



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 9/12/2023	(3) CONTACT/PHONE Mia Trevelyan, Administrative Analyst (805) 781-5026	
(4) SUBJECT Request to receive a report and provide direction regarding: 1) the County's option to assume fire responsibility as named in Oceano Community Service District's application of divestiture of fire authority to the Local Agency Formation Commission; and 2) the level of fire service the County, as the successor agency, would provide to the community of Oceano if responsibility is directed to be assumed.			
(5) RECOMMENDED ACTION It is recommended that the Board receive the report and provide direction regarding: 1) the County's option to assume fire responsibility as named in Oceano Community Service District's application of divestiture of fire authority to the Local Agency Formation Commission; and 2) the level of fire service the County, as the successor agency, would provide to the community of Oceano if responsibility is directed to be assumed.			
(6) FUNDING SOURCE(S) TBD	(7) CURRENT YEAR FINANCIAL IMPACT TBD	(8) ANNUAL FINANCIAL IMPACT TBD	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. 60 minutes)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(17) ADMINISTRATIVE OFFICE REVIEW This item was prepared by the Administrative Office.			
(18) SUPERVISOR DISTRICT(S)			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Administrative Office / Mia Trevelyan, Administrative Analyst

DATE: 9/12/2023

SUBJECT: Request to receive a report and provide direction regarding 1) the County's option to assume fire responsibility as named in Oceano Community Service District's application of divestiture of fire authority to the Local Agency Formation Commission; and 2) the level of fire service the County, as the successor agency, would provide to the community of Oceano if responsibility is directed to be assumed.

RECOMMENDATION

It is recommended that the Board receive the report and provide direction regarding: 1) the County's option to assume fire responsibility as named in Oceano Community Service District's application of divestiture of fire authority to the Local Agency Formation Commission; and 2) the level of fire service the County, as the successor agency, would provide to the community of Oceano if responsibility is directed to be assumed.

DISCUSSION

On February 14, 2023, the County received an official notification from the Local Agency Formation Commission (LAFCO) stating that on January 11, 2023, the Oceano Community Service District (OCSD) Board of Directors voted to submit a resolution of application to LAFCO to initiate proceedings for divestiture of fire protection service. The application was filed with LAFCO on February 6, 2023, with a plan for service proposing responsibility for fire protection service be transferred to the County. LAFCO notified the County that they have begun processing the application. Should the County choose to support the divestiture and provide fire protection to the Oceano area, a plan for service will need to be prepared that is acceptable to the County, including any changes to tax rate areas, and the Board of Supervisors will need to pass a resolution in support of the action. Subsequently, LAFCO will consider approval of the proposed divestiture in conformance with applicable regulations.

For many years, the OCSD, in cooperation with the Five Cities Fire Authority (FCFA), provided full fire response services out of the OCSD owned fire station located in the community of Oceano. However, as the cost of providing fire service has dramatically grown and the property taxes for fire service has flattened, the OCSD has been unable to fund fire service at the prior levels of service. After two tax measures intended to raise additional revenue failed, the OCSD chose to cut fire services.

Properly staffing and funding fire protection services have become increasingly difficult across the State of California and throughout the United States. In California, increased training requirements for volunteers who provide fire services, coupled with changing demographics have resulted in significantly fewer people being available to provide volunteer fire service. The loss of volunteers has led to an increase in the need for career fire and paid-call fire personnel to provide this critical public safety service. While running a fire department with career (full-time) fire personnel provides a higher level of service, it is more expensive compared to staffing models that historically relied on volunteers. At the same time, expenses for fire departments continue to increase as salary rates, health care costs

and retirement contributions for career personnel rise. For many jurisdictions, the rise in costs has exceeded revenue increases, leading to fiscal instability of fire operations. The County was impacted in 2017 when the Cayucos Fire Protection District filed a dissolution application with the LAFCO due to financial instability, naming the County as the successor agency, and the communities of Templeton and San Miguel have both approached the County in prior years to discuss funding of fire service.

The following report provides 1) a history of Oceano Fire Protection; 2) an overview of the OCSD divestiture application filed with LAFCO; 3) an overview of Countywide Fire Protection Services, including a more specific overview of the south county area served by County Fire; and 4) a summary of service level options for the Board to consider.

I. History of Oceano Fire Protection – Five Cities Fire Authority and Oceano Fire Service

The OCSD was formed in 1981, by LAFCO Resolution 80-6, which 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. Currently the OCSD is authorized to provide fire protection, lighting, parks and recreation, and enterprise fee supported services (water, wastewater collection, and solid waste). Approximately 7,600 residents are served by the District.

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 Arroyo Grande (AG) and Grover Beach (GB) should consolidate into one agency for fire protection services. In March of 2008, the Cities of Arroyo Grande and Grover Beach amended their existing agreement for joint fire service administration to include the OCSD, and in June of 2010, the Cities of Arroyo Grande, Grover Beach, and the OCSD entered into a Joint Exercise of Powers Agreement (JPA) to provide joint administration of fire services as the FCFA.

In 2017, the FCFA adopted a strategic plan identifying service level and resource needs. Subsequently, the Five Cities Fire Authority executed a second amendment, on July 2019, to the JPA agreement requiring OCSD to place a special tax on the March 2020 ballot to fund fire service. The March 2020 ballot measure A-20 received 66.14% support falling short of passage by 11 votes. As part of a third amendment to the JPA agreement, the OCSD agreed to place a special tax measure on the June 2022 ballot, agreeing that should the measure fail, then the OCSD would cease to be a member of the JPA as of June 30, 2023. The second measure, A-22, failed with only 57.75% in support of the 2/3's vote required.

The FCFA's JPA was subsequently amended by the parties to terminate Oceano's participation as a member agency in FCFA commencing July 1, 2023. On June 22, 2023, the FCFA agreed to an agreement with OCSD for the FCFA to continue to provide fire and emergency medical services to OCSD for a temporary 12-month period through June 30, 2024.

Under the new contract the FCFA currently staffs three engines. Two engines operate out of Arroyo Grande and one operates from the Grover Beach station. There are no engines stationed and no fire services provided from the Oceano fire station. The FCFA currently staffs two engines with three personnel and one engine with two personnel. There is no particular FCFA engine that is dedicated to Oceano response as response is provided from resources available.

II. Overview of the Oceano Community Services Fire Protection Divestiture Application

The OCSD filed the application for divestiture with LAFCO on February 6, 2023, with a plan for service proposing responsibility for fire protection service be transferred to the County.

The plan for service, as filed by OCSD, includes the following:

Taxes and Fees to be transferred to the County:

- All revenues from property taxes collected, although later in the document it states, “property taxes available for fire protection services” and not all property taxes.
- All existing and future Development Impact Fees.

Assets:

- The OCSD Fire Station would remain an asset with the OCSD, and the OCSD proposes to lease the Fire Station back to the County at no cost. However, all maintenance, repair, or replacement would be the County’s responsibility, including the modular home for fire fighter housing which is reaching the end of its useful life.
- The OCSD’s proposal does not mention other real property assets funded by OCSD property tax, including the Sheriff’s Substation, which is currently leased to the Sheriff’s Department at \$10,000 per month.

Liabilities:

- All fire personnel would remain with the Five Cities Fire Service JPA.
- Pension costs would remain with OCSD, including:
 - Pre-Five Cities Fire Services JPA employee pension liability.
 - Pension liability incurred during the time OCSD was a partner within the Five Cities Fire Authority.

Service Level:

- The plan states that complete divestiture of fire protection services by the OCSD from its jurisdictional boundaries would transfer all fire protection services to the County as the successor agency. The County has the option to 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 the FCFA to provide service in Oceano.

III. Overview of Countywide Fire Protection Service

County’s Current Contract with CAL FIRE

The County of San Luis Obispo has provided fire protection services through a contract with CAL FIRE since 1930, acting as the County’s Fire Department. All State and County funded resources under the control of the San Luis Obispo Unit (SLU) are leveraged to provide the most efficient fire protection delivery system. The County Fire Department is responsible for providing fire and related emergency services for all the unincorporated areas in the county not served by a city, or a special district. Currently, the County Fire Department operates out of 16 fire stations providing service to an area of over 3,200 square miles. These fire stations include 11 County-owned facilities and five State-owned facilities. Fourteen of the stations are staffed seven-days-per-week with full-time staff. Morro-Toro Station 14 and Oak Shores Station 34 remain volunteer stations, with Paid Call Firefighters (PCFs) responding to incidents, supported by full-time staff from other stations. Two stations (Cambria Station 10, and Shandon Station 51) are staffed under what is known as an Amador Plan, where the State pays staffing costs during fire season and the County pays staffing costs during non-fire season. Three State Fire Stations (Paso FS 30, Nipomo FS 20, and Parkhill FS 40) have County Engine Companies co-located with State Fire Apparatus.

The County’s CAL FIRE contract covers the standards of service provided and reimbursement to CAL FIRE for personnel or other expenditures incurred on behalf of the County in the delivery of the services. The County primarily provides funding for fire protection from the General Fund, Proposition 172-Public Safety Sales Tax revenues and fees for services. The most recent renewal agreement was approved by the Board on July 12, 2022, for cooperative fire protection services with CAL FIRE in the amount of \$25,499,178 for a one-year period through FY 2022-23. County staff is currently working with the State on a contract for FY 2023-24.

Information regarding CAL FIRE's staffing and engine models, capabilities, including the South County Areas served by CAL FIRE can be found in Attachment 6. The Current level of service from County Fire is a two-person staffed engine responding out of Nipomo Station 22 and or Nipomo Station 20 on mutual or automatic aid.

IV. Service Level Options available to the County for Oceano

County's Mandated Responsibility

It is important to note that under state law, counties may choose to provide fire protection services, but are not mandated to do so, nor are counties liable if they do not provide fire protection services (Government Code section 850). Fire protection services are therefore a discretionary activity of the Board of Supervisors. Based on this, County Fire staffing in San Luis Obispo County varies considerably from one part of the unincorporated area of the county to another.

Before reviewing the service level options, there are a number of elements to consider:

Available OCSD Revenues

If the Board elects to take on fire protection services in Oceano, the majority or all of the general fund revenues received by the District would be available to fund operations. In FY 2022-23, the OCSD received \$1,296,431 in Property Tax. Additionally, there are a few line item revenue accounts that would likely be available to fund County operations. In addition, the Public Facility Fire Fees that are collected by the OCSD would be available to the County. Public Facility fees are collected to offset the costs associated with providing new public facilities to accommodate new growth and development.

The table below shows the revenue trends over the last four years based on the District's financial statements.

OCSD Revenue Trends

Revenue	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	*	**
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Property Tax	1,028,371	1,081,219	1,132,291	1,182,885	1,296,431	1,337,044
Public Facility Fees	20,061	10,158	20,528	7,878	3,863	TBD
Other Sources	147,690	144,285	150,971	149,653	TBD	TBD
TOTAL	\$1,196,122	\$1,235,662	\$1,303,790	\$1,340,416	\$1,300,294	\$1,337,044

*According to County Auditor's Office.

**For the purposes of this report, the analysis of options includes an increase in annual revenue, of which \$1,337,044 is estimated to be available to fund operations if the County were to take over fire services based on the FY 2023-24 Assessor's Values and preliminary AB8 Calculations from Auditor's Office.

OCSD Assets and Liabilities

Items to also consider in developing a plan for service include negotiation for the OCSD's assets and responsibility for the OCSD's liabilities. Disclosed assets and liabilities are show in Attachment 7.

Service Level Standards

Currently, the Board of Supervisors for the County of San Luis Obispo establishes the desired level of service then provides direction and receives input from the Chief of County Fire/CAL FIRE on achieving that service level.

Additionally, to be noted, Oceano is predominantly considered an Urban Area. The CAL FIRE/County Fire response standards are shown in the following table.

Standard Fire Response Time Standards

Classification	Dispatch and Get Away Time	Drive Time	Total Standard Response Time
Urban	3 minutes	4 minutes	7 minutes
Suburban	3 minutes	5 minutes	8 minutes

Current Level of Service provided to the OCSD

Before July 1, 2023, when the OCSD was a member of the JPA, Oceano had a partially staffed station with its own engine. As a reminder, as of July 1, 2023, the OCSD exited the JPA and separately contracted with the FCFA for services, and response to Oceano is provided out of the Arroyo Grande and Grover Beach stations. Under the July 1, 2023 contract the FCFA staffs three engines. Two engines at Arroyo Grande and one from Grover Beach. There is no engine stationed in Oceano. The FCFA staffs two engines with three personnel and one engine with two personnel. No particular FCFA engine is dedicated to Oceano response. Response is based on what is available.

Service Level Options for Consideration

A description of each option is provided with a following table summarizing each of the options outlined and how the new options compare to the OCSD's current level of fire service provided under their current contract with the FCFA. All the options presented are valid for all service levels (present and future) and Oceano is doing Option 5 (see the following table) right now but without a third firefighter on the FCFA third engine. Attachment 4 provides additional detail and information related to the options.

Option 1: CAL FIRE responds to Oceano from Nipomo Station 22. With no additional staffing or equipment this option does not add staffing to Station 22 and utilizes the existing Station 22 Structure Engine designed and equipped for structure fires and technical rescues. It can be assumed that the service level will decrease to Oceano or the surrounding area as CAL FIRE resources (staffing and operations) will be spread thinner, and there is a longer response time to Oceano and its surrounding areas from Nipomo 22 than from the FCFA stations.

Option 2: CAL FIRE responds from Nipomo Station 22. This option increases the existing Station 22 engine company staffing from two-person to three-person level. Increased staffing will help to offset the increased workload associated with the increased incident calls to Oceano. However, there is a longer response time to those areas from Nipomo 22 than from the FCFA stations.

Option 3. CAL FIRE responds from Nipomo Station 22. This option adds a second engine company with two-person non-paramedic staffing to Station 22 for a total of two engines. This option would maintain service levels and response times to Nipomo Mesa while resources are committed to Oceano incidents. The station will require some remodeling to Station 22 to accommodate the additional staffing and engine. With this option there is a longer response time to Oceano and its surrounding areas from Nipomo 22 than from the FCFA stations.

Option 4. CAL FIRE responds from the Oceano Station. This option adds one new engine and two-person staffing 24/7 year-round to the Oceano fire station. Benefits to the County will include improved emergency response and fire prevention activities for Oceano and its surrounding areas. This option provides better service than the current

contract with FCFA because there is a shorter response time to Oceano and its surrounding areas from the Oceano station than from the FCFA stations. However, additional costs will be incurred to bring the Oceano fire station up to code and meet the operational needs of the County Fire Department.

Option 5. County contracts with the FCFA (preferred option). This option would provide fire service to Oceano and its surrounding areas from the FCFA Arroyo Grande and Grover Beach stations via a contract. This would be an equivalent level of service to what is in place now.

Summary of Service Level Options for the County

Option	Responding Station	Increased Resources to Responding Station	Estimated One Time Cost	Estimated Annual Ongoing Cost	Response Time	Service Level Impact to Oceano and Surrounding Area Compared to Current Service Level
County Fire/CAL FIRE						
1	Nipomo 22	None	\$0	\$0*	11-12 minutes as available	Significant Decrease
2	Nipomo 22	Increase from 2-0 to 3-0 staffing	\$360,000	\$1.4M*	11-12 minutes as available	Significant Decrease
3	Nipomo 22	Add 2-0 engine company	\$1.9M	\$2.1M*	11-12 minutes (dedicated engine)	Slight Decrease
4	Oceano	Add 2-0 engine company	\$3.5M min	\$2.1M	3-7 minutes	Significant Increase
Five Cities Fire Authority						
5	FCFA AG/GB	Contract for 2-0 staffing	\$0	\$1.8M	AG 7-11 minutes GB 7-9 minutes	Equivalent

*Assuming no change to Automatic and/or mutual aid agreements (potential to increase)

OTHER AGENCY INVOLVEMENT/IMPACT

The OCSD filed a divestiture of fire protection service application with the San Luis Obispo LAFCO on February 6, 2023. The LAFCO processes the application and approves, modifies, conditions or denies the proposal to divest fire authority within the district.

The Auditor-Controller-Treasurer-Tax Collector-Public Administrator, Assessor, and County Counsel provided information to assist in the preparation of this report. County Fire/CAL FIRE provided the attached analysis and service level options in Attachment 4.

County Administrative Staff have been coordinating with the OCSD manager in order to gather necessary information. The FCFA provided County staff with estimates for Option 5.

FINANCIAL CONSIDERATIONS

County staff has provided the best estimates for the annual operating expense and one-time/other costs associated with each option for service. It should be noted that the estimated cost for Options 1- 4 were developed in coordination with County Fire/CAL FIRE and the estimated costs for Option 5 was provided by the FCFA. As both costs

would be dependent on future contracts with either the CAL FIRE or the FCFA, these costs should be considered preliminary as they are subject to future contract negotiations. In addition, the estimated costs also include indirect costs for other County departments (i.e. internal support departments) for each option.

Pending Board direction, and assuming the majority, if not all, property tax and other assets are transferred to the County, there may be a significant General Fund impact. The following table outlines the Summary of Costs for Options 1-5.

Summary of Annual Cost Options for the County

Option	Responding Station	Estimated Funding Available for Operations	Estimated Annual Ongoing Cost	Estimated Annual Operational Funding Gap	Estimated One-Time Costs for Equipment and Infrastructure
1	Nipomo 22	\$1,337,044	\$0*	\$0	\$0
2	Nipomo 22	\$1,337,044	\$1.4M*	\$(62,956)	\$(360,000)
3	Nipomo 22	\$1,337,044	\$2.1M*	\$(762,956)	\$(1.9) M
4	Oceano	\$1,337,044	\$2.1M	\$(762,956)	\$(3.5) M min
5	FCFA AG/GB	\$1,337,044	\$1.8M	\$(498,783)	\$0

*Assuming no change to Automatic and/or mutual aid agreements (potential to increase)

Option 1 will not have a current impact to the General Fund. However, Option 1 and 2 will both have an impact on other fire services throughout the county because CAL FIRE resources will be spread thinner in the south county areas.

Options 2 through 4 will have an impact in one-time cost ranging from \$360,000 to \$3.5 million. There is an opportunity for the one-time/other costs associated with each option to be spread over multiple fiscal years or offset by obtaining assets from the OCSD.

In addition, Options 2 through 5 have an ongoing annual cost ranging from \$1.4 million to \$2.3 million, which would have a General Fund impact of \$62,000 to \$762,956.

Please note, as shown in the table, the FCFA has indicated that they will require a renegotiation of the Automatic Aid and/or mutual aid agreement and this has the potential to increase the cost for Options 1-3.

With Options 2 through 4, it is likely the current CAL FIRE contract will need to be amended.

Option 5 is preferred as this option would provide equivalent service to what is in place now. This option would be approximately \$1.5 million less costly to the County than Option 4 in operational cost over the period of five years.

Summary of the Board's Adopted Policy Regarding Funding of Independent Special Districts

As a reminder, on April 23, 2019, the Board adopted a policy regarding the funding of independent special districts. Per the policy, "the County shall not subsidize an independent special district with County General Fund monies nor should a property tax exchange result in a net fiscal loss to the County." Additionally, the 2019 staff report reads, "While the county recognizes that it has no legal obligation to provide fire services in the unincorporated areas as it is a discretionary service policy decision, public safety is a top priority for the County....and thus would engage discussion on the matter." The Board has subsequently reviewed this policy each year as part of the annual review of its budget goals and policies in advance of the annual budget preparation process.

However, the Board has the discretion should it choose to deviate from its policy. It should be noted that Option 1

would be the only option that aligns with the Board adopted policy regarding the funding of independent special districts as it would not require additional General Fund. Options 2 through 5 would require an additional allocation from the General Fund both in one time cost (with the exception of Option 5) and in ongoing annual costs.

NEXT STEPS

Once the Board provides direction regarding the fire service level for Oceano and its surrounding area, if any, then County Staff will return to the Board with additional information based on the specific direction.

The Board could also choose to condition one of the options to ensure that there is enough revenue to offset County expenditures. The LAFCO could then condition the divestiture to be completed based on the passing of an additional tax needed to fund the service. LAFCO could condition the divestiture based on the following code sections. However, prior tax measure attempts have failed.

56886 (s) The levying of assessments, including the imposition of a fee pursuant to Section 50029 or 66484.3 or the approval by the voters of general or special taxes.

56886 (t) The extension or continuation of any previously authorized charge, fee, assessment, or tax by the local agency or a successor local agency in the affected territory.

Once the Board provides direction regarding the level of fire service the County, as the successor agency, will provide to the community of Oceano, then County staff will notify the LAFCO of the directed service level option. The LAFCO will proceed with the divestiture of fire protection service determination and will choose one of the paths outlined below:

- A. *LAFCO could proceed with divestiture of fire protection service.* The County would hold fire authority in Oceano.
- B. *LAFCO could deny the divestiture request.* In this scenario, the District could continue to operate as best it can for as long as it can.
- C. *LAFCO could condition divestiture on a successful Prop 218 vote.* LAFCO could set a condition that the residents of the district must pass an increase in the fire special tax before divestiture would be granted. The aim would be to ensure sufficient funding for services exists before responsibility is passed on to a successor agency.

Pending Board direction, the County will need to negotiate terms of the divestiture including the potential transfer of assets and/or liabilities outlined in Attachment 7.

Pending Board direction to assume fire responsibility in Oceano, the Board may need to reconsider its County ordinance related to fireworks.

RESULTS

By providing direction regarding County's option to assume fire responsibility in Oceano, and the level of fire service, the County, as the successor agency, would provide, will provide a path forward for fire service to the community of Oceano. To recap, the options include the following:

- Option 1: CAL FIRE responds from Nipomo Station 22 with no increase in staffing or an engine.
- Option 2: CAL FIRE responds from Nipomo Station 22 only increasing the existing Station 22 engine company staffing from 2-0 to 3-0 level.
- Option 3. CAL FIRE responds from Nipomo Station 22 adding a second engine company with 2-0 non-paramedic staffing to Station 22 for a total of two engines.

- Option 4. CAL FIRE responds from the Oceano Station. This option staffs the Oceano fire station with one new engine and 2-0 year-round staffing.
- Option 5. County contracts with FCFA and response will occur from the FCFA Arroyo Grande and Grover Beach stations.

The preferred option is Option 5 as this option maintains current levels of fire service to the Oceano community.

Providing direction for a service level will allow LAFCO to make a decision regarding the divestiture of fire authority in an informed manner.

ATTACHMENTS

- 1 Referral to Affected Agencies
- 2 Oceano Plan for Service
- 3 Five Cities Fire Authority Service Level Analysis
- 4 Service Level Options
- 5 Current Response Time Maps – Stations 22, Grover Beach, Arroyo Grande, Oceano
- 6 Current County Fire Service Information
- 7 OCSD Assets and Liabilities
- 8 PowerPoint Presentation
- 9 OCSD Comments Letter