



## MEMORANDUM

**TO:** City Council

**FROM:** Whitney McDonald, City Manager

**SUBJECT:** Consider a Draft Amended and Restated JPA of the FCFA, Discuss Terms for a Potential Contract for Fire and Emergency Response Services with the OCSD, and Receive and File the FCFA Final Organizational Assessment Report completed by Baker Tilly

**DATE:** April 25, 2023

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### **SUMMARY OF ACTION:**

Review and provide direction regarding the draft Amended and Restated Joint Powers Agreement of the Five Cities Fire Authority (FCFA), which will govern the FCFA following the exit of the Oceano Community Services District (OCSD) from the FCFA effective June 30, 2023. Consider and provide direction regarding potential terms for a future fire and emergency services contract between the FCFA and the OCSD, and receive and file the final organizational assessment report completed by Baker Tilly.

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

It is estimated that the City's costs for fire and emergency services will increase significantly as a result of the OCSD's exit from the FCFA and the effects of static funding amounts from the three current parties to the FCFA since fiscal year 2019-20. Baker Tilly's final report (Attachment 2) estimates that the City's financial contributions to the FCFA will need to increase from \$2,580,955 in Fiscal Year 2022-23 to \$3,796,000 in Fiscal Year 2023-24. This amount assumes that a contract for fire and emergency response service is approved between the FCFA and the OCSD, which would require a payment of \$1,211,000 from the OCSD for service through June 30, 2024.

### **RECOMMENDATION:**

1) Consider and provide direction regarding the draft Amended and Restated Joint Powers Agreement for the Five Cities Fire Authority; 2) Discuss and provide direction regarding preferred terms for a potential contract for service between the FCFA and the OCSD for future fire and emergency response service past June 30, 2023; and 3) Receive and file the final report from Baker Tilly providing an organizational assessment of the FCFA.

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### **Consider a Draft Amended and Restated JPA of the FCFA, Discuss Terms for a Potential Contract for Fire and Emergency Response Services with the OCSD, and Receive and File the FCFA Final Organizational Assessment Report completed by Baker Tilly**

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#### **BACKGROUND:**

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

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment to the Joint Exercise of Powers Agreement (Second Amendment<sup>1</sup>) was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also identified a defined "wind-down" process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually.

Following the outcome of the OCSD's 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. Under the terms of the Third Amendment, the FCFA has been required to operate under a flat budget, with contributions from the three member agencies remaining static since Fiscal Year 2019-20 at \$2,580,955 for Arroyo Grande, \$2,015,115 for Grover Beach, and \$1,138,148 for Oceano.

The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new

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<sup>1</sup> The First Amendment was a Memorandum of Agreement approved in May 2018, which was intended to facilitate a negotiation of the existing cost sharing methodology in light of the increased investment called for in the Strategic Plan.

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funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the City's costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022. With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023, is defined as the wind-down period. During this time, the Cities of Arroyo Grande and Grover Beach are negotiating a new, or modified, JPA and maintain the right to use the trademark name of "Five Cities Fire Authority." The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared with the FCFA Board of Directors on July 15, 2022, and with the City Council on August 9, 2022. The FCFA Managers Group, comprised of the Fire Chief, the City Managers of Arroyo Grande and Grover Beach, and the OCSD General Manager, have been meeting regularly to oversee the implementation of the wind-down process. FCFA staff has completed the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities. To date, a list of equipment and assets has been developed and the FCFA's actuary has determined the estimated post-employment obligations of the member agencies.

It is anticipated that an agreement will be prepared to clearly delineate the OCSD's ongoing payment obligations to address its share of the FCFA's post-employment liabilities following its exit from the FCFA. This agreement will include the method that the OCSD's share of liabilities will be calculated, as well as payment options and requirements. Staff for the three agencies will prepare this agreement and present it to their respective governing bodies for review and approval prior to June 30, 2023.

The OCSD has submitted an application to the Local Area Formation Commission (LAFCo) to divest itself of its fire and emergency service powers effective June 30, 2023. Through the LAFCo process, OCSD is requesting that the County of San Luis Obispo

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(County) take over fire and emergency service responsibilities to the Oceano community, which will require all of the parties to the divestiture application (the County, OCSD, and LAFCo) to approve a plan of service. Due to the shortness of time before OCSD is required to leave the FCFA, it is anticipated that the cities of Arroyo Grande and Grover Beach will be requested to consider terms for a potential agreement for the FCFA to continue providing services to Oceano during the completion of the LAFCo process.

In addition to the wind down process, there has been a separate process underway between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) to evaluate the desired level of fire and emergency medical services and funding needs in the respective communities. Given the significance of this issue and potential costs involved, the Arroyo Grande and Grover Beach City Managers engaged an outside consultant (Baker Tilly) in October 2022 to conduct an analysis of fire services for the two cities and provide service and funding recommendations. The Baker Tilly team working on this project has extensive experience in fire services and was led by Rick Haydon, former City Manager in Santa Maria. Mr. Haydon is familiar with the local area and was also completing an organizational assessment of Grover Beach services. There were several other members of the Baker Tilly team, including Larry Waterhouse, a former fire chief in several cities in Southern California. Baker Tilly was chosen given their work with service reviews elsewhere within the Central Coast and their ability to complete this study by early 2023 to inform decisions by the two cities.

Baker Tilly's scope included a service level analysis, staffing deployment options, fiscal analysis, and review of alternative service models and governance structure. This work included reviewing the financial impacts of OCSD's departure from FCFA, including its current funding contribution and whether it would be beneficial for FCFA to provide fire service to Oceano under a contractual fee-for-service arrangement. Baker Tilly interviewed numerous individuals including former FCFA Board members, City Managers/OCSD General Manager, FCFA command staff, FCFA firefighters' union representatives, and others. The consulting team also reviewed numerous documents, including the Joint Powers Agreement, FCFA strategic planning materials, budgets and CalPERS information, service call data, budget information from the two cities, and other documents.

Baker Tilly completed its assessment and provided a presentation to the City Council on February 28, 2023, summarizing its recommendations for sustainable and responsive fire and emergency medical services, as well as the anticipated costs of service for both Grover Beach and Arroyo Grande. Baker Tilly provided a similar presentation to the Grover Beach City Council on February 27, 2023. Following the presentation, Baker Tilly completed a full written report that is available for review and consideration (Attachment 2). The financial analyses completed by Baker Tilly are being used by both Arroyo Grande

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and Grover Beach to prepare their upcoming biennial budgets for Fiscal Years 2023-25. The findings and recommendations of the report were also used to develop a new proposed Joint Powers Agreement between the cities of Arroyo Grande and Grover Beach that will govern the FCFA following the OCSD’s exit on June 30, 2023.

**ANALYSIS OF ISSUES:**

Draft Amended and Restated JPA

In light of the required exit of the OCSD from the FCFA and the recommendations of Baker Tilly, the City Managers of Arroyo Grande and Grover Beach conducted research regarding other potential two-member fire agencies and their respective governing models. Three examples were identified, specifically, the Central Marin Fire Authority, operating in the City of Larkspur and the Town of Corte Madera (Central Marin), the Central County Fire Department, operating in the cities of Burlingame and Hillsborough (Central County) and providing contract service to the City of Millbrae, and the Livermore-Pleasanton Fire Department (Livermore-Pleasanton), operating in the cities of Livermore and Pleasanton. All three examples are operated as joint powers authorities and are governed by four-person boards made up of two elected members of each of the city’s councils. Under all three examples, the Fire Chief reports to one or both of the city managers of the member cities. All three joint powers agreements include dispute resolution provisions requiring mediation in the event of a conflict between the two agencies.

Table 1 below summarizing the pertinent terms of the Central Marin, Central County, and Livermore-Pleasanton examples:

Table 1

Agency	JPA Members	Board	Executive Management	Cost Allocation
Central Marin Fire Authority	<ul style="list-style-type: none"><li>• City of Larkspur</li><li>• Town of Corte Madera</li></ul>	<ul style="list-style-type: none"><li>• 4-member Fire Council made up of 2 members of each agency’s council</li><li>• One vote required from each city/town to</li></ul>	<ul style="list-style-type: none"><li>• Management Committee made up of the City/Town Managers of each party</li><li>• In practice, one City/Town Manager acts as CEO for</li></ul>	<ul style="list-style-type: none"><li>• 50/50 split of all costs</li></ul>

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		approve any item	<p>signatory purposes and rotates this role based on which agency the Chair is from at that time</p> <ul style="list-style-type: none"> <li>• Fire Chief reports to Management Committee, which appoints the Chief</li> </ul>	
Central County Fire Department	<ul style="list-style-type: none"> <li>• City of Burlingame</li> <li>• City of Hillsborough</li> </ul>	<ul style="list-style-type: none"> <li>• 4-member Board made up of 2 members of each agency's council</li> <li>• One vote required from each city to approve any item</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Administrative Officer, which is one of the two City Managers and which rotates based on which agency the Board Chair is from for that time</li> <li>• In practice, CAO confers with the city manager of the other city before making substantive decisions</li> <li>• Fire Chief reports to the CAO, who</li> </ul>	<ul style="list-style-type: none"> <li>• All costs and revenues split 60/40, with 60% allocated to Burlingame and 40% to Hillsborough</li> </ul>

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			appoints the Chief	
Livermore-Pleasanton Fire Department	<ul style="list-style-type: none"> <li>• City of Livermore</li> <li>• City of Pleasanton</li> </ul>	<ul style="list-style-type: none"> <li>• 4-member Board made up of 2 members of each agency’s council</li> <li>• Majority vote required to take action</li> <li>• Impasse matters may be submitted to the two city councils, which will consider the matter independently first, and, if still at impasse, then consider the matter at a joint meeting of the two city councils</li> </ul>	<ul style="list-style-type: none"> <li>• Joint Executive Directors consisting of the two city managers of each city</li> <li>• Policy establishes the powers that must be exercised and the decisions must be made jointly, and which may be exercised and made by one of the Joint Executive Directors with notice to the other</li> <li>• Fire Chief reports to the Joint Executive Directors, who appoint the Chief</li> </ul>	<ul style="list-style-type: none"> <li>• Cost allocation plan lists category of costs</li> <li>• Costs split differently depending on category</li> <li>• Most costs split 50/50, except for a portion of suppression costs and post-employment liability costs</li> </ul>

After speaking with representatives from the example agencies described above, the City Managers for Arroyo Grande and Grover Beach determined that the models employed by the Central County and Central Marin agencies provide an appropriate starting point for a new JPA for the FCFA given their similar sizes and services. A draft amended and restated JPA has been prepared by the Arroyo Grande and Grover Beach City Attorneys and staff using the models described above and incorporating the feedback received from

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the City Councils on February 27 and 28, 2023, with input by the Fire Chief and legal counsel to the FCFA.

The draft Amended and Restated JPA for the FCFA provided in Attachment 1 includes the following key terms:

- **Governing Board**
  - Two representatives from each city council, which may include the mayors;
  - Chair and Vice Chair positions will be held by one representative of each City for a term of one year;
  - A rotational schedule for the Chair and Vice Chair will be established by Board bylaws or other FCFA policy;
  - At least quarterly meetings of the Board;
  - Any action of the Board requires the affirmative vote of at least one member of the Board from each City.
- **Executive Management**
  - A Management Committee made up of the City Manager of each City will be responsible for the executive management of the FCFA;
  - The Fire Chief will report to the Management Committee, which will be responsible for hiring the Chief;
  - A Chief Executive Officer (CEO) will be responsible for carrying out the direction of the Management Committee and act as signatory on items requiring approval of the Committee, such as contracts. The CEO will be the City Manager who is from the city holding the position of Board Chair and will rotate on the same schedule as the Board Chair.
- **Dispute resolution** - New dispute resolution provisions have been added requiring mediation and, if mediation is not successful, arbitration of any disputes that cannot be resolved informally.
- **Legal Counsel** – The revised JPA includes a provision stating that the FCFA Board may retain legal counsel to represent the FCFA. It is anticipated that the FCFA will retain independent legal counsel in the near future.
- **Retention of Existing Terms** – A number of existing terms from the current FCFA JPA have been carried forward, including:
  - **Personnel and Administration** – All FCFA employees will continue to be deemed employees of Arroyo Grande, utilizing the City's current CalPERS contract. Arroyo Grande will continue to provide administrative services to the FCFA, the cost of which will continue to be reimbursed by the FCFA.
  - **Ownership and Maintenance of the Fire Stations** – The cities will continue own and maintain the fire stations within their respective jurisdictions.
- **Exhibits** – The current exhibits to the JPA have been updated and revised as follows:

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- Exhibit A, Administrative Services – This exhibit has been updated to add a description of IT services, which have been and will continue to be provided by Arroyo Grande, and to remove the previous description of legal services to the FCFA, which are intended to be provided by an independent attorney that will be appointed by the Board, rather than by either City Attorney as discussed in the current agreement.
- Exhibit B, Funding Formula – This exhibit has been updated to include a revised cost sharing structure that excludes the OCSD. Under the new proposed formula, all costs are proposed to be split 58/42, with Arroyo Grande responsible for 58% and Grover Beach responsible for 42%. A more detailed discussion of this proposal is included below.
- Exhibit C, Inventory of Equipment – This exhibit has been revised to include the current list of equipment and apparatus that are owned separately by either Arroyo Grande or Grover Beach.
- Exhibit D, Map of FCFA Service Area – The map of the FCFA’s service area has been revised to include the city boundaries of Arroyo Grande and Grover Beach only.

With the exit of the OCSD from the FCFA, a revised funding formula and cost sharing arrangement is also necessary to account for the loss of a funding partner. Under the current formula, costs are allocated as follows:

1. One third (33.33%) of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. One third (33.33%) of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. One third (33.33%) of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.

If this same formula is used going forward, costs would be allocated for the next fiscal year as follows:

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**COST**

**ALLOCATION**

**FACTORS**

							<b>Weighting</b>
<b>Population:</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>33.33%</b>
Arroyo Grande	18,335	18,553	18,294	58.97%	59.03%	59.01%	59.00%
Grover Beach	12,755	12,879	12,707	41.03%	40.97%	40.99%	41.00%
Total	31,090	31,432	31,001	100.00%	100.00%	100.00%	100.00%

<b>Calls for Service:</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>33.33%</b>
Arroyo Grande	1,964	2,125	2,274	63.36%	64.58%	63.89%	63.94%
Grover Beach	1,077	1,201	1,300	36.64%	35.42%	36.11%	36.06%
Total	3,041	3,326	3,574	100.00%	100.00%	100.00%	100.00%

<b>Station Staffing:</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>F22</b>	<b>F23</b>	<b>F24</b>	<b>33.33%</b>
Arroyo Grande	3	3	3	50.00%	50.00%	50.00%	50.00%
Grover Beach	3	3	3	50.00%	50.00%	50.00%	50.00%
Total	6	6	6	100.00%	100.00%	100.00%	100.00%

<b>Cost Allocation Share:*</b>	<b>Funding Formula</b>
Arroyo Grande	57.68%
Grover Beach	42.32%
Total	100.00%

The third factor included in the current formula (station staffing) was originally intended to account for differences in the number of permanent, full-time fire fighters at each station as the FCFA’s volunteer fire fighters were replaced with new full-time staff. As Arroyo Grande and Grover Beach shifted to all full-time fire fighters at their respective stations years ago when the cities increased funding to the FCFA, this last factor is less relevant for future cost allocations between the two parties. However, simply removing the third factor and allocating costs using the other two factors weighted equally would increase Arroyo Grande’s share to 61.52%, which is almost four percentage points more than would otherwise occur if the third factor is included and weighted at 33.33%. Importantly, the Cost Allocation Share total identified above, which includes the third factor and allocates 57.68% of the total costs to Arroyo Grande, was used by Baker Tilly in its cost estimates included in Attachment 2 and these cost estimates have been used for preliminary budget preparations by the two cities. Additionally, given the concerns regarding Station 3 that are identified in Baker Tilly’s final report (Attachment 2), it is

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possible that staff may need to be relocated to Station 1 at some point in time, which will complicate calculation of the station staffing factor.

Based on all of these considerations, the current draft amended agreement proposes a simplified approach that would allocate 58% of all costs to Arroyo Grande and 42% of all costs to Grover Beach. Revenue received from a potential service contract with the OCSD would be used to reduce the total costs split between the two cities.

#### Final Baker Tilly Report and Current Service Level Recommendations

Baker Tilly's final report builds upon the information presented to the city councils of Grover Beach and Arroyo Grande in February 2023 and incorporates feedback received from each council. The final report is provided in Attachment 2.

The recommendations included in the report are intended to be implemented beginning in FY 2023-24 to coincide with the withdrawal of OCSD from the FCFA. Below were overall observations from Baker Tilly:

- Recent annual financial contributions from participating agencies have not sufficiently financed the total operational costs of the FCFA
- The need for an ongoing dedicated revenue stream to fully finance the operational and capital costs of the FCFA is paramount
- Calls for service for the existing service population are consistent with industry standards though public service (non-emergent) calls are relatively high
- FCFA faces numerous operational challenges resulting in personnel feeling stressed
- Divestiture or deactivation of OCSD fire service responsibility will not be a simple or quick matter to resolve

During its presentation to the City Council on February 27, 2023, Baker Tilly noted that, given the limited resources and operational challenges, FCFA personnel should be commended for the services they provide the community. Staff concurs with these observations and the commendation to FCFA personnel for their work in serving Arroyo Grande residents and businesses.

Building on these observations and the operational and fiscal data collected, Baker Tilly provided the following recommendations to the two cities during its February presentation:

- Conduct a Community Risk Assessment and Standards of Coverage and adjust staffing to meet service area, community risk, and call volume
- Hire an additional battalion chief and place all battalion chiefs on shift schedules consistent with floor personnel

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- Contract for fire marshal and fire inspection services, or fill those positions with FCFA employees
- Develop an inventory of all mission-critical equipment and apparatus, and establish an asset replacement schedule and fund it
- Develop a comprehensive operations policy and procedures manual
- Restructure the governing board and create a five-person board, two from each city (an elected official and city manager) and one mutually agreed-upon board member; Fire Chief to report to one or both City Manager
- Assess the feasibility of a parcel tax or Mello-Roos assessment to help finance FCFA operational and capital costs
- Discuss with CalFire representatives the cost for providing fire prevention and suppression services and/or enter into discussions with City of Pismo Beach representatives to expand the current regional fire authority model
- Work on resolving and strengthening interagency relationships and collaboration
- Develop either an agreement to contract-back fire service for the Oceano area or create a fourth amendment to the JPA, thereby allowing OCSD to continue to be part of the FCFA until LAFCO can render a divestiture decision

The final report generally contains similar recommendations as the February presentation with the following exceptions:

- Modification of governing board recommendation to keep with only elected officials serving on this body rather than a combination of elected officials and city manager
- Recommendation on working with CAL FIRE on potential service provision was removed given the likely inability to reduce costs compared with current FCFA costs along with the loss of local control
- Addition of three “scenarios” under which contract service is provided to Oceano to estimate projected FCFA costs and agency contributions:
  - *Scenario 1:* OCSD stays under contract with FCFA for up to another year at their total property tax revenue amount
  - *Scenario 2:* OCSD stays under contract with FCFA for an indefinite term with OCSD’s funding capped at their total property tax revenue amount.
  - *Scenario 3:* OCSD stays under contract with FCFA for an indefinite term with appropriate County financial support.
- Three options for staffing plans (low, medium, and high) are shown within each scenario to show varying costs and resulting agency contributions.
- Cost estimates included in the tables in the final report have also been updated to include Arroyo Grande’s one-time payment of \$887,401 to the FCFA to address past CalPERS payments that the FCFA made that included liabilities for employees who were employed by Arroyo Grande prior to the formation of the

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FCFA. This payment will increase the FCFA’s fund balance, which will in turn decrease the projected annual costs to Arroyo Grande and Grover Beach that were included in Baker Tilly’s initial cost estimates to rebuild the FCFA’s reserves.

Based on the recommendations of Baker Tilly and feedback provided by the two city councils on February 27 and 28, 2023, it is recommended that the cities proceed with the service level and staffing recommendations included in Plan A-4 (Scenario 1, Low Cost Option). Under this plan, the FCFA will add one battalion chief and two firefighter positions to ensure that a third company will be able to provide 24-hour two-person company staffing to the FCFA service territory. Administrative staff would be increased by 0.5 FTE as well. This staffing plan is depicted in the table that follows:

PLAN A-4	Station Companies						Staffing Additions				
	A/P/T	Arroyo Grande	Grover Beach	3rd	4th	Total	FY 24	FY 25	FY 26	FY 29	Total
Chief	1					1					0
Admin	2					2		0.5			0.5
Fire Marshal	C					0					0
Inspector - PT	C					0					0
EMS Coordinator						0					0
Battalion Chief	3					3	1				1
Captain		3	3	3		9					0
Engineer		3	3	3		9	2				2
Firefighter		3	3			6					0
<b>Total</b>	<b>6</b>	<b>9</b>	<b>9</b>	<b>6</b>	<b>0</b>	<b>30</b>	<b>3</b>	<b>0.5</b>	<b>0</b>	<b>0</b>	<b>3.5</b>

*C = Fire Marshal and Inspector functions provided by contract service (assumes \$100,000)*

This option assumes that the FCFA will provide fire and emergency response services to Oceano on a contractual, fee for service basis whereby the OCSD would pay \$1,211,000 for service through June 30, 2024. Projected costs of this option are depicted in Table 13 in Attachment 2, which appears as follows (with dollar amounts in thousands):

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<b>Staffing Plan A-4, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA</b>										
<b>FCFA</b>	<b>FY20 Act</b>	<b>FY21 Act</b>	<b>FY22 Act</b>	<b>FY23 Bud</b>	<b>FY24 Est</b>	<b>FY25 Est</b>	<b>FY26 Est</b>	<b>FY27 Est</b>	<b>FY28 Est</b>	<b>FY29 Est</b>
Arroyo Grande	2,581	2,581	2,581	2,581	3,796	4,931	5,399	5,370	5,706	5,884
Grover Beach	2,015	2,015	2,015	2,015	2,812	3,646	3,990	3,968	4,215	4,346
Oceano CSD*	1,138	1,138	1,138	1,138	1,211	-	-	-	-	-
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	956
Total Revenues	5,945	6,790	6,590	7,151	8,475	9,311	10,279	10,250	10,855	11,187
Salaries & Benefits	3,786	3,976	4,527	4,445	5,568	6,041	6,545	6,830	7,384	7,590
Overtime-Regular	771	790	709	928	919	1,001	1,087	1,143	1,238	1,270
Overtime-Strike Teams	63	489	446	286	314	321	327	334	340	347
Services & Supplies	658	905	975	1,159	1,272	1,155	1,190	1,226	1,263	1,300
Equipment	166	146	13	227	464	464	589	523	488	487
Debt Service	101	101	101	169	204	279	452	190	90	159
Total Expenditures	5,546	6,407	6,771	7,214	8,741	9,262	10,190	10,245	10,802	11,154
Net Annual	399	383	(181)	(63)	(266)	49	88	5	53	33
Beginning Balance	605	1,004	1,388	1,206	1,143	877	927	1,015	1,020	1,073
Ending Balance	1,004	1,388	1,206	1,143	877	927	1,015	1,020	1,073	1,106
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	10.0%	10.0%	10.0%	10.0%	9.9%	9.9%

\*Assumes OCSD contracts with FCFA with contribution equal to their property tax revenue.

However, staff recommends that, in the interests of minimizing immediate cost increases to the two cities in Fiscal Year 2023-24, any efforts to obtain new fire prevention contract services be delayed for at least one year. State mandated inspection services that are not currently being performed by the FCFA would be performed in Arroyo Grande and Grover Beach by their respective building division services contractors rather than by an FCFA contractor, which will decrease the total costs identified in the table above by \$100,000 (a reduction of \$58,000 to Arroyo Grande and \$42,000 to Grover Beach). This approach would be revisited in 2024 based on need and funding availability for increased prevention services.

Potential Agreement with OCSD

An agreement with the OCSD will be needed to allow the FCFA to provide service to the Oceano community while the LAFCo divestiture process is completed. Terms for a potential agreement will need to address the term of the contract (i.e. length of time), costs, scope of services, and use of Station 3 in Oceano. Each of these terms are listed below, along with preliminary recommendations from staff for discussion purposes:

- Term: 12 months to provide sufficient time for completion of the LAFCo divestiture process.
- Cost: At least \$1,211,00, which is the funding amount that Baker Tilly identified as available to the OCSD for fire service through its current share of property tax revenue.
- Scope of Service: Fire and emergency response services, including the minimal fire prevention services currently provided by the FCFA.

**Item 11.a.**

## **City Council**

**Consider a Draft Amended and Restated JPA of the FCFA, Discuss Terms for a Potential Contract for Fire and Emergency Response Services with the OCSD, and Receive and File the FCFA Final Organizational Assessment Report completed by Baker Tilly**

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- Location: Station 3 may be utilized by the FCFA to serve its entire service territory, including Oceano, if deemed appropriate. Baker Tilly identified deficiencies at Station 3 that may make use of this station by FCFA staff unadvisable. The FCFA should retain the ability to determine where to station its staff regardless of any contract to serve the Oceano community.

It is recommended that Council consider and provide direction regarding the draft Amended and Restated JPA, as well as the preliminary direction regarding the potential terms for a contract for service between the FCFA and the OCSD.

### **ALTERNATIVES:**

The following alternatives are provided for the Council's consideration:

1. 1) Consider and provide direction regarding the draft Amended and Restated Joint Powers Agreement for the Five Cities Fire Authority; 2) Discuss and provide direction regarding preferred terms for a potential contract for service between the FCFA and the OCSD for future fire and emergency response service past June 30, 2023; and 3) Receive and file the final report from Baker Tilly providing an organizational assessment of the FCFA;
2. Provide other direction to staff.

### **ADVANTAGES:**

Providing direction regarding the draft Amended and Restated JPA will enable staff to finalize the agreement for adoption prior to June 30, 2023, when the OCSD will be required to exit the JPA and the current JPA will no longer function well to address the needs of a two-party authority. Direction regarding preferred terms for a potential service contract between the FCFA and the OCSD will equip staff to negotiate an agreement that will meet the needs of the parties. Receipt of the final Baker Tilly report will ensure that the public and all interested parties have access to the consultant's data, findings, and recommendations regarding the FCFA.

### **DISADVANTAGES:**

There are no known disadvantages to providing direction regarding the draft JPA and potential terms of a service contract with the OCSD, nor with receiving and filing the Baker Tilly report.

### **ENVIRONMENTAL REVIEW:**

No environmental review is required for this item.

### **PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

**Item 11.a.**

**City Council**

**Consider a Draft Amended and Restated JPA of the FCFA, Discuss Terms for a Potential Contract for Fire and Emergency Response Services with the OCSD, and Receive and File the FCFA Final Organizational Assessment Report completed by Baker Tilly**

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Attachments:

1. Draft Amended and Restated Joint Powers Agreement for the FCFA
2. Final Baker Tilly Report