



## **BOARD MEETING AGENDA SUBMITTAL**

---

**TO:** GCSB Board of Directors

**FROM:** Peter Kampa, General Manager

**DATE:** September 12, 2023

**SUBJECT:** Agenda Item 6C: Consideration of Fire Department Funding Options and the Associated Processes and Schedules, Including Assessments, Special Taxes and Fees

---

### **RECOMMENDED ACTION:**

Staff recommends the following action:

*Provide direction to staff to secure a proposal(s) from qualified consultants for the development of the desired fire revenue measure(s) and supporting processes and schedules, to be considered by the Board at a future meeting.*

### **BACKGROUND:**

Since 2019, the board has been regularly discussing the financial shortfalls of the district fire department, including the fact that the cost of the CalFire Schedule A contract alone exceeds the total amount of property tax revenue received on an annual basis; not including any department operating costs, administrative costs or equipment replacement. Had it not been for several drought years where the district was not charged by Cal Fire to keep the Amador station open during the winter, the GCSB fire department fund balance would likely have been depleted by this time.

In our favor, the cost of the Schedule A contract came in under budget for all years but last year and the county has funded an engine Co-located in our fire station. This has resulted in an estimated fire department cash balance adequate to fund the fire department for up to the next two years only. This two years of funding assumes that there are no breakdowns of major equipment, such as having to replace a fire engine. Operating the Groveland fire department to its last dime is an extremely risky proposition and we must plan our financial future now.

As you will remember, in 2019 the district began down the road of preparing a special tax measure to be voted on by registered voters within our district boundaries, and then choose to form a joint powers authority with the county to submit a countywide ballot measure to fund fire departments. Unfortunately, the countywide Measure V failed, and no additional

funding has been made available to GCSD for its fire department. As we have also discussed continuously, we are operating the fire department with the minimum amount of staffing on an engine and reducing the cost of the Schedule A contract is not possible, in fact that cost is increasing over 5% per year in the coming years. We'll need to have an increase in fire department revenue by the end of the 2024/2025 fiscal year. The purpose of this discussion is to secure board direction on our next steps to increase revenue for the fire department.

Following are several options to increase fire department revenue:

1. **Cost recovery fees** – Charged for responding First Responder Fee (Medical, Non-Resident)

The principal rationale for a First Responder Fee is that County Fire services have expanded beyond traditional fire suppression activities that are generally supported by property taxes. In recent years fire department operations have changed from pure fire suppression to also medical services, which has shifted the balance for financing these services from primarily property related taxes to a combination of property taxes and user fees. Fees for first responder medical fees could be charged to insurance companies of patients who are treated or evaluated by GCSD Firefighters for medical services.

The revenue/reimbursement for services provided by this fee would have to be closely evaluated to determine if the administrative cost of seeking reimbursement would outweigh the costs recovered. Response to structure and vehicle fires should also be evaluated. Many insurance companies include reimbursement to fire departments for response and fire protection activities related to a loss. A municipal finance consultant would be needed to evaluate the potential for increasing revenue by charging response fees.

## **2. Fire Parcel Benefit Assessment/Fire Parcel Tax**

A **Fire Parcel Benefit Assessment** is a set fee that assesses a parcel annually, based upon established criteria (a specific benefit to the fee payers) and would be used exclusively to fund local GCSD Fire operations. A parcel assessment requires a simple majority plus one and is voted on by the property owners. One of the requirements of a parcel benefit assessment is the creation of an engineer's report on an annual basis. This report provides detailed analysis of the direct benefit received in relation to the revenue generated. One of the drawbacks of a parcel assessment is that it can be easily repealed with a simple majority.

A **Fire Parcel (Special) Tax** is a tax that assesses a parcel annually, based upon established criteria, and would be used exclusively to fund local GCSD Fire operations. This tax requires 2/3 majority of registered voters. No engineer's report is required; however, GCSD

Fire would keep the Board and public informed of how the funds are utilized on a frequent basis.

The Fire Parcel Benefit Assessment and/or Fire Parcel Tax could be a simple flat rate per parcel per year or it could be assessed only on those improved parcels that contain a structure. Another option includes breaking down parcels into different rates for different types-Residential, Multi-Family Residential, Commercial/Industrial, Mobile Home/Trailer Parks, Agricultural Land, Vacant Land, Agricultural Buildings, Hotel/Motels. Generally, special taxes also increase by a standard rate each year, often tied to a CPI or flat percentage increase. Court decisions and state law tend to favor assessment/tax structures based on land use type and building square feet.

Many local fire districts and governmental entities utilize parcel special taxes, assessments, and fees for fire, including Twain Harte Community Services District, Mi Wuk Sugar Pine Fire Protection District, Ebbets Pass Fire Protection District, Stanislaus County, Mariposa County, Calaveras County and Mono County.

### **3. Development mitigation/impact fees**

Fees charged to new land development projects or building projects to offset the cost of providing fire services to new development, including purchasing additional engines and building new fire stations or expanding existing. The District has completed an impact fee study and adopted a fee, which was to be collected by the county on development, and paid to the GCSD. However, within months after the Board approved the fee, the law changed and we now need to revise the fee calculation method; a process that is nearing completion.

### **4. Community Facilities Districts**

Community facilities districts or CFDS are a mechanism to allow the district to levy a special tax on new development projects to fund the operating cost of expanding the fire department to serve new development. Where development impact fees can only be used to fund equipment and infrastructure, staff find the staff, fuel, insurance, and all other non-capital costs of the department. The policy of the GCSD Board is for new land subdivision projects and large commercial development projects to form CFD's to offset the future cost of expanding the fire department.

Staff is recommending that we continue with the process of requiring the large new land development projects to form CFD's and to pay development impact fees, thereby ensuring that new development does not negatively impact our current level of services. In addition, staff recommends that we seek proposals from qualified municipal finance firms for the evaluation, recommendation, and assistance with implementation of the optimal long term

funding mechanism for the Groveland fire department, be it special tax or property assessment pushed to the voters and/or property owners for consideration.

**ATTACHMENTS:**

None

**FINANCIAL IMPACT:**

None at this time.