



COUNTY OF HUMBOLDT

For the meeting of: 4/9/2019

File #: 19-501

To: Board of Supervisors
From: County Administrative Office
Agenda Section: Departmental

SUBJECT:
Fire Services Funding

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive the staff report on fire service gaps and funding options;
2. Approve staff recommendations for a funding allocation strategy to help address service gaps, with the understanding that the initial impacts to the General Fund will not exceed the estimates provided in the Financial Impact section of this staff report;
3. Approve the formation of an ad hoc committee to work with a fire services working group to implement the funding strategy; and
4. Take other action as necessary.

SOURCE OF FUNDING:

General Fund

DISCUSSION:

Background

Significant developed and populated areas of the county are located outside of the boundaries of any fire protection district or other local agency responsible for providing structure fire protection services (fire-related districts). Humboldt County General Plan policies also allow for future development in these areas. ***There are no agencies legally responsible for providing structure fire protection to these areas.*** For that reason, sustaining the delivery of such services to these areas is challenging and uncertain and identifying a long-term solution is complicated and difficult.

- ***Fire related districts and volunteer fire companies (VFCs)*** not associated with districts are commonly dispatched and respond to calls for all risk service within most of these areas. However, they are not responsible for or obligated to provide such service and do not receive funding from property taxes, a special tax, or an assessment to do so.
- ***The California Department of Forestry and Fire Protection (CAL FIRE)*** and, in some cases, firefighting resources from ***Six Rivers National Forest*** will also respond to or assist with structural fire protection or medical emergencies in these areas. However, this response is on a

voluntary and as-available basis in all areas except for County Service Area Number 4 (CSA #4) where the land owners have approved a benefit assessment to support a cooperative agreement between the County of Humboldt and CAL FIRE. State and federal firefighting agencies are primarily responsible for protecting the wildlands from wildfire, except where there is a cooperative agreement in place with another agency.

- The ***County of Humboldt*** has no legal mandate to provide fire protection services pursuant to the laws of the State of California.

The consequences of these areas remaining outside of any jurisdictional responsibility for community fire and rescue services are the following:

- ***Vulnerable populations and structures:*** The fire and rescue services received by the people who live, work and travel in these out of district areas are provided on a goodwill basis. Without a sustainable solution, these people are at risk of losing some or all of the services they currently enjoy. Currently, property owners are receiving the benefit of fire related services without paying for them through their annual property tax bill or a benefit assessment.
- ***Strain on existing fire related districts:*** Fire related districts were formed to provide structure fire and all risk services within a specific jurisdictional boundary where services are supported by revenue from a combination of taxes, fees, and fundraising. Many of these jurisdictional boundaries were created as far back as the 1930's. Since that time, neighborhoods, scattered subdivisions, and rural residential development have emerged outside of district boundaries. These developed areas require year-round fire protection and emergency services. Providing goodwill service to these areas is not supported by any sustainable revenue source and puts additional strain on already overburdened resources. Furthermore, property owners within a district may question why the services, funded through their taxes, are benefiting out of district residents, particularly if they pay a special tax or benefit assessment, on top of property taxes, specifically for fire protection. There is a real risk that fire districts and VFCs will not be able to sustain or will need to reduce services to these areas.
- ***Limitations on Subdivision of Private Property:*** The State Subdivision Map Act requires that Parcel and Final Map subdivisions located in the State Responsibility Area (SRA) receive structure fire protection from a public agency or from another entity organized solely to provide fire protection services that is monitored and funded by a county or other public entity (Government Code Section 66474.02). There are approximately 1.3 million acres of privately owned property in Humboldt County within the SRA that are not located within the boundaries of a local fire district or other agency responsible for providing structure fire protection services that meet the standards of this law. Much of this area is not likely to be developed in the foreseeable future but there are over 4,000 developable parcels within these areas which cannot be subdivided unless the requirements of this law are met. Given that no other local agency is responsible or obligated to provide such service, the State Subdivision Map Act makes Humboldt County responsible for ensuring structure fire protection services are available for new subdivisions before they are approved. It is important to note that this Act does not restrict development on existing parcels under the county General Plan policies and zoning laws. Please see Attachment 1 to learn more about the location, size and development potential of these out of district areas.

It is clear that no agency or entity is legally responsible for providing or supporting fire and rescue services to the developed and populated areas of the county that are located outside of the boundaries of any fire related district. Having said that, there are many who have a significant stake in resolving the issue, including the following:

- **Residents:** Depend on the availability of fire and rescue services.
- **Visitors:** Depend on the availability of fire and rescue services. In particular, travelers involved in vehicle collisions benefit from the services of first responders from local fire departments who are often first on the scene and assist ambulance personnel and provide traffic control.
- **Property-owners:** Depend on the availability of fire and rescue services and may wish to subdivide their property. Their ability to secure and maintain affordable fire insurance could also be impacted by the level and type of fire service they receive.
- **Fire Related Districts:** Need sustainable revenue in order to take on responsibility and continue providing service to these areas.
- **County:** Cares about public health and safety and has planned much of the area in question for subdivision and development through the General Plan and Zoning Regulations.
- **CAL FIRE:** Depends on a functioning local fire service to support their efforts.
- **The Local Agency Formation Commission (LAFCo):** Tasked with helping local governmental entities with changes in structure and boundaries in a way that fosters orderly growth and development and promotes the efficient delivery of services.
- **Developers:** Seek to subdivide and develop land that is planned and zoned for that purpose.

Your Board, county staff, local fire service representatives, and LAFCo have been working to find solutions to this issue for years. Although there have been some significant successes in some areas of the county, there remain large areas that are unresolved or have been addressed with temporary solutions. A portion of Measure Z funds granted to the Humboldt County Fire Chiefs' Association has been used to support a formal planning effort led by county staff and LAFCo to address this mismatch between fire-related district boundaries and where the fire service provides emergency response on a regular basis as well as other challenges that are impacting the sustainable provision of fire and rescue services throughout the county. These funds may also be used to cover costs associated with the LAFCo process related to receiving, reviewing, and approving applications for fire-related district formations and annexations, as well as the election process. These costs, as well as the lack of administrative staff and expertise to start and complete the district formation and expansion process, have previously discouraged local fire-related districts from addressing their out of date jurisdictional boundary issues.

With the support of the Measure Z planning program and past county allocations of fire planning funding, the Briceland, Bridgeville, and Fruitland Ridge fire protection districts were formed and annexations were successfully completed by the Telegraph Ridge Fire Protection District and the Fieldbrook Community Services District (fire service boundary expansion). In addition, potential annexation areas have been mapped based on the out of district response areas identified by fire district representatives and incident call data (maps of district boundaries and out of district response areas can be viewed in Attachment 2). However, unlike Telegraph Ridge Fire Protection District and the

Fieldbrook Community Services District, most other fire related districts, with mapped annexation areas, rely heavily on property tax revenue to support services. *Many fire related districts have determined that annexation cannot proceed without a share of property tax revenue.* The county has no master tax exchange agreement or clear policy with respect to fire related districts. *For this reason, planning efforts related to fire district annexations, particularly in Southern Humboldt, have stalled.*

County Support for Fire Services

In addition to supporting the organizational planning for sustainable fire protection services described above, the county has contributed funding and support to the fire service through the provision and administration of low cost Workers Compensation Insurance, a two percent (2 percent) share of Proposition 172 revenues in the approximate annual amount of \$200,000, granting more than \$5.5 million in Measure Z funds over a three year period, and conveying county property to fire districts for fire stations for little to no cost. Attachment 3 provides more information on county support for the fire service and which departments are benefiting.

The support provided by the county has been and will continue to be important and necessary to help the local fire service overcome top challenges as they strive to bring their services up to a consistent standard. However, this support does not address the problem of how to sustain fire and rescue service to areas outside the boundaries of fire related districts.

Recommendation

The recommendations contained in this report were developed in collaboration with an informal working group consisting of representatives from the County of Humboldt (Board of Supervisors, Planning and Building, Public Works, and County Administrative Office), LAFCo, and the Humboldt County Fire Chiefs' Association. This group recommends that the county share, or permanently transfer, property tax revenue at varying levels with fire related districts that are willing to annex out-of-district areas described in this report and with fire companies that are willing to become districts. Property Tax revenue is the main source of revenue for most fire related districts. Tax exchange agreements could be offered on a sliding scale contingent upon a set of specific expectations fire service providers are willing and or able to meet. The tax exchange agreements and meeting specific expectations could support efforts to: match where services are being demanded with jurisdictional boundaries; build regional fire service capacity; and address service and funding needs on a countywide basis.

Property tax is also a critical source of revenue for this county. In the past, the County Administrator has recommended tax exchange agreements only where there was an equal exchange of services. Because, in this case there is no exchange of services, the benefit to the county is less clear. However, the challenges to local fire and rescue services within the county are significant and will likely only worsen if the county does not take the recommended action. Therefore, the county clearly has a stake in resolving this issue. In addition, the fire service's commitment to establish new revenue sources, improve organization structures, and work collectively toward the most efficient, effective, and sustainable fire and rescue service delivery system, will result in clear benefits for the county.

Recommendation 1

Staff recommend that the Board review, discuss, modify as necessary, and ultimately approve the following proposed strategy regarding the allocation of county funds to support efforts to bring areas that are currently outside of any fire related district under the jurisdiction of agencies that provide structure fire and rescue services. If the impact on the county's share of General Fund revenue were to significantly exceed the estimates described in the Financial Impacts section below, the strategy will be adjusted accordingly and brought back before the Board.

Recommendation 2

Staff recommend that the Board appoint two of its members to an ad-hoc Fire Services Working Group, including the members listed above. At their February 27, 2019 meeting, the Fire Chiefs' Association appointed Chiefs Justin McDonald, Lon Winburn, Mike Lake, and Sean Robertson as their representatives to continue working on this issue. This group will work together to review options for priority areas and develop proposed action recommendations that will be brought back to the Board within the next six months to a year. This group will also be responsible for developing recommended modifications if the strategy does not result in the estimated financial impacts as described below.

And lastly, the question of permitting development in areas outside of fire related districts was raised during the deliberations of the group mentioned above. The Board may wish to evaluate the impacts and potential policy needs related to development outside fire related districts and whether or not such development should be limited until the area is annexed into a fire related district, a new fire related district is formed, or a contract is established with a fire related district.

Assumptions:

As tax exchange agreements are developed, the following assumptions should be kept in mind:

- Consistent with the intent of public safety and essential services sales tax and marijuana excise tax measures, the Fire Chief's Association will seek a share of that revenue to support level of service capacity including the acquisition of long lived assets such as apparatus, equipment, and facilities as well as strategic planning and coordination for organizational, operational, and jurisdictional improvements.
- The impacts of the proposed action on the county general fund and other local agency services will need to be considered. As out-of-district areas are annexed into fire related districts and associated property tax exchange agreements are executed, the cumulative amount of general fund revenue transferred to the fire service, from all sources, will be evaluated. It is understood that any requested general fund revenue from this proposed action will augment other funding sources to be used to help sustain fire services and assist fire departments in meeting and maintaining industry standards, and will not be the sole source of funding. The overarching goal will be to maintain revenue sharing agreements that support the sustainability of both county services and fire services. Attached is a letter from the Humboldt County Fire Chiefs' Association acknowledging their understanding and agreement with the assumptions and confirming that the Chiefs' Association will act as a clearinghouse for future fire service funding requests submitted to the county.
- The Humboldt County Fire Chief's Association will incorporate the elements of this report's proposed action into its ongoing strategic planning in order to achieve the most efficient, effective and sustainable outcomes relating to planning for the future delivery of countywide

fire and rescue services.

- Planning team support from County and LAFCo Staff will be available, at levels commensurate to available funding, to assist with:
 - Planning for the future (revenue, cost, retention/recruitment, level of service, administrative);
 - Annexation/reorganization feasibility analysis and application preparation (continue to seek funding to cover LAFCo application fees);
 - Property tax exchange support; and
 - Special tax/assessment establishment and maintenance (may need engineering assistance from Public Works).

Expectations:

Different tax exchange agreements will be offered depending on which of the following expectations fire districts are willing and able to meet:

- **Establish new and or update revenue sources:**
 - Establish a new special tax and or benefit assessment if not already in place.
 - Update existing special tax and or benefit assessment if no successful update has been completed within the last 5 years or a period of time informed by credible long range financial planning; there may be instances where the existing tax is considered reasonable for covering expenses and or has reached the threshold of acceptability by taxpayers.
 - All other feasible revenue sources will be diligently pursued and in good faith (feasible cost recovery for fire-based emergency response services and feasible cost recovery for plan-check/inspection services).
- **Pursue reorganization/consolidation:**
 - Review, in good faith, the feasibility of reorganizations or consolidations with the aim of achieving an economy of scale and improving the efficiency, effectiveness, and sustainability of fire services; including administration, operations, and equipment purchases.
 - Work with members of the Fire Service Working Group to prepare a feasibility study.
 - If determined to be feasible, actively pursue reorganization/consolidation.
- **Annex realistic out-of-district response area:**
 - Review and amend, as necessary, existing out-of-district response area maps to create an annexation area that matches where services are currently being demanded and provided and where they can reasonably expect to be needed in the near future, as defined by the district in collaboration with County and LAFCo staff.
- **Commit to planning for the future:**
 - Engage, in good faith, in the process of collectively working toward the most efficient, effective, and sustainable fire and rescue service delivery system as possible.
 - Work to achieve retention/recruitment, and organizational and operational (responding together/interoperability) improvements.
 - Commit to making administrative improvements such as the following:

- Follow the “California Property Tax Managers’ Reference Manual” documentation process and applicable state law for annual submission of special tax and special assessments to the Auditor-Controller’s Office for placement of charges on the property tax bill;
- Follow the requirements in Fire Protection District Law and other applicable state laws and regulations relating to the preparation and adoption of annual budgets, annual audits, and annual reporting, including the audit requirements of Government Code Section 26909, the financial reporting requirements of Sections 53890 through 53897 of the Government Code, and the California State Controller’s Office Special District Uniform Accounting and Reporting Procedures; and,
- To ensure proper accounting and to facilitate annual reporting requirements, fire related districts are encouraged to use the financial services of the Auditor-Controller.
 - Work to develop countywide level of service standards and a support structure to support collectively working towards meeting them.

Tax Exchange Agreement Offers:

‘If’ specific sets of expectations are met, ‘Then’ varying levels of property exchange agreements could be offered. The more expectations met, the higher the tax exchange agreement could be. It should be recognized that meeting the expectations should also improve the capacity of the fire district. There are different tax exchange agreements for pre-Proposition 13 districts, post-Proposition 13 districts, and fire companies willing to form districts. The objective is to identify tax exchange agreements that incentivize bringing the out of district areas described above into the jurisdiction of a fire related district while at the same time increasing the associated district’s portfolio of revenue sources and encouraging strategic planning for sustainable fire services.

Offer	If	Then
<p>Only Pre-Prop 13 Districts will be eligible for these Offers (1, 2 and 3)</p>		
<p>1</p>	<p>The annexing district is willing to: • Establish new and or update revenue sources; • Pursue reorganization/consolidation; • Annex realistic out-of-district response area; and • Commit to planning for the future.</p>	<p>The county will: • Transfer a portion of the county’s share of the base property tax revenue to the fire district equal to 75% of the district’s average tax allocation factor (TAF), multiplied by the 1% property tax revenue for the current year within the annexation area. The fire district’s property tax base would increase by the amount transferred; the county’s base would be reduced by the same amount. • In addition, the fire district would receive 100% of its TAF applied to growth in property tax in the annexation area; the County’ share of property tax growth would then be reduced by that amount.</p>

2	<p>The annexing district is willing to: • Establish new and or update revenue sources; • Annex realistic out-of-district response area; and • Commit to planning for the future; • But unwilling to pursue reorganization/consolidation.</p>	<p>The county will: • Transfer a portion of the county’s property tax within the annexation area following the methodology described above at a rate of 50% of the district’s TAF for base, and 100% of the district’s TAF for growth in property tax after annexation.</p>
3	<p>The annexing district is willing to: • Annex realistic out-of-district response area; • But not willing to meet any of the other expectations listed above.</p>	<p>The county will: • Transfer 0% of the county’s base property tax revenue within the annexation area and apply 75% of the district’s TAF to growth in property tax after annexation.</p>
<p>Only Existing Post-Prop 13 Districts will be eligible for Offer 4</p>		
4	<p>The annexing district does not currently receive property tax and is willing to: • Establish new and or update revenue sources; • Pursue reorganization/consolidation; • Annex realistic out-of-district response area; and • Commit to planning for the future.</p>	<p>The county will: • Transfer county property tax revenue to the district in an amount equal to the application of a 3% TAF to the growth (no base) in property tax revenue within the annexation area as well as the existing district area.</p>
<p>Only Existing Non-District Fire Companies will be eligible for Offer 5</p>		
5	<p>A non-district fire company forms a new district to cover the areas where they currently provide fire and rescue services and is willing to: • Establish new revenue sources; • Pursue reorganization/consolidation; • Establish a realistic district boundary; and • Commit to planning for the future.</p>	<p>The county will: • Transfer county property tax revenue to the new district by applying a 3% TAF for the district of the growth in property tax revenue within the district formation area.</p>

These offers will stand for an 8 year period beginning on the date that they are approved by the Board, after which time the county will only consider exchanging property tax growth for annexation areas subject to pending subdivision applications. This period may be extended at the discretion of the Board and for annexations and formations that are active and in progress but not yet complete before the deadline.

FINANCIAL IMPACT:

Impacts to the General Fund will vary depending on which tax exchange offers are selected. The largest possible impact on General Fund revenue would be experienced if all Pre Prop 13 districts selected Offer 1, all post Prop 13 districts selected Offer 4, and if all fire companies formed districts and took Offer 5. If all those changes were to take place at the same time, the total maximum estimated initial base transfer from the county’s share of General Fund to districts (for year 0) would be approximately \$430,000 and the total initial annual property tax growth revenue exchange after year 1, would be approximately \$30,000; for a total estimated impact of \$460,000. Thereafter, property tax growth will continue and will be shared based on the new tax allocation factors. This reduction in the county’s share of General Fund revenue is likely to be spread over a period of years, lessening the

initial impact. It is also unlikely that all Pre Prop 13 districts will select Offer 1. General Fund impacts could also be offset, to some degree, by the revenue generated by potential future subdivisions (improvements and land sales). In addition, negotiating agreements with the various fire districts and revising tax rate areas will impact staff; the extent of those impacts are unknown at this time. Current county support for fire services can be reviewed in Attachment 3.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by creating opportunities for improved safety and health, protecting vulnerable populations, providing community-appropriate levels of service and managing resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT:

Humboldt County Fire Chiefs' Association

Local Agency Formation Commission

CAL FIRE

Humboldt County Public Works, Planning and Building, and Auditor-Controller's Office

ALTERNATIVES TO STAFF RECOMMENDATIONS:

At your Board's discretion.

ATTACHMENTS:

Attachment 1: Subdivision and Development Analysis of Out of District Areas

Attachment 2: Maps

Attachment 3: Review of Existing County Support for Fire Services

Attachment 4: Humboldt County Fire Chiefs' Association Letter of Support

PREVIOUS ACTION/REFERRAL:

Board Order No.: G-3, I-1, F-2

Meeting of: 12/8/15, 1/10/17, 4/10/18

File No.: N/A