



Santa Cruz Local Agency Formation Commission

Date: November 4, 2020
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **“Central & Aptos/La Selva Fire Consolidation” (Project No. DC 20-02)**

SUMMARY OF RECOMMENDATION

A consolidation is being proposed by Central and Aptos/La Selva Fire Protection Districts following the adoption of two substantially similar resolutions. The proposal area involves the existing jurisdictional boundaries of both fire districts, which encompasses an estimated 25,000 acres, over 30,000 parcels, and approximately 90,000 residents. The purpose of the application is to facilitate the efficient delivery of fire protection to the communities within the affected territory. If approved, the consolidation will preserve the current levels of service, maintain local demand expectations, and continue the existing funding sources.

Staff is recommending that the Commission adopt the draft resolution (No. 2020-30) approving the consolidation of Central and Aptos/La Selva Fire Protection Districts.

EXECUTIVE OFFICER’S REPORT:

The State Legislature gave LAFCOs broad authority when it comes to considering boundary changes for cities and special districts. LAFCO powers are delineated in the Cortese-Knox-Hertzberg Act. Under this Act, the Commission can deny or approve, with or without conditions, a wide range of boundary changes to local governments, including annexations, dissolutions, detachments, formations, consolidations, and mergers. Consolidation is the type of action that the Aptos/La Selva and Central Fire Protection Districts (FPDs) have requested for Commission consideration. The Commission has also adopted a policy to implement the State law in the manner that best encourages orderly growth based upon local conditions within Santa Cruz County (refer to **Attachment 1**).

Consolidation Overview

Pursuant to Government Code Section 57500, on and after the effective date of a consolidation, the newly-consolidated district succeeds to all of the powers, rights, duties, obligations, functions, and properties of all predecessor districts which have been united or joined into the consolidated district. The territory of a consolidated district, all inhabitants within that territory, and all persons entitled to vote by reason of residing or owning land within the territory are subject to the jurisdiction of the consolidated district and have the same rights and duties as if the consolidated district had been originally formed under the principal act. In other words, a consolidation is legally two actions rolled into one: the dissolution of two or more special districts, and the subsequent formation of a new, single district that encompasses the entirety of the service areas of the dissolved agencies. This is an important characteristic to note because of what it means legally to the impacted districts. Only special districts under the same principal act are eligible for consolidation. This report will analyze the proposed consolidation, provide an overview of the LAFCO process, and include a detailed resolution for consideration. **Table A** summarizes the effects of the proposed consolidation.

Table A – Before & After Consolidation

Type	Current	Proposed	Change
Governance	Two Boards of Directors <u>Aptos/La Selva FPD:</u> 5 Board Members <u>Central FPD:</u> 5 Board Members	One Board of Directors <u>Successor Agency:</u> 5 Board Members	Removal of Overlapping Governance Change from 2 separate boards to 1 comprehensive board.
Level of Service	Separate ISO Ratings <u>Aptos/La Selva FPD:</u> Developed Areas = Class 2 Rural Areas = Class 4 & 8B <u>Central FPD:</u> Developed Areas = Class 2 Rural Areas = Class 10	Comprehensive ISO Ratings <u>Successor Agency:</u> Developed Areas = Class 2 Rural Areas = Class 4 & 8B	No Change to the Level of Service State law requires the same or improved level of service to be delivered to the communities.
Fire Chief	Two Fire Chiefs <u>Aptos/La Selva FPD:</u> Don Jarvis, Interim Fire Chief <u>Central FPD:</u> John Walbridge, Interim Fire Chief	One Fire Chief <u>Successor Agency:</u> John Walbridge, Interim Fire Chief	Removal of Overlapping Position Change from 2 separate fire chiefs to 1 fire chief.
Employees	Two Personnel Departments <u>Aptos/La Selva FPD:</u> 41 Active Employees <u>Central FPD:</u> 62 Active Employees (Plus 15 Paid-Call FFs)	One Personnel Department <u>Successor Agency:</u> 103 Active Employees (Plus 15 Paid Call Firefighters)	No Change in Firefighters or Non-Managerial Staffing All personnel of Aptos/La Selva and Central FPDs will become employees of the successor agency.
Pension Benefits	Existing Pension Plans <u>Aptos/La Selva FPD:</u> Pension Plan under CalPERS <u>Central FPD:</u> Pension Plan under CalPERS	Existing Pension Plans <u>Successor Agency:</u> Current Pension Plans under CalPERS for both Aptos/La Selva and Central FPDs with no change	No Change to Existing Pension Plans Pursuant to Assembly Bill 1140, the existing pension plans under CalPERS will be transferred over to the successor agency.
Fire Stations & Equipment	Two Inventory Lists <u>Aptos/La Selva FPD:</u> 3 fire stations <u>Central FPD:</u> 4 fire stations	One Inventory List <u>Successor Agency:</u> 7 fire stations	No Change to Existing Fire Stations or Equipment All apparatuses, facilities, and buildings will be transferred over to the successor agency.
Assets & Liabilities Revenues & Expenditures	Two Budgets <u>Aptos/La Selva FPD (FY18-19):</u> Total Assets = \$18.7 Million Total Liabilities = \$20.5 Million Fund Balance = \$8.7 Million Total Revenue = \$13.4 Million Total Expense = \$12.1 Million <u>Central FPD (FY18-19):</u> Total Assets = \$34.6 Million Total Liabilities = \$48.5 Million Fund Balance = \$10.7 Million Total Revenue = \$19.2 Million Total Expense = \$16.1 Million	One Budget <u>Successor Agency (FY 21-22):</u> Total Assets = \$53.3 Million Total Liabilities = \$69.0 Million Fund Balance = \$19.4 Million Total Revenue = \$37.4 Million Total Expense = \$36.7 Million <i>*Note – this is an estimated amount</i>	Removal of Overlapping Governance Change from 2 separate budgets to 1 comprehensive budget with potential cost-savings in the near future and going forward. All existing revenue sources will be transferred over to the successor agency. Residents will see no change in existing service costs.

Reason for Request

A consolidation was initiated by Central and Aptos/La Selva FPDs following the adoption of two substantially similar resolutions, as shown in **Attachment 2**. LAFCO received the application, with the adopted resolutions, on December 30, 2019. The affected fire districts did not propose any additional changes to their boundaries other than consolidating both districts into a new, single successor agency. **Figures A and B** depict the current and proposed boundaries. While the application was submitted in December 2019, the idea of consolidation has been explored and analyzed for several years by the two fire districts. In fact, the two affected fire districts are results of past consolidations.

Aptos/La Selva Fire Protection District Consolidation

In 1985, the Boards of Directors for the Aptos Fire Protection District and the La Selva Fire Protection District passed resolutions requesting consolidation to create a single, new district to be known as the “Aptos/La Selva Fire Protection District.” The proposal was analyzed by LAFCO staff and deemed complete once all the required steps were met. The Commission held a public meeting on April 2, 1986 to consider and ultimately approve the proposed consolidation. At present, Aptos/La Selva FPD serves the residents, businesses, and visitors in Aptos, Rio Del Mar, and La Selva Beach. The 27 square mile service area is home to approximately 30,000 residents.

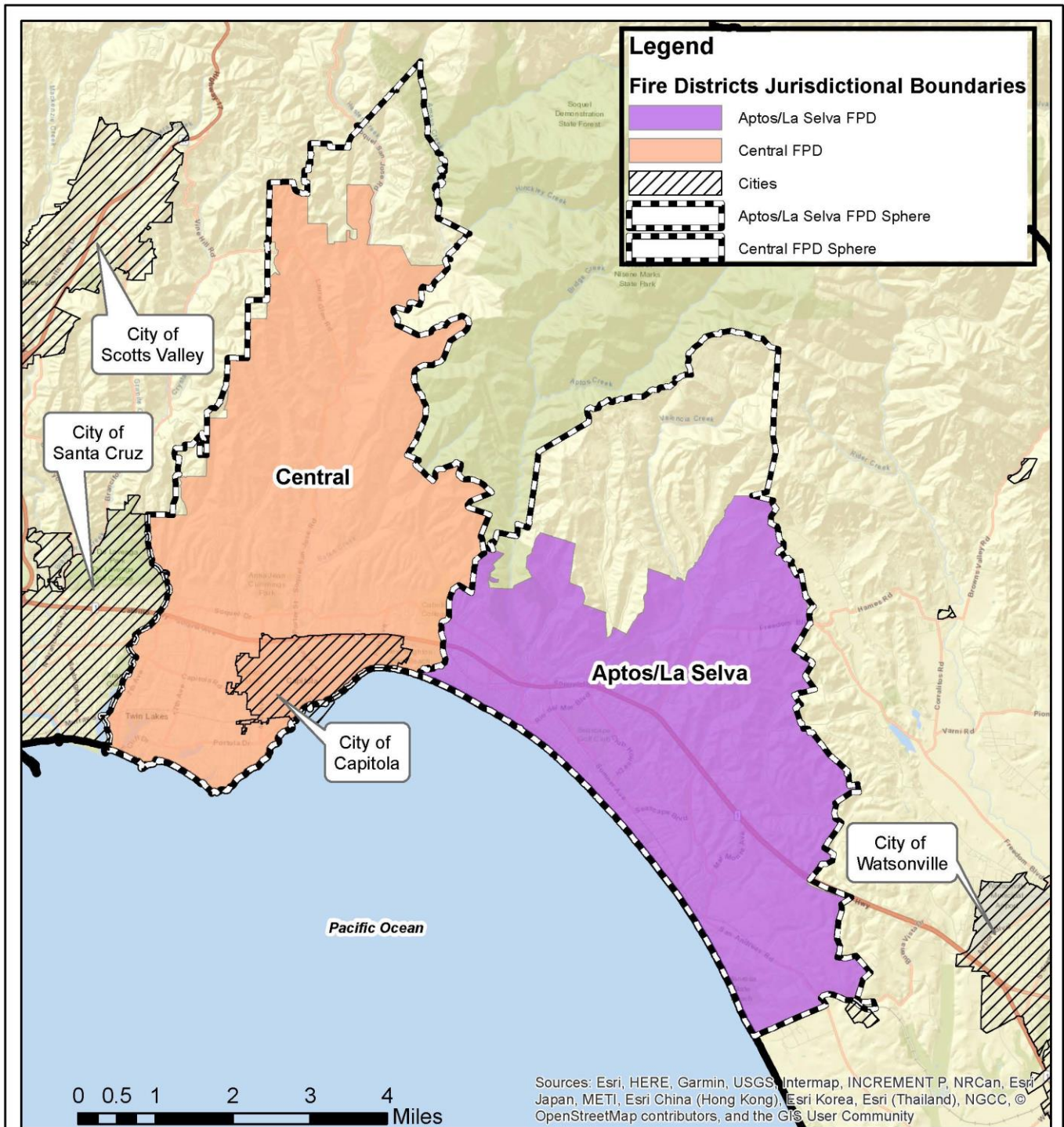
Central Fire Protection District Consolidation

In 1982, the Boards of Directors for the Live Oak Fire Protection District and the Soquel Fire Protection District passed resolutions requesting consolidation to create a single, new district to be known as the “Central Fire Protection District of Santa Cruz County.” A public hearing was held on October 5, 1983 in which the Commission evaluated the application and approved the consolidation. In 1987, a subsequent consolidation also occurred. The Boards of Directors for the Capitola Fire Protection District and Central Fire Protection District passed resolutions requesting consolidation. Following the similar LAFCO process, and after a public hearing was held on May 6, 1987, the Commission approved the consolidation. The new fire district was also named the “Central Fire Protection District of Santa Cruz County.” At present, Central FPD serves 28 square miles and encompasses the City of Capitola and the communities of Live Oak and Soquel. The District’s population is estimated to be around 60,000.

Feasibility Study & Service Review

Since the 1980s, several reports have been compiled looking at how Central and Aptos/La Selva FPDs could work more efficiently together through either a joint powers authority, shared services agreement, or consolidation. In 2017, the Board of Directors from both fire districts opened discussion of these options, and what they would entail. Partnering with LAFCO, a request for proposal was distributed to consultants specializing in this type of evaluation. During the month of July (2017), an ad-hoc committee was established, consisting of representatives from LAFCO and the Districts’ boards, staff, and labor groups. The ad-hoc committee came to consensus in September 2017 selecting Emergency Services Consulting International (ESCI) to spearhead a feasibility study, which also acted as a service review for both fire districts. Over the next 8 months, the consultants worked with all three entities in preparing their report. Interviews were conducted with the management, staff, line personnel, local government officials, and community members of both districts. In August 2018, the report was presented at a town hall meeting at Cabrillo College hosted by the fire districts and LAFCO. The Commission subsequently adopted the report on November 7, 2018. Due to the size of the report, the 2018 Feasibility Study and Service Review is available on LAFCO’s website: https://www.santacruzlafco.org/wp-content/uploads/2018/09/Mid-County-Final_Sept-2018.pdf

Figure A – Current Districts' Boundaries (Before Consolidation)

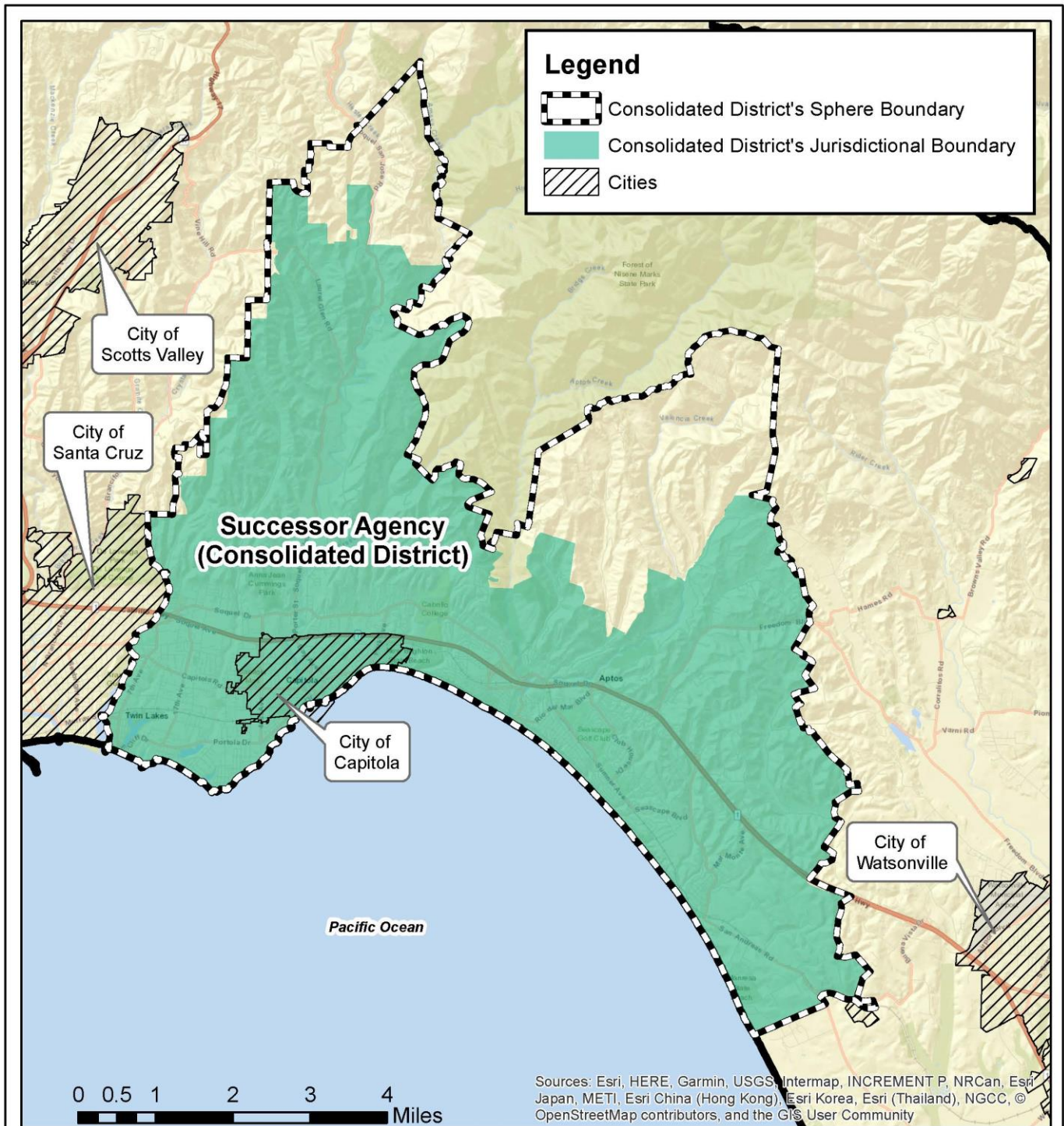


Proposed "Central & Aptos/La Selva Fire Consolidation" (LAFCO Project No. DC 20-02)



Last sphere reaffirmation for both Aptos/La Selva and Central FPDs occurred on November 7, 2018

Figure B – Proposed District Boundaries (After Consolidation)



Proposed "Central & Aptos/La Selva Fire Consolidation" (LAFCO Project No. DC 20-02)



Joint Application for Consolidation submitted
on December 30, 2019

Proposed Consolidation and Sphere Designation
considered on November 4, 2020

LAFCO Application

The 2018 Feasibility Study and Service Review identified an array of benefits in joint coordination and offered the necessary information for the two fire districts to further explore the option of consolidation. As a result, the two fire districts began the preliminary steps for consolidation in mid-2019 through various actions during publicly held meetings. An official application was submitted to LAFCO in December 2019. The following section discusses each component within the joint application packet submitted by Central and Aptos/La Selva FPDs.

Initiating Resolutions

State law requires a boundary change, including consolidation, to be initiated by resident petition or by an adopted resolution(s) from the affected agency(ies). Pursuant to Government Code Section 56853(a), if substantially similar resolutions are adopted making proposals for consolidation, the Commission shall approve, or conditionally approve, the proposal. The Board of Directors for Aptos/La Selva and Central Fire Protection Districts adopted similar initiating resolutions on July 16, 2019 and July 23, 2019, respectively (refer to **Attachment 2**).

Board Composition Resolutions

Designation of the governance structure is typically identified in the LAFCO Resolution as a term and condition. Based on the Fire Districts' Principal Act, the successor agency may have 3, 5, 7, 9, or 11 board members in accordance with the Health & Safety Code (§13800 et seq.) While not required by State law, both Aptos/La Selva and Central FPDs adopted resolutions indicating which of their board members will serve under the successor agency's 5-member board following consolidation. Consideration of these resolutions at separate public meetings offered an additional opportunity for community awareness and discussion. As a result, the Board of Directors for Central and Aptos/La Selva Fire Protection Districts adopted similar resolutions regarding the successor agency's board on November 12, 2019 and November 14, 2019, respectively. These resolutions are shown as an exhibit in the LAFCO Resolution (refer to Exhibit C of Attachment 15).

Filing Fee & Indemnification Agreement

Commission Policy requires a fee deposit of \$2,100 for any consolidation request. A deposit was included with the application packet. Following the completion of the LAFCO process, staff will conduct a cost analysis and refund any remaining balance, if available. Commission Policy also requires a signed indemnification agreement in the event that a lawsuit is filed against LAFCO's action. The filing fee and signed indemnification agreement was submitted on December 30, 2019 as part of the application packet (refer to **Attachment 3**).

General Plan/Zoning Designation

The vast majority of the proposal area is within unincorporated county territory and involves the following communities: Aptos, La Selva Beach, Live Oak, Rio Del Mar, and Soquel. The City of Capitola is also within Central Fire Protection District's current service and sphere boundaries. The proposal area encompasses approximately 55 square miles. The consolidation does not change the existing land use designations found in the general plans for Capitola or the County of Santa Cruz.

Other Municipal Services

No other change of organization is required as part of the consolidation. The consolidated area will continue to receive water from the existing service providers, including but not limited to Central Water District, Soquel Creek Water District, and the City of Santa Cruz.

Sphere Designation

Pursuant to Government Code Section 56425, the Commission designates a sphere of influence for cities and special districts. The sphere boundary for Aptos/La Selva and Central FPDs were last updated on November 7, 2018 as part of the 2018 service review. The current sphere of influence of both fire districts will be combined and will represent the sphere of influence boundary for the successor agency (refer to **Figure B**).

Map & Legal Description

Typically, the State Board of Equalization (BOE) requires a map and legal description when a boundary change is approved by the Commission. The metes and bounds help the BOE update the upcoming year's tax rolls. When consolidation occurs, the BOE accepts vicinity maps created by LAFCO. The proposed jurisdictional and sphere boundaries for the successor agency are shown in **Figure B** on page 5. As previously stated, the consolidated area encompasses 55 square miles and includes the communities of Capitola, Live Oak, Soquel, Aptos, Rio Del Mar, and La Selva Beach.

LAFCO Process (Pre-Commission Action)

Once an application is submitted to LAFCO, State law requires several steps to be completed before a proposal is presented to the Commission for consideration. These steps include notifying the applicants whether the application is missing items, informing affected and interested agencies about the consolidation, requesting the consideration of a property tax exchange agreement, recording an environmental document, and conducting LAFCO staff's analysis of the consolidation.

Status Letter

Pursuant to Government Code Section 56658(c), the LAFCO Executive Officer needs to determine within 30 days of receiving an application whether the application is complete and acceptable for filing or whether the application is incomplete. A letter was sent to the two fire districts on January 13, 2020 (see **Attachment 4**). This letter indicated the "status" of the application and outlines which steps were needed before the application could be deemed complete and ready for Commission consideration.

Referral Letter (Agency Comments)

Pursuant to Government Code Section 56658(b)(1), immediately after receiving an application and before issuing a certificate of filing, the LAFCO Executive Officer needs to give mailed notice that the application has been received to each affected local agency, the county committee on school district organization, and each school superintendent whose school district overlies the affected territory. The referral letter, shown as **Attachment 5**, was sent to the interested and affected agencies on January 13, 2020 which included a summary of the proposal and a supporting map. During this time, LAFCO staff also requested additional information from different County Departments regarding existing registered voters, number of parcels, and total land value within the proposal area. Due to the confidential information, such as resident names and addresses, the provided information is not attached to this report. However, the information is available for review at the LAFCO Office. The requested information is discussed below and summarized in **Figure C** on page 9.

County Elections Office – LAFCO staff requested a list of the most recent registered voters within the two fire districts. The Elections Department identified approximately 52,000 registered voters within the proposal area as of July 7, 2020.

County Assessor Office – LAFCO staff requested a list of all the parcels within the two fire districts as well as the assessed value for those parcels. The Assessor's Office

identified approximately 30,000 parcels within the proposal area. The total land value within the proposal area is approximately \$11 billion.

County Auditor-Controller Office – LAFCO staff requested a list of all the tax rate areas (TRAs) within the two fire districts. The Auditor-Controller identified 54 different TRAs with a property tax value of approximately \$75 million, as shown in **Attachment 6**. This information was used to help determine the percentage the two fire districts currently receive from the total property tax value. The current percentage would then be transferred over to the successor agency through a property tax exchange agreement.

County Administrative Office – LAFCO staff requested that a property tax exchange agreement be placed on a future agenda for adoption by the County Board of Supervisors. The County Administrative Office scheduled the proposed tax agreement on March 24, 2020, as discussed in the next segment.

Property Tax Exchange Agreement

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement involving the affected agencies before LAFCO can consider a jurisdictional change. The Board of Supervisors acting as the authorizing body for the two fire districts regarding property tax adjustments adopted a property tax exchange agreement on March 24, 2020. A copy of the adopted resolution is available in **Attachment 7**.

Plan for Service

Pursuant to Government Code Section 56653, the applicants shall submit a plan for providing services within the affected territory. The Plan for Service includes all of the following information and any additional information required by LAFCO: (1) An enumeration and description of the services currently provided or to be extended to the affected territory, (2) The level and range of those services, (3) An indication of when those services can feasibly be extended to the affected territory, if new services are proposed, (4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed, and (5) Information with respect to how those services will be financed.

An administrative copy of the Plan for Service was provided to LAFCO on October 1, 2020. While not required by State law, both Aptos/La Selva and Central FPDs adopted the Plan for Service during separate public meetings. Consideration and adoption of the plan offered an additional opportunity for community input and discussion. As a result, the Board of Directors for Aptos/La Selva and Central Fire Protection Districts adopted the Plan for Service on October 8, 2020 and October 13, 2020, respectively. **Attachment 8** provides a copy of the adopted Plan for Service.

Environmental Review

Commission Policy indicates that all matters that are reviewable pursuant to environmental regulations are subject to the applicable provisions of the California Environmental Quality Act (CEQA). LAFCO, as the Lead Agency, recorded a Notice of Exemption pursuant to State CEQA Guidelines Section 15320, Class 20(b): Changes in the organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised, including but not limited to consolidation of two or more districts having identical powers. The Notice of Exemption was recorded on October 8, 2020, as shown in **Attachment 9**.

Figure C – Summary of Information Requested from Santa Cruz County

Registered Voters

	Total Number
Aptos/La Selva FPD	18,045
Central FPD	<u>33,991</u>
Registered Voters	52,036

Parcel List

	Total Number
Aptos/La Selva FPD	12,380
Central FPD	<u>17,840</u>
Parcels	13,476

Total Acres

	Total Number
Aptos/La Selva FPD	11,924
Central FPD	<u>13,476</u>
Acres	25,400

Assessed Land Value

	Total Number
Aptos/La Selva FPD	\$4,656,179,388
Central FPD	<u>\$6,115,305,575</u>
Land Value	\$10,771,484,963

Local & Statutory Factors

Pursuant to Government Code Section 56668, several factors are considered when reviewing a proposal. Additionally, the Commission has adopted a policy to implement the State law in the manner that best encourages orderly growth based upon local conditions within Santa Cruz County. These analyzed factors are shown in **Table D** on pages 14-15. In addition to these statutory factors, the following section examines additional local factors identified by LAFCO staff:

Shared Services Agreement

Aptos/La Selva and Central FPDs merged their operations in April 2019. The internal “consolidation” allowed the two fire districts to share space and resources under a shared services agreement adopted by both District Boards. This partnership was an effort to combine services and cut costs at the internal level and viewed as a precursor to consolidation based on its ongoing success.

Population Projection

Official growth projections are typically not available for special districts. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. In general, the Coastal Region is anticipated to have a slow growth over the next twenty years. The average rate of change is expected to be 0.96%. Based on staff’s analysis, the population within the two fire districts is approximately 90,000 and may reach to 94,000 by 2040. The following table shows the anticipated population within the successor agency under this slow growth assumption.

Table B: Population Projection

	2020	2025	2030	2035	2040	Average Rate of Change
Aptos/La Selva FPD	27,268	27,530	27,794	28,061	28,330	0.96%
Central FPD	63,109	63,715	64,327	64,944	65,568	0.96%
Successor Agency (Consolidated District)	90,377	91,245	92,121	93,005	93,898	0.96%

Level of Service

The Commission requires that the successor agency provide the same or better level of service following consolidation. The two fire districts have indicated that operations will remain the same as a result of the consolidation. 9-1-1 calls will continue to be handled by the same firefighters, using the same equipment, responding from the same fire stations. The Districts’ analysis also indicates that operations will improve by maximizing current personnel and eliminating procedural barriers that limit flexibility in deploying scarce resources. Based on LAFCO staff’s analysis, operations will be streamlined with improved management oversight, which may result in a higher level of service in the near future.

Governance

The current management structure for the Fire Districts is a Fire Chief and an elected governing board. Each District currently has an Interim Fire Chief, as well as a publicly elected Board of Directors consisting of five members, who are elected to four-year, staggered terms. Central Fire Chief John Walbridge has been identified as the Interim Fire Chief for the successor agency until a permanent Fire Chief is hired. In accordance with the adopted resolutions by each fire district, the successor agency will be governed by a five (5) member board, initially comprised of current board members: three (3) from Aptos/La Selva Fire Protection District and two (2) from Central Fire Protection District, as shown in the table below. For better representation, and in conformance with the California Voting Rights Act, the newly-consolidated district will transition to a system of elections by district effective with the 2022 general election.

Table C: Successor Agency's Board Composition

Board Member	Current Term of Office	District of Origin
John Lucchesi	First Elected: 2016 Next Election: General 2020	Central FPD
Barry Franchi	First Elected: 2017 Next Election: General 2022	Central FPD
George Lucchesi	First Elected: 2016 Next Election: General 2020	Aptos/La Selva FPD
Orbrad Darbro	First Elected: 2018 Next Election: General 2022	Aptos/La Selva FPD
John Scanlon	First Elected: 2018 Next Election: General 2022	Aptos/La Selva FPD

In-Lieu of Election

It is LAFCO's understanding that the November 2020 election cycle was going to address a number of open seats on both fire district boards. However, the County Elections Department has indicated that the number of candidates equaled the number of seats available. As a result, an election was not required. The appointed board members will be officially seated on December 8 for Central FPD and December 10 for Aptos/La Selva FPD. The new board members should be well aware of the ongoing consolidation effort. It is important to note that these appointments, in-lieu of election, do not affect the successor agency's board composition as outlined by the Districts' adopted resolutions. These resolutions are shown as an exhibit in the LAFCO Resolution (refer to Exhibit C).

Personnel

All personnel of the Aptos/La Selva and Central FPDs will become employees of the successor agency, under the salary schedule and benefits subject to the current contracts for each bargaining group. Current employees will not be adversely impacted by the consolidation process. Commitments made to retirees in terms of post-employment benefits will be honored. Consolidation will eliminate the need for one Fire Chief Position. Additionally, a consolidation of administrative staff would eliminate 1.5 administrative positions. A reduction in these positions would also reduce costs for various benefit programs. Any reduction in the number of positions will be accomplished through attrition or reassignment. No employees of either fire district will be laid off as a result of the consolidation. All labor-related contracts are included as a condition within the LAFCO Resolution (refer to Exhibit D of Attachment 15).

Pension Obligations

One of the most critical components analyzed when considering a consolidation is the transition of pension obligations. Current laws allow public agencies to participate in the California Public Employees' Retirement System (CalPERS) by contract to provide retirement benefits to its employees (Government Code Section 20460). Both fire districts currently have separate contracts with CalPERS with different pension benefits. Since the enactment of the California Public Employees' Pension Reform Act of 2013 (PEPRA), only formations of joint powers authority (JPA) can transfer over the same defined benefit plan or formulate that they received from their respective employer prior to the JPA formation rather than the benefit required under PEPRA.

In order to ensure that the existing employees from both fire districts maintain the same pension plans, Assembly Bill 1140 was introduced by Assemblymember Mark Stone and Senator Bill Monning. After coordination between CalPERS, the two Legislators, the two fire districts, and LAFCO, Governor Gavin Newsom signed AB 1140 in September 2020. **Attachment 10** provides a copy of the legislative language under AB 1140. Enactment of this bill will allow the existing pension obligations for Central and Aptos/La Selva FPDs to be successfully transferred over to the newly-consolidated district without any changes to the defined benefit plans or formulas currently in place.

Financial Projections

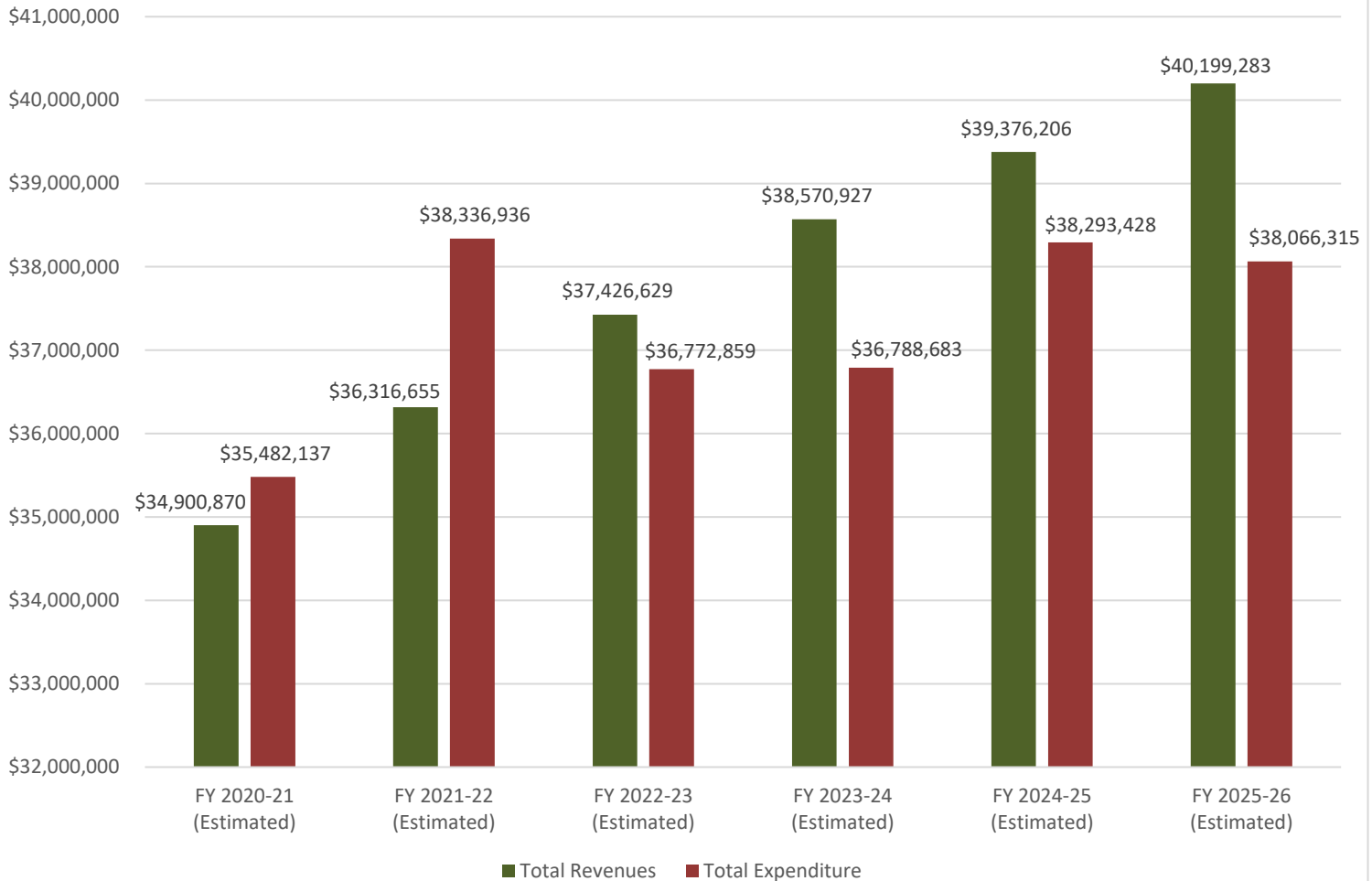
Figures D and E highlight the District's projected financial performance during the next six fiscal years. A full fiscal impact report was completed in the 2018 Feasibility Study and the 2020 Plan for Service. Based on LAFCO staff's analysis, the consolidation will result in an overall financial surplus of approximately \$3 million by 2026. The net balance is projected to grow from \$26 million in 2020 to \$29 million in 2026. This is a result from the collective cost-savings earned at the end of each year.

Figure D: Financial Analysis (2020 to 2026)

	FY 2020-21 (Estimated)	FY 2021-22 (Estimated)	FY 2022-23 (Estimated)	FY 2023-24 (Estimated)	FY 2024-25 (Estimated)	FY 2025-26 (Estimated)
REVENUE						
Property Taxes	\$ 32,419,913	\$ 33,716,710	\$ 34,728,211	\$ 35,770,057	\$ 36,485,458	\$ 37,215,167
Other Revenue	\$ 2,480,957	\$ 2,599,945	\$ 2,698,418	\$ 2,800,870	\$ 2,890,748	\$ 2,984,116
Total Revenues	\$34,900,870	\$36,316,655	\$37,426,629	\$38,570,927	\$39,376,206	\$40,199,283
EXPENDITURE						
Salaries & Benefits	\$ 28,830,546	\$ 29,934,112	\$ 30,798,803	\$ 31,745,847	\$ 32,664,467	\$ 33,606,749
Services & Supplies	\$ 5,896,508	\$ 4,144,182	\$ 4,265,948	\$ 4,381,750	\$ 4,500,528	\$ 4,622,842
Capital	\$ 1,135,496	\$ 4,690,387	\$ 2,143,280	\$ 1,099,710	\$ 1,570,536	\$ 282,332
Contingency	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Net Costs (Savings) of Consolidation	\$ (580,413)	\$ (631,745)	\$ (635,172)	\$ (638,624)	\$ (642,103)	\$ (645,608)
Total Expenditure	\$35,482,137	\$38,336,936	\$36,772,859	\$36,788,683	\$38,293,428	\$38,066,315
Surplus/(Deficit)	\$ (581,267)	\$ (2,020,281)	\$ 653,770	\$ 1,782,244	\$ 1,082,778	\$ 2,132,968
NET CASH FLOW						
Beginning Cash on Hand	\$ 26,028,172	\$ 25,446,905	\$ 23,426,624	\$ 24,080,394	\$ 25,862,638	\$ 26,945,416
Ending Cash on Hand	\$25,446,905	\$23,426,624	\$24,080,394	\$25,862,638	\$26,945,416	\$29,078,384

Footnote: FY 2020-21 and 2021-22 will experience capital projects as part of the transition following consolidation

Figure E: Financial Projections (FY 2020-21 to FY 2025-26)



Based on LAFCO staff's analysis, the first two years of the successor agency may experience a financial deficit. This is primarily due to anticipated capital costs. A majority of these capital costs are based on each fire district's existing replacement schedules. In 2021, there will be aging apparatus from both fire districts that need to be replaced at the same time. It is important to note that these are scheduled replacements, and the two fire districts have capital outlay funds allocated for these replacements. While the projections show a deficit, the two districts have already earmarked the necessary funds to address the upcoming capital costs. In summary, the consolidation is projected to have cost-savings in the short and long-run.

Certificate of Filing

Pursuant to Government Code Section 56020.6, a certificate of filing is a document issued by the Executive Officer that confirms an application for a change of organization has met submission requirements and is ready for Commission consideration. The Executive Officer deemed the application complete and signed the certificate of filing on October 6, 2020 as shown in **Attachment 11**. Following the issuance of the certificate of filing, the Executive Officer shall proceed to set the proposal for hearing and give published notice. The date of the hearing shall be no more than 90 days after issuance of the certificate of filing or after the application is deemed to have been accepted, whichever is earlier. Notwithstanding Government Code Section 56106, the date for conducting the hearing is mandatory.

Table D – Summary of Statutory and Policy Considerations

Factors to Consider	LAFCO Staff Comment
1. Population, density, growth, likelihood of growth in, and in adjacent areas, over 10 years (GCS 56668[a] and Commission Policy 3.4)	Consistent. The Coastal Region is expected to have a slow growth. Staff's analysis indicates that the successor agency will have the capacity to meet the demands from the existing and future population.
2. Effect of proposal on cost & adequacy of service in area and adjacent areas (GCS 56668[b][1])	Consistent. The existing revenue source will continue under the newly consolidated district. The consolidation may lead to cost-savings in the short and long-run.
3. Need for organized services, probable future needs (GCS 56668[b][2])	Consistent. The existing two fire districts have earmarked adequate funds to address future apparatus replacements and services.
4. Effect of alternative courses of action on cost & adequacy of service in area and adjacent areas (GCS 56668[c])	Consistent. The two fire districts have compared the status quo with consolidation and their findings showed benefits in shared services through a change of organization. Such consolidation will not result in any additional costs to the residents. These findings are disclosed in the 2018 Feasibility Study & Service Review and the 2020 Plan for Service.
5. Conformity of the proposal and anticipated effects with the Commission's adopted policies (GCS 56668[d])	Consistent. The consolidation is encouraged by the Commission pursuant to adopted policies.
6. Physical and economic integrity of agriculture lands and open space (GCS 56668[e])	Consistent. The consolidation will not change the economic integrity of agricultural or open space lands. The existing land use designations will remain the same.
7. Boundaries: logical, contiguous, not difficult to serve, definite and certain (GCS 56668[f] and Commission Policy 4.3 and 4.11)	Consistent. The successor agency's jurisdictional and sphere boundaries will be coterminous with the existing jurisdictional and sphere boundaries of each fire district.
8. Regional Transportation Plan (GCS 56668[g])	Consistent. The consolidation will not change the transportation plans set forth by the City of Capitola or Santa Cruz County. The existing land use designations will remain the same.
9. Consistency with city or county general and specific plans (GCS 56668[h] and Commission Policy 3.1)	Consistent. The consolidation will not change the General Plans or pre-zone designations set forth by the City of Capitola or Santa Cruz County. The existing land use designations will remain the same.
10. Consistency of the existing sphere boundaries (GCS 56668[i] and Commission Policy 2.1)	Consistent. The successor agency's jurisdictional and sphere boundaries will be coterminous with the existing jurisdictional and sphere boundaries of each fire district.
11. Comments from affected local agency or other public agency (GCS 56668[j])	Consistent. In accordance with State law, LAFCO staff solicited comments from interested and affected agencies. LAFCO did not receive any written opposition.

12. Ability of the newly formed entity to provide services (GCS 56668[k] and Commission Policy 3.7)	Consistent. The two fire districts have compared the status quo with consolidation and their findings showed benefits in shared services through a change of organization. Such consolidation will not result in any additional costs to the residents. These findings are disclosed in the 2018 Feasibility Study & Service Review and the 2020 Plan for Service.
13. Timely availability of adequate water supply (GCS 56668[l])	Consistent. No other change of organization is required as part of the consolidation. The consolidated area will continue to receive water from the existing service providers, including but not limited to Central Water District, Soquel Creek Water District, and the City of Santa Cruz.
14. Regional Housing Needs Allocation (GCS 56668[m])	Consistent. The consolidation will not change regional housing needs allocation identified by the City of Capitola or Santa Cruz County. The existing land use designations will remain the same.
15. Any information or comments from the affected landowners, registered voters, and/or residents (GCS 56668[n])	Consistent. LAFCO advertised the public notice in two newspapers (Sentinel and Aptos Times), outside the LAFCO Office and County building, and on the LAFCO website. LAFCO did not receive any written opposition.
16. Any information relating to existing land use designations (GCS 56668[o] and Commission Policy 3.2)	Consistent. The consolidation will not change the General Plans or pre-zone designations set forth by the City of Capitola or Santa Cruz County. The existing land use designations will remain the same.
17. Promotion of environmental justice (GCS 56668[p] and Commission Policy 4.10)	Consistent. The two fire districts held multiple public meetings regarding the consolidation effort between 2018 to 2020. LAFCO staff encourages public participation when changes of organization, such as consolidation, is being considered.
18. Promotion of consolidation proposals (Commission Policy 4.2)	Consistent. The consolidation is encouraged by the Commission pursuant to adopted policies. Staff's analysis determines various benefits from consolidation.
19. Consideration of other boundaries (Commission Policy 4.4, 4.6, 4.7, and 4.9)	Consistent. The Commission encourages shared services and joint efforts from existing public agencies.
20. Prevention of "Islands" (Commission Policy 4.8)	Consistent. The consolidation will not create an "island" or area in which it is substantially surrounded by the successor agency and excluded from the service area.

LAFCO Process (Commission Action)

Pursuant to State law, LAFCO is required to advertise the consideration of the proposed consolidation in a newspaper at least 21-days prior to the hearing date (Government Code Section 56157[h]). After deeming the proposal complete, the Executive Officer advertised the consolidation in the Santa Cruz Sentinel on October 7, 2020 as well as in the Aptos Times on October 15, 2020. The public notice was also uploaded on LAFCO's website and circulated to interested agencies and individuals. The public notices indicated that the consolidation was scheduled for Commission consideration on November 4, 2020, included a vicinity map and provided answers to frequently asked questions. Information on how to participate in the LAFCO Meeting was also included in the public notice. A copy of the public notice is shown in **Attachment 12**. Additionally, LAFCO participated in a virtual town-hall meeting hosted by Supervisors John Leopold and Zach Friend on September 30, 2020. The purpose of the virtual meeting was to continue the ongoing public-forum discussion about the fire consolidation and its benefits.

Commission Hearing

Pursuant to Government Code Section 56666, a hearing is required when considering a change of organization. At the hearing, the Commission shall hear and receive any oral or written protests, objections, or evidence that shall be made, presented, or filed, and consider the report of the Executive Officer and the plan for providing services to the proposal area. As previously mentioned, if substantially similar resolutions are adopted making proposals for consolidation, the Commission shall approve, or conditionally approve, the proposal.

LAFCO Process (Post-Commission Action)

If the Commission approves the consolidation, State law requires the commencement of a request for reconsideration period and a protest proceeding. These two periods are summarized below. **Attachment 13** provides a complete overview of the entire LAFCO process schedule – from the day the application was submitted to the proposed completion date (assuming the consolidation effort is successful).

Request for Reconsideration

Pursuant to Government Code Section 56895, when the Commission adopts a resolution making determinations regarding a change of organization, any person or affected agency may file a written request with the Executive Officer requesting amendments to or reconsideration of the resolution. The request shall state the specific modification to the resolution being requested and shall state what new or different facts that could not have been presented previously are claimed to warrant the reconsideration. Individuals or agencies have up to 30 days after adoption of the resolution to submit a written request. The request for reconsideration period is scheduled for November 5 to December 4.

Protest Proceedings

Pursuant to Government Code Section 57000, when the Commission adopts a resolution making determinations regarding a change of organization, affected residents within the proposal area will have an opportunity to voice their opposition during the protest period. The Commission shall specify a timeframe between twenty-one (21) and sixty (60) days for the collection and filing of written protests pursuant to Government Code Section 56886(o), and that timeframe shall be included in the terms and conditions of an approval for a change of organization. Within thirty (35) days of the adoption of the Commission's resolution, the Executive Officer shall notice a protest hearing and, in the notice, set the hearing date as prescribed by the Commission in its terms and conditions. LAFCO staff has set forth a 30-day protest proceeding. The protest period is scheduled for December

4, 2020 to January 6, 2021. A protest hearing will be held on January 6, 2021 to collect the final petitions and hear any resident feedback. A public notice for the protest hearing will be advertised no later than December 4, 2020.

Protest Results

Upon determination of the value of written protests filed and not withdrawn, the Executive Officer shall take one of the following actions:

- a) If less than 25% of the affected registered voters or landowners oppose the proposal, then a form of resolution making determinations and ordering the change of organization or reorganization will be adopted without an election;
- b) If 25% to 50% of the affected registered voters or landowners oppose the proposal, then a form of resolution making determinations and ordering the change of organization or reorganization will be adopted subject to confirmation by the voters; or
- c) If more than 50% of the affected registered voters or landowners oppose the proposal, then a certificate of termination will be issued, which ends the LAFCO proceedings.

For additional transparency, and to clarify the statutory requirements outlined in the Cortese-Knox-Hertzberg Act, the Commission adopted a Protest Proceedings Policy (refer to **Attachment 14**).

Certificate of Completion

A certificate of completion is the document prepared by the Executive Officer and recorded with the County Recorder that confirms the final successful completion of a change of organization, in this case the fire consolidation. Pursuant to Government Code Section 57200, the Executive Officer will prepare and execute a certificate of completion when the following are completed:

- 1) Completion of the Request for Reconsideration and Protest Periods; and
- 2) Satisfaction of any conditions contained in the adopted resolution that required to be completed prior to filing a certificate of completion.

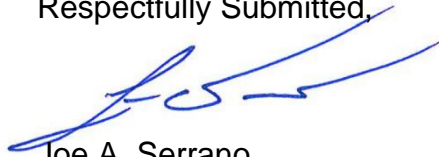
Pursuant to Government Code Section 57001, if a certificate of completion for a change of organization has not been filed within one year after the commission approves a proposal for that proceeding, the proceeding shall be deemed terminated unless prior to the expiration of that year the Commission authorizes an extension of time for that completion. The extension may be for any period deemed reasonable to the Commission for completion of necessary prerequisite actions by any party.

STAFF RECOMMENDATION

Over the years, the State Legislature, the Little Hoover Commission and several grand juries have encouraged LAFCOs throughout California to be more proactive in initiating consolidations. There are many significant actions that need to come to fruition when considering consolidation, including conformity between the unions, staff and district boards, dedication to the analysis and findings, assurance to the affected communities, commitment to the efficient delivery of fire protection, and devotion to the idea of “good government” by all affected parties. Good government in the sense that the two fire districts adopt a mindset of “serving beyond borders” by focusing on how to effectively provide a critical municipal service, such as fire protection, to the communities of Capitola, Live Oak, Soquel, Aptos, Rio Del Mar, and La Selva Beach.

This collaborative effort will preserve the current levels of service, maintain local demand expectations, and continue the existing funding sources while maximizing economies of scale, combining best practices, and ultimately lead to cost-savings. Therefore, staff is recommending that the Commission adopt the draft resolution, as shown in **Attachment 15**. The effective date of this consolidation, if approved, is subject to completion of terms and conditions outlined in this resolution as authorized by Government Code Sections 56886(p) and 57202 and will be effective upon issuance of the certificate of completion. Based on the attached consolidation schedule created by LAFCO staff, the effective date may occur around February-March 2021.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. [Proposal Evaluation Policy](#)
2. [Initiating Resolutions](#)
3. [Indemnification Agreement](#)
4. [LAFCO Status Letter](#)
5. [LAFCO Referral Letter](#)
6. [Tax Rate Areas](#)
7. [Property Tax Exchange Agreement](#)
8. [Plan for Service](#)
9. [Notice of Exemption](#)
10. [CalPERS Pension Plans \(AB 1140\)](#)
11. [Certificate of Filing](#)
12. [Notice of Public Hearing](#)
13. [Consolidation Schedule](#)
14. [Protest Proceedings Policy](#)
15. [Draft Resolution No. 2020-30](#)

cc: Craig Scholer, Assembly Member Mark Stone's Office
Maureen McCarty, Assembly Member Mark Stone's Office
Rachel Bickert, Senator Bill Monning's Office
Barry Franchi, Central FPD, Board Chair
John Walbridge, Central FPD, Interim Fire Chief
George Lucchesi, Aptos/La Selva FPD, Board President
Don Jarvis, Aptos/La Selva FPD, Interim Fire Chief
Carl Steinmetz, Local 3535, Union President
Michael Botill, Local 3605, Union President