



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** December 5, 2022
FROM: Matthew Bronson, City Manager
PREPARED BY: Matthew Bronson, City Manager
SUBJECT: Five Cities Fire Authority Update

RECOMMENDATION

Receive an update on the Five Cities Fire Authority (FCFA) including implementation of the wind down period related to the Oceano Community Services District withdrawal from the FCFA along with a fire services review in conjunction with the City of Arroyo Grande and provide input to staff.

BACKGROUND

On July 25, 2022, the Council received an update from staff about the results of the Oceano Fire Tax Measure A-22 which was on the ballot for Oceano voters in the June 2022 primary election. This measure would have assessed a parcel tax on Oceano properties to generate an additional \$422,000 annually for fire and emergency medical services in Oceano. Measure A-22 failed to gain the required 2/3 majority similar to a previous measure in 2020 which triggered a 12-month “wind down” process defined by the Third Amendment to the Joint Exercise of Powers Agreement (shown in Attachment 1). This process culminates in Oceano’s withdrawal of membership in the Five Cities Fire Authority (FCFA) effective July 1, 2023. Below are the major work program tasks during this wind down period as defined in the Third Amendment:

- Establish distribution of assets of the Joint Powers Authority (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 other(s) paying such funds to the appropriate agencies

These tasks are currently underway by the FCFA staff in consultation with the FCFA Managers Group comprised of the City/General Managers of the three member agencies (Arroyo Grande, Grover Beach, and Oceano). Fire Chief Lieberman will be at the December 5th meeting and can provide further information on this work done by FCFA which is expected to conclude by early 2023 to inform policy decisions about the organizational structure and service delivery of FCFA beginning on July 1, 2023. The Managers Group will continue to meet regularly during the rest of this fiscal year to oversee the implementation of the wind down process and the expected dates of completion for each work program task. In addition, staff would defer to the Council’s representative on the FCFA Board (Mayor Lee) to provide further information on this process from the Board perspective.

In addition to and related to the wind down period, there is a separate process underway between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) at the staff level about the desired level of fire and emergency medical services and funding needs in the respective communities. The discussions are being led by the City Managers of the two cities along with the FCFA Fire Chief and Treasurer and to date have included several work sessions about current and projected FCFA call volume, staffing and equipment needs including a replacement ladder truck, and initial cost estimates. Call volume in Arroyo Grande and Grover Beach has increased by an average of 4.8% annually over the past 10 years. As of November 30, 2022, FCFA call volume is 6.7% over 2021 and initial projections over the next 10 years show a continued average increase of 4.8% annually or a cumulative 60% increase.

However, the FCFA budget has not changed since FY 2019-20 given the Third Amendment which locked in member contributions in June 2020 at the beginning of the COVID-19 pandemic and was also predicated on Oceano's future tax measure in 2022 which ultimately failed. Though the City had previously increased its funding to transition part-time reserve firefighters to full-time positions, the FCFA budget has become constrained at the same time that both costs and service needs have increased. This is particularly challenging when multiple calls are received in the FCFA service area. Mutual aid from other agencies can assist when available but such resources cannot be relied upon to respond to all calls. In addition, firefighter workload has increased significantly which impacts not only service response but also employee health and retention.

This fire services review is an important initiative for the City to ensure responsive and effective fire and emergency medical services as part of the Public Safety Major City Goal. Though some level of grant funding may be a possibility, there will be a budgetary implication to this work which will inform the Council's identification of FY 2023-25 Council Goals and the resulting two-year budget. Given the importance of this issue and potential costs involved, the Arroyo Grande and Grover Beach City Managers have jointly engaged an outside consultant (Baker Tilly, formerly Management Partners) 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 is led by Rick Haydon, former City Manager in Santa Maria. Mr. Haydon is familiar with the local area and previously led a review of the City's police services in 2018 and is currently leading a review of other City services that will be presented to the Council in January. Baker Tilly's analysis will include the financial impacts of OCSD's departure from FCFA including their current \$1.1 million funding contribution and whether it would be beneficial for FCFA to offer fire service to Oceano under a contractual fee-for-service arrangement.

Baker Tilly's analysis will be completed in February with the results subsequently shared with the City Councils in Arroyo Grande and Grover Beach along with recommendations from both the consultant and staff. Staff will seek Council's direction at that time about fire service needs and funding relative to Council Goals and other funding needs for City services. The City's financial condition will also inform this discussion with the updated five-year financial forecast and mid-year budget review presented to Council on February 14, 2023. Pending Council's direction, staff would work with Arroyo Grande on mutually agreeable fire service levels and related governance and contractual documents to go into effect on July 1, 2023. Staff will continue to share regular updates with the Council prior to the presentation of the fire services analysis in early 2023.

FISCAL IMPACT

There is no fiscal impact to this agenda item. The subsequent presentation of the fire services analysis will identify projected costs of fire services needs.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Receive an update on the Five Cities Fire Authority (FCFA) including implementation of the wind down period related to the Oceano Community Services District withdrawal from the FCFA along with a fire services review in conjunction with the City of Arroyo Grande and provide input to staff; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Third Amendment to Joint Exercise of Powers Agreement

**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

ATTEST:

Kelly Wetmore, City Clerk

APPROVED AS TO FORM:

Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Hale, 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

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.