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Interim Chief Administrative Officer

DATE: December 8, 2009

TO: Butte County Board of Supervisors

FROM: Shari McCracken, Deputy Administrative Officer
Andy Pickett, Deputy Administrative Officer

RE: Funding Options for Provision of Fire and Emergency Response Services

PURPOSE

This report is in response to the Board of Supervisors' direction to the Interim Chief Administrative Officer to explore options for funding countywide fire and emergency response services and to report those findings to the Board. The report only addresses funding options for the provision of services and not for capital investment purposes such as facility replacement, construction, or purchase.

A description of the current structure and funding of fire services within the unincorporated areas of Butte County is included to frame the discussion, as well as details related to the various funding options available to the County and its residents. This report is not meant as an in-depth study into any particular option, but rather it provides summary information on all options available. Further analysis of any particular options will take place if further directed by the Board of Supervisors. All options are presented on the assumption that any new funding would come from new sources of revenue and not a reallocation of existing revenue streams currently used to fund County services.

It is important to note that there is no federal, state, or local requirement for Butte County to provide fire protection and emergency response services to the residents of the unincorporated areas of the County. Such services have been provided for the past 78 years at the discretion of the Board of Supervisors.



BACKGROUND

Current Structure

The Butte County Fire Department was established in 1931. The Butte County Code, Chapter 2, Article XXI states, “The California Department of Forestry and Fire Protection shall serve as the Butte County Fire Department, as specified in the existing or any extended or amended *Cooperative Fire Protection Services Agreement For Local Agencies* entered into by and between the State of California and Butte County, referred to hereafter as the *agreement*.” The County Code designates the Butte Unit Chief for the California Department of Forestry and Fire Protection as the fire warden and fire chief for Butte County. The California Department of Forestry and Fire Protection is now known as CAL FIRE.

In California, the State and Federal government divide responsibility for *wildfire suppression* into various responsibility areas, including Federal, State and Local Responsibility Areas. These areas do not define responsibility for fire protection and emergency response services overall. Instead, they only define financial responsibility pertaining to *wildfires*. In the case of *non-wildfire* incidents, such as traffic collisions, medical emergencies, and structure fires, the local agency providing fire services within its jurisdiction, if any, is responsible for responding, regardless of the defined Responsibility Area.

- Federal Responsibility Area: The primary financial responsibility for preventing and suppressing *wildfires* in the Federal Responsibility Area lies with the federal government. These lands are generally protected by the US Department of Agriculture – Forest Service and the Department of the Interior, including the Bureau of Land Management, the National Park Service, the Fish and Wildlife Service, and the Bureau of Indian Affairs.
- State Responsibility Area: Pursuant to California Public Resources Code Section 4125 et seq., which is commonly known as the State Fire Responsibility Act (the "SFR Act"), the State Board of Forestry classifies all lands within the State of California based on factors such as cover, beneficial use of water from watersheds, probable damage from erosion, and fire risks and hazards to determine those areas for which the financial responsibility of preventing and suppressing *wildfires* is primarily the responsibility of the State of California. State Responsibility Areas include those lands which are:
 - covered wholly or in part by forests or by trees producing or capable of producing forest products.
 - covered wholly or in part by timber, brush, undergrowth, or grass, whether of commercial value or not, which protect the soil from excessive erosion, retard runoff of water or accelerate water percolation, if such lands are sources of water which is available for irrigation or for domestic or industrial use.
 - in areas principally used or useful for range or forage purposes and are contiguous to the lands described above.

- Local Responsibility Area: The State and Federal governments consider the financial responsibility for *wildfire* suppression within Local Responsibility Areas to fall to the local agencies and/or districts that provide fire protection services in those areas, if any. In Butte County, *wildfire* suppression within the Local Responsibility Area falls to the current fire services providers, including Butte County; the Cities of Biggs, Chico Gridley, and Oroville; the Town of Paradise; and El Medio Fire Protection District. This does not mean there is a legal obligation for Butte County to provide fire services in the unincorporated areas. It means that *if* Butte County does provide fire services in any portion of the Local Responsibility Area, it will in turn be financially responsible for suppressing wildfires in those portions of the area.

Butte County provides primary fire protection and basic life support services through a County Fire Department within Butte County’s jurisdiction, where services are not provided by another entity. This includes services within the Local, State, and Federal Responsibility Areas, but does not include areas where another local agency provides services, such as within the El Medio Fire Protection District’s boundaries. Through automatic aid agreements with neighboring jurisdictions, Butte County Fire Department may provide services within another jurisdiction’s boundaries and vice-versa.

The County contracts with CAL FIRE to provide the staffing for the County Fire Department. Services are provided through a “blended” staffing model that combines resources from the following sources to create a seamless system of staffing, equipment, and fire stations throughout the County.

1. Butte County and the cities of Biggs and Gridley contract with CAL FIRE for career firefighters assigned to thirteen (13) year-round fire engines located in twelve (12) fire stations across the more densely populated areas of the County.
2. Butte County contracts for staffing on six (6) apparatus located in six (6) CAL FIRE stations during non-fire season by “holding over” some fire-season personnel from CAL FIRE during the wintertime. This is known as the Amador Contract or Amador Program, and the staffing costs are shared between the County and CAL FIRE.
3. Butte County has sixteen (16) volunteer fire companies, some with their own fire stations and some co-located at career fire stations. The County owns the facilities and equipment of some volunteer fire companies, while other volunteer fire companies have community owned facilities and equipment.
4. CAL FIRE has sixteen (16) staffed fire engines during fire season, with a reduction to the six (6) fire engines mentioned above during the non fire season. During the fire season, CAL FIRE has eleven (11) fire stations open.
5. In addition, Butte County has automatic aid agreements with all surrounding jurisdictions (cities, fire districts, counties, and state and federal agencies) whereby the closest available resource responds to calls regardless of jurisdiction.

The model described above is overseen by one Unit Fire Chief, the Butte Unit Chief for CAL FIRE, who can utilize and move resources around to meet the ever changing needs of the communities served.

Current Funding

The Butte County Fire Department is funded primarily with General Fund dollars. Historically, the Fire Department received a portion of the ad valorem property tax directly into its operating fund, which was then augmented by transferring additional County General Fund resources into the Fire operating fund. In fiscal year 2004-05, an accounting change was made to have all property tax revenue go into the General Fund first, and then be distributed to other funds. This means that the Fire operating fund now receives a single transfer from the County General Fund, which includes the portion of the ad valorem property tax that used to go directly into the Fire operating fund. This change allows for a single source of County funds, which creates more transparency in showing how the Board of Supervisors allocates County resources between various County services.

In addition to County General Funds, the Fire Department budget includes grants from outside sources and funds reimbursed to the County when volunteer and career equipment and personnel provide response to state and federal incidents. The reimbursements to the County are currently placed in the Community Cost Share restricted revenue account. The Community Cost Share account is then used to provide a match to Volunteer Fire Companies for vehicle and equipment purchases, and in the current fiscal year to offset a small portion of operational costs for the Department (\$450,000). The fiscal year 2009-10 budget for the Fire Department is \$12.6 million, with approximately \$11.2 million funded by the General Fund.

Over the years, the cost of providing fire and emergency response services has grown at a faster pace than the County General Fund can continue to afford. The increased cost is attributable to two major factors: first, changes in the compensation package for CAL FIRE staff, including increases that were necessary to meet requirements of the Fair Labor Standards Act, and second, expansions in fire protection services requested by Butte County. The increasing cost and scope of services coupled with reduced discretionary revenues led to \$2.5 million in reductions to the CAL FIRE contract in fiscal year 2009-10, and an overall \$3.6 million reduction in the Fire Department Budget for the same year.

OPTIONS FOR FUNDING THE PROVISION OF FIRE SERVICES

When looking at funding options for the provision of fire services, one must note that there are options related to governance (e.g., County vs. dependent or independent special district) as well as funding (e.g., General Fund support vs. special tax/assessment) In general, the options available for funding County fire protection and emergency response services, include fees, taxes, and/or assessments, while the governance options include County Department, dependent special district(s), or independent special district(s).

The majority of General Fund revenue comes from property taxes and sales taxes. Since the General Fund as a funding source may not be sufficient to continue bearing the full cost of providing the level of fire services desired by residents, the County may wish to explore other options. This report does not delve into the detail and analysis that will be necessary for any particular option(s) that the Board of Supervisors may direct staff to further analyze, nor does it recommend any one governance or financing structure over another.

The governance and funding options discussed in this report require different levels of approval prior to implementation. The levels can be summarized as follows:

- Board of Supervisors approval;
- Board of Supervisors and voter approval;
- Board of Supervisors, Local Agency Formation Commission (LAFCo), and property owner/voter approval.

It must be noted that some funding options may only be used to fund service levels **above what is already provided countywide** and may not be used to supplant existing levels of service. Other funding options may be used to augment the General Fund to pay for existing services. It is important to keep in mind that any option requiring voter approval or LAFCo approval will have up-front costs associated with it. These up-front costs will have to be borne by either the General Fund or the residents served. The section that follows discusses various funding options available under each level of approval. Each section includes examples of jurisdictions that use the governance/funding option to provide fire protection services.

Exhibit A, attached to this report, provides a summary of funding and governance options.

Board of Supervisors Approval Required

Fees can provide a small revenue stream for things such as permits for new construction, special events, and operating hazardous functions. Fees must be approved by the Board of Supervisors in a public hearing and cannot exceed the actual cost of providing the service. A fee that is growing in popularity throughout local jurisdictions is a fee for emergency medical service transport (*which Butte County does not provide*) and emergency medical care (*which Butte County does provide in the way of basic life support services on-scene*).

Fire Suppression and Rescue Fees – These fees are charged, in many U.S. cities, to people responsible for fires, especially when negligence, code violations, or criminal activity are involved in causing the fire. *Butte County already has such fees in place.*

Standby and Fireguard Fees – Payments for having fire service or emergency medical service resources standby at public events or large private gatherings. *Butte County currently charges such fees.*

Hazardous Materials Fees – Costs for hazardous material responses are billed and collected by the Butte County Interagency Hazardous Materials Team, a joint powers

agreement (JPA) between all local jurisdictions within Butte County. The revenues collected remain with the JPA to offset costs. *Hazardous Materials storage fees are not collected by the Fire Department in Butte County, but are collected by the Environmental Health Division of the Public Health Department.*

Emergency Medical Service Fees and Charges – The jurisdictions that are utilizing subscription services (see below) also have a standard charge for emergency medical services that is charged to individuals in households that do not subscribe to the service. *Butte County does not currently charge these types of fees.*

Transport Fees – These fees are charged for transporting patients by ambulance to a medical facility and are only applicable if the Fire Department provides ambulance services, *which is not the case in Butte County.*

Fines and Citations can be charged for things such as negligent fire, actions inconsistent with the law, and failure to comply with local codes. *Butte County collects fines where appropriate and allowed.*

Subscription Services are often used in combination with fees for emergency medical services, and are essentially a form of insurance. Households that pay a fixed fee per year do not have to pay anything additional for emergency medical services or transport during that year. Those who do not “subscribe” for the service pay the full fee, if they utilize the service. Some jurisdictions don’t charge the individual subscriber any additional fees if there is an incident, but may still charge medical insurance or homeowners insurance to cover the costs of the response. *Butte County does not utilize subscription services to offset a portion of the costs of providing emergency medical response.*

Examples: Primarily used by various fire departments in southern California cities, such as Huntington Beach, Anaheim, Fullerton, Newport Beach, Santa Ana, and the City of Orange. Some of the cities mentioned are members of the Orange County Fire Authority, a joint powers agency made up of many local agencies. Other cities that have considered subscription services include Alameda and Corona.

Board of Supervisors and Voter Approval Required

Taxes include general property taxes, local income taxes, and general sales taxes and can be used to fund most local services. In Charter counties, like Butte County, the County may levy any tax not specifically prohibited. Counties also have the ability to enact transient taxes and other taxes that can be earmarked for fire and emergency medical services. Taxes can be further divided between general taxes and special taxes.

General taxes refer to any tax imposed for general governmental purposes and require a majority approval of the voters. Special taxes refer to taxes imposed for specific purposes, such as public safety and require approval by a minimum of 2/3 of the registered voters voting in an election in

order to be implemented. General and special taxes can both be reduced or repealed through the initiative process.

Sales Tax – Some local jurisdictions utilize a local sales tax surcharge, technically referred to as transactions and use tax, to provide general purpose revenue for public services. The current sales tax rate in Butte County is 8.25%, with *no local sales tax surcharges included*. Revenue and Taxation Code Section 7285 gives counties the authority to levy a sales tax increase to pay for general purpose expenditures. The surcharge, which can be a rate of 0.25 percent, or a multiple thereof, per dollar, must be approved by a 2/3 vote of the Board of Supervisors before being placed on a countywide ballot. The tax then must be approved by a majority of the voters taking part in the election.

Other jurisdictions utilize a local sales tax surcharge for specific purposes, such as public safety, as authorized under Revenue and Taxation Code, Section 7285.5. As with a general purpose surcharge, 2/3 of the Board of Supervisors must approve a specific purpose surcharge. The difference between a general purpose and specific purpose surcharge is that for a specific purpose surcharge at least 2/3 of the voters taking part in the election must approve it, versus majority approval for a general purpose surcharge.

According to the County's sales tax consultant, Hdl Companies, the County might see \$600,000 or more annually in additional revenue for public services from a local sales tax surcharge of ¼ cent.

Examples: Los Angeles County and Amador County.

Transient Occupancy Tax - A less common type of sales tax is the Transient Occupancy Tax (TOT) where taxes are tailored to raise money from visitors. Transient occupancy taxes are typically applied to a narrow set of goods and services that are most likely to be associated with visitors such as occupying rooms in a hotel, inn, tourist home or house, motel, or other lodging where occupancy is to be 30 days or less. TOT may also be levied on spaces in RV parks and campgrounds. Butte County's current TOT rate is 6%, while most other jurisdictions have rates of 10-12%. Based upon the County's annual TOT revenue of approximately \$30,000, an increase to a level more consistent with other jurisdictions might bring in \$20,000 to \$30,000 in additional revenue each year. Any increase in the County's TOT must be approved by a majority of the voters.

Examples: Town of Windsor

Utility Users Tax – A general tax levied on utility bills as a percentage of the bill. Butte County had a utility users tax in place from 1991 to 1996 at a rate of 5% for residential users and 3% for non-residential users. The tax during that period brought in a range of \$3 million to \$3.8 million annually to pay for public services within the unincorporated areas. Utility taxes must be approved by a majority of voters in a scheduled general election.

Examples: City of Chico, City of Oroville, Town of Paradise, Sacramento County, San Francisco County, and Los Angeles County.

Parcel Tax – A parcel tax is levied as a flat fee on each parcel in a jurisdiction that may be used to fund specific projects or services provided by the General Fund. Parcel taxes, unlike most other taxes, require approval of 2/3 of the voters affected by the parcel tax.

Examples: Primarily used by fire districts.

Fire Flow Tax – Similar to a property tax. A lien can be placed on property if the tax is not paid. The tax is not based upon assessed property value; instead, it is based on a computer fire flow requirement typically using ISO formula for fire flow. This method can generate a good amount of revenue but costs will be incurred up front to take it to the voters.

Examples: Moraga-Orinda Fire Protection District

Mello-Roos or Community Facilities Districts (CFD) are considered special tax districts that can fund services and capital projects. Creation of a CFD requires approval by 2/3 of the qualified voters within the district that vote during the election. Only services that are **above the current level of service** can be funded by a CFD. CFDs are only funding mechanisms for providing funding to an existing entity that provides the services. CFDs do not provide any services themselves.

An example of the process for forming a Community Facilities District (CFD) for services is provided in Exhibit B. The formation process is complex and upfront costs for forming a CFD for services can be significant.

Examples: City of Rocklin and City of Roseville

Benefit Assessments are another option for funding local fire services and are administered like property taxes. Benefit assessments factor in the size and type of property and also the benefits from having fire services available, such as proximity to a fire station, decreased insurance rates, and so on. The concept is to have a charge that is proportionate to the benefits received by the owner. These assessments can be cumbersome to undertake and administer. Special assessments are not considered an ad valorem property tax (which are taxes charged in proportion to the value of the property) and are not limited by Proposition 13. Benefit assessment districts must be passed by 2/3's of the voters that will be assessed.

Fire Suppression Assessment – May be levied by special districts, county service areas, and counties that provide fire suppression services. The revenues may be used to obtain, furnish, operate, and maintain firefighting equipment and to pay salaries and benefits of firefighting personnel. Unlike other special assessment acts, implementation of fire suppression assessments does not require establishing an assessment district.

Board of Supervisors, LAFCo, and Property Owner/Voter Approval Required

Special Districts share many of the same corporate powers as cities and counties. In some cases, a special district can accommodate a particular objective or service almost as well as a city or county government. A few types of districts are multipurpose in nature and have the legal ability to deliver a range of municipal services similar to cities and counties. Districts may offer representation and local control related to the services provided, whether through locally elected or appointed boards of directors. For the purpose of consolidating to reduce complexity or achieving greater cost efficiencies, some multipurpose districts can cluster under one organizational umbrella almost any combination of municipal-type services.

The limitations to special districts include: 1) statutory restrictions on range of corporate powers and authorized activities; 2) limited regulatory powers; and 3) limited revenue-raising ability. Special districts must rely primarily on local revenue sources, including: 1) ad valorem property taxes, 2) special property-related assessments with a basis other than ad valorem, and 3) fees or user charges.

Special Districts are categorized as either independent or dependent, with virtually no difference in ability to provide a wide array of services. There is, however, a significant difference in the degree of local control, involvement, and accountability, as described below.

Independent Districts – Self-governed districts that operate under a locally elected board of directors. Decisions are made within the community encompassed by the district.

Dependent Districts – Board-governed districts that operate under the control of the County Board of Supervisors. Dependent districts are used primarily as a convenient way of localizing the costs of specific desired services to the area of benefit.

Special Districts can also be separated into Enterprise and Non-enterprise Districts. Enterprise Districts are those where services are funded by a charge or fee imposed to recover the costs of providing those services. These types of districts tend to provide water, sewage, and garbage disposal services. Non-enterprise Districts are those where the services provided are not subject to a direct user's charge, and these types of districts typically fund library and fire protection services through some form of property-related assessment or ad valorem property tax, which is limited under Proposition 13.

Please note that Community Facilities Districts (Mello-Roos) and Benefit Assessment Districts are not considered special districts because they do not provide services; they are only funding mechanisms where the funding is then used by an existing entity to provide services

County Service Areas (CSA) – CSA's were developed as a mechanism for counties to furnish municipal-type services to unincorporated areas **beyond those uniformly provided countywide**. The intent behind CSA's is that those citizens who directly benefit from the service bear the cost of the service, and the Board of Supervisors retains

the decision-making authority as the directors of the CSA. The scope of CSA's is unmatched by any other dependent district.

Examples: Within the following counties, County Service Areas are utilized in portions of the unincorporated areas: Shasta County and Sutter County

Community Services Districts (CSD) – CSDs have more fiscal discretion than any other type of independent district and are second only to public utility districts for the number of public services they can provide. CSDs can be organized as dependent units under a Boards of Supervisors, but most are formed as independent units with considerable local control. Similar to a CSA, a CSD may “prescribe...and collect rates or other charges for the services and facilities furnished by it.” CSDs can be formed across county lines.

Examples: Within the following counties, Community Services Districts are utilized in portions of the unincorporated areas: Plumas County, Yuba County, San Luis Obispo County, and Sacramento County.

Fire Protection Districts – Fire Protection Districts may be dependent or independent, though most are independent. Fire Protection Districts primarily provide for structural fire protection, but may also provide emergency medical services such as paramedics and ambulance. They may also be used to acquire and construct facilities for water development, storage, and distribution “where necessary and convenient for the purpose of providing fire protection.”

Examples: Within the following counties, independent and dependent fire protection districts are utilized in some of the unincorporated areas: Plumas County, Shasta County, Nevada County, Yuba County, Lassen County, Glenn County, and Butte County (El Medio Fire Protection District).

Exhibit C contains examples of the formation processes for various special districts. The formation process is complex, takes time and may have significant upfront costs. For example, the formation of a County Service Area takes a minimum of one year to complete, and often it takes longer.

HOW DO OTHER COUNTIES PROVIDE AND FUND FIRE SERVICES?

Provision of Services

Fifteen (15) counties were surveyed for this report, including six (6) counties immediately adjacent to Butte County (Colusa, Glenn, Plumas, Sutter, Tehama, and Yuba), and nine (9) other counties that are considered comparable to Butte (El Dorado, Merced, Napa, Placer, Santa Cruz, Shasta, Sonoma, Stanislaus, and Yolo). Although the survey found that there is little consistency in how fire services are provided and funded, the fifteen counties can generally be grouped into three (3) categories: those that provide no fire protection services, those that provide some fire

protection services, and those that provide all fire protection services to unincorporated areas. Exhibit D, attached to this report, provides a summary of the survey.

No Fire Protective Services

Eight (8) of the surveyed counties provide no fire protection services in the unincorporated area of the county. In these counties, fire protection is provided exclusively through dependent and independent fire protection districts, County Service Areas, as well dependent and independent community services districts. In many of the community services districts, fire prevention is one of many services provided, along with parks and recreation, water, lighting, etc.

Some Fire Protective Services

Five (5) of the counties provide some level of fire protection services in the unincorporated area of the county, typically in the areas that are not otherwise covered by a fire or other special district. Of these five (5), four (4) provide services through a cooperative agreement with CAL FIRE, and the other one (1) through several county service areas. In conjunction with these county-provided fire services, there exists a combination of dependent and independent fire districts, and dependent county services areas.

All Fire Protection Services to Unincorporated Areas

Only two (2) of the counties provide fire services to the entire unincorporated area of the county. Both of them do so through a cooperative agreement with CAL FIRE.

Funding

The methods of funding fire services are spread among all the options available irrespective of the county. Most fire protection agencies receive some portion of the county's ad valorem property tax revenue. The percentage allocated to each district, area, or agency ranges from a minor revenue source in their budget to a substantial source of operating funds. The amount of ad valorem property tax each district, area, or agency receives depends on several factors, including the local governing body's funding philosophies prior to the passage of Proposition 13, relative growth of population countywide, merger of districts, and arrangements with other governmental units.

Many fire protection agencies have received voter approval for special assessments. The level of special assessments is very diverse, and is based upon the specific community's desired service level. In addition to special assessments, some fire protection agencies have service and funding agreements with other governmental jurisdictions, including counties, cities, tribes, and other special districts. In some of these agreements the county contributes to other fire districts to enhance services, and in others the reverse is the case, where the other agencies provide funding to county fire departments to enhance services.

Districts

Several counties provide fire protection services through special districts. The research included information on the timing of district formation. Of the 100 districts surveyed, 82 were formed prior to the passage of Proposition 13. In fact, the majority of existing districts were formed prior to 1950. Of the 18 that were created subsequent to Proposition 13, a number of them were due to district consolidations and not actually establishing a district where one did not previously exist.

Detail by County: Adjacent Counties

Colusa County

The County does not provide fire protection services. These services are provided by six (6) independent fire districts throughout unincorporated Colusa County. One of these districts is a Joint Powers Authority (JPA) between the City of Williams and the Williams Fire District. This JPA is financed by funds from the City of Williams and Fire District revenues. The other five (5) districts are funded exclusively from fire district revenues, which include a small portion of pre Proposition 13 ad valorem property tax, augmented by district special assessments. The County of Colusa has no connection to the districts and provides no contributions. Staffing in the districts is a combination of career and volunteer firefighters.

Glenn County

The County does not provide fire protection services. These services are provided by seven (7) independent fire districts within unincorporated Glenn County. These districts each produce their own operation and maintenance resources through fire district assessments, which include a small portion of ad valorem property tax which were in place prior to Proposition 13, augmented by district special assessments. Some of the districts have successfully returned to voters to increase special assessment revenues subsequent to the requirements of Proposition 218, the constitutional amendment that required local government to have a vote of the affected property owners for any proposed new or increased assessment before it could be levied. The majority of firefighters are volunteer, with enough career firefighters to maintain continuity.

Plumas County

The County does not provide fire protection services. These services are provided by seventeen (17) independent fire districts and community services districts within unincorporated Plumas County. Staffing is mostly volunteer, with a few stations having a career firefighter as Chief. All of the independent fire districts receive a portion of ad valorem property tax which was in place prior to the passage of Proposition 13, and some of them have added special assessments as well. The community services district is funded exclusively from special assessments.

Sutter County

The County provides fire protection services for some of the unincorporated areas of the county. There are five (5) fire districts within the unincorporated area of the County; three (3) of them are Board-dependent County Service Areas (CSA's) and two (2) are independent districts that

have their own governing boards. The County actively manages one of the CSA's, which has five (5) fire stations. One (1) of these stations also provides fire protection services to the City of Live Oak under contract. Other than the funds from Live Oak and some impact fees, the districts are all funded through CSA assessment revenue. All but one of the CSA's are funded exclusively through a portion of the ad valorem property tax that was in place prior to the passage of Proposition 13. The largest CSA also has special assessment funding, in addition to the ad valorem tax.

Tehama County

The County provides fire protection services for most of its unincorporated area through a cooperative agreement with CAL FIRE. Fire services are funded exclusively through ad valorem property tax that was in place prior to the passage of Proposition 13. In addition, there is one (1) independent fire protection district that spans into Glenn County that is funded by special assessments.

Yuba County

The County does not provide fire protection services. These services are provided by eleven (11) independent fire protection or community services districts within unincorporated Yuba County. These districts fully fund operations through a combination of special assessments and a portion of the ad valorem property tax that was in place prior to the passage of Proposition 13. Most districts receive both, but some receive only one, either ad valorem property tax, or special assessments.

Detail by County: Other Comparable Counties

El Dorado County

The County does not provide fire protection services. These services are provided by fifteen (15) independent and dependent fire districts, independent community services districts and an independent water district within unincorporated El Dorado County. Community services districts provide multiple services in addition to fire protection, but the water district only provides fire protection. All are funded through ad valorem property taxes, some of which were in place prior to the passage of Proposition 13, with some of the districts having other special assessments as well. Staffing is provided through a mix of volunteer and career firefighters. Several of these districts contract with CAL FIRE. One of the districts provides services to the unincorporated area as well as the City of El Dorado Hills.

Merced County

The county provides fire protection services for its unincorporated area through a cooperative agreement with CAL FIRE. The \$10 million cooperative agreement provides for personnel and management of twenty-four (24) stations. Staffing is a mix of volunteer and career. The County provides some staffing for the fire department, including a civilian fire marshal, a fire prevention inspector, and four (4) support positions. Some volunteer firefighters are hired as County extra help. Services are funded through ad valorem property taxes. The Board of Supervisors

historically provided augmented funding from the County General Fund, but discontinued the practice two years ago.

Napa County

The county provides fire protection services for the unincorporated areas of the county through a cooperative agreement with CAL FIRE. The \$8 million cooperative agreement provides for personnel and management to operate six (6) stations. In addition, as part of the agreement, CAL FIRE administers nine (9) volunteer fire stations. The six (6) career stations are funded with County General Funds, and are staffed mostly with career and some volunteer personnel. The volunteer stations have no dedicated funding source, and rely solely on fundraising. One career station is a cooperative effort between the County, the Town of Yountville, and the California Department of Veterans Affairs and provides fire protection to the Town and the Veterans Home.

Placer County

The County provides fire protection services for the unincorporated areas through a variety of methods. There are seventeen (17) special fire districts throughout unincorporated Placer County. For those areas that are not covered by a special district, the County has a \$9.6 million cooperative agreement with CAL FIRE, including eight (8) volunteer fire companies. This agreement is funded by a zone of benefit assessment, a portion of pre Proposition 13 ad valorem property tax, plus \$500,000 from the County General Fund. For the areas covered by a special district, the governance and funding is a mixture of dependent and independent fire districts, and CSA's with various zones of benefits. Some areas are fully funded by ad valorem property tax in place prior to the passage of Proposition 13, with a wide range of values, and others have a mixture of ad valorem property taxes plus district assessments. Additionally, one (1) fire district dissolved, and subsequently created a zone of benefit with funding from a local Indian Tribe to provide fire protection services in an area that includes a casino.

Santa Cruz County

The county provides fire protection services for its unincorporated areas through a variety of methods. There are ten (10) fire protection districts throughout unincorporated Santa Cruz County. For those areas that are not covered by a special district, the County has two (2) CSA's that fund a \$4.2 million cooperative agreement with CAL FIRE to operate a mix of career and volunteer fire stations throughout the county. The CSA's are funded by a combination of assessments, ad valorem property taxes, and a fire fund, which is a type of reserve used to maintain service levels. The fire fund is comprised of a portion of the Fire Department's undesignated year-end general fund balance.

Shasta County

The County provides fire protection services to the unincorporated areas that are not otherwise served by independent fire districts. The County has a CSA that is funded by a combination of special assessments and an annual \$1.7 million augmentation from the County General Fund. The County has a cooperative agreement with CAL FIRE to operate and administer one (1) career and nineteen (19) County volunteer fire stations within the CSA.

Sonoma County

The County coordinates fire protection services throughout the unincorporated county, but does not directly provide services. Historically, incorporated cities had their own fire protection districts, and the unincorporated County had a single CSA. Over time many areas created their own independent fire protection districts. All districts, except one, operate their fire departments. One (1) district contracts with CAL FIRE to provide services. Within the CSA, services are provided through a contract with fourteen (14) volunteer fire companies. Ad valorem property taxes in place prior to the passage of Proposition 13 and fees for services finance these services. Within CSA 40 are five zones of benefit where residents have elected to provide themselves with enhanced levels of services financed by special assessments. Three (3) of the zones of benefit collect their special assessment through corresponding community facilities districts, also known as a Mello-Roos District.

Stanislaus County

The County does not provide fire protection services. These services are provided by independent fire districts within unincorporated Stanislaus County. All districts have their own governing boards and revenue sources made up of pre Proposition 13 ad valorem property taxes and/or fire protection district taxes. Two (2) districts contract with cities to provide services to incorporated areas.

Yolo County

The County provides fire protection services through dependent fire districts for the unincorporated areas that do not otherwise have an independent fire protection district. Of the twelve (12) fire districts, nine (9) are independent and three (3) are dependent. Other than adopting the dependent fire districts' budgets, the County has no other involvement in fire protection. In addition to the twelve (12) fire protection districts, the Yocha Dehe Wintun Nation (Rumsey Indian Rancheria) has its own fire department, and has entered into mutual aid agreements with other fire departments.

CONCLUSION

The options for providing and funding fire protection services are abundant. This report outlines the most commonly used methods found in California jurisdictions, but does not explore any particular option in depth. The conclusion from the research to-date is that there is no standard way of approaching the provision or funding of fire services, nor is there a single best way. Rather, each approach has its own set of benefits and constraints, which are measured by the local governing body when determining which one best fits its own set of circumstances. The diversity of models used throughout other counties demonstrates that structural and funding options can be successfully combined in any number of ways. It should also be noted that the cost, complexity, and time required to create any alternative funding and/or governance structure varies by option.

Action Requested:

Accept the report as information only and provide staff direction regarding future research on any particular option or options.

Funding Options for Fire Services

| Funding Option | Level of Approval Required | Comments |
|---|--|---|
| Fees | Board of Supervisors | A fee is a voluntary charge on an individual that cannot exceed the reasonable cost of providing the services. |
| Fines/Citations | Board of Supervisors | |
| Subscription Services | Board of Supervisors | A voluntary program, whereby subscribers avoid paying an established fee for each service call by purchasing an annual subscription. |
| Taxes <i>Sales Tax</i> <i>Transient Occupancy Tax (TOT)</i> <i>Utility Users Tax (UUT)</i> <i>Fire Flow Tax</i> | Board of Supervisors and Voters | A tax is an involuntary charge against an individual or landowner that pays for public services regardless of the taxpayer's benefit. |
| Assessments <i>Community Facilities District (Mello-Roos)</i> <i>Fire Suppression Assessment</i> | Board of Supervisors and Property Owners or Voters | An assessment is an involuntary charge on land that pays for public improvements or services that directly benefits the taxpayer. All revenue generated by an assessment must be used for the improvements or services specified. |
| Special Districts <i>County Service Area (CSA)</i> <i>Community Services District (CSD)</i> <i>Fire Protection District (FPD)</i> | Board of Supervisors, Local Area Formation Commission (LAFCo), and Property Owners | Governance structure with various options for funding. Most common funding source is an assessment. |

LEGISLATIVE BODY COMMENCES PROCEEDINGS

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PETITION INITIATED CFD

- 1. 10% Landowners
- 2. 10% Registered voters
- 3. Payment of pre-formation costs

Within 90 days

LOCAL AGENCY INITIATED CFD

- 1. Written request of 2 members of legislative body, or
- 2. Majority approval of legislative body

- 1. Adopt Goals and Policies
- 2. Adopt resolutions to:
 - a. Approve boundaries
 - b. Designate name of CFD
 - c. Identify types of facilities & services
 - d. Declare intention to:
 - 1) Form CFD
 - 2) Levy special tax
 - 3) issue bonds
 - e. Set time and place of public hearing
 - f. Establish voting procedures

Prepare Report

Public hearing held not less than 30 days or not more than 60 days from adoption of Resolution of Intention

REQUIRED – Publish notice (not later than 7 days before Public Hearing)
OPTION – Mailed notice (not later than 15 days before Public Hearing)

PUBLIC HEARING

May be continued up to 30 days, or with finding up to 6 months.

- If no majority protest, resolutions adopted to form CFD* by:
 - 1. Establishing boundaries
 - 2. Determining necessity to incur bonded indebtedness
 - 3. Authorizing levy of special tax
 - 4. Approving types of facilities and services
 - 5. Setting election
- If more than 50% of registered voters (at least 6), or if the owners of more than 50% of the land area protest, then CFD abandoned for one year. If majority protest only against specific facilities, services or special tax, only that facility, service or tax must be dropped.

* Environmental review should be completed before formation of CFD

Usual Sequence of Events for Mello Roos Community Facilities Districts

(Commencing with Section 53311 of the Government Code)

- 1. Sell and deliver bonds and receive bond proceeds
- 2. Initiate construction or acquisition
- 3. Commence activities to administer debt, levy and collect special taxes and comply with continuing disclosure requirements

- 1. Record Notice of Special Tax Lien
- 2. Initiate validation proceedings, if necessary
- 3. 30 day statute of limitations

ACTIONS BY LEGISLATIVE BODY

- 1. Certify election results
- 2. Enact ordinance to levy special tax
- 3. Authorize issuance of bonds
- 4. Approve Preliminary Official Statement and Continuing Disclosure Agreement

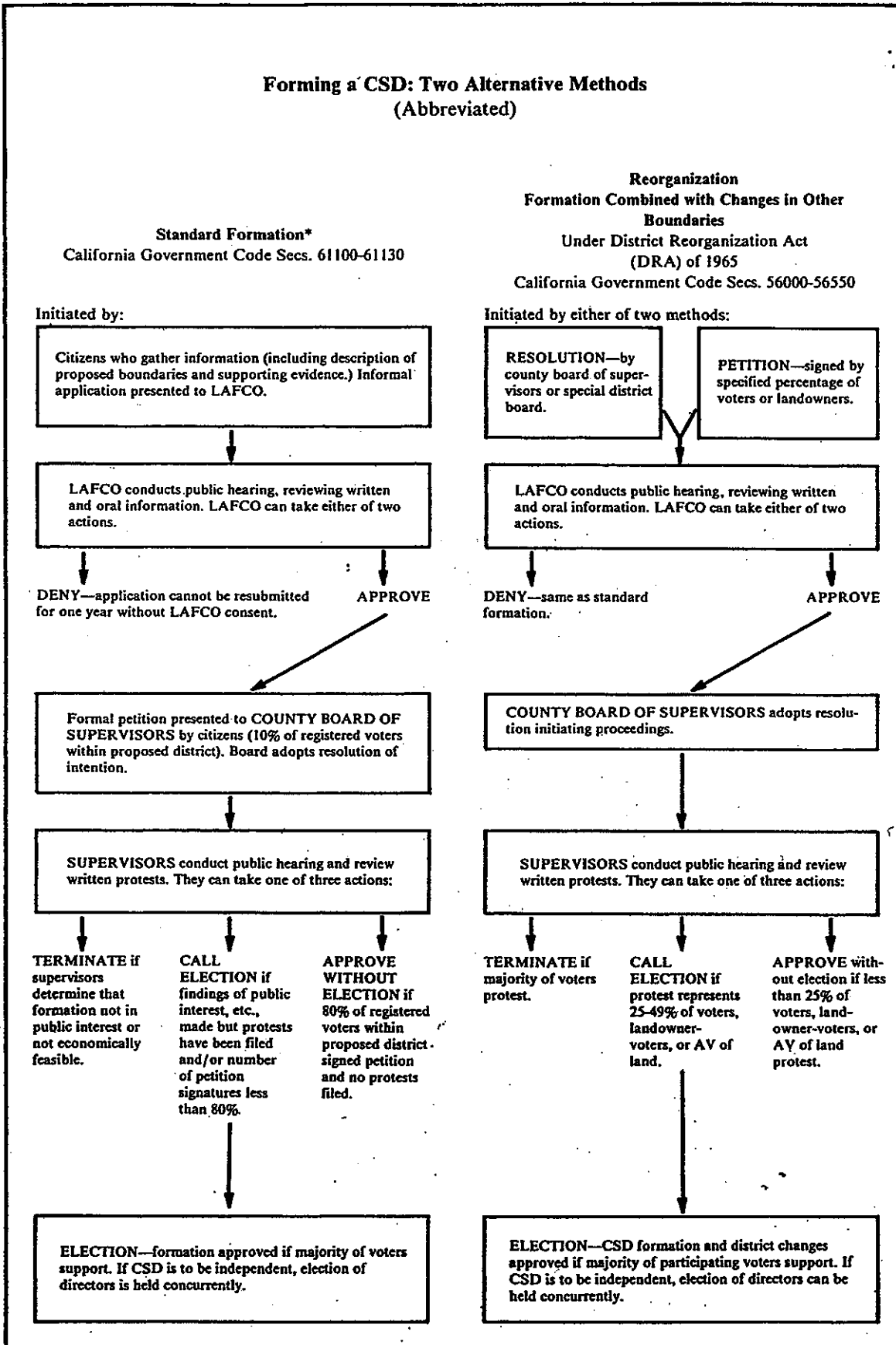
GENERAL ELECTION or SPECIAL ELECTION
90/180 days from Resolution of Formation (unless time period shortened by 100% of electors)

2/3 vote required (if less than 12 registered voters or if no tax on residential property -- landowner election)

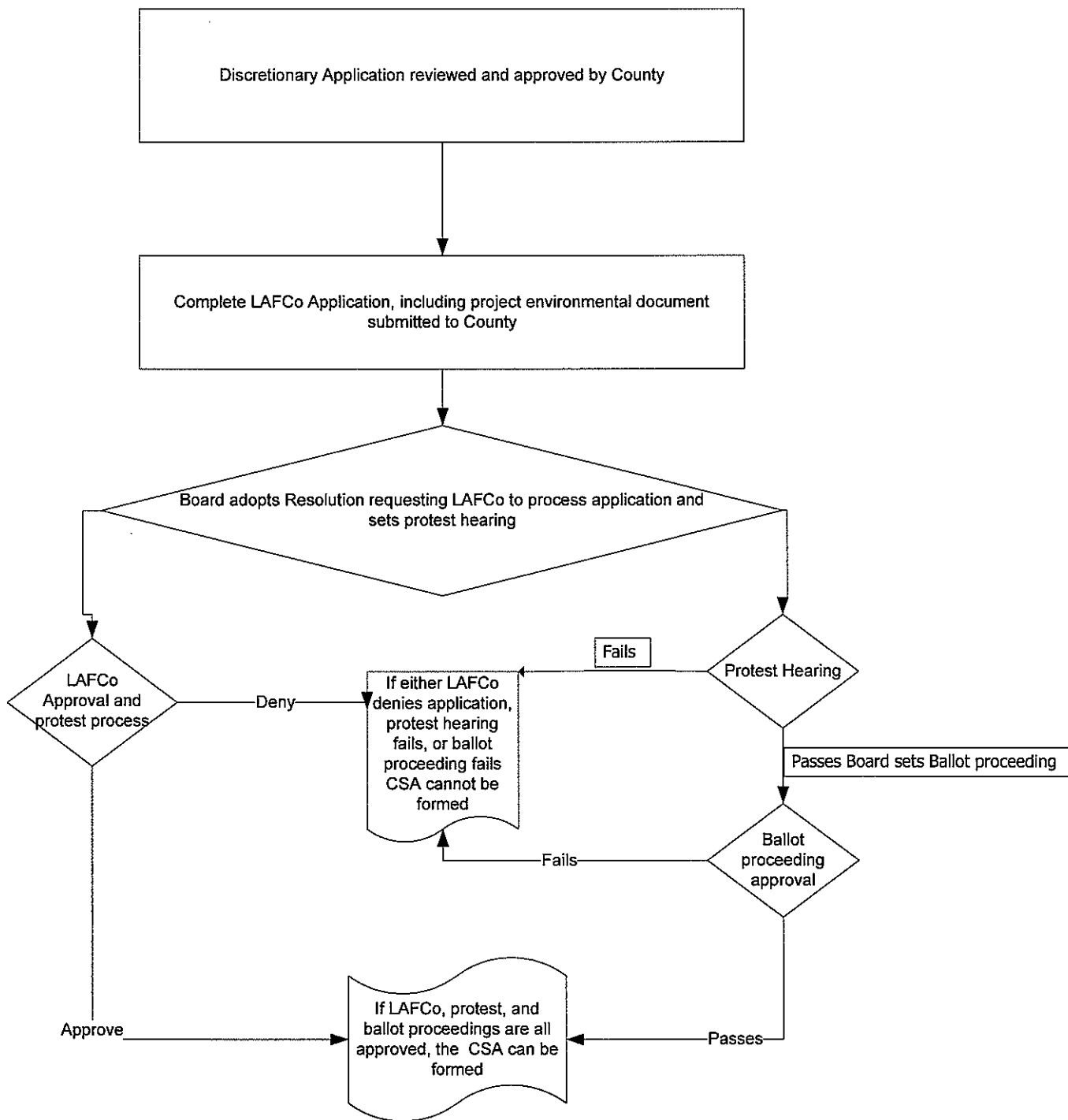
ELECTION

- Voters consider:
 - 1. Levy of Special Tax
 - 2. Establish appropriations limit
 - 3. Authorize issuance of bonds

**Forming a CSD: Two Alternative Methods
(Abbreviated)**



SOURCE: Simplification of flow charts prepared by David Dorfman, former executive officer, Sonoma County LAFCO.
*Procedure refers to formation within one county. Procedure differs if proposed district crosses county lines.



Survey of Adjacent and Comparable Counties

| County Provides Fire Services | | | County Operated | | Special District | | | | |
|-------------------------------|---------------------------------|------|-----------------|---------------------|------------------|-----|-----|---------------|-----|
| All Unincorp | Conjunction with Fire Districts | None | Operate Own | Contract w/Cal FIRE | Dependent | | | Independent | |
| | | | | | Fire District | CSA | CSD | Fire District | CSD |

Adjacent Counties

Colusa
Glenn
Plumas
Sutter
Tehama
Yuba

| | | | | | | | | | |
|--|---|---|--|---|--|---|--|---|---|
| | | X | | | | | | X | |
| | | X | | | | | | X | |
| | | X | | | | X | | X | X |
| | X | | | | | X | | X | |
| | X | | | X | | | | X | |
| | | X | | | | X | | X | X |

Other Comparable

El Dorado
Merced
Napa
Placer
Santa Cruz
Shasta
Sonoma
Stanislaus
Yolo

| | | | | | | | | | |
|---|---|---|--|---|---|---|---|---|---|
| | | X | | | X | X | X | X | X |
| X | | | | X | | | | | |
| X | | | | X | | | | | |
| | X | | | X | X | X | | X | |
| | X | | | X | X | X | | | |
| | X | | | X | | X | | X | |
| | | X | | | | X | | X | |
| | | X | | | | | | X | |
| | | X | | | X | | | X | |