

6-10-03
S. Watson

Sierra Forest Fire Protection District Study of Fire Service Alternatives

June 6, 2003

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June 6, 2003

Board of Fire Commissioners of the
Sierra Forest Fire Protection District

Dear Commissioners:

Walker & Associates was engaged by the Sierra Forest Fire Protection District (SFFPD) and Washoe County to perform a study to provide for the development and analysis of fire service alternatives for the SFFPD. This includes the analysis of the Wildland Fire Service alternative prepared by the Nevada Department of Forestry (NDF) for the Washoe County Sierra Forest Fire Protection District's area of service. The study includes the analysis of each alternative's financial impacts, implementation options, affects on labor and jurisdictional boundaries, review of administrative assessments and recommendations of any applicable legislation. The financial analysis is based upon an analysis of the past three year's actual revenues and expenditures as well as projections for FY 02-03, FY 03-04 and FY 04-05.

The work performed by Walker & Associates included the facilitation of a regional technical team of fire professionals to discuss and analyze the alternatives from a fire management perspective. The team of fire professionals included professionals from the Nevada Division of Forestry, Sierra Forest Fire Protection District, City of Reno, North Lake Tahoe Fire Protection District, U.S. Forest Service and Bureau of Land Management. A great deal of time and effort was provided by the staffs of each of these entities in a very cooperative and forthcoming manner. Without their assistance, this analysis could not have been performed.

The analytical section of this report is divided into sections by alternative fire service proposals. Each section is meant to be a self-supporting analysis with supporting documentation on an alternative by alternative basis. The executive summary section includes a description of the project's methodology, background information, summary description of each alternative, summary of financial analysis, and a summary of the conclusions and recommendations.

PROJECT METHODOLOGY:

The project was segregated into three tasks, described as follows:

- Task I: Development of agreed upon assumptions and methodologies for data collection and compilation.
- Task II: Collection of data in support of the revenue and expenditure analysis, including a review of financial documents, on-site data gathering and

interviews with the technical team of fire management professionals and accounting staff.

Task III: Analysis of data collected based upon the agreed upon assumptions and methodology.

Task I was performed primarily through technical team meetings facilitated by Walker & Associates which included professional management staff from Nevada Division of Forestry, Sierra Forest Fire Protection District, City of Reno, North Lake Tahoe Fire Protection District, U.S. Forest Service and Bureau of Land Management. The agreed upon assumptions included a wide spectrum of factors and variables including:

- **The period and budget to be covered by the analysis.** The period selected was the Fiscal Years 2003-2004 and 2004-2005. Each entity's FY 2003-2004 budget and 2004-2005 projected budget was used as the basis for the comparative financial analysis.

It is important to note that several of the alternatives require legislative action in order to be implemented. This would require the introduction of legislation in the 2005 Nevada State Legislature. However, the periods of FY 03-04 and FY 04-05 were used as if the alternatives had been implemented for comparative purposes.

- **Project Methodologies and Assumptions.** As agreed upon by the entities involved in the study, the prevailing general assumptions are described in each alternative's section of this report. The levels of service were based upon the determination of the Sierra Forest Fire Protection District.
- **Salaries and Benefit Expenditures.** The salary and benefit expenditure assumptions are described in each alternative's section of this report. In general, the analysis included the salaries and benefits of the Sierra Forest Fire Protection District in comparison with those of the City of Reno. It is important to note that the salaries and benefits compiled in the attached exhibits do not include any additional employee negotiated costs during consolidation or retiree group medical program costs.
- **Capital Expenditures.** The financial analysis includes the operational costs of each alternative, however, the SFFPD does not currently compile a capital improvement program annually. Therefore, an estimated capital expenditure of \$250,000 was utilized which is based upon a proportionate level of the Truckee Meadows Fire Protection District's five year capital improvement program.
- **Fire Dispatch.** Fire Dispatch services for SFFPD are currently provided by the State of Nevada. As defined in each alternative, dispatch services are either retained by the State of Nevada or are provided by the Regional Communications Center.

- **Annexations.** Except for Alternative 2 listed in the Summary of Alternatives in the Executive Summary, all alternatives include an assumption of a service level adjustment in East Verdi due to the annexation by the City of Reno whereby the City of Reno assumes all fire service within its incorporated boundary. Therefore, it is assumed that as of July 1, 2004, the SFFPD will no longer be operating East Verdi Station 5.

Using the guidelines that were developed during Task I, the subject data was collected, compiled and analyzed within the scope of services for Task 2 and Task 3 of this engagement.

BACKGROUND:

In 1949, the Sierra Forest Fire Protection District (SFFPD) was established according to NRS 473 to provide a mechanism whereby federal aid could be procured for wildland fire suppression services within a defined District boundary. The District's boundary includes the Western Region of Nevada along the Sierra Front in Washoe County, Carson City and Douglas County. Since the District's establishment, the area within the District's boundaries became more populated and urbanized requiring a greater level of service than originally intended. To meet this demand, the District's level of service evolved into wildland fire, emergency medical and structural fire suppression services.

NRS 473 allows for procedures to establish the District, alter boundaries for inclusion or exclusion of territory, establish budgets including the levy and collection of taxes, authorize the issuance of bonds, specificity regarding liability for fire damage, unlawful burning and elimination of fire hazards. The Sierra Forest Fire Protection District operates as a 473 Fire District.

In regards to the organization of the 473 District, the County Commissioners in the county where the Fire Protection District or portion thereof is located shall constitute the Board of Directors of the District. The Nevada Division of Forestry's State Forester Firewarden administers the operations of the District including the budget, personnel and management of the fire protection activities within the District. The State of Nevada provides administrative support to the District such as accounting, legal, personnel, risk management and other services. The State charges an administrative fee to the District for the cost of that administrative support.

Therefore, the 473 District is a jointly run organization between the County Commissioners acting as the District's policy setting body while the Nevada State Forester Firewarden acts as the chief operations officer for the District. The employees of the District are State employees and follow the same compensation and personnel rules and regulations as other State employees. The equipment is purchased by the District through local taxes levied within the District. All equipment purchased through the District remains District property. All District real property in Washoe County, including fire stations, is owned by the State of Nevada or Volunteer Fire Departments except for the Verdi volunteer station which is housed on land owned by Washoe County.

One of the most important aspects of the 473 District is its ability to request State Emergency Funds for fire emergencies. The State currently pays all overtime for emergency costs due to emergency medical services or fire suppression on State and private land within the District. The State also pays for hand crews and air support on large fires. The federal government share of fire suppression is based upon federal guidelines which pertain equally to local government or State firefighting organizations.

The Sierra Forest Fire Protection District currently operates three professional fire stations and 6 volunteer fire stations in Washoe County. The three professional fire stations are located in Galena, Washoe Valley and Verdi. The Volunteer stations are located in Washoe Valley-Bellevue Station, Cold Springs, Verdi, Galena, Callahan and Peavine.

It is important to note that the daily operational fire service overlap provided between the Sierra Forest Fire Protection District, the Truckee Meadows Fire Protection District and the City of Reno is comprehensive. While the Sierra Forest Fire Protection District may provide more coverage to the TMFPD in Washoe Valley and the City of Reno in Verdi, the City of Reno and TMFPD may provide more coverage to Galena and the SFFPD's volunteer stations. These are not stand alone operations and these fire departments rely heavily upon each other to provide the service to the area in need.

SUMMARY OF ALTERNATIVES FOR SIERRA FOREST FIRE PROTECTION DISTRICT CONSOLIDATION:

A Summary Listing of each alternative for consolidation of the Sierra Forest Fire Protection District and its description is as follows:

Alternative 1: Status Quo Model with the Service Level Impacts of Verdi Annexation.

This Model assumes the SFFPD will retain its current boundaries, service levels and revenue sources unless annexations into the District occur in accordance with the Regional Planning Settlement Agreement between Washoe County, the City of Reno and City of Sparks. Any portion so annexed will then be excluded from the District and fire services and tax revenues will be transferred to the annexing entity. Due to the recent East Verdi annexation, this Model assumes the SFFPD will no longer be providing services to East Verdi as of July 1, 2004. Under this Model, SFFPD will transition out of Verdi Station 5, however, shall add one seasonal fire crew to the Verdi District area to augment services of the Verdi volunteer station.

Alternative 2: Status Quo Model without the Service Level Impacts of Verdi Annexation.

This Model is the same as the previous alternative except SFFPD retains full station staffing to East Verdi, even though it has been annexed into the City of Reno. Therefore, under this Model, SFFPD does not transition out of Verdi Station 5. SFFPD continues to operate all currently staffed volunteer and professional fire stations. It also includes the addition of one seasonal fire crew to the District.

Alternative 3: Wildland Fire Service Contract Model.

The Wildland Fire Service Contract Model anticipates going back to the original intent of the establishment of the SFFPD which was to provide wildland fire protection along the wildland urban interface of the Western Sierras. This Model transfers the emergency medical and structural fire prevention and suppression services to a Local Government Fire Department while retaining the wildland fire suppression, prevention and investigation services with the SFFPD. A similar model has been implemented with local fire departments in Douglas and Storey Counties.

Alternative 4: Conversion from an NRS 473 District to an NRS 474 District Model.

This Model converts the State operated NRS 473 Sierra Forest Fire Protection District into a new locally controlled and operated NRS 474 County Fire Protection District. Under this alternative, the SFFPD shall be dissolved within Washoe County.

Alternative 5: Conversion to an NRS 474 County Fire Protection District with SFFPD Retaining Wildland Fire Service Model.

As in Alternative 4, this Model converts the State operated NRS 473 SFFPD into a new locally controlled and operated NRS 474 County Fire Protection District, however, only for emergency medical and structural fire protection services. Under this Model, the NRS 473 SFFPD would be retained for the purpose of providing wildland fire service.

Alternative 6: Annexation of Sierra Forest Fire Protection District by Truckee Meadows Fire Protection District (TMFPD) Model.

This Model assumes the annexation of the SFFPD by the TMFPD. It would convert the NRS 473 SFFPD into the NRS 474 Truckee Meadows Fire Protection District, an already existing entity. Under this alternative, the SFFPD shall be dissolved within Washoe County.

Alternative 7: Annexation of Sierra Forest Fire Protection District by Truckee Meadows Fire Protection District with SFFPD Retaining Wildland Fire Service Model.

As in Alternative 6, this Model assumes the annexation of SFFPD by the TMFPD, however, only for emergency medical and structural fire protection services. Under this Model, the NRS 473 SFFPD would be retained for the purpose of providing wildland fire service.

Alternative 8: Municipal Service Boundary Model.

This Model attempts to separate the geographical areas of potential wildland fires and structural fires within the current SFFPD. This Model would leave the wildland fire suppression services to the SFFPD, which was the original intent of the District while structural firefighting would be transferred to a local government organization.

Alternative 9: County Fire Department District Model.

The County Fire Department District Model is based upon creating a County Fire Department District in accordance with NRS 244. Under this Model, the County may organize, regulate and maintain a fire department district. Under this alternative, the SFFPD shall be dissolved within Washoe County.

Alternative 10: County Fire Department District with SFFPD Retaining Wildland Fire Service Model. The County Fire Department District Model is based upon creating a County Fire

Department District in accordance with NRS 244 for emergency management and structural fire protection services within the current district boundaries of SFFPD. SFFPD would retain the wildland fire services within the same boundary.

SUMMARY OF FINANCIAL ANALYSIS FOR SIERRA FOREST FIRE PROTECTION DISTRICT CONSOLIDATION ALTERNATIVES:

Using the data from the SFFPD's FY 01 through FY 03 actual revenues and expenditures, FY 03-04 budget, employee contracts, State Personnel System data, data derived from interviews, fire management team meetings, and applying the agreed upon assumptions, information was generated to simulate the financial impacts of each alternative listed above. One of the primary measures used to determine the financial effect of an alternative and whether the alternative is sustainable financially is the calculation of the projected operating surplus or deficit for each alternative for the fiscal years 03-04 and 04-05. An operating surplus is defined as revenues exceeding expenditures, while an operating deficit is defined as expenditures exceeding revenues. Details of the calculations for the operating surplus and deficit are provided for each alternative in the specific alternative segments provided following this Executive Summary.

It is important to note that except for Alternative 2 listed in the Summary of Alternatives in the Executive Summary, all alternatives include an assumption of a service level adjustment in East Verdi due to the annexation by the City of Reno whereby the City of Reno assumes all fire service within its incorporated boundary. Therefore, it is assumed as of July 1, 2004, the SFFPD will no longer be operating East Verdi Station 5. Many of the alternatives show an operating deficit in FY 03-04 and an operating surplus in FY 04-05. This is primarily due to the savings from SFFPD no longer operating the East Verdi Station 5 as of July 1, 2004.

To illustrate the financial impacts by alternative, the following two schedules delineate the operating surplus (deficit) by alternative and the fund balance by alternative as follows:

1) Schedule of Operating Surplus (Deficit) by Alternative:

Alternative #	Alternative	Operating Surplus (Deficit) FY 03-04	Operating Surplus (Deficit) FY 04-05
1	Status Quo with Service Level Impacts of Verdi Annexation	\$ 356,106	\$ 1,402,950
2	Status Quo without Service Level Impacts of Verdi Annexation	\$ 356,106	\$ 672,328
3	Wildland Fire Service Contract	(\$ 1,678,272)	(\$ 579,268)
4	Conversion from an NRS 473 District to an NRS 474 District	(\$ 1,066,087)	\$ 35,494
5	Conversion from an NRS 473 District to an NRS 474 District with SFFPD Retaining Wildland Fire Service	(\$ 1,043,573)	\$ 20,243
6	Annexation of SFFPD by TMFPD	(\$ 708,411)	\$ 281,071
7	Annexation of SFFPD by TMFPD with SFFPD Retaining Wildland Fire Service	(\$ 892,314)	\$ 84,973
8	Municipal Service Boundary	n/a	n/a
9	County Fire Department Model	(\$ 1,066,087)	\$ 35,494
10	County Fire Department Model with SFFPD Retaining Wildland Fire Service	(\$ 1,043,573)	\$ 20,243

2) Schedule of Projected Fund Balance by Alternative:

Alternative #	Alternative	Fund Balance (Deficit) FY 03-04	Fund Balance (Deficit) FY 04-05
1	Status Quo with Service Level Impacts of Verdi Annexation	\$ 2,477,771	\$ 3,880,721
2	Status Quo without Service Level Impacts of Verdi Annexation	\$ 2,477,771	\$ 3,150,099
3	Wildland Fire Service Contract	\$ 443,393	(\$ 135,875)
4	Conversion from an NRS 473 District to an NRS 474 District	\$ 1,055,578	\$ 1,091,072
5	Conversion from an NRS 473 District to an NRS 474 District with SFFPD Retaining Wildland Fire Service	\$ 1,078,092	\$ 1,098,335
6	Annexation of SFFPD by TMFPD	\$ 5,199,665	\$ 5,480,736
7	Annexation of SFFPD by TMFPD with SFFPD Retaining Wildland Fire Service	\$ 5,015,762	\$ 5,668,575
8	Municipal Service Boundary	n/a	n/a
9	County Fire Department Model	\$ 1,055,578	\$ 1,091,072
10	County Fire Department Model with SFFPD Retaining Wildland Fire Service	\$ 1,078,092	\$ 1,098,335

All of the alternatives are feasible under the applied assumptions except for Alternative 3, the Wildland Fire Service Contract Model, and Alternative 8, Municipal Service Boundary Model, which are not financially feasible under the assumptions presented in this study. Alternative 3 provides for SFFPD continuing to provide wildland fire service while a local government fire department provides emergency medical and structural fire suppression services. Under this Alternative, the employees would transfer to the new local government employer which would cause an approximate \$1.4 million increase in employee costs due to the differentiation of salaries and benefits between the entities with no additional ability to pay. This causes an operating deficit in FY 03-04 and FY 04-05 and a fund balance deficit of \$135,875 by FY 04-05.

Alternative 8, the Municipal Service Boundary Model, is not feasible due to the virtual elimination of the District's area of response and assessed valuation.

There are eight other alternatives which appear to be financially feasible. Of these alternatives, only one, Alternative 2, does not include the service level adjustment in East Verdi due to the annexation by the City of Reno. Therefore, under Alternative 2, SFFPD will retain operations of Verdi Station 5.

It is important to note that there are several alternatives, Alternatives 4, 5, 6, 7, 9 and 10 which have operating deficits (expenditures exceed revenues) in FY 03-04 and operating surpluses (revenues exceed expenditures) in FY 04-05. (See Schedule of Operating Surplus (Deficit) by Alternative in the previous pages of this Executive Summary.) This is due to the assumption in these alternatives that SFFPD will no longer retain operations of Verdi Station 5 in FY 04-05 due to the recent annexation by the City of Reno. SFFPD no longer operating Verdi Station 5 provides the savings for these Models to be financially feasible, even with increased costs of employee salaries and benefits. However, without the savings from Verdi Station 5, none of these alternatives would be financially feasible as shown by the operating deficit in FY 03-04 prior to any Verdi Station 5 savings.

Alternatives 1 and 2 are Status Quo Models with the variation of whether Verdi Station 5 operations are retained by the SFFPD, even with the City of Reno annexation. Both alternatives are financially feasible, however, Alternative 1 which assumes Verdi Station 5 would no longer be operated by SFFPD, is far more financially strong and may lead to a fairly significant future property tax rate reduction to the taxpayers of the District, if this option were selected.

Alternative 2 is not as financially strong as Alternative 1, however, it is a viable option which may lead to future moderate property tax rate reduction to the taxpayers of the District, if this option were selected.

The selection of the appropriate fire service alternative will be based upon several policy and financial decisions. For assistance with this decision, a matrix of policy and financial impacts by alternative is presented on the following page.

SUMMARY OF POLICY AND FINANCIAL IMPACTS BY ALTERNATIVE

#	Alternative	Financial Viability	Retains State's Emerg. Funds	Retains Wildland Fire Svc w/SFFPD	SFFPD Transitions Out of Verdi Station 5	Increased Local Control	Legislation Required	Includes Employee Raises
1	Status Quo with Service Level Impacts of Verdi Annexation	YES	YES	YES	YES	NO	NO	NO
2	Status Quo without Service Level Impacts of Verdi Annexation	YES	YES	YES	NO	NO	NO	NO
3	Wildland Fire Service Contract	NO	YES	YES	YES	YES	NO	YES
4	Conversion from an NRS 473 District to an NRS 474 District	YES	NO	NO	YES	YES	YES	YES
5	Conversion from an NRS 473 District to an NRS 474 District with SFFPD Retaining Wildland Fire Service	YES	YES	YES	YES	YES	YES	YES
6	Annexation of SFFPD by TMFPD	YES	NO	NO	YES	YES	YES	YES
7	Annexation of SFFPD by TMFPD with SFFPD Retaining Wildland Fire Service	YES	YES	YES	YES	YES	YES	YES
8	Municipal Service Boundary	NO	NO	NO	YES	NO	YES	NO
9	County Fire Department Model	YES	NO	NO	YES	YES	YES	YES
10	County Fire Department Model with SFFPD Retaining Wildland Fire Service	YES	YES	YES	YES	YES	YES	YES

Conclusion:

The selection of the appropriate fire service alternative will be based upon several policy decisions by the Sierra Forest Fire Board of Fire Commissioners. However, it is recommended that whatever option is decided upon, the best options are the ones which include the financially viable options with the SFFPD retaining the wildland fire service due to access to the State's Emergency Funds. This includes Alternatives 1, 2, 5, 7 and 10.

Alternatives 1 and 2 are the status quo options. Alternative 5, Conversion from an NRS 473 District to an NRS 474 District with SFFPD Retaining Wildand Fire Service is financially a viable option as well as Alternative 7, Annexation of SFFPD by TMFPD with SFFPD Retaining Wildland Fire Service and Alternative 10 County Fire Department Model with SFFPD Retaining Wildand Fire Service. All three alternatives eliminate the high-risk wildland fire service, while emergency medical and structural fire service are locally controlled and operated. In addition, the three alternatives provide the current SFFPD employees with varying degrees of wage increases.

Recommendations:

Enhancements to the operations and administration of the Sierra Forest Fire Protection District are recommended as follows:

- 1) The Sierra Forest Fire Protection District boundaries be adjusted to exclude those properties annexed by the City of Reno. *- Done*
- 2) The Sierra Forest Fire Protection District Board of Fire Commissioners direct staff to explore the option of the City of Reno providing service to the remaining SFFPD portion of West Verdi.
- 3) The Sierra Forest Fire Protection District Board of Fire Commissioners direct staff to review levels of service provided throughout the entire District, including those services provided by and to the City of Reno and Truckee Meadows Fire Protection District to determine whether there are more appropriate alternative levels of service.
- 4) The Sierra Forest Fire Protection District provide for annual audits in conformance with NRS 354, the Local Government Budget and Finance Act. This has been agreed to and is in the FY 03-04 SFFPD final budget.
- 5) A provision to provide additional local government financial management support to the Sierra Forest Fire Protection District to insure compliance with NRS 354. This would include the compilation of the local government budget (while NDF provides compilation of the State budget), preparation of budget augmentations and revisions for Board approval, preparation of five year capital improvement program, preparation of indebtedness report, quarterly economic reports and debt management policy, and preparation of fixed asset inventory list as is required by NRS 354.

6) Direct Sierra Forest Fire Protection District staff to continue working with federal agencies regarding the possibility of constructing and operating joint fire stations.

In conclusion, the Study of Consolidation Alternatives for the Sierra Forest Fire Protection District has been a cooperative effort between all the entities involved and Walker & Associates. Walker & Associates would like to thank all the county, fire departments and State staff who assisted in this tremendous undertaking. Without their expertise, guidance and effort, this report could not have been completed.

Walker & Associates sincerely appreciates the opportunity to be of service to the Board of Fire Commissioners and the community. We hope that the information presented herein provides you with the information needed to make informed decisions regarding future fire service in the Sierra Forest Fire Protection District. If you have any questions or comments, please do not hesitate to contact me at any time.

Sincerely,

A handwritten signature in cursive ink that reads "Mary C. Walker".

Mary C. Walker, CPA
President, Walker & Associates

**ALTERNATIVE 1:
SIERRA FOREST FIRE PROTECTION DISTRICT
STATUS QUO MODEL
WITH THE SERVICE LEVEL IMPACTS OF VERDI ANNEXATION**

1) Background.

The Sierra Forest Fire Protection District (SFFPD) was established according to NRS 473 to provide a mechanism whereby federal aid could be procured for fire services within a defined District boundary. The District's boundary includes the Western Region of Nevada along the Sierra Front in Washoe County, Carson City and Douglas County.

NRS 473 allows for procedures to establish the District, alter boundaries for inclusion or exclusion of territory, establish budgets including the levy and collection of taxes, authorize the issuance of bonds, specificity regarding liability for fire damage, unlawful burning and elimination of fire hazards. The Sierra Forest Fire Protection District operates as a 473 Fire District.

In regards to the organization of the 473 District, the County Commissioners in the county where the Fire Protection District or portion thereof is located shall constitute the Board of Directors of the District. The Nevada Division of Forestry's State Forester Firewarden administers the operations of the District including the budget, personnel and management of the fire protection activities within the District. The State of Nevada provides administrative support to the District such as accounting, legal, personnel, risk management and other services. The State charges an administrative fee to the District for the cost of that administrative support.

Therefore, the 473 District is a jointly run organization between the County Commissioners acting as the District's policy setting body while the Nevada State Forester Firewarden acts as the chief operations officer for the District. The employees of the District are State employees and follow the same compensation and personnel rules and regulations as other State employees. The equipment is purchased by the District through local taxes levied within the District. All equipment purchased through the District remains District property. All District real property in Washoe County, including fire stations, is owned by the State of Nevada or Volunteer Fire Departments except for the Verdi volunteer station which is housed on land owned by Washoe County.

One of the most important aspects of the 473 District is its ability to request State Emergency Funds for fire emergencies. The State currently pays all overtime for emergency costs due to emergency medical services or fire suppression on State and private land within the District. The State also pays for hand crews and air support on large fires. The federal government share of fire suppression is based upon federal guidelines which pertain equally to local government or State firefighting organizations.

2) Status Quo Model With Service Level Impacts of Verdi Annexation Assumptions.

This Model assumes the Sierra Forest Fire Protection District (SFFPD) will retain its current boundaries, service levels and revenue sources unless annexations into the District occurs in accordance with the Regional Planning Settlement Agreement of November, 2002 between Washoe County, the City of Reno and the City of Sparks. Since the City of Sparks is not contiguous with the District, the City of Sparks annexations cannot occur into the District. The City of Reno is contiguous to the District, therefore, annexations can occur into the District by the City of Reno.

When the City of Reno annexes into the SFFPD, the State Forester Firewarden shall follow the procedures outlined in NRS 473.0355 as follows:

NRS 473.0355 Alteration of boundaries by exclusion of territory: Procedure.

1. Territory may be excluded from any fire protection District organized under this chapter in the manner provided in subsections 2, 3 and 4.

2. Should any portion of the territory included in a fire protection District be:

(a) Annexed to an incorporated city or lands adjacent to an incorporated city be zoned for residential, small estates or commercial use pursuant to law, the State Forester Firewarden may declare the portion so annexed or zoned to be excluded from the District, and he shall change the District boundary to conform to the annexation or zoning.

Even though NRS 473.0355 2 (a) is permissive language stating the Firewarden "may" exclude the newly annexed property from the District, the practical application of an annexation requires the property to be excluded from the District. For example, if the State Forester Firewarden determined not to exclude the newly annexed portion of the District and to retain the services, it is questionable whether the District could retain the District tax rate within the newly annexed portion. The City of Reno's combined tax rate for fiscal year 02-03 is \$3.5799 per \$100 of assessed valuation. Combined with the SFFPD's tax rate of .42 per \$100 of assessed valuation, the combined tax rate for the newly annexed area would be \$3.9999 per \$100 of assessed valuation which is over the legal tax cap of \$3.64 and is not allowed by law. Therefore, this scenario would bring the City of Reno and Washoe County tax rate above the \$3.64 tax cap and take away any future tax rate available to either entity. In addition, if the State Forester retains the newly annexed area within the District boundaries, it would create double taxation within the newly annexed area since the property owners would be paying property taxes to both the City of Reno and the District for fire services.

If the State Forester Firewarden declares the portion so annexed to be excluded from the District, then the property tax rate levied within that newly annexed area will be decreased by the District's property tax levy and increased by the City of Reno's levy. This would eliminate the double taxation effect mentioned above if the annexed portion remained in the District. Therefore, the District will lose the property tax revenues from that area and will not be able to continue to provide service there since the service and property tax revenues would be transferred to the City of Reno.

Because of the service provider, double taxation and revenue issues, the Washoe County District Attorney's office has determined any annexed area would be outside the boundaries of the District. Therefore, it will be assumed in the course of this study that the Sierra Forest Fire Protection District shall declare when annexation occurs that the portion so annexed will be excluded from the District and that fire services and tax revenues will be transferred to the City of Reno.

3) Service Level Assumptions of Status Quo Model with the Service Level Impact of Verdi Annexation.

The service level assumptions under the Status Quo Model are as follows:

- 1) District will provide both structural and wildland fire service within the boundaries of the District.
- 2) Except for the Verdi Station 5, SFFPD will continue current staffing levels including the staffing of 12 professional full-time personnel at the Washoe Valley and Galena stations.
- 3) SFFPD will transition out of Verdi Station 5 by July 1, 2004 due to the recent annexation of East Verdi into the City of Reno. Any elimination of positions shall be through attrition. SFFPD shall add one seasonal fire crew to Verdi beginning Spring of 2004.
- 4) District owned rolling stock and equipment used previously at Station 5 shall be retained by District for use in other District fire stations.
- 5) There shall be no consolidation of fire stations. In Washoe Valley, consolidation of fire stations was carefully considered, however, because of the need for multiple responder stations due to the lack of emergency access to the new highway 395 through Washoe Valley, fire station consolidation is in Washoe Valley is not recommended.
- 6) Administrative positions shall be retained by the District as outlined in the District's FY 03-04 budget including the sharing of two positions with other counties.

4) Advantages and Disadvantages of Status Quo with Service Level Impact of Verdi Annexation Model.

The primary advantages of this Model are as follows:

- 1) Retainage of State Emergency Funds. The greatest advantage of the Status Quo Model is retaining access to State Emergency Funds for wildland fire suppression. Currently, when emergencies occur, the State pays all overtime, air support and hand crew costs which can amount to several hundreds of thousands of dollars or more per incident.
- 2) Lower Employee Cost. Currently, SFFPD salaries and benefits are significantly lower than local fire department salaries and benefits. The status quo option retains that lower cost.

The primary disadvantages of this Model are as follows:

- 1) Administrative Inefficiency. Due to the current administrative structure of the SFFPD, there are two administrative processes SFFPD must follow. First, since the SFFPD is administered by the State, the District must follow all State processes. Secondly, since the Washoe County Board of Fire Commissioners is the policy setting body, the District must also follow many of the local government processes required, including the submittal of a budget in accordance with NRS 354, the local government budget act.

2) Lack of Separate Annual Audit. Because the SFFPD is a State agency, it is not required to be separately audited from the State. In addition, in comparison to other State funds, the SFFPD is a small fund which lacks audit materiality.

5) Financial Impact of Status Quo Model with Service Level Impacts of Verdi Annexation.

The financial impact of this Model is shown on the following page with projections through FY 04-05. It is important to note the Status Quo Model with Effects of Verdi Annexation is not stagnant. Due to annexations by the City of Reno, the District boundaries, service levels, and tax collections change. Therefore, under this Model, it is assumed SFFPD will no longer operate Verdi Station 5 as of July 1, 2004.

In order to provide fire services to those remaining District areas in Verdi, it is assumed the SFFPD will enter into a contract to provide services to the remaining District properties in Verdi. In exchange, the District shall pay the equivalent of the amount of taxes generated by the remaining Verdi properties within the District. For FY 04-05, the estimated cost of the contract for services is \$293,260.

Fund Balance. It should be noted in the financial analysis that in nearly every year from FY 00 to FY 05, the total fund balance has grown considerably. The total fund balance grew from \$1,410,490 in FY 00 to a projected \$3,880,721 in FY 05. As a percentage of total expenditures, the fund balance has increased from 49% of total expenditures in FY 00 to 100% of total expenditures in FY 05. The Nevada Division of Forestry has a policy to require a fund balance of 12.5% of expenditures due to delay of revenues received to support the SFFPD. However, since the actual fund balances are considerably over the policy of retaining a fund balance equal to 12.5% of expenditures, there are several options to avoid the accumulation of excess funds in the future. These options and recommendations are discussed further in the Executive Summary.

It is projected that an operating surplus would occur (revenues in excess of expenditures) in FY 03-04 and FY 04-05 as follows:

Calculation of Operating Surplus under Status Quo Model with Service Level Impacts of Verdi Annexation:

	FY 03-04	FY 04-05
Total Revenues	\$ 4,998,191	\$ 5,275,657
Less: Total Expenditures- All Entities	<u>4,642,085</u>	<u>3,872,707</u>
Operating Surplus – Revenues in Excess of Expenditures	\$ 356,106	\$ 1,402,950

SIERRA FOREST FIRE PROTECTION DISTRICT
FINANCIAL IMPACT OF STATUS QUO WITH SERVICE LEVEL IMPACTS VERDI ANNEXATION

	FY 00 Actual	FY 01 Actual	FY 02 Actual	FY 03 Estimate	FY 04 Estimate	FY 05 Estimate
Revenues:						
Ad Valorem	1,887,858	2,409,210	2,671,406	2,829,554	3,381,545	3,618,253
Ad Valorem-AB 104	29,944	32,189	36,086	40,824	47,480	50,609
CTX	1,027,970	1,073,354	1,099,379	1,152,711	1,166,037	1,200,284
AB 104:						
Gaming Fees	8,821	8,871	13,982	14,996	12,296	11,066
RPTT	7,740	8,261	10,222	12,078	13,864	14,558
Government Services Tax	83,581	92,218	83,649	75,833	56,149	29,197
SCCRT	156,243	167,830	184,400	202,511	225,818	230,334
Fire Reimbursements	47,742	40,384	23,503	40,000	94,602	120,856
Other Reimbursements	16,015	-	-	-	-	-
Excess Property Sales	-	-	19,850	-	-	-
Interest	931	796	1,109	400	400	500
Total Revenues	3,266,844	3,833,113	4,143,587	4,368,907	4,998,191	5,275,657
Beginning Fund Bal-State	742,797	1,158,003	1,673,822	2,328,528	1,573,533	1,929,639
Beginning Fund Bal-County	267,392	252,487	435,611	544,473	548,132	548,132
Total Fund Balance	1,010,189	1,410,490	2,109,433	2,873,001	2,121,665	2,477,771
Total Resources	4,277,033	5,243,603	6,253,020	7,241,908	7,119,856	7,753,428
Expenditures:						
Salaries and Wages	1,646,998	1,840,590	2,148,851	2,610,739	2,615,921	2,083,044
Benefits	568,518	625,036	674,414	812,228	1,055,855	777,273
Services and Supplies	229,326	289,286	285,056	383,923	510,007	600,390
Capital Outlay	81,531	174,524	55,336	1,131,630	250,000	250,000
Medium Term Financing	158,383	39,511	-	-	-	-
Administrative Assessments:						
Statewide Cost Rec Plan	12,487	12,324	14,804	12,000	23,093	18,000
Personnel Assessment	-	11,265	18,040	19,917	20,749	15,750
Payroll Assessment	-	2,629	9,858	5,299	7,410	6,000
Attorney General Cost Rec	7,375	-	10,287	10,622	11,143	9,000
Purchasing Assessment	7,856	6,462	4,753	3,200	1,796	2,250
Dept. of Technology	3,372	3,286	5,565	4,132	12,523	9,750
Uniform Voucher System	-	-	26,502	-	-	-
Admin Fund Transfer	150,697	129,257	126,553	126,553	133,588	101,250
Total Admin Assessments	181,787	165,223	216,362	181,723	210,302	162,000
Total Expenditures	2,866,543	3,134,170	3,380,019	5,120,243	4,642,085	3,872,707
Ending Fund Balance-State	1,158,003	1,673,822	2,328,528	1,573,533	1,929,639	3,332,589
Ending Fund Balance-County	252,487	435,611	544,473	548,132	548,132	548,132
Total Ending Fund Balance	1,410,490	2,109,433	2,873,001	2,121,665	2,477,771	3,880,721
Total Commitments/Fund Balance	4,277,033	5,243,603	6,253,020	7,241,908	7,119,856	7,753,428

**ALTERNATIVE 2:
SIERRA FOREST FIRE PROTECTION DISTRICT
STATUS QUO MODEL
WITHOUT THE SERVICE LEVEL IMPACT OF VERDI ANNEXATION**

1) Status Quo Model Without the Service Level Impact of Verdi Annexation Assumptions.

This Status Quo Model Without the Service Level Impact of Verdi Annexation is the same as the previous Status Quo Model, however, this Model retains SFFPD providing full station staffing to East Verdi, even though it has been annexed into the City of Reno.

2) Service Level Assumptions of Status Quo Model Without the Service Level Impact of Verdi Annexation.

The service level assumptions under the Status Quo Model are as follows:

- 1) District will provide both structural and wildland fire service within the boundaries of the District.
- 2) SFFPD will continue its current staffing with no changes including the 12 professional full-time personnel at the Verdi, Washoe Valley and Galena stations. SFFPD shall add one seasonal fire crew to the District beginning the Spring of 2004.
- 3) There shall be no consolidation of fire stations. In Washoe Valley, consolidation of fire stations was carefully considered, however, because of the need for multiple responder stations due to the lack of emergency access to the new highway 395 through Washoe Valley, fire station consolidation is not recommended.
- 4) Administrative positions shall be retained by the District as outlined in the District's FY 03-04 budget including the sharing of two positions with other counties.

3) Advantages and Disadvantages of Status Quo Model.

The primary advantages of the Status Quo Model are as follows:

- 1) Retainage of State Emergency Funds. The greatest advantage of the Status Quo Model is retaining access to State Emergency Funds for wildland fire suppression. Currently, when emergencies occur, the State pays all overtime, air support and hand crew costs which can amount to several hundreds of thousands of dollars or more per incident.
- 2) Lower Employee Cost. Currently, SFFPD salaries and benefits are significantly lower than local fire department salaries and benefits. The status quo option retains that lower cost.

The primary disadvantages of the Status Quo Model are as follows:

- 1) Administrative Inefficiency. Due to the current administrative structure of the SFFPD, there are two administrative processes SFFPD must follow. First, since the SFFPD is administered by the State, the District must follow all State processes. Secondly, since the Washoe County Board of Fire Commissioners is the policy setting body, the District must also follow many of the local government processes required, including the submittal of a budget in accordance with NRS 354, the local government budget act.

2) Lack of Separate Annual Audit. Because the SFFPD is a State agency, it is not required to be separately audited from the State. In addition, in comparison to other State funds, the SFFPD is a small fund which lacks audit materiality.

5) Financial Impact of Status Quo Model without Service Level Impacts of Verdi Annexation.

The financial impact of this Model is shown on the following page with projections through FY 04-05. It is assumed that even with the annexation of East Verdi by the City of Reno, SFFPD would continue to provide the same service as is currently being provided in Verdi. This includes the continued operation of Verdi Station 5 which is manned by 12 personnel.

Fund Balance. It should be noted in the financial analysis that in nearly every year from FY 00 to FY 05, the total fund balance has grown considerably. The total fund balance grew from \$1,410,490 in FY 00 to a projected \$3,150,099 in FY 05. As a percentage of total expenditures, the fund balance has increased from 49% of total expenditures in FY 00 to 68% of total expenditures in FY 05. The Nevada Division of Forestry has a policy to require a fund balance of 12.5% of expenditures due to delay of revenues received to support the SFFPD. However, since the actual fund balances are considerably over the policy of retaining a fund balance equal to 12.5% of expenditures, there are several options to avoid the accumulation of excess funds in the future. These options and recommendations are discussed further in the Executive Summary.

It is projected that an operating surplus would occur (revenues in excess of expenditures) in FY 03-04 and FY 04-05 as follows:

Calculation of Operating Surplus under Status Quo Model without Service Level Impacts of Verdi Annexation:

	FY 03-04	FY 04-05
Total Revenues	\$ 4,998,191	\$ 5,275,657
Less: Total Expenditures- All Entities	<u>4,642,085</u>	<u>4,603,329</u>
Operating Surplus – Revenues in Excess of Expenditures	\$ 356,106	\$ 672,328

**SIERRA FOREST FIRE PROTECTION DISTRICT
FINANCIAL IMPACT OF STATUS QUO MODEL
WITHOUT THE SERVICE LEVEL IMPACT OF VERDI ANNEXATION**

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
	Actual	Actual	Actual	Estimate	Estimate	Estimate
Revenues:						
Ad Valorem	1,887,858	2,409,210	2,671,406	2,829,554	3,381,545	3,618,253
Ad Valorem-AB 104	29,944	32,189	36,086	40,824	47,480	50,609
CTX	1,027,970	1,073,354	1,099,379	1,152,711	1,166,037	1,200,284
AB 104:						
Gaming Fees	8,821	8,871	13,982	14,996	12,296	11,066
RPTT	7,740	8,261	10,222	12,078	13,864	14,558
Government Services Tax	83,581	92,218	83,649	75,833	56,149	29,197
SCCRT	156,243	167,830	184,400	202,511	225,818	230,334
Fire Reimbursements	47,742	40,384	23,503	40,000	94,602	120,856
Other Reimbursements	16,015	-	-	-	-	-
Excess Property Sales	-	-	19,850	-	-	-
Interest	931	796	1,109	400	400	500
Total Revenues	3,266,844	3,833,113	4,143,587	4,368,907	4,998,191	5,275,657
Beginning Fund Bal-State	742,797	1,158,003	1,673,822	2,328,528	1,573,533	1,929,639
Beginning Fund Bal-County	267,392	252,487	435,611	544,473	548,132	548,132
Total Fund Balance	1,010,189	1,410,490	2,109,433	2,873,001	2,121,665	2,477,771
Total Resources	<u>4,277,033</u>	<u>5,243,603</u>	<u>6,253,020</u>	<u>7,241,908</u>	<u>7,119,856</u>	<u>7,753,428</u>
Expenditures:						
Salaries and Wages	1,646,998	1,840,590	2,148,851	2,610,739	2,615,921	2,709,260
Benefits	568,518	625,036	674,414	812,228	1,055,855	1,018,562
Services and Supplies	229,326	289,286	285,056	383,923	510,007	409,507
Capital Outlay	81,531	174,524	55,336	1,131,630	250,000	250,000
Medium Term Financing	158,383	39,511	-	-	-	-
Administrative Assessments:						
Statewide Cost Rec Plan	12,487	12,324	14,804	12,000	23,093	24,000
Personnel Assessment	-	11,265	18,040	19,917	20,749	21,000
Payroll Assessment	-	2,629	9,858	5,299	7,410	8,000
Attorney General Cost Rec	7,375	-	10,287	10,622	11,143	12,000
Purchasing Assessment	7,856	6,462	4,753	3,200	1,796	3,000
Dept. of Technology	3,372	3,286	5,565	4,132	12,523	13,000
Uniform Voucher System	-	-	26,502	-	-	-
Admin Fund Transfer	<u>150,697</u>	<u>129,257</u>	<u>126,553</u>	<u>126,553</u>	<u>133,588</u>	<u>135,000</u>
Total Admin Assessments	<u>181,787</u>	<u>165,223</u>	<u>216,362</u>	<u>181,723</u>	<u>210,302</u>	<u>216,000</u>
Total Expenditures	<u>2,866,543</u>	<u>3,134,170</u>	<u>3,380,019</u>	<u>5,120,243</u>	<u>4,642,085</u>	<u>4,603,329</u>
Ending Fund Balance-State	1,158,003	1,673,822	2,328,528	1,573,533	1,929,639	2,601,967
Ending Fund Balance-County	<u>252,487</u>	<u>435,611</u>	<u>544,473</u>	<u>548,132</u>	<u>548,132</u>	<u>548,132</u>
Total Ending Fund Balance	1,410,490	2,109,433	2,873,001	2,121,665	2,477,771	3,150,099
Total Commitments/Fund Balance	<u>4,277,033</u>	<u>5,243,603</u>	<u>6,253,020</u>	<u>7,241,908</u>	<u>7,119,856</u>	<u>7,753,428</u>

**ALTERNATIVE 3:
SIERRA FOREST FIRE PROTECTION DISTRICT
WILDLAND FIRE SERVICE CONTRACT MODEL**

1) Definition of Wildland Fire Service Contract Model.

This Model anticipates going back to the original intent of the establishment of the Sierra Forest Fire Protection District which was to provide wildland fire protection along the wildland urban interface of the Western Sierras. Since the District's establishment, the area within the District's boundaries became more populated and urbanized requiring a greater level of service than originally intended. To meet this demand, the District's level of service evolved into wildland fire, emergency medical and structural fire suppression services.

The Wildland Fire Service Contract Model transfers the emergency medical and structural fire prevention and suppression services to a Local Government Fire Department while retaining the wildland fire suppression, prevention and investigation services with the Sierra Forest Fire Protection District through a contract between the parties. A similar model has been implemented with local fire departments in Douglas County and Storey County.

This Model is based upon services within the boundaries of the Sierra Forest Fire Protection District. As annexations occur by the City of Reno into the District, the District boundaries will be adjusted to exclude the newly annexed areas. Therefore, adjustments to the Wildland Fire Service Contract Model levels of service, expenditures and revenues will be made to reflect the new boundaries.

The Wildland Fire Service Model funding mechanism is, in general, based upon the current Interlocal Agreement Between the City of Reno and the Truckee Meadows Fire Protection District for the structural fire suppression component of the service.

2) Assumptions of Wildland Fire Service Contract Model.

a) Wildland Fire Service to be provided by the Sierra Forest Fire Protection District.

As proposed by the Nevada State Division of Forestry (NDF), the Wildland Fire Service model would provide the following administration and service levels:

If the Division of Forestry is directed to provide wildland fire protection only for the Sierra Forest Fire Protection District in Washoe County, the following is a draft proposal and budget for those services. This draft will be subject to modification based on the needs and desires of the Division of Forestry and the Board of Fire Commissioners of the Sierra Forest Fire Protection District.

1) Administration.

The wildland fire protection program for the Western Region of the Division of Forestry will continue to be managed by the Regional Fire Management Officer. Funding for this position will be shared between the counties within the Sierra Forest Fire Protection District and the Storey County Fire Protection District on an equal basis.

2) Shared Positions.

In the delivery of the wildland fire protection program, the Division proposed using several positions that would be funded by equal shares by the counties in the District. These positions include one Fire Management Officer, two Battalion Chiefs, two full time Fire Captains and a Fire Prevention Captain that will provide supervision of seasonals and delivery of fire prevention and fuels management programs.

3) Washoe County Positions.

Positions funded entirely by Washoe County will include 15 seasonal firefighters that will be employed for six months each year. The seasonal firefighters will staff three brush trucks 7 days per week with staffing of three people per engine.

4) Volunteers.

In the past, the Nevada Division of Forestry has funded Volunteer Fire Department (VFD) operations with a combination of Fire District and State funds. Since operations of the VFD will be transferred to the Local Government Fire Department under this Model, funding is included in the Local Government Fire Department proposed budget to support VFD operations.

5) Station Locations.

The Division will staff three stations in Washoe County for wildland fire service. The first will be the current NDF Station #9 which is at the entrance to St. James Village on Joy Lake road. The second station will be the current VFD Station in Verdi and the third would be in the Cold Springs or Peavine area. The Division's recommendation for the third station would be to provide some funding to expand one of the VFD stations and allow the seasonals to share the use of the station. The budget does not include the costs associated with the operation and maintenance of three stations since this responsibility will be transferred to the Local Government Fire Department under this Model. The Division of Forestry is exploring the possibility of sharing stations with the United States Forest Service in the future. If these plans move forward, joint fire stations may be implemented.

6) Fire Apparatus.

The current Washoe County asset list contains three Type III brush trucks that would be retained for use by the NDF seasonal program. In addition, the budget contains a reserve fund for major vehicle repairs or acquisition of vehicles or facilities. Future vehicle needs would be reflected in the annual budgets and long-term capital plans.

7) Dozer Operations.

Historically, the Division of Forestry has relied on off duty firefighters to staff and operate dozers used on wildland fires. The dozers have been purchased and maintained by the State, not the counties. With the reduction in full-time NDF fire staff, the Division will not be able to operate as many dozers in the future. The Division will continue to fund the operation of dozers but will work to enter into agreements with all four counties for the use of operators. The Division would reimburse the counties for the salary cost of operators when they were working on wildland fires in the District.

8) Aircraft and Crew Resources.

The Division will continue to provide aircraft and hand crew resources to assist with the fire protection in the District at the State's costs. In addition the State will continue to be responsible for the cost of wildland fire suppression on non-federal lands within the Sierra Forest Fire Protection District.

9) State Assessments and Reserve

The assessments in the budget are shown as an estimate. The reserve in the State budget was set at 12.5% of salaries and operating costs and this reserve requirement will remain in the proposed budget.

b) Structural Fire Suppression to be Provided by a Local Government Fire Department.

1) Levels of Service:

a) Levels of service include staffing of 12 professional full-time personnel at the Galena and Washoe Valley Stations. It is assumed SFFPD will not be operating Verdi Station 5 as of July 1, 2004 due to City of Reno annexations.

b) Volunteers and volunteer stations shall be managed by the Local Government Fire Department. Volunteer stations include: Washoe Valley Bellevue Station, Cold Springs, Verdi, Galena, Callahan and Peavine Stations.

c) There shall be no consolidation of fire stations. In Washoe Valley, consolidation of fire stations was carefully considered, however, because of the need for multiple responder stations due to the lack of emergency access to the new highway 395 through Washoe Valley, fire station consolidation is not recommended.

2) Employees:

All current permanent positions, except for two Fire Captain/Training positions shall be transferred from the SFFPD to the new consolidated entity under the new consolidated entity's employee contracts. It is assumed twelve positions would be eliminated due to the assumption the SFFPD will not be operating Verdi Station 5 as of July 1, 2004. Any elimination of positions shall be done through attrition. One and one-half administrative positions will be added for support services.

3) Administrative Services:

The Local Government providing contractual services for structure fire suppression would provide administrative services to the consolidated fire department and would recoup its costs through an indirect cost allocation.

4) Real Property, Equipment and Rolling Stock:

a) The SFFPD stations are owned either by the State or Volunteer Fire Departments except for the Verdi VFD Station 51 land which is owned by Washoe County. This Model assumes the SFFPD real property ownership shall not change. Insurance shall be provided by the parties owning the property. The Local Government Fire Department would have to enter into agreements with the State and Volunteer Fire Departments in order to use the stations for fire suppression services.

b) Real property, equipment and rolling stock ownership shall be retained by the party who purchased the property. However, equipment needed for the support of wildland fire suppression shall be retained for use by the SFFPD while the equipment needed for structural suppression shall be transferred for its use to the Local Government Fire Department. Equipment and rolling stock shall be used at the same station as SFFPD currently uses them unless agreed to by the parties. Insurance shall be provided by the parties owning the property. Verdi Station 5 equipment and rolling stock shall be transferred to other SFFPD stations once the SFFPD is no longer operating the station.

c) Maintenance of real property shall be performed by the Local Government Fire Department. For example, even though the SFFPD Bowers Station 10 ownership shall be retained by the State, the local government contractor shall provide for the maintenance of the station. Maintenance of equipment and rolling stock shall be performed by the entity using the equipment. Equipment retained by the SFFPD for wildland fire suppression shall be maintained by the SFFPD.

d) New capital expenditures including major building renovation, replacement or purchase of equipment and rolling stock (excluding maintenance and repair) shall be paid by each entity retaining ownership in the property.

5) Dispatch Services.

In the Washoe County area, all initial dispatching including the Volunteer Fire Departments will be done through the Regional Communications Center with the exception that SFFPD seasonal personnel will be dispatched by NDF.

6) Annexations.

When the City of Reno annexes into the Sierra Forest Fire Protection District, the City of Reno will assume all fire service within its incorporated boundaries. The SFFPD's boundaries will be adjusted to exclude the newly annexed areas. The SFFPD property tax revenues will be decreased by the amount of property excluded from the District. SFFPD consolidated tax and AB 104 revenues shall be adjusted to reflect the exclusion of the assessed value of the area annexed. The City of Reno's corresponding property tax, consolidated tax and AB 104 tax revenues shall be increased in order to reflect the annexed portion's assessed value transferred to the City of Reno. Correspondingly, adjustments shall be made to the District expenditures reflecting the lower level of cost of service in accordance with 7 (d) below.

7) Finances.

a) The District shall pay annually to the Local Government Fire Department its percentage proportionate share of the Base Consolidated Budget as determined upon the first year of operation or its proportionate share of assessed value of the area of service, whichever is higher.

b) Adjustments shall be made to the percentage proportionate share of the Base Consolidated Budget for new fire stations. Future projected budgets are subject to governing body and NDF approval.

c) District contingency accounts shall be retained by the District, but upon approval of the District may be made available to the Local Government Fire Department for District services.

d) The revenue effects of annexations on each entity's revenues shall be in accordance with section 6 noted above. Correspondingly, adjustments shall be made to the percentage proportionate share of the Base Consolidated Budget for annexations to reflect the decreased cost of service in the amount of tax revenue lost to the District.

3) Advantages and Disadvantages of Wildland Fire Service Model.

The primary advantages of the Wildland Fire Service Model are as follows:

1) Retainage of State Emergency Funds. The greatest advantage of the Wildland Fire Service Model is retaining access to State Emergency Funds for wildland fire suppression. Currently, when emergencies occur, the State pays all overtime, air support and hand crew costs which can amount to several hundreds of thousands of dollars or more per incident.

2) Increased Local Accountability. Under the Wildland Fire Service Model, the operation and policy setting for structural fire suppression services would be performed at a local level. The Wildland Fire Suppression services would continue to be performed by the SFFPD using the current bifurcated State-local system.

3) Decreased State Administrative Charges. The Wildland Fire Service Model would significantly decrease the amount of State administrative charges to SFFPD since many charges are based upon number of employees which for the most part would be transferred to the local government contractor.

The primary disadvantages of the Wildland Fire Service Model are as follows:

1) Ownership of Fire Stations. Since the SFFPD does not own the fire stations within Washoe County, the Local Government Fire Department would either have to build its own stations or contract with the State of Nevada and volunteer fire departments for use of their fire stations within the District.

2) Increased Cost of Employee Salaries and Benefits. Currently, there exists a significant difference between SFFPD salaries and local fire department salaries in Washoe County. If the conversion were to occur, the SFFPD employees will see a significant increase in their wages and benefits which will increase the cost of fire protection in Washoe County. This may lead to future property tax increases to cover the additional expenditures in the future.

3) Employee Contract Reopener. Depending upon the Local Government providing the structural fire service, any consolidation through contract would require the opening of the existing fire department employee contract in accordance with provisions in the employee contracts. This could add additional costs to the Wildland Fire Service Contract Model.

4) Financial Impact of Wildland Fire Service Contract Model.

The financial impact of the Wildland Fire Service Contract Model is shown on the following pages with projections through FY 04-05. The Model assumes Verdi Station 5 is no longer operated by the Sierra Forest Fire Protection District as of July 1, 2004. Therefore, the total combined expenditures of all entities drop significantly between FY 03-04 in the amount of \$6,676,463 to \$5,854,925 in FY 04-05.

Even with the drop in expenses, there remains an operating deficit (expenditures projected are in excess of revenues projected) for both FY 03-04 and FY 04-05 as follows:

Calculation of Operating Deficit under Wildland Fire Service Contract Model:

	FY 03-04	FY 04-05
Total Revenues	\$ 4,998,191	\$ 5,275,657
Less: Total Expenditures- All Entities	<u>6,676,463</u>	<u>5,854,925</u>
Operating (Deficit)-Expenditures in Excess of Revenues	(\$1,678,272)	(\$ 579,268)

While the operating deficit is considerably less in FY 04-05 due to the closure of the District's former Verdi Station, there is still an operating deficit which under the Model's assumptions, makes the Wildland Fire Service Contract Model not financially feasible at this time.

The main reason why the Wildland Fire Service Contract Model is not financially feasible is due to the financial impact of District personnel converting to a local government fire department salary and benefit package rather than the District's current salary and benefit package. It is estimated the increased cost would be in the amount of an additional \$1.4 million per year.

The financial impact of the Wildland Fire Service Contract Model is shown on the following page.

SIERRA FOREST FIRE PROTECTION DISTRICT
FISCAL IMPACT OF WILDLAND FIRE MODEL

	FY 03-04	FY 04-05
	Estimate	Estimate
Revenues:		
Ad Valorem	3,381,545	3,618,253
Ad Valorem-AB 104	47,480	50,609
CTX	1,166,037	1,200,284
AB 104:		
Gaming Fees	12,296	11,066
RPTT	13,864	14,558
Government Services Tax	56,149	29,197
SCCRT	225,818	230,334
Fire Reimbursements	94,602	120,856
Interest	<u>400</u>	<u>500</u>
Total Revenues	<u>4,998,191</u>	<u>5,275,657</u>
Beginning Fund Bal-State/County	<u>2,121,665</u>	<u>443,393</u>
Total Resources	<u>7,119,856</u>	<u>5,719,050</u>
Expenditures:		
SFFPD Wildland Fire Service:		
Salaries and Wages	366,257	384,570
Benefits	37,849	39,741
Services and Supplies	57,000	59,850
Capital Outlay	250,000	250,000
Administrative Assessments:		
Personnel Assessment	287	301
Payroll Assessment	807	847
Admin Fund Transfer	<u>65,640</u>	<u>68,922</u>
Total Administrative Assessments	<u>66,734</u>	<u>70,071</u>
Total SFFPD Wildland Fire Expenditures	777,840	804,232
Local Government Fire Service:		
Salaries and Wages	3,423,878	2,596,491
Benefits	1,486,432	1,121,713
Services and Supplies	485,000	509,250
Verdi Contract	-	293,260
Administrative Assessments	145,487	152,761
Dispatch	99,377	104,346
Equipment Maintenance	143,449	150,621
Volunteer Payments	45,000	47,250
Insurance	<u>70,000</u>	<u>75,000</u>
Total Local Government Fire Service Expenditures	5,898,623	5,050,693
Total Expenditures-All Entities	6,676,463	5,854,925
Ending Fund Balance	<u>443,393</u>	<u>(135,875)</u>
Total Commitments/Fund Balance	<u>7,119,856</u>	<u>5,719,050</u>

ALTERNATIVE 4:
SIERRA FOREST FIRE PROTECTION DISTRICT
CONVERSION FROM AN NRS 473 DISTRICT TO AN NRS 474 DISTRICT MODEL

1) Background.

a) NRS 473 District “Fire Protection Districts Receiving Federal Aid.” Nevada’s 473 Fire Protection Districts were established to implement a mechanism whereby federal aid could be procured for fire services within a defined District boundary. The law allows for procedures to establish the District, alter boundaries for inclusion or exclusion of territory, establish budgets including the levy and collection of taxes, authorize the issuance of bonds, specificity regarding liability for fire damage, unlawful burning and elimination of fire hazards. The Sierra Forest Fire Protection District operates as a 473 Fire District.

In regards to the organization of the 473 District, the County Commissioners in the county where the Fire Protection District or portion thereof is located shall constitute the Board of Directors of the District. The Nevada Division of Forestry’s State Forester Firewarden administers the operations of the District including the budget, personnel and management of the fire protection activities within the District. The State of Nevada provides administrative support to the District such as accounting, legal, personnel, risk management and other services. The State charges an administrative fee to the District for the cost of that administrative support.

Therefore, the 473 District is a jointly run organization between the County Commissioners acting as the District’s policy setting body while the Nevada State Forester Firewarden acts as the chief operations officer for the District. The employees of the District are State employees and follow the same compensation and personnel rules and regulations as other State employees. The equipment is purchased by the District through local taxes levied within the District. All equipment purchased through the District remains District property. All District real property in Washoe County, including fire stations, is owned by the State of Nevada or Volunteer Fire Departments except for the Verdi volunteer station which is housed on land owned by Washoe County.

The most important aspect of the 473 District is its ability to request State emergency funds for fire emergencies. The State currently pays all overtime for emergency costs due to emergency medical services or fire suppression on State and private land within the District. The State also pays for hand crews and air support on large fires. The federal government share of fire suppression is based upon federal guidelines which pertain equally to both 473 and 474 Districts, therefore, there is no differentiation between the support the federal government will give to local governments or State firefighting organizations.

b) NRS 474 District “County Fire Protection Districts.”

NRS 474 Fire Protection Districts were established to implement a mechanism for counties to operate and fund fire services within a specified boundary. There are two types of 474 Fire Protection Districts, those created by election and those created by the Board of County Commissioners. The first pertains to County Fire Protection Districts whose policy board is elected officials of the District which may be formed in the manner and under the proceedings

set forth in NRS 474.010 to NRS 474.450, inclusive. The second pertains to County Fire Protection Districts created by the Board of County Commissioners which may be formed in the manner and under the proceedings set forth in NRS 474.460 to NRS 474.580, inclusive. Each of the 474 Fire Districts are locally controlled and operated.

NRS 474 allows for procedures to form the District, provides for the definition of boundaries, exclusion or annexation of territory, creation of election procedures where applicable, defines board of directors as the Board of County Commissioners or elected District board, allows for procedures to establish budgets including the levy and collection of taxes, authorize the issuance of bonds, allows for the coordination of fire protective activities, provides specificity regarding liability for fire damage and allows for the District's dissolution.

The 474 District is locally controlled and funded by local taxes within the County establishing the District. The employees of the District are District employees and follow the compensation and personnel rules and regulations of the District. Any administrative services provided by the County to the District are typically reimbursed through a cost allocation fee charged to the District. The real property and equipment purchased by the District are District property. It is important to note, the current volunteer and paid fire stations in the Sierra Forest Fire Protection District are not owned by the District. The Sierra Forest Fire Protection District fire stations in Washoe County are owned by the volunteer fire departments and the State of Nevada, therefore, use or transfer of ownership of the stations to a 474 District would require an agreement between the parties.

The biggest drawback of a 474 District is its liability on large fires. Whereas the 473 Districts can use the "deep pockets" of the State to fund the emergency expense on large fires, the 474 District has no established access to State funds. Payment for hand crews or air support is funded through the 474 District's local taxes, unlike the 473 District which is funded through the State for these programs. Federal fire reimbursements are available only under certain defined criteria which periodically changes at the federal level and which pertain equally to both 473 and 474 Districts.

2) Methods to Convert Sierra Forest Fire Protection District from an NRS 473 District to an NRS 474 County Fire Protection District Model.

This Model converts the State operated 473 Sierra Forest Fire Protection District into a locally controlled and operated 474 County Fire Protection District. The conversion is not an easy process since it is not delineated specifically in statute and will require legislative action in order to implement. Since the next legislative session is not until 2005, no conversion could take place before July 1, 2005. However, for purposes of this study, the years FY 03-04 and FY 04-05 are used to model the fiscal impact of this conversion.

The procedure to alter the 473 District boundaries by exclusion of territory is outlined in NRS 473.0355. The only time property can be excluded once the District is formed is either through annexation to an incorporated city, through developer agreements prior to property development or through petition of the property owners. There is no provision for the dissolution of the District in NRS 473.

In addition, NRS 474.010 and NRS 474.460 specifies that only unincorporated territory not included in any other Fire Protection District may be formed into a 474 County Fire Protection District. There is also no provision in NRS 474.460 to NRS 474.580, County Fire Protection Districts, to include 473 District properties into the 474 District except by petition or through developer agreements. Therefore, it is the opinion of the Washoe County District Attorney's Office that legislation may be required to effectuate a total conversion from the Sierra Forest Fire Protection District into a locally controlled and operated 474 County Fire Protection District.

3) Assumptions of NRS 474 County Fire Protection District Conversion Model.

1) Levels of Service:

- a) Levels of service include staffing of 12 professional full-time personnel at the Galena and Washoe Valley Stations. It is assumed Verdi Station 5 will no longer be operated by the SFFPD due to the City of Reno East Verdi annexation as of July 1, 2004.
- b) Volunteers and volunteer stations shall be managed by the County Fire Protection District. Volunteer stations include: Washoe Valley Bellevue Station, Cold Springs, Verdi, Galena, Callahan and Peavine Stations.
- c) There shall be no consolidation of fire stations. In Washoe Valley, consolidation of fire stations was carefully considered, however, because of the need for multiple responder stations due to the lack of emergency access to the new highway 395 through Washoe Valley, fire station consolidation is not recommended.
- d) County Fire Protection District shall provide all wildland fire, structural fire and fire prevention services to the areas within the District. There will be no funding from the State, however, federal fire suppression funds would be available according to federal guidelines.

2) Employees:

Employees shall be transferred from the SFFPD to the new County Fire Protection District. Salary and benefits will not be commensurate with other fire department employee contracts in Washoe County due to the more limited financial means of the County Fire Protection District. It is projected the employee salary increases financially supportable by the County Fire District would average approximately 8%. This is only 25% of the increase if all District salaries were made commensurate with local fire department salaries in Washoe County.

It is assumed in this Model that a Fire Chief and 1.5 administrative positions would be added.

Any elimination of positions shall be done through attrition. These positions include one Fire Captain/Training positions. It is assumed twelve positions would be eliminated through attrition due to the assumption the SFFPD will not be operating Verdi Station 5 as of July 1, 2004.

3) Administrative Services:

Administrative services will be provided by the County Fire Protection District except for agreed upon administrative services provided by the County to the District. The County would recoup its costs through an indirect cost allocation charge.

4) Real Property, Equipment and Rolling Stock:

- a) The SFFPD stations are owned either by the State or Volunteer Fire Departments except for the Verdi VFD Station 51 land which is owned by Washoe County. This model assumes the SFFPD real property ownership shall not change. Insurance shall be provided by the parties owning the property. The County Fire Protection District would have to enter into agreements with the State and Volunteer Fire Departments in order to use the Stations for fire suppression services.
- b) Ownership and use of all equipment and rolling stock purchased by the SFFPD Washoe County Division shall be transferred to the new County Fire Protection District. Insurance shall be provided by the County Fire Protection District.
- c) Maintenance of real property, equipment and rolling stock shall be performed by the County Fire Protection District. For example, even though the SFFPD Bowers Station 10 ownership shall be retained by the State, the County Fire Protection District shall provide for the maintenance of the station.

5) Dispatch Services.

In the Washoe County area, all dispatching will be done through the Regional Communications Center.

6) Annexations.

When the City of Reno annexes into the County Fire Protection District, the City of Reno will assume all fire service within its incorporated boundaries. The County Fire Protection District's boundaries will be automatically adjusted according to law to exclude the newly annexed areas. The County Fire Protection District's property tax revenues will be decreased by the amount of property excluded from the District. The District's consolidated tax and AB 104 revenues shall be adjusted to reflect the exclusion of the assessed value of the area annexed. The City of Reno's corresponding property tax, consolidated tax and AB 104 tax revenues shall be increased in order to reflect the annexed portion's assessed value transferred to the City of Reno.

7) Finances.

- a) The County Fire Protection District would continue to be funded at the same level of property taxes, consolidated taxes, AB 104 taxes and miscellaneous revenues as SFFPD currently is funded. Future projected budgets are subject to the County Fire Protection District's governing body.
- b) Contingency accounts shall be retained by the County Fire Protection District.
- c) The effects of annexations on each entity's revenues and level of service expenditures shall be in accordance with section 6 noted above.

4) Advantages and Disadvantages of Converting the NRS 473 Sierra Forest Fire Protection District into an NRS 474 County Fire Protection District.

The primary advantages of converting the Sierra Forest Fire Protection District (473 District) into a County Fire Protection District (474 District) are as follows:

1. Administrative Efficiency. The County Fire Protection District would be administered locally. This will provide more efficiency due to the elimination of

following two administrative processes (state and local) under the 473 District model.

2. Increased Local Accountability. If the Sierra Forest Fire Protection District were converted to a County Fire Protection District, it would be required to follow all the laws pertaining to local governments, including annual audits. This will provide greater accountability of the operations of the District.
3. Administrative Charges. Currently, the SFFPD is charged several administrative fees annually for the following administrative support: purchasing, attorney general, comptroller, budget, risk management, payroll, information services and a cost recovery plan assessment. Transferring the District to a County Fire Protection District would allow the county the ability to collect administrative fees for services rendered.
4. Employee Contracts. Converting to an NRS 474 County Fire Protection District would include implementing new employee contracts. No existing employee contracts would be reopened as in other Models. In addition, salaries and benefits of the NRS 474 County Fire Protection District would be increased, however, they could not be increased over and above the new District's ability to pay. Therefore, employee contracts would have to live within the financial means of the new District. This is important since it makes this Model more financially feasible than the Wildland Fire Service Model which includes increasing employee salary and benefits to be commensurate with other Local Government Fire Departments which the District does not have the financial means to pay.
5. Seasonal Fire Management Program. Adds a Seasonal Fire Management Program to three locations in Washoe County which will be managed by the County Fire Protection District.

The primary disadvantages of converting the Sierra Forest Fire Protection District (473 District) to a County Fire Protection District (474 District) are as follows:

1. Loss of State Emergency Funds. The greatest disadvantage of converting the SFFPD into a 474 County Fire Protection District is the loss of State Emergency Funds. Currently, when emergencies occur, the State pays all overtime, air support and hand crews which can amount to several hundreds of thousands of dollars or more per incident. If the 474 County Fire Protection District does not have the appropriate operating reserves to pay for these emergencies, then the District could potentially suffer serious financial impacts when large fires occur within the District. In addition, the Nevada Division of Forestry Air Program will need to be reassessed if there is no SFFPD.
2. Ownership of Fire Stations. Since the SFFPD does not own the fire stations within Washoe County, the County Fire Protection District would either have to build its own stations or contract with the State of Nevada and volunteer fire departments for use of their fire stations within the District.
3. Increased Cost of Employee Salaries and Benefits. Currently, there exists a significant difference between SFFPD salaries and local fire department salaries in Washoe County. If the conversion were to occur, due to

employee bargaining processes required of local governments in NRS 288, the SFFPD employees will see an increase in their wages and benefits which will increase the cost of fire protection in Washoe County.

However, due to the District's inability to pay, the increase will not be commensurate with other local fire departments.

4. Legislation Required. In order to implement this option, legislation would be required to be enacted in order for the NRS 474 District to have the ability to exist within the same boundaries as an NRS 473 District.

5) Financial Impact of Converting the NRS 473 Sierra Forest Fire Protection District into an NRS 474 County Fire Protection District.

The financial impact of the conversion from an NRS 473 Sierra Forest Fire Protection District to an NRS 474 County Fire Protection District is shown below with projections through FY 04-05. This Model includes the establishment of a 15 person seasonal fire management program operated by the County Fire Protection District. The Model also assumes Verdi Station 5 is no longer operated by the Sierra Forest Fire Protection District as of July 1, 2004. Therefore, the total expenditures drop significantly from FY 03-04 to FY 04-05 in the amount of \$6,064,278 to \$5,240,163, respectively.

It is projected that an operating deficit would occur (expenditures projected are in excess of revenues projected) in FY 03-04, however, due to the savings from the Verdi Station, that deficit becomes a small surplus FY 04-05 as follows:

Calculation of Operating Deficit/Surplus under County Fire Protection District Model:

	FY 03-04	FY 04-05
Total Revenues	\$ 4,998,191	\$ 5,275,657
Less: Total Expenditures	<u>6,064,278</u>	<u>5,240,163</u>
Operating (Deficit) Surplus	(\$ 1,066,087)	\$ 35,494

It is recommended that if the County Fire Protection District Model were to be implemented, that the implementation not take place until after the SFFPD no longer operates Station 5 in Verdi in order to have the financial means to implement the District. It is important that if the District were established, that the strongest fund balance as possible be maintained in order to provide for any large fire suppression expenditures. Under this model, if the new District were established July 1, 2004, it is projected a fund balance of over \$2 million would be available for District operations. The financial impact of the County Fire Protection District Model is shown on the following page.

**SIERRA FOREST FIRE PROTECTION DISTRICT
FISCAL IMPACT OF COUNTY FIRE PROTECTION DISTRICT MODEL**

	FY 03-04 Estimate	FY 04-05 Estimate
Revenues:		
Ad Valorem	3,381,545	3,618,253
Ad Valorem-AB 104	47,480	50,609
CTX	1,166,037	1,200,284
AB 104:		
Gaming Fees	12,296	11,066
RPTT	13,864	14,558
Government Services Tax	56,149	29,197
SCCRT	225,818	230,334
Fire Reimbursements	94,602	120,856
Interest	<u>400</u>	<u>500</u>
Total Revenues	4,998,191	5,275,657
Beginning Fund Bal-State/County	2,121,665	1,055,578
Total Resources	<u>7,119,856</u>	<u>6,331,235</u>
 Expenditures:		
County Fire Protection District:		
Salaries and Wages	2,887,505	2,166,119
Benefits	1,379,516	1,043,165
Seasonal Program (15)	283,937	298,134
Services and Supplies	510,007	409,507
Capital Outlay	250,000	250,000
Verdi Contract	-	293,260
Administrative Assessments	145,487	152,761
Dispatch	99,377	104,346
Equipment Maintenance	143,449	150,621
Volunteer Payments	45,000	47,250
Insurance	70,000	75,000
Contingency	<u>250,000</u>	<u>250,000</u>
Total Expenditures	6,064,278	5,240,163
Ending Fund Balance	<u>1,055,578</u>	<u>1,091,072</u>
Total Commitments/Fund Balance	<u>7,119,856</u>	<u>6,331,235</u>

ALTERNATIVE 5:
SIERRA FOREST FIRE PROTECTION DISTRICT
NRS 474 COUNTY FIRE PROTECTION DISTRICT
WITH SIERRA FOREST FIRE PROTECTION DISTRICT PROVIDING WILDLAND
FIRE SERVICE MODEL

1) County Fire Protection District with SFFPD providing Wildland Fire Service Model Assumptions.

This Model mirrors the previously Model which converts the NRS 473 Sierra Forest Fire Protection District into an NRS 474 County Fire Protection District except the wildland fire protection service will be maintained by the SFFPD. This Model would require legislative action to allow an NRS 473 District providing wildland fire service to be retained within its District boundaries while an NRS 474 County Fire Protection District is operating within the same boundaries for structural fire protection services.

This Model would take legislative action in order to implement. Since the next legislative session does not begin until February, 2005, the earliest implementation date, if it was so decided, would be July 1, 2005. However, for purposes of this study, the FY 03-04 and FY 04-05 are used to model the fiscal impact of this conversion.

The primary advantage of this Model is to retain the State's Emergency Funds for large wildland fires while the structural fire suppression operations are performed on a local level. This Model does bring the SFFPD back to the purpose it was originally formed which was the suppression of wildland fires.

Since this Model mirrors the previous Model which converts the NRS 473 SFFPD into an NRS 474 County Fire Protection District, the discussion regarding this Model will not be reiterated in total. However, it is important to emphasize the biggest difference of the two Models is the retention of the State's Emergency Funds in this Model.

1) Levels of Service:

- a) Levels of service include staffing of 12 professional full-time personnel at the Galena and Washoe Valley Stations. It is assumed Verdi Station 5 will no longer be operated by SFFPD as of July 1, 2004 due to the East Verdi annexation by the City of Reno.
- b) Volunteers and volunteer stations shall be managed by the County Fire Protection District. Volunteer stations include: Washoe Valley Bellevue Station, Cold Springs, Verdi, Galena, Callahan and Peavine Stations.
- c) There shall be no consolidation of fire stations. In Washoe Valley, consolidation of fire stations was carefully considered, however, because of the need for multiple responder stations due to the lack of emergency access to the new highway 395 through Washoe Valley, fire station consolidation is not recommended.
- d) County Fire Protection District shall provide all structural fire and fire prevention services to the areas within the District. The SFFPD shall provide all wildland fire suppression services to the areas within the same District boundaries. State Emergency Funds as well as federal fire suppression funds would continue to be available.

2) Employees:

Permanent employees shall be transferred from the SFFPD to the new County Fire Protection District except for those required to be maintained for the SFFPD wildland fire service. Salary and benefits will not be commensurate with other fire department employee contracts in Washoe County due to the more limited financial means of the County Fire Protection District. It is projected the employee salary increases financially supportable by the County Fire District would average approximately 3.3%. This is only 10% of the increase if all District salaries were made commensurate with local fire department salaries in Washoe County.

It is assumed in this Model that a Fire Chief and 1.5 administrative positions would be added.

Any elimination of positions shall be done through attrition. These positions include one Fire Captain/Training positions. It is assumed twelve positions would be eliminated through attrition due to the assumption the SFFPD will not be operating Verdi Station 5 as of July 1, 2004.

3) Administrative Services:

Administrative services will be provided by the County Fire Protection District for structural fire services except for agreed upon administrative services provided by the County to the District. The County would recoup its costs through an indirect cost allocation charge.

Administrative services for wildland fire services will be provided by the State. The State would recoup its costs through an indirect cost allocation charge.

4) Real Property, Equipment and Rolling Stock:

a) The SFFPD stations are owned either by the State or Volunteer Fire Departments except for the Verdi VFD Station 51 land which is owned by Washoe County. This model assumes the SFFPD real property ownership shall not change. Insurance shall be provided by the parties owning the property. The County Fire Protection District would have to enter into agreements with the State and Volunteer Fire Departments in order to use the Stations for fire suppression services.

b) Ownership and use of all equipment and rolling stock purchased by the SFFPD Washoe County Division shall be transferred to the new County Fire Protection District except for that equipment needed to be maintained for wildland fire suppression services. Insurance shall be provided by the entities owning the equipment and rolling stock.

c) Maintenance of real property, equipment and rolling stock shall be performed by the entities using the asset. For example, even though the SFFPD Bowers Station 10 ownership shall be retained by the State, the County Fire Protection District shall provide for the maintenance of the station.

5) Dispatch Services.

In the Washoe County area, all dispatching will be done through the Regional Communications Center.

6) Annexations.

When the City of Reno annexes into the County Fire Protection District, the City of Reno will assume all fire service within its incorporated boundaries. The County Fire Protection District's boundaries will be automatically adjusted according to law to exclude the newly annexed areas. The County Fire Protection District's property tax revenues will be decreased by the amount of property excluded from the District. The District's consolidated tax and AB 104 revenues shall be adjusted to reflect the exclusion of the assessed value of the area annexed. The City of Reno's corresponding property tax, consolidated tax and AB 104 tax revenues shall be increased in order to reflect the annexed portion's assessed value transferred to the City of Reno.

7) Finances.

- a) The County Fire Protection District would continue to be funded at the same level of property taxes, consolidated taxes, AB 104 taxes and miscellaneous revenues as SFFPD currently is funded except for wildland fire service funding which will be maintained by the SFFPD. Future projected budgets for the County Fire Protection District are subject to the County Fire Protection District's governing body. Future projected budgets for the wildland fire service are subject to the State's approval.
- b) Contingency accounts shall be retained by each entity for their particular service.
- c) The effects of annexations on each entity's revenues and level of service expenditures shall be in accordance with section 6 noted above.

4) Advantages and Disadvantages of Converting the NRS 473 Sierra Forest Fire Protection District into an NRS 474 County Fire Protection District with SFFPD Continuing to Provide Wildland Fire Service.

The primary advantages of converting the Sierra Forest Fire Protection District (473 District) into a County Fire Protection District (474 District) are as follows:

1. Retainage of State Emergency Funds. The primary advantage of this Model is the retainage of State Emergency Funds for large wildland fires since the SFFPD would continue to provide wildland fire services.
2. Administrative Efficiency. The County Fire Protection District would be administered locally. This will provide more efficiency for the structural fire and emergency medical services due to the elimination of following two administrative processes (state and local) under the 473 District model.
3. Increased Local Accountability. If the Sierra Forest Fire District were converted to a County Fire Protection District for structural fire and emergency medical services, it would be required to follow all the laws pertaining to local governments, including annual audits. This will provide greater accountability of the operations of the District.
4. Administrative Charges. Currently, the SFFPD is charged several administrative fees annually for the following administrative support: purchasing, attorney general, comptroller, budget, risk management, payroll, information services and a cost recovery plan assessment. Transferring the District to a County Fire Protection District would allow the county the ability to collect administrative fees for services rendered for the structural and EMS services.

5. Employee Contracts. Converting to an NRS 474 County Fire Protection District would include implementing new employee contracts. No existing employee contracts would be reopened as in other Models. In addition, salaries and benefits of the NRS 474 County Fire Protection District would be increased, however, they could not be increased over and above the new District's ability to pay. Therefore, employee contracts would have to live within the financial means of the new District. This is important since it makes this Model more financially feasible than the Wildland Fire Service Model which includes increasing employee salary and benefits to be commensurate with other Local Government Fire Departments which the District does not have the financial means to pay.
6. Seasonal Fire Management Program. Adds a Seasonal Fire Management Program to three locations in Washoe County which will be managed by the SFFPD.

The primary disadvantages of converting the Sierra Forest Fire Protection District (473 District) to a County Fire Protection District (474 District) are as follows:

1. Ownership of Fire Stations. Since the SFFPD does not own the fire stations within Washoe County, the County Fire Protection District would either have to build its own stations or contract with the State of Nevada and volunteer fire departments for use of their fire stations within the District.
- 2 Increased Cost of Employee Salaries and Benefits. Currently, there exists a significant difference between SFFPD salaries and local fire department salaries in Washoe County. If the conversion were to occur, due to employee bargaining processes required of local governments in NRS 288, the SFFPD employees will see an increase in their wages and benefits which will increase the cost of fire protection in Washoe County. However, due to the District's inability to pay, the increase will not be commensurate with other local fire departments because costs would be kept within the District's ability to pay.
3. Legislation Required. In order to implement this option, legislation would be required to be enacted in order for the NRS 474 District to have the ability to exist within the same boundaries as an NRS 473 District.

5) Financial Impact of Converting the NRS 473 Sierra Forest Fire Protection District into an NRS 474 County Fire Protection District with SFFPD Providing Wildland Fire Service.

The financial impact of the conversion from an NRS 473 Sierra Forest Fire Protection District to an NRS 474 County Fire Protection District with the retention of wildland fire services with the SFFPD, is shown on the following pages with projections through FY 04-05. This Model includes the establishment of a 15 person seasonal fire management program operated by the SFFPD while the remainder of the services are transferred to the County Fire Protection District. The Model also assumes Verdi Station 5 is no longer operated by the Sierra Forest Fire

Protection District as of July 1, 2004. Therefore, the total expenditures drop significantly from FY 03-04 to FY 04-05 in the amount of \$6,041,764 to \$5,255,414, respectively.

It is projected that an operating deficit would occur (expenditures projected are in excess of revenues projected) in FY 03-04, however, due to the savings from the Verdi Station, that deficit becomes a modest surplus in FY 04-05 as follows:

Calculation of Operating Deficit/Surplus under County Fire Protection District Model with Sierra Forest Fire Protection District Retaining Wildland Fire Service:

	FY 03-04	FY 04-05
Total Revenues	\$ 4,998,191	\$ 5,275,657
Less: Total Expenditures	<u>6,041,764</u>	<u>5,255,414</u>
Operating (Deficit) Surplus	(\$ 1,043,573)	\$ 20,243

It is recommended that if the County Fire Protection District Model were to be implemented, that the implementation not take place until after the SFFPD no longer operates Station 5 in Verdi in order to have the financial means to implement the District. It is important that if the District were established, that the strongest fund balance as possible be maintained in order to provide for any large fire suppression expenditures. Under this model, if the new District were established July 1, 2004, it is projected a fund balance of over \$2 million would be available for District operations. The financial impact of the County Fire Protection District Model with SFFPD retaining wildland fire service is shown on the following page.

**SIERRA FOREST FIRE PROTECTION DISTRICT
FISCAL IMPACT OF NRS 474 COUNTY FIRE PROTECTION DISTRICT MODEL
WITH SFFPD PROVIDING WILDLAND FIRE SERVICE**

	FY 03-04	FY 04-05
	Estimate	Estimate
Revenues:		
Ad Valorem	3,381,545	3,618,253
Ad Valorem-AB 104	47,480	50,609
CTX	1,166,037	1,200,284
AB 104:		
Gaming Fees	12,296	11,066
RPTT	13,864	14,558
Government Services Tax	56,149	29,197
SCCRT	225,818	230,334
Fire Reimbursements	94,602	120,856
Interest	400	500
Total Revenues	<u>4,998,191</u>	<u>5,275,657</u>
Beginning Fund Bal-State/County	<u>2,121,665</u>	<u>1,078,092</u>
Total Resources	<u>7,119,856</u>	<u>6,353,749</u>
Expenditures:		
SFFPD Wildland Fire Service:		
Salaries and Wages	366,257	384,570
Benefits	37,849	39,741
Services and Supplies	57,000	59,850
Capital Outlay	40,000	40,000
Administrative Assessments:		
Personnel Assessment	287	301
Payroll Assessment	807	847
Admin Fund Transfer	<u>65,640</u>	<u>68,922</u>
Total Admin Assessments	66,734	70,071
Total SFFPD Wildland Fire Expenditures	567,840	594,232
County Fire Protection District:		
Salaries and Wages	2,762,440	2,061,499
Benefits	1,348,164	1,016,938
Services and Supplies	510,007	409,507
Capital Outlay	200,000	200,000
Verdi Contract	-	293,260
Administrative Assessments	145,487	152,761
Dispatch	99,377	104,346
Equipment Maintenance	143,449	150,621
Volunteer Payments	45,000	47,250
Insurance	70,000	75,000
Contingency	<u>150,000</u>	<u>150,000</u>
Total County Fire District Expenditures	5,473,924	4,661,182
Total Expenditures-All Entities	6,041,764	5,255,414
Ending Fund Balance	<u>1,078,092</u>	<u>1,098,335</u>
Total Commitments/Fund Balance	<u>7,119,856</u>	<u>6,353,749</u>

ALTERNATIVE 6:
SIERRA FOREST FIRE PROTECTION DISTRICT
ANNEXATION OF SIERRA FOREST FIRE PROTECTION DISTRICT BY TRUCKEE
MEADOWS FIRE PROTECTION DISTRICT MODEL

1) Annexation of SFFPD by TMFPD Background.

In order to review the effect of the Truckee Meadows Fire Protection District (TMFPD) annexing SFFPD, it is important to note that an annexation of SFFPD by the TMFPD could potentially require legislative action to accomplish. By law, there are only two ways for TMFPD to annex portions or all of the SFFPD as follows:

- 1) Property owners petition out of the SFFPD and the State Forester agrees; or
- 2) Through developer agreement prior to development with the State Forester's agreement.

It is the opinion of the Washoe County District Attorney's Office that legislation may be required to effectuate a larger scale conversion from the Sierra Forest Fire Protection District into the locally controlled and operated Truckee Meadows Fire Protection District.

It is also important to note that according to the Interlocal Agreement for Fire Service and Consolidation between the City of Reno and Truckee Meadows Fire Protection District, the City provides the fire services to the TMFPD. The Interlocal Agreement specifies in Article 1 that the "District Boundaries shall mean that geographical area within the District which is currently being provided fire suppression and protection services, or any additional real property which becomes apart thereof in the future." Therefore, if the TMFPD were to annex portions or all of the SFFPD, it would automatically be serviced by the City of Reno Fire Department unless the Interlocal Agreement were modified.

In regards to the financing model specified in the Interlocal Agreement, it is based upon the proportionate share of the Adopted Consolidated Budget "adjusted to new fire stations, engine or truck companies and annexations." Therefore, if TMFPD were to annex the SFFPD, the budget required to fund the SFFPD would be consolidated into the Reno/TMFPD Consolidated Budget per the Interlocal Agreement.

Due to the comprehensive nature of the current City of Reno/TMFPD Interlocal Agreement, it does not appear any material adjustment to the Interlocal Agreement need to be made if TMFPD annexes the SFFPD.

2) Assumptions of Annexation of SFFPD by TMFPD Model.

1) Levels of Service:

- a) The SFFPD levels of service include staffing of 12 professional full-time personnel at the Galena and Washoe Valley Stations.
- b) SFFPD will transition out of Verdi Station 5 by July 1, 2004 due to the recent annexation of East Verdi into the City of Reno.

c) Volunteers and volunteer stations would be managed by the entity whose area is serviced by the volunteers.

d) There shall be no consolidation of fire stations. In Washoe Valley, consolidation of fire stations was carefully considered, however, because of the need for multiple responder stations due to the lack of emergency access to the new highway 395 through Washoe Valley, fire station consolidation is not recommended.

e) The City of Reno/TMFPD Fire Department would assume liability for all fire service including wildland and structural fire suppression services. This would eliminate the State's funding availability to fund large wildland fire services as is currently being funded by the State.

f) Includes addition of 1.5 administrative personnel and one Assistant Fire Chief.

2) Employees:

All employees shall be transferred from the SFFPD to the City of Reno/TMFPD under the Reno/TMFPD employee contracts. Employees shall receive salaries and benefits commensurate with the Reno/TMFPD contract. It is not anticipated the annexation of the District by TMFPD would not trigger any reopeners of existing employee contracts.

Any elimination of positions shall be done through attrition. This includes the elimination of two Fire Captain/Training positions. It is assumed twelve positions would be eliminated through attrition due to the assumption the SFFPD will not be operating Verdi Station 5 as of July 1, 2004.

3) Administrative Services:

The City of Reno would provide administrative services and would recoup its costs through an indirect cost allocation charge.

4) Real Property, Equipment and Rolling Stock:

a) The SFFPD stations are owned either by the State or Volunteer Fire Departments except for the Verdi VFD Station 51 land which is owned by Washoe County. This model assumes the SFFPD real property ownership shall not change. Insurance shall be provided by the parties owning the property. The City of Reno/TMFPD would have to enter into agreements with the State and Volunteer Fire Departments in order to use the Stations for fire suppression services.

b) The ownership of the equipment and rolling stock purchased by the SFFPD Washoe County Division shall be transferred to the TMFPD who is annexing the areas of the SFFPD in this Model and therefore taking over the fire service of the District. Insurance shall be provided by the TMFPD.

c) Maintenance of real property, equipment and rolling stock shall be performed by the City of Reno/TMFPD, in accordance with the Interlocal Agreement for Fire Services. For example, even though the SFFPD Bowers Station 10 ownership shall be retained by the State, the City of Reno/TMFPD shall provide for the maintenance of the station.

d) The purchase of new equipment and rolling stock shall be made by TMFPD through its five year capital improvement program. Ownership shall be retained by TMFPD.

5) Dispatch Services.

In the Washoe County area, all dispatching will be done through the Regional Communications Center.

6) Annexations.

According to law, when the City of Reno annexes into the TMFPD, the City of Reno will assume all fire service within its incorporated boundaries. The TMFPD boundaries will be adjusted to exclude the newly annexed areas. The TMFPD's property tax revenues will be decreased by the amount of property excluded from the District. The District's consolidated tax and AB 104 revenues shall be adjusted to reflect the exclusion of the assessed value of the area annexed. The City of Reno's corresponding property tax, consolidated tax and AB 104 tax revenues shall be increased in order to reflect the annexed portion's assessed value transferred to the City of Reno.

However, there is one difference between this Model and others discussed in this report. In accordance with Article 11 of the Interlocal Agreement for Fire Services between the City of Reno and TMFPD, "when the City annexes property located in Washoe County the District's portion of the Adopted Consolidated Budget shall be reduced to reflect the total loss of revenue to the District." Therefore, TMFPD is held harmless for any loss in tax revenues when the City of Reno annexes into the TMFPD by a change to its proportionate percentage of the Budget.

The same would hold true for the SFFPD. If TMFPD annexed the SFFPD, the Adopted Consolidated Budget would be adjusted per the Interlocal Agreement to the new proportionate share percentages as stated previously. Then those percentages would be adjusted again if the City of Reno subsequently annexed into the new TMFPD boundary. The original SFFPD would be held harmless since their revenues would shift to the City of Reno and the Consolidated Budget would be adjusted to reflect the expenditure shift also to the City of Reno. The current Interlocal Agreement would work the same for both TMFPD and SFFPD.

7) Finances.

a) Under this Model, TMFPD annexes the SFFPD through legislation. It is anticipated that the current revenues of SFFPD would be transferred to the TMFPD. In regards to property tax rates, there are two methods which could be used either by establishing a blended property tax rate to equate to the same amount of revenue collected currently or by retaining the current separate property tax rates of the two Districts legislatively. (See discussion in paragraph 8 Taxation below).

b) The newly expanded TMFPD shall pay annually to the Consolidated Reno/TMFPD Fire Department Budget its new percentage proportionate share of the Base Consolidated Budget as determined upon the first year of operation of the annexed properties. For example, using the FY 03-04 Tentative Budgets, if TMFPD were to annex SFFPD as of July 1, 2003, the proportionate share of the Consolidated Budget would be as follows:

Entity	Budget	Percentage
City of Reno	\$ 29,986,033	62.80%
TMFPD	11,882,206	24.89%
SFFPD	5,879,889	12.31%
Total New Consolidated Budget	\$ 47,748,128	100.00%

Due to the annexation, TMFPD's proportionate share would increase from the current 28.38% of the Adopted Consolidated Budget to reflect both the budgets of TMFPD and SFFPD which would equate to 37.20%.

c) Adjustments shall be made to the percentage proportionate share of the Base Consolidated Budget for new fire stations or annexations. Future projected budgets are subject to TMFPD Board of Fire Commissioners' approval.

d) District contingency accounts shall be retained by the District, but upon approval of the District may be made available to the consolidated Reno/TMFPD Fire Department for District services.

8) Taxation.

The SFFPD's current tax rate is .42 per \$100 of assessed valuation. The TMFPD's current tax rate is .4813 per \$100 of assessed valuation. If TMFPD annexed SFFPD, it would have to do so through legislation and it is conceivable provisions could be made to retain each former District's tax rate. However, this would be administratively difficult in future years and may not be fair to the taxpayers due to unequal taxation for the same levels of service. The most equitable tax would be a blended rate of the two Districts in order to charge the same level of tax for the same level of service. For example, the blended rate of TMFPD and SFFPD would equate to 46.21 cents for FY 03-04 in order to generate the same level of tax dollars each entity currently receives.

3) Advantages and Disadvantages of Annexation of SFFPD by TMFPD.

Since the TMFPD is an NRS 474 District, the primary advantages and disadvantages of Annexation of SFFPD by TMFPD are the same as defined in converting the NRS 473 Sierra Forest Fire Protection District into an NRS 474 County Fire Protection District.

4) Financial Impact of Annexation of SFFPD by TMFPD.

The financial impact of the Annexation of SFFPD by TMFPD is shown below with projections through FY 04-05. This Model combines the total operations of the SFFPD and the TMFPD. It includes the establishment of a 15 person seasonal fire management program operated by the consolidated Reno/TMFPD Fire Department. It assumes the per station manning is retained at 12 personnel and increasing the SFFPD employees pay to that of the Reno/TMFPD. The Model also assumes Verdi Station 5 is no longer operated by the Sierra Forest Fire Protection District as of July 1, 2004. Therefore, the total expenditures drop from FY 03-04 to FY 04-05 in the amount of \$19,451,104 to \$19,130,695, respectively.

It is projected that an operating deficit would occur (expenditures projected are in excess of revenues projected) in FY 03-04, however, due to the savings from the Verdi Station, that deficit becomes a surplus in FY 04-05 as follows:

Calculation of Operating Deficit/Surplus under TMFPD Annexation of SFFPD Model:

	FY 03-04	FY 04-05
Total Revenues	\$ 19,678,309	\$ 20,486,765
Less: Total Expenditures	19,451,104	19,130,694
Less: Operating Transfers	<u>935,616</u>	<u>1,075,000</u>
Operating (Deficit) Surplus	(\$ 708,411)	\$ 281,071

Under this Model, the ending fund balance in FY 03-04 increases from \$5,199,665 to \$5,480,736 in FY 04-05.

The financial impact of the TMFPD Annexation of SFFPD Model is shown on the following page.

SIERRA FOREST FIRE PROTECTION DISTRICT
FINANCIAL IMPACT OF TMFPD ANNEXATION OF SFFPD MODEL

	SFFPD	SFFPD	TMFPD	TMFPD	Total	Total
	FY 03-04	FY 04-05	FY 03-04	FY 04-05	FY 03-04	FY 04-05
Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Revenues:						
Ad Valorem	3,381,545	3,618,253	8,477,595	8,901,475	11,859,140	12,519,728
Ad Valorem-AB 104	47,480	50,609	129,036	137,541	176,516	188,150
CTX	1,166,037	1,200,284	5,034,192	5,192,127	6,200,229	6,392,411
AB 104:					-	-
Gaming Fees	12,296	11,066	33,416	30,074	45,712	41,140
RPTT	13,864	14,558	37,679	39,563	51,543	54,121
Government Services Tax	56,149	29,197	152,596	79,350	208,745	108,547
SCCRT	225,818	230,334	613,704	625,978	839,522	856,312
Fire Reimbursements/Misc	94,602	120,856	141,900	145,000	236,502	265,856
Interest	400	500	60,000	60,000	60,400	60,500
Total Revenues	4,998,191	5,275,657	14,680,118	15,211,108	19,678,309	20,486,765
Beginning Fund Balance - State/County	2,121,665	286,653	3,786,411	4,913,012	5,908,076	5,199,665
Total Resources	7,119,856	5,562,310	18,466,529	20,124,120	25,586,385	25,686,430
Expenditures:						
Salaries and Wages	3,512,830	2,689,218	-	-	3,512,830	2,689,218
Benefits	1,523,116	1,174,301	-	-	1,523,116	1,174,301
Seasonal Program (15)	283,937	298,134	-	-	283,937	298,134
Services and Supplies	510,007	409,507	12,367,901	12,986,296	12,877,908	13,395,803
Capital Outlay	250,000	250,000	-	-	250,000	250,000
Verdi Contract	-	293,260	-	-	-	293,260
Administrative Assessments	145,487	152,761	-	-	145,487	152,761
Dispatch	99,377	104,346	-	-	99,377	104,346
Equipment Maintenance	143,449	150,621	-	-	143,449	150,621
Volunteer Payments	45,000	47,250	-	-	45,000	47,250
Insurance	70,000	75,000	-	-	70,000	75,000
Contingency	250,000	250,000	250,000	250,000	500,000	500,000
Total Expenditures	6,833,203	5,894,398	12,617,901	13,236,296	19,451,104	19,130,694
Operating Transfers Out:	-	-	935,616	1,075,000	935,616	1,075,000
Ending Fund Balance	286,653	(332,088)	4,913,012	5,812,824	5,199,665	5,480,736
Total Commitments/Fund Bal	7,119,856	5,562,310	18,466,529	20,124,120	25,586,385	25,686,430

ALTERNATIVE 7:
SIERRA FOREST FIRE PROTECTION DISTRICT
ANNEXATION OF SIERRA FOREST FIRE PROTECTION DISTRICT BY TRUCKEE
MEADOWS FIRE PROTECTION DISTRICT MODEL
WITH WILDLAND FIRE BEING RETAINED BY
SIERRA FOREST FIRE PROTECTION DISTRICT

1) Annexation of SFFPD by TMFPD With SFFPD Retaining Wildland Fire Service Model Background.

This Model is unique. It anticipates TMFPD annexing the SFFPD while not eliminating the SFFPD. Instead, the TMFPD would be a Fire Protection District for emergency medical and structural fire suppression services overlaying the boundaries of the SFFPD which would continue to serve as the wildland fire service provider.

In order to review the effect of the Truckee Meadows Fire Protection District (TMFPD) annexing SFFPD, it is important to note that an annexation of SFFPD by the TMFPD could potentially require legislative action to accomplish. By law, there are only two ways for TMFPD to annex portions or all of the SFFPD as follows:

- 1) Property owners petition out of the SFFPD and the State Forester agrees; or
- 2) Through developer agreement prior to development with the State Forester's agreement.

It is the opinion of the Washoe County District Attorney's Office that legislation may be required to effectuate a larger scale conversion from the Sierra Forest Fire Protection District into the locally controlled and operated Truckee Meadows Fire Protection District.

It is also important to note that according to the Interlocal Agreement for Fire Service and Consolidation between the City of Reno and Truckee Meadows Fire Protection District, the City provides the fire services to the TMFPD. The Interlocal Agreement specifies in Article 1 that the "District Boundaries shall mean that geographical area within the District which is currently being provided fire suppression and protection services, or any additional real property which becomes apart thereof in the future." Therefore, if the TMFPD were to annex portions or all of the SFFPD, it would automatically be serviced by the City of Reno Fire Department for emergency medical and structural fire suppression services unless the Interlocal Agreement were modified.

In regards to the financing model specified in the Interlocal Agreement, it is based upon the proportionate share of the Adopted Consolidated Budget "adjusted to new fire stations, engine or truck companies and annexations." Therefore, if TMFPD were to annex the SFFPD, the budget required to fund the SFFPD would be consolidated into the Reno/TMFPD Consolidated Budget per the Interlocal Agreement.

Due to the comprehensive nature of the current City of Reno/TMFPD Interlocal Agreement, it does not appear any material adjustment to the Interlocal Agreement need to be made if TMFPD annexes the SFFPD.

2) Definition of Annexation of SFFPD by TMFPD With SFFPD Retaining Wildland Fire Service Model.

This Model anticipates going back to the original intent of the establishment of the Sierra Forest Fire Protection District which was to provide wildland fire protection along the wildland urban interface of the Western Sierras. Since the District's establishment, the area within the District's boundaries became more populated and urbanized requiring a greater level of service than originally intended. To meet this demand, the District's level of service evolved into wildland fire, emergency medical and structural fire suppression services.

While this Model includes retaining wildland fire service with SFFPD, the emergency medical and structural fire prevention and suppression services would be transferred to TMFPD through annexation. A similar model has been implemented with local fire departments in Douglas County and Storey County, however, through a contract and not through annexation.

This Model is based upon services within the boundaries of the Sierra Forest Fire Protection District. As annexations occur by the City of Reno into the District, the District boundaries will be adjusted to exclude the newly annexed areas. Therefore, adjustments to this Model's levels of service, expenditures and revenues will be made to reflect the new boundaries.

The Model's funding mechanism is, in general, based upon the current Interlocal Agreement between the City of Reno and the Truckee Meadows Fire Protection District for the structural fire suppression component of the service.

3) Assumptions of Wildland Fire Service to be Provided by SFFPD.

a) Wildland Fire Service to be provided by the Sierra Forest Fire Protection District.

As proposed by the Nevada State Division of Forestry (NDF), the Wildland Fire Service model would provide the following administration and service levels:

If the Division of Forestry is directed to provide wildland fire protection only for the Sierra Forest Fire Protection District in Washoe County, the following is a draft proposal and budget for those services. This draft will be subject to modification based on the needs and desires of the Division of Forestry and the Board of Fire Commissioners of the Sierra Forest Fire Protection District.

1) Administration.

The wildland fire protection program for the Western Region of the Division of Forestry will continue to be managed by the Regional Fire Management Officer. Funding for this position will be shared between the counties within the Sierra Forest Fire Protection District and the Storey County Fire Protection District on an equal basis.

2) Shared Positions.

In the delivery of the wildland fire protection program, the Division proposed using several positions that would be funded by equal shares by the counties in the District. These positions include one Fire Management Officer, two Battalion Chiefs, two full time Fire Captains and a Fire Prevention Captain that will provide supervision of seasonals and delivery of fire prevention and fuels management programs.

3) Washoe County Positions.

Positions funded entirely by Washoe County will include 15 seasonal firefighters that will be employed for six months each year. The seasonal firefighters will staff three brush trucks 7 days per week with staffing of three people per engine.

4) Volunteers.

In the past, the Nevada Division of Forestry has funded Volunteer Fire Department (VFD) operations with a combination of Fire District and State funds. Since operations of the VFD will be transferred to the Local Government Fire Department under this Model, funding is included in the Local Government Fire Department proposed budget to support VFD operations.

5) Station Locations.

The Division will staff three stations in Washoe County for wildland fire service. The first will be the current NDF Station #9 which is at the entrance to St. James Village on Joy Lake road. The second station will be the current VFD Station in Verdi and the third would be in the Cold Springs or Peavine area. The Division's recommendation for the third station would be to provide some funding to expand one of the VFD stations and allow the seasonals to share the use of the station. The budget does not include the costs associated with the operation and maintenance of three stations since this responsibility will be transferred to the Local Government Fire Department under this Model. The Division of Forestry is exploring the possibility of sharing stations with the United States Forest Service in the future. If these plans move forward, joint fire stations may be implemented.

6) Fire Apparatus.

The current Washoe County asset list contains three Type III brush trucks that would be retained for use by the NDF seasonal program. In addition, the budget contains a reserve fund for major vehicle repairs or acquisition of vehicles or facilities. Future vehicle needs would be reflected in the annual budgets and long-term capital plans.

7) Dozer Operations.

Historically, the Division of Forestry has relied on off duty firefighters to staff and operate dozers used on wildland fires. The dozers have been purchased and maintained by the State, not the counties. With the reduction in full-time NDF fire staff, the Division will not be able to operate as many dozers in the future. The Division will continue to fund the operation of dozers but will work to enter into agreements with all four counties for the use of operators. The Division would reimburse the counties for the salary cost of operators when they were working on wildland fires in the District.

8) Aircraft and Crew Resources.

The Division will continue to provide aircraft and hand crew resources to assist with the fire protection in the District at the State's costs. In addition the State will continue to be responsible for the cost of wildland fire suppression on non-federal lands within the Sierra Forest Fire Protection District.

9) State Assessments and Reserve

The assessments in the budget are shown as an estimate. The reserve in the State budget was set at 12.5% of salaries and operating costs and this reserve requirement will remain in the proposed budget.

b) Emergency Medical and Structural Fire Suppression to be Provided by TMFPD through Annexation.

1) Levels of Service:

a) Levels of service include staffing of 12 professional full-time personnel at the Galena and Washoe Valley Stations. It is assumed SFFPD will not be operating Verdi Station 5 as of July 1, 2004 due to City of Reno annexations.

b) Volunteers and volunteer stations shall be managed by the TMFPD. Volunteer stations include: Washoe Valley Bellevue Station, Cold Springs, Verdi, Galena, Callahan and Peavine Stations.

c) There shall be no consolidation of fire stations. In Washoe Valley, consolidation of fire stations was carefully considered, however, because of the need for multiple responder stations due to the lack of emergency access to the new highway 395 through Washoe Valley, fire station consolidation is not recommended.

2) Employees:

All employees shall be transferred from the SFFPD to the City of Reno/TMFPD under the Reno/TMFPD employee contracts. Employees shall receive salaries and benefits commensurate with the Reno/TMFPD contract. It is anticipated the annexation of the District by TMFPD would not trigger any reopeners of existing employee contracts.

Any elimination of positions shall be done through attrition. These positions include two Fire Captains/Training. It is assumed twelve positions would be eliminated through attrition due to the assumption the SFFPD will not be operating Verdi Station 5 as of July 1, 2004.

3) Administrative Services:

The Reno/TMFPD which would provide emergency medical and structural fire suppression would provide administrative services to the consolidated fire department and would recoup its costs through an indirect cost allocation.

4) Real Property, Equipment and Rolling Stock:

a) The SFFPD stations are owned either by the State or Volunteer Fire Departments except for the Verdi VFD Station 51 land which is owned by Washoe County. This model assumes the real property ownership shall not change. Insurance shall be provided by the parties

owning the property. The City of Reno/TMFPD would have to enter into agreements with the State and Volunteer Fire Departments in order to use the Stations for fire suppression services.

b) The ownership of the equipment and rolling stock purchased by the SFFPD Washoe County Division shall be transferred to the TMFPD who is annexing the areas of the SFFPD in this Model and therefore taking over the fire service of the District. Insurance shall be provided by the TMFPD.

c) Maintenance of real property, equipment and rolling stock shall be performed by the City of Reno/TMFPD, in accordance with the Interlocal Agreement for Fire Services. For example, even though the SFFPD Bowers Station 10 ownership shall be retained by the State, the City of Reno/TMFPD shall provide for the maintenance of the station.

d) The purchase of new equipment and rolling stock shall be made by TMFPD through its five year capital improvement program. Ownership shall be retained by TMFPD.

5) Dispatch Services.

In the Washoe County area, all initial dispatching including the Volunteer Fire Departments will be done through the Regional Communications Center with the exception that SFFPD seasonal personnel will be dispatched by NDF.

6) Annexations.

According to law, when the City of Reno annexes into the TMFPD, the City of Reno will assume all fire service within its incorporated boundaries. The TMFPD boundaries will be adjusted to exclude the newly annexed areas. The TMFPD's property tax revenues will be decreased by the amount of property excluded from the District. The District's consolidated tax and AB 104 revenues shall be adjusted to reflect the exclusion of the assessed value of the area annexed. The City of Reno's corresponding property tax, consolidated tax and AB 104 tax revenues shall be increased in order to reflect the annexed portion's assessed value transferred to the City of Reno.

However, there is one difference between this Model and others discussed in this report. In accordance with Article 11 of the Interlocal Agreement for Fire Services between the City of Reno and TMFPD, "when the City annexes property located in Washoe County the District's portion of the Adopted Consolidated Budget shall be reduced to reflect the total loss of revenue to the District." Therefore, TMFPD is held harmless for any loss in tax revenues when the City of Reno annexes into the TMFPD by a change to its proportionate percentage of the Budget.

The same would hold true for the SFFPD. If TMFPD annexed the SFFPD, the Adopted Consolidated Budget would be adjusted per the Interlocal Agreement to the new proportionate share percentages as stated previously. Then those percentages would be adjusted again if the City of Reno subsequently annexed into the new TMFPD boundary. The original SFFPD would be held harmless since their revenues would shift to the City of Reno and the Consolidated Budget would be adjusted to reflect the expenditure shift also to the City of Reno. The current Interlocal Agreement would work the same for both TMFPD and SFFPD.

7) Finances.

a) Under this Model, TMFPD annexes the SFFPD through legislation. It is anticipated that the current revenues of SFFPD would be transferred to the TMFPD. In regards to property tax rates, there are two methods which could be used either by establishing a blended property

tax rate to equate to the same amount of revenue collected currently or by retaining the current separate property tax rates of the two Districts legislatively. (See discussion in paragraph 8 Taxation below).

b) The newly expanded TMFPD shall pay annually to the Consolidated Reno/TMFPD Fire Department Budget its new percentage proportionate share of the Base Consolidated Budget as determined upon the first year of operation of the annexed properties. For example, using the FY 03-04 Tentative Budgets, if TMFPD were to annex SFFPD as of July 1, 2003, the proportionate share of the Consolidated Budget would be as follows:

Entity	Budget	Percentage
City of Reno	\$ 29,986,033	62.80%
TMFPD	11,882,206	24.89%
SFFPD	<u>5,879,889</u>	<u>12.31%</u>
Total New Consolidated Budget	\$ 47,748,128	100.00%

Due to the annexation, TMFPD's proportionate share would increase from the current 28.38% of the Adopted Consolidated Budget to reflect both the budgets of TMFPD and SFFPD which would equate to 37.20%.

c) Adjustments shall be made to the percentage proportionate share of the Base Consolidated Budget for new fire stations or annexations. Future projected budgets are subject to TMFPD Board of Fire Commissioners' approval.

d) District contingency accounts shall be retained by the District, but upon approval of the District may be made available to the consolidated Reno/TMFPD Fire Department for District services.

8) Taxation.

The SFFPD's current tax rate is .42 per \$100 of assessed valuation. The TMFPD's current tax rate is .4813 per \$100 of assessed valuation. If TMFPD annexed SFFPD, it would have to do so through legislation and it is conceivable provisions could be made to retain each former District's tax rate. However, this would be administratively difficult in future years and may not be fair to the taxpayers due to unequal taxation for the same levels of service. The most equitable tax would be a blended rate of the two Districts in order to charge the same level of tax for the same level of service. For example, the blended rate of TMFPD and SFFPD would equate to 46.21 cents for FY 03-04 in order to generate the same level of tax dollars each entity currently receives.

4) Advantages and Disadvantages of Annexation of SFFPD by TMFPD With SFFPD Retaining Wildland Fire Service Model

The primary advantages of this Model are as follows:

1) Retainage of State Emergency Funds. The greatest advantage of this Model is retaining access to State Emergency Funds for wildland fire suppression. Currently, when emergencies occur, the State pays all overtime, air support and hand crew costs which can amount to several hundreds of thousands of dollars or more per incident.

2) Increased Local Accountability. Under this Model, the operation and policy setting for structural fire suppression services would be performed at a local level. The Wildland Fire

Suppression services would continue to be performed by the SFFPD using the current bifurcated State-local system.

3) Decreased State Administrative Charges. This Model would significantly decrease the amount of State administrative charges to SFFPD since many charges are based upon number of employees which for the most part would be transferred to TMFPD.

The primary disadvantages of the Annexation of SFFPD by TMFPD With SFFPD Retaining Wildland Fire Service Model are as follows:

1) Ownership of Fire Stations. Since the SFFPD does not own the fire stations within Washoe County, TMFPD would either have to build its own stations or contract with the State of Nevada and volunteer fire departments for use of their fire stations within the District.

2) Increased Cost of Employee Salaries and Benefits. Currently, there exists a significant difference between SFFPD salaries and local fire department salaries in Washoe County. If the conversion were to occur, the SFFPD employees will see a significant increase in their wages and benefits which will increase the cost of fire protection in Washoe County. This may lead to future property tax increases to cover the additional expenditures in the future.

3. Legislation Required. In order to implement this option, legislation would be required to be enacted in order for the NRS 474 District to have the ability to exist within the same boundaries as an NRS 473 District.

5) Financial Impact of Annexation of SFFPD by TMFPD With SFFPD Retaining Wildland Fire Service Model.

The financial impact of the Wildland Fire Service Contract Model is shown on the following pages with projections through FY 04-05. The Model assumes Verdi Station 5 is no longer operated by the Sierra Forest Fire Protection District as of July 1, 2004. Therefore, the total combined expenditures of all entities drop significantly between FY 03-04 in the amount of \$19,635,007 to \$19,326,792 in FY 04-05.

It is projected that an operating deficit would occur (expenditures projected are in excess of revenues projected) in FY 03-04, however, due to the savings from the Verdi Station, the deficit becomes a surplus in FY 04-05 as follows:

Calculation of Operating Deficit/Surplus under Annexation of SFFPD by TMFPD with SFFPD Retaining Wildland Fire Service Model:

	FY 03-04	FY 04-05
Total Revenues	\$ 19,678,309	\$ 20,486,765
Less: Total Expenditures	19,635,007	19,326,792
Less: Operating Transfers	<u>935,616</u>	<u>1,075,000</u>
Operating (Deficit) Surplus	(\$ 892,314)	\$ 84,973

Under this Model, the ending fund balance in FY 03-04 increases from \$5,015,762 to \$5,668,575 in FY 04-05. The financial impact of the TMFPD Annexation of SFFPD Model is shown on the following page.

**SIERRA FOREST FIRE PROTECTION DISTRICT
FINANCIAL IMPACT OF TMFPD ANNEXATION OF SFFPD MODEL
WITH SFFPD PROVIDING WILDLAND FIRE SERVICE**

	SFFPD	SFFPD	TMFPD	TMFPD	Total	Total
	FY 03-04	FY 04-05	FY 03-04	FY 04-05	FY 03-04	FY 04-05
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Revenues:						
Ad Valorem	3,381,545	3,618,253	8,477,595	8,901,475	11,859,140	12,519,728
Ad Valorem-AB 104	47,480	50,609	129,036	137,541	176,516	188,150
CTX	1,166,037	1,200,284	5,034,192	5,192,127	6,200,229	6,392,411
AB 104:						
Gaming Fees	12,296	11,066	33,416	30,074	45,712	41,140
RPTT	13,864	14,558	37,679	39,563	51,543	54,121
Government Services Tax	56,149	29,197	152,596	79,350	208,745	108,547
SCCRT	225,818	230,334	613,704	625,978	839,522	856,312
Fire Reimbursements/Misc	94,602	120,856	141,900	145,000	236,502	265,856
Interest	400	500	60,000	60,000	60,400	60,500
Total Revenues	4,998,191	5,275,657	14,680,118	15,211,108	19,678,309	20,486,765
Beginning Fund Bal-State/County	2,121,665	670,590	3,786,411	4,913,012	5,908,076	5,583,602
Total Resources	7,119,856	5,946,247	18,466,529	20,124,120	25,586,385	26,070,367
Expenditures:						
SFFPD Wildland Fire Service	-	-	-	-	567,840	594,232
Salaries and Wages	3,512,830	2,689,218	-	-	3,512,830	2,689,218
Benefits	1,523,116	1,174,301	-	-	1,523,116	1,174,301
Services and Supplies	510,007	409,507	12,367,901	12,986,296	12,877,908	13,395,803
Capital Outlay	250,000	250,000	-	-	250,000	250,000
Verdi Contract	-	293,260	-	-	-	293,260
Administrative Assessments	145,487	152,761	-	-	145,487	152,761
Dispatch	99,377	104,346	-	-	99,377	104,346
Equipment Maintenance	143,449	150,621	-	-	143,449	150,621
Volunteer Payments	45,000	47,250	-	-	45,000	47,250
Insurance	70,000	75,000	-	-	70,000	75,000
Contingency	150,000	150,000	250,000	250,000	400,000	400,000
Total Expenditures	6,449,266	5,546,264	12,617,901	13,236,296	19,735,007	19,326,792
Operating Transfers Out:	-	-	935,616	1,075,000	935,616	1,075,000
Ending Fund Balance	670,590	449,983	4,913,012	5,812,824	5,015,762	5,668,575
Total Commitments/Fund Balance	7,119,856	5,946,247	18,466,529	20,124,120	25,586,385	26,070,367

**ALTERNATIVE 8:
SIERRA FOREST FIRE PROTECTION DISTRICT
MUNICIPAL SERVICES BOUNDARY MODEL**

1) Assumptions.

The Municipal Services Boundary Model attempts to separate the geographical areas of potential wildland fires and structural fires within the current SFFPD. This Model would leave the wildland fire suppression services to the SFFPD, which was the original intent of the District while structural firefighting would be transferred to a local government organization. The Model assumes the following:

1. SFFPD would provide services outside the boundary of the Reno Area of Interest since it includes much of the developed or developable areas of South Reno. The remaining SFFPD area would include non-developed or developable properties.
2. The areas within the Reno Area of Interest in South Reno would receive fire services from a local government organization.
3. The areas remaining within the SFFPD service area would be west of Galena Forest Estates including Sky Tavern, Mt. Rose Ski Resort, and West Washoe Valley. All other areas would be within the Reno Area of Interest and would receive fire services from a local government organization.

2) Conclusions.

Under the Municipal Services Boundary Model, the majority of the acreage currently existing in the SFFPD would be eliminated and SFFPD would essentially cease to exist due to lack of area of service or tax revenues needed to sustain the remaining service. Therefore, it was determined this was not a feasible option.

**ALTERNATIVE 9:
SIERRA FOREST FIRE PROTECTION DISTRICT
COUNTY FIRE DEPARTMENT DISTRICT**

1) Assumptions.

The County Fire Department District Model is based upon creating a County Fire Department District in accordance with NRS 244. Under this Model, the County may organize, regulate and maintain the fire department, establish the boundaries of the District, levy a tax within the District for support of fire operations and debt service, regulate explosive, combustible or inflammable material, and establish fees for ambulance services within the District.

According to NRS 244.2963, the County Fire Department District may assume “all rights, duties, liabilities and obligations of any county fire protection district only upon dissolution of the district as provided in chapter 474 of NRS.” This means a County Fire Department District could assume fire protection of Truckee Meadows Fire Protection District which is a 474 District, however, the law does not provide an avenue for it to assume properties within an NRS 473 Sierra Forest Fire Protection District unless legislation were adopted to allow this assumption of properties.

According to NRS 244, the County Fire Department District employees are “employees of the county for all purposes.” Therefore, there is no limitation of ability to pay as under a separate NRS 473 or NRS 474 Fire District. This would allow, under NRS 288, for the employees to bargain using all County available funding, not just the Fire District’s specific tax funding. This would cause employee salaries and benefits to be commensurate with other local government fire departments in the County which makes this option, then, financially infeasible due to the limited District tax revenues and the significant additional costs in employee salaries and benefits. (See Wildland Fire Service Model Fiscal Impact Analysis).

2) Conclusion.

Without clarification in NRS 244 to allow a County Fire Department District to assume NRS 473 Sierra Forest Fire Protection District operations, there is no legal avenue to convert the SFFPD to an NRS 244 County Fire Department District under current law. Also, without legislative changes to specify the County Fire Department District expenditures must be within the financial means of the District, personnel and liability for large fire expenditures would be more than the Fire District could generate in revenue and would require a Washoe County subsidy. A Washoe County subsidy would take revenues derived from all the taxpayers of the County to subsidize fire services within a specific boundary of the County Fire Department District. This would create taxpayer inequities. If the law was changed to allow an NRS 244 County Fire Department District to assume NRS 473 SFFPD operations and to limit expenditures within the financial means of the District, the fiscal impact of this option would be similar to Alternative 4 Conversion from an NRS 473 District to an NRS 474 District.

The financial impact of the conversion from an NRS 473 Sierra Forest Fire Protection District to an NRS 244 County Fire Department District is shown below with projections through FY 04-05. This Model includes the establishment of a 15 person seasonal fire management program

operated by the County Fire Protection District. The Model also assumes Verdi Station 5 is no longer operated by the Sierra Forest Fire Protection District as of July 1, 2004. Therefore, the total expenditures drop significantly from FY 03-04 to FY 04-05 in the amount of \$6,064,278 to \$5,240,163, respectively.

It is projected that an operating deficit would occur (expenditures projected are in excess of revenues projected) in FY 03-04, however, due to the savings from the Verdi Station, that deficit becomes a small surplus FY 04-05 as follows:

Calculation of Operating Deficit/Surplus under County Fire Department District Model:

	FY 03-04	FY 04-05
Total Revenues	\$ 4,998,191	\$ 5,275,657
Less: Total Expenditures	<u>6,064,278</u>	<u>5,240,163</u>
Operating (Deficit) Surplus	(\$ 1,066,087)	\$ 35,494

It is recommended that if the County Fire Department District Model were to be implemented, that the implementation not take place until after the SFFPD no longer operates Station 5 in Verdi in order to have the financial means to implement the District. It is important that if the District were established, that the strongest fund balance as possible be maintained in order to provide for any large fire suppression expenditures. Under this model, if the new District were established July 1, 2004, it is projected a fund balance of over \$2 million would be available for District operations.

Further financial analysis is provided in Alternative 4 Conversion from an NRS 473 District to an NRS 474 District.

ALTERNATIVE 10:
SIERRA FOREST FIRE PROTECTION DISTRICT
COUNTY FIRE DEPARTMENT DISTRICT MODEL WITH
SIERRA FOREST FIRE PROTECTION DISTRICT
PROVIDING WILDLAND FIRE SERVICE

1) Assumptions.

The County Fire Department District Model with SFFPD continuing to provide wildland fire service is based upon creating a County Fire Department District within the current SFFPD boundaries in accordance with NRS 244 for the emergency management and structural fire protection services. SFFPD would be retained within the same boundaries, however, it would only provide wildland fire service. This Model is the same as Alternative 5 except the emergency management and structural fire protection services would not be provided by a new NRS 474 District, but a new NRS 244 County Fire Department District.

Under this Model, the County may organize, regulate and maintain the fire department (except for wildland fire services), establish the boundaries of the District, levy a tax within the District for support of fire operations and debt service, regulate explosive, combustible or inflammable material, and establish fees for ambulance services within the District, if it so chooses.

According to NRS 244.2963, the County Fire Department District may assume “all rights, duties, liabilities and obligations of any county fire protection district only upon dissolution of the district as provided in chapter 474 of NRS.” This means a County Fire Department District could assume fire protection of Truckee Meadows Fire Protection District which is a 474 District, however, the law does not provide an avenue for it to assume properties within an NRS 473 Sierra Forest Fire Protection District unless legislation were adopted to allow this assumption of properties. Therefore, according to law, an NRS 244 County Fire Department District cannot overlap an NRS 473 SFFPD unless legislation were to pass to allow this.

According to NRS 244, the County Fire Department District employees are “employees of the county for all purposes.” Therefore, there is no limitation of ability to pay as under a separate NRS 473 or NRS 474 Fire District. This would allow, under NRS 288, for the employees to bargain using all County available funding, not just the Fire District’s specific tax funding. This would cause employee salaries and benefits to be commensurate with other local government fire departments in the County which makes this option, then, financially infeasible due to the limited District tax revenues and the significant additional costs in employee salaries and benefits. (See Wildland Fire Service Model Fiscal Impact Analysis).

2) Conclusion.

Without clarification in NRS 244 to allow a County Fire Department District to assume NRS 473 Sierra Forest Fire Protection District operations except for wildland fire service, there is no legal avenue to convert the SFFPD to an NRS 244 County Fire Department District under current law. Also, without legislative changes to specify the County Fire Department District expenditures must be within the financial means of the District, personnel and liability for large fire expenditures would be more than the Fire District could generate in revenue and would require a

Washoe County subsidy. A Washoe County subsidy would take revenues derived from all the taxpayers of the County to subsidize fire services within a specific boundary of the County Fire Department District. This would create taxpayer inequities.

If the law was changed to allow an NRS 244 County Fire Department District to assume NRS 473 SFFPD operations except for wildland fire service and to limit expenditures within the financial means of the District, the fiscal impact of this option would be similar to Alternative 5 Conversion from an NRS 473 District to an NRS 474 District with SFFPD retaining wildland fire service.

The financial impact of the conversion from an NRS 473 Sierra Forest Fire Protection District to an NRS 244 County Fire Department District with SFFPD retaining wildland fire service is shown below with projections through FY 04-05. This Model includes the establishment of a 15 person seasonal fire management program operated by the Sierra Forest Fire Protection District. The Model also assumes Verdi Station 5 is no longer operated by the Sierra Forest Fire Protection District as of July 1, 2004. Therefore, the total expenditures drop significantly from FY 03-04 to FY 04-05 in the amount of \$6,041,764 to \$5,255,414, respectively.

It is projected that an operating deficit would occur (expenditures projected are in excess of revenues projected) in FY 03-04, however, due to the savings from the Verdi Station, that deficit becomes a modest surplus in FY 04-05 as follows:

Calculation of Operating Deficit/Surplus under County Fire Department District Model with Sierra Forest Fire Protection District Retaining Wildland Fire Service:

	FY 03-04	FY 04-05
Total Revenues	\$ 4,998,191	\$ 5,275,657
Less: Total Expenditures	<u>6,041,764</u>	<u>5,255,414</u>
Operating (Deficit) Surplus	(\$ 1,043,573)	\$ 20,243

It is recommended that if the County Fire Department District Model were to be implemented, that the implementation not take place until after the SFFPD no longer operates Station 5 in Verdi in order to have the financial means to implement the District. It is important that if the District were established, that the strongest fund balance as possible be maintained in order to provide for any large fire suppression expenditures. Under this model, if the new District were established July 1, 2004, it is projected a fund balance of over \$2 million would be available for District operations.

The financial impact of the County Fire Department District Model with SFFPD retaining wildland fire service is the same as Alternative 5.