



MEMORANDUM

TO: City Council

FROM: Whitney McDonald, City Manager
Nicole Valentine, Administrative Services Director/FCFA Treasurer
Isaac Rosen, City Attorney

SUBJECT: Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

DATE: June 13, 2023

SUMMARY OF ACTION:

Approve the Amended and Restated Joint Exercise of Powers Agreement for the FCFA (with direction to transmit the approved Joint Exercise of Powers Agreement consistent with State law) with a formal execution date of June 22, 2023, and appoint two members of the City Council to the FCFA Board of Directors. Consider the two proposed agreements between the FCFA and the Oceano Community Services District (OCSD) regarding short-term fire and emergency response services and ongoing post-employment liabilities of the OCSD to the FCFA, which will be proposed for approval by the FCFA Board of Directors. Review the draft Fiscal Year (FY) 2023-24 budget of the FCFA and provide direction to the City's representatives on the FCFA Board of Directors regarding the proposed budget.

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 FY 2019-20. The City's financial contributions to the FCFA will increase from \$2,580,955 in FY 2022-23 to \$3,796,000 in FY 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 \$1,150,000 from the OCSD for service through June 30, 2024.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 2

RECOMMENDATION:

1) Approve the Amended and Restated Joint Exercise of Powers Agreement for the FCFA (with direction to transmit the approved Joint Exercise of Powers Agreement consistent with State law) with a formal execution date of June 22, 2023; 2) Appoint two members of the City Council to the FCFA Board of Directors; 3) Consider the two proposed agreements between the FCFA and the OCSD regarding short-term fire and emergency response services and ongoing post-employment liabilities of the OCSD to the FCFA, which will be proposed for approval by the FCFA Board of Directors; and 4) Review and provide direction to the City's representatives on the FCFA Board of Directors regarding the draft FCFA FY 2023-24 Budget.

BACKGROUND:

Several updates and discussion items have been presented to the City Council since June 2022 regarding the FCFA and a number of changes anticipated for the organization. As discussed previously, the OCSD is exiting the FCFA pursuant to the terms of the Third Amendment to the current Joint Exercise of Powers Agreement (Third Amendment) following the failed parcel tax measure proposed by the OCSD in June 2022 that aimed to raise revenue for continued fire and emergency service to the Oceano community.

The Third Amendment calls for a "wind down" process that has been occurring since July 1, 2022, in anticipation of the OCSD's exit. 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 work program elements identified in the Third Amendment have been completed as follows:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - A physical asset list has been completed and the OCSD's share of the remaining assets has been determined. This list is provided in Attachment 4.
- 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 actuary, Foster & Foster, has been retained and has completed a draft actuarial report identifying the post-employment liabilities of the FCFA through June 30, 2021 (see Exhibit A to Attachment 3). This is the most recent data available from CalPERS and will be updated to include 2022 liabilities by the fall. 2023 liabilities will not be known until the fall of 2024 and will be included in a revised actuarial report that will be used to calculate OCSD's total share of outstanding liabilities associated with their departure from FCFA.

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 3

- A contract addressing OCSD's ongoing liabilities to the FCFA has been prepared and provided in Attachment 3 for review. This agreement is discussed in more detail below.
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - The OCSD will be entitled to a 19.6% share of the FCFA's general fund balance remaining on June 30, 2023, according to the FCFA's audited financials. It is estimated that this amount will be approximately \$280,000.

A number of additional efforts have also been underway in anticipation of the OCSD's exit from the FCFA. 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 (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.

Additionally, the Cities of Arroyo Grande and Grover Beach, with the assistance of FCFA staff, have prepared a number of evaluations and agreements that will govern operations of the FCFA as a two-member organization. In October 2022, the cities engaged the services of a consultant, Baker Tilly, to conduct an organizational assessment of the FCFA and to assist in the evaluation of service delivery needs and options, including financial analyses of these options. On February 28, 2023, the City Council received a presentation from Baker Tilly 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. In light of the likelihood that the OCSD's LAFCo divestiture application would take another 6-12 months to complete after the OCSD's exit from the FCFA on July 1, 2023, Baker Tilly recommended that the FCFA consider providing ongoing service to Oceano for one year pursuant to a service agreement. The Arroyo Grande and Grover Beach City Councils agreed, and provided direction to Baker Tilly to complete its final report evaluating staffing and funding options with this in mind.

Following the presentation on February 28, 2023, Baker Tilly completed a full written report that was presented to the City Council on April 25, 2023. The financial analyses completed by Baker Tilly are being used by both Arroyo Grande and Grover Beach to prepare their biennial budgets for Fiscal Years 2023-25. The findings and

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 4

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.

A draft Amended and Restated Joint Exercise of Powers Agreement for the FCFA (Amended and Restated JPA) was presented to the City Council on April 25, 2023, along with the final Baker Tilly report and a discussion of potential terms for a short-term service contract between the FCFA and the OCSD. The City Council expressed support for the Amended and Restated JPA as drafted and received and filed the final Baker Tilly report. Additionally, Council directed that a short-term service agreement be offered to the OCSD at a cost of \$1,211,000 for a nine-month term, with a month-to-month extension available at an equivalent monthly cost.

A proposed contract for service was developed incorporating these proposed terms and provided to the OCSD's General Manager for consideration. On May 10, 2023, the OCSD Board of Directors discussed the proposed terms and provided direction to its General Manager to seek a contract for service with the following terms:

- One-year term at a cost of \$1,150,000 to the OCSD; or
- Nine-month term at a cost of \$862,500; and
- Flexible options for an extension to the term with costs per service commensurate with the yearly cost of \$1,150,000.

The City Council considered these requested terms at its May 23, 2023 meeting and provided direction to accept the revised agreement negotiated among legal counsel for the two cities and the OCSD, including the one-year term at a cost of \$1,150,000, with further direction that the agreement be modified to require that the cost of any extension of beyond one-year would be the amount that the FCFA would require the County to pay for service to Oceano. The agreement was modified as directed and the OCSD Board of Directors considered and approved the terms contained in the revised agreement at its meeting on May 24, 2023.

During this time frame, the City has also developed preliminary budget recommendations for its Fiscal Years 2023-25 Biennial Budget, presented initially on May 23, 2023. The City's draft budget presumes that the FCFA's FY 2023-24 Budget will reflect the projected costs included in the final Baker Tilly report, shown in Table 13 of that report and reproduced below:

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 5

Staffing Plan A-4, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
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.

The City's draft budget presumes that the FCFA's FY 2024-25 Budget will reflect the projected costs included in the final Baker Tilly report, shown in Table 19 of that report and reproduced below:

Staffing Plan A-4, Higher Wage Growth, No FEMA/SAFER Grants, OCSD Contracts with FCFA w/ County Support										
FCFA	FY20 Act	FY21 Act	FY22 Act	FY23 Bud	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est
Arroyo Grande	2,581	2,581	2,581	2,581	3,621	3,978	4,354	4,331	4,601	4,745
Grover Beach	2,015	2,015	2,015	2,015	2,633	2,893	3,167	3,150	3,346	3,451
Oceano CSD*	1,138	1,138	1,138	1,138	1,553	1,706	1,868	1,858	1,974	2,035
Other Revenue	211	1,056	855	1,416	655	733	890	912	934	956
Total Revenues	5,945	6,790	6,590	7,151	8,462	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)	(279)	49	88	5	53	33
Beginning Balance	605	1,004	1,388	1,206	1,143	864	914	1,002	1,007	1,060
Ending Balance	1,004	1,388	1,206	1,143	864	914	1,002	1,007	1,060	1,094
End Bal as % of Tot Exp	18.1%	21.7%	17.8%	15.8%	9.9%	9.9%	9.8%	9.8%	9.8%	9.8%

*Assumes OCSD contracts with FCFA with contribution based on allocation share (paid with property tax plus County support).

The FCFA FY 2024-25 Budget will continue to be refined as the LAFCo process is completed and will be brought back for review with the Mid-Cycle Budget Update in Spring of 2024.

Pursuant to provisions of the City Council Handbook (discussed in more detail later in this report), prior annual budgets of the FCFA have been presented to the City Council for

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 6

review and to allow direction to be provided to the City's appointed representative on the FCFA Board regarding the proposed budget. Because the Second and Third Amendments to the JPA have kept the City's contribution amount static at \$2,580,955 per year since FY 2019-20, the City Council has not considered the FCFA's annual budget since 2019.

ANALYSIS OF ISSUES:

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. After speaking with representatives from certain example agencies, specifically, the Central Marin Fire Authority, operating in the City of Larkspur and the Town of Corte Madera (Central Marin), and the Central County Fire Department, operating in the cities of Burlingame and Hillsborough (Central County) and providing contract service to the City of Millbrae, the City Managers for Arroyo Grande and Grover Beach determined that the models employed by these two agencies provided an appropriate starting point for a new JPA for the FCFA given their similar sizes and services. A draft amended and restated JPA was prepared by the Arroyo Grande and Grover Beach City Attorneys and staff using the models described above and incorporating the feedback received from the City Councils on February 27 and 28, 2023, with input by the Fire Chief and legal counsel to the FCFA.

As discussed on April 25, 2023, the 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

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 7

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:
 - 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%.
 - 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.

The agreement is now ready for approval by the City Council. It is recommended that the City Council direct that the Amended and Restated JPA be formally executed on June 22, 2023, when it is anticipated that the new FCFA Board will be convened for its first meeting and will approve the service agreement with the OCSD. The Grover Beach City Council

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 8

is scheduled to consider approving the proposed Amended and Restated JPA on June 12, 2023.

Appointment of Representatives to the New FCFA Board of Directors

In addition to approval of the Amended and Restated JPA, it is recommended that the City Council appoint two members to the FCFA Board of Directors, as required under the Amended and Restated JPA. If desired, Council may also appoint an alternate to serve in the event that one or more appointed City representatives to the FCFA Board are unavailable to attend a meeting. It is anticipated that the City Council Handbook will be revised in the coming months to address changes to the FCFA Board as well as other revisions related to changes to the Arroyo Grande Tourism Business Improvement District Advisory Board.

In order for the new FCFA Board to review and approve the FCFA's FY 2023-24 Budget and to approve the agreements with the OCSD described in more detail below prior to the beginning of the fiscal year on July 1, it is recommended that the Board be convened on June 22, 2023. Additional agenda items during this meeting will likely include appointment of Chair and Vice-Chair and completion of the weed abatement lien process for 2023.

FCFA Agreements with the OCSD

Two agreements between the FCFA and the OCSD have been prepared and are provided in Attachments 2 and 3 for review by the City Council.

The first agreement in Attachment 2 is a short-term fire and emergency service agreement that will enable the FCFA to continue to serve the community of Oceano through June 30, 2024. Key terms of this agreement include:

- OCSD shall pay \$1,150,000 for service for the one-year term, paid quarterly;
- The agreement may be extended beyond the one-year term subject to the following requirements:
 - The cost of service during any extension will be no less than the actual cost of service in the amount or formula determined by FCFA that is presented to the County of San Luis Obispo for purposes of evidencing Oceano's proportionate share of the actual cost of service;
 - Any extension will be negotiated by the parties beginning three months prior to the conclusion of the initial term of the agreement;
- Termination:
 - Either party may terminate during the initial term by providing 120 days' written notice;
 - If the OCSD is delinquent on any payments, the FCFA may terminate the agreement immediately;

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 9

- The Agreement will terminate if LAFCo makes a final decision on the OCSD's divestiture application within the initial term and if that decision would legally preclude the OCSD from participating in the agreement;
- Use of OCSD property:
 - The FCFA will serve Oceano from Stations 1 and 2 in Arroyo Grande and Grover Beach beginning in July 1, 2023;
 - The FCFA will retain the ability to use the apparatus bay at Station 3 in Oceano for storage, as well as OCSD's well site no. 8 for training purposes, at no cost to the FCFA.

The second agreement provided in Attachment 3 addresses the OCSD's ongoing obligations for its share of the FCFA's post-retirement (CalPERS) liabilities. Under the terms of the Third Amendment, the OCSD is subject to ongoing obligations to pay its share of CalPERS liabilities incurred by the FCFA while the OCSD has been a member of the FCFA (from June 7, 2010, through June 30, 2023). Staff for the two cities and the OCSD have prepared an agreement that will address these ongoing liabilities following the OCSD's exit from the FCFA. Key terms of the agreement include:

- The FCFA will prepare an actuarial analysis each year identifying the estimated liabilities of the FCFA, from which the OCSD's obligation will be calculated until the obligations are fully paid. A draft actuarial report is attached to the agreement as an example.
- The OCSD may pay its share of the FCFA's CalPERS obligations on a yearly basis, based on the yearly actuarial analysis, or as a lump sum.
- The OCSD's share of the FCFA's CalPERS obligations will be offset by its share of the FCFA's assets as of June 30, 2023. The assets include:
 - The OCSD's proportionate share of the FCFA fund balance as of June 30, 2023, as determined by the FCFA Treasurer based on the audited financial report for FY 2022-23; and
 - The OCSD's proportionate ownership share of the FCFA's physical assets as of June 30, 2023, which equals \$278,109.

These two agreements are provided for review by the City Council. As the agreements are proposed between the FCFA and the OCSD, the Board of Directors of the FCFA and the OCSD will need to approve each agreement in order for them to become effective. It is anticipated that the OCSD Board of Directors will consider approval of the two agreements at its regular meeting scheduled for June 14, 2023. The new FCFA Board of Directors would consider approval of the two agreements at its meeting to be scheduled during the week of June 19th.

Draft FCFA FY 2023-24 Budget

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 10

Section 5.6 of the City Council Handbook addresses the “Criteria and Process for Council Representatives Seeking Council Direction or Input on Items Being Considered by Regional or Local Boards and Committees.” This section explains that City appointees to various regional or local boards and committees represent the City on these boards and committees “and are granted authority to make decisions in the best interest of the City of Arroyo Grande, as well as the general public and interests served by the specific agency. However, it is appropriate to seek City Council input and/or direction on items meeting criteria that has been established by the City Council.” Additional guidelines are provided regarding the criteria and process for seeking input from the City Council as follows:

“a. When time permits prior to an item scheduled to be voted on by a board or committee that a member of the City Council has been appointed to by the City Council, City Council Members are advised to place items on the City Council agenda for direction and/or input if they meet any of the following criteria:

- i. Items that will result in a one-time or annual direct financial impact to the City of over \$10,000.
- ii. Items that involve new regulations, requirements or other impacts that will result in a significant impact to staff workload or adversely impact Arroyo Grande businesses or citizens.
- iii. Items that will create or increase a fee, tax or other charge to Arroyo Grande residents.
- iv. Items of a controversial nature that have been frequently reported in the media and have resulted in vocal opposition from the public and/or diverse vocal opinions from interest groups and the public.
- v. Items involving issues that the City Council has received a significant number of comments or correspondence from members of the community.”

As the draft FCFA FY 2023-24 Budget is anticipated to increase the City’s contributions to the FCFA by more than \$10,000, it is recommended that the City Council review and consider providing direction to the City’s representatives on the FCFA Board regarding the budget. Unlike presentations of the FCFA’s proposed budgets in prior years, this year’s discussion is being held with the City Council before the FCFA Board has reviewed and provided preliminary direction regarding the FY 2023-24 budget due to the anticipated adoption of the Amended and Restated JPA and creation of a new FCFA Board.

The FCFA’s Treasurer has prepared a draft FY 2023-24 Budget (Attachment 5) for the FCFA in consultation with the Fire Chief, as well as the City Managers of Arroyo Grande and Grover Beach. The proposed FY 2023-24 Budget recommends approximately \$8.7 million in expenditures, including operating costs such as salaries, benefits, services,

Item 11.a.

City Council**Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS****June 13, 2023****Page 11**

supplies, maintenance, debt service, and capital related items as shown in the consolidated fund summary table 1 shown below:

Table 1 – FY 2023-24 FCFA Budget Summary**FIVE CITIES FIRE AUTHORITY**

For the Fiscal Year Ending June 30, 2024

	ACTUALS		Approved Budget	Adjusted Budget	Baker Tilly A-4 Estimate	Proposed Budget	Variance Baker Tilly vs Proposed Better/(Worse)
	2020-21	2021-22	2022-23	2022-23	2023-24	2023-24	
Beginning Fund Balance	\$ 1,005,267	\$ 1,387,744	\$ 1,324,318	\$ 1,324,318	\$ 1,143,000	\$ 1,124,939	\$ (18,061)
Revenues	6,789,777	6,572,902	5,849,718	7,010,580	8,475,000	8,413,610	(61,390)
Expenditures:							
Salaries & Benefits	5,254,729	5,546,681	5,522,800	5,645,100	6,801,000	6,801,000	-
Services & Supplies	905,228	975,437	1,089,075	1,183,775	1,272,000	1,527,143	255,143
Equipment Replacement	146,147	13,013	100,000	227,187	204,000	264,000	60,000
Debt Service	101,197	101,197	153,897	153,897	464,000	153,893	(310,107)
Total Expenditures	6,407,300	6,636,328	6,865,772	7,209,959	8,741,000	8,746,036	5,036
Change in Fund Balance	382,477	(63,426)	(1,016,054)	(199,379)	(266,000)	(332,426)	
Ending Fund Balance	<u>\$ 1,387,744</u>	<u>\$ 1,324,318</u>	<u>\$ 308,264</u>	<u>\$ 1,124,939</u>	<u>\$ 877,000</u>	<u>\$ 792,513</u>	
					10.03%	9.06%	

The FY 2023-24 expenditures total \$8,746,036 and reflects the recommendations of Baker Tilly's A-4 staffing plan as well as changes to individual line-item budgets based on staff's review of the ongoing operational needs of the department and foreseeable one-time expenditures. Key assumptions included in the budget are as follows:

- Two 3-person companies, one 2-person company, and 1 additional battalion chief
- OCSD contribution totaling \$1,150,000
- Estimated Salary Assumptions
- Contract for a Standards of Cover and Community Risk Assessment study
- Upgrades to the Station Alerting system at Stations 1 & 2
- Replacement Extrication Equipment
- Replacement Fleet Vehicle
- Reduction in the Debt Service budget in FY 2023-24 compared to estimates provided by Baker Tilly based on financing that will be secured closer to the completion date of equipment

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 12

The estimated fund balance at the end of FY 2023-24 is \$792,513 or 9.06%. The Baker Tilly study suggested that the new Board establish a fund balance policy of 10%.

The Amended and Restated JPA requires the FCFA to adopt a budget by April 30th in order to provide sufficient time for the two cities to include their respective contribution amounts in their own budgets. This timing provision is new to the Amended and Restated JPA and will be followed in future budget years. The Amended and Restated JPA does require the FCFA Board, once the Amended and Restated JPA is approved, to meet within 30 days of that approval to consider the agency's initial budget.

ALTERNATIVES:

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

1. 1) Approve the Amended and Restated Joint Exercise of Powers Agreement for the FCFA (with direction to transmit the approved Joint Exercise of Powers Agreement consistent with State law) with a formal execution date of June 22, 2023; 2) Appoint two members of the City Council to the FCFA Board of Directors; 3) Consider the two proposed agreements between the FCFA and the OCSD regarding short-term fire and emergency response services and ongoing post-employment liabilities of the OCSD to the FCFA, which will be proposed for approval by the FCFA Board of Directors; and 4) Review and provide direction to the City's representatives on the FCFA Board of Directors regarding the draft FCFA Fiscal Year 2023-24 Budget; or
2. Appoint two members of the City Council, and one alternate, to the FCFA Board of Directors; or
3. Consider the two proposed agreements between the FCFA and the OCSD regarding short-term fire and emergency response services and ongoing post-employment liabilities of the OCSD to the FCFA, and provide direction to the City's appointed representatives to the FCFA Board regarding the agreements; or
4. Direct that modifications be made to the Amended and Restated Joint Exercise of Powers Agreement and approve the agreement (which will have the effect of requiring the City of Grover Beach to consider re-approving the agreement with the directed modifications); or
5. Provide other direction to staff.

ADVANTAGES:

Approval of the Amended and Restated JPA, appointment of City representatives to the new FCFA Board, approval by the FCFA Board of the two agreements with the OCSD, and review and direction regarding the draft Fiscal Year 2023-24 FCFA Budget will ensure that the City continues to receive effective fire and emergency response services from the FCFA following the OCSD's exit as a member agency of the FCFA.

Item 11.a.

City Council

Consideration of Approval of Amended and Restated Joint Exercise of Powers Agreement for FCFA; Appointment of Representatives to the Board of Directors; Agreements Between FCFA and OCSD Regarding Short-Term Fire and Emergency Services and Ongoing CalPERS

June 13, 2023

Page 13

DISADVANTAGES:

In order to ensure the ongoing delivery of effective fire and emergency response services to the community, the City's costs will increase by approximately \$1.2 million in the upcoming fiscal year.

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.

Attachments:

1. Amended and Restated JPA
2. Agreement to Provide Fire Services Between the FCFA and the OCSD
3. Agreement between FCFA and OCSD Regarding OCSD's Ongoing CalPERS Liabilities and Responsibilities Following Withdrawal From the Five Cities Fire Authority Joint Exercise of Powers Agreement
4. FCFA physical asset list
5. Draft FCFA FY 2023-24 Budget

Enter Recommendation Here