴ The fiscal year 2007/08 budget includes the funding for nine additional FTEs and costs associated with the operation of an additional fire station.

Costs for staffing and operating of Fire Station 80 are included in the model budget beginning with the 2009/10 budget year.¹⁵ Construction costs for Fire Station 80 have not been included; conditions of approval for the development require that the developer fund the costs associated with construction of the fire station.

Figure 7: Forecasted Operation Budget FY 2006/07 - 2010/11

Forecasted Operating Budget					
	2007	2008	2009	2010	2011
Salaries and Benefits	\$9,062,330	\$10,563,359	\$10,944,897	\$13,020,247	\$13,490,524
<Utilities	\$269,180	\$325,250	\$336,862	\$398,736	\$412,982
<Station Maintenance	\$283,587	\$342,802	\$355,183	\$420,585	\$435,776
<Vehicle Maintenance & Fuel	\$283,303	\$342,248	\$354,399	\$419,416	\$434,324
<General Operating & Admin	\$805,201	\$973,331	\$1,008,487	\$1,194,185	\$1,237,318
Services and Supplies	\$1,641,271	\$1,983,631	\$2,054,931	\$2,432,922	\$2,520,400
Municipal Overhead	\$271,870	\$316,901	\$328,347	\$390,607	\$404,716
<Termination Benefits	\$69,566	\$81,088	\$84,017	\$99,948	\$103,558
<Facilities	\$644,126	\$778,622	\$806,745	\$955,296	\$989,801
<Vehicles	\$413,314	\$414,932	\$429,918	\$445,447	\$461,536
Transfer to Capital Reserves	\$1,127,005	\$1,274,642	\$1,320,681	\$1,500,691	\$1,554,894
Total Budget	\$12,102,476	\$14,138,532	\$14,648,855	\$17,344,467	\$17,970,535

A computer-driven model budget was designed to provide the maximum number of options and flexibility in preparation for responding to County Fire's LAFCO application. The model budget tool used to develop the operating budget allows for application of "what if" scenarios, including;

- adding or reducing the number of stations, personnel, and apparatus
- modifications to the apparatus replacement schedule
- adjusting projected revenue
- adjusting projected inflation

While an exact cost for administrative services could not be determined, a charge of nine percent is included in the budget as a reasonable amount that may be charged by County Fire. The types of services and associated costs would be determined through a negotiation process.¹⁶ These charges could include: monies for those activities of administration, operation of the hazardous materials program, and other negotiated services. For the express purpose of accurately accounting in the

¹⁵ The fiscal year 2010/11 budget includes the funding for 12 additional FTEs and costs associated with the operation of an additional fire station.

¹⁶ \$134,200 per station (fiscal year 2006/07) was factored into the model budget and used to account for operations and administration (nine percent).

operational budget for each fire station, line items now in the Central Valley Fire budget were included.¹⁷ They include the following:

- Training
- Property insurance
- Other general liability
- Vehicle liability
- County services
- Other professional services
- ConFire (dispatch)
- Medical expense
- Mileage reimbursement
- Other travel

Revenue Assumptions

Projected revenue increases are based on applying a four percent annual increase. This is considered conservative by recent increases and by forecasts of local tax specialists. The main sources of revenue to Central Valley Fire are as follows:

- Property tax revenue – allocation of the one percent property tax amount assigned to County Fire within the affected territory.
- Fire service revenues from Fontana via its RDA and the Southridge CFD.
- Enhanced EMS paramedic services payments from the City of Fontana to County Fire.

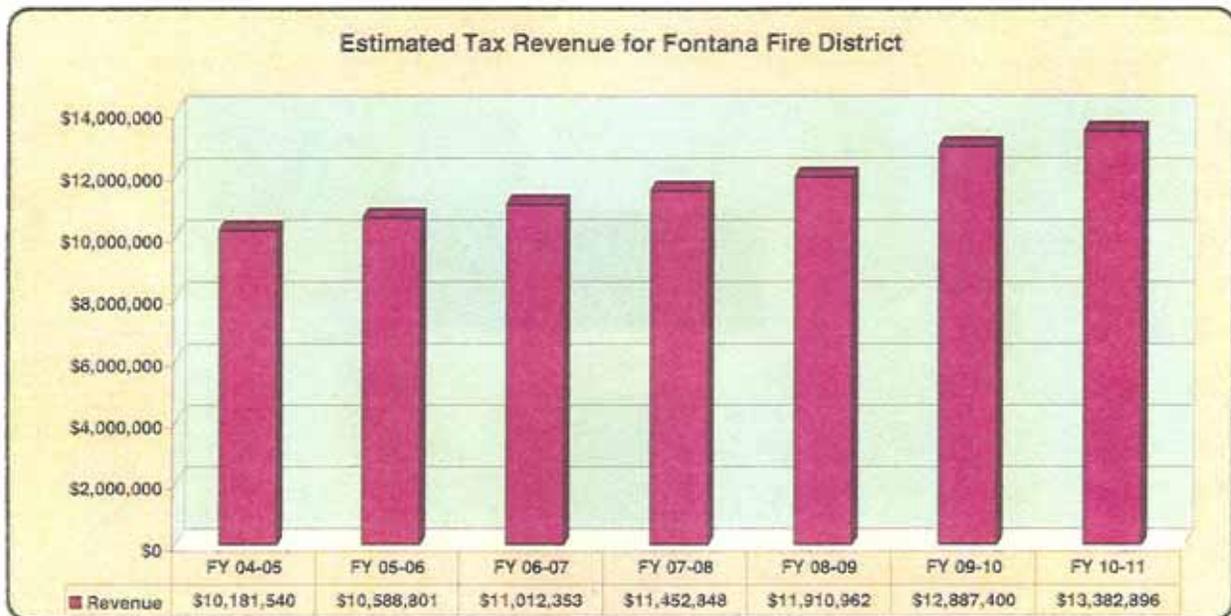
The following figures illustrate these sources of revenue separately (Figure 8 and Figure 9) and then combined (Figure 10).

The following figure (Figure 8) shows the property tax revenue for fiscal year 2004/05 and a six-year forecast.¹⁸ The figure includes the estimated property tax revenue generated by Central Valley Fire from those properties located within the City of Fontana.

¹⁷ Baseline data for operational budget was sourced from San Bernardino County Fire Department budget for fiscal year 2004/05.

¹⁸ San Bernardino County Fire Department, Central Valley Fire District – City of Fontana Budget for fiscal year 2006/07, Budget Recap

Figure 8: Tax Revenue Forecast - Fontana Fire District



Beginning in fiscal year 2007/08, Central Valley Fire's revenue stream would increase by an additional \$1,400,000. This is the amount to be paid by the City/RDA for operation of Fire Station 79.¹⁹ Agreed apportionment of tax revenue received by the City/RDA is passed through to Central Valley Fire to pay for fire and emergency services based on MOUs.

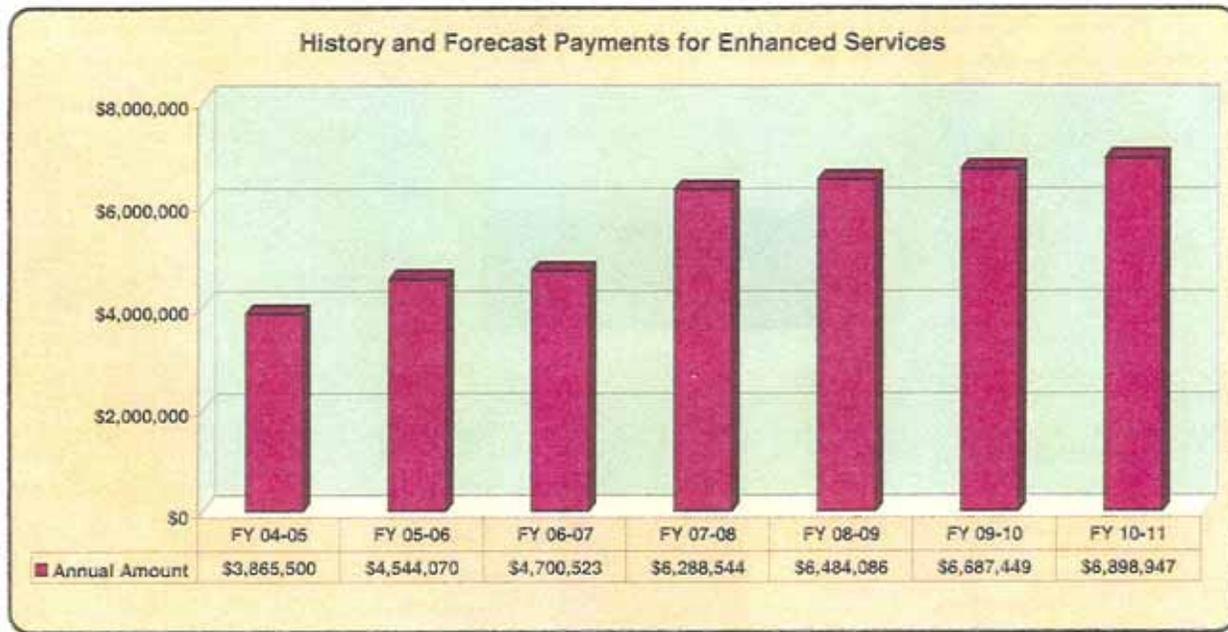
The following (Figure 9) provides a history and forecast of payments to Central Valley Fire for enhanced paramedic services and for Fire Stations 74, 78, and 79 via its RDA (pass-through agreements) and a Community Facilities District.²⁰ This figure *does not* include the following revenues:

- Projected island annexation property tax revenue designated for Central Valley Fire as well as other SOI property tax revenues designated to Central Valley Fire;
- Revenue from other governmental agencies (if any), and
- Miscellaneous revenue (plan checks, inspections, etc.)

¹⁹ Source: City of Fontana

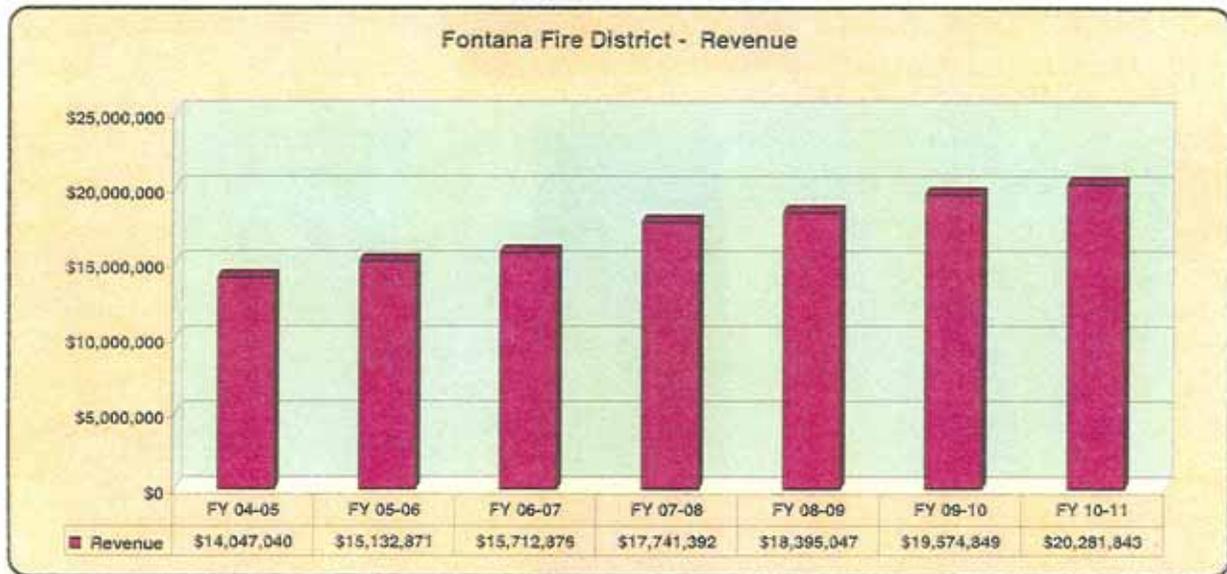
²⁰ Fire Station 79 budgeted at six-months for fiscal year 2006/07 by San Bernardino County Fire Department, Central Valley Fire District

Figure 9: History and Forecast Payments for Enhanced Services



The data in the figure below (Figure 10) shows the combined property tax revenue and City of Fontana expenditures (payment to County Fire for enhanced paramedic services and CFD/RDA pass-through Fire Stations 74, 78, and 79), to illustrate the total revenue and forecast revenue for the proposed Fontana Fire District.²¹

Figure 10: Estimated Total Revenue and Enhanced EMS - Paramedic Payment



Whereas an additional fire station has been proposed for western Fontana (Fire Station 80), plans have not been finalized. Operational costs for the proposed fire station have been included in the budget model (Figure 7: Forecasted Operation Budget FY 2006/07 - 2010/11). The budget forecast for fiscal year 2009/10 includes: the cost of operating the additional fire station (Fire Station 80); an additional twelve personnel, and rollups in all other expenditure costs. Revenue received by the proposed District, via a community facilities district, would partially offset the expenditures.

²¹ Beginning in fiscal year 2007/08 City/RDA payment to Central Valley would increase by an additional \$1,400,000 payment for Fire Station 79