



## SUMMARY REPORT

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**Agenda Date:** 2/11/2020

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**To:** Board of Supervisors

**Department or Agency Name(s):** County Administrator's Office

**Staff Name and Phone Number:** Terri Wright 565-3775

**Vote Requirement:** 4/5th

**Supervisorial District(s):** First District

**Title:**

Revenue Exchange Agreement with the Glen Ellen Fire Protection District

**Recommended Action:**

- A) Approve a Revenue and Gann Limit Exchange Agreement (Agreement) with the Glen Ellen Fire Protection District for the annexation of territory from County Service Area #40 following the recordation of the approved reorganization by the Sonoma County Local Agency Formation Commission (LAFCO).
  - B) Authorize the County Administrator to make minor administrative changes to the Agreement needed to support the annexation approval process.
  - C) Approve a Budget Resolution to the FY 2019-20, increasing expenditure appropriations by \$92,000 from County Service Area # 40 Fund Balance to cover one-time costs outlined in the Agreement.
- (4/5<sup>th</sup> Vote Required)(First District)

**Executive Summary:**

The Glen Ellen Fire Protection District (District) has submitted an application for reorganization with the Sonoma County Local Agency Formation Commission (LAFCO) to form the Sonoma Valley Fire District, which consists of the dissolution of the Valley of the Moon Fire Protection District and the detachment of the Mayacamas Volunteer Fire Company (VFC) from County Service Area (CSA) #40. To facilitate the detachment of the area supported by the Mayacamas VFC, the County is being asked to enter into a revenue agreement that:

- 1) Transfers all the fire related property taxes generated by the area serviced by the Mayacamas VFC, which is estimated at \$51,053 for FY 2020-21.
- 2) Approve a one-time payment of \$92,000 from CSA #40 Fund Balance.
- 3) Make ongoing Supplemental Revenue Payments of Measure L Transient Occupancy Tax funds, which equal \$158,000 for FY 2020-21, in the event Measure G, the Wildfire Prevention, Emergency Alert and Response sales tax measure does not pass on March 3, 2020.

**Discussion:**

Background

Consistent with the Board's interest to consolidate the number of fire agencies in the County, this is the fifth

property tax exchange agreement entered into by the Board of Supervisors related to the annexation of CSA 40 territory. The Glen Ellen Fire Protection District has applied to LAFCO for the annexation of the Valley of the Moon Fire Protection District (FPD), and the Mayacamas Volunteer Fire Company (VFC), which is a territory located in County Service Area (CSA) #40. Currently, the Sonoma Valley Fire and Rescue Authority serves as the administrative command for the Glen Ellen and Valley of the Moon FPDs, and contracts for service with the City of Sonoma. The proposed reorganization will result in the three separate fire agencies being consolidated into one fire protection district that will be known as the Sonoma Valley Fire District, and will continue to serve the City of Sonoma by contract. The proposed District will serve approximately 25,000 residents covering a total of 67 square miles and another 11,000 residents through its contract with the City of Sonoma.

The previous exchange agreements authorized by the Board to annex CSA 40 territory include: Sea Ranch in 2016, Schell-Vista in 2017, Sonoma County Fire in April, 2019, and Geyserville Fire Protection Districts in September, 2019. If the Mayacamas territory is approved for annexation, a total of eight VFCs will remain: [Bloomfield, Bodega, Camp Meeker, Fort Ross, Lakeville, Two Rock, Valley Ford, and Wilmar]. County staff will continue to coordinate with nearby agencies to find homes for the remaining VFCs.

#### LAFCO Process

The Sonoma County Local Agency Formation Commission (LAFCO) completed a Municipal Service Review in October and amended Sphere of Influence Study on November 19, 2019 for six agencies within Sonoma Valley, including Glen Ellen, Valley of the Moon, Mayacamas, Schell-Vista, Kenwood, and fire and emergency medical for the City of Sonoma. On December 16, 2019, the Glen Ellen Fire Protection District applied for LAFCO reorganization for three of the agencies included in the LAFCO studies. The remaining areas spheres have been set to “zero”, which is an indication by LAFCO that they expect the remaining territories to eventually also be annexed by the newly formed Sonoma Valley Fire District. The Kenwood FPD serves approximately 4,000 residents over 40 square miles, and the Schell-Vista FPD serves approximately 6,500 residents over 100 square miles.

Under state law, the proposed reorganization will be decided upon by the Local Agency Formation Commission (LAFCO). Under this process, LAFCO must consider a range of issues including local sentiment and the effect of any changes on the ability of all affected agencies to deliver services. LAFCO completed a Municipal Services Review of the District in October 2019 and a Sphere of Influence determination in November 2019. Both these actions have paved the way for the District to initiate the annexation process with LAFCO. The proposed three-party reorganization between the Glen Ellen Fire Protection District (FPD), the Valley of the Moon FPD, and the Mayacamas VFC is scheduled to be heard by the LAFCO Commission on March 4, 2020.

Per the Municipal Services Review (MSR) conducted by LAFCO, the Mayacamas territory proposed for annexation consists of approximately 13 square miles in 237 parcels, serving approximately 390 residents. Ninety-eight percent of the area was burned during the 2017 fires, which has resulted in a steep decrease in

residents. The Mayacamas VFC averaged approximately 30 calls per year prior to the 2017 fires with a volunteer roster of four active members. The MSR indicates that ambulance support for the territory is provided by Sonoma Valley Fire and Rescue Authority. Attachment 2 includes a map of the proposed annexation area.

#### Fiscal Considerations

In order for LAFCO to finalize the annexation, the County must approve a property tax exchange agreement (Attachment 1) that will designate what portion of property tax revenue allocated to CSA 40 will go to the District, which is estimated at \$51,053 in FY 2020-2021. In addition, the District has requested a one-time payment of \$92,000 from CSA 40 Fund Balance and ongoing supplemental revenue payments of \$158,000 ("Supplemental Revenue Payment") to support the needs of the area being detached from CSA 40. The District is attempting to have the reorganization approved by LAFCO by the spring so that property and parcel taxes begin to flow to the new District beginning July 1, 2020.

The Supplemental Revenue Payment will be used to fund the operational needs of the Mayacamas territory as a viable volunteer force, consistent with the increased level of operation offered by the Glen Ellen FPD's volunteer program. Funding will cover increased costs related to apparatus replacement, equipment maintenance, and other administrative needs, including training and certification. The \$92,000 of one-time funding will be used to purchase new personnel protective gear (turn-out) and self-contained breathing apparatus.

Funding to improve service delivery in the Mayacamas territory and incentivize annexation was included in the Measure G Expenditure Plan, estimated at an annual amount of \$158,000 in FY 2020-21. If Measure G is approved by voters on March 3, 2020, the Measure G sales tax allocation to support the viability of the Mayacamas territory will be sufficient and there will be no need for the Supplemental Revenue Payment to be on-going. The Agreement provides that if a sales tax measure passes, the Supplemental Revenue Payment will terminate after one year. The Fire Ad Hoc, comprised of Supervisors Rabbitt and Hopkins have reviewed the request from the District and based on the priority recommendation of the Fire Services Working Group, support the proposed revenue agreement.

If the annexation is approved by LAFCO, the newly formed District will also overlay a parcel tax of approximately \$200 per parcel approved by the voters of Glen Ellen and generate approximately \$2 million for the new District, of which approximately \$47,000 will come from the Mayacamas territory. The District would also cancel the Mello Roos Community Facilities District tax approved by the Mayacamas voters in favor of the Glen Ellen parcel tax that has historically generated approximately \$20,000 annually. The area that will be serviced by the newly formed District is slated to receive approximately \$2.7 million annually from the Measure G sales tax if it is approved by voters on March 3<sup>rd</sup>. The newly formed district will utilize the Measure G funds to hire approximately 12 firefighters, six paramedics, and a fire prevention officer.

In addition to the transfer of property tax, under the California Constitution, state and local governments have limits on their total appropriations of tax revenue, commonly known as the Gann Limit (Proposition 4), which was approved by voters in 1979. To ensure the new District has sufficient “Gann Limit Appropriations Authority”, the California Constitution requires an agreement to transfer a portion of an agency’s limit when services are transferred to a new entity. Therefore, the agreement also authorizes the transfer of Gann Limit appropriations from CSA 40 to the District, equivalent to the amount of tax revenue being transferred if the transfer is finalized by LAFCO.

#### Next Steps

The LAFCO Commission meeting will be held on March 4, 2020. If approved, state law requires a 56-day protest period, which would begin on March 12, 2020. Property owners affected by the reorganization are notified by LAFCO, which administers a protest process for property owners, culminating with a protest hearing on May 6, 2020. If the LAFCO Commission affirms the reorganization at the May 6<sup>th</sup> hearing, certificates of completion and boundary changes will be filed with the California Department of Tax and Fee Administration (formerly known as the State Board of Equalization) in June. Property owners within the Mayacamas territory are encouraged to contact LAFCO with any questions regarding the impact of the proposed reorganization at (707) 565-2577.

Additionally, if the reorganization is approved, per Government Code Section 53338.5, the Board will have to adopt an ordinance to dissolve the Mello Roos Community Facility District before the associated tax liens can be dissolved. Staff will coordinate with the District on the matter if the reorganization is approved by LAFCO.

#### **Prior Board Actions:**

1-29-19: Approved the Revenue Agreement with Sonoma County Fire

12-11-18: Approved the Tax Exchange Agreement with Geyserville Fire Protection District

1-24-17: Approved the Tax Exchange Agreement with Schell-Vista Fire Protection District

3-29-16: Approved the Tax Exchange Agreement with Sea Ranch Fire Protection District

#### **FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
Budgeted Expenses	0	214,000	165,000
Additional Appropriation Requested	92,000		
<b>Total Expenditures</b>	<b>0</b>		
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other		51,053	165,000
Use of Fund Balance	92,000	158,000	

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Contingencies			
<b>Total Sources</b>	<b>92,000</b>	<b>214,000</b>	<b>165,000</b>

**Narrative Explanation of Fiscal Impacts:**

If the annexation is finalized prior to the beginning of Fiscal Year 2020-21, all tax revenue flowing to CSA 40 (estimated at approximately \$51,000) will transfer to the District and will no longer flow to CSA 40. In the event Measure G does not pass, the agreement includes a provision for supplemental funding which requires the County to transfer approximately \$158,000 in Measure L Transient Occupancy Tax (TOT) allocated to the Fire Services Project, increasing with annualized growth, in perpetuity. The first supplemental payment for FY 2020-21, will require the use of Fund Balance and appropriations will be included in the FY 2020-21 Budget. Beginning in FY 2021-22, ongoing funding to cover the supplemental payment will be available as a result of the expiration of the Enhanced Services contracts entered into by the County through June 30, 2020 to support the Bodega Bay, Cloverdale, Geyserville, Gold Ridge, and North Bay Fire agencies. Once the Enhanced Services Agreements expire, the County will have approximately \$2 million of ongoing revenue to obligate for future Fire Services Project activities if Measure G does not pass. In addition, appropriations of \$92,000 is requested to cover the one-time costs from CSA 40 Fund Balance, which is expected to be disbursed in FY 2019-20.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

**Attachments:**

Attachment 1: Agreement

Attachment 2: Budget Resolution

Attachment 3: Map of Mayacamas Territory

**Related Items "On File" with the Clerk of the Board:**

None