

SALMON CREEK FIRE PROTECTION DISTRICT FORMATION TAX EXCHANGE SHARING AGREEMENT PROPOSAL

The Salmon Creek Volunteer Fire Department (VFD) circulated a registered voter petition to form a fire protection district, that will include a new special tax, and received signatures far exceeding the minimum requirement to support an application to the Local Agency Formation Commission (LAFCo) to form the Salmon Creek Fire Protection District. The Salmon Creek VFD engaged in a comprehensive program of community outreach to define a special tax that can provide adequate funding to support services and that will be supported by the community. However, the small number of parcels in our response area, a tax rate that would generate sufficient ongoing revenue to support operations would not be supported by the property owners. Given this, an important component of fire district formation process will be the execution of a property tax exchange agreement with the County of Humboldt. On May 9, 2019, the Humboldt County Board of Supervisors directed that different tax exchange agreements will be offered depending on which of a set of expectations fire districts and communities forming fire districts were willing and able to meet. The Salmon Creek VFD feels it is eligible for tax exchange agreement Offer #5 to existing non-district fire companies which requires the district to meet the following expectations.

The annexing district is willing to:

- Establish new and or update revenue sources;
- Pursue reorganization/consolidation;
- Establish a district boundary that represents the fire departments realistic response area; and
- Commit to planning for the future.

If the above expectations are met the county will:

- Transfer future county property tax revenue to the new district by shifting a portion of the County's tax allocation factor which is equivalent to 3% of the tax increment for the growth in property tax revenue within the district formation area.

DESCRIPTION OF HOW EXPECTATIONS WILL BE MET:

1. Form a new fire protection district that establishes a boundary that is the department's realistic response area:

- **Expectation:**
 - ✓ Review and amend, as necessary, existing out-of-district response area maps to establish a new district boundary 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 Salmon Creek VFD in collaboration with County and LAFCo staff.
- **Meeting the Expectation:**
 - ✓ Salmon Creek VFD has submitted an application to the Humboldt LAFCo to form a Fire Protection District where the new boundary would include the VFD's entire historic response area. The Salmon Creek VFD response area is approximately 20,500 acres in area, beginning west of the intersection of Salmon Creek Road and Maple Hills Road and extending west to include areas along Salmon Creek Road, Thomas Road, and Lower Thomas Road. The proposed Salmon Creek FPD boundaries include the Salmon Creek

Community School, located near the intersection of Lower Thomas Road and Thomas Road. The proposed boundaries also include unimproved timber and grazing land that is interspersed within a patchwork of land developed with rural residential uses. The Salmon Creek VFD responds to calls in this area and receives donations from residents, but as a volunteer fire company does not have any ability to receive property tax or other revenue for providing the service. This proposal meets this expectation because the Salmon Creek VFD is proposing to form a district boundary that matches the VFDs historic and realistic response area.

2. Establish new and or update revenue sources:

- **Expectation:**
 - ✓ Establish a new special tax and or benefit assessment.
 - ✓ 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).

- **Meeting the Expectation:**
 - ✓ The Salmon Creek VFD has included a proposal for a special tax as part of its application to LAFCo to support fire protection services to be approved by the voters of the Fire Protection District. Upon approval of the Salmon Creek FPD by LAFCo a special tax would be placed before the registered voters within the proposed district boundaries. The petition to form the Salmon Creek FPD has identified a special tax that would generate approximately \$20,000-\$25,000 per year and would be apportioned to property on an annual basis in the following manner: \$75 for each parcel (approximately 333 taxable parcels within the proposed district boundaries). This tax amount is similar very similar to existing, recently approved, flat taxes for fire protection services in Humboldt County.
 - ✓ The Salmon Creek VFD recognizes the importance of recovering costs associated with services that are provided and not otherwise funded by property tax or special assessment revenue.
 - Upon formation, the Salmon Creek Fire Protection District will prepare a fee ordinance based on the California Fire Code structure to recover costs associated with plan review and inspection. The new District will seek out examples for establishing fees used by other similarly situated local fire districts.
 - The new District will commit to seeking grant funding from the federal Assistance to Firefighters program and the CAL FIRE Volunteer Fire Assistance program to purchase equipment to benefit the community.
 - The new District will commit to supporting the Salmon Creek VFD 501(c)3 that conducts regular annual programs and fundraising to support the volunteer firefighters of the new District.
 - The new District will commit to providing aid to CAL FIRE during incidents and when state resources are out of the Humboldt – Del Norte Unit. This could take the form of paid station coverage or participation in wildfire response both within Humboldt and statewide.
 - The new District will commit to communicating its needs to the Humboldt County Fire Chiefs' Association Measure Z Committee so that they are incorporated into annual grant allocations.

- ✓ Based on the content of the bullets above, the Salmon Creek VFD has demonstrated that it will diligently pursue all feasible revenue sources and meets this expectation.

3. Commit to planning for the future:

- **Expectation:**

- ✓ 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.
 - Maintain a website and post all required content in accordance with SB 929.
- ✓ Work to develop countywide level of service standards and a support structure to support collectively working towards meeting them.

- **Meeting the Expectation:**

- ✓ The Salmon Creek VFD recognizes that adhering to accepted standards for budgeting, accounting, and reporting would result in benefit for the new District. Upon formation, the Salmon Creek Fire Protection District commits to the following:
 - To establish a procedure by resolution for maintaining the special tax that includes:
 - Requesting permit referrals from Humboldt County Building Division on an ongoing basis and tracking all new construction and changes in use;
 - Requesting Assessment Roll from Humboldt County Assessor when updates are made available;
 - With assistance from a consultant or partner agency, as necessary, updating the electronic direct charge list to reflect all new construction and any changes in use and Direct Charge Information Sheet (showing number of assessments, total dollar value of charges)
 - Adopting a Resolution containing all required information confirming that the tax was established according to law, defining the maximum charge based on the actual use of the property and requesting that the county collect the tax in the same manner and subject to the same penalties as the other assessments, fees, or other charges fixed and collected by the County on behalf of the District

- Submitting the Resolution, direct charge list, and Direct Charge Information Sheet prior to the 10th of August each year.
- To establish a procedure, by resolution for budgeting and reporting that is consistent with state law that includes a:
 - Budget process that provides for:
 - A budget that conforms to the accounting and budgeting procedures for special districts contained in Subchapter 3 (commencing with Section 1031.1) of, and Article 1 (commencing with Section 1121) of Subchapter 4 of, Chapter 2 of Division 2 of Title 2 of the California Code of Regulations. Health and Safety Code 13890;
 - The adoption of a preliminary budget on or before June 30 of each year.
 - Publication of notice of preliminary budget on or before June 30 of each year that states that:
 - The District has adopted a preliminary budget which is available for inspection at a time and place within the district specified in the notice.
 - The date, time, and place when the board will meet to adopt the final budget and that any person may appear and be heard regarding any item in the budget or regarding the addition of other items.
 - The notice shall be published pursuant to Section 6061 of the Government Code in at least one newspaper of general circulation in the district. The first publication shall be at least two weeks before the date of the meeting. If there is no newspaper published in the district, the notice shall be posted in three public places in the district at least two weeks before the date of the meeting
 - The adoption of a final budget on or before October 1 of each year, after making any changes in the preliminary budget, the board shall adopt a final budget. The final budget shall establish its appropriation limit pursuant to Division 9 (commencing with Section 7900) of Title 1 of the Government Code. A copy of the final budget will be forwarded to the Humboldt County Auditor-Controller (per Health and Safety Code 13895)
 - A procedure will be adopted for ongoing accounting that is consistent with California State Controller's Office Special District Uniform Accounting and Reporting Procedures manual. Upon formation, the Salmon Creek Fire Protection District will employ a District Secretary as secretary, clerk and bookkeeper. The new District Secretary will seek mentorship from the Fortuna FPD, which recently improved its accounting procedures with the help of retired public agency officials with extensive experience in these matters and is prepared to mentor the new District. Upon formation, the Salmon Creek Fire Protection District commits to establish accounting procedures consistent with the California State Controller's Office Special

District Uniform Accounting and Reporting Procedures manual for independent special districts.

- A procedure for the Annual Report of all the financial transactions of the new District during the preceding fiscal year to the State Controller’s Office will be consistently employed:
 - consistent with Government Code Section 53892, which specifies the contents of an annual financial report that must be submitted by all fire related districts. The report shall be furnished within seven months after the close of each fiscal year and shall be in the form required by the State Controller.
- A procedure for the completion of the annual financial audit will be consistently employed:
 - consistent with Government Code Sections 26900 through 26914, an annual audit of the new District shall be prepared by the Humboldt County Auditor-Controller or a certified public accountant that conforms to generally accepted auditing standards. The report shall be filed with the Auditor-Controller within 12 months of the end of the fiscal year or years under examination. Upon formation, the Salmon Creek Fire Protection District plans to continue to employ an independent certified public accountant to conduct an annual audit that conforms to generally accepted auditing standards and will seek the assistance from the Humboldt County Auditor-Controller as needed.
 - To create and consistently maintain a District website in accordance with SB 929 to further public access to information related to the District’s essential services. This includes posting all required content to the website including meeting agendas and minutes, information on the new District’s budget and expenditures, information on how to contact representatives of the new District, and more.
- ✓ Upon formation, the Salmon Creek Fire Protection District will work closely with the Humboldt County Fire Chief’s Association in its implementation of its strategic plan to strengthen the organization through improved collaboration between fire departments and with the County, and to bolster participation in Association meetings, develop outreach programs through social media for better community understanding and continued needs assessments for individual departments. Through this countywide collaboration and through the continuation and enhancement of practices described in this report, the District will continue to be a leader and example for the work of developing countywide level of service standards and a structure to support collectively working towards meeting them.

4. Pursue reorganization/consolidation:

- **Expectation:**
 - ✓ 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.

- **Meeting the Expectation:**
 - ✓ Larger reorganization involving surrounding fire protection districts and areas outside district boundaries protected by volunteer fire departments not affiliated with special districts.
 - ✓ The Salmon Creek VFD and fire departments within the Avenue of the Giants area, including the Fruitland Ridge FPD, Miranda CSD, Myers Flat FPD, Phillipsville VFC, Redcrest VFC, and the Weott CSD, met for several years between 2016 and 2018 to consider a broader fire reorganization to support service sustainability and redundancy. This working group considered numerous options for new revenue sources; improvements to training, recruitment, and operations; and options for successor agencies. Although the discussions regarding funding alternatives, operational consolidation, and merger options were very productive, there was no consensus to initiate a reorganization. As a result, the efforts were abandoned.
 - ✓ The Salmon Creek VFD made several attempts in the last two years to re-initiate discussions with the Avenue of the Giants group, but there was no interest in a broader reorganization. The Salmon Creek VFD remains interested in exploring a broader reorganization and the establishment of the Salmon Creek FPD would not preclude future reorganizations that may include consolidation.
 - ✓ Salmon Creek VFD made a good a faith effort to determine the feasibility of reorganizations or consolidations with neighboring districts and departments and, with support from the Planning Team, determined that they were not feasible at this time. Through their demonstrated diligence, the VFD meets this expectation.