

MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING (“MOU”) clarifies the mutual understanding between the Tahoe Douglas Fire Protection District (“Fire District”), by and through its Board of Trustees, on the one hand, and Douglas County, Nevada (the “County”) and the Douglas County Redevelopment Agency (the “RDA”) (collectively, the “County Parties”), on the other hand, regarding the Redevelopment Plan for Redevelopment Area No. 2 within the Lake Tahoe Basin area of Douglas County, Nevada (the “Redevelopment Plan”).

RECITALS

- A. WHEREAS, on February 18, 2016, the Douglas County Board of County Commissioners (“BOCC”) approved Ordinance No. 2016-1456 to officially create Redevelopment Area No. 2 (the “Redevelopment Area”) and adopt the Redevelopment Plan as the official redevelopment plan for the redevelopment area pursuant to NRS 279.580 and 279.586.
- B. WHEREAS, pursuant to NRS 279.676(1)(a) and 279.676(4), the Redevelopment Plan may limit for the duration of the Redevelopment Plan, the revenues that the Fire District receives from ad valorem taxes generated from taxable property within Redevelopment Area No. 2 to the amount of ad valorem tax revenue which the Fire District was receiving based on the assessment roll as of the March 15 immediately preceding the adoption of the Redevelopment Plan. Pursuant to NRS 279.676(1)(b) and subject to the provisions of NRS 279.676(1)(c) and (d) governing additional taxes imposed within the Fire District, the portion of the levied taxes in excess of the amount currently collected as set forth in NRS 279.676(1)(a), without any inflation adjustment, will be allocated to, and when collected paid into, a special fund of the RDA to pay the costs of redevelopment
- C. WHEREAS, in light of the possible cap on the Fire District’s future revenues from ad valorem taxes from properties with the Redevelopment Area, and because of the potential for increased demand for the Fire District’s services created by development within the Redevelopment Area and other factors such as inflation, the Fire District has serious concerns about whether it will have sufficient funding over the duration of the Redevelopment Plan (potentially 30 years) to continue to provide the standards of fire protection and emergency medical services within the Redevelopment Area required by NFPA § 1710, *Standard for the Organization and Deployment of Fire Suppression Operations, Emergency Medical Operations, and Special Operations to the Public by Career Fire Departments*. Those services include, without limitation, the needs of the Fire District to employ personnel and to purchase, maintain, and upgrade the equipment, apparatus, facilities, and other infrastructure necessary to provide public safety services.

D. WHEREAS, attached hereto as Appendix 1 and incorporated herein by reference is a summary, prepared solely by the Fire District, of what the Fire District believes may be the economic impact of the Redevelopment Plan on the Fire District's ability to meet the required standards for fire protection and emergency medical services during the course of the Redevelopment Plan. The County parties have not independently reviewed, analyzed, and/or verified the Fire District's summary and do not adopt the Fire District's conclusions or findings.

E. WHEREAS, in public comment during the BOCC meeting on January 21, 2016, a County representative stated that, should the Fire District's concerns about its funding as a result of the Redevelopment Plan come to fruition during the course of the Redevelopment Plan, County staff and property owners within the Redevelopment Area are committed to working cooperatively with the Fire District to procure adequate resources to support reasonably necessary public services within the Redevelopment Area.

F. WHEREAS, the parties hereto wish to memorialize in this Memorandum of Understanding the principal terms of their collective understanding with regard to the issues set forth above.

NOW, THEREFORE, in consideration of the above Recitals, which are incorporated herein by reference, the parties hereto set forth their understanding of the foregoing issues, as follows:

1. For the duration of the Redevelopment Plan, the Parties will work cooperatively to procure adequate resources to enable the Fire District to continue to provide reasonably necessary public services within the Redevelopment Area.
2. Methods by which the parties hereto envision that the Fire District may procure additional resources to offset any fiscal effects of the Redevelopment Plan on the Fire District possibly include, without limitation:
 - Payment by the RDA of additional monies to the Fire District in lieu of property taxes for taxable property owned by the Redevelopment Agency, in accordance with NRS 279.496.
 - Purchase or lease conditions imposed by the RDA on purchasers or lessors of property within the Redevelopment Area, requiring those purchasers or lessors to pay fees, for the benefit of the Fire District, to offset the impact on the Fire District of the costs of public services attributable to those properties, in accordance with NRS 279.482(1).
 - Payment(s) made by owners of property within the Redevelopment Area, including, without limitation, the RDA, for the benefit of the Fire District to enable it to provide reasonably necessary public services, to the extent permitted by Nevada law.

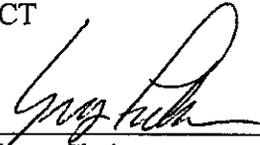
- Proceeds paid to the Fire District derived from a fee to be added to the ticket price for live entertainment acts/shows at any venues within the Redevelopment Area, to the extent permitted by Nevada law.
- Use of RDA funds for Fire District facilities and/or improvements to the extent permitted under NRS Chapter 279.
- Additional tax revenues raised by the Fire District not subject to RDA funding pursuant to NRS 279.676(1) (c) and (d).

3. The County Parties and the Fire District agree to work cooperatively with each other to implement the methods set forth in paragraph 2 above if necessary and feasible, as well as any other appropriate methods, so Fire District has adequate resources to provide reasonably necessary public services at all times within the Redevelopment Area.

IN WITNESS WHEREOF, the parties hereto have executed this MOU on the dates indicated below.

DATED: 5/25, 2016

TAHOE DOUGLAS FIRE PROTECTION DISTRICT



Greg Felton, Chairman
Board of Trustees

DATED: July 21, 2016

COUNTY OF DOUGLAS, NEVADA

By: 
~~Doug N. Johnson~~ Nancy McDermid
Vice Its: Chairman, Douglas County Board
of Commissioners

DATED: July 21, 2016

DOUGLAS COUNTY REDEVELOPMENT AGENCY

By: 
~~Doug N. Johnson~~ Nancy McDermid
Its: Chairman
Vice

TAHOE DOUGLAS FIRE PROTECTION DISTRICT

Ben Sharit, Fire Chief
Scott Baker, Assistant Chief
Eric Guevin, Fire Marshal



Greg Felton, Chair
Bill Kirschner, Vice Chair
Kevin Kjer, Trustee
Steve Seibel, Trustee
Larry Schussel, Trustee

APPENDIX 1

Anticipated Economic Impact to the Tahoe Douglas Fire Protection District of the Douglas County Redevelopment Plan for Redevelopment Area No. 2

Introduction

The Tahoe Douglas Fire Protection District (Fire District) is a special district located in the Tahoe Township portion of Douglas County Nevada. The Fire District covers an area of approximately 17.7 square miles on the southeast shore of Lake Tahoe. The District is "L" shaped extending from the top of Kingsbury Grade to the west to Stateline Nevada, then north to Glenbrook. Elevations range from approximately 6,230 feet to over 8,000 feet. The Fire District is a career fire department and provides all-risk services to include, fire suppression, wildland firefighting, Haz-Mat mitigation, high angle rescue, water/ice rescue, maritime operations, advanced life support, bomb squad, fire prevention and forest fire mitigation services. Currently the Fire District has 49 operational career personnel that support National Fire Protection Association (NFPA) compliance.¹

Currently the Fire District provides all-risk services to the Redevelopment Area No. 2 (Project Area) and provides automatic aid to the City of South Lake Tahoe on the California side of the Tourist Core (Core Area) area and beyond. There are high-rise casinos located on the Nevada side of the state line and several multi-story resort properties on the California side of the Core

¹ The National Fire Protection Association (NFPA) sets requirements for minimum staffing for fire agencies in Nevada and throughout most of the United States.. The base standard for minimum staffing is located at NFPA Code Section 1710: *Standard For The Organization And Deployment Of Fire Suppression Operations, Emergency Medical Operations, And Special Operations To The Public By Career Fire Department.*

NFPA Section 1710, 1.1 defines the scope of regulations: **Scope.** *This standard contains minimum requirements relating to the organization and deployment of fire suppression operations, emergency medical operations, and special operations to the public by substantially all career fire departments. 1.1.1 The requirements address functions and objectives of fire department emergency service delivery, response capabilities, and resources. 1.1.2 This standard also contains general requirements for managing resources and systems, such as health and safety, incident management, training, communications, and pre-incident planning. 1.1.3 This standard addresses the strategic and system issues involving the organization, operation, and deployment of a fire department and does not address tactical operations at a specific emergency incident.*

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Area. The Fire District also provides all-risk services to the nearby Heavenly Mountain Resort, Van Sickle Bi-State Park, Lake Tahoe and area beach, and U.S. Forest Service lands.

Budget Information

The Fire District's funding is primarily provided by ad valorem (property tax) and consolidated sales taxes known as CTX taxes. During the recent recession, the Fire District was able to absorb the nearly \$1.5 million in budget cuts by allowing positions vacated by retirements to remain unfilled. In this way the Fire District was able to avoid any layoffs, but the department was left with 12 vacant positions. Ultimately the Fire District was forced to close an engine at Station-24 and reduce the staffing on the two other fire engines to 2-person crews. The Fire District fell out of compliance with NFPA 1710.

In 2012 the Fire District was awarded a FEMA Staffing for Adequate Fire and Emergency Response (SAFER) grant for the hiring of 12 firefighters or firefighter / paramedics so that the Fire District could come into compliance with NFPA 1710. The 2012 SAFER Grant augmented the Fire District's budget by \$1.4 Million for calendar years 2013, 2014, and 2015. In 2014 the Fire District applied for and was awarded a second SAFER Grant for calendar years 2016 and 2017. The second SAFER Grant is funding the retention of 5 firefighters through 2017 and is augmenting the Fire District's budget by \$581,190 per year. Thus these SAFER grants are enabling the Fire District to maintain compliance with NFPA 1710 and would normally be a bridge between the decreased tax revenues caused by declining property values.

Property values are increasing as the economy improves in the Lake Tahoe Basin. However, there are still downward pressures on overall tax collections by the Fire District. In 2014 to 2015, ad valorem taxes increased from \$5.46 million to \$5.65 million. This increase, along with smaller increases in CTX taxes, enabled the Fire District to absorb the expenses of the seven firefighter / paramedics who were no longer funded by the SAFER Grant described above. However, projections for the 2016 fiscal year anticipate that ad valorem taxes will be down to \$5.5 million for the year. This reduction in ad valorem taxes is primarily due to a stabilization or even reduction in home values in the Tahoe Basin, most significantly due to Harrah's Lake Tahoe and Harvey's Lake Tahoe being awarded tax incentives for compliance with Leadership and Energy and Environmental Design (LEED) criteria. The tax incentives to these properties reduced ad valorem taxes to the Fire District by \$70,000 and the incentives will be in place for an additional nine years. Therefore, if the Redevelopment Plan is approved, the ad valorem tax revenue received by the Fire District from properties in the Redevelopment Area will be capped at an extremely low level.

Call Volumes

Call volumes in the Fire District have steadily been increasing. The following table shows call volumes by major type and year within the Fire District:

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Table 1 - Total Fire District Call Volumes

	2010	2011	2012	2013	2014	2015
EMS Calls	1187	1330	1299	1420	1321	1447
Fire Calls	490	482	470	562	645	620
Total Calls	1677	1812	1769	1982	1966	2067

Call volumes have increased primarily due to EMS calls. The following table shows how call volumes have increased by fire station within the District:

Table 2 - Call Volumes per Fire Station

	2010	2011	2012	2013	2014	2015
Station 21	335	349	368	349	324	318
Station 23	872	1108	1071	1142	1017	1140
Station 24	234	103 ²	62	238	393	404
Station 25	214	227	256	230	209	178
Totals³	1655	1787	1757	1959	1943	2040

The above table shows that call volumes have increased approximately 23 percent from 2010 volumes. Most dramatically, however, the table above clearly shows that Station 24 is increasingly responding to calls within the zone covered by Station 23. Station 23 is the “first-in” response station to the redevelopment area. EMS calls tend to be centered around particular events such as concerts, holiday weekends, summer events, or weather events. Thus, calls tend to occur in clusters around particular times of the day and on particular days. The ability of a fire station to respond to a call within its assigned zone is stated as the reliability of the station.

Currently, Station 23 is understaffed to respond to all of the calls in its zone and Station 24 is dispatching either Rescue 24 or Engine 24 to District 23. The following table shows the number of times resources are being pulled from Station 24 to cover Station 23:

² Engine 24 at Station 24 was taken out of service during part of 2011 and 2012 due to budget cuts. The ambulance Rescue 24 remained in service at Station 24. This caused a shift of calls to Station 23 and Station 25. This shift is blurring the clear increase in calls that are being made primarily to Station 23.

³ Total calls by station do not include strike team calls for wildland fire assignments nor calls for wildland firefighting by the Fire District’s fire crew.

Table 3 - Call Volumes Station 24 Responding to Station 23 Calls

	2010	2011	2012	2013	2014	2015
Rescue 24	0	44	128	165	208	280
Engine 24	0	N/A ⁴	N/A	86	168	200
Totals	0	44	128	251	376	480

Ability to Respond to Additional Calls with Current Resources

Fire departments staff to be able to provide EMS and fire services as prescribed by NFPA 1710, with the recognition that events will occur that will require employees to work overtime. The Fire District is required by NFPA 1710 to provide a minimum standard for response times to all areas of the Fire District. When calls come in that require assistance beyond normal emergency coverage, the Fire District fills this demand with employees who are called back to duty and paid overtime. Common examples of necessary overtime include wildland fire response where an entire engine company may leave the Fire District for up to two weeks, or concerts where a team of firefighter / paramedics provides coverage during the period of the event. In 2015, the United States experienced the most severe fire season in its history. It is critical that, during these events, fire services from across the region amass to protect life and property from catastrophic fire. By responding to neighboring jurisdictions during large events, the Fire District ensures that the “cavalry” will respond when the next wildland fire strikes the Lake Tahoe Basin. The demand on the Fire District is increasing annually as wildfires in the region become larger and more dangerous. During the 2015 wildfire season, firefighters from Tahoe Douglas Fire Protection District filled 195 shifts on area wildland fires at overtime expense to the Fire District.

In addition to providing crews and paying overtime for the above fires, the Fire District also requires employees to cover special events, in 2015 examples of events that required overtime 24 hour shifts included:

- All major holidays – 1 ambulance with 2 FF / Paramedics – 6 shifts;
- Harvey’s Summer Concert Series – 1 Ambulance with 2 FF / Paramedics – 11 shifts;
- American Century Celebrity Golf – 1 Ambulance with 2 FF / Paramedics – 5 shifts;
- High skier visit demand at Heavenly Mountain resort – 1 FF / Paramedic – 20 shifts;
- Bike Big Blue – 2 FF / Paramedic – 1 Shift;
- Amgen Tour of California – 2 FF/ Paramedics – 1 shift; and
- Other – The Fire District also provides coverage to special events such as Mixed Martial Arts events, indoor concerts known to have large crowds or events in the City of South

⁴ During 2011 Engine 24 was blacked out due to budget cuts associated with declining property values within the Fire District.

Lake Tahoe that may attract large crowds to the Stateline region – 1 Ambulance with 2 FF / Paramedics – 5 shifts.

In addition to covering special events, the Fire District also provides mutual and automatic aid to neighboring fire districts and departments. Automatic and mutual aid are force multipliers so that no one fire district has to staff for the largest or most complex events that may occur. Rather, NFPA 1710 requires that fire services provide a base standard of coverage and then mutual and automatic aid can provide additional coverage when needed. The following table shows the mutual or automatic aid calls responded to by the Fire District:

Table 4 - Total Mutual Aid and Automatic Aid Calls

	2010	2011	2012	2013	2014	2015
Mutual / Automatic Aid	23	61	73	145	193	192

Mutual and automatic aid calls are primarily being driven by economic diversification in the South Lake Tahoe Region where a single event causes a influx of tourists throughout the region. The increase in mutual aid and automatic aid calls can be traced back to the buildout of tourist infrastructure and parks or events including, but not limited to:

- Increased skier visits to Heavenly Mountain Resort;
- Growth of the Harvey’s Summer Concert Series;
- Increased use of Van Sickle Bi-State Park;
- Growth of the SnowGlobe Music Festival;
- Continued success of the Celebrity Golf Tournament at Edgewood Golf;
- Development of mountain biking shuttles for the Flume Trail at Marlette Lake;
- Development of the Tahoe Rim Trail and associated feeder trails; and
- Continued development of the Tourist Core area in the City of South Lake Tahoe.

Thus mutual and automatic aid calls to the Tourist Core area are already beginning to stretch Fire District resources beyond sustainable levels. Each of the mutual and automatic aid calls above causes a shift in resources from Station 24 to Station 23, which in turn is drawing down resources and potentially increasing response times in the Zephyr Cove Park region; which is also planning expansion.

NFPA 1710 Compliance

Compliance with NFPA 1710 for fire incidents and for engine availability is directly measured and quantified by the Insurance Services Office (ISO), which then rates the fire protection adequacy in a fire departments jurisdiction and then promulgates the regions ISO rating. The ISO rating is used by the insurance industry to set premiums for fire, auto, and other types of insurance. The ISO rating is based on a weighted scale with 50 percent of the rating being

determined by a fire department’s response to an emergency, 40 percent based on water supply, and 10 percent based upon communications. ISO ratings have a scale of 1-10 with 1 being the highest and 10 being the lowest.

In 2014 the Fire District was rated by the ISO and received a 3/3Y rating. This rating indicates that the Fire District is a high-reliability fire district. However, increasing response times will threaten this ISO rating. Any increase in a local areas ISO rating directly leads to increases in insurance for homeowners and businesses within the region. Thus it is important to the local community that any redevelopment plan quantifies the effects on response times and the impacts on ISO ratings. The costs associated with maintaining current standards of cover with increased call volume, and the potential increased cost of insurance in the redevelopment area and region from a reduction in ISO rating, should be considered in any economic analysis on the feasibility of the Redevelopment Plan.

Estimated Costs of Redevelopment to the Fire District

The current redevelopment plan includes a freeze on ad valorem taxes available to the Fire District for providing all-risk public safety services in the redevelopment area. There is no inflation adjustment included on the base ad valorem taxes. Thus the purchasing power of those dollars will decline over the 30-year period of redevelopment, which affects a whole host of services provided by the Fire District. One example of the anticipated increase in costs to the Fire District is the cost to continue to provide emergency medical services (EMS) at the level at which those services currently are provided. The following table shows the reduction in purchasing power of the parcels in the redevelopment area compared to the cost of providing EMS services to the project area. This analysis shows the property tax collections from the parcels within the redevelopment area for the current year and the cost of employing six fulltime firefighter / paramedics that will be necessary to comply with NFPA 1710 in the redevelopment area Table 5 shows the results of a present value analysis comparing firefighter / paramedic wages funded in the Fire District’s current SAFER Grant. The present value analysis shows the purchasing power of the tax revenues from the parcels in the redevelopment area compared to the cost of hiring six full time firefighter / paramedics that are anticipated to be necessary to maintain minimum standards of cover in the redevelopment area. The analysis shows the declining purchasing power of the tax revenues and the estimated budget gap that is being created without an inflation adjustment to the current tax base.

Table 5 - Present Value of Property Taxes Compared to Paramedic Staffing - Six Full time Paramedics

	2015	2025	2035	2045
Tax Revenue	\$727,705	\$441,834	\$268,265	\$162,880
Cost of full time paramedics for area	\$680,418	\$680,418	\$680,418	\$680,418
Surplus / (Deficit)	\$47,287	\$(238,584)	\$(412,153)	\$(517,538)

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This present value calculation shows the declining purchasing power of the ad valorem taxes from the parcels in the redevelopment area of the 30-year period allowed. This analysis uses the 5 percent cost of capital used in the economic feasibility section of the Redevelopment Plan.

Table 6, below, is a future value calculation that shows how firefighter / paramedic wages are expected to grow at 3 percent inflation as compared to the constant dollar tax base from the parcels in the redevelopment area. This table again shows the expected budget gap created because of the lack of an inflation adjustment in the current redevelopment plan.

Table 6 - Future Value of Salaries Compared to Taxes Held Constant - Six Full time Paramedics

	2015	2025	2035	2045
Tax Revenue	\$727,705	\$727,705	\$727,705	\$727,705
Cost of full time paramedics for area	\$680,418	\$918,124	\$1,238,875	\$1,671,680
Surplus / (Deficit)	\$47,287	\$(190,419)	\$(511,170)	\$(943,975)

This future value calculation shows how expenses only for wages are expected to grow utilizing a 3 percent inflation adjustment. The future value of the ad valorem taxes from the parcels in the redevelopment area equal today's ad valorem taxes due to the cap on tax increases for properties in that area.

Although EMS is one example of the anticipated increase in costs to the Fire District as a result of redevelopment that can be measured with more certainty, the Fire District expects that it may incur increased costs for other services it provides.

Summary

The Fire District's objective is to ensure that its residents and visitors receive adequate and necessary public safety services. The Fire District currently is able to fund these services to meet minimum national standards required by the NFPA. However, the Fire District anticipates that the Redevelopment Plan may cause the Fire District to be unable to meet those standards during the course of redevelopment because ad valorem tax revenue from the redevelopment area would be capped for up to 30 years at the current amount, and there would be increased demand for public safety services (including fire inspection and protective services for new construction). The Fire District seeks the support of Douglas County and the Douglas County Redevelopment Agency in addressing this situation and ensuring that the Fire District receives adequate funding to provide necessary public safety services.