

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF JULY 22, 2009

REGULAR MEETING

TO: Francesca Loftis, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #4: **CONSIDER MEMORANDUM OF UNDERSTANDING
BETWEEN LAFCO AND THE COUNTY OF EL DORADO TO
ADMINISTER A FIRE STUDY**

RECOMMENDATION

Staff recommends that the Commission approve and authorize the Chair to sign the attached memorandum of understanding between LAFCO and the County of El Dorado so that this agency may administer a fire study.

REASON FOR RECOMMENDED ACTION

Since 2001, the County of El Dorado has transferred monies out of its general fund to support eight of the county's 14 fire agencies. This year the County terminated the contract on the grounds that it cannot continue this financial arrangement. The County and the fire districts agreed that, given the current financial constraints, an independent consultant should be brought in to evaluate fire services in the County and provide actionable recommendations for increased cooperation, enhancing revenue streams and/or re-evaluate its governmental structure. In addition, they agreed a neutral third party should administer the study and have asked LAFCO to oversee the process.

BACKGROUND

Since 2001, the County entered into an agreement with eight fire protection districts for enhanced services to residents in the rural regions of the County. In return, the County would provide sufficient funds to these districts in an amount equal to the difference between their actual property tax revenues and what the districts would receive if they each had an average property tax increment of 13%. The agreement also established a trust fund, equal to a certain percentage of the transferred funds, so that it can be used as transitional monies in case the agreement was terminated. This arrangement has been referred to by different names, including "property tax revenue parity," "General Fund subsidy," "Aid to Fire" and "County supplemental funds." For purposes

of clarity, this staff report will refer to the agreement by the last label. In addition to the financial assistance, the agreement created a "trust fund" that can be used to provide some transitional assistance to the fire districts in the case the County terminated the agreement.

For the past few years the County and the fire districts have agreed to supplemental amounts that are less than the 13% equivalent, due to declining revenues. This year, however, the County has indicated that it cannot continue the agreement in its present form and negotiated with the fire districts to terminate it on June 2, 2009. In addition to liquidating the trust fund, the County will provide an additional \$336,000 in financial support to the districts provided that \$100,000 of that was dedicated to fund a study evaluating fire suppression and emergency medical services countywide. The goal is to contract with a consultant who would objectively review and analyze the following:

- Revenue structures
- Employee salaries and benefits
- Volunteer programs
- Assets, equipment and apparatus
- Governmental structures
- Recommended minimum service levels
- Current district lines and possible adjustment of the boundaries to reflect realities on the ground

At the end of the process, the County and the fire districts want a study that will provide them with actionable recommendations on these issues. They have asked that LAFCO be an objective third party who would circulate the "request for qualifications" to various consulting firms with expertise in the field, coordinate the selection of the consultant and project manage the creation of the report. The County would pay for the cost of the study, provided it not exceed \$100,000.

Under the terms of the enclosed memorandum of understanding:

- In consultation with the County and the fire districts, LAFCO selects the consultant.
- LAFCO contracts with the consultant and administers the contract. LAFCO also absorbs the cost of LAFCO staff's time to administer the study.
- The contract must specify certain provisions, such as a not-to-exceed amount, that the study must cover all of the items in the Scope of Work, and that the draft recommendations be submitted no later than January 15, 2010.
- LAFCO needs to keep the County apprised of the progress of the work and will consult with the County both in the RFP process and as the work proceeds.
- LAFCO needs to provide the County with copies of any preliminary drafts and copies of the final report to both the County and the fire districts.

- If the consultant breaks the contract, LAFCO must pursue all vehicles to recover the amount of the contract, minus any expenses LAFCO incurred during the collection process.

Staff's only concern relates to the funding process. Under the terms of the MOU, when the consulting firm reaches a certain milestone it would invoice LAFCO. LAFCO then approves the invoice and forwards it to the County Auditor-Controller, who then (under the original proposal) has 20 days to issue a check payable to LAFCO. LAFCO then pays the consultant. LAFCO staff lobbied to change the process whereby the Auditor paid the consultant directly. Not only would this be more efficient, but it also ensures the timely payment to the consultant. County staff were concerned that direct payment constituted an implied contractual obligation to the consultant. The parties compromised so that the turnaround for the County to pay LAFCO is reduced from 20 to 15 days. While the process is not optimum, at least payment to the consultant is somewhat timely.

Nevertheless, this issue should not hinder the approval of this MOU with the County since the study has the potential to create a plan for the County and the fire districts to move forward towards providing more efficient services to the residents of El Dorado.

Attachments

Attachment A: Memorandum of understanding between the County of El Dorado and the El Dorado Local agency formation committee relating to preparation of a fire service structure and efficiency report