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Legal Counsel

TO: MEMBERS OF THE COMMISSION

FROM: MORGAN BING, ANALYST
VIA: ROB FITZROY, EXECUTIVE OFFICER

DATE: OCTOBER 17, 2024

SUBJECT: LAFCO FILE NO. 1-E-23 | OCEANO COMMUNITY SERVICES DISTRICT DIVESTITURE OF FIRE PROTECTION SERVICE AND DESIGNATION OF THE COUNTY OF SAN LUIS OBISPO AS THE SUCCESSOR AGENCY FOR FIRE PROTECTION SERVICE

RECOMMENDATION

Action 1: Motion finding the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service (LAFCO File No. 1-E-23) to be exempt from the California Environmental Quality Act pursuant to CEQA Categorical Exemption Section 15320.

Action 2: Approve, by resolution, (i) the proposed Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service, as contained in Attachment A, subject to conditions of approval, and (ii) authorize and direct the Executive Officer to conduct protest proceedings pursuant to Government Code Section 57000.

PROJECT OVERVIEW

Project Applicant: Oceano Community Services District (OCSD)

Certificate of Filing: Issued on September 24, 2024

Acreage: Entire existing OCSD boundary, approximately 1,163 acres

Timeline of Events: On February 6, 2023, OCSD applied to LAFCO through resolution of application for divestiture of fire protection service (Attachment C).

On March 7, 2023, within the 30-day response requirement period, staff provided the applicant with a 30-day review letter placing the project on hold until the items detailed in the letter were addressed/submitted to continue processing the application.

On May 18, 2023, LAFCO held a study session for the proposed divestiture of fire protection service.

On September 12, 2023, the County of San Luis Obispo Board of Supervisors (BOS) received a report (Attachment D) on the County of San Luis Obispo's (County) option to assume fire responsibility as named in OCSD's application for divestiture and directed County staff to develop a plan for providing fire service to the community of Oceano as the successor agency.

On June 18, 2024, the BOS approved the OCSD Divestiture of Fire Protection Plan for Service (Attachment E & F) and entered into an agreement with Five Cities Fire Authority (FCFA) (Attachment G).

On July 24, 2024, the OCSD Board of Directors passed a resolution endorsing the County's Plan for Service (Attachment H).

On September 10, 2024, the BOS approved an exchange of property tax revenue and annual tax increment between the County and OCSD (Attachment I).

On September 18, 2024, OCSD approved an exchange of property tax revenue and annual tax increment between the County and OCSD (Attachment J).

On September 24, 2024, the County and OCSD entered into an agreement regarding the transfer of revenue in connection with divestiture of OCSD's fire protection service (Attachment K) and entered into an assignment agreement of OCSD's ongoing CALPERS liabilities and responsibilities following withdrawal from the FCFA Joint Exercise of Powers Agreement (JPA) (Attachment L).

On September 24, 2024, the application met submission requirements and allowed LAFCO staff to issue a Certificate of Filing.

Public Notification: Notice was placed in the Tribune on September 26, 2024, 21 days in advance of today's hearing. Notice has been sent to the applicants, the County, affected agencies, and other interested parties.

ACTION 1 | ENVIRONMENTAL DETERMINATION

Under the California Environmental Quality Act (CEQA), LAFCO is the Lead Agency for the proposed OCSD divestiture of fire protection service and designation of the County as the successor agency for fire protection service. The purpose of the environmental review process is to provide information about the environmental effects of the actions and decisions made by LAFCO and to comply with CEQA.

LAFCO proposes to Categorically Exempt the project pursuant to State CEQA Guidelines Section 15320 (changes in organization of local agencies) because the proposed divestiture would not change the geographic area where existing fire protection service is presently authorized and provided. There are no land use changes, or environmental impacts created by this proposal. If the Commission approves the divestiture, staff will file a Notice of Exemption (Attachment A, Exhibit A) as required by CEQA Regulation Section 15062.

Recommendation

Motion finding the OCS D of Fire Protection Service and Designation of the County as the Successor Agency for Fire Protection Service (LAFCO File No. 1-E-23) to be exempt from the CEQA pursuant to CEQA Categorical Exemption Section 15320.

ACTION 2 | DIVESTITURE

Background

The OCS D 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 OCS D is authorized to provide fire protection, lighting, parks and recreation, water, wastewater, and solid waste. Approximately 7,600 residents are served by the District.

The County completed a Fire Department Consolidation Feasibility Study in 2005, which concluded that stand-alone fire departments are not cost-effective and that OCS D and the cities of Arroyo Grande and Grover Beach should consolidate into one agency for fire protection service. The FCFA was formed on July 9, 2010, through a JPA entered into by the three agencies. The FCFA is a consolidation of three individual fire departments and historically operated 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 adopted a strategic plan identifying service levels and resource needs. Subsequently, the FCFA executed a second amendment, in July 2019, to the JPA agreement that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding is consistent with the Strategic Plan. The second amendment also required OCS D 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 OCS D agreed to place a special tax measure on the June 2022 ballot, agreeing that should the measure fail, then the OCS D 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.

The FCFA's JPA was subsequently amended by the parties to terminate OCS D's participation as a member agency in FCFA commencing July 1, 2023. On June 22, 2023, the FCFA approved 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. On June 4, 2024, FCFA approved an extension agreement through December 31, 2024, with a 30-day notice option to terminate. 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 service 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.

Divestiture Proposal

The OCSD Board of Directors passed a Resolution of Application on January 11, 2023, to divest its fire protection service (Attachment C). The OCSD submitted the application to LAFCO on February 6, 2023. The Resolution of Application included a Plan for Service as required by Government Code Section 56824. The Plan for Service proposed that the County become the successor agency and assume responsibility for providing fire protection service within the current OCSD service area boundary (Attachment A, Exhibit B).

On September 12, 2023, the BOS provided direction to County staff to pursue a responsive Plan for Service to provide fire protection to OCSD utilizing a contract model with FCFA. On June 18, 2024, the BOS approved the responsive Plan for Service (Attachment F) and directed County staff to file the plan with LAFCO. On July 24, 2024, OCSD endorsed the County's Plan for Service via Resolution (Attachment H). The Plan for Service defines the level and mode of fire service the County will provide to OCSD if the proposal for divestiture is approved by LAFCO, and establishes conditions involving OCSD assets and liabilities.

Government Code Section 56668 identifies a number of factors that must be considered by LAFCO in reviewing a proposal. A select number of the key applicable factors for the project are discussed in the body of this staff report as well as key components of the Plan for Service which was prepared pursuant to Government Code Sections 56653 and 56824. All other remaining factors are addressed in detail in Attachment B of this staff report. The full Plan for Service can be found in Attachment F.

Level and Range of Service

Should the proposal be approved, the contract between the County and FCFA (Attachment G) to provide fire service within OCSD's current service area boundary will become effective. Currently, FCFA staffs two engines out of Arroyo Grande and one engine from the Grover Beach station. The contract will provide for delivery of all fire protection and emergency services in OCSD out of Grover Beach and Arroyo Grande Fire Stations at a minimum of two personnel per engine. There is no particular FCFA engine that is dedicated to Oceano response as response is provided from resources available.

The service area will remain the same as the current boundary of the OCSD (Attachment A, Exhibit B). The contract maintains the level of service currently provided to the OCSD. Using the County Fire Strategic Plan Level of Service Analysis standards, OCSD warrants an urban response

time standard of 7 minutes. FCFA response time to OCSO is 7-11 minutes from the Arroyo Grande Station and 7-9 minutes from the Grover Beach Station.

The County, through a contract with FCFA, will provide the following services:

1. Administration of Fire Services
2. Incident Response
3. Fire Safety Inspections/Enforcement
4. Investigations
5. Training
6. Emergency Management

Staffing & Personnel

FCFA shall provide a minimum of two personnel per engine, meeting minimum federal and state-mandated training requirements for their respective classifications and responsibilities, to provide fire service. The staff shall consist of personnel assigned at the sole discretion of FCFA but at least one member of all responding apparatus into Oceano shall be qualified as an Emergency Medical Technician. The agreement between the County and FCFA (Attachment G) also calls for the County to evaluate the feasibility and strategic benefit of funding a 3-person company to serve Oceano if County funding becomes available during the term of the agreement.

Capital Facilities & Equipment

FCFA will utilize Fire Stations Number 1 and 2 located respectively at 140 Traffic Way, Arroyo Grande, and 701 Rockaway Avenue, Grover Beach, as its primary locations for the provision of fire service and related activities. Contingent upon LAFCO approval of the divestiture, the County shall obtain fee title to Fire Station Number 3 located at 1655 Front Street, Oceano, and contingent upon successful transfer of fee title, FCFA access to or use of Fire Station number 3 may be requested by FCFA. The property transfer is expected to occur by Spring 2025. Any use agreement will be addressed by a separate lease agreement executed by both parties. Furthermore, any operational use of Fire Station No. 3 by FCFA for emergency medical services and fire suppression including all fire suppression equipment, fire engines, housing, and administrative services necessary to operate the fire station shall be addressed by a separate lease agreement executed by both parties.

The County will consider facility improvements to Station 3 as part of the County's Facility Condition Assessment Program or Capital Improvement Program in accordance with standard County procedure. If facility improvements are anticipated to be implemented, the County will consider the FCFA standards of cover analysis that will be developed in FY 2024-25 during the project.

Agreement Term and Extension/Renewal

Upon LAFCO approval of the divestiture and filing of the Certificate of Completion, the term of the agreement between the County and FCFA (Attachment G) would commence January 1, 2025. The agreement terminates on June 30, 2027. There would be two one-year extensions available unless one Party gives the other a written notice of non-renewal within 90 days of the initial term or the first extension. The agreement may be renewed upon mutual agreement of both Parties

and involve a meet and confer process regarding the terms and conditions of the renewal. The agreement can be terminated by either Party within 120 days before the termination date of the initial term and 60 days before the termination date of either extension.

Finance

The County shall compensate FCFA for all fire services performed under their agreement in a fixed annual amount of \$1,706,000 each year with annual consumer price index (CPI) increases. Services will be financed with property tax revenue transferred from OCSD to the County, impact fees, rent revenue, and additional County General Fund. The BOS passed a tax exchange resolution (Attachment I) on September 10, 2024, such that OCSD shall retain 3.85% of their current base property tax revenue and any future property tax increment associated with that percentage after transfers to the Educational Revenue Augmentation Fund (ERAF). The amount retained by OCSD will be for the continuance of operation of the District's lighting service. The remaining 96.15% base property tax revenue, and any future property tax increment associated with that percentage, will be transferred to the County. Additionally, 100% of development impact fee revenue related to the community of Oceano, rent revenue, and additional County General Fund will be available to fund operations. The annual County General Fund support is estimated to be \$310,143 in addition to property tax collected.

Assets

As stated previously, OCSD will transfer to the County fee simple ownership of the existing OCSD Fire Station and real property located at 1655 Front Street, Oceano (APN 062-271-023) including General Fund purchased items, equipment, and vehicles. Completion of the property transfer is expected in Spring 2025. As a Condition of Approval, OCSD shall transfer the fee title of 1655 Front Street as per the terms of the Plan for Service contained in Attachment F by June 30, 2025. Prior to the County assuming fire protection service, OCSD will transfer to the County 100% of Fireworks Permit revenue, Interest Income, Rental Income, and Public Facility Fees collected by OCSD between July 1, 2024, and July 1, 2025. Additionally, OCSD will remit FY 2023-2024 budgeted Sheriff Substation Maintenance in the amount of \$90,000, Fireworks Permit revenue, Interest Income, and Public Facility Fee reserves currently at \$251,302 (Attachment K).

Liabilities

The County will assume responsibility for OCSD's ongoing CalPERS unfunded actuarial accrued liability (UAAL) arising out of OCSD's participation in FCFA between June 7, 2010, and June 30, 2023, in the amount equal to 19.73% of the total (Attachment L). The Foster and Foster actuarial report dated December 15, 2023, shows OCSD's share of UAAL as of June 30, 2022, to be \$861,741. OCSD's liability is anticipated to be reduced due to reimbursement payments made after June 30, 2022, by the City of Arroyo Grande to FCFA, reducing the total UAAL of \$4,374,321 by \$982,311. Additionally, as outlined in the ongoing liabilities agreement dated June 14, 2023, OCSD's UAAL will be reduced by \$278,109 related to Capital Equipment and Vehicle Valuation credits as well as OCSD's share of FCFA's FY 2022-23 year-end fund balance estimated to be \$296,662.

Related Space Lease Contracts

The County and OCSD will execute two space lease agreements related to the Plan for Service. The first will provide for OCSD to continue to occupy the current OCSD Administrative space at 1655 Front Street, Oceano, for a term of 20 years in the annual amount of \$116,147, with annual CPI adjustments. The commencement date will be set to the date the County obtains fee simple ownership of the existing OCSD Fire Station. The lease includes an option for OCSD to exit the lease after 10 years, and if the option is exercised, the County will have the option to purchase the Sheriff substation real property located at 1681 Front Street, Oceano, for an amount equal to the appraised land value. The second lease agreement will provide for the County Sheriff to continue to occupy the space at 1681 Front Street, Oceano for a term of 20 years in the amount of \$1 per year. The lease commencement date will be set to the date the County assumes fire responsibility for Oceano. As a condition of approval, OCSD and the County of San Luis Obispo shall execute the lease agreements for 1655 and 1681 Front Street, as per the terms of the Plan for Service contained in Attachment F by June 30, 2025.

Ordinances

According to Government Code Section 61100, upon receiving LAFCO approval to provide certain specified services, the board of directors of a Community Services District may adopt an ordinance authorizing the district to provide those services. OCSD followed this process and adopted the OCSD Code of Ordinances, Title 15, Medical Emergency and Fire Response Services, to allow for the provision of fire protection service within its boundaries. Should the divestiture proposal be approved, OCSD will no longer have the authority to provide fire protection service or to enforce ordinances adopted to facilitate providing those services. Upon divestiture, the County will assume responsibility for providing fire protection service within the boundaries previously served by OCSD, and County ordinances governing the provision of fire protection service will supersede and replace those enacted by OCSD, which will become null and void. As a Condition of Approval, the OCSD Board of Directors shall take action at a public hearing to rescind all ordinances related to fire protection service and make other necessary administrative changes (such as changes to the District's website) for the public's benefit to reflect the changes in fire protection responsibilities by March 31, 2025.

Alternatives

As previously described, on September 12, 2023, the BOS received a report on the County's options to assume fire responsibility and the level of fire service the County, as the successor agency, would provide to OCSD if responsibility was directed to be assumed. County staff presented the BOS with five levels of service options for consideration. These options included serving OCSD through the County Fire Department's contract with CAL FIRE at various service levels, or through a contract with FCFA. The BOS directed staff to pursue a responsive plan for service to provide fire protection to Oceano utilizing a contract model with FCFA. A summary of alternative options and their service level impacts are shown in the table below and further detailed in Attachment D.

	Responding Station	Increased Resources to Responding Station	Estimated One Time Cost	Estimated Ongoing Annual Cost	Response Time	Service Level Impact to Oceano & Surrounding Area Compared to Current Service Level
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	\$1.4 M*	11-12 minutes as available	Significant Decrease
3	Nipomo 22	Add 2-0 engine company	\$1.9 M	\$2.1M*	11-12 minutes (dedicated engine)	Slight Decrease
4	Oceano	Add 2-0 engine company	\$3.5 M min	\$2.1 M	3-7 minutes	Significant Increase
5	FCFA AG/GB	Contract for 2-0 staffing	\$0	\$1.8 M	AG 7-11 minutes GB 7-9 minutes	Equivalent

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

Protest Proceedings

Approval of the proposed divestiture would require protest proceedings under Government Code Section 57000 (“Section 57000”). Government Code Section 56881 provides, in pertinent part, that the resolution making determinations shall also do all of the following: (d) Initiate protest proceedings pursuant to Part 4 (commencing with Section 57000) in compliance with the resolution. As allowed under state law and consistent with SLO LAFCO policy section 3.3, the resolution authorizes and directs the Executive Officer to conduct proceedings pursuant to Section 57000 which includes holding a noticed hearing to accept written protest filed by registered voters and/or landowners within the affected territory. The following thresholds would apply in valuing protests and determining next steps:

- Should less than 25% of (a) registered voters and/or (b) landowners holding less than 25% of the assessed value of land within the affected territory file written protests the reorganization will be ordered without an election.
- Should 25% to 50% of (a) registered voters and/or (b) landowners holding 25% to 50% of the assessed value of land within the affected territory file written protests the reorganization will be ordered subject to an election at a future date.

- Should more than 50% of (a) registered voters and/or (b) landowners holding 50% or more of the assessed value of land within the affected territory file written protests the change of organization will be terminated.

Should the Commission proceed with approval, staff will schedule a protest hearing with the details as to time and place. Notice for the protest hearing would be provided to landowners and registered voters in a manner provided under statute no less than 21 days in advance. The Cortese-Knox-Hertzberg Act provides specific guidance regarding noticing and holding the protest hearing.

Recommendation

Approve, by resolution, (i) the proposed OCSA Divestiture of Fire Protection Service and Designation of the County as the Successor Agency for Fire Protection Service, as contained in Attachment A, subject to conditions of approval, and (ii) the authorize and direct the Executive Officer to conduct protest proceedings pursuant to Government Code Section 57000.

Conditions of Approval

1. The Oceano Community Services District and County of San Luis Obispo agree to defend, indemnify, hold harmless and release the San Luis Obispo Local Agency Formation Commission (LAFCO), its officers, employees, attorneys, or agents from any claim, action or proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul, in whole or in part, LAFCO's action on the proposal or on the environmental documents submitted to or prepared by LAFCO in connection with the proposal. This indemnification obligation shall include, but not be limited to, damages, costs, expenses, attorneys' fees, and expert witness fees that may be asserted by any person or entity, including the Applicant, arising out of or in connection with the application. In the event of such indemnification, LAFCO expressly reserves the right to provide its own defense at the reasonable expense of the applicant.
2. That the Executive Officer is authorized and directed to conduct protest proceedings pursuant to Government Code Section 57000.
3. The effective date of the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service shall be the date of recordation of the Certificate of Completion. The Certificate of Completion will not be filed before the protest process is completed by LAFCO.
4. Once the divestiture is effective per Condition of Approval #3, the County of San Luis Obispo will hence forth be designated as the successor agency and shall be responsible for providing fire protection service here forward within the existing District boundary as of October 17, 2024, and as depicted in Exhibit B, and as per the terms detailed in the Plan for Service contained in Exhibit C.
5. The Oceano Community Services District shall transfer the fee title of 1655 Front Street as per the terms of the Plan for Service contained in Exhibit C by June 30, 2025.
6. The Oceano Community Services District and County of San Luis Obispo shall execute the lease agreements for 1655 and 1681 Front Street, as per the terms of the Plan for Service contained in Exhibit C by June 30, 2025.

7. The Oceano Community Services District Board of Directors shall take action at a public hearing to rescind all ordinances related to fire protection services and make other necessary administrative changes (such as changes to the District's website) for the public's benefit to reflect the changes in fire protection responsibilities by March 31, 2025.

ATTACHMENTS

Available via web links due to file size:

Attachment A: Draft LAFCO Resolution No. 2024-___ Approving the OCSD Divestiture of Fire Protection Service and Designation of the County as the Successor Agency for Fire Protection Service

Exhibit A: CEQA Notice of Exemption

Exhibit B: OCSD Boundary Map

Exhibit C: Plan for Service Prepared by the County

https://slo.lafco.ca.gov/files/a0fe6fb25/Attachment+A_Draft+Reso_OCSD+Divestiture.pdf

Attachment B: LAFCO Proposal Review of Factors - Government Code 56668

https://slo.lafco.ca.gov/files/e7e6e2e9a/Attachment+B_56668+Factors.pdf

Attachment C: Oceano Community Services District Resolution No. 2023-03

https://slo.lafco.ca.gov/files/81e2d679b/Attachment+C_OCSD+Reso+2023-03.pdf

Attachment D: County Board of Supervisors Staff Report 9-12-2023

https://slo.lafco.ca.gov/files/233ca2a0b/Attachment+D_BOS+Staff+Report+9-12-23.pdf

Attachment E: County Board of Supervisors Staff Report 6-18-24

https://slo.lafco.ca.gov/files/61aa0e8db/Attachment+E_BOS+Staff+Report+6-18-24.pdf

Attachment F: Plan for Service Prepared by the County of San Luis Obispo as the Successor Agency

https://slo.lafco.ca.gov/files/1810cf89d/Attachment+F_+County+Plan+for+Service.pdf

Attachment G: Agreement Between the Five Cities Fire Authority and County of San Luis Obispo for Provision of Fire Protection and Emergency Medical Services to Oceano

https://slo.lafco.ca.gov/files/ea83ddb48/Attachment+G_FCFA+Services+Agreement.pdf

Attachment H: Oceano Community Services District Resolution No. 2024-11

https://slo.lafco.ca.gov/files/b36709581/Attachment+H_OCSD+Reso+2024-11.pdf

Attachment I: County Board of Supervisors Resolution No. 2024-203

https://slo.lafco.ca.gov/files/bfb8d3445/Attachment+I_BOS+Reso+2024-203.pdf

Attachment J: Oceano Community Service District Resolution No. 2024-14

https://slo.lafco.ca.gov/files/122e76b9b/Attachment+J_OCSD+2024-14.pdf

Attachment K: Agreement Between the County and OCSD Regarding Transfer of Revenue in Connection with Divestiture of OCSD's Fire Protection Service

https://slo.lafco.ca.gov/files/f5e15ed53/Attachment+K_Revenue+Agreement.pdf

Attachment L: Assignment and Amendment of Oceano Community Services District's Ongoing CALPERS Liabilities and Responsibilities Following Withdrawal from the Five Cities Fire Authority Joint Exercise of Powers Agreement

https://slo.lafco.ca.gov/files/6eab01538/Attachment+L_Assignment+Agreement.pdf

Attachment A

Draft LAFCO Resolution No. 2024-___ Approving the OCSD Divestiture
of Fire Protection Service and Designation
of the County as the Successor Agency for Fire Protection Service

Exhibit A: CEQA Notice of Exemption

Exhibit B: OCSD Boundary Map

Exhibit C: Plan for Service Prepared by the County

IN THE LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Thursday, October 17, 2024

RESOLUTION NO. 2024-XX

**RESOLUTION APPROVING THE OCEANO COMMUNITY SERVICES DISTRICT DIVESTITURE OF
FIRE PROTECTION SERVICE AND DESIGNATION OF THE COUNTY OF SAN LUIS OBISPO AS THE
SUCCESSOR AGENCY FOR FIRE PROTECTION SERVICE**

The following resolution is now offered and read:

WHEREAS, on February 6, 2023, Oceano Community Services District, hereinafter referred to as the “District” applied to the San Luis Obispo Local Agency Formation Commission, hereinafter referred to as the “Commission”, through resolution of application for divestiture of fire protection service due to the District’s inability to fund fire protection service at the prior levels of service and proposed that the County of San Luis Obispo, hereinafter referred to as the “County”, be designated as the successor agency for fire protection service within the current District service area; and,

WHEREAS, on September 12, 2023, the County Board of Supervisors received a report on the County’s options to assume fire responsibility as named in OCSD’s application for divestiture and directed County staff to develop a plan for providing fire protection service to the Community of Oceano as successor agency; and,

WHEREAS, on June 18, 2024, the County approved the Plan for Service as the successor agency, and the District endorsed the County’s Plan for Service on July 24, 2024; and

WHEREAS, a Certificate of Filing for this proposal was signed by the Executive Officer on September 24, 2024; and

WHEREAS, the matter was set for public hearing at 9:00 AM on October 17, 2024, and the public hearing was duly conducted and determined and a decision was made on October 17, 2024; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner provided by law; and

WHEREAS, at said hearing this Commission heard and received all oral and written protests, objections and evidence, which were made, presented or filed, and all person’s present

were given the opportunity to hear and be heard in respect to any matter relating to the proposal and report; and

WHEREAS, the Notice of Exemption, prepared pursuant to §15062 is adequate as the documentation to comply with the California Environmental Quality Act (CEQA) for this proposal.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Local Agency Formation Commission of the County of San Luis Obispo, State of California, as follows:

1. That the recitals set forth hereinabove are true, correct, and valid and are hereby incorporated by reference.
2. That the Executive Officer of this Commission is authorized and directed to mail copies of this resolution in the manner provided by law.
3. That the Notice of Exemption prepared for this proposal is complete and adequate, having been prepared in accordance with the provisions of CEQA and is hereby determined to be sufficient for the Commission's actions and is incorporated by reference as Exhibit A of this resolution.
4. In approving the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service, the Commission establishes that the only functions or services provided by the District within its jurisdictional boundaries are water, wastewater, parks and recreation, lighting, and solid waste.
5. That the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service is approved with the following conditions:
 1. The Oceano Community Services District and County of San Luis Obispo agree to defend, indemnify, hold harmless and release the San Luis Obispo Local Agency Formation Commission (LAFCO), its officers, employees, attorneys, or agents from any claim, action or proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul, in whole or in part, LAFCO's action on the proposal or on the environmental documents submitted to or prepared by LAFCO in connection with the proposal. This indemnification obligation shall include, but not be limited to, damages, costs, expenses, attorneys' fees, and expert witness fees that may be asserted by any person or entity, including the Applicant, arising out of or in connection with the application. In the event of such indemnification, LAFCO expressly reserves the right to provide its own defense at the reasonable expense of the applicant.
 2. That the Executive Officer is authorized and directed to conduct protest proceedings pursuant to Government Code Section 57000.

3. The effective date of the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service shall be the date of recordation of the Certificate of Completion. The Certificate of Completion will not be filed before the protest process is completed by LAFCO.
4. Once the divestiture is effective per Condition of Approval #3, the County of San Luis Obispo will hence forth be designated as the successor agency and shall be responsible for providing fire protection service here forward within the existing District boundary as of October 17, 2024, and as depicted in Exhibit B and as per the terms detailed in the Plan for Service contained in Exhibit C.
5. The Oceano Community Services District shall transfer the fee title of 1655 Front Street as per the terms of the Plan for Service contained in Exhibit C by June 30, 2025.
6. The Oceano Community Services District and County of San Luis Obispo shall execute the lease agreements for 1655 and 1681 Front Street, as per the terms of the Plan for Service contained in Exhibit C by June 30, 2025.
7. The Oceano Community Services District Board of Directors shall take action at a public hearing to rescind all ordinances related to fire protection services and make other necessary administrative changes (such as changes to the District's website) for the public's benefit to reflect the changes in fire protection responsibilities by March 31, 2025.

Upon a motion of Commissioner _____, seconded by Commissioner _____ and on the following roll call vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby adopted.

Marshall Ochylski
LAFCO Chair

Date

Exhibit A

Notice of Exemption

Notice of Exemption

To: ✓ Office of Planning and Research
PO Box 3044, 1400 Tenth Street, Room 222
Sacramento, CA 95812-3044

From: San Luis Obispo LAFCO
Rob Fitzroy, Executive Officer
1042 Pacific St. Suite A
San Luis Obispo, CA 93401
(805) 781 – 5795
rfitzroy@slo.lafco.ca.gov

✓ County Clerk
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93408

Project Title: LAFCO File No. 1-E-23 | Oceano Community Services District Divestiture of Fire Protection Service

Project Location: Oceano Community Services District (OCSD) is located in the southern portion of San Luis Obispo County.

Description of Nature, Purpose, & Beneficiaries of Project: The Local Agency Formation Commission (LAFCO) took action to approve the Oceano Community Services District (OCSD) Divestiture of Fire Protection Service. Historically, OCSD has provided fire response services through a contract with Five Cities Fire Authority (FCFA). However, as the cost of providing fire service has grown, OCSD was unable to fund fire service at the prior levels of service. As a result of two failed ballot measures intended to raise revenue for fire service, OCSD Board of Directors passed a Resolution of Application to LAFCO to divest OCSD’s fire service authority. As approved, the County of San Luis Obispo will assume responsibility for providing fire service within the Community of Oceano through a contract with FCFA. The contract will provide for delivery of all fire protection and emergency services in Oceano out of the Grover Beach and Arroyo Grande fire stations, at a minimum of two personnel per engine. This contract maintains the level of service currently provided to the Community of Oceano. The staff report is available on the LAFCO website at <https://slo.lafco.ca.gov/>.

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on October 17, 2024, at 9:00 a.m. in the Board of Supervisors Chambers in San Luis Obispo at the County Government Center. Additional information is available on the LAFCO website at <https://slo.lafco.ca.gov/>.

Exemption Status: (check one)

<input type="checkbox"/> Ministerial (Sec. 21080(b)(1); 15268);	<input checked="" type="checkbox"/> Categorical Exemption: Section 15320
<input type="checkbox"/> Declared Emergency (Sec. 21080(b)(3); 15269(a));	<input type="checkbox"/> Statutory Exemptions: State code number
<input type="checkbox"/> Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));	<input type="checkbox"/> Other: The activity is not a project subject to CEQA.

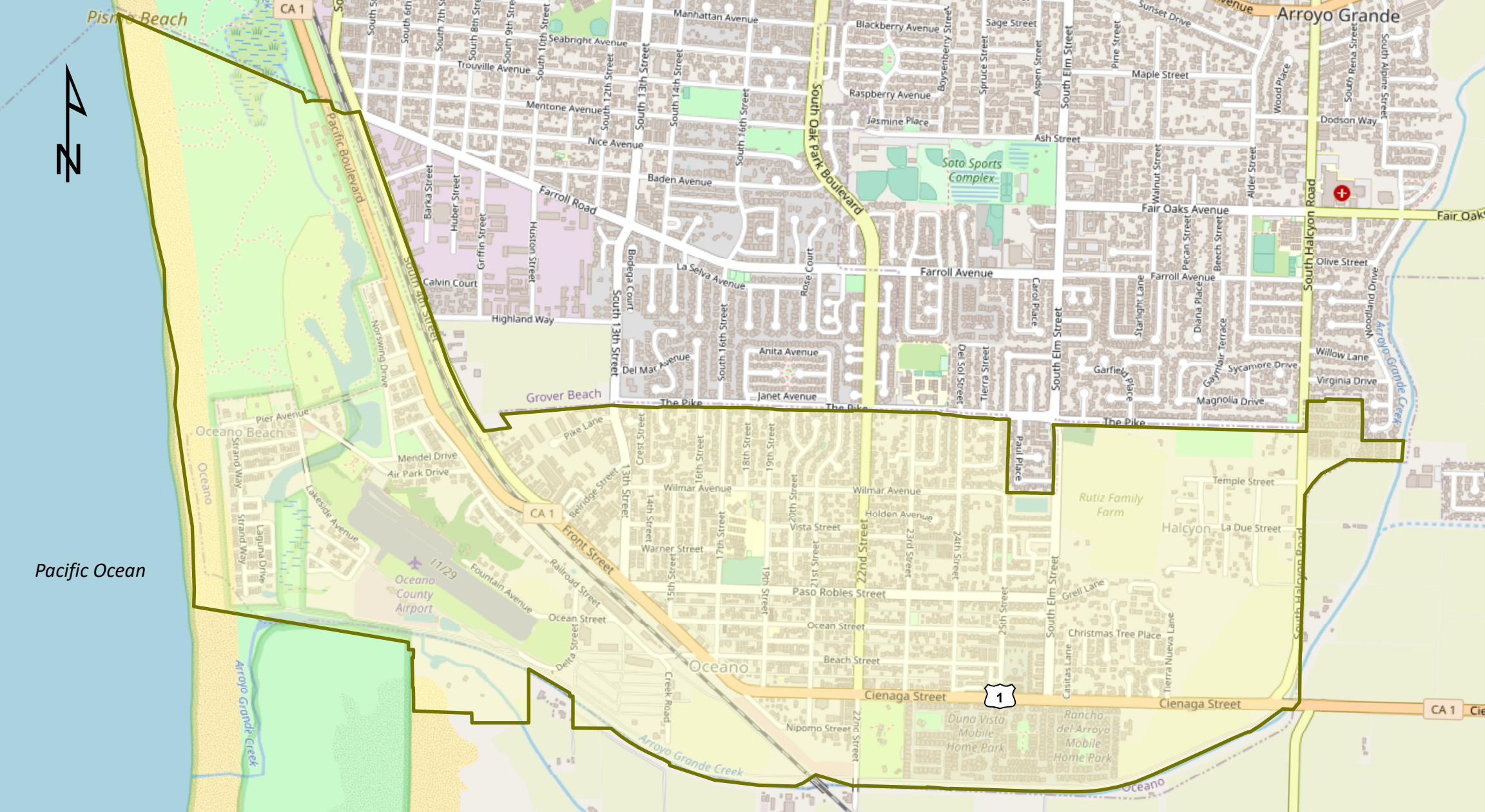
Reasons Why Project is Exempt: It has been determined with certainty that the proposal is categorically exempt pursuant to Section 15320 because the proposed divestiture would not change the geographic area where existing fire protection service is presently authorized and provided. There are no land use changes, or environmental impacts created by this proposal. LAFCO will file this Notice of Exemption upon approval of the proposal.

Rob Fitzroy, Executive Officer

Date



Exhibit B

OCSD Boundary Map

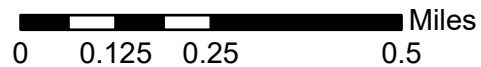


Oceano Community Services District

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

Exhibit C

County of San Luis
Obispo Plan for
Service

Oceano Community Services District
Divestiture of Fire Protection Services

Plan for Service

[Prepared by the County of San Luis Obispo
as the Successor Agency]



June 2024

Plan for Service

Oceano Community Services District Divestiture of Fire Protection

Background

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 (OCS D) 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.

On August 22, 2023, the Board of Supervisors (Board) directed staff to pursue a responsive plan of service to provide fire protection to Oceano utilizing a contract model with Five Cities Fire Authority.

OCS D staff and subcommittee participated in development of the responsive plan of service. The Oceano Community Services District submitted a letter dated in support for this plan of service, dated May 28, 2024, and attached to this plan as Exhibit B.

On June 18, 2024, the Board approved a responsive plan of service and directed County staff to file the plan with LAFCO. The plan of service defines the level and mode of fire service the County will provide to Oceano, if LAFCO approves divestiture, and establishes conditions involving OCS D assets and existing unfunded pension liability.

The Plan of Service below addresses changes to tax rate areas, OCS D assets and liabilities and fire protection service level.

Plan for Service

LAFCO uses a Plan for Services to evaluate the ability of an agency to provide services in a cost-effective manner, and to assess the benefit to be received by the area relative to alternative public agency frameworks.

This Plan for Services describes the fire protection services that the County would provide to the community of Oceano in summary form. The Plan for Service includes the following information pursuant to Government Code Sections 56653.

Government Code Section 56663 States:

1. An enumeration and description of the services currently provided or to be extended to the affected territory.
2. The level and range of those services.
3. An indication of when those services can feasibly be extended to the affected territory, if new services are proposed.
4. An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
5. Information with respect to how those services will be financed.

Description of Services

1. Description of how services will be provided and who will provide the services to the area.

Prior to exiting Five Cities Fire Authority (FCFA) JPA, Oceano fire station was partially staffed and housed one engine. On June 22, 2023, the FCFA entered into 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. On June 4, 2024, FCFA approved an extension agreement through December 31, 2024, with a thirty day-notice option to terminate.

Under their current contract the FCFA 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.

Since 1930, The County of San Luis Obispo has provided fire protection services through a contract with CAL FIRE, acting as the County's Fire Department. 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.

On August 22, 2023, the Board of Supervisors (Board) reviewed the County's available service level and service delivery options to provide fire service to Oceano. Options included serving Oceano community through the County Fire Department's contract with CAL FIRE at various service levels, or through a contract with Five Cities Fire Authority. The Board directed staff to pursue a responsive plan of service to provide fire protection to Oceano utilizing a contract model with Five Cities Fire Authority.

The County has entered into a contract with FCFA to provide fire service to the community of Oceano. The contract will become effective upon LAFCO approval of the District's divestiture and terminate on June 30, 2027, with two one year options to extend. The contract cost is \$1,706,000 each year with annual CIP increases. The contract will provide for delivery of all fire protection and emergency services in Oceano out of Grover Beach and Arroyo Grande Fire Stations, at a minimum of two personnel per engine. This contract maintains the level of service currently provided to the community of Oceano.

2. The level and range of services.

The current level of service provided to the community of Oceano by FCFA will remain the same. The service area will remain the same as the current boundary of the Oceano Community Services District.

The County, through contract with FCFA, will provide the following services:

1. Administration of fire services
2. Incident Response
3. Fire Safety Inspections/Enforcement
4. Investigations
5. Training
6. Emergency Management

3. Estimated time frame for service delivery.

The County will be responsible for fire and emergency response upon LAFCO approval of OCSDs application of divestiture. Service will be provided through a contract with FCFA with an effective date of the date that LAFCO approves OCSD's application of divestiture.

4. An indication of any capital improvements, or upgrading of structures, roads, sewer or water facilities or other conditions the agency would impose or require within the affected territory prior to providing service if proposal is approved.

Upon LAFCO approval, the County will assume fire responsibility for the community of Oceano as part of the unincorporated area of the County, target commencement date of January 1, 2025, with conditions related to OCSD revenue, assets, liabilities and space lease agreements as outlined below.

Revenues

The County Administrative Office will bring a tax exchange resolution to the Board of Supervisors such that OCSD will retain 3.85% of OCSD's current AB8 Factor of .18712. The amount retained by OCSD will be for the continuance of operation of the community's lighting service.

Additionally, 100% of development impact fee revenue related to the community of Oceano will be retained by the County to fund operations.

Prior to County assuming fire responsibility for Oceano, the County and Oceano will enter into an agreement to transfer to the County property tax revenue received by OCSD beginning July 1, 2024 through the implementation of the adjusted tax roll, at the rate described above, reduced by an amount equal to \$142,167 per month until the time that the County assumes fire responsibility for Oceano.

Assets

OCSD will transfer to the County fee simple ownership of the existing OCSD Fire Station and real property located at 1655 Front Street, Oceano (APN 062-271-023) including General Fund purchased items, equipment, and vehicles.

Prior to County assuming fire responsibility for Oceano, OCSD will transfer to the County 100% of OCSD's Public Facility Fee reserve in the amount of \$230,000 and FY 2023-24 year-end fund balance available in the amount of \$90,000 related to budgeted facility improvements.

Prior to County assuming fire responsibility for Oceano, the County and Oceano will enter into an agreement to retain Oceano's Public Facility Fees allocation.

Liabilities

The County will assume responsibility for OCSD's ongoing CalPERS unfunded actuarial accrued liability (UAAL) arising out of OCSD's participation in Five Cities Fire Authority between June 7, 2010 through June 30, 2023, in the amount equal to 19.7% of total. The Foster and Foster actuarial report dated December 15, 2023, shows OCSD's share of UAAL as of June 30, 2022 to be \$861,741. OCSD's liability is anticipated to be reduced due to reimbursement payments made after June 30, 2022, by the City of Arroyo Grande to Five Cities Fire Authority, reducing the total UAAL of \$4,374,321 by \$982,311.

Additionally, as outlined in the ongoing liabilities agreement dated June 14, 2023 (Exhibit C), OCSD's UAAL will be reduced by \$278,109 related to Capital Equipment and Vehicle Valuation credits as well as OCSD's share of Five Cities Fire Authority's FY 2022-23 year-end fund balance estimated to be \$296,662.

Prior to County assuming fire responsibility for Oceano, the County and Oceano will enter into an agreement to transfer unfunded actuarial accrued liability to the County, as described above.

Related Space Lease Contracts

The County and OCSD will execute two space lease agreements related to the Plan for Service. The first will provide for OCSD to continue to occupy the current OCSD Administrative space at the 1655 Front Street, Oceano for a term of 20 years in the annual amount of \$116,147, with annual CIP adjustments. Commencement date will be set to the date the County obtains fee simple ownership of the existing OCSD Fire Station. The lease includes an option for

OCSD to exit the lease after 10 years, and if the option is exercised, the County will have the option to purchase the Sheriff substation real property located at 1681 Front Street, Oceano, for an amount equal to the appraised land value.

The second lease will provide for the County Sheriff to continue to occupy the space at 1681 Front Street, Oceano for a term of 20 years in the amount of \$1 per year. The lease commencement date will be set to the date the County assumes fire responsibility for Oceano.

Prior to County assuming fire responsibility for Oceano, the County and Oceano will enter into two space agreements, as described above.

5. A description of how the services will be financed.

The majority or all of the general fund revenues received by the District would be available to partially fund operations. Services will be financed with property tax revenue transferred from OCSD to the County, impact fees, rent revenue and additional County General Fund. It is estimated that FY 2024-25 OCSD property tax revenue will be approximately \$1.3 million. Additionally, the Public Facility Fire Fees that are collected by the OCSD will be transferred to the County.

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.

At the time that the Board directed staff to prepare this Plan for Service, it was estimated that the ongoing annual cost of service including both contract cost and indirect County cost, would be approximately \$1,800,000, and the annual General Fund support would be \$498,783. Due to conditions in this Plan of Service including proposed lease agreements between OCSD and the County over the next 20 years, estimated impact fee revenue, and maintenance on fire related assets to be transferred to the County, the annual operating expense is estimated to be \$1.7 million, and the annual General Fund support is estimated to be \$310,143.

The Plan for Service also includes a one-time transfer of assets and liabilities from OCSD to the County; assets estimated to be valued at approximately \$2.5 million, and liabilities estimated to be valued at approximately \$2.5 million.

6. Agency’s general statement of intent to provide services to the affected territory, indicating the agency’s capability of providing the necessary services in a timely manner to the affected territory while being able to serve all areas within its current boundaries and without lowering the level of service provided to areas currently being served by the agency.

Upon LAFCo approval of OCSD’s application of divestiture of fire authority, the County intends to assume fire authority for the community of Oceano. The County has entered into a contract with FCFA, effective upon LAFCO approval of the subject divestiture, to provide fire protection services to the community of Oceano. FCFA is currently providing

services to Oceano, and no service level change is anticipated as a result of this Plan for Service. FCFA response time to Oceano is 7-11 minutes from the Arroyo Grande Station and 7-9 minutes from the Grover Beach Station.

The Contract for services termination date is June 30, 2027, and includes two one-year options to extend. The contract cost is \$1,706,000 each year with annual CIP increases. Other operational costs to the County include facility maintenance utilities and insurance. Based on revenue and expenditure estimates it is anticipated that in the first year after divestiture, the County General Fund support will be approximately \$310,143. A summary of this Plan for Service is attached as Exhibit A.

Exhibits

A – Summary of Plan for Service

B – OCSD Letter of Support

C – FCFA OCSD Ongoing Liabilities agreement dated June 14, 2023