

# EL DORADO LAFCO

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## LOCAL AGENCY FORMATION COMMISSION

### *AGENDA OF JUNE 27, 2018*

### ***REGULAR MEETING***

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

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

**AGENDA ITEM #8: CONSIDER THE RESPONSE TO THE GRAND JURY CASE  
17-04**

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#### **RECOMMENDATION**

Staff recommends that the Commission consider its response to the Grand Jury case 17-04 relating to fire district consolidations and submit a letter that the Commission agrees with the finding.

#### **REASON FOR RECOMMENDED ACTION**

The Grand Jury Case 17-04 discusses consolidations as a way for fire services to be provided in a more cost-effective manner in El Dorado County. LAFCO is named as a respondent to one of the Grand Jury's findings. Responses to the case's findings and numbered recommendations is required by California Penal Code §§933 and 933.05.

#### **BACKGROUND**

As with some of its predecessors, the currently-seated Grand Jury looked at addressing the financial distress some fire districts are experiencing and at consolidation as a means of achieving some savings, either through operational efficiencies or economies of scale. Unlike previous attempts, however, this report did not attempt to quantify the amount of savings or declare unequivocally that revenues are strewn about, waiting to be recouped. Instead, the impetus for this report seems to be to spur conversation, as evidenced by the last paragraph:

The County may never achieve meaningful consolidation. Nevertheless, that should not deter the County from trying. Neither should the complexity of consolidation efforts. The road forward will take leadership, planning, persistence and time. It will first take the will to start.

To that end, the report has LAFCO as a respondent to number three of its seven findings:

F3: The Board of Supervisors, in conjunction with LAFCO, is best positioned to champion fire agency consolidation.

#### *Summary of Report*

The Grand Jury found that some fire districts have struggled with finances in the wake of Proposition 13. As a result, the level of service in some communities is either not at an ideal level or lacking. The Grand Jury argues that consolidation offers a solution to maintaining or improving these levels through economies of scale or operational efficiency while acknowledging that there might be some resistance to pursue this option because some people fear the loss of local control.

After summarizing the different types of consolidation (administrative, functional and operational consolidation), the Grand Jury covers the current state of fire district affairs: The number of fire suppression providers, the 2010 Citygate Study administered by LAFCO and its conclusions regarding the financial position of the districts countywide. The report then discusses the merits and pitfalls of consolidation. Among the former, the benefits include better, more coordinated training, salary savings and the potential for ERAF funds to go towards fire service. The largest drawback is the loss of local control. The Grand Jury also concedes that most significant obstacle of consolidation is the disparity in tax revenue.

#### *Factual Quibbles*

There are some factual statements in the Grand Jury report that are disputable. These may, or may not, affect the reader as to whether they would reach the same conclusions as the Grand Jury.

- Lake Valley Fire Protection District is currently not exempt from ERAF even though, as a multi-county district, it could have been at the time. It is unknown by LAFCO staff why Lake Valley FPD did not take advantage of this exemption.
- The Grand Jury states that "Any district that dissolves and the territory is annexed by either the El Dorado Hills County Water District or the Lake Valley Fire Protection District would most likely be exempt." This has not been 100% the case as demonstrated by Latrobe FPD's dissolution and annexation of the service area into El Dorado Hills CWD. Revenues already slated for the ERAF shift continue to do so post-annexation. As far as LAFCO staff understands it, only incremental increases in property tax revenue become ERAF exempt. This may not provide much of a recapture of revenues for areas where there is little or no development.
- The Grand Jury also asserts that "Consolidation can achieve economies of scale, including the elimination of high paid executive positions." As the Commission is aware, poor, rural fire districts do not have many highly paid executive positions. A lot of these districts have a paid fire chief and maybe a part-time administrative assistant. All other staff are volunteers or paid via stipend. Post reorganization, it is conceivable that a fire chief could be replaced with a battalion chief. While this would result in some salary savings, it cannot be said that *all* of the fire chief's salary is saved.

- The Grand Jury also shared their observation of the “nearly unanimous” support by its interviewees for the idea of consolidating fire suppression agencies. This is not necessarily surprising, since the idea has broad support in concept. It is in the details, particularly surrounding finances, where the disagreements arise.

*Required Response*

The Grand Jury writes,

The key to successful consolidation is achieving consensus. While the Board of Supervisors can initiate consolidation through LAFCO, they cannot mandate consolidations. Yet, the Board of Supervisors is uniquely positioned to set the vision for fire protection organizations, activate the Fire Advisory Board and staff it with individuals knowledgeable about county fire protection and how successful consolidations have taken place. The Board of Supervisors could charge the Fire Advisory Board to develop a long-term consolidation plan, encourage fire agencies to consolidate and support consolidation efforts as needed through the adjustment of ABS allocations.

This supports the finding that “The Board of Supervisors, in conjunction with LAFCO, is best positioned to champion fire agency consolidation.” For the past 12 years, LAFCO has been a strong supporter of finding ways for fire suppression agencies to be stable and financially sustainable. Consolidation offers one way to do that, but it is neither easy nor a magic bullet applicable in all situations. The proper response to address struggling fire service providers is difficult, nuanced and completely dependent on cracking the revenue/finances nut.

Penal Code 933.05 specifies there are three options to respond:

- a) Respondent agrees with finding;
- b) Respondent disagrees wholly with finding; or
- c) Respondent disagrees partially with finding.

If respondent uses option b or c then the response shall specify the portion of the finding that is disputed and shall include an explanation.

Staff recommends that the Commission respond that it agrees with the finding. While LAFCO is not a champion for consolidation in all circumstances, the Commission has been at the forefront of leading discussions, researching options and has made itself available as a resource to fire agencies. LAFCO can have a role to play in the discussion and will definitely be involved if there has to be some type of governmental reorganization as part of the solution.

Attachments

Attachment A: Grand Jury Report

Attachment B: Letter to Judge Kingsbury in Response to Grand Jury Case 17-04