



## CITY COUNCIL STAFF REPORT

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**TO:** Honorable Mayor and City Council **DATE:** June 22, 2020

**FROM:** Matthew Bronson, City Manager

**PREPARED BY:** Matthew Bronson, City Manager

**SUBJECT:** Five Cities Fire Authority Joint Powers Authority Agreement Third Amendment

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### **RECOMMENDATION**

Adopt the Resolution approving the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement.

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### **BACKGROUND**

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

A five-year Strategic Plan was adopted by the FCFA Board of Directors in 2017 and has provided a foundation for needed investment to replace obsolete capital equipment including fire engines and self-contained breathing apparatus, along with critically needed staffing. Due to both the need to reevaluate the existing JPA provisions and the increased investment in the fire department, the member communities approved a Memorandum of Agreement (MOA) amending the FCFA JPA in May 2018. The intent of this amendment was to facilitate a negotiation of the existing cost sharing methodology and to consider changes to specific language in the existing agreement.

In June 2019, the member communities approved a second amendment to the JPA to change the JPA funding formula to provide greater equity in funding among member agencies. This change would be first implemented with a “transitional” change to the original funding formula along with a provision requiring Oceano to place a revenue measure on the ballot in March 2020 to provide additional long-term funding for fire and emergency medical services. The amendment identified both a future funding formula (should Oceano be successful with their election), along with a defined “wind-down” process timeline should a member community leave the JPA or the JPA were to be dissolved. The amendment committed the member communities to a specific funding level through June 30, 2021 as part of this “wind-down” process.

The March 2020 Oceano election failed to pass by 10 votes. This indicated that over 66% of Oceano voters desired to remain as part of the FCFA and were willing to pay more to fund fire and emergency services in Oceano. Shortly after the results of the election were announced, the FCFA Managers working group, consisting of the city and district managers, along with the FCFA

Treasurer and Fire Chief met later in March to consider the defined next steps towards the wind-down period. The timing of this meeting was in the midst of the response to a worldwide COVID-19 pandemic and its related financial impacts to the economy and followed by the subsequent departure of the Arroyo Grande City Manager. The Managers working group including the Acting Deputy City Manager in Arroyo Grande reconvened in May and reached consensus to propose a third amendment to the JPA given the very slim margin of the Oceano revenue measure defeat, and to allow the communities to extend their current contribution amounts for an additional two years to provide certainty and stability for the agencies when planning for fire service costs in light of the economic challenges associated with COVID-19.

The proposed third amendment shown as Attachment 2 identifies the following:

- The communities continue to contribute at the same transitional formula for funding levels identified in the second amendment to the JPA
- Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot
- Should the ballot measure pass, the funding formula identified in Attachment 1 of the third amendment to the JPA will be implemented July 1, 2022
- Should the ballot measure fail, a wind-down period (and related work program) will result in Oceano no longer being part of the JPA effective June 30, 2023
- Work program elements related to identification of assets, liabilities and distribution of assets and liabilities are identified with specific dates

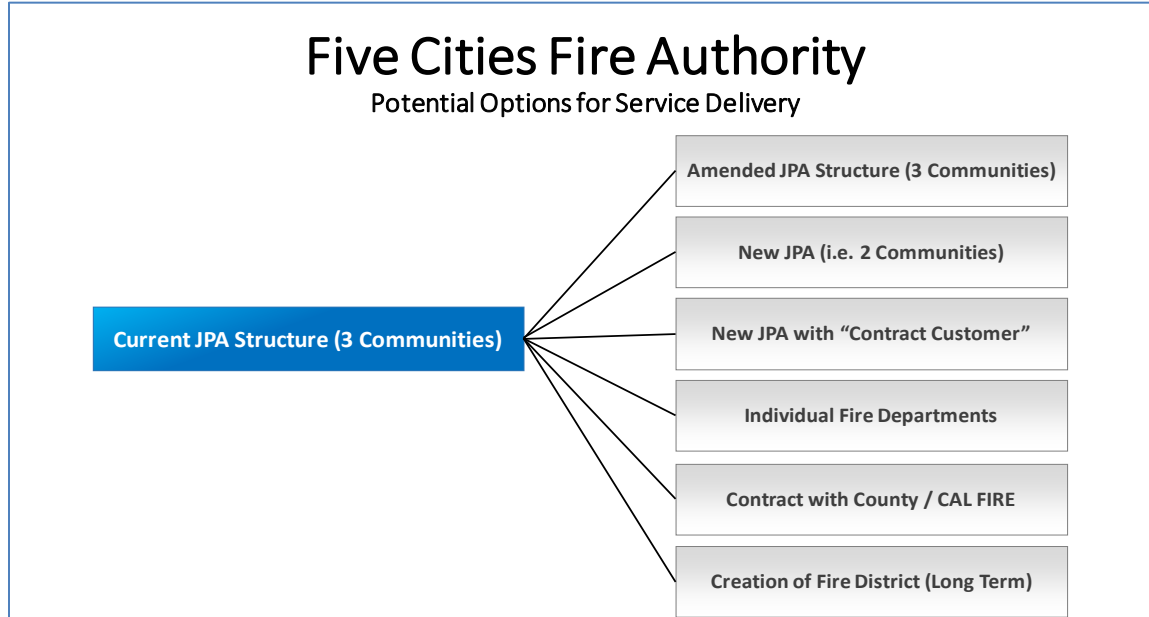
The charts on the following page illustrate how the funding formula is currently weighted and calculated to allow for community cost allocation. While all three communities have a stated goal of consistent station staffing of three personnel daily, the “transitional” model currently in place for FY 2019-20 and proposed for FY 2020-21 reflects the current staffing levels between the two cities which have three personnel and Oceano which has two personnel. Should the 2022 Oceano ballot measure pass, the “Final Revised” formula will go into effect.

<b>Example of Changes in Funding Formula</b>			
	<u>Original</u>	<u>Transitional (Current)</u>	<u>Final Revised</u>
Population	25%	33.3%	33.3%
Calls for Service	25%	33.3%	33.3%
Assessed Valuation	25%	N/A	N/A
Stations	25%	33.3% *	33.3%
<b>*Transitional Station Weighting (Based on Full Time Staffing)</b>			
Arroyo Grande		37.5%	
Grover Beach		37.5%	
Oceano		25.0%	

<b>Example - Sample Budget</b>			
	<u>Original</u>	<u>Transitional (Current)</u>	<u>Final Revised</u>
Arroyo Grande	\$2,728,142	\$2,580,955	\$2,501,964
Grover Beach	\$1,943,693	\$2,015,115	\$1,936,123
Oceano	\$1,062,383	\$1,138,148	\$1,296,131
<b>Total</b>	<b>\$5,734,218</b>	<b>\$5,734,218</b>	<b>\$5,734,218</b>
<b>Percentage Allocation</b>			
Arroyo Grande	47.6%	45.0%	43.6%
Grover Beach	33.9%	35.1%	33.8%
Oceano	18.5%	19.9%	22.6%

Given the circumstances identified above, staff believes that approving this third amendment to the JPA agreement is the best approach for Grover Beach and the other member agencies. The FCFA works effectively to provide seamless fire and emergency medical services to our community where a service call may be responded to by a unit from any of the three stations based on availability and location. The FCFA provides these services in a cost-effective manner as the City's annual cost of fire services per capita (\$149) is the second lowest among cities in the county with the lowest being fellow FCFA member Arroyo Grande at \$144 per capita. This amendment continues the more equitable cost sharing formula in the second amendment approved in 2019 by member agencies and provides a degree of cost certainty for the City's budget for the next two fiscal years which is beneficial given other financial uncertainties. Lastly, this amendment requires Oceano to return to voters in 2022 with another ballot measure to secure the necessary long-term funding for its share of FCFA costs following the narrow defeat of the March 2020 measure.

Pending approval of the third amendment by member agencies, over the next two years the FCFA will continue to work with the Managers working group and FCFA Board to evaluate potential options as identified below to deliver fire and emergency services to the member communities with each community ultimately determining the delivery model that works best:



Staff and the City's FCFA Board liaison will provide periodic updates to the Council on this work and engage the Council on these potential options at the appropriate time. The Administrative Services Director will be working with the FCFA Treasurer and Fire Chief during this upcoming fiscal year 2020-21 to analyze estimated costs based on potential cost sharing and service delivery options and will review the findings with the Managers working group and the FCFA Board. The third amendment will be shared with the FCFA Board on June 19, 2020 and considered for approval by the OCSD Board on June 24, 2020 and by the Arroyo Grande City Council on July 14, 2020.

### **FISCAL IMPACT**

There is no fiscal impact from this action as the FY 2020-21 budget the Council will consider for adoption on June 22 includes the City's estimated cost for FCFA services. This cost is similar to the City's cost for the current year FY 2019-20.

### **ALTERNATIVES**

The City Council has the following alternatives to consider:

1. Adopt the Resolution approving the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement; or
2. Do not adopt Resolution approving Third Amendment; and
3. Provide alternate direction to staff.

**PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act.

**ATTACHMENTS**

1. Resolution
2. Third Amendment to FCFA JPA Agreement

RESOLUTION NO. 20-\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA APPROVING A REVISED THIRD AMENDMENT TO THE FIVE CITIES FIRE AUTHORITY JOINT EXERCISE OF POWERS AGREEMENT**

**WHEREAS**, the City of Grover Beach ("City") is a member agency of the Five Cities Fire Authority (FCFA), which was created in 2010 upon approval of a Joint Powers Authority Agreement by the City, City of Arroyo Grande, and the Oceano Community Services District); and

**WHEREAS**, the City, City of Arroyo Grande, and the Oceano Community Services District wish to approve a Second Amendment to the FCFA Joint Exercise of Powers Agreement;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Grover Beach that the revised Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement, attached hereto and incorporated herein as Exhibit A, respectively, is hereby approved and the Mayor and City Clerk are authorized to sign the same on behalf of said City

Upon motion by Council Member \_\_\_\_, seconded by Council Member \_\_\_\_\_, and on the following roll call vote, to wit:

- AYES: Council Members –
- NOES: Council Members –
- ABSENT: Council Members –
- ABSTAIN: Council Members –

The foregoing RESOLUTION NO. 20-\_\_ was **PASSED, APPROVED, and ADOPTED** at a Regular Meeting of the City Council of the City of Grover Beach, California this 22nd day of June 2020.

**\*\*DRAFT\*\***

\_\_\_\_\_  
JEFF LEE, MAYOR

Attest:

\_\_\_\_\_  
WENDI B. SIMS, CITY CLERK

**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

CITY OF GROVER BEACH

**\*\*DRAFT\*\***

\_\_\_\_\_  
Caren Ray Russom, Mayor

\_\_\_\_\_  
Jeff Lee, Mayor

ATTEST:

ATTEST:

\_\_\_\_\_  
Kelly Wetmore, City Clerk

\_\_\_\_\_  
Wendi Sims, City Clerk

APPROVED AS TO FORM:

APPROVED AS TO FORM:

\_\_\_\_\_  
Tim Carmel, City Attorney

\_\_\_\_\_  
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.