



Santa Cruz Local Agency Formation Commission

Date: August 7, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **AP Triton – Feasibility Study**

SUMMARY OF RECOMMENDATION

The Cortese-Knox-Hertzberg Act delegates LAFCOs with regulatory and planning duty authority to coordinate the logical formation and development of local governmental agencies through various actions, including but not limited to, processing boundary changes and developing service and sphere reviews. In some cases, LAFCO staff requires additional assistance from outside consultants for specific projects or special studies. This report will summarize the feasibility study developed by AP Triton and the possible next steps to ensure the efficient and effective delivery of fire protection and emergency medical services in Santa Cruz County.

It is recommended that the Commission take the following actions:

1. Receive and file the feasibility study; and
 2. Direct staff to coordinate with the County of Santa Cruz and CalFire to develop a transition plan to reorganize County Service Area 48 from a dependent special district to an independent fire protection district.
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EXECUTIVE OFFICER'S REPORT

In October 2021, as part of the Countywide Fire Protection Service & Sphere Review, the Commission conducted a thorough evaluation of the 13 fire agencies' history, level of service, and their sphere boundaries. Based on LAFCO's analysis, and after the report was published, several fire agencies expressed interest in exploring the possible annexation of territory within their sphere boundaries. However, the number one question that all affected agencies have when considering annexation is: *"What is the financial impact?"* Historically, the fiscal data was not available to make that determination, which prevented the concept of annexation to move forward. This led LAFCO to hire an outside consultant (AP Triton) in August 2022 to assess the potential fiscal impact of such actions by developing a more technical analysis that would provide the affected agencies with the necessary facts to make a sound determination.

This feasibility study examined how future annexations within existing sphere boundaries directly affect the annexing agencies and the County as the oversight agency to County Service Area ("CSA 48"). For any annexation to occur, those subject areas would need to be concurrently detached from CSA 48, which currently serves all unincorporated areas not within a fire district. Such a change in organization would impact CSA 48's existing

operations and finances. Therefore, this subsequent fire study benefits the entire County because it answers two fundamental questions:

- 1) Is it feasible for an agency to take over fire responsibility in areas within its sphere boundary through annexation?
- 2) How does the proposed reorganizations impact the current and future operations of CSA 48?

Attachment 1 provides a copy of the feasibility study which answers these two questions and provides an in-depth analysis of the existing sphere boundaries, potential impacts to the County, and additional information about the current fire protection delivery model in Santa Cruz County. Based on LAFCO's review of the study, it is staff's determination that the fiscal and service impact to the fire districts would be minimal if annexation were to be considered. The same cannot be said in the case of CSA 48.

CSA 48 Existing Structure

AP Triton identified over 40 key findings under four different categories: (1) Key Concepts, (2) Sphere of Influence Annexation Findings, (3) Application Findings, and (4) Agency General Findings. However, many of the findings focused on the significant issues involving CSA 48's governance and operations. Below are direct excerpts from the study:

- *"A dependent special district's [county service areas] requirements, responsibilities, and governance appear poorly understood."*
- *"The dependent special districts [CSAs 4 and 48] are governed by the Santa Cruz County Board of Supervisors and serve primarily as a funding mechanism for fire protection. There is no inherent authority within these districts, and the expected level of service was only found in the CAL FIRE contract."*
- *"The Santa Cruz County Fire Department (SCCFD) is not technically a department within the county."*
- *"CAL FIRE is charged under a single contract to provide fire protection services to CSA 4 and CSA 48."*
- *"CAL FIRE provides oversight and management to the volunteer and career companies in CSA 4 and CSA 48 under the umbrella of SCCFD."*
- *"County budget documents do not separate the two CSA 48 special assessments."*
- *"CSA 4 and CSA 48 are treated differently in the budget document, which may cause some confusion about the roles of the CSAs."*

These findings are consistent to the areas of improvement identified in the County's recent Fire Master Plan for County Service Area 48, which will be presented to the County Board of Supervisors in August 2024 (tentatively scheduled for the 8/27 BOS meeting).

In addition to the findings listed above, AP Triton reached the following conclusion:

*Based on an evaluation of the financial information submitted by the county and the affected agencies and service call load, **the detachment of these areas from the CSA 4 and CSA 48 service areas would have an overall detrimental impact on the county's ability to provide fire protection.** While the movement of funds to most special districts is a positive for these agencies, it does not appear to have an excessively positive impact. In addition, the incident volume for most agencies would not increase significantly, and the SCCFD call load would not diminish perceptively.*

CSA 48 Potential Structure

It is apparent that the current model under CSA 48, which merely acts as a funding mechanism, is not sustainable in the long run. That is why LAFCO has been in coordination with the County to determine how the two agencies can work together and develop an effective long-term solution. Based on the results from this fire study, coupled with the conclusions in the County Master Plan, key staff members from the County and LAFCO agreed that it may be beneficial to explore the concept of reorganizing CSA 48 as an independent fire district. Under this new governance model, the CSA 48 residents would have increased representation and participation since the district will require an independent board of directors, a separate budgetary structure, and direct coordination with CalFIRE as their service provider.

In order to properly consider this change of organization, LAFCO and the County must develop a transition plan that clearly outlines how the new fire district would operate. LAFCO staff is ready to spearhead this effort after receiving support from this Commission and the County Board of Supervisors. It is LAFCO staff's understanding that the Board of Supervisors will receive a similar recommendation from their staff at an upcoming board meeting in mid-August. If jointly supported, LAFCO staff will provide periodic updates to the Commission.

Other Outside Factors To Consider

In addition to the conclusions made in the fire study and master plan, reorganizing CSA 48 as an independent fire district would establish a new public entity capable of assuming fire service responsibilities from any struggling district. For example, the Pajaro Valley Fire Protection District (PVFPD) recently adopted a budget that reduced its level of service due to insufficient funding. Furthermore, PVFPD is on a path that will lead to insolvency in less than 18 months from now. The PVFPD Board of Directors considered various governance options and determined that dissolution and concurrent annexation into CSA 48 may be their best/only solution. Based on the issues currently facing CSA 48, it is unknown if the County would be willing and capable of assuming fire protection services for a large area in south county. Additionally, some San Lorenzo Valley fire districts are facing financial difficulties, including but not limited to the Felton Fire Protection District (FFPD). The FFPD Board and CalFire are currently negotiating terms that will allow CalFIRE to assume all administrative and operational duties. Having a new independent fire district established may offer any struggling fire district an additional and alternate solution to consider now or in the future.

CSA 4 (Pajaro Dunes) Comments

For additional transparency and coordination, LAFCO staff shared an advanced copy of the study to the fire agencies analyzed in the report including but not limited to CSA 4 representatives. The representatives provided LAFCO with the following three comments:

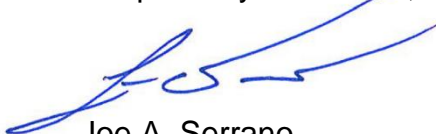
- The report does not reflect the Pajaro Dunes residents' opposition towards any reorganization with Pajaro Valley Fire Protection District;
- The report does not indicate that Pajaro Dunes residents recently approved a new (higher) benefit assessment to fund the operations under CSA 4; and
- The report is not clear whether current or future CSA 4 assessment funds will remain within the Pajaro Dunes community if a reorganization would occur.

While the study focused on CSA 48 and the hypothetical annexations involving existing sphere boundaries, the fire study also included a section analyzing an actual application submitted by PVFPD in March 2022. Their application expressed interest to annex areas within their entire sphere, including CSA 4 (Pajaro Dunes). However, the report concluded that PVFPD may not be equipped to successfully assume more responsibility through annexation at this time. The PVFPD Board of Directors recently reached that same conclusion and officially withdrew their annexation application in May 2024.

CONCLUSION

The fire study developed by AP Triton has finally provided fiscal data that was previously unavailable to move forward with some determinations. The fire agencies and the County now have a better understanding of the fiscal and operational impacts if annexation were to occur within their respective spheres. More importantly, this study highlighted the need to explore governance options for CSA 48. Fire protection and emergency medical services is a vital component in Santa Cruz County. CSA 48 and some of the independent fire districts are struggling financially, operationally, and/or with governance. It is essential that we continue to consider methods to improve how these services are delivered to the public. Staff members from the County and LAFCO have agreed to collaborate to determine if reorganizing CSA 48 as an independent fire district would improve the delivery of services, increase representation and accountability, and more importantly, benefit the residents. That is why staff is recommending that the Commission direct staff to work with the County to develop a transition plan.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachment: [AP Triton Fire Study](#)

cc: Fire Agencies in Santa Cruz County