

**SPENDING MONEY IT DIDN'T HAVE:
PENN VALLEY FIRE DISTRICT'S BOARD OF DIRECTORS
LACK OF ATTENTION TO THEIR FISCAL RESPONSIBILITY**

Nevada County Civil Grand Jury

Report Date: April 13, 2026

Summary

Beginning in early 2023, Penn Valley Fire Protection District, Nevada County Consolidated Fire District, Rough and Ready Fire District, and Ophir Hill Fire District began to explore consolidating in a single district.¹ After almost two years of work, exchanges of information, committee meetings, and departmental interaction at the highest levels, the exploration collapsed. This report details how that happened.

Economics prevented the combination because shortly before the consolidation was to occur, Penn Valley's Board of Directors took on a large amount of unfunded operating expense when it made a dozen promotions and hires—money that the District committed itself (and, potentially, its partners) to spend but that it could not sustain over the long term. That caused Nevada Consolidated to withdraw from negotiations, because it did not think it would be financially responsible to take on those costs from Penn Valley. That leaves Penn Valley Fire Protection District facing an uncertain financial future.

Nevada County fire districts cooperate with each other through mutual-aid agreements. That works reasonably well. It would make sense for those districts to consolidate, which would allow even more coordinated responses and save the expenses of having multiple district administrations.

Glossary

Board:	Penn Valley Fire Protection District Board of Directors
Fiduciary duty:	The obligation of an agent to act solely for the benefit of the principal and to exercise due care in choosing to act or to refrain from acting
FY[year]:	The fiscal year ending on June 30 of the stated year

¹ Penn Valley and Nevada Consolidated were the major players. Rough and Ready District and Ophir Hill District experienced severe financial distress that threatened their ability to provide adequate fire protection coverage.

Jury: 2025-2026 Nevada County Civil Grand Jury
NCC: Nevada County Consolidated Fire District
PVFD: Penn Valley Fire Protection District

Background

The day of the small, independent fire district is over, because small districts do not have a revenue stream sufficient to support the firefighting and safety functions that modern departments must maintain. Each small district has a structure of command and administrative personnel, resulting in inefficient duplication of command and administrative services across multiple small districts. For example, consolidating two small districts into one larger one does not result in doubling the personnel serving in command and administrative roles. There are economies of scale. The result is more money available for firefighting because of reduced total expenditures for administration.

The jury received a request to investigate what caused the collapse of what had appeared to be a promising consolidation plan that would have improved services for the residents of the consolidating districts and resulted in more efficient use of tax dollars and other fire district revenue. The proposed district's name was to be Nevada County Fire and Rescue District. The collapse that at first appeared inexplicable became clearer as the jury investigated.

Approach

The jury conducted interviews with personnel from both districts and with some Nevada County officials. The jury also studied the public records of both districts, including their budgets, board of director's meeting minutes, information distributed to the boards before each meeting to assist in preparation, and other public information available on the districts' websites.

Discussion

Special districts are individual government units fulfilling individualized functions within the districts' area. Special districts have governing legislative bodies known as boards of directors. The boards are responsible for preparing and

adopting the districts' budgets each year. District voters elect Board members to staggered four-year terms.

PVFD maintains a website that has some official documents, such as minutes of board meetings, packets of materials that board members receive to help them prepare for meetings, reports of financial audits, and budgets. At this writing, the site does not have the District's bylaws.

Lack of PVFD Board Involvement

The Board of Directors should set budget priorities and is the final authority regarding budget approval and adoption, but the Board does not participate in preparing the budget. The Board has delegated its authority to prepare the District's annual budget to the Chief and the Finance Manager, but the responsibility for the budget remains with the Board. In the PVFD minutes, there is no indication in the past four years that the Board has ever objected to or even asked questions about the proposed budgets. PVFD's Board is not actively involved in the financial aspects of the district. One Board member described the Board's sole responsibility as hiring and firing the chief.

PVFD prepared three budgets for FY2025. At the Board meeting of June 4, 2024, the Board adopted preliminary budgets for the General Fund, the Building & Equipment Fund, and the Impact Fund. At the September 3, 2024, meeting, the Board adopted the "Final Budget 2024-2025. PVFD's "final" budget for 2024-2025 showed an anticipated deficit of \$161,601.² The Jury heard from multiple sources that projected deficits of that size are common in fire districts because the districts are quite conservative in preparing their budgets, anticipating worst-

² None of the budgets on PVFD's website indicate when PVFD prepared them.

case situations, and cost savings during the year most often make up the deficit.³ The “final” budget did not take into account the promotions and hires that PVFD made in November 2024.

After the Board voted on the personnel changes, PVFD prepared a working paper in budget format, which included the personnel changes and showed an anticipated deficit of \$927,001. That document never went before the PVFD Board, but PVFD did forward it to NCC on December 18, 2024, and it caused concern. The same day, NCC asked if it was reading that budget correctly, and PVFD confirmed that it was.

PVFD subsequently prepared another budget. That budget showed an anticipated deficit of \$697,001. At the January 7, 2025, meeting, the Board adopted the “Amended Budget FY 24/25.” It is not clear what caused the decrease from the working paper’s anticipated deficit of \$927,001 to the Amended Budget’s figure of \$697,001. It is clear that the working paper’s projected deficit had an immediate, negative effect on the consolidation negotiations. One of NCC’s directors, observing the changes, noted, “there’s a significant deficit there from anywhere from 900,000 something to 600,000. I don’t know which number is

³ For example, the following chart compares PVFD’s budgeted (predicted) year-end net income and its actual year-end net income.

	Budgeted Gain or (Loss)	Year-end Actual Gain or (Loss)
FY2021	(\$186,251)	\$66,554.91
FY2022	(\$173,301)	\$230,596.70
FY2023	(\$137,601)	\$151,246.23
FY2024	(\$183,401)	(\$59,432.68)
FY2025	(\$697,001)	\$108,234.64
FY2026	(\$311,601)	Not available

This chart shows the budget figures from PVFD. It is not clear why the FY23 year-end figure does not correlate with the loss that the auditor misreported as a gain.

accurate.” On March 20, 2025, NCC’s Board voted to withdraw from the negotiations with PVFD.

In October 2024, PVFD submitted an order for new badges, covering three battalion chiefs, three captains, and three lieutenants. When PVFD placed that order, the Board had not yet approved the promotions or the new hires; that did not occur until the November 2024 Board meeting. The order thus appears to have violated PVFD’s bylaw § 601, which states, “No Director, officer, agent or employee of the District shall bind the District by any contract, or pledge its credit, or render it liable for any purpose without prior specific approval of the Board.” There is no record of the Board having approved that (or any other expense) incurred for October 2024.

Annual Audits

There is evidence that the current and past Boards pay insufficient attention to the annual audits performed for the District. PVFD has used the same auditor since at least FY2017. For that year, the auditor reported that “total expenses for District governmental activities were \$2,071,992, \$197,377 more [*sic*] than the \$2,269,369 the District generated in tax and other revenues received during the same period.” [Emphasis added.] That is a misstatement; revenues exceeded expenses that year by almost \$200,000.

For FY2018, the auditor reported, “total expenses for District governmental activities were \$2,423,476, \$416,419 more [*sic*] than the \$2,839,895 the District generated in tax and other revenues received during the same period.” That is a misstatement; revenues exceeded expenses that year by more than \$400,000.⁴

The auditor’s report for the fiscal year ending June 30, 2023, stated the following: “During the year, total expenses for District governmental activities were

⁴ The Jury does not suggest that those two errors are the responsibility of the current Board. However, the existence of three such errors in a short period of time does suggest a lack of PVFD Board rigor in reviewing the audits.

\$4,036,995, \$940,577 less [sic] than the \$3,096,418 the District generated in tax and other revenues received during the same period.” [Emphasis added.] That is a misstatement; expenses exceeded revenues that year by \$940,577. The Board did not notice that what the auditor stated as an operating profit actually reflected nearly a million-dollar loss. The Board accepted the audit at its meeting on June 18, 2024.

Promotions, Hires, and Troubles

At the Board’s October 1, 2024, meeting, there was discussion about “hiring additional Firefighter/Paramedics.” The Board took no action. “The Board asked Chief Wagner to bring back to the board with [sic] the costs for adding 3 Firefighter/Paramedics and promoting 3 Captains to Battalion Chiefs.” There was no mention of other promotions.

The packet for the Board meeting of November 5, 2024, includes a District Staffing Proposal with the following paragraph:

The proposed new staffing would be one fire chief, three battalion chiefs, three Captains, Three Lieutenants and nine firefighters. The battalion chiefs would provide duty officer coverage on their rotating shifts and that would eliminate 4992 hours of planned overtime. The Chiefs [sic] duties and schedule will be mostly administrative and flexible to cover for vacation and sick leave of the Battalion Chiefs to reduce overtime. The Battalion Chiefs will provide the day-to-day operations of the district. This will provide for a Chief officer to always be on duty in the district.

There is discussion of funding those personnel changes.

Anticipated Expense

- “[A]t top step . . . increase [in] our expenses by \$640,00 [sic, probably intending \$640,000] annually.”

Anticipated Revenue

- Expected \$250,000 saving on overtime payments⁵
- Increase of \$216,637 in ambulance revenue for FY2024⁶
- “The last funding would come from R&R fire for the administrative services we are providing. The R&R fire Board has discussed this and is supportive.”⁷

The minutes of the PVFD Board meeting of November 5, 2024, state:

Chief Wagner opened discussion on the Staffing Proposal MOTION was made by Director Jordan to have Chief Wagner continue with the Staffing Proposal; MOTION was 2nd by Director Kissell. Public comment by Capt. Pitts thanking the board for moving forward with the Staffing Proposal. Passed by unanimous voice vote of all members attending.

Thus, the Board approved nine (not three, as in the October 2024 meeting) promotions of officers on staff and hired three additional firefighters.

One Board member who voted for the personnel changes stated reliance on financial assurances from Board colleagues. Simultaneously, the member noted

⁵ This figure appears to be incomplete. The reduction in overtime would occur because of the three new firefighters, so their salaries offset the anticipated saving from reduced overtime pay.

⁶ There is no projection of ambulance revenue for FY 2025 or subsequent years. Counting on unpredictable, variable revenue as a funding source for a continuing expense is not a recommended budget practice.

⁷ There is no figure given, and the Jury notes that Rough and Ready was seeking consolidation because it had an insufficient revenue stream to allow it to function as an independent district.

PVFD maintains a thrift shop, which sells secondhand merchandise and remits profits to the District. In at least one year, those profits reached six figures, but they vary and are not predictable. The profits go only to equipment expense; they will not have an effect on the additional revenue demand that the promotions and hires created.

that the member would not have made such changes with respect to the member's own business. Those two statements are irreconcilable, suggesting that the member did not believe the assurances but voted for the changes anyway.

Timing Issues

The timing of those personnel changes is important for three reasons. First, they happened before the proposed consolidation, with insufficient Board consideration of the financial consequences attending the personnel changes. Second, they preempted the proposed consolidation partners from having input on that part of the staffing structure of the proposed consolidation, an omission that drew unfavorable comment from an NCC director. Third, they deprived personnel from the other consolidation partners of the opportunity to compete for those promotions. One PVFD Board member stated that the timing of the promotions was for the purpose of locking them in because of concerns about whether they would happen after reorganization. That is not a recipe for a successful partnership.

Funding Issues

When PVFD authorized the personnel changes, the Financial Manager had told the Board that the District's revenue stream could not cover the expense of those changes for more than about two years; more than one director referred to that. If that is accurate, and unless PVFD finds an additional, reliable revenue stream, PVFD will either have to walk back some of the personnel changes it approved in November 2024 or go bankrupt. The Jury takes with several grains of salt one Board member's assertion in October 2025 that PVFD's finances are "rock solid" and can support the personnel changes indefinitely.

PVFD's Board made the personnel changes partially in anticipation of additional tax revenue that would come in after the four-way reorganization. NCC's Reorganization Ad-Hoc Committee commented that "These actions have caused a major setback in the reorganization effort with Penn Valley. The financial implications were not discussed or agreed upon with any of the other three fire district's [sic] reorganization ad-hoc members prior to approval."

When districts consolidate, the new combined district has the higher tax rate of the member districts. Thus, consolidation produces some additional tax revenue based on the number of improved parcels in the district that had the lower tax rate. PVFD's unilateral action on the personnel changes, not then having the revenue to support them beyond two years, effectively committed part of the anticipated tax-revenue increase of the four-way consolidation to that particular expense. The other partners in the reorganization had nothing to say about how to use that additional revenue. The timing of PVFD's personnel changes, combined with PVFD's assumption that the increased tax revenue would ultimately support those changes also, as one NCC director pointed out, deprived NCC personnel of the opportunity to compete for those positions.

Because of the financial aspects of the PVFD personnel changes, on March 20, 2025, NCC's Board of Directors voted unanimously to table the reorganization plan with respect to PVFD⁸ and instead to move forward on reorganizing with Rough and Ready and with Ophir Hill fire districts. Subsequently, Rough and Ready opted to consolidate with Penn Valley, and NCC is moving forward with consolidating with Ophir Hill. On April 23, 2025, NCC authorized reopening discussions with PVFD, but "not until NCCFD has completed its annexation of the Ophir Hill Fire District. This will allow operations to stabilize following the annexation. We believe the same consideration applies to your district as it completes its annexation with the Rough & Ready Fire District."

Consolidation with Rough and Ready

PVFD consolidated with Rough and Ready Fire District as of March 23, 2026. Consolidation produces some additional tax revenue based on the number of improved parcels in the district that had the lower tax rate. The additional tax revenue from consolidating PVFD and R&R will be close to \$1 million dollars per

⁸ The minutes of the March 20 meeting note that an NCC director characterized the difficulty: "the issue is simple: we won't take in an entity that is in the hole. Our constituents won't take on a problem that's not their own."

year. That is not sufficient to make the PVFD promotions and hires sustainable in the long term.⁹

Recap

PVFD's unfunded personnel changes led directly to the collapse of the reorganization discussions between PVFD and NCC. After those changes, both districts acknowledged lack of trust in each other. The jury heard from witnesses representing both districts that there were frustrations on both sides, each asserting not having received financial records from the other.

Although NCC had agreed that some personnel changes at PVFD were appropriate, NCC did not anticipate that PVFD would make changes that PVFD's revenue stream could not support for more than a couple of years. PVFD assumed that the anticipated expanded tax revenue of the proposed Nevada County Fire & Rescue District would cover the ongoing expense of the PVFD promotions. That assumption preempted the proposed consolidated district as a whole from deciding how best to use the increased tax revenue.

The situation now appears to be that Penn Valley and Rough and Ready will consolidate. LAFCO has approved the consolidation subject to changes at a scheduled meeting of residents whose tax burden will go up, the meeting being for the purpose of hearing objections to the plan. The result is that Penn Valley, which has undertaken ongoing expenses that it cannot meet, will consolidate with Rough and Ready, which was already insolvent. The financial prospects of the consolidated district are, at best, uncertain.

⁹ On November 18, 2025, the County Board of Supervisors approved ([SR 25-2193](#)) up to \$1.5 million over 5 years (with a maximum one-year draw of \$500,000) "to keep Rough and Ready Fire Station 59 operational during the consolidation of Rough and Ready and Penn Valley Fire Districts." That is a short-term band-aid, directed entirely to Rough & Ready Fire Station 59 expenses; it does not address the ongoing expenses of the November 2024 personnel changes at PVFD.

Findings

- F1. PVFD's current and anticipated revenue stream will not support the November 2024 promotions and hires for more than a few years.
- F2. The timing and funding issues with respect to PVFD's November 2024 promotions and hires caused the collapse of the four-way reorganization discussions.
- F3. The November 2024 personnel changes would have remained effective in the proposed four-way consolidation.
- F4. Because Penn Valley made the promotions and hires when it did, personnel at NCC, Rough and Ready, and Ophir Hill lost the opportunity to compete for those positions.
- F5. In making those personnel changes, Penn Valley's Board depended on the tax increases that would occur in the four-way consolidation.
- F6. That assumption by the Penn Valley Board deprived its potential partners of any voice in how to allocate those additional tax revenues.
- F7. The Board has delegated authority for budget construction and decisions to the Chief and the Finance Manager.
- F8. The responsibility for adopting and adhering to an appropriate budget remains with the Board.
- F9. In this decade, PVFD's Board has approved the budgets that the Chief and the Finance Manager created without change.
- F10. PVFD's Board does not maintain appropriate oversight of the district's financial condition.
- F11. The Board of Directors and each of its members has a fiduciary responsibility to the district and its residents.
- F12. In approving promotions and hires without a sufficient revenue stream to support them for more than a limited period, the Board has not fulfilled its fiduciary responsibility to the district.

- F13. PVFD expended district money for the promotions and hires before its Board had approved the expenditure, the promotions, or the hires.
- F14. That expenditure violated § 601 of PVFD's bylaws.
- F15. If the Board had already approved the promotions, hires, and expenditures, then the approval was not done in an open Board meeting and therefore violated the Brown Act.
- F16. PVFD is moving forward with consolidation with R&R, but it is not completed.
- F17. Increased fire tax revenue from consolidation with R&R may help to offset the anticipated funds shortfall to which F1 refers.
- F18. The increased fire tax revenue from consolidation with R&R will be close to \$1 million per year.
- F19. The increased fire tax revenue from consolidation with R&R is not sufficient to cover the cost of PVFD's November 2024 personnel changes over the long-term.
- F20. The public would have been better served by consolidation of PVFD, NCC, R&R, and OH, as originally planned.

Recommendations

- R1. PVFD's Board should have a budget subcommittee that participates fully, with the Chief and the Finance Manager, in producing each year's budget.
- R2. PVFD's Board should have mandatory training about the Brown Act's requirements.
- R3. PVFD's bylaws should be available to the public on PVFD's website.
- R4. PVFD's bylaws should clearly state the Board's duties, making clear that each Board member has a fiduciary responsibility to the District and to the stakeholders, including all residents of the District.

- R5. PVFD should pursue consolidation with NCC/OH in order to take advantage of economies of scale.
- R6. PVFD should consider hiring a new auditor.
- R7. PVFD should consider rotating auditors every five to seven years, pursuant to the recommendation of the California State Controller's Office.

Request for Responses

Pursuant to California Penal Code § 933.05, the Nevada County Civil Grand Jury requires from the Penn Valley Fire District, within 90 days of publication of this report, responses to the following:

Findings 1 through 20

Recommendations 1 through 7

Responses go to the Presiding Judge of the Nevada County Superior Court in accord with the provisions of California Penal Code § 933.05. Responses must include the information that § 933.05 requires.