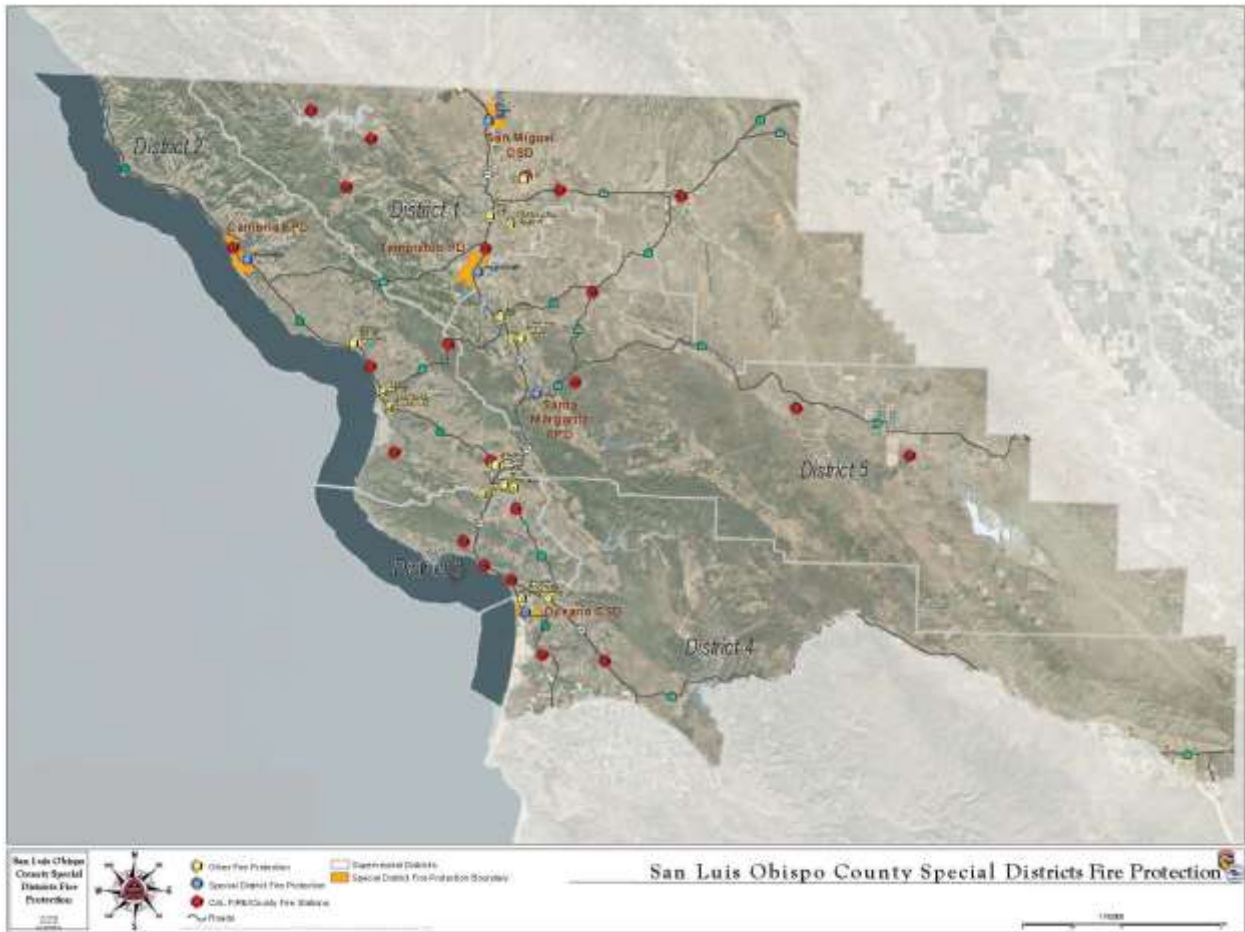


Special Districts Fire Protection Study For County of San Luis Obispo



November 2018

Special Districts Fire Protection Study

For

County of San Luis Obispo

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Mike McMurry, Fire Chief (retired), Scotts Valley Fire Protection District

Acknowledgements

This study was supported by several organizations and people that contributed invaluable time and information. The study team of Turner and McMurry are very grateful for the assistance we received; the study would not be possible without their cooperation.

The Study Special Districts:

- Cambria Community Services District
- Oceano Community Services District
- San Miguel Community Services District
- Santa Margarita Fire Protection District
- Templeton Community Services District

The district representatives we met with were professional, engaged, and committed to helping us understand, and report, the fire protection situation in their districts. They clearly care about their communities and are dedicated to the future of fire service delivery.

County Offices and Departments:

- County Administrative Office
- County Tax Assessor
- County Auditor-Controller-Treasurer-Tax Collector
- County Clerk-Recorder
- County Counsel
- County Fire

The study team is immensely grateful to Lisa Howe, County Administrative Office, for joining us during our district interviews and providing insight and guidance.

Aaronne Kessler, County Auditor-Controller-Treasurer-Tax Collector's Office provided excellent assistance in special district tax rate area and tax distribution information.

Hannah Panno, County Fire GIS Specialist was outstanding in analyzing data and creating professional map displays.

San Luis Obispo County Local Agency Formation Commission (LAFCO):

David Church, LAFCO Executive Officer was very helpful in district history, district processes, and organizational dynamics.

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EXECUTIVE SUMMARY

During the hearings for the dissolution process the Cayucos Fire Protection District, the County Board of Supervisors directed county staff to conduct a study of five (5) independent special districts that deliver fire protection in the unincorporated area of the county. The study's purpose was to determine the operational and financial sustainability of the districts.

The study districts are:

- Cambria Community Services District
- Oceano Community Services District
- San Miguel Community Services District
- Santa Margarita Fire Protection District
- Templeton Community Services District

FIRE PROTECTION IN UNINCORPORATED SAN LUIS OBISPO COUNTY

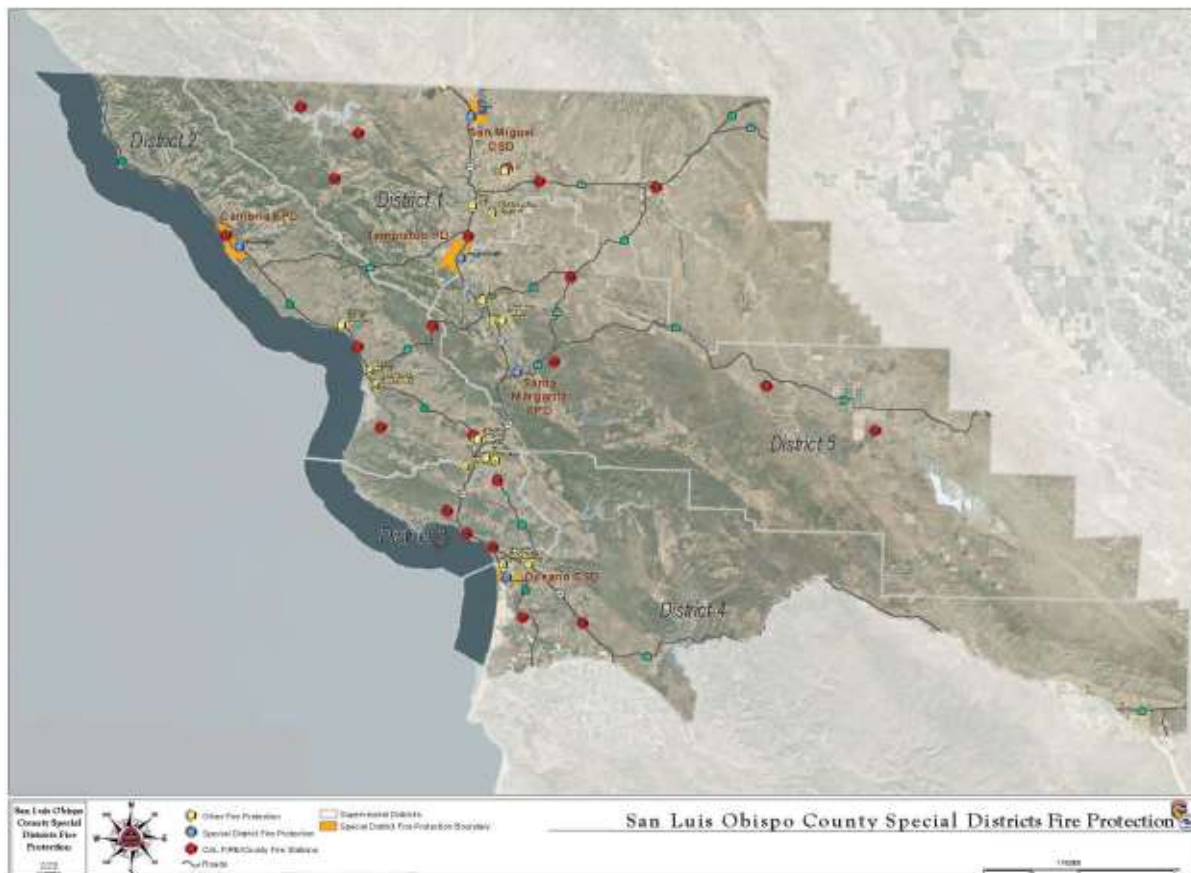


Figure 1: The five special districts in the study that provide fire protection in San Luis Obispo County are shown in orange.

ISSUES FACING DISTRICTS

The districts are proud of their fire department traditions and identity as an important part of each community. District concerns range from the immediate potential for fire service delivery failure to a significant change expected in the five-year horizon. Inadequate revenue, community growth, greater expectations for fire service delivery, reduction in volunteerism and cost of full-time firefighting staff have combined to create funding problems for special districts providing fire protection in San Luis Obispo County and throughout California.

- The districts are very different in demographics, funding, and fire service demand. In the event of dissolution/divestiture, the County's plan for service would need to be specifically tailored to the individual community based on those factors.
- Because property taxes are the primary source of funding, Proposition 13 (passed by the voters forty years ago) and subsequent allocation formulas limit districts' funding to provide services.
- Districts with low assessed valuations, limited growth, and relatively small share of property tax have limited revenues while costs have risen exponentially.
- The increase in the cost from staffing with all volunteers compared to paid/career staff is approximately \$1.3 million annually. A fire chief and station operation costs are in addition to engine staffing.
- The community service districts studied allocate varying percentages of property tax for fire protection service from 62 - 93% of total property tax; Santa Margarita FPD allocates 100% of property taxes to fire protection.
- To permanently transfer funding between agencies, a property tax exchange agreement is necessary. Increasing a district's property tax share requires a reduction of County's share.
- Special districts do not receive any sales tax (including Prop 172 Public Safety sales tax) or transient occupancy tax (TOT) and are not authorized to levy such a tax.
- SAFER Grants were used to augment staffing in three of the districts, but existing tax revenue could not sustain staffing cost after grants ended.
- All five districts in this study included volunteer fire departments. Volunteer firefighters have all but vanished in San Luis Obispo County.
- Significant factors that have impacted a reduction of volunteer firefighters:
 - Increase in training and incident hour requirements.
 - Volunteer firefighters experience difficulty with time commitments due to their "real job" along with conflicts with family and other volunteer opportunities.
- Various forms of compensation to recruit and retain Paid Call (PCF) and Reserve firefighters are in use by the districts.
- Recruitment and retention of PCFs and development of PCF fire officers and fire chiefs requires a long-term plan and ongoing community commitment.
- Reserve Firefighters (intern firefighters) are currently being used in place of career staffing.

ORGANIZATION AND CHANGE OF FIRE SERVICE DELIVERY PROVIDER

Any jurisdictional change for the delivery of fire protection involves a thorough review and approval process through LAFCO. The method is different for community service districts (CSD) and fire protection districts (FPD). CSDs must divest their fire protection authority while retaining their other responsibilities. A FPD must dissolve since they provide no other services. Dissolution was the process utilized in the case of the Cayucos Fire Protection District.

COUNTY FIRE STRATEGIC PLAN

The County Fire Department strategic plan includes a service level strategy to determine appropriate service level for communities of differing demographics and fire department demand.

- Urban, Suburban, and Rural service levels are determined by analyzing population, land use type, building characteristics, assets at risk, incident activity, special hazards, and risks.
- The primary difference between the service levels is response time and effectiveness of the response.
- There are areas in County Fire’s jurisdiction that are currently underserved.
- Each of the districts in this study was evaluated to determine the level of service recommended utilizing the County Fire formula.
- County Fire staff expressed concerns that reductions of County Fire’s budget to support a divesting/dissolving district would cause reductions of services in other areas of the County.
- County Fire staff reported they are at their “tipping point” for certain of their overhead and support positions and may need augmentation in the event one or more of the districts divests fire protection and increases workload, including:
 1. Fire Prevention/Fire Marshal
 2. Mechanic/fleet service
 3. Battalion chief coverage (Depending on region of the County)

SUMMARY OF DISTRICT SUSTAINABILITY FINDINGS AND COUNTY OPTIONS

Special District	Sustainability Findings	Potential County Options	Specific Request
Cambria CSD	Cambria CSD indicated that they do not intend to divest fire protection service.	N/A	N/A
Oceano CSD	Oceano CSD intends to remain with Five Cities Fire Authority; however, withdrawal of one of the other JPA members could cause Oceano to seek other options, including divestiture.	Based on County Fire's Strategic Plan service level analysis, if Oceano CSD divests fire protection, it would require staffing at the Oceano Fire Station. Annual staffing and operational cost to the County is approximately \$ 600,000 in addition to the current \$900,000 allocation of property tax from the District.	N/A
San Miguel CSD	San Miguel CSD indicated that they can sustain the current staffing model for five years, but the future is uncertain after that. San Miguel is not forecasting divestiture of fire protection service.	Based on County Fire's Strategic Plan service level analysis, if San Miguel CSD divests fire protection, it would require staffing at the San Miguel Fire Station. Annual staffing and operational cost to the County is approximately \$1.3 million in addition to the current \$300,000 allocation of property tax from the District.	San Miguel CSD request the following support from the County: <ul style="list-style-type: none"> • Increased auto aid support from County Fire • Water tender that they can staff and respond. • Fiscal support for mobile data computers and dispatch costs.
Santa Margarita Fire Protection District	Santa Margarita FPD indicated that they can sustain the current staffing model for five years, but the future is uncertain after that. Santa Margarita Fire Station is in serious need of replacement. There is limited opportunity for the district to obtain sufficient funding for this project.	If Santa Margarita FPD dissolves, and, based on County Fire's Strategic Plan, Engine 40 should be relocated to a new fire station in Santa Margarita or Garden Farms. Since the County and Santa Margarita FPD are planning on building fire stations in the same proximity, consideration should be given to a joint facility to avoid redundancy. One time expense required for fire station construction.	Santa Margarita made no specific request from county other than continued automatic aid support from Station 40.

Special District	Sustainability Findings	Potential County Options	Specific Request
<p>Templeton CSD</p>	<p>Templeton CSD indicated that they are in imminent fiscal peril without financial augmentation and that they will be seeking a benefit assessment in August 2019.</p> <p>If additional funding is unsuccessful, the district may apply for divestiture thereafter.</p>	<p>Options for the County:</p> <ol style="list-style-type: none"> 1. Agree to a property tax transfer of \$485,000 to Templeton CSD to augment their funding. 2. County Does Not Support Tax Transfer and Templeton CSD divests fire protection. <p>Three options for County delivery if divestiture:</p> <p>Templeton CSD transfers property tax to county.</p> <p>Option A: Relocate County Engine 30 to Templeton Fire Station with 3 on duty augmented staffing. <u>No extra funding required.</u></p> <p>Option B: County adds funding, Templeton engine staffed with at least two 24/7; Engine 30 remains at Cal fire Station 30 staffed with at least two career firefighters 24/7. Annual staffing and operational cost to the County is approximately \$485,000 in addition to the current \$ 833,000 allocation of property tax from the District</p> <p>Option C: County adds funding, relocate Engine 30 to Templeton and augment staffing for a second staffed fire company at Templeton Fire Station. Annual staffing and operational cost to the County is approximately \$350,000 in addition to the current \$ 833,000 allocation of property tax from the District.</p> <p>Options A-C includes retaining a PCF company for Templeton and Station 30 and adding a deputy fire marshal position.</p>	<p>Templeton CSD is specifically requesting a permanent property tax transfer in the amount of \$485,000 on an ongoing basis since they receive less than 10% of the taxes in each of the District's tax rate areas.</p> <p>The funds will be used to fund a full-time fire chief, and two additional career firefighters. Additional staffing will provide for one career and one part-time reserve firefighter on duty daily.</p>

STUDY BACKGROUND

This study is authorized by the County Board of Supervisors to determine the current status of fire protection delivery by special districts in the unincorporated area of San Luis Obispo County. Concerns about funding and sustainability of fire protection provided by multiple special districts warranted the examination. Of particular concern is any urgent action required and resultant impact if any other district is in similar circumstances that led to the dissolution of the Cayucos Fire Protection District.

The County Fire Department was in the process of updating their 2012 Fire Protection Strategic Plan and Service Level Analysis. Retired Fire Chief Dan Turner is updating the strategic plan and the Board of Supervisors accepted staff's recommendation to add this study to the scope of work of Strategic Plan update. Retired Fire Chief Mike McMurry from Scotts Valley FPD and former President of the Fire Districts Association of California assisted in the study.

The Board of Supervisors directed a study of five (5) of those districts be completed:

1. Cambria Community Services District (CCSD)
2. Oceano Community Services District (OCSD)
3. San Miguel Community Services District (SM CSD)
4. Santa Margarita Fire Protection District (SM FPD)
5. Templeton Community Services District (TEM CSD)

Fire PROTECTION: UNINCORPORATED AREA OF SAN LUIS OBISPO COUNTY

There are eight (8) local government agencies and four (4) state agencies that provide fire protection from 29 fire stations in the unincorporated area of the county.

Local Government:

1. County of San Luis Obispo*
2. Avila Beach Community Services District (CSD)*
3. Cambria Community Services District (CSD)
4. Los Osos Community Services District (CSD)*
5. Oceano Community Services District (CSD)
6. San Miguel Community Services District (CSD)
7. Santa Margarita Fire Protection District (FPD)
8. Templeton Community Services District (CSD)
9. Cayucos Fire Protection District (Completed dissolution in October 2018; now part of County Fire Department)

*Avila Beach CSD and Los Osos CSD have active fire protection authority, but do not maintain their own fire departments; instead, they contract through the County for fire protection service delivery from the County contract with CAL FIRE.

State Agencies in the unincorporated area:

1. California Department of Forestry and Fire Protection (CAL FIRE)
2. California National Guard - Camp Roberts
3. California Men's Colony – CDCR
4. California Parks and Recreation- Hearst Castle State Historical Monument

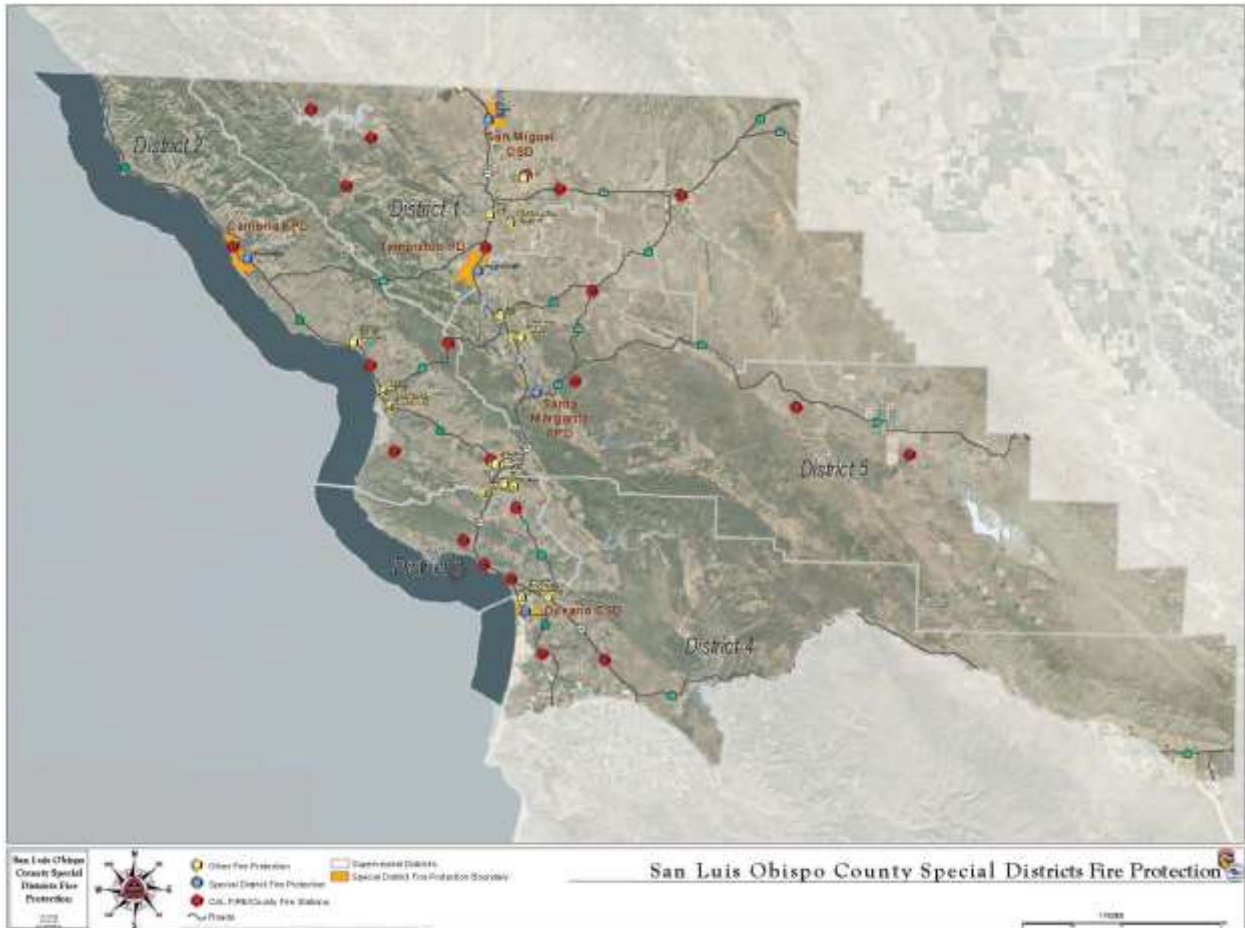


Figure 2: Fire station locations throughout San Luis Obsipo County

FIRE PROTECTION DISTRICT HISTORY

Historically, there were ten (10) Fire Protection Districts (FPD) in the County. Most of the FPDs became part of either a CSD formation (Los Osos, Templeton, San Miguel, Cambria, Oceano) or absorbed through the formation of an incorporated city (Atascadero and Morro Bay). Avila Beach County Water District activated their fire protection authority and operated the Avila Beach Fire Department until the water district was reorganized into the Avila Beach CSD. The single remaining fire protection district in San Luis Obispo County is Santa Margarita Fire Protection District now that dissolution of the Cayucos Fire Protection District is complete.

CAYUCOS FIRE PROTECTION DISTRICT DISSOLUTION

The Board of Directors of the Cayucos Fire Protection District (CFPD), an independent special district, determined the district had insufficient funding and operational capacity to sustain itself and applied to LAFCO for dissolution. Dissolution means the district would cease to exist and the fire protection services they provide would become the responsibility of the county as the successor agency. Dissolution of a special district is a complicated process and not undertaken lightly. Assurance of an appropriate level of service, funding for that service, clarity of governance, and disposition of assets and liabilities must be clear. The process was finalized in 2018 after several hearings, approved plan for service, budgets, and a final public protest period.

The CFPD Board of Directors, County Board of Supervisors, and LAFCO agreed to dissolve the district, turn fire protection responsibilities over to the county fire department, and transfer assets and tax revenues to the county to partially fund that service. The Board of Supervisors approved the recommendation of the County Fire Chief to establish a level of service for Cayucos to staff the former CFPD station with 2 firefighters 24/7. The county will absorb the cost above and beyond taxes, benefit assessment fees, and other revenues transferred from the former district.

OTHER SPECIAL DISTRICTS

Other San Luis Obispo County special districts that provide fire protection observed the Cayucos dissolution closely. Templeton CSD and Oceano CSD representatives stated their districts were in similar financial distress and if they do not find a solution soon they may need to divest fire protection as well. Templeton CSD has inquired about the possibility of a property tax exchange with the County. In this scenario, the county would permanently transfer Templeton CSD a share of county property taxes to help fund fire protection in Templeton CSD.

SPECIAL DISTRICTS HAVE DISCRETION ON WHICH SERVICES THEY PROVIDE

Community service districts have discretion regarding which latent service authorities they enact. CSD's may furnish one or more of the following services:¹

• Fire protection	• Parks and recreation
• Police protection	• Street lighting
• Ambulance service	• Mosquito abatement
• Water	• Street construction and maintenance
• Sewage collection and treatment	• Libraries
• Refuse collection and disposal	• Airports
• Transportation services	• Utility undergrounding

Figure 3 CSD discretionary service authority

¹ CA Government Code Sections 61000-61934

SPECIAL DISTRICTS THAT HAVE NOT ACTIVATED FIRE PROTECTION SERVICES

There are eight (8) community service districts in the county that have not activated their latent fire protection authority, fire protection service remains the responsibility of the County in these districts:²

California Valley CSD	Heritage Ranch CSD
Nipomo CSD	Linne CSD
Ground Squirrel Hollow CSD	Squire Canyon CSD
San Simeon CSD	Independence Ranch CSD

Figure 4 CSD's that have not activated latent authority for fire protection

COUNTY BOARD OF SUPERVISORS DIRECTION FOR STUDY:

The Board of Supervisors accepted staff's recommendation to conduct an analysis of countywide fire issues by amending the scope of work for the 2018 Fire Protection Master Plan to add a service expansion analysis evaluating fire protection services by special districts in the unincorporated areas. The scope of work of the special district study follows.

² SLO County LAFCO; www.slolafco.com/maps--gis-layers--directories.html; October 21, 2018

SPECIAL DISTRICT STUDY SCOPE OF WORK

Section 1: GENERAL BACKGROUND ON FIRE PROTECTION IN SPECIAL DISTRICTS

- Identify special districts with fire protection responsibilities
- Potential Study Participants
 - Cambria CSD
 - Oceano CSD
 - San Miguel CSD
 - Santa Margarita FPD
 - Templeton CSD
- Organizational and fiscal differences between CSD and FPD
- Governance

Section 2: INDIVIDUAL PARTICIPATING SPECIAL DISTRICT SITUATION ANALYSIS

- Special District Protection area characteristics
- What is the issue and what has district done to resolve it
- Special District Desired Outcome
- District Fire Department Characteristics
- Special District Fire Department Funding/Budget
- Special District Employees
- Facilities
- Apparatus
- Equipment

SECTION 3: COUNTY FIRE RELATIONSHIP TO SPECIAL DISTRICT

- Proximity of County Fire Jurisdiction and Coverage area
- Location of County Fire resources
- County Fire Service Level determination (Urban, Suburban, Rural, etc.)
- Cost for County Fire to provide appropriate service level for district
- Transition Impacts to County Fire

SECTION 4: TRANSITION PROCESS AND STEPS

- District Required Actions
- County Required Actions
- LAFCO Required Actions

STUDY METHODOLOGY

This study utilized a combination of quantitative and qualitative research methods through data gathering from official sources and interviews with representatives of organizations and districts.

SCOPE OF WORK

The study was guided by a scope of work approved by the County Board of Supervisors to research facts and current circumstances related to each of the five (5) districts.

- Cambria CSD
- Oceano CSD
- San Miguel CSD
- Santa Margarita FPD
- Templeton CSD

The goal of the study was to determine the current state of fire protection delivery in the five districts, challenges, sustainability, and risk of a district either divesting (CSD) or dissolution (FPD) and affecting the delivery of fire protection.

DISTRICTS INVITED TO PARTICIPATE

In June 2018, invitation letters were sent to each district explaining the purpose of the study, attaching a copy of the scope of work and advising that participation in the study was voluntary. The letter asked each district to identify representatives (ideally including an elected board member, general manager, and the fire chief) for study team interviews in August. All five districts agreed to participate and provided representatives for interviews. CAL FIRE/County Fire staff were also interviewed.

The study interview team consisted of Lisa Howe, County Administrative Office, and Mike McMurry and Dan Turner, consultants. Lisa Howe was unable to attend the follow-up meetings with Templeton and Cambria, nor the meeting with County Fire staff.

DATA GATHERING AND INTERVIEWS

McMurry and Turner prepared a guided questionnaire for purposes of gathering consistent hard data prior to the interviews and standard questions during the interviews. During July, McMurry and Turner collected hard data by obtaining official information from LAFCO, County-Auditor Controller, Tax Collector, Treasurer, Tax Assessor, County Counsel, County Clerk-Recorder, County Fire, and County Administrative Office. Data collection was followed by in-person interviews or written correspondence with the manager and/or staff of the above organizations.

The study team was aided by the Fire Districts Association of California in conducting a simple email survey with fire districts across California. The survey asked if any districts; 1. receive any funding support from their county general fund; 2. receive any sales or TOT; 3. receive any Proposition 172 funding from their county.

During August, interviews were held with Cambria CSD, San Miguel CSD, Templeton CSD, and Santa Margarita FPD. Oceano CSD was unable to schedule an interview day and time until late September. Follow-up interviews were held with Cambria CSD and Templeton CSD to clarify information and, in the case of Cambria CSD, to include an elected official who was not able to attend the previous meeting. All districts had at least one meeting with the fire chief and one or more elected members of the board of directors. All CSD general managers were present for the interviews except Cambria CSD. Santa Margarita FPD's fire chief also serves as the general manager/executive officer which is common for fire districts. San Miguel's fire chief is also serving as the interim general manager for the district. Interview team also interviewed the CAL FIRE/County Fire Department Fire Chief and key staff members.

The purpose of the interview was to hear from the districts about their circumstances, plans, requests, and potential for change in fire service delivery model. Team questions to district representatives included district governance, finance and administration, employment status of fire staff, current fire department staffing models, success and challenges in recruiting and retaining firefighters, challenges to sustaining their model, funding sources and revenue enhancement tools utilized, plans for new revenue, outstanding liabilities, district demographics and unique fire protection special hazards affecting service level, facilities, apparatus, and equipment, training, fire marshal/prevention, disaster planning, fleet maintenance, and dispatch service.

During the interviews, presentations were made by the team on the purpose and scope of the study, Proposition 13, Tax Rate Areas for each district, assessed value growth, sales taxes, Transient Occupancy Taxes (TOT), incident activities and response concentration patterns. The team provided response time studies for mutual aid and other agency response times that reflect coverage for the district if the district fire station were to close.

FINDINGS AND REPORT

McMurry and Turner analyzed the gathered data and interview information to prepare a report that identifies facts, statements from districts, and findings. Facts are based on quantifiable or observable circumstances. Statements from district representatives are presented in the report as opinions or statements. Findings are published as either fact, statement, or opinion of district representatives.

The Study team prepared findings, but no recommendations.

SPECIAL DISTRICT ORGANIZATION

INDEPENDENT SPECIAL DISTRICTS

Independent special districts are autonomous government agencies with locally elected boards of directors. Special districts are often formed to deliver services the community needs or desires above and beyond current service levels. Community Service Districts (CSD) are independent, autonomous government agencies authorized by the Principal Act, California Government Code Sections 61000-61934³. Special districts are governed by Principal Acts (state law) and can deliver and fund a range of services. They are fully independent in governance, the provision of services, and funding; neither governed nor financed by county government. Special districts can include both incorporated (city) and unincorporated territory within its boundaries.

Special districts can be single service, such as Santa Margarita Fire Protection District, or can deliver a range of allowed services, including fire protection, such as the four community service districts in the study (Cambria CSD, Oceano CSD, San Miguel CSD, Templeton CSD). A separate Principal Act (State Law) regulates each type of District. The powers of a district are subject to activation by LAFCO when it is formed or through a separate process.

DEPENDENT SPECIAL DISTRICTS

Dependent special districts are also autonomous government agencies. The significant difference is they are governed by the County Board of Supervisors, or in the case of a city, the city council, as the board of directors of the dependent special district. The governing actions the Board takes must be separate from general government activities. County Service Areas (CSA) are a common dependent special district that can provide a variety of services pursuant to the Principal Act authorizing CSAs. The County currently has a number of CSA's providing various services to unincorporated communities.

COMMUNITY SERVICE DISTRICTS (CSD)

This study includes four (4) Community Service Districts (CSD) that provide fire protection service. When the CSDs were formed, several single service districts were dissolved and those services, including fire, became part of the CSD. The following CSDs provide fire services:

- Cambria CSD was formed and the Cambria Fire Protection District was dissolved
- Oceano CSD was formed and the Oceano Fire Protection District was dissolved
- San Miguel CSD was formed and the San Miguel Fire Protection District was dissolved
- Templeton CSD was formed and the Templeton Fire Protection District was dissolved

³ California Government Code, Sections 61000-61934

- Los Osos CSD and Avila Beach CSD provide fire protection as an active CSD service; in both cases, they absorbed the local fire protection districts. Both currently retain the power for fire protection but contract for fire protection service delivery through the County Fire Department and CAL FIRE.

There are eight (8) CSDs in the county that did not activate their latent power to provide fire protection; the County Fire Department and CAL FIRE provide fire protection as the jurisdictional fire agency.

California Valley CSD	Heritage Ranch CSD
Nipomo CSD	Linne CSD
Ground Squirrel Hollow CSD	Squire Canyon CSD
San Simeon CSD	Independence Ranch CSD

Figure 5 CSD's that have not activated latent authority for fire protection

CSDs may provide a variety of services to the public based on the authorizing statutes, including fire protection, water, wastewater, solid waste management, lighting, and other services. CSDs may provide some or all of the services that the enabling statutes authorize. In order to provide other authorized services not currently provided (known as latent powers), the district applies to LAFCO for activation of a latent power. LAFCO has the authority to approve or deny the request to activate latent powers by a district.

CSDs may levy taxes and incur bonded indebtedness with voter approval and may establish service charges, borrow funds and enter into contracts with action by the Board of Directors.

Most CSDs have a general manager that reports to the governing board of directors. The district fire chief and other district department heads report to the general manager. In some small CSDs, the general manager may be responsible for department functions as well.

The most common formation of a CSD is a result of two or more single service independent special districts within a community consolidate in an effort to share resources, coordinate service delivery, and reduce overhead. All four CSDs in this study were formed by joining multiple single-purpose districts, including an independent fire protection district, into a CSD. Funding streams, including property tax allocations, from the previous independent special districts, became funding for the CSD. The property tax allocation formulas are transferred to the newly formed CSD. When the fire protection districts moved to a CSD, their fire property tax share moved with them to the new agency. In some instances, the fire tax retains its tax role identity (San Miguel), in the others, the tax role identity is gone and property tax funds go to the general fund of the district.

Until the passage of Proposition 13 in 1978, special districts in California relied heavily upon ad valorem property taxes for revenues. A district was empowered to set an individual tax rate based upon its own funding needs in order to support services. Proposition 13 instituted a system of statewide maximum tax rates (\$1 per \$100 of assessed value) collected and

distributed by counties. For special districts that relied heavily on property taxes to provide public services, the Proposition 13 measure had particularly adverse consequences. Because the distribution formula was based on each district's historical proportional share, those districts with a low proportionate share were faced with very lean financial prospects in the future. This is particularly true where fire protection was by a volunteer fire department. Many of those financial limits that were established forty years ago continue to bind the finances of special districts.

FIRE PROTECTION DISTRICTS (FPD)

Santa Margarita Fire Protection District is the single remaining fire protection district within San Luis Obispo County. There were originally ten (10) fire protection districts in San Luis Obispo County.⁴

All four CSDs in this study were created by merging an existing fire protection district with one or more single-purpose districts.

California Fire Protection Districts (FPD) are "single purpose" special districts that, different from CSD's, are established under sections 13800-13970 of the California Health and Safety Code⁵ (Principal Act). These Districts are governed by an elected Board of Directors and have specified service areas or boundaries. The statutes identify the process for formation, governance, finance and the general powers and duties of an FPD amongst other parameters. FPD's may be formed of incorporated or unincorporated, contiguous, or non-contiguous territory. FPD's may levy taxes with voter approval, incur bonded indebtedness for acquisition, construction, completion or repair of district facilities, and enter into contracts.

The most common administrative model for FPDs is for the fire chief to also be the chief administrator and report directly to the governing board of directors.

In many areas of the State, FPDs were formed as a method of providing fire protection in areas where little other government services were available. At their inception, most were formed as primarily volunteer organizations. As population growth and demand for services has increased, many of these volunteer organizations have morphed into full-time career staff fire agencies. There are currently 346 FPDs in California⁶.

The primary funding source for FPDs is property tax. Property tax revenues are based on post Prop 13 distributions. Since many of these FPDs were all volunteer firefighters and not funding fulltime staff at the passage of Prop 13 their property tax share was very low. As a result of this

⁴ SLO County LAFCO; Inventory of Special Districts in San Luis Obispo County; 1985

⁵ California Health and Safety Code, Sections 13800-13970

⁶ Little Hoover Commission Report, Special Districts: Improving Oversight & Transparency Report #239, August 2017

low tax rate when Prop 13 distributions were made, the FPDs were allocated a small percentage of the 1% tax allocation. Changing from all volunteer to career staff is extremely expensive (about \$1.3 million per year) and without large increases in assessed value in the district, property tax revenue alone cannot fund the cost difference. The disparity of rates of growth in communities throughout the State and the formulas for allocation of property tax revenues has led to an inability to adequately fund emergency services in some communities (particularly small communities) and rural areas.

LAFCO PROCESS TO CHANGE FIRE PROTECTION SERVICE DELIVERY MODEL

ACTIONS BY LAFCO

LAFCO has several mechanisms that can help address the fire service issues faced by local communities⁷. LAFCO actions are typically applied for by the District, City, County, or through a petition of the landowners or registered voters. LAFCO can also initiate an application if a special study or Municipal Service Review calls for certain action. The following is a brief summary of the tools that LAFCO can use to facilitate a change in the service model.

LAFCO STUDIES

MUNICIPAL SERVICE REVIEW

LAFCO is required to update the Sphere of Influence and Municipal Service Review (MSR) every five years or as necessary. A MSR can be completed for each jurisdiction or focused on a particular service, like fire. Similarly, LAFCO can undertake a Municipal Service Review of the fire service as a service function by reviewing fire service delivery for the entire county across all jurisdictions or for a particular geographic part of the County.

Creation of a new fire protection district that combines multiple special district territories or a countywide district is often based on a fire service special study or municipal services review similar to the study completed in San Diego County.⁸ However, the formation of a new fire district can also be applied for directly by a County, a City or by a community.

LAFCO SPECIAL STUDIES

The Cortese-Knox-Hertzberg Act allows LAFCO to conduct special studies the Commission deems necessary to complete its mission. **For example, a special study could be completed to analyze the fire service situation in the County.** This has been done by other LAFCOs around the

⁷ Communication with David Church, Executive Director, San Luis Obispo County LAFCO

⁸ Communication with David Church, Executive Director, SLO County LAFCO

State, most notably San Diego. There are consultants around the state that specialize in this topic and the study could be focused on the selected issues and topics.

CHANGE IN FIRE SERVICE PROVIDER

ACTIVATION OF A LATENT POWER OF COMMUNITY SERVICES DISTRICT

A Community Service District can choose to activate their latent powers to provide fire protection within the boundaries of their district. The application to activate the Community Service District's latent fire authority must be considered and approved by LAFCO.

A Plan for Service must be approved by the district and agency that currently provides fire protection service in the district. The plan must include financing and any tax transfers, level of service to be provided, transition plans of any personnel and assets, and timetable so no lapse of service occurs.

DISSOLUTIONS

Dissolution means the district dissolves and no longer exists; all services provided by the district would be assumed by another agency. For example, the Cayucos Fire Protection District board of directors applied to LAFCO for dissolution. The required Plan for Service, approved by the county, district, and LAFCO was followed by a local protest period opportunity for voters and landowners to protest the dissolution. There were less than 25% protests filed and the dissolution was approved. The Cayucos FPD will cease to exist once the full transition is accomplished. Fire protection delivery, assets, property tax and special tax revenues of the former district will transfer to the county as the successor agency.

For this study, "dissolution" would only apply to the Santa Margarita Fire Protection District (SM FPD, which is a single purpose independent special district). To dissolve the fire district, the SM FPD board of directors must agree that relinquishing fire protection is in the best interest of the district and apply to LAFCO for dissolution.

A Plan for Service must be approved by the district and submitted as part of the LAFCO application. The successor agency that will assume fire protection service in the district is also identified. The plan must include financing and tax transfers, level of service to be provided, transition plans of any personnel and assets, and timetable so no lapse of service occurs.

LAFCO must follow state law to consider approval or denial of a district's dissolution process. Dissolution is also subject to the protest process.

DIVESTITURE OF A CSD POWER

A divestiture would result in a CSD relinquishing authority to provide a service and enable a successor agency to provide said service. The Board of Directors must agree that relinquishing

fire protection is in the best interest of the district. The Board of Directors can apply to LAFCO to divest their fire authority by submitting a resolution to LAFCO stating the district's intent.

Divestiture of CSD fire protection authority, as a process, would apply to Cambria CSD, San Miguel CSD, Templeton CSD, and Oceano CSD.

A Plan for Service must be approved by the district. The successor fire agency that will provide the service must agree to the plan for services. The plan must include financing and tax transfers, level of service to be provided, transition plans of any personnel and assets, a budget that includes revenues and costs, and timetable so no lapse of service occurs. LAFCO must follow a specific process and timeline within state law to consider approval or denial of a district's divestiture request. The divestiture is subject to the protest process.

CONSOLIDATIONS

A Consolidation is the combining of two districts into one. If the directors of two Districts are in favor of a consolidation, a plan of service must be prepared and approved by both districts and LAFCO.

If the application is agreed to by the two districts, LAFCO is required to approve the consolidation but can add conditions of approval.

LAFCO also has the authority to initiate consolidations or other reorganizations in the best interest of providing local services.

NEW GOVERNANCE MODELS FOR FIRE PROTECTION SERVICE DELIVERY

FORMATION OF COUNTY SERVICE AREA

A County Service Area (CSA) is a dependent special district governed by the County Board of Supervisors and delivers services to a specified area of the unincorporated area of the county. CSAs are routinely used in San Luis Obispo County for Public Works services such as roads, lighting, and water/sewer where the county is the service provider.

The County Board of Supervisors can apply to LAFCO for the creation of a County Service Area (CSA) solely for the purpose of providing fire protection. The CSA boundaries can cover a portion or the entire unincorporated area. CSA 9i is currently the only CSA exclusively used for fire protection in San Luis Obispo County.

Additionally, the County could activate the latent fire authority of an existing CSA to provide fire services to unincorporated areas. This model is being used for Cayucos FPD by activating the latent authority for fire protection in CSA 10.

FORMATION OF DEPENDENT SPECIAL DISTRICT

A dependent fire protection district, governed by the County Board of Supervisors, can be formed and deliver fire protection services to specified areas of the unincorporated county and/or cities. The County Board of Supervisors would apply to LAFCO for the creation of the dependent fire protection district. The district boundaries can cover a portion or the entire county. This model is used in Santa Barbara and Ventura Counties for their county fire departments.

ZONES OF BENEFIT

Zones of Benefit are specific areas established within a jurisdiction to fund a service or increase a service level that is different than the general services provided throughout the rest of the jurisdiction. The zone may be used to fund basic services or extra staffing, special equipment or special services such as delivery of higher level paramedic services by a fire agency in only a portion of their jurisdiction. The zone of benefit includes a funding mechanism to pay for the extra services delivered when the voters within the zone approve the extra fees or taxes (similar to Prop 218 or Mello-Roos district approval process). There may be multiple zones of benefit in a CSA or district.

NEW FIRE PROTECTION DISTRICT FORMATION

A new Fire Protection District can be formed to provide services to a community or various communities. The new district can either be a dependent (governed by Board of Supervisors) or an independent district. Some counties have county-wide fire districts to provide fire services to a variety of incorporated and unincorporated areas.

JOINT POWERS AUTHORITY (JPA)

A joint powers authority is authorized by California Government Code Sections 6500 et seq. A JPA is the joint exercise of power and authority to provide a service of common interest to the communities. Counties, cities and special districts may be parties to a joint powers agreement. JPAs have a board of directors that is made up of representatives of the member agencies as identified in the joint powers agreement. A JPA may provide whatever cooperative services the member agencies are authorized to provide.

In 2010, the Five Cities Fire Authority (FCFA) was created to provide fire protection in the cities of Arroyo Grande, Grover Beach and Oceano CSD. The JPA members are the City of Arroyo Grande, City of Grover Beach and the Oceano Community Service District. The FCFA JPA has a three-member board of directors made up of an elected official from each member agency designated as the JPA board representative. The fire chief reports directly to the JPA board of directors and manages the daily fire protection operations within all three communities. Funding for FCFA is through a cost-share formula and agreement approved by the FCFA Board of Directors.

OVERVIEW OF CHALLENGES FACING DISTRICTS

SPECIAL DISTRICTS PROVIDING FIRE PROTECTION

California special districts were formed to provide services that fit the individual community's needs. They are very proud of their history and put high importance on the autonomy of governance and can be fiercely independent.

Districts in San Luis Obispo County, similar to special districts statewide that provide fire protection, face major challenges related to sustaining an effective fire protection system:

- Governance and Service Future
- Cost vs. Funding
- Fire engine staffing costs
- Volunteer recruitment and retention
- District demographics
- SAFER Grants
- Equipment replacement
- Leadership and specialist services

GOVERNANCE AND SERVICE FUTURE

All five (5) study districts have considered or are currently considering significant changes in the manner they deliver fire protection in the future. Funding, cost of necessary services, community willingness to approve tax or fee increases, volunteerism changes, career staffing cost, depth of resources, and leadership challenges are the root of these considerations.

The ability to sustain existing service levels and respond to future demands is uncertain for all districts. All of the CSDs were formed by including the fire protection district as a core service and each community cherishes the original volunteer fire district legacy.

The changes considered range from raising funds to sustain the current operation, contracting out the service, merging with another agency, or dissolution/divestiture of the district's fire protection authority to the county. These are not easy decisions.

Since all the study districts are in the unincorporated area, the county is concerned with the sustainability of fire protection, funding options, and being the successor agency if divestiture or dissolution occurs. One consideration being proposed is the County augment district fire protection funding by a permanent property tax exchange. Providing financial assistance for fire protection will require redirection of county general fund financial resources from other county services. Financial assistance from the county may change the independence of the district as well as creating funding assistance expectations from other districts. Divestiture may also

create financial burdens on the county if the district revenue is insufficient to fund County Fire cost at the same time that the closure of Diablo Canyon Power Plant will affect the county's single largest property tax source.

COST VS. FUNDING

The primary problem is significant cost increases, inadequate property tax funding, and very limited opportunities for districts to increase revenue. Costs increase dramatically when fire departments transition from primarily volunteer fire staff to career staff. Staffing one fire engine with 2 career firefighters 24/7 increases costs by about \$1.3 million per year. Fire department funding is discussed in more detail in subsequent sections of this report.

All five study districts reported they do not have adequate funding to provide the baseline fire protection services they believe should exist in their communities today, and see the situation getting worse over the next 5-10 years. Cost for maintenance of effort is increasing faster than tax growth.

Property tax is the primary source of funding for fire protection in special districts. Raising property taxes is very difficult after Prop 13 since it requires a 2/3 voter approval. Further, allocation formulas established by the State legislature are now forty years old and have not kept up with changes in community demographics. Districts have no independent authority to raise sales tax, Transient Occupancy Tax, or other non-property taxes that cities and counties can use to increase revenue. Assessed valuation growth alone is the primary driver of additional revenue. New development often does not raise enough taxes to fund added service demand.

Some districts are too small, with too few parcels to equitably spread the increased tax burden. They also have difficulty obtaining the 2/3 majority required to enact benefit assessment fees to keep up with growth in costs.

VOLUNTEER RECRUITMENT AND RETENTION

One of the questions often asked by policymakers is why more volunteers can't be added to provide fire protection services? While there is no single answer, there are a series of influencing factors that affect a community's ability to recruit and retain qualified volunteer firefighters. Volunteer firefighter programs are dynamic and require constant care and nurturing. They can erode quickly and often without much fanfare.

In small communities where there are no other options, volunteer fire agencies continue to provide fire protection services. However, even those communities, where the volunteer fire station is the hub of the town, are struggling to maintain an adequate fire protection force to respond to emergencies.

There is a shift regarding volunteer firefighters over the last couple of decades. Volunteer programs are based on community volunteers that participate in training, work at their regular jobs in the local community and respond to emergencies when they occur. Today, as fire

departments respond to more than fires and the amount of emergency incident activity increases, volunteers need and are expected to spend more time with the fire department at the expense of family or work time. This leads to volunteer burnout. Competing volunteer opportunities for community-oriented people along with other demands for time contribute to a reduction of fire service volunteers.

Secondarily, there is a significant shift towards people using volunteer firefighter positions as an internship for a career in the fire service and turnover in this group is high. Developing volunteer/PCF fire officers takes time and experience. When PCF turnover is high developing officers is difficult.

INDEPENDENT VS. DEPENDENT VOLUNTEER OPERATIONS

There are two scenarios for fire agency volunteer operations. The first is the independent fire department model. The independent model is inclusive of all fire agency responsibilities. In addition to emergency response, the agency is responsible for governance, administration, incident command, fire prevention, training and all other aspects of the operation. Santa Margarita and San Miguel are two examples of independent primarily volunteer operations. The cost of the independent model tends to be somewhat higher since, in these examples, the districts are responsible for all aspects of fire protection within their jurisdiction and associated costs, including funding a fire chief.

The dependent fire department model is typically viewed as a satellite station within a larger organization where the volunteers provide emergency response service under the management of the fire chief of a larger organization. Governance, administration, incident command, fire prevention, training, and other support services are provided by the larger organization. County Fire operates two fire stations as dependent volunteer fire stations: Station 34 at Oak Shores and Station 14 at Morro Toro. County fire provides the overhead and logistical support for those stations.

VOLUNTEER FIRE OPERATION MODEL BUDGET

For illustration purposes, a model budget for an independent volunteer fire operation is included here. The illustration does not include fire chief compensation or benefits but does provide a stipend for all volunteers. The intent is to illustrate the cost of operating an independent volunteer company as a baseline.

Volunteer/PCF Fire Budget	
No career employees salary or benefits (Fire Chief costs are separate and unique to each agency)	
Salaries and Benefits	
Salaries/Stipends	25,000
Payroll taxes	3,000
Workers Comp	15,000
Uniforms	4,000
Extra help/contract labor	5,500
Sub Total	52,500
Services and Supplies	
Personal protective equipment	10,000
Building and facility maintenance	8,000
Fleet Maintenance	9,500
Misc. expense	10,000
Office expense	3,000
Supplies	25,000
Professional services or admin (legal, accounting, election)	32,000
Dues, permits and fees	7,000
Communications/Dispatch	24,000
Employee travel and training	10,000
Utilities	5,000
Bank fees	1,800
Sub Total	145,300
Other Charges	
Contributions to Govt. Agencies	5,000
Sub Total	5,000
Equipment Replacement Fund (varies by number of apparatus/equip)	30,000
Contingency (5%)	11,640
Total Budget	244,440

Figure 6 Model Budget for Independent Volunteer/PCF Fire Station

While this model budget is intended to be representative of the costs of a baseline independent volunteer operation, the specifics within each district will vary.

FIRE ENGINE STAFFING COSTS

The cost of adding full-time career staffing for fire protection is a big cost increase for the districts. Included below are the budget costs for a two-person engine company and three-person engine company staffed by Cal Fire. While the districts have varying payroll costs, the Cal Fire rates are illustrated here as a benchmark comparison and are representative of the County's cost under the Cal Fire contract for the same staffing standard.

COUNTY FIRE STAFFING COSTS

Including labor, benefits, uniforms, State and County administrative fees

Excluding all operational costs, except uniforms

		Ratio of positions to seats: 3 to 1						
Two Person Staffing (fill two seats, 24/7)				Positions				
FY 2018/2019 costs		Cal Fire	County	Comb. Cost per Position	Seats to Fill	Req. per Seat	Total Cost	FTEs
Fire Apparatus Engineer	\$190,986	\$6,685	\$197,671	1	3	\$593,013	3	
Fire Captain	\$226,906	\$7,942	\$234,848	1	3	\$704,544	3	
				Annual Total		\$1,297,557	6	
Three Person Staffing (fill three seats, 24/7)		Ratio of positions to seats: 3 to 1						
FY 2018/2019 costs		Cal Fire	County	Comb. Cost per Position	Seats to Fill	Req. per Seat	Total Cost	FTEs
Fire Apparatus Engineer	\$190,986	\$6,685	\$197,671	2	3	\$1,186,026	6	
Fire Captain	\$226,906	\$7,942	\$234,848	1	3	\$704,544	3	
				Annual Total		\$1,890,570	9	

- Note: 1. Labor rate calculated at top step
 2. All personnel at senior level leave credits.
 3. Cal Fire cost includes salary, benefits, State admin. fee and uniforms

Figure 7 County Fire Department Staffing Costs

DISTRICT DEMOGRAPHICS

There are several demographic factors that impact a special district's revenue.

- Post Proposition 13 property tax allocation
- Assessed valuation
- Potential for Growth
- Parcel count
- Population
- Economy of scale

Post-Proposition 13 Property Tax Allocation

The amount of property taxes a district receives is based on two (2) factors: 1. Assessed valuation, 2: percentage of the Prop 13 tax allocation received by the district. A district with a high percentage of the Prop 13 allocation and high assessed valuation will generate the most revenue and has the best potential for sustainability. Districts having either low assessed valuation or low percentage of tax share are very susceptible to financial shortfalls. Districts that had all volunteer fire departments at the passage of Prop13 usually receive very low percentages of the tax allocation.

Assessed Valuation

Assessed valuation is the most important factor influencing district revenue, even districts with a high percentage of TRA allocation in a district with low AV receive little tax growth. Low-value development will generate low property taxes that may be less than the cost of services required. Likewise, a high-value development with low service demand can be a major financial assist. Districts have no land use control over the type of development in their district.

Parcel Count

One method for districts to raise revenue is charging voter-approved benefit assessment fees to each parcel. If there are too few parcels, the rate per parcel will be too high to reasonably spread the tax burden. Districts with more parcels to spread the cost across can achieve their revenue needs at a lower rate per parcel.

Potential for Growth

Vacant land inside the district is the future tax base needed to fund fire service. If a district is built out with little room for expansion or infill, the revenue future is bleak. Even districts with large growth potential do not control land use or development inside the district. However, they are required to provide services to the newly developed growth areas even if the growth does not generate enough revenue to cover costs.

Population

There is a difference in fire protection impact and revenue generated by resident and mobile populations. More people in a district's service area equates to more emergencies and a higher workload. However, more people do not equate to higher revenues for the district providing the service, especially if the population increase is from non-residents (commuters, tourists, etc.) since they do not contribute to property taxes. Mobile populations primarily contribute tax revenue through sales tax and Transient Occupancy Tax (TOT). Sales taxes and transient occupancy taxes are funding sources not available to special districts.

Economy of scale

Special districts have finite resources and flexibility. Economies of scale can be difficult in small districts where staff costs or equipment costs (which are the same costs as bigger districts) are spread over a smaller base. Districts attempt to economize by sharing with other agencies,

where practical, for specialized resources they need access to but do not need to own. For example, this is common practice with very expensive ladder truck apparatus and specialty response teams, such as hazardous materials and certain specialty rescue teams.

SAFER GRANTS

Three of the study districts used SAFER grants (Cambria, Oceano, and Templeton). The Staffing for Adequate Fire and Emergency Response Grants (SAFER) was created to provide federal funding directly to fire departments to help them increase or maintain the number of trained, "front line" firefighters available in their communities. The goal of SAFER is to enhance local fire departments' abilities to comply with staffing, response and operational standards established by the NFPA (NFPA 1710 and/or NFPA 1720).⁹ The grants are awarded by FEMA.

SAFER grants typically cover costs of staffing for three years based on the fire agency's cost. Once the grant runs out, the expectation is the local agency will continue to employ and fund the positions the grant funded. In this study, none of the three districts had a funding mechanism in place to sustain the positions when the grant expired. Cambria attempted a benefit assessment fee ballot measure for funding, but there was not enough voter support to succeed. In all three cases, the SAFER funded firefighters were cut back.

EQUIPMENT REPLACEMENT SINKING OR DEPRECIATION FUND

Costs of fire apparatus (fire engines, rescue vehicles, and ladder trucks), portable equipment, and safety equipment (personal protective equipment and self-contained breathing apparatus) have skyrocketed over the past decade. Costs have increased faster than CPI and property taxes. As an example, the County's most recent purchase of a basic Type 1 fire engine for County Fire was \$580,000. Inflationary increases have historically been about 3% per year. According to County Fire, the recently purchased fire engine is estimated to cost about \$ 1,000,000 when it is replaced after 20 years; typically 15 years in first line and 5 years as a reserve.

To fund equipment replacement districts either budget a replacement sinking fund or borrow funds and repay over extended time. To replace an average structure protection Type 1 fire engine with a twenty-year lifespan (Part in first-line service, part in reserve status), an agency should set aside \$30-50,000 per year based on County Fire's replacement schedule. Each district may have varying life spans and formulas.

⁹ <https://www.fema.gov/staffing-adequate-fire-emergency-response-grant>

FACILITY COSTS

With the exception of Santa Margarita FPD, fire station facilities were observed to generally be in good condition. Space and facilities for housing full-time staff will need further examination.

The cost of constructing “essential services” facilities has become quite expensive. The added structural requirements to meet earthquake standards have driven the costs to more than triple the cost of ordinary construction. This is in addition to meeting current fire service standards for training, crew quarters for mixed genders and adequate apparatus space.

Specifics about each district’s facilities can be found in their section that follows.

LEADERSHIP AND SPECIALIST SERVICES

Volunteer Fire Chiefs are becoming increasingly rare; even part paid fire chiefs are unique. Finding a community member to serve as a volunteer or part-time fire chief has become very difficult. Qualified volunteers, who face increased legal mandates and personal liability, are often dissuaded from taking on the workload. Additionally, the fire chief of a small fire department (paid or volunteer) needs to be the “go to” manager, supervisor, budget director, emergency incident commander, fire marshal, investigator, and trainer for members of the agency. Frequently, due to expense, there is no assistant chief or other chief officer. Essentially, the fire chief is always on duty. Therefore, it is difficult to take time off or being out of the district for professional or personal purposes.

There is less incentive for shift firefighters to promote to leadership positions. They see the day to day work obligations of fire chiefs and do not aspire to take on that load.

As development, technology, and new hazards become more complex, the demand for specialists increases. Applying the fire code to one of a kind development, or an industrial hazard that creates special fire department impacts, or managing computer-based “systems” requires contracting out for professional specialist services. Funding for these services is limited.

IN-DEPTH ANALYSIS OF SPECIAL DISTRICTS

LITTLE HOOVER COMMISSION

Two separate reports have been published by California's Little Hoover Commission related to special districts:

Little Hoover Commission Report: Special Districts: Relics of the Past or Resources for the Future? in 2000¹⁰ Make districts more visible/transparent

- LAFCOs as catalysts for district consolidations, reorganizations, and disillusion
- Guidelines for consolidations
- Management and designation of reserves
- Illustrates issues relative to taxes to enterprise districts and reserve levels

LITTLE HOOVER COMMISSION REPORT: SPECIAL DISTRICTS: IMPROVING OVERSIGHT & TRANSPARENCY IN 2017¹¹

- Recognizes the variety and different approaches regarding districts statewide
- Renews concerns related to property tax allocation and financial reserves of special districts
- Recommends that the legislature address several issues related to consolidation/dissolutions
- Recommends grant funding for studies related to pending dissolutions/consolidations

¹⁰ <http://www.lhc.ca.gov/report/special-districts-relics-past-or-resources-future>

¹¹ <http://www.lhc.ca.gov/sites/lhc.ca.gov/files/Reports/239/Report239.pdf>

SPECIAL DISTRICT FUNDING

Special Districts' have few options for generating revenue to fund fire protection and are even more limited with Proposition 13's passage 40 years ago. Districts use property taxes as the primary funding source for fire protection and non-enterprise services they provide. Property taxes have not kept up with the increased cost of delivering those services. Districts have no authority to use sales tax, transient occupancy tax, or many non-property related funding sources that have enabled cities and counties to keep up with the cost of fire protection and other services. In some cases, Special Benefit Assessment or Mello-Roos districts are being used to bolster property taxes.

At the time of passage of Proposition 13 in 1978, all five (5) of the special districts in this study were volunteer fire departments with very small operational budgets. The three (3) largest districts in this study have transitioned to using only paid staff and have serious funding problems (Cambria, Oceano, and Templeton). San Miguel and Santa Margarita, the two smallest, still use Paid Call Firefighters (incentivized volunteers) but are still facing funding problems. San Miguel and Santa Margarita may need to fund full-time staff in the 5-10 year horizon.

EVOLUTION OF COSTS VERSUS PROP 13 TAX RATES

Special districts are living today with budget decisions their governing boards made forty years ago when voters passed Prop 13. In 1978, community demographics of the study districts only warranted a volunteer fire agency. Fire protection costs were limited to funding equipment and operating expenses while payroll costs were virtually nonexistent. The District Board passed a budget based on these minimal financial needs to support the volunteer operation. Prop 13 and subsequent legislation established those small budgets as the fire protection baseline percentage of the tax rate areas. Small budgets equal a small share of taxes.

Changes in the ability to recruit and retain volunteer firefighters along with desired faster reflex time standards (time to assemble the crew and respond to an incident) have created the need to hire career staff. Staffing costs are significant and, once the transition to career staffing begins, the cost changes are abrupt and ongoing. The incremental approach of adding part-time staffing has some limited success as a phased transition from a volunteer operation to full-time staffing. Part-time staffing is not a long-term solution. Cost of full-time staffing and the revenue to fund that cost is the most significant issue facing many special districts in the state that provide fire protection. Assessed valuation increases, and resultant property taxes allowed by Prop 13 usually cannot keep up with the cost increase from volunteer to full-time staff in small districts.

As the community demographics changes and hiring career staff becomes necessary, the revenue vs. cost gap has grown exponentially. 24/7 staffing of a fire engine with two full-time firefighters costs about \$1.3 million annually, significantly more than minimal cost of

volunteers/PCFs. Hiring career staff to provide service is the biggest impact on local special district budgets.

FACTORS THAT INFLUENCE A SPECIAL DISTRICT'S FINANCES

- Proposition 13
- ERAF
- Property tax allocation
- Assessed value
- Growth in Assessed Valuation
- Number of Parcels
- Enterprise Funds

PROPERTY TAX

PROPOSITION 13 APPROVED IN 1978

Since fire protection provided by special districts is funded primarily by property tax, it is important to understand California's Proposition 13 passed as an amendment to the State constitution in 1978. Prior to Prop 13, local agencies (counties, cities, special districts, and schools) independently levied property taxes within their jurisdictions. An annual budget, based on necessary service delivery cost for the coming fiscal year, was passed and authorized by the local agency governing body. The budget was then submitted to the County Tax Collector to develop a tax rate for each property based on all the local agencies that serve that property. The controls on the tax rates were limited and concerns were raised that property owners could not afford the taxes. The average statewide property taxes were 2.67% of the property's assessed value.

Post Prop 13, the tax rate was set at 1% per year of the assessed valuation of real property (which is split between agencies providing services); down from 2.67% statewide average. The initial fiscal year used to establish the baseline assessed values of property and to determine the base property tax was 1975/1976. Growth of property tax is limited to 2% per year. For the most part, reassessment happens at the time of sale of the property. Any special tax that exceeds the 1% baseline requires 2/3 voter approval. The allocation of pro-rated property taxes to public entities is established by State law.

Fundamentally, Prop 13 changed how public agencies fund services. Service levels are often determined based on the amount of revenue received as compared to the previous method of determining the cost of the service and setting the funding level. It also significantly changed the relationship between State and local policymakers regarding funding for local services. The comparison below illustrates a side by side comparison of the approaches.

Pre-Prop 13	Post-Prop 13
<p data-bbox="272 226 706 258">TAX RATE BASED ON SERVICE COST</p> <ul data-bbox="227 304 771 661" style="list-style-type: none"> • Local agency authority and determination of property tax • Each local government set its own rate (within statutory limits) • 6,234 revenue districts statewide • 27,566 tax-rate areas statewide • Local residents influenced the process by their votes for local officials • Expenditure-based budget based on local agency determination of resource needs 	<p data-bbox="917 226 1356 258">SERVICE LEVEL BASED ON TAX RATE</p> <ul data-bbox="868 304 1421 661" style="list-style-type: none"> • The base of 1 % of 1975/76 assessed value (Down from average of 2.67%) • Assessed value increases limited to 2% per year if property not sold • Reassessed at time of sale: base tax is 1% of the new assessed value • Taxes to be distributed “according to state law” • Requires 2/3 voter approval of special taxes over the 1% base amount

Figure 8 Pre-Prop 13 vs Post Prop 13 Budget Method

EDUCATIONAL REVENUE AUGMENTATION FUND (ERAF)

The State has the authority to adjust the property tax distribution formula. The Educational Revenue Augmentation Fund (ERAF) was established in each county and shifted an additional amount of property tax away from special districts, cities and the County to schools to supplant a State general fund shortfall in fiscal years 1992/1993 and 1993/1994. ERAF shifted an additional 12.90% of property tax (in the tax rate area example shown below) from local public agencies to fund schools, and thus reducing the State’s general fund obligation to fund schools. The schools did not receive any additional funding from this ERAF shift, they just received less of their funding from the state general fund and more from local property taxes. The State did not collect the ERAF property tax and send it to schools, they just ordered the local property tax funds to be taken from local agencies (county, district, and city) and distributed to schools. This reduced the state’s obligation for school funding and transferred a portion of the state school funding obligation to local government. All of the non-school recipients of property taxes revenues from the 1% property tax allocation were reduced. The ERAF shifts continue annually to this day and have an ongoing impact to local agencies, including counties, cities and special districts.

In the following years, another set of tax shifts were enacted by the State to, again, bail the State out of their deficit. The Vehicle License Fee swap and the “Triple Flip” were two methods of using excess ERAF funds to offset the State’s deficit while using vehicle license fees and sales tax to offset losses by the counties and cities.¹² Special districts were left out of this allocation. Property tax is the mainstay revenue source for special districts providing fire protection and,

¹² California Legislative Analyst’s Office, “Understanding California’s Property Taxes”, November, 2012

since they are not authorized to pass a voter-approved sales tax or transient occupancy tax, the effects of the ERAF and VLF, Triple Flip solutions provide no assistance to districts.

PROPERTY TAX RATE AREA PERCENTAGES IN DISTRICTS

There are multiple Tax Rate Areas (TRA) throughout the county; each TRA reflects the percentage of the 1% property tax organizations receive. Each TRA has a unique combination of percentages of the tax dollar received by each taxing entity in the TRA. Special districts are comprised of several tax rate areas, each with its own combination of percentages; there is not one tax rate percentage that applies across the entire district.

The chart below is a sample from a single tax rate area within Templeton CSD to illustrate the share of property tax received by all of the taxing agencies within that tax rate area. The agencies share each tax dollar collected from this tax rate area based on the percentages shown.

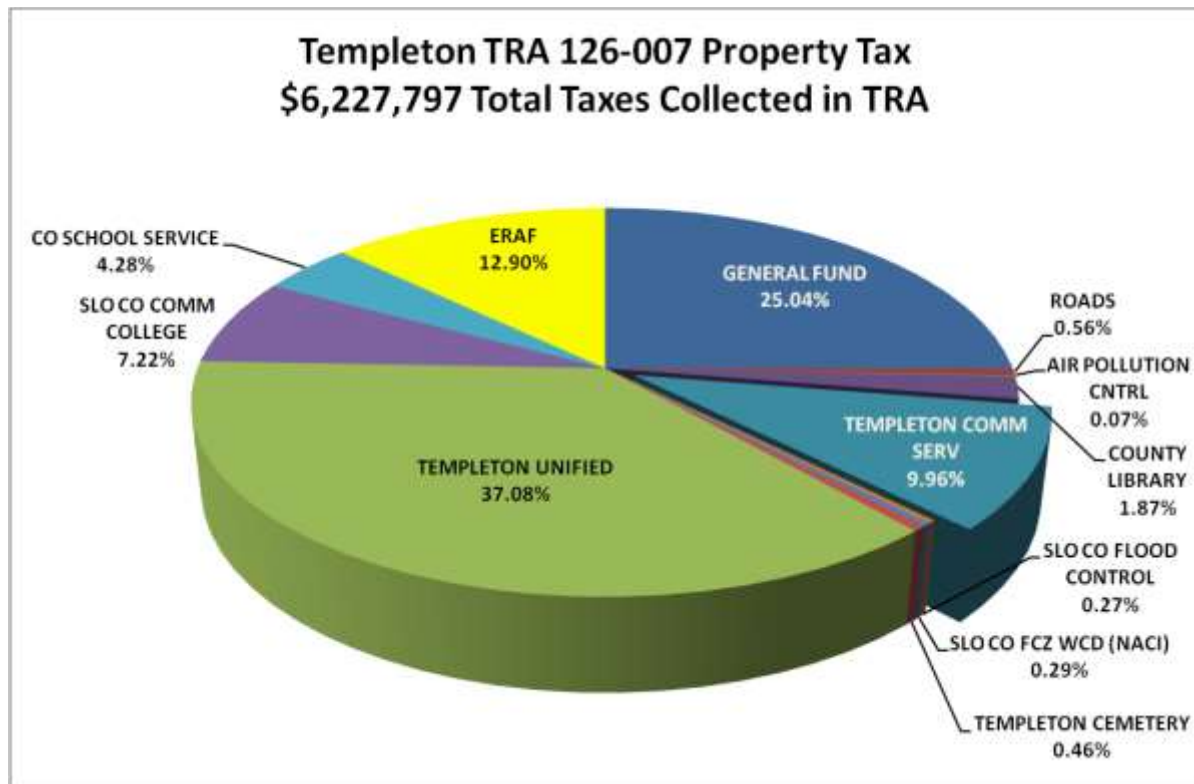


Figure 9 Templeton CSD Tax Rate example

In this example, Templeton CSD receives 9.96% of the property tax dollars collected within this tax rate area or \$620,083 of the \$6,227,797 collected. ERAF is 12.9% or \$803,385.

PROPERTY TAX ALLOCATION PERCENTAGE OF THE 1% BASE PROPERTY TAX

The property tax funding distribution formulas are set by State law and the State legislature has the authority to revise the formula. There have been several attempts to revise the property

tax distribution formulas to address the special district funding problem, but none have provided a successful long-term solution. Cities and counties can assess voter-approved sales taxes, transient occupancy taxes, utility taxes and other revenue measures not available to special districts.

With a few exceptions, the basic allocation formulas have not changed since Prop 13 passed forty years ago. The foundation for the distribution formula is based upon each taxing entity’s tax rate just prior to the passage of Prop 13. The formula establishes a prorated share of post Prop 13 tax to be distributed to the agency based on what that agency’s percentage of the overall tax share would have been prior to Prop 13 (8% of total property tax bill before Prop 13 receives 8% of new property tax bill). Community Service Districts receive a percentage share of the tax dollar based on the pre Prop 13 share the property tax-supported services (fire, parks, lighting, etc.) to use as a general fund to support services provided by the district.

The table below reflects the number of TRAs in each district and the percentage range that goes to the district, ERAF, and the general fund.

District	Number of TRA's	District Range	ERAF Shift Range	County General Fund Range
Cambria CSD	3	8.9 – 10.49%	12.79 - 15.23%	20.43 – 25.53%
Oceano CSD	18	2.5 – 19.15%	11.6 - 16.26%	15.3 – 26.2%
San Miguel CSD	9	9.79 – 13.88%	10.9 - 15.58%	15.13 – 20.20%
Santa Margarita FPD	2	7.89 - 7.89%	9.5 - 9.5%	22.97 – 22.97%
Templeton CSD	11	6.88 – 9.95%	10.98 - 12.90%	19.92 – 25.04%

Figure 10 Five district TRA percentage comparison

Compares the five district’s Tax Rate Areas (TRA) and property tax percentage range for the district, ERAF, and the general fund.

ASSESSED VALUATION

Post Prop 13, properties are assessed at the time of construction, or in the case of existing properties, at the time of resale. As a result, communities with little new construction and/or slow turnover of existing property will experience little growth in assessed valuation, even in a robust economy. Property tax funded public agencies that serve communities with relatively low assessed values will generally experience low growth of tax revenue. In some cases, the assessed valuation is too low to support adequate services.

PROPERTY TAX, ASSESSED VALUE (AV) AND GROWTH

Since the percentage of the tax dollar is set, assessed value (AV) growth is the only way a district’s property tax revenues can increase. Prop 13 limits the increase in taxable assessed value of properties to 2% per year.

New Construction/Development

New construction is assessed at the time the project is completed. Growth in the tax base comes from the added value of the new development.

Reassessment at Sale

Existing properties are reassessed at the time of sale. Increases in assessed value contribute to the growth of the tax base for the district. Communities that are “built out” must rely on growth from sales turnover. The housing market will be the driving factor in the amount of growth or decline that will occur during the sale of a property. Further, if the potential for the annexation of new areas is limited or not probable, the potential for growth is limited to infill within the district’s boundaries.

ASSESSED VALUE GROWTH

The table below (Figure 16) illustrates the 2017/2018 assessed valuation of the County and each of the five districts in this study and the percentage growth for the last 3 fiscal years.

Agency	Assessed Valuation After HOPTR	Percent Of Total	Growth from Prior Year		
			2015-2016	2016-2017	2017-2018
San Luis Obispo County	49,089,032,946	100.0000%	6.22%	5.67%	5.61%
Cambria CSD	2,145,909,012	4.3715%	4.69%	3.91%	4.37%
Oceano CSD	627,100,773	1.2775%	4.65%	5.74%	3.86%
San Miguel CSD	272,887,870	0.5559%	9.15%	11.04%	4.34%
Santa Margarita FPD	124,036,860	0.2527%	4.61%	4.31%	3.64%
Templeton CSD	1,143,978,918	2.3304%	5.36%	4.01%	6.35%

Figure 11 County and special districts property assessed valuations and growth

Percentage growth is less determinative than assessed value dollar amount in determining additional revenue for the districts as a result of AV growth; smaller initial AV results in lower tax dollar growth even with higher percentage growth (see figure 17) below.

DISTRICT TAX REVENUE FROM ASSESSED VALUE GROWTH

What matters most is the overall assessed valuation of the district. A special district with higher assessed value may see large tax dollar increases from a smaller increase in growth percentage. Conversely, special districts with comparatively low assessed values may not gain much property tax even with a relatively large growth percentage.

The rate of growth of property tax dollars comes from changes in assessed valuation (AV) multiplied by the percentage of 1% property tax allocated to a district. Assessed valuation percentage changes are only one part of the formula for tax dollar growth; the value in new AV dollars of the growth multiplied by the percentage of the 1% property tax allocation determines new taxes for services.

While all the factors work in unison, the base assessed value of a special district is the most significant influencing factor on growth in dollars. The initial total assessed value has more weight than the percentage of growth. A 2% growth of \$2 Billion AV is a \$40,000,000 increase in AV and generates \$400,000 in new taxes. A 10% growth in a district with \$200 million AV is a \$20,000,000 increase in AV and generates \$200,000 in new taxes.

The table below illustrates a similar 5% AV growth and resultant property tax change shared by all tax agencies in the tax rate area (schools, district, county general fund, and others). Districts with low assessed valuation will always struggle. The taxes that the district receives from the tax growth is based on the district's Prop 13 tax allocation percentage (district ranges are 2.5 19.15%)

District	Assessed Valuation	5% AV increase	1% tax	Total Tax In TRA	District's Largest TRA %*	Total to District
Cambria	\$2,145,909,012	\$107,295,450	1%	\$1,072,955	10.49%	\$112,553
Oceano	\$627,100,773	\$31,355,038	1%	\$313,550	14.34%	\$44,963
San Miguel	\$272,887,870	\$13,644,393	1%	\$136,444	13.18%	\$17,983
Santa Margarita	\$124,036,860	\$6,201,843	1%	\$62,018	7.90%	\$4,899
Templeton	\$1,143,978,918	\$57,198,945	1%	\$571,989	9.96%	\$56,970

Figure 12 Tax revenue from 5% Assessed value growth

Reflects an example of additional tax revenue for districts as a result of a 5% Assessed Value growth. For purposes of this example we use the district tax rate area (TRA) percentage from the district's TRA that generates the most revenue. Other TRA results will vary.

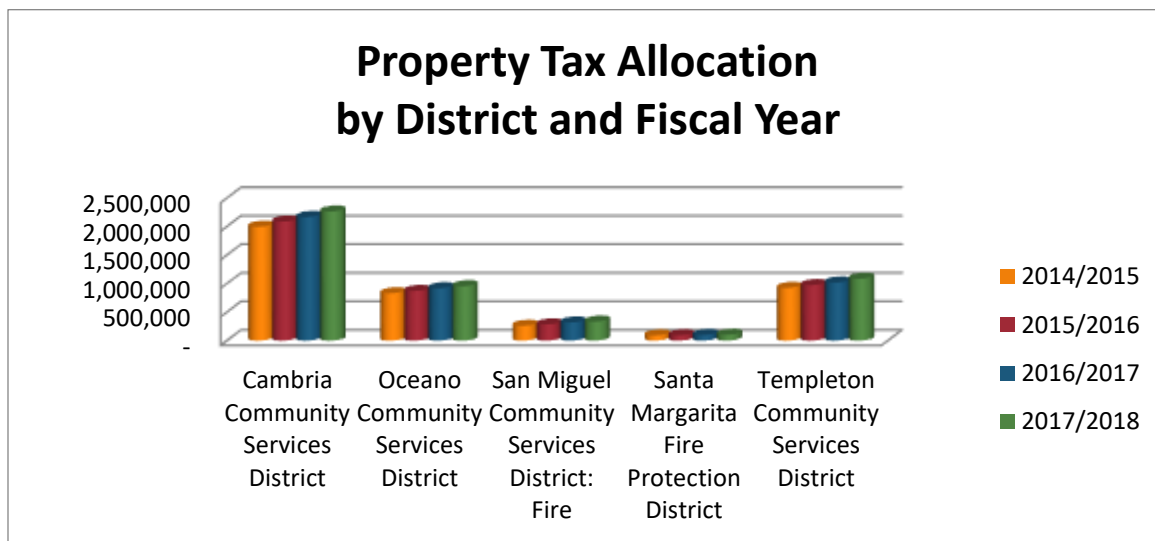


Figure 13 Total property tax allocation for fire by fiscal year

PROPERTY TAX ALLOCATION FOR FIRE SERVICE

The community service districts within the study allocate varying shares of property tax to the fire department for fire protection services. The remainder is allocated to other public services provided by the district.

The table below represents the allocation amount and percentage based on the 2017/2018 fiscal year.

	2017/2018 FY		
	Total Property Tax Allocation	Allocated to Fire	Percent of Total to Fire
Cambria CSD	2,263,703	1,620,500	72%
Oceano CSD	986,210	914,437	93%
San Miguel CSD	547,511	341,497	62%
Santa Margarita FPD	103,921	103,921	100%
Templeton CSD	1,085,530	796,278	73%

Figure 14 Total property tax allocation to each district for fire protection

NUMBER OF PARCELS IN A DISTRICT

The most common way that districts seek additional revenue is to use a benefit assessment fee or parcel based special tax. Similar to districts with low assessed valuation, the number of parcels in a district influences the amount of assessment required per parcel to generate the new revenue. Spreading the tax burden over a relatively small number of parcels reduces the chances for successful voter approval of a new fee or tax. The table below illustrates using a **flat rate parcel-based benefit assessment** in each district to raise \$500,000 per year in additional revenue. Some parcels (government owned, etc.) are exempt from assessments and will not be included in the assessment.

District	Total Number Of Parcels	Per Parcel to Generate \$500,000.00
Cambria CSD	6205	\$80.58
Oceano CSD	2441	\$204.83
San Miguel CSD	1094	\$457.04
Santa Margarita FPD	522	\$957.85
Templeton CSD	2778	\$179.99

Figure 15 District Parcel count calculation to generate \$500,000

ENTERPRISE FUNDS

Special districts charge enterprise fees for services such as water, wastewater and sanitation to recover the cost of the service. The fees charged for such services are required to be tracked separately from general fund revenues and are not allowed to be used for anything other than the specific service. Since Prop 13, most CSDs receive little, if any, property tax for their enterprise services.

District general fund revenue may be used to support enterprise services.

OTHER FUNDING SOURCES

- Benefit Assessment Districts
- Community Facility Districts (Mello-Roos)
- Ad Valorem Property Tax
- Public Facility Fees
- Sales Tax (Including Prop 172 Public Safety Sales Tax)
- Transient Occupancy Tax
- Grants
- Annexation
- Property Tax Exchange Agreement

Benefit Assessment Districts (Proposition 218)¹³

Benefit assessment fees authorized by Proposition 218 (California Constitution Article XIII D) may be used to fund “Special Benefit” property related services. Special benefit means particular and distinct benefits for the property that is over and above the general benefits conferred on other real property located in the district or for the public at large. Benefits must have a direct nexus to the parcel.

Benefit assessments are frequently used to fund water, sewer, and other infrastructure type costs that serve the parcels in the district. Structural fire protection has been regularly recognized as a special property related service. Ambulance and paramedic services do not qualify as being property related since they are not tied to parcel/property and are general public benefit services. Benefit Assessment Fees are not taxes and are not based on the assessed valuation of the property. The fees are based on the cost of providing the specific service distributed across the affected parcels, either as a **flat rate** per parcel or a **weighted rate per parcel** model. An engineer’s assessment is required to determine the benefit and associated cost per parcel.

In the two examples that follow, the goal is to raise \$500,000 to support the cost of delivery of a service. Each model generates \$500,000 in revenue, the cost per parcel varies by model (flat rate or weighted).

Flat Rate Model: Each parcel is charged an equal share regardless of land use type. To calculate the per parcel charge; divide the amount of revenue by the number of parcels to be assessed. In the example below: to raise \$500,000 in revenue divided by 2698 parcels equals \$185.32 per parcel.

¹³ California State Board of Equalization

				Total Cost \$500,000		
Total Parcels in district 2778				Fee per Parcel		
		Parcel Count		Total cost / Total Parcels Assessed	\$185.32	
				Cost per parcel		Total Raised
Government, Residual land segment		80			\$0	\$0
Single Family Resid (SFR)		2030			\$185	\$376,205
Multi-family residential		145			\$185	\$26,872
Hospital, medical		4			\$185	\$741
Vacant Land		301			\$185	\$55,782
Commercial/Industrial		218			\$185	\$40,400
	Assessed parcels	2698				\$500,000

Figure 16 Benefit Assessment District: FLAT RATE MODEL

In the flat rate model above each of the 2,698 assessed parcels (government parcels are not assessed) is charged the \$185.32 per year approved by voters to raise \$500,000. There is not a different charge taken for land use types that create a greater demand on the fire department (e.g. special equipment, training, or staffing needs).

Weighted Model: Fire protection demand created by each land use type is factored into assessment through the use of a demand fee scale 0-10 (the scale can vary based on engineering study). (The weighted model is used in Cambria, Los Osos, and Cayucos)

The weighted model measures the different relevant impact a specific land use type creates on the service delivery (i.e. industrial versus residential land uses). If a specific land use type is shown to create greater demand (and cost) on providing the service, the parcels in that land use type have a higher factor.

The engineering study assigns a demand unit factor scale to each land use type based on the level of service delivery demand. Total demand units are calculated by multiplying demand units by parcel count for each land use. Demand Fee is calculated by dividing revenue need (\$500,000) by total demand units. In our example below: \$500,000 / 7161 total demand units = \$69.82 per fee unit.

A voter-approved single Benefit Assessment Fee rate (in this case \$69.82 per demand fee unit) is multiplied by the demand unit factor. Charges for parcels will differ based on the land use type demand factor. The more demand units for a parcel, the higher the fee. All parcels with similar land use types are charged the same demand fee regardless of assessed value.

In the 0-10 scale example below, single-family residential property parcels have a 2 point impact (\$69.82 Demand Fee x 2 units= \$139.64) and industrial land use parcels have a 10 point impact (\$69.82 Demand Fee x 10 units = \$698.20) because the industrial parcels create greater impact on fire protection delivery.

				Total Cost \$500,000		
Total Parcels in district 2778				Fee per Demand Unit		
	Demand Units per Land Use Type	Parcel Count	Total Demand Units by Land Use Type	Total cost / Total Demand Units = Fee per Demand unit	\$69.82	
					Cost per parcel	Total Raised
Government, Residual land segment	0	80	0		\$0	\$0
Single Family Resid (SFR)	2	2030	4060		\$140	\$283,480
Multi-family residential	4	145	580		\$279	\$40,497
Hospital, medical	10	4	40		\$698	\$2,793
Vacant Land	1	301	301		\$70	\$21,017
Commercial/Industrial	10	218	2180		\$698	\$152,213
Assessed parcels		2698	7161	Total Demand Units		\$500,000

Figure 17 Benefit Assessment District: WEIGHTED MODEL

In the model above, each Land Use Type is assigned a Demand Use Factor (0-10 scale) that represents the relative demand on the delivery of fire protection. The same 2,698 parcels assessed in the previous model are charged different rates than the FLAT RATE MODEL based on the demand unit factor. Note: The assigned demand units are for illustration of the model only and do not represent an actual engineers study.

CREATING A PROP 218 SPECIAL ASSESSMENT DISTRICT REQUIRES:

- Engineers study and calculations determining assessment per parcel
 - Revenues shall not exceed the cost of services
 - Revenues shall not be used for any purpose other than property related service
- Agency shall send written notice of the proposed fee to all parcel owners and a hold public hearing about the proposed fee.
- Vote to approve fees can take either of two forms:
 - 2/3 majority of registered voters residing in affected areas.
 - A simple majority of property owners subject to the fees. Votes are weighted based on the amount each parcel is charged. Under the weighted model, the owner of a parcel with 10 demand units vote counts 5 times more than a parcel owner with 2 demand units.

If approved, benefit assessment fees will be added to annual property tax bill.

- Cambria CSD has an active Benefit Assessment District originally approved in 1993 to offset the property tax loss from ERAF shift. In 2003 Cambrians re-approved the weighted assessment with a CPI increase allowance (the original had a 10-year sunset clause.)
- In 2018 Cambria voters did not approve a separate \$62/parcel assessment to fund 3 additional full-time firefighter positions.

- The assessment approved in 2003 remains in effect which will generate \$464,000 in 2018-19 FY.

Cambria's 2003 approved assessment generated \$455,500 in fiscal year 2017/2018.

- Oceano CSD is considering a benefit assessment district ballot measure for 2019 or 2020 to provide fire department funding to meet their Five Cities Fire Authority obligation to fund 3 full-time firefighters on duty daily at the Oceano fire station. No previous attempts have been made and they do not have a Mello Roos CFD District.

- San Miguel does not have a benefit assessment district

- Santa Margarita does not have a benefit assessment district

- Templeton CSD unsuccessfully attempted a \$77/parcel benefit assessment in 2009.

In 2015 the Templeton CSD Board hired a consulting firm to survey the community to determine support for a benefit assessment fee for the fire department. The survey opinion showed insufficient community support for the assessment.

The Templeton CSD Board of Directors is considering another attempt at a benefit assessment ballot measure to support fire department funding for August of 2019.

- Los Osos CSD and Cayucos FPD have approved benefit assessment districts for fire protection.

COMMUNITY FACILITIES DISTRICTS (MELLO-ROOS)

Community Facilities Districts (Mello-Roos) are authorized by Government Code 53311 et seq. to fund several types of services.

Mello-Roos Districts are most frequently used as a condition of new development to fund extra public services necessitated by the development. Mello-Roos districts can also be created in an existing community to fund either existing or new services.

GC 53311 specifically authorizes the use of Mello-Roos Community Facilities Districts for funding of fire protection and suppression services, ambulance, and paramedic services.¹⁴

Mello-Roos districts use the same cost calculation and voting methods as Benefit Assessment Districts.

Creating a Mello-Roos Community Facilities District Requires:

- Determination of cost of services to be covered by tax
- Analysis of parcels in the proposed district and pro-rated annual service cost per parcel

¹⁴ California Government Code Sections 53311 - 53313

- Governing body places measure to establish district and parcel costs on the ballot
- General election or mail-in ballot voting by registered voters in the proposed district
- Requires 2/3 majority registered voter approval to pass; or, a simple majority of weighted parcel fee vote by assessed property owners. During new development, there is usually only one owner (the developer) until lots sell so approval from the developer is all that is needed.

- Cambria does not have a Mello-Roos CFD District.
- Oceano does not have a Mello Roos CFD District.
- San Miguel does not have a Mello-Roos CFD District.
- Santa Margarita does not have a Mello-Roos CFD District.
- Templeton CSD enacted a Mello-Roos Community Facilities District. The district expects to begin receiving revenue from these districts in 2022 and full build-out funding of \$300,000 by 2032.

AD VALOREM¹⁵ SPECIAL PROPERTY TAX (PROPOSITION 13)

Proposition 13 amended the state constitution (Article XIII A) to restrict the increase of Ad Valorem property taxes. Assessed valuation changes are limited to a maximum of 2% increase per year and new taxes based on assessed value require voter approval.

If the property tax is restricted for a special purpose, such as fire protection, 2/3 majority of voters is required. If the tax is for general purposes, then a simple majority of voters is required for approval. The new tax is applied as a percentage of the assessed valuation (*Ad Valorem*) of parcels in the approved tax rate area.

Because of the difficulty in obtaining 2/3 majority voter approval, post-Proposition 13 Ad Valorem property tax measures are rarely used to fund fire protection in special districts.

Ad Valorem Tax Increases

Assessed value (AV) of the taxed area is the determinate of the new tax rate, the higher the AV the smaller the tax increase percentage required to generate a target dollar amount. The tax rate percentage increase required to raise the same amount of revenue in a high AV district is much lower than the percentage required in low AV districts. Conversely, if a district with a low assessed value chooses to seek a voter-approved ad valorem special tax, the associated tax rate percentage will often be too large to garner voter approval since the assessed values are too low to reasonably spread the tax burden.

¹⁵ Ad Valorem tax: is a tax based on assessed valuation of property; CA State Board of Equalization

PUBLIC FACILITY FEES (PFF)

Public Facility Fees (PFF) are used throughout San Luis Obispo County to mitigate the incremental agency impact of new development.¹⁶ The fees are needed to finance Public Facilities and to assure that new development projects pay their fair share for these facilities. The use of the collected fees is restricted to expenditures that increase the capacity or capability of the agency in response to the demand caused by development. "Public Facilities" includes public improvements, public services and community amenities. County PFF are used to fund impacts to County General Government and Administration, Sheriff, Parks, Library, and Fire impacts. District directors may choose to implement PFF for their districts through local ordinance or through County Planning and Building Department.

SALES TAXES IN UNINCORPORATED AREA

The San Luis Obispo County unincorporated area 7.25% sales tax rate¹⁷ is comprised of several components:

- A. 3.6875% State general fund sales tax
 - B. 0.2500% State general fund sales tax
 - C. 0.5000% State local health and social services revenue fund
 - D. 1.0625% Local revenue Fund 2011
 - E. 0.2500% County transportation fund
 - F. 1.0000% County general operations
 - G. 0.5000% Proposition 172 special tax for public safety services.¹⁸
- 7.2500% Total State and County Sales tax

The 7.25% rate applies to the entire unincorporated area.

The county's 1% portion of the sales tax revenue is added to the county general fund for general county government services.

All cities in San Luis Obispo County have a 7.75% or higher sales tax rate. Incorporated city voters set their own sales tax rate which may differ from the county rate. Special districts do not receive sales tax nor are they authorized to levy a sales tax.

PROPOSITION 172 PUBLIC SAFETY SALES TAX

Proposition 172 was passed by the voters on November 2, 1993, which added an additional sales tax for public safety to offset some of the ERAF property tax losses by counties and cities. Since special districts do not receive any sales tax, the shifts of property tax to ERAF became

¹⁶ Public Facilities Fees are required in accordance with Section 18.04.010 of Title 18 of the County Code. The fee amount is determined through an annual review of the program by the Board of Supervisors.

¹⁷ <http://www.cdtfa.ca.gov/taxes-and-fees-/sut-rates-description.htm>

¹⁸ California Government Code Section 30052

permanent losses of revenue for districts. “Public safety” agencies are typically identified as law enforcement and fire departments when they are funded by general funds.

In rare instances, counties share some portion of Prop 172 funds with fire districts, but it is not a common practice. In an agreement struck prior to passage of Prop 172, Monterey County allocates 9% of their Prop 172 revenue to independent fire districts. Santa Cruz County allocates a portion of Prop 172 for a local fire service grant program to fund one-time purchases that have regional benefit.¹⁹

The 0.5% Proposition 172 sales tax revenue is restricted for use to fund Public Safety services. “Public safety” services include sheriff, police, fire protection, district attorney, corrections, ocean lifeguards. “Public safety” services do not include courts²⁰.

	District Attorney	Sheriff-Coroner	Probation	County Fire	County Total
2017-18 FY	\$3,420,972	\$15,422,586	\$4,018,487	\$2,782,426	\$22,398,247

Figure 18 Prop 172 Public Safety Sales Tax Allocation

To increase sales tax requires voter approval. The Board of Supervisors can place a measure on the ballot to change the county sales tax rate; if for general fund purposes a simple majority of registered voters is required; if the tax is for a special purpose, such as fire protection, a 2/3 majority is required.

The County sales tax rate applies to the entire unincorporated area and cannot be raised selectively in a special district only.²¹

TRANSIENT OCCUPANCY TAX (TOT) IN THE UNINCORPORATED AREA

The San Luis Obispo County unincorporated area 9% Transient Occupancy Tax (TOT), sometimes referred to as Bed Tax, is levied against daily rental properties such as hotels, motels, and vacation rentals. The 9% rate applies to the entire unincorporated area. The 9% County of San Luis Obispo TOT revenue is added to the county general fund for general county government services.

FY 15/16	FY 16/17	FY17/18	1% Increase could raise
\$7,898,812	\$8,476,563	\$9,580,153	\$1,063,624

Figure 19 Transient Occupancy Tax (TOT) revenue

¹⁹ Survey of Fire Districts Association membership conducted by study team, July 2018

²⁰ CA Constitution: Section 35, Article XIII; CA Government Code 30056

²¹ San Luis Obispo County Counsel communication; August 2018

Special TOT assessment districts can be established (such as Tourism Districts) by a vote of property owners assessed. This is used as a means to fund tourism advertisements and promotions that directly benefit the rental properties.

To increase TOT requires voter approval. There are two methods of changing the rate:

1. Voter approval by a majority of property owners assessed TOT (similar to a Prop 218 vote)
2. The Board of Supervisors can place a measure on the ballot to change the county TOT tax rate; if the tax is for general fund purposes a simple majority of voters is required; if for a special purpose, such as fire protection, a 2/3 majority of voters is required.

The County TOT tax rate applies to the entire unincorporated area and cannot be raised selectively in a special district only.²² Special districts do not receive TOT and are not authorized to levy TOT.

GRANTS

All five of the districts within the study have received grant funding from various sources. Grant funding can be an important augmentation to fund one-time expenses such as equipment and facilities. Using grant funding for long-term expenses (staffing) without a plan for sustaining the funding can create layoffs when grant funds expire.

One issue related to grants impacting three of the districts (Cambria, Oceano, and Templeton) is the use of SAFER²³ grants for staffing. SAFER grants are federal grants awarded to fire agencies on a competitive basis based on demonstrated need by the agency. One condition of the SAFER grants is that the agency is expected to sustain the funding for the added staffing when the 2-3 year grant expires. In all three of the cases in this study, continued funding placed unsupportable pressure on funding from the district's budget.

GRANTS RECEIVED BY THE DISTRICTS

Cambria CSD

Cambria CSD (CCSD) received a SAFER grant to fund three full-time firefighter positions. With the grant expiring, and desire to retain the employees, CCSD placed a benefit assessment measure to replace the grant funding on the 2018 ballot. The measure did not receive the required 2/3 majority of votes to pass. CCSD applied for another SAFER grant and was again selected but the CCSD board of directors turned down the second grant due to concern of a repeat of the inability to sustain funding after the grant terminated. CCSD has received grants to replace personal protective equipment and other equipment.

²² San Luis Obispo County Counsel communication; August 2018

²³ Staffing for Adequate Fire and Emergency Response; U.S. Fire Administration; FEMA, US Dept of Homeland Security

Oceano CSD/Five Cities Fire Authority

Oceano CSD is a member of the Five Cities Fire Authority (FCFA), which provides fire protection in Oceano. FCFA received a SAFER grant to augment staffing in their three stations (including Oceano fire station). The grant has expired and reductions of staff occurred since FCFA member agencies were unable to provide funding for the grant-funded full-time positions.

San Miguel CSD

San Miguel has received grants for portable equipment, and personal protective equipment.

Santa Margarita FPD

Santa Margarita FPD relies heavily on grant funding since their property tax revenue is very limited.

Santa Margarita FPD has received grants for apparatus, portable equipment and personal protective equipment.

Templeton CSD

Templeton CSD received a SAFER grant for staffing that ran out in 2016/2017, conversion of full-time grant funded firefighters to part-time reserves was necessary due to insufficient funding to replace grant funds. The district directors considered a benefit assessment district ballot measure to provide sustained funding but surveys showed inadequate voter support for the measure. Templeton CSD has received grants for personal protective equipment and apparatus upgrades.

ANNEXATION

Annexation of new territory adds to the district's tax base typically via a property tax rate transfer agreement with the agency previously providing services. There are no new taxes generated, but rather a transfer of the existing revenue stream to the annexing agency. Once annexed, property tax growth within the newly annexed area will mirror the rest of the district. Community Service Districts cannot annex a single service (fire protection for example). As a result, annexation as a method of growth for the district is not a practical option for CSDs unless they can provide the range of other CSD services.

PROPERTY TAX EXCHANGE

A property tax exchange agreement is the only option for supporting the district(s) on a permanent basis or funding county operations in event of a district opting for divestiture. Long-term expenses, such as staffing, require a sustainable funding source. Any other form of County General Fund revenue support for the district is subject to annual budget priorities, and is therefore less dependable. Districts should treat it like one-time grant funding.

A property tax exchange agreement is a negotiated change in two or more local agencies tax percentage share of the 1% property tax base. The property tax exchange does not generate new revenue it merely redistributes the existing tax dollars. It is commonly utilized when one

agency annexes territory previously served by another jurisdiction. The exchange results in the successor agency receiving property tax revenue the former agency collected for delivering the service in the annexed area. The amount of property tax transferred is negotiable and is usually based on the amount of tax necessary to provide the service. The property taxes exchanged go to the receiving agency's general fund and may be used for any purpose based on the board of directors' priorities.

Since the property tax revenue amount is set by Prop 13, a property tax exchange to another agency means a reduction of the same amount to either one or all of the other taxing entities in each affected tax rate area. Since property tax exchanges are "zero-sum" propositions, any increase in one agency requires a corresponding decrease in another.

If the County agrees to a property tax exchange to support one or more of the districts, negotiations would be necessary to establish the amount of the transfer. The transfer would result in a reduction of the County's percentage share of property tax within the District's tax rate areas and a corresponding increase to the District's percentage. The District would then receive a higher share of property tax and associated growth.

One nuance in the law is, for property tax exchanges, the County represents the district and the County in negotiations.

If similar to the Cayucos FPD dissolution, a special district board of directors decides to dissolve or divest fire protection, a property tax exchange will be negotiated between the district and successor agency (most likely the County). District property taxes used to support fire protection will transfer to the successor agency to fund the new service provider. If the County is the successor agency, the negotiated property tax transfer will be used to fund the County Fire Department delivery of fire protection.

FIRE AGENCY STAFFING

FIRE AGENCY STAFF ISSUES

The biggest challenge facing these five districts, and districts across the state, is the cost of transitioning from volunteer to full-time firefighter staffing. The transition from volunteer firefighter organizations to paid staff is a huge financial change. A single fire engine staffed with the minimum industry safe standard of two career firefighters is about \$1.3 million per year. While two firefighters per apparatus is considered the minimum safe staffing, many fire agencies staff with three firefighters, some with four. Three of the study districts (Cambria, Oceano, Templeton) strive for minimum staffing of three firefighters. The two districts that are still volunteer/PCF based (San Miguel and Santa Margarita) anticipate the need to have at least two career engine staffing in the 5-10 year horizon. In addition to fire engine staffing, districts will ultimately face the cost for a fire chief, fire marshal, prevention and development inspections, administrative and legal support, fleet replacement, dispatch, and training costs.

Full-time career staffing is the most expensive component of a fire agency budget. All of the fire departments in this study were originally all volunteer firefighter organizations. Cambria, Oceano (Five Cities Fire Authority), and Templeton no longer use volunteers nor paid call firefighters. These three districts currently utilize reserve firefighters; Oceano and Cambria want to phase reserves out completely in favor of all career staff. San Miguel CSD and Santa Margarita FPD utilize paid call firefighters exclusively and have no career firefighters.

REDUCTION IN VOLUNTEERISM

There is a nationwide decrease in volunteer firefighters and trend toward part-time reserve firefighters on an internship track. The three primary reasons for the decline in community volunteers is; 1. increased training hours required to operate safely and meet mandates; 2. incident activity increasing to the point the volunteer can no longer be away from home/work that much time, and; 3. perceived lack of appreciation by career staff.

Training requirements have grown exponentially during the last 40 years to the point community volunteers find it hard to find time to stay current. There are fewer and fewer non-career track community member volunteers or paid call firefighters. Again, there are variations of each of these approaches by different fire agencies, but the trend is that the volunteer, paid call, or reserve firefighter programs have changed from community-based members and are now often viewed primarily as an internship opportunity to achieve a career fire service position.

The time commitment to family, work and other community/service volunteer opportunities limit the potential for community members to become fire service volunteers.

FIREFIGHTER CATEGORIES AND TITLES

There is an evolution in nomenclature for volunteer firefighter titles. Added training requirements and changes in how recruitment is approached along with filling the gap between volunteer and career firefighters bring revisions to the position titles for many fire agencies. Each fire agency is unique and each may have slight nuances to these definitions.

VOLUNTEER FIREFIGHTER

The traditional volunteer firefighter historically has a separate career from the fire service. They are community members who work in town or are stay at home parents and, when dispatched, take time away from their regular duties to respond to emergencies. Training usually occurs after work hours and on weekends, mostly conducted at the fire station by in-house members. Typically, there is no compensation for true volunteers; however, some agencies added a stipend to compensate for expenses for incidents and training. No fire agencies in San Luis Obispo County currently use uncompensated volunteer firefighters.

PAID CALL FIREFIGHTERS

As many agencies with a volunteer staffing model evolve, stipends and/or hourly rates for response or training were added as incentives. These "Paid Call" firefighters (PCF), like volunteers, usually respond from home or work and are not assigned to work shifts at the station. PCF programs are also implemented as the agency evolves from a primarily volunteer fire agency to a combination career/paid call agency. PCFs provide needed depth of resources for major emergencies. Candidates for PCF programs are a combination of community volunteers and people seeking careers in the fire service. For community volunteers, the change to PCF serves as a recruitment and retention tool. People seeking careers use the emergency response experience and training gained as a PCF as an internship to build their resume'. PCFs are required to complete approximately 200 hours of firefighter academy, emergency medical service, and hazardous materials training before being eligible to respond to emergencies. San Miguel and Santa Margarita use PCFs exclusively; County Fire uses PCFs as part of their staffing models (2 county stations are all PCF; most of the others have a PCF company to augment the career staff). Cambria, Oceano, and Templeton no longer use PCFs.

RESERVE FIREFIGHTERS

Reserve Firefighters are part-time employees that work shifts at the fire station in addition to being on-call like a volunteer or paid call firefighter. The reserve firefighter may be required to work as few as 1-2 shifts per month or, in some agency programs, the reserves work the same shift patterns and hours as fulltime career firefighters. Reserve programs are designed to either enhance crew cohesion between career and "call" firefighters or to augment the daily staffing levels on duty. Unlike volunteer and PCF programs, reserves are not required to live or work in the community they serve. Some reserve firefighters work for multiple fire agencies to afford to live on the central coast or to obtain experience quickly to enhance their career employment

chances. While effective at augmenting daily staffing numbers, reserve programs are viewed as a relatively short-term solution for attaining desired career staffing. All three of the agencies that use reserves we interviewed, prefer fulltime staffing instead of reserves but cannot afford the cost difference.

Agencies pursuing the use of only career firefighters will often establish a reserve firefighter program as a step toward the all career staff goal. Candidates for a reserve firefighter program can be entry level with little training or, more frequently, fully trained to meet at least the entry level requirements for a career firefighter position. Reserves are usually compensated while on duty at the station augmenting on-duty career staff. Generally, since they are considered interns, reserves are compensated at a significantly lower level than career firefighters and usually receive no health insurance or retirement benefits. Compensation is usually insufficient for the reserve to continue in the position as a career and therefore turnover is high. Further, in some instances, the 2 tiered compensation approach can cause animosity between reserves and career staff.

Cambria, Templeton, and Oceano use shift assigned Reserve Firefighters to augment on-duty career staff and do not have PCFs. Cambria's plan is to add a third career firefighter to replace their current reserve they use now for third firefighter engine staffing; the reserve will become the fourth firefighter on duty. Oceano (Five Cities Fire Authority) strategic plan calls for the elimination of the reserve program and replace with only career staff. Templeton plans to use reserves for the second firefighter on their staffed engine for the next 5-10 years. Neither San Miguel nor Santa Margarita uses Reserves.

CAREER FIREFIGHTERS

Career firefighters are full-time employees with salary, health benefits, and retirement. Staffing with career firefighters assures availability for an immediate response without the added reflex time of responding from work or home that is associated with volunteer/paid call operations. Typically, districts with career firefighters utilize a 3 platoon scheduling plan to assure 24-hour coverage requiring 3+ people per position to cover the week (Cal Fire's workweek, while slightly different, uses a variation of this shift pattern.) Additional staff and/or overtime are utilized to cover shift absences caused by sick leave, injuries, and vacation. Compensation is the primary cost driver for districts with career firefighter staffing. In addition to the base salary, other personnel cost impacts include overtime and retirement, health care, and workers' compensation. Districts have found that the compensation packages must be competitive, or they risk higher rates of turnover as career firefighters seek better compensation packages or situations.

COMBINATION OF CAREER, VOLUNTEER, PCF, AND RESERVE

Most agencies transitioning from volunteer to career operations have some combination of career and volunteer/PCF/reserve staffing. The advantage of combination programs is most

day to day routine calls can be handled by the on-duty career staff, and for significant emergencies where more personnel are needed, volunteers/PCF/Reserve firefighters augment the response force.

FIREFIGHTER RETENTION

A number of factors influence an agency's ability to recruit and retain high caliber firefighter personnel. On the volunteer/PCF/Reserve front, firefighters want to be appreciated, utilized, well prepared and get experience. A solid training program and opportunities to exercise skills along with a supportive culture will contribute toward retaining good volunteers. Work location and distance from home will also influence participation and retention.

It is commonly understood that an emergency workload of 500 calls per year starts to dramatically impact the availability of volunteer and PCF responders. Since most calls occur during daytime hours, 500 calls/year equates to almost 2 calls per day which exceeds how much time an employee or business owner can leave their work to respond without negative impact.

Career firefighters are motivated by many of the same factors. Compensation and benefit packages must be competitive to retain qualified staff.

EMPLOYMENT RULES, COMPENSATION AND BENEFIT ISSUES

Regardless of the title, issues for fire agencies that utilize volunteer/PCFs/Reserves on a shift basis are the employment rules for pay, overtime, benefits, and retirement.

Salary

Some reserve programs have used minimum wage or slightly higher as the base pay. In these instances, a two-tiered system develops, which can lead to morale issues if compared to career personnel pay scales. As a result, the high turnover of reserve personnel can occur.

Overtime

The Federal Fair Labor Standards Act (FLSA) delineates the threshold of hours of work for firefighters before they must be compensated at premium rates. Under 24-hour coverage models utilizing a three platoon system, some level of scheduled overtime is usually necessary. Based on the model for staffing coverage and hours worked, the same standard applies to volunteers/PCFs/Reserves for "scheduled overtime"²⁴.

²⁴ 29 USC Title 29 Fair Labor Standards, Chapter 8 Section 207 K

Retirement

All the districts in this study with career staff contract with Cal PERS for retirement benefits. Cal PERS conducts an annual actuary for those districts. Funding for the retirement program is provided by contributions from the employee and the employer. The employee pays a rate based on a percentage of payroll as established in the authorizing statute for the contracted plan. The employer rates are established by a Cal PERS actuary as a percentage of payroll. Double-digit percentage increases in those employer rates have caused significant financial hardship for some districts.

Agencies contracting with Cal PERS for retirement benefits must be aware of the rules regarding the threshold of number of hours worked that trigger the requirement that personnel will be treated as “employees”. Of particular importance, are those volunteer/PCF/Reserve personnel that work on a shift basis. Exceeding the hours identified in the PERS law will trigger the requirement that the special district pays for the Employer’s share of retirement and add the person to the employed roster for retirement benefits.²⁵

Since the actuary considers the unfunded liability of the retirement plan, investment returns by Cal PERS influence the actuarial output. As a result, poor financial returns typically mean that the local agency’s employer contribution will be higher to make up for the poor portfolio performance. Poor investment returns typically occur when the economy is lagging, coincidental to the district’s declining or flat revenues. This creates a perfect storm of increased pension costs that occur simultaneously with declining ability to pay. This cycle has been repeating for many years. Cal PERS has made several attempts to “smooth” the rates, but this is still a significant problem, particularly for small districts where revenue is very limited in the first place and unexpected cost increases can deplete reserves. The growth of the unfunded liability deficit has outpaced the growth in revenue in many areas.

Cal PERS provides industrial disability retirement in lieu of disability for member firefighters who are hurt on the job and cannot return to work.²⁶ An industrial disability retirement for a young firefighter who retires after an injury is not only a huge loss for the individual and the district but could have a significant financial impact on the district for years. Actuaries have difficulty statistically accounting for such a loss on a small scale, thus there can be a huge increase in the employer rate to make up for such a loss.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Health care is the most common post-employment benefit. Many public agencies have agreed to provide health care after the employee retires. Agencies are now required to determine the liability of those costs by conducting an actuary. Cambria, Oceano, and Templeton have all had actuaries completed to determine the liability. They have taken individual approaches on

²⁵ California Government Code Section 20305

²⁶ California Government Code Section 21400

funding that liability. While not insignificant, the districts have recognized the liability and established plans for managing it, including changing benefit levels for new employees. San Miguel and Santa Margarita do not have the issue since they do not have career personnel or retirees.

WORKERS COMPENSATION

Firefighting is a high-risk occupation and, unfortunately, injuries (sometimes serious) occur. As employers, special districts providing fire protection are required to provide workers compensation coverage for firefighters. Insurance providers are often joint powers authorities, State Comp, or self-insurance. Claim costs incurred by the district will most often result in rate increases in the following years, sometimes significant.

In addition to the standard worker's compensation coverage for medical expenses, career firefighters are subject to Labor Code 4850 et. seq²⁷. This body of law requires that the firefighter is compensated at his/her full salary and benefit levels during periods of missed work due to a job-related injury. The nature of 24-hour response availability means that the missing firefighter's shifts will need to be backfilled with either shift transfers or overtime. This equates to 2 to 2 ½ times the normal cost of filling the position, a cost not often easily absorbed into the budget.

Workers compensation costs can also be impacted by presumptions of cause of illness or injury. Since firefighting is a very stressful and hazardous occupation, certain claims for illness or injury are presumed to be job-related within the Labor Code. The foundation of the requirement is that the cumulative effect of exposure to toxins and physically demanding work is presumed to be job-related. Cancer, heart trouble, hernia, and tuberculosis are some of the illnesses/injuries to be presumed to arise out of and in the course of employment.²⁸ Such claims can have a serious negative impact on a district in terms of lost time, finance and morale.

FIREFIGHTER TRAINING AND MANDATES

Firefighters must train to manage extremely dangerous and complicated situations safely and effectively. Fires, vehicle accidents, medical emergencies, rescues, hazardous materials releases, structural collapses, cliff and water rescues, and a multitude of other complex emergencies. To prepare for these challenges firefighter skills and training requirements have grown exponentially.

Regardless of their pay status, all firefighter candidates are required to meet the same basic skills requirements before responding to incidents. These mandates have been put in place largely to improve firefighter safety in one of the nation's most dangerous occupations.

²⁷ California Labor Code, Section 4850 et. seq.

²⁸ California Labor Code, Section 3212

Over two hundred hours of training are required before a recruit is allowed to respond to emergencies. The training below is mandated in addition to basic firefighting and emergency medical response skills candidates must learn to be safe and effective.

- Hazardous environment entry, (2 in, 2 out) CCR, Title 8, Section 5144.
- Respiratory Protection (Including requirements for firefighter physicals)
- Standardized Emergency Management (SEMS) (CCR Title 19, Section 2400)
- Advanced First Aid and CPR (Cal. H&S Code 13969)
- Hazardous Materials First Responder, Operational (CFR 1910)
- Harassment (1964 Civil Rights Act)
- Wildland firefighting certification (RT 130)
- Blood Borne Pathogens (CCR Title 8, Section 5193)
- Sudden Infant Death Syndrome (Cal. H&S Code)
- DMV licensing: Class B (with physical) with air brake and tank or Firefighter Endorsement (For driving fire apparatus)

DEPTH OF FORCE

Sufficient numbers of staff on the roster for day to day routine incidents is necessary to provide a basic level of service. There are suggested standards for various fire operations, but the local fire agency determines the numbers and associated levels of service.

The level of staffing different fire agencies use is based on funding, demographics, assets at risk, and community tolerance of risk. Similarly, affordability of the approach to staffing (Volunteer, PCF, Reserve, Career) is a key factor to the number of people the agency can maintain on their roster.

A basic level of fire protection service requires staffing available on a regular basis. For volunteer/PCF operations, the ratio of three volunteers/PCF's to one (3:1) is utilized to plan for the number of actual responders to an emergency²⁹. So, for every three volunteers/PCF, the general rule is that one will be available for response to an incident. This ratio takes into account absences, unavoidable family or work commitments, and other commitments. If the response requires four personnel (such as the 2 in – 2 out rule for structure fires) a roster of twelve PCF/volunteers would be in order to assure 4 responders.

MUTUAL AID AND AUTOMATIC AID TO ADD DEPTH OF RESOURCES

Mutual and Automatic aid with neighboring agencies are crucial parts of assuring adequate depth of resources for larger emergencies. No single agency can afford to have all the career resources on duty necessary for the range of hazards they face. So, collectively, they help each

²⁹ Insurance Services Office

other through mutual aid for larger emergencies. When volunteer firefighter company member numbers were larger and turnout high, the need for mutual aid was limited. Today, with smaller volunteer company strength and lower turnout, mutual aid is a common occurrence.

Automatic aid is an enhanced form of mutual aid. Rather than just assisting on large emergencies under mutual aid, automatic aid agreements call for assistance on most daily emergencies, even small ones. To some degree, automatic aid agreements constitute a boundary drop so the closest resource responds regardless of jurisdiction. Automatic aid requires a delicate balance of service exchange; there is an expectation that the aid agreement is reciprocal and not lopsided. Agencies that receive a lot more aid than they provide create strained relationships.

FIRE SERVICE STANDARDS THAT DRIVE COSTS

In addition to statutory and regulatory requirements, various industry standards impact districts. The National Fire Protection Association³⁰ (NFPA) promulgates the most significant fire service standards. Of the dozens of NFPA standards, some of the major standards that impact fire agencies are:

- NFPA 1582: Standard on Comprehensive Occupational Medical Program for Fire Departments (Firefighter physical requirements)
- 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 (Staffing deployment of career personnel and response standards)
- NFPA 1720: Standard for the Organization and Deployment of Fire Suppression Operations, Emergency Medical Operations and Special Operations to the Public by Volunteer Fire Departments (Staffing deployment of volunteer personnel and response standards)
- NFPA 1901: Standard for Automotive Fire Apparatus (Fire engine standards)

While not legally mandated, many fire agencies strive to meet much of the standards as best practices, which contributes to rising costs.

³⁰ <https://www.nfpa.org/Codes-and-Standards/All-Codes-and-Standards/List-of-Codes-and-Standards>

COUNTY FIRE STRATEGIC PLAN

The County Fire Strategic Plan is currently being updated from the last significant update in 2012.

Part of the County Fire strategic planning process is to identify the appropriate fire protection service level based on community demographics, hazards at risk and growth trends. The strategic plan has a Service Level Analysis tool that considers several variables to determine the appropriate service level deployment model for a community. The five (5) service levels are Urban, Suburban, Rural, Remote, and Undeveloped. The tool is utilized to assess hazards; people and assets at risk; incident workload; response time standards for first arriving fire resource, the balance of first alarm response; and expected performance goals. Each of the districts in the study was evaluated using the Service Level Analysis tool to determine the appropriate service level County Fire should deliver if the district divested fire protection to the County.

Response time is a major factor in determining the appropriate combination of staffing; PCF only, combination, or career staffing. Surrounding fire resources and deployment locations available for automatic or mutual aid are critical in meeting response time standards.

Of specific importance for this study is the 2012 Strategic Plan recommendation to relocate County Engine 40 and staffing from Parkhill Fire Station to the Garden Farms/Santa Margarita area. Existing incident workload and planned development in the Santa Margarita Ranch area are the driving forces behind the recommendation to relocate the resource. A new fire station will be required to accommodate this move. Santa Margarita FPD also has a need for a new fire station in Santa Margarita. Building two new fire stations in close proximity would be very expensive and duplicative.

COUNTY FIRE INTERVIEW

September 6, 2018 meeting: Fire Chief Scott Jalbert, Deputy Chief Geoff Money, Division Chief Dennis Carreiro, Administrative Officer Bill Winter.

- Lisa Howe, County Administrative Office was unable to attend the September 6 meeting.

During the interview the study team asked County Fire staff to describe their approach if one or all of the districts chose to divest fire protection to the county. County Fire staff said each district presents unique challenges to provide service based on demographics, location, geography, and proximity of other County Fire resources. Each will require an analysis based on projected added workload and specific circumstances. Each of the options presented in this report was validated during the discussion to assure that they are operationally sound.

Additionally, County Fire staff reports they are at their “tipping point” for certain overhead and support positions. They may need augmentation in the event one or more of the districts divests fire protection, including:

1. Battalion chief coverage (Depending on the region of the County)
2. Fire Prevention/Fire Marshal
3. Mechanic/fleet service

County Fire currently has identified unmet resource needs in specific parts of the current County Fire service area (Oak Shores, Adelaide, Shandon, Garden Farms, and Nipomo). Any new service would require the necessary additional funding to support the workload.

Because of their own service area needs, County Fire staff are concerned reductions of County Fire’s budget to support a divesting/dissolving district would cause reductions of services in other areas of the County.

All of the districts have different needs and varying approaches to providing service in the event of divestiture/dissolution, each must be considered individually as to the impact to County Fire, the options for County Fire service delivery are detailed in the district-specific sections of this report.

CAMBRIA COMMUNITY SERVICES DISTRICT



KEY FINDINGS

1. **Cambria CSD** indicated that they do not intend to divest authority to provide fire protection service.
2. The District's goal is to provide staffing of four career firefighters on duty at all times. Their reasoning is to support the 2 in 2 out standard due to their isolated north coast location and time it takes to get backup mutual aid support.
3. Voters in Cambria did not approve a special tax increase in June 2018 to pay for three additional firefighter positions. The positions were previously funded by a federal SAFER grant.
4. The District's Board of Directors chose not to accept an extension of the SAFER grant since continued district funding was not viewed as sustainable.
5. Cambria reports success utilizing reserve firefighters to augment career staff and believe they can sustain it for five to ten years. They also report efforts to sustain a volunteer/PCF program have been largely unsuccessful, which they attribute to community demographics.
6. The District did not have a specific request of the County but would like to share in any revenue enhancements opportunities and/or would like to have financial support for mobile data computers and dispatch costs.

DISTRICT INTERVIEW ATTENDEES

August 15, 2018 meeting: Fire Chief William Hollingsworth
September 20, 2018 meeting*: Director David Pierson, Fire Chief William Hollingsworth
*Lisa Howe, County Administrative Office was unable to attend September 20 meeting

BACKGROUND, HISTORY, AND SERVICES PROVIDED

The Cambria Community Services District (CCSD) was formed in 1976 by a reorganization that combined the all-volunteer Cambria Fire Protection District, Cambria County Water District, Cambria Garbage Disposal District, and County Service Area No. 6 (Lighting). The CCSD provides property tax-supported services (fire, parks and recreation, lighting) and enterprise services

(water, wastewater). The 2018-19 CCSD budget is \$11,917,000; \$2,439,636 is from property taxes; the balance of the budget is from water and wastewater enterprise funds.

Primary funding for 2018-19 FY \$2,330,660 CCSD fire protection budget is from property taxes (\$1,707,910) and a voter-approved benefit assessment district (\$464,610). The assessment was originally approved in 1993 to replace funding lost due to ERAF shift and reapproved in 2003 after a 10-year sunset period.

Fire protection is provided from the CCSD Fire Station on Burton Drive with daily station staffing of a career Captain, career Engineer, and a part-time Reserve Firefighter. Automatic aid is provided by the Cal Fire/County Fire Station 10 on Coventry Lane in the District. Next, closest mutual aid fire stations are County Fire Station 16 and CAL FIRE station 11 in Cayucos. Both Cayucos area stations have approximately 15 minutes driving time to Cambria.

The CCSD fire department consists of a Fire Chief, 3 career Captains, 3 career Engineers, and 10 active part-time Reserve Firefighters. An Assistant Chief/Fire Marshal and Administrative Assistant positions were previously eliminated. The Cambria Fire Chief has very good success recruiting Reserve Firefighters from Allan Hancock College Fire Academy, hiring 3-6 per year with a similar turnover. CCSD's goal is to be 100% fulltime career firefighters in 8-10 years.

CCSD received a SAFER³¹ grant in 2015 that funded 3 additional full-time firefighters to allow for 4 firefighters to be on duty daily (1 career Captain, 1 career Engineer, 1 career Firefighter and 1 part-time Reserve Firefighter). The grant expired and a 2018 ballot measure to approve an extra \$62/year/parcel flat rate fee to continue funding the 3 additional career firefighters did not receive the required 66% vote. The 2003 benefit assessment was not impacted by the vote and continues. CCSD is reviewing internal funding transfers and another benefit assessment ballot measure for 2019 to support fire protection and/or parks.

CCSD did not request a property tax transfer from SLO County however, they are interested in sharing any new revenue source or cost reductions for fire protection services such as dispatch cost.

UNIQUE RISKS AND HAZARDS

As a coastal community, Cambria is a destination for tourism and retirement. Tourism brings a high volume of visitors and short-term renters, which corresponds to higher emergency call volume above those caused by residents.

The District responds to coastal emergencies including ocean and high angle cliff rescue. Specialized training and equipment are required to respond to this unique hazard.

The pine forest that is intermixed with the community presents an increased hazard for wildfires. The forest is currently in very dangerous condition with high tree mortality due to

³¹ SAFER Grant: Dept. of Homeland Security; FEMA, US Fire Administration grant program
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drought and pests. All of Cambria CSD is classified as State Responsibility Area (SRA), therefore fire protection is shared with Cal Fire.

The Fire Safe Council has worked cooperatively with the District to remove hazardous dead trees, other fire safety fuel reduction projects, and conducted public outreach programs for personal preparedness.

CAMBRIA CSD DATA SHEET

Authorizing Code	Cal. Govt. Code 61000 et. seq.
Address:	1316 Tamsen Drive Cambria CA 93428
Date of Formation	November 2, 1976
Telephone:	805-927-6223
FAX:	805-927-5584
Website:	www.cambriacsd.org
Board of Directors	President Amanda Rice Vice President Jim Bahringer Director Harry Farmer Director Aaron Wharton Director David Pierson
District Manager:	Position Open
Fire Chief:	William Hollingsworth
Board of Directors Meetings	Fourth Thursday of the month
Acreage	2,928 acres
Square miles	4.58 sq. miles
Number of parcels	6,205
Population	6,029
Assessed Valuation 2017/2018	\$2,145,909,012
Actual Property Tax Revenue 2017/2018	\$2,263,703
Property Tax Allocation for Fire 2017/2018	\$1,620,500 72%
Special Fire Assessment 2017/2018	\$ 455,500
Number of Career/Paid personnel	7
Number of Active Reserves	10
Annual calls for service (2017 cy)	1019

Figure 20 Cambria CSD Data Sheet

CAMBRIA CSD MAP

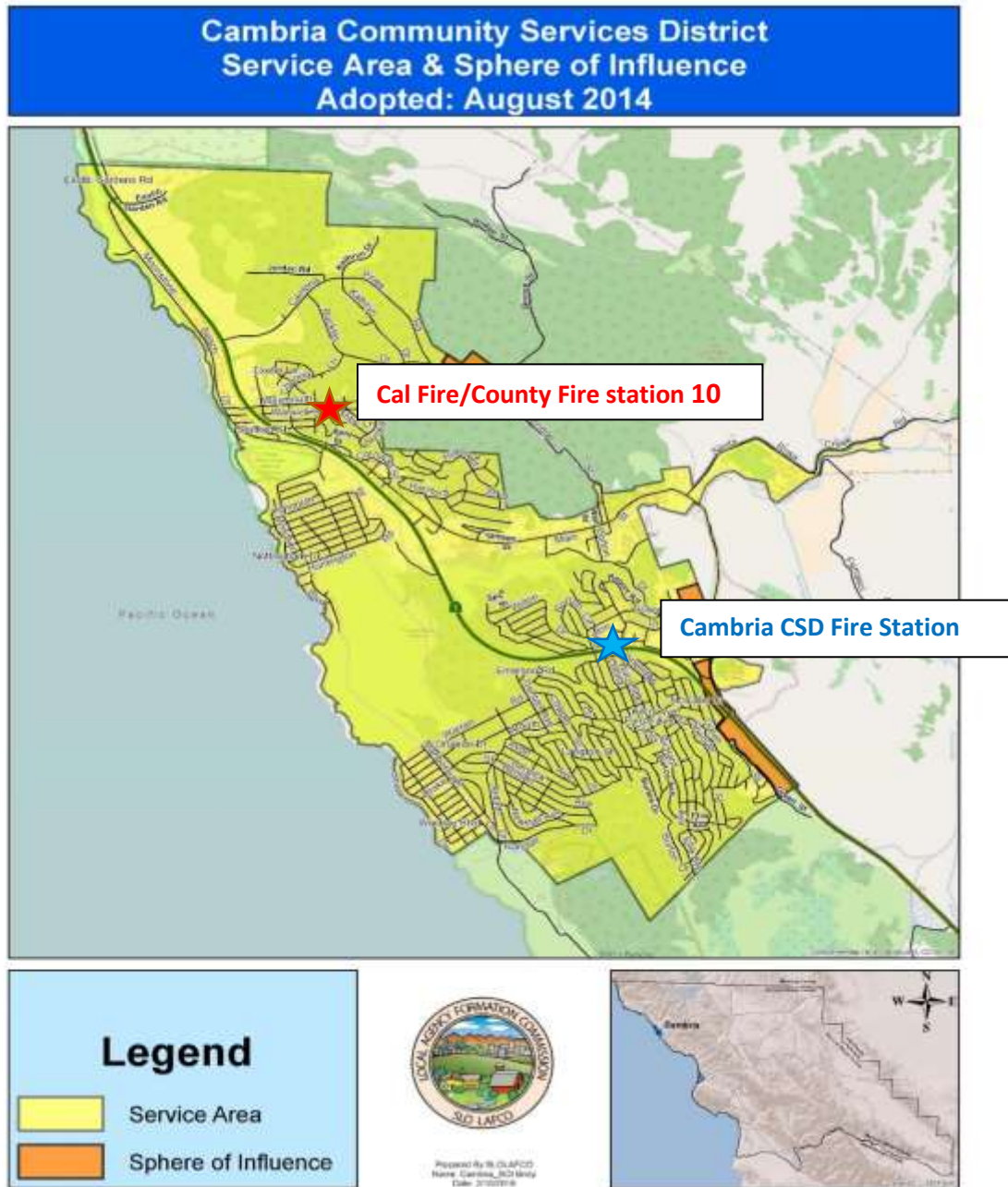


Figure 21 Map of Cambria CSD: LAFCO

LAFCO Map of Cambria CSD service area and sphere of influence³²

³² San Luis Obispo County LAFCO

CAMBRIA FIRE DEPARTMENT INCIDENT DENSITY

The following map represents the density of incidents in a given location of the District, known as a “heat map”. The District boundary is represented with an orange line. The shades of purple and blue represent incidents at that location. Light shades indicate few calls for service at that location, while the deep purple represents a high volume of calls at the same location. The purpose of the map is to evaluate historical incident data for planning deployment of emergency resources, including fire station placement. The source of the incident data for the map is from the dispatch center’s computer-aided dispatch program and represents 3 ½ years of data from January 1, 2015, to June 30, 2018.

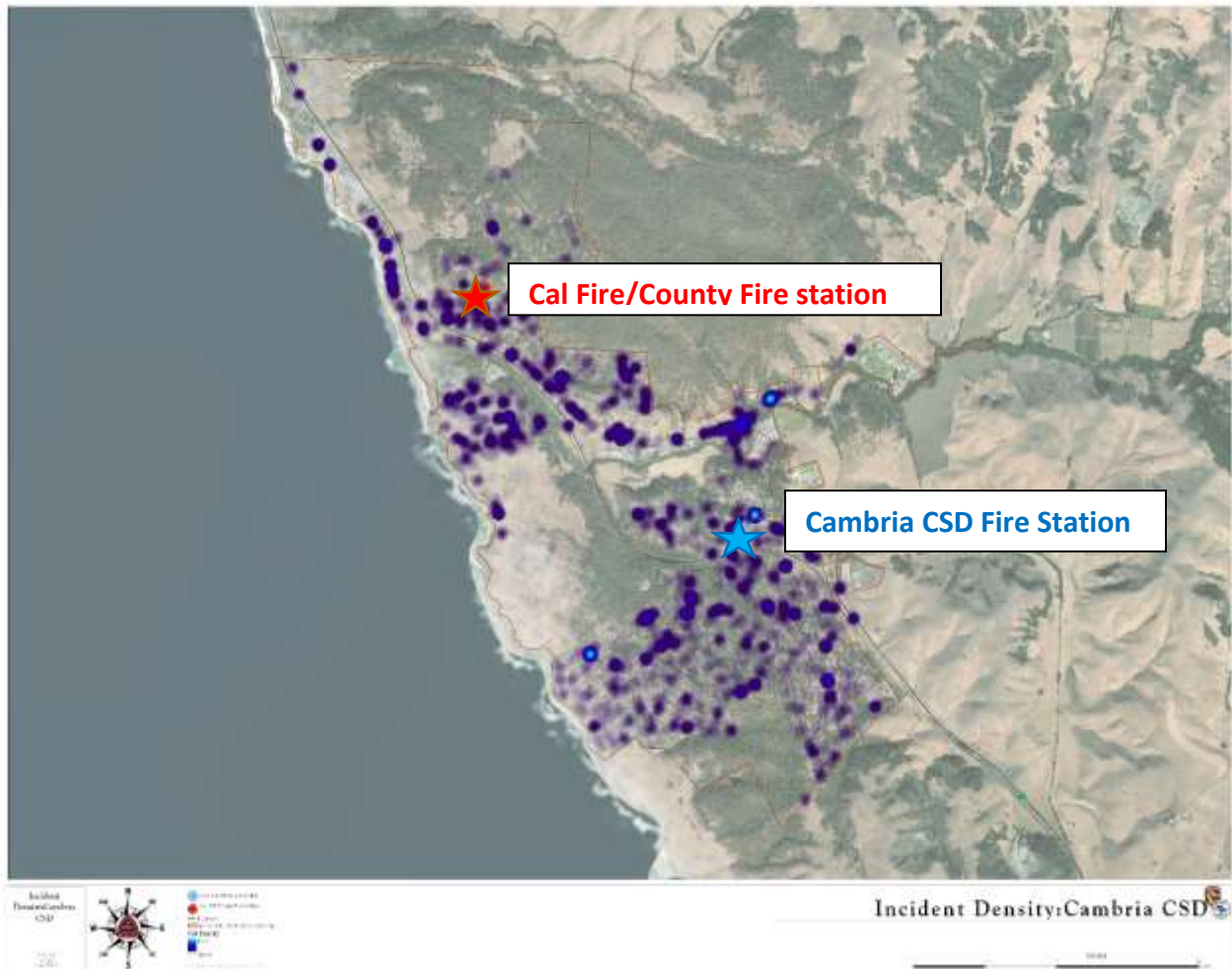


Figure 22 Heat Map of incidents in Cambria CSD

RESPONSE TIME ANALYSIS: CAMBRIA CSD



Figure 23 Response time from Cambria CSD fire station

This map represents the response times from **only** the Cambria CSD Fire Station on Burton Drive. CCSD can cover 80% of the district in 7 minute response time; and 90% of the district in less than 8 minutes, the Liemert Tract in the northernmost portion exceeds an 8-minute response.

The shaded green area represents a drive time of up to four (4) minutes, the blue shaded area represents a drive time of over four (4) minutes and under five (5) minutes, while the yellow shaded area represents a drive time of five (5) to twelve (12) minutes. In all cases, 3 minutes are added for “reflex” time. Reflex time includes the time required to dispatch the call, assemble the crew, don the appropriate gear for the response and get out the door. The resulting total response times of seven, eight and fifteen minutes are based on industry standards for levels of service and fire progression. While not absolute, these tools are effective for planning purposes.

AUTOMATIC AND MUTUAL AID RESPONSE TIME ANALYSIS: STATIONS NEAR CAMBRIA CSD

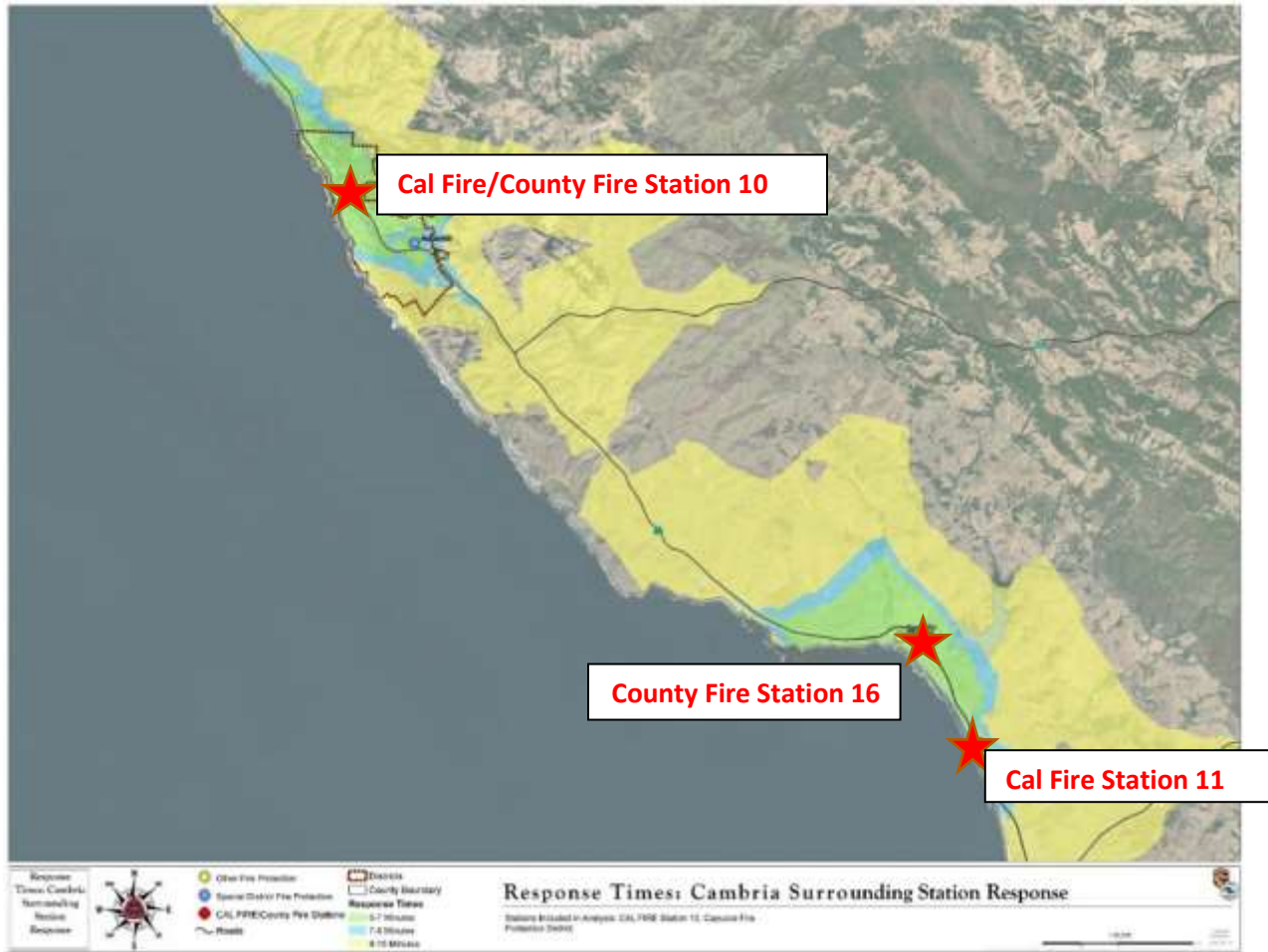


Figure 24 Response times from mutual aid stations

This map uses the same time values as the previous one. The difference is that this map removes the Cambria CSD Fire Station from the analysis and considers automatic and mutual aid response times from nearby fire stations. The three stations nearby are Cal Fire/County Fire station 10 in Cambria, County Fire station 16 in Cayucos, and Cal Fire station 11 in Cayucos. Station 10 covers approximately 70% of the district in less than 7 minutes; the portion of Lodge Hill west of Highway 1, in the southwestern portion of the district, is an 8 minute or longer response time.

CAMBRIA CSD FUNDING

ASSESSED VALUATION

The assessed value along with a percentage increase of growth of the district is listed in the table below. The total for San Luis Obispo County is listed as well for comparison purposes.

Agency	Secured and Utility 2017-2018 Assessed Valuation (after HOPTR*)	Percent of Total	Growth from Prior Year		
			2015- 2016	2016- 2017	2017- 2018
San Luis Obispo County	\$49,089,032,946	100.0000%	6.22%	5.67%	5.61%
Cambria CSD	\$ 2,145,909,012	4.3715%	4.69%	3.91%	4.37%

Figure 25 Cambria Assessed Valuation

*HOPTR-Homeowners Property Tax Relief

DISTRICT PROPERTY TAX

As stated in the section regarding special district funding, the primary source of revenue for fire protection in special districts is a property tax. The assessed value (chart above) and allocation formulas impact the amount of property tax allocated to the Cambria CSD.

PROPERTY TAX GROWTH TREND

Cambria CSD Property Tax³³

Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018
Property Tax Allocation	1,995,643	2,086,064	2,168,058	2,263,703
Growth from Previous Year	99,107	90,420	81,994	95,645
Incremental Growth %	4.89%	4.53%	3.93%	4.41%

Figure 26 Cambria CSD Property Tax Collections 2014 -2018

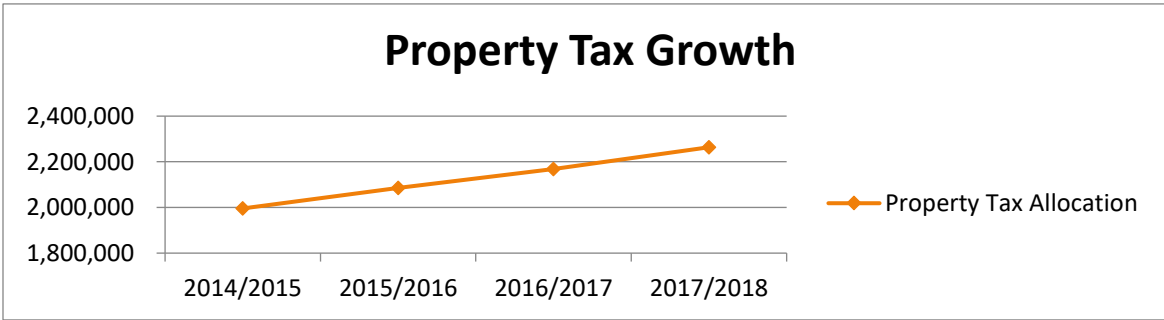


Figure 27 Cambria Property Tax growth 2014-2018

³³ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office
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CAMBRIA CSD TAX RATE AREAS

Cambria CSD has three tax rate areas within the district, which are listed below along with the total taxes collected in each TRA, percentage allocated to the District, and associated dollar allocation amounts.

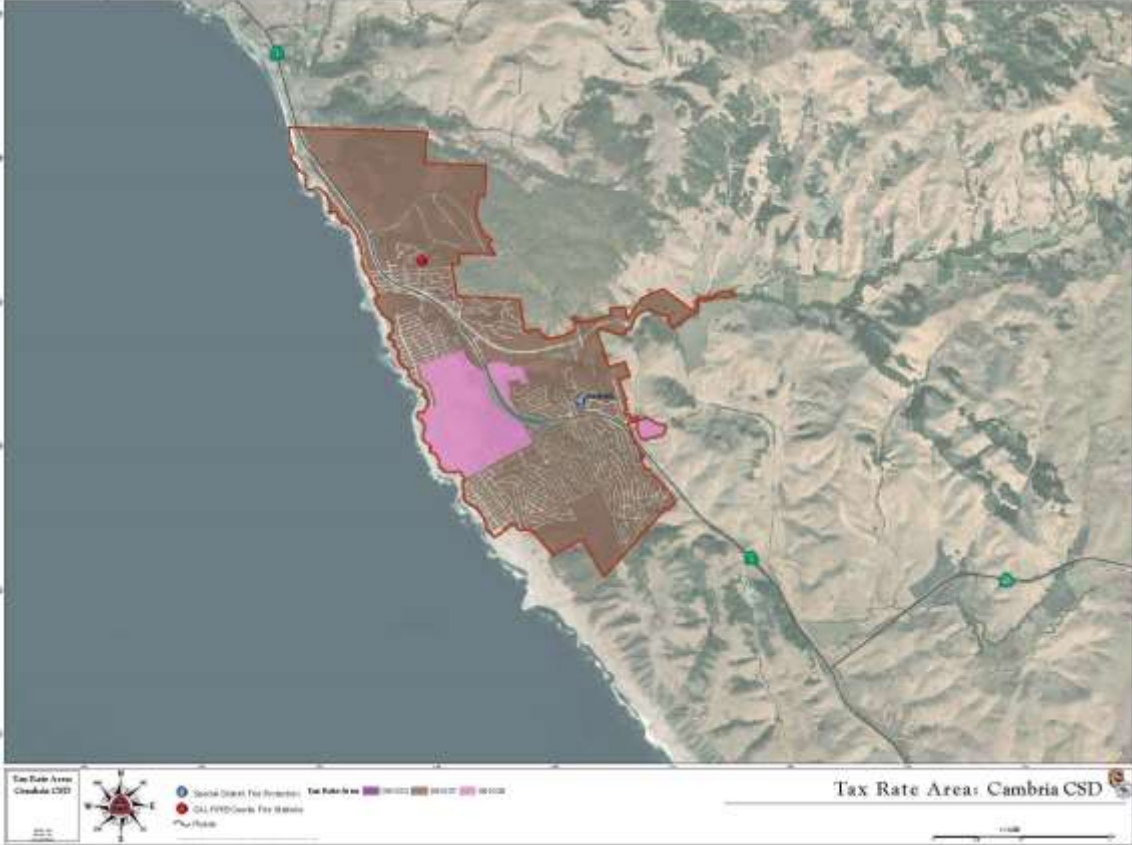


Figure 28 Map of Cambria CSD Tax Rate Areas (TRA)

Tax rate Area 061-033 Tax Rate Area 061-037

Tax Rate Area 061-038

2017/2018 Tax Revenue % and \$ by TRA³⁴

TRA	Percent to CSD	Total Tax for TRA	Tax Dollars to CSD
061-033	8.97838	\$8	\$1
061-037	10.49195	\$22,574,494	\$2,368,504
061-038	8.97838	\$0	\$0
Total		\$22,574,502	\$2,368,505

Figure 29 Cambria CSD 2017-18 Tax Revenue % and \$ by TRA

³⁴ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office
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PROPERTY TAX ALLOCATION/TAX RATE AREA PERCENTAGES

The pie chart below represents the allocation of property tax to all the agencies that receive property taxes within the 061-037 tax rate area. This tax rate area was selected as a representative example of the allocation of property tax to the District and is the tax rate area that generates the greatest tax revenue within the District.

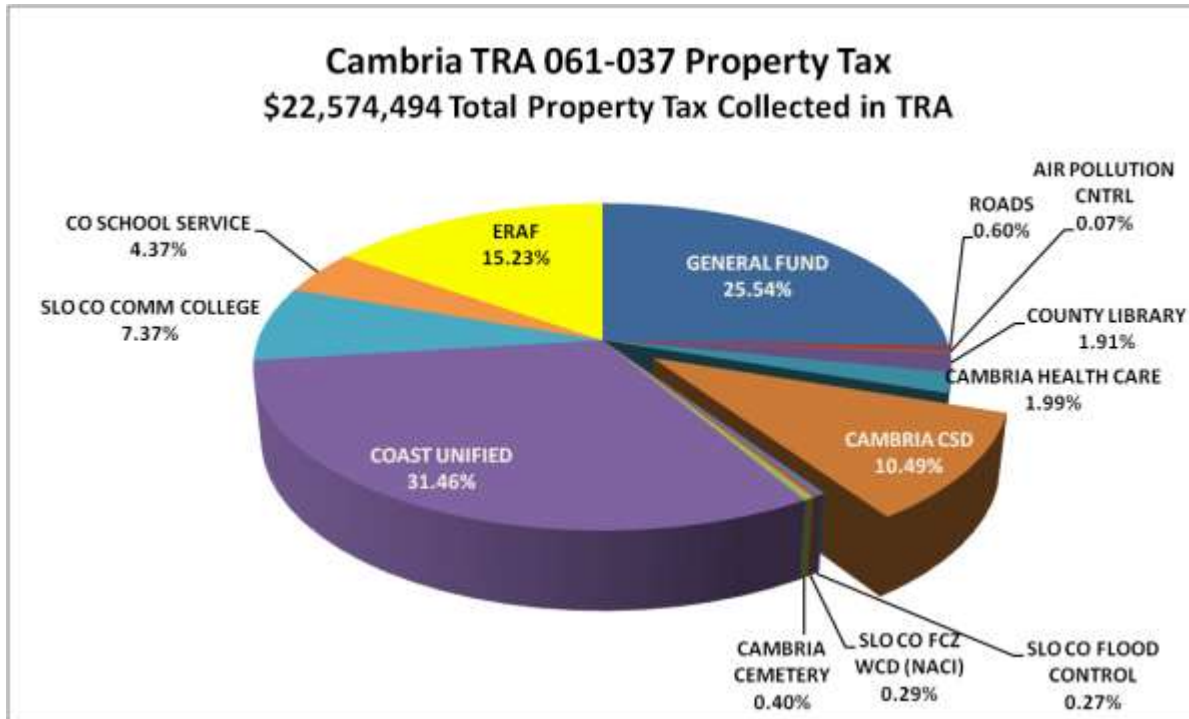


Figure 30 Cambria CSD Tax Rate Area 061-037 Breakdown

Tax Rate Area 061-037 allocation between all agencies that collect property tax from the tax rate area.³⁵

PERCENTAGE OF PROPERTY TAX EXPENDED ON FIRE PROTECTION IN FY 2017/2018

Total Property Tax Received by Cambria CSD:	\$2,263,703
Property Tax Allocated to Fire Protection:	\$1,620,500
Percent of Total Allocated to Fire Protection:	72% ³⁶

³⁵ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

³⁶ Cambria CSD Financial Documents

CAMBRIA CSD NUMBER OF PARCELS

The number of parcels in the District impacts the ability of the District to pass a parcel based benefit assessment fee. An analysis was conducted to determine the fee burden per parcel based on generating an arbitrary amount of \$500,000 in revenue for the District. That analysis is reflected in the table below. A flat fee of \$80.58 per parcel (all parcels charged the same amount) is required to generate \$500,000 in the Cambria CSD. Values may vary depending on a number of exempt parcels.

District	Total Number Of Parcels	Fee Per Parcel to Generate \$500,000.00
Cambria CSD	6205	\$80.58

Figure 31 Cambria CSD Parcel Count

CAMBRIA CSD LOCAL REVENUE ENHANCEMENT EFFORTS

Benefit Assessment District

Cambria CSD enacted a “weighted³⁷” benefit assessment district in 1993 to replace funding lost to the 15% ERAF property tax shift. The fee had a ten-year sunset clause and in 2003 was reapproved, the sunset clause removed and annual CPI increase allowance added. In FY 2017-18 the benefit assessment fee generated \$455,500. CCSD FY 2018-19 budget anticipates \$464,610 in fee revenue.

SAFER Grants

Cambria CSD (CCSD) applied for a federal FEMA SAFER grant in 2015 that funded three additional full-time firefighters for two years. The purpose of the grant was to enable CCSD to have 4 firefighters on duty daily (1 career Captain, 1 career Engineer, 1 career Firefighter, and 1 part-time reserve firefighter) for 2 years until the district could put in place permanent funding.

After the grant expired, the CCSD retained the firefighters pending vote on a 2018 ballot measure for a second benefit assessment district to generate permanent funding for the positions. This benefit assessment measure was for a \$62/year “flat rate” parcel fee applied to all parcels and expected to initially raise \$378,000/year with an annual CPI increase. The ballot measure received less than the required 66% approval. The 3 additional career firefighter positions were eliminated and incumbents reduced to reserve firefighter status. In 2018, the CCSD applied for another SAFER grant which they were selected for the award by FEMA. The CCSD Board of Directors subsequently declined the award due to concerns of sustainability upon grant termination.

³⁷ Weighted benefit assessment district fees vary by parcel land use type

CAMBRIA CSD SIGNIFICANT COST FACTORS

Payroll

The District is utilizing Reserve Firefighters to augment career firefighters in an effort to reduce payroll costs until permanent funding for career firefighters is in place.

Other Post Employment Benefits (OPEB)

The District has taken steps to reduce its exposure for OPEB. An actuary has been completed. Two retirees receive post-retirement health care benefits while a total of four active employees qualify to receive post-retirement health care benefits. Employees hired after October 1, 2012 do not qualify to receive the benefit.

Retirement

The District has a contract with Cal PERS for retirement benefits. A second tier for the Safety contract has been implemented to manage future costs of retirement benefits.

Workers' Compensation

No significant open workers' compensation claims were reported by the fire chief.

Equipment Replacement Fund

The District utilizes lease-purchase agreements for significant equipment purchases rather than a sinking fund. They have also had success with grant funding to pay for some equipment.

Liabilities

The District reported that they do not have any pending lawsuits against the fire department.

Facility Costs

The Cambria Fire Station is relatively new and in good condition. District staff state that future remodels may be necessary to accommodate more on-duty staff.

CAMBRIA FIRE DEPARTMENT BUDGET

Cambria Community Services District
Actual Revenue and Expenditures: Fire
Based on District's 2018/2019 Budget Document

	2015/2016	2016/2017	2017/2018
Revenue			
Property Tax	1,308,452	1,352,522	1,620,500
Benefit Assessment: Fire	422,415	430,709	455,500
Interest Revenue	273	-	105
Public Facility Fee-Fire	-	-	-
Weed Abatement Fees	16,859	18,662	17,600
Inspection Fees	14,973	350	14,500
Reimbursement for Mutual Aid	-	21,749	48,504
SAFER Grant	40,844	146,716	145,000
Grant: Personnel Protection	-	-	-
Ambulance Reimbursements	-	-	-
General Fund Reserve	-	-	112,082
Misc. Revenue	59,304	61,832	40,000
Total Revenue	1,863,120	2,032,540	2,453,791
Expenditures			
Salaries, Stipends and Benefits	1,207,569	1,523,493	1,598,779
Services and Supplies	468,333	254,797	316,082
Debt Payments	940	440	9,591
Capital Outlay	-	200	173,472
Administrative Costs	174,738	213,400	321,704
Transfers Out (Veh. Rep/Equip)	-	-	-
Total Expenditures	1,851,580	1,992,330	2,419,628

Figure 32 Cambria CSD Fire Budgets 2015-2018

CAMBRIA FIRE DEPARTMENT STAFFING PLAN

Current Staffing Provides for 2 career and 1 reserve on duty daily

- 1 Fire Chief
- 3 Fire Captains
- 3 Engineer/Driver Operator
- 10-14 Reserves (Part-time)

Recruitment and Retention

- Fulltime firefighter turnover rate is low, more than 50% spend an entire career with Cambria.
- Reserve firefighters turn over on average every 2-3 years.
- Cambria CSD no longer recruits PCF.
- Assistant Chief/Fire Marshal and Administrative Assistant position were eliminated several years ago for cost savings.

Proposed Career and Part Time Provides for 3 career and 1 reserve on duty daily plus additional chief officer and administrative support

- 1 Fire Chief
- 1 Assistant Fire Chief/Fire Marshal
- 1 Administrative Assistant
- 3 Fire Captain
- 3 Engineer/Driver-Operator
- 3 Firefighter
- 10-14 Reserve (Part-time)

Timeline for Implementation

- 3 career firefighter positions desired immediately to provide 3 career and 1 reserve on duty daily; This staffing plan was the reason for funding measure on 2018 ballot
- Assistant Chief and Admin Assistant positions to be added in future

CAMBRIA CSD RESOURCE NEEDS

The CCSD did not make a specific request for any County financial assistance; however, they are interested in sharing any new revenue source or cost reductions for fire protection services such as dispatch cost.

CAMBRIA CSD OPTIONS CONSIDERED

- Cambria CSD has considered contracting fire protection to Cal Fire multiple times over the last 20 years; deciding in every instance to retain the service.
- Cambria CSD has no plans or intention to divest fire protection.
- Cambria CSD is examining internal budget redirection from other CCSD tax-supported programs for fire protection.

- Cambria CSD is considering a new benefit assessment ballot measure to fund extra fire department staff and possibly new funding for parks in 2019 or 2020.

COUNTY OPTIONS IN THE EVENT OF DIVESTITURE

Cambria CSD does not intend to divest fire protection services and as such, a detailed analysis of County service options was not conducted.

OCEANO COMMUNITY SERVICES DISTRICT



KEY FINDINGS

1. **Oceano CSD** says they intend to remain with the Five Cities Fire Authority and are working on the following issues:
 - 1.1. Renegotiation of the funding formula for Five Cities JPA.
 - 1.2. Review of the Five Cities JPA strategic plan to reduce expenditures.
 - 1.3. There has been discussion by one of the other member agencies withdrawing from the JPA. If one of the other members withdraws, Oceano CSD will need to consider other delivery options.
 - 1.4. The District reports they are currently using reserve funds to fund FCFA services through FY 2019/2020 and will pursue a special tax or benefit assessment to fund service cost increases thereafter.
2. Divestiture would be an option in the event voters do not approve a special tax or benefit assessment.
3. Five Cities Fire Authority staff report difficulty utilizing reserve firefighters to augment career staff. They also report that efforts to sustain a volunteer/PCF program have been largely unsuccessful.
4. Based on the County Fire Strategic Plan service level analysis, if Oceano divested, County Fire will need to staff the Oceano fire station since there is not a reasonably proximal alternative.
5. The District did not have a specific request of the County but would like to share in any revenue enhancements opportunities and/or would like to have financial support for mobile data computers and dispatch costs

DISTRICT INTERVIEW ATTENDEES

September 20, 2018 meeting: Linda Austin, OCSD Director; Paavo Ogren, OCSD General Manager; Steve Lieberman, FCFA Fire Chief; Bob Neumann, OCSD consultant

BACKGROUND, HISTORY, AND SERVICES PROVIDED

The Oceano Community Services District (OCSD) was formed in 1981 by a reorganization that combined the all-volunteer Oceano Fire Protection District, Oceano Beach Lighting District, Oceano Lighting District, Oceano Sanitary District, and County Service Area No. 13. There is a five (5) member elected board of directors. The OCSD was formed post-Proposition 13 in 1981.

The OCSD provides property tax-supported services (fire, parks, and lighting) and enterprise services (water, wastewater, garbage and recycling). The 2018-19 OCSD budget is \$5,451,519; \$997,150 is from property taxes; the balance of the budget is from service enterprise funds and other sources.

FIVE CITIES FIRE AUTHORITY

Fire protection to Oceano CSD is from the fire station collocated with the OCSD offices and is staffed daily with a career Fire Captain and a Reserve firefighter provided by Five Cities Fire Authority.

Fire protection in OCSD is provided through the Five Cities Fire Authority (FCFA), a Joint Powers Authority (JPA) formed in 2010, which includes Oceano CSD, City of Grover Beach, and the City of Arroyo Grande. FCFA operates as a single fire agency utilizing fire stations and equipment from the three member's agencies, each of which previously operated their own separate fire departments. FCFA has a three (3) member board of directors comprised of an elected official from each of the three member agencies. The fire chief reports to the FCFA board of directors and administers all three fire stations. Funding for the FCFA is based on a cost formula agreed to by member agencies. In September 2017, the FCFA board adopted a five (5) year strategic plan that has a staffing plan for a complete phase-out of volunteer/PCF and reserve firefighters. All firefighter positions are planned to be full-time career positions and daily staffing at each fire station will be minimum of three (3) on duty. Oceano Fire Station's current daily staffing is one (1) career and one (1) reserve. The FCFA strategic plan implementation will result in a significant cost increase to OCSD to fund the additional career positions need to provide 3 career firefighters on duty daily. OCSD adopted the FCFA strategic plan in April 2018 contingent on a new Memorandum of Agreement which modified the original JPA. The modification allows for amendment of the current funding formula and establishment of procedures for a member of the FCFA to withdraw from the JPA. The amendments must be agreed upon by April 1, 2019.³⁸

The additional jurisdictional response is from FCFA stations in Grover Beach and Arroyo Grande. Automatic aid is provided to FCFA by the two City of Pismo Beach fire stations on Bello Street and Shell Beach Road and County Fire Station 22 on Highway 1. Next closest mutual aid fire stations are Cal Fire Station 20 in Nipomo and County Fire Station 62 in Avila Valley. Both Nipomo and Avila Valley area stations have approximately 15 minutes driving time to Oceano.

FCFA reported having poor success recruiting Reserve Firefighters from Allan Hancock College Fire Academy. The FCFA strategic plan goal is to be 100% fulltime career firefighters in 5 years.

OCSD's primary funding source for their 2018-19 portion of the FCFA budget comes from property taxes in the amount of \$997,150. The budgeted amount for 2018/2019 fiscal year for fire protection is \$1,030,790. Reserve funding will be utilized to balance the budget. FCFA

³⁸ 2018 Fire Service Analysis for Oceano Community Services District; Category Five Professional Consultants

received a SAFER³⁹ grant that concluded in 2015 that funded additional full-time firefighters. The grant expired and no sustainable funding source was identified to continue funding and the positions were eliminated.

OCSD believes they have adequate budgetary reserve funding to carry them through 2019-20 fiscal year and to cover cost increases with the FCFA strategic plan. OCSD is considering a benefit assessment ballot measure to fund their future cost increases beyond 2019-20.

OCSD states their preferred action is to remain with the FCFA, renegotiate the JPA cost formula, determine possible cost reductions, service level changes, or new revenue options. They do not have a desire to divest fire protection to the county.

However, their caution is if the new JPA cost formula is not approved, which results in another FCFA member agency withdrawing, the JPA may not be sustainable. OCSD may not be able to afford to operate a standalone fire department. If the JPA dissolves, a new fire protection delivery plan will be required, which could include divestiture as one option.

OCEANO CSD UNIQUE RISKS AND HAZARDS

As a coastal community, Oceano is a destination for tourism, particularly as people pass through on their way to the Oceano Dunes State Vehicular Recreation Area. Tourism brings a high volume of visitors and short-term renters, which corresponds to higher emergency call volume above those caused by residents.

The District responds to coastal emergencies including beach accidents and surf rescue.

Specialized training and equipment are required to respond to this unique hazard.

There are vegetable packing plants in Oceano that present a special hazard of use of ammonia as a coolant for fresh vegetables. Ammonia emergencies require very specialized training.

The Union Pacific railroad runs through Oceano which presents specialized training and equipment needs to manage railroad emergencies involving freight and passenger accidents.

³⁹ SAFER Grant: Dept. of Homeland Security; FEMA, US Fire Administration grant program
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OCEANO CSD DATA SHEET

Authorizing Code	Cal. Govt. Code 61000 et. seq.
Address:	P.O. Box 599 1655 Front Street Oceano CA 93475-0599
Telephone:	805-481-6730
FAX:	805-481-6836
Website:	www.oceanocsd.org
District Manager:	Paavo Ogren
Fire Chief:	Steve Lieberman (Five Cities Fire Authority)
Board Representative	Linda Austin
Board of Directors Meetings	Second and fourth Wednesday of the month at 5:30 p.m. in the OCSD Board Room
Board Members	Karen White Linda Austin Shirley Gibson Cynthia Replogle Vacant Position
Acreage	1163
Square miles	1.8
Population	7508
Number of parcels	2441
Assessed Valuation	\$627,100,773
2017/2018 Fire Actual Tot. Exp.	\$963,592
2017/2018 Property Tax: District	\$979,424
2017/2018 Property Tax: Fire	\$940,004 (96% of Property Tax)
Special Tax or Assessment	0
Number of Career/Paid personnel	19.5 (Total for Five Cities Fire Authority)
Number of Reserves	18 (Total for Five Cities Fire Authority)
Annual calls for service (2017 cy)	583 in Oceano CSD for Five Cities FA
Date of Formation	January 1, 1981

Figure 33 Oceano CSD Data Sheet

OCEANO CSD MAP



Figure 34 Map of Oceano CSD: LAFCO

LAFCO Map of Oceano CSD service area and sphere of influence⁴⁰

⁴⁰ San Luis Obispo County LAFCO

OCEANO CSD FIRE DEPARTMENT INCIDENT DENSITY

The following map represents the density of incidents in a given location of the District, known as a “heat map”. The District boundary is represented with an orange line. The shades of purple and blue represent incidents at that location. Light shades indicate few calls for service at that location, while the deep purple represents a high volume of calls at the same location. The purpose of the map is to evaluate historical incident data for planning deployment of emergency resources, including fire station placement.



Figure 35 Heat Map of Incident locations in Oceano

RESPONSE TIME ANALYSIS: OCEANO CSD

Response Time	Dispatch and Get Away Time	Driving Time to Incident
Urban Standard == mins	3 minutes	4 minutes
Suburban Standard== 8 mins	3 minutes	5 minutes

Figure 36 Service Level Analysis: Oceano

Using the County Fire service level analysis standards, Oceano CSD warrants an urban response time standard (7 minute response time). The shaded green area represents a seven-minute response, the blue shaded area represents a drive time of over four (4) minutes and under five (5) minutes, while the yellow shaded area represents a drive time of five (5) to twelve (12) minutes. In all cases, 3 minutes are added for “reflex” time. Reflex time includes the time required to dispatch the call, assemble the crew, don the appropriate gear for the response and get out the door. The resulting total response times of seven, eight and fifteen minutes are based on industry standards for urban and suburban levels of service and fire progression. While not absolute, these tools are effective for planning purposes.



Figure 37 Response Time Analysis from Oceano Fire Station

This map represents the response times from only the FCFA Oceano Fire Station on Highway 1. The station can cover 99% of the district in 7 minute response time.

Automatic and Mutual Aid Response Time Analysis: Stations Near Oceano CSD

The map below represents response coverage times from adjoining fire stations as if the FCFA Oceano Fire Station were closed. The stations, primarily Grover Beach Fire Station, can cover 30% of the district in 7 minute response time, and 95% of the district in 8 minute response time.

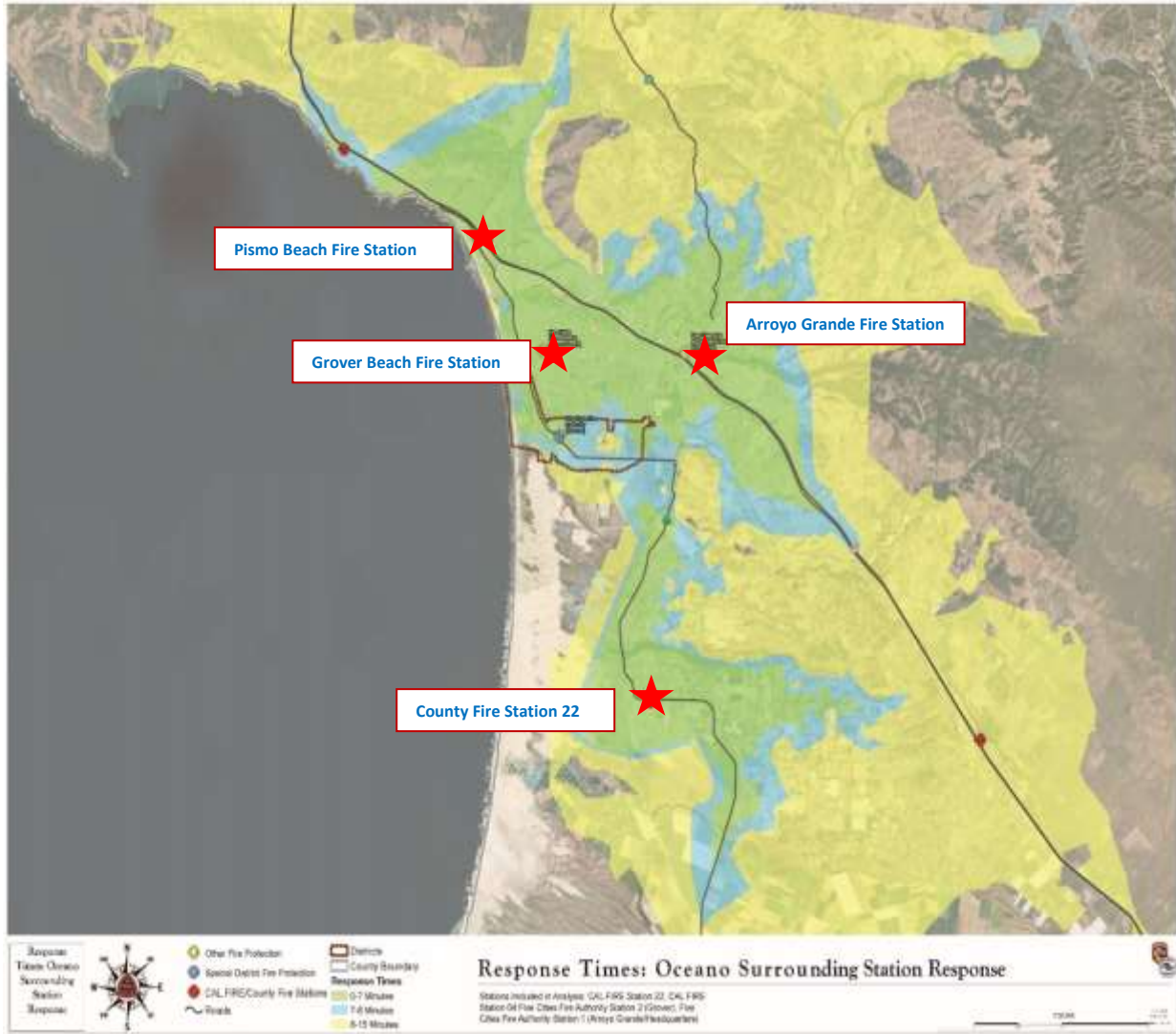


Figure 38 Response Times from adjoining fire stations

This map represents the response times from fire stations surrounding the FCFA Oceano Fire Station on Highway 1. FCFA Oceano is not represented here.

County Fire West Mesa Station 22 Response Time to Oceano

The map below reflects the response time from the closest County Fire Station (# 22 on Highway 1, West Mesa). Response time edge of Oceano CSD is 8 minutes. County Fire Station 22 is too far away to provide an appropriate level of response to the community if Oceano Fire Station were closed.



Figure 39 Response Time to Oceano from County Fire Station 22

Pismo Beach Bello Street Fire Station Response Time to Oceano

The map below reflects response time from Pismo Beach Fire Station on Bello Street. The response time edge of Oceano CSD is 8 minutes. The Pismo Beach Fire Station is too far away to provide an appropriate level of response to the community if the Oceano Fire Station were closed.

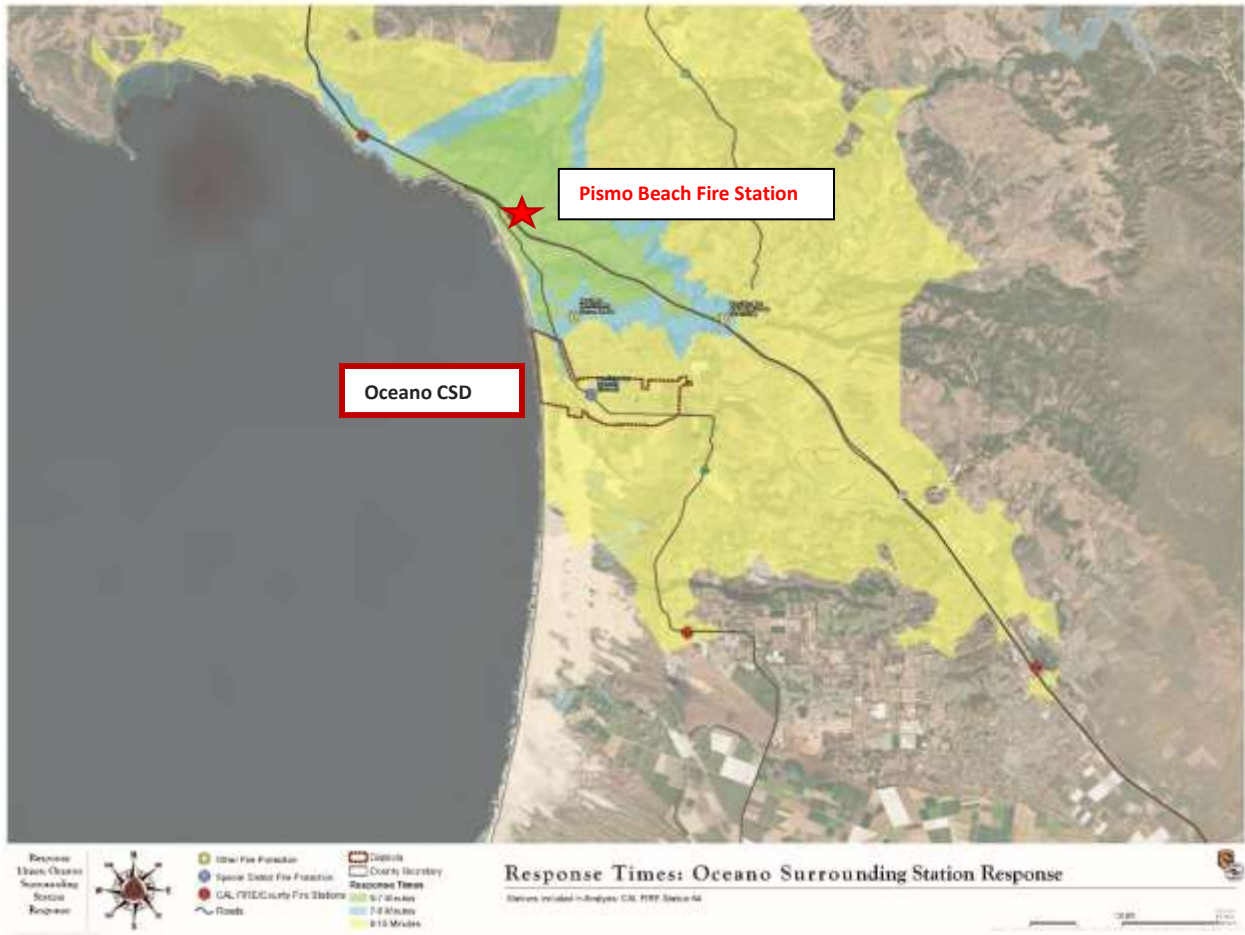


Figure 40 Response time to Oceano from Pismo Beach Fire Station on Bello Street

OCEANO CSD FUNDING

ASSESSED VALUATION⁴¹

The assessed value along with a percentage increase of growth of the district is listed in the table below. The total for San Luis Obispo County is listed as well for comparison purposes.

Agency	Assessed Valuation (after HOPTR)	Percent of Total	Growth from Prior Year		
			2015- 2016	2016- 2017	2017- 2018
San Luis Obispo County	\$49,089,032,946	100.0000%	6.22%	5.67%	5.61%
Oceano CSD	\$627,100,773	1.2775%	4.65%	5.74%	3.86%

Figure 41 Oceano CSD Assessed Valuation

*HOPTR-Homeowners Property Tax Relief

DISTRICT PROPERTY TAX

As stated in the section regarding special district funding, the primary source of revenue for fire protection in special districts is property tax. The assessed value (chart above) and allocation formulas impact the amount of property tax allocated to the Oceano CSD.

OCEANO CSD PROPERTY TAX GROWTH TREND

Oceano CSD Property Tax⁴²

Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018
Property Tax Allocation	\$830,780	\$871,478	\$918,883	\$953,998
Growth from Previous Year	\$47,633	\$40,697	\$47,406	\$35,115
Incremental Growth %	6.08%	4.90%	5.44%	3.82%

Figure 42 Oceano CSD Property Tax 2014-2018

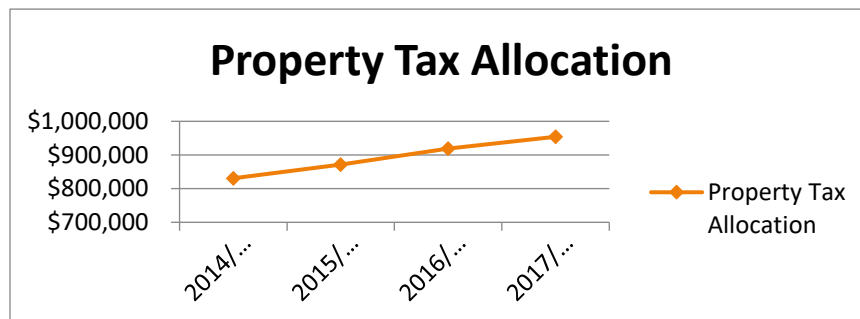


Figure 43 Oceano CSD Property Tax allocation 2014-2018

⁴¹ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collectors Office

⁴² San Luis Obispo County Auditor, Controller, Treasurer, Tax Collectors Office

OCEANO CSD TAX RATE AREAS⁴³

Oceano CSD has eighteen tax rate areas within the district, which are listed below along with the total taxes collected in each TRA, percentage allocated to the District, and associated dollar allocation amounts.

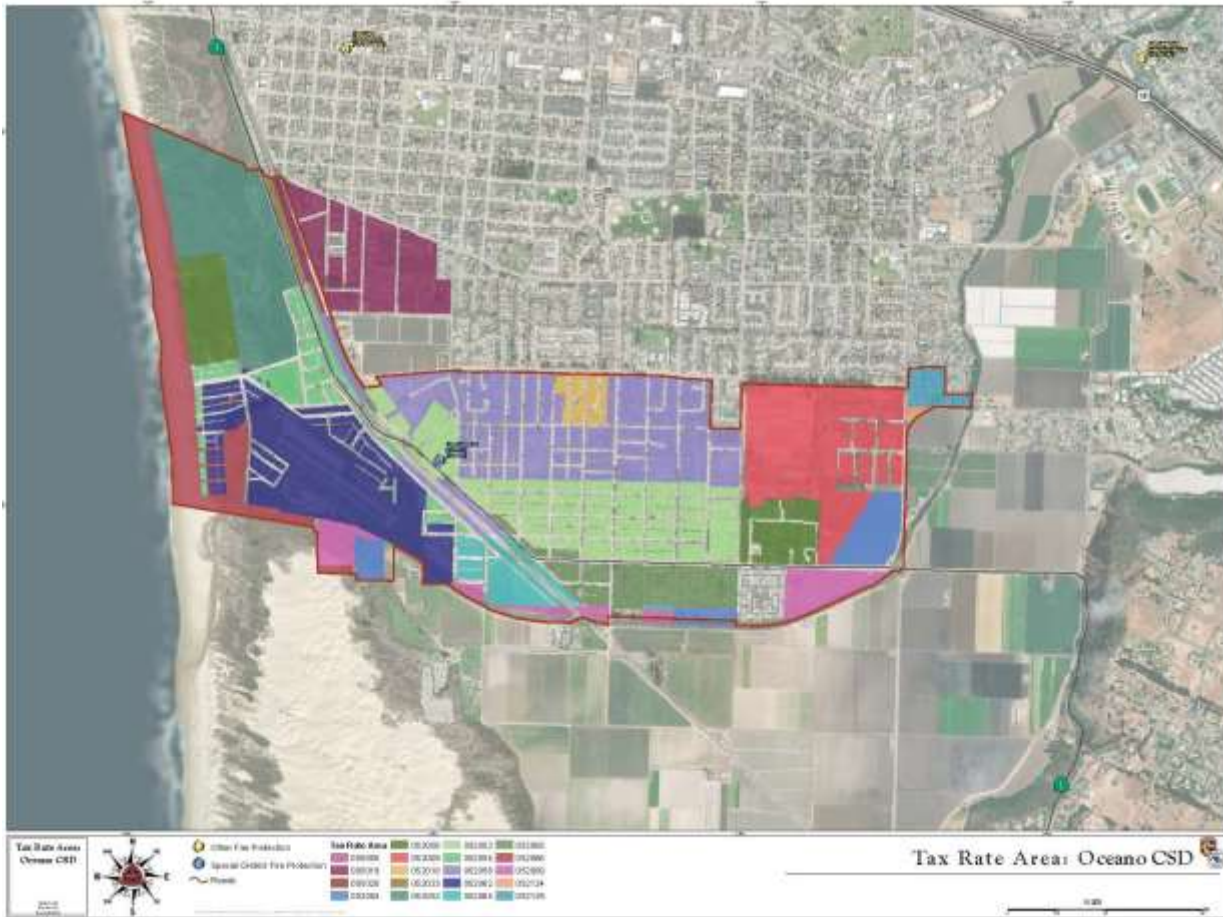




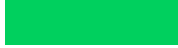












Figure 44 Map of Oceano CSD Tax Rate Areas

Tax Rate Area	Legend	Tax Rate Area	Legend	Tax Rate Area	Legend
052-004		052-053		052-065	
052-008		052-054		052-066	
052-009		052-056		052-069	
052-018		052-058		052-089	
052-033		052-062		052-124	

⁴³ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collectors, Office
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052-052 

052-064 

052-129 

Oceano CSD 2017/2018 Tax Revenue % and \$ by TRA⁴⁴			
TRA	Percent to CSD	Total Tax for TRA	Tax Dollars to OCSD
052-004	8.33261	\$17,206	\$1,434
052-008	14.34306	\$432,791	\$62,075
052-009	9.03435	\$174,292	\$15,746
052-018	19.15994	\$214,420	\$41,083
052-033	17.52493	-\$209	-\$37
052-052	8.26971	\$2,437	\$202
052-053	15.81544	\$1,727,637	\$273,233
052-054	15.61324	\$675,359	\$105,445
052-056	7.27873	\$5,547	\$404
052-058	14.34411	\$2,141,020	\$307,110
052-062	14.86340	\$964,198	\$143,313
052-064	13.64429	\$39,044	\$5,327
052-065	15.05579	\$260,179	\$39,172
052-066	2.50356	\$7,439	\$186
052-069	6.52668	\$70,999	\$4,634
052-089	8.43659	\$16,742	\$1,412
052-124	14.78972	\$87	\$13
052-129	11.05948	\$31,400	\$3,473
TRA Count = 18	Total	\$6,780,588	\$1,004,225

Figure 45 Oceano CSD Tax Revenue % and \$ by TRA

OCEANO CSD PROPERTY TAX ALLOCATION/TAX RATE AREA PERCENTAGES

The pie chart below represents the allocation of property tax to all the agencies that receive property taxes within the 052-058 tax rate area. This tax rate area was selected as a representative example of the allocation of property tax to the District and is the tax rate area that generates the greatest tax revenue within the District.

⁴⁴ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office
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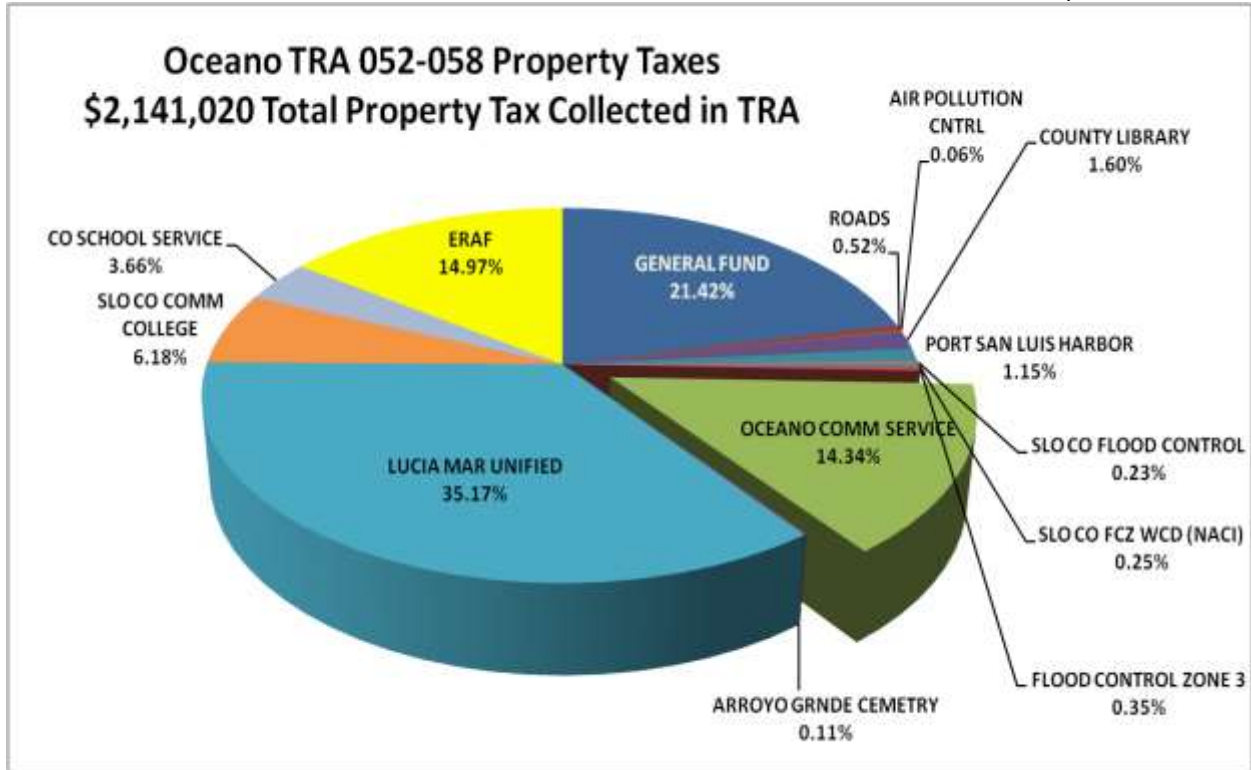


Figure 46 Oceano CSD TRA 052-058 Breakdown

Tax Rate Area 052-058 allocation between all agencies that collect property tax from the tax rate area.⁴⁵

Percentage of Property Tax Expended on Fire Protection in FY 2017/2018

Total Property Tax Received by Oceano CSD:	\$979,424
Property Tax Allocated to Fire Protection:	\$940,004
Percent of Total Allocated to Fire Protection:	96% ⁴⁶

OCEANO CSD NUMBER OF PARCELS

The number of parcels in the District impacts the ability of the District to pass a parcel based benefit assessment fee. An analysis was conducted to determine the fee burden per parcel based on generating an arbitrary amount of \$500,000 in revenue for the District. A flat fee of \$204.83 per parcel (all parcels charged the same amount) is required to generate \$500,000 in the Oceano CSD annually. Values may vary depending on number of exempt parcels.

District	Total Number Of Parcels	Per Parcel to Generate \$500,000.00
Oceano CSD	2441	\$204.83

⁴⁵ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

⁴⁶ Oceano CSD Financial Documents

Figure 47 Oceano CSD Parcel Count

OCEANO CSD LOCAL REVENUE ENHANCEMENT EFFORTS

Benefit Assessment District

Oceano is considering a benefit assessment district ballot measure to fund their portion of the FCFA cost. District reserves can carry them through 2020 and expectations are for the ballot measure to be voted on in 2020. If the FCFA strategic plan is implemented, OCSD estimates their annual deficit will rise from \$75,800 in year one to \$223,500 in year five.⁴⁷ Preliminary estimates show a required parcel fee of \$87.66 to generate enough revenue to meet the projected cost at year five.

SAFER Grants

Five Cities Fire Authority (FCFA) applied for a federal FEMA SAFER grant that funded additional full-time firefighters for two years. The purpose of the grant was to enable FCFA to have additional full-time firefighters on duty daily. There was no source of funding to continue funding the firefighters after the grant expired.

OCEANO CSD SIGNIFICANT COST FACTORS

Payroll

FCFA is utilizing Reserve Firefighters to augment career firefighters in an effort to reduce payroll costs until permanent funding for career firefighters is in place. The FCFA strategic plan calls for the conversion of the Reserve Firefighter program to a fully staffed career operation.

Other Post Employment Benefits (OPEB)

FCFA employees are employees of the City of Arroyo Grande and the FCFA member agencies cost-sharing formula includes payment to Arroyo Grande for employment costs. An actuary has been completed regarding the OPEB liability for the FCFA. Four retirees currently receive benefits. Payment for retiree health care is funded out of the current year budget.⁴⁸

Workers' Compensation

No significant open workers' compensation claims were reported by the District, which would be managed by the City of Arroyo Grande as the employer of the FCFA firefighters.

Retirement

The City of Arroyo Grande has a contract with Cal PERS for retirement benefits for FCFA members. The unfunded liability for the retirement plan for both safety and miscellaneous employees is estimated at \$2.2 million.⁴⁹

⁴⁷ 2018 Fire Service Analysis for the Oceano Community Services District; page 5

⁴⁸ Correspondence from Chief Lieberman, FCFA, Sept. 24, 2018

⁴⁹ Correspondence from Chief Lieberman, FCFA, Sept. 24, 2018

Liabilities

The District reported that there are not any pending lawsuits involving fire protection.

Equipment Replacement Fund

The FCFA utilizes both lease-purchase agreements and a sinking fund for significant equipment purchases. The current fund balance is \$558,000 with no contributions budgeted for 2018-19 FY; FCFA will restart sinking fund contributions in 2019-20 fiscal year⁵⁰. They have also had success with grant funding to pay for some equipment.

Facility Costs

Oceano Fire Station is part of the Oceano CSD administrative complex. Fire apparatus garage is physically in the same building as the administrative staff. On duty, crew quarters are a separate mobile home building at the rear of the property.

⁵⁰ Five Cities Fire Authority 2018-19 FY budget

OCEANO CSD FIRE DEPARTMENT BUDGET

**Oceano Community Services District
Actual Revenue and Expenditures: Fire
Based on District's Financial Documents**

	2014/2015	2015/2016	2016/2017	2017/2018
Revenue				
Property Tax	854,256	895,820	958,154	979,425
Benefit Assessment: Fire	-	-	-	-
Interest Revenue	4,053	1,600	2,609	3,400
Public Facility Fee-Fire	17,691	6,258	25,358	27,280
Weed Abatement Fees	-	-	-	-
Reimbursement for Mutual Aid	-	-	-	-
SAFER Grant	-	-	-	-
Grant: Personnel Protection	-	-	-	-
Ambulance Reimbursements	-	-	-	-
General Fund Reserve	-	-	-	-
Misc. Revenue	9,739	8,441	5,948	4,998
Total Revenue	885,739	912,119	992,069	1,015,103
Less: Lighting Fund:	37,630	41,729	45,904	39,421
Net Revenue: Fire Budget	848,109	870,390	946,165	975,682
Expenditures				
Salaries, Stipends and Benefits	6,600	6,780	7,131	7,077
Serv and Supp (Inc. FCFA contract)	758,934	789,567	814,865	841,068
Debt Payments	-	-	-	-
Capital Outlay	-	-	-	-
Administrative Costs	24,788	28,188	31,325	34,093
Reserve Designation	15,030	-	-	81,354
Total Expenditures	805,352	824,535	853,321	963,592

Five Cities Fire Authority receives the following revenues directly on behalf of all three member agencies:

- SAFER Grant: Expired in 2015
- Equipment grants
- First Responder Reimbursement: Ambulance Reimbursement
- Reimbursement for Mutual Aid/Strike Teams
- Expense recovery

These revenues are used to reimburse expenses and reduce costs on behalf of the three member agencies: Oceano CSD, City of Arroyo Grande, City of Grover Beach

Figure 48 Oceano CSD Fire Budget 2014-2018

OCEANO CSD FIRE DEPARTMENT STAFFING PLAN

Current Staffing Provides for 1 career and 1 reserve on duty daily at Oceano Fire Station

- 1 Fire Chief -FCFA
- 3 Fire Captains
- 3 Reserves (Part-time)

Recruitment and Retention

- Fulltime firefighter turnover rate is low. FCFA has existed for only 8 years
- Reserve firefighters turn over on average every 2-3 years.
- FCFA no longer recruits PCF.

Proposed FCFA Staffing Plan Provides for 3 career on duty daily plus additional chief officer and administrative support

- 1 Fire Chief-FCFA
- 3 Battalion Chiefs-FCFA
- 1 Fire Marshal- FCFA
- 1 Administrative Assistant-FCFA

For Oceano Fire Station staffing:

- 3 Fire Captain
- 3 Engineer/Driver-Operator
- 3 Firefighter

Timeline for Implementation

3 career engineers and 3 firefighter positions desired within 5 years to provide 3 career on duty daily at each fire station;

OCEANO CSD RESOURCE NEEDS

The OCSD did not make a specific request for any County financial assistance; however, they are interested in sharing any new revenue source or cost reductions for fire protection services such as dispatch cost. In the event of an FCFA member agency withdrawing from the JPA, OCSD will need to develop a new fire protection delivery system that may include divestiture as one option.

OCEANO CSD OPTIONS CONSIDERED

- Oceano CSD has no plans or intention to divest fire protection. However, their caution is if the new JPA cost formula is not approved, which results in another Five Cities Fire Authority member agency withdrawing, the JPA may not be sustainable. If the JPA dissolves, a new fire protection delivery plan will be required, which could include divestiture as one option.

- Oceano CSD is considering a new benefit assessment ballot measure for 2020 to fund extra FCFA staff; OCSD reserves can fund extra costs until 2020.

COUNTY OPTIONS IN THE EVENT OF DIVESTITURE

Level of Service Analysis

County Fire Strategic Plan Level of Service Analysis recommends an “Urban Service Level” for Oceano which equates to a 7 minute response time for 90% of the District.

Response Time	Dispatch and Get Away Time	Driving Time to Incident
Urban Standard == 7 Minutes	3 minutes	4 minutes
Suburban Standard== 8 minutes	3 minutes	5 minutes

Figure 49 Oceano CSD Service Level Analysis

Closest Existing County Station

Station 22 (West Mesa) on Highway 1 is the closest county fire station. Station 22 driving time to Oceano CSD southern boundary is 5 minutes which equates to an 8 minute response time to the southern edge of the district and greater than 8 minutes to the balance. 8 minute response time exceeds the County Fire standard for urban response time warranted for Oceano’s demographic.

The impact on the County

If Oceano CSD divests fire protection to the county, County Fire will need to staff the Oceano Fire Station to meet the response time standard. Oceano CSD’s 2018/2019 property tax revenue funding of \$957,654 (96% of total property tax of \$997,150) is not sufficient to absorb the financial impact to the County.

COUNTY FIRE OPTIONS

1. 2 Full-time firefighters on duty daily in Oceano:

County Fire can staff the Oceano CSD Fire Station with 2 full-time firefighters on duty daily with support by reserves or PCF’s for \$ 1.3 million plus station operating expense. If current 2018-19 FY OCSD funding allocation for fire (\$957,654) is transferred to County through a property tax exchange, there will still be insufficient funding for the fire station staffing and operation. The County will need to additionally fund approximately \$600,000 annually.

SAN MIGUEL COMMUNITY SERVICES DISTRICT



KEY FINDINGS

1. **San Miguel CSD** believes they can sustain their current fire protection service model for five years, but the future of the service is unclear after that.
2. San Miguel has success sustaining a paid call firefighter (PCF) program to provide emergency response.
3. Sustainability of the current staffing model for the next five years is predicated on the ability to recruit and retain paid call firefighters and develop experienced PCF staff into fire officers.
4. San Miguel CSD requests the following support from the County:
 - 4.1. Increase auto aid support from County Fire.
 - 4.2. County Fire assign a County water tender that San Miguel can staff and respond to calls inside and outside of the district.
 - 4.3. Fiscal support for mobile data computers and dispatch costs.
5. Based on the County Fire Strategic Plan service level analysis, if San Miguel CSD divested fire protection, the County will need to staff the San Miguel fire station since there is not a reasonably proximal alternative. The added cost for staffing is \$1.3 million.

DISTRICT INTERVIEW ATTENDEES

August 15, 2018 meeting: Interim General Manager/Fire Chief Rob Roberson; Board V. Pres. Joseph Parent; Board Clerk Tamara Parent

BACKGROUND, HISTORY, AND SERVICES PROVIDED

The San Miguel Community Service District (SM CSD) was formed after Proposition 13 in 2000 by a reorganization that combined the volunteer San Miguel Fire Protection District, San Miguel Sanitary District, County Waterworks District #1, San Miguel Lighting District. The SM CSD provides property tax-supported services (fire and lighting) and enterprise services (water, sewer, solid waste). The 2018-19 SM CSD budget is \$2,228,376; \$566,535 is from property taxes; the balance of the budget is primarily from water, sewer and solid waste enterprise funds.

Fire protection is provided from the SM CSD fire station on Mission Street. There are no firefighters on duty at the fire station; response staffing is from on-call Paid Call Firefighters (PCF). The SM CSD fire department consists of a part paid Fire Chief, 1 part paid Assistant Fire Chief, 2 PCF-Captains, 2 PCF-Engineer/Driver Operator, and 11 Paid Call Firefighters. Administrative support is provided by SM CSD staff.

Automatic aid is provided by Camp Roberts-CA National Guard Fire Department, 5 miles north with a response time of 13 minutes. Next closest mutual aid fire stations are City of Paso Robles, 10 miles south; and Cal Fire/County Fire Station 30, 12 miles south, in south Paso Robles, and County Fire Station 52 on Branch Road and Hwy 46 east, 14 miles away. City of Paso Robles apparatus have 15 minute response time; Station 30 has a response time of 16 minutes, and Station 52's response time is 19 minutes.

SAN MIGUEL FIRE PROTECTION CONCERNS

San Miguel is an isolated community with no close fire agency neighbors; the closest are 5-9 miles away. San Miguel Fire Department responds to approximately 380 emergencies per year, 38% of which are mutual aid outside of the district. SM CSD is occasionally experiencing long response delays or no response from PCFs. The closest ambulance is 15 minutes away also responding from Paso Robles.

SM CSD Fire Department is totally dependent on community members volunteering for Paid Call Firefighter and Fire Officer positions. To date, they have been effective at recruiting community members. Chief Roberson believes this model is sustainable for the next five (5) years. However, Chief Roberson is concerned that increased response demand and training requirements will significantly impact the ability to sustain the PCF model long term. His belief is exceeding 500 incidents a year will create a serious deterioration of volunteer or PCF response because of the time demand and absence from work or home. Chief Roberson is also concerned about continued automatic aid from Camp Roberts Fire may be at risk.

Primary funding for 2018-19 FY \$517,456 SM CSD fire protection budget is from property taxes in the amount of \$390,856. Anticipated grants and response reimbursement make up the remainder.

SAN MIGUEL UNIQUE RISKS AND HAZARDS

The Union Pacific railroad runs through San Miguel and presents unique training requirements for rail and passenger emergencies. Highway 101 also passes through the community and results in frequent vehicle accidents, inside and outside of the district that San Miguel responds to.

Specialized training and equipment are required to respond to these unique hazards.

SAN MIGUEL CSD DATA SHEET

Authorizing Code	Cal. Govt. Code 61000 et. seq.
Address:	P.O. Box 180 1150 Mission Street San Miguel CA 93451
Telephone:	805-467-3388
FAX:	805-467-9212
Website:	www.sanmiguelcsd.org
District Manager:	Rob Roberson (Interim)
Fire Chief:	Rob Roberson
Board of Directors Meetings	Fourth Tuesday of the Month at 7 p.m. at the fire station.
Board of Directors	John Green Joseph Parent Gilbert Buckman Anthony Kalvans Ashley Sangster
Acreage	1932
Square miles	3.02
Number of parcels	1094
Population	2413
Assessed Valuation	\$272,887,870
2017/2018 Fire Actual Tot. Rev.	436,590
2017/2018 Property Tax: District	547,511
2017/2018 Property Tax: Fire	384,831
Special Tax or Assessment	0
Number of Career/Paid personnel	1
Number of Reserve Firefighters	0
Number of Active Volunteers	20
Annual calls for service (2017 cy)	239
Date of Formation	February 1, 2000

Figure 50 San Miguel CSD Data Sheet

SAN MIGUEL CSD MAP

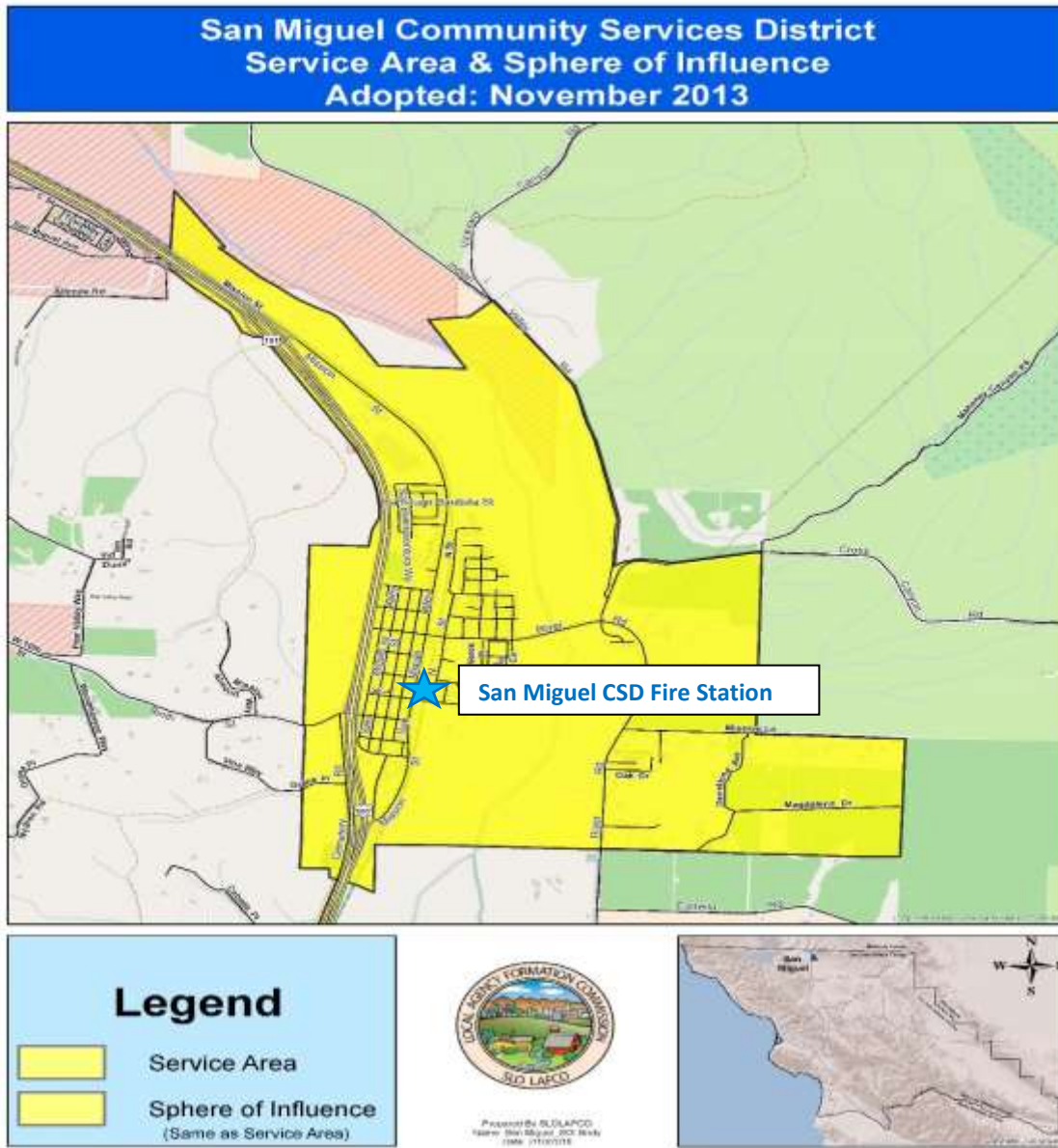


Figure 51 Map of San Miguel CSD: LAFCO

LAFCO Map of San Miguel CSD service area and sphere of influence⁵¹

⁵¹ San Luis Obispo County LAFCO

SAN MIGUEL CSD FIRE DEPARTMENT INCIDENT DENSITY

The following map represents the density of incidents in a given location of the District, known as a “heat map”. The District boundary is represented with an orange line. The shades of purple and blue represent incidents at that location. Light shades indicate few calls for service at that location, while the deep purple represents a high volume of calls at the same location. The purpose of the map is to evaluate historical incident data for planning deployment of emergency resources, including fire station placement. The source of the incident data for the map is from the dispatch center’s computer-aided dispatch program and represents 3 ½ years of data from January 1, 2015, to June 30, 2018.

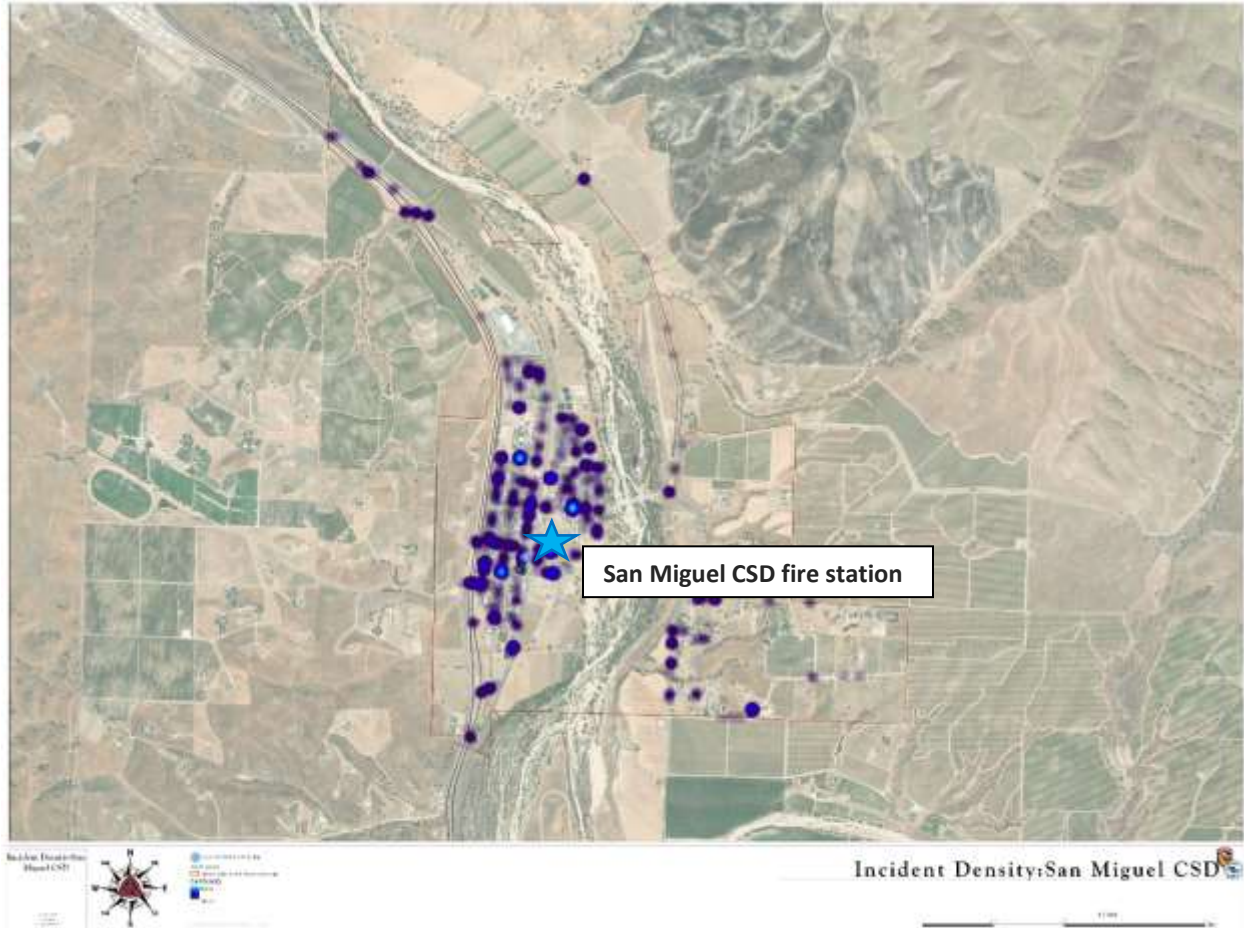


Figure 52 Heat Map of Incident Locations in San Miguel

The map above depicts County Fire responses in and around San Miguel, most of the responses are from Station 30 south of Paso Robles or Station 52 east of Paso Robles.

RESPONSE TIME ANALYSIS: SAN MIGUEL CSD

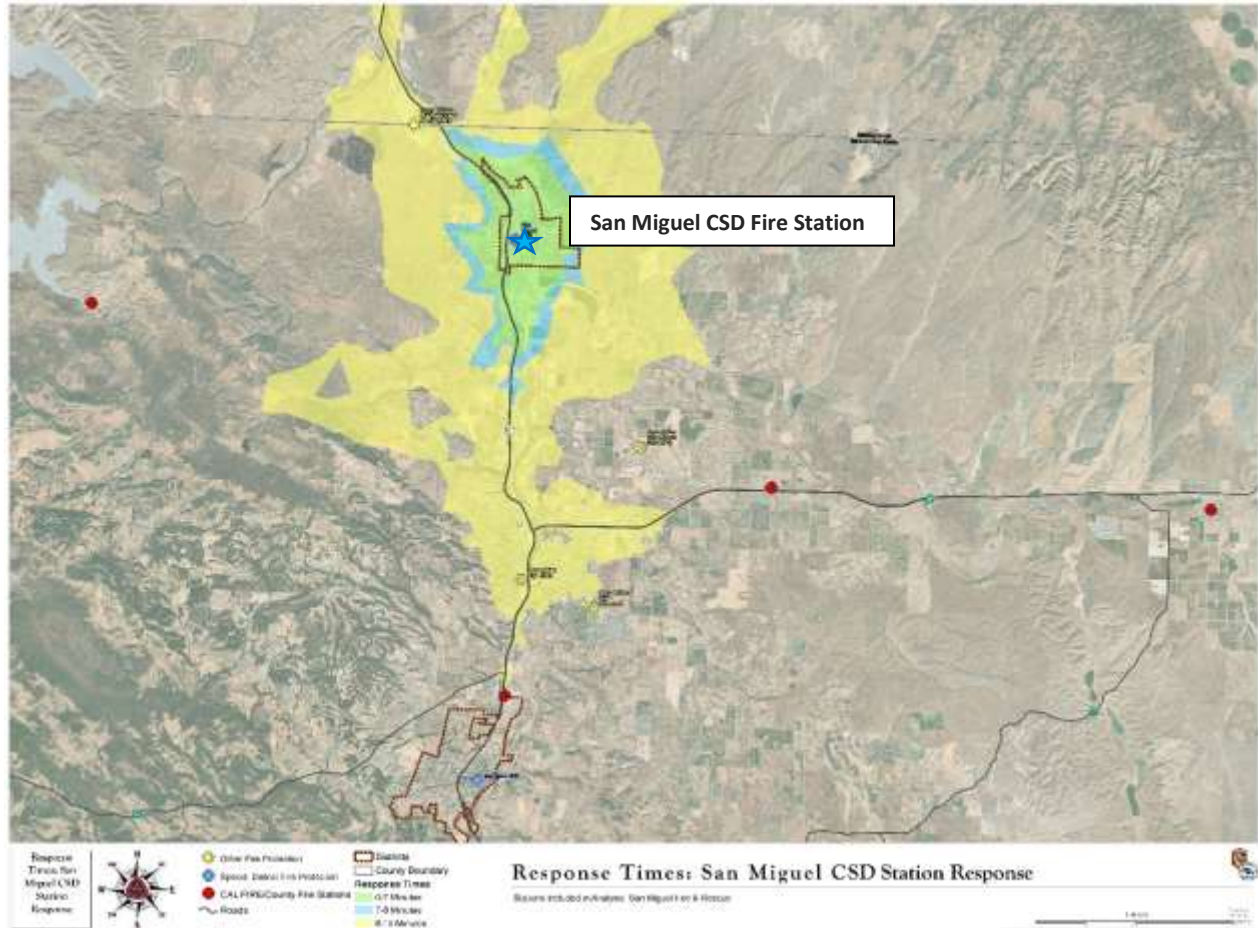


Figure 53 Response Times from San Miguel Fire Station

This map represents the response times from only the San Miguel CSD Fire Station on Mission Street. SM CSD can cover 95% of the district in 7 minute response time, and 100% of the district in less than 8 minutes.

The shaded green area represents a drive time of up to four (4) minutes, the blue shaded area represents a drive time of over four (4) minutes and under five (5) minutes, while the yellow shaded area represents a drive time of five (5) to twelve (12) minutes. In all cases, 3 minutes are added for “reflex” time. Reflex time includes the time required to dispatch the call, assemble the crew, don the appropriate gear for the response and get out the door. The resulting total response times of seven, eight and fifteen minutes are based on industry standards for levels of service and fire progression. While not absolute, these tools are effective for planning purposes.

AUTOMATIC AND MUTUAL AID RESPONSE TIME ANALYSIS: STATIONS NEAR SAN MIGUEL CSD

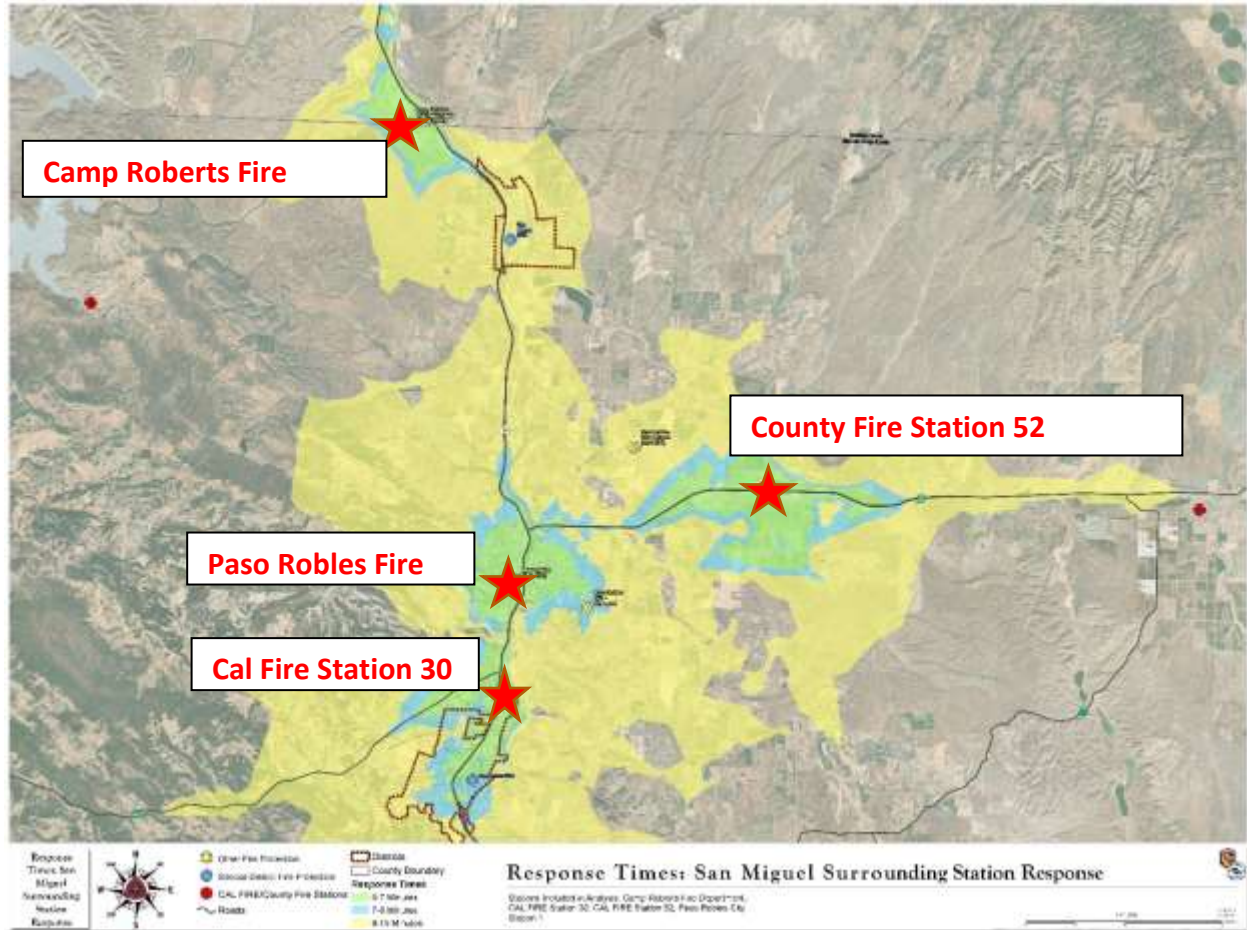


Figure 54 Response times from adjoining fire stations

This map uses the same time values as the previous one. The difference is that this map removes the San Miguel CSD Fire Station from the analysis and considers automatic and mutual aid response times from nearby fire stations. The four stations nearby are Camp Roberts, City of Paso Robles fire station, Cal Fire station 30, and County Fire station 52.

SAN MIGUEL CSD FUNDING

ASSESSED VALUATION ⁵²

The assessed value along with a percentage increase of growth of the district is listed in the table below. The total for San Luis Obispo County is listed as well for comparison purposes.

Agency	Secured and Utility 2017-2018 Assessed Valuation (after HOPTR*)	Percent of Total	Growth from Prior Year		
			2015- 2016	2016- 2017	2017- 2018
San Luis Obispo County	\$49,089,032,946	100.0000%	6.22%	5.67%	5.61%
San Miguel CSD	\$272,887,870	0.5559%	9.15%	11.04%	4.34%

Figure 55 San Miguel CSD Assessed Valuation

*HOPTR-Homeowners Property Tax Relief

SAN MIGUEL CSD PROPERTY TAX

The primary source of revenue for fire protection in special districts is property tax. The assessed value (chart above) and allocation formulas impact the amount of property tax allocated to the San Miguel CSD.

PROPERTY TAX GROWTH TREND

San Miguel CSD Fire Property Tax Allocation⁵³

Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018
Property Tax Allocation	\$260,218	\$ 285,334	\$319,028	\$334,418
Growth from Previous Year	\$13,479	\$25,116	\$33,694	\$15,390
Incremental Growth %	5.46%	9.65%	11.81	4.82%

Figure 56 San Miguel Property Tax allocation for Fire Protection 2014-2018

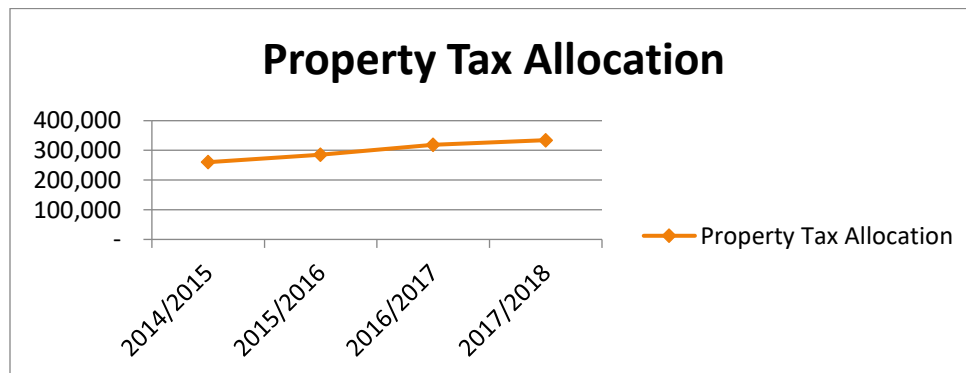


Figure 57 Property Tax allocation patterns

⁵² San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

⁵³ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

SAN MIGUEL CSD TAX RATE AREAS⁵⁴

San Miguel CSD has nine tax rate areas within the district, which are listed below along with the total taxes collected in each TRA, percentage allocated to the District, and associated dollar allocation amounts.

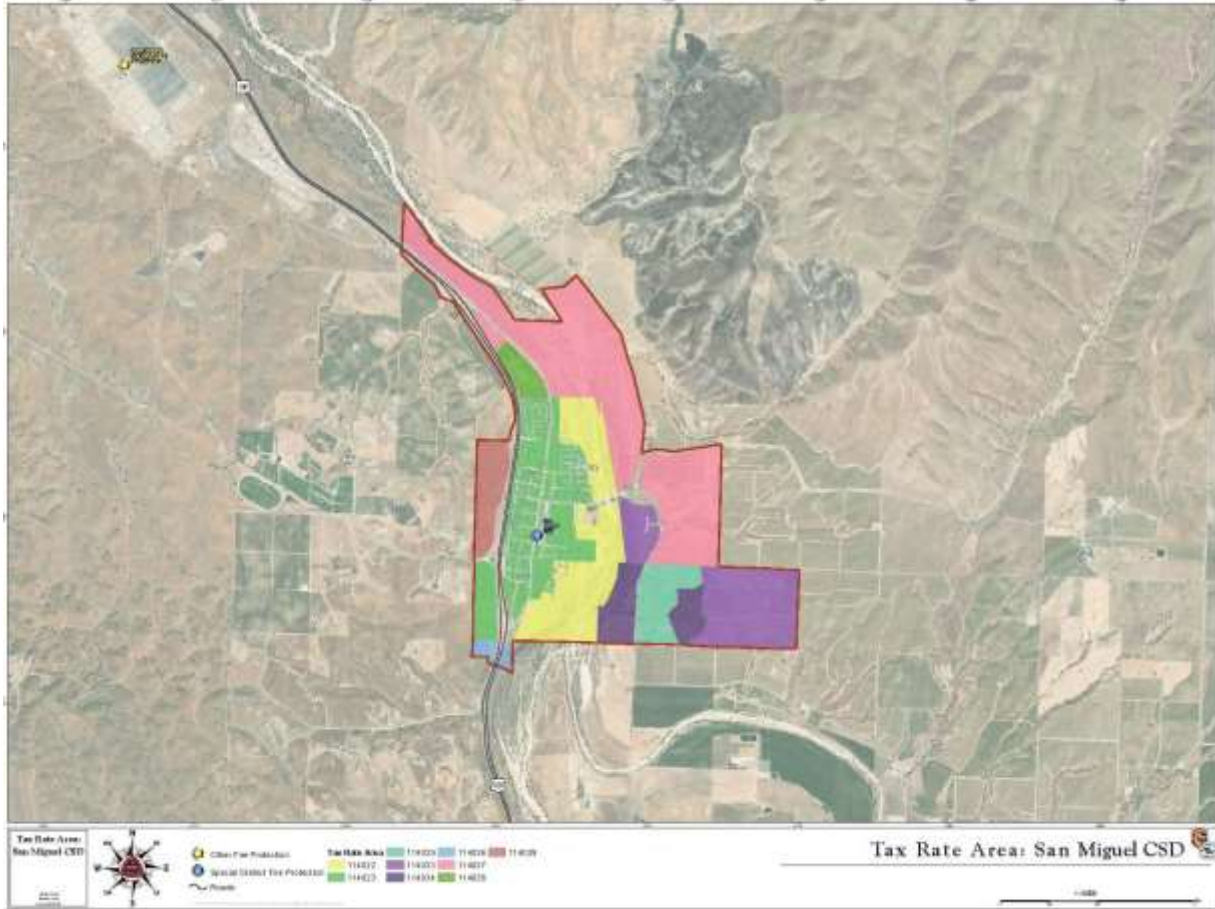


Figure 58 San Miguel CSD Map of Tax Rate Areas (TRA)

Tax Rate Area	Legend	Tax Rate Area	Legend	Tax Rate Area	Legend
114-022		114-033		114-037	
114-023		114-034		114-038	
114-029		114-036		114-039	

⁵⁴ San Luis Obispo County Auditor, Controller, Treasurer Tax, Collectors Office
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San Miguel CSD 2017/2018 Tax Revenue % and \$ by TRA

TRA	Percent to CSD	Total Tax for TRA	Tax Dollars to CSD (All Depts.)
114-022	19.76570	\$283,614	\$56,058
114-023	22.19123	\$1,620,747	\$359,664
114-029	9.79412	\$129,082	\$12,642
114-033	9.79418	\$123,529	\$12,099
114-034	9.79198	\$11,529	\$1,129
114-036	12.28879	\$0	\$0
114-037	12.28879	\$75,599	\$9,290
114-038	12.28879	\$781,673	\$96,058
114-039	12.28879	\$4,642	\$570
TRA Count = 9	Total	\$3,030,415	\$547,511

Figure 59 San Miguel CSD Tax revenue % and \$ by TRA

PROPERTY TAX ALLOCATION/TAX RATE AREA PERCENTAGES

The pie chart below represents the allocation of property tax to all the agencies that receive property taxes within the 114-023 tax rate area. This tax rate area was selected as a representative example of the allocation of property tax to the District and is the tax rate area that generates the greatest tax revenue within the District.

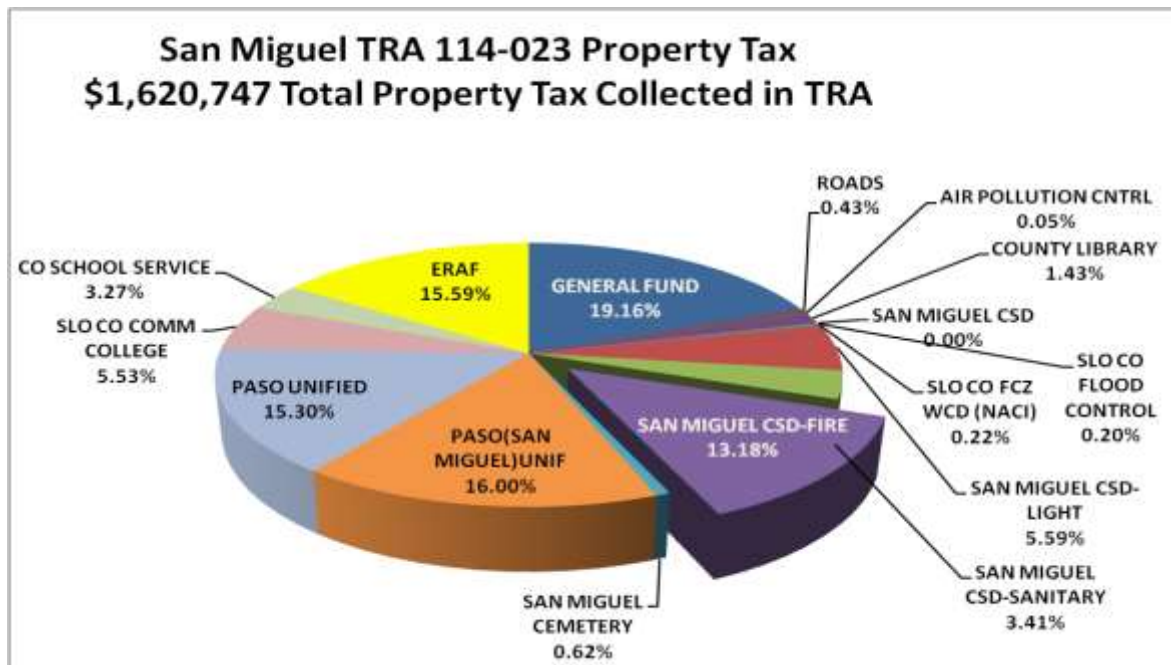


Figure 60 San Miguel CSD TRA 114-023 Breakdown⁵⁵

⁵⁵ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector's Office

PERCENTAGE OF PROPERTY TAX EXPENDED ON FIRE PROTECTION IN FY 2017/2018⁵⁶

Total Property Tax Received by San Miguel CSD:	\$547,511
Property Tax Allocated to Fire Protection:	\$384,831
Percent of Total Allocated to Fire Protection:	70%

Number of Parcels

The number of parcels in the District impacts the ability of the District to pass a parcel based benefit assessment fee. An analysis was conducted to determine the fee burden per parcel based on generating an arbitrary amount of \$500,000 in revenue for the District. That analysis is reflected in the table below. A flat fee of \$457.00 per parcel (all parcels charged the same amount) is required to generate \$500,000 in the San Miguel CSD. Values may vary depending on number of exempt parcels.

District	Total Number Of Parcels	Fee Per Parcel to Generate \$500,000.00
San Miguel CSD	1094	\$457

Figure 61 San Miguel CSD Parcel Count

SAN MIGUEL CSD LOCAL REVENUE ENHANCEMENT EFFORTS

Grants

San Miguel CSD (SM CSD) applied for Volunteer Fire Assistance and federal Homeland Security grants for equipment with some success.

SAN MIGUEL CSD SIGNIFICANT COST FACTORS

Payroll

The District is successfully utilizing a part-time Fire Chief and Paid Call Firefighters in an effort to reduce payroll costs.

Retirement and Other Post Employment Benefits (OPEB)

The District has taken steps to reduce its exposure for OPEB. The Fire Chief and Assistant Fire Chief have other primary jobs and do not receive retirement benefits, including post-retirement health care, from their San Miguel CSD Fire Department role.

Equipment Replacement Fund

The District utilizes a sinking fund for significant equipment purchases when funds allow. They have also had success with grant funding to pay for some equipment.

⁵⁶ San Miguel CSD Financial Documents

Workers' Compensation

The District reported having no significant open workers' compensation claims.

Liability

The District reported not have any pending lawsuits involving the fire department.

Facility Costs

San Miguel Fire Station is part of the administrative offices for the San Miguel CSD and appears to be in good condition. San Miguel staff stated they are considering adding additional square footage to either this building or a separate facility.

Further examination is required to determine if there are adequate spaces for on-duty crew.

SAN MIGUEL CSD FIRE DEPARTMENT BUDGET

**San Miguel Community Services District
Actual Revenue and Expenditures: Fire
As of 6/25/2018**

	2014/2015	2015/2016	2016/2017	2017/2018
Revenue				
Property Tax	45,034	289,090	327,678	341,497
Benefit Assessment/Special Tax	-	-	-	-
Interest Revenue	425	-	304	249
Public Facility Fee-Fire	4,016	55,217	72,090	25,467
Weed Abatement Fees	1,788	1,646	1,097	-
Inspection Fees	-	-	-	-
Reimbursement for Mutual Aid	220,130	61,224	9,983	60,457
CDBG Grant	-	-	105,000	-
VFA Assistance Grant	-	10,000	8,424	-
Ambulance Reimbursements	4,364	4,431	4,486	4,584
Other Revenue	5,983	2,897	37,538	4,336
Total Revenue	281,740	424,505	566,600	436,590
Expenditures				
Salaries, Stipends and Benefits	46,996	119,000	143,852	218,584
Services and Supplies	93,990	232,563	83,185	154,347
Debt Payments	-	-	-	-
Capital Outlay	2,272	6,055	30,289	227,265
Other Expenses	30,789	-	-	-
Transfers Out (Veh. Rep/Equip)	71,395	-	88,150	-
Total Expenditures	245,442	357,618	345,476	600,196

Figure 62 San Miguel CSD Fire Budget 2014-2018

SAN MIGUEL CSD FIRE DEPARTMENT STAFFING

CURRENT STAFFING:

- 1 Fire Chief-Part Time
- 1 Assistant Chief-Part Time
- 2 PCF-Fire Captains
- 3 PCF- Engineer/Driver Operator
- 11 PCF

RECRUITMENT AND RETENTION

- San Miguel actively recruits Paid Call Firefighters (PCF) with moderate success.
- There is a turnover of 2-3 PCFs per year (15-20% of 11 member PCF force).
- Some PCFs are deployed to summer seasonal firefighter jobs and are not available to the CSD.
- Developing PCF fire officers (Asst. Chief and Captains) is difficult due to time and experience requirements. If the fire department loses an experienced fire officer due to work commitment or relocating from the area, it can take years to replace them.
- Out of district assignments (major fire mutual aid) can serve as a retention tool for (PCFs) if they can be committed away from town for two weeks.
- Chief Roberson is a native of San Miguel and has a fulltime job outside of the district. He is the Fire Chief for SM CSD, and also the Interim General Manager of SM CSD, which is a significant commitment.
- Chief Roberson will retire in 5 years and does not have a community member identified yet as his successor; hiring a career fire chief may exceed the available budget.

PROPOSED STAFFING

Chief Roberson believes the current PCF model can operate for up to another 5 years. The major concerns are:

- Incident activity exceeding 500 calls per year will cause a negative impact on volunteer/PCF response.
- Community demographics being able to support recruitment of new PCFs due to training and time commitments.

SAN MIGUEL CSD RESOURCE NEEDS

SM CSD did not request a property tax transfer from SLO County.

SM CSD is interested in:

- Receiving additional automatic aid from County Fire

- Sharing any new revenue source or cost reductions for fire protection services such as dispatch cost including mobile data computers.
- San Miguel is in need of a water tender for portions of their district with no fire hydrants and offered to cooperate with County Fire by providing staffing and response outside of the district if a county water tender is assigned to San Miguel fire station.

SAN MIGUEL CSD OPTIONS CONSIDERED

- San Miguel CSD has no current plans or intention to divest fire protection.
- If PCF recruitment is unsustainable in the future, and there is a need to provide fulltime career staff, SM CSD will need to seek additional revenue (most likely a benefit assessment) or divest fire protection.

COUNTY OPTIONS IN THE EVENT OF DIVESTITURE BY SAN MIGUEL CSD

Level of Service Analysis

The County Fire Strategic Plan Level of Service Analysis recommends a minimum of an “Urban Service Level” for San Miguel which equates to a 7 minute response time for 90% of the district. All of the district can be reached within 7 minutes response from the San Miguel fire station.

Response Time	Dispatch and Get Away Time	Driving Time to Incident
Urban Standard == 7 Minutes	3 minutes	4 minutes
Suburban Standard== 8 minutes	3 minutes	5 minutes

Figure 63 San Miguel CSD Service Level Analysis

Closest Existing County Station

Station 30 (Paso Robles) on Ramona Drive in south Paso Robles is the closest Cal Fire/County Fire station and exceeds a 15 minute response time to San Miguel.

Impact on the County

San Miguel CSD’s current budget funding of \$517,456 is sufficient to fund station operational costs and PCF company costs. If the SM CSD divests fire protection the primary reason will be the inability to sustain adequate PCF company strength creating a requirement for full-time staffing. If SM CSD cannot recruit and retain PCF’s, County Fire is unlikely to be more successful. Because no other fire stations are nearby, fulltime career fire staff will be required to staff San Miguel fire station.

If SM CSD divests and County is required to provide full-time staff it will cost \$1.3 million more than San Miguel Fire’s current budget.

COUNTY FIRE OPTIONS

2 Full-time firefighters on duty daily at San Miguel fire station:

County Fire can staff the San Miguel CSD Fire Station with 2 full-time firefighters on duty daily with support by PCF's for \$ 1.3 million plus station operating expense. If current 2018-19 FY SM CSD property tax funding allocation for fire (\$347,000) is transferred to the County through property tax exchange, there will still be insufficient funding for the fire station staffing and operation.

The County will need to fund an additional annual \$1.3 million for full-time staffing in addition to the current \$347,000 district property tax allocation.

SANTA MARGARITA FIRE PROTECTION DISTRICT



KEY FINDINGS

1. **Santa Margarita FPD** believes they can sustain their current fire protection service model for five years, but the future of the service is unclear after that.
2. The District reports success with recruiting and retaining paid call firefighters (PCF) with a current roster of eight active and goal of ten active PCF.
3. Sustainability of the current staffing model for the next five years is predicated on the ability to recruit and retain PCF and develop experienced PCF staff into fire officers.
4. As a result of low revenue amounts, the District's budget falls short of revenue necessary to fund equipment replacement and replacement facility costs
5. The District has utilized grants and donations extensively for support equipment procurement and operations.
6. The District has a low comparative assessed value and a small number of parcels, resulting in slow growth of revenue and limited revenue generation through benefit assessment.
7. The District's sphere of influence is the same as the existing boundary and the District is surrounded by a single property owner (Santa Margarita Ranch), which is outside of the sphere of influence.
8. Santa Margarita's fire station has flooded in the past and they report that it is inadequate to support District operations.
9. Santa Margarita FPD is planning on building a new fire station on a lot owned by the District.
10. The District has approximately \$100,000 set aside, but the funding gap is substantial for the multi-million dollar cost to build a fire station that meets essential services standards.
11. County Fire Strategic Plan identifies the need to relocate County Engine 40 to Garden Farms or Santa Margarita.
12. One option for the County is a joint fire station between the District and County Fire. Best government practices would suggest that a cooperative approach in a joint fire station is more efficient than duplicating expensive construction projects.
13. If Santa Margarita FPD dissolves, priority should be given to expediting the relocation of Engine 40 to a new facility in Santa Margarita or Garden Farms.
14. The District did not have a specific request of the County but would like to share in any revenue enhancements opportunities and/or would like to have the County cover some costs, such as dispatch service costs.

DISTRICT INTERVIEW ATTENDEES

August 23, 2018 meeting: District President John Wilkins; Fire Chief Bob Murach

BACKGROUND, HISTORY, AND SERVICES PROVIDED

The Santa Margarita Fire Protection District (SM FPD) was formed in 1921. The fire district's purpose is to provide fire protection services to the community of Santa Margarita. There is no community services district in Santa Margarita, all other community services are provided by other single-purpose districts or the County. SM FPD is the sole remaining fire protection district in San Luis Obispo County.

The SM FPD is primarily funded through property taxes. The 2018-19 SM FPD budget is \$ 113,200; \$ 105,230 is from property taxes; the balance of the budget is from fees and reimbursements.

Fire protection is provided from the SM FPD fire station at 22375 G Street (Highway 58/El Camino Real). There are no firefighters on duty at the fire station, so response staffing is strictly from on-call Paid Call Firefighters (PCF). The SM FPD fire department consists of a part paid Fire Chief, 1 PCF Deputy Chief, 1 PCF-Captain, 1 PCF Lieutenant, and 4 Paid Call Firefighters. Administrative support is provided by the SM FPD fire chief. The fire chief of a fire protection district routinely serves as the district executive officer as well as the fire chief.

Automatic aid is provided by Cal Fire/County Fire Station 40 (Parkhill Road), 5 miles east on Highway 58 with a response time of 11 minutes. The next closest mutual aid fire stations are City of Atascadero, 7 miles north with a response time of 13 minutes, and Atascadero State Hospital, 7 miles north with a response time of 12 minutes.

FIRE PROTECTION CONCERNS

Santa Margarita is an isolated community with no close fire agency neighbors. The closest are 5-7 miles away. In 2017, Santa Margarita Fire Protection District responded to approximately 150 emergencies for the year, 78 of which are in the district. SM FPD is occasionally experiencing long response delays or no response from PCFs. The closest ambulance responds from Atascadero 14 minutes away.

SM FPD Fire Department is totally dependent on community members volunteering for Paid Call Firefighter (PCF) and Fire Officer positions. Chief Murach has been with the SM FPD for 29 years, less than 1 year as fire chief. To date, they have had success recruiting community members. Chief Murach believes this model is sustainable for the next five (5) years. He reports that they have 8 PCFs currently and his goal is to have 10.

SANTA MARGARITA FIRE PROTECTION DISTRICT STATION REPLACEMENT

The SM FPD fire station has flooded more than once in the past and is in serious need of replacement. The District has purchased a vacant lot on G Street to build a fire station and have set aside \$101,000 for construction. State law requires that fire stations are built to an

“Essential Services”⁵⁷ standard. Fire station buildings must be earthquake resistant and are very expensive, costing millions of dollars to design and build.

SM FPD’s 2018-19 budget is approximately \$113,200. Under State law, a fire protection district can only borrow three (3) times their annual budget, (\$339,600) well short of the funding necessary to build the station when added to the reserved amount.

The County Fire Department strategic plan calls for relocating Engine 40 from the Parkhill Road fire station to the Garden Farms area, which will also necessitate building a fire station. Combining the fire station needs into a single project would save millions of tax dollars and avoid building two fire stations close to each other.

Chief Murach has some concerns that two agencies sharing space in a single fire station may create tensions between fire agencies.

FUNDING

Primary funding for 2018-19 FY \$ 113,200 SM FPD fire protection budget is from property taxes. Santa Margarita FPD is seriously underfunded with annual property tax revenues of \$105,200. There is little room for property tax growth, the district is nearly built out and the Sphere of Influence is the same as the district boundary. Response reimbursement and fees make up the remainder.

Chief Murach does not believe the community will support a benefit assessment ballot measure to raise funds for the district.

Fire Apparatus Replacement Funding

SM FPD has been successful in obtaining grants for new equipment and donations of used fire apparatus.

The district has two fire engines, 2 patrol vehicles, and a command vehicle. A new fire engine costs \$580,000; new patrols can range between \$70,000-150,000 depending on equipment carried.

SM FPD does not have the adequate annual revenue to set aside funds in a sinking fund account for replacement of fire apparatus and equipment. The entire annual fire district budget is \$113,200 of which \$30,000-50,000 would need to be set aside for apparatus and major equipment replacement. This is based on each engine being in front-line service for 20 years and reserve status for 20 years. The SM FPD first line fire engine is a 2005 Seagrave. The reserve engine is a 31-year-old 1987 model. The standard fire apparatus replacement age for first line fire engines is 15-20 years depending on use and severity of service.

⁵⁷ Essential Services; CA Health and Safety Code, Section 16000-16002; & CAC Title 24, Part 1
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REQUEST FROM COUNTY

SM FPD did not request a property tax transfer from SLO County; however, they are interested in continuing to receive automatic aid from County Fire. They are also interested in sharing any new revenue source or cost reductions for fire protection services such as dispatch cost.

SANTA MARGARITA UNIQUE RISKS AND HAZARDS

The Union Pacific railroad runs through Santa Margarita and presents unique training requirements for rail and passenger emergencies.

Highway 58 is the main street of Santa Margarita.

Highway 101 also passes adjacent to the community and results in frequent vehicle accidents that SM FPD responds to under automatic aid with County Fire.

Specialized training and equipment are required to respond to these hazards.

SANTA MARGARITA FPD DATA SHEET

Authorizing Code:	Cal. H&S 13800 et. seq.
Address:	P.O. Box 67 22375 El Camino Real Santa Margarita, CA 93453-0067
Telephone:	805-438-3185
FAX:	805-438-3185
Website:	www.santamargaritafiredept.org
Fire Chief:	Robert Murach
Board of Directors Meetings	Second Wednesday of the month at 5:00 p.m. at the fire station on El Camino Real
Board Members	John Wilkins Beth Gorrill Joel Switzer
Acreage	307
Square miles	0.5
Number of parcels	522
Population	1259
Assessed Valuation	\$124,036,860
2017/2018 Fire Actual Tot. Rev.	\$123,486
2017/2018 Property Tax: District	\$108,623
2017/2018 Property Tax: Fire	\$108,623
Special Tax or Assessment	0
Number of Career/Paid personnel	0
Number of Reserve Firefighters	0
Number of Active Volunteers	8
Annual calls for service (2017 cy)	78
Date of Formation	August 2, 1921

Figure 64 Santa Margarita FPD Data Sheet

SANTA MARGARITA FPD MAP



Figure 65 Map of Santa Margarita FPD: LAFCO

LAFCO Map of Santa Margarita FPD service area and sphere of influence⁵⁸

⁵⁸ San Luis Obispo County LAFCO

SANTA MARGARITA FIRE PROTECTION DISTRICT INCIDENT DENSITY

The following map represents the density of incidents in a given location of the District, known as a “heat map”. The District boundary is represented with an orange line. The shades of purple and blue represent incidents at that location. Light shades indicate few calls for service at that location, while the deep purple represents a high volume of calls at the same location. The purpose of the map is to evaluate historical incident data for planning deployment of emergency resources, including fire station placement. The source of the incident data for the map is from the dispatch center’s computer-aided dispatch program and represents 3 ½ years of data from January 1, 2015, to June 30, 2018.

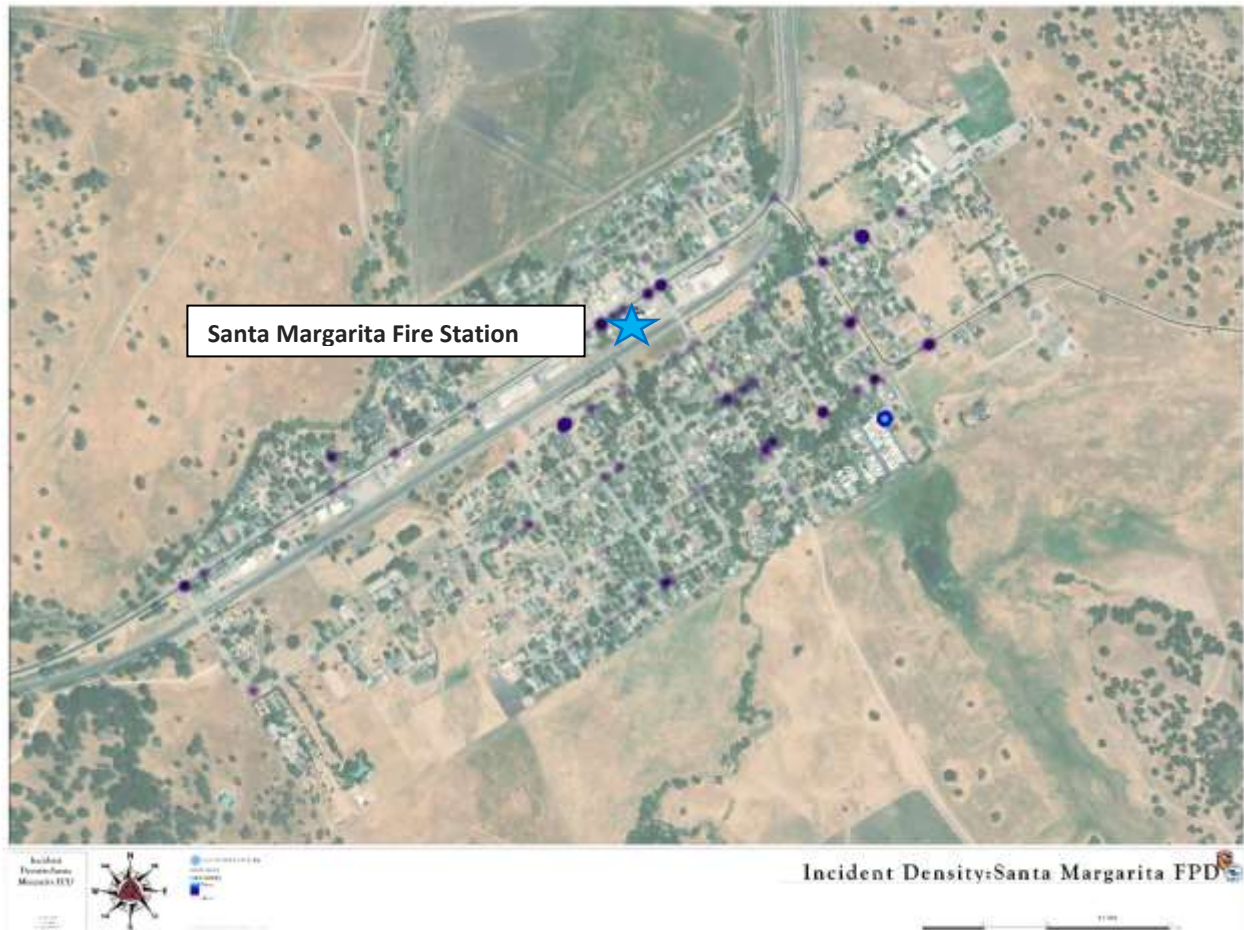


Figure 66 Heat Map of incident locations in Santa Margarita FPD

The map above depicts County Fire responses in and around Santa Margarita, the responses are from Station 40 on Parkhill Road and Highway 58 east of Santa Margarita.

RESPONSE TIME ANALYSIS: SANTA MARGARITA FPD

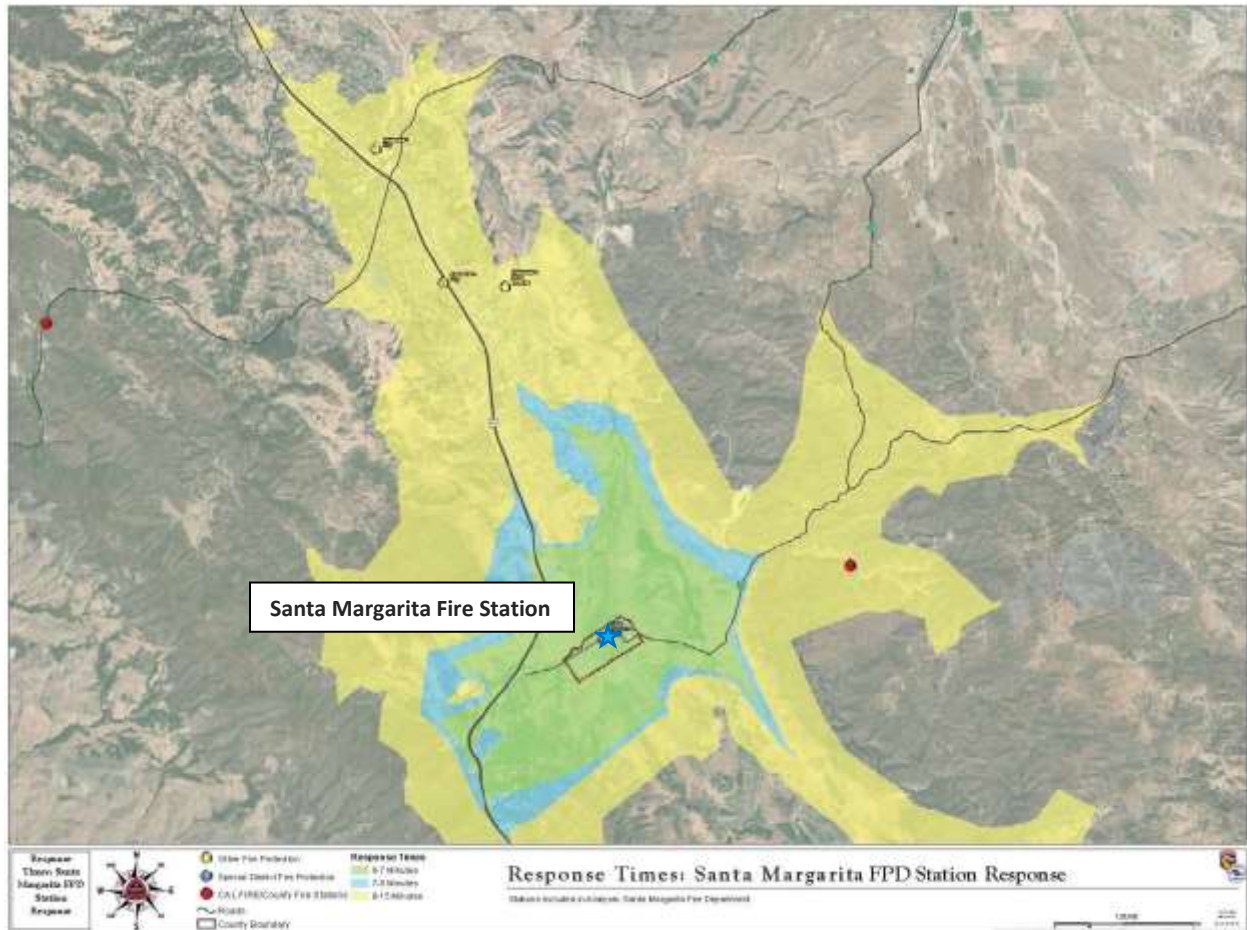


Figure 67 Response times from Santa Margarita FPD fire station

This map represents the response times from only the Santa Margarita FPD Fire Station on G Street. With prompt turnout from on-call PCF firefighters, the SM FPD can cover 100% of the district in a 7 minute response time.

The shaded green area represents a drive time of up to four (4) minutes, the blue shaded area represents a drive time of over four (4) minutes and under five (5) minutes, while the yellow shaded area represents a drive time of five (5) to twelve (12) minutes. In all cases, 3 minutes are added for “reflex” time. Reflex time includes the time required to dispatch the call, assemble the crew, don the appropriate gear for the response and get out the door. Reflex times for an all PCF operation can vary widely depending on availability and location of the firefighter when the response is initiated.

The resulting total response times of seven, eight and fifteen minutes are based on industry standards for levels of service and fire progression. While not absolute, these tools are effective for planning purposes.

AUTOMATIC AND MUTUAL AID RESPONSE TIME ANALYSIS: STATIONS NEAR SANTA MARGARITA FPD

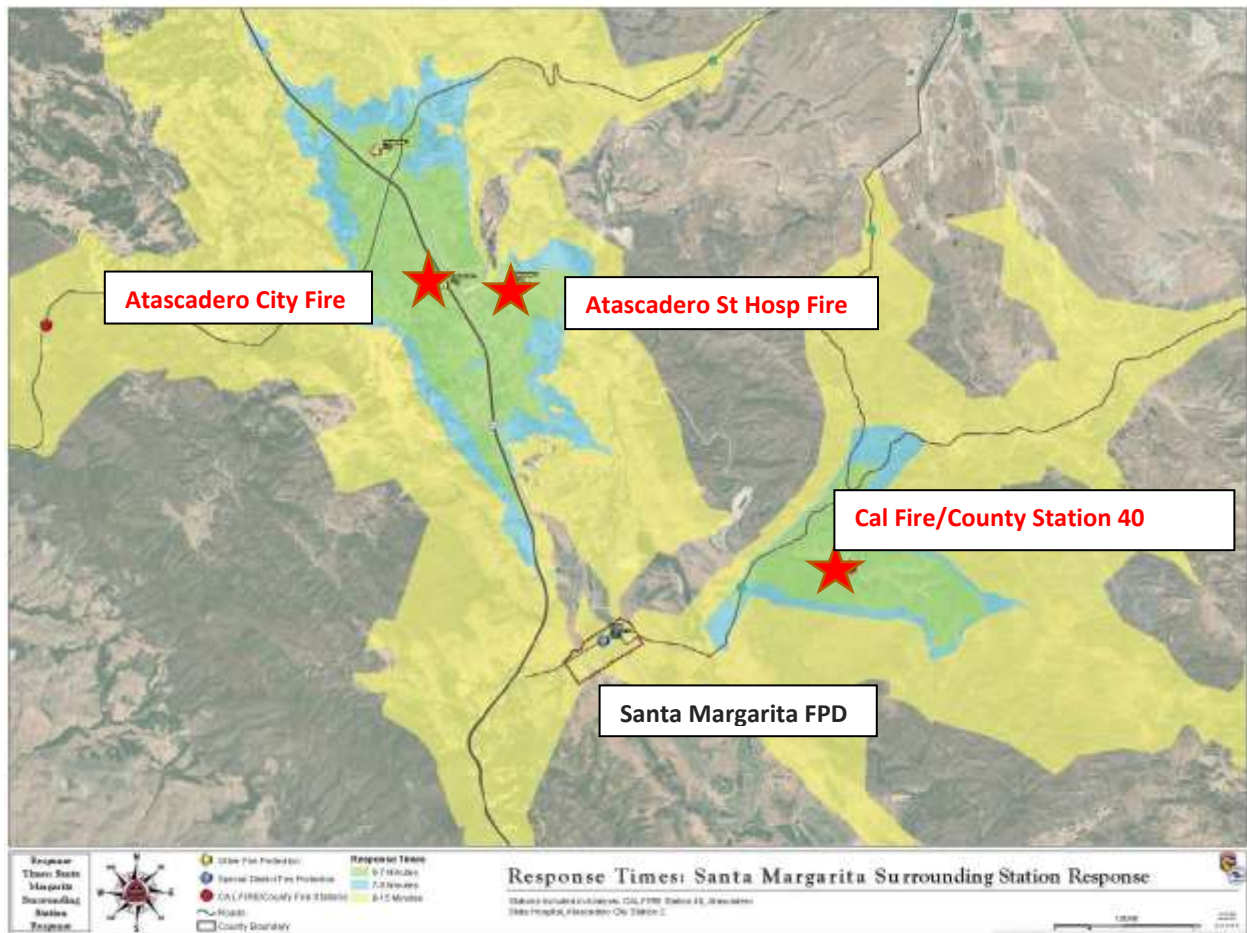


Figure 68 Santa Margarita: Response times from adjoining fire stations

This map uses the same time values as the previous one. The difference is that this map removes the Santa Margarita FPD Fire Station from the analysis and considers automatic and mutual aid response times from nearby fire stations. The four stations nearby are Cal Fire/County Fire Station 40, City of Atascadero Fire Station # 2, Atascadero State Hospital Fire Station. None of the automatic or mutual aid stations can provide a response to the district in a reasonable response time.

SANTA MARGARITA FIRE PROTECTION DISTRICT FUNDING

ASSESSED VALUATION ⁵⁹

The assessed value along with a percentage increase of growth of the district is listed in the table below. The total for San Luis Obispo County is listed as well for comparison purposes.

Agency	Secured and Utility 2017-2018 Assessed Valuation (after HOPTR*)	Percent of Total	Growth from Prior Year		
			2015- 2016	2016- 2017	2017- 2018
San Luis Obispo County	\$49,089,032,946	100.0000%	6.22%	5.67%	5.61%
Santa Margarita FPD	\$124,036,860	0.2527%	4.61%	4.31%	3.64%

Figure 69 Santa Margarita FPD Assessed Valuation

*HOPTR-Homeowners Property Tax Relief

DISTRICT PROPERTY TAX

The primary source of revenue for fire protection in special districts is property tax. The assessed value (chart above) and allocation formulas impact the amount of property tax allocated to the Santa Margarita FPD.

PROPERTY TAX GROWTH TREND

Santa Margarita FPD Property Tax Allocation⁶⁰

Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018
Property Tax Allocation	\$90,931	\$95,399	\$100,080	\$103,921
Growth from Previous Year	\$4,503	\$4,468	\$4,681	\$3,841
Incremental Growth %	5.21%	4.91%	4.91%	3.84%

Figure 70 Santa Margarita FPD Property Taxes 2014-2018

⁵⁹ San Luis Obispo County Auditor, Controller, Treasurer Tax Collector's Office

⁶⁰ San Luis Obispo County Auditor, Controller, Treasurer Tax Collector's Office

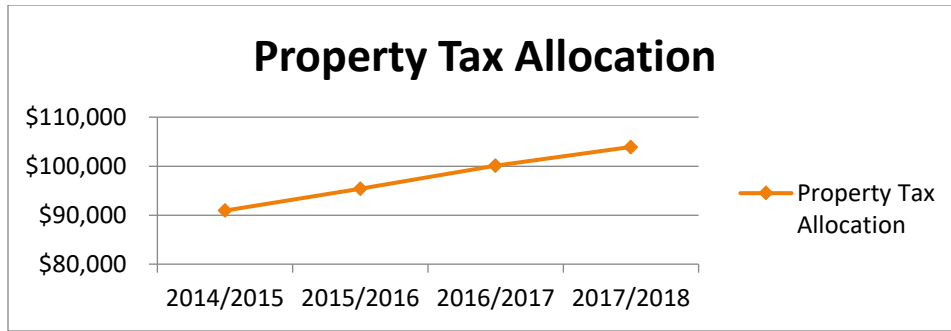




Figure 71 Santa Margarita FPD: Property tax trends

SANTA MARGARITA FIRE PROTECTION DISTRICT TAX RATE AREAS⁶¹

Santa Margarita FPD has two tax rate areas within the district, which are listed below along with the total taxes collected in each TRA, percentage allocated to the District, and associated dollar allocation amounts.



Figure 72 Map of Santa Margarita FPD Tax Rate Area

Tax Rate Area	Legend	Tax Rate Area	Legend	Tax Rate Area	Legend
054-002		054-050			

Santa Margarita FPD 2017/2018 Tax Revenue % and \$ by TRA

TRA	Percent to FPD	Total Tax for TRA	Tax Dollars to FPD
054-002	7.89636	\$43,464	\$3,432
054-050	7.89636	\$1,366,965	\$107,940
TRA Count = 2	Total	\$1,410,429	\$111,373

Figure 73 Santa Margarita FPD: Tax Revenue % and \$ by TRA

⁶¹ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collectors Office
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SANTA MARGARITA FPD PROPERTY TAX ALLOCATION/TAX RATE AREA PERCENTAGES

The pie chart below represents the allocation of property tax to all the agencies that receive property taxes within the 054-050 tax rate area. This tax rate area was selected as a representative example of the allocation of property tax to the District and is the tax rate area that generates the greatest tax revenue within the District.

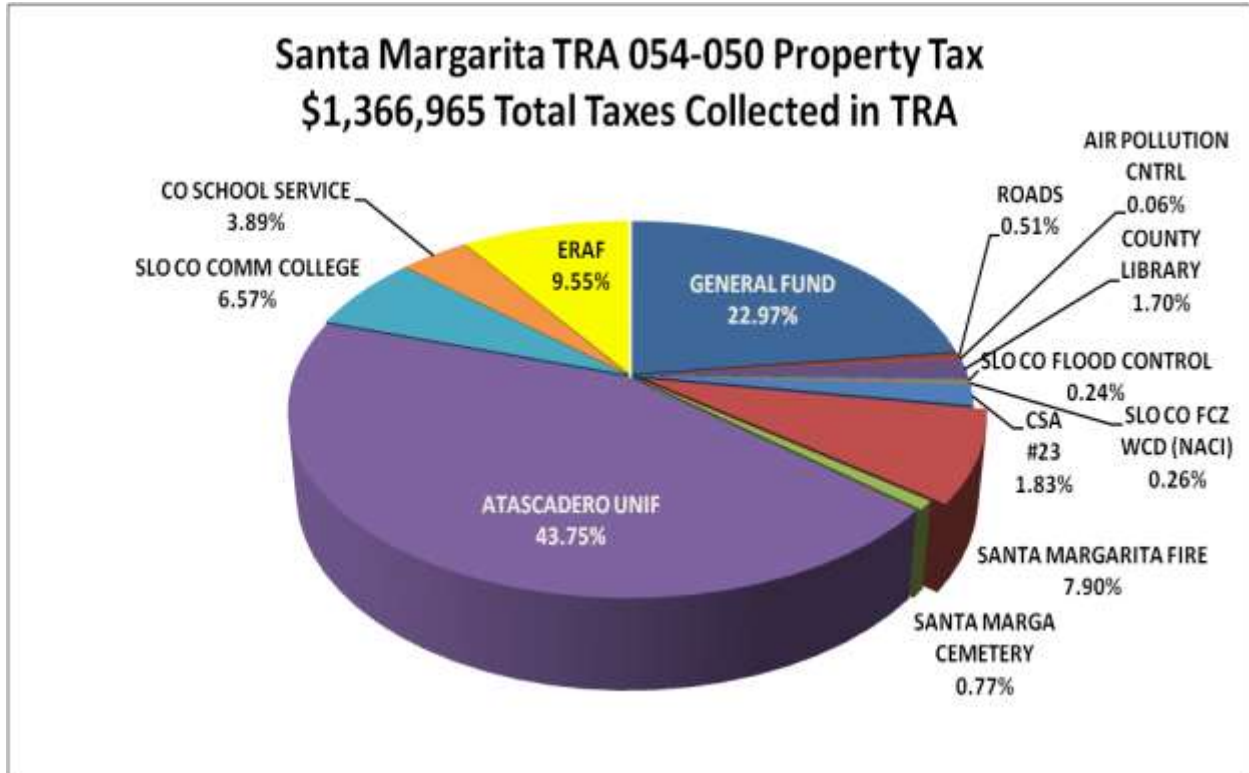


Figure 74 Santa Margarita FPD: TRA 054-050 Breakdown

Tax Rate Area 054-050 allocation between all agencies that collect property tax from the tax rate area.⁶²

PERCENTAGE OF PROPERTY TAX EXPENDED ON FIRE PROTECTION IN FY 2017/2018⁶³

Total Property Tax Received by Santa Margarita FPD:	\$108,623
Property Tax Allocated to Fire Protection:	\$108,623
Percent of Total Allocated to Fire Protection:	100%

⁶² San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

⁶³ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

Number of Parcels

The number of parcels in the District impacts the ability of the District to pass a parcel based benefit assessment fee. An analysis was conducted to determine the fee burden per parcel based on generating an arbitrary amount of \$500,000 in revenue for the District. That analysis is reflected in the table below. A flat fee of \$961 per parcel (all parcels charged the same amount) is required to generate \$500,000 in the Santa Margarita FPD. Values may vary depending on number of exempt parcels.

District	Total Number Of Parcels	Fee Per Parcel to Generate \$500,000.00
Santa Margarita FPD	522	\$961

Figure 75 Santa Margarita FPD Parcel Count

SANTA MARGARITA FPD LOCAL REVENUE ENHANCEMENT EFFORTS

Grants

Santa Margarita FPD (SM FPD) applied for Volunteer Fire Assistance and federal Homeland Security grants for equipment with some success.

SIGNIFICANT COST FACTORS

Payroll

The District is utilizing a part-time Fire Chief and Paid Call Firefighters in an effort to reduce payroll costs.

Retirement and Other Post Employment Benefits (OPEB)

The District has taken steps to reduce its exposure for OPEB. The Fire Chief and Assistant Fire Chief have other primary jobs and do not receive retirement benefits, including post-retirement health care, from their Santa Margarita FPD role.

Equipment Replacement Fund

The District has no sinking fund for significant equipment purchases. They have had success with grant funding to pay for some equipment and donations of used equipment. The district has insufficient annual property tax revenue to fund an apparatus sinking fund.

Fire Station Replacement

Santa Margarita FPD is in need of a new fire station. The existing station does not meet the needs of the District and has flooded in the past. The District has purchased a vacant piece of property and is working toward funding for a new fire station.

While the District is making efforts toward reserving funds for a new facility, the gap between the available funding and the cost of constructing an essential service building is substantial.

The County Fire strategic plan recommends constructing a new County Fire Department station in the Garden Farms/Santa Margarita area as well. Building two new fire stations in close proximity is redundant.

Workers' Compensation

The District reported having no significant open workers' compensation claims.

Liability

The District reports they do not have any pending lawsuits.

SANTA MARGARITA FIRE PROTECTION DISTRICT BUDGET

**Santa Margarita Fire Protection District
Actual Revenue and Expenditures
Based on SLO County Auditor/Controller Budget Reports**

	2014/2015	2015/2016	2016/2017	2017/2018
Revenue				
Property Tax	95,836	99,807	105,336	108,623
Benefit Assessment/Special Tax	-	-	-	-
Interest Revenue	463	769	1,139	2,263
Public Facility Fee-Fire	1,091	1,644	-	2,284
Weed Abatement Fees	-	-	-	-
Inspection Fees	-	-	-	-
Reimbursement for Mutual Aid	-	-	-	-
Ambulance Reimbursements	4,967	4,028	3,056	10,316
Grant Revenue	-	-	-	-
Other Revenue	-	-	-	-
Total Revenue	102,357	106,248	109,531	123,486
Expenditures				
Salaries, Stipends and Benefits	30,863	34,384	37,437	37,465
Services and Supplies	59,868	60,141	63,527	64,052
Debt Payments	-	-	-	-
Other Expenses	-	-	-	-
Total Expenditures	90,731	94,525	100,964	101,517

Figure 76 Santa Margarita FPD Fire Budgets 2014-2018

SANTA MARGARITA FPD STAFFING

CURRENT STAFFING:

- 1 Fire Chief-Part Time
- 1 Deputy Chief-Part Time

- 1 PCF-Fire Captains
- 1 PCF Lieutenant
- 4 Paid Call Firefighters

RECRUITMENT AND RETENTION

- Santa Margarita actively recruits Paid Call Firefighters (PCF) with moderate success.
- There is a turnover of 2-3 PCFs per year (30-40% of 8 member PCF force).
- Some PCFs are deployed to summer seasonal firefighter jobs and are not available to the FPD.
- Developing PCF fire officers (Asst. Chief and Captains) is difficult due to time and experience requirements. If the fire department loses an experienced fire officer due to work commitment or relocating from the area, it can take years to replace them.
- Out of district assignments (major fire mutual aid) can serve as a retention tool for (PCFs) if they can be committed away from town for two weeks.
- Chief Murach has been with Santa Margarita FPD for 29 years, he has a fulltime job outside of the district. This level of community member commitment is becoming scarce.
- Chief Murach has plans to retire in 5 years and is working on identifying a community member as his successor; hiring a career fire chief may exceed the available budget.

PROPOSED STAFFING

Chief Murach believes the current PCF model can operate for up to another 5 years. The major concerns are:

- Incident activity and training requirements causing a negative impact on volunteer/PCF response.
- Community demographics being able to support recruitment of new PCFs due to training and time commitments.

SANTA MARGARITA FIRE PROTECTION DISTRICT RESOURCE NEEDS

SM FPD did not request a property tax transfer from SLO County.

SM FPD is interested in:

- Continuing to receive automatic aid from County Fire
- Sharing any new revenue source or cost reductions for fire protection services such as dispatch cost including mobile data computers.
- Santa Margarita is in serious need of a replacement fire station and knowing County Fire is also interested in building a fire station in the immediate area. There may be some opportunities for sharing the station. There are also concerns about friction between two agencies in one fire station.

SANTA MARGARITA FIRE PROTECTION DISTRICT OPTIONS CONSIDERED

- Santa Margarita FPD has no current plans or intention to divest fire protection or dissolve the District.
- If PCF recruitment is unsustainable in the future, and there is a need to provide fulltime career staff, SM FPD will need to seek additional revenue (most likely a benefit assessment) or dissolve the District.
- Funding for fire station replacement and major apparatus is a serious deficit.

COUNTY OPTIONS IN THE EVENT OF DISSOLUTION

Level of Service Analysis

The County Fire Strategic Plan Level of Service Analysis recommends a minimum of a “Suburban Service Level” for Santa Margarita which equates to an 8 minute response time for 90% of the district. All of the districts can be reached within 5 minutes driving time from the Santa Margarita Fire Station. The unknown factor is the response time for PCFs to get to the fire station to respond the equipment. 3-minute dispatch and getaway time is considered a standard for staffed fire stations, however, PCF staffed stations will exceed 3 minutes since the response is initiated from home, work or other location to the fire station first.

Response Time	Dispatch and Get Away Time	Driving Time to Incident
Urban Standard == 7 Minutes	3 minutes	4 minutes
Suburban Standard== 8 minutes	3 minutes	5 minutes

Figure 77 Santa Margarita FPD: Service Level Analysis

Closest Existing County Station

Station 40 (Parkhill) off Highway 58 on Parkhill Road is the closest Cal Fire/County Fire Station and has an 11 minute response time to Santa Margarita.

Impact on the County

Santa Margarita FPD’s current budget funding of \$113,200 is not sufficient to fund a staffed fire station including operational costs, PCF company costs, and apparatus and equipment replacement. If the SM FPD dissolves, the primary reason will be the inability to sustain adequate PCF company strength, thus creating a requirement for full-time staffing. If SM FPD cannot recruit and retain PCF’s, County Fire is unlikely to be more successful. The second reason will be the inability of the FPD to fund necessary services with their very limited tax base.

County Fire’s strategic plan calls for building a fire station in Garden Farms or Santa Margarita. County Engine 40 is currently stationed at the Park Hill Fire Station and is planned to be relocated to the Garden Farms area (1 mile north of Santa Margarita). The most cost effective solution for both agencies is to build a joint fire station.

If SM FPD divests fire protection as a result of dissolution, and County Fire is required to provide fire protection, there will be the onetime expense of a fire station. Other staff and operational costs are already budgeted for Engine 40.

COUNTY FIRE OPTIONS

2 Full-time firefighters on duty daily at a new Santa Margarita or Garden Farms fire station:

County Fire could staff a new fire station in Santa Margarita or Garden Farms area and provide fire protection within the service level analysis “Suburban” service level (8 minute response time).

If current 2018-19 FY SM FPD property tax funding allocation for fire (\$113,200) is transferred to the County through a property tax exchange, there will still be insufficient funding for the fire station staffing and operation on its own. However, the County’s long-term plan to relocate Engine 40 would not require additional staffing. The revenue transferred from the District could be utilized toward partial payment for fire station construction and/or equipment replacement.

The County’s current allocation for Engine 40 staff and operational support should be sufficient to fund the ongoing cost of fire protection service.

TEMPLETON COMMUNITY SERVICES DISTRICT



KEY FINDINGS

1. **Templeton CSD** indicated that they are in imminent fiscal peril of divestiture without financial augmentation
2. Templeton CSD has success augmenting their two career personnel with reserve firefighters but report high turnover of reserve firefighters.
3. The voters in Templeton did not approve a special tax of \$77 per parcel in 2009 to augment the District's budget.
4. A subsequent 2015 survey by SCI Consulting indicated that the District would not be successful passing a special tax or benefit assessment measure.
5. The District formed a Mello Roos Community Facilities District for new development. Those funds will start to accrue in three to ten years and go to the district's general fund.
6. The district is considering a new benefit assessment district ballot measure for 2019.
7. The District is specifically requesting:
 - 7.1. A property tax transfer of \$485,000 on an ongoing basis to support fire operations. since they receive less than 10% of the property taxes in the District's tax rate areas.
 - 7.2. The funds will be used to fund a full-time fire chief and add two additional career staff to allow for one career and one reserve firefighter on duty 24/7.

Templeton CSD Options include possible divestiture:

8. Templeton CSD reports they intend to go to the voters requesting passage of a special tax or benefit assessment district in August 2019.
9. If unsuccessful, the District states they will have no choice, but to divest fire protection service.

County options for Templeton include:

10. Agree to property tax transfer:
 - 10.1. Execute a property tax transfer agreement to support the District's request for net \$485,000 transfer or some variation.

11. DO NOT agree to property tax transfer:

11.1. The County can decide to not transfer property taxes.

Based on the County Fire Strategic Plan service level analysis, if Templeton CSD divested, the County will have three options:

12. Options assume TEM CSD transfers \$ 833,400 property tax currently used for fire protection to County, maintain and share PCF company 30, and adding a Deputy Fire Marshal position:

Option A: Relocate County Engine 30 to Templeton Fire Station with 3 career firefighters 24/7 (augmented staffing).

No additional funding required

Option B: County adds funding, Templeton engine staffed with at least two career firefighters 24/7;

Engine 30 remains at Cal Fire Station 30 staffed with at least two career firefighters 24/7.

\$485,000 additional annual funding required in addition to \$833,000 current district property tax allocation.

Option C: County adds funding, relocate Engine 30 to Templeton and augment staffing for a second staffed fire company at Templeton Fire Station. 3 career firefighters on duty daily

\$350,000 additional annual funding required in addition to \$833,000 current district property tax allocation.

DISTRICT INTERVIEW ATTENDEES

August 16, 2018 meeting: Board Directors Gwen Pelfry and Pamela Jardini, General Manager Jeff Briltz, Fire Chief Bill White

September 19, 2018 meeting*: Board Directors Gwen Pelfry and Pamela Jardini, General Manager Jeff Briltz, Fire Chief Bill White, Finance Officer Natalie Klock

- Lisa Howe was unable to attend the September 19, 2018 meeting

BACKGROUND, HISTORY, AND SERVICES PROVIDED

The Templeton Community Services District (Templeton CSD) was formed in 1976 by a reorganization that combined the volunteer Templeton Fire Protection District, Templeton Sanitary District, Templeton Lighting District, and County Waterworks # 5. The Templeton CSD provides property tax-supported services (fire, lighting, parks, and recreation) and enterprise services (water, sewer, solid waste). The 2018-19 Templeton CSD budget is \$6,024,734⁶⁴; \$1,149,630 is from property taxes; the balance of the budget is primarily from water, sewer and solid waste enterprise funds. Templeton CSD has an elected five (5) member board of directors with a General Manager for the CSD and serves a population of 7,700 people.

⁶⁴ Templeton CSD budget document

TEMPLETON CSD FUNDING

Primary funding for 2018-19 FY \$947,628 Templeton CSD fire protection budget is from property taxes in the amount of \$833,482. The fire budget is allocated 72.5% of the total property tax allocation. Fees and reimbursements make up the remainder in addition to reserve transfers. Templeton CSD has enacted a Mello-Roos Community Facility District for new developments which the district will realize revenue in 3-10 years.

Fire protection is provided from the Templeton CSD fire station on 5th and Crocker Streets. The fire station is staffed during the day with a career Captain and a Reserve Firefighter and with Reserve Firefighters at night. Additional response staffing is from on-call Reserve and Paid Call Firefighters (PCF). The Templeton CSD fire department consists of a part paid Fire Chief, 2 career-Captains, and 9 PCF/Reserves. Administrative support is provided by Templeton CSD staff.

Automatic aid is provided by Cal Fire Station 30 located at the northern boundary of the district. The next closest mutual aid fire stations are City of Paso Robles, 6 miles north; and City of Atascadero, 6 miles south. Cal Fire Station 30 has a response time of 3-8 minutes. The City of Paso Robles apparatus has a 13 minute response time. The City of Atascadero apparatus has an 11 minute response time.

TEMPLETON CSD FIRE PROTECTION CONCERNS

Templeton CSD staff state their primary need is \$485,000 in annual funding to increase the number of career firefighters to provide a minimum of one career firefighter on duty for 24/7 coverage. Templeton CSD is occasionally experiencing an inability to schedule Reserve Firefighters for nighttime coverage or receiving no response from PCFs during nighttime coverage periods. Templeton Fire Department responded to 831⁶⁵ emergencies in 2017 within the District boundary. The closest ambulance is located on Main Street in Templeton.

Templeton CSD Fire Department recruits Reserve Firefighters from community college fire academies at Allan Hancock College and Monterey Peninsula College. To date, they have not had much success in recruiting community members for Paid Call Firefighter positions, with 5 living in Templeton. Most of the paid call firefighters are full-time firefighters for other agencies.

Chief White reported using reserves is sustainable for the next five (5) years but is currently having difficulty scheduling for 24 hours per day coverage, especially when one of the 2 career firefighters is on vacation or ill. Templeton CSD experienced 38 night shifts with no Reserve Firefighter coverage; 44 incidents occurred during those shifts and response was delayed while off duty and paid call responded from home. Concern was expressed that if one or both of the career staff were to be unavailable for an extended period of time, the department will not be able to support response. One of the career Fire Captains announced his retirement effective the end of December 2018.

⁶⁵SLO County Fire/ Cal Fire Computer Aided Dispatch

TEMPLETON CSD REQUEST FROM COUNTY

Templeton CSD requests a permanent property tax exchange that increases the percentage of 1% property tax that goes to the CSD. The first year goal is to increase the net revenue to Templeton CSD by \$485,000 and accrue growth in assessed valuation based on the new percentage allocation share in the future. The request will correspondingly reduce the County's property tax share within the affected tax rate areas.

The basis for the request is the district's belief the low percentage of property tax allocation to the District based on the post Prop 13 formula for property tax distribution is inappropriate. Templeton CSD receives less than 10% of the property taxes in each of its tax rate areas.

TEMPLETON CSD UNIQUE RISKS AND HAZARDS

Twin Cities Hospital and associated medical facilities are located in TEM CSD which require special skills and inspections.

The Union Pacific railroad runs through Templeton and presents unique training requirements for rail and passenger emergencies. Highway 101 also passes through the community and results in frequent vehicle accidents, inside and outside of the district. Specialized training and equipment are required to respond to these unique hazards.

Templeton CSD Fire department operates one of four specialized mobile breathing support units (BSU) in the County. BSU's are dispatched to support any fire or other hazardous incident where self-contained breathing apparatus are used by firefighters. The BSU is designed to fill the breathing apparatus air bottles at the incident.

TEMPLETON CSD DATA SHEET

Authorizing Code	Cal. Govt. Code 61000 et. seq.
Address:	P.O. Box 780
	420 Crocker Street
	Templeton CA 92465
Telephone:	805-434-4900
FAX:	805-434-4820
Website:	www.templetoncsd.org
District Manager:	Jeff Britz
Fire Chief:	Bill White
Board of Directors Meetings	First and third Tuesday of the month at 7 p.m. at the District offices
Board Members	Debra Logan Gwen Pelfrey Wayne Petersen Navid Fardanesh Pamela Jardini
Acreage	3271
Square miles	5.1
Number of parcels	2778
Population	7700
Assessed Valuation	\$1,143,978,918
2017/2018 Fire Actual Tot. Rev.	\$992,403
2017/2018 Property Tax: District	\$1,085,530
2017/2018 Property Tax: Fire	\$796,278
Special Tax or Assessment	\$0
Number of Career/Paid personnel	3
Number of Reserves/PCFirefighters	9
Number of Active Volunteers	0
Annual calls for service (2017 cy)	831
Date of Formation	December 29, 1976

Figure 78 Templeton CSD Data Sheet

TEMPLETON CSD MAP

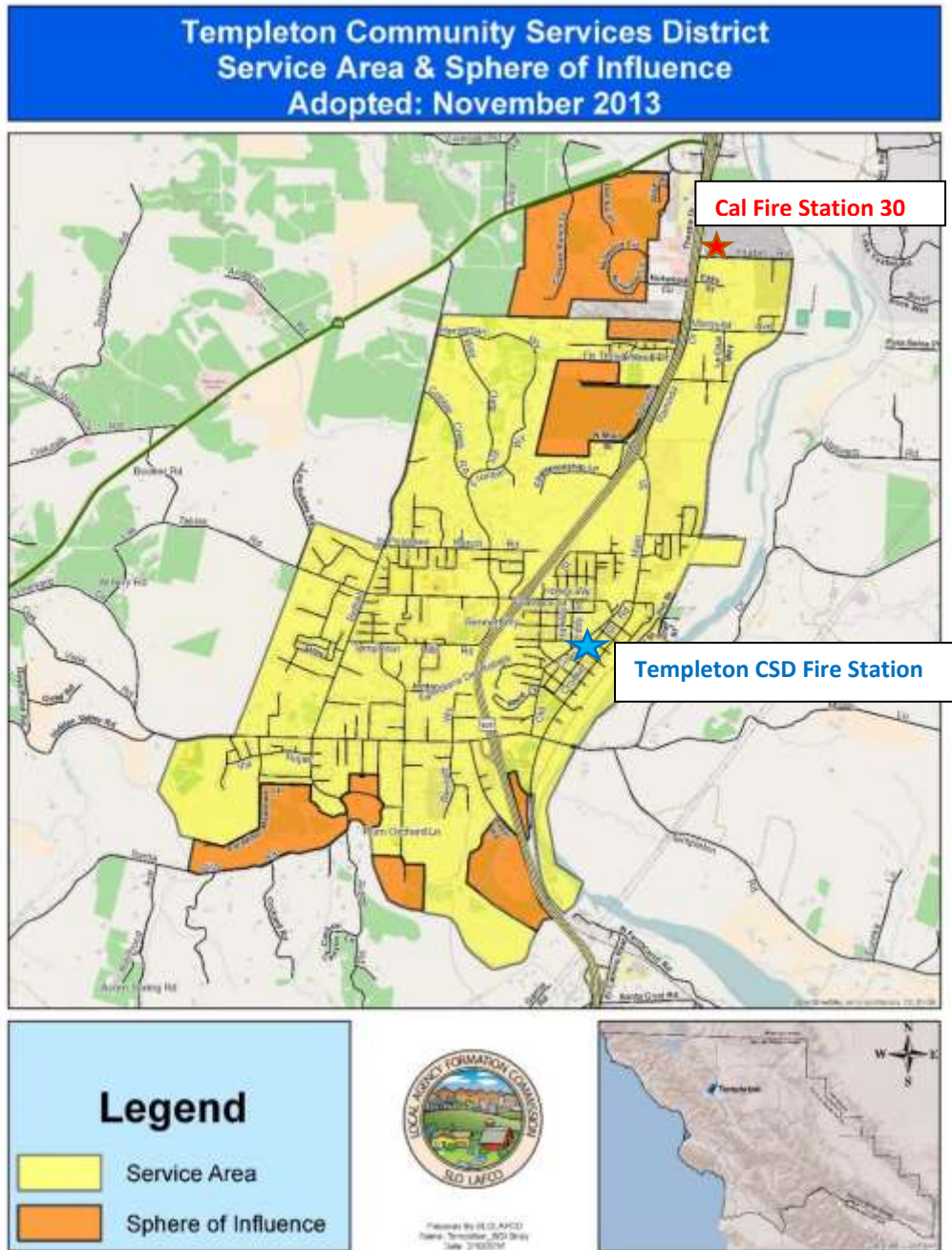


Figure 79 Map of Templeton CSD: LAFCO

LAFCO Map of Templeton CSD service area and sphere of influence⁶⁶

⁶⁶ San Luis Obispo County LAFCO

TEMPLETON CSD FIRE DEPARTMENT INCIDENT DENSITY

The following map represents the density of incidents in a given location of the District, known as a “heat map”. The District boundary is represented with an orange line. The shades of purple and blue represent incidents at that location. Light shades indicate few calls for service at that location, while the deep purple represents a high volume of calls at the same location. The purpose of the map is to evaluate historical incident data for planning deployment of emergency resources, including fire station placement. The source of the incident data for the map is from the dispatch center’s computer-aided dispatch program and represents 3 ½ years of data from January 1, 2015, to June 30, 2018.

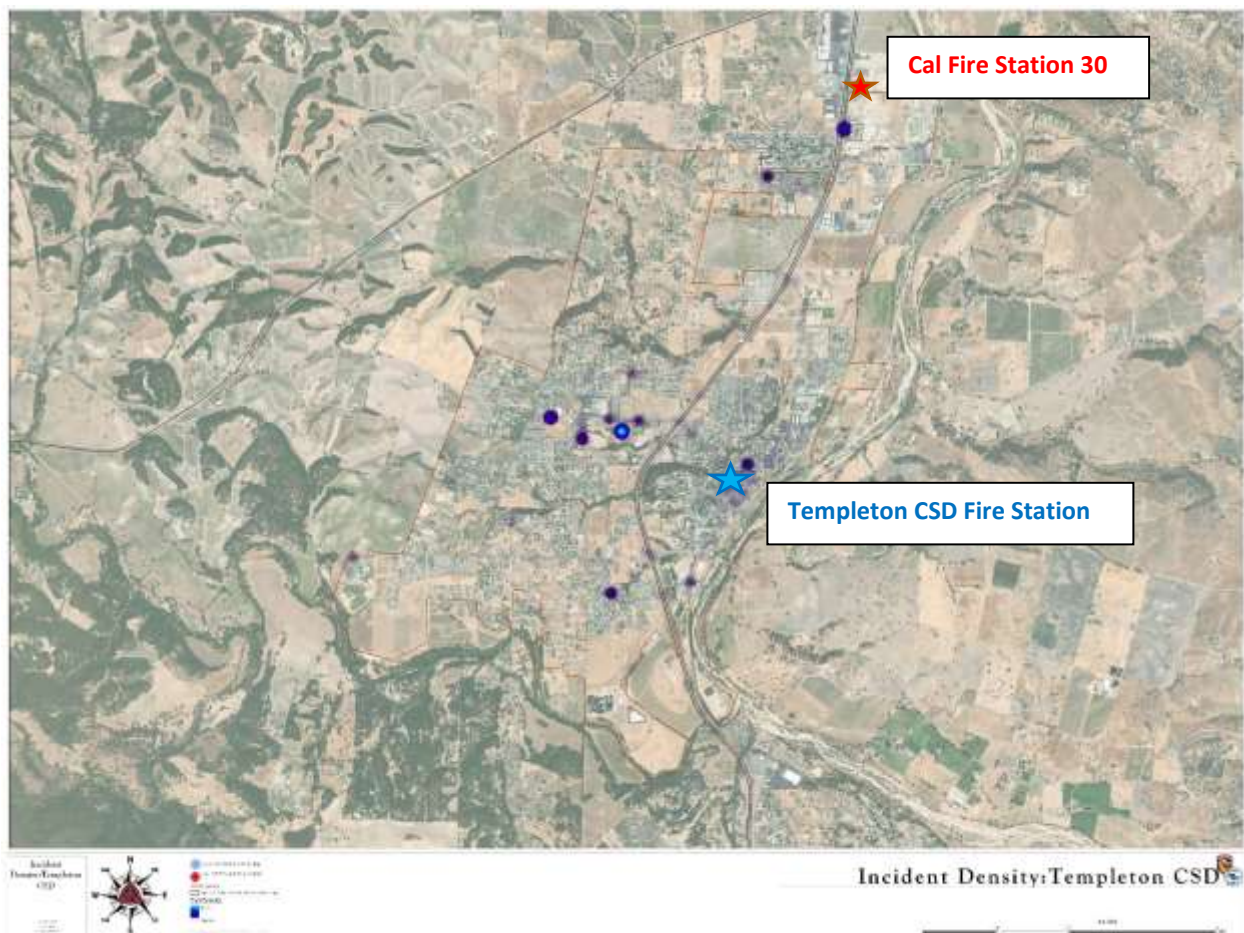


Figure 80 Templeton CSD: Heat Map of incident locations

The map above depicts County Fire responses in and around Templeton, the responses are from Station 30 on Ramada Drive at the northern boundary of Templeton.

RESPONSE TIME ANALYSIS: TEMPLETON CSD

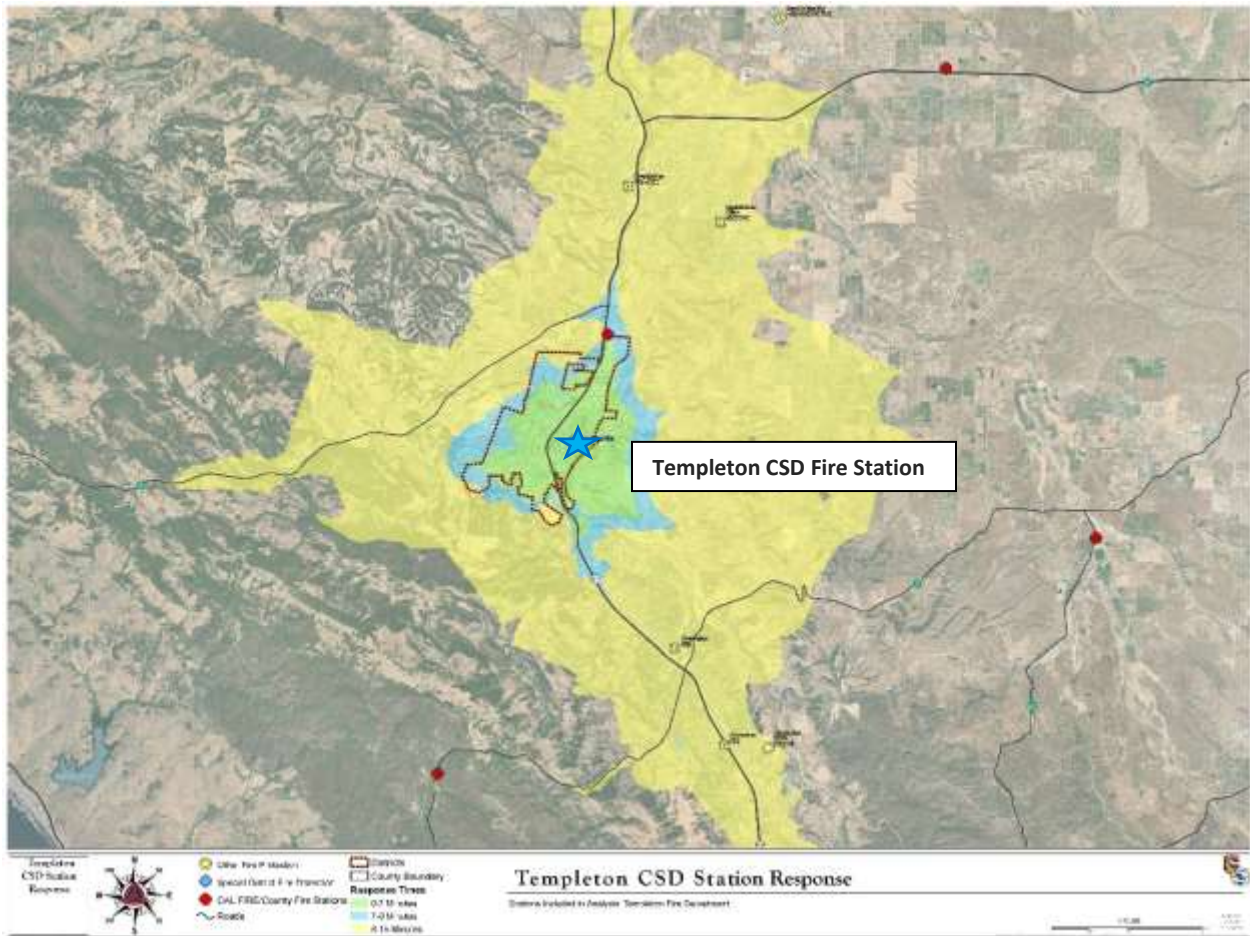


Figure 81 Templeton CSD: Response times from Templeton CSD fire station

This map represents the response times from **only** the Templeton CSD Fire Station on 5th Street. 75% of the district can be reached within 4 minutes driving time and 95% of the district within 5 minutes driving time from the Templeton fire station. The unknown factor is the response time for PCF to get to the fire station to respond the equipment when no career or reserve staff are on duty. 3 minutes is considered normal for staffed fire stations, PCF staffed stations will exceed 3 minutes since they must respond from home/work to the fire station first.

The shaded green area represents a drive time of up to four (4) minutes, the blue shaded area represents a drive time of over four (4) minutes and under five (5) minutes, while the yellow shaded area represents a drive time of five (5) to twelve (12) minutes. In all cases, 3 minutes are added for “reflex” time. Reflex time includes the time required to dispatch the call, assemble the crew, don the appropriate gear for the response and get out the door. The resulting total response times of seven, eight and fifteen minutes are based on industry standards for levels of service and fire progression. While not absolute, these tools are effective for planning purposes.

AUTOMATIC AND MUTUAL AID RESPONSE TIME ANALYSIS: STATIONS NEAR TEMPLETON CSD

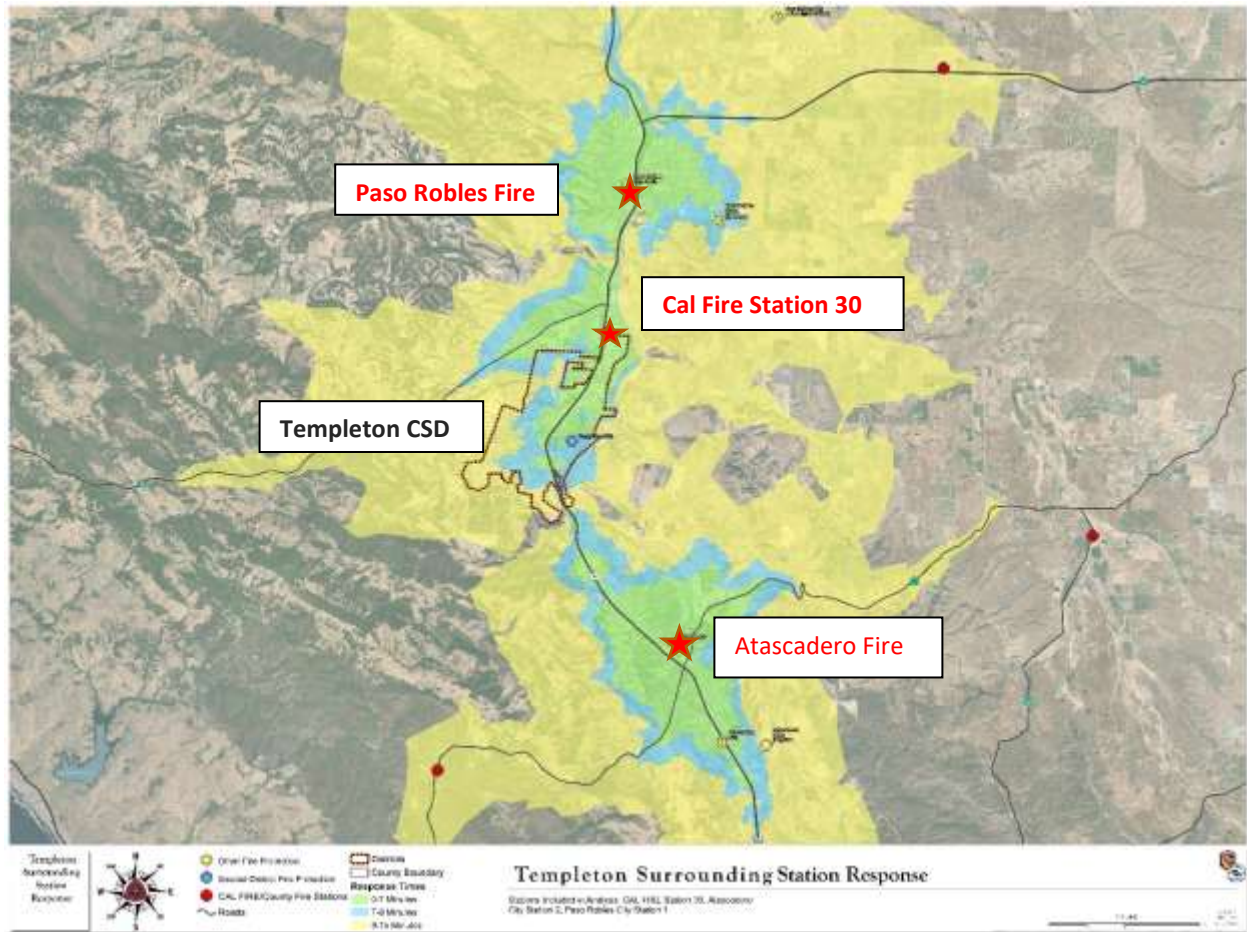


Figure 82 Templeton: Response Times from adjoining fire stations

This map uses the same time values as the previous one. The difference is that this map removes the Templeton CSD Fire Station from the analysis and considers automatic and mutual aid response times from nearby fire stations. The four stations nearby are Cal Fire Station 30, City of Paso Robles Fire Station 1, and Atascadero Fire Station 1.

Station 30 can cover approximately 50% of the district in a 7 minute response time and 75% within an 8 minute response time. Paso Robles and Atascadero approach the district boundary at 8 minutes.

TEMPLETON CSD FUNDING

ASSESSED VALUATION ⁶⁷

The assessed value along with a percentage increase of growth of the district is listed in the table below. The total for San Luis Obispo County is listed as well for comparison purposes.

Agency	Secured and Utility 2017-2018 Assessed Valuation (after HOPTR*)	Percent of Total	Growth from Prior Year		
			2015- 2016	2016- 2017	2017- 2018
San Luis Obispo County	\$49,089,032,946	100.0000%	6.22%	5.67%	5.61%
Templeton CSD	\$1,143,978,918	2.3304%	5.36%	4.01%	6.35%

Figure 83 Templeton CSD Assessed Valuation

*HOPTR-Homeowners Property Tax Relief

TEMPLETON CSD PROPERTY TAX

The primary source of revenue for fire protection in special districts is property tax. The assessed value (chart above) and allocation formulas impact the amount of property tax allocated to the Templeton CSD.

PROPERTY TAX GROWTH TREND

Templeton CSD Property Tax Allocation⁶⁸

Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018
Property Tax Allocation	\$925,004	\$973,684	\$1,018,531	\$1,085,530
Growth from Previous Year	\$44,505	\$48,680	\$44,847	\$66,998
Incremental Growth %	5.05%	5.26%	4.61%	6.58%

Figure 84 Templeton CSD Property Tax Allocation 2014-2018

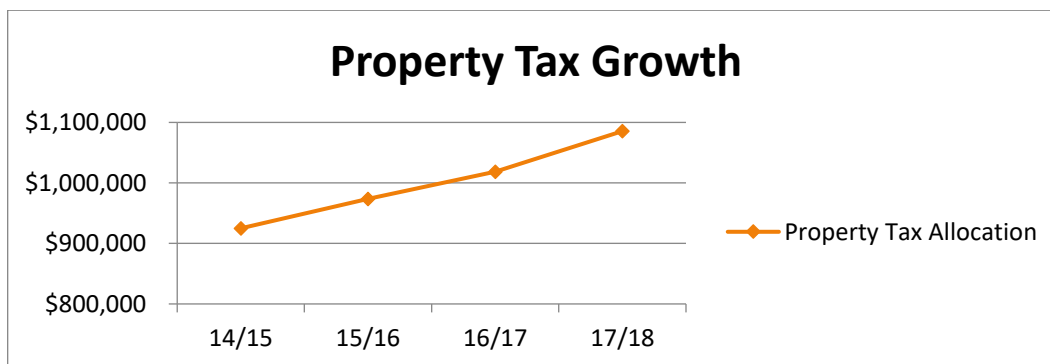


Figure 85 Templeton CSD Property Tax growth 2014-18

⁶⁷ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

⁶⁸ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

TEMPLETON CSD TAX RATE AREAS⁶⁹

Templeton CSD has 11 tax rate areas within the district, which are listed below along with the total taxes collected in each TRA, percentage allocated to the District, and associated dollar allocation amounts.

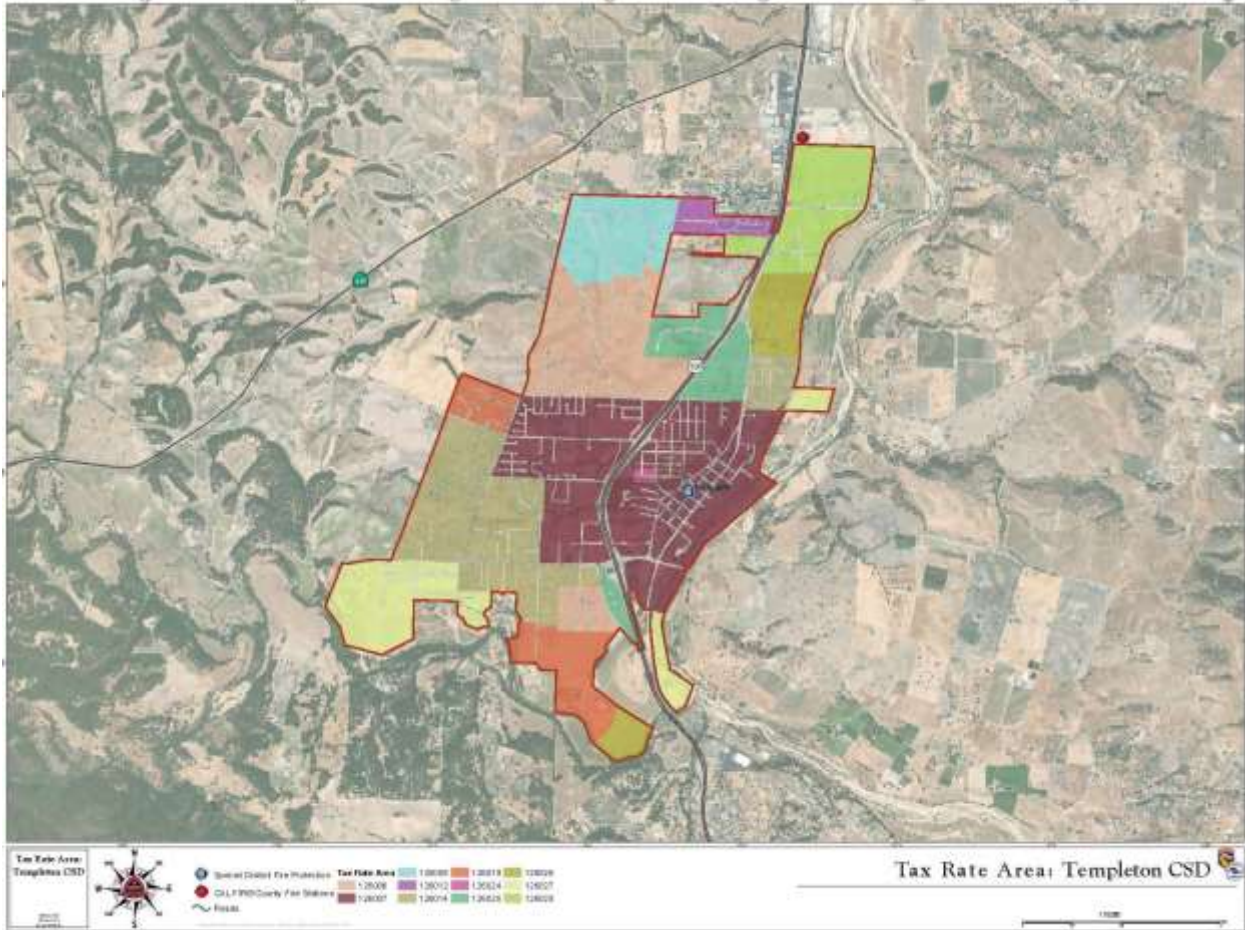


Figure 86 Map of Templeton CSD Tax Rate Area

TRA	Legend	TRA	Legend	TRA	Legend
126-006		126-014		126-026	
126-007		126-019		126-027	
126-008		126-024		126-028	
126-012		126-025			

⁶⁹ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office
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Templeton CSD 2017/2018 Tax Revenue % and \$ by TRA

TRA	Percent to CSD	Total Tax for TRA	Tax Dollars to CSD
126-006	8.55835	\$970,216	\$82,988
126-007	9.95670	\$6,227,797	\$620,083
126-008	8.55251	\$337,845	\$28,894
126-012	6.88568	\$350,883	\$24,161
126-014	8.55351	\$2,243,984	\$191,939
126-019	6.88508	\$371,929	\$25,608
126-024	9.95670	\$60,146	\$5,989
126-025	8.47741	\$357,520	\$30,308
126-026	9.24903	\$25,593	\$2,367
126-027	9.19422	\$819,116	\$75,311
126-028	8.47741	\$770,232	\$65,296
TRA Count =11	Total	\$12,535,261	\$1,152,944

Figure 87 Templeton CSD Tax Revenue % and \$ by TRA

TEMPLETON CSD PROPERTY TAX ALLOCATION/TAX RATE AREA PERCENTAGES

The pie chart below represents the allocation of property tax to all the agencies that receive property taxes within the 126-007 tax rate area. This tax rate area was selected as a representative example of the allocation of property tax to the District and is the tax rate area that generates the greatest tax revenue within the District.

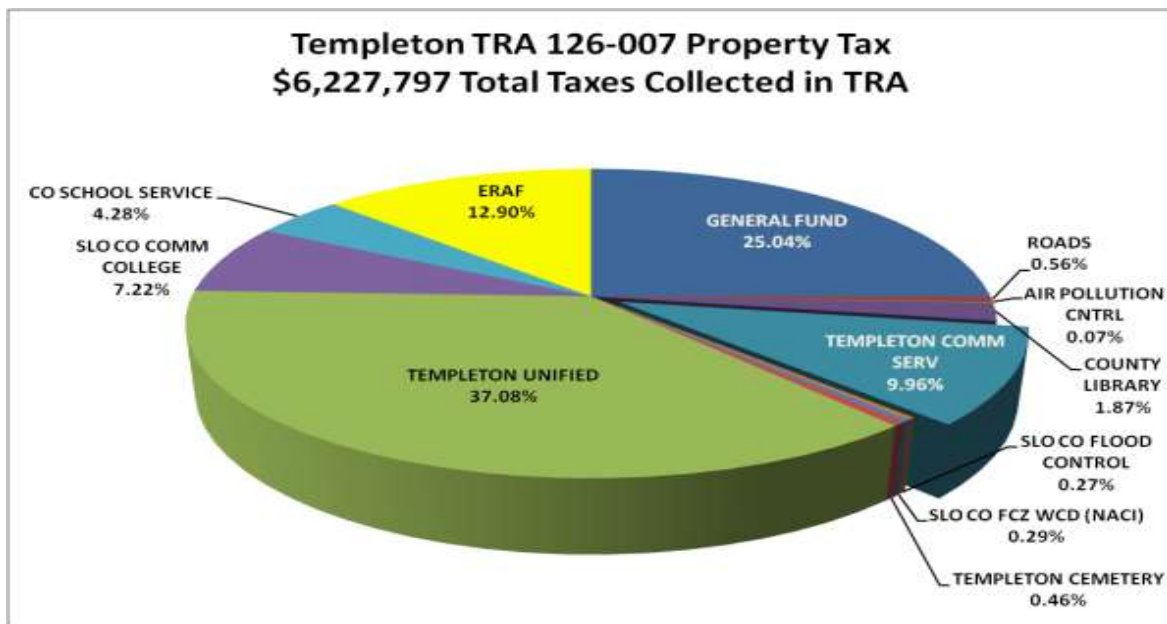


Figure 88 Templeton CSD TRA 126-007 Breakdown⁷⁰

⁷⁰ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector's Office

TEMPLETON CSD PERCENTAGE OF PROPERTY TAX EXPENDED ON FIRE PROTECTION IN FY 2017/2018⁷¹

Total Property Tax Received by Templeton CSD:	\$1,098,314
Property Tax Allocated to Fire Protection:	\$796,278
Percent of Total Allocated to Fire Protection:	72.5%

Templeton CSD Number of Parcels

The number of parcels in the District impacts the ability of the District to pass a parcel based benefit assessment fee. An analysis was conducted to determine the fee burden per parcel based on generating an arbitrary amount of \$500,000 in revenue for the District. That analysis is reflected in the table below. A flat fee of \$179.98 per parcel (all parcels charged the same amount) is required to generate \$500,000 in the Templeton CSD. Values may vary depending on number of exempt parcels.

District	Total Number Of Parcels	Fee Per Parcel to Generate \$500,000.00
Templeton CSD	2778	\$180

Figure 89 Templeton CSD Parcel Count

TEMPLETON CSD LOCAL REVENUE ENHANCEMENT EFFORTS

Benefit Assessment District

- Templeton CSD placed a \$77/per parcel benefit assessment district ballot measure in 2009; the measure received 38% support.
- Templeton CSD hired a consultant to survey support for a similar benefit assessment measure in 2015, the survey showed insufficient support.

Mello-Roos-Community Facilities District

- Templeton CSD enacted a Mello-Roos Community Facilities District (CFD) for areas of new development. Each new parcel will contribute \$957 annually toward the Templeton CSD for support of fire, lighting, parks and recreation services. District staff expects CFD fees will begin to accrue in 3-10 years as parcels sell and develop.

SAFER Grant

Templeton CSD applied for a federal FEMA SAFER grant in 2012 that funded additional full-time firefighter for four (4) years. The purpose of the grant was to enable Templeton CSD to have additional full-time firefighters on duty daily. There was no source of funding to continue funding the firefighters after the grant expired in 2016 and staffing was reduced.

⁷¹ Templeton CSD Financial Documents

TEMPLETON CSD SIGNIFICANT COST FACTORS

Payroll

The District is successfully utilizing Part-time Fire Chief and Paid Call Firefighters in an effort to reduce payroll costs until permanent funding for career firefighters is secured.

Retirement and Other Post Employment Benefits (OPEB)

The District has taken steps to reduce its exposure for OPEB. An actuary has been conducted and the District is fully funding the liability. The District reported having legacy costs for retired fire department employees.

Equipment Replacement Fund

The District utilizes a sinking fund for significant equipment purchases when funds allow. They have also had success with grant funding to pay for some equipment.

Workers' Compensation

The District reported having two open significant workers' compensation claims for fire department personnel.

Liabilities

The District staff stated they do not have any pending litigation regarding the fire department.

Facilities

Templeton CSD Fire Station is part of the administrative office complex. The facilities appear to be in good condition.

Further examination of facilities for housing crews is required.

TEMPLETON CSD FIRE DEPARTMENT BUDGET

Templeton Community Services District Actual Revenue and Expenditures: Fire Based on District's Financial Documents

	2014/2015	2015/2016	2016/2017	2017/2018
Revenue				
Property Tax	681,862	717,509	756,370	796,278
Benefit Assessment: Fire	-	-	-	-
Rental Income	3,073	-	-	-
Interest Revenue	898	259	226	2,250
Public Facility Fee-Fire	-	-	-	-
Weed Abatement Fees	4,885	2,034	3,311	3,500
Inspection Fees	-	-	-	-
Plan Review	12,281	11,151	29,175	15,265
Reimbursement for Mutual Aid	1,177	35,303	5,320	109,508
SAFER Grant (Staffing)	125,814	125,618	115,779	-
SCBA Grant	114,464	-	-	-
Grant Revenue: Other	-	-	6,430	-
Ambulance Reimbursements	8,925	9,063	9,177	9,375
Donations	-	5,103	5,526	9,735
Transfers In	15,707	273,492	4,000	25,000
Misc. Revenue	5,125	10,148	14,574	21,492
Sale of Property	-	-	386,093	-
Total Revenue	974,211	1,189,680	1,335,981	992,403
Expenditures				
Salaries, Stipends and Benefits	527,676	513,559	-	571,007
Services and Supplies	165,023	189,091	-	131,675
Debt Payments	-	-	-	-
Capital Outlay/One Time Exp.	182,001	286,735	39,287	41,647
Administrative Costs	87,500	91,000	109,507	116,550
Equipment Replacement	-	14,851	54,109	60,306
Other Post Employment Benefits	-	-	331,384	69,712
Total Expenditures	962,200	1,095,236	534,287	990,897

Figure 90 Templeton CSD Fire Budget 2014-2018

TEMPLETON CSD FIRE DEPARTMENT STAFFING

CURRENT STAFFING:

- 1 Fire Chief-Half time
- 2 career-Fire Captains (one announced retirement effective end of December 2018)
- 5 Paid Call Firefighters
- 15 Reserve Firefighters (Part-time)

RECRUITMENT AND RETENTION

- Templeton CSD actively recruits Paid Call Firefighters (PCF) with limited success.
- There is a turnover of 1-2 PCFs per year (40-50% of 5 member PCF force). Chief White would like to recruit and maintain 15 PCFs
- Some PCFs are employees of other fire agencies or have seasonal firefighter jobs and are not always available to the CSD.
- Developing fire officers (Captains) is difficult due to time and experience requirements. If the fire department loses an experienced PCF fire officer due to work commitment or relocating from the area, it can take years to replace them.
- Out of district assignments (major fire mutual aid) can serve as a retention tool for (PCFs) if they can be committed away from town for two weeks.
- Templeton CSD has had several full and part-time fire chiefs during the last ten years.
- Chief White is a full-time Fire Captain for Atascadero Fire Department and halftime Fire Chief with Templeton CSD. Should he leave, replacement will be difficult; hiring a career fire chief may exceed the available budget.

PROPOSED STAFFING

Templeton CSD's staffing plan (funded with \$485,000 property tax exchange) will allow for:

- Full-time Fire Chief— change from half time to full time
- 3 career Captains on 24-hour shifts – 1 new position
- 1 career Engineer on M-F 0800-1700 shift --1 new position
- 5-15 Paid Call Firefighters (PCF) — no change
- 10-15 Reserve Firefighters (part-time) on 1700-0800 & Sat & Sun 0800-1700 shifts— no change

The additional Captain will provide a career Captain on duty 24/7. The second on-duty firefighter will be the new Engineer M-F 0800-1700 and a Reserve Firefighter 24 hours per day Sat-Sun. There will not be two career firefighters on duty daily. District staff believes this model will work until Mello-Roos CFD fees start to accrue and allow the transition to 2 career staff on duty 24/7.

Note: Oceano CSD (FCFA) and Cambria CSD have both determined that use of Reserve Firefighters to fill 24/7 positions is not a reliable long-term solution to staffing. Both agencies have plans to abandon this model and pursue career staffing for 24/7 positions.

TEMPLETON CSD RESOURCE NEEDS

- Templeton CSD requested a property tax transfer from SLO County.
- The goal of a property tax exchange is to net \$485,000 to the District in the first year and added property tax growth in following years.

TEMPLETON CSD OPTIONS CONSIDERED

- Templeton CSD does not wish to divest fire protection but is concerned that without a property tax exchange or new benefit assessment fees they will be unable to sustain fire protection and will need to divest fire services to the County.
- Templeton CSD also believes a loss of current career employee(s) could trigger the inability to assure emergency response. One of two career Fire Captains announced his retirement effective end of December 2018.
- Templeton CSD is considering a \$188/parcel annual Benefit Assessment District ballot measure in 2019 to serve as a funding source or match for county property tax exchange.

COUNTY OPTIONS

COUNTY AGREES TO DISTRICT'S REQUESTED PROPERTY TAX EXCHANGE

- County can agree to fund Templeton CSD's request by transferring property tax received by the County to the District utilizing a property tax exchange agreement.
- Negotiate property tax exchange that will net Templeton CSD \$485,000 in year one and growth in successive years.
 - Note: County serves as the negotiator for both parties in a tax exchange

COUNTY DOES NOT AGREE WITH DISTRICT'S PROPERTY TAX TRANSFER REQUEST

- Templeton CSD initiates Benefit Assessment District ballot measure in 2019.

Templeton CSD Initiates Divestiture of Fire Protection to County

- In the event Templeton CSD is unable to sustain fire protection services financially, the Board of Directors may initiate divestiture through LAFCO
- County and Templeton CSD must agree to Fire Protection Service Plan
- County and Templeton CSD must agree to property tax exchange from the District to the County
- There are various options for consideration by the County to provide fire protection service in the event of divestiture by the District (Outlined below).

STUDY ASSUMPTIONS FOR DIVESTITURE

- Templeton warrants an Urban Response using County Fire Service level analysis
- This study assumes a property tax exchange where the County receives the current Templeton CSD \$833,490 property tax allocation for fire protection and future growth associated with the percentage of the property tax rate areas.
- Templeton CSD fulltime fire protection employees will be offered fulltime Cal Fire employment consistent with state law and protocols.
- Templeton CSD PCFs will be retained and combined with County Fire Company 30 PCFs.
- All assets dedicated to fire protection delivery in Templeton will be transferred to the County for purposes of delivering fire protection in Templeton. Use of Templeton fire station facilities, which are part of CSD administrative building complex, will require a use agreement between Templeton CSD and County.
- Cal Fire budgets all employees at the top step and senior levels for leave credits; actual cost are commonly less because employees are rarely all at top step.
- County Fire resources are available for immediate response throughout their jurisdiction.
- Engine 30's primary response area is large and there are chances that simultaneous incidents may occur (26 occurred in calendar year 2017). Operational policies address

simultaneous calls through use of automatic aid, move up and cover, mutual aid, and other operational methodologies.

- 2 Cal Fire engines at Station 30 will remain staffed during fire season with a minimum of 3 firefighters each.
- Cal Fire staffs one of the state funded wildland engines at this station with a Captain and 2 firefighters year-round.
- Station 30 will remain a must cover station for Cal Fire. Must cover means the station is backfilled as soon as possible (the timing of which is dependent on travel time from the location of available cover resources.)

Level of Service Analysis

The County Fire Strategic Plan Level of Service Analysis recommends a minimum of an “Urban Service Level” for Templeton which equates to a 7 minute response time for 90% of the district. 75% of the district can be reached within 7 minute response time from the Templeton fire station.

Response Time	Dispatch and Get Away Time	Driving Time to Incident
Urban Standard == 7 Minutes	3 minutes	4 minutes
Suburban Standard== 8 minutes	3 minutes	5 minutes

Figure 91 Templeton CSD Service Level Analysis

Closest Existing County Station

Station 30 (Paso Robles) on Ramona Drive in the north end of Templeton CSD is the closest Cal Fire/County Fire station and has a 3-9 minute response time to 75% of Templeton.

50% of the district can be covered in 7 minute response time from Station 30 on Ramada Drive (primarily the Main Street area and the north end of the district where station 30 is located)

FIRE PROTECTION FUNDING UNDER DIVESTITURE

- Templeton CSD’s current budget allocation for fire protection of \$833,482 is sufficient to fund additional County Fire staff, station operational costs, and PCF company costs that can meet the identified response time standards and level of service under the Urban service level standard when coupled with existing County Fire resources.
- If Templeton CSD divests, and County provides fire protection, there are various delivery options combining current County Fire funds and Templeton CSD property taxes previously allocated for fire services.

COUNTY FIRE OPTIONS- FIRE PROTECTION SERVICE DELIVERY POSSIBLE USING EXISTING FUNDING

A. Relocate County Engine 30 to Templeton Fire Station –1 Captain and 2 Engineers on duty daily (3 career + PCF company)

- A. County Fire will relocate County Engine 30 to the Templeton Fire Station and increase career staffing to 3 on duty daily.
- B. Assumes use of current funding for Engine 30 and property tax transferred from Templeton CSD to the County.
- C. Daily staffing at the Templeton Fire Station will be a minimum of Fire Captain, two (2) Engineers, and PCF company. Based on Cal Fire shift schedule, budgeted staffing of 3 Captains and 6 Engineers allows for 4th person on duty 1/3 of the year depending on employee leave.
- D. Second engine will be staffed by 3rd and/or 4th Engineer, and/or PCF company.
- E. Breathing Support Unit and Rescue will be retained and supported.
- F. Add a fulltime Deputy Fire Marshal position for public occupancy inspections and fire prevention in Templeton and north county.
- G. Engine 30's response area is large, and the engine will continue to serve an area outside of Templeton in addition to Templeton CSD.
- H. Station 30 would continue to be staffed by two Cal Fire State engines during fire season and continue to be a must cover station.
- I. Moving Engine 30 to Templeton is a better strategic location for response into County Fire's jurisdiction in El Pomar area because of a bridge across the Salinas River.

COUNTY FIRE OPTIONS- \$485,000 REQUESTED BY TEMPLETON CSD ALLOCATED TO COUNTY FIRE FOR FIRE PROTECTION

B. Staff Templeton Fire Station–1 Captain and 1 Engineer on duty daily (2 career + PCF company) and staff Engine 30 at Station 30; 1 Captain and 1 Engineer on duty daily (2 career + PCF company)

- A. Daily staffing at the Templeton Fire Station will be a minimum of Fire Captain and one (1) Engineer and PCF company. Based on Cal Fire shift schedule, budgeted staffing of 3 Captains and 3 Engineers allows for 3rd person on duty 1/3 of the year or more, depending on employee leave.
- B. Engine 30 will remain at Station 30 staffed with minimum of Fire Captain and (1) Engineer, plus PCF company
- C. Assumes utilization of current funding for Engine 30, Templeton property tax transfer to County and **added \$485,000** by the County.
- D. Second engine at Templeton station will be staffed by PCF company.
- E. Breathing Support Unit and Rescue will be retained and supported.
- F. Add a fulltime Deputy Fire Marshal position for public occupancy inspections and fire prevention in Templeton and north county.

- G. Station 30 will continue to be staffed by two Cal Fire State engines during fire season and continue to be a must cover station.

C. Relocate County Engine 30 to Templeton Fire Station – 1 Captain and 3 Engineers on duty daily; staffing 2 engines (4 career + PCF company)

- A. County Fire will relocate County Engine 30 to Templeton fire station.
- B. Assumes utilization of current funding for Engine 30, Templeton property tax transfer to County and **added \$350,000** by the County.
- C. Daily staffing will be one (1) Fire Captain, three (3) Engineers, and PCF company.
- D. Engine 30 will be staffed with minimum Fire Captain and Engineer
- E. Second fire engine will be staffed with two Engineers
- F. Based on Cal Fire shift schedule, budgeted staffing of 3 Captains and 8 Engineers allows for 5th person on duty several days of the year depending on employee leave.
- G. PCF company will be maintained.
- H. Breathing Support Unit and Rescue will be retained and supported.
- I. Add a fulltime Deputy Fire Marshal position for public occupancy inspections and fire prevention in Templeton and north county.
- J. This option gives the greatest depth of coverage for Templeton and surrounding area.
- K. Station 30 would continue to be staffed by two Cal Fire State engines during fire season and continue to be a must cover station.
- L. Moving Engine 30 to Templeton is a better strategic location for response into County Fire’s jurisdiction in El Pomar area because of a bridge across the Salinas River.

SUMMARY OF COUNTY OPTIONS IF TEMPLETON DIVESTS FIRE PROTECTION

County Options	At Templeton	At Station 30	Added Cost	Improves County Fire Deployment	Meets Urban Standard in TEM	Adds Dep. Fire Marshal	Cal Fire State Engines at Station 30
A	E30/3 staff; PCF Company	PCF Company	0	Yes	Yes	Yes	2 eng./6 staff
B	TEM eng./2 staff; PCF Company	E30/2 staff; PCF Company	\$485,000	Yes	Yes	Yes	2 eng./6 staff
C	E30/2 staff; TEM eng. /2 staff; PCF Company	PCF Company	\$350,000	Yes	Yes	Yes	2 eng./6 staff

Figure 92 County Fire Options for Templeton Fire Protection

Note: 2 staff = Captain and Engineer; 3 staff = Captain and 2 Engineers

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