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Counsel

Michael G. Colantuono

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AGENDA REPORT Business | Discussion

June 4, 2018

TO: San Diego Commissioners

FROM: Keene Simonds, Executive Officer
John Traylor, Local Government Consultant

SUBJECT: **Proposal Update | Dissolution of County Service Area No. 115 and Concurrent Sphere Amendments and Annexations to Lakeside Fire Protection District (SA14-12; RO14-12) and San Miguel Consolidated Fire Protection District (SA14-13; RO14-13)**

SUMMARY

The San Diego Local Agency Formation Commission (LAFCO) will receive a scheduled update on a joint-proposal involving the dissolution of County Service Area (CSA) No. 115. The joint-proposal has been filed by Lakeside and San Miguel Consolidated Fire Protection Districts (FPDs) and seeks concurrent sphere amendments and annexations to divide the 440 acres of unincorporated area between the two agencies generally along Pepper Drive. This update focuses on the topics identified by LAFCO in July 2017 for revisit in establishing special sphere study areas for both FPDs to include CSA No. 115. The update is being presented for discussion and feedback only.

BACKGROUND

[CSA No. 115 | Organization and Services](#)

CSA No. 115 was formed in 1985 and provides fire protection and emergency medical services to an approximate 440 acre unincorporated area in-between the Cities of El Cajon and Santee with an estimated 4,300 residents. Formation purposefully served to preserve the area as unincorporated and exclusion therefrom the merger of Santee FPD with the City of Santee. CSA No. 115 is governed by the County of San Diego and administered by the County Fire Authority. This administrative role presently includes overseeing

a four-way contract to provide flat payments to the City of El Cajon, City of Santee, Lakeside FPD, and San Miguel Consolidated FPD to respond to dispatched calls in CSA No. 115.¹

Initial Lakeside and San Miguel Consolidated FPD Filings | Competing Proposals to Dissolve CSA No. 115

In March 2015, San Diego LAFCO received separate and competing proposals from Lakeside FPD and San Miguel Consolidated FPD seeking the dissolution of CSA No. 115 and annexation therein of the entire affected territory to their respective agencies. The filings were telegraphed by close to two years of discussions between the FPDs and LAFCO and triggered a provision in State law for the Commission to process the proposals concurrently.

Advisory Bodies to LAFCO | Stakeholder and Ad Hoc Committees

San Diego LAFCO responded to the filing of the competing proposals by establishing a Stakeholder Committee in July 2016 to assist in addressing technical items and marked by advising on appropriate performance measurements in preparing a corresponding municipal service review. Meetings of the Stakeholder Committee were open to the public and initially comprised representatives from both FPDs and County Fire Authority and later expanded to include the City of Cajon and City of Santee. The Commission also formed an Ad Hoc Committee (Jacob, MacKenzie, Sprague, and Vanderlaan) to advise staff given the complexities in processing the competing proposals.

Amended Agency Filings | Joint-Proposal to Dissolve CSA No. 115 and Split Annexations

Lakeside FPD and San Miguel Consolidated FPD amended their filed proposals with San Diego LAFCO by respective Board direction in August 2016 to jointly seek the dissolution of CSA No. 115.² The agencies relatedly agreed to divide the annexation of the affected territory in approximate equal halves based on assessed value. The resulting demarcation is Pepper Drive with land generally to the north annexing to Lakeside FPD and land generally to the south annexing to San Miguel Consolidated FPD.

July 10, 2017 LAFCO Meeting | Special Sphere Study Areas and Direction to Staff

At its July 10, 2017 meeting, San Diego LAFCO received a municipal service review covering CSA No. 115, Lakeside FPD, and San Miguel Consolidated FPD. The document was necessitated under State law to inform the merits of the sphere amendments needed to facilitate the joint-proposal. The document was accepted by the Commission and included a range of determinative statements on the agencies' abilities to effectively govern, deliver, and finance services for which they were formed. The Commission drew from these

¹ The current reimbursement amount paid to the contract agencies is \$895 per incident.

² San Miguel Consolidated FPD's Board took action on August 8, 2016.

determinative statements and concurrently took actions on July 10th to affirm all three affected agencies' existing spheres. The Commission additionally established "special study areas" for both FPDs to include CSA No. 115.³ The Commission also memorialized recommendations made through the Ad Hoc Committee to focus future staff analysis in addressing the special sphere study areas as detailed in the succeeding section. The Commission further directed staff to return with an update in six to twelve months.

DISCUSSION

This item is for San Diego LAFCO to receive a scheduled update on Lakeside FPD and San Miguel Consolidated FPD's joint-proposal to dissolve CSA No. 115 and concurrent sphere amendments and annexations therein of the affected territory generally along Pepper Drive. The item responds to the Commission's earlier direction to staff to return no later than July 2018 with an update on the joint-proposal and specifically the issues identified for revisit in establishing special sphere study areas for both FPDs to include CSA No. 115. These issues have been grouped by staff into five broad topics and are summarized below along with current status. The update is for discussion and feedback only.

Topic No. 1 | Property Tax Exchange (Confirming Proposed Boundaries)

Upon LAFCO receiving the competing proposals in March 2015 the County Assessor's Office proceeded to prepare maps and geographic descriptions of the affected territory for both FPDs. The maps and descriptions were completed and submitted to the County Auditor's Office, which subsequently identified the portion of property tax revenue subject to the required negotiation between the affected agencies (FPDs and the County) in adopting a tax exchange agreement for the proposals. The information generated by the County Auditor's Office informed the FPDs in their decision to amend the requests and proceed with a joint-proposal beginning in August 2016 to divide the annexation of CSA No. 115 into approximate equal halves based on assessed value. Revised maps and descriptions for the joint-proposal were subsequently prepared and a new tax exchange process was initiated, but not completed at the time of LAFCO's July 10, 2017 meeting. The Commission proceeded to direct staff to follow up on the tax exchange and the underlying confirmation of final proposed boundaries by the FPDs as part of this scheduled update.

Status: Pending

A property tax exchange for the joint proposal remains pending. Turnover in staff – including at LAFCO – and lingering uncertainty whether the FPDs were seeking further revisions to the proposed annexation boundaries in pursuit of perfecting a one-half split in assessed value have underlined the delay to date, but have been recently remedied and/or addressed.⁴ Staff presumes a tax exchange will be approved by the County with the consent of the FPDs in the near future.⁵

³ The special study area designations memorialize the Commission's finding that additional analysis is needed to determine whether either FPD is the appropriate agency to serve the affected territory.

⁴ It is important to note LAFCO retains the ability to modify proposals on the dais, and as such it could address subsequent revision requests

Topic No. 2 | Relocation of San Miguel Consolidated FPD's Station

San Miguel Consolidated FPD's initial plan of service accompanying its application to dissolve CSA No. 115 and annex the affected territory included the construction of a new fire station at 1105 Pepper Drive. San Miguel Consolidated FPD subsequently agreed in March 2017 to relocate the fire station based, and among other factors, on feedback from the Stakeholder and Ad Hoc Committees to provide better spacing with Lakeside FPD's fire station at 8035 Winter Gardens Boulevard. At the time of LAFCO's July 10, 2017 meeting, San Miguel Consolidated FPD reported it had tentatively agreed to locate the new fire station at 727 East Bradley Avenue. The Commission proceeded to direct staff to follow up on the relocation as part of this scheduled update.

Status: Complete

San Miguel Consolidated FPD completed the relocation and commenced operations at the new fire station at 727 East Bradley Avenue on May 18, 2018. The new station is secured through a 10-year lease and includes an approximate 3,255 square foot facility consisting of a 1,575 square-foot apparatus bay and a 1,680 square-foot living quarter.

Topic No. 3 | Service Call Responses within CSA No. 115

CSA No. 115 contracts with four agencies – City of El Cajon, City of Santee, Lakeside FPD, and San Miguel Consolidated FPD – to provide fire protection and emergency medical services. The contract officially started in July 2016 and provides the agencies reimbursement payments per onsite response. An annual standby fee is also provided to all four agencies. LAFCO determined in the municipal service review the four-way contract serves as an effective tool in meeting current fire protection and emergency medical needs in CSA No. 115, but deters long-term planning given its outsourcing nature. The municipal service review also noted actual responses within CSA No. 115 over the preceding years had shown the City of El Cajon as the primary provider with variations in succeeding order among the other three contracting agencies (City of Santee, Lakeside FPD, and San Miguel Consolidated FPD). The Commission proceeded at its July 10, 2017 meeting to direct staff to follow up on service call trends in CSA No. 115 as part of this scheduled update.

Status: Ongoing

Staff continues to evaluate service call information within CSA No. 115 with current data collected through the third quarter of 2017-2018. This most recent data shows that the City of El Cajon continues as the predominate responder to CSA No. 115. This information does show one notable change from the municipal service review with Lakeside FPD

desired by the Commission or the affected agencies post tax exchange. However, and because the joint-proposal is explicitly tied to the FPDs dividing the affected territory based on assessed value, staff has requested the FPDs to resolve any ambiguities regarding the proposed boundaries before taking the item to the Commission.

⁵ The process to move forward lies with the affected agencies with the County ultimately tasked under State law in determining the exchange in consultation with the FPDs and through a formal adoption by the Board of Supervisors.

separating from the others (City of Santee and San Miguel Consolidated FPD) in becoming the second most frequent responder to CSA No. 115. It is pertinent to note this latest data does not reflect the recent opening of San Miguel Consolidated FPD's station on Bradley Avenue. It is reasonable to assume San Miguel Consolidated FPD will experience a substantive increase in responses to CSA No. 115 going forward. A detailing of recent calls in CSA No. 115 is provided as part of Attachment Three.

Topic No. 4 | CSA No. 135 as an Alternate Service Provider

At its July 10, 2017 meeting, the Commission raised the question of whether CSA No. 135 is a viable service alternative to CSA No. 115. The prompt for raising this question followed discussion and consensus by the Commission that all viable service options be appropriately considered in making an informed decision on addressing the special sphere study areas established for the FPDs involving the affected territory and the joint-proposal itself. The Commission proceeded to direct staff to follow up on the viability of CSA No. 135 as a service alternative and report back as part of this scheduled update.

Status: Ongoing

Staff has confirmed with County Fire Authority their general interest in potentially expanding CSA No. 135's fire protection services into CSA No. 115 should the joint-proposal on file with LAFCO from Lakeside FPD and San Miguel Consolidated FPD be disapproved.⁶ Staff has also – and in the spirit of addressing the Commission's inquiry – requested and received a draft plan of service for CSA No. 135 to assume fire protection services in CSA No. 115. A review of the draft plan of service shows it would largely serve as a status-quo and prefaced on maintaining the four-way agreement with City of El Cajon, City of Santee, Lakeside FPD, and San Miguel Consolidated FPD to serve the affected territory with one notable exception. This exception would involve dissolution of CSA No. 115 and consolidation of County Fire Authority's operations into a single service-agent: CSA No. 135. This option remains implicitly open to LAFCO as it proceeds with the joint-proposal and will be incorporated into future reports to the Commission. A copy of the draft plan of service for CSA No. 135 is provided as Attachment Four.

Item No. 5 | San Miguel Consolidated FPD's Transition to Stand-Alone Staffing and Finances

Beginning on December 31, 2012, San Miguel Consolidated FPD entered into a contract with CalFire to staff its fire protection services. The decision to contract responded to financial challenges and marked by operating deficits and aimed at providing more cost-certainty for San Miguel Consolidated FPD with respect to labor. In July 2016, citing escalating contract costs as well as other issues, San Miguel Consolidated FPD provided notice to CalFire it was terminating the arrangement and reassuming stand-alone staffing beginning in 2017-2018. At the time of LAFCO's July 10, 2017 meeting, San Miguel Consolidated FPD had not yet

⁶ There are no plans for County Fire Authority to file its own competing proposal.

completed its contract separation from CalFire. The Commission proceeded to direct staff to follow up on the status of San Miguel Consolidated FPD's transition to stand-alone staffing as well as track the financial implications as part of this scheduled update. This includes assessing whether LAFCO's financial projections in the municipal service review based on audited statements through 2014-2015 showing positive net balances in each of the next 10 years under three distinct scenarios prove accurate.

Status: Ongoing

San Miguel Consolidated FPD completed its transition back to stand-alone staffing on July 12, 2017. This includes now directly employing 77 fulltime equivalent employees and highlighted by 67 sworn-personnel; the majority having previously been employed by San Miguel Consolidated FPD before transferring to CalFire between January 2012 and July 2017. Relatedly, staff continues to evaluate San Miguel Consolidated FPD's financial standing with respect to its ability to sufficiently fund an adequate level of fire protection with stand-alone staffing and relative to the projections made in the municipal service review. This includes staff having now received and evaluated two new years of audited information for 2015-2016 and 2016-2017, which were not available as of the July 10, 2017 meeting. These recent audits show variations in San Miguel Consolidated FPD's financial standing given certain measurements have improved while others have declined. This includes, and given the deference established in the municipal service review in determining solvency, San Miguel Consolidated FPD's total margin has decreased each year since 2013-2014 from 9.9% to subsequent year-end ratios of 6.7%, 4.5%, and most recently (2.7%). Staff recognizes, however, the most recent audits do not capture San Miguel Consolidated FPD's transition to stand-alone staffing, which the District asserts will produce cost-savings. San Miguel Consolidated FPD has provided LAFCO a projected year-end operating budget estimate based on the first 10 months to substantiate the assertion showing the District will finish with a net operating surplus of \$2.2 million. A summary of the last five audits with standard measurements prepared by staff is provided as Attachment Five.⁷ A copy of San Miguel Consolidated FPD's own current year-end operating projections for 2017-2018 is provided as Attachment Six.

ANALYSIS

This scheduled update represents a continuation of San Diego LAFCO's discussion from July 10, 2017 and earlier action to establish special sphere study areas for Lakeside FPD and San Miguel Consolidated FPD to include the approximate 440 acre boundary of CSA No. 115. This includes updating the five broad topics LAFCO identified meriting revisit in addressing the study areas and in step with the Commission's holistic assessment of fire protection needs within the affected territory. It also – and explicitly – provides an update on the FPDs' joint-proposal to secure sphere amendments and proceed with the requested dissolution of CSA No. 115 and proportional annexation of the lands generally along Pepper Drive.⁸

⁷ San Miguel Consolidated FPD was under CalFire staffing for the last four audit years reviewed (2013-2014 to 2016-2017). Staffing was split in the first year between the District and CalFire (2012-2013).

⁸ The joint-proposal remains incomplete at this time given two factors. First, an adopted property tax exchange between the affected agencies (FPDs and the County) remains pending. LAFCO cannot schedule action on the joint-proposal until the tax exchange agreement is adopted.

As detailed in the preceding section, two of the five topics identified for revisiting as part of this scheduled update have been completed (relocation of the San Miguel Consolidated FPD station) or pending completion (tax exchange). A third topic involving CSA No. 135 as an alternate service provider has been verified through outreach with County Fire Authority and available to the Commission to consider as it sees fit. The other two topics remain fluid and merit continued tracking. These topics involve tracking agency responses within CSA No. 115 and San Miguel Consolidated FPD's finances and are restated below.

- Continued tracking of actual agency responses in CSA No. 115 are merited given LAFCO's task to appropriately synch service demands with spheres and jurisdictional boundaries. Recent response data generated since the July 10, 2017 meeting show the City of El Cajon continues as the predominant responder and now followed by Lakeside FPD; the latter of which serves as a new result relative to responses reflected in the earlier municipal service review. Staff recognizes this most recent data collected since July 10th is likely to change, and presumably substantively, in the near term with the opening of San Miguel Consolidated FPD's station on Bradley Avenue. Projected changes in responses are notional at this time, and will not begin to clarify until after September 30, 2018 and the completion of the first full reporting quarter with the Bradley Avenue station in full operation.
- Continued tracking of San Miguel Consolidated FPD's finances are merited given LAFCO's directive to ensure local government is sufficiently funded to provide the services for which they are authorized to provide with sphere amendments and/or scheduled updates serving as the statutory check-in under State law. Recent financial data generated since LAFCO's July 10, 2017 meeting includes staff reviewing audits for 2015-2016 and 2016-2017.⁹ This most recent audited data is instructive and shows – and in deference to the metric previously established by LAFCO in defining a “self-sustaining” fire agency – an ongoing decline in total margins and most recently finishing at (2.7%) in 2016-2017. These recent results provide pause and underscore LAFCO's interest as most recently articulated on July 10th to take a measured approach in tracking San Miguel Consolidated FPD's financial standing. Staff also recognizes the next audit for 2017-2018 will be further instructive given it will reflect San Miguel Consolidated FPD's financial position with stand-alone staffing. This comment – markedly – underlies San Miguel Consolidated FPD's position to LAFCO that audits beginning in 2017-2018 are more far material and cites its current year-end projection showing a net operating surplus of \$2.2 million. The 2017-2018 audit is expected to be completed in October 2018.

Second, the joint-proposal includes annexations for both FPDs of lands outside their respective spheres. Sphere amendments, accordingly, are needed for both FPDs to allow the joint-proposal to proceed. There are no statutory timelines associated with processing sphere amendments; LAFCO retains full discretion in the underlying processing and decision-making.

⁹ San Miguel Consolidated FPD's audit for 2016-2017 was finalized by the Board on May 9, 2018, and as such contributed to LAFCO staff delaying the timing of this update towards the end of the six to twelve month window established by the Commission.

San Diego LAFCO

June 4, 2018 Regular Meeting

Agenda Item No. 11 | Proposal Update on the CSA No. 115 Reorganization

Drawing from the above analysis, staff believes it is appropriate to stay the course as established by the Commission at the July 10th meeting and provide another update as early as December 2018. This approach will allow staff to continue tracking service call information in CSA No. 115 as well as San Miguel Consolidated FPD's finances and highlighted by reviewing the 2017-2018 audit; the document LAFCO and District staff agree will be instructive as did – importantly – the Commission back on July 10th.¹⁰ Should a revised approach be preferred this feedback is requested.

ALTERNATIVES FOR ACTION

No action; discussion and feedback only.

RECOMMENDATION

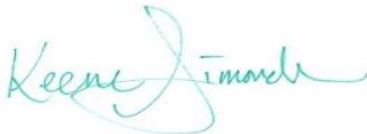
It is recommended the Commission discuss the scheduled update and provide general feedback to staff as it deems appropriate. Staff anticipates returning with a subsequent update as early as December 2018 unless otherwise provided by the Commission.

PROCEDURES

This item has been placed on the agenda for discussion as part of the business calendar. The following procedures, accordingly, are recommended in the consideration of this item:

- 1) Receive verbal report from staff;
- 2) Invite comments from Lakeside FPD and San Miguel Consolidated FPD;
- 4) Invite comments from other audience members; and
- 5) Discuss update and provide feedback to staff as needed.

Respectfully,



Keene Simonds
Executive Officer

Attachments:

- 1) Vicinity Map of CSA No. 115
- 2) LAFCO Meeting Minutes for July 10, 2017 (See Item No. 8)
- 3) Recent Breakdown in Agency Responses in CSA No. 115
- 4) CSA No. 135's Draft Plan of Service
- 5) Recent Financial Trends for San Miguel Consolidated FPD through FY16-17
- 6) San Miguel Consolidated FPD's Own Projected Year-End Operating Actuals for FY17-18
- 7) Correspondence Between San Miguel Consolidated FPD and LAFCO from May 22, 2018
 - a) Letter from San Miguel Consolidated FPD
 - b) LAFCO email response

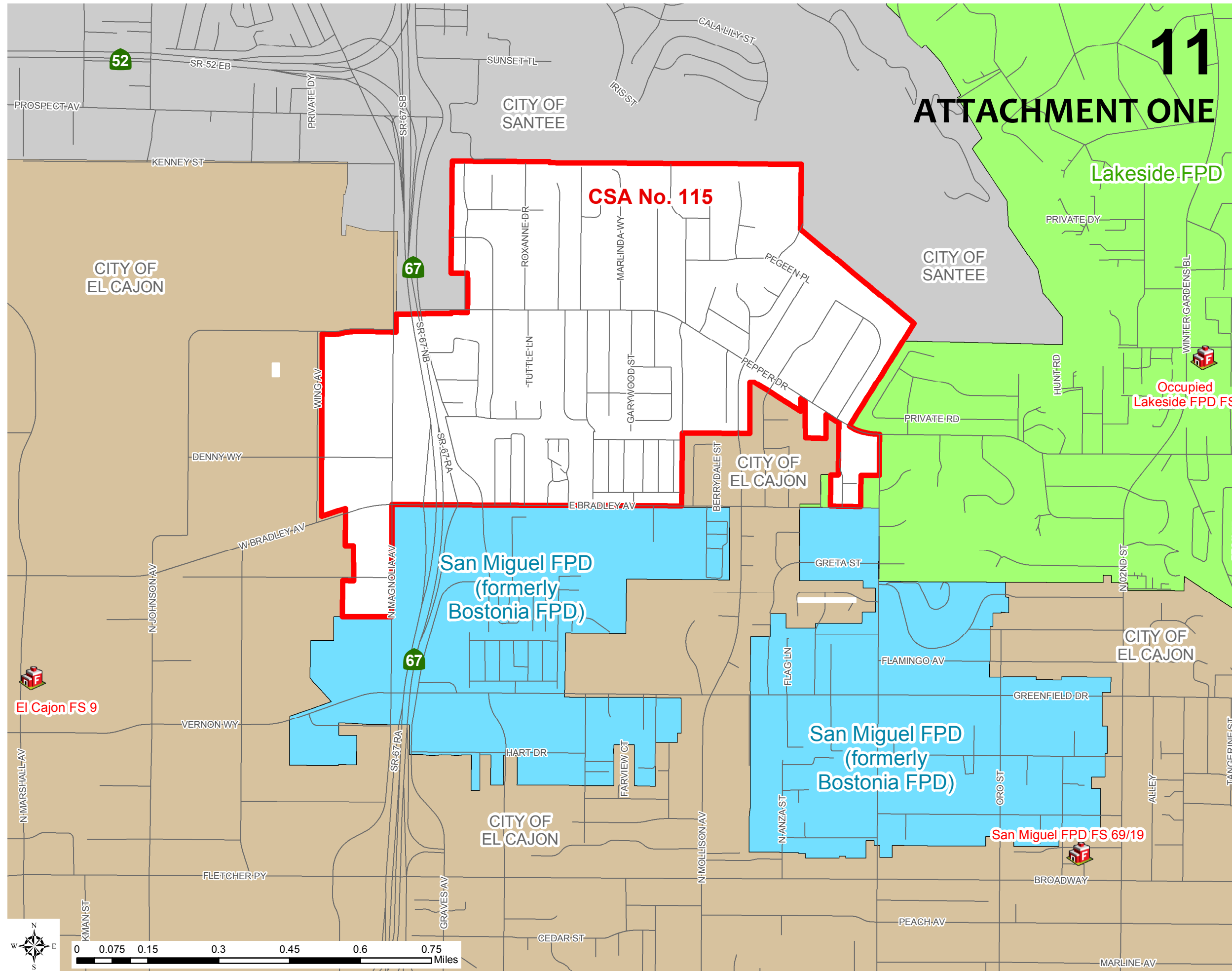
¹⁰ Commission direction at the July 10, 2017 meeting included having staff return with an update that evaluated financial information on San Miguel Consolidated FPD with audited data through June 30, 2018.

Vicinity Map

County Service Area No. 115 (Pepper Drive) Reorganization Nos. 1 & 2

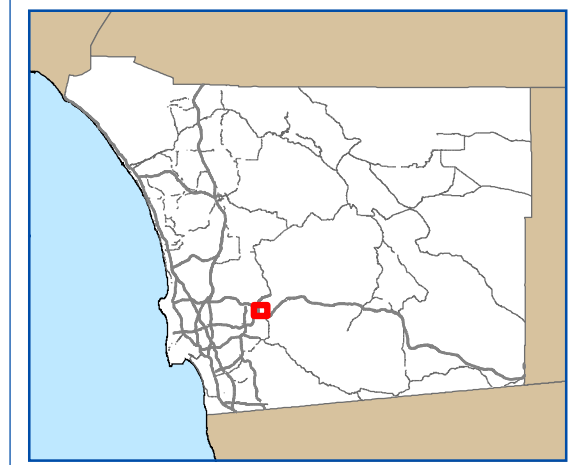
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ATTACHMENT ONE



LEGEND

- CSA No. 115 (Pepper Drive)
- Lakeside FPD
- San Miguel Consolidated FPD



SAN DIEGO **LAFCO**



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This map has been prepared for descriptive purposes only and is considered accurate according to the GIS and LAFCO data.

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Printed June 2017.

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**APPROVED
SAN DIEGO LAFCO
MINUTES OF THE REGULAR MEETING
JULY 10, 2017**

There being a quorum present, the meeting was convened at 9:02 a.m. by Chairman, Mayor Sam Abed. Also present were: Regular Commissioners – Vice Chairwoman, Special District Member Jo MacKenzie; Supervisor Dianne Jacob (arrived 9:03 a.m.); Supervisor Bill Horn; City Councilmember Lori Zapf; Special District Member Ed Sprague and Public Member Andy Vanderlaan. Alternate Commissioners – City Commissioner, Mayor Raquel Vasquez; Special District Member Judy Hanson and Public Member Harry Mathis. LAFCO Staff – Executive Officer Michael Ott; Chief Analyst Robert Barry; Chief Analyst Joe Serrano and Legal Counsel Michael Colantuono. Absent were: Regular Commissioner – City Member, Mayor Catherine Blakespear. Alternate Commissioners – Supervisor Greg Cox and City Councilmember Chris Cate.

Item 1

Pledge of Allegiance

Public Member Andy Vanderlaan led the Pledge of Allegiance at the meeting.

Item 2

Roll Call

The Commission Clerk performed the roll call for the July 10, 2017, LAFCO meeting. With the exception of Regular Commissioner City Member, Mayor Catherine Blakespear; Alternate Commissioners: Supervisor Greg Cox and City Councilmember Chris Cate, all other Commissioners were present. Alternate City Commissioner, Mayor Raquel Vasquez voted in place of Commissioner Blakespear, who was absent.

Item 3

Approval of Minutes of Meeting Held June 5, 2017

On motion of Commissioner Vasquez, seconded by Commissioner Vanderlaan, and carried unanimously by the Commissioners present, the Commission dispensed with reading the minutes of June 5, 2017 and approved said minutes.

Item 4

Executive Officer's Recommended Agenda Revisions

Chairman Sam Abed asked the Executive Officer if there were any agenda revisions. Executive Officer Michael Ott said that there were several agenda revisions. Mr. Ott requested that the closed session items be moved to open session. He recommended that Item 12 be moved to Item 5c and Item 13 be moved to Item 5d.

Item 5

Commissioner/Executive Officer Announcements

Chairman Sam Abed asked if there were any announcements from the Commissioners or the Executive Officer.

a. August 7, 2017 Recognition Event

Executive Officer Michael Ott indicated that a number of staff will be leaving LAFCO service at the end of August.

b. City Member Voting Requirements

Executive Officer Michael Ott discussed the City Member Voting Requirements.

c. Refer to Item 12

d. Refer to Item 13

Item 6

**Proposed “Vista Grande Drive Reorganization”
(City of Vista) (RO17-02)**

Michael Ott indicated that the proposal involves annexation of 17-acres to the City of Vista with a concurrent detachment from the Vista Fire Protection District.

On motion of Commissioner Horn, seconded by Commissioner Vanderlaan, and carried unanimously by the commissioners present, the Commission took the following actions:

- (1) Find that the Commission, acting as a responsible agency, has considered the environmental effects of the project as shown in the attached mitigated negative declaration prepared by the City of Vista. The mitigation is within the jurisdiction of the City and not LAFCO because the affected resources and services will be within the city limits upon annexation; and
- (2) Adopt the form of resolution approving this reorganization for the reasons set forth in the Executive Officer’s Report, waiving the Conducting Authority proceedings according to Government Code Section 56663(c), and ordering the reorganization subject to the following conditions:

Payment by the property owners of State Board of Equalization charges.

Item 7

**Proposed “Olive Avenue Reorganization”
(City of Vista) (RO17-04)**

Michael Ott indicated that the proposal involves annexation of 3.19-acres to the City of Vista with a concurrent detachment from the Vista Fire Protection District.

Chairman Abed indicated that a speaker slip was received in support of Item 7 from Lloyd Topzand, land owner. Mr. Topzand did not wish to speak, but to register his support for Item 7.

On motion of Commissioner Horn, seconded by Commissioner Vanderlaan, and carried unanimously by the Commissioners present; the Commission took the following actions:

- (1) Find that the Commission, acting as a responsible agency, has considered the environmental effects of the project as shown in the attached mitigated negative declaration prepared by the City of Vista. The mitigation is within the jurisdiction of the City and not LAFCO because the affected resources and services will be within the city limits upon annexation; and
- (2) Adopt the form of resolution approving this reorganization for the reasons set forth in the Executive Officer's Report, waiving the Conducting Authority proceedings according to Government Code Section 56663(c), and ordering the reorganization subject to the following conditions:

Payment by the property owners of State Board of Equalization charges.

Item 8A

Municipal Service Review and Sphere of Influence: County Service Area No. 115 (Pepper Drive) (MSR13-62; SR13-62) Lakeside Fire Protection District (MSR13-70; SR13-70) San Miguel Consolidated Fire Protection District (MSR13-90; SR13-90)

Item 8B

Adoption of an Amendment to the Spheres of Influence of County Service Area No. 115 (Pepper Drive) (SA14-12; SA14-13) Lakeside Fire Protection District (SA14-12) San Miguel Consolidated Fire Protection District (SA14-13)

Item 8C

Proposed "County Service Area No. 115 (Pepper Drive) Reorganization No. 1" (San Miguel Consolidated Fire Protection District) and "County Service Area No. 115 (Pepper Drive) Reorganization No. 2" (Lakeside Fire Protection District)

Chairman Abed opened the public hearing for Items 8A, 8B and 8C.

Executive Officer Michael Ott indicated that Items 8A, 8B and 8C are related to the Municipal Service Review, Sphere of Influence review and reorganization of County Service Area (CSA) No. 115 (Pepper Drive), San Miguel Consolidated Fire Protection District and Lakeside Fire Protection District. Mr. Ott said that Chief Analyst Joe Serrano will provide a PowerPoint presentation.

Joe Serrano, Chief Analyst, discussed the background of the proposals. Mr. Serrano said that the East County Fire Protection and Stakeholders Committees were formed due to the competing applications and that it was a nine month process with six meetings, the last in June. He also discussed the Municipal Service Review and Sphere of Influence review determinations, the three technical reports and LAFCO staff findings and recommendations.

Chairman Abed indicated that there were speaker slips received for public comment requests for agenda Items 8A, 8B and 8C.

Don Butz, Fire Chief, Lakeside Fire Protection District, addressed the Commission.

Criss Brainard, Fire Chief, San Miguel Consolidated Fire Protection District, addressed the Commission.

Colin Stowell, Fire Chief, Heartland Fire and Rescue, addressed the Commission.

Chairman Abed commended Commissioners Jacob, MacKenzie, Sprague and Vanderlaan for their work on the East County Fire Protection Committee.

Commissioner Jacob asked for clarification on the completeness of the staff report. In regards to the question, Joe Serrano, Chief Analyst, said that the CSA No. 115 reorganization is not ready for Commission consideration because Lakeside and San Miguel Consolidated Fire Protection Districts need to finalize the map and legal description and adopt a property tax exchange agreement. Commissioner Jacob expressed caution moving forward and to give the districts more time to resolve issues.

Commissioner Sprague applauded the efforts of the districts and placed a motion on the floor to approve the staff recommendation. Commissioner Jacob seconded the motion.

Commissioner Vanderlaan thanked all the agencies involved and showed support in approving the special study area recommended in the staff report.

Chairman Abed also thanked all of the agencies involved and that public safety first.

Commissioner Jacob clarified the motion, asking about the timeline to bring back the CSA No. 115 reorganization to the Commission. In response to the question, Executive Officer Michael Ott indicated that the staff report recommended postponement of 6-12 months. Commissioner Jacob requested to have the information to the Commission as soon as possible, but no later than 12 months. She also said that the County Fire Authority has contracts with many fire agencies and to have staff analyze dissolving CSA No. 115 and naming CSA No. 135 as successor.

Commissioner Sprague amended his original motion to include an analysis of dissolving CSA No. 115 into CSA No. 135 as part of the staff report. Commissioner Jacob seconded the motion.

With no further discussion from the public or the Commission, Chairman Abed closed the public hearing.

On motion of Commissioner Sprague, seconded by Commissioner Jacob, and carried unanimously by the Commissioners present; the Commission took the following actions:

- (1) Find in accordance with the Executive Officer's determination, pursuant to Sections 15061(b)(3) and 15320 of the State CEQA Guidelines, that the Sphere of Influence Update, in association with "County Service Area No. 115 (Pepper Drive) Reorganization Nos. 1 & 2" are exempt from CEQA review because: (1) it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, and the activity is not subject to CEQA [Section

15061(b)(3) of the State CEQA Guidelines], and (2) the project consists of changes in the organization or reorganization of local governmental agencies and sphere of influence amendments, where the changes do not change the geographical area in which previously existing powers are exercised [Section 15320 of the State CEQA Guidelines];

- (2) Find in accordance with the Executive Officer's determination, that pursuant to Section 15262 of the State CEQA Guidelines, the Proposed Municipal Service Review in association with the "County Service Area No. 115 (Pepper Drive) Reorganization Nos. 1 & 2" involves only feasibility or planning studies for possible future actions which LAFCO has not approved, adopted, or funded and does not require the preparation of an EIR or Negative Declaration, and will not have a legally binding effect on later activities;
- (3) For the reasons set forth in the Proposed Municipal Service Review and Sphere of Influence Update Analysis, reaffirm the sphere of influence of the County Service Area No. 115 (zero sphere), Lakeside FPD (larger-than-district), and San Miguel Consolidated FPD (larger-than-district); approve the assignment of a special study area designation among the affected agencies; and adopt the written Statements of Determinations as proposed in Appendix A;
- (4) Direct the Executive Officer to coordinate with San Miguel and Lakeside Fire Protection Districts and modify the reorganization map & legal descriptions to acknowledge the new proposed jurisdictional boundaries upon finalization of the Bradley Avenue Fire Station or a different fire station as determined by the San Miguel FPD.
- (5) Direct the Executive Officer to request San Miguel and Lakeside Fire Protection Districts to provide audited financial information depicting and analyzing any deviation of LAFCO financial projections with actual data, if applicable, at the end of the next fiscal year (June 30, 2018).
- (6) Direct the Executive Officer to continue monitoring the San Miguel Fire Protection District's transition to a standalone fire agency, the CSA No. 115 4-way contract, and the accuracy of LAFCO staff's 10-year projection and return to the Commission with an update in 6-12 months or as directed by the Commission.
- (7) Postpone Commission consideration of the CSA No. 115 reorganization for 6-12 months in order to provide San Miguel and Lakeside Fire Protection Districts a sufficient amount of time and complete the statutorily requirements including but not limited to the finalization of the map & legal description and adoption of the property tax exchange agreement.
- (8) Direct the Executive Officer to include in the analysis of the CSA No. 115 Reorganization an alternative jurisdictional option involving the possible dissolution of County Service Area No. 115 and expansion of County Service Area No. 135's Fire Protection and Emergency Medical Services Latent Powers, upon dissolution of County Service Area No. 115.

Item 9

Proposal and Major Jurisdictional Activity

Executive Officer Michael Ott indicated that the Proposal and Major Jurisdictional Activity is to update the Commission on LAFCO's major projects and activities. Mr. Ott indicated that the dissolution of Pine Valley Fire Protection District will become effective August 8, 2017. He said that the County and the district are in support of the dissolution.

This item is for information purposes only and no action was recommended by the Commission.

Item 10

Legislative Update Report

Executive Officer Michael Ott provided an update to the Commission regarding the following activities of the Legislative bills:

AB 464 (Gallagher) – Local government reorganization

This bill is sponsored by CALAFCO to address a situation in current law wherein Government Code Section 56653 does not address certain conditions of services currently provided when a plan for services is submitted for an annexation. This situation arose from a court decision on a lawsuit (City of Patterson v. Turlock Irrigation District) in Stanislaus County.

AB 979 (Lackey) Cortese-Knox-Hertzberg Act: Special District representation on LAFCO

This bill is sponsored by CSDA and cosponsored by CALAFCO addressing the procedure for special districts to propose to hold an election on having representation on a commission.

SB37 (Roth) Local government finance: property tax revenue allocations

This bill is identical to SB 817 (Roth in 2016) that calls for reinstatement of the Vehicle License Fee through a change in ERAF funds for cities that incorporated between January 1, 2004 and 2012.

AB 892 (Waldron) Municipal water districts: Water service to Indian tribes

This bill was amended on March 23, 2017 to authorize, rather than require, a Municipal Water District to provide water service to an Indian tribe. Sycuan has objected to the proposed change and the author has not moved the bill forward. This is now a two-year bill.

AB 1725 (ALGC) Omnibus Bill

This is the annual Assembly Local Government Committee (ALGC) bill that usually addresses any issues involving the Cortese-Knox-Hertzberg Act and LAFCO.

SB 448 (Wieckowski) Local government organization: districts and audits

This bill as amended proposes to define inactive special districts and to establish a process for the State Controller to annually publish a list of inactive districts for information to LAFCO.

Mr. Ott added AB1361 to the legislative report. He indicated that this bill was recently amended to allow Municipal Water Districts, upon a request of an Indian Tribe, to provide service to a tribe's lands that are not within the district boundaries without going through the current statutory process of review and approval by the LAFCO.

The Commission received this Legislative Update Report and provided direction to staff on the identified legislative bills as appropriate.

Chairman Abed asked the Executive Officer to discuss the CALAFCO Annual Conference. Executive Officer Michael Ott indicated that this year's conference will be held in San Diego on October 25-27. Mr. Ott said that Chairman Abed was asked to give the welcome address at the conference.

Item 11

Public Comment

Chairman Sam Abed asked the public if anyone requested to speak on an item that is not related to the agenda. He indicated that there were no speaker slips received from members of the public for comments.

Item 12

CLOSED SESSION: ADJOURNED TO CLOSED SESSION (IF NECESSARY) TO CONFERENCE WITH LEGAL COUNSEL PURSUANT TO SUBDIVISION (D)(1) OF GOVERNMENT CODE SECTION 54956.9 – REGARDING EXISTING LITIGATION WITHIN THE RESPONSIBILITY OF THE SAN DIEGO LAFCO

Chairman Abed indicated that no closed session was required for this item and that agenda Item 12 was moved to Item 5c.

Legal Counsel Michael Colantuono gave a brief presentation in open session regarding litigation in the matter of *City of Coronado v. San Diego LAFCO and City of Imperial Beach (United States District Court Southern District of California, Case No.: 16-cv-3020-CAB-WVG)*. Mr. Colantuono reported to the Commission that all parties have agreed to the settlement and that the case has been dismissed.

Item 13

CLOSED SESSION: ADJOURNED TO CLOSED SESSION AS PERMITTED BY GOVERNMENT CODE SECTION 54950 ET. SEQ., TO CONSIDER MATTERS PERTAINING TO PUBLIC EMPLOYMENT ASSOCIATED WITH THE EXECUTIVE OFFICER POSITION OF THE SAN DIEGO LAFCO

Chairman Abed indicated that no closed session was required for this item and that agenda Item 13 was moved to Item 5d.

Mr. Ott said that Clay Phillips, Peckham & McKenney, will provide an update to the Commission regarding the recruitment for the Executive Officer position. Mr. Phillips addressed the Commission regarding the progress of the recruitment plans. He said that there were 21 applicants for the position and six candidates will be interviewed on July 11, 2017. He also said that the results from the interview process will be presented to the Sub-Committee on July 20, 2017 and final interviews will be on July 27, 2017.

Chairman Abed indicated that a speaker slip was received for public comment for agenda Item 13 (Moved to Item 5d).

Stephen Abbott, Fire Chief, San Diego County Fire Chiefs Association, addressed the Commission. He asked that the Commission consider his comments and if possible, involve the Fire Chiefs Association in the recruitment process of the Executive Officer.

Chairman Abed thanked Chief Abbott for his comments and said that fire protection is one of the top priorities for LAFCO and will be considered throughout the recruitment process.

There being no further business to come before the Commission, the meeting adjourned at 9:44 a.m. to the August 7, 2017 meeting, in Room 302, County Administration Center.

**ERICA BLOM
ADMINISTRATIVE ASSISTANT
SAN DIEGO LOCAL AGENCY COMMISSION FORMATION**

**CSA No. 115
Call Volume Breakdown**

ATTACHMENT THREE

Quarter	Lakeside		Santee		El Cajon		San Miguel Fire	
	Dispatched	Onscene	Dispatched	Onscene	Dispatched	Onscene	Dispatched	Onscene
Q1 FY15-16	0	0	4	2	98	69	70	62
Q2 FY15-16	0	0	3	3	79	61	79	57
Q3 FY15-16	0	0	3	3	78	57	99	70
Q4 FY15-16	36	6	23	8	155	53	162	62
Q1 FY16-17	69	24	21	7	151	64	79	36
Q2 FY16-17	84	32	10	7	136	69	56	24
Q3 FY16-17	99	47	34	7	122	56	54	23
Q4 FY16-17	73	35	18	8	131	72	35	17
Q1 FY17-18	76	50	39	19	102	57	13	5
Q2 FY17-18	65	43	32	22	77	60	6	6
Q3 FY17-18	60	46	18	12	64	46	9	9

Agency	FY2016		FY2017		FY2018	
Lakeside	6	1%	138	26%	139	37%
Santee	16	3%	29	5%	53	14%
El Cajon	240	47%	261	49%	163	43%
San Miguel	251	49%	100	19%	20	5%
	<u>513</u>	100%	<u>528</u>	100%	<u>375</u>	100%
1	San Miguel		El Cajon		El Cajon	
2	El Cajon		Lakeside		Lakeside	
3	Santee		San Miguel		Santee	
4	Lakeside		Santee		San Miguel	

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SAN DIEGO COUNTY FIRE IN COOPERATION WITH CAL FIRE

2249 Jamacha Road | El Cajon | CA 92019
5510 Overland Avenue | Suite 250, San Diego | CA 92123-1239
www.sdcountyfire.org

ATTACHMENT FOUR

TONY MECHAM
FIRE CHIEF
(619) 590-3100

HERMAN REDDICK
DIRECTOR, FIRE AUTHORITY
(858) 974-5999

March 22, 2018

John Traylor
San Diego LAFCO
9355 Hazard Way, Suite 200
San Diego, CA 92123

COUNTY SERVICE AREA (CSA) 115 PLAN FOR SERVICE

Dear Mr. Traylor,

You had requested that San Diego County Fire send a Plan for Service should CSA 115 be annexed to the CSA 135 Latent Powers Area. You had also requested the distribution of funds for Fiscal Year 2016/17 call data to Santee, El Cajon, Lakeside and San Miguel.

The attached Exhibit A provides County Fire's plan for service for CSA 115. The County plans to continue to contract with the four fire agencies surrounding CSA 115, and distribute a portion of the property tax increment to those agencies in exchange for their Fire and EMS services.

The call data and funding disbursement information for Fiscal Years 15/16 and 16/17 is also attached.

Please let me know if you have any questions.

Respectfully,

Herman Reddick, Director
County Fire Authority

**EXHIBIT A
PLAN FOR SERVICE**

County Fire plans to continue to contract with the following agencies for Fire and Emergency Medical Services: City of Santee, City of El Cajon, Lakeside Fire Protection District, and the San Miguel Fire Protection District. The contract term is 5-years. If CSA 115 is annexed to the CSA 135 Latent Powers area, the contracts will be extended with the above agencies.

Excerpts from the Contract “Scope of Work” and “Payment Schedule” below.

SCOPE OF WORK

Agency Services:

Agency shall provide fire protection and emergency medical services following the State Incident Command System, as dispatched, following the closest resource concept.

Agency shall provide preliminary call data to County, no later than June 1 of each year, for incidents from the preceding July 1 – April 30 of each fiscal year.

Agency agrees to meet during the month of July each year to discuss and agree to the final calls per agency. Final call volume data for the fiscal year (July 1 – June 30) shall be provided to the County no later than July 15.

Agency will receive credit for calls as dispatched. When multiple agencies respond to a specific call, all agencies responding to the call will receive reimbursement for that call.

County shall confirm the final call volume and response distribution, and County’s determination shall be final. Upon County’s confirmation of final call volume and response distribution, Agency shall submit invoices to County. In no event, however, shall Agency submit invoices to County no later than September 1.

County Services:

County will retain administrative oversight of CSA 115 which will include, but not limited to, record keeping, financing, and payment for services.

County will determine the level of service to be provided in CSA 115 and retain responsibility for fire prevention, fire investigation and dispatch.

PAYMENT SCHEDULE

1. COMPENSATION

Reimbursement for services will be based on standby rate and call volume. Call reimbursement will be based on the number of actual calls responded to within CSA 115. Agency will receive credit for calls as dispatched. When multiple agencies respond to a specific call, all agencies responding to the call will receive reimbursement for that call.

Reimbursement will be issued each year for the prior Fiscal Years' response. Each July, Agency and County will meet to discuss call volume and response distribution. Prior to the annual meeting, Agency will provide County preliminary call data (in Excel format) no later than June 1. Agency will include a summary of the data and any ambulance response data will be removed from the final tally. Reimbursement will be based on actual property tax revenue collected for CSA 115.

Distribution Calculation:

Standby Rate \$5,000 (each agency, per year)

Administrative Costs: 5% of total revenue for prevention costs (County)

Thereafter, the County will pay Agency a proportionate share of the remaining Pool of Funds, based on actual call volume and incident response, not to exceed actual tax revenue collected for CSA 115 in the given fiscal year.

See example below:

Total Tax Revenue for Sample Fiscal Year: \$350,000

Administrative Costs (5%): \$17,500; Standby rate: \$20,000 (each Agency \$5,000)

Pool of funds remaining for reimbursement: \$312,500

Agency	# Calls	% of Total	Pool calculation (remaining fund x % call volume)	Standby	Total Reimbursement
Lakeside	700	28%	\$87,500	\$5,000	\$92,500
Santee	800	32%	\$100,000	\$5,000	\$105,000
El Cajon	500	20%	\$62,500	\$5,000	\$67,500
San Miguel	500	20%	\$62,500	\$5,000	\$67,500
Total	2,500	100%	\$312,500	\$20,000	\$332,500

2. CLAIM FOR PAYMENT

Agency will submit an invoice to County, based on response data reviewed and agreed upon at the annual meeting. Invoices must be received by County no later than September 1.

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San Miguel Consolidated Fire Protection District

Audited Financial Statements | May 18, 2018

ATTACHMENT FIVE

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
	contract	contract	contract	contract	contract
ASSETS					
Current	6,118,268	7,343,878	9,039,305	9,926,233	9,754,266
Non Current	20,284,535	19,265,235	18,047,367	11,226,138	12,661,618
	\$ 26,402,803	\$ 26,609,113	\$ 27,086,672	\$ 21,152,371	\$ 22,415,884
DEFERRED OUTFLOWS					
Pension Costs (+)	-	-	1,415,786	1,853,566	4,380,860
	\$ -	\$ -	\$ 1,415,786	\$ 1,853,566	\$ 4,380,860
LIABILITIES					
Current	3,453,022	2,674,688	2,942,511	2,904,093	3,371,471
Non Current	15,177,749	13,241,154	33,674,743	40,702,639	47,959,472
.. OPEB portion	notes	notes	notes	7,819,405	8,846,556
.. pension portion	-	-	22,458,700	23,802,978	31,846,516
	\$ 18,630,771	\$ 15,915,842	\$ 36,617,254	\$ 43,606,732	\$ 51,330,943
DEFERRED INFLOWS					
Unearned Revenue	-	-	100,228	75,387	30,549
Pension Costs (-)	-	-	6,821,784	6,636,433	3,585,770
	\$ -	\$ -	\$ 6,922,012	\$ 6,711,820	\$ 3,616,319
RESERVES					
Capital	6,279,647	7,168,903	7,884,611	8,046,138	10,221,618
Restricted	1,912,491	2,446,897	3,446,934	-	-
Unrestricted	(420,106)	1,077,471	(26,368,333)	(35,358,753)	(38,372,136)
	\$ 7,772,032	\$ 10,693,271	\$ (15,036,788)	\$ (27,312,615)	\$ (28,150,518)
NET ASSETS	\$ 7,772,032	\$ 10,693,271	\$ (15,036,808)	\$ (27,312,615)	\$ (28,150,518)
NET ASSETS ADJUSTED					
LESS PENSION & OPEB	\$ 7,772,032	\$ 10,693,271	\$ 7,421,892	\$ 4,309,768	\$ 12,542,554

NOTES

- SMFPD reverted to independent status beginning July 1, 2017, and as such FY2017-2018 will be the first year under its new staffing arrangement.
- Audits for FY2015-2016 and FY2016-2017 were not previously reviewed by LAFCO in the MSR approved by the Commission in July 2017.
- SD LAFCO previously defined "self-sustaining fire agency" as total governmental revenues exceeding total governmental expenses; i.e., total margin

Measurements								Last 2-Year	Last 2-Year
								Average	Trend
Current Ratio (Liquidity)									
2012-13	2013-14	2014-15	2015-16	2016-17	Average	Trend			
1.8	2.7	3.1	3.4	2.9	2.8	61.1%	3.2	-6.5%	
Days Cash (Liquidity)									
2012-13	2013-14	2014-15	2015-16	2016-17	Average	Trend			
386.5	619.3	572.9	493.3	392.7	492.9	1.6%	443.0	-31.5%	
Debt Ratio (Capital)									
2012-13	2013-14	2014-15	2015-16	2016-17	Average	Trend			
71%	60%	135%	206%	229%	140.1%	222.5%	217.6%	69.6%	
Debt Ratio Less Pension & OPEB (Capital) *									
2012-13	2013-14	2014-15	2015-16	2016-17	Average	Trend			
71%	60%	52%	57%	47%	57.4%	-33.8%	52.1%	-9.6%	
Total Margin (Profitability)									
2012-13	2013-14	2014-15	2015-16	2016-17	Average	Trend			
-5.4%	9.9%	6.7%	4.5%	-2.7%	2.6%	49.5%	0.9%	-140.3%	
Operating Margin (Profitability)									
2012-13	2013-14	2014-15	2015-16	2016-17	Average	Trend			
1.7%	9.8%	8.2%	4.5%	-2.0%	4.4%	-217.6%	1.2%	-124.4%	
Equipment Replacement Ratio (Management)									
2012-13	2013-14	2014-15	2015-16	2016-17	Average	Trend			
n/a	n/a	33.8	19.8	22.0	25.2	-34.9%	20.9	-34.9%	
Savings Ratio (Management)									
2012-13	2013-14	2014-15	2015-16	2016-17	Average	Trend			
2.7%	11.6%	9.8%	5.5%	-1.3%	5.7%	-148.1%	2.1%	-113.3%	



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07/01/2017 - 05/21/18

Projected Year-End Revenues and Expenses Included

	<u>As of 5/21/2018</u>	<u>Remaining Projections</u>	<u>Projected</u>	<u>Budget</u>	<u>Remaining Budget</u>
Revenue					
Property Taxes	\$18,313,690.33	\$0.00	\$18,313,690.33	\$18,348,956.00	(\$35,265.67)
Benefit Assessments	\$543,315.35	\$0.00	\$543,315.35	\$706,157.00	(\$162,841.65)
Parcel Tax	\$1,381,422.50	\$0.00	\$1,381,422.50	\$1,760,078.00	(\$378,655.50)
Miscellaneous Revenue	\$154,972.45	\$0.00	\$154,972.45	\$150,000.00	\$4,972.45
Interest	\$18,777.10	\$0.00	\$18,777.10	\$0.00	\$18,777.10
Plan Check Fees	\$70,409.20	\$0.00	\$70,409.20	\$50,000.00	\$20,409.20
Inspections	\$89,037.04	\$0.00	\$89,037.04	\$100,000.00	(\$10,962.96)
Rent - Facilities	\$122,055.42	\$0.00	\$122,055.42	\$138,858.00	(\$16,802.58)
CSA 115 Response Revenue	\$68,567.01	\$0.00	\$68,567.01	\$68,000.00	\$567.01
Contract - AMR (Pass Through)	\$1,027,912.25	\$0.00	\$1,027,912.25	\$705,243.00	\$322,669.25
Employee - FTES	\$0.00	\$0.00	\$0.00	\$40,000.00	(\$40,000.00)
Bad Debt Collections	\$3,775.48	\$0.00	\$3,775.48	\$0.00	\$3,775.48
Donations	\$5.80	\$0.00	\$5.80	\$0.00	\$5.80
Weed Abatement	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Funding Sources - Fire Mitigation Fees	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Revenue	\$21,793,939.93	\$0.00	\$21,793,939.93	\$22,067,292.00	(\$273,352.07)
Expenses					
<u>Salaries and Benefits</u>					
Director Benefits	\$20,721.40	\$5,000.00	\$25,721.40	\$26,291.00	\$5,569.60
Director Fees	\$13,686.75	\$15,000.00	\$28,686.75	\$29,106.00	\$15,419.25
Employee Benefits	\$4,477,302.52	\$800,000.00	\$5,277,302.52	\$5,438,548.00	\$961,245.48
Employee Overtime	\$1,067,864.57	\$300,000.00	\$1,367,864.57	\$1,490,498.00	\$422,633.43
Employee Salaries	<u>\$5,093,227.00</u>	<u>\$1,200,000.00</u>	<u>\$6,293,227.00</u>	<u>\$6,984,480.00</u>	<u>\$1,891,253.00</u>
Total Salaries and Benefits	\$10,672,802.24	\$2,320,000.00	\$12,992,802.24	\$13,968,923.00	\$3,296,120.76
<u>Services and Supplies</u>					
Communications Services/Equip	\$102,038.10	\$50,000.00	\$152,038.10	\$65,676.00	(\$36,362.10)
Equipment Maintenance	\$41,071.06	\$4,000.00	\$45,071.06	\$45,325.00	\$4,253.94
Facilities Maintenance	\$83,946.78	\$75,000.00	\$158,946.78	\$120,622.00	\$36,675.22
Fleet Maintenance	\$156,067.22	\$250,000.00	\$406,067.22	\$145,330.00	(\$10,737.22)
Housekeeping Services/Supplies	\$25,896.06	\$5,000.00	\$30,896.06	\$20,620.00	(\$5,276.06)
Insurance	\$283,203.05	\$45,000.00	\$328,203.05	\$672,760.00	\$389,556.95
Medical Services/Supplies	\$22,189.10	\$20,000.00	\$42,189.10	\$24,146.00	\$1,956.90
Minor Equipment	\$45,266.85	\$50,000.00	\$95,266.85	\$108,388.00	\$63,121.15
Office Supplies	\$20,748.79	\$25,000.00	\$45,748.79	\$40,500.00	\$19,751.21

	<u>As of 5/21/2018</u>	<u>Remaining Projections</u>	<u>Projected Revenue and Expenses</u>	<u>Budget</u>	<u>Remaining Budget</u>
Personnel Development	\$13,393.52	\$20,000.00	\$33,393.52	\$58,925.00	\$45,531.48
Professional Services	\$3,380,045.65	\$500,000.00	\$3,880,045.65	\$3,496,535.00	\$116,489.35
Publications and Media	\$4,673.89	\$0.00	\$4,673.89	\$12,312.00	\$7,638.11
Rents and Leases	\$19,871.16	\$2,500.00	\$22,371.16	\$8,038.00	(\$11,833.16)
Safety Clothing/Equipment	\$61,952.28	\$20,000.00	\$81,952.28	\$56,935.00	(\$5,017.28)
Special District Expense	\$136,491.11	\$30,000.00	\$166,491.11	\$166,733.00	\$30,241.89
Travel and Subsistence	\$0.00	\$2,000.00	\$2,000.00	\$1,010.00	\$1,010.00
Utilities	\$144,201.43	\$40,000.00	\$184,201.43	\$187,400.00	\$43,198.57
Capital Expenditures	<u>\$829,719.15</u>	<u>\$41,693.82</u>	<u>\$871,412.97</u>	<u>\$871,413.00</u>	<u>\$41,693.85</u>
Total Services and Supplies	\$5,370,775.20	\$1,180,193.82	\$6,550,969.02	\$6,102,668.00	\$731,892.80
Total Expenses	<u>\$16,043,577.44</u>	<u>\$3,500,193.82</u>	<u>\$19,543,771.26</u>	<u>\$20,071,591.00</u>	<u>\$4,028,013.56</u>
Projected Revenues Over/(Under) Expenses			<u>\$2,250,168.67</u>		

*The Budget was approved with an estimated \$1,851,355 revenue over expenditures that would be earmarked for Reserve Fund Transfers



San Miguel Fire & Rescue

2850 Via Orange Way, Spring Valley, California 91978 • (619) 670-0500 • (619) 670-5331 Fax • www.sanmiguelfire.net

May 21, 2018

Keene Simonds
San Diego Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, California 92123

Re: SMFPD Financial Analysis

Dear Mr. Simonds:

Thank you for meeting with us on May 18, 2018 to discuss the concerns that LAFCO has regarding the CSA 115 Joint Application with Lakeside.

After reviewing the spreadsheet titled, "San Miguel Consolidated Fire Protection District Audited Financial Statements," we have some items we would like LAFCO to take into consideration.

At the July 2017 Commission Meeting, San Diego LAFCO Chief Analyst Joe Serrano's report showed more than what is referred to on the spreadsheet "*SD LAFCO previously defined "self-sustaining fire agency" as total governmental revenues exceeding total governmental expenses...*". Mr. Serrano's report not only showed general fund revenues and expenditures, it showed funds being transferred into and expended by various reserve funds. This report showed actuals as well as projections.

It appears the Operational Margin was calculated using the General Fund information in the audit. The numbers in the audits General Fund includes more revenue and expenses than the District's general operating fund. The audit information captures the District's General Fund, Budget Stabilization Fund, Uncompensated Lease, Contract Services Fund and the Fire Mitigation Fee Fund.

When reviewing the Total Margin information, it does not take into consideration expenditures made from various reserve funds. Last fiscal year the District purchased two fire engines along with other specialty funded expenditures. While these expenditures show up in the audits total expenses for 2016/17, there is no revenue source that fiscal year; that revenue was shown in previous fiscal years. Those funds were set aside specifically to purchase various specialty equipment including fire engines. While reviewing your spreadsheet for Lakeside Fire District, it was noticed that numbers were forced to correct the Excel formula in calculating the trends from negative numbers to positive numbers where necessary. We would like to point out that the same formulas were not corrected for San Miguel. The 5-year trend should be a positive 49.5%.

If LAFCO followed the rationale of trends last year, the percentages would show a completely different picture in both the 5-year and 2-year scenarios. Just as a point of clarity, the 5-year trend is a 4-year trend.

Further clarification is that 2012/13 was not an independent year. The District entered into contract with CAL FIRE on December 31, 2012 making 2012/13 a split year (independent and contract). While this may not be a necessary point of order, it was important enough for LAFCO to make a point of notating which years the District was under a contract with CAL FIRE through the Cooperative Agreement for fire protection services.

Attached is a budget comparison of revenues and expenditures (General Fund) for your review. The analysis that was provided by LAFCO staff at the meeting does not provide an accurate projection of expenses that relate to salaries and benefits, and services and supplies.

As stated in the previous letter to LAFCO dated May 9, 2018, the District is closely watching SB 1413 and will be looking into possible ways to prefund future pension contributions.

Thank you for the opportunity to assist LAFCO staff with its evaluation on the District's finances. Should you have any questions regarding the above, please do not hesitate to contact the District.

Sincerely,

Leah Harris

Leah Harris
Administrative Officer/Finance Officer

Darilyn O'Dell

Darilyn O'Dell
Consultant

Attachments: Budget Comparison Report Projection

cc: Criss Brainard, Fire Chief
Kim Raddatz, Board President
Jim Ek, Director
Joseph Sanchez, Legal Counsel
Paula de Sousa Mills, Legal Counsel
John Traylor, Local Government Consultant
Robert Barry, Chief Analyst, Policy Research
Linda Zambito, Local Government Analyst

Simonds,Keene

From: Simonds,Keene
Sent: Tuesday, May 22, 2018 3:16 PM
To: 'Leah Harris'
Cc: 'dodell@sanmiguelfire.org'
Subject: RE: SD LAFCO | Follow Up
Attachments: Letter to LAFCO - SMFPD Financial Analysis (05-21-18).pdf _KS.pdf

Hi Leah –

Thank you for the email and docs. I will include your projected 17-18 year-end budget as an attachment to the staff report.

I will also correct the five-year total margin trend to correctly read 47% and not (47%). I have provided some responses to the other items flagged in the attachment. I thought it would be easiest to put my comments right next to the text. I would also be happy to go into more detail on the operating margin and total margin calculations should my response not fully address your questions. Let me know.

Thank you, Keene

From: Leah Harris [mailto:lharris@sanmiguelfire.org]
Sent: Tuesday, May 22, 2018 9:42 AM
To: Simonds,Keene <Keene.Simonds@sdcounty.ca.gov>
Cc: Criss Brainard <cbrainard@sanmiguelfire.org>; Kim Raddatz <kraddatz@sanmiguelfire.org>; Jim Ek <jek@sanmiguelfire.org>; Joseph Sanchez <Joseph.Sanchez@bbklaw.com>; paula.desousamills@bbklaw.com; Traylor, John <John.Traylor@sdcounty.ca.gov>; Barry, Robert <Robert.Barry@sdcounty.ca.gov>; Zambito, Linda <Linda.Zambito@sdcounty.ca.gov>; Darilyn ODell <dodell@sanmiguelfire.org>
Subject: RE: SD LAFCO | Follow Up

Good morning Mr. Simonds,

Please find attached a letter in regard to the financial analysis and the requested Budget Comparison Report.

Please let me know if you have any questions.

Thank you for your time,

Leah Harris

Administrative Officer/Finance Officer
 San Miguel Fire & Rescue
 2850 Via Orange Way
 Spring Valley, CA 91978
 (619) 670-0500

lharris@sanmiguelfire.org





San Miguel Fire & Rescue

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May 21, 2018

Keene Simonds
San Diego Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, California 92123

Re: SMFPD Financial Analysis

Dear Mr. Simonds:

Thank you for meeting with us on May 18, 2018 to discuss the concerns that LAFCO has regarding the CSA 115 Joint Application with Lakeside.

After reviewing the spreadsheet titled, "San Miguel Consolidated Fire Protection District Audited Financial Statements," we have some items we would like LAFCO to take into consideration.

At the July 2017 Commission Meeting, San Diego LAFCO Chief Analyst Joe Serrano's report showed more than what is referred to on the spreadsheet "*SD LAFCO previously defined "self-sustaining fire agency" as total governmental revenues exceeding total governmental expenses...*". Mr. Serrano's report not only showed general fund revenues and expenditures, it showed funds being transferred into and expended by various reserve funds. This report showed actuals as well as projections.

Correct; LAFCO is drawing from the auditors' classification of "general fund" revenues and expenses in calculating operating margin. LAFCO relies on the auditors' attesting to what are typical FPD operating revenues and expenses for purposes of calculating operating margin.

It appears the Operational Margin was calculated using the General Fund information in the audit. The numbers in the audits General Fund includes more revenue and expenses than the District's general operating fund. The audit information captures the District's General Fund, Budget Stabilization Fund, Uncompensated Lease, Contract Services Fund and the Fire Mitigation Fee Fund.

You are right; will do.

When reviewing the Total Margin information, it does not take into consideration expenditures made from various reserve funds. Last fiscal year the District purchased two fire engines along with other specialty funded expenditures. While these expenditures show up in the audits total expenses for 2016/17, there is no revenue source that fiscal year; that revenue was shown in previous fiscal years. Those funds were set aside specifically to purchase various specialty equipment including fire engines. While reviewing your spreadsheet for Lakeside Fire District, it was noticed that numbers were forced to correct the Excel formula in calculating the trends from negative numbers to positive numbers where necessary. We would like to point out that the same formulas were not corrected for San Miguel. The 5-year trend should be a positive 49.5%.

Correct; LAFCO is calculating total margin to include all present year revenues and expenses given - and as you note - the revenue sources in transfers are previously booked in prior years.

If LAFCO followed the rationale of trends last year, the percentages would show a completely different picture in both the 5-year and 2-year scenarios. Just as a point of clarity, the 5-year trend is a 4-year trend.

Got it. Further clarification is that 2012/13 was not an independent year. The District entered into contract with CAL FIRE on December 31, 2012 making 2012/13 a split year (independent and contract). While this may not be a necessary point of order, it was important enough for LAFCO to make a point of noting which years the District was under a contract with CAL FIRE through the Cooperative Agreement for fire protection services.

Got it. Attached is a budget comparison of revenues and expenditures (General Fund) for your review. The analysis that was provided by LAFCO staff at the meeting does not provide an accurate projection of expenses that relate to salaries and benefits, and services and supplies.

Got it. As stated in the previous letter to LAFCO dated May 9, 2018, the District is closely watching SB 1413 and will be looking into possible ways to prefund future pension contributions.

Thank you for the opportunity to assist LAFCO staff with its evaluation on the District's finances. Should you have any questions regarding the above, please do not hesitate to contact the District.

Sincerely,

Leah Harris

Leah Harris
Administrative Officer/Finance Officer

Darilyn O'Dell

Darilyn O'Dell
Consultant

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