



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 18, 2023

SUBJECT: OCEANO COMMUNITY SERVICES DISTRICT DIVESTITURE APPLICATION STATUS UPDATE

RECOMMENDATION

Receive and file a status update of the proposed divestiture of fire authority application for the Oceano Community Services District.

BACKGROUND

On February 6, 2023, the San Luis Obispo Local Agency Formation Commission (LAFCO) received a proposal application from Oceano Community Services District (OCSD) to divest their fire authority. This report is intended to provide the Commission with an overview of the circumstances surrounding the request for divestiture and the status of the application. No actions or decisions are requested of the Commission at this time. As of March 7, 2023, the divestiture application remains on hold pending additional information, detailed further in this report.

The Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande, the City of Grover Beach, and the OCSD. The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated fire and emergency medical services to approximately 40,000 residents. Each member agency pays a respective share of the costs associated with operation of the FCFA.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment to the JPA (Second Amendment) was approved that altered the funding formula used to determine each member community's share

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of the FCFA's costs and ensure funding is consistent with the Strategic Plan. These alterations would go into effect if OCSO was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The special tax measure requirement was integrated into the FCFA agreement and necessary because OCSO did not have any other funding source to pay for the additional costs associated with the new funding formulas to pay for new equipment, staffing, etc. The sole funding source for fire service for OCSO is property tax. Unlike the cities or the county, other funding sources such as sales, transient occupancy, and other taxes are not available to special districts like OCSO. As such, the only way in which additional revenue can be generated is by passage of a special tax.

OCSO placed a special tax measure on the March 2020 ballot. Even though over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax, and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSO to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually. Had the measure been successful, OCSO would have been able to increase revenue such that it would continue to be a part of FCFA.

Following the outcome of the OCSO's 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. The Third Amendment also required the OCSO to place a new special measure on the ballot. Measure A-22 was placed on the ballot in Oceano by OCSO in June 2022. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022.

With the failure of Measure A-22, the Third Amendment states that the OCSO will cease to be a member of the JPA effective June 30, 2023, primarily because OCSO will not be able to pay its contractually obligated share to FCFA.

CURRENT LEVELS OF SERVICE WITHIN OCSO

OCSO is currently allocated just over \$1 million in property tax from the County. This funding currently does not provide sufficient revenue to keep the OCSO fire station open 24/7, hence the need, in part, for the aforementioned special tax measures. Currently, the OCSO station can only be staffed with two positions for one of three shifts each week, or "1/3 of the time". When the OCSO station is closed, service to Oceano is provided by FCFA with staff stationed at either the Arroyo Grande or Grover Beach locations. When the OCSO station is open, FCFA can cover 99% of the entire OCSO service area within 7 minutes. However, when the OCSO station is closed, the other FCFA stations can cover 30% of the OCSO service area within 7 minutes. In addition, when the OCSO station is closed, this impacts the number of available engine companies for Arroyo Grande and Grover Beach, as well as increases response times to all communities served by FCFA.

It is important to note that mutual aid response is provided to FCFA by CAL FIRE (nearest stations in Pismo Beach and Nipomo) when warranted. Should an incident require a mutual aid request for additional resources to CAL FIRE, those resources could be dispatched from anywhere in San

Luis Obispo County, Santa Barbara County, or the City of Santa Maria. The need for mutual aid typically arises during a major incident.

RESOLUTION OF APPLICATION FOR DIVESTITURE

As a result of the failed ballot measures, contractual obligations under the Third Amendment of the JPA agreement, insufficient revenue, and undesirable existing levels of service, the OCSD Board of Directors passed a Resolution of Application on January 11, 2023, to divest its fire authority (See Attachment A – Resolution of Application). The Resolution of Application includes a “Plan for Services”, as required by government code section 56824. The Plan for Services proposes that the County of San Luis Obispo become the successor agency and assume responsibility to provide fire service within the Community of Oceano. LAFCO referred the proposal application and accompanying documents to the County, as well as other agencies affected by the proposed action including Arroyo Grande and Grover Beach.

The proposal would transfer all available revenues from property taxes available for fire protection services to the County. In addition, all existing Development Impact Fees collected and those collected in the future would transfer to the County to be used to improve facilities or replace equipment related to development. OCSD would make a no-cost lease available to the County for those facilities currently utilized to provide fire protection services on OCSD property located at 1655 Front Street in Oceano (FCFA Station 3). The Oceano Fire Station could remain the primary response station for service calls within the Oceano community. Fire engine/apparatus could remain located in the current Oceano Fire Station. There would be no transfer of OCSD employees related to the divestiture of fire protection services as all employees of FCFA are employees of the City of Arroyo Grande. However, OCSD will be responsible to pay its share of any CALPERS unfunded accrued liabilities for the period it was a member of FCFA.

Because the County is proposed to be the successor agency, the County is currently evaluating the proposed Plan for Services prepared by OCSD and considering various options. Ultimately, County staff will present various options to the Board of Supervisors for consideration. Once staff is provided direction by the Board of Supervisors, further collaboration with LAFCO, OCSD, and the affected cities will continue. As of the date of this report, it is tentatively expected that the Board of Supervisors will agendize a discussion on this matter in June 2023. As more information becomes available, we will keep the Commission and interested parties informed.

Simultaneously, Arroyo Grande and Grover Beach are actively evaluating various scenarios for their respective City Councils to consider. The cities have hired a consulting firm with expertise in fire protection and service to evaluate and provide options to address OCSD’s withdrawal from the FCFA. OCSD no longer being a party to FCFA could have significant financial impacts to Arroyo Grande and Grover Beach because they would no longer receive revenue from OCSD and therefore operational costs would be proportionately higher. Fiscal impacts could potentially be in the millions of dollars annually.

WHAT HAPPENS ON JULY 1, 2023?

As stated, due to the requirements of the Third Amendment of the JPA agreement, OCSD will no longer be a part of the FCFA come July 1, 2023. In addition, it is not expected that the divestiture will be considered by LAFCO by that time, particularly since the successor agency, i.e. the County, needs sufficient time to evaluate and consider options. As such, numerous questions have arisen about what will happen come July 1, 2023. While OCSD will no longer be a member of FCFA, Arroyo Grande and Grover Beach will likely allow OCSD to contract back to FCFA on a short-term basis until the divestiture is resolved. In other words, it is likely levels of service will remain the same, depending on the agreement reached, for the time being until a decision has been made by LAFCO on the divestiture and the accompanying final Plan for Service. It is possible that OCSD and the cities do not come to an interim agreement. In such a scenario, it is possible the Oceano station would close permanently and Oceano would be served by the nearest County Fire / Cal Fire station, as the Community of Oceano is within unincorporated area and therefore is considered a state responsibility area for fire service response.

IMPACTS AND POTENTIAL OUTCOMES

While the outcomes of OCSD no longer being a member of FCFA remain to be determined, below is a list of potential outcomes. These outcomes are only listed herein for discussion purposes, it is possible other alternatives or variations of these outcomes are identified.

1. County becomes successor agency to provide fire service and utilizes existing County Fire / Cal Fire resources to provide services from the nearest existing County Fire / Cal Fire station.
 - This would potentially increase financial impacts to Arroyo Grande and Grover Beach as they would no longer receive funding from property taxes collected within the Oceano area, and would be responsible for continuing to provide fire service to their respective cities. Initial impacts are expected to be \$2.5 to \$3.5 million annually, this assumes that OCSD would contract back for at least one year and contribute approximately \$1 million.
 - County would assume additional financial obligations under this scenario but costs would be offset by re-allocation of existing property taxes within Oceano
 - May result in decreased level of service due to increased response times

2. County becomes successor agency and utilizes the existing Oceano fire station and staffs the station to accommodate a desired level of service but does not contract with the FCFA.
 - This would potentially have similar financial impacts noted above in Outcome #1 to Arroyo Grande and Grover Beach as they would not receive property tax revenue from the County.
 - County would assume additional financial obligations under this scenario but costs would be offset by re-allocation of existing property taxes within Oceano
 - May result in similar or improved levels of service within Oceano

3. County becomes successor agency and agrees to contract with FCFA
 - This would potentially have an improved financial impact to Arroyo Grande and Grover Beach as they would receive revenue from the County and costs would be more evenly distributed
 - County would assume additional financial obligations under this scenario but costs would be offset by re-allocation of existing property taxes within Oceano
 - Depending on funding provided by County, this could improve levels of service for Oceano primarily but ancillary improvements to Arroyo Grande and Grover Beach because resources from their respective stations would not be as strained when calls for service are received

LAFCO AUTHORITY, PROCESS, AND APPLICATION STATUS

In general, LAFCO exercises its regulatory authority when presented with a proposal for a “change of organization” of a governmental agency under the provision of the Cortese, Knox Hertzberg Act Gov. Code Section 56000. In this circumstance, OCSD has proposed a “change of organization” to divest their fire authority. The agencies requesting the change of organization are also responsible for presenting a proposal consistent with the government code, including preparation of any studies, materials, and importantly a Plan for Service. While the OCSD proposal affects multiple governmental agencies, the ultimate decision to conditionally approve or deny the divestiture resides with LAFCO. The current proposal and associated Plan for Service will be the basis for decision making and evaluated against various factors LAFCO is required by law to consider. A critical component that will determine how this proposal moves forward is related to the County’s willingness to become the successor agency and the associated Plan for Services they will prepare and propose to LAFCO.

The OCSD application for divestiture is currently on hold pending critical information, primarily a decision from the County on becoming the successor agency (See Attachment B – Information Hold Letter). Once a decision is reached by the County, and LAFCO staff have sufficient information to continue processing the application, staff will analyze the proposal against applicable regulations and LAFCO policies. Once the application is deemed complete for processing, LAFCO will set the item for a publicly noticed hearing. As of this date, it is not known when the item will be set for a LAFCO hearing.

NEXT STEPS

As the above discussion indicates, this circumstance is complicated and the final outcome could take a variety of forms. The next steps would likely include execution of an agreement, if all parties consent, between OCSD, Arroyo Grande, and Grover Beach to allow OCSD to contract back with FCFA for service on an interim basis, consideration by the Board of Supervisors of the proposal to become the successor agency, and if agreed upon, the level at which the County is willing to fund fire protection service, and lastly, once those aspects are resolved, continued processing by LAFCO and ultimately a LAFCO hearing to consider the divestiture request.

COMMISSION DISCUSSION

At today's meeting, the Commission may ask questions and provide comment on this topic to staff as well as agency representatives. No actions or decisions are requested of the Commission at this time.

Attachment A: Oceano Community Services District Resolution

Attachment B: LAFCO Information Hold Letter

Attachment A

Oceano Community
Services District
Resolution

**OCEANO COMMUNITY SERVICES DISTRICT
RESOLUTION NO: 2023 - 03**

**A RESOLUTION OF APPLICATION BY THE BOARD OF DIRECTORS OF THE
OCEANO COMMUNITY SERVICES DISTRICT APPROVING INITIATION OF
PROCEEDINGS FOR DIVESTITURE OF FIRE PROTECTION SERVICES**

WHEREAS, the Oceano Community Services District was formed in 1981 by a reorganization dissolving County Service Area No. 13, Oceano Lighting District, Oceano Beach Lighting District, Oceano Sanitary District, Oceano Fire Protection District; and

WHEREAS, the Oceano Community Services District Board of Directors desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for divestiture of Fire Protection Services; and

WHEREAS, this resolution is submitted to comply consistent with Government Code Section 56700 and 56824.10 et seq; and

WHEREAS, notice of the public hearing to consider this resolution was given pursuant to Government Code Section 56153, 56154, and 56654; and

WHEREAS, the nature of this proposal is for divestiture of Fire Protection Services within the territory of the Oceano Community Services District; and

WHEREAS, the territory proposed for divestiture is inhabited. A description and map of the boundaries of the territory are attached hereto as Exhibits A and B, and are incorporated herein by this reference; and

WHEREAS, the proposal for divestiture and transfer of Fire Protection Services are described in the Plan for Services attached hereto as Exhibit C; and

WHEREAS, LAFCO will assume Lead Agency status, responsible for compliance with the California Environmental Quality Act (CEQA) and the Oceano Community Services District shall pay for any studies needed to comply with CEQA; and

WHEREAS, the proposed divestiture is subject to the following terms and conditions:

1. That all Oceano Community Services District real and personal property currently being utilized for Fire Protection Services will be made available via lease at no cost to the successor agency; and
2. That all Development Impact Fee cash on hand and due but uncollected, be transferred to the successor agency; and

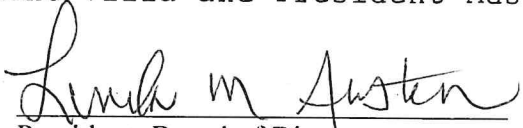
3. That 83.5% of the Oceano Community Services District ad valorem property tax revenues (approximately \$1,050,000) be permanently transferred to the successor agency upon the effective date of the divestiture.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Oceano Community Services District that:

1. The foregoing recitals are true and correct.
2. The Oceano Community Services District can no longer meet the needs and requirements for the purpose of providing Fire Protection Services.
3. This Resolution of Application is approved, and hereby requests that LAFCO proceed with the processing of this divestiture as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

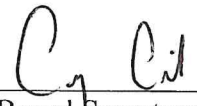
PASSED AND ADOPTED by the Board of Directors of the Oceano Community Services District on January 11, 2023, by the following vote:

AYES: Director Varni, Director Gibson, Director Joyce-Suneson,
NOES: NONE / Vice President Villa and President Austin
ABSTAIN: NONE
ABSENT: NONE



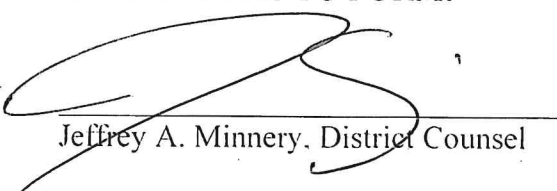
President, Board of Directors
of the Oceano Community Services District

ATTEST:



Board Secretary of the
Oceano Community Services District

APPROVED AS TO FORM:



Jeffrey A. Minnery, District Counsel

EXHIBIT A

LEGAL DESCRIPTION

PROPOSED
OCEANO COMMUNITY SERVICES DISTRICT
BOUNDARY DESCRIPTION

Beginning at the southwesterly corner of the Town of Grover, according to the map thereof recorded in Book A of Maps at Page 6, San Luis Obispo County Records, said point also being on the boundary line of the City of Grover City and the mean high tide line; thence along the boundary line of the City of Grover City over the following courses numbered 1 through 10:

- 1) S 69°15' E along the southerly line of said Town of Grover, 2,188 feet, more or less, to a point on the westerly line of the Southern Pacific Railroad Company's right-of-way, said westerly line also being the easterly line of Vista Del Encanto, Subdivision No. 2, according to the map thereof recorded in Book 5 of Maps at Page 3, San Luis Obispo County Records;
- 2) S 21°00'30" E, 2,461 feet, more or less, along the westerly line of said right-of-way to a point which bears West from the northwesterly corner of Lot 4 of Pismo Beach Gardens No. 2 according to the map thereof recorded in Book 3 of Maps at Page 49, San Luis Obispo County Records;
- 3) East 107 feet, more or less, across said railroad right-of-way, 100 feet wide, to the easterly right-of-way line of said railroad, said line also being a common line with the westerly line of that certain parcel described in the deed from Oscar Huber to Charles Linebarger, recorded in Volume 105 of Deeds at Page 347, San Luis Obispo County Records, said parcel being a portion of Lot 15 of Harris' Subdivision of the Rancho El Pismo according to the map thereof recorded in Book A of Maps at Page 157, San Luis Obispo County Records;
- 4) S 21°00'30" E, 190 feet, more or less, along said common line to the beginning of a curve;

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Recorded 12/18/80
Vol. 2293 p. 144-150

CERTIFIED BY COUNTY SURVEYOR

OFFICIAL L.A.F.C. FILE
A-1-11

Attachment - Resolution

#3

- 5) Southeasterly along said curve, tangent to the last mentioned course and concave to the northeast with a radius of 5,800 feet through a central angle of $11^{\circ}16'$, an arc distance of 1,140 feet, more or less, to a point on the westerly prolongation of the northerly line of Lots 18 and 17 of Rio Vista Dell, according to the map thereof recorded in Book 3 of Maps at Page 98, San Luis Obispo County Records;
- 6) N $81^{\circ}47'$ E 356.6 feet along said prolongation and along said northerly line of Lots 18 and 17, as shown on said map, to the northeasterly corner of said Rio Vista Dell Subdivision, said corner also being the southeasterly corner of that certain parcel of land conveyed to John Loosemore by deed dated April 19, 1921, and recorded in Volume 145 of Deeds at Page 75, San Luis Obispo County Records;
- 7) N $36^{\circ}43'$ W, as shown on said map, 180 feet, more or less, along the northwesterly prolongation of the northeasterly line of said Rio Vista Dell Subdivision, said line also being the easterly line of said land conveyed to John Loosemore, to a point on the southerly line of the hereinabove mentioned portion of Lot 15 of Harris' Subdivision, described in the deed from Oscar Huber to Charles Linebarger, said point also being the northeast corner of that parcel of land conveyed to John Loosemore;
- 8) N $83^{\circ}43'$ E, 1,202 feet, more or less, along said southerly line to the southeast corner of the hereinabove mentioned portion of Lot 15 of Harris' Subdivision, said point also being on the south line of The Pike as shown on the map of Pismo Beach Gardens, recorded in Book 3 of Maps at Page 45, San Luis Obispo County Records;
- 9) N $83^{\circ}43'$ E, 78 feet along the south line of The Pike as shown on said map to a point on the easterly line of the herein above mentioned Lot 15 of Harris' Subdivision of the Rancho El Pismo;

- 10) N 89°45' E, 2,958 feet, more or less, along the southerly line of The Pike, 50 feet wide, according to said map, to a point on the southerly prolongation of the easterly line of Lot 16 of said Pismo Beach Gardens, at which point said boundary line of the City of Grover City bears north along the southerly prolongation of the easterly line of said Lot 16.

- 11) Thence, leaving the common line with said City boundary and continuing N 89°45' E, 577 feet, more or less, along said southerly line of The Pike and its easterly prolongation to a point on the southerly prolongation of the easterly line of Lot 19 and the westerly line of Tract 80 as recorded in Book 5 of Maps at Page 91, San Luis Obispo County Records, said point being an angle point in the boundary line of the City of Arroyo Grande;

thence along the boundary line of said City of Arroyo Grande over the following courses numbered 12 through 18:

- 12) N 89°45' E, 130 feet, more or less, along the easterly prolongation of the southerly line of The Pike, said line being also the northerly boundary line (blue border) of Tract No. 708 as recorded in Book 9 of Maps at Page 75, San Luis Obispo County Records, to the northeast corner of said tract, said corner being 10' westerly of and at right angles to the centerline of 24th Street as shown on said tract;

- 13) S 00°01' E 20 feet to a point which is 45 feet at right angles southerly of the easterly prolongation of the centerline of The Pike, as shown on said map of Tract No. 708, and on the westerly prolongation of the southerly line of The Pike as said line is shown on the aforementioned map of Pismo Beach Gardens;

- 14) N 89°45' E, 520 feet, along said westerly prolongation and the southerly line of The Pike as same existed on March 10, 1980, said line being also the northerly line of Lot E of the

Subdivisions of Property of E. L. Warner recorded in Book B of Maps at Page 50, San Luis Obispo County Records, to the northeast corner of said Lot E, said northeast corner being also the northwest corner of Lot F of said map and the northwest corner of the boundary of Tract No. 244, a subdivision of Lot F, recorded in Book 6 of Maps at Page 87, San Luis Obispo County Records;

- 15) South 817.24 feet, the bearing and distance shown on said Tract No. 244, along the westerly boundary of said Lot and Tract to the southwest corner thereof;
- 16) N 89°10'00" E, 566.48 feet along the southerly line of said Lot and Tract and the easterly prolongation thereof across Elm Street (26th Street) to a point on the easterly line of said street as shown on said Tract No. 244;
- 17) N 0°14'30" W, 742 feet, more or less, along the easterly line of Elm Street (26th Street) to its intersection with the southerly line of The Pike;
- 18) N 89°47'30" E, 2,638 feet, more or less, along the southerly line of The Pike and its easterly prolongation to a point on the easterly line of Halcyon Road, said southerly line being 25 feet at right angles southerly of and parallel with the centerline of The Pike as shown on Tracts 456, 498, 463, and 282 recorded in Book 8 Page 56, Book 8 Page 42, Book 8 Page 24, and Book 6 Page 99, respectively, of Maps, San Luis Obispo County Records, at which point said boundary line of the City of Arroyo Grande bears north along the easterly line of Halcyon Road;
- 19) Thence leaving the common line with said City of Arroyo Grande boundary S 0°07'15" E, 2,592 feet, more or less, along said easterly line of Halcyon Road and its southerly prolongation to its intersection with the centerline of the Arroyo Grande Creek Channel, the map of

which is on file in the Office of the County Engineer of San Luis Obispo County;

thence along the centerline of said channel over the following courses numbered 20 through 27:

- 20) S 18°55'15" W, 351 feet, more or less, to the beginning of a curve;
- 21) Southwesterly along said curve, tangent to the last mentioned course and concave to the northwest with a radius of 400 feet through a central angle of 45°43', an arc distance of 319.16 feet;
- 22) Tangent to said last mentioned curve S 64°38'15" W, 1,395.27 feet to the beginning of a curve;
- 23) Southwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the northwest with a radius of 2,000 feet through a central angle of 25°29'45", an arc distance of 899.97 feet;
- 24) Tangent to said last mentioned curve N 89°52' W, 3,191.20 feet to the beginning of a curve;
- 25) Northwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the northeast with a radius of 3,000 feet through a central angle of 34°50'30", an arc distance of 1,824.31 feet;
- 26) Tangent to said last mentioned curve N 55°01'30" W, 403.63 feet to the beginning of a curve;
- 27) Northwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the southwest with a radius of 4,000 feet through a central angle of 12°30', an arc

distance of 873 feet, more or less, to a point of intersection with the westerly line of that property conveyed to Clayton L. Conrow, et ux., by deed recorded in Volume 502 of Official Records at Page 18, San Luis Obispo County, said point being southeasterly along the westerly continuation of said curve an arc distance of 1,041 feet, more or less, with a central angle of 14°55', from the westerly end of said curve (total central angle of curve is 27°25' and total arc distance is 1,914.04 feet);

- 28) thence leaving the centerline of said Arroyo Grande Creek Channel South 483 feet, more or less, along the westerly line of said Conrow property;
- 29) thence S 33°30' E, 66 feet, more or less, along the southwesterly line of said Conrow Property, to a point on the southerly line of Franklin Avenue, 40 feet wide, as said street is shown on the map of Beckett's Oceano Park Subdivision recorded in Book 1 of Records of Survey at Page 105, San Luis Obispo County Records;
- 30) thence West 560 feet, more or less, along said southerly line and the westerly prolongation thereof to a point on the westerly line of 10th Street (formerly Fourth Street), 70 feet wide, as said street is shown on the Map of Subdivision No. 1 Oceano Beach recorded in Book A of Maps at Page 149, San Luis Obispo County Records, and on said map of Becketts Oceano Park Subdivision;
- 31) thence N 0°45' W, 2 feet, more or less, along said westerly line to the northeast corner of Lot 36, Block 5, of said Map of Subdivision No. 1 Oceano Beach, said corner being on the southerly line of Franklin Avenue;
- 32) thence S 89°57' W, 604 feet, more or less, along said southerly line and the westerly prolongation thereof to the westerly line of Third Street, 40 feet wide, as shown on said Map of Subdivision No. 1 Oceano Beach;

- 33) thence N 1°33' W, 826 feet, more or less, along said westerly line to a point of intersection with the aforementioned centerline of Arroyo Grande Creek Channel, said point being N 82°26'30" W, 149 feet, more or less, along said centerline from the westerly end of the aforementioned 4000 foot radius curve;
- 34) thence N 82°26'30" W, 2,139 feet, more or less, along said centerline and its prolongation to a point on the aforementioned mean high tide line, said point being the approximate southwest corner of Lot D as shown on the Map of Subdivision No. 2 Oceano Beach recorded in Book A of Maps at Page 150, San Luis Obispo County Records;
- 35) thence northwesterly 6,300 feet, more or less, along said mean high tide line and the westerly lines of Lots D, E, and F of said map and Lots G, H, and I of the Map of Subdivision No. 3 Oceano Beach recorded in Book A of Maps at Page 151, San Luis Obispo County Records, to the aforementioned southwesterly corner of the Town of Grover and the point of beginning.

Area within boundary is 1,085 acres, more or less, or 1.70 square miles.

PROPOSED
OCEANO COMMUNITY SERVICES DISTRICT
BOUNDARY DESCRIPTION

Exhibit "A"

Beginning at the southwesterly corner of the Town of Grover, according to the map thereof recorded in Book A of Maps at Page 6, San Luis Obispo County Records, said point also being on the boundary line of the City of Grover City and the mean high tide line; thence along the boundary line of the City of Grover City over the following courses numbered 1 through 10:

- 1) S 69°15' E along the southerly line of said Town of Grover, 2,188 feet, more or less, to a point on the westerly line of the Southern Pacific Railroad Company's right-of-way, said westerly line also being the easterly line of Vista Del Encanto, Subdivision No. 2, according to the map thereof recorded in Book 5 of Maps at Page 3, San Luis Obispo County Records;
- 2) S 21°00'30" E, 2,461 feet, more or less, along the westerly line of said right-of-way to a point which bears West from the northwesterly corner of Lot 4 of Pismo Beach Gardens No. 2 according to the map thereof recorded in Book 3 of Maps at Page 49, San Luis Obispo County Records;
- 3) East 107 feet, more or less, across said railroad right-of-way, 100 feet wide, to the easterly right-of-way line of said railroad, said line also being a common line with the westerly line of that certain parcel described in the deed from Oscar Huber to Charles Linebarger, recorded in Volume 105 of Deeds at Page 347, San Luis Obispo County Records, said parcel being a portion of Lot 15 of Harris' Subdivision of the Rancho El Pismo according to the map thereof recorded in Book A of Maps at Page 157, San Luis Obispo County Records;
- 4) S 21°00'30" E, 190 feet, more or less, along said common line to the beginning of a curve: _____

- 5) Southeasterly along said curve, tangent to the last mentioned course and concave to the northeast with a radius of 5,800 feet through a central angle of $11^{\circ}16'$, an arc distance of 1,140 feet, more or less, to a point on the westerly prolongation of the northerly line of Lots 18 and 17 of Rio Vista Dell, according to the map thereof recorded in Book 3 of Maps at Page 98, San Luis Obispo County Records;
- 6) N $81^{\circ}47'$ E 356.6 feet along said prolongation and along said northerly line of Lots 18 and 17, as shown on said map, to the northeasterly corner of said Rio Vista Dell Subdivision, said corner also being the southeasterly corner of that certain parcel of land conveyed to John Loosemore by deed dated April 19, 1921, and recorded in Volume 145 of Deeds at Page 75, San Luis Obispo County Records;
- 7) N $36^{\circ}43'$ W, as shown on said map, 180 feet, more or less, along the northwesterly prolongation of the northeasterly line of said Rio Vista Dell Subdivision, said line also being the easterly line of said land conveyed to John Loosemore, to a point on the southerly line of the hereinabove mentioned portion of Lot 15 of Harris' Subdivision, described in the deed from Oscar Huber to Charles Linebarger, said point also being the northeast corner of that parcel of land conveyed to John Loosemore;
- 8) N $83^{\circ}43'$ E, 1,202 feet, more or less, along said southerly line to the southeast corner of the hereinabove mentioned portion of Lot 15 of Harris' Subdivision, said point also being on the south line of The Pike as shown on the map of Pismo Beach Gardens, recorded in Book 3 of Maps at Page 45, San Luis Obispo County Records;
- 9) N $83^{\circ}43'$ E, 78 feet along the south line of The Pike as shown on said map to a point on the easterly line of the hereinabove mentioned Lot 15 of Harris' Subdivision of the Rancho El Pismo;

10) N 89°45' E, 2,958 feet, more or less, along the southerly line of The Pike, 50 feet wide, according to said map, to a point on the southerly prolongation of the easterly line of Lot 16 of said Pismo Beach Gardens, at which point said boundary line of the City of Grover City bears north along the southerly prolongation of the easterly line of said Lot 16.

11) Thence, leaving the common line with said City boundary and continuing N 89°45' E, 577 feet, more or less, along said southerly line of The Pike and its easterly prolongation to a point on the southerly prolongation of the easterly line of Lot 19 and the westerly line of Tract 80 as recorded in Book 5 of Maps at Page 91, San Luis Obispo County Records, said point being an angle point in the boundary line of the City of Arroyo Grande;

thence along the boundary line of said City of Arroyo Grande over the following courses numbered 12 through 18:

12) N 89°45' E, 130 feet, more or less, along the easterly prolongation of the southerly line of The Pike, said line being also the northerly boundary line (blue border) of Tract No. 708 as recorded in Book 9 of Maps at Page 75, San Luis Obispo County Records, to the northeast corner of said tract, said corner being 10' westerly of and at right angles to the centerline of 24th Street as shown on said tract;

13) S 00°01' E 20 feet to a point which is 45 feet at right angles southerly of the easterly prolongation of the centerline of The Pike, as shown on said map of Tract No. 708, and on the westerly prolongation of the southerly line of The Pike as said line is shown on the aforementioned map of Pismo Beach Gardens;

14) N 89°45' E, 520 feet, along said westerly prolongation and the southerly line of The Pike as same existed on March 10, 1980, said line being also the northerly line of Lot E of the

Subdivisions of Property of E. L. Warner recorded in Book B of Maps at Page 50, San Luis Obispo County Records, to the northeast corner of said Lot E, said northeast corner being also the northwest corner of Lot F of said map and the northwest corner of the boundary of Tract No. 244, a subdivision of Lot F, recorded in Book 6 of Maps at Page 87, San Luis Obispo County Records;

- 15) South 817.24 feet, the bearing and distance shown on said Tract No. 244, along the westerly boundary of said Lot and Tract to the southwest corner thereof;
- 16) N 89°10'00" E, 566.48 feet along the southerly line of said Lot and Tract and the easterly prolongation thereof across Elm Street (26th Street) to a point on the easterly line of said street as shown on said Tract No. 244;
- 17) N 0°14'30" W, 742 feet, more or less, along the easterly line of Elm Street (26th Street) to its intersection with the southerly line of The Pike;
- 18) N 89°47'30" E, 2,638 feet, more or less, along the southerly line of The Pike and its easterly prolongation to a point on the easterly line of Halcyon Road, said southerly line being 25 feet at right angles southerly of and parallel with the centerline of The Pike as shown on Tracts 456, 498, 463, and 282 recorded in Book 8 Page 56, Book 8 Page 42, Book 8 Page 24, and Book 6 Page 99, respectively, of Maps, San Luis Obispo County Records, at which point said boundary line of the City of Arroyo Grande bears north along the easterly line of Halcyon Road;
- 19) Thence leaving the common line with said City of Arroyo Grande boundary S 0°07'15" E, 2,592 feet, more or less, along said easterly line of Halcyon Road and its southerly prolongation to its intersection with the centerline of the Arroyo Grande Creek Channel, the map of

which is on file in the Office of the County Engineer of San Luis Obispo County;

thence along the centerline of said channel over the following courses numbered 20 through 27:

- 20) S $18^{\circ}55'15''$ W, 351 feet, more or less, to the beginning of a curve;
- 21) Southwesterly along said curve, tangent to the last mentioned course and concave to the northwest with a radius of 400 feet through a central angle of $45^{\circ}43'$, an arc distance of 319.16 feet;
- 22) Tangent to said last mentioned curve S $64^{\circ}38'15''$ W, 1,395.27 feet to the beginning of a curve;
- 23) Southwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the northwest with a radius of 2,000 feet through a central angle of $25^{\circ}29'45''$, an arc distance of 899.97 feet;
- 24) Tangent to said last mentioned curve N $89^{\circ}52'$ W, 3,191.20 feet to the beginning of a curve;
- 25) Northwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the northeast with a radius of 3,000 feet through a central angle of $34^{\circ}50'30''$, an arc distance of 1,824.31 feet;
- 26) Tangent to said last mentioned curve N $55^{\circ}01'30''$ W, 403.63 feet to the beginning of a curve;
- 27) Northwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the southwest with a radius of 4,000 feet through a central angle of $12^{\circ}30'$, an arc

distance of 873 feet, more or less, to a point of intersection with the westerly line of that property conveyed to Clayton L. Conrow, et ux., by deed recorded in Volume 502 of Official Records at Page 18, San Luis Obispo County, said point being southeasterly along the westerly continuation of said curve an arc distance of 1,041 feet, more or less, with a central angle of $14^{\circ}55'$, from the westerly end of said curve (total central angle of curve is $27^{\circ}25'$ and total arc distance is 1,914.04 feet);

- 28) thence leaving the centerline of said Arroyo Grande Creek Channel South 483 feet, more or less, along the westerly line of said Conrow property;
- 29) thence S $33^{\circ}30'$ E, 66 feet, more or less, along the southwesterly line of said Conrow Property, to a point on the southerly line of Franklin Avenue, 40 feet wide, as said street is shown on the map of Beckett's Oceano Park Subdivision recorded in Book 1 of Records of Survey at Page 105, San Luis Obispo County Records;
- 30) thence West 560 feet, more or less, along said southerly line and the westerly prolongation thereof to a point on the westerly line of 10th Street (formerly Fourth Street), 70 feet wide, as said street is shown on the Map of Subdivision No. 1 Oceano Beach recorded in Book A of Maps at Page 149, San Luis Obispo County Records, and on said map of Becketts Oceano Park Subdivision;
- 31) thence N $0^{\circ}45'$ W, 2 feet, more or less, along said westerly line to the northeast corner of Lot 36, Block 5, of said Map of Subdivision No. 1 Oceano Beach, said corner being on the southerly line of Franklin Avenue;
- 32) thence S $89^{\circ}57'$ W, 604 feet, more or less, along said southerly line and the westerly prolongation thereof to the westerly line of Third Street, 40 feet wide, as shown on said Map of Subdivision No. 1 Oceano Beach;

- 33) thence N 1°33' W, 826 feet, more or less, along said westerly line to a point of intersection with the aforementioned centerline of Arroyo Grande Creek Channel, said point being N 82°26'30" W, 149 feet, more or less, along said centerline from the westerly end of the aforementioned 4000 foot radius curve;
- 34) thence N 82°26'30" W, 2,139 feet, more or less, along said centerline and its prolongation to a point on the aforementioned mean high tide line, said point being the approximate southwest corner of Lot D as shown on the Map of Subdivision No. 2 Oceano Beach recorded in Book A of Maps at Page 150, San Luis Obispo County Records;
- 35) thence northwesterly 6,300 feet, more or less, along said mean high tide line and the westerly lines of Lots D, E, and F of said map and Lots G, H, and I of the Map of Subdivision No. 3 Oceano Beach recorded in Book A of Maps at Page 151, San Luis Obispo County Records, to the aforementioned southwesterly corner of the Town of Grover and the point of beginning.

Area within boundary is 1,085 acres, more or less, or 1.70 square miles.

Exhibit "A"

Annexation No. 5

**To The Oceano Community Services District
San Luis Obispo County, California**

A portion of Lot 109 of the Subdivisions of the Ranchos Corral de Piedra, Pismo, and Bolsa de Chamisal, in the County of San Luis Obispo, State of California, as per map filed in Book A, Page 65 of Maps in the Office of the County Recorder of said County, said portion being the land described in the deed recorded in Book 1524 at page 575 of Official Records in the Office of the County Recorder of said County, and Parcel 1 of Parcel Map CO-68-69 as per map filed in Book 3, Page 32 of Parcel Maps in the Office of the County Recorder of said County, and Parcel 1 of Parcel Map CO-70-51 as per map filed in Book 5, Page 1 of Parcel Maps in the Office of the County Recorder of said County, more particularly described as follows:

Beginning at the southwesterly corner of said Parcel 1 of Parcel Map CO-68-69, also being on the existing Arroyo Grande City limit line, and also being the easterly right of way line of the 60 foot wide Halcyon Road as shown on said Parcel Map;

Thence along the said City limit boundary and the westerly line of said Parcel 1, North 211.49 feet to the northwesterly corner of said Parcel 1;

Thence continuing along the said City limit line and the northerly line of said Parcel 1, East 200.00 feet to an angle point in the said northerly line;

Thence continuing along the said City limit line and the northerly line of said Parcel 1, North 25.00 feet to an angle point in the said northerly line;

Thence leaving said City limit line and along the said northerly line, East 375.00 feet to an angle point in the westerly boundary line of Tract 551 in the City of Arroyo Grande, as per map filed in Book 8, Page 72 of Maps in the Office of the County Recorder of said County, said point also being on the said City limit line;

Thence continuing along the said City limit line and the said northerly line, north 89°33'59" east 25.23 feet to an angle point in the said westerly boundary line of Tract 551;

Thence continuing along the said City limit line and the line common with said Parcel 1, and the land described in said deed, and the said westerly boundary line of Tract 551, south 00°00'01" east 437.32 feet to the southeasterly corner of the land described in said deed and also being on the northerly line of Parcel 1 of Parcel Map CO-70-51;

Thence continuing along the said City limit line and the said northerly line, north 89°38'00" east 444.80 feet to the northeasterly corner of said Parcel 1;

Thence leaving said City limit line and along the easterly line of said Parcel 1, south 05°43'12" west 225.67 feet to the southeasterly corner of said Parcel 1;

Thence along the southerly line of said Parcel 1, south 89°38'00" west 1022.90 feet to the southwesterly corner of said Parcel 1, also being a point in the current Ocean Community Services District's boundary line, also being a point on the said easterly right of way line of the 60 foot wide Halcyon Road;

Thence continuing along the westerly line of said Parcel 1, and the current Ocean Community Services District's boundary line, and the said easterly right of way line north 00°00'00" east 224.40 feet to the southwesterly corner of the land described in said deed;

Thence continuing along said Ocean Community Services District's boundary line and the westerly line of land described in said deed, north 00°00'00" east 200.00 feet to the Point of Beginning.

Containing 11.3 acres of land, more or less.



Joseph T. Morris

Joseph T. Morris P.L.S. 6192 exp 3/2010

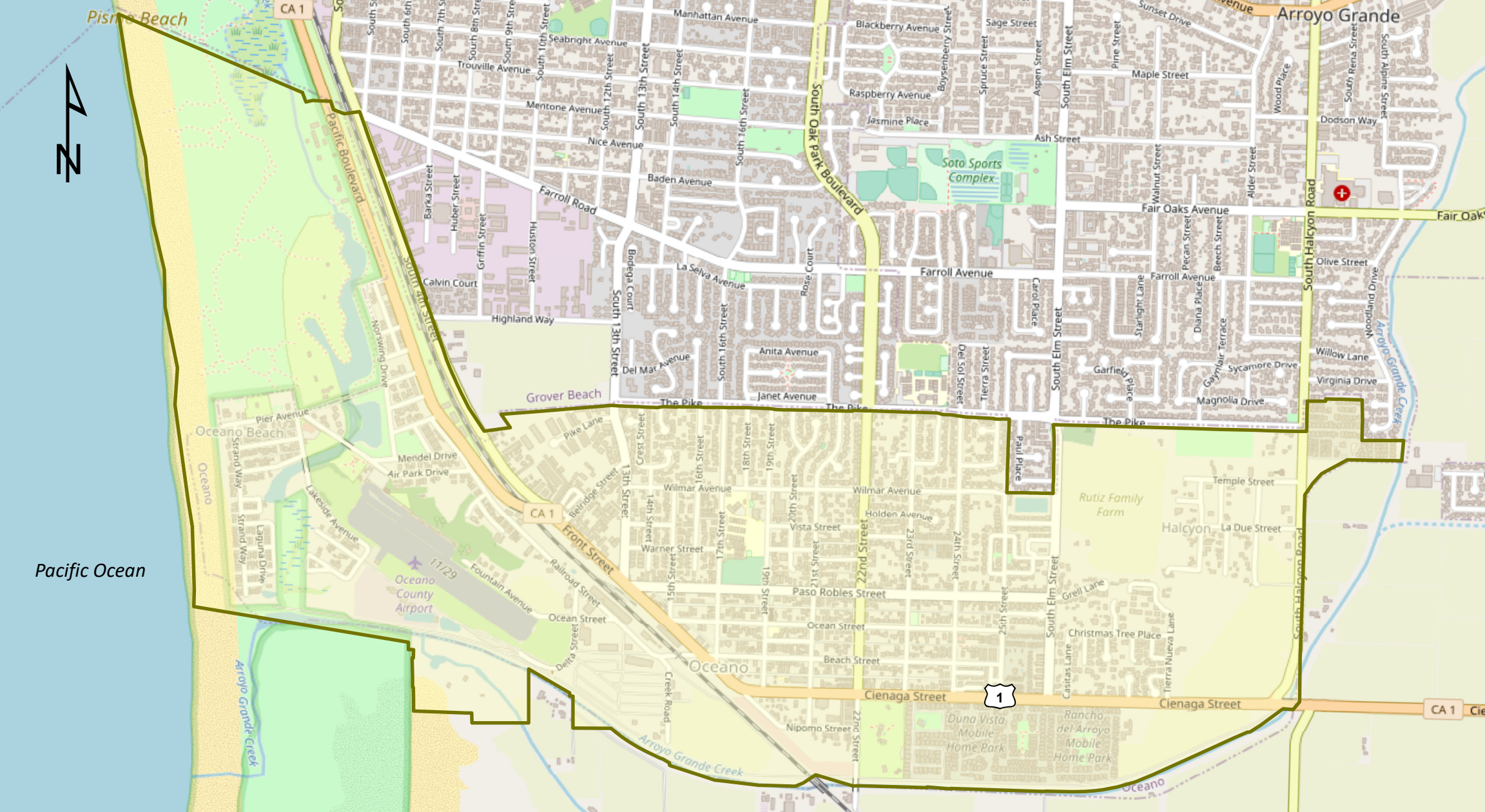
Date: September 1, 2009

APPROVED COUNTY SURVEYOR
By: *Daniel J. Morrison*
Date: *9/27/09*
San Luis Obispo County Dept. of Public Works

END OF DOCUMENT

EXHIBIT B

MAP OF SERVICE AREA BOUNDARIES

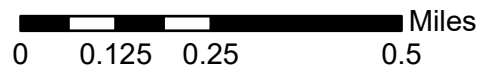


Oceano Community Service District

LAFCO Boundaries

- Sphere of Influence (Same as Service Area)
- Service Area

Latest SOI Approval: Jul 2020



Prepared By SLOLAFCO
 Name: Oceano CSD
 Date: 3/25/2022
 Attachment - Resolution A-1-28

EXHIBIT C

Oceano Community Services District

Divestiture of Fire Protection Services

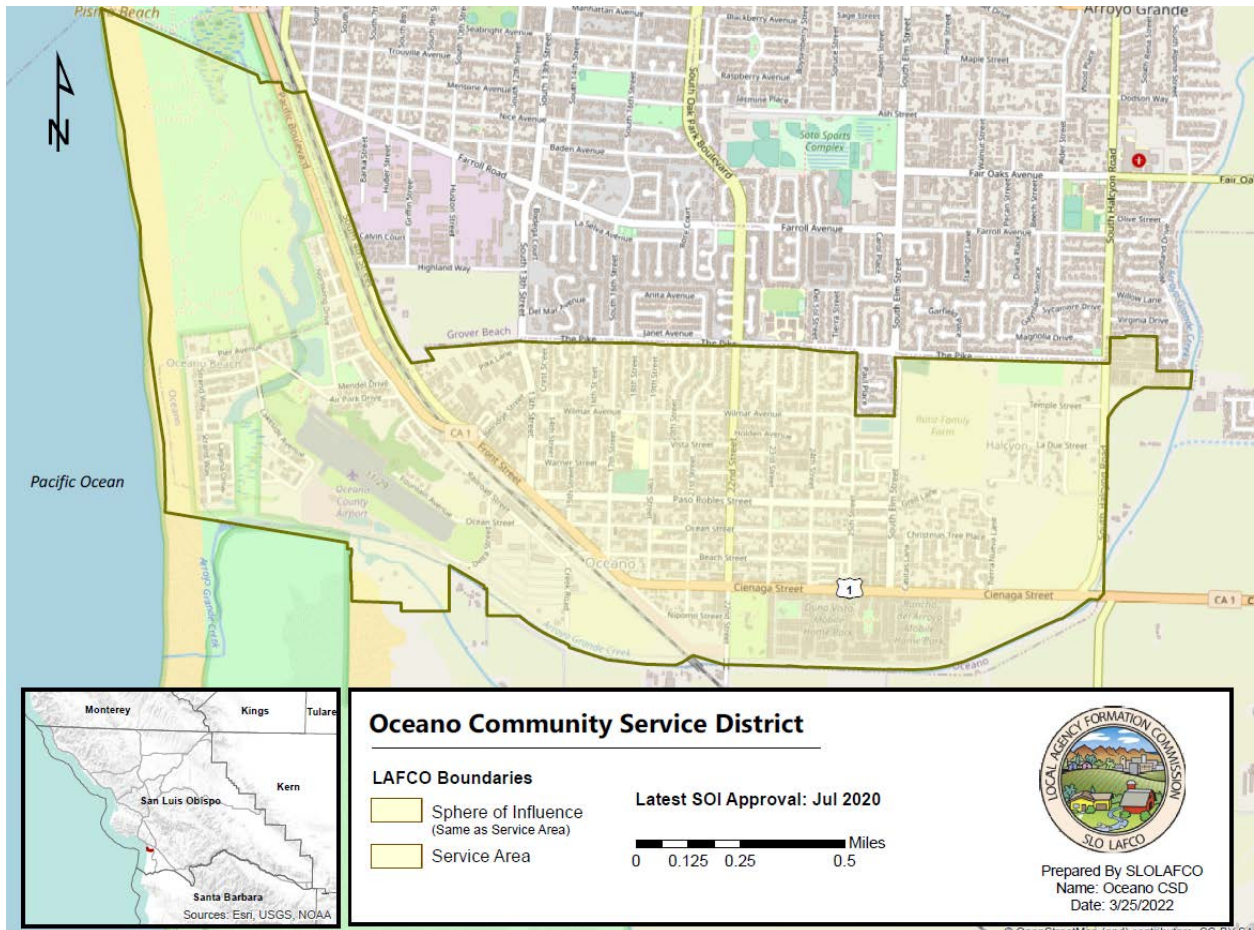
Plan for Services - January 2023

Contents:

1. Introduction & Background
2. Description of Services
 - a. Current Level of Fire Protection Services
 - b. Proposed Level of Fire Protection Services
3. Existing Service Providers and Fiscal Impact
4. Financing Plan

1. Introduction & Background:

The Oceano Community Services District (OCSD) was formed in 1981 by a reorganization (LAFCO Resolution 80-6) 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. The Oceano Fire Protection District had been in existence since 1947. The OCSD provides property tax supported services (fire protection, lighting, and parks & recreation) and enterprise fee supported services (water, wastewater collection, and solid waste). A five-member elected Board of Directors oversees the affairs of the District. See the figure below showing the current jurisdictional boundaries of OCSD.



A Fire Department Consolidation Feasibility Study was completed in 2005 which concluded that stand-alone fire departments are not cost effective and that Oceano, the cities of Grover Beach (GB) and Arroyo Grande (AG) should consolidate into one agency for fire protection services. In 2008, the OCSD Fire Oversight Committee directed efforts to consolidate with GB and AG. The Five Cities Fire Authority (FCFA), a Joint Powers Authority (JPA) was formed in 2010 and has been providing fire protection services for OCSD, GB, and AG ever since.

FCFA operates as a single fire agency utilizing fire stations and equipment from the three member agencies. FCFA has a three-member Board of Directors comprised of an elected official from each agency. The Fire Chief reports to the Board of Directors and administers all three fire stations. Funding for the FCFA is based on a negotiated cost formula between the member agencies.

In 2017 the FCFA Board adopted a five-year strategic plan that had a staffing plan which was prioritized to initially transition from part-time reserve firefighters to full-time firefighters over a three-year period. At the end of the three-year period, the Arroyo Grande and Grover Beach stations would have 3 full-time staff, and the Oceano station

2 full-time staff daily. The strategic plan also called for other positions, and the establishment of an equipment replacement program. The initial two phases of the three-year prioritization were accomplished (6 of 9 positions transitioned).

The FCFA strategic plan has resulted in significant cost increases to fund the additional career positions. However, due to insufficient resources, the OCSD station currently can only be staffed with two positions for one of three shifts each week. When the OCSD station is closed, service to Oceano is provided by FCFA with staff stationed at the GB and AG stations.

When the OCSD station is open, additional jurisdictional response is provided to Oceano from FCFA stations in GB and AG. Automatic aid is provided to FCFA by CAL FIRE (nearest stations in Pismo Beach and Nipomo). Should an incident require a mutual aid request for additional resources, those resources could be dispatched from anywhere in San Luis Obispo County, Santa Barbara County, or the City of Santa Maria.

The sole funding source for fire service is property taxes. Unlike the Cities or the County, other funding sources such as sales, transient occupancy, cannabis, and other taxes are not available to special districts like OCSD. In March of 2020, the OCSD placed a special tax measure (Measure A-20) on the ballot to fund its share of the JPA costs. The measure called for an annual special tax of \$180 per parcel to generate almost \$410,000 in additional funding. That measure failed to garner the necessary 2/3 majority vote to pass. A similar measure was placed on the June 2022 ballot (Measure A-22) and it also failed to pass.

Due to the inability of OCSD to fund its share of JPA costs, the OCSD will cease to be a member of the FCFA on July 1, 2023, and fire protection services for Oceano will need to be provided by another method. This would leave GB and AG as the remaining agencies of FCFA. The existing JPA would need to be revised if those agencies desired to keep a JPA as opposed to returning to stand alone fire departments.

2. Description of Services

a. Current Level of Fire Protection

The FCFA provides emergency and non-emergency fire protection services within OCSD boundaries. Service calls within OCSD boundaries average about 550 per year and account for less than 16% of the total calls for FCFA. Calls are assigned to the closest available apparatus based on GPS coordinates. The County prepared a Special Districts Fire Protection Study in 2018. The section covering OCSD is attached as Attachment 1. That report stated that the appropriate response time for Oceano would be based on the County Fire urban standard of 7 minutes. When the OCSD station is open, FCFA can cover 99% of the entire OCSD service area within 7 minutes. However, when the OCSD station is closed, the other FCFA stations can cover 30% of the OCSD service area within 7 minutes and 95% of the OCSD service area within 8 minutes. The study also concluded

that if the OCSD station was closed and service was provided from the CAL FIRE stations in Pismo Beach or on the Nipomo Mesa, those stations are too far away to provide an appropriate level of response to Oceano.

As indicated earlier, the OCSD only has sufficient funding to staff and keep the OCSD station open one of three (1/3) shifts each week resulting in reduced service levels in Oceano. In addition, this has the impact of increasing simultaneous service calls for the stations that are open in GB and AG by reducing the number of available engine companies, but also increases response times to all communities served by FCFA.

b. Proposed Level of Fire Protection

The complete divestiture of fire protection services by OCSD from its jurisdictional boundaries would transfer all fire protection services to the County of San Luis Obispo (County) as the successor agency. The County could provide service to Oceano as it currently does for other unincorporated areas of the County through the County Fire Department. County Fire could utilize its existing contract with CAL FIRE as it does in other communities, or it could have the option to contract with a reconstituted FCFA to provide service in Oceano.

The current available revenues from property taxes collected would transfer to the County to fund fire protection services. In addition, all existing Development Impact Fees collected and those collected in the future would transfer to the County to be used to improve facilities or replace equipment related to development. The OCSD would also make available through a no cost lease to the County, those facilities currently utilized to provide fire protection services on OCSD property located at 1655 Front Street in Oceano (FCFA Station 3).

The Oceano Fire Station could remain the primary response station for service calls within the Oceano community. Fire engine/apparatus could remain located in the current Oceano Fire Station. The types and quality of fire protection services would be similar to the existing services, however, the level of fire protection services provided to the community could be enhanced as the County's financial ability to provide additional staffing is much greater than OCSD is able to provide currently.

There will be no transfer of OCSD employees related to the divestiture of fire protection services as all employees of FCFA are employees of the City of Arroyo Grande. However, OCSD will be responsible to pay its share of any CALPERS unfunded accrued liabilities for the period it was a member of FCFA. The OCSD will provide fire protection services for the community of Oceano until the effective date of the divestiture. There will be no laws, ordinances, rules, or regulations of the OCSD related to fire protection services remaining in effect after the effective date of the divestiture.

In summary, the proposed divestiture will potentially provide for a higher level of fire service than what currently exists as the County has more funding options available to it than the OCSD. This may provide for the ability to keep the Oceano fire station open more shifts than the current single shift per week.

3. Existing Service Providers and Fiscal Impact

The FCFA is the only existing service provider of fire protection services in Oceano apart from the automatic and mutual aid provided by County Fire. County Fire would be the only option to provide fire protection services in Oceano other than FCFA.

The estimated cost of fire protection services for the citizens of Oceano would be \$1,050,000 annually and be covered by the current property taxes available for fire protection services. The Special Districts Fire Protection Study in 2018 estimated that it would cost the County an additional \$600,000 annually above the property tax revenues to fully staff and operate the Oceano station. Thus, the County of San Luis Obispo would have a fiscal impact as the successor agency.

4. Financing Plan

The financing plan outlined below is based on the estimated costs outlined in the Special Districts Fire Protection Study in 2018 and inflated to July 2023 based on the Consumer Price Index. It assumes the County provides fire protection services and utilizes its current contract with CAL FIRE to staff the Oceano station with two full-time firefighters on duty daily with support by reserves or paid call firefighters plus station operating costs. However, there could also be an option to contract with a reconstituted FCFA depending on future decisions by the Cites of GB and AG. This could bring the estimated cost of service lower.

Estimated Annual Cost	\$1,850,000
Property Tax Transfer	\$1,050,000
Additional County Funding Needed	\$800,000

In addition, there would be a one-time transfer of all Public Facility Fees on hand from the OCSD to the County of approximately \$210,000. The County would then receive all Public Facility Fees collected on new development in Oceano. These fees can be used to fund upgrades to the facilities or new equipment related to new development. The

latest Public Facility Fee report for OCSD calculates that these fees can fund 44% of any facility upgrades or new equipment.

OCSD would negotiate a lease with the County for use of all OCSD real and personal property that is currently being utilized for fire protection services by FCFA at no cost to the County other than required maintenance, repair, or replacement. The modular home currently housing firefighters at the Oceano station is reaching the end of its useful life and replacement or construction of a permanent structure will need to be addressed in the near future. OCSD would not be able to spend any funds on fire protection services, including facilities and equipment after divestiture.

ATTACHMENT 1

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.

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

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 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.

Due to proximity the district may respond 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

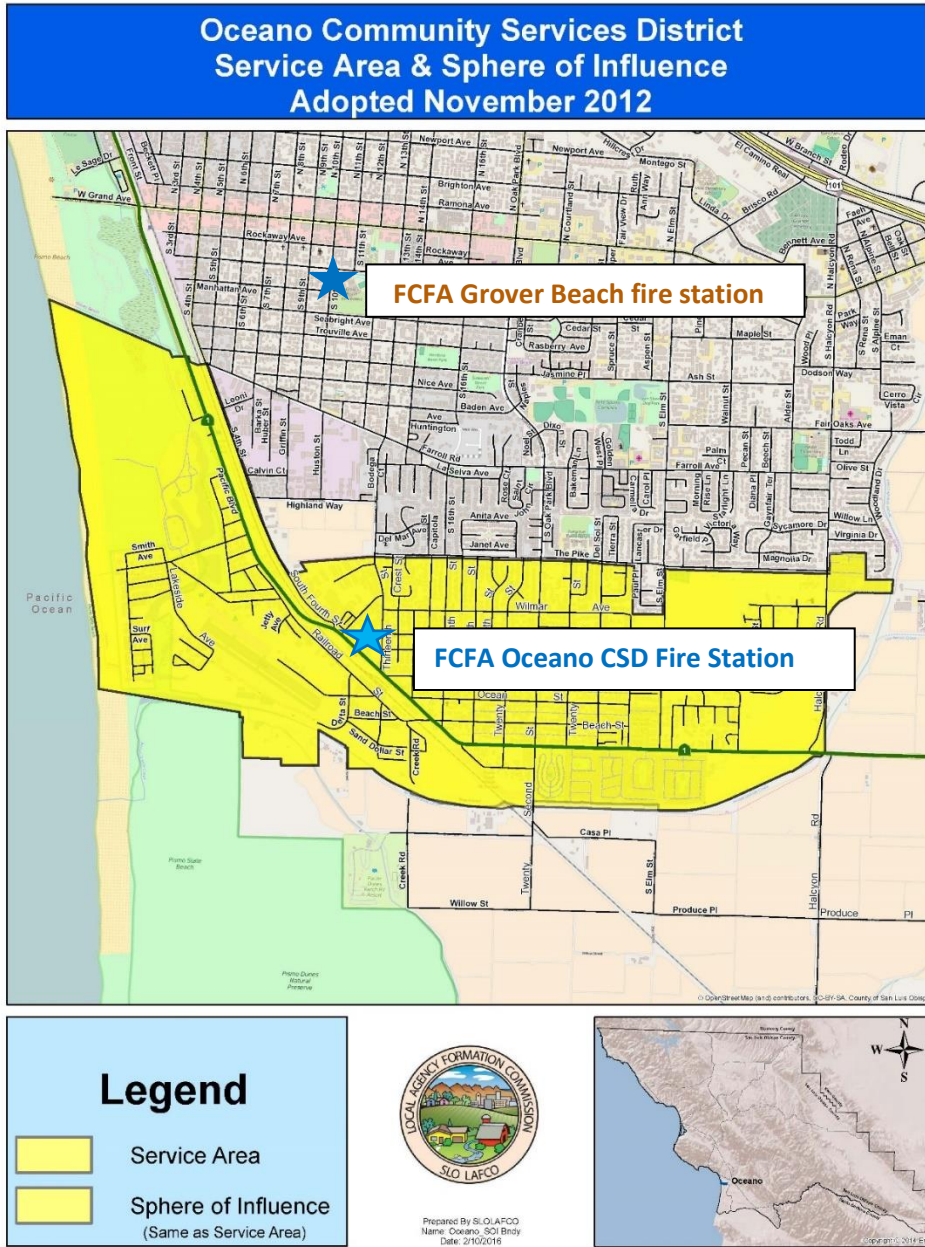


Figure 34 Map of Oceano CSD: LAFCO

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.

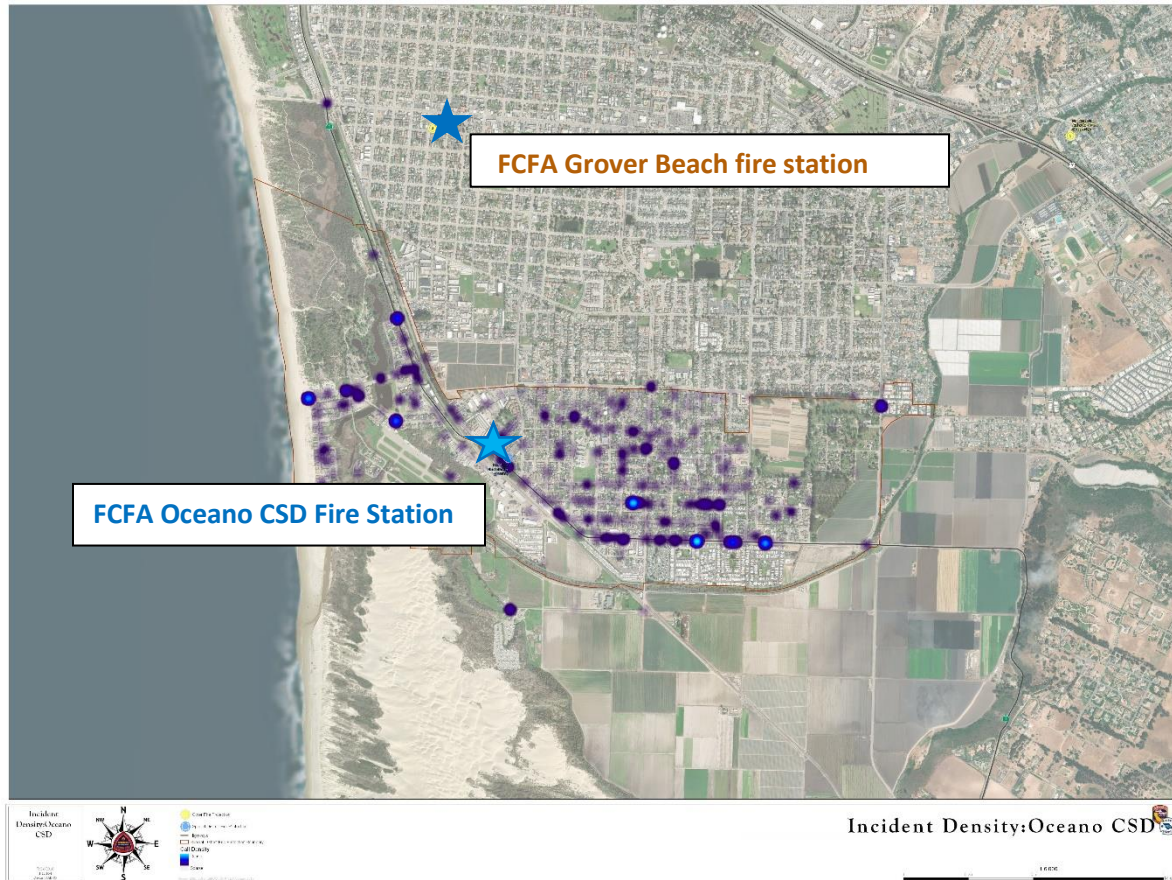


Figure 35 Heat Map of Incident locations in Oceano

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.

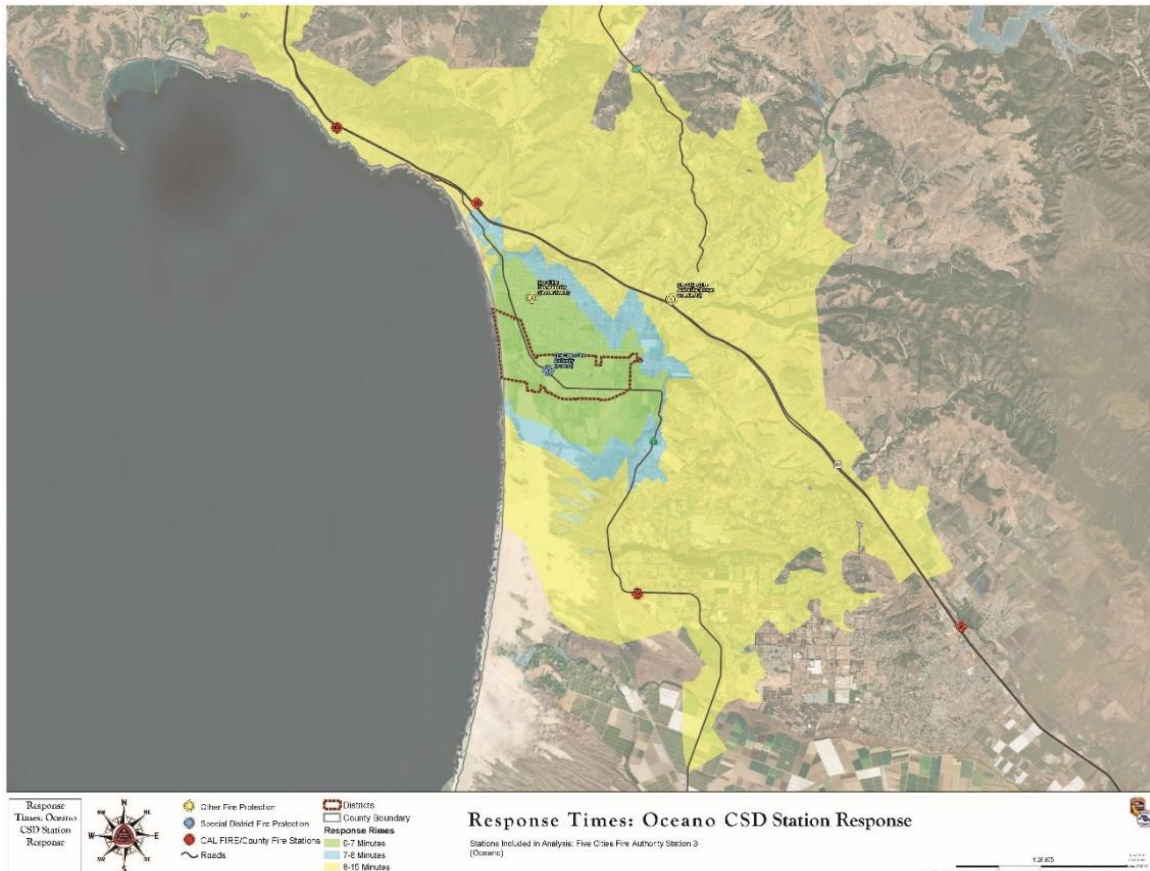


Figure 37 Response Time Analysis from Oceano Fire Station

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.

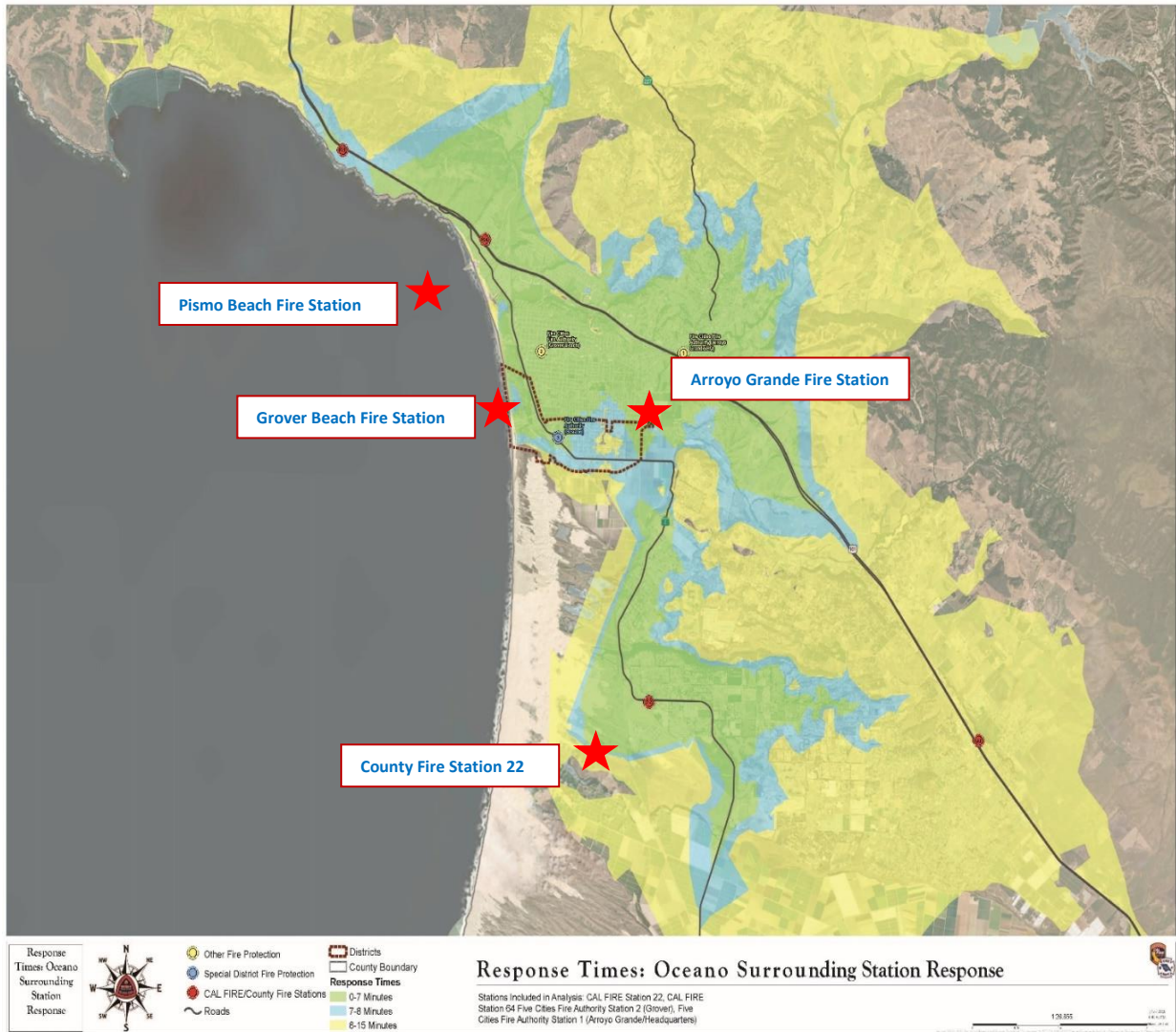


Figure 38 Response Times from adjoining fire stations

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.

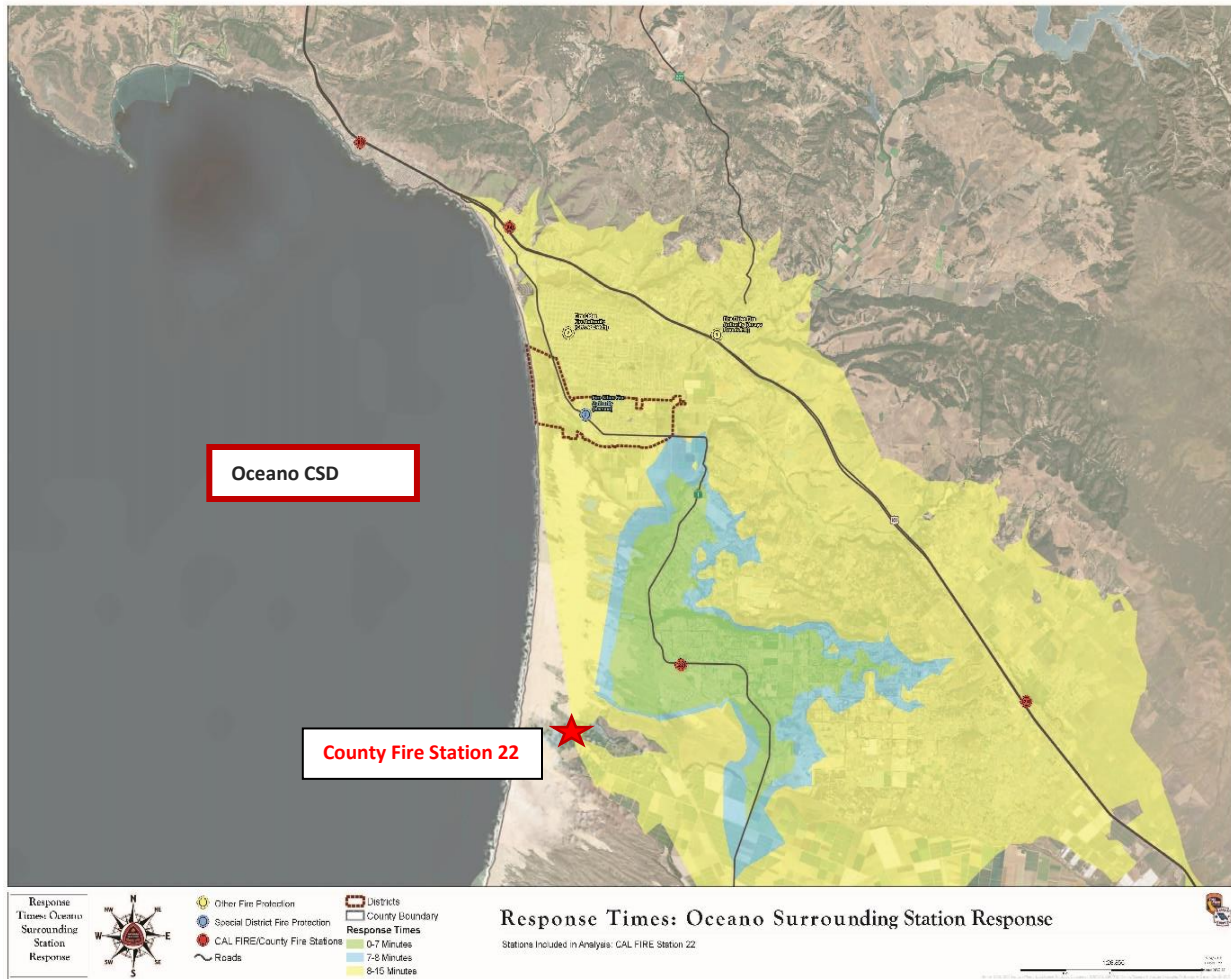


Figure 39 Response Time to Oceano from County Fire Station 22

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	Secured and Utility		Growth from Prior Year		
	Assessed Valuation (after HOPTR)	Percent of Total	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

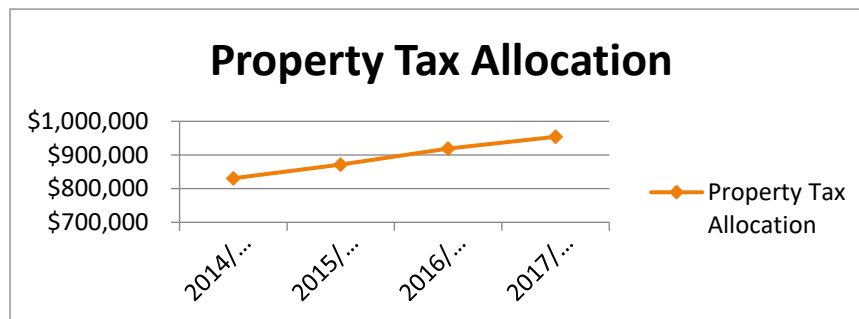


Figure 43 Oceano CSD Property Tax allocation 2014-2018

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.

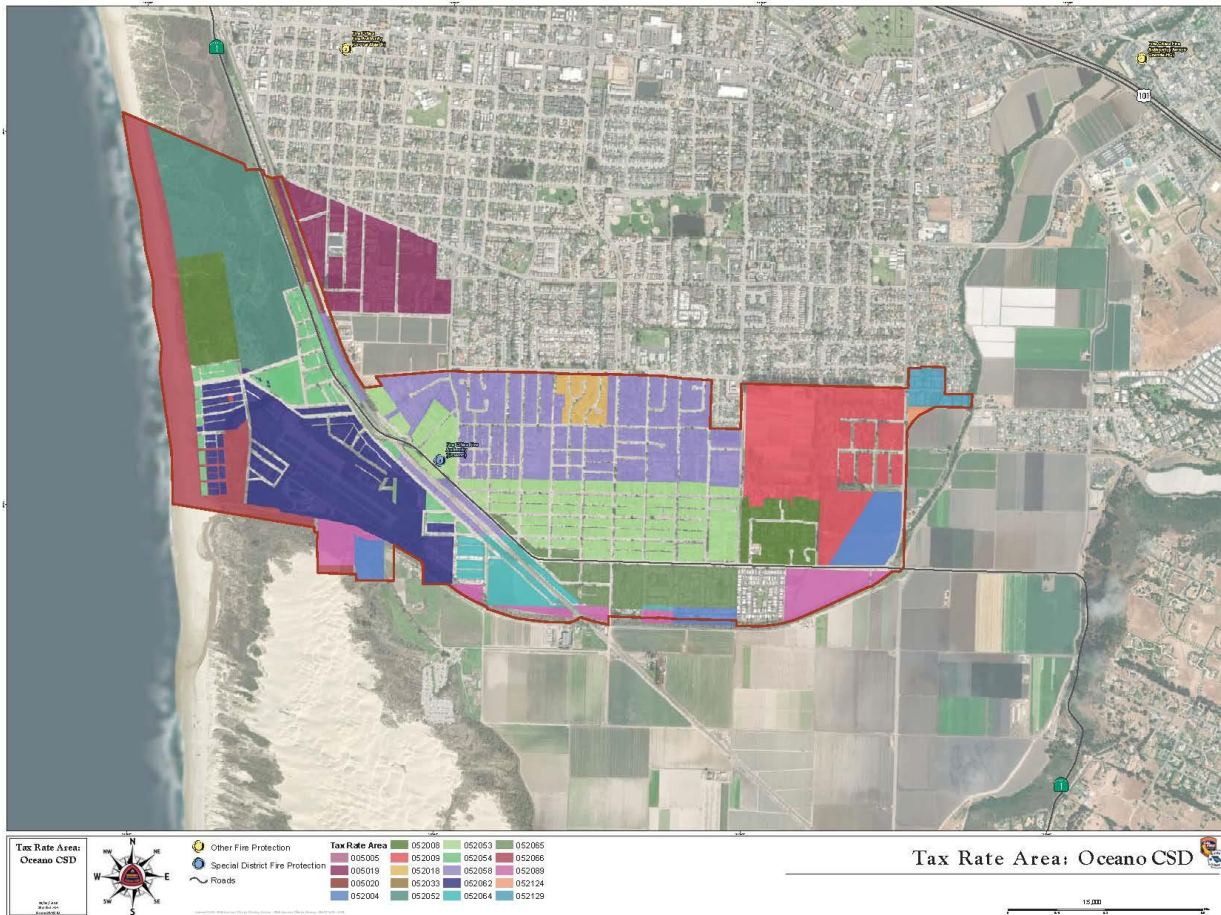












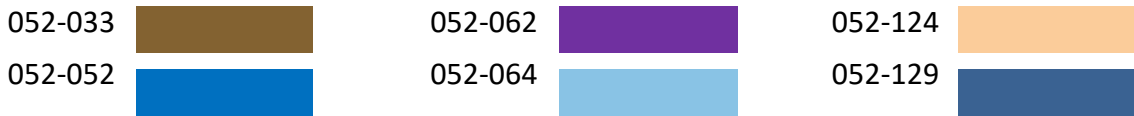


Figure 44 Map of Oceano CSD Tax Rate Areas

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	

⁴³ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collectors, Office
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Oceano CSD 2017/2018 Tax Revenue % and \$ by TRA ⁴⁴			
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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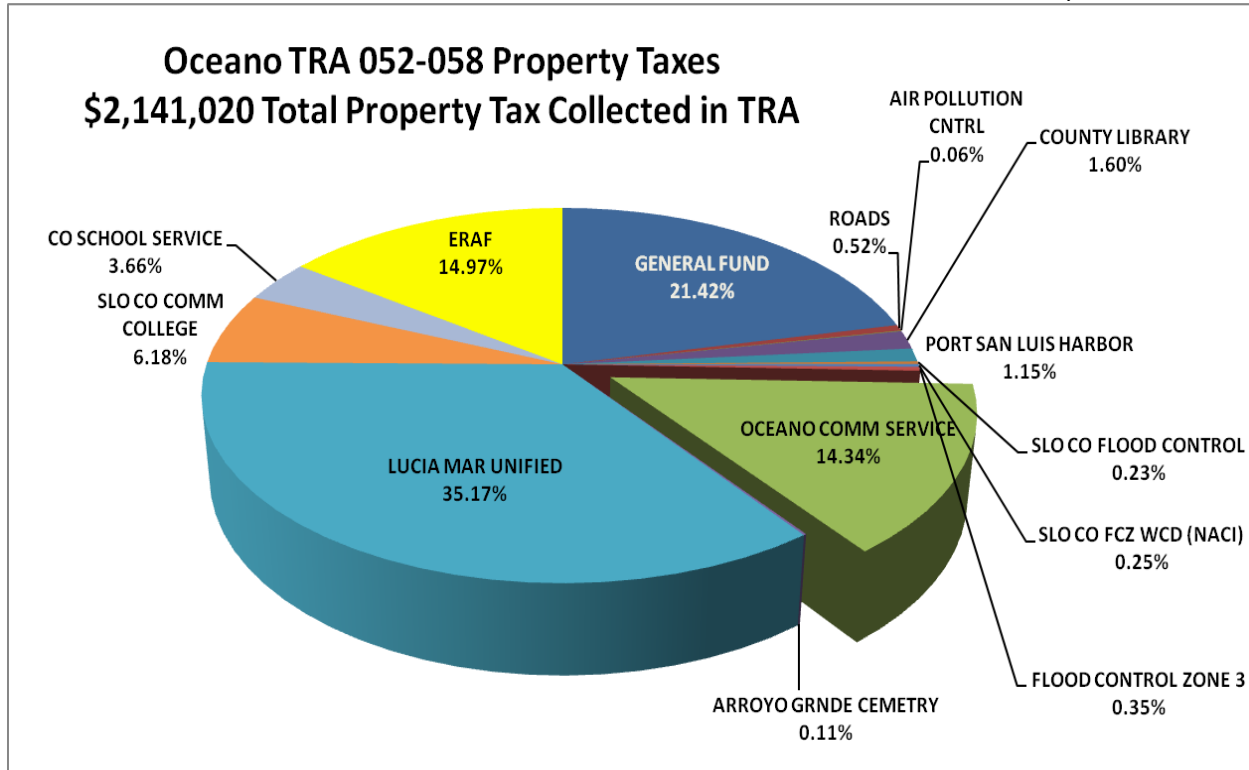


Figure 46 Oceano CSD TRA 052-058 Breakdown

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.

Attachment B

LAFCO Information
Hold Letter



San Luis Obispo Local Agency Formation Commission

SENT VIA E-MAIL

TO: WILL CLEMENS, GENERAL MANAGER, OCSD

FROM: ROB FITZROY, EXECUTIVE OFFICER *RF*

DATE: MARCH 7, 2023

SUBJECT: DIVESTITURE - LAFCO FILE NO. 1-E-23

Mr. Clemens,

This letter is to confirm that the application for Oceano Community Services District (OCSD) Divestiture of Fire Protection Services was officially received on February 6, 2023, and was referred to other agencies involved in the process. LAFCO staff have completed an initial 30-day review of the application and find that the following items must be addressed for LAFCO to continue processing the application. The following items are required, in part, pursuant to government code section 56652.

1. The Plan for Services provided by OCSD proposes to have the County of San Luis Obispo be the successor agency to provide fire protection for the Community of Oceano. The proposal set forth would require approval by the Board of Supervisors. The County of San Luis Obispo would also need to prepare a Plan for Services. This would need to include, but is not limited to, a plan for staffing and service levels, asset allocation, pension liabilities, property tax transfer and a funding plan. LAFCO referred the divestiture application to the County of San Luis Obispo, their response to the referral is attached. Once the County has fully evaluated the proposal and placed it on the agenda for the Board of Supervisors to consider, LAFCO will continue processing the application and any resolution and plan for services prepared by the County.
2. Related to Item 1 above, should the County prepare a Plan for Services with specific terms and conditions that are not otherwise stated in the Plan for Services already submitted by OCSD, a revised Plan for Services and/or legal agreement would need to be reviewed and considered by OCSD to reflect the terms and conditions of the County's Plan for Services.
3. Government code section 56824.12 states that a Plan for Services must include the following:
 - (1) The total estimated cost to provide the new or different function or class of services within the special district's jurisdictional boundaries.
 - (2) The estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries. The estimated costs may be identified by customer class.

COMMISSIONERS

Chairperson
ED WAAGE
City Member

Vice-Chair
DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

MARSHALL OCHYLSKI
Special District Member

ROBERT ENNS
Special District Member

STEVE GREGORY
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CHARLES BOURBEAU
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

(3) An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers.

(4) A written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of service or services.

(5) A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries.

(6) Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries.

The Plan for Services provided addresses some of the items above. Some of the items above will be addressed by the County's Plan for Services should it choose to be the successor agency. However, what is not addressed are alternatives to this action (see section 6). Government code section 56668, in part, requires LAFCO to consider impacts to other affected agencies. Because the proposal to divest would also affect Five Cities Fire Authority (FCFA) city members, alternatives should be identified to address those impacts.

4. FCFA, to which OCSD is a member, has a contractual obligation to all parties involved. OCSD's membership will cease on June 30, 2023. What is not clear are the implications if LAFCO has not considered the proposal by June 30, 2023. The LAFCO proceedings can take anywhere from 6-12 months depending on complexity and staff workload. It is unlikely that OCSD's proposal to divest will be resolved by June 30, 2023, particularly given that the proposal involves the County Board of Supervisors analysis, review and consideration, as well as impacts to other agencies in the FCFA, including City of Arroyo Grande and Grover Beach. We would advise that OCSD ought to operate under the assumption that LAFCO proceedings will not be completed by that date. As such, please specify what the interim plan for fire protection services will be until this action can be considered by LAFCO. Please also see the City of Arroyo Grande and Grover Beach response letters to LAFCO's referral.
5. As you are aware, the cities of Arroyo Grande and Grover beach have been actively discussing this issue and recently presented an item to their respective city councils. The cities hired a consultant, Baker Tilly, to examine impacts of OCSD withdrawal from FCFA. Preliminary results have been identified and a final report is forthcoming. LAFCO staff would like the opportunity to review that study upon its finalization in context to this proposal as it's findings would help to inform our analysis.
6. Due to the complexity of the request to divest and the number of agencies this proposal will affect, staff *may* hold a study session for the Commission to solicit feedback. The date and need of this study session is yet to be determined.
7. Please be advised that the proposed divestiture is subject to the protest proceedings per government code section 57000. This means if LAFCO were to approve the proposed

divestiture or some variation thereof, it is subject to a protest period after approval in which landowners and registered voters in the affected territory may protest LAFCO's decision. If between 25% and less than 50% of landowners and registered voters protest the action, the item must be placed on the ballot for an election. If more than 50% protest, the action taken by LAFCO will be terminated and the divestiture will not be granted.

8. Please be advised should the proposal be approved, and is not terminated due to protests, LAFCO is then required to coordinate with the State Board of Equalization (and the County) to fully complete any changes to tax rate areas as agreed upon by the executed tax exchange agreement between OCS D and the County.

This is our initial assessment of what is necessary to process this application. Other information needs or questions may arise as our review of the application continues. If you have any questions, please contact us at 805.781.5795 or email rfitzroy@slo.lafco.ca.gov.

cc. LAFCO Legal Counsel, Brian Pierik
Wade Horton, County of San Luis Obispo
Lisa Howe, County of San Luis Obispo
Whitney McDonald, City of Arroyo Grande
Matt Bronson, City of Grover Beach

Attachment A: County Referral Response

Attachment B: City of Arroyo Grande Referral Response

Attachment C: City of Grover Beach Referral Response



COUNTY OF SAN LUIS OBISPO
ADMINISTRATIVE OFFICE

Wade Horton County Administrative Officer

February 22, 2023

San Luis Obispo
Local Agency Formation Commission
1042 Pacific Street, Suite A
San Luis Obispo, CA 93401

Re: LAFCO No. 1-E-23 Oceano Community Services District Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

This letter is to notify the San Luis Obispo Local Agency Formation Commission that the County has reviewed the referral for LAFCO File No. 1-E-23 Oceano Community Services District Divestiture of Fire Protection Services and this letter transmits the County's comments on the application and the application process.

The Oceano Community Services District's application proposes that responsibility for fire protection services be transferred to the County of San Luis Obispo. Under California state law the provision of fire protection services in the unincorporated area of a county is a discretionary activity. As such, action on the District's request will require a formal decision of the County Board of Supervisors. The County formally requests that LAFCO pause consideration of the District's application for dissolution to allow the County Board of Supervisors time to agendize a discussion of the Districts' request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Wade Horton", written over a light blue circular stamp.

Wade Horton
County Administrator

County of San Luis Obispo Government Center

1055 Monterey St., Ste. D430 | San Luis Obispo, CA 93408 | (P) 805-781-5011 | (F) 805-781-5023
admin@co.slo.ca.us | slocounty.ca.gov

A-1-58



CITY OF
ARROYO GRANDE
CALIFORNIA

February 24, 2023

Roy Fitzroy
Executive Officer
San Luis Obispo Local Agency Formation Commission
1042 Pacific St., Suite A
San Luis Obispo, CA 93401

Re: Comments on LAFCO File No. 1-E-23 Oceano Community Services District
Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

I am writing on behalf of the City of Arroyo Grande (City) in response to the request for comments on the Application of Divestiture of Fire Protection Services (Application) filed by the Oceano Community Services District (OCSD). We appreciate the opportunity to provide preliminary comments and to participate in the review process as appropriate. Please note that, due to the short turn around time on the request for comments, this letter reflects the preliminary responses of staff and not the formal direction or opinion of the Arroyo Grande City Council.

As explained in Exhibit C of OCSD Resolution No. 2023-03, the Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande, the City of Grover Beach, and the Oceano Community Services District). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment (Attachment 1) to the Joint Exercise of Powers Agreement (Second Amendment¹) was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding

¹ The First Amendment was a Memorandum of Agreement approved in May 2018, which was intended to facilitate a negotiation of the existing cost sharing methodology in light of the increased investment called for in the Strategic Plan.

consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also identified a defined “wind-down” process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually.

Following the outcome of the OCSD’s 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. Under the terms of the Third Amendment, costs to the three parties were fixed and were to remain the same through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the parties’ costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Arroyo Grande and Grover Beach will negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared with the FCFA Board of Directors on July 15, 2022, and with the Arroyo Grande City Council on August 9, 2022 (Attachment

2). The FCFA staff report (Attachment 3) includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The FCFA Managers Group, comprised of the Fire Chief, the City Managers of Arroyo Grande and Grover Beach, and the OCSD General Manager, has been meeting regularly to oversee the implementation of the wind-down process. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities. To date, a list of equipment and assets has been developed and the FCFA's actuary has determined the estimated post-employment obligations of the member agencies. The OCSD has elected to engage its own actuary to evaluate the FCFA's actuarial report. It is anticipated that any assets of the FCFA otherwise attributable to OCSD will be used to offset the total liabilities that OCSD owes to the FCFA for its share of post-retirement benefits.

The result of the Second and Third Amendments to the Joint Powers Agreement and the two failed ballot measures in Oceano has required the FCFA to operate on a fixed, flat budget since July 1, 2019, despite increasing operating costs. The FCFA's current fiscal year budget anticipates that the FCFA's fund balance will reach \$126,678, or 1.79%, of the operating budget by June 30, 2023. It is anticipated that the OCSD's withdrawal from the FCFA, in addition to the deferred investments needed to operate the agency, will result in significant cost increases to the Cities of Arroyo Grande and Grover Beach.

In addition to the wind down process, there has been a separate process underway between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) at the staff level to evaluate the desired level of fire and emergency medical services and funding needs in the respective communities. These discussions are being led by the City Managers of the two cities and initially involved work sessions with FCFA staff and treasurer about current and projected FCFA call volume and staffing and equipment needs.

Given the significance of this issue and potential costs involved, the Arroyo Grande and Grover Beach City Managers engaged an outside consultant (Baker Tilly) in October 2022 to conduct an analysis of fire services for the two cities and provide service and funding recommendations. The Baker Tilly team working on this project has extensive experience in fire services and was led by Rick Haydon, former City Manager in Santa Maria. Mr. Haydon is familiar with the local area and is also completing an organizational assessment of Grover Beach services. There were several other members of the Baker Tilly team, including Larry Waterhouse, a former fire chief in several cities in Southern California. Baker Tilly was chosen given their work with service reviews elsewhere within the Central Coast and their ability to complete this study by early 2023 to inform decisions by the two cities.

Baker Tilly's scope included a service level analysis, staffing deployment options, fiscal analysis, and review of alternative service models and governance structure. This work included reviewing the financial impacts of OCSD's departure from FCFA, including its current funding contribution and whether it would be beneficial for FCFA to provide fire

service to Oceano under a contractual fee-for-service arrangement. Baker Tilly interviewed numerous individuals including former FCFA Board members, City Managers/OCSD General Manager, FCFA command staff, FCFA firefighters' union representatives, and others. The consulting team also reviewed numerous documents, including the Joint Powers Agreement, FCFA strategic planning materials, budgets and CalPERS information, service call data, budget information from the two cities, and other documents.

Baker Tilly has completed its assessment and is prepared to provide a presentation to the Arroyo Grande City Council on February 28, 2023, summarizing its recommendations for sustainable and responsive fire and emergency medical services, as well as the anticipated costs of service for both Grover Beach and Arroyo Grande. Baker Tilly will provide a similar presentation to the Grover Beach City Council on February 27, 2023. The recommendations are intended to be implemented beginning in FY 2023-24 to coincide with the withdrawal of the OCSD from the FCFA.

Following the presentation, Baker Tilly will prepare a written report that will be available for consideration as part of the negotiations of a future agreement for fire and emergency services between Grover Beach and Arroyo Grande. Staff for Grover Beach and Arroyo Grande will then develop proposed terms for a new agreement utilizing the information presented in the Baker Tilly report and will present those proposed terms at future City Council meetings this Spring. Information provided by Baker Tilly will also be used to develop the City's upcoming biennial budget for Fiscal Years 2023-25.

Conclusions:

- Although Oceano, Grover Beach, and Arroyo Grande share a common interest in providing efficient and effective fire and emergency response services to our adjoining communities, the OCSD is not able to raise sufficient revenue to pay for the increasing costs of these services, now or in the future.
- The parties' stated intent through the Third Amendment is that the OCSD will withdraw from the FCFA effective June 30, 2023. This intent needs to be allowed to occur.
- The fixed funding formula used over the course of the past three years is unsustainable and has created operational challenges for the FCFA.
- The OCSD's debts and liabilities to the FCFA have yet to be determined through the wind-down process and should be considered as part of LAFCo's review of the Application.
- The Baker Tilly study should be considered by LAFCo as part of its review of the Application, as it will evaluate the consequences of Oceano's exit from the FCFA and will be used by the cities of Arroyo Grande and Grover Beach to develop a new agreement for shared fire and emergency services.
- The City is open and eager to be included in discussions regarding future fire and emergency services within the Five Cities region and regarding the role of the FCFA in those services in the near and long term.

We thank LAFCo for the opportunity to provide preliminary comments on this important issue and look forward to working with LAFCo, the OCSD, the County, and Grover Beach toward a sustainable solution for fire and emergency services for our communities.

Sincerely,

A handwritten signature in blue ink, appearing to read "Whitney McDonald". The signature is fluid and cursive, with the first name being more prominent.

Whitney McDonald
City Manager

**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals.** The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22.** Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula.**
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure.**

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.


5. **Wind Down Period.**

- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE


Caren Ray Russom, Mayor

ATTEST:


Kelly Wedmore, City Clerk

APPROVED AS TO FORM:


Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Lee, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

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By:

APPROVED AS TO FORM:

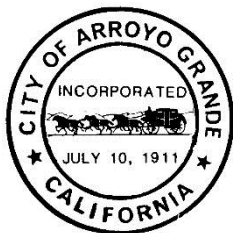
Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.



MEMORANDUM

TO: City Council

FROM: Whitney McDonald, City Manager

SUBJECT: Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement

DATE: August 9, 2022

SUMMARY OF ACTION:

Receive an update on the results of the Oceano Fire Tax Measure A-22 from the June 2022 election and the process for a wind-down period as defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement (JPA).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Significant staff time will be required to assist during the wind-down process and the development of a new agreement governing fire service through the FCFA.

RECOMMENDATION:

Receive an update on the results of the Oceano Fire Tax Measure A-22 from the June 2022 election and the process of the wind-down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement.

BACKGROUND:

The Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande (City), the City of Grover Beach, and the Oceano Community Services District (OCSD). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide

Item 11.a.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

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staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment to the Joint Exercise of Powers Agreement (Second Amendment¹) was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also identified a defined "wind-down" process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would increase up to 2% annually.

Following the outcome of the OCSD's 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. Under these terms of the Third Amendment, costs to the City of Arroyo Grande for fire service were to remain the same, \$2,580,955 per fiscal year, through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the City's costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

¹ The First Amendment was a Memorandum of Agreement approved in May 2018, which was intended to facilitate a negotiation of the existing cost sharing methodology in light of the increased investment called for in the Strategic Plan.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

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ANALYSIS OF ISSUES:

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Arroyo Grande and Grover Beach may negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared on July 15, 2022, with the FCFA Board of Directors and separately with the FCFA Managers Group, comprised of the City/General Managers of the three member agencies. The FCFA staff report (Attachment 1) includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The Managers Group will meet regularly during the fiscal year to oversee the implementation of the wind-down process and the expected dates of completion for each work program task. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities.

In addition, a separate process will occur between the remaining FCFA member agencies of Arroyo Grande and Grover Beach to determine the desired level of fire and emergency medical services and funding needs for the respective communities. The discussions, led by the City Managers of the two cities, will include negotiations regarding potential modification or dissolution of the JPA and various options for consideration of contract service delivery. Staff will share regular updates with the City Council and will bring an agenda item on the status of this process to the Council this fall for input and direction, with an anticipated completion in early 2023, before completion of the wind down process required by the Third Amendment.

ALTERNATIVES:

The following alternatives are provided for the Council’s consideration:

1. Receive an update on the results of the Oceano Fire Tax Measure A-22 and the wind down process as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement; or
2. Provide other direction to staff.

Item 11.a.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

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ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachments:

1. July 15, 2022 FCFA Staff Report with Third Amendment

Item 11.a.



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** July 15, 2022

FROM: Stephen Lieberman, Fire Chief/Executive Officer

SUBJECT: Status Update – Oceano Measure A-22 & Wind Down Period

RECOMMENDATION

It is recommended that the Board of Directors (Board) receive an update summarizing the results of the July 2022 election, and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement.

BACKGROUND

The third amendment to the FCFA JPA was executed by the member communities in 2020 following the narrow failure of Oceano Community Services District (OCSD) Measure A-20, along with the economic uncertainty associated with a global pandemic (COVID-19). The Third Amendment to the JPA directed Oceano to attempt to pass a similar revenue measure in June 2022, locked community contributions for the FCFA operating budget at FY 2019-2020 levels for a 3-year period, and defined a process should the 2022 revenue measure pass or fail.

OCSD Measure A-22

Measure A-22 failed to gather a two-thirds majority vote. Final results were certified on July 7, 2022 and reflect:

YES	775	57.75%
NO	567	42.25%

Wind Down Period

With the failure of the ballot measure, the agreement states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the election (July 7, 2022) and June 30, 2023 is defined as the “Wind Down Period.” During this time, Arroyo Grande and Grover Beach may negotiate a new or modified JPA and

maintain the right to use the trademark name of “Five Cities Fire Authority.” During this period, the communities will be involved in a work program defined in the third amendment document (Reference attachment 1). Work program components include:

- Establish the distribution of assets of the JPA
- Establish the obligations of the JPA including:
 - Lease payments on apparatus
 - Unfunded PERS liability for any disassociating or withdrawing member community
 - Other employment related liability
- Post Dissociation reconciliation of assets and liabilities. Any party owing funds to the other shall pay such funds to the appropriate agency.

ANALYSIS OF ISSUES

During the wind down period, two processes will likely occur simultaneously. The first is the actual work program defined by the third amendment. The second will be conversations between Arroyo Grande and Grover Beach to determine desired levels of fire and emergency service response, the related funding need (Reference attachment 2) and negotiations for amending the JPA to a two-party agreement, dissolution of the JPA or some other mutually agreeable JPA structure.

FCFA staff has completed much of the required inventory identification, equipment valuation, and has worked with a PERS actuary to determine initial pension liabilities. FCFA will engage the actuary to perform a more focused analysis during the wind down period.

FISCAL IMPACT

There will be expenditures required for the PERS actuarial work product. As stated in the third amendment, the Fire Chief may request additional funding if needed. Such a request would likely require approval by the governing body of one or more party.

ALTERNATIVES

The following alternatives are provided for the Board’s consideration:

1. Receive and file staff report.
2. Provide other direction to staff.

ATTACHMENTS

1. FCFA Wind Down Period Tasking
2. FCFA Wind Down Period Flow Chart
3. Third Amendment to Five Cities Fire Authority Joint Exercise of Powers Agreement

PREPARED BY

S. Lieberman, Fire Chief/Executive Officer

Wind Down Period Tasking

October 1, 2022

- Determination of equipment and physical assets

February 1, 2023

- Estimate as to the distribution of:
 - Debt
 - Employment Liability
 - Pension/PERS
 - All other post-employment obligations

March 1, 2023

- Estimate as to the distribution of all other assets

June 30, 2023

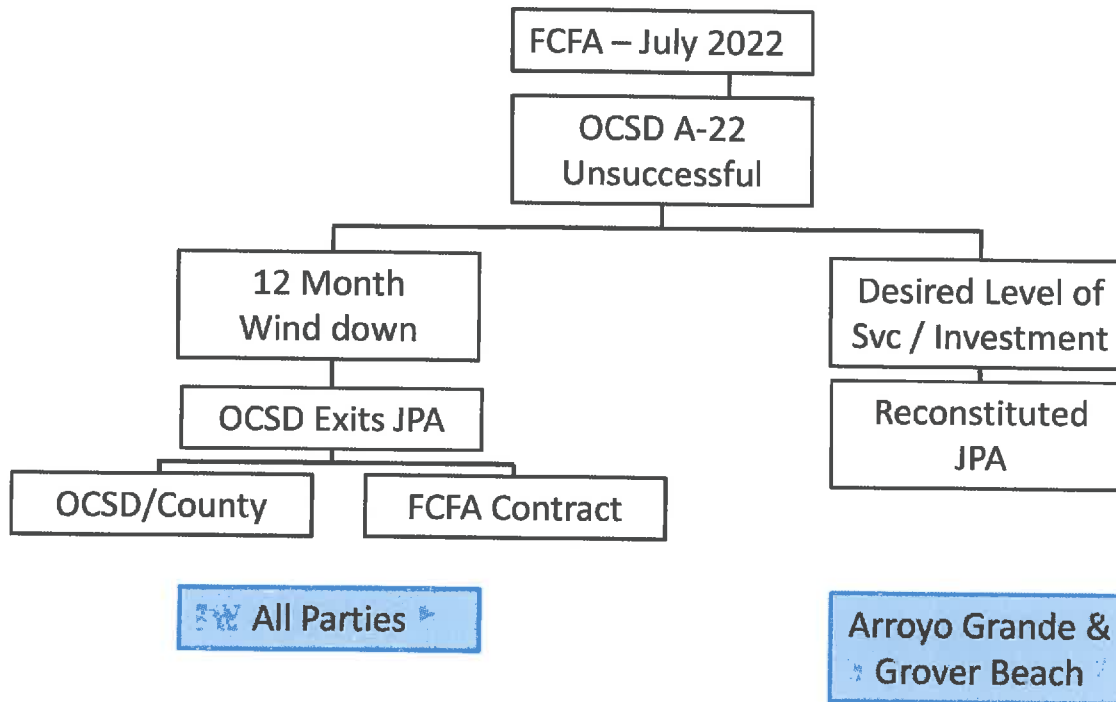
- Oceano CSD exits JPA

Prior to October 1, 2023

- Post-Dissociation reconciliation of:
 - Assets
 - Liabilities
- Any party owing funds shall pay such funds

Attachment 1
July 7, 2022

FCFA Wind Down Period Flow Chart



Attachment 2
July 7, 2022



City of Grover Beach

Mayor Karen Bright

Mayor Pro Tem Anna Miller

Council Member Robert Robert, Council Member Daniel Rushing, Council Member Clint Weirick

*Matthew Bronson
City Manager*

February 24, 2023

Mr. Roy Fitzroy
Executive Officer
San Luis Obispo Local Agency Formation Commission
1042 Pacific St., Suite A
San Luis Obispo, CA 93401

Re: Comments on LAFCO File No. 1-E-23 Oceano Community Services District
Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

I am writing on behalf of the City of Grover Beach (City) in response to the request for comments on the Application of Divestiture of Fire Protection Services (Application) filed by the Oceano Community Services District (OCSD). We appreciate the opportunity to provide preliminary comments and to participate in the review process as appropriate. Please note that, due to the short turnaround time on the request for comments, this letter reflects the preliminary responses of staff and not the formal direction or opinion of the Grover Beach City Council.

As explained in Exhibit C of OCSD Resolution No. 2023-03, the Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Grover Beach, City of Arroyo Grande, and the Oceano Community Services District). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies. In June 2019, an amendment to the Joint Exercise of Powers Agreement was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also

154 South Eighth Street ❖ Grover Beach, California 93433 ❖ www.groverbeach.org

Administrative Services/Water (805) 473-4550 ❖ City Council/City Manager (805) 473-4567 ❖ City Clerk (805) 473-4568
Community Development - Building, Planning & Economic Development (805) 473-4520 ❖ Human Resources (805) 473-4564
Parks & Recreation (805) 473-4580 ❖ Police/Non-Emergency (805) 473-4511 ❖ Public Works (805) 473-4530

identified a defined “wind-down” process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually.

Following the outcome of the OCSD’s 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2022 attached to this letter. Under the terms of the Third Amendment, costs to the three parties were fixed and were to remain the same through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the parties’ costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Grover Beach and Arroyo Grande will negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared with the FCFA Board of Directors on July 15, 2022, and with the Grover Beach City Council on July 25, 2022 (staff report is attached). The FCFA staff report includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The FCFA Managers Group, comprised of the Fire Chief, the City Managers of Arroyo Grande and Grover Beach, and the OCSD General Manager, has been meeting regularly to oversee the implementation of the wind-down process. FCFA staff

has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities. To date, a list of equipment and assets has been developed and the FCFA's actuary has determined the estimated postemployment obligations of the member agencies. The OCSD has elected to engage its own actuary to evaluate the FCFA's actuarial report. It is anticipated that any assets of the FCFA otherwise attributable to OCSD will be used to offset the total liabilities that OCSD owes to the FCFA for its share of post-retirement benefits.

The result of the Second and Third Amendments to the Joint Powers Agreement and the two failed ballot measures in Oceano has required the FCFA to operate on a fixed, flat budget since July 1, 2019, despite increasing operating costs. The FCFA's current fiscal year budget anticipates that the FCFA's fund balance will reach \$126,678, or 1.79%, of the operating budget by June 30, 2023. It is anticipated that the OCSD's withdrawal from the FCFA, in addition to the deferred investments needed to operate the agency, will result in significant cost increases to the Cities of Grover Beach and Arroyo Grande.

In addition to the wind down process, there has been a separate process underway between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) at the staff level to evaluate the desired level of fire and emergency medical services and funding needs in the respective communities. These discussions are being led by the City Managers of the two cities and initially involved work sessions with FCFA staff and treasurer about current and projected FCFA call volume and staffing and equipment needs.

Given the significance of this issue and potential costs involved, the Arroyo Grande and Grover Beach City Managers engaged an outside consultant (Baker Tilly) in October 2022 to conduct an analysis of fire services for the two cities and provide service and funding recommendations. The Baker Tilly team working on this project has extensive experience in fire services and was led by Rick Haydon, former City Manager in Santa Maria. Mr. Haydon is familiar with the local area and is also completing an organizational assessment of Grover Beach services. There were several other members of the Baker Tilly team, including Larry Waterhouse, a former fire chief in several cities in Southern California. Baker Tilly was chosen given their work with service reviews elsewhere within the Central Coast and their ability to complete this study by early 2023 to inform decisions by the two cities.

Baker Tilly's scope included a service level analysis, staffing deployment options, fiscal analysis, and review of alternative service models and governance structure. This work included reviewing financial impacts of OCSD's departure from FCFA, including its current funding contribution and the benefit for FCFA to provide fire service to Oceano under a contractual fee-for-service arrangement. Baker Tilly interviewed numerous individuals including former FCFA Board members, City Managers/OCSD General Manager, FCFA command staff, FCFA firefighters' union representatives, and others. The consulting team also reviewed numerous documents, including the Joint Powers Agreement, FCFA strategic planning materials, budgets and CalPERS information, service call data, budget information from the two cities, and other documents.

Baker Tilly has completed its assessment and is prepared to provide a presentation to the Grover Beach City Council on February 27, 2023, summarizing its recommendations for sustainable and responsive fire and emergency medical services, as well as the anticipated costs of service for both Grover Beach and Arroyo Grande. Baker Tilly will provide a similar presentation to the Arroyo Grande City Council on February 28, 2023. The recommendations are intended to be implemented beginning in FY 2023-24 to coincide with the withdrawal of the OCSD from the FCFA.

Following the presentation, Baker Tilly will prepare a written report that will be available for consideration as part of the negotiations of a future agreement for fire and emergency services between Grover Beach and Arroyo Grande. Staff for Grover Beach and Arroyo Grande will then develop proposed terms for a new agreement utilizing the information presented in the Baker Tilly report and will present those proposed terms at future City Council meetings this Spring. Information provided by Baker Tilly will also be used to develop the City's upcoming biennial budget for Fiscal Years 2023-25.

Conclusions:

- Although Oceano, Grover Beach, and Arroyo Grande share a common interest in providing efficient and effective fire and emergency response services to our adjoining communities, the OCSD is not able to raise sufficient revenue to pay for the increasing costs of these services, now or in the future.
- The parties' stated intent through the Third Amendment is that the OCSD will withdraw from the FCFA effective June 30, 2023. This intent needs to be allowed to occur.
- The fixed funding formula used over the course of the past three years is unsustainable and has created operational challenges for the FCFA.
- The OCSD's debts and liabilities to the FCFA have yet to be determined through the wind-down process and should be considered as part of LAFCo's review of the Application.
- The Baker Tilly study should be considered by LAFCo as part of its review of the Application, as it will evaluate the consequences of Oceano's exit from the FCFA and will be used by the cities of Arroyo Grande and Grover Beach to develop a new agreement for shared fire and emergency services.
- The City is open and eager to be included in discussions regarding future fire and emergency services within the Five Cities region and regarding the role of the FCFA in those services in the near and long term.

We thank LAFCo for the opportunity to provide preliminary comments on this important issue and look forward to working with LAFCo, the OCSD, the County, and Grover Beach toward a sustainable solution for fire and emergency services for our communities.

Sincerely,



Matthew Bronson
City Manager

Attachments

**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals**. The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22**. Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula**.
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure**.

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.


5. **Wind Down Period.**

- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE


Caren Ray Russom, Mayor

ATTEST:


Kelly Wedmore, City Clerk

APPROVED AS TO FORM:


Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Lee, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE

Caren Ray Russom, Mayor

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Jeff Hale, Mayor

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David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** July 25, 2022
FROM: Matthew Bronson, City Manager
PREPARED BY: Matthew Bronson, City Manager
SUBJECT: Five Cities Fire Authority Update

RECOMMENDATION

Receive an update on the results of the Oceano Fire Tax Measure A-22 on the June 2022 election and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement.

BACKGROUND

On June 22, 2020, the Council approved a Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement given the narrow failure of the Oceano Community Services District (OCSD) Fire Tax Measure A-20 in March 2020. Measure A-20 would have assessed a parcel tax on Oceano properties to generate an additional \$422,000 annually for fire and emergency medical services in Oceano. The measure needed 2/3 vote and received 66.6% approval only failing by 10 votes. As a result, the Third Amendment continued the funding formulas set forth in a prior amendment with a commitment from OCSD to seek a new tax measure in 2022. This Third Amendment locked in member contributions at FY 2019-20 levels for a three-year period to provide stability in fire service costs in light of economic challenges at the time related to COVID-19. The amendment also specified a 12-month “wind down” process if the future Oceano tax measure failed which would result in OCSD no longer being a member of the FCFA Joint Powers Authority (JPA).

Measure A-22 was subsequently placed on the ballot in Oceano by OCSD in June 2022 as stipulated under the Third Amendment. The election results certified on July 7, 2022 showed the measure failed to gain a 2/3 majority similar to 2020 with a lower approval percentage of 58%. With the failure of Measure A-22, the “wind down” process goes into effect and OCSD will cease to be a member of the JPA effective June 30, 2023. Below is a summary of the major work program tasks during this wind down period as defined in the Third Amendment:

- Establish distribution of assets of the JPA
- Establish obligations of the JPA including:
 - Lease payments on equipment and apparatus
 - Unfunded PERS liabilities for disassociating or withdrawing member agency
 - Other employment-related liabilities
- Post and determine reconciliation of assets and liabilities with any party owing funds to the other(s) paying such funds to the appropriate agencies

A summary of this wind down process was shared on July 15, 2022 with the FCFA Board and separately with the FCFA Managers Group comprised of the City/General Managers of the three member agencies. The FCFA staff report is shown as Attachment 1 and includes the list of work

program tasks, flow chart of decision-making, and the Third Amendment document. Staff would defer to the Council's representative on the FCFA Board (Mayor Lee) to provide further information from the Board perspective. The Managers Group will meet regularly during the fiscal year to oversee the implementation of the wind down process and the expected dates of completion for each work program task. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis on pension liabilities. Fire Chief Lieberman will be at the July 25th meeting and can provide information on this work done by FCFA staff.

In addition, there will be a separate process between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) about the desired level of fire and emergency medical services and funding needs in the respective communities. The discussions, led by the City Managers of the two cities, will also include negotiations regarding modification or dissolution of the JPA and potential contract service delivery. This work will incorporate the information about potential fire services options presented to the Council on October 12, 2021. This process is anticipated for completion in early 2023 with Council action that will inform the development of FY 2023-25 Council Goals and two-year budget and ensure continuous service beginning July 1, 2023. Staff will share regular updates with the Council and will bring an agenda item on the status of this process to the Council this fall for input and direction.

FISCAL IMPACT

There is no fiscal impact to this agenda item.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Receive an update on the results of the Oceano Fire Tax Measure A-22 on the June 2022 election and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. July 15, 2022 FCFA Staff Report on Measure A-22 and Wind Down Process



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** July 15, 2022
FROM: Stephen Lieberman, Fire Chief/Executive Officer
SUBJECT: Status Update – Oceano Measure A-22 & Wind Down Period

RECOMMENDATION

It is recommended that the Board of Directors (Board) receive an update summarizing the results of the July 2022 election, and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement.

BACKGROUND

The third amendment to the FCFA JPA was executed by the member communities in 2020 following the narrow failure of Oceano Community Services District (OCSD) Measure A-20, along with the economic uncertainty associated with a global pandemic (COVID-19). The Third Amendment to the JPA directed Oceano to attempt to pass a similar revenue measure in June 2022, locked community contributions for the FCFA operating budget at FY 2019-2020 levels for a 3-year period, and defined a process should the 2022 revenue measure pass or fail.

OCSD Measure A-22

Measure A-22 failed to gather a two-thirds majority vote. Final results were certified on July 7, 2022 and reflect:

YES	775	57.75%
NO	567	42.25%

Wind Down Period

With the failure of the ballot measure, the agreement states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the election (July 7, 2022) and June 30, 2023 is defined as the "Wind Down Period." During this time, Arroyo Grande and Grover Beach may negotiate a new or modified JPA and

maintain the right to use the trademark name of “Five Cities Fire Authority.” During this period, the communities will be involved in a work program defined in the third amendment document (Reference attachment 1). Work program components include:

- Establish the distribution of assets of the JPA
- Establish the obligations of the JPA including:
 - Lease payments on apparatus
 - Unfunded PERS liability for any disassociating or withdrawing member community
 - Other employment related liability
- Post Dissociation reconciliation of assets and liabilities. Any party owing funds to the other shall pay such funds to the appropriate agency.

ANALYSIS OF ISSUES

During the wind down period, two processes will likely occur simultaneously. The first is the actual work program defined by the third amendment. The second will be conversations between Arroyo Grande and Grover Beach to determine desired levels of fire and emergency service response, the related funding need (Reference attachment 2) and negotiations for amending the JPA to a two-party agreement, dissolution of the JPA or some other mutually agreeable JPA structure.

FCFA staff has completed much of the required inventory identification, equipment valuation, and has worked with a PERS actuary to determine initial pension liabilities. FCFA will engage the actuary to perform a more focused analysis during the wind down period.

FISCAL IMPACT

There will be expenditures required for the PERS actuarial work product. As stated in the third amendment, the Fire Chief may request additional funding if needed. Such a request would likely require approval by the governing body of one or more party.

ALTERNATIVES

The following alternatives are provided for the Board’s consideration:

1. Receive and file staff report.
2. Provide other direction to staff.

ATTACHMENTS

1. FCFA Wind Down Period Tasking
2. FCFA Wind Down Period Flow Chart
3. Third Amendment to Five Cities Fire Authority Joint Exercise of Powers Agreement

PREPARED BY

S. Lieberman, Fire Chief/Executive Officer

Wind Down Period Tasking

October 1, 2022

- Determination of equipment and physical assets

February 1, 2023

- Estimate as to the distribution of:
 - Debt
 - Employment Liability
 - Pension/PERS
 - All other post-employment obligations

March 1, 2023

- Estimate as to the distribution of all other assets

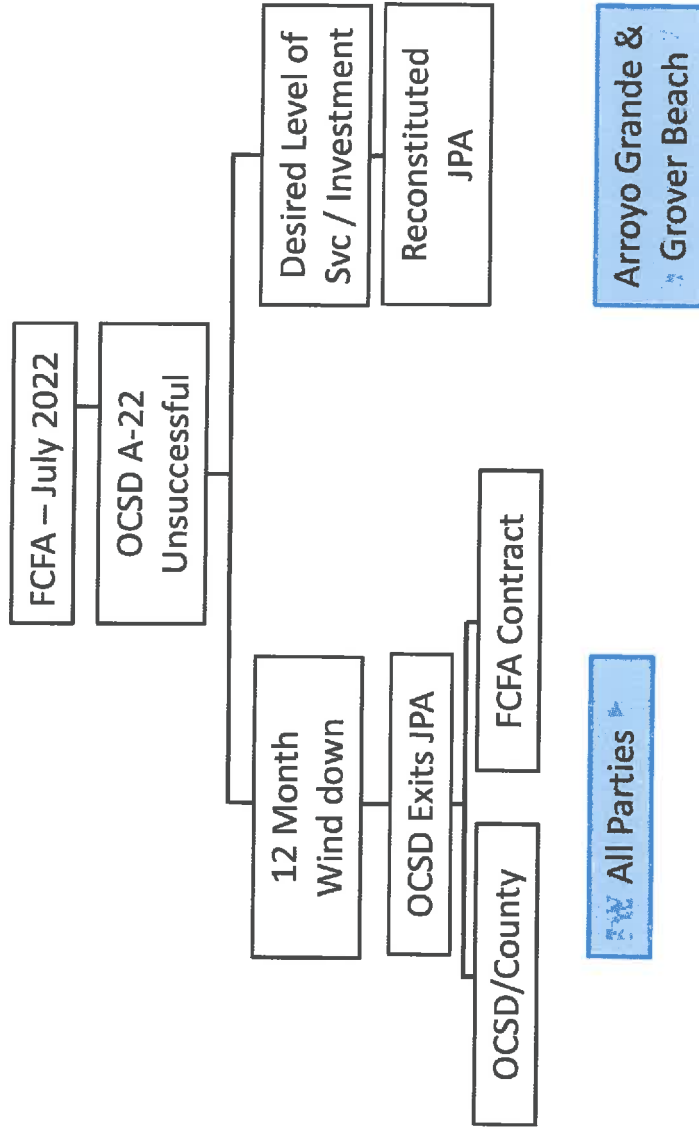
June 30, 2023

- Oceano CSD exits JPA

Prior to October 1, 2023

- Post-Dissociation reconciliation of:
 - Assets
 - Liabilities
- Any party owing funds shall pay such funds

FCFA Wind Down Period Flow Chart



**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals**. The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22**. Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula**.
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure**.

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.


5. **Wind Down Period.**

- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE


Caren Ray Russom, Mayor

ATTEST:


Kelly Wedmore, City Clerk

APPROVED AS TO FORM:


Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Lee, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

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OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.