

COMPARISON OF FIRE DISTRICT MERGERS, CONSOLIDATIONS, JOINT POWERS AGREEMENTS, AND JOINT MANAGEMENT AGREEMENTS

1. MERGER (A.R.S. §§ 48-820, 48-821):

- Key Points:

- In a merger, 2 or more Fire Districts form a new entity, and the existing Fire Districts cease to exist.
- May be completed by election, unanimous resolution, or majority resolution. (There is a different process for each).
- The new governing board elects members from the existing Fire District Boards. If there are only 2 Districts, then the Board will consist of 3 members from the District with the largest net assessed valuation and 2 members of the District with the lesser net assessed valuation.
- All equipment, assets, and liabilities of the affected Districts are transferred to the new Fire District created by the merger.

- Pros:

- *Reduction of Costs:* Costs will be reduced because the District won't have duplicate services or administration. This may save the Districts money in the long-run.
- *Streamlined Governance:* There is only one entity after the merger. Therefore, there is only one board of directors, one budget, and one audit.
- *Improved Services:* With unified operations, there may be an enhancement in service quality and consistency.
- *Increased Bargaining Power:* The Districts benefit from economies of scale and can potentially achieve cost savings when negotiating insurance rates or procurement contracts.
- *Continuation of Service:* Merging Districts increases the likelihood that fire protection and emergency services will continue to be provided, where in other situations such services might be unable to be provided due to the financial, equipment, and administrative challenges of operating a separate Fire District.

- Cons:

- *Loss of Individuality:* The existing Districts will cease to exist and operation will be conducted on a larger scale, meaning locals will have less autonomy and local decision-making power.
- *Resistance to Change:* Locals, employees, and officials may resist changes due to concerns over job security, identity, local influence, changes in responsibilities, and more.
- *Complexity:* Merging Districts involves significant legal, administrative, and logistical steps all of which take a substantial amount of time. (In some cases, an election may need to be held to merge Districts).
- *Disparities:* Differences in tax rates may make merger difficult, especially where one District has a significantly higher tax rate than another or the operational structures are vastly different. This may require an equalization of tax rates before merging.
- *No Separation:* Once merged, the Districts cannot unmerge into the separate Districts which existed before the merger.

2. **CONSOLIDATION (A.R.S. §§ 48-822, 48-823):**

- Key Points:

- In a consolidation, 2 or more Fire Districts combine into one entity. The District(s) requesting consolidation are absorbed into one of the existing Fire Districts. The Districts which requested consolidation will cease to exist, whereas the newly consolidated District will continue to exist.
- May be completed by election, unanimous resolution, or majority resolution. (There is a different process for each).
- The Governing Board of the newly consolidated District consists of members **only** from the District which continues to exist (into which the other Districts consolidated). The board members of the District(s) which requested consolidation are not appointed and must wait until the next election/appointment cycle.
- All equipment, assets, and liabilities of the affected Districts are transferred to the Fire District created by the consolidation.

- Pros:

- *Reduction of Costs:* Costs will be reduced because the District won't have duplicate services or administration. This may save the Districts money in the long-run.
- *Streamlined Governance:* There is only one entity after the consolidation. Therefore, there is only one board of directors, one budget, and one audit.
- *Improved Services:* With unified operations, there may be an enhancement in service quality and consistency.
- *Increased Bargaining Power:* The Districts benefit from economies of scale and can potentially achieve cost savings when negotiating insurance rates or procurement contracts.
- *Continuation of Service:* Consolidating Districts, increases the likelihood that fire protection and emergency services will continue to be provided, where in other situations such services might be unable to be provided due to the financial, equipment, and administrative challenges of operating a separate Fire District.

- Cons:

- *Loss of Individuality:* The Districts which requested consolidation will cease to exist and operation will be conducted on a larger scale, meaning locals will have less autonomy and local decision-making power (especially since those locales will not have immediate board representation upon consolidation).
- *Resistance to Change:* Locals, employees, and officials may resist changes due to concerns over job security, identity, local influence, changes in responsibilities, and more.
- *Complexity:* Consolidating Districts involves significant legal, administrative, and logistical steps all of which take time. (In some cases, an election may need to be held to consolidate Districts).
- *Disparities:* Differences in tax rates may make consolidation difficult, especially where one District has a significantly higher tax rate than another or the operational structures are vastly different. This may require an equalization of tax rates before consolidating.
- *No Separation:* Once consolidated, the Districts cannot dissociate and revert back into the separate Districts which existed before the consolidation.

3. JOINT POWERS AUTHORITY (A.R.S. §§ 48-805.01, 11-952):

- Key Points:

- 2 or more Fire Districts may form a separate legal entity which has the power **common to the contracting parties** specified in the agreement and may jointly exercise power held in common by the contracting parties (e.g. fire protection, preservation of life, incurring debt, EMS, acquire or dispose of property, sue and be sued, employ agents and employees, etc.).
- The Fire Districts continue to exist with their own elected board of directors, but much of the administrative and operational elements are generally controlled by the separate legal entity, the Joint Powers Authority ("JPA").
- The separate legal entity is comprised of elected officials of the governing bodies to the JPA, as specified by the agreement.
- A JPA does not require an election or approval of the voters, only a vote by each District's Governing Board desiring to enter into a JPA for shared services.

- Pros:

- *Flexibility:* Each District retains its ability to tax its residents at the rates it desires and retains their Fire District Assistant Tax.
- *Reduction of Costs:* Some costs will be reduced because the District won't have duplicate positions (e.g. separate fire chiefs) or administrative costs. This may save the Districts money in the long-run.
- *Improved Services:* With shared operational and administrative obligations, there may be an enhancement in service quality and consistency.
- *Increased Bargaining Power:* The Districts benefit from economies of scale and can potentially achieve cost savings when negotiating insurance rates or procurement contracts through the JPA.
- *Less Frequent Meetings:* The member Districts can meet less often (once every 90 days as opposed to once every month).
- *Option to Dissociate/Dissolve:* Although difficult, under a JPA the Districts have the option to dissociate and dissolve the relationship under the JPA, unlike in a merger or consolidation. Which is why a JPA is usually a step towards a merger or consolidation.

- Cons:

- *Multiple Entities:* Each District continues to exist and a third entity, the Joint Powers Authority is created. Three entities means that each entity will still need, separate public meetings, separate budgets, separate audits, separate board of directors, etc.
- *Complex Governance:* The Governance structure and operational hierarchy may need to be clarified. In some cases, the individual Fire District boards will have to go through the JPA. This may cause delays in decision-making.
- *Funding/Resources:* A JPA has no taxing authority, it relies on funding and contributions of the underlying Districts. Because the Districts retain their own taxing authority, the Districts' contributions may not be equal. Additionally, there may be disputes over how funds and resources are allocated and used within the JPA.
- *Power Struggles/Politics:* Power dynamics between Districts or local political issues can lead to struggles and arguments over influence in the JPA.

4. **JOINT MANAGEMENT AGREEMENT:**

- Key Points:

- A Joint Management Agreement ("JMA") is essentially an intergovernmental agreement ("IGA") where the Districts can contract with each other to share services or administrative obligations.
- Each District continues to exist separately.
- JMA only requires a vote of each District's Governing Board desiring to enter into the contract, no approval by the voters is needed.

- Pros:

- *Control:* Each District is a separate legal entity from the other and still has full and independent control over all of its powers.
- *Small Time Commitment:* Unlike the other options for Fire Districts, this option is the fastest to complete and requires the least time commitment – it is simply a contract.

- *Some Reduction in Costs:* Although not to the extent of mergers, consolidations, and JPAs, the Districts may save money because they share certain services or administrative obligations (such as only 1 fire chief).
- *Option to Dissociate & Cancel the JMA:* A JMA is a contract that can more easily be dissolved and cancelled than can a JPA. It can be used to “test the waters” for a future merger or consolidation.
- Cons:
 - *Separate Governance:* Each District will have its own internal policies and processes for managing employees which can lead to inconsistencies in shared operations.
 - *Multiple Entities:* Each District will still require its own public meetings, budgets, audits, etc.
 - *Duplication of Efforts:* Each District is responsible for negotiating its own insurance rates, workman’s compensation rates, and procurement contracts which results in unnecessary expenses that might be saved under a merger, consolidation, or JPA.