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# EL DORADO LAFCO

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## LOCAL AGENCY FORMATION COMMISSION

*AGENDA OF SEPTEMBER 26, 2018*

*REGULAR MEETING*

*TIME SET 6:00 PM*

**TO:** Shiva Frentzen, Chair, and  
Members of the El Dorado County Local Agency Formation  
Commission

**FROM:** José C. Henríquez, Executive Officer

**AGENDA ITEM #8:** **STUDY SESSION ON THE STATE OF FIRE DISTRICTS IN THE  
COUNTY AND OPTIONS FOR FINANCES AND ALTERNATIVE  
GOVERNANCE MODELS**

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### **RECOMMENDATION**

None, this is a receive and file item.

### **REASON FOR RECOMMENDED ACTION**

At the June meeting, the Commission directed staff to schedule a study session to discuss fire districts. The following information is the result of the work by your appointed ad hoc committee with input from the rest of the Commission and from staff for some fire districts.

### **BACKGROUND**

In the past 13 years, fire districts have been subject to least a couple of Grand Jury investigations, three articles and at least one editorial by the Sacramento Bee, two LAFCO municipal service review reports and a special study conducted by a consultant. The central questions for all of these studies and reports were:

- 1) How to stabilize poor, rural districts; and/or
- 2) Whether it is possible to increase efficiency and/or provide better fire service with fewer districts

The following report is intended to educate the public on how fire service in this county came to be and possibly spur discussion and generate ideas on possible, viable options that are available to interested parties. The goal is to increase momentum towards workable proposals for those who want to pursue them. The discussion order at the study session will mirror the structure of this memo. The attachments will provide a more in-depth discussion on particular items.

### **Review of LAFCO Process**

Among other things, LAFCO is empowered to approve unconditionally, conditionally approve or disapprove of various boundary-changing petitions that come before the Commission (refer to Attachment A). Those boundary changes may be composed of annexations, detachments, formations, dissolutions, consolidations, the incorporation of cities and any combination of these proceedings. The boundary changes must conform to the Cortese-Knox-Hertzberg Act (LAFCO law), the principal act of the district involved, the California Environmental Act and other statutes. Almost all of these require an external party to initiate a project. LAFCO has the ability to initiate consolidations and dissolutions; however, this ability is limited as explained in Attachment B.

For the purpose of this discussion, the following definitions will be used because each term has its own and distinct legal definition. Colloquially people can use the term “consolidation” and “merger” as meaning the same thing. In the LAFCO world, however, each term is specifically defined with profound repercussions:

*Annexations* – The addition of territory to an agency. Unless specified otherwise, the annexing territory must conform to the existing legal framework of the annexing agency (i.e. the payment of bonded indebtedness, adherence to existing contracts, and the imposition of fees and taxes) in exchange for an extension of service. The district must demonstrate to LAFCO that the revenues to be collected from the annexing territory fully offset the cost of extending service. LAFCO must give a district’s opposition to an annexation “great weight.” Depending on the circumstances, this action can be subject to a protest hearing and possible election, usually in the annexing territory only.

*Consolidations* – The dissolution of two or more special districts into a single, new successor district covering the entirety of the combining districts’ service areas. All assets and liabilities from the combining districts are transferred to the successor; however, existing labor and pension contracts and other legal arrangements from each agency can be cancelled. Certain taxes, fees and assessments can be transferred to the successor by LAFCO. LAFCO discretion to approve a consolidation may be removed if the combining districts adopt “substantially similar” resolutions of application. Depending on the circumstances, this action can be subject to a protest hearing and possible election (refer to Attachment C).

*Detachments* – The removal of territory from a district. Unless otherwise specified, detachments result in the affected territories ceasing having to conform to the district’s legal framework (e.g. no longer liable to pay for its portion of bonded indebtedness or subject to existing fees, taxes and assessments). Depending on the circumstances, this action can be subject to a protest hearing and possible election, but only in the detaching territory.

*Dissolutions* – The termination of the existence of a district. The district ceases to be a political entity. Its assets can be transferred to a successor agency that is a district. It should be emphasized that current law requires that some entity must continue to provide to the public all services that used to be provided by the dissolving agency. No election is necessary if the petition to dissolve is supported unanimously by the dissolving district’s board.

*Formations* – The creation of a district.

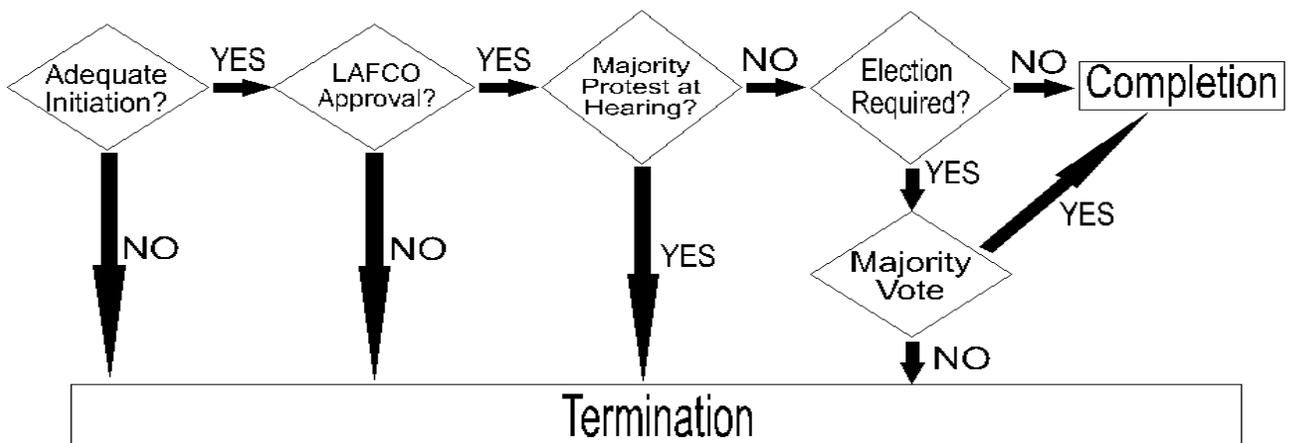
*Merger* – The termination of the existence of a district and the assumption of the district’s responsibilities by a city.

*Reorganization* – Two or more of the preceding actions initiated by a single proposal.

While the LAFCO process for each boundary change can vary depending on the type of petition, overall the following steps are similar enough to categorize:

- 1) Initiation of the petition.
- 2) Property tax negotiations take place – The Assessor’s Office provides the assessed value of the affected territory and the Auditor’s Office determines the allocation of the property taxes collected within the affected territory among the existing agencies. The CAO’s Office takes the lead for the County in determining how those taxes will be reallocated among the existing and annexing agencies should the petition be approved by LAFCO. If the petition involves a city, the County and the city are required to negotiate the new formula. If the petition only involves special districts, then the County negotiates “on behalf of” the special districts. The Board of Supervisors must approve the new allocation formula.
- 3) LAFCO staff analyzes all of the submitted materials by the applicant(s) and, should those be complete, sets the public hearing date.
- 4) The Commission considers and takes action on the petition. The Commission can continue the item no more than twice. LAFCO law prevents the Commission from continuing petitions off calendar.
- 5) Protest hearing if necessary *and* if the Commission approves the petition.
- 6) Election if necessary. That is, if triggered by #5 above *or* is required by the district’s principal act.
- 7) If the petition bypasses #5 and #6 above *or* is successful in those same steps, then the applicant has up to 12 months to comply with any conditions of approval the Commission has imposed.
- 8) The Commission action takes effect after all conditions of approval have been satisfied.

### Simple LAFCO Procedure



The last note is that the action requested of LAFCO has tremendous legal, political and fiscal repercussions for what happens “the day after” the LAFCO action takes effect. In addition, the type of protest proceedings, and where the election takes place if necessary, is dependent on the type of petition submitted and the circumstances surrounding it. Attachment B explains that a consolidation petition initiated by LAFCO only has a protest threshold of 10% of landowners or registered voters. Attachment C explains when and where an election takes place should one of the combining districts protest the consolidation action.

### ***Uniqueness of Fire Services***

In general, an agency’s responsibilities dictate its structure which, in turn, dictates the agency’s budget and the revenues it will need to function. The provision of fire suppression services is driven by three factors: fire response time, national training standards and operational requirements for incident commands.

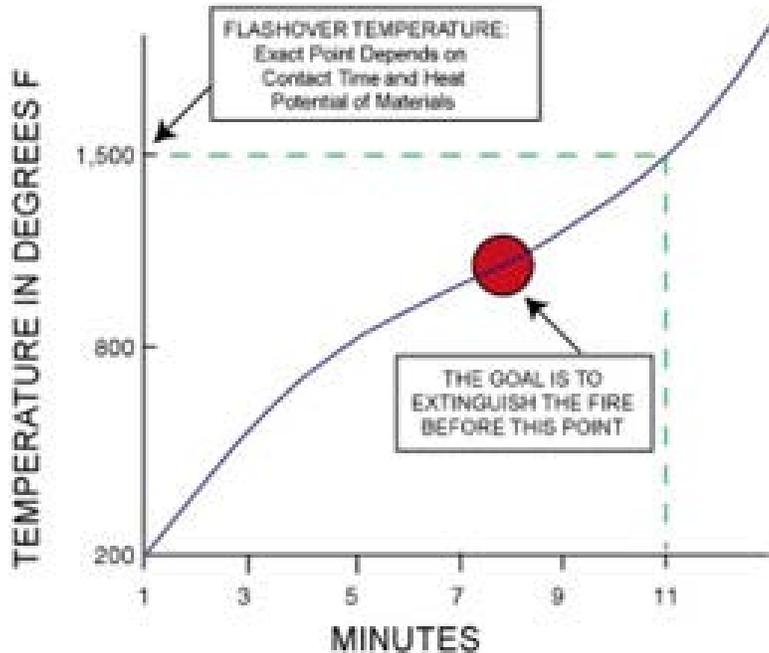
*Response Time to Fires* – It is generally recognized that a fire’s growth is exponential. The more time passes, the more a fire grows in intensity. Emergency Services Consulting International describes it this way:

Combustible material adjacent to the flame heat and ignite, which in turn heats and ignites other adjacent materials if sufficient oxygen is present. As the objects burn, heated gases accumulate at the ceiling of the room. Some of the gases are flammable and highly toxic.

The spread of the fire from this point continues quickly. Soon the flammable gases at the ceiling, as well as other combustible material in the room of origin, reach ignition temperature. At that point, an event termed “flashover” occurs; the gases and other material ignite, which in turn ignites everything in the room. Once flashover occurs, damage caused by the fire is significant and the environment within the room can no longer support human life. Flashover usually occurs about five to eight minutes from the appearance of flame in typically furnished and ventilated buildings. Since flashover has such a dramatic influence on the outcome of a fire event, the goal of any fire agency is to apply water to a fire before flashover occurs.

Everything related to fire has to be considered as growing on an upwardly sloped curve that can quickly turn into an exponential curve. Not only does fire grow at that rate, the negative effects of fire also grow in that manner. As a result, response time is critical, as all efforts are made to put out the fire prior to the flashover point or prior to it spilling beyond the initial source of the fire. The following charts illustrate why response times must be kept to a minimum in order to save lives and property:

## Generalized Flashover Curve

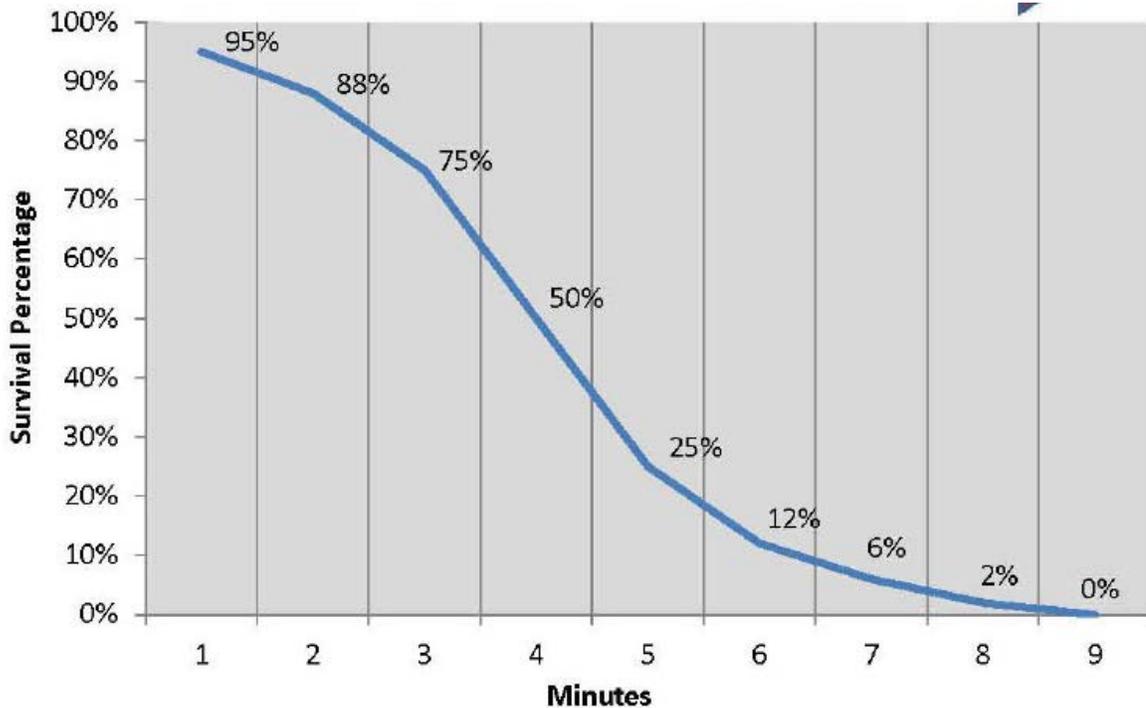


Source: Fire Life Safety Consulting

Consequence of Fire Extension in Residential Structures 2011–2015			
Extension	Rates per 1,000 Fires		
	Civilian Deaths	Civilian Injuries	Average Dollar Loss Per Fire
Confined to room of origin or smaller	1.8	24.8	\$4,200
Confined to floor of origin	15.8	81.4	\$36,300
Confined to building of origin or larger	24.0	57.6	\$67,600

Source: National Fire Protection Association

While most emergency calls to fire suppression agencies are medically related, the same time-dependent dynamics are present. In a large number of traumatic medical instances, mere minutes make the difference between life and death, or the difference between full and partial recovery to a catastrophic injury. Cardiac arrest is one of the most life-threatening events a first responder may face. Using heart attacks as an example, quicker response times increase the likelihood of revival and recovery:



Source: American Heart Association

*National Training Standard Requirements* - State and Federal regulations state that if fire suppression services are offered by a public agency, then there have to be sufficient contingencies in place to ensure the safety of the firefighters. In addition, staffing guidelines further define how fire companies and departments should be staffed and operated. While guidelines are advisory by nature, they have their own momentum in that they become the norm as more jurisdictions adopt and implement them. Refer to Attachment D, which comes from sections 1.5 through 1.9 of the 2010 Fire and Emergency Services Study prepared by Citygate for more detail. In summary:

Training – Each firefighter must not only complete some initial training, but is also required to undergo so many hours of refresher training per year. This requirement is mandatory to both career (paid) firefighters and volunteers.

Equipment – Each district must ensure that its equipment is up-to-date and compliant with current standards. Some equipment has a limited lifespan and must be replaced regularly.

*Operational Requirements for Incident Commands* – Federal OSHA requires that on-scene “incident commanders” be certified for certain types of calls, especially for hazardous materials. In addition, the incident commanders must also be suited up and ready to help rescue firefighters who are inside burning structures if need be. Also, several guidelines recommend that each chief oversee only a certain number of firefighters. In other words, a single fire chief cannot oversee a limitless number of line personnel.

These three factors basically mean that providing fire suppression services is a costly endeavor: it is labor-intensive and labor-dependent. Fire suppression services require personnel who are highly specialized and in need of constant training; require fairly-frequent equipment turnover; and require the strategic placement of resources to keep response times low throughout any given service area. Coupled with incidence command requirements and the need to train volunteers at the same level as paid personnel, the likelihood that cost savings can be achieved through governmental reorganization alone is significantly reduced.

### ***Setting in El Dorado County***

El Dorado County has 13 fire suppression agencies, including a city, a county water district, two community services districts and ten fire protection districts. All 13 agencies have mutual and/or automatic aid agreements between them. The Western Slope agencies also use a single dispatch system. This means that the closest resource is deployed to an emergency regardless of political boundaries.

Of the 13 fire suppression agencies in the county, 12 also participate in two joint powers authorities that the County of El Dorado contracts with for ambulance and emergency medical services. It must be noted that while the County is obligated to provide ambulance services, it is not required to provide fire suppression services.

El Dorado County firefighters work in a variety of settings: Urban (the Cities of Placerville and South Lake Tahoe), suburban (Cameron Park and El Dorado Hills), semi-rural (Shingle Springs, Pollock Pines, El Dorado/Diamond Springs), rural (Georgetown, Garden Valley and Grizzly Flat), and wilderness. The latter area includes grasslands, forests, and recreational areas. Because of the mutual and automatic aid agreements between them, all districts must reasonably prepare for any type of emergency in any setting at all times.

Staffing varies among districts, from all volunteer firefighters to all career (paid) firefighters, although most corps are mixed.

### ***Funding for Fire Districts***

The two primary (sustainable and reliable) sources of revenue for fire service by special districts are property taxes and voter-approved special taxes. Because the South Lake Tahoe Fire Department is funded by the City of South Lake Tahoe and it has, in turn, a diversity of revenue streams going into its General Fund, it is not possible differentiate its financial position independent of the City. As a result, SLTFD's financial situation will not be discussed from this point forward. Suffice it to say that SLTFD's fortunes is tied to the City's for better or worse. For more information on the state of the City and its fire department, please refer to the 2016 City of South Lake Tahoe Municipal Services Review and Sphere of Influence Update. Having said that, SLTFD and Fallen Leaf Lake CSD have a services agreement for off-duty coverage that all indications point to it working fairly well.

### **Property Taxes**

Property tax is a real estate ad-valorem tax, calculated by the Auditor-Controller's Office with the assistance of the Assessor's Office, which is paid by the owner of the property.

The tax is usually based on the value of the owned property, including land and any improvements. Proposition 13 capped the total amount that can be levied on any given property at 1% of the assessed value of the property at either its value in 1975 or the value of the property at the time it changes ownership, whichever is more recent, with an annual escalator of no more than 2% annually. After the voters' approval of Proposition 13, the Legislature ultimately implemented it through Assembly Bill 8 (AB 8). This law calls for the splitting of any given property's taxes proportionally amongst all local governments providing service to that property. *Generally speaking, the jurisdictions that had a relatively high property tax rate in the 1970s got a larger share of tax revenues of the implementation formula contained in AB 8.* This is a zero-sum game. Any agency that extends service to a property and that wants a share of property taxes means reducing the amount the agencies currently receiving a share of property taxes.

Because property taxes are levied in proportion to the assessed value of property, communities with more land developments and higher-value land developments receive more property taxes than communities with fewer developments. So, the amounts collected vary among the districts and within the districts for two reasons. First, the average percentage of the tax increment varies. The chart below summarizes the percentage of increment among the 12 fire suppression districts:

<b>District</b>	<b>Average Percentage of Increment</b>
Cameron Park CSD	20.53%
Diamond Springs-El Dorado FPD	19.32%
Lake Valley FPD	19.25%
El Dorado Hills Fire Department (CWD)	17.31%
El Dorado County FPD	14.88%
Georgetown FPD	11.21%
Mosquito FPD	11.14%
Recue FPD	10.85%
Pioneer FPD	8.71%
Meeks Bay FPD	8.06%
Garden Valley FPD	7.54%
Fallen Leaf Lake FPD	5.70%

**Tax increment is the difference resulting from the comparison of base or prior year assessed values to current year values**

**-R&T Code Section 96.5**

Source: El Dorado Fire Chiefs' Association (FY 2013-14)

Note: Cameron Park CSD provides park/recreation services in addition to fire suppression

The second reason the collected amounts vary is that the total assessed value of property varies per district. An assessed value is the dollar value assigned to a property to measure applicable taxes. An assessed valuation also determines the value of a residence for tax purposes and takes comparable home sales and inspections into consideration. Generally, high property values yield high property tax revenues. The additional wrinkle is the concept introduced earlier: Proposition 13 essentially freezes the assessed value of a property to 1975 or until it was last sold, whichever is the latest event. This means that there could be a wide disparity between the assessed value of a property and its market value, especially if ownership of a property is retained longer over time. An agency would be unable to collect taxes on a property's market value until it is sold. Therefore, the amount of revenue collected is not just government by the property tax increment but also on the total assessed value of the properties within each district. So, a district containing mostly large, rural parcels that rarely change ownership will generally have a different revenue generating experience than a district with smaller, urbanized parcels that frequently change hands. What this means is that the property tax percentage increment by itself is not destiny. It is possible to be a struggling district with a high property tax percentage. The chart below contains the district's assessed value as of 2018:

<b>District</b>	<b>Total Assessed Value (FY2017-18)</b>
Cameron Park CSD	\$ 2,428,286,172
Diamond Springs-El Dorado FPD	\$ 2,148,324,030
El Dorado County FPD	\$ 10,180,509,014
El Dorado Hills County Water Dist.	\$ 7,097,143,935
Fallen Leaf Lake CSD	\$ 115,082,793
Garden Valley FPD	\$ 513,553,874
Georgetown FPD	\$ 404,101,783
Lake Valley FPD	\$ 2,585,691,901
Meeks Bay FPD	\$ 1,115,903,156
Mosquito FPD	\$ 148,695,956
Pioneer FPD	\$ 787,809,170
Rescue FPD	\$ 1,010,371,799

Whatever a district's experience is with the amount of property tax collected, the fact that property taxes are perpetual, unless exempt, means they are collected annually and are considered regular, stable and ongoing. They are also discretionary and may be spent by a district's board as it sees fit.

Voter-Approved Special Taxes

Two-thirds of the special districts in El Dorado County supplement their PT revenues with voter-approved special taxes. These funds are non-valued based charges, meaning these special taxes are not dependent on the value of the properties protected by the district. Instead, the amount charged is based on some other methodology and approved by voters at some point. These are appended to a parcel's property tax bill. This makes some people believe these taxes are part of their "property taxes." Regardless, the revenues raised by these special taxes is mostly discretionary in nature, so the district budgets these funds as it sees fit. Since these are voter approved, they will appear annually and can be considered regular, stable, and ongoing.

The chart below summarizes the special taxes levied by each district. Most districts have at least one special tax just for fire suppression. A couple of districts have two (Meeks Bay & Rescue FPDs). The other two districts have a second special tax for emergency services, not just for fire suppression services. The chart below has the "typical" charge that may appear in most property property tax bills, but does not list the possible range within that tax. For example, a property within Fallen Leaf Lake CSD is levied a fire special tax of over \$25,000, but most people experience a special tax of \$306-613. It would paint an inaccurate picture to list the range of \$306-25,000 since almost all property owners would see a special tax no larger than \$613.

<b>District</b>	<b>Typical Special Tax for Fire Suppression (2017)</b>	<b>Other Taxes Related to Emergency Services (2017)</b>
Cameron Park CSD	\$ -	\$ -
Diamond Springs-El Dorado FPD	\$ -	\$ -
El Dorado County FPD	\$30-60	\$35
El Dorado Hills County Water Dist.	\$60	\$ -
Fallen Leaf Lake CSD	\$306.48-612.95	\$ -
Garden Valley FPD	\$54.14-76.98	\$35
Georgetown FPD	\$56.52-65.92	\$35
Lake Valley FPD	\$10-20	\$ -
Meeks Bay FPD	\$45	\$85
Mosquito FPD	\$204	\$ -
Pioneer FPD	\$85.84	\$ -
Rescue FPD	\$50	\$94.34

Source: Auditor-Controller's Office

Other Revenues

- All districts also have development impact fees. These fees are imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development. “New development” is defined as either the building or addition to a single-family home all the way to an entire subdivision. However, these can only be used for mitigating the additional cost of providing service to new development and is limited to the purchase of equipment, apparatuses and/or new fire stations. Because DIFs are not discretionary funds and their collection depends on the level of developmental activity, they cannot be considered regular, stable, and ongoing.
- Several districts supplement (or, in a couple of cases, rely) on “Strike Team” funds to bolster revenue. Strike Team monies are used to reimburse a district for the expenses related to responding to a request for mutual aid to fight a wildfire. These funds come from the State of California, but in some cases from the Federal government. It must be kept in mind that fielding a Strike Team carries some risks, first and foremost in that firefighters may have to operate in an unfamiliar terrain. Second, fielding a Strike Team means a firefighting corps loses some personnel while the team is deployed. This can tax and strain some districts, especially if they have a small or limited number of firefighters. Third, a community may lose some protection because the corps they have come to depend upon during times of emergencies is reduced by the number of members to the Strike Team. Finally, while it seems lately like California is perpetually on fire, Strike Team revenues cannot be considered regular, stable, and ongoing because these monies depend on a district’s ability to field a team and the number of wildfires that occur around the state on any given year.
- Some districts utilize other funding mechanisms; such as, benefit assessments, facility districts, grants, and volunteer fundraisers. With the exception of fundraisers and grants, revenues collected from assessments and facility districts can be considered regular, stable, and ongoing

The best state for a district to find itself in would be to have its ongoing operations funded by stable and ongoing revenues, with other types of revenues supplementing these funds. One-time funds, such as grants, strike team revenues or DIFs would be used to fund one-time purchases, capital replacement or station and equipment costs. In the real world, few fire districts find themselves in that state. In its 2010 Fire and Emergency Services Study (2010 FESS which can be retrieved from the LAFCO website under the “Resources” tab), Citygate placed the then-14 fire districts into three categories (refer to page 7 of the 2010 FESS, the chart under “Challenge 3”). This categorization is still valid; however, the fiscal analysis was done in 2009 and early 2010 when the economic downturn had started. This means that some of the districts’ finances may be more stressed now that the Aid to Fire program has now been cancelled for almost eight years.

Overall Fiscal and Deployment Condition of the Fire Agencies		
Best Condition	Modest Condition with Stretched Services	Unstable Condition
Cameron Park Diamond Springs El Dorado Hills Lake Valley Meeks Bay South Lake Tahoe	El Dorado County Rescue	Fallen Leaf Lake Garden Valley Georgetown Mosquito Pioneer

Source: Citygate

**How Did We Get Here?**

While the history of each district varies, there are two common themes that arise. One of them is that fire districts that served higher-populated areas of the county, mostly along the Highway 50 corridor, historically used property taxes to fund a paid firefighter corps. The second theme is that districts that served rural parts of the county started off as a predominantly- or strictly-volunteer fire district. If these rural districts levied property taxes, it was at a low amount because they were proud of keeping costs down by using volunteers. When AB 8 became effective, it froze whatever property tax situation occurred pre-Proposition 13. Districts that levied high property taxes received a large percentage increment; districts with little or no property taxes begot a small percentage increment.

Despite this, rural districts could initially survive with a low percentage rate. Rural districts could count on a robust volunteer force, as long as people worked where they lived. This began to turn around when two changes occurred. Demographic changes altered the makeup of rural communities when people left the area of their home to work elsewhere (usually far from their community). Rural districts’ dependency on a dedicated but — nonetheless — increasingly limited pool of available volunteers, resulted in inconsistent and — at times — deficit service levels. Then Federal and state regulations redefined the level of training that firefighters had to undergo and the equipment they may use (again refer to Attachment D). The days of bucket brigades are over and they are not returning so long as these dynamics continue.

**History of Reorganizations in El Dorado County**

Successful Reorgs

El Dorado County used to have more fire suppression agencies. The first major consolidation was in 1979, between Diamond Springs FPD and El Dorado FPD to form the current Diamond Springs/El Dorado Fire Protection District. These two districts were similar in composition (a mix of volunteer and paid firefighter) and finances (a mix of property taxes and facility improvement districts), making for a very compatible reorganization.

The next major consolidation efforts occurred in the early 1990s with the formation of El Dorado County FPD through the merger of the Pleasant Valley, Shingle Springs, and Pollock

Pines/Camino Fire Protection Districts and annexation of the City of Placerville (which disbanded its own fire department in the process). Subsequent to its formation, El Dorado County FPD annexed the Strawberry area and the Highway 50 corridor. The result of many years of discussion, the consolidation went fairly smooth as the new El Dorado County FPD started. All of the combined districts had similar revenue streams (at least 15% PT percentage increment and special taxes of at least \$30), similar levels of development (mix of suburban, medium- and low-density housing along Highway 50) and labor composition (paid and volunteer firefighters). The Coloma-Lotus and Northside Fire Protection Districts were reorganized into the El Dorado County FPD in 1993, and this experience was different. Coloma-Lotus and Northside FPDs were rural volunteer districts serving a “rural residential” and “rural estates” areas along narrow roads. The PT percentage increments for these districts were under 10%. While the Coloma/Lotus FPD special tax of \$60 per parcel was comparable to the remainder of El Dorado County FPD, the Northside FPD assessment was/is not (\$35). Because of this wide revenue discrepancy, County Fire has struggled financially at times. It has also caused it to extremely reluctant to entertain annexing another rural volunteer district.

The most recent successful reorganization was the annexation of the Latrobe FPD service area by the El Dorado Hills County Water District (dba El Dorado Hills Fire Department). It started with Latrobe FPD contracting with El Dorado Hills to provide second unit response services when needed. After a couple of years, and under the possible threat of Sacramento Metropolitan Fire District annexing Latrobe, the two districts agreed to reorganize. Latrobe FPD would dissolve and El Dorado Hills Fire would annex its old service area. This reorganization was only made possible through an extraordinary effort by several agencies involved, including the County of El Dorado, to make the finances work. Latrobe FPD had an extremely low 4.98% property tax increment percentage, a per parcel special tax of \$60 (which yielded a modest amount of revenues given the small number of large parcels within the Latrobe service area), and a mostly volunteer firefighter corps. El Dorado Hills Fire and the last Latrobe FPD Board of Directors negotiated a detailed plan for services for the annexation covering labor and facilities. The County also agreed to raise the PT increment percentage to over 15% in the Latrobe area.

#### Successful Non-Reorgs

*Cameron Park CSD* – Since November 1996, the CSD has contracted with California Department of Forestry and Fire Protection (CAL FIRE) for fire and ambulance personnel. The agreement is a five-year “Schedule A” contract which allows Cameron Park CSD to access to CAL FIRE’s statewide resources.

*El Dorado Hills/Rescue FPD Shared Services Agreement* – Since 2014, El Dorado Hills Fire and Rescue FPD have had an agreement to share certain senior-level management and training support activities and occasional extra administrative support. This agreement was entered into with the anticipation that both districts would at some point agree to reorganize. Instead, in July both parties agreed to terminate this agreement no later than December 31, 2018.

*Meeks Bay FPD/North Tahoe Fire Agreement for Fire Services Management and Related Services* – In 2014, Meeks Bay FPD and North Tahoe entered into a shared personnel agreement. The two agencies have been slowly integrating their personnel, mission and operational capacities, although Meeks Bay FPD’s capital assets remain with the District. In the summer 2018, NTFPD’s consultants recommended that both districts stand to benefit through formally reorganizing.

### Other Attempts at Reorgs

Over the years, various reorganizational models have been explored. Most have not made it past the discussion phase; although, some were pursued until some unmovable obstacle was encountered. Some of these include:

*Garden Valley/Mosquito Consolidation:* This is still an ongoing discussion, with the parties having met with LAFCO staff over the past year. Mosquito FPD held a workshop on the topic on September 13, 2018. One in Garden Valley is being planned.

*Georgetown/Garden Valley Consolidation:* The feasibility of this proposal was studied for several years but the effort was ultimately abandoned after 1) the districts could not agree on some operational issues and 2) the County and the districts could not agree on the amount of revenues it would take to make the consolidation feasible.

*Lake Valley FPD/Fallen Leaf Lake CSD:* This effort was primarily explored at the staff level, with the fire chiefs or both districts devising a resource allocation plan for Fallen Leaf Lake CSD should it be annexed into Lake Valley FPD. It is unknown how much and how far this plan was discussed at the Board of Directors level for either/both districts. The main impediments to proceeding were that 1) Lake Valley did not want to consider annexing Fallen Leaf Lake until the latter district's finances were enhanced and 2) as a multi-purpose CSD, Fallen Leaf Lake would have to divest itself of fire suppression services.

*Plan A:* Various mass-consolidation plans have been floated over the years, but Plan A was intriguing in that it was explored because finances were clearly the driving factor. Plan A called for the methodical annexation of the fire districts into either El Dorado Hills FD or Lake Valley FPD in the hopes of recapturing ERAF I funds. The logic was that since El Dorado Hills and Lake Valley were exempt from ERAF I (later it was discovered only El Dorado Hills was exempt from ERAF I; all other fire districts were already exempt from ERAF II and III). This plan was abandoned when the indications were that ERAF I funds could not be recaptured.

### **Common Myths**

#### Can ERAF Funds Be Recaptured?

The answer to this question begets new ones. In order to answer the recapture question, others need to be answered first.

*What is ERAF (Education Revenue Augmentation Fund)?* To meet its obligations to fund education at specified levels under Proposition 98, the State enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties and special districts). The State did this by instructing county auditors to shift the allocation of local property tax revenues from local government to "educational revenue augmentation funds" (ERAFs), directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. Because of this structure, ERAF exemptions have fiscal consequences for the State: the more exemptions there are, the larger the amount the State must pay out to the schools. There were three ERAF shifts, ERAF I in 1992/93 (still ongoing), ERAF II in 1993/94 (also ongoing) and ERAF III in 2004-2006 (effectively ended).

*Does ERAF apply to everyone?* Certain districts were exempt from ERAF. For purposes of this discussion, there were some agencies that were exempt from ERAF I, most notably "multi-county" agencies: local governments whose service area encompass more than

one county. Locally, El Dorado Hills Fire is among these exempt agencies. Fire districts in general were exempt from ERAF II and III.

*Can the currently exempt districts lose their ERAF exemption status if they were to merge with non-exempt districts?* No, at least not in the areas currently enjoying ERAF exemption status. When the Latrobe FPD service area annexed into El Dorado Hills Fire, all areas previously served by El Dorado Hills FD did not have their property tax revenues shifted to ERAF I.

*Can the currently exempt districts extend their ERAF exemption status if they were to merge with non-exempt districts?* The Auditor-Controller's Office would be able to explain this concept better, but it appears that any property tax revenues currently allocated to ERAF I would continue to be shifted to schools' post-annexation into an ERAF I exempt district. Only new incremental increases in property tax revenue would be ERAF I exempt. If this understanding is correct, the approximately \$1.7 million of ERAF funds that the fire districts hoped to save from ERAF I under Plan A would not have been recoverable.

The County will have to step in to provide service if a bankrupt district's board of directors resigns en masse

The short answer is no. A district continues to exist as a political entity even if no one serves on its board of directors or if it goes bankrupt. The only way for a district to disappear as a political entity is for it to be dissolved by LAFCO (either as an outright dissolution or through a consolidation). While LAFCO can initiate a dissolution, it is subject to certain limitations (some of which are explained in Attachment B). Two of the limitations is that a dissolution is subject to having the issue discussed in a study – either an MSR or a special study – and have another public entity designated as the successor agency. Among other things, a successor agency must continue to provide the public services the dissolving district used to provide and “wind down” its affairs. Identifying a district that is willing to be a successor agency has been difficult for LAFCO.

As for the County, there is nothing in State or Federal law that forces counties to provide fire suppression services in those instances. The supervisors are not obligated to do anything outside of finding and appointing three or more new directors to serve on an FPD's board. Presumably, these three new directors can restart the district.

There are thousands of dollars to be saved through consolidation

As explained in Attachment D, State and Federal regulations require the safety of the firefighter first and foremost. This means that the level of training and the types of equipment must be the same for volunteers as it is for paid firefighters. Further, there are standard response times that must be adhered to for the sake of safety and to maintain an effective response time for the type of community being served. There will be little, if any, savings if the consolidating districts:

1. Do not reduce the total number of firefighters of the combined districts;
2. Do not reduce the salary and benefits offered to their firefighters;
3. Do not close any of the facilities of the consolidating districts; and/or
4. Retain the same purchase and replacement schedule of their equipment and apparatus

Because of command and control standards, there would not be substantial cost savings from a reduction of fire chiefs. It could be that the only incident commander at a poor, rural fire district is the fire chief (call it District A). If this district is annexed to, or consolidated with, a larger district (District B), the fire chief could be dismissed. However, a new commander for the service area of the former District A would have to be appointed. Perhaps management for the

District A firefighters would be filled by a battalion chief or a deputy chief from District B. In this example, the salary savings will not be the entire salary of the fire chief from District A. The savings would be the *difference in salaries* between the District A fire chief and the replacement from District B.

Finally, it must also be kept in mind that poor, rural fire districts do not have a lot of administrative employees. Perhaps they may have a part-time or full-time secretary, with the remaining administrative duties being filled by volunteers, the firefighters or the chief. There is not a lot of monies to be saved should these administrative functions be absorbed by a larger district.

Having said all of that, this is not to imply that consolidation/reorganizations are not worth it. There are socially beneficial and operational efficiencies that can be achieved by combining districts. A district with a fully-staffed administrative office is nimbler and can achieve more administratively than a district where the attention of the chief and/or firefighters is competing with other, more urgent matters. A larger district has the capacity to have dedicated staff to certain tasks, such as plan reviews, safety inspections and equipment monitoring. In addition, larger districts can achieve some purchase savings through economies of scale.

#### We lose local control when we merge with larger districts

Fire stations are among the more visual reminders of government for most communities. Being part of the life around a firehouse is symbolically and civically. The fear is that being part of a larger district means that a community is “lost in the shuffle.” In a lot of cases, this is not so; or steps can be taken to mitigate that sense of loss.

*What are advisory boards?* Advisory boards may take many forms and serve various functions both in an ad hoc or permanent basis. Its job is to do what the name implies: It is a group of individuals who advise elected officials on certain matters. For purposes of this discussion, the terms “fire commission(s)” and “advisory board(s)” will have the same meaning. A consolidated district can divide itself into Service Zones (SZs, as authorized under Health & Safety Code §13950) and each SZ can have its own fire commission. A fire commission could be created within each combining agency to provide recommendations on budget, staffing and labor matters to the board of directors of the successor agency. The consolidated board of directors would then compile the recommendations from all fire commissions and use them as the basis for decisions on budget and other operational matters for the entire consolidated district. Local decisions affecting the SZ will be made by the fire commissions with legal ratification by the consolidated board.

*How can these fire commissions be created?* The consolidated board of directors can create them at any time. If the participating agencies want additional assurance that these fire commissions will be in existence after the proceedings, LAFCO has the power to create these fire boards at the time of approval.

*How are the fire commissions selected or elected?* The consolidated board of directors can appoint people to serve on the fire commissions. However, LAFCO can approve the merger on the condition that the consolidated board use a different methodology. For example, the consolidated board could agree to use “advisory elections” whereby voters select those who will serve on the fire commission for their given SZ. The consolidated board agrees to abide by the results of the election and appoint the person(s) who garnered the most votes in the election. A matter to discuss is the fiscal implications (for example, the costs of holding advisory elections) of whatever process the merging districts choose to go with.

*What authority will the consolidated board have over the appointed fire commissions?* Depends on how the relationship between the consolidated board and the fire commissions is structured. For almost all agencies with advisory boards, the district board of directors has the authority/ability to create and dissolve advisory boards at any time; however, it must take formal action to do so.

*Are the fire commissions covered by the Brown Act?* The consolidated legal counsel will better advise the consolidated district about this question; however, since the fire commissions will have a say in budget, staffing and personnel matters, it would be prudent for the SZ meetings and actions be taken in a manner consistent with the Brown Act and the Fair Political Practices Act.

*Can the consolidated board remove a fire commissioner it does not agree with?* The answer entirely depends on how the relationship is structured between the consolidated board and the fire commissions.

### ***Types of Options***

#### **Full Contract for Service Amongst Fire Agencies**

One agency stops providing the service directly and contracts with a neighbor to provide the service at an annual cost.

- Management of employees is simplified under a single MOU and set of personnel rules;
- A single accounting system is maintained by District providing the service, avoiding duplication;
- One agency will no longer need to negotiate with Fire employees;
- Both agencies can adopt performance measures to gauge the delivery of services;
- Must comply with the requirements of Government Code 56134;
- Governance model requires consensus management, sometimes with some form of JPA; and
- The cost-sharing formula among the participating agencies must be fair and stable.

#### **Consolidation or Reorganization (Annexation and Dissolution)**

Two or more agencies are combined to create one agency

- One agency no longer is fiscally responsible for fire services as regulations and needs change;
- Transfer of property tax allocation and possible extension of any special tax;
- There is a single layer of representation between the voters and the District Board, compared to a full contract-for-service or JPA arrangement that has an appointed governance committee and has the most stable governance model for the long term;
- All residents and property can be subject to the same tax and fees; and
- District board is elected by residents of all combining districts, either at large or in sub-districts. The board can be expanded – either for the short term or long term – in order to accommodate the larger population base.

The main political difference between the two actions are:

- Consolidation – All combining agencies dissolve and a new district is formed to provide service in the combined service area

- Reorganization – All but one of the agencies are dissolved. The remaining agency continues to exist and its boundaries are expanded to encompass the service area of the dissolved districts

#### San Diego/San Bernardino Option

This option is similar to all the options above, but it will entail the participation of the County of El Dorado. Some details differ, but the essence of this option is that a county service area (CSA) is created over the service areas of the poor rural districts. Fire districts would petition to dissolve and request the annexation of their old service area be annexed into the CSA. This CSA can either provide services itself or act as a funding mechanism. If the latter, the CSA would contract services out to one or more of the larger fire districts. This arrangement is similar to the CSA 7/3 formula that is used for ambulance services. Staff has asked John Traylor from San Diego LAFCO to talk to the Commission about their experience with setting up this arrangement.

#### Funding Option

- An external party (registered voters, landowners or another agency) could sponsor a petition to LAFCO to consolidate fire districts. Unless there is a large groundswell of support to the idea, logistically speaking, a resolution of application from an agency would appear to be the only feasible option. Going with that assumption, the petition would call for the consolidation of all agencies and request a uniform property tax rate for all fire agencies. Under this scenario, some districts would see the percentage rate increase and others would see a decrease. But the rate going towards fire services would be uniform, making consolidation attractive since absorbing poorer districts would no longer be “money losing propositions.” The areas that would want (or retain) a higher level of service could become zones of benefit and adopt a special tax to fund the additional services.

Careful thought must be made before pursuing this as a feasible alternative. First, it is very difficult to bridge the serious pay, benefit and agency revenue differences in El Dorado County. There is no easy solution to resolve this piece without long and grinding negotiations with all of the impacted parties. Who would lead those negotiations is still unknown. Second, some or all districts involved could object. Any board that would object to this proposal triggers special protest provisions as indicated in Attachment C. Third, part of the difficulty with combining two districts is the merging of the cultures as one. This takes a lot of time and effort by vested districts to make it work. Throwing in the firefighters from multiple agencies together without a lot of care to this dynamic is a recipe for disaster.

#### ***Concluding Thoughts***

The combining of districts, be it through consolidation or reorganization, is the exercise of combining six key ingredients: The technical, the legal, the functional, the cultural, the political and the financial. The technical and legal pieces are “easy” since LAFCO statutes provide the technical and legal framework. This can be enhanced via agreements between the consolidating districts that go further by detailing who does what, when, and how.

It’s been stated in two MSRs and the 2010 FESS that the fire districts in El Dorado County are functionally consolidated. There is a lot of coordination that takes place between the districts and through the Fire Chiefs Association, easing some of the issues that may arise about bridging different firehouse cultures (not to say those differences do not exist). Most districts at some point in the past 12 years have expressed support for the idea of consolidating into one or two large fire districts; the level of how high to support consolidation waxes and wanes depending on the composition of the board of directors and the fire chiefs involved at the time

In fact, according to the 2017-18 Grand Jury, everyone it interviewed who was involved in fire suppression in some capacity supported the idea of consolidation.

If the level of support is so high, why are there still 12 fire suppression agencies in El Dorado County? The answer is finances. There is a large and significant gulf between the amount of revenue available to stable districts and the amount received by poor, rural districts. Since property taxes are a zero-sum game, any additional revenues given to rural fire districts comes out of the pocket of some other agency(ies) who may not be able to afford it. The adoption of special taxes to provide additional funds to the rural fire districts can only be taken so far. Besides the underlying anti-tax mood of the electorate, some districts are truly “tapped out” given their demographics. In 2010, Citygate had created the following chart to illustrate how much special taxes had to go up by in order to backfill the funds lost to the now-cancelled “Aid to Fire” Program (please note that this chart also includes special tax that goes towards funding CSA 7’s and 3’s ambulance programs). While some fire districts have upped the amounts of their respective special taxes, the gulf between their current state and solvency remains:

**Current Assessments and Estimated Assessment as Replacement Revenue**

<b>Agency</b>	<b>County Funding</b>	<b>Total Fire and EMS Annual Tax and Assessment on Typical Single-Family Home FY 09-10</b>	<b>Estimated Annual Tax/Assessment Increase per Dwelling Unit to Replace County Funding</b>
<i><b>Tahoe Basin</b></i>			
Fallen Leaf Lake CSD	\$80,454	\$419	\$349
Meeks Bay FPD	\$312,945	\$270	\$172
<i><b>West Slope Agencies</b></i>			
Garden Valley FPD	\$205,285	\$131	\$105
Georgetown FPD	\$36,240	\$109	\$24
Latrobe FPD	\$168,978	\$80	\$420
Mosquito FPD	\$35,047	\$229	\$64
Pioneer FPD	\$279,047	\$25	\$100
Rescue FPD	\$202,351	\$155	\$86

The answer may lie in a bargain between the fire districts and other agencies: Have your voters adopt a slight increase in their taxes (plus an escalator) and the other agencies agree to increase the percentage increment your district receives. Otherwise, until solvency is solved, these rural districts will continue to be unattractive to the stable districts for absorption.

**Attachments:**

- Attachment A: Government Code Section
- Attachment B: August 22, 2018 Staff Memo on LAFCO’s Ability to Initiate Proposals
- Attachment C: Procedure Flow Charts for Consolidations by San Diego LAFCO
- Attachment D: 2010 Fire and Emergency Services Study by Citygate Sections 1.5-1.9