

**SANTA CRUZ COUNTY
BOARD OF SUPERVISORS INDEX SHEET**

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Index: --Letter of the General Services Department, dated January 8, 2010
--Attachment 1: Proposal for a public opinion survey for Santa Cruz County Fire
--Attachment 2: 2010 Election Dates and Deadlines

Item: 37.1 ACCEPTED report on County Fire funding and approved related actions, including a report back on or before April 13, 2010, as recommended by the Director of General Services



County of Santa Cruz

GENERAL SERVICES DEPARTMENT

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APPROVED AND FILED BY NANCY GORDON, DIRECTOR

BOARD OF SUPERVISORS

DATE: 1/26/10
COUNTY OF SANTA CRUZ

January 8, 2010

Agenda: January 26, 2010

Board of Supervisors
701 Ocean Street
Santa Cruz, CA 95060

SUSANA MAURIELLO
EX-OFFICIO CLERK OF THE BOARD
BY [Signature] DEPUTY

County Fire Funding

Dear Members of the Board:

On December 8, 2009, your Board directed staff to return today with a report on the issuance of a CSA 48 ballot measure, including process options and projected costs associated with the issuance of a ballot.

HISTORY

In order to fully understand the current situation and analyze the options available, it is necessary to review the history of the County Fire Department's funding. After the passage of Proposition 13 in 1978, the property tax revenue available (1% of the total property tax revenue collected in the County) for Santa Cruz County and its various jurisdictions (i.e., cities, schools, departments, districts, etc.), was allocated based upon the prior three years' allocations to each specific jurisdiction. For example, if an agency had higher expenditures one of the prior three years (e.g. due to capital improvements), their base percentage of the allocation was higher as a result. This base percentage is adjusted annually to reflect the growth or decline of each area, but the annual change is minor, with the major part of the apportionment being determined by the original post-Proposition 13 allocation. This allocation plan, which was adopted statewide, has inherent flaws and inequities, and does not take into consideration changing functions and funding requirements that are likely to occur over the years.

In addition, the property tax revenue collected for Tax Code Area 58-007 (Braemoor Drive), which is located in the Bonny Doon community area in County Fire's jurisdiction, does not include an allocation for County Fire. It is unclear if this oversight began when the post-Proposition 13 allocations were established or if it occurred before.

Since 1978 and Proposition 13, the County Fire Department has undergone major changes. At that time the winter/non-fire season period was predominantly covered under an "Amador" contract with the California Department of Forestry and Fire Protection (CAL FIRE), wherein CAL FIRE largely subsidized the salaries of the CAL FIRE fire fighters who staffed the stations. Because of this subsidy, County Fire's annual expenses were less, resulting in its post-Proposition 13 allocation of property tax revenue being significantly lower than career fire departments with 24/7 staffing (e.g., for 2009-10 County Fire receives approximately .51% of the 1% total collected, whereas other

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career fire districts in the County receive on average 2.55%). Due to full implementation of the Fair Labor Standards Act which made the Amador (State-subsidized) contract unfeasible for CAL FIRE, the personnel portion of the Santa Cruz County Amador contract was phased out, and, in 2006-07, fully transitioned into a "Schedule A" contract which requires that Santa Cruz County pay the full cost of the fire fighters provided under the contract. CAL FIRE continues to provide operators (generally fire captains) at each station at no cost to the County, and greatly subsidizes the chief officers who oversee the fire department.

In recognition of the increased costs facing the County Fire Department, a ballot was approved by the property owners residing in County Fire's jurisdiction in 1997, establishing County Service Area (CSA) 48 and increasing the funding available to County Fire. However, since then, changing industry and safety standards, regulatory requirements, and the aforementioned transition to a Schedule A contract, have all resulted in ever rising costs for County Fire; particularly significant has been the industry and County-wide standard which maintains that 3-person fire engine staffing is the minimum required to respond to most emergencies effectively and safely. By 2003-04 and 2004-05, County Fire's expenditures were exceeding revenue on average by \$320,000 per year, and in 2005-06 the County Fire Fund balance reached a critical level. Cost cutting measures were implemented, including the suspension of the fleet replacement plan. The results of a poll conducted in 2007 showed that voters' primary concern was that their services not be reduced. The poll also showed that many of the people residing in County Fire's jurisdiction did not realize that the County Fire Department even existed, believing instead that their fire services were provided by CAL FIRE or their local volunteer fire company. (The volunteer fire companies are, in fact, a part of the County Fire Department.) Another ballot was put before the voters of CSA 48 in 2007 requesting an increase in CSA fees above the allowed annual Consumer Price Index (CPI) increase. This ballot was narrowly rejected with 46.9% voting in favor and 50.9% against.

The defeat of the 2007 ballot resulted in further cost cutting measures and a reduction from 3-person to 2-person fire engine staffing. These steps, along with unusually large reimbursements from the State for the use of County Fire equipment on State fires, extended CAL FIRE fire seasons (which lower the Schedule A contract costs by reducing the amount of time the County pays for fire fighters), and the award of grants for the purchase of critically needed protective clothing, enabled the Fire Fund to return to a comfortable level. Consequently, in 2008-09, County Fire was able to staff a fifth paid fire station in the Bonny Doon area in response to the Local Area Formation Commission's (LAFCO) recommendation, and purchase a long overdue fire engine, which was deployed in the Corralitos area.

CURRENT SITUATION

Staffing levels at the five fire stations during non-fire season remain at the 2-person level, below the industry safety standard of four and the County-wide standard of three. Medical, training, volunteer recruitment and retention, environmental, and safety requirements are all currently under funded, as is the budget to keep County Fire facilities safe, legal, and maintained.

Although another new fire engine was purchased this fiscal year, the fleet replacement plan is not sustainable with the standard annual revenue currently available, even after implementation of planned fleet reductions. The 21 vehicles in County Fire's fleet that are included in the County Fire Replacement Plan are approaching or have passed their normal life expectancy of 10 to 20 years, since many of them were purchased in the early 1990's. Industry standards state that front line engines should be replaced at 15 years, and reserve engines at 20 years. After calculating the

cost, quantities, and life expectancies of the vehicles in the fleet (from utility vehicles to Type 1 fire engines), the averaged yearly cost to implement the vehicle replacement plan is \$570,000. Because the plan would fully fund each equipment purchase the year the vehicle is acquired, the cost would fluctuate annually depending upon the type of vehicle to be purchased.

The current County Fire budget has approximately \$3.8 million in expenditures, but only \$2.8 million in revenue, and will deplete the Fire Fund by half, although some cost savings may be realized during the year. It is anticipated that by the end of fiscal year 2010-11, the Fire Fund will be totally depleted if a similar revenue/expenditure plan is implemented. It is possible that with extreme frugality, the Fire Fund could sustain County Fire during fiscal year 2011-12, but funding beyond that is doubtful.

Funding County Fire to the appropriate level, which would include: 3-person staffing at all five stations; implementation of the vehicle replacement plan; an improved recruitment and retention program for volunteers; and full funding for facilities, training, safety, medical, and environmental expenses in order to meet industry and safety standards and regulatory requirements, would cost approximately 1.84 million above the current funding level. This equates to approximately an additional \$235 dollars for the majority of parcels within CSA 48 (parcels with a residence), bringing the total annual cost for a parcel with a single family residence to approximately \$360. This amount would be the same if either Option 4 or 6 below were chosen.

OPTIONS

- 1. **Eliminate the Santa Cruz County Fire Department.** There is no legal mandate requiring the County to provide fire services. If the County Fire Department were eliminated, it is possible that many areas of CSA 48 would be annexed by other jurisdictions (which at that time should be encouraged and facilitated by County staff). In the absence of a County Fire Department, the County should also reconsider LAFCO's South County Fire Service Study of June 6, 2007 and, if feasible, work toward some of its suggestions for consolidation of fire services. In light of CSA 48's topography and remote wildland/urban intermix nature, it is fairly certain that not all areas of CSA 48 would be absorbed by other agencies. Some of those remaining areas might seek to establish their own fire districts. Any uncovered areas desiring fire service would have to approve a mechanism for funding the desired level of service. The County would also have the option of seeking to contract with another agency to provide fire service into any remaining uncovered neighborhoods within the unincorporated area, but the issue of how to pay for the service (even if greatly reduced) would remain.

In the event the Santa Cruz County Fire Department ceases to exist, CAL FIRE fire engines would continue to provide wildland fire response to State Responsibility Area (SRA) as mandated by State law. Much of the unincorporated area of Santa Cruz County is in the SRA. During fire season (typically June through October) the State would continue to staff its seven State fire stations located within the County. During the seven-month non-fire season, it is likely that only one State fire engine would be staffed to meet CAL FIRE's legal mandate.

- 2. **Reduce the number of staffed fire stations from five to four with 3-person staffing.** Implementation of this option still results in the depletion of the Fire Fund by the end of fiscal year 2010-11, and costs approximately 1.55 million above the current funding level. This equates to an additional \$198 dollars for the majority of parcels within CSA 48 (parcels with a residence), bringing the annual cost for a parcel with a single family residence to almost \$323.

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3. Reduce the number of staffed fire stations from five to two with 3-person staffing.

Implementation of this option results in the near depletion of the Fire Fund by the end of fiscal year 2010-11. This option would cost approximately \$980,000 above the current funding level. This equates to an additional \$125 dollars for the majority of parcels within CSA 48 (parcels with a residence), bringing the total annual cost for a parcel with a single family residence to approximately \$250. (Three stations with 3-person staffing would cost approximately \$1.24 million above the current funding level, which translates to an additional \$159 dollars for the majority of the parcels within CSA 48, for a total of \$284 for a single family residence.)

4. Seek to increase revenue through an assessment ballot for the property owners in CSA 48.

This type of balloting may occur at any time during the year. The process requires that an engineer's report listing all of the parcels and their corresponding benefit assessment amounts be submitted to and approved by your Board. In addition, each property owner must be mailed a statement with detailed information about the proposed assessment and at least 45 days' notice of a public hearing. At the public hearing, the weighted-ballot majority vote from the affected property owners either approves or opposes the assessment. This is the type of ballot approved in 1997 for County Fire and defeated in 2007. A private contractor would be required to administer the ballot because the Elections Department does not handle this type of procedure; in 2007 the contractor costs were almost \$23,000 for the 8,559 ballots mailed. Current estimates by the Elections Department for contractor costs are \$4 per parcel, which would be approximately \$34,000.

With both this option and Option 6 below, staff feels it is desirable to conduct a public opinion survey. Although a survey was conducted in April 2007 before the September 2007 ballot, economic conditions have declined, and, as a result, voter opinions and priorities most likely have altered. The 2007 survey revealed that property owners did not want to see a decline in services, especially if that translated into an increase in fire and medical emergency response times. A proposal was obtained from Gene Bregman & Associates (Attachment 1) which outlines survey methods and options. Mr. Bregman has estimated that the entire survey process can be completed in six or seven weeks. A survey of 400 property owners for an assessment ballot would cost approximately \$22,000. For an assessment increase to be included in the property tax bills issued in October 2010, the Auditor's Office would require all completed and executed documents for the increase no later than August 10, 2010. To meet this deadline and comply with the 45 day notice requirement to property owners, the very latest a ballot could be mailed would be early May, 2010.

5. Create zones of benefit within CSA 48 and seek to increase revenue within those zones through an assessment ballot of the property owners within the zones.

The process to form zones within an existing CSA is the same as creating a CSA, with the exception that review by LAFCO is not required. The same process and timetable as outlined in Option 4 would be followed, with the added component of identifying and delineating the logical boundaries of each sub-zone on maps. (This preliminary step would require the services of the County GIS Unit.) If the creation of sub-zones was approved by the property owners, separate accounts would have to be established in the Auditor's Office in their accounting and tax systems. The level of service and corresponding cost would be determined by the community within each zone. It should be noted that servicing sub-zones (in addition to CSA 48) would

increase County Fire administrative and operational staff hours due to added redundancy. Funding support for an appropriate staff increase would need to be factored into any plans for the creation of new sub-zones. In addition, the creation of sub-zones, and the potential revenue increases within them, will not resolve the fundamental funding shortfall that confronts CSA 48, which operates on a county-wide basis. The purpose of sub-zones would be to allow individual communities to decide to fund a higher level of service (e.g., increased staffing levels) for their respective community beyond the basic services provided by CSA 48 county-wide.

- 6. **Seek to increase revenue through a CSA 48 special tax election, a polling of the voters in CSA 48.** A special tax election, either utilizing in-person voting at polling places or by-mail voting, may only occur on established, statewide election days. The County must submit its adopted Board of Supervisors Resolution Ordering an Election (and Requesting Consolidation, if appropriate), to the Elections Department not later than 88 days before the election date. (Attachment 2 shows the 2010 Election Dates and their corresponding deadlines.) A two-thirds vote of residents within CSA 48 would be required to pass a special tax. Elections Department costs depend on which election date and method (in-person voting or voting by mail) is used, and how many voters must be included. Further research is required to verify the number of voters residing within CSA 48. The Elections Department charges approximately: \$2 to \$3 per voter for a primary election, \$1 to \$2 per voter for a general election, and \$4 to \$5 per voter for a stand-alone by-mail election. As mentioned above, a public opinion survey might be well-advised in order to gauge possible voter support. The proposal from Bregman & Associates places the cost for a special election survey of 400 likely voters at \$20,000, and a survey of 600 at \$26,000. A combined survey of 300 property owners and 300 likely voters (in order to determine which process - assessment or special election - might be most likely to succeed) would cost \$30,000. This split sample survey information will inform your board on what measures may be more appealing to voters during these difficult economic times, especially at the level required to fully fund the County Fire Department.
- 7. **Postpone as many expenditures as possible for the next two years, continue to staff 5 stations with 2-persons, and wait until the economy shows some signs of recovery before conducting a voter survey and attempting to increase funding levels.** If staffing is retained at 2-person, the vehicle replacement plan is suspended, and expenditures are kept to a minimum, it is likely that there will be sufficient funds through 2011-12. The current state of the economy should be given serious consideration. State-wide, appeals to the voters for additional funding, including those for fire services, have met with mixed results. Staff is mindful of the risks of attempting a special election in the midst of this economic climate; should the special election fail, the costs of the special election (and a public opinion survey, if deemed necessary) will have further depleted the Fire Fund.

At this time and in consideration of the facts as presented, staff recommends that your Board consider supporting the industry and safety standard of 3-person staffing at all five fire stations, a County Fire vehicle replacement plan that meets industry standards, and sufficient funding to meet all of the other requirements facing County Fire as previously discussed. As additional funding will be required, staff recommends that Bregman & Associates be retained to conduct within the next two months a split sample survey of 600 likely voters per their attached proposal. This poll will provide valuable input for your Board's consideration as to whether the community will support the necessary cost for continuing County Fire, and direction on the specific funding mechanism for achieving adequate funding.

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It should be mentioned that many members of the Fire Department Advisory Commission (FDAC) were dissatisfied with the 2007 ballot effort. In general, FDAC members thought the ballot process was too hastily conceived and did not give sufficient time or effort to the task of educating the public about the County Fire Department. In light of the 2007 public opinion survey results that indicated the majority of the respondents were not even aware of County Fire's existence, the public education component is a critical step that should be given ample time and effort.

It is therefore RECOMMENDED that your Board:

1. Accept this report on County Fire Department funding;
2. Request that County staff begin work to include County Fire in the allocation of property tax revenue collected from Tax Code Area 58-007 (Braemoor Drive);
3. Authorize the County Fire Department to contract with Gene Bregman & Associates for services associated with determining public opinion by means of a split sample survey of 600 likely voters for County Fire, in an amount not to exceed \$30,000; and
4. Direct staff to report back to the Board on or before April 13, 2010, with the results of the survey and a survey-based recommendation on how to proceed with funding County Fire.

Very truly yours,



Nancy Gordon
Director

RECOMMENDED:



SUSAN A. MAURIELLO
County Administrative Officer

NCG/DM

Attachments: Attachment 1 - Gene Bregman & Associates Public Opinion Survey Proposal
Attachment 2 - 2010 Election Dates and Deadlines

cc: County Fire Department
Fire Department Advisory Commission
Auditor-Controller
County Counsel

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