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Title: Chief Administrative Office and the Board of Supervisors Fire/EMS/Jurisdictional Reorganization Ad Hoc Committee, recommending the Board provide direction to staff in response to a request for financial assistance related to the proposed annexation of the Meeks Bay Fire Protection District (Meeks Bay) into the North Tahoe Fire Protection District (North Tahoe) (Placer Local Agency Formation Commission (LAFCO)Project 2022-01).

FUNDING: Discretionary Transient Occupancy Tax (TOT); General Fund.

Sponsors:

Indexes:

Code sections:

Attachments: 1. A - Proposal

Date	Ver.	Action By	Action	Result
1/9/2024	1	Board of Supervisors	Approved	Pass

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DISCUSSION / BACKGROUND

Background

Fire and emergency medical (non-transport) services in El Dorado County are delivered by 12 independent special districts and the City of South Lake Tahoe. Revenues and service levels vary across districts, and following the implementation of Proposition 13 in 1978 there have been discussions about how to ensure the fire service in the County is sustainable into the future.

While the County does not have direct responsibility for the provision of fire protection services, the Board of Supervisors has engaged in various efforts to support the fire districts over the years. In the early 2000s, the County provided General Fund financial support to several districts with the lowest property tax shares, a program known as "Aid to Fire." This program was discontinued in 2016, with the recognition that the year-to-year funding to individual districts was not sustainable for the County financially and it was not addressing the structural issues facing the fire service. A countywide, system-wide perspective would be needed and any assistance from the County should support increased coordination and efficiency.

The 2017-18 Grand Jury issued a report that recommended consolidation of districts and further recommended that the County lead such an effort. The Board of Supervisors' response agreed that

consolidation should be considered as one of the potential options for bolstering the fire service, but stopped short of adopting the recommendation that the Board direct creation of a plan to consolidate districts. This was based on consistent feedback from the districts indicating they felt the ideas for consolidating or reorganizing districts should be driven by the districts, and not the County. The Chief Administrative Office and the Board's Fire and EMS Ad Hoc Committee continued to engage in the sustainability discussions alongside the districts and in 2019, the Board of Supervisors included in its Strategic Plan a theme to "Support Fire Districts' Reorganization and Consolidation when requested." At the time, it was contemplated the support might include assistance with costs of the LAFCO process, including needed fiscal and municipal service studies, or other one-time costs, such as infrastructure investments, that would help remove barriers to district reorganizations.

In the Fall of 2022, Meeks Bay and North Tahoe filed an application with Placer LAFCO for annexation of Meeks Bay by North Tahoe. In 2023, the El Dorado County Fire Protection District and Diamond Springs-El Dorado Fire Protection District agreed to begin the process of annexation. In the same year, the Cameron Park Community Services District began exploring the possibility of seeking an agency to take on its responsibility for fire protection services. In addition, the City of South Lake Tahoe approached the County about potentially annexing several unincorporated parcels into the City.

In light this activity, on September 12, 2023, the Board expanded the scope of the Fire/EMS Ad Hoc Committee to include jurisdictional reorganizations, directed the CAO to work with the Ad Hoc Committee to develop a policy on County involvement in jurisdictional reorganizations, and authorized the issuance of a Request for Qualifications (RFQ) for consulting firms to assist with analysis, negotiations, and development of a policy related to jurisdictional reorganizations. We received no responses to the RFQ, so staff is working on reaching out to known vendors for proposals.

North Tahoe/Meeks Bay Annexation

North Tahoe, located in Placer County, has been providing fire protection services to Meeks Bay, located in El Dorado County, since 2014 through a contract for services. The districts have been working since at least 2018 to reorganize their districts through the dissolution of Meeks Bay and the annexation of the district's Area to North Tahoe. The annexation would result in one district encompassing all the territory in each of the two current districts. An alternative governance study and standards of coverage plan were developed in 2018, and a representative from North Tahoe Fire reported to the Board of Supervisors in April, 2019, that he anticipated an overall savings upon full reorganization of the districts (Legistar file 19-0551). In December, 2021, North Tahoe requested \$42,000 to reimburse the districts for the LAFCO costs related to the annexation. The Board of Supervisors approved that allocation on January 25, 2022 (Legistar file 22-0083).

The efforts were delayed for a number of reasons, including turnover on the Meeks Bay Board of Directors and turnover at El Dorado LAFCO, where the annexation was initially planned to be processed. Under state law, the annexation would have been processed through Placer LAFCO, because the greater area of affected territory lies within Placer County; however, consent was provided by both Placer and El Dorado LAFCOs to process the annexation through El Dorado LAFCO because the Executive Officer had been closely involved with the project since its inception. When the El Dorado LAFCO Executive Officer, left their position, the annexation application was redirected to Placer LAFCO.

The application was filed in the Fall of 2022, which triggered the requirement under California

Revenue and Taxation Code to adjust the allocation of property tax revenue for the agencies affected by the reorganization. This property tax negotiation process is to be facilitated by the County, in consultation with the affected districts. During this process, the County was contacted by Meeks Bay Board Members requesting the County provide financial support for the annexation, citing rising costs of providing service, pension liabilities (currently estimated at \$2.4 m), capital needs, and a potential reduction in revenue (approximately \$70,000 annually) related to the reduction of Meeks Bay's special taxes and assessments to the level paid by North Tahoe residents. In October, 2023, a working group composed of two Meeks Bay Board Members, two North Tahoe Board members, the Fire Chief for both districts, and CAO staff began meeting to discuss the property tax allocation and the districts' additional requests. During these meetings the districts also expressed a desire for increased property tax allocations.

In light of these requests, CAO staff consulted with the Fire, EMS, and Jurisdictional Reorganization Ad Hoc Committee, and reviewed funding allocated by the County to Meeks Bay in recent years through Aid to Fire, American Rescue Plan Act (ARPA), and Transient Occupancy Tax (TOT):

Aid to Fire:	\$2,191,172 Fiscal Years 2001-2009
LAFCO Costs	\$42,000 Fiscal Year 2022
ARPA:	\$22,727 Fiscal Year 2023
TOT:	\$667,715 Fiscal Years 2023-2024
Total:	\$2,965,614

In total, from all of the above sources, plus Coronavirus Aid, Relief and Economic Security Act (CARES), the County has provided \$17,750,310 to fire districts in the County since FY 2000-01.

Staff and the Ad Hoc Committee reviewed the discussed the districts' requests at length and in recognition of the fact that Meeks Bay had not submitted requests for reimbursement for tourism-related calls in three out of the four years following the revisions to the Board Budget Policy on the use of TOT funding to include mitigation of impacts of tourism, the Ad Hoc Committee authorized staff to submit a tentative proposal, subject to approval of the full Board of Supervisors. The proposal included the following:

1. A one-time lump sum payment of \$792,000, which equals three years worth of TOT funding, at the same level approved by the Board for Meeks Bay in FY 2023-24;
2. Property tax increment for each tax rate area in Meeks Bay would be brought up to at least the average for all tax rate areas in North Tahoe;
3. Meeks Bay special taxes and assessments remain at current levels;
4. Station 67 or a station that will meet standards of coverage will continue to be staffed and operated at current level of service.

The one-time payment of \$792,000 would be paid from the TOT designation for special projects, and would leave approximately \$1.25 million in that designation for broadband, biomass, and other projects. The change in tax increment would not reduce the base property tax received by the County's General Fund, but it would reduce the General Fund's future shares of property tax growth in the affected tax rate areas, in an amount estimated to be between \$8,000 and \$12,000 in the first year following the effective date of the change.

On December 12, 2023, the County received a counter proposal that accepted terms 1, 2, and 4, but

rejected term 3 and requested reimbursement for the impacts of tourism for the calendar years 2023-2027, based on the same formula used in FY 2023-24. During a working group meeting on December 15, 2015, the North Tahoe and Meeks Bay representatives clarified their request to be five additional years of reimbursement at the FY 2023-24 rate of \$264,000, totaling \$1,320,000. The total lump sum payment under the counter proposal would be \$2,112,000. In addition, the district would be voluntarily reducing its revenues from special taxes and assessments by approximately \$70,000 year by rejecting term 3. As stated above, the annual property tax growth forgone by the County is estimated between \$8,000 and \$12,000 in the first year.

Staff provided the counter proposal to the Ad Hoc Committee, along with a seven-year financial history of Meeks Bay. The district ended FY 2022-23 with a total fund balance of \$1.1 million. The Committee felt that this fund balance, plus the FY 2023-24 TOT already committed (\$264,000), in addition to the lump sum payment of \$792,000 originally proposed, and the increased property tax revenue over time should adequately provide for stability for the districts to get through the annexation transition until full efficiencies can be achieved.

The Committee recommends the Board approve its Ad Hoc Committee's original proposal (Attachment A), and authorize the CAO to submit the proposal to both district boards.

ALTERNATIVES

The Board could choose not to offer assistance or could direct assistance in a different amount or form.

PRIOR BOARD ACTION

Legistar Item #22-0083 (January 25, 2022) authorized a contribution from the County General Fund to North Tahoe and Meeks Bay to pay for LAFCO costs.

Legistar Item #23-1629 (September 12, 2023) expanded the scope of the Fire/EMS Ad Hoc Committee to include jurisdictional reorganizations.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

Meeks Bay Fire Protection District, North Tahoe Fire Protection District, Placer County LAFCO

FINANCIAL IMPACT

The proposal recommended by County staff and the Board of Supervisors Jurisdictional Reorganization Ad Hoc Committee would reduce the County's TOT Special Projects Designation by \$792,000, leaving approximately \$1,250,000 in that designation. Staff will recommend the Board replenish the TOT Special Projects Designation during the FY 2024-25 Budget process. The proposed adjustments to the annual tax increment factors would not reduce the amount of base property tax the County receives in the area being annexed, but it would reduce the County's future share of revenue growth in the area. The amount forgone by the County would vary based on the actual growth in the equalized tax roll, but is estimated to be between \$8,000 and \$12,000 in the first year following the effective date of the adjustments.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT
N/A

CONTACT

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